

HOUSE
COMMITTEE REPORT

(11)

Date referred: 4/21/86

FURTHER REFERRALS:

DATE: 4-29-86

The FINANCE Committee has considered HB 491

"An Act establishing a National Petroleum - Alaska Special Revenue Fund; and providing for an effective date."

and recommends:

- do pass
- do not pass
- do pass with attached amendment(s)
- no recommendation
- replace with CS HB 491 (Fin) same title

new title

and recommends DO PASS

further referral to the _____ Committee

- and attaches:
- letter of intent
 - first fiscal note
 - new fiscal note
 - zero fiscal note 4-25-86

SIGNING DO PASS:

Albert H. Adams
Mike Reynolds
Judith Leica
Ronald L. Larson
Kirk Ulich
John R. Bradley
John Kuykendall

SIGNING OTHER RECOMMENDATIONS:

John F. Fouchard NO REC
Steve Poyne No Recommendation
Don NO REC.
Sam COTTON recommends OIL + GAS committee substitute

Albert H. Adams
Chairman

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date : 4/28/86

REQUEST

Bill/Resolution No.: CSHB 491 (Fin)
 Title: An Act establishing a National
 Petroleum - Alaska Special Reserve
 Fund
 Sponsor: Adams by Request
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Community & Regional Affairs
 BRU: Local Government Assistance

 Components: Training & Development
Grants Administration

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
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REVENUE						
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FUNDING : (Thousands of Dollars)

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

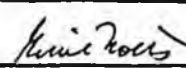
POSITIONS :

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

ANALYSIS : Attach a separate page if necessary

Prepared by: Doug Griffin 
 Division: Municipal & Regional Assistance

Phone: 465.4750
 Date: 4/28/86

Approved by Commissioner: Kevin Ricks 
 Agency: Community & Regional Affairs

Date: 4/28/86

Distribution (by Agency preparing fiscal note):

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

Original sponsor: Adams by request

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 491 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the disposition of federal funds
7 received by the state from competitive leasing of oil
8 and gas in the National Petroleum Reserve - Alaska;
9 and providing for an effective date."

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

11 * Section 1. FINDINGS. The legislature finds that:

12 (1) the United States Congress by P.L. 96-514 (42 U.S.C. 6508)
13 provided that the state receives 50 percent of the funds received from
14 competitive leasing of oil and gas in the National Petroleum Reserve -
15 Alaska;

16 (2) 42 U.S.C. 6508 further provides that in the allocation of
17 the funds received by the state, the state shall give priority to those
18 subdivisions of the state most directly or severely impacted by the devel-
19 opment of oil and gas leased under 42 U.S.C. 6508;

20 (3) since 1982 the state has received approximately \$48,643,000
21 from the federal government under the terms of 42 U.S.C. 6508; of that
22 amount, approximately \$18,044,000 has been placed in the general fund and
23 spent by the state for various state programs; approximately \$24,317,000
24 has been placed in the permanent fund and \$182,000 in the public school
25 fund; the remainder, approximately \$6,100,000, has been placed in the
26 National Petroleum Reserve - Alaska special revenue fund established by ch.
27 94, SLA 1984; of that amount, \$3,700,000 has been appropriated for grants
28 to local governments or for state projects; approximately \$2,400,000 still
29 remains in the fund;

1 (4) in a decision dated March 18, 1986, a superior court of the
2 state ruled in City of Barrow, et al. v. State, et al., 1JU-85-2634 Civil,
3 that the state violated the terms of 42 U.S.C. 6508 by failing to establish
4 a rational system by which political subdivisions impacted by oil and gas
5 development in the National Petroleum Reserve - Alaska could apply for and
6 receive funds on a priority basis; the court has required the state to
7 segregate and account for all funds received under 42 U.S.C. 6508 before
8 1984, including money received under 42 U.S.C. 6508 that has been deposited
9 in the permanent fund under AS 37.13.010 or appropriated to the National
10 Petroleum Reserve - Alaska special revenue fund under ch. 94, SLA 1984, but
11 excluding funds expended before 1984 by general fund appropriations; it
12 also appears from the decision that the court would make National Petroleum
13 Reserve - Alaska money deposited in the public school fund (AS 37.14.110)
14 subject to the same segregation and accounting requirements as the money
15 deposited in the permanent fund; and

16 (5) because of the continuing nature of congressional appro-
17 priations under 42 U.S.C. 6508, and in order to rectify the state's past
18 failure to establish a system by which claims of local governments to 42
19 U.S.C. 6508 funds could be determined and dealt with on a priority basis,
20 it is necessary to change the National Petroleum Reserve - Alaska special
21 revenue fund regarding segregation and allocation of the money received
22 under 42 U.S.C. 6508 and to establish criteria by which appropriations may
23 be made from the fund to impacted municipalities.

24 * Sec. 2. Section 2, ch. 94, SLA 1984 is amended to read:

25 Sec. 2. NATIONAL PETROLEUM RESERVE, ALASKA, SPECIAL REVENUE
26 FUND. (a) The National Petroleum Reserve - Alaska special revenue
27 fund is established. The fund consists of all money disbursed to the
28 state by the federal government under 42 U.S.C. 6508 (P.L. 96-514)
29 since December 12, 1980, less the amount deposited in the general fund

1 and expended by the state by general fund appropriations before
2 June 9, 1984 [SHALL CONSIST OF MONEY RECEIVED BY THE STATE FROM THE
3 FEDERAL GOVERNMENT UNDER 43 U.S.C. 1337 (P.L. 96-514)].

4 (b) The commissioner of revenue shall manage the National Petro-
5 leum Reserve - Alaska special revenue fund [IN ACCORDANCE WITH AS 37.-
6 10.070].

7 (c) The Department of Community and Regional Affairs shall adopt
8 regulations under which municipalities impacted by National Petroleum
9 Reserve - Alaska oil and gas development under 42 U.S.C. 6508 may
10 apply for and be eligible to receive grants to alleviate the impact.
11 The department shall give priority in the allocation of grants to
12 municipalities that are experiencing or will experience the most
13 direct or severe impact from oil and gas development under 42 U.S.C.
14 6508 within the National Petroleum Reserve - Alaska. The department
15 shall fund all meritorious grant applications out of the money appro-
16 riated to it each year. Within 10 days after the convening of each
17 regular session of the legislature, the department shall submit to the
18 legislature a list of all municipalities that have received grants, a
19 list of all municipalities determined by the department to be eligible
20 for further grants, a recommendation of the amount of money to be
21 granted for those additional applications, and written justification
22 of each past and potential grant [THE COMMISSIONER OF REVENUE SHALL
23 PAY TO THE SUBDIVISIONS OF THE STATE THAT ARE MOST DIRECTLY OR SEV-
24 ERELY IMPACTED BY DEVELOPMENT OF OIL AND GAS LEASED UNDER 43 U.S.C.
25 1337 THE AMOUNT APPROPRIATED BY THE LEGISLATURE FROM THE FUND FOR THAT
26 PURPOSE. IT IS THE INTENT OF THE LEGISLATURE THAT THE AMOUNT APPRO-
27 PRIATED FOR PAYMENT TO SUBDIVISIONS EQUAL 50 PERCENT OF THE AMOUNT
28 RECEIVED FROM THE FEDERAL GOVERNMENT UNDER 43 U.S.C. 1337 AND THAT
29 THIS PERCENTAGE BE REVIEWED ANNUALLY BY THE LEGISLATURE].

1 (d) It is the intent of the legislature that each year all of
2 the money in the National Petroleum Reserve - Alaska special revenue
3 fund be made available for appropriation by the legislature to munic-
4 ipalities that demonstrate under (c) of this section present impact,
5 or the need to determine or plan for future impact, from oil and gas
6 development under 42 U.S.C. 6508. It is the intent of the legislature
7 that an initial appropriation be made to the Department of Community
8 and Regional Affairs to cover anticipated impact grants, and that
9 additional funds be made available through supplemental appropriations
10 if the impact is greater than anticipated and the legislature con-
11 siders the additional grants proposed by the department to be meri-
12 torious [AMOUNTS RECEIVED BY THE STATE UNDER (a) OF THIS SECTION AND
13 NOT PAID UNDER (c) OF THIS SECTION SHALL BE USED BY THE STATE FOR THE
14 FOLLOWING ACTIVITIES AND SERVICES:

15 (1) PLANNING;

16 (2) CONSTRUCTION, MAINTENANCE, AND OPERATION OF ESSENTIAL
17 PUBLIC FACILITIES; AND

18 (3) OTHER NECESSARY PUBLIC SERVICES].

19 (e) A municipality may use the funds received under (d) of this
20 section only for the following activities and services to alleviate
21 the impact of the oil and gas development under 42 U.S.C. 6508 within
22 the National Petroleum Reserve - Alaska [AMOUNTS PAID TO SUBDIVISIONS
23 OF THE STATE UNDER (c) OF THIS SECTION SHALL BE USED BY THE SUBDIVI-
24 SIONS ONLY FOR THE FOLLOWING ACTIVITIES AND SERVICES IN CONJUNCTION
25 WITH DEVELOPMENT OF THE NATIONAL PETROLEUM RESERVE IN ALASKA AND A
26 PROGRAM OF COMPETITIVE LEASING OF OIL AND GAS FROM THAT RESERVE]:

27 (1) planning;

28 (2) construction, maintenance, and operation of essential
29 public facilities by the municipality [SUBDIVISIONS]; and

1 (3) other necessary public services provided by the munic-
2 ipality [SUBDIVISIONS].

3 * Sec. 3. Section 2, ch. 94, SLA 1984 is amended by adding new sub-
4 sections to read:

5 (f) Funds appropriated under (d) of this section may not be used
6 for the retirement of municipal debt.

7 (g) Amounts received by the state under 42 U.S.C. 6508 and not
8 appropriated for grants to municipalities under (d) of this section
9 lapse at the end of each fiscal year as follows:

10 (1) 50 percent to the principal of the Alaska permanent
11 fund;

12 (2) .5 percent to the public school fund (AS 37.14.110);
13 and

14 (3) the remainder to the general fund for use by the state
15 for the following facilities and services:

16 (A) planning;

17 (B) construction, maintenance, and operation of essen-
18 tial public facilities; and

19 (C) other necessary public services.

20 * Sec. 4. This Act takes effect immediately in accordance with AS 01.-
21 10.070(c).

1 IN THE SUPERIOR COURT FOR THE STATE OF ALASKA

2 FIRST JUDICIAL DISTRICT AT JUNEAU

3 CITY OF BARROW, CITY OF WAINWRIGHT,)
and NORTH SLOPE BOROUGH,)

4 Plaintiffs,)

5 v.)

6 STATE OF ALASKA, WILLIAM SHEFFIELD,)
7 Governor of Alaska, MARY NORDALE,)
8 Commissioner, Department of)
Revenue, State of Alaska,)

9 Defendants.)

FILED IN THE TRIAL COURTS
STATE OF ALASKA, FIRST DISTRICT
AT JUNEAU

MAR 18 1986

Clerk of Court

By PB Deputy

No. 1JU-85-2634 Civil

10
11 SUMMARY ORDER

12 Plaintiffs move for summary judgment on their
13 complaint for declaratory relief. Specifically, they seek a
14 judicial declaration that the defendants (hereinafter, the
15 State) have violated the terms of P.L. 96-514 (42 U.S.C. 6508)
16 by (a) failing to segregate funds received from the federal
17 government, (b) failing to establish a system by which political
18 subdivisions impacted by oil and gas development in the National
19 Petroleum Reserve - Alaska (hereinafter, NPR-A) could appl. for
20 or receive funds to impacted subdivisions on a priority basis as
21 required by the federal law and (c) appropriating those funds to
22 the general use of the State of Alaska. (Plaintiffs alterna-
23 tively seek parallel declaratory relief on the basis of breach
24 of fiduciary duty to administer a trust created by P.L. 96-514.)
25 Plaintiffs additionally seek a declaration that ch. 94, SLA
26 1984, requires all funds (past or future) received by the State
27 from the federal government under P.L. 96-514 to be placed in a
28 special revenue fund and made available for appropriation by the
29 legislature under a system which complies with the requirements
30 of P.L. 96-514. Lastly, plaintiffs seek injunctive relief
31 (a) requiring the State to segregate and account for all funds
32 received under P.L. 96-514 and to administer those funds in

1 accordance with law and (b) prohibiting the State from expending
2 any P.L. 96-514 revenues (past or future) until a system is
3 established for lawful administration and disposition of such
4 funds.

5 The State has filed a cross-motion for summary judgment,
6 arguing first that the plaintiffs' complaint does not
7 state a cause of action. The State argues to this result from
8 its conclusion that P.L. 96-514 imposes no judicially enforce-
9 able conditions on Alaska's receipt of NPR-A revenues.
10 Additionally, the State argues (a) that the plaintiff municipal-
11 ities have no right to share in NPR-A revenues in advance of
12 actual commercial production from NPR-A; (b) that the State is
13 entitled to deposit a portion of NPR-A revenues directly into
14 the Alaska Permanent Fund upon receipt; (c) that the State is
15 under no obligation to adopt specific procedures whereby
16 political subdivisions may apply for and receive NPR-A funds;
17 (d) that plaintiffs' delay in bringing this action bars their
18 claims for relief as to moneys already expended by the State;
19 (e) that any State obligation with respect to NPR-A funds should
20 be deemed satisfied through the sharing of state revenues with
21 the plaintiff municipalities under other programs; and (f) that
22 ch. 94, SLA 1984, does not affect NPR-A revenues which were
23 received and spent by the State prior to the date on which that
24 law became effective.

25 The parties have both requested expedited handling of
26 this motion. Oral argument was heard one week after the
27 briefing was completed. In order to avoid further delay¹ in
28
29

30 1. The six-week period during which this case has
31 been held under advisement coincides almost exactly with the
32 period during which the undersigned has been the only superior
court judge present in Juneau.

1 announcing the court's decision, the court's conclusions on the
2 above issues are set out below in summary fashion.

3 1. Mandatory Duty Regarding Allocation of NPR-A Revenues.

4 A. P.L. 96-415 provides that half of all receipts
5 from sales, rentals, bonuses and royalties on leases pertaining
6 to lands in the National Petroleum Reserve - Alaska shall be
7 paid by the federal government to the State of Alaska "for
8 (a) planning, (b) construction, maintenance and operation of
9 essential public facilities, and (c) other necessary provisions
10 of public service." In the allocation of such funds, the
11 federal act establishes a mandatory duty on the State of Alaska
12 to "give priority to use [of NPR-A funds] by subdivisions of the
13 state most directly or severely impacted by development of oil
14 and gas leased under [P.L. 96-514]."

15 B. The duty imposed by P.L. 96-514 ultimately falls
16 upon the Alaska Legislature (because it has the spending power),
17 and it includes the duties to examine the claimed needs of
18 subdivisions arising from oil and gas development impacts, to
19 evaluate them and, if the claimed needs are found to exist, to
20 rank them in order of priority, and to meet or satisfy them out
21 of NPR-A revenues.

22 C. The duty set out above may be met through exist-
23 ing entities and the budget review process; it is not necessary
24 that a new apparatus be created to receive NPR-A claims.

25 2. When the Duty Arises.

26 The duty arises upon the commencement of any "develop-
27 ment" of the subject tracts. Because "development" includes
28 "any step taken in the search for . . . hydrocarbons" (as well
29 as capture, production and marketing of same), it is clear that
30 the duty arises well before actual commercial production and
31 exists at least as early as when test wells are being drilled.
32 Of course, in evaluating claimed impact needs, and in

1 determining whether they truly exist, the legislature certainly
2 may take into account the likely pace of exploration, the
3 likelihood of further exploration, the likelihood of actual
4 commercial production which may result and its likely pace, etc.

5 3. Automatic Deposit into Permanent Fund.

6 The State cannot, consistent with its obligations
7 under P.L. 96-514, automatically deposit 50% (or any amount) of
8 all NPR-A revenues into the Alaska Permanent Fund. Such action
9 clearly contravenes the mandatory duty placed on the State by
10 the very law which authorizes payments to the State (since such
11 payments are made on the condition that the State "give priority
12 to use [of such funds] by subdivisions of the state most
13 directly or severely impacted" by the developments of leased
14 lands). Rather than a direct deposit to the permanent fund, the
15 State must first resort to the process referred to in Parts 1-B
16 and 1-C above to examine the claimed needs of impacted subdivi-
17 sions and to rank any found to exist. Because the language of
18 the federal act is so broad concerning the allowable objects of
19 state expenditure of NPR-A funds ("other necessary provisions of
20 public service"), it is conceivable that an allocation of NPR-A
21 revenues to the permanent fund might be allowable after the
22 State complies with the mandatory duty imposed on it to evaluate
23 needs and establish priorities. But this difficult question
24 need not be resolved now, for on the undisputed facts before the
25 court the State has made no effort at all to meet the duty
26 imposed upon it. The automatic deposits into the permanent fund
27 clearly violate the federal law.

28 4. Plaintiffs' Delay in Filing Lawsuit.

29 By virtue of their delay in bringing this action,
30 plaintiffs are barred from obtaining relief as to any moneys
31 already expended by the State. Because the State is under a
32 duty under federal law to undertake an evaluative process to

1 prioritize claims, and because it would be impossible to
2 recreate the conditions under which that process would have
3 taken place in 1982 and 1983 (for example), the State would be
4 prejudiced by an order now requiring it to place into a special
5 fund monies which have been expended for other purposes and an
6 order requiring it to make allocations based on a system of
7 priorities which cannot be recreated. There is no bar, however,
8 as to those funds which have been placed in the NPR-A reserve
9 account since 1984, and there is no bar as to those funds
10 deposited directly into the Permanent Fund.

11 5. Satisfaction.

12 Summary judgment on this defense is denied. Even
13 assuming that the amount of development-related impact needs of
14 the plaintiffs for the period 1981 - 1985 could somehow be known
15 by this court without formal legislative determination under the
16 process mandated by the federal act, there would remain factual
17 matters in dispute. The court, however, adopts the position of
18 the State that it may show satisfaction to the extent that it
19 shows that a given appropriation to plaintiffs was for needs
20 arising out of oil and gas development-related impacts.

21 6. Ch. 94, SLA 1984.

22 Having determined that federal law imposes a mandatory
23 duty upon the State as set out above, it is unnecessary to
24 consider whether state law too forbids the practices complained
25 of here by plaintiffs. Under the supremacy clause of the
26 federal constitution, federal law controls. Whether ch. 94, SLA
27 1984, also requires, as a matter of state law, that which
28 P.L. 96-514 requires therefore need not be decided.

29 CONCLUSION

30 Having reached the above conclusions, the court
31 declares the rights of the parties and orders as follows:

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- (1) The State has violated P.L. 96-514 by failing to establish a system by which political subdivisions impacted by oil and gas development in the NPR-A could apply for and receive funds on a priority basis.
- (2) The State has violated P.L. 96-514 by appropriating NPR-A funds to the general use of the State of Alaska without giving priority to those uses specified in P.L. 96-514.
- (3) The State is required to segregate and account for all funds received under P.L. 96-514, other than those already expended.
- (4) The State is required to administer funds received under P.L. 96-514 in such a way that it gives priority to the use of such funds by subdivisions most directly or severely impacted by development of oil and gas leased under P.L. 96-514.
- (5) As to the defense of satisfaction, that matter must be reserved for trial on the factual issue whether any appropriations to plaintiffs during the years in question were for needs arising from impacts related to oil and gas development.

The matter will be scheduled for trial at counsel's request upon the filing of a proposed scheduling order signed by all parties, or a scheduling conference will be set if counsel are unable to agree upon a schedule for trial.

IT IS SO ORDERED.

DONE at Juneau, Alaska, this 18th day of March, 1986.

Walter L. Carpeneti

Walter L. Carpeneti
Superior Court Judge

STATE OF ALASKA
DEPARTMENT OF REVENUE

M E M O R A N D U M

TO: Milt Barker
Deputy Commissioner

FROM: Brian C. Andrews
Comptroller



DATE: April 10, 1986

RE: National Petroleum Reserve - Alaska (NPRA) Revenues

To date, the State has received five payments constituting the 50% disbursed obligation of the Federal Government of NPRA revenues pursuant to P.L. 96-514. The receipts were deposited in the General Fund, Permanent Fund (AS 37.13.010), Public School Fund (AS 37.14.110), and NPRA Special Revenue Fund (Ch. 94, SLA 1984) in the following amounts:

<u>Date</u>	<u>General Fund</u>	<u>Permanent Fund</u>	<u>Public School Fund</u>	<u>NPRA Special Revenue Fund</u>	<u>Total</u>
12-03-82	\$17,227,054.25	\$17,401,064.91	\$174,010.65	\$ -	\$34,802,129.81
11-08-83	816,490.18	824,737.55	8,247.37	-	1,649,475.10
01-03-85	-	3,784,368.48	-	3,784,368.47	7,568,726.95
06-19-85	-	1,671,217.79	-	1,671,217.79	3,342,435.58
01-29-86	-	635,779.75	-	635,778.75	1,271,557.50
Total	\$18,043,544.43	\$24,317,168.48	\$182,258.02	\$6,091,365.01	\$48,634,324.94

The accounting contact at the Department of Natural Resources is Myrtle Paulk. The AKSAS collocation code number and account number for the NPRA Revenue fund are 1044119 and 6306.

BCA/mem

17401054.91 +
 824737.55 +
 3784368.48 +
 1671217.79 +
 635779.75 +
 24317168.48 *

37002129.81 +
 1649475.10 +
 7568726.95 +
 3342435.58 +
 1271557.50 +
 48634324.94 *

48634324.94 *
 1271557.50 *
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 7568726.95 *
 1649475.10 *
 37002129.81 *

Offered: 4/21/86
Referred: Finance

Original sponsor: Adams by request

1 IN THE HOUSE
2 CS FOR HOUSE BILL NO. 491 (Oil and Gas)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - SECOND SESSION
5 A BILL

BY THE HOUSE SPECIAL COMMITTEE
ON OIL AND GAS

6 For an Act entitled: "An Act relating to the disposition of federal funds
7 received by the state from competitive leasing of oil
8 and gas in the National Petroleum Reserve - Alaska;
9 and providing for an effective date."

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

11 * Section 1. FINDINGS. The legislature finds that:

12 (1) the United States Congress by P.L. 96-514 (42 U.S.C. 6508)
13 provided that the state receives 50 percent of the funds received from
14 competitive leasing of oil and gas in the National Petroleum Reserve -
15 Alaska;

16 (2) 42 U.S.C. 6508 further provides that in the allocation of
17 the funds received by the state, the state shall give priority to those
18 subdivisions of the state most directly or severely impacted by the devel-
19 opment of oil and gas leased under 42 U.S.C. 6508;

20 (3) since 1982 the state has received approximately \$48,643,000
21 from the federal government under the terms of 42 U.S.C. 6508; of that
22 amount, approximately \$18,044,000 has been placed in the general fund and
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3 that the state violated the terms of 42 U.S.C. 6508 by failing to establish
4 a rational system by which political subdivisions impacted by oil and gas
5 development in the National Petroleum Reserve - Alaska could apply for and
6 receive funds on a priority basis; the court has required the state to
7 segregate and account for all funds received under 42 U.S.C. 6508 before
8 1984, including money received under 42 U.S.C. 6508 that has been deposited
9 in the permanent fund under AS 37.13.010 or appropriated to the National
10 Petroleum Reserve - Alaska special revenue fund under ch. 94, SLA 1984, but
11 excluding funds expended before 1984 by general fund appropriations; and

12 (5) because of the continuing nature of congressional appro-
13 priations under 42 U.S.C. 6508, and in order to rectify the state's past
14 failure to establish a system by which claims of local governments to 42
15 U.S.C. 6508 funds could be determined and dealt with on a priority basis,
16 it is necessary to change the National Petroleum Reserve - Alaska special
17 revenue fund regarding segregation and allocation of the money received
18 under 42 U.S.C. 6508 and to establish criteria by which appropriations may
19 be made from the fund to impacted municipalities.

20 * Sec. 2. AS 37.25 is amended by adding a new section to read:

21 Sec. 37.25.040. NATIONAL PETROLEUM RESERVE - ALASKA SPECIAL
22 REVENUE FUND. (a) The National Petroleum Reserve - Alaska special
23 revenue fund is established. The fund consists of all money disbursed
24 to the state by the federal government under 42 U.S.C. 6508 (P.L. 96-
25 514) since December 12, 1980, less the amount deposited in the general
26 fund and expended by the state by general fund appropriations before
27 the establishment of the National Petroleum Reserve - Alaska special
28 revenue fund under ch. 94, SLA 1984.

29 (b) The commissioner of revenue shall manage the National

1 Petroleum Reserve - Alaska special revenue fund.

2 (c) The Department of Community and Regional Affairs shall adopt
3 regulations under which municipalities impacted by National Petroleum
4 Reserve - Alaska oil and gas development under 42 U.S.C. 6508 may
5 apply for and be eligible to receive grants to alleviate the impact.
6 The department shall give priority in the allocation of grants to
7 municipalities that are experiencing or will experience the most
8 direct or severe impact from oil and gas development under 42 U.S.C.
9 6508 within the National Petroleum Reserve - Alaska. Within 10 days
10 after the convening of each regular session of the legislature, the
11 Department of Community and Regional Affairs shall submit to the
12 legislature a list of all municipalities determined by the department
13 to be eligible for grants under this section, a recommendation of the
14 amount of money to be granted to each of the listed municipalities,
15 and a written justification for each grant.

16 (d) It is the intent of the legislature that each year all of
17 the money in the National Petroleum Reserve - Alaska special revenue
18 fund be made available for appropriation by the legislature to munic-
19 ipalities that demonstrate under (c) of this section present impact,
20 or the need to determine or plan for future impact, from oil and gas
21 development under 42 U.S.C. 6508.

22 (e) A municipality may use the funds received under (d) of this
23 section only for the following activities and services to alleviate
24 the impact of the oil and gas development under 42 U.S.C. 6508 within
25 the National Petroleum Reserve - Alaska:

26 (1) planning;

27 (2) construction, maintenance, and operation of essential
28 public facilities by the municipalities; and

29 (3) other necessary public services provided by the

1 municipalities.

2 (f) Funds appropriated under (d) of this section may not be used
3 for the retirement of municipal debt.

4 (g) Amounts received by the state under 42 U.S.C. 6508 and not
5 appropriated for grants to municipalities under (d) of this section
6 shall lapse at the end of each fiscal year as follows:

7 (1) 50 percent to the principal of the Alaska permanent
8 fund;

9 (2) .5 percent to the public school fund (AS 37.14.110 -
10 37.14.150); and

11 (3) the remainder to the general fund for use by the state
12 for the following facilities and services:

13 (A) planning;

14 (B) construction, maintenance, and operation of essen-
15 tial public facilities; and

16 (C) other necessary public services.

17 * Sec. 3. Chapter 94, SLA 1984 is repealed.

18 * Sec. 4. The National Petroleum Reserve - Alaska special revenue fund
19 established by sec. 2 of this Act is a continuation of the fund established
20 by sec. 2, ch. 94, SLA 1984, repealed by sec. 3 of this Act, and the bal-
21 ance of the ch. 94, SLA 1984 fund shall be transferred accordingly.

22 * Sec. 5. This Act takes effect immediately in accordance with AS 01.-
23 10.070(c).

Introduced: 1/20/86
Referred: House Special Committee on
Oil & Gas and Finance

1 IN THE HOUSE

BY ADAMS BY REQUEST

2 HOUSE BILL NO. 491

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing a National Petroleum - Alaska
7 Special Revenue Fund; and providing for an effective
8 date."

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

10 * Section 1. FINDINGS. The legislature finds that:

11 (1) the United States Congress, by 42 U.S.C. 6508 (P.L. 96-514),
12 provided that the state shall receive 50 percent of receipts derived from
13 competitive leasing of oil and gas in the National Petroleum Reserve -
14 Alaska;

15 (2) P.L. 96-514 further provides that in the allocation of such
16 funds by the state, priority shall be given to use by those municipalities
17 of state most directly or severely impacted by the development of oil and
18 gas leased under P.L. 96-514;

19 (3) virtually all of the National Petroleum Reserve - Alaska
20 lies within the corporate limits of the North Slope Borough, a home rule
21 municipality of the state, and the Reserve has within its borders the
22 municipalities of Atkasuk, Barrow, Nuiqsut and Wainwright;

23 (4) because of the continuing nature of the congressional appro-
24 priation a special revenue fund should be established to comply with the
25 directive of the federal act; and

26 (5) in order to insure compliance with P.L. 96-514 and provide
27 for an orderly disposition of funds to municipalities severely and directly
28 impacted by National Petroleum Reserve - Alaska development, it is neces-
29 sary to establish a special revenue fund to segregate the monies received

1 from the federal government under P.L. 96-514 and to establish criteria by
2 which grants may be made from that special revenue fund to impacted
3 municipalities.

4 * Sec. 2. AS 44.99 is amended by adding a new section to read:

5 Sec. 44.99.200. NATIONAL PETROLEUM RESERVE - ALASKA, SPECIAL
6 REVENUE FUND. (a) The National Petroleum Reserve - Alaska Special
7 Revenue Fund is established. The fund consists of all money disbursed
8 to the state by the federal government pursuant to P.L. 96-514 since
9 the effective date of that act.

10 (b) The commissioner of revenue shall manage the National Petro-
11 leum Reserve - Alaska Special Revenue Fund.

12 (c) It is the intent of the legislature that each year at least
13 50 percent of all money in the National Petroleum Reserve - Alaska
14 Special Revenue Fund be appropriated to the Department of Community
15 and Regional Affairs for subsequent allocation to municipalities that
16 demonstrate impact from National Petroleum Reserve - Alaska develop-
17 ment. The Department of Community and Regional Affairs shall adopt
18 regulations under which municipalities impacted by National Petroleum
19 Reserve - Alaska development may apply for and receive block grants.
20 The department shall give priority in the allocation of grants to
21 those municipalities that are experiencing or will experience the most
22 direct, immediate and severe impact from oil and gas leasing activi-
23 ties within the National Petroleum Reserve - Alaska. Municipalities
24 may use grant funds received under this subsection only for the fol-
25 lowing activities and services in conjunction with oil and gas leasing
26 activities within the National Petroleum Reserve - Alaska:

27 (1) planning;

28 (2) construction, maintenance, and operation of essential
29 public facilities by the municipalities; and

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(3) other necessary public services provided by the municipalities.

(d) Funds disbursed under (c) of this section may not be used for the retirement of municipal debt.

(e) Amounts received by the state under (a) of this section and not paid under (c) of this section shall be used by the state for the following facilities and services;

(1) planning;

(2) construction, maintenance, and operation of essential public facilities; and

(3) other necessary public services.

* Sec. 3. Chapter 94, SLA 1984 is repealed.

* Sec. 4. This Act takes effect immediately in accordance with AS 01.-10.070(c).