

Leg. Finance - House & Senate Finance Comte Files (1973-74) 8879
HB 5, 6, 7, 8 3333



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James O. Smith
Signature of Camera Operator

4/26/89
Date

"An Act providing for the sale, exchange or other disposition of minerals owned by the state as royalty under state leases or of rights to receive future mineral production under state leases; and providing for an effective date."

COMMITTEE REPORT

HOUSE

Mr. Speaker:

Date 6-18-74

The Committee on FINANCE has had HB No. 5

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

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

JUNEAU 99801

AUDIT DIVISION
POUCH W — ALASKA OFFICE BUILDING

FINANCE DIVISION
POUCH WF — STATE CAPITOL

M E M O R A N D U M

TO: House Finance Committee DATE: June 17, 1974
FROM: Representative Hartig SUBJ: Amendment to HB 5

1. Page 1 between lines 11 and 12, add Section 1 AS 38.05.182 amendment as per FCSCS HB 461. This addition to HB 5 is necessary to bring the statutes in conformity to the intent of using the Royalty Board in Royalty matters.
2. Page 1, between lines 11 and 12, add Section 2 AS 38.05.183. This addition to HB 5 is important to protect the availability of oil and gas for present and future needs of Alaskans--in Alaska. My greatest concern is for the natural gas. While the State can elect to take its oil and gas in kind or "value" on 6 months notice to the producer, the fact that natural gas contracts usually are 20-25 years in length, the State will be approached to relinquish the 6 month election and to sell its gas for a 20-25 year period. With this proposed section (which passed as HB 461) the Governor would determine that the industry had these reserves in the State or, in its sale of royalty, would have some escape clause in the contracts in order to protect itself--it would not require the Governor to store these resources as he has indicated in his veto message of HB 461.
3. Page 1, line 20, following the word stability, remove the period and add "and in accordance with AS 38.05.183". This language was in HB 461 and is necessary for conformity.
4. Page 1, line 24. Membership. Removed the Commissioner of Environmental Conservation and the Attorney General--these men are available for advise anyway. Add 3 public members (HB 461 had 4) who must be a petroleum geologist, petroleum engineer, and an attorney--all of who must have at least 7 years experience in the petroleum related industries and who must be confirmed by the Legislature. We removed the Civil Engineer requirement from HB 461 which was surplusage. We have added the confirmation requirement.

5. Page 2, between lines 2 and 3. Add Section 38.06.030 on Compensation which is absent in the Governor's Bill (used language of HB 461).

Add Section 38.06.035 regarding meetings, rules, quorum and votes required which is omitted in the Governor's Bill, and which was present in HB 461. We have also added subparagraph (b) which provides for Conflict of Interest, which the Governor stated was a problem, but failed to do anything about.

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Original sponsor: Rules Committee by
request of the Governor

Offered: 6/20/74
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 5

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - SECOND SPECIAL SESSION

5 A BILL

6 For an Act entitled: "An Act providing for the sale, exchange or other
7 disposition of minerals obtained by the state as
8 royalty under state leases or of rights to receive
9 future mineral production under state leases; and
10 providing for an effective date."

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

12 * Section 1. AS 38.05.182 is amended to read:

13 Sec. 38.05.182. ROYALTY ON NATURAL RESOURCES. Any royalty pro-
14 vided for in secs. 135 - 181 of this chapter may be taken in kind rather
15 than in money if [AT THE DISCRETION OF] the commissioner, with the
16 consent of the board, [IF HE] determines that the taking in kind would
17 be in the best interest of the state. The consent of the board is
18 required only with respect to oil and gas royalty-in-kind under sec. 183
19 of this chapter.

20 * Sec. 2. AS 38.05.183 is amended by adding new subsections to read:

21 (e) Oil or gas taken in kind by the state as its royalty share
22 may not be sold or otherwise disposed of for export from the state until
23 the commissioner with the approval of the Alaska Royalty Oil and Gas
24 Development Advisory Board determines that the royalty-in-kind oil or
25 gas is surplus to the present and projected intrastate domestic and
26 industrial needs. The commissioner shall make public, in writing, the
27 specific findings and reasons on which his determination is based and
28 shall, within 10 days of the convening of a regular session of the
29 legislature, submit a report showing the immediate and long-range

1 domestic and industrial needs of the state for oil and gas and an
2 analysis of how these needs are to be met.

3 * Sec. 3. AS 38 is amended by adding a new chapter to read:

4 CHAPTER 06. ALASKA ROYALTY OIL AND GAS

5 DEVELOPMENT ADVISORY BOARD.

6 Sec. 38.06.010. PURPOSE. It is the purpose of this chapter
7 to facilitate the wise development of Alaska's oil and gas royalty
8 interests by providing means and procedures for sales, exchanges or
9 other disposition of those interests in ways calculated to promote
10 private economic growth consistent with applicable environmental
11 standards and public fiscal stability, and in accordance with
12 AS 38.05.183.

13 Sec. 38.06.020. ESTABLISHMENT. There is established in the
14 Department of Natural Resources the Alaska Royalty Oil and Gas
15 Development Advisory Board.

16 Sec. 38.06.025. MEMBERSHIP. The board consists of the commis-
17 sioner of natural resources, who is chairman, the commissioner of
18 economic development, and three public members. Each of the public
19 members shall possess experience in petroleum-related fields in
20 such areas as exploration, development, production and economics,
21 and shall be appointed by the governor to serve at his pleasure
22 for three-year staggered terms and confirmed by a vote of a majority
23 of the members of the legislature in joint session. The public
24 members may not be state officers or employees. A public
25 member, upon the expiration of his term, shall continue to hold
26 office until his successor is appointed and qualifies. Vacancies
27 in public membership shall be filled in the same manner as original
28 appointment. An appointee to fill a vacancy shall hold office for
29 the balance of the term for which his predecessor on the board was

1 appointed. A vacancy in board membership does not impair the
2 authority of a quorum of the board members to exercise all the
3 powers and duties of the board.

4 Sec. 38.06.030. COMPENSATION: PER DIEM, TRAVEL EXPENSES.
5 Members of the board are in the exempt service under AS 39.25.110
6 and shall receive per diem and travel allowances as provided by
7 law for other boards and commissions.

8 Sec. 38.06.035. MEETINGS, RULES, QUORUM, VOTES REQUIRED;
9 CONFLICT OF INTEREST. (a) The board shall prescribe its own rules
10 of procedure. It shall meet at a time and place determined by the
11 chairman, and at other times and places as the chairman, or a
12 majority of the board members, considers necessary. A quorum is
13 a majority of the members of the board. The votes of the board
14 members shall be recorded. Effective action to carry out the
15 powers granted under this chapter requires the affirmative vote
16 of a majority of the board members. No board member may, with
17 respect to a matter before the board, vote for or on behalf of
18 another member of the board.

19 (b) No member of the board may act upon a matter in which his
20 relationship with any person creates a conflict of interest. No board
21 member may have an official connection with or hold stock or securities
22 in, or have a pecuniary interest in, a corporation, company or associa-
23 tion engaged in the production or transportation of oil or gas.

24 Sec. 38.06.040. POWERS. The board has the power to

25 (1) direct the commissioner of natural resources to solicit
26 inquiries, development plans or bids from persons for the sale, exchange
27 or other disposal of oil or gas or both obtained by the state as a
28 royalty under AS 38.05.182, or for the sale, exchange or other disposal
29 in whole or part of rights to receive future oil or gas production or

1 both under a state lease, subject to terms and conditions established
2 by the board;

3 (2) examine proposed sales, exchanges or other disposals
4 of oil or gas or both obtained by the state as a royalty under AS 38.-
5 05.182, or of rights to receive future oil or gas production or both
6 under a state lease, for the purpose of approving or disapproving the
7 proposed sale, exchange or other disposal;

8 (3) hire an executive director, consultants expert in techni-
9 cal, economic or other relevant professions and other persons as
10 necessary to assist the board in the exercise of its powers;

11 (4) promulgate regulations under the Administrative Procedure
12 Act (AS 44.62) that are necessary or appropriate in the exercise of its
13 powers; and

14 (5) take whatever other actions are reasonably necessary in
15 the furtherance of the purposes of this chapter.

16 Sec. 38.06.050. BOARD APPROVAL REQUIRED. (a) No sale, exchange,
17 encumbrance, or other disposition of oil or gas or of the rights or
18 waiver of the rights to receive future production of royalty oil or gas
19 may be made by the commissioner of natural resources under AS 38.05.183
20 without the prior written approval of the board.

21 (b) Bids or applications for the purchase of royalty oil or gas
22 may not be rejected by the commissioner of natural resources without
23 the prior written approval of the board.

24 (c) Competitive bidding in a sale, exchange or other disposition
25 described in (a) of this section may not be waived by the commissioner
26 of natural resources under AS 38.05.183 without the prior written
27 approval of the board.

28 (d) The board may require conditions relating to the sale, delivery,
29 transportation, or refining or processing within the state to be

1 included by the commissioner of natural resources in the offer of and
2 sale by competitive bidding of oil or gas obtained by the state as
3 royalty under AS 38.05.182.

4 Sec. 38.06.055. ACTION BY LEGISLATURE. (a) In addition to the
5 approval by the board required under sec. 50 of this chapter, no sale,
6 exchange or other disposition of oil or gas or of the rights or waiver
7 of the rights to receive future production of royalty oil or gas may be
8 made by the commissioner of natural resources under AS 38.05.183 without
9 the prior approval of the legislature by a concurrent resolution con-
10 curred in by a majority of the members of each house.

11 (b) Until July 1, 1975, contracts for the sale of state-owned
12 royalty gas or oil that specify the sale and delivery of not more than
13 400 barrels of crude oil per day or not more than 460 barrels of natural
14 gas liquids per day or not more than 2,400 Mfc of natural gas per day
15 may be executed without ratification by the legislature.

16 Sec. 38.06.060. CONFIDENTIALITY. Notwithstanding AS 09.25.110 -
17 09.25.120, the board may provide by regulation for the confidentiality
18 of those documents and records in its possession or control which
19 contain confidential business or marketing information the protection
20 of which is essential to the person who has submitted them to the
21 board or in the judgment of the board is essential to the best interest
22 of the state. Such confidentiality, however, shall not preclude the
23 proper review by the legislature.

24 Sec. 38.06.070. CRITERIA. (a) In the exercise of its powers
25 under sec. 40(1) - (2) and sec. 50 of this chapter the board shall
26 consider

27 (1) the revenue needs and projected fiscal condition of the
28 state;

29 (2) the existence and extent of present and projected local

1 and regional needs for oil and gas products and by-products, the effect
2 of state or federal commodity allocation requirements which might be
3 applicable to those products and by-products, and the priorities among
4 competing needs;

5 (3) the desirability of localized capital investment,
6 increased payroll, secondary development and other possible effects
7 of the sale, exchange or other disposition of oil and gas or both;

8 (4) the projected social impacts of the transaction;

9 (5) the projected additional costs and responsibilities
10 which could be imposed upon the state and affected political subdivi-
11 sions by development related to the transaction;

12 (6) the existence of specific local or regional labor or
13 consumption markets or both which should be met by the transaction;

14 (7) the projected positive and negative environmental
15 effects related to the transaction; and

16 (8) the projected effects of the proposed transaction upon
17 existing private commercial enterprise and patterns of investments.

18 (b) When it is economically feasible, the board may require, as
19 a condition of the sale of oil or gas obtained by the state as royalty,
20 that the oil or gas be refined or processed in the state and may, when
21 it is feasible and in the best interest of the state to do so, provide
22 for processing or refining of the oil or gas under a contract entered
23 into by competitive bidding before the sale of the oil or gas.

24 Sec. 38.06.080. DEFINITIONS. In this chapter

25 (1) "board" means the Alaska Royalty Oil and Gas Development
26 Advisory Board; and

27 (2) "state lease" means an oil and gas lease on state land.

28 * Sec. 4. AS 38.05.183 is repealed and re-enacted to read:

29 Sec. 38.05.183. SALE OF ROYALTY. (a) The sale, exchange or

1 other disposal of a mineral obtained by the state as a royalty under
2 sec. 182 of this chapter, or the sale, exchange or other disposal in
3 whole or in part of a right to receive future mineral production under
4 a state lease under this chapter, shall be by competitive bid and the
5 sale, exchange or other disposal made to the highest responsible bidder,
6 except that competitive bidding is not required when the commissioner,
7 with the prior written approval of the Alaska Royalty Oil and Gas
8 Development Advisory Board where applicable, determines that the best
9 interest of the state does not require it or that no competition exists.

10 (b) When competitive bids are required, the commissioner, with
11 the prior written approval of the Alaska Royalty Oil and Gas Development
12 Advisory Board, may reject all bids if he determines that because of the
13 amount of the bids, the lack of responsibility on the part of the
14 bidders, or for reasons consistent with the criteria set out in AS 38.-
15 07.070, the acceptance of the bids would not be in the best interest
16 of the state.

17 (c) If the commissioner determines that a sale, exchange or other
18 disposal of a mineral obtained by the state as a royalty under sec. 182
19 of this chapter or of a right to receive future mineral production under
20 a state lease under this chapter shall be made otherwise than by
21 competitive bid, and the Alaska Royalty Oil and Gas Development Advisory
22 Board where applicable has approved that determination, the commissioner
23 shall make public in writing the specific findings and conclusions upon
24 which that determination is based.

25 * Sec. 5. This Act takes effect on the day after its passage and approval
26 or on the day it becomes law without approval.
27
28
29

Original sponsor: Rules Committee by
request of the Governor

Offered: 6/18/74
On today's calendar on
Special Order

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 5

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - SECOND SPECIAL SESSION

5 A BILL

6 For an Act entitled: "An Act providing for the sale, exchange or other
7 disposition of minerals obtained by the state as
8 royalty under state leases or of rights to receive
9 future mineral production under state leases; and
10 providing for an effective date."

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

12 * Section 1. AS 38.05.182 is amended to read:

13 Sec. 38.05.182. ROYALTY ON NATURAL RESOURCES. Any royalty pro-
14 vided for in secs. 135 - 181 of this chapter may be taken in kind rather
15 than in money if [AT THE DISCRETION OF] the commissioner, with the
16 consent of the board, [IF HE] determines that the taking in kind would
17 be in the best interest of the state. The consent of the board is
18 required only with respect to oil and gas royalty-in-kind under sec. 183
19 of this chapter.

20 * Sec. 2. AS 38 is amended by adding a new chapter to read:

21 CHAPTER 06. ALASKA ROYALTY OIL AND GAS
22 DEVELOPMENT ADVISORY BOARD.

23 Sec. 38.06.010. PURPOSE. It is the purpose of this chapter to
24 facilitate the wise development of Alaska's oil and gas royalty inter-
25 ests by providing means and procedures for sales, exchanges or other
26 disposition of those interests in ways calculated to promote private
27 economic growth consistent with applicable environmental standards and
28 public fiscal stability, and in accordance with AS 38.05.183.

29 Sec. 38.06.020. ESTABLISHMENT. There is in the Department of

1 Natural Resources the Alaska Royalty Oil and Gas Development Advisory
2 Board.

3 Sec. 38.06.025. MEMBERSHIP. The board consists of the commis-
4 sioner of natural resources, who is chairman, the commissioner of
5 economic development, and three public members. Each of the public
6 members shall possess experience with petroleum-related industries,
7 in such fields as exploration, development, production and economics,
8 and shall be appointed by the governor to serve at his pleasure for
9 three-year staggered terms and confirmed by a vote of a majority of the
10 members of the legislature in joint session. The public members may
11 be removed by the governor only for cause. The public members may not
12 be state officers or employees. A public member, upon the expiration
13 of his term, shall continue to hold office until his successor is
14 appointed and qualifies. Vacancies in public membership shall be filled
15 in the same manner as original appointment. An appointee to fill a
16 vacancy shall hold office for the balance of the term for which his
17 predecessor on the board was appointed. A vacancy in board membership
18 does not impair the authority of a quorum of the board members to
19 exercise all the powers and duties of the board.

20 Sec. 38.06.030. COMPENSATION; PER DIEM, TRAVEL EXPENSES. Members
21 of the board are in the exempt service under AS 39.25.110 and shall
22 receive \$100 a day for each day or portion of a day spent in actual
23 meeting or on authorized official business incident to their duties,
24 and they are entitled to per diem and travel allowances as provided by
25 law for other boards and commissions. If a member of the board is a
26 full-time officer or employee of the state, he may not receive the
27 \$100 a day compensation.

28 Sec. 38.06.035. MEETINGS, RULES, QUORUM, VOTES REQUIRED; CONFLICT
29 OF INTEREST. (a) The board shall prescribe its own rules of procedure.

1 It shall meet at a time and place determined by the chairman, and at
2 other times and places as the chairman, or a majority of the board
3 members, consider necessary. A quorum is a majority of the members of
4 the board. The votes of the board members shall be recorded. Effective
5 action to carry out the powers granted under this chapter requires the
6 affirmative vote of a majority of the board members. No board member
7 may, with respect to a matter before the board, vote for or on behalf of
8 another member of the board.

9 (b) No member of the board may act upon a matter in which his
10 relationship with any person creates a conflict of interest. No board
11 member may have an official connection with or hold stock or securities
12 in, or have a pecuniary interest in, a corporation, company or associa-
13 tion engaged in the production or transportation of oil or gas.

14 Sec. 38.06.040. POWERS. The board has the power to

15 (1) direct the commissioner of natural resources to solicit
16 inquiries, development plans or bids from persons for the sale, exchange
17 or other disposal of oil or gas or both obtained by the state as a
18 royalty under AS 38.05.182, or for the sale, exchange or other disposal
19 in whole or part of rights to receive future oil or gas production or,
20 both under a state lease, subject to terms and conditions established
21 by the board;

22 (2) examine proposed sales, exchanges or other disposals
23 of oil or gas or both obtained by the state as a royalty under AS 38.-
24 05.182, or of rights to receive future oil or gas production or both
25 under a state lease, for the purpose of approving or disapproving the
26 proposed sale, exchange or other disposal;

27 (3) hire an executive director, consultants expert in techni-
28 cal, economic or other relevant professions and other persons as
29 necessary to assist the board in the exercise of its powers;

1 (4) promulgate regulations under the Administrative Procedure
2 Act (AS 44.62) that it considers necessary or appropriate in the
3 exercise of its powers; and

4 (5) take whatever other actions are reasonably necessary in
5 the furtherance of the purposes of this chapter.

6 Sec. 38.06.050. BOARD APPROVAL REQUIRED. (a) No sale, exchange
7 or other disposition of oil or gas or of the rights or waiver of the
8 rights to receive future production of royalty oil or gas may be made
9 by the commissioner of natural resources under AS 38.05.183 without the
10 prior written approval of the board.

11 (b) Bids may not be rejected by the commissioner of natural
12 resources without the prior written approval of the board.

13 (c) Competitive bidding in a sale, exchange or other disposition
14 described in (a) of this section may not be waived by the commissioner
15 of natural resources under AS 38.05.183 without the prior written
16 approval of the board.

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21 made by the commissioner of natural resources under AS 38.05.183 without
22 the prior approval of the legislature by a concurrent resolution con-
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25 09.25.120, the board may provide by regulation for the confidentiality
26 of documents and other property in its possession or control if in the
27 judgment of the board the best interest of the state requires confiden-
28 tiality.

29 Sec. 38.06.070. CRITERIA. In the exercise of its powers under

1 sec. 40(1) - (2) and sec. 50 of this chapter the board shall consider

2 (1) the revenue needs and projected fiscal condition of the
3 state;

4 (2) the existence and extent of present and projected local
5 and regional needs for oil and gas products and by-products, the effect
6 of state or federal commodity allocation requirements which might be
7 applicable to those products and by-products, and the priorities among
8 competing needs;

9 (3) the desirability of localized capital investment,
10 increased payroll, secondary development and other possible effects
11 of the sale, exchange or other disposition of oil and gas or both;

12 (4) the projected social impacts of the transaction;

13 (5) the projected additional costs and responsibilities
14 which could be imposed upon the state and affected political subdivi-
15 sions by development related to the transaction;

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17 consumption markets or both which should be met by the transaction;

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7 interest of the state does not require it or that no competition exists.

8 (b) When competitive bids are required, the commissioner, with
9 the prior written approval of the Alaska Royalty Oil and Gas Development
10 Advisory Board, may reject all bids if he determines that because of
11 the amount of the bids, the lack of responsibility on the part of the
12 bidders, or for reasons consistent with the criteria set out in AS 38.-
13 06.070, the acceptance of the bids would not be in the best interest
14 of the state.

15 (c) If the commissioner determines that a sale, exchange or other
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3 Sec. 38.06.025. MEMBERSHIP. The board consists of the commis-
4 sioner of natural resources, who is chairman, the commissioner of
5 economic development, and three public members. Each of the public
6 members shall possess experience with petroleum-related industries, in
7 such fields as exploration, development, production and economics, and
8 shall be appointed by the governor to serve at his pleasure for three-
9 year staggered terms and confirmed by a vote of a majority of the members
10 of the legislature in joint session. The public members may not be state
11 officers or employees. A public member, upon the expiration of his term,
12 shall continue to hold office until his successor is appointed and
13 qualifies. Vacancies in public membership shall be filled in the same
14 manner as original appointment. An appointee to fill a vacancy shall
15 hold office for the balance of the term for which his predecessor on the
16 board was appointed. A vacancy in board membership does not impair the
17 authority of a quorum of the board members to exercise all the powers and
18 duties of the board.

19 Sec. 38.06.030. COMPENSATION; PER DIEM, TRAVEL EXPENSES. Members
20 of the board are in the exempt service under AS 39.25.110 and shall
21 receive per diem and travel allowances as provided by law for other
22 boards and commissions.

23 Sec. 38.06.035. MEETINGS, RULES, QUORUM, VOTES REQUIRED; CONFLICT
24 OF INTEREST. (a) The board shall prescribe its own rules of procedure.
25 It shall meet at a time and place determined by the chairman, and at
26 other times and places as the chairman, or a majority of the board
27 members, consider necessary. A quorum is a majority of the members of
28 the board. The votes of the board members shall be recorded. Effective
29 action to carry out the powers granted under this chapter requires the

1 affirmative vote of a majority of the board members. No board member
2 may, with respect to a matter before the board, vote for or on behalf of
3 another member of the board.

4 (b) No member of the board may act upon a matter in which his
5 relationship with any person creates a conflict of interest. No board
6 member may have an official connection with or hold stock or securities
7 in, or have a pecuniary interest in, a corporation, company or associa-
8 tion engaged in the production or transportation of oil or gas.

9 Sec. 38.06.040. POWERS. The board has the power to

10 (1) direct the commissioner of natural resources to solicit
11 inquiries, development plans or bids from persons for the sale, exchange
12 or other disposal of oil or gas or both obtained by the state as a
13 royalty under AS 38.05.182, or for the sale, exchange or other disposal
14 in whole or part of rights to receive future oil or gas production or
15 both under a state lease, subject to terms and conditions established
16 by the board;

17 (2) examine proposed sales, exchanges or other disposals
18 of oil or gas or both obtained by the state as a royalty under AS 38.-
19 05.182, or of rights to receive future oil or gas production or both
20 under a state lease, for the purpose of approving or disapproving the
21 proposed sale, exchange or other disposal;

22 (3) hire an executive director, consultants expert in techni-
23 cal, economic or other relevant professions and other persons as
24 necessary to assist the board in the exercise of its powers;

25 (4) promulgate regulations under the Administrative Procedure
26 Act (AS 44.62) that it considers necessary or appropriate in the
27 exercise of its powers; and

28 (5) take whatever other actions are reasonably necessary in
29 the furtherance of the purposes of this chapter.

1 Sec. 38.06.050. BOARD APPROVAL REQUIRED. (a) No sale, exchange
2 or other disposition of oil or gas or of the rights or waiver of the
3 rights to receive future production of royalty oil or gas may be made
4 by the commissioner of natural resources under AS 38.05.183 without the
5 prior written approval of the board.

6 (b) Bids may not be rejected by the commissioner of natural
7 resources without the prior written approval of the board.

8 (c) Competitive bidding in a sale, exchange or other disposition
9 described in (a) of this section may not be waived by the commissioner
10 of natural resources under AS 38.05.183 without the prior written
11 approval of the board.

12 (d) The board may require conditions relating to the sale, delivery,
13 transportation, or refining or processing within the state to be
14 included by the commissioner of natural resources in the offer of and
15 sale by competitive bidding of oil or gas obtained by the state as
16 royalty under AS 38.05.182.

17 Sec. 38.06.055. ACTION BY LEGISLATURE. In addition to the
18 approval by the board required under sec. 50 of this chapter, no sale,
19 exchange or other disposition of oil or gas or of the rights or waiver
20 of the rights to receive future production of royalty oil or gas may be
21 made by the commissioner of natural resources under AS 38.05.183 without
22 the prior approval of the legislature by a concurrent resolution con-
23 curred in by a majority of the members of each house.

24 Sec. 38.06.060. CONFIDENTIALITY. Notwithstanding AS 09.25.110 -
25 09.25.120, the board may provide by regulation for the confidentiality
26 of those documents and records in its possession or control which
27 contain confidential business or marketing information the protection
28 of which is essential to the person who has submitted them to the
29 board or in the judgment of the board is essential to the best interest

1 of the state. Such confidentiality, however, shall not preclude the
2 proper review by the legislature.

3 Sec. 38.06.070. CRITERIA. (a) In the exercise of its powers
4 under sec. 40(1) - (2) and sec. 50 of this chapter the board shall
5 consider

6 (1) the revenue needs and projected fiscal condition of the
7 state;

8 (2) the existence and extent of present and projected local
9 and regional needs for oil and gas products and by-products, the effect
10 of state or federal commodity allocation requirements which might be
11 applicable to those products and by-products, and the priorities among
12 competing needs;

13 (3) the desirability of localized capital investment,
14 increased payroll, secondary development and other possible effects
15 of the sale, exchange or other disposition of oil and gas or both;

16 (4) the projected social impacts of the transaction;

17 (5) the projected additional costs and responsibilities
18 which could be imposed upon the state and affected political subdivi-
19 sions by development related to the transaction;

20 (6) the existence of specific local or regional labor or
21 consumption markets or both which should be met by the transaction;

22 (7) the projected positive and negative environmental
23 effects related to the transaction; and

24 (8) the projected effects of the proposed transaction upon
25 existing private commercial enterprise and patterns of investments.

26 (b) When it is economically feasible, the board may require, as
27 a condition of the sale of oil or gas obtained by the state as royalty,
28 that the oil or gas be refined or processed in the state and may, when
29 it is feasible and in the best interest of the state to do so, provide

1 for processing or refining of the oil or gas under a contract entered
2 into by competitive bidding before the sale of the oil or gas.

3 Sec. 38.06.080. DEFINITIONS. In this chapter

4 (1) "board" means the Alaska Royalty Oil and Gas Development
5 Advisory Board; and

6 (2) "state lease" means an oil and gas lease on state land.

7 * Sec. 3. AS 38.05.103 is repealed and re-enacted to read:

8 Sec. 38.05.183. SALE OF ROYALTY. (a) The sale, exchange or
9 other disposal of a mineral obtained by the state as a royalty under
10 sec. 182 of this chapter, or the sale, exchange or other disposal in
11 whole or in part of a right to receive future mineral production under
12 a state lease under this chapter, shall be by competitive bid and the
13 sale, exchange or other disposal made to the highest responsible bidder,
14 except that competitive bidding is not required when the commissioner,
15 with the prior written approval of the Alaska Royalty Oil and Gas
16 Development Advisory Board where applicable, determines that the best
17 interest of the state does not require it or that no competition exists.

18 (b) When competitive bids are required, the commissioner, with
19 the prior written approval of the Alaska Royalty Oil and Gas Development
20 Advisory Board, may reject all bids if he determines that because of
21 the amount of the bids, the lack of responsibility on the part of the
22 bidders, or for reasons consistent with the criteria set out in AS 38.-
23 06.070, the acceptance of the bids would not be in the best interest
24 of the state.

25 (c) If the commissioner determines that a sale, exchange or other
26 disposal of a mineral obtained by the state as a royalty under sec. 182
27 of this chapter or of a right to receive future mineral production under
28 a state lease under this chapter shall be made otherwise than by competi-
29 tive bid, and the Alaska Royalty Oil and Gas Development Advisory Board

1 where applicable has approved that determination, the commissioner shall
2 make public in writing the specific findings and conclusions upon which
3 that determination is based.

4 * Sec. 4. This Act takes effect on the day after its passage and approval
5 or on the day it becomes law without approval.

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1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 5

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

5 A BILL

6 For an Act entitled: "An Act providing for the sale, exchange or other
7 disposition of minerals obtained by the state as
8 royalty under state leases or of rights to receive
9 future mineral production under state leases; and
10 providing for an effective date."

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

12 * Section 1. AS 38 is amended by adding a new chapter to read:

13 CHAPTER 06. ALASKA ROYALTY OIL AND GAS

14 DEVELOPMENT ADVISORY BOARD.

15 Sec. 38.06.010. PURPOSE. It is the purpose of this chapter to
16 facilitate the wise development of Alaska's oil and gas royalty
17 interests by providing means and procedures for sales, exchanges or
18 other disposition of those interests in ways calculated to promote
19 private economic growth consistent with applicable environmental
20 standards and public fiscal stability.

21 Sec. 38.06.020. ESTABLISHMENT. There is established in the De-
22 partment of Natural Resources the Alaska Royalty Oil and Gas Develop-
23 ment Advisory Board.

24 Sec. 38.06.030. MEMBERSHIP. The board consists of the commis-
25 sioner of natural resources, who is chairman, the commissioner of
26 economic development, the commissioner of environmental conservation,
27 the attorney general, and three public members appointed by the
28 governor to serve without compensation at the pleasure of the governor.
29 The public members may not be state officers or employees. The

1 affirmative vote of the majority of the membership of the board is
2 required to carry out the powers granted under this chapter.

3 Sec. 38.06.040. POWERS. The board has the power to

4 (1) direct the commissioner of natural resources to solicit
5 inquiries, development plans or bids from persons for the sale,
6 exchange or other disposal of oil or gas or both obtained by the
7 state as a royalty under AS 38.05.182, or for the sale, exchange or
8 other disposal in whole or part of rights to receive future oil or
9 gas production or both under a state lease, subject to terms and
10 conditions established by the board;

11 (2) examine proposed sales, exchanges or other disposals
12 of oil or gas or both obtained by the state as a royalty under
13 AS 38.05.182, or of rights to receive future oil or gas production
14 or both under a state lease, for the purpose of approving or dis-
15 approving the proposed sale, exchange or other disposal;

16 (3) hire an executive director, consultants expert in techni-
17 cal, economic or other relevant professions and other persons as neces-
18 sary to assist the board in the exercise of its powers;

19 (4) promulgate regulations under the Administrative Procedure
20 Act (AS 44.62) that it considers necessary or appropriate in the
21 exercise of its powers; and

22 (5) take whatever other actions are reasonably necessary in
23 the furtherance of the purposes of this chapter.

24 Sec. 38.06.050. BOARD APPROVAL REQUIRED. (a) No sale, exchange
25 or other disposition of oil or gas or of the rights to receive future
26 production of oil or gas may be made by the commissioner of natural
27 resources under AS 38.05.183 without the prior written approval of the
28 board.

29 (b) Bids may not be rejected by the commissioner of natural

1 resources without the prior written approval of the board.

2 (c) Competitive bidding in a sale, exchange or other disposition
3 described in subsection (a) of this section may not be waived by the
4 commissioner of natural resources under AS 38.05.183 without the
5 prior written approval of the board.

6 Sec. 38.06.060. CONFIDENTIALITY. Notwithstanding AS 09.25.110
7 - 09.25.120, the board may provide by regulation for the confidential-
8 ity of documents and other property in its possession or control if
9 in the judgment of the board the best interest of the state requires
10 confidentiality.

11 Sec. 38.06.070. CRITERIA. In the exercise of its powers under
12 sec. 40(1) - (2) and sec. 50 of this chapter the board shall consider

13 (1) the revenue needs and projected fiscal condition of the
14 state;

15 (2) the existence and extent of local and regional needs
16 for oil and gas products and by-products, the effect of state or
17 federal commodity allocation requirements which might be applicable
18 to those products and by-products, and the priorities among competing
19 needs;

20 (3) the desirability of localized capital investment,
21 increased payroll, secondary development and other possible effects
22 of the sale, exchange or other disposition of oil and gas or both;

23 (4) the projected social impacts of the transaction;

24 (5) the projected additional costs and responsibilities
25 which could be imposed upon the state and affected political sub-
26 divisions by development related to the transaction;

27 (6) the existence of specific local or regional labor or
28 consumption markets or both which should be met by the transaction;

29 (7) the projected positive and negative environmental

1 effects related to the transaction; and

2 (8) the projected effects of the proposed transaction upon
3 existing private commercial enterprise and patterns of investments.

4 Sec. 38.06.080. DEFINITIONS. In this chapter

5 (1) "board" means the Alaska Royalty Oil and Gas Development
6 Advisory Board; and

7 (2) "state lease" means an oil and gas lease on state land.

8 * Sec. 2. AS 38.05.183 is repealed and re-enacted to read:

9 Sec. 38.05.183. SALE OF ROYALTY. (a) The sale, exchange
10 or other disposal of a mineral obtained by the state as a royalty under
11 sec. 182 of this chapter, or the sale, exchange or other disposal in
12 whole or in part of a right to receive future mineral production under
13 a state lease under this chapter, shall be by competitive bid and the
14 sale, exchange or other disposal made to the highest responsible
15 bidder, except that competitive bidding is not required when the
16 commissioner, with the prior written approval of the Alaska Royalty Oil
17 and Gas Development Advisory Board where applicable, determines that the
18 best interest of the state does not require it or that no competition
19 exists.

20 (b) Where competitive bids are required, the commissioner, with
21 the prior written approval of the Alaska Royalty Oil and Gas Develop-
22 ment Advisory Board, may reject all bids if he determines that because
23 of the amount of the bids, the lack of responsibility on the part of
24 the bidders, or for reasons consistent with the criteria set forth in
25 AS 38.06.070, the acceptance of the bids would not be in the best
26 interest of the state.

27 (c) If the commissioner determines that a sale, exchange or other
28 disposal of a mineral obtained by the state as a royalty under sec.
29 182 of this chapter or of a right to receive future mineral production

1 under a state lease under this chapter shall be made otherwise than by
2 competitive bid, and the Alaska Royalty Oil and Gas Development
3 Advisory Board where applicable has approved that determination, the
4 commissioner shall make public in writing the specific findings and
5 conclusions upon which that determination is based.

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

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STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W — ALASKA OFFICE BUILDING

FINANCE DIVISION
POUCH WF — STATE CAPITOL

BUREAU 92801

MEMORANDUM

TO: House Finance Committee DATE: June 17, 1974
FROM: Representative Hartig SUBJ: Amendment to HB 5

1. Page 1 between lines 11 and 12, add Section 1 AS 38.05.182 amendment as per HOUSE HB 461. This addition to HB 5 is necessary to bring the statutes in conformity to the intent of using the Royalty Board in Royalty matters.
2. Page 1, between lines 11 and 12, add Section 2 AS 38.05.183. This addition to HB 5 is important to protect the availability of oil and gas for present and future needs of Alaskans--in Alaska. My greatest concern is for the natural gas. While the State can elect to take its oil and gas in kind or "value" on 6 months notice to the producer, the fact that natural gas contracts usually are 20-25 years in length, the State will be approached to relinquish the 6 month election and to sell its gas for a 20-25 year period. With this proposed section (which passed as HB 461) the Governor would determine that the industry had these reserves in the State or, in its sale of royalty, would have some escape clause in the contracts in order to protect itself--it would not require the Governor to store these resources as he has indicated in his veto message of HB 461.
3. Page 1, line 20, following the word stability, remove the period and add "and in accordance with AS 38.05.183". This language was in HB 461 and is necessary for conformity.
4. Page 1, line 24. Membership. Removed the Commissioner of Environmental Conservation and the Attorney General--these men are available for advise anyway. Add 3 public members (HB 461 had 4) who must be a petroleum geologist, petroleum engineer, and an attorney--all of who must have at least 7 years experience in the petroleum related industries and who must be confirmed by the Legislature. We removed the Civil Engineer requirement from HB 461 which was surplusage. We have added the confirmation requirement.

5. Page 2, between lines 2 and 3. Add Section 38.06.030 on Compensation which is absent in the Governor's Bill (used language of HB 461).

Add Section 38.06.035 regarding meetings, rules, quorum and votes required which is omitted in the Governor's Bill, and which was present in HB 461. We have also added subparagraph (b) which provides for Conflict of Interest, which the Governor stated was a problem, but failed to do anything about.

1 IN THE HOUSE

BY HARTIG

2 A M E N D M E N T

3 TO: HOUSE BILL NO. 5

4
5 On page 3, between lines 5 and 6, insert:

6 Sec. 38.06.055. ACTION BY LEGISLATURE. In addition to the
7 approval by the board required under sec. 50 of this chapter, no
8 sale, exchange or other disposition of oil or gas or of the rights
9 to receive future production of oil or gas may be made by the com-
10 missioner of natural resources under AS 38.05.183 without the prior
11 approval of the legislature by resolution concurred in by a majority
12 of the members of each house.

13
14 OR

15
16 On page 3, between lines 5 and 6, insert:

17 Sec. 38.06.055. ACTION BY LEGISLATURE. Following approval by
18 the board required under sec. 50 of this chapter, the commissioner of
19 natural resources shall present a proposed sale, exchange or other
20 disposition of oil or gas or of the rights to receive future production
21 of oil or gas to the legislature within the first 10 days of any ses-
22 sion. The sale, exchange or disposition shall become effective 45 days
23 after the presentation or on the day after the final day of the session,
24 whichever is earlier, unless disapproved by a resolution concurred in
25 by a majority of the members of each house.

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 5

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - SECOND SPECIAL SESSION

5 A BILL

6 For an Act entitled: "An Act providing for the sale, exchange or other
7 disposition of minerals obtained by the state as
8 royalty under state leases or of rights to receive
9 future mineral production under state leases; and
10 providing for an effective date."

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

12 * Section 1. AS 38.05.182 is amended to read:

13 Sec. 38.05.182. ROYALTY ON NATURAL RESOURCES. Any royalty pro-
14 vided for in secs. 135 - 181 of this chapter may be taken in kind rather
15 than in money if [AT THE DISCRETION OF] the commissioner, with the
16 consent of the board, [IF HE] determines that the taking in kind would
17 be in the best interest of the state. The consent of the board is
18 required only with respect to oil and gas royalty-in-kind under sec. 183
19 of this chapter.

20 * Sec. 2. AS 38.05.183 is amended by adding new subsections to read:

21 (e) Oil or gas taken in kind by the state as its royalty share
22 may not be sold or otherwise disposed of until the commissioner with
23 the approval of the Alaska Royalty Oil and Gas Development Advisory
24 Board determines that the royalty-in-kind oil or gas is surplus to the
25 present and projected intrastate domestic and industrial needs. The
26 commissioner shall make public, in writing, the specific findings and
27 reasons on which his determination is based and shall, within 10 days
28 of the convening of a regular session of the legislature, submit a
29 report showing the immediate and long-range domestic and industrial
needs of the state for oil and gas and an analysis of how these needs
are to be met.

1 " Sec. 3. AS 38 is amended by adding a new chapter to read:

2 CHAPTER 06. ALASKA ROYALTY OIL AND GAS
3 DEVELOPMENT ADVISORY BOARD.

4 Sec. 38.06.010. PURPOSE. It is the purpose of this chapter to
5 facilitate the wise development of Alaska's oil and gas royalty inter-
6 ests by providing means and procedures for sales, exchanges or other
7 disposition of those interests in ways calculated to promote private
8 economic growth consistent with applicable environmental standards and
9 public fiscal stability, and in accordance with AS 38.05.183.

10 Sec. 38.06.020. ESTABLISHMENT. There is in the Department of
11 Natural Resources the Alaska Royalty Oil and Gas Development Advisory
12 Board.

13 Sec. 38.06.025. MEMBERSHIP. The board consists of the commis-
14 sioner of natural resources, who is chairman, the commissioner of
15 economic development, and three public members. Each of the public
16 members shall possess at least seven years experience in petroleum-
17 related industries, and shall be appointed by the governor to serve
18 at his pleasure for three-year staggered terms and confirmed by a vote
19 of a majority of the members of the legislature in joint session. The
20 public members shall include a petroleum engineer, a petroleum geologist
21 and an attorney. The public members may be removed by the governor
22 only for cause. The public members may not be state officers or
23 employees. A public member, upon the expiration of his term, shall
24 continue to hold office until his successor is appointed and qualifies.
25 Vacancies in public membership shall be filled in the same manner as
26 original appointment. An appointee to fill a vacancy shall hold office
27 for the balance of the term for which his predecessor on the board was
28 appointed. A vacancy in board membership does not impair the authority
29 of a quorum of the board members to exercise all the powers and duties
of the board.

1 Sec. 38.06.030. COMPENSATION; PER DIEM, TRAVEL EXPENSES. Members
2 of the board are in the exempt service under AS 39.25.110 and shall
3 receive \$100 a day for each day or portion of a day spent in actual
4 meeting or on authorized official business incident to their duties,
5 and they are entitled to per diem and travel allowances as provided by
6 law for other boards and commissions. If a member of the board is a
7 full-time officer or employee of the state, he may not receive the \$100
8 a day compensation.

9 Sec. 38.06.035. MEETINGS, RULES, QUORUM, VOTES REQUIRED (a) ; CONFLICT OF INTEREST. (a) ;
10 The board shall prescribe its own rules of procedure. It shall meet at a
11 time and place determined by the chairman, and at other times and places
12 as the chairman, or a majority of the board members, consider necessary.
13 A quorum is a majority of the members of the board. The votes of the
14 board members shall be recorded. Effective action to carry out the
15 powers granted under this chapter requires the affirmative vote of a
16 majority of the board members. No board member may, with respect to a
17 matter before the board, vote for or on behalf of another member of
18 the board.

19 (b) No member of the board may act upon a matter
20 in which his relationship with any person creates a
21 conflict of interest. No board member may have an official connection
22 with or hold stock or securities in, or have a pecuniary interest in,
23 a corporation, company or association engaged in the production or
24 transportation of oil or gas.
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1 Sec. 38.06.040. POWERS. The board has the power to

2 (1) direct the commissioner of natural resources to solicit
3 inquiries, development plans or bids from persons for the sale,
4 exchange or other disposal of oil or gas or both obtained by the
5 state as a royalty under AS 38.05.182, or for the sale, exchange or
6 other disposal in whole or part of rights to receive future oil or
7 gas production or both under a state lease, subject to terms and
8 conditions established by the board;

9 (2) examine proposed sales, exchanges or other disposals
10 of oil or gas or both obtained by the state as a royalty under
11 AS 38.05.182, or of rights to receive future oil or gas production
12 or both under a state lease, for the purpose of approving or dis-
13 approving the proposed sale, exchange or other disposal;

14 (3) hire an executive director, consultants expert in techni-
15 cal, economic or other relevant professions and other persons as neces-
16 sary to assist the board in the exercise of its powers;

17 (4) promulgate regulations under the Administrative Procedure
18 Act (AS 44.62) that it considers necessary or appropriate in the
19 exercise of its powers; and

20 (5) take whatever other actions are reasonably necessary in
21 the furtherance of the purposes of this chapter.

22 Sec. 38.06.050. BOARD APPROVAL REQUIRED. (a) No sale, exchange
23 or other disposition of oil or gas or of the rights to receive future
24 production of oil or gas may be made by the commissioner of natural
25 resources under AS 38.05.183 without the prior written approval of the
26 board.

27 (b) Bids may not be rejected by the commissioner of natural
28 resources without the prior written approval of the board.

29 (c) Competitive bidding in a sale, exchange or other disposition
 described in subsection (a) of this section may not be waived by the
 commissioner of natural resources under AS 38.05.183 without the
 prior written approval of the board.

1 Sec. 38.06.060. CONFIDENTIALITY. Notwithstanding AS 09.25.110
2 - 09.25.120, the board may provide by regulation for the confidential-
3 ity of documents and other property in its possession or control if
4 in the judgment of the board the best interest of the state requires
5 confidentiality.

6 Sec. 38.06.070. CRITERIA. In the exercise of its powers under
7 sec. 40(1) - (2) and sec. 50 of this chapter the board shall consider

8 (1) the revenue needs and projected fiscal condition of the
9 state;

10 (2) the existence and extent of local and regional needs
11 for oil and gas products and by-products, the effect of state or
12 federal commodity allocation requirements which might be applicable
13 to those products and by-products, and the priorities among competing
14 needs;

15 (3) the desirability of localized capital investment,
16 increased payroll, secondary development and other possible effects
17 of the sale, exchange or other disposition of oil and gas or both;

18 (4) the projected social impacts of the transaction;

19 (5) the projected additional costs and responsibilities
20 which could be imposed upon the state and affected political sub-
21 divisions by development related to the transaction;

22 (6) the existence of specific local or regional labor or
23 consumption markets or both which should be met by the transaction;

24 (7) the projected positive and negative environmental
25 effects related to the transaction; and

26 (8) the projected effects of the proposed transaction upon
27 existing private commercial enterprise and patterns of investments.

28 Sec. 38.06.080. DEFINITIONS. In this chapter

29 (1) "board" means the Alaska Royalty Oil and Gas Development
30 Advisory Board; and

 (2) "state lease" means an oil and gas lease on state land.

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" Sec. 4. AS 38.05.183 is repealed and re-enacted to read:

Sec. 38.05.183. SALE OF ROYALTY. (a) The sale, exchange or other disposal of a mineral obtained by the state as a royalty under sec. 182 of this chapter, or the sale, exchange or other disposal in whole or in part of a right to receive future mineral production under a state lease under this chapter, shall be by competitive bid and the sale, exchange or other disposal made to the highest responsible bidder, except that competitive bidding is not required when the commissioner, with the prior written approval of the Alaska Royalty Oil and Gas Development Advisory Board where applicable, determines that the best interest of the state does not require it or that no competition exists.

(b) Where competitive bids are required, the commissioner, with the prior written approval of the Alaska Royalty Oil and Gas Development Advisory Board, may reject all bids if he determines that because of the amount of the bids, the lack of responsibility on the part of the bidders, or for reasons consistent with the criteria set forth in AS 38.06.070, the acceptance of the bids would not be in the best interest of the state.

(c) If the commissioner determines that a sale, exchange or other disposal of a mineral obtained by the state as a royalty under sec. 182 of this chapter or of a right to receive future mineral production under a state lease under this chapter shall be made otherwise than by competitive bid, and the Alaska Royalty Oil and Gas Development Advisory Board where applicable has approved that determination, the commissioner shall make public in writing the specific findings and conclusions upon which that determination is based.

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

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

1 " Sec. 4. AS 38.05.183 is repealed and re-enacted to read:

2 Sec. 38.05.183. SALE OF ROYALTY. (a) The sale, exchange
3 or other disposal of a mineral obtained by the state as a royalty under
4 sec. 182 of this chapter, or the sale, exchange or other disposal in
5 whole or in part of a right to receive future mineral production under
6 a state lease under this chapter, shall be by competitive bid and the
7 sale, exchange or other disposal made to the highest responsible
8 bidder, except that competitive bidding is not required when the
9 commissioner, with the prior written approval of the Alaska Royalty Oil
10 and Gas Development Advisory Board where applicable, determines that the
11 best interest of the state does not require it or that no competition
12 exists.

13 (b) Where competitive bids are required, the commissioner, with
14 the prior written approval of the Alaska Royalty Oil and Gas Develop-
15 ment Advisory Board, may reject all bids if he determines that because
16 of the amount of the bids, the lack of responsibility on the part of
17 the bidders, or for reasons consistent with the criteria set forth in
18 AS 38.06.070, the acceptance of the bids would not be in the best
19 interest of the state.

20 (c) If the commissioner determines that a sale, exchange or other
21 disposal of a mineral obtained by the state as a royalty under sec.
22 182 of this chapter or of a right to receive future mineral production
23 under a state lease under this chapter shall be made otherwise than by
24 competitive bid, and the Alaska Royalty Oil and Gas Development
25 Advisory Board where applicable has approved that determination, the
26 commissioner shall make public in writing the specific findings and
27 conclusions upon which that determination is based.

28 " Sec. 5. This Act takes effect on the day after its passage and
29 approval or on the day it becomes law without approval.

May 31, 1974

HOUSE JOURNAL

1361

The bill also raises other questions. For instance, there is confusion in the bill over whether the fund is only for judgment creditors or whether there are rights established for non-judgment claimants.

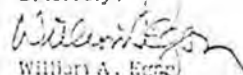
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248
(J28)

Pro-rata payment from the fund is provided for by Sec. 45.85.060(b) but the reference is to "claims", not judgments. Similarly, in Sec. 45.85.040(b) the Commissioner is given authority to compromise "a claim" with Court approval. An order of priority of payment of "claims" against the fund is set up in Sec. 45.85.070, seemingly in conflict with providing under Sec. 45.85.060, and containing a substantial question as to what state a "claim" is filed for establishing its priority against the fund. Nevertheless, a priority basis for payment of claims rather than pro-rating might prove to be the only workable way. The Attorney General believes it will have to be interpreted to apply only to Court actions and judgments, not to less formal claims. However, even with that interpretation, the effective date clause, January 1, 1976, does not clearly define what judgments are covered. Only judgments entered after January 1, 1976? Only judgments on claims for fraudulent acts that occur after January 1, 1976?

Lastly, it is noted the fund will accumulate only slowly, even if claims against it are light. If no claims were paid from the fund it would require 6,250 biennial salesman payments of \$40 or 2,600 biennial broker payments of \$125 before the fund would reach its planned level of \$250,000.

Though the bill does involve problems, I am signing Senate Committee Substitute for Committee Substitute for House Bill No. 248 (Judiciary) into law because its effective date of January 1, 1976, gives ample time for the next Legislature to consider clarifying amendments.

Sincerely,


William A. Egan
Governor

(Chapter 143, SLA 1974)

May 24, 1974

The Honorable Tom Fink
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99801

Dear Mr. Speaker:

Free Conference Committee Substitute for Senate Committee Substitute for House Bill No. 481 is legislation that ostensibly provides for the removal, sale, exchange or other disposition of minerals obtained by the State as royalty under State leases of rights to receive future mineral production under State leases.

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In many respects, the bill follows the proposal I set to the Legislature early in the session. There are, however, some substantive exceptions. The exception of greatest concern to me is the change in the manner in which the Alaska Royalty Oil and Gas Development Advisory Board would be constituted. The original legislation provided that the Board would consist of the Commissioner of Natural Resources as chairman, the Commissioner of Community and

AGO 789127

Regional Affairs, the Commissioner of Economic Development, the Commissioner of Revenue, the Attorney General, the Director of the Office of Planning and Research in the Office of the Governor, and one public member appointed by the Governor to serve without compensation at the pleasure of the Governor.

Five Conference Committee Substitute for Senate Committee Substitute for House Bill No. 431, however, provides that the Board would consist of the Commissioner of Natural Resources, who is chairman, the Commissioner of Economic Development, and four public members, each of whom shall possess at least seven years experience in petroleum-related industries (emphasis added), appointed by the Governor to serve at his pleasure for three-year staggered terms and confirmed by a vote of a majority of the members of the Legislature in joint session. The public members would include a civil engineer, a petroleum engineer, a petroleum geologist and an attorney. As in the original bill, the public members could not be State officers or employees.

The oil and gas industry has expressed concern over the qualifications for appointment of its four public members and result in such circumstances, to say the least. It might be difficult to locate four public members having the specific professional experience required with each of them possessing at least seven years experience in petroleum related industries without very likely creating a situation wherein some companies who are already interested in making lucrative proposals for contracts relating to the construction of refineries and petrochemical complexes in the State, utilizing the State's oil and gas royalties--in kind--would find themselves in various conflicts because of the prior employment of some of the board members. It seems to me that some of the interested companies could be subjected to unverified charges of such conflict in any event. Should this bill become law in its present form, we could very well have a situation where citizens of Alaska might be led to wonder whether or not their public servants had opened the pits and invited "foxes into the chicken coop." In the course of determining the group that is charged with the obligation to make the overwhelmingly important decisions regarding the disposition of the great future royalty volume of Alaska's crude oil and natural gas, we must be positive that there having such extensive responsibilities are far removed from the remotest charge of pecuniary interest other than their distribution to the long-range and interest of all Alaskans. It would be a disaster in industry, as well as to Alaska's people generally, if we were to overlook need to correct any reasonable possibility that might be caused by public impression that persons or persons had been involved in arriving at appointment on such crucial matters. Those charged with the kind of decision-making must, by nature of their responsibility, be of the character, in the conduct of their duties, and all other persons have been fairly represented and evaluated. The volume of funds royalty credit oil and natural gas is of such proportion that petroleum leaders of refinement as to which companies appeared to have the most need-able offers in the people of Alaska's interest could cause speculators in the Nation's stock markets to cause unbridled windfalls.

Following discussion with the State's Attorney General, it appears that a second royalty plan could result in the provision of the subject bill which prohibits the disposition of royalty oil and gas until the Commission, with the Board's approval, finds that it is and will be surplus to Alaska's domestic and industrial needs. This could cause us to need (or not require) royalties in kind if federal fuel allocations

prohibit their retention in Alaska and there exist a current or projected shortage in Alaska. The spot market is that we will be prohibited from selling during a period when, because of shortages, the price should be high. It would, if such a time we had an excess of storage capacity, we would be compelled to take our eggs in a basket rather than in kind. Additionally, because of the bill's prohibition on disposition during an existing or projected shortage in Alaska, the provision will do nothing to alleviate that shortage. This could not have been the Legislature's intent, and it is a matter that should be addressed in later legislation dealing with this subject.

This bill also attaches an amendment to the State Pipeline Commission statute to empower the Commission to exempt, in addition of exemptions to a pipeline which it is under construction, a category of construction legislation (SB 238) during the presently concluded session. Because this provision is not by its terms related solely to exemptions for removal of royalty oil or gas, here, again, we have legislation that may very well breach the single subject rule. While it is my conviction that the matter of disposition of royalty oil and gas with regard to tapping a pipeline for economically viable purposes is adequately covered within the authority of the State's Right-of-Way Law Act and the State's Pipeline Commission Act, I have no objection to retaining that authority.

I do have a question as to the wisdom of attempting to have the State's Pipeline Commission join in during the course of construction of the trans-Alaska pipeline the exact location for the location within the pipeline the designated points and special fittings including but not limited to valves, tees, spools and cross-locks, etc. even, say for tapping the line. It could very well be that this kind of provisions will result in extremely costly investigations being made in the wrong places. The bill provides that all such costs shall be borne by the State.

Because of the untimely circumstances that would result from attempting to name the Alaska Pipeline Oil and Gas Board as established under its requirements, the Conference Committee for the State Committee Substitute for House Bill No. 431 is hereby vetoed.

At the time I issued the call for the Special Session to convene on June 17, 1974, I had had analyzed and reviewed the Conference Committee Substitute for Senate Committee Substitute for House Bill No. 431 as passed by the Legislature. This matter is extremely important and I will accordingly remember the possibility of amending my earlier Special Session Proclamation in order that an appropriate proposal can be submitted to the Legislature for its consideration.

Sincerely,



William A. Egan
Governor

5. Page 2, between lines 2 and 3. Add Section 38.06.030 on Compensation which is absent in the Governor's Bill (used language of HB 461).

Add section 38.06.035 regarding meetings, rules, quorum and votes required which is omitted in the Governor's Bill, and which was present in HB 461. We have also added subparagraph (b) which provides for Conflict of Interest, which the Governor stated was a problem, but failed to do anything about.

1 IN THE HOUSE

BY HARTIG

2 A M E N D M E N T

3 TO: HOUSE BILL NO. 5

4
5 On page 3, between lines 5 and 6, insert:

6 Sec. 38.06.055. ACTION BY LEGISLATURE. In addition to the
7 approval by the board required under sec. 50 of this chapter, no
8 sale, exchange or other disposition of oil or gas or of the rights
9 to receive future production of oil or gas may be made by the com-
10 missioner of natural resources under AS 38.05.183 without the prior
11 approval of the legislature by resolution concurred in by a majority
12 of the members of each house.

13
14 OR

15
16 On page 3, between lines 5 and 6, insert:

17 Sec. 38.06.055. ACTION BY LEGISLATURE. Following approval by
18 the board required under sec. 50 of this chapter, the commissioner of
19 natural resources shall present a proposed sale, exchange or other
20 disposition of oil or gas or of the rights to receive future production
21 of oil or gas to the legislature within the first 10 days of any ses-
22 sion. The sale, exchange or disposition shall become effective 45 days
23 after the presentation or on the day after the final day of the session,
24 whichever is earlier, unless disapproved by a resolution concurred in
25 by a majority of the members of each house.

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 5

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - SECOND SPECIAL SESSION

5 A BILL

6 For an Act entitled: "An Act providing for the sale, exchange or other
7 disposition of minerals obtained by the state as
8 royalty under state leases or of rights to receive
9 future mineral production under state leases; and
10 providing for an effective date."

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

12 * Section 1. AS 38.05.182 is amended to read:

13 Sec. 38.05.182. ROYALTY ON NATURAL RESOURCES. Any royalty pro-
14 vided for in secs. 135 - 181 of this chapter may be taken in kind rather
15 than in money if [AT THE DISCRETION OF] the commissioner, with the
16 consent of the board, [IF HE] determines that the taking in kind would
17 be in the best interest of the state. The consent of the board is
18 required only with respect to oil and gas royalty-in-kind under sec. 183
19 of this chapter.

20 * Sec. 2. AS 38.05.183 is amended by adding new subsections to read:

21 (e) Oil or gas taken in kind by the state as its royalty share
22 may not be sold or otherwise disposed of until the commissioner with
23 the approval of the Alaska Royalty Oil and Gas Development Advisory
24 Board determines that the royalty-in-kind oil or gas is surplus to the
25 present and projected intrastate domestic and industrial needs. The
26 commissioner shall make public, in writing, the specific findings and
27 reasons on which his determination is based and shall, within 10 days
28 of the convening of a regular session of the legislature, submit a
29 report showing the immediate and long-range domestic and industrial
needs of the state for oil and gas and an analysis of how these needs
are to be met.

1 * Sec. 3. AS 38 is amended by adding a new chapter to read:

2 CHAPTER 06. ALASKA ROYALTY OIL AND GAS
3 DEVELOPMENT ADVISORY BOARD.

4 Sec. 38.06.010. PURPOSE. It is the purpose of this chapter to
5 facilitate the wise development of Alaska's oil and gas royalty inter-
6 ests by providing means and procedures for sales, exchanges or other
7 disposition of those interests in ways calculated to promote private
8 economic growth consistent with applicable environmental standards and
9 public fiscal stability, and in accordance with AS 38.05.183.

10 Sec. 38.06.020. ESTABLISHMENT. There is in the Department of
11 Natural Resources the Alaska Royalty Oil and Gas Development Advisory
12 Board.

13 Sec. 38.06.025. MEMBERSHIP. The board consists of the commis-
14 sioner of natural resources, who is chairman, the commissioner of
15 economic development, and three public members. Each of the public
16 members shall possess at least seven years experience in petroleum-
17 related industries, and shall be appointed by the governor to serve
18 at his pleasure for three-year staggered terms and confirmed by a vote
19 of a majority of the members of the legislature in joint session. The
20 public members shall include a petroleum engineer, a petroleum geologist
21 and an attorney. The public members may be removed by the governor
22 only for cause. The public members may not be state officers or
23 employees. A public member, upon the expiration of his term, shall
24 continue to hold office until his successor is appointed and qualifies.
25 Vacancies in public membership shall be filled in the same manner as
26 original appointment. An appointee to fill a vacancy shall hold office
27 for the balance of the term for which his predecessor on the board was
28 appointed. A vacancy in board membership does not impair the authority
29 of a quorum of the board members to exercise all the powers and duties
of the board.

1 Sec. 38.06.030. COMPENSATION; PER DIEM, TRAVEL EXPENSES. Members
2 of the board are in the exempt service under AS 39.25.110 and shall
3 receive \$100 a day for each day or portion of a day spent in actual
4 meeting or on authorized official business incident to their duties,
5 and they are entitled to per diem and travel allowances as provided by
6 law for other boards and commissions. If a member of the board is a
7 full-time officer or employee of the state, he may not receive the \$100
8 a day compensation.

9 Sec. 38.06.035. MEETINGS, RULES, QUORUM, VOTES REQUIRED ; CONFLICT OF INTEREST. (a)
10 board shall prescribe its own rules of procedure. It shall meet at a
11 time and place determined by the chairman, and at other times and places
12 as the chairman, or a majority of the board members, consider necessary.
13 A quorum is a majority of the members of the board. The votes of the
14 board members shall be recorded. Effective action to carry out the
15 powers granted under this chapter requires the affirmative vote of a
16 majority of the board members. No board member may, with respect to a
17 matter before the board, vote for or on behalf of another member of
18 the board.

19 (b) No member of the board may act upon a matter
20 in which his relationship with any person creates a
21 conflict of interest. No board member may have an official connection
22 with or hold stock or securities in, or have a pecuniary interest in,
23 a corporation, company or association engaged in the production or
24 transportation of oil or gas.
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1 Sec. 38.06.040. POWERS. The board has the power to

2 (1) direct the commissioner of natural resources to solicit
3 inquiries, development plans or bids from persons for the sale,
4 exchange or other disposal of oil or gas or both obtained by the
5 state as a royalty under AS 38.05.182, or for the sale, exchange or
6 other disposal in whole or part of rights to receive future oil or
7 gas production or both under a state lease, subject to terms and
8 conditions established by the board;

9 (2) examine proposed sales, exchanges or other disposals
10 of oil or gas or both obtained by the state as a royalty under
11 AS 38.05.182, or of rights to receive future oil or gas production
12 or both under a state lease, for the purpose of approving or dis-
13 approving the proposed sale, exchange or other disposal;

14 (3) hire an executive director, consultants expert in techni-
15 cal, economic or other relevant professions and other persons as neces-
16 sary to assist the board in the exercise of its powers;

17 (4) promulgate regulations under the Administrative Procedure
18 Act (AS 44.62) that it considers necessary or appropriate in the
19 exercise of its powers; and

20 (5) take whatever other actions are reasonably necessary in
21 the furtherance of the purposes of this chapter.

22 Sec. 38.06.050. EJOARD APPROVAL REQUIRED. (a) No sale, exchange
23 or other disposition of oil or gas or of the rights to receive future
24 production of oil or gas may be made by the commissioner of natural
25 resources under AS 38.05.183 without the prior written approval of the
26 board.

27 (b) Bids may not be rejected by the commissioner of natural
28 resources without the prior written approval of the board.

29 (c) Competitive bidding in a sale, exchange or other disposition
described in subsection (a) of this section may not be waived by the
commissioner of natural resources under AS 38.05.183 without the
prior written approval of the board.

1 Sec. 38.06.060. CONFIDENTIALITY. Notwithstanding AS 09.25.110
2 - 09.25.120, the board may provide by regulation for the confidential-
3 ity of documents and other property in its possession or control if
4 in the judgment of the board the best interest of the state requires
5 confidentiality.

6 Sec. 38.06.070. CRITERIA. In the exercise of its powers under
7 sec. 40(1) - (2) and sec. 50 of this chapter the board shall consider

8 (1) the revenue needs and projected fiscal condition of the
9 state;

10 (2) the existence and extent of local and regional needs
11 for oil and gas products and by-products, the effect of state or
12 federal commodity allocation requirements which might be applicable
13 to those products and by-products, and the priorities among competing
14 needs;

15 (3) the desirability of localized capital investment,
16 increased payroll, secondary development and other possible effects
17 of the sale, exchange or other disposition of oil and gas or both;

18 (4) the projected social impacts of the transaction;

19 (5) the projected additional costs and responsibilities
20 which could be imposed upon the state and affected political sub-
21 divisions by development related to the transaction;

22 (6) the existence of specific local or regional labor or
23 consumption markets or both which should be met by the transaction;

24 (7) the projected positive and negative environmental
25 effects related to the transaction; and

26 (8) the projected effects of the proposed transaction upon
27 existing private commercial enterprise and patterns of investments.

28 Sec. 38.06.080. DEFINITIONS. In this chapter

29 (1) "board" means the Alaska Royalty Oil and Gas Development
30 Advisory Board; and

31 (2) "state lease" means an oil and gas lease on state land.

1 * Sec. 4. AS 38.05.183 is repealed and re-enacted to read:

2 Sec. 38.05.183. SALE OF ROYALTY. (a) The sale, exchange
3 or other disposal of a mineral obtained by the state as a royalty under
4 sec. 182 of this chapter, or the sale, exchange or other disposal in
5 whole or in part of a right to receive future mineral production under
6 a state lease under this chapter, shall be by competitive bid and the
7 sale, exchange or other disposal made to the highest responsible
8 bidder, except that competitive bidding is not required when the
9 commissioner, with the prior written approval of the Alaska Royalty Oil
10 and Gas Development Advisory Board where applicable, determines that the
11 best interest of the state does not require it or that no competition
12 exists.

13 (b) Where competitive bids are required, the commissioner, with
14 the prior written approval of the Alaska Royalty Oil and Gas Develop-
15 ment Advisory Board, may reject all bids if he determines that because
16 of the amount of the bids, the lack of responsibility on the part of
17 the bidders, or for reasons consistent with the criteria set forth in
18 AS 38.06.070, the acceptance of the bids would not be in the best
19 interest of the state.

20 (c) If the commissioner determines that a sale, exchange or other
21 disposal of a mineral obtained by the state as a royalty under sec.
22 182 of this chapter or of a right to receive future mineral production
23 under a state lease under this chapter shall be made otherwise than by
24 competitive bid, and the Alaska Royalty Oil and Gas Development
25 Advisory Board where applicable has approved that determination, the
26 commissioner shall make public in writing the specific findings and
27 conclusions upon which that determination is based.

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

May 21, 1974

HOUSE JOURNAL

1561

The bill also raises other questions. For instance, there is confusion in the bill over whether the fund is only for judgment creditors or whether there are rights established for non-judgment claimants.

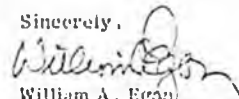
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Pro-rata payment from the fund is provided for by Sec. 45.85.060(b) but the reference is to "claims", not judgments. Similarly, in Sec. 45.85.040(b) the Commissioner is given authority to compromise "a claim" with Court approval. An order of priority of payment of "claims" against the fund is set up in Sec. 45.85.070, seemingly in conflict with pro-rata under Sec. 45.85.060, and containing a substantial question as to what state a "claim" is filed for establishing its priority against the fund. Nevertheless, a priority basis for payment of claims rather than pro-rata might prove to be the only workable way. The Attorney General believes it will have to be interpreted to apply only to Court actions and judgments, not to less formal claims. However, even with that interpretation, the effective date clause, January 1, 1976, does not clearly define what judgments are covered. Only judgments entered after January 1, 1976? Only judgments on claims for fraudulent acts that occur after January 1, 1976?

Lastly, it is noted the fund will accumulate only slowly, even if claims against it are light. If no claims were paid from the fund it would require 6,250 biennial salesman payments of \$40 or 2,000 biennial broker payments of \$25 before the fund would reach its planned level of \$250,000.

Though the bill does involve problems, I am signing Senate Committee Substitute for Committee Substitute for House Bill No. 248 (Judiciary) into law because its effective date of January 1, 1976, gives ample time for the next legislature to consider clarifying amendments.

Sincerely,


William A. Egan
Governor

(Chapter 143, SLA 1974)

May 24, 1974

The Honorable Tom Fink
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99801

Dear Mr. Speaker:

Free Conference Committee Substitute for Senate Committee Substitute for House Bill No. 461 is legislation that ostensibly provides for the removal, sale, exchange or other disposition of minerals obtained by the State as royalty under State leases or of rights to receive future mineral production under State leases.

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461

In many respects, the bill follows the proposal I sent to the Legislature early in the session. There are, however, some substantive exceptions. The exception of greatest concern to me is the change in the manner in which the Alaska Royalty Oil and Gas Development Advisory Board would be constituted. The original legislation provided that the Board would consist of the Commissioner of Natural Resources as chairman, the Commissioner of Community and

AGO 789137

Regional Affairs, the Commissioner of Economic Development, the Commissioner of Revenue, the Attorney General, the Director of the Office of Planning and Research in the Office of the Governor, and one public member appointed by the Governor to serve without compensation at the pleasure of the Governor.

Free Conference Committee Substitute for Senate Committee Substitute for House Bill No. 461, however, provides that the Board would consist of the Commissioner of Natural Resources, who is chairman, the Commissioner of Economic Development, and four public members, each of whom shall possess at least seven years experience in petroleum-related industries (emphasis added), appointed by the Governor to serve at his pleasure for three-year, staggered terms and confirmed by a vote of a majority of the members of the Legislature in joint session. The public members would include a civil engineer, a petroleum engineer, a petroleum geologist and an attorney. As in the original bill, the public members could not be State officers or employees.

The stringent oil industry background restriction placed upon the qualifications for appointment of the four public members could result in much embarrassment, to say the least. It might be difficult to locate four public members having the specific professional expertise required with each of them possessing at least seven years experience in petroleum related industries without very likely creating a situation wherein some companies who are highly interested in making lucrative proposals for contracts relating to the construction of refineries and petrochemical complexes in the State, utilizing the State's oil and gas royalties--in kind--would find themselves in serious conflict because of the prior employment of some of the Board members. It seems to me that some of the interested companies could be subjected to unverified charges of such conflict in any event. Should this bill become law in its present form, we could very well have a situation where citizens of Alaska might be led to ponder whether or not their public servants had opened the gates and invited "foxes into the chicken coop." In the course of determining the group that is charged with obligation to make the overwhelmingly important decisions regarding disposition of the great future royalty volume of Alaska's crude oil and natural gas, we must be positive that those having such awesome responsibilities are far removed from the remotest charge of pecuniary interest other than their dedication to the long-range best interest of all Alaskans. It would be a disservice to industry, as well as to Alaska's people generally, if we were to overlook need to correct any reasonable possibility that might be cause for public impression that personal prejudice had been involved in arriving at agreement on such crucial matters. Those charged with this kind of decision-making must, by nature of that responsibility, be welded close-mouthed, in the conduct of their deliberations, until all major proposals have been fully researched and evaluated. The volume of future royalty crude oil and natural gas is of such proportion that premature leakage of information as to which companies appeared to have the most acceptable offers in the people of Alaska's interest could cause speculators in the Nation's stock markets to reap unwarranted wind falls.

Following discussion with the State's Attorney General, it appears that a second major problem could result in the provision of the subject bill which prohibits the disposition of royalty oil and gas until the Commissioner, with the Board's approval, finds that it is and will be surplus to Alaska's domestic and industrial needs. This could cause us to hold (or not acquire) royalties in kind if federal fuel allocations

prohibit their retention in Alaska and there exists a current or projected shortage in Alaska. The upshot would be that we will be prohibited from selling during a period when, because of shortages, the price should be best. Instead, if at such a time we had an absence of adequate storage capacity, we would be compelled to take our royalty in money rather than in kind. Additionally, because of the bill's flat prohibition on disposition during an existing or projected shortage in Alaska, the provision will do nothing to alleviate that shortage. This could not have been the Legislature's intent, and it is a matter that should be addressed in later legislation dealing with this subject.

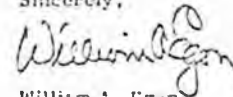
This bill also attaches an amendment to the State Pipeline Commission statute to empower the Commission to compel the addition of connections to a pipeline while it is under construction, a subject of different legislation (SB 268) during the recently concluded session. Because this provision is not by its terms related solely to connections for removal of royalty oil or gas, here, again, we have legislation that may very well breach the single subject rule. While it is my conviction that the matter of disposition of royalty oil and gas with regard to tapping a pipeline for economically viable purposes is adequately covered within the authority of the State's Right-of-Way Leasing Act and the State's Pipeline Commission Act, I have no objection to reiterating that authority.

I do have a question as to the wisdom of attempting to have the State's Pipeline Commission judge during the course of construction of the trans-Alaska pipeline the exact location for the inclusion within the pipeline the designated points and special fittings including but not limited to valves, tees, spools and valve boxes, etc. necessary for tapping the line. It could very well be that this kind of procedure will result in extremely costly installations being made in the wrong places. The bill provides that all such costs shall be borne by the State.

Because of the untenable consequences that could result from attempting to name the Alaska Royalty Oil and Gas Board as contemplated under its requirements, Free Conference Committee Substitute for Senate Committee Substitute for House Bill No. 461 is hereby vetoed.

At the time I issued the call for the Special Session to convene on June 17, 1974, I had not analyzed and reviewed Free Conference Committee Substitute for Senate Committee Substitute for House Bill No. 461 as passed by the Legislature. This matter is extremely important and I will thoroughly consider the possibility of amending my earlier Special Session Proclamation in order that an appropriate proposal can be submitted to the Legislature for its consideration.

Sincerely,



William A. Egan
Governor



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

"An Act relating to the authority of the Alaska Pipeline Commission to order special fittings; and providing for an effective date."

COMMITTEE REPORT

HOUSE

Mr. Speaker:

Date 2-28-79

The Committee on FINANCE has had HB 116, B

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" recommends it be referred to the Finance Committee

Members signing the Majority report:

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

Members NOT concurring in the Majority report:

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

_____ Chairman

Introduced: 6/17/74
Referred: Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 6

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

5 A BILL

6 For an Act entitled: "An Act relating to the authority of the Alaska
7 Pipeline Commission to order special fittings; and
8 providing for an effective date."

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

10 * Section 1. AS 42.06.340 is amended by adding a new subsection to read:

11 (b) During construction of a pipeline the commission, after
12 investigation and opportunity for hearing and findings as required in
13 subparagraph (a) of this section, may order the inclusion within the
14 pipeline at points that it designates, special fittings including but
15 not limited to tees, wyes, spools, reducers, enlargers, flanges, flange
16 plates, valves and valve boxes, to reduce the time and cost of future
17 connections for the injection and removal of gas and oil from the main
18 pipeline, and to maintain and facilitate intrastate commerce. A request
19 for special fittings may be made by the commissioner of natural resources
20 for the state. A request for special fittings and valves may be made
21 to the commission by a local government, person, company or corporation.
22 The cost of furnishing and installing the special fittings shall be paid
23 by the state. However, if the special fittings are used by a person for
24 a commercial enterprise or by a municipality for the operation of a
25 utility, the commission shall require that the using person or munici-
26 pality reimburse the state for the cost of furnishing and installing.

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

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1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

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HOUSE BILL NO. 6

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

A BILL

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



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

"An Act making a special appropriation to the Department of Community and Regional Affairs for development projects in the Bristol Bay region; and for the support of the Bristol Bay Regional Development Council; and providing for an effective date."

COMMITTEE REPORT

6/17/74

HOUSE

Special Session

Mr. Speaker:

Date 6/17/74

The Committee on FINANCE has had REPORT

under consideration. A Majority of the members of the Committee

() recommends it DO PASS

() recommends it DO NOT PASS

(X) 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:

<u>[Signature]</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>	<u>[Signature]</u>	_____
_____	_____	_____

Members NOT concurring in the Majority report:

_____ recommends:

[Signature] recommends: DO PASS

[Signature] recommends: DO PASS

_____ recommends:

_____ recommends:

[Signature] Chairman

A M E N D M E N T

OFFERED IN THE HOUSE:

By: FINANCE

To: _____ HOUSE BILL No. 7

SENATE BILL No. _____

PAGE: 1

LINE: 72

After the words "is appropriated", insert "from the warrant fund."

Introduced: 6/17/74
Referred: Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 7

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

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Depart-
7 ment of Community and Regional Affairs for development
8 projects in the Bristol Bay region; and for the support
9 of the Bristol Bay Regional Development Council; and
10 an appropriation to the Department of Fish and Game for
11 rehabilitat'on of the Bristol Bay fishery; and providing
12 for an effective date."

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

14 * Section 1. The sum of \$1,000,000 is appropriated from the general fund
15 to the Department of Community and Regional Affairs for development projects
16 in the Bristol Bay region, and \$1,500,000 is appropriated from the general
17 fund to the Department of Fish and Game to be used for direct rehabilitation
18 of fisheries or fishery industries in the Bristol Bay area for the fiscal
19 year ending June 30, 1975.

20 * Sec. 2. The sum of \$175,000 is appropriated from the general fund to
21 the Bristol Bay Regional Development Council, Office of the Governor for the
22 fiscal year ending June 30, 1975.

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

Original sponsor: Rules Committee by
request of the Governor

Offered: 6/19/74
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2

SENATE CS FOR HOUSE BILL NO. 7

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

EIGHTH LEGISLATURE - SECOND SPECIAL SESSION

5

A BILL

6

For an Act entitled: "An Act making a special appropriation to the Department of Community and Regional Affairs for development projects in the Bristol Bay region; and for the support of the Bristol Bay Regional Development Council; and providing for an effective date."

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11

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

12

* Section 1. The sum of \$1,000,000 is appropriated to the Department of Community and Regional Affairs for development projects in the Bristol Bay region.

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* Sec. 2. The sum of \$175,000 is appropriated from the general fund to the Bristol Bay Regional Development Council, Office of the Governor for the fiscal year ending June 30, 1975.

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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.

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Introduced: 6/17/74
Referred: Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 7

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

5 A BILL

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7 ment of Community and Regional Affairs for development
8 projects in the Bristol Bay region, and for the support
9 of the Bristol Bay Regional Development Council; and
10 an appropriation to the Department of Fish and Game for
11 rehabilitation of the Bristol Bay fishery; and providing
12 for an effective date."

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

14 * Section 1. The sum of \$1,000,000 is appropriated from the general fund
15 to the Department of Community and Regional Affairs for development projects
16 in the Bristol Bay region, and \$1,500,000 to the Department of Fish and Game
17 to be used for direct rehabilitation of fisheries or fishery industries in the
18 Bristol Bay area.

19 * Sec. 2. The sum of \$175,000 is appropriated from the general fund to the
20 Bristol Bay Regional Development Council, Office of the Governor for the
21 fiscal year ending June 30, 1975.

22 * Sec. 3. This Act takes effect on the day after its passage and approval
23 or on the day it becomes law without approval.
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1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2

HOUSE BILL NO. 7

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

EIGHTH LEGISLATURE - SECOND SPECIAL SESSION

5

A BILL

6

For an Act entitled: "An Act making a special appropriation to the Department of Community and Regional Affairs for development projects in the Bristol Bay region; and for the support of the Bristol Bay Regional Development Council; and providing for an effective date."

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10

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

11

* Section 1. The sum of \$1,000,000 is appropriated to the Department of Community and Regional Affairs for development projects in the Bristol Bay region.

12

13

14

15

* Sec. 2. The sum of \$175,000 is appropriated from the general fund to the Bristol Bay Regional Development Council, Office of the Governor for the fiscal year ending June 30, 1975.

16

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18

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

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The Legislature of the State of Alaska
FISCAL NOTE

Second Special Session - Eighth Legislature

I. REQUEST

Bill Identification: Senate Bill No. 7 - Section 2
 Title: Special Appropriation - Bristol Bay Regional Development Council
 Requested by: Legislative Finance Date: June 17, 1974
 Return Date Requested: _____
 Agency: Office of the Governor Program: Development

II. FISCAL DETAIL

Budget Request Unit(s) Affected: _____

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 74	FY 75	FY 76	FY 77	FY 78	FY 79
100 PERSONAL SERVICES						
200 TRAVEL		30.0				
300 CONTRACTUAL		143.5				
400 COMMODITIES		.5				
500 EQUIPMENT		1.0				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		175.0				

B. FUNDING: (Thousands of dollars)

GENERAL FUND		175.0				
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

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

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

The expenditures outlined above will be utilized to retain a full time staff of two, (in Anchorage) in support of the Council work for a period of 12 months. The majority of the Council's activity during FY 75 will be completed by January 1975, utilizing professional service contractors. (See attached Project Budget - Attachment A)

IV. ATTACHMENTS

Attachment A - FY 1975 Project Budget

V. DATE: June 17, 1974

PREPARED BY: _____

Don Argetsinger
Deputy Commissioner
Department of Community
and Regional Affairs

Original: Legislative Finance ✓
 Budget and Management
 Prime Sponsor (First Legislator Named)
 Ed Anders, Office of the Governor
 Commissioner of Economic Development
 Commissioner of Fish & Game

BRISTOL BAY REGIONAL DEVELOPMENT COUNCIL

Proposed Project Budget

FY 1975

TRAVEL

\$ 30.0

The Council will be required to travel extensively throughout the region to accomplish the tasks outlined in Senate Bill No. 8. Activity is expected to include extensive hearings in all of the communities of the region within the first several months of the Council's formation. Public council members, although not compensated by the State, will be paid per diem and compensation for travel expenses.

CONTRACTUAL SERVICES

\$143.5

Professional Services

Full Time Coordinator - Anchorage	\$ 35.0/yr.
Full Time Administrative Secretary - Anchorage	15.0/yr.
	<u>\$ 50.0</u>

The services of a full time Coordinator with sufficient experience to successfully coordinate the activity of the Council and monitor the work of those individuals retained by the Council will be necessary at least through the Ninth Legislature.

The services of a full time Administrative Secretary will also be required to lend administrative support to the Council Coordinator, Council Members, and other professional staff retained by the Council.

Other Professional Services

\$ 82.0

The sum of \$82,000 shall be reserved for consultant services. All work undertaken shall be directed towards the economic recovery of the Bristol Bay region and legislative recommendations to that end. Of primary concern will be the recovery of the red salmon fisheries resource of the region and the means by which such recovery may best be undertaken. In addition, other existing and potential resources of the region, including but not limited to other commercial fisheries, shall be identified and evaluated in terms of employment and income impact within the Bristol Bay region and in terms of the capacity of the people of the region to participate in such industries if their development is judged to be feasible.

Senate Bill 8 provides for only a one-year life for the proposed authority, although, by another provision of the bill,

the Council is to "explore...long-term economic factors and federal and state programs and policies affecting the Bristol Bay region with a view toward producing a long-term economic and social development program...." We would anticipate that the Council would give close attention to the matter of establishment of viable local government alternatives in the region, either by examination of city status for individual communities or of a regional government unit or units for the area. Indeed, the matter of establishment of a regional government unit embracing substantially all of the Bristol Bay region may well serve to determine whether efforts initiated by the Council in the forthcoming fiscal year will receive continuing attention by residents of the region. The Council may reasonably be expected to consider retaining an individual to explore the opportunities and problems which attend incorporation and operation of municipal corporations in the region, including, especially, gathering information about services and improvements properly the responsibility of public elected bodies and providing an estimate of expenditures and revenues in the provision of public services.

Other Operating Expenses/Contractual Services

Telephone - basic	\$.6	
Telephone - long distance	2.0	
Rent (Anchorage)	3.6	
Duplicating & Postage	1.1	
Printing & Advertising	4.2	
	<u>\$ 11.5</u>	
<u>COMMODITIES</u>		\$.5
<u>EQUIPMENT</u>		\$ 1.0
		<hr/>
	TOTAL	\$175.0



RECORDS



CERTIFICATION

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James O. Smith
Signature of Camera Operator

4/26/89
Date

"An Act relating to the Bristol Bay Regional Development Council; and providing for an effective date."

COMMITTEE REPORT

6/17/74

Special Session

HOUSE

Mr. Speaker:

Date 6/17/74

The Committee on FINANCE has had HE 8

under consideration. A Majority of the members of the Committee

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() recommends it DO NOT PASS

(X) 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:

<u>[Signature]</u>	<u>[Signature]</u>	_____
_____	_____	_____
_____	_____	_____
<u>[Signature]</u>	_____	_____

Members NOT concurring in the Majority report:

<u>[Signature]</u>	recommends: <u>no vote</u>
<u>[Signature]</u>	recommends: <u>no vote</u>
_____	recommends: _____
_____	recommends: _____
_____	recommends: _____

[Signature] Chairman

A M E N D M E N T

OFFERED IN THE HOUSE:

By: FINANCE

To: _____ HOUSE BILL No. 3

SENATE BILL No. _____

PAGE: 1

LINE: 17

Delete the word "total".

¹ Insert a period after the word "fishery", and strike the remainder of the line.

³ Strike the words "cause" and "followed herofore".

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 - SECOND SPECIAL SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Bristol Bay Regional
7 Development Council; and providing for an effective
8 date."

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

10 * Section 1. The legislature recognizes that circumstances and events
11 beyond state or local control have thrust the Bristol Bay regional popula-
12 tion into a desperate plight and that the direct and proximate cause of
13 this human distress is the total destruction of the Bristol Bay red salmon
14 fishery by Japanese high-seas fishing sanctioned by the federal government.
15 Because of this distressed situation caused by federal inaction, the
16 legislature recognizes that economic alternatives are needed to complement
17 rehabilitation of the traditional fishery by the state. Therefore, it is
18 the purpose of this Act to provide for the orderly consideration of the
19 severe economic distress of the Bristol Bay region and to make possible
20 the development of programs to resolve the problems of the region.

21 * Sec. 2. There is established in the Office of the Governor the Bristol
22 Bay Regional Development Council. The council consists of the commissioner
23 of economic development who is chairman, the commissioner of community and
24 regional affairs, the commissioner of fish and game, and six public members
25 appointed by the governor. Members receive no compensation but are entitled
26 to per diem and travel allowances established for state boards and commis-
27 sions. The public members may not be state officers or employees. The
28 public members shall be chosen from the Bristol Bay region and shall repre-
29 sent a cross section of the economic interests of the region.