

LEG. FINANCE - BILLS 1977 - 1978 1008

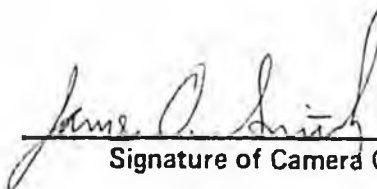
SCR 96 thru SCR 105



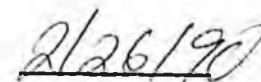
RECORDS CERTIFICATION



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.



Signature of Camera Operator



Date

COMMITTEE REPORT
SENATE

FURTHER: _____

4/28/78

Date: _____

Mr. President:

The Committee on FINANCE has had SCR 96
royalty oil sales agreement between State of Alaska & Golden Valley Electric
Association

under consideration and (a majority of the committee) (the committee
reports it back as follows)

- 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 _____ new title same title
- AND attaches a Letter of Intent New Fiscal Note
- reports it back without recommendation
- and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

COMMITTEE REPORT
SENATE

Handwritten signature/initials

FURTHER: None

4/5/78

Date: 27 April 78

Mr. President:

SPECIAL COMMITTEE TO CONSIDER

The Committee on ROYALTY OIL SALES PROPOSALS has had SCR 96
royalty oil sales agreement between State of Alaska & Golden Valley Electric
Association

under consideration and (a majority of the committee) (the committee
reports it back as follows)

- 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 _____ () new title () same title

- () AND attaches a Letter of Intent () New Fiscal Note
- () reports it back without recommendation
- () and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

Colletta
[Signature]
K. Polard

Mike Colletta
Chairman

SCR 96

Introduced: 4/5/78
Referred: Special Committee
To Consider Royalty Oil
Sales Proposals

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE SENATE

2 SENATE CONCURRENT RESOLUTION NO. 96

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 Approving amendments to the royalty
6 oil sales agreement between the
7 State of Alaska and Golden Valley
8 Electric Association

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

10 WHEREAS, the State of Alaska and the Golden Valley Electric Associa-
11 tion entered into an agreement entitled "Royalty Oil Sales Agreement,"
12 dated April 12, 1977; and

13 WHEREAS, the commissioner of the Department of Natural Resources and
14 the Golden Valley Electric Association have negotiated certain amendments
15 to the agreement; and

16 WHEREAS, the Alaska Royalty Oil and Gas Development Advisory Board has
17 approved those amendments as required by AS 38.06.050; and

18 WHEREAS, these amendments will make the terms of the agreement con-
19 sistent with the terms of other agreements for the sale of the state's
20 royalty oil currently before the legislature for approval or under negotia-
21 tion; and

22 WHEREAS, the amendments are in the best interests of the State of
23 Alaska;

24 BE IT RESOLVED by the Alaska State Legislature that the amendments are
25 approved under AS 38.06.055.

26
27
28
29

COMMITTEE COPY

April 5, 1978

The Honorable John L. Rader
President of the Senate
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. President:

Under the authority of art. III, sec. 18 of the Alaska Constitution, and in accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a concurrent resolution approving amendments to the "Royalty Oil Sales Agreement" between the State of Alaska and the Golden Valley Electric Association dated April 12, 1977.

The amendments were negotiated by the commissioner of the Department of Natural Resources under AS 38.05.183, and approved by the Alaska Royalty Oil and Gas Development Advisory Board under AS 38.06.050. The amendments will make the terms of the agreement between the state and Golden Valley Electric Association consistent with the terms of other agreements for the sale of the state's royalty oil, agreements which currently are before the legislature for approval or are under negotiation and will be submitted for approval in the near future.

In the past, there have been questions raised over the constitutionality of the legislature's approval of an executive act by the means of a concurrent resolution. In an effort to avoid raising that issue by submitting this contract for approval, I insisted that a clause requiring legislative approval be placed in the contract itself. I did so to insure that legislative approval in this instance could be sustained on the basis of a contractual provision rather than raise a constitutional debate over legislative power to require such approval.

Sincerely,

S/JS/H

Jay S. Hammond
Governor

SCR 96

AMENDMENT TO
ROYALTY OIL SALES AGREEMENT

THIS AMENDMENT, entered into by and between the Commissioner of Natural Resources of the State of Alaska, acting pursuant to AS 38.05.183, hereinafter referred to as "Seller", and Golden Valley Electric Association, an Alaskan Non-Profit Corporation, hereinafter referred to as "Buyer",

W I T N E S S E T H:

THAT WHEREAS, Seller and Buyer entered into that certain agreement entitled "Royalty Oil Sales Agreement" (Agreement), dated the 12th day of April, 1977; and,

WHEREAS, Buyer and Seller believe that certain amendments to that Agreement are in the best interests of the parties:

NOW, THEREFORE, in consideration of the foregoing and in consideration of the mutual covenants and agreements herein contained, Buyer and Seller covenant and agree as follows:

A. ARTICLE VII

Article VII of the Agreement shall be amended by the deletion thereof in its entirety and substitution of the following:

000-2

PRICE

7.1 As to oil sold and delivered hereunder out of the Leases, the price to be paid by Buyer to Seller shall be equal to the sum the Seller would have received from the Lessees had Seller received its royalty in value instead of taking the quantity of royalty oil delivered hereunder as its royalty in kind (amount). Seller and Buyer recognize that the method and basis of computing the royalty due Seller from Lessees under the Leases is currently a matter of dispute and litigation among the Seller and its Lessees, said litigation being entitled State of Alaska, et al., v. Amerada Hess Corp., et al., (No. CA 77-847, Superior Court of the State of Alaska, First Judicial District at Juneau). Pending resolution of said dispute among Seller and Lessees, by judicial decision or settlement in the above-referenced case, the in value royalty under the Leases, and therefore the price hereunder, shall be computed in accordance with Exhibit "C", attached hereto and by reference made a part hereof. After such time as said dispute shall be resolved among Seller and its Lessees, the parties hereto will be bound by the terms of such resolution, judicial or otherwise. Seller and Buyer expressly recognize that adjustment in prices previously paid may be necessary following said

resolution and said adjustment shall be duly made, with interest, pursuant to the applicable provisions of Article VIII. Any settlement agreement which agrees to the imposition of costs which are reimbursable by Buyer to Seller under Article 7.2, however, shall not be final and binding upon Buyer, unless Buyer has consented in advance to such settlement.

7.2 In addition to the price stated in Article 7.1, Buyer shall also reimburse Seller for Seller's pro rata share of (i) any basic sediment and water removal costs if Seller is required to pay such costs as a result of Seller's election to take its royalty oil in kind; and (ii) any other direct costs reasonably incurred and paid by Seller which would not have been incurred by Seller had the Seller taken its royalty in value rather than in kind and if such costs under Article 7.2(i) and (ii) were not previously reflected in applicable computations of value for payments of royalty in value. Seller shall use its best efforts to minimize any such costs incurred by Seller by reason of Seller's taking royalty oil in kind; such best efforts shall include, but not be limited to, litigation in cooperation with, and at the request of, Buyer, at Buyer's cost, to the extent necessary to contest the imposition of unwarranted or improper charges; provided, however, that Seller shall in no event be required

to advocate legal positions or adopt legal strategies which it, in its discretion, deems contrary to its own interests, in any such litigation. Seller at this date does not know of any potential costs to be incurred by it as a result of its taking in kind rather than in value other than the costs stipulated in this Article 7.2(i) above.

7.3 If at any time during the term of this Agreement, Seller sells royalty oil of comparable grade, quality and quantity to that taken in kind and produced from the Leases from the Prudhoe Bay Unit to some other Buyer or Buyers at a price which is less than the price to be received from Buyer hereunder, the prices to be paid to Seller hereunder shall be adjusted accordingly.

B. ARTICLE VIII

Article VIII of the Agreement shall be amended by the addition of the following:

8.7 Due to the potentially large sums of money involved, any adjustments to any billing under the provisions of this Article VIII by Seller made more than sixty (60) days after such billing was initially rendered shall be paid to or refunded by Buyer or Seller over the same period over which such adjustments accrued or thirty-six (36) months, whichever is longer, beginning with the first payment next

following the date such adjustment has been determined; provided, however, no such payment extension permitted hereunder shall extend beyond the term stipulated in Article 9.2, and accordingly, the full balance of any unpaid adjustments shall become due and payable on the termination date hereof.

C. ARTICLE XI

Article XI of the Agreement shall be amended by the deletion of Article 11.2 thereof in its entirety and substitution of the following:

11.2 Buyer shall provide security in the form of a bond attached hereto and made a part hereof as Exhibit "D", executed by the Buyer, as principal, and a corporate surety agreed to by the Commissioner and authorized to write such bonds in the State of Alaska, as surety for a sum which shall substantially reflect the amounts owed by Buyer to Seller plus an amount equal to the value of any oil delivered by Seller to Buyer and not yet billed pursuant to Article VIII; provided, that whenever Seller has reasonable grounds for asserting and does assert any claims against Buyer in excess of the penal sum of the bond of Buyer then in effect hereunder, Buyer, after being so requested by Seller, shall either increase the penal sum of such bond to an amount reasonably sufficient to cover the claim of Seller and all

expenses which may be incurred by it in connection therewith or shall furnish other security satisfactory to Seller, regardless of whether the Buyer does or does not recognize the validity of the Seller's claim (so long as reasonable grounds for asserting such claim exist). Buyer may at any time and from time to time deposit and maintain with the Commissioner at Buyer's expense in lieu of any such bond, either (i) an irrevocable letter or letters of credit addressed to the Commissioner issued by a state or national banking institution of the United States which is a member of the Federal Deposit Insurance Corporation, having an aggregate capital and surplus of not less than \$10,000,000, or the National Rural Utilities Cooperative Finance Corporation (CFC), or (ii) marketable securities which are approved by the Commissioner, and which shall be transferable by the Commissioner or by delivery by stock power attached or other means, such letter or letters of credit to be in an aggregate amount, or such marketable securities to be of an aggregate then fair market value, of not less than the amount then required for Buyer's bond hereunder, any such letter or letters of credit and marketable securities, together with any proceeds thereof, to be held by the Commissioner for the security and benefit of the Seller, and such letter or

letters of credit or marketable securities along with instruments of transfer to be in form and substance approved by the Seller. The amount of said letter or letters of credit or marketable securities shall be subject to increase in the same manner that the face amount of the bond is subject to increase. If marketable securities are so furnished, other marketable securities which meet the requirements of this Article 11.2 may be substituted at any time and from time to time for any previously furnished marketable securities, and the marketable securities so furnished shall be increased if at any time the fair market value of the securities then held by the Commissioner is less than, or may be reduced if the fair market value thereof exceeds, the amount of the bond then required of Buyer hereunder. Buyer may, in lieu of any other security, provide other security which, in the opinion of the Commissioner, is of equal value to the security above described.

D. ARTICLE XIII

Article XIII of the Agreement shall be amended by the addition of the following:

13.2 Upon initiation of deliveries pursuant to Article IV and/or V, Seller, in addition to all other quantities of crude oil deliverable hereunder, shall deliver

to Buyer on or prior to the date of first delivery, a sufficient quantity of crude oil for Buyer to fulfill its tariff obligations to supply TransAlaska Pipeline System ("TAPS") pipeline fill. Buyer shall pay for such quantity of oil on the date of termination pursuant to any of the provisions of this Agreement, at the price stipulated in Article VII, as if such oil had been delivered to Buyer at the point of delivery forty-five (45) days prior to the said date of termination. In the event Buyer suspends its purchase of oil from the Leases after having initiated deliveries and after Seller has delivered the pipeline fill as provided by this Article 13.2, Buyer shall pay for such quantity of oil as if it had been delivered at the point of delivery on the date Buyer suspended its purchases. Thereafter Seller shall be obligated to provide pipeline fill upon Buyer's reinitiation of deliveries of oil out of the Leases as provided by other provisions of this Agreement.

E. RATIFICATION

In all other respects, except as expressly changed herein, the original Agreement shall continue in full force and effect as originally written.

F. APPROVAL OF ALASKA STATE LEGISLATURE REQUIRED

If the Tenth Alaska State Legislature, Second Session, shall not have approved this Amendment to the

Agreement by a concurrent resolution concurred in by a majority of the members of each House, and this Amendment to the Agreement shall not have been executed by the State of Alaska in force and effect, then this Amendment shall be null and void and of no further force or effect, the same as it if had never been made.

IN WITNESS WHEREOF, the Seller has caused this Amendment to Royalty Oil Sale Agreement to be executed by its Commissioner of Natural Resources with the consent of the Alaska Royalty Oil and Gas Development Advisory Board (a copy of the resolution of the said Board consenting to this Extension is attached hereto as Exhibit "A") and Buyer has caused this Amendment to be executed by its duly authorized officer, all in duplicate originals, on the date set forth hereinbelow.

"Buyer"
GOLDEN VALLEY ELECTRIC
ASSOCIATION, INC.

BY: *Alfred J. Lauer*
President

ATTEST:

BY: *Shirley P. Jensen*

"Seller"
THE STATE OF ALASKA

BY: *Robert L. Leche*
Commissioner
Department of Natural Resources

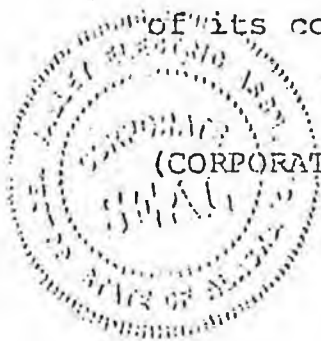
ATTEST:

BY: _____

APPROVED AS TO FORM:

Robert L. Leche

I, SANDRA ROSENBERG, certify that I am the Secretary of the corporation named as Buyer in the above Amendment; that ALFRED J. LOMEN, who signed said Amendment on behalf of Buyer, was then President of said corporation; that said Amendment was duly signed for and in behalf of said corporation by authority of its governing body, and is within the scope of its corporate powers.



Sandra Rosenberg

 Sandra Rosenberg, Secretary

STATE OF ALASKA)
 4th JUDICIAL DISTRICT) : ss.:

THIS IS TO CERTIFY that on the 17th day of March, 1978, before me, the undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn as such, personally appeared ALFRED J. LOMEN, to me known to be the President of GOLDEN VALLEY ELECTRIC ASSOCIATION, INC., a corporation, and known to me to be the person who executed the within instrument on behalf of the corporation herein named, and acknowledged to me that the same was signed as a free act and deed of the said corporation for the uses and purposes therein stated and pursuant to its Bylaws or a resolution of its Board of Directors.

WITNESS my hand and notarial seal the day and year first above written.

Elizabeth K. Lerner

 Notary Public in and for Alaska
 My commission expires Dec 27, 1980

STATE OF ALASKA =)
First JUDICIAL DISTRICT) : SS.:

THIS IS TO CERTIFY that on the 29th day of March, 1978, before me, the undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn as such, personally appeared Robert E. Lake to me known to be the Commissioner of Natural Resources for the State of Alaska, and known to me to be the person who executed the within instrument on behalf of the State of Alaska, and acknowledged to me that the same was signed as a free act and deed of the State of Alaska for the purposes and uses therein stated.

WITNESS my hand and notarial seal the day and year first above written.

Jennie Boston
Notary Public in and for Alaska
My commission expires: Nov 2, 1980



EXHIBIT "C"

Calculation of monthly in value royalty under the Leases and leases (all calculations shall be rounded to the nearest \$0.001)

STEP 1: Calculate each producer's weighted average value per barrel at Point of Delivery for all oil sold by each producer during the month, as follows:

Example, Producer Y

(1) <u>Destination</u>	(2) <u>Volume Sold</u>	(3) <u>Sales Price at Destination</u>	(4) <u>Shipping Costs</u>	(5) <u>Pipeline Tariff</u>	(6) <u>Point of Delivery Value</u>	(7) <u>Weighted Average Value</u>
1	2,000,000	\$12.500	\$ -0-	\$4.770	\$7.730	-
2	4,000,000	13.370	1.110	4.750	7.510	-
3	5,000,000	13.440	3.830	4.750	4.860	-
						<u>\$6.345</u>

Columns 2, 3, 4 and 5 shall be computed from actual data as reported by each producer and filed with the State of Alaska for royalty purposes and severance tax purposes.

STEP 2: The "weighted average value" per barrel of each producer (column 7 above) at the Point of Delivery shall then be used in column (9) below in calculating the applicable in value price for each producer (column 11 below), the weighted average of which shall be the In Value Price to Buyer (column 12), as follows:

-continued-

Example, all producers:

(8) Producer and Quantity	(9) Wtd. Avg. Value at Point of Delivery (Col. 7)	(10) Wtd. Avg. Price Received by all other Producers	(11) Applicable Price for In Value Calculation	(12) In Value Price to Buyer
X; 4,200,000	\$6.920	\$6.404	\$6.920	-
Y; 11,000,000	6.345	7.003	7.003	-
Z; 500,000	7.700	6.504	7.700	-
Weighted Avg.	<u>\$6.542</u>			<u>\$7.003</u>

Notes:

- 1) Values in column 10 are the weighted average of all producers other than the producer for which the calculation is being made.
- 2) Column 11 is the highest of the values in columns 9 or 10 for each producer.
- 3) Column 12 is the weighted average of values in column 11.
- 4) Buyer shall not pay any reimbursable costs under Article 8.2 until such costs are judicially determined as owing.
- 5) There is no posted price. "Market" or "field" value shall not be used in calculating the "In Value price to Buyer" unless and until the methodology of determining same is judicially decided.
- 6) Subject to later adjustment under Article 9.5.

EXHIBIT "D"

FORM OF BOND

The bond shall be in a form submitted by Buyer and shall contain such terms and conditions as are approved by the Commissioner.

ALASKA STATE LEGISLATURE

TENTH... Legislature SECOND.. Session

SENATE CONC. RESOL. NO. 96.....

By THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Approving amendments to the royalty oil sales agreement between the State of Alaska and Golden Valley Electric Association.

royalty oil sales agreement/
State of Alaska & Golden Valley
Elec. Assoc.

Introduced in the Senate 4/5/1976

HISTORY IN THE SENATE

19 78

Read first time and referred to Committee on

4 5

Spec. Committee to Consider Royalty Oil Sales Proposals

7 28

Reported back with recommendation that *Royalty Oil Sales Act*
3 to pass to Senate
referred to Finance

Read second time and

Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed
Signed by President
Sent to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

Read first time and referred to Committee on

Reported back with recommendation that

Read second time and

Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed
Signed by Speaker
Returned to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19

Received from House

Reported correctly enrolled

Sent to Governor

..... By Governor

Filed with Lt. Governor

Chapter No.

SCR 96

April 5, 1978

The Honorable John L. Rader
President of the Senate
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. President:

Under the authority of art. III, sec. 18 of the Alaska Constitution, and in accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a concurrent resolution approving amendments to the "Royalty Oil Sales Agreement" between the State of Alaska and the Golden Valley Electric Association dated April 12, 1977.

The amendments were negotiated by the commissioner of the Department of Natural Resources under AS 38.05.183, and approved by the Alaska Royalty Oil and Gas Development Advisory Board under AS 38.06.050. The amendments will make the terms of the agreement between the state and Golden Valley Electric Association consistent with the terms of other agreements for the sale of the state's royalty oil, agreements which currently are before the legislature for approval or are under negotiation and will be submitted for approval in the near future.

In the past, there have been questions raised over the constitutionality of the legislature's approval of an executive act by the means of a concurrent resolution. In an effort to avoid raising that issue by submitting this contract for approval, I insisted that a clause requiring legislative approval be placed in the contract itself. I did so to insure that legislative approval in this instance could be sustained on the basis of a contractual provision rather than raise a constitutional debate over legislative power to require such approval.

Sincerely,

S/JS/H

Jay S. Hammond
Governor

SCR 96

AMENDMENT TO
ROYALTY OIL SALES AGREEMENT

THIS AMENDMENT, entered into by and between the Commissioner of Natural Resources of the State of Alaska, acting pursuant to AS 38.05.183, hereinafter referred to as "Seller", and Golden Valley Electric Association, an Alaskan Non-Profit Corporation, hereinafter referred to as "Buyer",

W I T N E S S E T H:

THAT WHEREAS, Seller and Buyer entered into that certain agreement entitled "Royalty Oil Sales Agreement" (Agreement), dated the 12th day of April, 1977; and,

WHEREAS, Buyer and Seller believe that certain amendments to that Agreement are in the best interests of the parties:

NOW, THEREFORE, in consideration of the foregoing and in consideration of the mutual covenants and agreements herein contained, Buyer and Seller covenant and agree as follows:

A. ARTICLE VII

Article VII of the Agreement shall be amended by the deletion thereof in its entirety and substitution of the following:

000, 2

PRICE

7.1 As to oil sold and delivered hereunder out of the Leases, the price to be paid by Buyer to Seller shall be equal to the sum the Seller would have received from the Lessees had Seller received its royalty in value instead of taking the quantity of royalty oil delivered hereunder as its royalty in kind (amount). Seller and Buyer recognize that the method and basis of computing the royalty due Seller from Lessees under the Leases is currently a matter of dispute and litigation among the Seller and its Lessees, said litigation being entitled State of Alaska, et al., v. Amerada Hess Corp., et al., (No. CA 77-847, Superior Court of the State of Alaska, First Judicial District at Juneau). Pending resolution of said dispute among Seller and Lessees, by judicial decision or settlement in the above-referenced case, the in value royalty under the Leases, and therefore the price hereunder, shall be computed in accordance with Exhibit "C", attached hereto and by reference made a part hereof. After such time as said dispute shall be resolved among Seller and its Lessees, the parties hereto will be bound by the terms of such resolution, judicial or otherwise. Seller and Buyer expressly recognize that adjustment in prices previously paid may be necessary following said

resolution and said adjustment shall be duly made, with interest, pursuant to the applicable provisions of Article VIII. Any settlement agreement which agrees to the imposition of costs which are reimbursable by Buyer to Seller under Article 7.2, however, shall not be final and binding upon Buyer, unless Buyer has consented in advance to such settlement.

7.2 In addition to the price stated in Article 7.1, Buyer shall also reimburse Seller for Seller's pro rata share of (i) any basic sediment and water removal costs if Seller is required to pay such costs as a result of Seller's election to take its royalty oil in kind; and (ii) any other direct costs reasonably incurred and paid by Seller which would not have been incurred by Seller had the Seller taken its royalty in value rather than in kind and if such costs under Article 7.2(i) and (ii) were not previously reflected in applicable computations of value for payments of royalty in value. Seller shall use its best efforts to minimize any such costs incurred by Seller by reason of Seller's taking royalty oil in kind; such best efforts shall include, but not be limited to, litigation in cooperation with, and at the request of, Buyer, at Buyer's cost, to the extent necessary to contest the imposition of unwarranted or improper charges; provided, however, that Seller shall in no event be required

to advocate legal positions or adopt legal strategies which it, in its discretion, deems contrary to its own interests, in any such litigation. Seller at this date does not know of any potential costs to be incurred by it as a result of its taking in kind rather than in value other than the costs stipulated in this Article 7.2(i) above.

7.3 If at any time during the term of this Agreement, Seller sells royalty oil of comparable grade, quality and quantity to that taken in kind and produced from the Leases from the Prudhoe Bay Unit to some other Buyer or Buyers at a price which is less than the price to be received from Buyer hereunder, the prices to be paid to Seller hereunder shall be adjusted accordingly.

B. ARTICLE VIII

Article VIII of the Agreement shall be amended by the addition of the following:

8.7 Due to the potentially large sums of money involved, any adjustments to any billing under the provisions of this Article VIII by Seller made more than sixty (60) days after such billing was initially rendered shall be paid to or refunded by Buyer or Seller over the same period over which such adjustments accrued or thirty-six (36) months, whichever is longer, beginning with the first payment next

following the date such adjustment has been determined; provided, however, no such payment extension permitted hereunder shall extend beyond the term stipulated in Article 9.2, and accordingly, the full balance of any unpaid adjustments shall become due and payable on the termination date hereof.

C. ARTICLE XI

Article XI of the Agreement shall be amended by the deletion of Article 11.2 thereof in its entirety and substitution of the following:

11.2 Buyer shall provide security in the form of a bond attached hereto and made a part hereof as Exhibit "D", executed by the Buyer, as principal, and a corporate surety agreed to by the Commissioner and authorized to write such bonds in the State of Alaska, as surety for a sum which shall substantially reflect the amounts owed by Buyer to Seller plus an amount equal to the value of any oil delivered by Seller to Buyer and not yet billed pursuant to Article VIII; provided, that whenever Seller has reasonable grounds for asserting and does assert any claims against Buyer in excess of the penal sum of the bond of Buyer then in effect hereunder, Buyer, after being so requested by Seller, shall either increase the penal sum of such bond to an amount reasonably sufficient to cover the claim of Seller and all

expenses which may be incurred by it in connection therewith or shall furnish other security satisfactory to Seller, regardless of whether the Buyer does or does not recognize the validity of the Seller's claim (so long as reasonable grounds for asserting such claim exist). Buyer may at any time and from time to time deposit and maintain with the Commissioner at Buyer's expense in lieu of any such bond, either (i) an irrevocable letter or letters of credit addressed to the Commissioner issued by a state or national banking institution of the United States which is a member of the Federal Deposit Insurance Corporation, having an aggregate capital and surplus of not less than \$10,000,000, or the National Rural Utilities Cooperative Finance Corporation (CFC), or (ii) marketable securities which are approved by the Commissioner, and which shall be transferable by the Commissioner or by delivery by stock power attached or other means, such letter or letters of credit to be in an aggregate amount, or such marketable securities to be of an aggregate then fair market value, of not less than the amount then required for Buyer's bond hereunder, any such letter or letters of credit and marketable securities, together with any proceeds thereof, to be held by the Commissioner for the security and benefit of the Seller, and such letter or

letters of credit or marketable securities along with instruments of transfer to be in form and substance approved by the Seller. The amount of said letter or letters of credit or marketable securities shall be subject to increase in the same manner that the face amount of the bond is subject to increase. If marketable securities are so furnished, other marketable securities which meet the requirements of this Article 11.2 may be substituted at any time and from time to time for any previously furnished marketable securities, and the marketable securities so furnished shall be increased if at any time the fair market value of the securities then held by the Commissioner is less than, or may be reduced if the fair market value thereof exceeds, the amount of the bond then required of Buyer hereunder. Buyer may, in lieu of any other security, provide other security which, in the opinion of the Commissioner, is of equal value to the security above described

D. ARTICLE XIII

Article XIII of the Agreement shall be amended by the addition of the following:

13.2 Upon initiation of deliveries pursuant to Article IV and/or V, Seller, in addition to all other quantities of crude oil deliverable hereunder, shall deliver

to Buyer on or prior to the date of first delivery, a sufficient quantity of crude oil for Buyer to fulfill its tariff obligations to supply TransAlaska Pipeline System ("TAPS") pipeline fill. Buyer shall pay for such quantity of oil on the date of termination pursuant to any of the provisions of this Agreement, at the price stipulated in Article VII, as if such oil had been delivered to Buyer at the point of delivery forty-five (45) days prior to the said date of termination. In the event Buyer suspends its purchase of oil from the Leases after having initiated deliveries and after Seller has delivered the pipeline fill as provided by this Article 13.2, Buyer shall pay for such quantity of oil as if it had been delivered at the point of delivery on the date Buyer suspended its purchases. Thereafter Seller shall be obligated to provide pipeline fill upon Buyer's reinitiation of deliveries of oil out of the Leases as provided by other provisions of this Agreement.

E. RATIFICATION

In all other respects, except as expressly changed herein, the original Agreement shall continue in full force and effect as originally written.

F. APPROVAL OF ALASKA STATE LEGISLATURE REQUIRED

If the Tenth Alaska State Legislature, Second Session, shall not have approved this Amendment to the

Agreement by a concurrent resolution concurred in by a majority of the members of each House, and this Amendment to the Agreement shall not have been executed by the State of Alaska in force and effect, then this Amendment shall be null and void and of no further force or effect, the same as it if had never been made.

IN WITNESS WHEREOF, the Seller has caused this Amendment to Royalty Oil Sales Agreement to be executed by its Commissioner of Natural Resources with the consent of the Alaska Royalty Oil and Gas Development Advisory Board (a copy of the resolution of the said Board consenting to this Extension is attached hereto as Exhibit "A") and Buyer has caused this Amendment to be executed by its duly authorized officer, all in duplicate originals, on the date set forth hereinbelow.

"Buyer"
GOLDEN VALLEY ELECTRIC
ASSOCIATION, INC.

By: *Alfred J. Lauer*
President

ATTEST:

By: *John P. ...*

"Seller"
THE STATE OF ALASKA

By: *Robert Le ...*
Commissioner
Department of Natural Resources

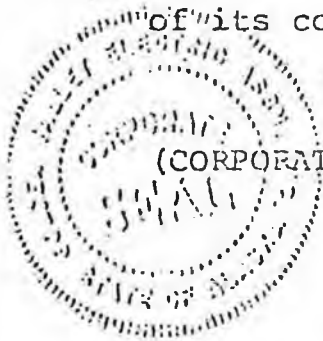
ATTEST:

By: _____

APPROVED AS TO FORM:

Robert T. ...

I, SANDRA-ROSENBERG, certify that I am the Secretary of the corporation named as Buyer in the above Amendment; that ALFRED J. LOMEN, who signed said Amendment on behalf of Buyer, was then President of said corporation; that said Amendment was duly signed for and in behalf of said corporation by authority of its governing body, and is within the scope of its corporate powers.



(CORPORATE SEAL)

Sandra Rosenberg
Sandra Rosenberg, Secretary

STATE OF ALASKA)
4th JUDICIAL DISTRICT) : ss.:

THIS IS TO CERTIFY that on the 17th day of March, 1978, before me, the undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn as such, personally appeared ALFRED J. LOMEN, to me known to be the President of GOLDEN VALLEY ELECTRIC ASSOCIATION, INC., a corporation, and known to me to be the person who executed the within instrument on behalf of the corporation herein named, and acknowledged to me that the same was signed as a free act and deed of the said corporation for the uses and purposes therein stated and pursuant to its Bylaws or a resolution of its Board of Directors.

WITNESS my hand and notarial seal the day and year first above written.



Elizabeth K. Linniger
Notary Public in and for Alaska
My commission expires: Dec 27, 1983

STATE OF ALASKA

)

: ss.:

First JUDICIAL DISTRICT)

THIS IS TO CERTIFY that on the 29th day of March, 1978, before me, the undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn as such, personally appeared Robert E. Lehasche, to me known to be the Commissioner of Natural Resources for the State of Alaska, and known to me to be the person who executed the within instrument on behalf of the State of Alaska, and acknowledged to me that the same was signed as a free act and deed of the State of Alaska for the purposes and uses therein stated.

WITNESS my hand and notarial seal the day and year first above written.

Jennie Boston

Notary Public in and for Alaska
My commission expires: Nov 2, 1980



EXHIBIT "C"

Calculation of monthly in value royalty under the Leases and leases (all calculations shall be rounded to the nearest \$0.001)

STEP 1: Calculate each producer's weighted average value per barrel at Point of Delivery for all oil sold by each producer during the month, as follows:

Example, Producer Y

(1) <u>Destination</u>	(2) <u>Volume Sold</u>	(3) <u>Sales Price at Destination</u>	(4) <u>Shipping Costs</u>	(5) <u>Pipeline Tariff</u>	(6) <u>Point of Delivery Value</u>	(7) <u>Weighted Average Value</u>
1	2,000,000	\$12.500	\$ -0-	\$4.770	\$7.730	-
2	4,000,000	13.370	1.110	4.750	7.510	-
3	5,000,000	13.440	3.830	4.750	4.860	-
						<u>\$6.345</u>

Columns 2, 3, 4 and 5 shall be computed from actual data as reported by each producer and filed with the State of Alaska for royalty purposes and severance tax purposes.

STEP 2: The "weighted average value" per barrel of each producer (column 7 above) at the Point of Delivery shall then be used in column (9) below in calculating the applicable in value price for each producer (column 11 below), the weighted average of which shall be the In Value Price to Buyer (column 12), as follows:

-continued-

Example, all producers:

(8) Producer and <u>Quantity</u>	(9) Wtd. Avg. Value at Point of <u>Delivery (Col. 7)</u>	(10) Wtd. Avg. Price Received by all <u>other Producers</u>	(11) Applicable Price for In <u>Value Calculation</u>	(12) In Value Price to <u>Buyer</u>
X; 4,200,000	\$6.920	\$6.404	\$6.920	-
Y; 11,000,000	6.345	7.003	7.003	-
Z; 500,000	7.700	6.504	7.700	-
Weighted Avg.	<u>\$6.542</u>			<u>\$7.003</u>

Notes:

- 1) Values in column 10 are the weighted average of all producers other than the producer for which the calculation is being made.
- 2) Column 11 is the highest of the values in columns 9 or 10 for each producer.
- 3) Column 12 is the weighted average of values in column 11.
- 4) Buyer shall not pay any reimbursable costs under Article 8.2 until such costs are judicially determined as owing.
- 5) There is no posted price. "Market" or "field" value shall not be used in calculating the "In Value price to Buyer" unless and until the methodology of determining same is judicially decided.
- 6) Subject to later adjustment under Article 9.5.

EXHIBIT "D"

FORM OF BOND

The bond shall be in a form submitted by Buyer and shall contain such terms and conditions as are approved by the Commissioner.

COMMITTEE REPORT
SENATE

[Handwritten Signature]

FURTHER: None

4/5/78

Date: 27 April 78

Mr. President:

SPECIAL COMMITTEE TO CONSIDER

The Committee on ROYALTY OIL SALES PROPOSALS has had SCR 96

royalty oil sales agreement between State of Alaska & Golden Valley Electric Association

under consideration and (a majority of the committee) (the committee reports it back as follows)

- 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 _____ () new title () same title

- () AND attaches a Letter of Intent () New Fiscal Note
- () reports it back without recommendation
- () and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

Colletta
[Signature]
K. Paland

Mike Colletta
Chairman

Introduced: 4/5/78
Referred: Special Committee
To Consider Royalty Oil
Sales Proposals

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE SENATE

2 SENATE CONCURRENT RESOLUTION NO. 96

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 Approving amendments to the royalty
6 oil sales agreement between the
7 State of Alaska and Golden Valley
8 Electric Association

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

10 WHEREAS, the State of Alaska and the Golden Valley Electric Associa-
11 tion entered into an agreement entitled "Royalty Oil Sales Agreement,"
12 dated April 12, 1977; and

13 WHEREAS, the commissioner of the Department of Natural Resources and
14 the Golden Valley Electric Association have negotiated certain amendments
15 to the agreement; and

16 WHEREAS, the Alaska Royalty Oil and Gas Development Advisory Board has
17 approved those amendments as required by AS 38.06.050; and

18 WHEREAS, these amendments will make the terms of the agreement con-
19 sistent with the terms of other agreements for the sale of the state's
20 royalty oil currently before the legislature for approval or under negotia-
21 tion; and

22 WHEREAS, the amendments are in the best interests of the State of
23 Alaska;

24 BE IT RESOLVED by the Alaska State Legislature that the amendments are
25 approved under AS 38.06.055.

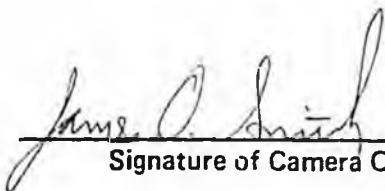
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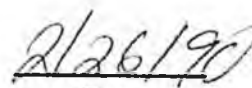
RECORDS CERTIFICATION



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.



Signature of Camera Operator



Date

COMMITTEE REPORT
SENATE

FURTHER: _____

5/3/78

Date: _____

Mr. President:

The Committee on FINANCE has had SEN 130
Federal Aid Highway System

under consideration and (a majority of the committee) (the committee reports it back as follows)

- 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 _____ new title same title
- AND attaches a Letter of Intent New Fiscal Note
- reports it back without recommendation
- and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

Chairman

A M E N D M E N T

Offered in the SENATE

By _____

To: _____ SENATE BILL NO. _____

_____ HOUSE BILL NO. _____

AMENDMENT: Page _____ Line _____

Introduced: 4/11/78
Referred: Commerce and State
Affairs

1 IN THE SENATE

BY THE COMMERCE COMMITTEE

2 SENATE CONCURRENT RESOLUTION NO. 100

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 Relating to the Federal Aid Highway Sys-
6 tem.

7 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8 WHEREAS Prince William Sound has developed into a major tourist attrac-
9 tion and recreation area for Alaska; and

10 WHEREAS Prince William Sound is one of the most magnificent and specta-
11 cular areas in Southcentral Alaska; and

12 WHEREAS an improved road access between Portage and Whittier would make
13 this area much more accessible and available to the major concentration of
14 population in Alaska; and

15 WHEREAS an improved road access between Portage and Whittier would
16 justify an improved level of ferry service on the Marine Highway between the
17 Prince William Sound communities of Whittier, Valdez, and Cordova; and

18 WHEREAS there is presently no designated route for the construction of
19 a future link between Portage and Whittier on the Federal Aid Highway Sys-
20 tem; and

21 WHEREAS the commissioner of the Department of Transportation and Public
22 Facilities has authority to designate such a route and request its inclusion
23 in the Federal Aid Highway System;

24 BE IT RESOLVED by the Alaska State Legislature that the Governor is
25 respectfully requested to direct the commissioner of transportation and pub-
26 lic facilities to designate a route for construction of a highway ^{or} ~~and~~ tunnel
27 link from the end of the federal aid highway at Portage Glacier Visitors
28 Center to the Port of Whittier, and to request its inclusion in the Federal
29 Aid Highway System; and be it

COMMITTEE REPORT

SENATE

5/3/78

FURTHER: _____

Date: MAY 3, 1978

Mr. President:

The Committee on RULES has had SCR 100
Federal Aid Highway System

under consideration and (a majority of the committee) ~~(the committee reports it back as follows)~~ *Recommends it be placed on the calendar for Fri. 5-5-78*

- 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 _____ new title same title

- AND attaches a Letter of Intent New Fiscal Note
- reports it back without recommendation
- and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

[Handwritten signature]

George H. Johnson Jr.

Not 2/ 60

[Handwritten signature]

Chairman

CORRECTION

THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY

Introduced: 4/11/78
Referred: Commerce and State
Affairs

1 IN THE SENATE

BY THE COMMERCE COMMITTEE

2 SENATE CONCURRENT RESOLUTION NO. 100

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 Relating to the Federal Aid Highway Sys-
6 tem.

7 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8 WHEREAS Prince William Sound has developed into a major tourist attrac-
9 tion and recreation area for Alaska; and

10 WHEREAS Prince William Sound is one of the most magnificent and specta-
11 cular areas in Southcentral Alaska; and

12 WHEREAS an improved road access between Portage and Whittier would make
13 this area much more accessible and available to the major concentration of
14 population in Alaska; and

15 WHEREAS an improved road access between Portage and Whittier would
16 justify an improved level of ferry service on the Marine Highway between the
17 Prince William Sound communities of Whittier, Valdez, and Cordova; and

18 WHEREAS there is presently no designated route for the construction of
19 a future link between Portage and Whittier on the Federal Aid Highway Sys-
20 tem; and

21 WHEREAS the commissioner of the Department of Transportation and Public
22 Facilities has authority to designate such a route and request its inclusion
23 in the Federal Aid Highway System;

24 BE IT RESOLVED by the Alaska State Legislature that the Governor is
25 respectfully requested to direct the commissioner of transportation and pub-
26 lic facilities to designate a route for construction of a highway ^{or} ~~and~~ tunnel
27 link from the end of the federal aid highway at Portage Glacier Visitors
28 Center to the Port of Whittier, and to request its inclusion in the Federal
29 Aid Highway System; and be it

1 FURTHER RESOLVED that the Governor is respectfully requested to direct
2 the commissioner of transportation and public facilities to consult with the
3 U.S. Forest Service, Department of Agriculture, to obtain necessary right-
4 of-way for the designated federal aid highway route.

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COMMITTEE REPORT
SENATE

5/3/78

FURTHER: _____

Date: MAY 3, 1978

Mr. President:

The Committee on RULES has had SCR 100
Federal Aid Highway System

under consideration and (a majority of the committee) ~~(the committee reports it back as follows)~~ *Recommends it be placed on the calendar*
FR: 5-5-78

- 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 _____ new title same title

- AND attaches a Letter of Intent New Fiscal Note
- reports it back without recommendation
- and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

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George H. Brown Jr.

Not 2/ 60

ZL

Chairman

COMMITTEE REPORT
SENATE

Rules

FURTHER: STATE AFFAIRS

Wanda

4/11/78

Date: May 1, 1978

Mr. President:

The Committee on COMMERCE has had SCR 100
Federal Aid Highway System

under consideration and (a majority of the committee) (the committee reports it back as follows)

PT 824

- ~~()~~ 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 _____ () new title () same title

- () AND attaches a Letter of Intent () New Fiscal Note
- () reports it back without recommendation
- () and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

Bill Summers

Gene Hackmey

OTHER RECOMMENDATIONS:

Archie E. Bradley
Chairman

AMENDMENT #1

OFFERED IN THE SENATE:

By: SENATE COMMERCE COMMITTEE

To: AMEND SENATE BILL No. SCR 100

HOUSE BILL No. _____

PAGE: _____

LINE: _____

PAGE ONE, LINES 12, 15 AND 19:

DELETE THE WORD "WHITTIER" ^{and} ~~AND ADD THE WORDS~~ "PRINCE WILLIAM SOUND".

PAGE ONE, LINE 28:

DELETE THE WORDS "PORT OF WHITTIER" ^{and} ~~AND ADD THE WORDS~~ "PRINCE WILLIAM SOUND"

Introduced: 4/11/78
Referred: Commerce, State
Affairs and Finance

1 IN THE SENATE

BY THE COMMERCE COMMITTEE

2 SENATE BILL NO. 585

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act appropriating \$250,000 for the state share of
7 the project cost of the Portage to Bear Valley Road."

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

9 * Section 1. The sum of \$250,000 is appropriated from the general fund to
10 the Department of Transportation and Public Facilities for the state contri-
11 bution to the federal aid highway project for construction of a highway from
12 Portage to Bear Valley Road.

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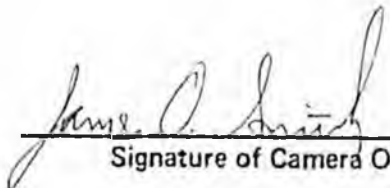
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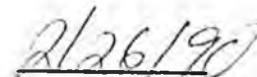


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Signature of Camera Operator


Date

COMMITTEE REPORT

HOUSE

FURTHER: _____

Date: _____

Mr. Speaker:

The Committee on _____ has had _____

under consideration and (a majority of the committee) (the committee reports it back as follows)

- 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 _____ new title same title
- AND attaches a Letter of Intent New Fiscal Note
- reports it back without recommendation
- and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

Chairman

Original sponsor: Rules Committee by
request of the Governor

Offered: 6/9/78
Referred: Finance

1 IN THE SENATE

BY THE SPECIAL COMMITTEE ON THE
SALE OF ROYALTY OIL AND GAS

2 HOUSE CS FOR SENATE CONCURRENT RESOLUTION NO. 102

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 Relating to a direct investment by
6 the state in the Alaska natural
7 gas pipeline project.

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

9 WHEREAS, Northwest Alaskan Pipeline Company has been selected by the
10 President and the Congress of the United States to construct a pipeline to
11 transport Alaskan natural gas from Prudhoe Bay to markets in the lower 48
12 states; and

13 WHEREAS, the cost of the project is estimated to be 10.5 billion dollars,
14 3.7 billion dollars of which will be used to construct over 700 miles of
15 pipeline in Alaska; and

16 WHEREAS, timely completion of the Alaska Highway Natural Gas project to
17 transport North Slope natural gas is a matter of vital concern to the nation's
18 energy future; and

19 WHEREAS, construction of the project may produce important social and
20 economic benefits for the people of Alaska, including new jobs, increased
21 state and local tax revenue, enhanced availability of natural gas for Alaskan
22 communities, and stimulus and expansion of private enterprise, including
23 greater potential for development of in-state manufacturing, refining, and
24 processing facilities; and

25 WHEREAS, Northwest Alaskan Pipeline Company has advised the state that
26 it would be of substantial assistance to the company in constructing the gas
27 line if the state were to provide financial aid, both through the means of
28 creating an authority with the power to issue tax-free bonds for investment
29 in the pipeline and through the means of direct investment in the pipeline;

1 and

2 WHEREAS, Northwest Alaskan Pipeline Company has asserted that a direct
3 investment up to a maximum of \$500,000,000 in the pipeline would be benefi-
4 cial to Alaska and would create a substantial return to Alaskans on the
5 dollars invested; and

6 WHEREAS, unlike the creation of an authority to issue tax-free bonds, a
7 direct investment would be a direct commitment of taxpayers' funds to the
8 project and should only be undertaken after the legislature and the admini-
9 stration have had an opportunity to completely review all the economic data
10 pertaining to the pipeline, the final financial plan for construction of the
11 entire transmission system and have made a determination as to the effect of
12 early withdrawal of gas from the Prudhoe Bay reservoir; and

13 WHEREAS, if a decision is made by the state to participate in the direct
14 financing of the project during the First Session of the Eleventh Legisla-
15 ture, this decision will materially assist the project's planners;

16 BE IT RESOLVED by the Alaska State Legislature that

17 (1) There is established a joint interim committee on gas pipeline
18 financing to review and consider possible direct investment by the State of
19 Alaska in the pipeline project. The committee consists of three members from
20 each house appointed by the presiding officer of each house. The committee
21 shall elect its chairman.

22 (2) the committee, in consultation with the governor, shall deter-
23 mine if direct state financial participation in the project appears to be in
24 the best interest of the state;

25 (3) if it is determined that such participation is desirable, the
26 committee, again in consultation with the governor, shall prepare, and pro-
27 pose to the legislature, legislation to authorize a maximum of \$500,000,000
28 in direct state financial participation;

29 (4) the committee shall submit a written report to the legislature

1 not later than January 31, 1979.

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April 20, 1978

The Honorable John Rader
President of the Senate
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Mr. President:

Under authority of art. III, sec. 18 of the Alaska Constitution, and in accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am today transmitting a bill for the creation of an authority to issue revenue bonds to aid in the financing of the Northwest Alaskan Pipeline project. This project can be of immeasurable aid to the State of Alaska. It can insure that we derive massive revenue from the use of our royalty gas and from taxes. The project can provide as many as 20,000 jobs for Alaskans and can insure real economic benefit to our state for years to come.

The authority I propose will be in a position to issue bonds backed solely by possible revenue from the pipeline project itself. No credit of the state will be involved in this transaction. In order to market the bonds, it will be necessary to obtain an amendment to the Internal Revenue Code making the bonds tax-exempt, and we will not be able to issue the bonds until that occurs. Nonetheless, it is critical in order to obtain that exemption that we first establish the legal mechanism to issue the bonds, and that is what this measure will accomplish.

I am also submitting a resolution which asks the Legislative Council to establish an interim committee on gas pipeline financing. There is no way today that anyone can say with assurance whether a direct investment in the pipeline would be a good idea or a bad idea since the facts are not sufficiently developed to make an evaluation. It is necessary, however, that we move forward with considering the proposal. I have directed members of my administration to work closely with the legislature as the legislature may consider proper in the

interim in reaching a decision on this matter, and I urge the legislature to take all necessary steps, including the adoption of the resolution, to get the process going.

The amounts of money involved in this transaction are enormous, but it is critical to realize that we are making no commitment now to back the project with any credit of the state. We should not be afraid to assist the project, however, in obtaining its own financing. The bill I am submitting, which closely follows the structure of the Alaska Industrial Development Authority, and the resolution I am submitting in conjunction with the bill should accomplish these ends.

Sincerely,

Jay S. Hammond
Governor

S/JSH

Lowell Thomas, Jr.
Lieutenant Governor

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SCR 102

Title Relating to a direct investment by the State in the Alaska Natural

Requested by Governor's Office Date Gas Pipeline Project

II. FISCAL DETAIL

Agency Affected Revenue

Program Category Affected _____

Budget Request Unit(s) Affected _____

EXPENDITURES (Thousands of Dollars)

	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		200.0				
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		200.0	-0-	-0-	-0-	-0-

FUNDING (Thousands of Dollars)

GENERAL FUND		200.0	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

This money will be used to hire legal and financial counsel to implement the Resolution of producing a negotiated Northwest financing agreement.

IV. DATE April 20, 1978

PREPARED BY  Sterling Gallagher

AGENCY Department of Revenue

Original: Legislative Finance

PHONE 465-2300

cc: Budget and Management

Prime Sponsor (First Legislator Named)

Copy
Put in orig file on Cleek's
Desk + my backap
copies to: Miles
Cooper
SACKETT
CIRRT

MEMORANDUM

TO: Hon. Hugh Malone, Speaker, House of Representatives
FROM: Matthew D. Berman, Ph. D., economist, Trustees for Alaska,
Anchorage, Alaska
SUBJECT: State Financial Assistance to the Alcan Pipeline Project
May 15, 1978

The House of Representatives is considering the merits of two proposals to assist financing of the Alaska Highway Natural Gas Pipeline project: HB 943, creating the Alaska Gas Pipeline Financing Authority, with the power to issue tax-exempt revenue bonds, and HCR 126, relating to direct equity investment in the project. The Bill and the Resolution are based on the "finding" of the Legislature that timely construction of the pipeline is in the best interest of the state.

This finding may be in error, for the following reasons:

- 1) It is not known at present what is the magnitude of the impact of the loss of field pressure from gas withdrawal on the difficulty of oil recovery;
- 2) The economic interests of the State of Alaska differ in several crucial ways from those of the operators (or the Federal Government);
- 3) The interaction of petroleum engineering and the divergence of economic interests may mean that it is far superior financially for the state to have gas sales delayed for several years.

Impact of the loss of field pressure on oil recovery

The state's petroleum engineering model of the Sadlerochit formation shows that the rate of withdrawal of gas and the timing of gas withdrawals have a substantial impact on ultimate recovery of oil and gas from the field and on the costs of recovery of a given amount of oil. However, this model is seriously out of date, since it was prepared in advance of any production data from the field. Since billions of dollars of state revenue are at stake, it is imperative that the Legislature request that an up-to-date model be prepared to calculate the tradeoffs involved. This should be done before any commitments are made to assist the natural gas pipeline.

Divergence of state and producers' financial interests

There are at least three reasons why the interests of the State of Alaska and those of the operators are likely to diverge

on the issue of the preferred production rates over time for the field.

1) One of these reasons, outlined in the Doscher and Dougherty report prepared for the Legislative Affairs Office, is that the capital recovery factor which the oil companies use to discount future cash flows differs from that of the state. Two reasons for the discrepancy are a) future oil company income will pay corporate income taxes before it is given to the stockholders, so the before-tax rate of return must be substantially higher than bank interest rates; b) the rate of return which the state can achieve on the Permanent Fund is lower than the after-tax income available to the oil companies from other operations. Both these factors tend to increase the discount rate for the operators relative to the state. This causes the operators to want to realize income from oil (and gas) withdrawals more quickly than the state, other things equal.

2) The state earns most of its income from royalties and severance taxes (i.e., sales of oil and gas), while the operators seek profits (i.e., sales less costs). This means that the state would like to have the operators undertake all activities which increase the discounted cash flow of royalties and severance taxes, while the oil companies also consider the cost to them of these recovery procedures.

3) State oil revenues are earned at pump station one. The operators, on the other hand, sell a final product to consumers, and own the oil transportation systems. Since the state does not earn much income from the oil pipeline, pipeline tariffs affect the revenues to the state much more strongly than they affect the profits of the producers. One of the most important variables affecting pipeline tariffs is the rate of throughput, and it is clearly in the economic interests of the state to have more throughput, other things equal.

Timing of gas sales to serve the state's best interest

There is some minimum time path of expected natural gas wellhead prices below which the oil companies will prefer to reinject gas to maintain field pressure rather than sell it. There is also a time path of expected gas prices below which it is in the state's interest to retain the gas, but this price threshold must be much higher for the state than for the oil companies. Because of the complex interactions of oil field operations and pipeline throughput on the discounted cash flows (which differ for the state and the operators), delay of gas sales may be the most powerful and cost-effective method of insuring oil conservation to maximize the financial benefits to the state from its oil and gas resources.

These issues involved in the tradeoffs between gas sales and oil revenues, and how the state interest differs from the operators' interest, are of critical importance to the state if it wishes to consider any kind of financial assistance for the Alcan gas pipeline. The state should certainly not put itself in the position of expediting construction of the line if delay of construction is actually a far more favorable policy.

Before the state commits itself to any type of financial assistance to the gas pipeline, it should commission a separate financial analysis, using the updated oil field engineering model, to see how state interests might best be served in terms of the discounted cash flow of revenue. This financial analysis, which should be performed independently of the field model by consultants not connected to the oil industry or petroleum engineering, should examine the discounted cash flows arising out of alternative specific oil and gas production strategies. Some of the issues which this study should examine are the revenue streams associated with changes in the timing of gas sales, and the advantages of using gas reinjection as a more cost-effective means of increasing ultimate oil recovery than various recovery operations.

HCR 88 is a Resolution currently being considered by the House which would direct the Legislative Affairs Agency to retain a consultant to carry out a comprehensive study of possible avenues of state financial participation in the Alcan project. The issues discussed in this memorandum suggest that this Resolution be amended to contain a provision both for a revised oil field engineering model to be prepared and for a financial analysis using that model to clarify the state's revenue position with respect to the timing of gas sales.

Original sponsor: Rules Committee by
request of the Governor

Offered: 6/9/78
Referred: Finance

1 IN THE SENATE

BY THE SPECIAL COMMITTEE ON THE
SALE OF ROYALTY OIL AND GAS

2 HOUSE CS FOR SENATE CONCURRENT RESOLUTION NO. 102

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 Relating to a direct investment by
6 the state in the Alaska natural
7 gas pipeline project.

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

9 WHEREAS, Northwest Alaskan Pipeline Company has been selected by the
10 President and the Congress of the United States to construct a pipeline to
11 transport Alaskan natural gas from Prudhoe Bay to markets in the lower 48
12 states; and

13 WHEREAS, the cost of the project is estimated to be 10.5 billion dollars,
14 3.7 billion dollars of which will be used to construct over 700 miles of
15 pipeline in Alaska; and

16 WHEREAS, timely completion of the Alaska Highway Natural Gas project to
17 transport North Slope natural gas is a matter of vital concern to the nation's
18 energy future; and

19 WHEREAS, construction of the project may produce important social and
20 economic benefits for the people of Alaska, including new jobs, increased
21 state and local tax revenue, enhanced availability of natural gas for Alaskan
22 communities, and stimulus and expansion of private enterprise, including
23 greater potential for development of in-state manufacturing, refining, and
24 processing facilities; and

25 WHEREAS, Northwest Alaskan Pipeline Company has advised the state that
26 it would be of substantial assistance to the company in constructing the gas
27 line if the state were to provide financial aid, both through the means of
28 creating an authority with the power to issue tax-free bonds for investment
29 in the pipeline and through the means of direct investment in the pipeline;

1 and

2 WHEREAS, Northwest Alaskan Pipeline Company has asserted that a direct
3 investment up to a maximum of \$500,000,000 in the pipeline would be benefi-
4 cial to Alaska and would create a substantial return to Alaskans on the
5 dollars invested; and

6 WHEREAS, unlike the creation of an authority to issue tax-free bonds, a
7 direct investment would be a direct commitment of taxpayers' funds to the
8 project and should only be undertaken after the legislature and the admini-
9 stration have had an opportunity to completely review all the economic data
10 pertaining to the pipeline, the final financial plan for construction of the
11 entire transmission system and have made a determination as to the ef- of
12 early withdrawal of gas from the Prudhoe Bay reservoir; and

13 WHEREAS, if a decision is made by the state to participate in the direct
14 financing of the project during the First Session of the Eleventh Legisla-
15 ture, this decision will materially assist the project's planners;

16 BE IT RESOLVED by the Alaska State Legislature that

17 (1) There is established a joint interim committee on gas pipeline
18 financing to review and consider possible direct investment by the State of
19 Alaska in the pipeline project. The committee consists of three members from
20 each house appointed by the presiding officer of each house. The committee
21 shall elect its chairman.

22 (2) the committee, in consultation with the governor, shall deter-
23 mine if direct state financial participation in the project appears to be in
24 the best interest of the state;

25 (3) if it is determined that such participation is desirable, the
26 committee, again in consultation with the governor, shall prepare, and pro-
27 pose to the legislature, legislation to authorize a maximum of \$500,000,000
28 in direct state financial participation;

29 (4) the committee shall submit a written report to the legislature

1 not later than January 31, 1979.

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Original sponsor: Rules Committee by
request of the Governor

Offered: 6/9/78
Referred: Finance

1 IN THE SENATE

BY THE SPECIAL COMMITTEE ON THE
SALE OF ROYALTY OIL AND GAS

2 HOUSE CS FOR SENATE CONCURRENT RESOLUTION NO. 102

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 Relating to a direct investment by
6 the state in the Alaska natural
7 gas pipeline project.

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

9 WHEREAS, Northwest Alaskan Pipeline Company has been selected by the
10 President and the Congress of the United States to construct a pipeline to
11 transport Alaskan natural gas from Prudhoe Bay to markets in the lower 48
12 states; and

13 WHEREAS, the cost of the project is estimated to be 10.5 billion dollars,
14 3.7 billion dollars of which will be used to construct over 700 miles of
15 pipeline in Alaska; and

16 WHEREAS, timely completion of the Alaska Highway Natural Gas project to
17 transport North Slope natural gas is a matter of vital concern to the nation's
18 energy future; and

19 WHEREAS, construction of the project may produce important social and
20 economic benefits for the people of Alaska, including new jobs, increased
21 state and local tax revenue, enhanced availability of natural gas for Alaskan
22 communities, and stimulus and expansion of private enterprise, including
23 greater potential for development of in-state manufacturing, refining, and
24 processing facilities; and

25 WHEREAS, Northwest Alaskan Pipeline Company has advised the state that
26 it would be of substantial assistance to the company in constructing the gas
27 line if the state were to provide financial aid, both through the means of
28 creating an authority with the power to issue tax-free bonds for investment
29 in the pipeline and through the means of direct investment in the pipeline;

1 and

2 WHEREAS, Northwest Alaskan Pipeline Company has asserted that a direct
3 investment up to a maximum of \$500,000,000 in the pipeline would be benefi-
4 cial to Alaska and would create a substantial return to Alaskans on the
5 dollars invested; and

6 WHEREAS, unlike the creation of an authority to issue tax-free bonds, a
7 direct investment would be a direct commitment of taxpayers' funds to the
8 project and should only be undertaken after the legislature and the admini-
9 stration have had an opportunity to completely review all the economic data
10 pertaining to the pipeline, the final financial plan for construction of the
11 entire transmission system and have made a determination as to the effect of
12 early withdrawal of gas from the Prudhoe Bay reservoir; and

13 WHEREAS, if a decision is made by the state to participate in the direct
14 financing of the project during the First Session of the Eleventh Legisla-
15 ture, this decision will materially assist the project's planners;

16 BE IT RESOLVED by the Alaska State Legislature that

17 (1) There is established a joint interim committee on gas pipeline
18 financing to review and consider possible direct investment by the State of
19 Alaska in the pipeline project. The committee consists of three members from
20 each house appointed by the presiding officer of each house. The committee
21 shall elect its chairman.

22 (2) the committee, in consultation with the governor, shall deter-
23 mine if direct state financial participation in the project appears to be in
24 the best interest of the state;

25 (3) if it is determined that such participation is desirable, the
26 committee, again in consultation with the governor, shall prepare, and pro-
27 pose to the legislature, legislation to authorize a maximum of \$500,000,000
28 in direct state financial participation;

29 (4) the committee shall submit a written report to the legislature

1 not later than January 31, 1979.

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Introduced: 4/20/78
Referred: Resources and
Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE CONCURRENT RESOLUTION NO. 102 am

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 Relating to a direct investment
6 by the state in the Alaska natural
7 gas pipeline project.

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

9 WHEREAS, Northwest Alaskan Pipeline Company has been selected by the
10 President and the Congress of the United States to construct a pipeline to
11 transport Alaskan natural gas from Prudhoe Bay to markets in the lower 48
12 states; and

13 WHEREAS, the cost of the project is estimated to be 10.5 billion
14 dollars, 3.7 billion dollars of which will be used to construct over 700
15 miles of pipeline in Alaska; and

16 WHEREAS, timely completion of the Alaska Highway Natural Gas project
17 to transport North Slope natural gas is a matter of vital concern to the
18 nation's energy future; and

19 WHEREAS, construction of the project may produce important social and
20 economic benefits for the people of Alaska, including approximately 20,000
21 new jobs, increased state and local tax revenue, enhanced availability of
22 natural gas for Alaskan communities, and stimulus and expansion of private
23 enterprise, including greater potential for development of in-state manu-
24 facturing, refining, and processing facilities; and

25 WHEREAS, Northwest Alaskan Pipeline Company has advised the state that
26 it would be of substantial assistance to the company in constructing the
27 gas line if the state were to provide financial aid, both through the means
28 of creating an authority with the power to issue tax-free bonds for invest-
29 ment in the pipeline and through the means of direct investment in the

1 pipeline; and

2 WHEREAS, Northwest Alaskan Pipeline Company has asserted that a direct
3 investment in the pipeline would be beneficial to Alaska, not only because
4 it would hasten the construction of the pipeline, but because it would
5 create a substantial return to Alaskans on the dollars invested; and

6 WHEREAS, unlike the creation of an authority to issue tax-free bonds,
7 a direct investment would be a direct commitment of taxpayers' funds to the
8 project and should only be undertaken after the legislature and the admini-
9 stration have had an opportunity to completely review all the economic data
10 pertaining to the pipeline, as well as the final financial plan for construc-
11 tion of the pipeline; and

12 WHEREAS, decision by the state not later than the first quarter of
13 1979 to participate in the direct financing of the project will materially
14 assist the project, and thereby realize the potential benefits of the
15 project for Alaskans;

16 BE IT RESOLVED by the Alaska State Legislature that

17 (1) under provisions of AS 24.05.180 and Rule 21, Uniform Rules
18 of the Alaska State Legislature, the presiding officer of each house shall
19 appoint three members from each house of the legislature to a joint interim
20 committee on gas pipeline financing, established to review and consider
21 a possible direct investment by the State of Alaska in the pipeline project;

22 (2) the governor, in consultation with the committee, is respect-
23 fully requested to determine if direct state financial participation in the
24 project appears to be in the best interest of the state;

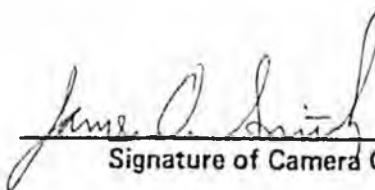
25 (3) if it is determined that such participation is desirable,
26 the governor, again in consultation with the committee, is respectfully
27 requested to prepare and propose to the legislature, legislation to authorize
28 direct state financial participation.



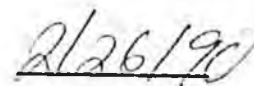
RECORDS CERTIFICATION



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.



Signature of Camera Operator



Date

COMMITTEE REPORT

SENATE

FURTHER: _____

Date: _____

Mr. President:

The Committee on _____ has had _____

under consideration and (a majority of the committee) (the committee reports it back as follows)

() recommends it do pass () recommends it do not pass

(x) recommends it do pass with attached amendment (x)

() recommends it be replaced with CS for _____

and _____ () new title () same title

() AND attaches a Letter of Intent () New Fiscal Note

() reports it back without recommendation

() and recommends it be referred to the _____ Committee

MEMBERS SIGNING DC PASS:

OTHER RECOMMENDATIONS:

Chairman

A M E N D M E N T

Offered in the SENATE

By _____

To: _____ SENATE BILL NO. _____

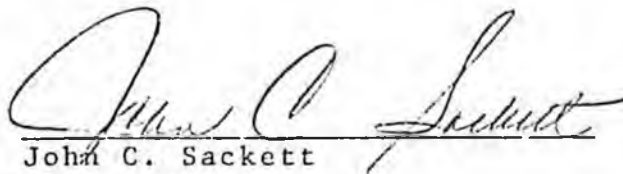
_____ HOUSE BILL NO. _____

AMENDMENT: Page _____ Line _____

SENATE JOURNAL

SENATE FINANCE COMMITTEE
LETTER OF INTENT
FOR SENATE CONCURRENT RESOLUTION NO. 105

In order to establish the appropriate pupil base for determination of the amount of categorical aid to be allocated to the three districts during this study, the Commissioner should identify three districts that have been audited by the Legislative Audit Division during the period of June 30, 1977, and June 30, 1978.



John C. Sackett
Chairman
Senate Finance Committee

R/O Orig w/am

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

5

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SCR 105

Title Relating to the establishment of a pilot program of financial support of public

Requested by Senate Finance Date _____ schools.

II. FISCAL DETAIL

Agency Affected Education

Program Category Affected Education

Budget Request Unit(s) Affected Executive Administration - Office of the Commissioner

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL			70.0	110.0	-0-	-0-
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL			70.0	110.0	-0-	-0-

FUNDING (Thousands of Dollars)

GENERAL FUND			70.0	110.0	-0-	-0-
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

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

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

See attached explanation.

IV. DATE 4-26-78

PREPARED BY Nat Cole, Deputy Commissioner

AGENCY Department of Education

PHONE 465-2800

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

A thorough and credible evaluation will be necessary to insure that the pilot in flexible application of resources provides objective evidence as to the effects of this approach. The potential importance of the pilot experience should not be underestimated in that it could effect Alaska's system of school finance, district-state relations, local policies and politics, educational program design, and services to children.

Given the above, the following constitutes the best estimate of the Department of Education in terms of the financial support necessary to conduct the evaluation. All funds expended would be contractual (300) and they would be awarded on the basis of competitive bidding; except for the audit of the evaluation. This contract would be established on the basis of a direct Department of Education selection of an auditor.

COSTS

FY-79

1. Overall evaluation design	\$10,000
2. Implemented Evaluation	30,000
3. Design of uniform system of pupil accounting and evaluation data base	25,000
4. Auditor	5,000
	<u>\$70,000</u>

FY-80

1. Implemented Evaluation	\$40,000
2. Statewide extension of pupil accounting system	50,000
3. School finance impact study and report	15,000
4. Audit	5,000
	<u>\$110,000</u>

SENATE CONCURRENT RESOLUTION

Relating to the establishment of
a pilot program of financial
support of public schools in Alaska

WHEREAS state aid to school district programs in special education, vocational education, correspondence, bilingual education and community schools is categorical; and

WHEREAS categorical aid requires extensive local administrative emphasis upon fund accounting; and

WHEREAS the local concerns and efforts of personnel should be directed toward actual student services; and

WHEREAS the categorical funding mechanisms may interfere with the allocation of resources at the local level on a need basis; and

WHEREAS programs funded on a categorical basis may not require all of the resources allocated to provide the necessary services; and

WHEREAS the funds in excess of those required for the appropriate level of service could be better utilized in areas of locally identified need; and

WHEREAS categorical aid often requires duplication of both administrative and instructional services; and

WHEREAS another method of public school financial support might make better use of existing resources;

THEREFORE, BE IT RESOLVED that the Department of Education be permitted to conduct an experiment with three school districts for a period of three years beginning July 1, 1978. This experiment will be designed to investigate the efficiency of state aid to these districts using a flexible funding mechanism which shall not exceed what the districts would otherwise receive from all forms of state aid for education under Title 14 of the Alaska Statutes; however, there will be no decrease in the level of educational services required for any student who is a participant in this experiment. This experiment will also develop a method of quantitative assessment of the relationship between funding and student services. The department shall submit to the Second Session of the Eleventh Legislature an interim evaluation of the success and effectiveness of the experiment, and a final report with recommendations to the First Session of the Twelfth Legislature.

Introduced: 4/27/78
Referred: Finance

1 IN THE SENATE

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

2 SENATE CONCURRENT RESOLUTION NO. 105

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 Relating to the establishment of a pilot
6 program of financial support of public
7 schools in Alaska.

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

9 WHEREAS state aid to school district programs in special education,
10 vocational education, correspondence, bilingual education and community
11 schools is categorical; and

12 WHEREAS categorical aid requires extensive local administrative emphasis
13 upon fund accounting; and

14 WHEREAS the local concerns and efforts of personnel should be directed
15 toward actual student services; and

16 WHEREAS the categorical funding mechanisms may interfere with the allo-
17 cation of resources at the local level on a need basis; and

18 WHEREAS programs funded on a categorical basis may not require all of
19 the resources allocated to provide the necessary services; and

20 WHEREAS the funds in excess of those required for the appropriate level
21 of service could be better utilized in areas of locally identified need; and

22 WHEREAS categorical aid often requires duplication of both administra-
23 tive and instructional services; and

24 WHEREAS another method of public school financial support might make
25 better use of existing resources;

26 BE IT RESOLVED by the Alaska State Legislature that the Governor is
27 respectfully requested to permit the Department of Education to conduct an
28 experiment with three school districts for a period of three years beginning
29 July 1, 1978; this experiment will be designed to (1) investigate the effi-

1 ciency of state aid to these districts using a flexible funding mechanism
2 which shall equal what the districts would otherwise receive from all forms
3 of state aid for education under Title 14 of the Alaska Statutes; however,
4 there will be no decrease in the level of educational services required for
5 any student who is a participant in this experiment; and (2) develop a method
6 of quantitative assessment of the relationship between funding and student
7 services; and be it

8 FURTHER RESOLVED that the Department of Education shall submit to the
9 Second Session of the Eleventh Legislature an interim evaluation of the
10 success and effectiveness of the experiment, and a final report with recom-
11 mendations to the First Session of the Twelfth Legislature.

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. SCR 105
 Title _____
 Requested by _____ Date _____

II. FISCAL DETAIL
 Agency Affected _____
 Program Category Affected _____
 Budget Request Unit(s) Affected _____

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES			70.0			
200 TRAVEL						
300 CONTRACTUAL			70.0	110.0	Q	Q
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL			70.0	110.0	Q	Q

FUNDING (Thousands of Dollars)

GENERAL FUND			70.0	110.0	Q	Q
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

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

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

See attached explanation.

IV. DATE 4/21/78 PREPARED BY Nat Cole, Deputy Commissioner
 AGENCY Department of Education
 PHONE 465-2800
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

July

Budget for Kotzebue et al Resolution

A thorough and credible evaluation will be necessary to insure that the pilot in flexible application of resources provides objective evidence as to the effects of this approach. The potential importance of the pilot experience should not be underestimated in that it could effect Alaska's system of school finance, district-state relations, local policies and politics, educational program design, and services to children.

Given the above, the following constitutes the best estimate of the Department of Education in terms of the financial support necessary to conduct the evaluation. All funds expended would be contractual (300) and they would be awarded on the basis of competitive bidding; except for the audit of the evaluation. This contract would be established on the basis of a direct Department of Education selection of an auditor.

COSTS

FY-79

1. Overall evaluation design	\$10,000
2. Implemented Evaluation	30,000
3. Design of uniform system of pupil accounting and evaluation data base	25,000
4. Auditor	5,000
	<u>\$70,000</u>

FY-80

1. Implemented Evaluation	\$40,000
2. Statewide extension of pupil accounting system	50,000
3. School finance impact study and report	15,000
4. Audit	5,000
	<u>\$110,000</u>