

Leg. Finance - House & Senate Finance Comte Files (1973-74) 330

SB/HB 7 cont, SB/HB 8, SB/HB misc., SB 9, HB 9, 10, 11, 12, 13, 14 (one file)

Original sponsor: Rules Committee by request
of the Governor

Offered: 10/30/73
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 7

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - FIRST SPECIAL SESSION

5 A BILL

6 For an Act entitled: "An Act relating to common purchasers of oil; and
7 providing for an effective date."

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

9 * Section 1. AS 31 is amended by adding a new chapter to read:

10 CHAPTER 15. COMMON PURCHASERS OF OIL.

11 Sec. 31.15.010. HEARING ON QUESTION OF DISCRIMINATION. (a)

12 Upon the complaint of a person having an interest in the production of
13 oil from a field, the commission shall hold a hearing or hearings, or,
14 at the commission's own discretion, the commission may hold a hearing or
15 hearings to determine if there has been unjust and unreasonable dis-
16 crimination in purchases of oil offered for purchase within the state,

17 (1) in favor of one or more owners of oil produced as
18 against another owner in the same field; or

19 (2) in favor of one or more fields in reasonably close
20 proximity to each other.

21 (b) In determining whether there has been unjust and unreasonable
22 discrimination in favor of one or more owners of oil produced from a
23 field, the commission shall consider the kind and quality of the oil,
24 the sales prices of the oil, and other related matters.

25 (c) In determining whether there has been unjust and unreasonable
26 discrimination in favor of one or more fields in reasonably close
27 proximity to each other, the commission shall consider the kind and
28 quality of the oil, the sales prices of the oil, the size and
29 location of the fields, the maximum efficient rate of production from

1 the pools, the cost and mode of transporting the oil from the fields,
2 the term of the offerings, and other related matters.

3 Sec. 31.15.020. DETERMINATION OF COMMON PURCHASER. (a) Where a
4 purchaser is purchasing from a field and the commission finds that
5 the purchaser has unjustly and unreasonably discriminated in purchases
6 with regard to oil offered for sale in favor of one or more owners
7 of oil produced in the field, he shall order the purchaser to be
8 a common purchaser with respect to oil offered for sale from the
9 field.

10 (b) Where a purchaser is purchasing from fields in reasonably
11 close proximity to each other and the commission finds that the
12 purchaser has unjustly and unreasonably discriminated in purchases with
13 regard to oil offered for sale in favor of one or more of the fields,
14 he shall order the purchaser to be a common purchaser with respect to
15 oil offered for sale from each field involved.

16 (c) A purchaser cannot be ordered to be a common purchaser
17 on the basis of purchases of oil taken in kind by the United States
18 or the State of Alaska, or on the basis of the payment of royalties,
19 overriding royalties, net profits, carried interests or similar
20 interests, whether in kind or in value or on the basis of a producer
21 taking its own production.

22 Sec. 31.15.030. RESPONSIBILITY OF COMMON PURCHASER. (a) A
23 common purchaser purchasing in this state shall purchase ratably
24 without unjust and unreasonable discrimination in favor of any owner
25 or producer over any other owner or producer offering to sell oil
26 produced from a field where it is a common purchaser or from fields in
27 reasonably close proximity to each other where it is a common
28 purchaser.

29 (b) If a purchaser is a common purchaser in more than one field

1 in reasonably close proximity to each other, the commission may order
2 the purchaser to purchase ratably from the fields involved in propor-
3 tions which will prevent unjust and unreasonable discrimination among
4 the fields.

5 (c) The commission may make inquiry in each field concerning
6 the connections of the various producers and when unjust and unreason-
7 able discrimination is found to be practiced by any common purchaser as
8 defined in this chapter the commission shall issue an order to the
9 common purchaser to make reasonable extensions of their lines and
10 reasonable connections as will prevent the discrimination.

11 Sec. 31.15.040. PENALTY. A person violating an order issued
12 under this chapter shall be assessed by the commission a civil
13 penalty of not less than \$1,000 nor more than \$10,000. Each day a
14 violation continues constitutes a separate offense.

15 Sec. 31.15.050. DEFINITIONS. In this chapter

16 (1) "commission" means the Alaska Pipeline Commission;

17 (2) "field" means a general area which is underlain or
18 appears to be underlain by at least one pool, and includes the
19 underground reservoir containing oil or gas; and the words "pool"
20 and "field" mean the same thing when only one underground reservoir
21 is involved, but "field" unlike "pool" may relate to two or more
22 pools;

23 (3) "oil" includes crude petroleum oil and other hydro-
24 carbons regardless of gravity which are produced at the wellhead
25 in liquid form and the liquid hydrocarbons known as distillate or
26 condensate recovered or extracted from gas, other than gas produced
27 in association with oil and commonly known as casinghead gas;

28 (4) "pool" means an underground reservoir containing
29 oil; each zone of a general structure which is completely separated

1 from any other zone in the structure is covered by the term "pool";

2 (5) "purchaser" means a person who purchases oil in the
3 state.

4 * Sec. 2. AS 44.62.330(a) is amended by adding a new paragraph to read:

5 (37) Alaska Pipeline Commission as to functions relating
6 to common purchasers under AS 31.15.

7 * Sec. 3. This Act takes effect on the day after its passage and
8 approval or on the day it becomes law without approval.

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JURKAM

Pursuant to the Uniform Rules of the Legislature I will be transmitting a bill relating to common purchasers of oil. This measure replaces common purchaser provisions in the Right-of-Way Leasing Act of 1972 which may have allowed the Commissioner of Natural Resources to require anyone transporting oil or gas to also go into the business of buying it as a condition of crossing state land.

The measure being offered now enables the Commissioner to prevent any purchaser of oil from discriminating unjustly and unreasonably among those who offer oil for sale from a given field. A purchaser buying from more than one field in reasonably close proximity may also be barred from such discrimination among sellers.

An investigation into alleged discrimination may be initiated either by the Commissioner on his own initiative or on the basis of a complaint filed with him and can include public hearings. If the Commissioner finds that a purchaser has discriminated unreasonably and unjustly, he must order that purchaser to become a common purchaser. In cases where purchases from more than one field are involved, the Commissioner has the authority to tailor his order to reflect differing circumstances.

Common purchaser status requires a purchaser to buy proportionately from all of those offering oil for sale, according to the volumes of oil offered.

IN THE LEGISLATURE OF THE STATE OF ALASKA
EIGHTH LEGISLATURE - FIRST SPECIAL SESSION

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* Section 1. AS 31 is amended by adding a new chapter to read:

CHAPTER 15. COMMON PURCHASERS OF OIL.

Sec. 31.15.010. HEARING ON QUESTION OF DISCRIMINATION. (a)

Upon the complaint of a person having an interest in the production of oil from a field or at the commissioner's own discretion, the commissioner may hold a hearing or hearings to determine if there has been unjust and unreasonable discrimination in purchases of oil offered for purchase, within the state,

(1) in favor of one or more owners of oil produced as against another owner in the same field; or

(2) in favor of one or more fields in reasonably close proximity to each other.

(b) In determining whether there has been unjust and unreasonable discrimination in favor of one or more owners of oil produced from a field, the commissioner shall consider the kind and quality of the oil, the sales prices of the oil, and other related matters.

(c) In determining whether there has been unjust and unreasonable discrimination in favor of one or more fields in reasonably close proximity to each other, the commissioner shall consider the kind and quality of the oil, the sales prices of the oil, the area and

location of the fields, the maximum efficient rate of production from the pools, the cost and mode of transporting the oil from the fields, the term of the offerings, and other related matters.

Sec. 31.15.020. DETERMINATION OF COMMON PURCHASER. (a) Where a purchaser is purchasing from a field and the commissioner finds that the purchaser has unjustly and unreasonably discriminated in purchases with regard to oil offered for sale in favor of one or more owners of oil produced in the field, he shall order the purchaser to be a common purchaser with respect to oil offered for sale from the field.

(b) Where a purchaser is purchasing from fields in reasonably close proximity to each other and the commissioner finds that the purchaser has unjustly and unreasonably discriminated in purchases with regard to oil offered for sale in favor of one or more of the fields, he shall order the purchaser to be a common purchaser with respect to oil offered for sale from each field involved.

(c) A purchaser cannot be ordered to be a common purchaser on the basis of purchases of oil taken in kind by the United States or the State of Alaska, or on the basis of the payment of royalties, overriding royalties, net profits, carried interests or similar interests, whether in kind or in value or on the basis of a producer taking its own production.

Sec. 31.15.030. RESPONSIBILITY OF COMMON PURCHASER. (a) A common purchaser purchasing in this state shall purchase ratably without unjust and unreasonable discrimination in favor of any owner or producer over any other owner or producer offering to sell oil produced from a field where it is a common purchaser or from fields in reasonably close proximity to each other where it is a common purchaser.

(b) If a purchaser is a common purchaser in more than one field in reasonably close proximity to each other, the commissioner may order the purchaser to purchase ratably from the fields involved in proportions which will prevent unjust and unreasonable discrimination among the fields.

Sec. 31.15.040. PENALTY. A person violating an order issued under this chapter shall be assessed by the commissioner a civil penalty of not less than \$100 nor more than \$1,000. Each day a violation continues constitutes a separate offense.

Sec. 31.15.050. DEFINITIONS. In this chapter

(1) "commissioner" means the commissioner of natural resources;

(2) "field" means a general area which is underlain or appears to be underlain by at least one pool, and includes the underground reservoir containing oil or gas; and the words "pool" and "field" mean the same thing when only one underground reservoir is involved, but "field" unlike "pool" may relate to two or more pools;

(3) "oil" includes crude petroleum oil and other hydrocarbons regardless of gravity which are produced at the wellhead in liquid form and the liquid hydrocarbons known as distillate or condensate recovered or extracted from gas, other than gas produced in association with oil and commonly known as casinghead gas;

(4) "pool" means an underground reservoir containing oil; each zone of a general structure which is completely separated from any other zone in the structure is covered by the term "pool";

(5) "purchaser" means a person who purchases oil in the state.

* Sec. 2. AS 44.62.310(9) is amended by adding a new paragraph to

read:

(37) Department of Natural Resources, as to functions relating to common purchasers under AS 31.15.

* Sec. 3. This Act takes effect on the day after its passage and approval or on the day it becomes law without approval.

The Legislature of the State of Alaska
FISCAL NOTE
First Special Session - Eighth Legislature

I. REQUEST

Bill Identification: SB-7, HB-7
 Title: Regulating Common Purchasers of Oil
 Requested by: Legislative Finance Date: 10/11/73
 Return Date Requested: October 17 or ASAP
 Agency: Dept. of Natural Resources Program: _____

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Natural Resources--Admin. & Support
 A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 74	FY 75	FY 76	FY 77	FY 78	FY 79
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

B. FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	/	/	/	/	/	/
MAN MONTHS (P./T.)	/	/	/	/	/	/

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Included in Fiscal Note for SB-6, HB-6

IV. ATTACHMENTS

V. DATE: 10-11-73 PREPARED BY: [Signature]

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

COMMON PURCHASER (7)

Section	Governor's Bill	House Bill (CSHB 7)	Senate Finance Version
.010 (Hearings)	Commissioner of Natural Resources is supervisory agent	Commissioner of Natural Resources is supervisory agent	Alaska Pipelining Commission is supervisory agency <u>NOTE:</u> Change stands throughout bill
.010 (Hearings)	Reserves option to hold, or not to hold, hearings upon complaint	Reserves option to hold, or not to hold, hearings upon complaint	Becomes imperative for A.P.C. to hold hearings upon complaint but reserves right for A.P.C. to initiate hearings
.030 (Responsibility of C.P.)	-	Adds subsection (c) which requires a C.P. to make extensions to lines to prevent discrimination	
.040 (Penalty)	\$100-1000 per day	\$100-1000 per day	\$1000-10,000 per day
.050 (Defns.)	Commissioner is Natural Resources Commissioner	Commissioner is Natural Resources Commissioner	Commission is the Alaska Pipeline Commission
44.62.330(a)	Refers to Department of Natural Resources	Refers to Department of Natural Resources	Refers to Alaska Pipeline Commission

Christ

Do you want this bill?

Bill

COMMITTEE REPORT

SENATE

10/30/73

Mr. President:

Date 10/31/73

The Committee on FINANCE has had CS 19

(lease of state land for pipeline purposes)
under consideration. A Majority of the members of the Committee

- () recommends it DO PASS
- () recommends it DO NOT PASS
- () recommends it DO PASS WITH ATTACHED AMENDMENT(S)
- () recommends it BE REPLACED WITH CS FOR _____ AND THAT
CS FOR _____ DO PASS;
- () "and" recommends it BE REFERRED TO THE _____
COMMITTEE
- () reports it back WITHOUT RECOMMENDATION
- (X) "other" *reports it back with amendments*

Members signing the Majority report:

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Members NOT concurring in the Majority report:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ Chairman

COMMITTEE REPORT

SENATE

10/19/72

Mr. President:

Date 10/30/72

The Committee on FINANCE has had NO
(Sale of state land for pipeline purposes)
under consideration. A Majority of the members of the Committee

- () recommends it DO PASS
- () recommends it DO NOT PASS
- () recommends it DO PASS WITH ATTACHED AMENDMENT(S)
- () recommends it BE REPLACED WITH CS FOR _____ AND THAT
CS FOR _____ DO PASS
- () "and" recommends it BE REFERRED TO THE _____
COMMITTEE

() reports it back WITHOUT RECOMMENDATION

(x) "other" *reports it back with individual recommendations*

Members signing the Majority report:

Members NOT concurring in the Majority report:

_____ recommends:
 _____ recommends:
 _____ recommends:
 _____ recommends:
 _____ recommends:

_____ Chairman



LAWS OF ALASKA

1973

Source

FSS-SCS CSHB 8

Chapter No.

8

AN ACT

Relating to the lease or sale of state land for pipeline purposes; and providing for an effective date.

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

Section 1. AS 38.05 is amended by adding a new section to read:

Sec. 38.05.063. SALES FOR PIPELINE PURPOSES. (a) The director, when it is in the best interests of the state, may with the approval of the commissioner sell state land after public notice and without public auction for the following pipeline purposes:

- (1) storage, surge and fuel tanks;
- (2) pump, power and compressor stations and station equipment;
- (3) scraper trap and turbine metering facilities;
- (4) topping plants and oil treating facilities;
- (5) valves including remotely controlled block valve equipment sites;
- (6) monitoring sites, navigational aid sites, communication system sites, mechanical refrigeration equipment sites; and
- (7) terminal and terminal facilities including berthing facilities, docks, tanker loading facilities and tanker ballast treatment facilities, sanitation and sewage treatment facilities and pollution control centers.

(b) Before selling land under this section the director

Chapter 8

shall determine that the land is necessary for a purpose set out in (a) of this section and he shall also determine that the land sold under this section does not exceed the reasonable needs of the owners of the pipeline. The director shall have the land appraised and all sales shall be at fair market value or greater.

(c) AS 44.62.330 - 44.62.630 do not apply to determinations made under this section.

(d) In this section state land includes state lands as defined in sec. 365 of this chapter and public lands of the United States selected by the state under sec. 6 of the Alaska Statehood Act of 1958 (PL 85-508; 72 Stat. 399), as amended, and real property of the United States transferred to the state under secs. 21, 35 and 45 of the Alaska Omnibus Act of 1959 (PL 86-70; 73 Stat. 141), as amended, but does not include tidelands, submerged lands or shore land.

* Sec. 2. AS 38.05 is amended by adding a new section to read:

Sec. 38.05.076. LEASES FOR PIPELINE PURPOSES. (a) The director, when it is in the best interests of the state, may with the approval of the commissioner lease state land after public notice and without public auction for pipeline purposes including

- (1) pipe storage yards and equipment storage sites;
- (2) storage, surge and fuel tanks;
- (3) pump, power and compressor stations and station equipment;
- (4) scraper trap and turbine metering facilities;
- (5) fuel and water lines;
- (6) topping plants and oil treating facilities;
- (7) access facilities including roads, bridges, causeways, stream crossings, airfields and heliports;
- (8) valves including remotely controlled block valve equipment sites;
- (9) effluent and diffuser outfall structures;
- (10) land fill and erosion and environmental control devices and installations;
- (11) fire protection systems including break-water structures;
- (12) construction, operation and maintenance camp sites;
- (13) material sites, spoil disposal sites, monitoring sites, navigational aid sites, communication system

sites, mechanical refrigeration equipment sites; and

(14) terminal and terminal facilities including berthing facilities, docks, tanker loading facilities and tanker ballast treatment facilities, sanitation and sewage treatment facilities and pollution control centers.

(b) Before leasing land under this section the director shall determine that the land is necessary for a purpose set out in (a) of this section and he shall also determine that the land leased under this section does not exceed the reasonable needs of the owners of the pipeline. The director shall have the land appraised and all leases shall be at fair market value or greater.

(c) AS 44.62.330 - 44.62.630 do not apply to determinations made under this section.

(d) In this section state land includes state lands as defined in sec. 365 of this chapter and public land of the United States selected by the state under sec. 6 of the Alaska Statehood Act of 1958 (PL 85-508; 72 Stat. 399), as amended, and real property of the United States transferred to the state under secs. 21, 35 and 45 of the Alaska Omnibus Act of 1959 (PL 86-70; 73 Stat. 141), as amended.

* Sec. 3. This Act takes effect on the day after its passage and approval or on the day it becomes law without approval.

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W — ALASKA OFFICE BUILDING

FINANCE DIVISION
POUCH WF — STATE CAPITOL

JUNEAU 99801

MEMORANDUM

TO: Chairmen and Members
Senate and House Finance

DATE: November 15, 1973

FROM: Robert L. Grogan *RLG*
Fiscal Analyst
Legislative Finance

SUBJ: Right-of-Way Leasing
Substantive Changes
from Existing Law--
HB 3, HB 8

1. Addition of Sec. 38.35.250 binding effect of covenants. Provides lessee with the right to challenge the power of the state to require covenants.
2. Deletion of ownership option. All provisions for state purchase of a pipeline were removed.
3. Substitution of a purchase price provision, based on fair market value, in place of prior method based on a production formula (see attachment).
4. Addition of section relating to sale or lease of lands bill creates a repealer for the bill. The section also provides for reporting of the sale or lease transactions. Under the new section, the sale or lease of lands bill will be repealed effective September 1, 1974.

AGO 788613

Right-of-Way Leasing

The existing law provides for a right-of-way lease based on the higher of two formulas--one relating to pipeline assets, and the other to net earnings of the pipeline. According to the joint stipulations in the oil companies' suit against the State, the asset formula,

"AS 38.35.140(a), would require a minimum aggregate payment by the TAPS owners to the State of approximately \$72,739,800 (or \$2,078,280 per year), if TAPS were constructed for a throughput capacity of 2,000,000 barrels per day. The minimum aggregate rental payment would be approximately \$67,900,000 (or \$1,940,000 per year) if TAPS were constructed for a throughput capacity of 1,200,000 barrels per day."

Expected revenues under the net earnings formula depend on the manner in which net earnings are calculated. The joint stipulations anticipated three possible variations:

(1) 'Proposed regulations' multiplies both 'net earnings' and 'total assets' (as those terms are used in AS 38.35.140(a)(2)) by a term referred to as the Alaska Land Factor (ALF). The Alaska Land Factor is defined as the length of right-of-way over land in which the state has an ownership interest divided by the total length of the pipeline in the state. Such factor is 0.3181. This formula also provides that in determining 'net earnings', both the minimum rental under AS 38.35.140(a)(1) and the percentage rental under AS 38.35.140(a)(2) shall be deducted from gross revenues.

(2) 'Formula A' is identical to the formula described above except that the Alaska Land Factor is not used.

(3) 'Formula B' is identical to Formula A except that the percentage rental under AS 38.35.140(a)(2) is not deducted in calculating 'net earnings'."

Following these various approaches,

"the average annual aggregate amount of the rent payable to the state over the life of the pipeline by all TAPS owners will be approximately as follows, assuming different rates of return on Interstate Commerce Commission valuation of the pipeline property:

ICC RATE of RETURN	USING PROPOSED REGULATIONS	USING FORMULA A	USING FORMULA B
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If Pipeline is Constructed for
1,200,000 bbl/day Throughput Capacity

2 per cent	\$ 6,700,000	\$ 20,500,000	\$ 39,300,000
4 per cent	16,300,000	52,400,000	103,500,000
5 per cent	23,500,000	75,900,000	150,800,000
7 per cent	40,500,000	129,300,000	258,600,000

If Pipeline is Constructed for
1,200,000 bbl/day Throughput Capacity

2 per cent	\$ 7,100,000	\$ 21,500,000	\$ 41,700,000
4 per cent	17,200,000	55,400,000	109,500,000
5 per cent	24,900,000	80,300,000	159,600,000
7 per cent	42,900,000	127,000,000	274,100,000

Thus, in all the cases considered, under existing law, the net earnings formula would yield greater revenue and thus be in effect. There is some feeling that the 4% ICC rate of return is the one that oil companies would choose.

Governor Egan's proposal for right-of-way leasing would substitute a rental based on fair market value. According to the plaintiff's proposed stipulations of fact, the market value of State right-of-way (249 of the 789 miles) is between \$384,248 and \$467,612 assuming a value of \$87 - \$106 per acre. Thus, the revenue to be received under this approach can be expected to be rather small. A common practice in leasing by the Department of Natural Resources has been to charge an annual rental equivalent to 6% of the fair market value.



LAWS OF ALASKA

1973

Source

FSS-SCS CSHB 8

Chapter No.

8

AN ACT

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Sec. 38.05.063. SALES FOR PIPELINE PURPOSES. (a) The director, when it is in the best interests of the state, may with the approval of the commissioner sell state land after public notice and without public auction for the following pipeline purposes:

- (1) storage, surge and fuel tanks;
- (2) pump, power and compressor stations and station equipment;
- (3) scraper trap and turbine metering facilities;
- (4) topping plants and oil treating facilities;
- (5) valves including remotely controlled block valve equipment sites;
- (6) monitoring sites, navigational aid sites, communication system sites, mechanical refrigeration equipment sites; and
- (7) terminal and terminal facilities including berthing facilities, docks, tanker loading facilities and tanker ballast treatment facilities, sanitation and sewage treatment facilities and pollution control centers.

(b) Before selling land under this section the director

AGO 788616

shall determine that the land is necessary for a purpose set out in (a) of this section and he shall also determine that the land sold under this section does not exceed the reasonable needs of the owners of the pipeline. The director shall have the land appraised and all sales shall be at fair market value or greater.

(c) AS 44.62.330 - 44.62.630 do not apply to determinations made under this section.

(d) In this section state land includes state lands as defined in sec. 365 of this chapter and public lands of the United States selected by the state under sec. 6 of the Alaska Statehood Act of 1958 (PL 85-508; 72 Stat. 399), as amended, and real property of the United States transferred to the state under secs. 21, 35 and 45 of the Alaska Omnibus Act of 1959 (PL 86-70; 73 Stat. 141), as amended, but does not include tidelands, submerged lands or shore land.

* Sec. 2. AS 38.05 is amended by adding a new section to read:

Sec. 38.05.076. LEASES FOR PIPELINE PURPOSES. (a) The director, when it is in the best interests of the state, may with the approval of the commissioner lease state land after public notice and without public auction for pipeline purposes including

- (1) pipe storage yards and equipment storage sites;
- (2) storage, surge and fuel tanks;
- (3) pump, power and compressor stations and station equipment;
- (4) scraper trap and turbine metering facilities;
- (5) fuel and water lines;
- (6) topping plants and oil treating facilities;
- (7) access facilities including roads, bridges, causeways, stream crossings, airfields and heliports;
- (8) valves including remotely controlled block valve equipment sites;
- (9) effluent and diffuser outfall structures;
- (10) land fill and erosion and environmental control devices and installations;
- (11) fire protection systems including break-water structures;
- (12) construction, operation and maintenance camp sites;
- (13) material sites, spoil disposal sites, monitoring sites, navigational aid sites, communication system

sites, mechanical refrigeration equipment sites; and

(14) terminal and terminal facilities including berthing facilities, docks, tanker loading facilities and tanker ballast treatment facilities, sanitation and sewage treatment facilities and pollution control centers.

(b) Before leasing land under this section the director shall determine that the land is necessary for a purpose set out in (a) of this section and he shall also determine that the land leased under this section does not exceed the reasonable needs of the owners of the pipeline. The director shall have the land appraised and all leases shall be at fair market value or greater.

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* Sec. 3. This Act takes effect on the day after its passage and approval or on the day it becomes law without approval.

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 8

3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 EIGHTH LEGISLATURE - FIRST SPECIAL SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the lease or sale of state land
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14 public auction for the following pipeline purposes:

- 15 (1) storage, surge and fuel tanks;
16 (2) pump, power and compressor stations and station equip-
17 ment;
18 (3) scraper trap and turbine metering facilities;
19 (4) topping plants and oil treating facilities;
20 (5) valves including remotely controlled block valve
21 equipment sites;
22 (6) monitoring sites, navigational aid sites, communication
23 system sites, mechanical refrigeration equipment sites; and
24 (7) terminal and terminal facilities including berthing
25 facilities, docks, tanker loading facilities and tanker ballast
26 treatment facilities, sanitation and sewage treatment facilities and
27 pollution control centers.

28 (b) Before selling land under this section the director shall
29 determine that the land is necessary for a purpose set out in (a) of

1 this section and he shall also determine that the land sold under this
2 section does not exceed the reasonable needs of the owners of the
3 pipeline. The director shall have the land appraised and all sales
4 shall be at fair market value or greater.

5 (c) AS 44.62.330 - AS 44.62.630 do not apply to determinations
6 made under this section.

7 (d) In this section state land includes state lands as defined
8 in sec. 365 of this chapter and public lands of the United States
9 selected by the state under sec. 6 of the Alaska Statehood Act of 1958
10 (PL 85-508; 72 Stat. 399), as amended, and real property of the United
11 States transferred to the state under secs. 21, 35 and 45 of the Alaska
12 Omnibus Act of 1959 (PL 86-70; 73 Stat. 141), as amended but does not
13 include tidelands, submerged lands or shore land.

14 * Sec. 2. AS 38.05 is amended by adding a new section to read:

15 Sec. 38.05.076. LEASES FOR PIPELINE PURPOSES. (a) The
16 director, when it is in the best interests of the state, may with the
17 approval of the commissioner lease state land after public notice and
18 without public auction for pipeline purposes including

- 19 (1) pipe storage yards and equipment storage sites;
20 (2) storage, surge and fuel tanks;
21 (3) pump, power and compressor stations and station
22 equipment;
23 (4) scraper trap and turbine metering facilities;
24 (5) fuel and water lines;
25 (6) topping plants and oil treating facilities;
26 (7) access facilities including roads, bridges, causeways,
27 stream crossings, airfields and heliports;
28 (8) valves including remotely controlled block valve
29 equipment sites;

- 1 (9) effluent and diffuser outfall structures;
2 (10) land fill and erosion and environmental control
3 devices and installations;
4 (11) fire protection systems including breakwater
5 structures;
6 (12) construction, operation and maintenance camp sites;
7 (13) material sites, spoil disposal sites, monitoring sites,
8 navigational aid sites, communication system sites, mechanical
9 refrigeration equipment sites; and
10 (14) terminal and terminal facilities including berthing
11 facilities, docks, tanker loading facilities and tanker ballast
12 treatment facilities, sanitation and sewage treatment facilities
13 and pollution control centers.

14 (b) Before leasing land under this section the director
15 shall determine that the land is necessary for a purpose set out in
16 (a) of this section and he shall also determine that the land leased
17 under this section does not exceed the reasonable needs of the
18 owners of the pipeline. The director shall have the land appraised
19 and all leases shall be at fair market value or greater.

20 (c) AS 44.62.330 - AS 44.62.630 do not apply to determinations
21 made under this section.

22 (d) In this section state land includes state lands as
23 defined in sec. 365 of this chapter and public land of the
24 United States selected by the state under sec. 6 of the Alaska
25 Statehood Act of 1958 (PL 85-508; 72 Stat. 399), as amended, and
26 real property of the United States transferred to the state under
27 secs. 21, 35 and 45 of the Alaska Omnibus Act of 1959 (PL 86-70;
28 73 Stat. 141), as amended.

29 * Sec. 3. This Act takes effect on the day after its passage and

1 approval or on the day it becomes law without approval.

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Original sponsor: Rules Committee
by request of the Governor

Offered: 10/25/73
Referred: Judiciary

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 CS FOR HOUSE BILL NO. 8

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - FIRST SPECIAL SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the lease of state land for pipe-
7 line purposes; and providing for an effective date."

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

9 * Section 1. AS 38.05 is amended by adding a new section to read:

10 Sec. 38.05.063. LEASES FOR PIPELINE PURPOSES. (a) The director,
11 when it is in the best interests of the state, may with the approval of
12 the commissioner lease state land after public notice and without public
13 auction for the following pipeline purposes:

- 14 (1) storage, surge and fuel tanks;
- 15 (2) pump, power and compressor stations and station equip-
16 ment;
- 17 (3) scraper trap and turbine metering facilities;
- 18 (4) topping plants and oil treating facilities;
- 19 (5) valves including remotely controlled block valve equip-
20 ment sites;
- 21 (6) monitoring sites, navigational aid sites, communication
22 system sites, mechanical refrigeration equipment sites;
- 23 (7) terminal and terminal facilities including berthing
24 facilities, docks, tanker loading facilities and tanker ballast treat-
25 ment facilities, sanitation and sewage treatment facilities and
26 pollution control centers;
- 27 (8) pipe storage yards and equipment storage sites;
- 28 (9) fuel and water lines;
- 29 (10) access facilities including roads, bridges, causeways,

1 stream crossing, airfields and heliports;

2 (11) effluent and diffuser outfall structures;

3 (12) land fill and erosion and environmental control devices
4 and installations;

5 (13) fire protection systems including breakwater structures;

6 (14) construction, operation and maintenance camp sites;

7 (15) material sites, spoil disposal sites, monitoring sites,
8 navigational aid sites, communication system sites, mechanical
9 refrigeration equipment sites.

10 (b) AS 44.62.330 - 44.62.630 do not apply to determinations made
11 under this section.

12 (c) In this section state land includes state lands as defined in
13 sec. 365 of this chapter and public lands of the United States selected
14 by the state under sec. 6 of the Alaska Statehood Act of 1958 (PL 85-
15 508; 72 Stat. 399), as amended, and real property of the United States
16 transferred to the state under secs. 21, 35, and 45 of the Alaska
17 Omnibus Act of 1959 (PL 86-70; 73 Stat. 141), as amended.

18 (d) Before leasing land under this section the director shall
19 determine that the land is necessary for a purpose set out in (a) of
20 this section and he shall also determine that the land leased under
21 this section does not exceed the reasonable needs of the owners of
22 the pipeline. Leases granted under AS 38.05.063 shall be subject to
23 forfeiture if the lands under lease are put to a use substantially
24 different from the uses allowable under AS 38.05.063.

25 (e) The initial lease period of state lands under this section
26 is not to exceed 55 years with the lessee having an option to renew the
27 lease at the end of the initial term for an additional term of up to
28 55 years.

29 * Sec. 2. The lease provided for under AS 38.05.063 is effective upon

1 the lessee paying the state not less than \$10 million.

2 * Sec. 3. This Act takes effect on the day after its passage and approval
3 or on the day it becomes law without approval.

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Original sponsor: Rules Committee by
request of the Governor

Offered: 10/31/73
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 8

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - FIRST SPECIAL SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the lease or sale of state land
7 for pipeline purposes; and providing for an effective
8 date."

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

10 * Section 1. AS 38.05 is amended by adding a new section to read:

11 Sec. 38.05.063. SALES FOR PIPELINE PURPOSES. (a) The director,
12 when it is in the best interests of the state, may with the approval
13 of the commissioner sell state land after public notice and without
14 public auction for the following pipeline purposes:

- 15 (1) storage, surge and fuel tanks;
16 (2) pump, power and compressor stations and station equip-
17 ment;
18 (3) scraper trap and turbine metering facilities;
19 (4) topping plants and oil treating facilities;
20 (5) valves including remotely controlled block valve
21 equipment sites;
22 (6) monitoring sites, navigational aid sites, communication
23 system sites, mechanical refrigeration equipment sites; and
24 (7) terminal and terminal facilities including berthing
25 facilities, docks, tanker loading facilities and tanker ballast
26 treatment facilities, sanitation and sewage treatment facilities and
27 pollution control centers.

28 (b) Before selling land under this section the director shall
29 determine that the land is necessary for a purpose set out in (a) of

1 this section and he shall also determine that the land sold under this
2 section does not exceed the reasonable needs of the owners of the
3 pipeline. The director shall have the land appraised and all sales
4 shall be at fair market value or greater.

5 (c) AS 44.62.330 - AS 44.62.630 do not apply to determinations
6 made under this section.

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8 in sec. 365 of this chapter and public lands of the United States
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27 stream crossings, airfields and heliports;
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29 equipment sites;

- 1 (9) effluent and diffuser outfall structures;
2 (10) land fill and erosion and environmental control
3 devices and installations;
4 (11) fire protection systems including breakwater
5 structures;
6 (12) construction, operation and maintenance camp sites;
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Original sponsor: Rules Committee by
request of the Governor

Offered: 10/31/73
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 8

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - FIRST SPECIAL SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the lease or sale of state land
7 for pipeline purposes; and providing for an effective
8 date."

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

10 * Section 1. AS 38.05 is amended by adding a new section to read:

11 Sec. 38.05.063. SALES FOR PIPELINE PURPOSES. (a) The director,
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13 of the commissioner sell state land after public notice and without
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- 15 (1) storage, surge and fuel tanks;
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19 (4) topping plants and oil treating facilities;
20 (5) valves including remotely controlled block valve
21 equipment sites;
22 (6) monitoring sites, navigational aid sites, communication
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1 this section and he shall also determine that the land sold under this
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3 pipeline. The director shall have the land appraised and all sales
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6 made under this section.

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8 in sec. 365 of this chapter and public lands of the United States
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15 Sec. 38.05.076. LEASES FOR PIPELINE PURPOSES. (a) The
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25 (6) topping plants and oil treating facilities;
26 (7) access facilities including roads, bridges, causeways,
27 stream crossings, airfields and heliports;
28 (8) valves including remotely controlled block valve
29 equipment sites;

- 1 (9) effluent and diffuser outfall structures;
2 (10) land fill and erosion and environmental control
3 devices and installations;
4 (11) fire protection systems including breakwater
5 structures;
6 (12) construction, operation and maintenance camp sites;
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16 (a) of this section and he shall also determine that the land leased
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18 owners of the pipeline. The director shall have the land appraised
19 and all leases shall be at fair market value or greater.

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24 United States selected by the state under sec. 6 of the Alaska
25 Statehood Act of 1958 (PL 85-508; 72 Stat. 399), as amended, and
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27 secs. 21, 35 and 45 of the Alaska Omnibus Act of 1959 (PL 86-70;
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29 * Sec. 3. This Act takes effect on the day after its passage and

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1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 8

3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 EIGHTH LEGISLATURE - FIRST SPECIAL SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the lease or sale of state land
7 for pipeline purposes; and providing for an effective
8 date."

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

10 * Section 1. AS 38.05 is amended by adding a new section to read:

11 Sec. 38.05.063. SALES FOR PIPELINE PURPOSES. (a) The director,
12 when it is in the best interests of the state, may with the approval
13 of the commissioner sell state land after public notice and without
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- 20 (5) valves including remotely controlled block valve
21 equipment sites;
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26 (7) access facilities including roads, bridges, causeways,
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- 1 (9) effluent and diffuser outfall structures;
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3 devices and installations;
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25 Statehood Act of 1958 (PL 85-508; 72 Stat. 399), as amended, and
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27 secs. 21, 35 and 45 of the Alaska Omnibus Act of 1959 (PL 86-70;
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The Legislature of the State of Alaska
FISCAL NOTE
First Special Session - Eighth Legislature

I. REQUEST

Bill Identification: SB-8, HB-8
 Title: Sale or Lease of State Land for Pipeline Purposes
 Requested by: Legislative Finance Date: 10/11/73
 Return Date Requested: October 17, or as soon after that date as possible
 Agency: Natural Resources Program: _____

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Land Management, Division of Lands
 A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 74	FY 75	FY 76	FY 77	FY 78	FY 79
100 PERSONAL SERVICES	22.7	47.7	50.0	52.3	55.2	27.6
200 TRAVEL	5.0	10.5	11.0	11.6	12.1	6.0
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT	2.0	3.0	3.1	3.2	3.3	1.7
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	29.7	61.2	64.1	67.1	70.6	35.3

B. FUNDING: (Thousands of dollars)

GENERAL FUND	29.7	61.2	64.1	67.1	70.6	35.3
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	3 /	3 /	3 /	3 /	3 /	3 /
MAN MONTHS (P./T.)	18 /	36 /	36 /	36 /	36 /	18 /

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Examination, appraisal and management of the variety and number of land parcels identified in SB-8 -- HB-8 plus SB-3 --HB-3 require full-time services of Land Management Officer II, Appraiser II, and Clerk-Typist III. Activity will peak out in year following completion of Alyeska Pipeline unless Trans Alaska Gas Pipeline is under construction.

IV. ATTACHMENTS

V. DATE: Oct 24, 1973 PREPARED BY: William J. Jacklin

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W — ALASKA OFFICE BUILDING

FINANCE DIVISION
POUCH VI — STATE CAPITOL

JUNEAU 99001

MEMORANDUM

TO: The Hon. John Sackett
State Senator
Alaska Legislature

DATE: October 31, 1973

FROM: Robert L. Grogan
Fiscal Analyst
Legislative Finance

SUBJ: Sale or Lease
of Lands Bill

In response to your questions concerning the Sale or Lease of Lands Bill, SB 8, I would like to submit the following:

I. POINTS OF CONSIDERATION

1. Have all possible land uses been included in the amendment? (secs. 1 & 2)
2. Is the determination of what land is "necessary" and what are "reasonable needs" and what is "fair market value" to be made only by the director of the Division of Lands? (sec. 2, 14b)
3. What procedure will be used to ascertain fair market value of these lands and what would be the terms of such sales?
4. What specific parcels are to be sold? Might it be more advantageous to lease these lands?
5. Could the state be setting a poor precedent by allowing these purchases to be exempt of the competitive bid procedure?

II. COMPETITIVE BIDDING vs. CLOSED SALE

Assuming that a competitive sale would result in a higher sale price, the gain from such a higher sale price would far outweigh the loss as a result of increased pipeline cost. The ratio of this relationship is on the order of eight to one in favor of a higher sale price. Details to clarify these comments follow.

The pipeline company's maximum rate of annual profit is held at 7% by ICC regulation. In addition, the company also is allowed to recover the cost of the pipeline over an established depreciation period. These factors raise the pipeline tariff and thus lower wellhead value, reducing the state's royalty. The state's royalty rate amounts to 1/8 or 12 and 1/2 percent of this maximum. For each additional \$1 million of increased investment base, the state's portion is \$9,585 per annum (assuming a 35-year depreciation period and a maximum 7% rate of return by the pipeline company). This figure would be smaller if the company's rate of return should be lower, and slightly higher should the pipeline be depreciated over a shorter period of time.

If the state invested the \$1 million at 8% annual interest (a historic rate of return on Alaska's investments) the resulting investment income would be \$80,000. The state's annual loss (\$9,585) deducted from this annual gain leaves \$70,415 for a net annual gain. (See Chart, Page 3.)

If intermediate owner speculation did occur, the ultimate selling price to the pipeline company would have to be over eight times the original selling price to result in a loss to the state.

III. LEASE LIMIT BASED ON FAIR MARKET VALUE

Alaska statutes do not stipulate a price for leases based upon a percentage of the fair market value of the land in question.

IV. LEASING vs. SALE

Based on a 55-year lease, and given an 8% discount rate, an annual lease payment of \$811,779.63 would equal a present value sale price of \$10,000,000.

EXAMPLE

Land selling price	\$1,000,000
Increased investment base for pipeline tariff (times maximum allowance rate of return, plus annual de- preciation of principal)	\$1,000,000 x 7% = \$76,680
State royalty percentage	\$76,680 x 12 and 1/2% = \$9,585
Annual state loss	\$9,585
Receipt of sale invested at 8%	\$1,000,000 x 8% = \$80,000
Amount of annual gain	\$80,000
Annual state loss deducted from annual gain	\$80,000 - \$9,585 = \$70,415
Net annual gain	\$70,415

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

Pursuant to the Uniform Rules of the Legislature, I will be transmitting a bill relating to the sale or lease of state land for pipeline purposes. This measure is intended to eliminate possible impediments to the earliest possible start of pipeline construction in existing state procedures for the disposal of land.

In general, the provisions of present state land law allow the Director, Division of Lands, to dispose of interests in land through lease or sale only upon competitive bids.

However, the only purpose in bidding on the disposal of land for the terminal site at Valdez would be for the purpose, by land speculators, of selling the land right back to the pipeline owners who cannot complete their plans without it. This does not enhance the public interest since the cost of land acquisition will be passed back in large part to the state through an increased investment base for the pipeline tariff. It appears that the public interest would be better served if state land which is reasonably necessary to pipeline purposes could be made available without auction, though with public notice and professional appraisal to protect the public interest.

Similar provisions allowing for the non-competitive sale of state lands for fisheries and agriculture purposes when those uses are in the best public interest have existed in Alaska law for many years.

I fully appreciate that this proposal urges you to enact a statute that under normal circumstances neither the executive branch nor the legislative branch would be eager to entertain. However, we do find ourselves in a situation where, I am convinced, it is in the best interests of Alaska's people to take this action diminishing the risk of further substantial delay in the date when North Slope oil could be on its way to market. In your consideration of the necessity for this proposal, let me make it crystal clear that no land would be conveyed under the requested statute short of a purchase price equalling assessed true value, or even greater.

IN THE LEGISLATURE OF THE STATE OF ALASKA
EIGHTH LEGISLATURE - FIRST SPECIAL SESSION

A BILL

For an Act entitled: "An Act relating to the lease or sale of state land for pipeline purposes; and providing for an effective date."

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

* Section 1. AS 38.05 is amended by adding a new section to read:

Sec. 38.05.063. SALES FOR PIPELINE PURPOSES. (a) The director, when it is in the best interests of the state, may with the approval of the commissioner sell state land after public notice and without public auction for the following pipeline purposes:

- (1) storage, surge and fuel tanks;
- (2) pump, power and compressor stations and station equipment;
- (3) scraper trap and turbine metering facilities;
- (4) topping plants and oil treating facilities;
- (5) valves including remotely controlled block valve equipment sites;
- (6) monitoring sites, navigational aid sites, communication system sites, mechanical refrigeration equipment sites; and
- (7) terminal and terminal facilities including berthing facilities, docks, tanker loading facilities and tanker ballast treatment facilities, sanitation and sewage treatment facilities and pollution control centers.

(b) Before selling land under this section the director shall determine that the land is necessary for a purpose set out in (a) of

this section and he shall also determine that the land sold under this section does not exceed the reasonable needs of the owners of the pipeline. The director shall have the land appraised and all sales shall be at fair market value or greater.

(c) AS 44.62.330 - AS 44.62.630 do not apply to determinations made under this section.

(d) In this section state land includes state lands as defined in sec. 365 of this chapter and public lands of the United States selected by the state under sec. 6 of the Alaska Statehood Act of 1958 (PL 85-508; 72 Stat. 399), as amended, and real property of the United States transferred to the state under secs. 21, 35 and 45 of the Alaska Omnibus Act of 1959 (PL 86-70; 73 Stat. 141), as amended but does not include tidelands, submerged lands or shore land.

* Sec. 2. AS 38.05 is amended by adding a new section to read:

Sec. 38.05.076. LEASES FOR PIPELINE PURPOSES. (a) The director, when it is in the best interests of the state, may with the approval of the commissioner lease state land after public notice and without public auction for pipeline purposes including

- (1) pipe storage yards and equipment storage sites;
- (2) storage, surge and fuel tanks;
- (3) pump, power and compressor stations and station equipment;
- (4) scraper trap and turbine metering facilities;
- (5) fuel and water lines;
- (6) topping plants and oil treating facilities;
- (7) access facilities including roads, bridges, causeways, stream crossings, airfields and heliports;
- (8) valves including remotely controlled block valve equipment sites;

- (9) effluent and diffuser outfall structures;
- (10) land fill and erosion and environmental control devices and installations;
- (11) fire protection systems including breakwater structures;
- (12) construction, operation and maintenance camp sites;
- (13) material sites, spoil disposal sites, monitoring sites, navigational aid sites, communication system sites, mechanical refrigeration equipment sites; and
- (14) terminal and terminal facilities including berthing facilities, docks, tanker loading facilities and tanker ballast treatment facilities, sanitation and sewage treatment facilities and pollution control centers.

(b) Before leasing land under this section the director shall determine that the land is necessary for a purpose set out in (a) of this section and he shall also determine that the land leased under this section does not exceed the reasonable needs of the owners of the pipeline. The director shall have the land appraised and all leases shall be at fair market value or greater.

(c) AS 44.62.330 - AS 44.62.630 do not apply to determinations made under this section.

(d) In this section state land includes state lands as defined in sec. 365 of this chapter and public land of the United States selected by the state under sec. 6 of the Alaska Statehood Act of 1958 (PL 85-508; 72 Stat. 399), as amended, and real property of the United States transferred to the state under secs. 21, 39 and 45 of the Alaska Omnibus Act of 1959 (PL 86-70; 73 Stat. 141), as amended.

* Sec. 3. This Act takes effect on the day after its passage and

approval or on the day it becomes law without approval.

00

MEMORANDUM

TO: The Hon. W. I. Palmer
State Senate
Alaska Legislature

DATE: October 31, 1973

FROM: Robert L. Grogan
Fiscal Analyst
Legislative Finance

SUBJ: Sale or Lease
of Lands Bill

In response to your questions concerning the Sale or Lease of Lands Bill, SB 8, I would like to submit the following:

I. POINTS OF CONSIDERATION

1. Have all possible land uses been included in the amendment? (secs. 1 & 2)
2. Is the determination of what land is "necessary" and what are "reasonable needs" and what is "fair market value" to be made only by the director of the Division of Lands? (sec. 2, 1⁴b)
3. What procedure will be used to ascertain fair market value of these lands and what would be the terms of such sales?
4. What specific parcels are to be sold? Might it be more advantageous to lease these lands?
5. Could the state be setting a poor precedent by allowing these purchases to be exempt of the competitive bid procedure?

II. COMPETITIVE BIDDING vs. CLOSED SALE

Assuming that a competitive sale would result in a higher sale price, the gain from such a higher sale price would far outweigh the loss as a result of increased pipeline cost. The ratio of this relationship is on the order of eight to one in favor of a higher sale price. Details to clarify these comments follow.

The pipeline company's maximum rate of annual profit is held at 7% by ICC regulation. In addition, the company also is allowed to recover the cost of the pipeline over an established depreciation period. These factors raise the pipeline tariff and thus lower wellhead value, reducing the state's royalty. The state's royalty rate amounts to 1/8 or 12 and 1/2 percent of this maximum. For each additional \$1 million of increased investment base, the state's portion is \$9,585 per annum (assuming a 35-year depreciation period and a maximum 7% rate of return by the pipeline company). This figure would be smaller if the company's rate of return should be lower, and slightly higher should the pipeline be depreciated over a shorter period of time.

If the state invested the \$1 million at 8% annual interest (a historic rate of return on Alaska's investments) the resulting investment income would be \$80,000. The state's annual loss (\$9,585) deducted from this annual gain leaves \$70,415 for a net annual gain. (See Chart, Page 3.)

If intermediate owner speculation did occur, the ultimate selling price to the pipeline company would have to be over eight times the original selling price to result in a loss to the state.

III. LEASE LIMIT BASED ON FAIR MARKET VALUE

Alaska statutes do not stipulate a price for leases based upon a percentage of the fair market value of the land in question.

IV. LEASING vs. SALE

Based on a 55-year lease, and given an 8% discount rate, an annual lease payment of \$811,779.63 would equal a present value sale price of \$10,000,000.

A lease might be negotiated under these terms with a stipulation for reappraisal at given intervals. At each reappraisal the fair market value could be re-established and lease payments would then be based on the present value. This procedure would provide that the state's interest in the lands could be adjusted periodically to compensate for changes in valuation of these properties. The attached chart (Page 4) of crude oil prices would suggest that this valuation will continue to rise.

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE BUREAU 99801

MEMORANDUM

TO: The Hon. Sen. Froh
Chairman
Senate Finance

DATE: October 29, 1973

FROM: Robert L. Gregor
Financial Analyst
Legislative Finance

RE: Sale or Lease
of Lands Bill

SALE OR LEASE OF LANDS BILL

POINTS OF CONSIDERATION

1. Have all possible land uses been included in the amendment? (secs. 1 & 2.)
2. Is the determination of what land is "necessary" and what are "reasonable needs" and what is "fair market value" to be made only by the director of the Division of Lands? (sec. 14b).
3. What procedure will be used to ascertain fair market value of these lands and what would be the terms of such sales?
4. What specific parcels are to be sold? Might it be more advantageous to lease these lands?
5. Could the state be setting a poor precedent by allowing these purchases to be exempt of the competitive bid procedure

3

M E M O R A N D U M

TO:

DATE:

FROM: Robert L. Grogan
Fiscal Analyst
Legislative Finance

SUBJ: Sale or Lease
of Lands Bill

SALE OR LEASE OF LANDS BILL

POINTS OF CONSIDERATION

1. Have all possible land uses been included in the amendment?
(secs. 1 & 2.)
2. Is the determination of what land is "necessary" and what are "reasonable needs" and what is "fair market value" to be made only by the director of the Division of Lands?
(sec. 2, 14b).
3. What procedure will be used to ascertain fair market value of these lands and what would be the terms of such sales?
4. What specific parcels are to be sold? Might it be more advantageous to lease these lands?
5. Could the state be setting a poor precedent by allowing these purchases to be exempt of the competitive bid procedure?

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE JUNEAU 99801

MEMORANDUM

TO: The Hon. Sen. Groh
Chairman
Senate Finance

DATE: October 29, 1973

FROM: Robert L. Grogan
Fiscal Analyst

SUBJ: Sale or Lease
of Lands Bill

The reasoning to avoid land sale competitive bidding and speculation in an effort to maintain wellhead price for the state's benefit begs the question: why not simply give the land to the pipeline company, thereby reducing costs even further? In contrast, competitive bidding may have advantageous fiscal implications.

The pipeline company's maximum rate of annual profit is held at 7% by ICC regulation. In addition, the company also is allowed to recover the cost of the pipeline over an established depreciation period. These factors raise the pipeline tariff and thus lower wellhead value, reducing the state's royalty. The state's royalty rate amounts to 1/8 or 12 and 1/2 percent of this maximum. For each additional \$1 million of increased investment base, the state's portion is \$9,585 per annum (assuming a 35-year depreciation period and a maximum 7% rate of return by the pipeline company). This figure would be smaller if the company's rate of return should be lower, and slightly higher should the pipeline be depreciated over a shorter period of time.

If the state invested the \$1 million at 8% annual interest (a historic rate of return on Alaska's investments) the resulting investment income would be \$80,000. The state's annual loss (\$9,585) deducted from this annual gain leaves \$70,415 for a net annual gain. (See chart, page 2.)

If intermediate owner speculation did occur, the ultimate selling price to the pipeline company would have to be over eight times the original selling price to result in a loss to the state.

Example

Land selling price	\$1,000,000
Increased investment base for pipeline tariff (times maximum allowance rate of return, plus annual depreciation of principal)	$\$1,000,000 \times 7\% =$ \$76,680
State royalty percentage	$\$76,680 \times 12 \text{ and } 1/2\% = \$9,585$
Annual state loss	\$9,585
Receipt of sale invested at 8%	$\$1,000,000 \times 8\% - \$80,000$
Amount of annual gain	\$80,000
Annual state loss deducted from annual gain	$\$80,000 - \$9,585 = \$70,415$
Net annual gain	\$70,415

MEMORANDUM

TO: The Hon. Tom Fink, Speaker
House of Representatives
Alaska State Legislature

DATE: October 17, 1973

FROM: Robert L. Grogan
Fiscal Analyst

SUBJ: Sale or Lease
of Lands Bill

The reasoning to avoid land sale competitive bidding and speculation in an effort to maintain wellhead price for the state's benefit begs the question: why not simply give the land to the pipeline company, thereby reducing costs even further? In contrast, competitive bidding may have advantageous fiscal implications.

The pipeline company's maximum rate of annual profit is held at 7% by ICC regulation. In addition, the company also is allowed to recover the cost of the pipeline over an established depreciation period. These factors raise the pipeline tariff and thus lower wellhead value, reducing the state's royalty. The state's royalty rate amounts to 1/8 or 12 and 1/2 percent of this maximum. For each additional \$1 million of increased investment base, the state's portion is \$9,585 per annum (assuming a 35-year depreciation period and a maximum 7% rate of return by the pipeline company). This figure would be smaller if the company's rate of return should be lower, and slightly higher should the pipeline be depreciated over a shorter period of time.

If the state invested the \$1 million at 8% annual interest (a historic rate of return on Alaska's investments) the resulting investment income would be \$80,000. The state's annual loss (\$9,585) deducted from this annual gain leaves \$70,415 for a net annual gain. (See chart, page 2.)

If intermediate owner speculation did occur, the ultimate selling price to the pipeline company would have to be over eight times the original selling price to result in a loss to the state.

Example

Land selling price	\$1,000,000
Increased investment base for pipeline tariff (times maximum allowance rate of return, plus annual depreciation of principal)	\$1,000,000 x 7% = \$76,680
State royalty percentage	\$76,680 x 12 and 1/2 % = \$9,585
Annual state loss	\$9,585
Receipt of sale invested at 8%	\$1,000,000 x 8% - \$80,000
Amount of annual gain	\$80,000
Annual state loss deducted from annual gain	\$80,000 - \$9,585 = \$70,415
Net annual gain	\$70,415



RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith
Signature of Camera Operator

4/26/89
Date

COMMITTEE REPORT

SENATE

11/3/73

Mr. President:

Date _____

The Committee on FINANCE has had SB 9
(oil and gas properties - taxation)
under consideration. A Majority of the members of the Committee

- recommends it DO PASS
- recommends it DO NOT PASS
- recommends it DO PASS WITH ATTACHED AMENDMENT(S)
- recommends it BE REPLACED WITH CS FOR _____ AND THAT
CS FOR _____ DO PASS
- "and" recommends it BE REFERRED TO THE _____
COMMITTEE
- reports it back WITHOUT RECOMMENDATION
- "other"

Members signing the Majority report:

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Members NOT concurring in the Majority report:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ Chairman

COMMITTEE REPORT

October 22, 1973

HOUSE

Mr. Speaker:

Date _____

The Committee on Finance has had House Bill 9

under consideration. A Majority of the members of the Committee

() recommends it DO PASS

() recommends it DO NOT PASS

() recommends it DO PASS WITH ATTACHED AMENDMENT(S)

() recommends it BE REPLACED WITH CS FOR _____ AND THAT
CS FOR _____ DO PASS

() "and" recommends it BE REFERRED TO THE _____
COMMITTEE

() reports it back WITHOUT RECOMMENDATION

() "other"

Members signing the Majority report:

Members NOT concurring in the Majority report:

_____ recommends:
_____ recommends:
_____ recommends:
_____ recommends:
_____ recommends:

_____ Chairman

Offered: 11/3/73
Referred: Finance

1 IN THE SENATE

BY HENSLEY AND NORMAN

2 SENATE BILL NO. 9

3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 EIGHTH LEGISLATURE - FIRST SPECIAL SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the taxation of oil and gas
7 properties; and providing for an effective date."

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

9 * Section 1. AS 43. is amended by adding a new chapter to read:

10 CHAPTER 58. OIL AND GAS PROPERTY TAXES.

11 Sec. 43.58.010. LEVY OF TAX. An annual tax of 8 mills is
12 levied each year beginning January 1, 1974, on the full and true
13 value of taxable property taxable under this chapter. When the
14 taxable property taxable under this chapter is in production, it is
15 subject to the oil and gas properties production tax (ch. 55 of this
16 title).

17 Sec. 43.58.020. IN PLACE OF ALL OTHER TAXES. Except for the
18 imposition of the oil and gas properties production tax (ch. 55 of
19 this title) and the oil and gas transportation property tax (ch. 56
20 of this title), the tax imposed by this chapter is in place of all
21 taxes imposed by:

- 22 (1) the state or any of its political subdivisions upon
23 (A) producing oil or gas leases; or
24 (B) oil or gas produced or extracted in the state; or
25 (2) a political subdivision upon
26 (A) oil or gas in place;
27 (B) possessory interests in oil or gas leaseholds

28 whether producing or not;

- 29 (C) the value of intangible drilling and exploration

COMMITTEE COPY

1 expenses; or

2 (D) real and tangible personal property used within
3 this state primarily for an interborough common carrier pipeline
4 system for the transportation of gas or unrefined oil (except
5 gas pipeline systems operating as utilities and regulated by
6 the Alaska Public Utilities Commission).

7 Sec. 43.58.030. STATE ASSESSMENT REVIEW BOARD. The State
8 Assessment Review Board is created within the Department of REvenue.
9 The board consists of three persons appointed by the governor to
10 serve at his pleasure. Each board member

11 (1) must be a resident of the state and knowledgeable
12 of assessment procedures; and

13 (2) is subject to confirmation by a majority of the
14 members of the legislature in joint session.

15 Sec. 43.58.040. COMPENSATION; PER DIEM AND EXPENSES. Except
16 for a state official or employee who is a member of the board, each
17 member of the board shall receive a stipend of \$100 a day for each
18 day in which he attends a board meeting or carries out his responsibi-
19 lities under this chapter. All board members shall receive per diem
20 and expenses authorized by law for boards and commission.

21 Sec. 43.58.050. ASSESSMENT. (a) The department shall assess
22 property for the tax levied under sec. 10 of this chapter at its
23 full and true value as of January 1 of the assessment year.

24 (b) The full and true value of taxable property is determined
25 each January 1 by ascertaining the present value of the proven
26 reserves of gas or unrefined oil. As used in this section "proven
27 reserves" means the volumes of gas and unrefined oil that geological
28 and engineering information indicates are recoverable in the future
29 from oil and gas reservoirs under existing economic and operating

1 conditions.

2 Sec. 43.58.060. RETURNS. (a) The department may require by
3 notice every person having ownership or control of an interest in
4 property taxable under sec. 10 of this chapter to submit a return
5 in the form prescribed by the department, based on property values
6 existing on January 1, except as otherwise provided in this chapter.

7 (b) The department by written notice may require a person to
8 provide additional information within 30 days of the notice.

9 Sec. 43.58.070. INVESTIGATION. (a) The department may make an
10 investigation of property on which a return has been filed or of taxable
11 property upon which no return has been filed. In either case, the
12 department may make its own valuation of the taxable property, which
13 is prima facie evidence of full and true value.

14 (b) An employee or agent of the department may enter any premise
15 necessary for the investigation during reasonable hours and may examine
16 property and appropriate records. The owner of the taxable property
17 upon request shall furnish to the employee or agent of the department
18 reasonable assistance required for the investigation. If refused entry,
19 the department may seek a court order to compel entry.

20 (c) For the purpose of the investigation the owner of the taxable
21 property or his representative may be required to present himself for
22 examination under oath by the department.

23 Sec. 43.58.080. ASSESSMENT ROLL. The department shall prepare
24 annually the only assessment roll for taxation under sec. 10 of this
25 chapter. The roll shall contain:

- 26 (1) a description of all taxable property;
27 (2) the assessed value of all taxable property;
28 (3) the names and addresses of persons owning property
29 subject to assessment and taxation.

1 Sec. 43.58.090. ASSESSMENT NOTICE. Before March 2 of each
2 year, the department shall send to every owner of taxable property
3 named in the assessment roll a notice of assessment, showing the
4 assessed value of the property. Notice of assessment is effective
5 on the date of mailing.

6 Sec. 43.58.100. APPEAL TO THE DEPARTMENT. (a) An owner of
7 taxable property receiving an assessment notice may object to the
8 assessment by advising the department in writing of the objections
9 to the assessment within 20 days of the effective date of the
10 notice.

11 (b) The department shall provide by regulation for notices of
12 appeals to interested persons.

13 (c) Following an objection the department may adjust the assess-
14 ment and the assessment roll. An adjustment based on an objection from
15 an owner of taxable property shall be made within 30 days of the
16 effective date of the notice of assessment.

17 Sec. 43.58.110. APPEAL TO THE STATE ASSESSMENT REVIEW BOARD.

18 (a) After a ruling by the department on an appeal made under sec. 100
19 of this chapter, the owner may further appeal to the board. The appeal
20 must be filed in writing within 50 days of the effective date of
21 the notice of assessment.

22 (b) The board shall provide by regulation for notices of appeals
23 to interested persons.

24 Sec. 43.58.120. HEARINGS OF STATE ASSESSMENT REVIEW BOARD. (a)
25 The board shall hear appeals filed under sec. 110(a) of this chapter.

26 (b) A majority of the board constitutes a quorum required to
27 transact business.

28 (c) The board shall provide by regulation for notices of hearings
29 to interested persons.

1 (d) If an appellant fails to appear at the hearing, the board
2 may proceed with the hearing in his absence.

3 (e) The appellant bears the burden of proof at the hearing.

4 (f) The only grounds for adjustment of assessed value is proof of
5 unequal, excessive or improper valuation or valuation not determined in
6 accordance with the standards set out in this chapter, based on
7 facts stated in a written appeal timely filed or proved at the hearing.

8 (g) The board shall certify its determinations to the department
9 within seven days of the hearing.

10 (h) The department shall enter the changes and certify the final
11 assessment roll on or before June 1 of each year and by July 1 shall
12 mail to the owner of taxable property or his authorized agent a
13 statement of the amount of tax due.

14 (i) An owner may appeal to the superior court for, and is
15 entitled to, trial de novo of the board's action.

16 Sec. 43.58.130. SUPPLEMENTARY ASSESSMENT ROLLS. The department
17 shall include property omitted from the assessment roll on a supple-
18 mentary roll, using the procedures set out in this chapter for the
19 original roll.

20 Sec. 43.58.140. COLLECTION AND DEPOSIT. (a) The tax levied by
21 sec. 10 of this chapter is payable to the department before October 1
22 of the tax year.

23 (b) The department may provide for voluntary prepayment and for
24 payment by installments.

25 (c) All other taxes, interest and penalties collected under
26 this chapter shall be deposited in the general fund.

27 Sec. 43.58.150. INTEREST AND PENALTY. When the tax levied by
28 sec.10 of this chapter becomes delinquent, a penalty of 10 per cent
29 shall be added. Interest on the delinquent taxes, exclusive of penalty,

1 shall be assessed at a rate of eight per cent a year.

2 Sec. 43.58.160. LIEN FOR TAX. The tax levied under sec. 10
3 of this chapter and the interest and penalty provided in sec. 150 of
4 this chapter are first and paramount liens on the property subject to
5 tax under this chapter.

6 Sec. 43.58.170. REMEDY. The remedy of distraint on property
7 set out in AS 43.20.270 applies to the tax levied by sec. 10 of
8 this chapter. However, only property subject to the tax may be dis-
9 trained.

10 Sec. 43.58.180. PENALTIES. A person who knowingly fails to
11 file a return when due or who makes a false statement in a return
12 required under this chapter with intent to evade taxation is guilty of
13 a misdemeanor and upon conviction is punishable by a fine of not more
14 than \$1,000 or by imprisonment for not more than six months, or by both,
15 together with the costs of prosecution, notwithstanding the provisions
16 of AS 12.80.030.

17 Sec. 43.58.190. REGULATIONS. The board and the department may
18 adopt regulations in accordance with the Administrative Procedure Act
19 (AS 44.62) as appropriate to carry out their respective duties under
20 this chapter.

21 Sec. 43.58.200. DEFINITIONS. In this chapter

22 (1) "board" means State Assessment Review Board;

23 (2) "department" means Department of Revenue;

24 (3) "gas" includes all natural gas and all hydrocarbons
25 produced at the wellhead not defined as oil;

26 (4) "taxable property" means the ownership of, or possessory
27 rights and privileges in, non-producing oil and gas properties or
28 leasehold interests;

29 (5) "unrefined oil" includes crude petroleum and other

1 hydrocarbons regardless of gravity which are produced at the wellhead
2 in liquid form.

3 * Sec. 2. AS 29.53 is amended by adding a new section to read:

4 Sec. 29.53.045. OIL AND GAS PROPERTIES. No municipality may
5 assess, levy or collect an ad valorem tax on the value of intangible
6 drilling and exploration expenses, oil or gas in place, possessory
7 interests in oil or gas leaseholds whether producing or not, or
8 on real and tangible personal property used within the state for an
9 interborough common carrier pipeline system for the transportation
10 of gas or unrefined oil (except gas pipeline systems operating as
11 utilities and regulated by the Alaska Public Utilities Commission).
12 This prohibition does not limit the collectability of any tax levied
13 before the effective date of this section.

14 * Sec. 3. AS 29.53.050 is amended by adding a new subsection to read:

15 (b) No municipality, or combination of municipalities occupying
16 the same geographical area in whole or in part, may levy taxes
17 which will result in tax revenues from all sources exceeding \$2,000
18 a year for each person residing within its boundaries. If two or
19 more municipalities occupying the same geographical area, in whole
20 or in part, attempt to levy a tax, the combined levy of which
21 would result in tax revenues from all sources exceeding \$2,000 a
22 year for each person residing within their boundaries, the commissioner
23 of community and regional affairs shall apportion the lawful levy
24 and equitably divide these revenues on the basis of need, services
25 performed and other considerations in the public interest. For
26 the purpose of this subsection, population shall be determined by
27 the commissioner of community and regional affairs based on the
28 latest statistics of the United States Bureau of the Census or
29 on other reliable population data.

1 * Sec. 4. AS 43.55.010(b) is repealed and re-enacted to read:

2 (b) Except for the imposition of the oil and gas transportation
3 property tax (ch. 56 of this title) and the oil and gas property tax
4 (ch. 58 of this title), the tax imposed by this chapter is in place
5 of all taxes imposed by:

6 (1) the state or any of its political subdivisions upon

7 (A) producing oil or gas leases; or

8 (B) oil or gas produced or extracted in the state; or

9 (2) a political subdivision upon

10 (A) oil or gas in place;

11 (B) possessory interests in oil or gas leaseholds

12 whether producing or not;

13 (C) the value of intangible drilling and exploration
14 expenses; or

15 (D) real and tangible personal property used within
16 this state primarily for an interborough common carrier
17 pipeline system for the transportation of gas or unrefined
18 oil (except gas pipeline systems operating as utilities
19 and regulated by the Alaska Public Utilities Commission).

20 * Sec. 5. This Act takes effect on the day after its passage and approval
21 or on the day it becomes law without approval.

ALASKA STATE LEGISLATURE

1973 Legislature SPECIAL Session

SENATE BILL NO. 11

By HENRIK W. ANDERSON

Amends relation to the taxation of oil and gas properties; and providing for an effective date.

Taxation of Oil & Gas Properties

Introduced in the Senate 11/3, 1973

AGD 788531

HISTORY IN THE SENATE

1973

11 3

Read first time and referred to Committee on Finance

Reported back with recommendation that

Read second time and

Read third time and

PASS : Yeas
Nays
Absent
Excused

Effective Date

PASS : Yeas
Nays
Absent
Excused

Reported correctly engrossed
Signed by President
Sent to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

Read first time and referred to Committee on

Reported back with recommendation that

Read second time and

Read third time and

PASS : Yeas
Nays
Absent
Excused

Effective Date

PASS : Yeas
Nays
Absent
Excused

Reported correctly engrossed
Signed by Speaker
Returned to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19

Received from House

Reported correctly enrolled

Sent to Governor

By Governor

Filed with Lt. Governor

Chapter No.

Offered: 11/3/73
Referred: Finance

1 IN THE SENATE

BY HENSLEY AND HOHMAN

2 SENATE BILL NO. 9

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - FIRST SPECIAL SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the taxation of oil and gas
7 properties; and providing for an effective date."

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

9 * Section 1. AS 43. is amended by adding a new chapter to read:

10 CHAPTER 58. OIL AND GAS PROPERTY TAXES.

11 Sec. 43.58.010. LEVY OF TAX. An annual tax of 8 mills is
12 levied each year beginning January 1, 1974, on the full and true
13 value of taxable property taxable under this chapter. When the
14 taxable property taxable under this chapter is in production, it is
15 subject to the oil and gas properties production tax (ch. 55 of this
16 title).

17 Sec. 43.58.020. IN PLACE OF ALL OTHER TAXES. Except for the
18 imposition of the oil and gas properties production tax (ch. 55 of
19 this title) and the oil and gas transportation property tax (ch. 56
20 of this title), the tax imposed by this chapter is in place of all
21 taxes imposed by:

- 22 (1) the state or any of its political subdivisions upon
23 (A) producing oil or gas leases; or
24 (B) oil or gas produced or extracted in the state; or
25 (2) a political subdivision upon
26 (A) oil or gas in place;
27 (B) possessory interests in oil or gas leaseholds

28 whether producing or not;

- 29 (C) the value of intangible drilling and exploration

1 expenses; or

2 (D) real and tangible personal property used within
3 this state primarily for an interborough common carrier pipeline
4 system for the transportation of gas or unrefined oil (except
5 gas pipeline systems operating as utilities and regulated by
6 the Alaska Public Utilities Commission).

7 Sec. 43.58.030. STATE ASSESSMENT REVIEW BOARD. The State
8 Assessment Review Board is created within the Department of Revenue.
9 The board consists of three persons appointed by the governor to
10 serve at his pleasure. Each board member

11 (1) must be a resident of the state and knowledgeable
12 of assessment procedures; and

13 (2) is subject to confirmation by a majority of the
14 members of the legislature in joint session.

15 Sec. 43.58.040. COMPENSATION; PER DIEM AND EXPENSES. Except
16 for a state official or employee who is a member of the board, each
17 member of the board shall receive a stipend of \$100 a day for each
18 day in which he attends a board meeting or carries out his responsi-
19 bilities under this chapter. All board members shall receive per diem
20 and expenses authorized by law for boards and commission.

21 Sec. 43.58.050. ASSESSMENT. (a) The department shall assess
22 property for the tax levied under sec. 10 of this chapter at its
23 full and true value as of January 1 of the assessment year.

24 (b) The full and true value of taxable property is determined
25 each January 1 by ascertaining the present value of the proven
26 reserves of gas or unrefined oil. As used in this section "proven
27 reserves" means the volumes of gas and unrefined oil that geological
28 and engineering information indicates are recoverable in the future
29 from oil and gas reservoirs under existing economic and operating

1 conditions.

2 Sec. 43.58.060. RETURNS. (a) The department may require by
3 notice every person having ownership or control of an interest in
4 property taxable under sec. 10 of this chapter to submit a return
5 in the form prescribed by the department, based on property values
6 existing on January 1, except as otherwise provided in this chapter.

7 (b) The department by written notice may require a person to
8 provide additional information within 30 days of the notice.

9 Sec. 43.58.070. INVESTIGATION. (a) The department may make an
10 investigation of property on which a return has been filed or of taxable
11 property upon which no return has been filed. In either case, the
12 department may make its own valuation of the taxable property, which
13 is prima facie evidence of full and true value.

14 (b) An employee or agent of the department may enter any premise
15 necessary for the investigation during reasonable hours and may examine
16 property and appropriate records. The owner of the taxable property;
17 upon request shall furnish to the employee or agent of the department
18 reasonable assistance required for the investigation. If refused entry,
19 the department may seek a court order to compel entry.

20 (c) For the purpose of the investigation the owner of the taxable
21 property or his representative may be required to present himself for
22 examination under oath by the department.

23 Sec. 43.58.080. ASSESSMENT ROLL. The department shall prepare
24 annually the only assessment roll for taxation under sec. 10 of this
25 chapter. The roll shall contain:

- 26 (1) a description of all taxable property;
27 (2) the assessed value of all taxable property;
28 (3) the names and addresses of persons owning property
29 subject to assessment and taxation.

1 Sec. 43.58.090. ASSESSMENT NOTICE. Before March 2 of each
2 year, the department shall send to every owner of taxable property
3 named in the assessment roll a notice of assessment, showing the
4 assessed value of the property. Notice of assessment is effective
5 on the date of mailing.

6 Sec. 43.58.100. APPEAL TO THE DEPARTMENT. (a) An owner of
7 taxable property receiving an assessment notice may object to the
8 assessment by advising the department in writing of the objections
9 to the assessment within 20 days of the effective date of the
10 notice.

11 (b) The department shall provide by regulation for notices of
12 appeals to interested persons.

13 (c) Following an objection the department may adjust the assess-
14 ment and the assessment roll. An adjustment based on an objection from
15 an owner of taxable property shall be made within 30 days of the
16 effective date of the notice of assessment.

17 Sec. 43.58.110. APPEAL TO THE STATE ASSESSMENT REVIEW BOARD.

18 (a) After a ruling by the department on an appeal made under sec. 100
19 of this chapter, the owner may further appeal to the board. The appeal
20 must be filed in writing within 50 days of the effective date of
21 the notice of assessment.

22 (b) The board shall provide by regulation for notices of appeals
23 to interested persons.

24 Sec. 43.58.120. HEARINGS OF STATE ASSESSMENT REVIEW BOARD. (a)
25 The board shall hear appeals filed under sec. 110(a) of this chapter.

26 (b) A majority of the board constitutes a quorum required to
27 transact business.

28 (c) The board shall provide by regulation for notices of hearings
29 to interested persons.

1 (d) If an appellant fails to appear at the hearing, the board
2 may proceed with the hearing in his absence.

3 (e) The appellant bears the burden of proof at the hearing.

4 (f) The only grounds for adjustment of assessed value is proof of
5 unequal, excessive or improper valuation or valuation not determined in
6 accordance with the standards set out in this chapter, based on
7 facts stated in a written appeal timely filed or proved at the hearing.

8 (g) The board shall certify its determinations to the department
9 within seven days of the hearing.

10 (h) The department shall enter the changes and certify the final
11 assessment roll on or before June 1 of each year and by July 1 shall
12 mail to the owner of taxable property or his authorized agent a
13 statement of the amount of tax due.

14 (i) An owner may appeal to the superior court for, and is
15 entitled to, trial de novo of the board's action.

16 Sec. 43.58.130. SUPPLEMENTARY ASSESSMENT ROLLS. The department
17 shall include property omitted from the assessment roll on a supple-
18 mentary roll, using the procedures set out in this chapter for the
19 original roll.

20 Sec. 43.58.140. COLLECTION AND DEPOSIT. (a) The tax levied by
21 sec. 10 of this chapter is payable to the department before October 1
22 of the tax year.

23 (b) The department may provide for voluntary prepayment and for
24 payment by installments.

25 (c) All other taxes, interest and penalties collected under
26 this chapter shall be deposited in the general fund.

27 Sec. 43.58.150. INTEREST AND PENALTY. When the tax levied by
28 sec. 10 of this chapter becomes delinquent, a penalty of 10 per cent
29 shall be added. Interest on the delinquent taxes, exclusive of penalty,

1 shall be assessed at a rate of eight per cent a year.

2 Sec. 43.58.160. LIEN FOR TAX. The tax levied under sec. 10
3 of this chapter and the interest and penalty provided in sec. 150 of
4 this chapter are first and paramount liens on the property subject to
5 tax under this chapter.

6 Sec. 43.58.170. REMEDY. The remedy of distraint on property
7 set out in AS 43.20.270 applies to the tax levied by sec. 10 of
8 this chapter. However, only property subject to the tax may be dis-
9 trained.

10 Sec. 43.58.180. PENALTIES. A person who knowingly fails to
11 file a return when due or who makes a false statement in a return
12 required under this chapter with intent to evade taxation is guilty of
13 a misdemeanor and upon conviction is punishable by a fine of not more
14 than \$1,000 or by imprisonment for not more than six months, or by both,
15 together with the costs of prosecution, notwithstanding the provisions
16 of AS 12.80.030.

17 Sec. 43.58.190. REGULATIONS. The board and the department may
18 adopt regulations in accordance with the Administrative Procedure Act
19 (AS 44.62) as appropriate to carry out their respective duties under
20 this chapter.

21 Sec. 43.58.200. DEFINITIONS. In this chapter

- 22 (1) "board" means State Assessment Review Board;
23 (2) "department" means Department of Revenue;
24 (3) "gas" includes all natural gas and all hydrocarbons
25 produced at the wellhead not defined as oil;
26 (4) "taxable property" means the ownership of, or possessory
27 rights and privileges in, non-producing oil and gas properties or
28 leasehold interests;
29 (5) "unrefined oil" includes crude petroleum and other