

SB

360

SFIN

FILE

SB 360

was referred to the
Senate Finance
Committee

No hearing was held
on this bill

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CS SB 360 (RES)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: _____
Title Gas Pipeline Financing BRU Alaska Railroad Corporation
Component Alaska Railroad Corporation
Sponsor Senate Resource
Requester Senate Finance Component No. _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual			163,000.0			
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	163,000.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Bond proceeds			163,000.0			
TOTAL	0.0	0.0	163,000.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Please see second page.

Prepared by: Bill O'Leary, Vice President, Finance and Chief Financial Officer
Division: Alaska Railroad Corporation
Approved by: Deborah B. Sedwick, Commissioner
Agency: Department of Community & Economic Development

Phone (907) 265-2516
Date/Time 4/22/02 8:42 AM
Date 4/22/2002

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. CS SB 360 (RES)

ANALYSIS CONTINUATION

The bill authorizes the issuance of up to \$18 billion in revenue bonds by the Alaska Railroad Corporation (ARRC) to pay for 70% of the construction of a Natural Gas Pipeline. Based on current estimates, ARRC could issue \$14.265 billion in bonds as early as State Fiscal Year 2005. ARRC will act as a conduit for the issuance of these bonds to allow the debt to be issued as tax exempt. Through modeling, the tax exemption has been shown to reduce the cost of financing the project by over one billion dollars. The bonds would be solely secured by revenues generated by the pipeline. The Alaska Railroad will bear no liability and have no responsibility for repayment of the bonds.

The projected costs of issuing the bonds determined here will be paid with bond proceeds at closing. Anticipated professional services include those related to financial advisors, attorney's fees (bond, counsel, underwriters counsel, tax counsel, negotiating with producers), rating agencies, underwriters, printing, travel, public notices, and feasibility consultant. ARRC will front certain minor necessary reimbursable costs from corporation revenues.

For purposes of this fiscal note, it is assumed that bonds with a face value of \$14.265 billion will be issued in FY 2005. The bonds are expected to be issued with a 25 year term and for modeling purposes carry an interest rate of 6.5%. As the project will not generate revenue while under construction, the first two years of interest payments will be made with bond proceeds. Following construction, annual debt service will begin at approximately \$1.3 billion, growing to \$1.4 billion in year 6 and then gradually lowering to \$800 million in the final year. However, ultimately, issuance amounts, dates, term, and other significant variables will be dependent upon the financing structure determined by market conditions at the time of sale of the bonds.

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSSB360(RES)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title Alaska Natural Gas Project Act BRU Administration & Support
Sponsor Senate Resources Component Office of the Commissioner
Requester Senate Finance Committee Component No. 123

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	83.0	83.0				
Travel	30.0	30.0				
Contractual	260.0	260.0				
Supplies	5.0	5.0				
Equipment	6.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	384.0	378.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	384.0	278.0				
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	384.0	378.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0
Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See Page 2 for analysis.

Prepared by: Larry Persily, Deputy Commissioner Phone 465-5469
Division Department of Revenue Date/Time 4/21/02 3:18 PM
Approved by: Wilson Condon, Commissioner Date 4/21/2002
Agency Department of Revenue

CSSB360(RES) - Department of Revenue

Alaska Railroad Project Bonds

Sections 6 through 9 of this legislation would authorize the Alaska Railroad Corporation to issue up to \$18 billion in bonds for construction of a natural gas pipeline to commercialize North Slope natural gas resources.

Because of the importance of this project to the state's public finances, the complexity of the bond issuance and the large amount of bonds to be sold, it is important that the Alaska Railroad Corporation receive expert advice from the beginning. It also is important that the Executive Branch be involved in the discussions to represent the state's independent interests.

To meet the needs stated above, the Department of Revenue proposes to transfer to the Alaska Railroad Corporation, via a Reimbursable Services Agreement, up to \$50,000 per year for the first two years to ensure that the corporation can contract with a financial adviser and bond counsel for this project. The Commissioner's Office also requests \$10,000 per year to cover the expenses of contracting with the state's financial adviser and bond counsel to make certain that the state's own interests, separate from those of the Alaska Railroad Corporation, are adequately considered and protected.

The portion of the fiscal note to help prepare for the Alaska Railroad Corporation bond issue and related Department of Revenue expenses therefore totals \$60,000 per year for Fiscal Years 2003 and 2004.

CSSB360(RES) - Department of Revenue

Property Taxes and Royalty Payments

Section 10 of this legislation authorizes the Commissioner of Revenue to negotiate with a project applicant for a waiver, reduction or deferral in property taxes under AS 43.56 on an Alaska North Slope Natural Gas Project.

This legislation also calls on the Commissioner to develop, negotiate and present to the legislature a proposed contract for potential future payments from the project developer in consideration for the property taxes, and for any royalty payments waived, reduced or deferred under Section 4 of this act, but only under specific conditions:

- The project applicant has obtained all necessary certificates under AS 38.35.240.
- The project applicant must show, "by clear and convincing evidence," that the project would not be economically feasible without the property tax relief. This would require substantial analysis by the Commissioner of Revenue, including detailed economic review of present and future values of project economics.
- The applicant and Commissioner of Revenue must enter into an agreement to begin construction of the project by a date certain.
- The Commissioner shall consult with any municipality that could be affected by the property tax relief allowed under this section, and shall prepare a report on the socioeconomic effects of the project on the affected municipalities.
- Any contract covering the waiver, reduction or deferral of royalty payments or property taxes must include a mechanism to recapture all or a portion of the payments if natural gas prices rise above the level estimated in determining the finding required under this act.
- And any waiver, reduction or deferral of taxes under this section is not effective until approved by the legislature. The Commissioner would be required to make preliminary findings under this chapter and conduct public hearings on those findings before presenting them to the legislature.

For purposes of this fiscal note, the department assumes a project applicant will fulfill the requirements of this legislation sometime in Fiscal Year 2003, requiring the Commissioner to begin reviewing the need for property tax relief, preparing the socioeconomic studies, and then negotiating property tax relief with the project applicant for presentation to the legislature during the 2004 session.

The one position in FY03 and FY04 (a special assistant to the commissioner) and the \$200,000 in contractual funds in FY03 and \$200,000 in FY04 would help pay for the community impact studies, economic feasibility review (in conjunction with the Department of Natural Resources), financial and tax advisers to help prepare recommendations for the legislature, and required public hearing process.

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSSB 360 (Res)
() Publish Date: _____

Revision Date/Time (Note if correction): 4/22/2002 Dept. Affected: Natural Resources
Title: Alaska Natural Gas Project Act BRU: Oil and Gas Developmen
Component: Oil and Gas Developmen

Sponsor: Senate Resources
Requester: Senate Finance Component Number: 439

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	165.0	165.0				
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CHANGE IN REVENUES ()			*See Below			
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	165.0	165.0				
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	165.0	165.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: none
Check this box (X) if funding for this bill is included in the Governor's FY2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill would authorize DNR to waive, reduce, or defer royalties on North Slope gas if: 1) an applicant provides clear and convincing evidence that royalty relief will make an uneconomic project economic; 2) the applicant and DNR Commissioner have entered into an agreement to begin pipeline construction by a certain date; 3) DNR has considered any other financial incentives granted by other jurisdictions; 4) the applicant has obtained certain certificates including certificates from the Dept. of Labor and the Regulatory Commission of Alaska; and 5) the Legislature approves the royalty relief.

Continued on next page.

Prepared by: Bonnie Robson Phone 269-8800
Division: Oil and Gas Date/Time 22-Apr-02
Approved by: Pat Pourchot Date 22-Apr-02
Agency: Natural Resources

ANALYSIS: (continued)

* It is impossible to determine at this time whether the state will waive, reduce, or defer any royalties on North Slope gas. However, because waiver, reduction, and deferral are only authorized if and to the extent necessary to make an uneconomic project economic, any waiver, reduction, or deferral should not result in the loss of royalties that would have otherwise been received. Otherwise stated, if there is no project and hence no marketing of North Slope gas, no royalties will be paid; hence, if royalty relief enables a project, any royalties received from that project—even reduced royalties—would exceed royalties received in the absence of a project. The only danger exists in granting royalty relief where none is actually needed. In that case, the fiscal impact could be substantial. For example, if royalties are waived when they would otherwise be \$1 per mcf, over the course of 20 years the state could lose up to \$36.5 billion. However, the bill contains safeguards designed to minimize the risk of unnecessary waiver of royalties.

Unfortunately, the safeguards are not self-executing. If an applicant seeks royalty relief, DNR will need to obtain access to and review extensive documentation pertaining to the economics of the project, as well as financial incentives being offered by other jurisdictions, then engage in complex negotiations with multiple sophisticated oil and gas corporations. This effort will require diversion of existing and proposed staff from their currently assigned duties, the retention of one or more experts, and travel. Currently, we anticipate that much of the work envisioned by this bill would fall on the Division's Petroleum Investments Manager, Petroleum Market Analyst, and a Commercial Analyst, as well as an additional Pipeline Commercial Analyst, requested in the FY03 budget. One or more experts would need to be retained at an estimated cost of \$250,000 to assure that royalty relief is kept to the bare minimum necessary. Additionally, DO&G estimates that \$80,000 would be needed for staff and expert travel related expenses (\$2,500 per trip x 4 people x 4 trips x 2 years = \$80,000). These sums could be appropriated by the legislature, or SB 360 could be modified to allow recoupment of at least the expert expenses from the applicant(s).

The Division has spread the capital costs identified above ($\$250,000 + \$80,000 = \$330,000$) over two fiscal years to reflect not only the duration of investigation and negotiations contemplated, but also that a preliminary investigation in a single year might establish that royalty relief is not needed to make an uneconomic project economic, in which case a second year of expenses might be avoided.

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: CSSB 360(RES)
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Department: Labor and Workforce Development
 Title: Alaska Natural Gas Project BRU: Office of the Commissioner
 Component: Commissioner's Office
 Sponsor: Senate Resources
 Requester: Senate Finance Component Number: 340

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel	3.0					
Contractual	21.5					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	24.5	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES

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CHANGE IN REVENUES ()

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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	24.5					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	24.5	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: None

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*

This act would require the department to hold at least one public hearing prior to making a finding regarding if an application for a natural gas project ensures employment of Alaskans and the use of Alaskan firms in the construction and operation of the project. The department proposes to hold public hearings in Anchorage, Fairbanks and Juneau as well as a statewide teleconference. Costs associated with this bill include travel to attend the hearings, the costs to advertise and hold the hearings and costs to obtain legal advise regarding the finding.

Prepared by: Remond Henderson, Director Phone: 465-2720
 Division: Administrative Services Date/Time: 4/22/02 8:59 AM
 Approved by: Ed Flanagan, Commissioner Date: 04/22/02
 Agency: Department of Labor and Workforce Development

For distribution information, call the Governor's Legislative Office

ALASKA STATE LEGISLATURE

Chairman: Senator John Torgerson
Vice Chair: Senator Gary Wilken
Senator Rick Halford
Senator Ben Stevens
Senator Robin Taylor
Senator Kim Elton
Senator Georgianna Lincoln



Official Business

State Capitol, Room 427
Juneau, AK 99801
Phone: (907) 465-4907
Fax: (907) 465-4779

SENATE RESOURCES COMMITTEE

SPONSOR STATEMENT

CS SB 360(RES) ALASKA NATURAL GAS PROJECT ACT

SB 360 seeks to expedite the construction and operation of an Alaska gas line from the North Slope south through Canada to the lower 48 or to Alaska tidewater for shipment as LNG ("project"). It provides fiscal incentives and permitting benefits to those project sponsors who are willing to work with the State of Alaska to ensure: (1) opportunities for employment of Alaskans and Alaskan businesses are maximized; (2) potential in-state demand for gas from the project can be satisfied; and (3) competition in the exploration and development of northern Alaska gas is promoted.

Currently, a project sponsor for a pipeline Right-of-Way (ROW) lease to construct a pipeline from the North Slope can proceed under the provisions of the Alaska Pipeline Right-of-Way Leasing Act. However, those provisions and other provisions of Alaska law will be modified for a sponsor who agrees to do the following:

1. Train and hire Alaskans and use Alaska businesses in the construction and operation of the Project consistent with constitutional provisions.
2. Complete a study on in-state demand and submit a plan that must be approved by the RCA to meet that demand.
3. Complete a study on natural gas resources in northern Alaska and submit a plan that must be approved by the RCA to maximize access to the Project so that competition in the Alaska oil and gas industry is promoted.
4. Update those demand and resources studies ten years after construction of the Project starts.
5. Agree to provisions in the ROW lease providing for in-state use of royalty gas and expansion of the Project.

If a project sponsor gets certifications from the appropriate agencies that the sponsor will or has done all of the above, the sponsor gets the following

expeditious treatment in obtaining authorizations to construct and operate the Project:

1. The Project may be phased under both the ROW leasing act and the Coastal Zone Management act.
2. All agencies must give full cooperation to the DNR commissioner on Project matters by providing information and by issuing any necessary authorizations at the earliest practicable date, on an expedited basis, and with precedence over any like matter pending before the agency.
3. Any authorization may be amended as necessary to further the purposes of the Act.
4. If the governor finds a provision of law that impedes the Project, he may propose a waiver of law.
5. Any decisions by the commissioner and other agencies shall be subject to limited judicial review only and such claims must be brought within 60 days.
6. The DOR commissioner may negotiate a proposed contract to waive, reduce, or defer all or a portion of the property tax payments relating to the project. The commissioner can also make other terms and conditions that are in the state's best interest. The proposed contract will include any changes to the oil and gas lease terms and natural gas royalty that the DNR commissioner has negotiated. The DOR commissioner can only offer these incentives if;
 - a) the DNR commissioner has consulted with affected communities and has considered the effects development will have on these communities,
 - b) the DOR commissioner has considered whether other jurisdictions are giving incentives,
 - c) the project would not otherwise be economically feasible,
 - d) an agreement is made to begin construction by a certain date,
 - e) the contract includes a mechanism to increase state taxes and royalties if the gas price is higher than expected, and
 - f) after a public process, the legislature approves the contract.
7. The Alaska Railroad Corporation may provide tax exempt financing for the project

Any project sponsor can proceed to apply for a ROW lease under the current Alaska Pipeline Right-of-Way Leasing Act without obtaining the certificates outlined in this bill. They will not, however, be eligible for any of the incentives this legislation offers.

ALASKA STATE LEGISLATURE

Chairman: Senator John Torgerson
Vice Chair: Senator Gary Wilken
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Senator Georgianna Lincoln



Official Business

State Capitol, Room 427
Juneau, AK 99801
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SENATE RESOURCES COMMITTEE

CS SB 360(RES)

SECTIONAL ANALYSIS

General Provisions – Sections 1-3

Section 1. Short Title.

The Act is the "Alaska Natural Gas Project Act."

Section 2. Findings Regarding Amendments To The Right-Of-Way Leasing Act.

This section sets forth legislative findings regarding:

- (1) The various pipeline proposals;
- (2) The benefits to Alaska from in-state use of gas and from hiring Alaskans and contracting with Alaskan businesses to work on a pipeline; and
- (3) The need for competition in the upstream portion of the Alaska gas industry.

Section 3. Findings Regarding Amendments To The Alaska Railroad Corporation Act.

This section sets forth legislative findings regarding the appropriateness of the Alaska Railroad Corporation's issuance of financing to benefit an Alaska natural gas project.

Alaska Land Act Provisions (AS 38.05) – Section 4

Section 4. Changes to Lease Provisions and Royalty Reduction.

If an applicant/lessee obtains the certificates required by the AS 38.35.240, then DNR commissioner may negotiate to modify any provision in the oil and gas lease that impedes the project. Additionally, the commissioner may negotiate to

reduce the royalty with the applicant. The applicant must demonstrate by clear and convincing evidence that the project would not otherwise be economically feasible without a royalty reduction. If the DNR commissioner agrees that changes to the lease or royalty relief is appropriate, the DNR commissioner shall forward proposed terms to the DOR commissioner for inclusion in a contract developed under section 10. The commissioner may request necessary information and records from the applicant. The information and records must be kept confidential upon request of the applicant. The commissioner may only negotiate if the applicant was obtained all the certificates by June 30, 2005.

Right-of-Way Leasing Act Provisions (AS 38.35) – Sections 5

Section 5. Purpose of the Act, Required Plans and Agreements, and Special Provisions for an Approved Project

This section adds several new sections to the Right-of-Way Leasing Act. First, AS 38.35.235 sets forth the Act's purposes. They are to:

- (1) Expedite a project consistent with ensuring that the people of Alaska get the maximum benefits possible;
- (2) Ensure access to the project by oil and gas companies that do not have an ownership interest in the project and to promote competition in the exploration and development of northern Alaska natural gas;
- (3) Ensure access to the state's royalty gas for Alaskans and Alaskan businesses; and
- (4) Ensure employment of Alaskans and the use of Alaska firms in connection with the project.

Second, AS 38.35.240 describes the actions that an applicant must take before the applicant is eligible for the benefits provided by the Act. If the applicants' actions met certain standards, then the applicable agency will issue a certificate of approval. To expedite the process, the agency must conduct a hearing and act within 90 days of receiving a request for a certificate. The required actions are:

- (1) The applicant must submit a plan showing how the applicant will use best efforts to train and employ state residents and, whenever feasible, will contract with firms in the state in connection with the project;
- (2) The applicant must study in-state demand and submit a plan showing how the plan will maximize the opportunities for access to state royalty gas transported in the project;
- (3) The applicant must study potential gas resources in northern Alaska and submit a plan showing how the applicant's plan and design of the project will maximize the opportunities for access to initial and expansion capacity on the project;

- (4) The applicant must update the demand and supply studies ten years after construction of the project starts;
- (5) The applicant must agree to lease stipulations that:
 - (a) The applicant will provide access to the state to ship the state's royalty gas for use within the state and will use best efforts to get appropriate authorizations to effectuate such shipments;
 - (b) The applicant must seek expansion of the pipeline from the appropriate federal agency if the Regulatory Commission of Alaska determines that expansion of the pipeline is in the best interests of the state and that other criteria are met.

AS 38.35.245 provides that if an applicant/lessee obtains the certificates required by AS 38.35.240, then the DNR commissioner may phase the Right-of-Way lease application process. It also contains a transition provision for entities that have a pending application.

AS 38.35.250 provides that if an applicant/lessee obtains the certificates required by AS 38.35.240, then all other agencies involved in the permitting of the project must give their full cooperation to the DNR commissioner. They must do this by:

- (1) Assembling and furnishing all requested information;
- (2) Issue necessary authorizations at the earliest practicable date, on an expedited basis, and, notwithstanding any other provision of law, with precedence over any like matter;
- (3) Amend any authorization as necessary except changing the basic nature or general route or otherwise impairing the expeditious construction of the project.

AS 38.35.255 provides that the governor may ask for a waiver of law if any applicable provision of law constitutes an obstacle to the expeditious construction of the project.

AS 38.35.257 provides that if an applicant/lessee has obtained the certificates required by AS 38.35.240, then judicial review of decisions made or actions taken under the Act is limited to claims that can be brought under AS 38.35.200 (b) and such claims must be brought within 60 days after the decision or act.

AS 38.35.259 defines various terms used throughout the Act. It uses an expansive definition of the phrase "Alaska North Slope natural gas project" to include either an Alaska Highway route through Canada or a route to southcentral Alaska.

Alaska Railroad Corporation Provisions (AS 42.40) – Sec. 6 - 9

Section 6. Powers of the Alaska Railroad.

This section amends the general powers of the Alaska Railroad Corporation to give it authority to provide financing for the project within and outside the state whether or not the Railroad owns the project.

Section 7. Public Purpose of Bonds.

This section provides that bonds issued by the Railroad for the project are for an essential public and governmental purpose.

Section 8. Payment of Bonds.

This section provides that before issuing bonds for the project, the Railroad must enter into an agreement to ensure that the bond's principal and interest will be timely paid, reserves will be sufficient for the required payments, and all costs relating to the bonds will be paid by an entity other than the corporation. The corporation may retain any excess consideration.

Section 9. Issuance of Bonds.

This section provides that if an applicant/lessee obtains the certificates required by AS 38.35.240, then the Railroad may issue bonds to an applicant to finance the construction of the project and related facilities. The maximum amount of the bonds is \$18 billion and they may be issued in several issuances.

Oil and Gas Taxes Provisions (AS 43.56) – Section 10

Section 10. Reduction of Taxes.

AS 43.56.185 provides that if an applicant/lessee obtains the certificates required by AS 38.35.240, then the DOR commissioner may negotiate to develop a proposed contract that: (1) reduces property taxes levied by the state or a municipality; (2) includes any royalty reduction negotiated by the DNR commissioner under section 4; and (3) makes other terms and conditions that are necessary to protect the best interests of the state.

The DOR commissioner may develop a proposed contract only if:

1. The commissioner has consulted with any affected municipality, prepares a report on socioeconomic effects of

- the project on any affected municipality, and has considered whether other jurisdictions have granted incentives;
2. The commissioner has considered whether other jurisdictions have granted incentives;
 3. The applicant demonstrates by clear and convincing evidence that the project would not otherwise be economically feasible; and
 4. The applicant has agreed to a date certain to begin construction of the project; and
 5. The commissioner has incorporated any agreement that the DNR commissioner has made regarding royalties and the proposed contract includes a mechanism to provide the state with greater royalty and tax revenues if the price of gas is higher than expected.

If the DOR commissioner develops a proposed contract, the commissioner must:

1. make a preliminary finding and determination that the proposed contract is in the long-term fiscal interests of the state, furthers the purposes of this act, and is in the state's best interest;
2. give reasonable public notice, conduct a public hearing, and allow for public comment;
3. provide copies of the proposed contract, findings, and supporting information;
4. if the legislation is not in session, offer to appear before the Legislative Budget and Audit Committee;
5. within 30 days of the close of the public comment, prepare a final finding and final proposed contract; and
6. transmit the proposed contract to the governor, who may transmit it to the legislature.

The governor is not authorized to execute the contract unless the legislature approves it.

Any challenge to the law authorizing the contract must be brought within 120 days after the contract was executed. The commissioner may request necessary information and records from the applicant. The information and records must be kept confidential upon request of the applicant. The commissioner may only negotiate if the applicant was obtained all the certificates by June 30, 2005.

Alaska Coastal Management Program Provision (AS 46.40) – Section 11

Section 11. Phasing under the Coastal Management Program.

This section provides that if an applicant/lessee obtains the certificates required by AS 38.35.240, then any agency responsible for the consistency determination

for a project may phase review of the project. It also contains a transition provision for entities that have a pending application.

Uncodified Provisions – Sections 12 – 14

Section 12. Limitation of Certain Actions.

This section provides that constitutional challenges to this Act must be brought within 60 days after the Act's effective date.

Section 13. Legislative Authorization and Approval.

This section provides that, by passing this Act, the legislature is granting the approval required by AS 42.40.285 for the Railroad to issue bonds to the project.

Section 14. Effective Date.

The Act takes effect immediately.

**SENATE COMMITTEE REPORT
First Committee of Referral**

DATE: 4/10/02

FURTHER: Finance

Date of 5-Day Notice: 4/11/02
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 4/17/02

Resources Committee considered SENATE BILL NO. 360

NORTH SLOPE NATURAL GAS PROJECT & BONDS

and recommends:

- be replaced with CS SB-360 (RES)
- adopt previous CS ()
- attached amendment(s)
- adopt Letter of Intent by Committee
- further referral to Committee

Senate Bill:

same title

new title

House Bill:

same title

technical title

new: SCR #

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
Labour	4-12-02	✓		4
DNR-O&GDvlprnt	4-12-02	✓		3
DNR-Gas Pipeline	4-15-02	✓		2
Revenue	4-15-02	✓		1

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Rick Halford</i>	✓			
<i>Ben Stubb</i>	✓			
<i>Gary White</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>			✓	
CHAIR: <i>John Layton</i>	✓			