

COMMITTEE REPORT
SENATE

5/31/84

FURTHER:

Date 6/1/84

Mr. President

The Committee on FINANCE considered CSHB 608(F1a)

Royalty oil contracts and approving the sale of Prudhoe Bay royalty oil by the State of Alaska to the Tesoro Alaska Petroleum Company; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass *w/attached letter of intent from Rep Adams*
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title _____
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING

DO PASS

John C. Bennett
[Signature]
[Signature]
[Signature]
[Signature]

MEMBERS HAVING

OTHER RECOMMENDATIONS

John C. Bennett
Chairman

Chairman recommendation

Offered: 5/30/84
Referred: Rules

Original sponsor: Hayes

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2

CS FOR HOUSE BILL NO. 608 (Finance)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to royalty oil contracts and approving the sale of Prudhoe Bay royalty oil by the State of Alaska to the Tesoro Alaska Petroleum Company; and providing for an effective date."

7

8

9

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. The "Agreement for the Sale and Purchase of Royalty Oil
12 between the State of Alaska and Tesoro Alaska Petroleum Company," dated
13 December 9, 1983, for the sale of Prudhoe Bay royalty oil, is hereby approved and ratified.

15 * Sec. 2. AS 38.05.183 is amended by adding a new subsection to read:

16 (f) The commissioner may not enter into a contract for the sale
17 of royalty oil unless the contract provides that any material amendment to the contract that appreciably reduces the consideration received by the state requires prior approval of the legislature.

20 * Sec. 3. This Act takes effect immediately in accordance with AS 01.-
21 10.070(c).

LETTER OF INTENT
FOR
COMMITTEE SUBSTITUTE FOR HOUSE BILL 608 (FINANCE)

It is the intent of the legislature that the "Agreement for the Sale and Purchase of Royalty Oil between the State of Alaska and Tesoro Alaska Petroleum Company", dated December 9, 1983, for the sale of Prudhoe Bay royalty oil, is approved only with the understanding that the attached amendment to the agreement relating to the relationship between Tesoro Alaska Petroleum Company and Charter Oil Company has been signed by Commissioner Wunnicke and the Tesoro Alaska Petroleum Company Attorney-in-Fact and is now incorporated into the agreement.



Al Adams, Chairman
House Finance Committee

Came w/ bill

11

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: CSHB 608(Fin)
Title: Re: Royalty oil contracts/
approving sale of P.B. r.oil to Tesoro
Sponsor: Hayes
Requestor: House Finance Committee
Date of Request: 5/30/84

FISCAL DETAIL

Agency Affected: DNR
Program Category Affected: _____
BRU, Program or Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES		0				
200 TRAVEL		0				
300 CONTRACTUAL		0				
400 SUPPLIES		0				
500 EQUIPMENT		0				
600 LAND & STRUCTURES		0				
700 GRANTS, CLAIMS		0				
800 MISCELLANEOUS		0				
TOTAL OPERATING		0				
CAPITAL		0				
REVENUE		0				

FUNDING: (Thousands of Dollars)

GENERAL FUND		0				
FEDERAL FUNDS		0				
OTHER		0				
TOTAL		0				

POSITIONS:

FULL-TIME		0				
PART-TIME		0				
TEMPORARY		0				

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Al Adams, Chair
Division: House Finance Committee

Phone: 465-3706
Date: 5/30/84

Approved by Commissioner: _____
Agency: _____

Date: _____

Distribution (by Agency preparing fiscal note):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

STATE OF "ALASKA" 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: CSHB 608(Fin)
 Title: Re: Royalty oil contracts/
approving sale of P.B. r.oil to Tesoro
 Sponsor: Hayes
 Requestor: House Finance Committee
 Date of Request: 5/30/84

FISCAL DETAIL

Agency Affected: DNR
 Program Category Affected: _____
 BRU, Program or Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES		0				
200 TRAVEL		0				
300 CONTRACTUAL		0				
400 SUPPLIES		0				
500 EQUIPMENT		0				
600 LAND & STRUCTURES		0				
700 GRANTS, CLAIMS		0				
800 MISCELLANEOUS		0				
TOTAL OPERATING		0				
CAPITAL		0				
REVENUE		0				

FUNDING: (Thousands of Dollars)

GENERAL FUND	0				
FEDERAL FUNDS	0				
OTHER	0				
TOTAL	0				

POSITIONS:

FULL-TIME	0				
PART-TIME	0				
TEMPORARY	0				

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Al Adams, Chair Phone: 465-3706
 Division: House Finance Committee Date: 5/30/84

Approved by Commissioner: _____ Date: _____
 Agency: _____

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

12/1/83

Amendment to the Agreement for the Sale and Purchase of Royalty Oil between the State of Alaska and Tesoro Alaska Petroleum Company (for the sale of Prudhoe Bay Royalty Oil), dated December 9, 1983:

(a) In order to induce Seller to enter into this Agreement and to perform its respective obligations from time to time hereunder, Purchaser represents and warrants to Seller that, as of the expected dates of delivery of royalty oil under this Agreement, no person(s) or entity that controlled the Charter Company as of July 1, 1981 (including, but not limited to, Mr. Raymond K. Mason) (collectively, together with the Charter Company, "Charter"), nor any persons or entities that control, are controlled by, or are under common control with, Charter as of such expected dates of delivery will own or hold any beneficial equity or ownership interest in Purchaser that was acquired through a transaction that included Purchaser or Tesoro Petroleum Corporation as a party and did not involve any public offering as defined in Section 4(2) of the Securities Act of 1933 (a "Prohibited Interest"). As used in this paragraph, the word "control" and its correlatives "controlling" and "controlled" refer to the power, directly or indirectly (including through one or more controlled entities) to cause the direction of the operations or management of another entity, whether through common management, majority ownership, by contract or otherwise. It shall be a condition precedent to Seller's performance of its respective obligations under this Agreement generally and, specifically, to deliver any royalty oil hereunder that the foregoing representation and warranty shall be true, complete and accurate on the date of such performance. Such representation and warranty shall be deemed affirmed by Purchaser in each notice to Seller requesting delivery of royalty oil and by Purchaser's acceptance of each such delivery, as if made by Purchaser and effective as of the date of each such notice and acceptance. In addition, Purchaser shall from time to time, upon written request from Seller, certify to Seller in a written instrument signed by Purchaser's chief executive officer, that to the best of Purchaser's actual knowledge, no Prohibited Interest exists as of the date of such certificate.

(b) If from time to time (1) Seller should have notice or knowledge of the existence of a Prohibited Interest, or (2) Purchaser should fail to deliver to Seller the certificate described in the preceding paragraph within 15 days after Seller's written request therefor, Seller will in each instance suspend deliveries of royalty oil hereunder by written notice to Purchaser, effective as of a date set forth in such notice but not later than the date seven calendar months after the date of such notice. No such suspension shall terminate this Agreement, or extend the term hereof, or operate to excuse or discharge Purchaser's obligations to accept and pay for deliveries of

Jew
5-29-84
CM

royalty oil prior to the effective date of such suspension or after such suspension is terminated by Seller. Seller's failure to suspend, or delay in suspending delivery of royalty oil shall not be deemed, or operate as, a waiver to exercise such right subsequently in the same or any other instance.

(c) If, during the pendency of any notice period with respect to any such suspension or during the period of such suspension, Purchaser shall certify to Seller in a written instrument signed by Purchaser's chief executive officer that any Prohibited Interest no longer exists and provide any explanatory information confirming such fact that Seller may reasonably request, Seller shall terminate such notice and suspension by written notice to Purchaser, effective as of a date set forth in such notice but not later than the date seven calendar months after the date of such notice. On and as of such effective date, Seller shall deliver, and Purchaser shall accept and pay for, royalty oil pursuant to such terms and conditions as would otherwise pertain hereunder as if such notice of suspension and suspension had not occurred.

Arthur C. Wenniche
Commissioner
Department of Natural Resources

May 29, 1984
Date

William J. Park
Attorney-in-Fact
Tesoro Alaska Petroleum Company

May 29, 1984
Date



Ombudsman

John B. Chenoweth

February 16, 1984

Representative Mitch Abood, Chairman
State Affairs Committee
Alaska House of Representatives
Pouch V
Juneau, Alaska 99811-3100

RE: House Bill 608

Dear Representative Abood:

In your committee's review of this bill, please consider broadening the reference to "expenses of the legislature" to incorporate a reference to the office of the ombudsman.

It is my understanding that, if authorized by law and implemented administratively, the Legislative Affairs Agency would be in a position to handle the bill paying functions of the legislature, its committees and associated agencies, and my office. Our management systems are being altered to follow the changes now scheduled or under consideration by the Legislative Affairs Agency on the assumption that the revised Agency system would also be responsive to our needs.

The revision of the legal basis for those changes should be amended accordingly. I would prefer, if possible, to see each of the entities that would look to the Agency for payment of appropriations--the legislature's permanent interim committees and my office--specifically mentioned in the bill in order to avoid any confusion or uncertainty as to whether we may use these services of the Agency.

If the committee agrees with my reasoning and agrees to this change, please also consider amending the reference to "a certifying officer of the legislature appointed by the executive director" [p. 1, lines 15 and 16] to be replaced by "a certifying officer". All certifying officers in the legislative branch are not appointed by the Agency executive director. Each of us--the Agency, the permanent committees, and my office--individually maintains certifying officers appointed by those who head the respective offices.

State of Alaska

Reply to:

- 3201 C Street, Suite 606
Anchorage, Alaska 99503
(907) 276-4011
- Pouch W0
Juneau, Alaska 99811
(907) 465-4970
- P.O. Box 74358
Fairbanks, Alaska 99707
(907) 452-4001

Representative Mitch Abood

- 2 -

February 16, 1984

Thank you in advance for your consideration.

Sincerely,

John B. Chenoweth
Ombudsman

JBC:pjc

cc: Speaker Hayes (Sponsor)
Myrt Charney, Executive Director

Introduced: 2/13/84
Referred: State Affairs and Finance

1 IN THE HOUSE

BY HAYES

2

HOUSE BILL NO. 608

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to operation of the legislature; and

7

providing for an effective date."

8

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9

* Section 1. AS 24.20.140 is amended by adding a new subsection to

10

read:

11

(b) Appropriations for expenses of the legislature shall on

12

requisition by the executive director of the Legislative Affairs

13

Agency be paid by the Department of Administration to the agency. The

14

executive director shall disburse these funds on properly drawn

15

vouchers signed by a certifying officer of the legislature appointed

16

by the executive director. The executive director shall send a dupli-

17

cate copy of each voucher to the Department of Administration within

18

15 days after the end of each calendar month.

19

* Sec. 2. AS 37.05.400 is amended to read:

20

Sec. 37.05.400. DEFINITIONS FOR CHAPTER. In this chapter

21

(1) "fiscal year," "budget year," "accounting year," or

22

similar term means a year beginning on July 1 of one calendar year and

23

ending on June 30 of the following calendar year;

24

(2) "handicapped individual" means an individual under a

25

physical or mental disability which constitutes a substantial handicap

26

to employment;

27

(3) "sheltered workshop" means a place where manufacture or

28

handiwork is carried on, and which is operated for the primary purpose

29

of providing remunerative employment to handicapped individuals; [.]

1 (4) "state agency," "agency," "department," or similar term
2 means a department, office, institution, board, commission, bureau,
3 division, or other administrative unit forming the state government,
4 and includes the Alaska Pioneers' Home and the University of Alaska
5 but does not include the legislature.

6 * Sec. 3. This Act takes effect July 1, 1984.

Position Paper

HB 608

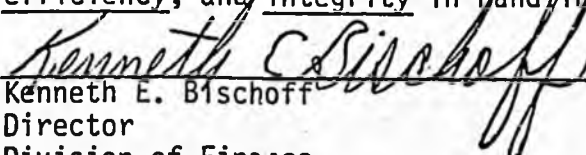
This bill does two things - the first is that it requires the Department of Administration to disburse "appropriations for expenses of the legislature" to the Legislative Affairs Agency (Legislative Council) on demand; the second is that it exempts the Legislature from A.S. 37.05 (Fiscal Procedures Act).

The Department of Administration is neutral on both parts of this bill, but wishes to point out some of the more serious ramifications of enacting it.

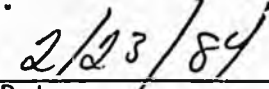
Regarding the first part, the State may lose pooled investment income on these sums beginning immediately following disbursement; the workload of the Department of Administration will not significantly decrease, but that of the Legislative Affairs Agency would increase materially; and costs involved in creating warrant stock, accounting systems (including payroll), system security/safeguards, disbursement/encumbrance forms, and other items inherent to establishing a new & different procedure would be considerable. Some additional issues at hand pertain to lapse balance treatment, proper reflection of the disbursement within the State's Annual Financial report, recording & maintenance of voucher copies in the state's current centralized accounting system, and the necessity of those functions in view of them being performed totally outside of the central systems of control prescribed by AS 37.05.

As to the second part of the bill, the Department of Administration can again see increased costs to the legislature, without a corresponding decrease in costs to DOA, as deleting the legislature from the Fiscal Procedures Act (A.S. 37.05) will eliminate the legislature from participation in the central property and purchasing systems (including the exchange of surplus property), the grants management statute, and the centralized accounting system.

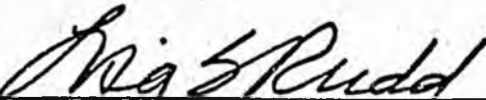
The bill as a whole, although perhaps attractive superficially to some, essentially counteracts the purpose as stated in AS 37.05.290, to wit, "The purpose of this chapter is to provide uniform financial procedures for all state agencies with respect to accounting, purchasing, post auditing, and related financial procedures; and to revise financial procedures to obtain economy, efficiency, and integrity in handling public money."



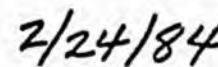
Kenneth E. Bischoff
Director
Division of Finance
Department of Administration



Date



Commissioner Lisa Rudd
Department of Administration



Date

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

HB 608

Revision Date: _____

REQUEST

Bill/Resolution No.: HB 608
 Title: An Act relating to the operation of the legislature; e.f. date
 Sponsor: Speaker Joe Hayes
 Requestor: House State Affairs
 Date of Request: 2/22/84

FISCAL DETAIL

Page 1 of 2 pages

Agency Affected: Legislative Affairs Agency
 Program Category Affected: General Government
 BRU, Program or Subprogram(s) Affected: Administrative Services

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES		31.8	31.8	31.8	31.8	31.8
200 TRAVEL						
300 CONTRACTUAL		98.6				
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		130.4	31.8	31.8	31.8	31.8
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		130.4	31.8	31.8	31.8	31.8
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME		1	1	1	1	1
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Lauren Smith Manager *LSmith* Phone: 465-3850
 Division: Administrative Services Date: 02-22-84

Approved by Exec. Director: M. R. Charney *M. R. Charney* Date: 02-22-84
 Agency: Legislative Affairs Agency

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

12/1/83

Page 2 of 2 pages

House Bill No. 608: An Act relating to the Operation of the Legislature; and providing for an effective date

ANALYSIS:

Personal Services

One permanent full-time entry clerk	
Range 12 - Salary -----	\$23,796
Benefits -----	<u>7,963</u>
Total	\$31,759

Contractual

Computer software package for governmental accounting and payroll -----	\$98,592
---	----------

TOTAL Cost -----\$130,351

Contractual costs for software are a one-time non-reoccurring charge.

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revised Date: _____, 1984
Page 1 of 2

REQUEST

Bill/Resolution No.: HB 608
 Title: An act relating to operation of the legislature.
 Sponsor: Hayes
 Requestor: State Affairs and Finance
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Administration
 Program Category Affected: General Government, centralized Administrative Services.
 BRU, Program of Subprogram(s) Affected: Finance

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
800 MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for any Analysis.

Prepared By: Kenneth E. Bischoff *KES*
 Division: Finance

Phone: 465-2240
 Date: February 28, 1984

Approved by Commissioner: Lisa Rudd *A. Stuehler*
 Agency: DEPARTMENT OF ADMINISTRATION

Date: 2-29-84

Distribution (by Agency preparing fiscal note):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

HB 608
Fiscal Note Analysis
Prepared by Division of Finance
Department of Administration
Februar, 1984

The Legislative Affairs Agency is a relatively small organization when compared to the size of other Departments in State Government. The legislative operations are relatively closely defined as to type and amount with little functional spread. Under normal processing conditions, Legislative Affairs does not have a significant impact on the workload of this Department. Accordingly, deletion will not cause any relative change in the cost of executive operations.