

LEG. FINANCE - BILLS 1985 - 1986 2228  
CSSB 309 - SB 311 2228

~~HOUSE~~  
~~COMMITTEE REPORT~~

(11)  
Date referred: 5/2/86

FURTHER REFERRALS:

DATE: 5-10-86

The FINANCE Committee has considered CSSB 309 (Rls)  
"An Act relating to royalty gas contracts; and providing for an effective date."

and recommends:

- do pass
- do not pass
- do pass with attached amendment(s)
- no recommendation
- replace with HCS CSSB 309 (Finance)  same title  
 new title

and recommends NO RECOMMENDATION

further referral to the \_\_\_\_\_ Committee

- and attaches:
- letter of intent
  - first fiscal note
  - new fiscal note indeterminate 519
  - zero fiscal note

SIGNING DO PASS:

Albert D. Gales  
Mike Summerville  
Fat [unclear]  
Steve Klein  
Jan [unclear]

SIGNING OTHER RECOMMENDATIONS:

John [unclear] (No Rec)  
Gene [unclear] (No Rec)  
Ronald [unclear] No Rec  
Kid [unclear] No Rec  
Frank [unclear]  
John [unclear] No Rec

Albert D. Gales  
Chairman

# STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : 5-9-86

**REQUEST**

Bill/Resolution No. HCSCSSB 309 (Finance)  
 Title: An Act relating to royalty gas contracts  
 Sponsor: Faiks  
 Requestor: House Finance  
 Date of Request: 5-9-86

**FISCAL DETAIL**

Agency Affected: Natural Resources  
 BRU: Petroleum Management

Components : \_\_\_\_\_

**EXPENDITURES/REVENUES : (Thousands of Dollars)**

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>						

<b>CAPITAL</b>						
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<b>REVENUE</b>						
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**FUNDING : (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

**POSITIONS :**

FULL-TIME						
PART-TIME						
TEMPORARY						

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

The fiscal impact of this proposal is indeterminate. For explanation, see attached Supplemental Information.

Prepared by: Kay Brown  
 Division: Oil and Gas

Phone: 762-4241  
 Date: 5-9-86

Approved by Commissioner: *Leslie P. Whinnicki*  
 Agency: Natural Resources

Date: 5-9-86

Distribution (by Agency preparing fiscal note):

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

## SUPPLEMENTAL INFORMATION

### Fiscal Note proposed House CS for CS for SB 309 (Finance)

#### Alaska Department of Natural Resources

The potential fiscal impact of the proposed House CS for CS for SB 309 (Finance) cannot be precisely specified, because it is unknown at this time how often the new valuation mechanism would be applied in the future and to what extent future contract prices would deviate from market value.

The impact of the proposed House Finance CS is limited to gas sold to regulated gas and electric utilities. The royalty share of gas sold to regulated gas and electric utilities would be valued using solely the contract price, unless the commissioner finds, based on clear and convincing evidence, that the price is unreasonably low, the prospective reduction in royalty receipts would not be balanced by increased benefits to in-state gas and electric consumers, the lessee and the utility are related to each other, and the contract price is not in the best interest of the state. (All four conditions would have to clearly and convincingly exist in order not to use the contract price.) Thus, the contract price would be used in virtually all foreseeable instances involving sales to regulated gas or electric utilities.

The fiscal impact of Section 2 of the bill would depend on the extent to which contract prices differ from value in the future. Gas that will be sold to regulated gas and electric utilities is likely to come primarily from Cook Inlet, at least in the near term. The state's royalty share of Cook Inlet gas reserves not presently committed to a contract is about 190 billion cubic feet (BCF), of which some portion would likely be sold for local consumer uses. If value is higher than contract price by 10¢, 25¢ and \$1.00 per mcf for half of the state's share of Cook Inlet royalty gas not presently committed to a contract, then state revenues would be reduced by \$9.5 million, \$23.75 million and \$95 million, respectively, as a result of basing the royalty payment on the contract price rather than on the market value of the gas. Any royalty income lost to the state as a result of using solely the contract price to determine the royalty payment would go directly to benefit local gas and electric consumers.

Sections 3 and 4 of the bill give the commissioner authority, upon legislative approval, to enter into an in kind royalty gas sale to a gas or electric utility "at a negotiated price." It is implied but not expressly stated that the sale may be at a price below market value. The fiscal impact of these sections would be considered by future legislatures reviewing an in kind sale proposed by the commissioner. If the commissioner proposed to sell royalty gas at a price below market value, and the legislature approved it, future royalty income would be reduced.

The proposed House Finance CS would allow implementation of the department's preliminary settlement agreement with Chugach Electric, which would value Beluga field production purchased by Chugach under existing contracts at 75¢/mcf, subject to the passage of the legislation. This value is one-half the state's January offer to settle the pricing dispute at \$1.50/mcf, which was rejected by the Beluga producers who sell to Chugach. If the dispute had been settled at \$1.50/mcf under existing law, the state would have received \$1.9 million/year in new royalty income from the Beluga field. Settlement at 75¢/mcf, as will occur if the proposed House Finance CS is adopted, will increase state royalty revenues from Beluga production by about \$810,000/year, because the state's share of this production is currently valued at 21¢/mcf by the producers. This increase in state royalty revenues is less than would have been expected if 1) the state's \$1.50/mcf settlement offer had been accepted, or 2) the state had successfully pursued its legal arguments regarding the value of the state's royalty share under the existing lease terms and existing law.

SUPPLEMENTAL INFORMATION

Fiscal Note for Amendment #1  
of proposed House CS for CS for SB 309 (Finance)

Alaska Department of Natural Resources

The potential fiscal impact of Amendment #1 (related to valuation of North Slope royalty gas) of the proposed House CS for CS for SB 309 (Finance) cannot be precisely specified, because it is unknown at this time how often the new valuation mechanism would be applied in the future and to what extent future contract prices would deviate from market value.

The proposed amendment provides that, for North Slope gas that will be exported out of state, the commissioner may enter into an agreement with the lessee to use a contract price if the commissioner makes a written finding that the contract price assures the receipt of maximum benefits to the people of the state in return for the state's resources. The lessee must demonstrate by clear and convincing evidence that the value of the gas is reflected by the gas sales contract rather than being attributable to transportation, marketing, manufacturing, or other profit or cost centers.

The standard articulated above (maximum benefits to the people of the state) could allow the commissioner to purposely forgo potential royalty income in return for other benefits to the people of the state.

Under the proposed amendment, the commissioner would have the discretion to use a contract price rather than relying on the standards in the lease form to establish value. To the extent that a contract price differs from market value over time, or from the value established in other sales from the field, royalty income would be reduced.

The state's royalty share of North Slope gas reserves is about 4.5 trillion cubic feet (TCF). Assuming value is higher than contract price by 10¢, 25¢ and \$1.00 per mcf for the entire North Slope royalty share, royalty revenues to the state would be reduced by \$450 million, \$1.1 billion and \$4.5 billion, respectively, as a result of basing the royalty payment on the contract price rather than the market value of the gas.

Original sponsors: Faiks, Kelly  
and V.Fischer

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 309 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to royalty gas contracts; and pro-  
7 viding for an effective date."

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

9 \* Section 1. FINDINGS. The legislature finds that the best interest of  
10 the state will be served if the commissioner of natural resources is au-  
11 thorized to establish the in-value royalty for gas sold to a gas or elec-  
12 tric utility by using the contract price between the lessee of the state  
13 and the utility, whether or not the gas lease establishes a different stan-  
14 dard for the valuation and if the lessee and the utility are not related to  
15 each other. The legislature finds that this authorization should apply  
16 prospectively and does not intend the authorization to apply to the val-  
17 uation for royalty purposes of gas sold by a lessee under a gas sales  
18 contract entered into before the effective date of this Act. The legisla-  
19 ture does not intend this Act to apply to the policies of the state regard-  
20 ing the value of the state's royalty share of oil production.

21 \* Sec. 2. AS 38.05.180 is amended by adding new subsections to read:

22 (aa) Within 90 days after the written request of a lessee of a  
23 lease issued under this section, the commissioner shall enter into an  
24 agreement with the lessee to use the price for the gas established in  
25 the contract between the lessee and a gas or electric utility as the  
26 value of the state's royalty share of gas production sold by the  
27 lessee under the contract unless the commissioner makes a written  
28 finding, based on clear and convincing evidence, that

29 (1) the contract price is unreasonably low;

1 (2) the prospective reduction in royalty receipts would not  
2 be balanced by increased benefits to in-state gas and electric con-  
3 sumers;

4 (3) the lessee and the utility are related in management,  
5 ownership, or other aspect; and

6 (4) the contract price is not in the best interest of the  
7 state.

8 (bb) Notwithstanding (aa) of this section, in the event of a  
9 contract for the sale of royalty gas from North Slope gas leases that  
10 provides for delivery of the gas through a pipeline for export out of  
11 the state, the commissioner may enter into an agreement with the  
12 lessee to use the price for the gas established in the gas sales  
13 contract as the value of the state's royalty share of gas production  
14 sold by the lessee under the gas sales contract if the commissioner  
15 makes a written finding that the contract price assures the receipt of  
16 maximum benefits to the people of the state in return for the state's  
17 resources. To obtain the agreement allowed in this subsection, a  
18 lessee must file a written request with the commissioner within 90  
19 days after the first delivery of gas under the gas sales contract.  
20 The commissioner shall act in writing on the request within 120 days  
21 of receiving the written request. The agreement between the lessee  
22 and the commissioner may be for a lesser period of time than the  
23 length of the lessee's gas sales contract and may provide for periodic  
24 review of the royalty value term by the commissioner. The lessee has  
25 the burden of providing all information necessary for the commissioner  
26 to make an informed decision and shall provide clear and convincing  
27 evidence that the value of the gas is reflected by the gas sales  
28 contract rather than attributable to transportation, marketing, manu-  
29 facturing, or other profit or cost centers. In this subsection,

1 (1) "gas sales contract" includes a written agreement for  
2 the intracompany transfer of gas;

3 (2) "North Slope gas leases" includes a gas lease that is  
4 issued by the state under this section and that covers land lying in  
5 whole or in part north of 68 degrees north latitude; and

6 (3) "price for the gas established in the gas sales con-  
7 tract" includes tax reimbursement amounts, deliverability and other  
8 charges, and other forms of consideration received by the lessee under  
9 the gas sales contract.

10 (cc) In (aa) of this section

11 (1) "gas or electric utility" includes an electric coopera-  
12 tive organized under AS 10.25, a municipal utility, and a gas or  
13 electric utility regulated under AS 42.05; provided that if the con-  
14 tract gas is transmitted to consumers through a pipeline and the gas  
15 utility either owns the pipeline or is related in ownership to the  
16 owner of the pipeline, then the gas utility qualifies as a "gas or  
17 electric utility" within the meaning of this paragraph only if it is  
18 bound or agrees to be bound by the covenants set out in AS 38.35.120;

19 (2) "price for the gas established in the contract" in-  
20 cludes tax reimbursement amounts, deliverability and other charges,  
21 and other forms of consideration paid by the gas or electric utility  
22 under the contract;

23 (3) "state's royalty share of gas production" does not  
24 include the state's royalty share of gas production from land patented  
25 to the state under

26 (A) P.L. 84-830, 70 Stat. 709 (Alaska Mental Health  
27 Enabling Act);

28 (B) 38 Stat. 1214 (Act of March 4, 1915); or

29 (C) 43 U.S.C. 1635 in settlement of the claims of the

1 state under 38 Stat. 1214.

2 \* Sec. 3. AS 38.05.183 is amended by adding a new subsection to read:

3 (h) Upon legislative approval, the commissioner may enter into a  
4 contract to sell royalty gas taken in kind by the state to a gas or  
5 electric utility at a negotiated price for the gas if the  
6 commissioner, after considering the consumer benefits, other benefits,  
7 and detriments of the sale, makes a written finding that the sale is  
8 in the best interest of the state. In this subsection,

9 (1) "gas or electric utility" has the meaning given in  
10 AS 38.05.180(cc);

11 (2) "royalty gas taken in kind by the state" does not  
12 include royalty gas taken in kind by the state from gas production on  
13 land patented to the state under

14 (A) P.L. 84-830, 70 Stat. 709 (Alaska Mental Health  
15 Enabling Act);

16 (B) 38 Stat. 1214 (Act of March 4, 1915); or

17 (C) 43 U.S.C. 1635 in settlement of the claims of the  
18 state under 38 Stat. 1214.

19 \* Sec. 4. AS 38.05.810(a) is amended to read:

20 (a) Except as otherwise provided in AS 38.05.183(h), the [THE]  
21 lease, sale, or other disposal of state land or resources may be made  
22 to a state or federal agency or political subdivision, or the lease,  
23 sale, or disposal of coal deposits suitable for mining may be made to  
24 a utility owned and operated by a government agency or nonprofit  
25 cooperative association organized to participate under the Federal  
26 Rural Electrification Act for the purpose of generating electric power  
27 and energy or the production of process steam, or both, for less than  
28 the appraised value as determined by the director and approved by the  
29 commissioner to be fair and proper and in the best interests of the

1 public, with due consideration given to the nature of the public  
2 services or function rendered by the agency, subdivision, or utility  
3 making application, and of the terms of the grant under which the land  
4 was acquired by the state.

5 \* Sec. 5. AS 38.05.180(aa), enacted by sec. 2 of this Act, applies to  
6 agreements to establish for a lease issued under AS 38.05.180 the in-value  
7 royalties on gas production that is sold under a contract entered into on  
8 or after the effective date of this Act between the state's lessee and a  
9 gas or electric utility.

10 \* Sec. 6. AS 38.05.180(bb), enacted by sec. 2 of this Act, applies to  
11 agreements to establish for a lease issued under AS 38.05.180 the in-value  
12 royalties on gas production that is sold under a gas sales contract entered  
13 into on or after the effective date of this Act between the state's lessee  
14 and a purchaser of the gas.

15 \* Sec. 7. This Act takes effect immediately in accordance with AS 01.-  
16 10.070(c).  
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# STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : 5-7-86

**REQUEST**

Bill/Resolution No. : HCS CSSB 309 (Res)  
 Title : Royalty value of a natural gas lease on state land  
 Sponsor : Faiks  
 Requestor : House Finance  
 Date of Request : 5-6-86

**FISCAL DETAIL**

Agency Affected : Natural Resources  
 BRU : Petroleum Management  
 Components : \_\_\_\_\_

**EXPENDITURES/REVENUES : (Thousands of Dollars)**

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>						
<b>CAPITAL</b>						
<b>REVENUE</b>						

**FUNDING : (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

**POSITIONS :**

FULL-TIME						
PART-TIME						
TEMPORARY						

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

The fiscal impact of this proposal is indeterminate. For explanation, see attached Supplemental Information.

Prepared by : Kay Brown *RPM* Phone : 762-4241  
 Division : Oil and Gas Date : 5-7-86  
 Approved by Commissioner : James D. Amundson, Deputy Date : 5/7/86  
 Agency : Natural Resources

Distribution (by Agency preparing fiscal note):

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

## SUPPLEMENTAL INFORMATION

Fiscal Note for House CS for CS for SB 309 (Resources)

Alaska Department of Natural Resources

The potential fiscal impact of House CS for CS for SB 309 (Resources) cannot be precisely specified, because it is unknown at this time how often the new valuation mechanism would be applied in the future and to what extent future contract prices would deviate from market value.

However, the bill would adversely affect the state's ability to collect royalties owed under the leases, and likely would result in lower revenues.

The bill would require the commissioner to use solely the contract price to determine royalty value for virtually all arms-length contracts, whether for consumer or industrial purposes. The bill could affect all state-owned gas reserves not presently under contract.

The state's royalty share of North Slope gas reserves is about 4.5 trillion cubic feet (TCF). If value is higher than contract price by 10¢, 25¢ and \$1.00 per mcf for the entire North Slope royalty share, royalty revenues to the state would be reduced by \$450 million, \$1.1 billion and \$4.5 billion, respectively, as a result of basing the royalty payment on the contract price rather than the market value of the gas.

The state's royalty share of Cook Inlet gas reserves not presently committed to a contract is about 190 billion cubic feet (BCF). If value is higher than contract price by 10¢, 25¢ and \$1.00 per mcf for the entire royalty share not presently under contract, then state revenues would be reduced by \$19 million, \$47.5 million and \$190 million, respectively, as a result of basing the royalty payment on the contract price rather than on the market value of the gas.

May 1, 1986

TESTIMONY OF KAY BROWN, DIRECTOR, DIVISION OF OIL AND GAS  
TO HOUSE RESOURCES COMMITTEE  
ON PROPOSED HOUSE RESOURCES CS FOR CS SB309

Thank you, Mr. Chairman. For the record, I'm Kay Brown, Director of the Division of Oil and Gas for the Department of Natural Resources. I appreciate this opportunity to testify.

The bill before the committee was intended to benefit Alaska gas and electric consumers. We don't believe it is prudent to try to address other issues -- such as how to value the royalty share of gas production sold for industrial and export uses -- in this consumer bill.

The Department of Natural Resources supports the House Oil and Gas Committee Substitute for SB 309. We object to the proposed Resources Committee Substitute, which addresses industrial and export sales. If the legislature insists on addressing industrial and export sales, we have previously

provided language that would accomplish this in a way that protects the state's interest.

The approach suggested in the proposed Resources Committee Substitute is not acceptable. Let me explain why.

Fundamentally, we believe that the burden must be on the lessee to show that the royalty value is a fair value, and not on the Commissioner to show that it isn't.

The department believes it is appropriate to accept a contract price as the royalty value for arms-length sales to regulated utilities -- as provided in the House Oil and Gas Committee Substitute for SB 309 -- because Alaska consumers would be the direct beneficiaries of any royalties lost to the state as a result of using solely the contract price to establish royalty value. We do not believe that industrial and export gas uses should receive the same exception, since the likely effect would be to increase the profits of industrial and export concerns without a corresponding public benefit.

The proposed Resources Committee Substitute significantly erodes the state's rights under existing oil and gas leases. It would bind the state as landowner to prices established in contracts to which it was not a party, and, contrary to

the provisions of the leases, would forego royalties the state is entitled to receive.

Further, the proposed CS does not include language authorizing "below market" sales of royalty gas for consumer uses, which was included in previous versions of the bill and which is an important element of the department's preliminary settlement agreement with Chugach Electric. We recommend that this language be restored.

The proposed Committee Substitute expands the presumption that a contract price is the correct royalty value to cover virtually all arms-length contracts, whether for consumer or industrial purposes. There is no assurance that a contract would be structured to reflect the true value of the gas.

The department believes that adoption of the proposed Committee Substitute would adversely affect the state's ability to collect royalties in several important instances. For example, Marathon Oil Company has advised the department that it intends to take gas from new fields (not covered by past royalty settlements) to its LNG plant in Cook Inlet. Presumably Marathon will sell the gas as LNG to a Japanese purchaser not related to Marathon in management, ownership or other aspect. Thus, Marathon would be entitled to the presumption of use of the contract price under the proposed

Commodities substitute. However, the state would not be able to challenge a low royalty value claimed by Marathon due to charges associated with liquifying and moving the gas. The contract price alone does not determine royalty value; other aspects of the transaction such as transportation and LNG facilities must be considered if the state's interests are to be protected.

Obviously the potential fiscal impacts of this bill are magnified with regard to the huge gas reserves of the North Slope. With North Slope gas, it is well known that pipeline, liquefaction and shipping charges will be very large. As with Cook Inlet LNG, the state will need to be vigilant to assure that the value of the gas is not attributed to these other segments of the export project. It is illuminating that millions of dollars and almost 10 years have failed to yield a consensus on the proper costs of the TAPS construction project. Yet this bill could require a Commissioner to make even more complex determinations, with no access to necessary information, within 90 days.

At a minimum, the state must have the ability to scrutinize all elements affecting a sale for industrial and export purposes, such as pipelines, LNG facilities and LNG tankers. Further, the lessee must have the burden of providing all

information necessary for the commissioner to make an informed decision, as well as the burden of providing clear and convincing evidence that the value of the gas is reflected by the gas sales contract price rather than being attributed to transportation, marketing, manufacturing or other profit or cost centers.

Further, the commissioner should have the ability to approve use of a contract price for a lesser period of time than that covered by the lessee's gas sales contract, and provide for a periodic review of the royalty value to be determined by the commissioner.

Without these minimum protections for the state, the proposed Committee Substitute is unacceptable.

As drafted, the proposed Committee Substitute would require use of an arms-length contract price as the royalty value unless the commissioner makes a written finding based on clear and convincing evidence that

(A) the contract price is unreasonably low;

(B) the prospective reduction in royalty receipts would not be balanced by increased benefits to in-state consumers; and

(C) the contract price is not in the best interest of the state.

All the conditions would have to be satisfied before the commissioner could reject a contract price, a more difficult standard than finding that any one of the conditions exists. Thus, even if the Commissioner had clear and convincing evidence that using the contract price to establish royalty value would be adverse to the state's best interest, the Commissioner would nonetheless be obligated to bind the state to the disadvantageous royalty value if the other two standards could not be proven by the same high evidentiary standard.

As a practical matter, it would be virtually impossible for the commissioner to obtain clear and convincing evidence to show that a contract price was unreasonably low and not in the state's best interest within the 90-day timeframe provided. The lessee would control access to the necessary information. Lessees have an understandable desire to minimize royalty payments, and no incentive to cooperate by providing proprietary information that the commissioner might request in order to make a decision. The lessees conceivably could spend years devising a complicated pricing formula that the Commissioner would be asked to approve in only 90 days.

In summary, Mr. Chairman, we are disappointed that this bill which we have supported in order to benefit gas and electric consumers may be broadened to cover industrial and export uses without adequate protection for the state's interests. We urge the committee to adopt the House Oil and Gas Committee Substitute, with the addition of the words "based on clear and convincing evidence" after the word "finding" on page 1, line 28 of that bill. If the committee deems it necessary to address industrial and export uses, we recommend use of the language included in Commissioner Wunnicke's April 22 letter to Co-chairman Shultz.

Thank you for your time and consideration.

SB 309

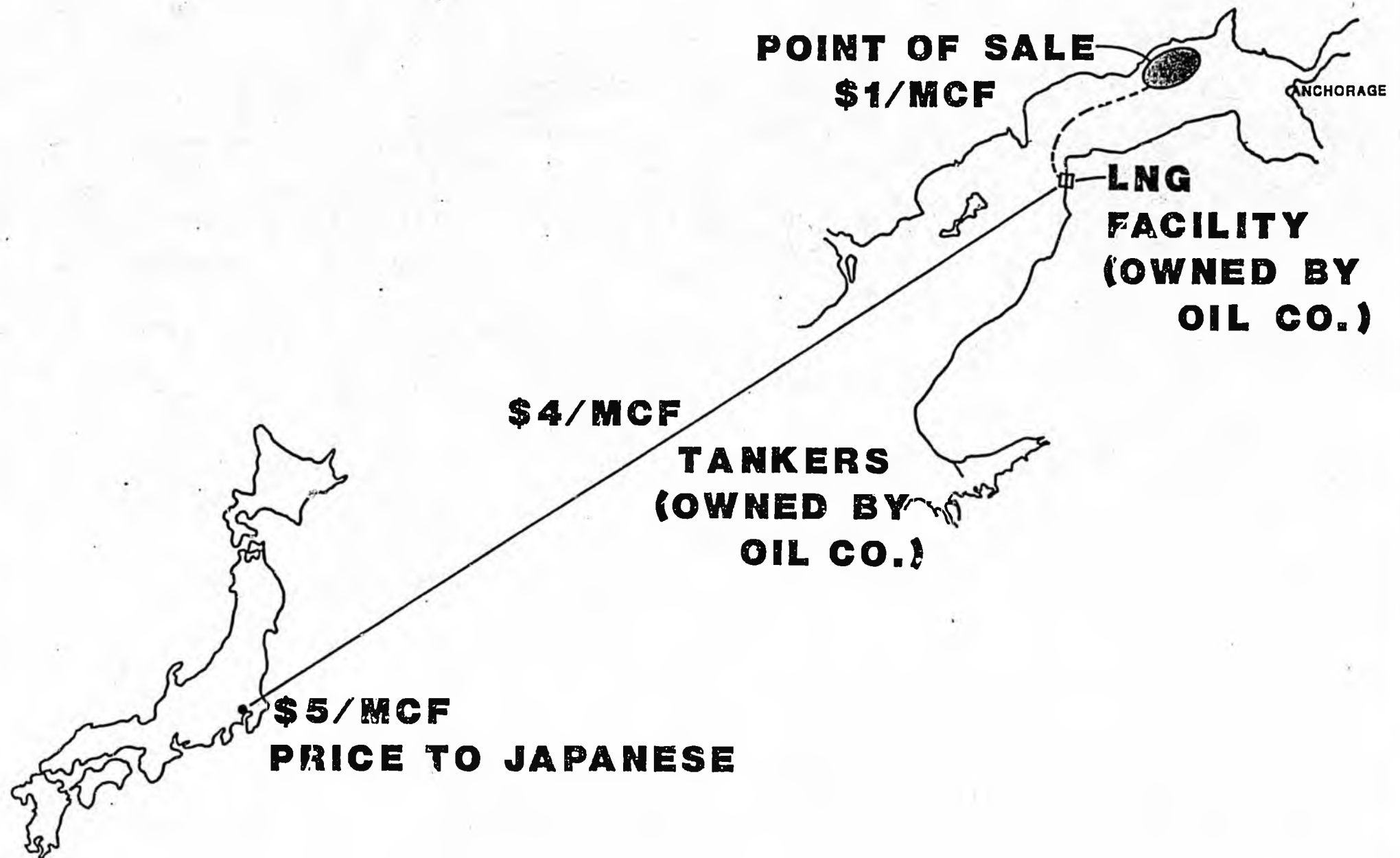
STATE FUNDING TO SCHOOL DISTRICTS UNDER HB 309

DISTRICT/ REAA	FY 86 STATE AIO		PROJECTED ENROLLMENT FY 87	FY 87 STATE AIO PER STUDENT		FY 87 TOTAL STATE AIO	
	FY86 ADM PER STUDENT	ACTUAL AID * TOTAL AID **		LISTED HB309	LESS 80% PL81-874 FOR REAAs	UNPRORATED	PRORATED
TOTAL	103,149	4,746 489,506,532	105,854	5,041	4,752	503,072,509	481,555,500
C&B TOTAL	88,001	4,103 361,046,049	90,423	4,108	4,108	371,482,867	340,825,542
REAA TOTAL	15,148	8,480 128,450,483	15,432	10,505	8,527	131,589,642	120,729,958
ANCHORAGE	40,026	3,492 139,764,099 **	40,674	3,492	3,492	142,026,807	130,305,776
BRISTOL BAY	217	10,121 2,196,257	241	10,121	10,121	2,439,161	2,237,865
CORDOVA	396	5,279 2,030,620 **	390	5,279	5,279	2,058,944	1,889,026
CRAIG	188	7,581 1,425,228	186	7,581	7,581	1,410,066	1,293,698
DILLINGHAM	429	9,020 3,869,580	465	9,020	9,020	4,194,300	3,848,157
FAIRBANKS	13,053	4,077 53,219,358 **	13,431	4,077	4,077	54,758,187	50,239,164
GALENA	148	10,395 1,532,460 *	146	10,395	10,395	1,517,670	1,392,421
HAINES	340	6,599 2,243,660	351	6,599	6,599	2,312,950	2,122,069
HOONAH	227	6,473 1,455,371	214	6,473	6,473	1,385,222	1,270,904
HYDABURG	97	9,530 924,410	97	9,530	9,530	924,410	848,121
JUNEAU	4,624	3,828 17,699,850 **	4,700	3,828	3,828	17,990,764	16,506,043
KAKE	214	7,393 1,582,102	202	7,393	7,393	1,493,396	1,370,142
KENAI	8,132	4,362 35,469,950 **	8,548	4,362	4,362	37,283,586	34,206,688
KETCHIKAN	2,435	3,916 9,535,827 **	2,439	3,916	3,916	9,551,492	8,763,237
KING COVE	126	9,751 1,228,626	120	9,751	9,751	1,170,120	1,073,554
KLAMOCK	157	7,714 1,211,098	156	7,714	7,714	1,203,384	1,104,072
KODIAK	2,252	5,708 12,854,416	2,278	5,708	5,708	13,002,824	11,929,741
KAT-SU	8,794	3,680 32,357,597 **	9,356	3,680	3,680	34,462,276	31,618,211
KENANA	112	10,927 1,223,824	126	10,927	10,927	1,376,802	1,263,179
NOME	816	7,452 6,080,832	850	7,452	7,452	6,334,200	5,811,458
NORTH SLOPE	1,092	9,570 10,450,440	1,155	9,570	9,570	11,053,350	10,141,151
PELICAN	48	12,936 620,928	54	12,936	12,936	698,544	640,895
PETERSBURG	542	4,445 2,409,732	597	4,445	4,445	2,652,039	2,433,174
SAND POINT	111	8,614 956,154	115	8,614	8,614	990,610	908,858
SITKA	1,596	4,128 6,589,107 *	1,654	4,128	4,128	6,827,519	6,264,065
SKAGWAY	125	6,399 799,900 **	136	6,399	6,399	870,291	798,469
ST. MARYS	111	15,544 1,725,384	115	15,544	15,544	1,787,560	1,640,038
TANANA	71	13,895 986,545	78	13,895	13,895	1,083,810	994,367
UNALASKA	137	8,538 1,169,706	141	8,538	8,538	1,203,858	1,104,507
VALDEZ	771	4,977 3,837,267	751	4,977	4,977	3,636,807	3,611,915
WRANGELL	455	4,915 2,236,325	451	4,915	4,915	2,216,665	2,033,731
YAKUTAT	159	8,059 1,281,381	157	8,059	8,059	1,265,263	1,160,845
ADAK	603	4,163 2,510,438	607	6,909	4,163	2,527,091	2,318,538
ALASKA GATEWAY	516	7,835 4,042,683	516	8,985	7,835	4,042,683	3,709,053
ALEUTIAN CHAIN	90	16,327 1,469,467	87	17,341	16,327	1,420,485	1,303,257
ANNETTE ISLAND	395	3,824 1,510,632	413	6,835	3,824	1,579,471	1,449,122
BERING STRAIT	1216	9,961 12,112,105	1,233	12,685	9,961	12,281,435	11,267,887
CHATHAM	306	6,448 1,972,971	306	9,029	6,448	1,972,971	1,810,148
CHUGACH	116	10,810 1,253,987	129	12,226	10,810	1,389,115	1,274,476
COPPER RIVER	567	7,297 4,137,351	575	7,465	7,297	4,195,726	3,849,466
DELTA-GREELY	998	5,148 5,137,915	1,084	6,152	5,148	5,580,661	5,120,107
IDITAROD	389	13,332 5,186,059	399	15,571	13,332	5,319,377	4,880,385
KASHUNAUTUT	152	10,259 1,559,368	166	10,259	10,259	1,702,994	1,562,451
KUSPUK	349	14,508 5,063,293	408	17,031	14,508	5,919,265	5,430,767
LAKE & PENINSULA	377	13,288 5,009,475	370	16,095	13,288	4,916,465	4,510,724
LOWER KUSKOKWIM	2579	9,444 24,355,573	2,675	11,474	9,444	25,263,319	23,176,416
LOWER YUKON	1300	6,752 8,777,236	1,286	10,259	6,752	8,682,712	7,966,155
NORTHWEST ARCTIC	1482	8,788 13,024,232	1,525	10,802	8,788	13,410,316	12,304,155
PRIIBILOF	167	8,347 1,353,954	155	11,934	8,347	1,410,648	1,294,232
RAILBELT	358	9,656 3,471,144	357	9,933	9,656	3,461,448	3,175,786
SOUTHEAST ISLANDS	496	8,227 4,080,456	458	10,052	8,227	3,767,840	3,456,892
SOUTHWEST	474	10,286 4,875,561	485	13,837	10,286	4,999,993	4,586,442
YUKON FLATS	369	14,565 5,374,370	377	16,110	14,565	5,490,888	5,037,742
YUKON KOYUKUK	572	11,032 6,310,481	596	13,719	11,032	6,575,256	6,032,621
YUPIIT	282	11,474 3,235,668	285	11,474	11,474	3,270,090	3,000,220
CENTRAL CORRESP.	995	2,608 2,594,960	924	2,608	2,608	2,409,792	2,210,919

\* Listed value less 80% PL81-874 funds for REAAs.  
 \*\* Includes local contribution adjustments (CH.75 SLA 1985 Sec.3) and \$130,650 in emergency funds to Skagway.  
 \* PL81-874 funds were not computed in these re districts; the funding level is uncertain at this time.

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# OIL COMPANY SALE TO JAPANESE UTILITY



Offered: 5/2/86  
Referred: Finance

Original sponsors: Faiks, Kelly,  
and V. Fischer

1 IN THE SENATE BY THE RESOURCES COMMITTEE  
2 HOUSE CS FOR CS FOR SENATE BILL NO. 309 (Resources)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to royalty gas contracts; and pro-  
7 viding for an effective date."

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

9 \* Section 1. FINDINGS. The legislature finds that to provide for the  
10 utilization, development and conservation of gas resources for the maximum  
11 benefit of the people of the state, the value of production of gas for  
12 purposes of computing the royalty reserved to the state must be based  
13 primarily on the contract price of the gas. This will encourage stable  
14 markets, promote investment, assure reasonable energy prices and provide  
15 the maximum benefit to the people of the state. The legislature does not  
16 intend this Act to apply to the policies of the state regarding the sale of  
17 royalty oil.

18 \* Sec. 2. AS 38.05.180 is amended by adding new subsections to read:

19 (aa) Within 90 days after the written request of a lessee of a  
20 lease issued under this section, the commissioner shall enter into an  
21 agreement with the lessee to use the price for the gas established in  
22 the contract between the lessee and a purchaser as the value of the  
23 state's royalty share of gas production sold by the lessee under the  
24 contract unless

25 (1) the lessee and purchaser are related in management,  
26 ownership, or other aspect; or

27 (2) the commissioner makes a written finding based on clear  
28 and convincing evidence that

29 (A) the contract price is unreasonably low;

1 (B) the prospective reduction in royalty receipts  
2 would not be balanced by increased benefits to in-state  
3 consumers; and

4 (C) the contract price is not in the best interest of  
5 the state.

6 (bb) In (aa) of this section

7 (1) "price for the gas established in the contract" in-  
8 cludes tax reimbursement amounts, deliverability and other charges,  
9 and other forms of consideration paid by the purchaser under the  
10 contract;

11 (2) "state's royalty share of gas production" does not  
12 include the state's royalty share of gas production from land patented  
13 to the state under

14 (A) P.L. 84-830, 70 Stat. 709 (Alaska Mental Health  
15 Enabling Act);

16 (B) 38 Stat. 1214 (Act of March 4, 1915); or

17 (C) 43 U.S.C. 1635 in settlement of the claims of the  
18 state under 38 Stat. 1214.

19 \* Sec. 3. AS 38.05.180(aa), enacted by sec. 2 of this Act, applies to  
20 agreements to establish for a lease issued under AS 38.05.180 the in-value  
21 royalties on gas production that is sold by the state's lessee under a  
22 contract entered into on or after the effective date of this Act.

23 \* Sec. 4. This Act takes effect immediately in accordance with AS 01.-  
24 10.070(c).

Offered: 5/2/86  
Referred: Finance

Original sponsors: Faiks, Kelly,  
and V.Fischer

1 IN THE SENATE BY THE RESOURCES COMMITTEE  
2 HOUSE CS FOR CS FOR SENATE BILL NO. 309 (Resources)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to royalty gas contracts; and pro-  
7 viding for an effective date."

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

9 \* Section 1. FINDINGS. The legislature finds that to provide for the  
10 utilization, development and conservation of gas resources for the maximum  
11 benefit of the people of the state, the value of production of gas for  
12 purposes of computing the royalty reserved to the state must be based  
13 primarily on the contract price of the gas. This will encourage stable  
14 markets, promote investment, assure reasonable energy prices and provide  
15 the maximum benefit to the people of the state. The legislature does not  
16 intend this Act to apply to the policies of the state regarding the sale of  
17 royalty oil.

18 \* Sec. 2. AS 38.05.180 is amended by adding new subsections to read:

19 (aa) Within 90 days after the written request of a lessee of a  
20 lease issued under this section, the commissioner shall enter into an  
21 agreement with the lessee to use the price for the gas established in  
22 the contract between the lessee and a purchaser as the value of the  
23 state's royalty share of gas production sold by the lessee under the  
24 contract unless

25 (1) the lessee and purchaser are related in management,  
26 ownership, or other aspect; or

27 (2) the commissioner makes a written finding based on clear  
28 and convincing evidence that

29 (A) the contract price is unreasonably low;

1 (B) the prospective reduction in royalty receipts  
2 would not be balanced by increased benefits to in-state  
3 consumers; and

4 (C) the contract price is not in the best interest of  
5 the state.

6 (bb) In (aa) of this section

7 (1) "price for the gas established in the contract" in-  
8 cludes tax reimbursement amounts, deliverability and other charges,  
9 and other forms of consideration paid by the purchaser under the  
10 contract;

11 (2) "state's royalty share of gas production" does not  
12 include the state's royalty share of gas production from land patented  
13 to the state under

14 (A) P.L. 84-830, 70 Stat. 709 (Alaska Mental Health  
15 Enabling Act);

16 (B) 38 Stat. 1214 (Act of March 4, 1915); or

17 (C) 43 U.S.C. 1635 in settlement of the claims of the  
18 state under 38 Stat. 1214.

19 \* Sec. 3. AS 38.05.180(aa), enacted by sec. 2 of this Act, applies to  
20 agreements to establish for a lease issued under AS 38.05.180 the in-value  
21 royalties on gas production that is sold by the state's lessee under a  
22 contract entered into on or after the effective date of this Act.

23 \* Sec. 4. This Act takes effect immediately in accordance with AS 01.-  
24 10.070(c).

Offered: 4/21/86  
Referred: Resources and  
Finance

Original sponsors: Faiks, Kelly  
and V.Fischer

1 IN THE SENATE  
2 HOUSE CS FOR CS FOR SENATE BILL NO. 309 (O&G)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 FOURTEENTH LEGISLATURE - SECOND SESSION  
5 A BILL  
6 For an Act entitled: "An Act relating to royalty gas contracts; and pro-  
7 viding for an effective date."  
8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:  
9 \* Section 1. FINDINGS. The legislature finds that the best interest of  
10 the state will be served if the commissioner of natural resources is au-  
11 thorized to establish the in-value royalty for gas sold to a gas or elec-  
12 tric utility by using the contract price between the lessee of the state  
13 and the utility, whether or not the gas lease establishes a different stan-  
14 dard for the valuation and if the lessee and the utility are not related to  
15 each other. The legislature finds that this authorization should apply  
16 prospectively and does not intend the authorization to apply to the val-  
17 uation for royalty purposes of gas sold by a lessee under a gas sales  
18 contract entered into before the effective date of this Act. The legisla-  
19 ture does not intend this Act to apply to the policies of the state regard-  
20 ing the sale of royalty oil.  
21 \* Sec. 2. AS 38.05.180 is amended by adding new subsections to read:  
22 (aa) Within 90 days after the written request of a lessee of a  
23 lease issued under this section, the commissioner shall enter into an  
24 agreement with the lessee to use the price for the gas established in  
25 the contract between the lessee and a gas or electric utility as the  
26 value of the state's royalty share of gas production sold by the  
27 lessee under the contract unless the commissioner makes a written  
28 finding that  
29 (1) the contract price is unreasonably low;

1           (2) the prospective reduction in royalty receipts would not  
2 be balanced by increased benefits to in-state gas and electric con-  
3 sumers;

4           (3) the lessee and the utility are not related in manage-  
5 ment, ownership, or other aspect; and

6           (4) the contract price is not in the best interest of the  
7 state.

8           (bb) In (aa) of this section

9           (1) "gas or electric utility" includes an electric coopera-  
10 tive organized under AS 10.25, a municipal utility, and a gas or  
11 electric utility regulated under AS 42.05; provided that if the con-  
12 tract gas is transmitted to consumers through a pipeline and the gas  
13 utility either owns the pipeline or is related in ownership to the  
14 owner of the pipeline, then the gas utility qualifies as a "gas or  
15 electric utility" within the meaning of this paragraph only if it is  
16 bound or agrees to be bound by the covenants set out in AS 38.35.120;

17           (2) "price for the gas established in the contract" in-  
18 cludes tax reimbursement amounts, deliverability and other charges,  
19 and other forms of consideration paid by the gas or electric utility  
20 under the contract;

21           (3) "state's royalty share of gas production" does not  
22 include the state's royalty share of gas production from land patented  
23 to the state under

24                   (A) P.L. 84-830, 70 Stat. 709 (Alaska Mental Health  
25 Enabling Act);

26                   (B) 38 Stat. 1214 (Act of March 4, 1915); or

27                   (C) 43 U.S.C. 1635 in settlement of the claims of the  
28 state under 38 Stat. 1214.

29 \* Sec. 3. AS 38.05.183 is amended by adding a new subsection to read:

1 (h) The commissioner may enter into a contract to sell royalty  
2 gas taken in kind by the state to a gas or electric utility at less  
3 than the market value of the royalty gas if the commissioner makes a  
4 written finding that the sale is in the best interest of the state.  
5 The commissioner shall consider the consumer benefits, other benefits,  
6 and detriments of the sale. In this subsection,

7 (1) "gas or electric utility" has the meaning given in  
8 AS 38.05.180(bb);

9 (2) "royalty gas taken in kind by the state" does not  
10 include royalty gas taken in kind by the state from gas production on  
11 land patented to the state under

12 (A) P.L. 84-830, 70 Stat. 709 (Alaska Mental Health  
13 Enabling Act);

14 (B) 38 Stat. 1214 (Act of March 4, 1915); or

15 (C) 43 U.S.C. 1635 in settlement of the claims of the  
16 state under 38 Stat. 1214.

17 \* Sec. 4. AS 38.05.810(a) is amended to read:

18 (a) Except as otherwise provided in AS 38.05.183(h), the [THE]  
19 lease, sale, or other disposal of state land or resources may be made  
20 to a state or federal agency or political subdivision, or the lease,  
21 sale, or disposal of coal deposits suitable for mining may be made to  
22 a utility owned and operated by a government agency or nonprofit  
23 cooperative association organized to participate under the Federal  
24 Rural Electrification Act for the purpose of generating electric power  
25 and energy or the production of process steam, or both, for less than  
26 the appraised value as determined by the director and approved by the  
27 commissioner to be fair and proper and in the best interests of the  
28 public, with due consideration given to the nature of the public  
29 services or function rendered by the agency, subdivision, or utility

1 making application, and of the terms of the grant under which the land  
2 was acquired by the state.

3 \* Sec. 5. AS 38.05.180(aa), enacted by sec. 2 of this Act, applies to  
4 agreements to establish for a lease issued under AS 38.05.180 the in-value  
5 royalties on gas production that is sold under a contract entered into on  
6 or after the effective date of this Act between the state's lessee and a  
7 gas or electric utility.

8 \* Sec. 6. This Act takes effect immediately in accordance with AS 01.-  
9 10.070(c).

Offered: 2/28/86

Original sponsors: Faiks, Kelly  
and V. Fischer

1 IN THE SENATE

BY THE RULES COMMITTEE

2 CS FOR SENATE BILL NO. 309 (Rules)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to royalty gas contracts; and pro-  
7 viding for an effective date."

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

9 \* Section 1. FINDINGS. (a) The legislature finds that the best inter-  
10 est of the state will be served if the commissioner of natural resources is  
11 authorized to establish the in-value royalty for gas sold to a gas or  
12 electric utility by using the contract price between the lessee of the  
13 state and the utility, whether or not the gas lease establishes a different  
14 standard for the valuation and if the lessee and the utility are not re-  
15 lated to each other. The legislature finds that this authorization should  
16 apply prospectively and does not intend the authorization to apply to the  
17 valuation for royalty purposes of gas sold by a lessee under a gas sales  
18 contract entered into before the effective date of this Act.

19 (b) The legislature finds that it is also in the best interest of the  
20 state to give the commissioner explicit discretionary authority to sell  
21 royalty gas received in kind by the state to gas or electric utilities at a  
22 price that is below market value.

23 (c) The legislature finds that the proper exercise of the discretion  
24 conferred on the commissioner by this Act would support and complement the  
25 other programs that assist the citizens of the state with their long-term  
26 gas and electrical needs, including the power cost equalization program  
27 under AS 44.83.162 - 44.83.165 and hydroelectric and other programs for the  
28 generation of electricity.

29 (d) The legislature finds that the state should adopt a policy for  
S

1 the sale of royalty gas to gas or electric utilities for in-state consumer  
2 use and in-state generation of electricity that is fundamentally different  
3 from the policies of the state for the sale of royalty oil and for the sale  
4 of royalty gas for export from the state or for uses other than in-state  
5 consumer use and in-state generation of electricity.

6 (e) The legislature finds it is in the state's best interest to  
7 facilitate the financing and construction of a pipeline and increased gas  
8 production from the Prudhoe Bay reservoir by establishing a procedure by  
9 which the state could commit itself to a royalty valuation methodology for  
10 as long as the state takes its royalty share of gas production in value.

11 \* Sec. 2. AS 38.05.180 is amended by adding new subsections to read:

12 (aa) Within 90 days after the written request of a lessee of a  
13 lease issued under this section, unless the commissioner makes a  
14 written finding based on clear and convincing evidence that the con-  
15 tract price is unreasonably low and that a prospective reduction in  
16 royalty receipts would not be balanced by increased benefits to in-  
17 state gas and electric consumers, the commissioner shall enter into an  
18 agreement with the lessee to use the price for the gas established in  
19 the contract between the lessee and a gas or electric utility, if the  
20 lessee and the utility are not related in management, ownership, or  
21 other aspect, as the value of the state's royalty share of gas produc-  
22 tion sold by the lessee under the contract to the utility. In this  
23 subsection

24 (1) "gas or electric utility" includes an electric coopera-  
25 tive organized under AS 10.25, a municipal utility, and a gas or  
26 electric utility regulated under AS 42.05; and

27 (2) "price for the gas established in the contract" in-  
28 cludes tax reimbursement amounts, deliverability and other charges,  
29 and other forms of consideration paid by the gas or electric utility

1 under the contract.

2 (bb) In the event of a contract between parties that are unrelat-  
3 ed in management, ownership, or other aspect for the sale of gas from  
4 Prudhoe Bay reservoir gas leases by means of delivery of the gas  
5 through a pipeline for export out of the state, and within 90 days  
6 after the written request of a lessee of a lease issued under this  
7 section, unless the commissioner makes a written finding that the  
8 contract price does not assure the maximum benefits to the people of  
9 the state in return for the state's gas resources, the commissioner  
10 shall enter into an agreement with the lessee to use the price for the  
11 gas established in the gas sales contract as the value of the state's  
12 royalty share of gas production sold by the lessee under the gas sales  
13 contract. The lessee shall have the burden of providing all informa-  
14 tion necessary for the commissioner to make an informed decision, and  
15 shall provide clear and convincing evidence that the value of the gas  
16 is reflected by the gas sales contract price rather than being attri-  
17 buted to transportation, marketing, or other profit or cost centers.  
18 In this subsection, "price for the gas established in the gas sales  
19 contract" includes tax reimbursement amounts, deliverability and other  
20 charges, and other forms of consideration received by the lessee under  
21 the gas sales contract.

22 \* Sec. 3. AS 38.05.183 is amended by adding a new subsection to read:

23 (h) The commissioner may enter into a contract to sell royalty  
24 gas taken in kind by the state to a gas or electric utility at less  
25 than the market value of the royalty gas if the commissioner, after  
26 considering the consumer benefits, other benefits, and detriments of  
27 the sale, makes a written finding that the sale is in the best inter-  
28 est of the state. In this subsection, "gas or electric utility"  
29 includes an electric cooperative organized under AS 10.25, a municipal

1 utility, and a gas or electric utility regulated under AS 42.05.

2 \* Sec. 4. AS 38.05.810(a) is amended to read:

3 (a) Except as otherwise provided in AS 38.05.183(h), the [THE]  
4 lease, sale, or other disposal of state land or resources may be made  
5 to a state or federal agency or political subdivision, or the lease,  
6 sale, or disposal of coal deposits suitable for mining may be made to  
7 a utility owned and operated by a government agency or nonprofit  
8 cooperative association organized to participate under the Federal  
9 Rural Electrification Act for the purpose of generating electric power  
10 and energy or the production of process steam, or both, for less than  
11 the appraised value as determined by the director and approved by the  
12 commissioner to be fair and proper and in the best interests of the  
13 public, with due consideration given to the nature of the public  
14 services or function rendered by the agency, subdivision, or utility  
15 making application, and of the terms of the grant under which the land  
16 was acquired by the state.

17 \* Sec. 5. AS 38.05.180(aa), enacted by sec. 2 of this Act, applies to  
18 agreements to establish for a lease issued under AS 38.05.180 the in-value  
19 royalties on gas production that is sold under a contract entered into on  
20 or after the effective date of this Act between the state's lessee and a  
21 gas or electric utility.

22 \* Sec. 6. This Act takes effect immediately in accordance with AS 01.-  
23 10.070(c).  
24  
25  
26  
27  
28  
29

Offered: 2/20/86  
Referred: Rules

Original sponsors: Faiks, Kelly  
and V.Fischer

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2

CS FOR SENATE BILL NO. 309 (Resources)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to royalty gas contracts; and pro-

7

viding for an effective date."

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

9

\* Section 1. FINDINGS. (a) The legislature finds that the best inter-

10 est of the state will be served if the commissioner of natural resources is

11 authorized to establish the value for royalty gas taken in value by the

12 state and sold to a nonprofit electric utility by using the contract price

13 between the lessee of the state and the nonprofit electric utility, whether

14 or not the royalty gas lease with the state establishes a different stan-

15 dard for the valuation and if the lessee and the nonprofit electric utility

16 are not related to each other. The legislature finds that this authoriza-

17 tion should apply prospectively and does not intend the authorization to

18 apply to the valuation of royalty gas that is sold by a lessee of the state

19 under a contract entered into before the effective date of this Act with a

20 nonprofit electric utility.

21 (b) The legislature finds that it is also in the best interest of the

22 state to give the commissioner explicit discretionary authority to sell

23 royalty gas received in kind by the state to nonprofit electric utilities

24 at a price that is below market value.

25 (c) The proper exercise of the discretion conferred by this Act on

26 the commissioner would support and complement the other programs that

27 assist the citizens of the state with their long-term electrical needs,

28 including the power cost equalization program under AS 44.83.162 - 44.83.-

29 165 and hydroelectric and other programs for the generation of electricity.

1 (d) The state should adopt a policy for the sale of royalty gas to  
2 nonprofit electric utilities for in-state generation of electricity that is  
3 fundamentally different from the policies of the state for the sale of  
4 royalty oil and for the sale of royalty gas for export from the state or  
5 for uses other than in-state generation of electricity.

6 \* Sec. 2. AS 38.05.180 is amended by adding a new subsection to read:

7 (aa) Within 90 days after the written request of a lessee of a  
8 lease issued under this section, unless the commissioner makes a  
9 written finding based on clear and convincing evidence that the con-  
10 tract price is unreasonably low and that a prospective reduction in  
11 royalty receipts would not be balanced by increased benefits to elec-  
12 tric consumers, the commissioner shall enter into an agreement with  
13 the lessee to use the price for the gas established in the contract  
14 between the lessee and a nonprofit electric utility, if the lessee and  
15 the utility are not related in management, ownership, or other aspect,  
16 as the value of the state's royalty share of gas production sold by a  
17 lessee of the state to a nonprofit electric utility. In this  
18 subsection

19 (1) "nonprofit electric utility" includes an electric  
20 cooperative organized under AS 10.25 and a municipal utility; and

21 (2) "price for the gas established in the contract" in-  
22 cludes tax reimbursement amounts, deliverability and other charges,  
23 and other forms of consideration paid by the nonprofit electric utili-  
24 ty under the contract.

25 \* Sec. 3. AS 38.05.183(h) is amended by adding a new subsection to  
26 read:

27 (h) The commissioner may enter into a contract to sell royalty  
28 gas taken in kind by the state to a nonprofit electric utility at less  
29 than the market value of the royalty gas if the commissioner, after

1 considering the consumer benefits, other benefits, and detriments of  
2 the sale, makes a written finding that the sale is in the best inter-  
3 est of the state. In this subsection, "nonprofit electric utility"  
4 includes an electric cooperative organized under AS 10.25 and a  
5 municipal utility.

6 \* Sec. 4. AS 38.05.810(a) is amended to read:

7 (a) Except as otherwise provided in AS 38.05.183(h), the [THE]  
8 lease, sale, or other disposal of state land or resources may be made  
9 to a state or federal agency or political subdivision, or the lease,  
10 sale, or disposal of coal deposits suitable for mining may be made to  
11 a utility owned and operated by a government agency or nonprofit  
12 cooperative association organized to participate under the Federal  
13 Rural Electrification Act for the purpose of generating electric power  
14 and energy or the production of process steam, or both, for less than  
15 the appraised value as determined by the director and approved by the  
16 commissioner to be fair and proper and in the best interests of the  
17 public, with due consideration given to the nature of the public  
18 services or function rendered by the agency, subdivision, or utility  
19 making application, and of the terms of the grant under which the land  
20 was acquired by the state.

21 \* Sec. 5. Section 2 of this Act applies to contracts entered into on or  
22 after the effective date of this Act to sell to nonprofit electric  
23 utilities gas produced under a lease issued under AS 38.05.180.

24 \* Sec. 6. Section 3 of this Act applies to contracts entered into by  
25 the state on or after the effective date of this Act to sell new quantities  
26 of royalty gas to nonprofit electric utilities.

27 \* Sec. 7. This Act takes effect immediately in accordance with AS 01.-  
28 10.070(c).

Offered: 2/20/86  
Referred: Rules

Original sponsors: Faiks, Kelly  
and V.Fischer

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2

CS FOR SENATE BILL NO. 309 (Resources)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to royalty gas contracts; and pro-  
7 viding for an effective date."

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

9 \* Section 1. FINDINGS. (a) The legislature finds that the best inter-  
10 est of the state will be served if the commissioner of natural resources is  
11 authorized to establish the value for royalty gas taken in value by the  
12 state and sold to a nonprofit electric utility by using the contract price  
13 between the lessee of the state and the nonprofit electric utility, whether  
14 or not the royalty gas lease with the state establishes a different stan-  
15 dard for the valuation and if the lessee and the nonprofit electric utility  
16 are not related to each other. The legislature finds that this authoriza-  
17 tion should apply prospectively and does not intend the authorization to  
18 apply to the valuation of royalty gas that is sold by a lessee of the state  
19 under a contract entered into before the effective date of this Act with a  
20 nonprofit electric utility.

21 (b) The legislature finds that it is also in the best interest of the  
22 state to give the commissioner explicit discretionary authority to sell  
23 royalty gas received in kind by the state to nonprofit electric utilities  
24 at a price that is below market value.

25 (c) The proper exercise of the discretion conferred by this Act on  
26 the commissioner would support and complement the other programs that  
27 assist the citizens of the state with their long-term electrical needs,  
28 including the power cost equalization program under AS 44.83.162 - 44.83.-  
29 165 and hydroelectric and other programs for the generation of electricity.

1 (d) The state should adopt a policy for the sale of royalty gas to  
2 nonprofit electric utilities for in-state generation of electricity that is  
3 fundamentally different from the policies of the state for the sale of  
4 royalty oil and for the sale of royalty gas for export from the state or  
5 for uses other than in-state generation of electricity.

6 \* Sec. 2. AS 38.05.180 is amended by adding a new subsection to read:

7 (aa) Within 90 days after the written request of a lessee of a  
8 lease issued under this section, unless the commissioner makes a  
9 written finding based on clear and convincing evidence that the con-  
10 tract price is unreasonably low and that a prospective reduction in  
11 royalty receipts would not be balanced by increased benefits to elec-  
12 tric consumers, the commissioner shall enter into an agreement with  
13 the lessee to use the price for the gas established in the contract  
14 between the lessee and a nonprofit electric utility, if the lessee and  
15 the utility are not related in management, ownership, or other aspect,  
16 as the value of the state's royalty share of gas production sold by a  
17 lessee of the state to a nonprofit electric utility. In this  
18 subsection

19 (1) "nonprofit electric utility" includes an electric  
20 cooperative organized under AS 10.25 and a municipal utility; and

21 (2) "price for the gas established in the contract" in-  
22 cludes tax reimbursement amounts, deliverability and other charges,  
23 and other forms of consideration paid by the nonprofit electric utili-  
24 ty under the contract.

25 \* Sec. 3. AS 38.05.183(h) is amended by adding a new subsection to  
26 read:

27 (h) The commissioner may enter into a contract to sell royalty  
28 gas taken in kind by the state to a nonprofit electric utility at less  
29 than the market value of the royalty gas if the commissioner, after

1        considering the consumer benefits, other benefits, and detriments of  
2        the sale, makes a written finding that the sale is in the best inter-  
3        est of the state. In this subsection, "nonprofit electric utility"  
4        includes an electric cooperative organized under AS 10.25 and a  
5        municipal utility.

6        \* Sec. 4. AS 38.05.810(a) is amended to read:

7                (a) Except as otherwise provided in AS 38.05.183(h), the [THE]  
8        lease, sale, or other disposal of state land or resources may be made  
9        to a state or federal agency or political subdivision, or the lease,  
10       sale, or disposal of coal deposits suitable for mining may be made to  
11       a utility owned and operated by a government agency or nonprofit  
12       cooperative association organized to participate under the Federal  
13       Rural Electrification Act for the purpose of generating electric power  
14       and energy or the production of process steam, or both, for less than  
15       the appraised value as determined by the director and approved by the  
16       commissioner to be fair and proper and in the best interests of the  
17       public, with due consideration given to the nature of the public  
18       services or function rendered by the agency, subdivisor, or utility  
19       making application, and of the terms of the grant under which the land  
20       was acquired by the state.

21       \* Sec. 5. Section 2 of this Act applies to contracts entered into on or  
22       after the effective date of this Act to sell to nonprofit electric  
23       utilities gas produced under a lease issued under AS 38.05.180.

24       \* Sec. 6. Section 3 of this Act applies to contracts entered into by  
25       the state on or after the effective date of this Act to sell new quantities  
26       of royalty gas to nonprofit electric utilities.

27       \* Sec. 7. This Act takes effect immediately in accordance with AS 01.-  
28       10.070(c).

Introduced: 5/4/85  
Referred: Resources

1 IN THE SENATE

BY FAIKS, KELLY AND V.FISCHER

2

SENATE BILL NO. 309

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to the royalty value of a natural  
7 gas lease on state land; and providing for an effective  
8 date."

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

10 \* Section 1. FINDING. The legislature finds that to provide for the  
11 utilization, development and conservation of gas resources for the maximum  
12 benefit of the people of the state, the value of production of gas for  
13 purposes of computing the royalty reserved to the state must be based  
14 primarily on the contract price of gas rather than the current market value  
15 of the gas. This will encourage stable markets, promote investment, assure  
16 reasonable energy prices and provide the maximum benefit to the people of  
17 the state.

18 \* Sec. 2. AS 38.05.180 is amended by adding a new subsection to read:

19 (aa) Notwithstanding other provisions of this section, if the  
20 royalty share of natural gas reserved to the state under a lease  
21 issued under (f) of this section is taken in value, the value of  
22 production sold under a long-term sales contract may not be greater  
23 than the price received for the production under the long-term sales  
24 contract unless it is shown by clear and convincing evidence that the  
25 long-term contract price was unreasonably low at the time of contract.

26 \* Sec. 3. This Act applies to leases issued before or after the effective  
27 date of this Act.

28 \* Sec. 4. This Act takes effect immediately in accordance with AS 01.-  
29 10.070(c).

**COMMITTEE REPORT**  
**SENATE**

FURTHER:

2/27/86

Date \_\_\_\_\_

Mr. President

The Committee on FINANCE considered SB 310  
establishing the Alaska Natural Hazards Safety Commission.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for \_\_\_\_\_
- new title
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS

\_\_\_\_\_  
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\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Chairman recommendation

COMMITTEE REPORT  
SENATE

FURTHER: FINANCE

5/6/85

Date 2/26/84

Mr. President

The Committee on STATE AFFAIRS considered SB 310

establishing the Alaska Natural Hazards Safety Commission.

and a majority of the committee (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for SB 310, (SA)
- new title
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT" [ ] NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

Edw. De Vries  
[Signature]  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
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MEMBERS HAVING  
OTHER RECOMMENDATIONS

\_\_\_\_\_  
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\_\_\_\_\_

[Signature]  
Chairman  
[Signature]  
Chairman recommendation

Offered: 2/27/86  
Referred: Finance

Original sponsors: Sturgulewski, V. Fischer,  
Rodey and Zharoff

1 IN THE SENATE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR SENATE BILL NO. 310 (State Affairs)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Alaska Natural Hazards  
7 Safety Commission."

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

9 \* Section 1. FINDINGS. The legislature finds that

10 (1) there is a pressing need to provide a consistent policy  
11 framework and a means for continuing coordination of hazard-related pro-  
12 grams and public safety practices at all governmental levels and in the  
13 private sector; this need is not being addressed by any continuing state  
14 government organization;

15 (2) through concerted efforts coordinated by a Natural Hazards  
16 Safety Commission, the state can make long-term progress toward mitigating  
17 the effects of natural hazards on persons and property, thereby reducing  
18 the costs of responding to and recovering from natural hazards.

19 \* Sec. 2. AS 44.37 is amended by adding new sections to read:

20 ARTICLE 2. ALASKA NATURAL HAZARDS SAFETY COMMISSION.

21 Sec. 44.37.200. COMMISSION ESTABLISHED. The Alaska Natural  
22 Hazards Safety Commission is established in the Department of Natural  
23 Resources.

24 Sec. 44.37.210. MEMBERSHIP. (a) The commission is composed of  
25 11 members appointed by the governor for terms of three years. A  
26 member holds office until a successor is appointed and confirmed. A  
27 vacancy is filled for the unexpired term. The governor shall appoint  
28 to the commission a representative from the University of Alaska, a  
29 representative from the Department of Community and Regional Affairs,  
S

1 a representative from the Department of Natural Resources, a represen-  
2 tative from the Department of Military and Veterans' Affairs, a rep-  
3 resentative from the Department of Transportation and Public Facil-  
4 ities, a representative from an appropriate federal agency and shall  
5 appoint the remaining five members from members of the public who are  
6 knowledgeable in the fields of geology, saismology, hydrology, geo-  
7 technical engineering, structural engineering, emergency services, or  
8 planning. In making appointments to the commission, the governor  
9 shall consider the need for representation from all parts of the  
10 state.

11 (b) The commission shall elect annually from its members a  
12 chairman and vice-chairman. A majority of the commission may vote to  
13 replace an officer of the commission.

14 (c) Six members constitute a quorum.

15 (d) Commission members receive no compensation but are entitled  
16 to travel and per diem authorized for boards and commissions under  
17 AS 39.20.180.

18 Sec. 44.37.220. POWERS AND DUTIES. (a) The commission shall

19 (1) recommend goals and priorities for hazard mitigation to  
20 the public and private sectors;

21 (2) annually recommend policies to the governor and the  
22 legislature, including needed research, mapping, and monitoring pro-  
23 grams;

24 (3) offer advice on coordinating disaster preparedness and  
25 hazard-mitigation activities of government at all levels, review the  
26 practices for recovery and reconstruction after a natural disaster,  
27 and recommend improvements to mitigate losses from similar future  
28 events;

29 (4) gather, analyze, and disseminate information of general

1 interest on hazard mitigation;

2 (5) establish and maintain necessary working relationships  
3 with other public and private agencies;

4 (6) review predictions and warnings issued by the federal  
5 government, research institutions, and other organizations and persons  
6 and suggest appropriate responses at the state and local level; and

7 (7) review proposed hazard notifications and supporting  
8 information from state agencies, evaluate possible socioeconomic  
9 consequences, recommend that the governor issue formal hazard noti-  
10 fications when appropriate, and advise state and local agencies of  
11 appropriate responses.

12 (b) The commission may

13 (1) advise the governor and the legislature on disaster  
14 preparedness and hazard mitigation and on budgets for those activi-  
15 ties, and recommend legislation or policies to improve disaster pre-  
16 paredness or hazard mitigation;

17 (2) conduct public hearings;

18 (3) appoint committees from its membership and appoint  
19 external advisory committees of ex-officio members; and

20 (4) accept grants, contributions, and appropriations from  
21 public agencies, private foundations, and individuals.

22 Sec. 44.37.230. DEFINITIONS. In AS 44.37.200 - 44.37.230

23 (1) "commission" means the Alaska Natural Hazards Safety  
24 Commission;

25 (2) "disaster preparedness" means establishing plans and  
26 programs for responding to and distributing funds to alleviate losses  
27 from a disaster as defined in AS 26.23.230;

28 (3) "hazard mitigation" or "mitigation" mean activities  
29 that prevent or alleviate the harmful effects of natural hazards to

1 persons and property, including identification and evaluation of the  
2 hazards, assessment of the risks, and implementation of measures to  
3 reduce potential losses before a damaging event occurs.

4 \* Sec. 3. AS 44.66.010(a) is amended by adding a new paragraph to read:

5 (13) Alaska Natural Hazards Safety Commission (AS 44.37.200)

6 -- June 30, 1990.

7 \* Sec. 4. Notwithstanding AS 44.37.210 enacted by sec. 2 of this Act,  
8 two of the initial public members of the Alaska Natural Hazards Safety  
9 Commission shall serve terms of two years, two initial public members of  
10 the commission shall serve terms of three years and one initial public  
11 member shall serve a term of four years.

12 \* Sec. 5. Nothing in this Act is intended to transfer to the commission  
13 the authorities and responsibilities of other state agencies, boards,  
14 councils, or commissions or of local governments.  
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Introduced: 5/6/85  
Referred: State Affairs  
and Finance

BY STURGULEWSKI, V. FISCHER,  
RODEY AND ZHAROFF

1 IN THE SENATE

2 SENATE BILL NO. 310

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Alaska Natural Hazards  
7 Safety Commission."

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

9 \* Section 1. FINDINGS. The legislature finds that

10 (1) although the state has made significant improvements in  
11 disaster preparedness since the great earthquake of 1964, there has been  
12 little corresponding improvement in measures to reduce the disaster  
13 potential of natural hazards and, consequently, to reduce dependence on  
14 disaster relief;

15 (2) there is a pressing need to provide a consistent policy  
16 framework and a means for continuing coordination of hazard-related pro-  
17 grams and public safety practices at all governmental levels and in the  
18 private sector; this need is not being addressed by any continuing state  
19 government organization;

20 (3) through concerted efforts coordinated by a Natural Hazards  
21 Safety Commission, the state can make long-term progress toward mitigating  
22 the effects of natural hazards on persons and property, thereby reducing  
23 the costs of responding to and recovering from natural hazards.

24 \* Sec. 2. AS 44.19 is amended by adding new sections to read:

25 ARTICLE 15. ALASKA NATURAL HAZARDS SAFETY COMMISSION.

26 Sec. 44.19.241. COMMISSION ESTABLISHED. The Alaska Natural  
27 Hazards Safety Commission is established in the Office of the Gover-  
28 nor.

29 Sec. 44.19.242. MEMBERSHIP. (a) The commission is composed of  
S

1 11 members appointed by the governor for terms of three years. A  
2 member holds office until a successor is appointed and confirmed. A  
3 vacancy is filled for the unexpired term. The governor shall appoint  
4 to the commission a representative from the University of Alaska, a  
5 representative from local government, a representative from the De-  
6 partment of Natural Resources, a representative from the Department of  
7 Military and Veterans' Affairs, a representative from an appropriate  
8 federal agency and shall appoint the remaining six members from mem-  
9 bers of the public who are knowledgeable in the fields of geology,  
10 seismology, hydrology, geotechnical engineering, structural engineer-  
11 ing, emergency services, or planning.

12 (b) The commission shall elect annually from its members a  
13 chairman and vice-chairman. A majority of the commission may vote to  
14 replace an officer of the commission.

15 (c) Eight members constitutes a quorum.

16 (d) Commission members receive no compensation but are entitled  
17 to travel and per diem authorized for boards and commissions under  
18 AS 39.20.180.

19 Sec. 44.19.243. POWERS AND DUTIES. (a) The commission shall

20 (1) recommend goals and priorities for hazard mitigation to  
21 the public and private sectors;

22 (2) recommend policies to the governor and the legislature,  
23 including needed research, mapping, and monitoring programs;

24 (3) offer advice on coordinating disaster preparedness and  
25 hazard-mitigation activities of government at all levels, review the  
26 practices for recovery and reconstruction after a natural disaster,  
27 and recommend improvements to mitigate losses from similar future  
28 events;

29 (4) gather, analyze, and disseminate information of general

1 interest on hazard mitigation;

2 (5) establish and maintain necessary working relationships  
3 with other public and private agencies;

4 (6) review predictions and warnings issued by the federal  
5 government, research institutions, and other organizations and persons  
6 and suggest appropriate responses at the state and local level; and

7 (7) review proposed hazard notifications and supporting  
8 information from state agencies, evaluate possible socioeconomic  
9 consequences, recommend that the governor issue formal hazard noti-  
10 fications when appropriate, and advise state and local agencies of  
11 appropriate responses.

12 (b) The commission may

13 (1) advise the governor and the legislature on disaster  
14 preparedness and hazard mitigation and on budgets for those activi-  
15 ties, and recommend legislation or policies to improve disaster pre-  
16 paredness or hazard mitigation;

17 (2) conduct public hearings;

18 (3) appoint committees from its membership and appoint  
19 external advisory committees of ex-officio members; and

20 (4) accept grants, contributions, and appropriations from  
21 public agencies, private foundations, and individuals.

22 Sec. 44.19.244. DEFINITIONS. In AS 44.19.241 - 44.19.244

23 (1) "commission" means the Alaska Natural Hazards Safety  
24 Commission;

25 (2) "disaster preparedness" means establishing plans and  
26 programs for responding to and distributing funds to alleviate losses  
27 from a disaster as defined in AS 26.23.230;

28 (3) "hazard mitigation" or "mitigation" mean activities  
29 that prevent or alleviate the harmful effects of natural hazards to

1 persons and property, including identification and evaluation of the  
2 hazards, assessment of the risks, and implementation of measures to  
3 reduce potential losses before a damaging event occurs.

4 \* Sec. 3. AS 44.66.010(a) is amended by adding a new paragraph to read:

5 (13) Alaska Natural Hazards Safety Commission (AS 44.19.241)

6 -- June 30, 1989.

7 \* Sec. 4. Notwithstanding AS 44.19.242 enacted by sec. 2 of this Act,  
8 four of the initial members of the Alaska Natural Hazards Safety Commission  
9 shall serve terms of two years and three initial members shall serve terms  
10 of four years.

11 \* Sec. 5. Nothing in this Act is intended to transfer to the commission  
12 the authorities and responsibilities of other state agencies, boards,  
13 councils, or commissions or of local governments.

ALASKA STATE LEGISLATURE

14th Legislature FIRST Session

SENATE BILL NO. 310

By STURGULEWSKI

"An Act establishing the Alaska Natural Hazards Safety Commission."

Introduced in the Senate 5/6, 19.85

HISTORY IN THE SENATE

19 85	Read first time and referred to Committee on State Affairs & Finance												
5 6 1986	Reported back with recommendation that <i>J. A. replace w/CS, 3 do pass to Finance.</i>												
2 27													
	Read second time and												
	Read third time and												
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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												
	<table border="0"> <tr><td>PASS</td><td>Effective Date</td></tr> <tr><td>Yeas</td><td>Yeas</td></tr> <tr><td>Nays</td><td>Nays</td></tr> <tr><td>Absent</td><td>Absent</td></tr> <tr><td>Excused</td><td>Excused</td></tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused		
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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
	To enrolling
	Reported correctly enrolled
	Sent to Governor
	..... by Governor
	Filed with Lt. Governor
	Chapter No. ....

# STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : \_\_\_\_\_

**REQUEST**

Bill/Resolution No. : SB 310  
 Title : Natural Hazards Safety Comm.

Sponsor : Senator Sturgulewski  
 Requestor : Senate Resources  
 Date of Request : 02-18-86

**FISCAL DETAIL**

Agency Affected : Natural Resources  
 BRU : Resource Appraisal

Components : \_\_\_\_\_

**EXPENDITURES/REVENUES : (Thousands of Dollars)**

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL		6.0	6.0	7.0	7.0	7.0
CONTRACTUAL						
SUPPLIES		1.0	1.0	1.5	1.5	1.5
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>		<b>7.0</b>	<b>7.0</b>	<b>8.5</b>	<b>8.5</b>	<b>8.5</b>

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

**FUNDING : (Thousands of Dollars)**

GENERAL FUND		7.0	7.0	8.5	8.5	8.5
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>		<b>7.0</b>	<b>7.0</b>	<b>8.5</b>	<b>8.5</b>	<b>8.5</b>

**POSITIONS :**

FULL-TIME						
PART-TIME						
TEMPORARY						

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

Fiscal note calculations assume an eleven member board with three meetings per year in Anchorage.

Prepared by : Rodney Combellick *RCM* Phone : 474-7147  
 Division : Geological & Geophysical Surveys Date : 02-19-86

Approved by Commissioner : *Wm D. J. ...* Date : \_\_\_\_\_  
 Agency : Natural Resources

Distribution (by Agency preparing fiscal note) :

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

# STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : 2/27/86

**REQUEST**

Bill/Resolution No. : SB 310  
 Title : National Hazards Safety Commission  
 \_\_\_\_\_  
 Sponsor : Sen. Sturgulewski  
 Requestor : \_\_\_\_\_  
 Date of Request : \_\_\_\_\_

**FISCAL DETAIL**

Agency Affected : DCRA  
 BRU : \_\_\_\_\_  
 \_\_\_\_\_  
 Components : \_\_\_\_\_  
 \_\_\_\_\_

**EXPENDITURES/REVENUES : (Thousands of Dollars)**

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

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

**FUNDING : (Thousands of Dollars)**

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

**POSITIONS :**

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

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

Prepared by : Doug Griffin *D. Griffin* Phone : 465-4700  
 Division : Municipal and Regional Assistance Date : \_\_\_\_\_  
 Approved by Commissioner : Jeff Smith *J. Smith* Date : 2/27/86  
 Agency : Community and Regional Affairs

Distribution (by Agency preparing fiscal note) :  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

# STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

February 25, 1986

## POSITION PAPER

RE: SB 310

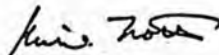
SPONSORS: Senators Sturgulewski, Fischer,  
and Zharoff

Effects of Bill: This bill would establish a Natural Hazards Safety Commission composed of eleven members to address hazards mitigation and disaster preparedness issues.

Comments: The Department of Community and Regional Affairs supports the bill as a rational way to address the vital need to coordinate the activities of hazard-related programs and public safety practices at all governmental levels and in the private sector.

Flooding is one of the major natural hazards that regularly occurs in Alaska. Major rivers almost on an annual basis produce floods which cause significant property damage and threaten the health and safety of Alaskan residents. The Department of Community and Regional Affairs is the coordinating office of the National Flood Insurance Program. The potential flood hazard mitigation and post-disaster floodplain management duties of the proposed Commission would benefit greatly our Department's floodplain management community assistance program.

Because of the Department's interest and active involvement in the area of natural hazard mitigation and management, the Department believes SB 310 should be amended to provide for a representative from the Department of Community and Regional Affairs. Even though the existing bill provides for a local government representative, the addition of a DCRA representative would enhance the link between local governments and the hazard mitigation functions of the Natural Hazards Safety Commission.

  
\_\_\_\_\_  
Emil Notti, Commissioner

BILL SHEFFIELD, GOVERNOR

POUCH B  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-4700

949 E. 36TH AVENUE, SUITE 400  
ANCHORAGE, ALASKA 99508  
PHONE: (907) 563-1073

Offered: 2/27/86  
Referred: Finance

Original sponsors: Sturgulewski, V. Fischer,  
Rodey and Zharoff

1 IN THE SENATE BY THE STATE AFFAIRS COMMITTEE  
2 CS FOR SENATE BILL NO. 310 (State Affairs)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 FOURTEENTH LEGISLATURE - SECOND SESSION  
5 A BILL  
6 For an Act entitled: "An Act establishing the Alaska Natural Hazards  
7 Safety Commission."  
8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:  
9 \* Section 1. FINDINGS. The legislature finds that  
10 (1) there is a pressing need to provide a consistent policy  
11 framework and a means for continuing coordination of hazard-related pro-  
12 grams and public safety practices at all governmental levels and in the  
13 private sector; this need is not being addressed by any continuing state  
14 government organization;  
15 (2) through concerted efforts coordinated by a Natural Hazards  
16 Safety Commission, the state can make long-term progress toward mitigating  
17 the effects of natural hazards on persons and property, thereby reducing  
18 the costs of responding to and recovering from natural hazards.  
19 \* Sec. 2. AS 44.37 is amended by adding new sections to read:  
20 ARTICLE 2. ALASKA NATURAL HAZARDS SAFETY COMMISSION.  
21 Sec. 44.37.200. COMMISSION ESTABLISHED. The Alaska Natural  
22 Hazards Safety Commission is established in the Department of Natural  
23 Resources.  
24 Sec. 44.37.210. MEMBERSHIP. (a) The commission is composed of  
25 11 members appointed by the governor for terms of three years. A  
26 member holds office until a successor is appointed and confirmed. A  
27 vacancy is filled for the unexpired term. The governor shall appoint  
28 to the commission a representative from the University of Alaska, a  
29 representative from the Department of Community and Regional Affairs,

1 a representative from the Department of Natural Resources, a represen-  
2 tative from the Department of Military and Veterans' Affairs, a rep-  
3 resentative from the Department of Transportation and Public Facil-  
4 ities, a representative from an appropriate federal agency and shall  
5 appoint the remaining five members from members of the public who are  
6 knowledgeable in the fields of geology, seismology, hydrology, geo-  
7 technical engineering, structural engineering, emergency services, or  
8 planning. In making appointments to the commission, the governor  
9 shall consider the need for representation from all parts of the  
10 state.

11 (b) The commission shall elect annually from its members a  
12 chairman and vice-chairman. A majority of the commission may vote to  
13 replace an officer of the commission.

14 (c) Six members constitute a quorum.

15 (d) Commission members receive no compensation but are entitled  
16 to travel and per diem authorized for boards and commissions under  
17 AS 39.20.180.

18 Sec. 44.37.220. POWERS AND DUTIES. (a) The commission shall

19 (1) recommend goals and priorities for hazard mitigation to  
20 the public and private sectors;

21 (2) annually recommend policies to the governor and the  
22 legislature, including needed research, mapping, and monitoring pro-  
23 grams;

24 (3) offer advice on coordinating disaster preparedness and  
25 hazard-mitigation activities of government at all levels, review the  
26 practices for recovery and reconstruction after a natural disaster,  
27 and recommend improvements to mitigate losses from similar future  
28 events;

29 (4) gather, analyze, and disseminate information of general

1 interest on hazard mitigation;  
2 (5) establish and maintain necessary working relationships  
3 with other public and private agencies;  
4 (6) review predictions and warnings issued by the federal  
5 government, research institutions, and other organizations and persons  
6 and suggest appropriate responses at the state and local level; and  
7 (7) review proposed hazard notifications and supporting  
8 information from state agencies, evaluate possible socioeconomic  
9 consequences, recommend that the governor issue formal hazard noti-  
10 fications when appropriate, and advise state and local agencies of  
11 appropriate responses.

12 (b) The commission may

13 (1) advise the governor and the legislature on disaster  
14 preparedness and hazard mitigation and on budgets for those activi-  
15 ties, and recommend legislation or policies to improve disaster pre-  
16 paredness or hazard mitigation;

17 (2) conduct public hearings;

18 (3) appoint committees from its membership and appoint  
19 external advisory committees of ex-officio members; and

20 (4) accept grants, contributions, and appropriations from  
21 public agencies, private foundations, and individuals.

22 Sec. 44.37.230. DEFINITIONS. In AS 44.37.200 - 44.37.230

23 (1) "commission" means the Alaska Natural Hazards Safety  
24 Commission;

25 (2) "disaster preparedness" means establishing plans and  
26 programs for responding to and distributing funds to alleviate losses  
27 from a disaster as defined in AS 26.23.230;

28 (3) "hazard mitigation" or "mitigation" mean activities  
29 that prevent or alleviate the harmful effects of natural hazards to

1 persons and property, including identification and evaluation of the  
2 hazards, assessment of the risks, and implementation of measures to  
3 reduce potential losses before a damaging event occurs.

4 \* Sec. 3. AS 44.66.010(a) is amended by adding a new paragraph to read:

5 (13) Alaska Natural Hazards Safety Commission (AS 44.37.200)

6 -- June 30, 1990.

7 \* Sec. 4. Notwithstanding AS 44.37.210 enacted by sec. 2 of this Act,  
8 two of the initial public members of the Alaska Natural Hazards Safety  
9 Commission shall serve terms of two years, two initial public members of  
10 the commission shall serve terms of three years and one initial public  
11 member shall serve a term of four years.

12 \* Sec. 5. Nothing in this Act is intended to transfer to the commission  
13 the authorities and responsibilities of other state agencies, boards,  
14 councils, or commissions or of local governments.

Introduced: 5/6/85  
Referred: State Affairs  
and Finance

BY STURGULEWSKI, V. FISCHER,  
RODEY AND ZHAROFF

1 IN THE SENATE

2 SENATE BILL NO. 310

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Alaska Natural Hazards  
7 Safety Commission."

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

9 \* Section 1. FINDINGS. The legislature finds that

10 (1) although the state has made significant improvements in  
11 disaster preparedness since the great earthquake of 1964, there has been  
12 little corresponding improvement in measures to reduce the disaster  
13 potential of natural hazards and, consequently, to reduce dependence on  
14 disaster relief;

15 (2) there is a pressing need to provide a consistent policy  
16 framework and a means for continuing coordination of hazard-related pro-  
17 grams and public safety practices at all governmental levels and in the  
18 private sector; this need is not being addressed by any continuing state  
19 government organization;

20 (3) through concerted efforts coordinated by a Natural Hazards  
21 Safety Commission, the state can make long-term progress toward mitigating  
22 the effects of natural hazards on persons and property, thereby reducing  
23 the costs of responding to and recovering from natural hazards.

24 \* Sec. 2. AS 44.19 is amended by adding new sections to read:

25 ARTICLE 15. ALASKA NATURAL HAZARDS SAFETY COMMISSION.

26 Sec. 44.19.241. COMMISSION ESTABLISHED. The Alaska Natural  
27 Hazards Safety Commission is established in the Office of the Gover-  
28 nor.

29 Sec. 44.19.242. MEMBERSHIP. (a) The commission is composed of

1 11 members appointed by the governor for terms of three years. A  
2 member holds office until a successor is appointed and confirmed. A  
3 vacancy is filled for the unexpired term. The governor shall appoint  
4 to the commission a representative from the University of Alaska, a  
5 representative from local government, a representative from the De-  
6 partment of Natural Resources, a representative from the Department of  
7 Military and Veterans' Affairs, a representative from an appropriate  
8 federal agency and shall appoint the remaining six members from mem-  
9 bers of the public who are knowledgeable in the fields of geology,  
10 sei nology, hydrology, geotechnical engineering, structural engineer-  
11 ing, emergency services, or planning.

12 (b) The commission shall elect annually from its members a  
13 chairman and vice-chairman. A majority of the commission may vote to  
14 replace an officer of the commission.

15 (c) Eight members constitutes a quorum.

16 (d) Commission members receive no compensation but are entitled  
17 to travel and per diem authorized for boards and commissions under  
18 AS 39.20.180.

19 Sec. 44.19.243. POWERS AND DUTIES. (a) The commission shall

20 (1) recommend goals and priorities for hazard mitigation to  
21 the public and private sectors;

22 (2) recommend policies to the governor and the legislature,  
23 including needed research, mapping, and monitoring programs;

24 (3) offer advice on coordinating disaster preparedness and  
25 hazard-mitigation activities of government at all levels, review the  
26 practices for recovery and reconstruction after a natural disaster,  
27 and recommend improvements to mitigate losses from similar future  
28 events;

29 (4) gather, analyze, and disseminate information of general

1 interest on hazard mitigation;

2 (5) establish and maintain necessary working relationships  
3 with other public and private agencies;

4 (6) review predictions and warnings issued by the federal  
5 government, research institutions, and other organizations and persons  
6 and suggest appropriate responses at the state and local level; and

7 (7) review proposed hazard notifications and supporting  
8 information from state agencies evaluate possible socioeconomic  
9 consequences, recommend that the governor issue formal hazard noti-  
10 fications when appropriate, and advise state and local agencies of  
11 appropriate responses.

12 (b) The commission may

13 (1) advise the governor and the legislature on disaster  
14 preparedness and hazard mitigation and on budgets for those activi-  
15 ties, and recommend legislation or policies to improve disaster pre-  
16 paredness or hazard mitigation;

17 (2) conduct public hearings;

18 (3) appoint committees from its membership and appoint  
19 external advisory committees of ex-officio members; and

20 (4) accept grants, contributions, and appropriations from  
21 public agencies, private foundations, and individuals.

22 Sec. 44.19.244. DEFINITIONS. In AS 44.19.241 - 44.19.244

23 (1) "commission" means the Alaska Natural Hazards Safety  
24 Commission;

25 (2) "disaster preparedness" means establishing plans and  
26 programs for responding to and distributing funds to alleviate losses  
27 from a disaster as defined in AS 26.23.230;

28 (3) "hazard mitigation" or "mitigation" mean activities  
29 that prevent or alleviate the harmful effects of natural hazards to

1 persons and property, including identification and evaluation of the  
2 hazards, assessment of the risks, and implementation of measures to  
3 reduce potential losses before a damaging event occurs.

4 \* Sec. 3. AS 44.66.010(a) is amended by adding a new paragraph to read:

5 (13) Alaska Natural Hazards Safety Commission (AS 44.19.241)

6 -- June 30, 1989.

7 \* Sec. 4. Notwithstanding AS 44.19.242 enacted by sec. 2 of this Act,  
8 four of the initial members of the Alaska Natural Hazards Safety Commission  
9 shall serve terms of two years and three initial members shall serve terms  
10 of four years.

11 \* Sec. 5. Nothing in this Act is intended to transfer to the commission  
12 the authorities and responsibilities of other state agencies, boards,  
13 councils, or commissions or of local governments.

COMMITTEE REPORT  
SENATE

FURTHER: FINANCE

5/6/85

Date 2/26/84

Mr. President

The Committee on STATE AFFAIRS considered SB 310

establishing the Alaska Natural Hazards Safety Commission.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for SB 310, (SA)
- new title
- same title and recommends
- and attached a "LETTER OF INTENT" [ ] NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS

*Edna De Vries*

*[Signature]*

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

*[Signature]*

Chairman

*[Signature]*

Chairman recommendation

**COMMITTEE REPORT**  
**SENATE**

FURTHER:

5/6/85

Date 5/10/85

Mr. President

The Committee on FINANCE considered SB 311

increasing the bond authorization for airport revenue bonds: efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for SB 311 (File)
- new title
- same title and recommends DO PASS
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

**MEMBERS SIGNING**  
**DO PASS**

**MEMBERS HAVING**  
**OTHER RECOMMENDATIONS**

\_\_\_\_\_  
*Rick Hallock*  
\_\_\_\_\_  
\_\_\_\_\_  
*McCluskey*  
\_\_\_\_\_  
*Dargatzis*  
\_\_\_\_\_  
\_\_\_\_\_  
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\_\_\_\_\_  
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\_\_\_\_\_  
\_\_\_\_\_

Chairman  
do pass  
Chairman recommendation

Introduced: 5/6/85  
Referred: Finance

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2

CS SENATE BILL NO. 311 (Finance)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act increasing the bond authorization for airport  
revenue bonds; and providing for an effective date."

7

8

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

9

\* Section 1. AS 37.15.410 is amended to read:

10

Sec. 37.15.410. .BOND AUTHORIZATION. For the purpose of provid-

11

ing part or all of the money to be used, with or without any grants or

12

other money that [WHICH] may become available, the issuance and sale

13

of revenue bonds of the state in the total principal sum of not to

14

exceed ~~\$6,525,000~~ <sup>\$100,825,000</sup> [\$62,825,000] is authorized to acquire, equip,

15

construct, and install the additions, improvements, extensions, and

16

facilities authorized in AS 37.15.510. The principal of and interest

17

on these bonds shall be paid out of and secured by the gross revenues

18

derived by the state from the ownership, lease, use, and operation of

19

the airports, and of all the facilities of them and out of any other

20

revenues or money that [WHICH] the state legislature may provide

21

exclusive of any state tax or license.

22

\* Sec. 2. This Act takes effect immediately in accordance with AS 01.-

23

10.070(c).

5/10/85  
Zakad  
3  
M.

AMENDMENT

To: SB 311

By: Faiks by request of  
DOT/PF

Page 1, Line 14

Delete \$86,525,000 and

Insert \$100,825,000

This change will allow us to accelerate the parking structure design and construction with the terminal modification in access to the baggage claim area. This will reduce the congestion to the public during construction as well as accelerate the parking facility.

This project will allow design and construction of a parking garage at the Anchorage International Airport; passage-ways necessary to connect the garage to the terminal; provide convenient, efficient interface with the parking garage make modification to electrical mechanical and structural portions of the terminal to enhance the ultimate usefulness of the terminal and the garage, pay all costs related to issuance of the bonds, establishment of the required reserves; and the cost of debt service during construction (estimated to take 2 years).

Existing parking supply is inadequate for projected parking demand. This expansion and remodeling will provide sufficient parking to accommodate anticipated needs.

All maintenance operation and debt service costs for this facility will be paid from the International Airport Revenue Fund. The parking structure will produce revenue and in the very near term, the receipts from the increased parking spaces provided should cover the costs.

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date \_\_\_\_\_

**REQUEST**

Bill/Resolution No: CS SB 311  
 Title: Airport Revenue Bonds  
 \_\_\_\_\_  
 Sponsor: Senate Finance  
 Requestor: Senate Finance  
 Date of Request: May 9, 1985

**FISCAL DETAIL**

Agency Affected: State Bond Committee  
 Program Category Affected: Debt Service  
 \_\_\_\_\_  
 BRU, Program of Subprogram(s) Affected: International Airports Revenue Bonds  
Debt Service

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	5,100	4,400	4,400	4,400	4,400
<b>TOTAL OPERATING</b>	-	5,100	4,400	4,400	4,400	4,400
<b>CAPITAL</b>	-	-	-	-	-	-
<b>REVENUE</b>	-	-	-	-	-	-

**FUNDING: (Thousands of Dollars)**

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	5,100	4,400	4,400	4,400	4,400
<b>TOTAL</b>	-	5,100	4,400	4,400	4,400	4,400

**POSITIONS:**

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

**ANALYSIS:** Attach a separate page for analysis.

Prepared By: Milt Barker MB  
 Division: Treasury  
 Approved by Commissioner: [Signature]  
 Agency: Department of Revenue

Phone: 465-2350  
 Date: May 9, 1985  
 Date: 5/9/85

**Distribution (by Agency preparing fiscal note):**

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

STATE OF CALIFORNIA  
Fiscal Note Analysis

Assumes issuance of bonds of \$38,000,000 at 11% level debt service for 30 years plus \$700,000 in issuance costs for FY 86.

The appropriation for FY 86 and FY 87 is from the International Airports Construction Fund. Thereafter, appropriations would be from the International Airports Revenue Fund.

SECTIONAL ANALYSIS FOR SB 311

An Act increasing the bond authorization for airport revenue bonds

Section 1

Under current law, revenue bonds for the International Airports may not exceed a total amount of \$62,825,000. This bill increases that amount to \$86,825,000.

Section 2

Immediate effective date.

There is a proposed amendment offered at the suggestion of the Department of Transportation which increases the bond limit to \$100,825,000.

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date

**REQUEST**

Bill/Resolution No: SB 311  
 Title: Airport Revenue Bonds  
 Sponsor: Senate Finance  
 Requestor: Senate Finance  
 Date of Request: May 7, 1985

**FISCAL DETAIL**

Agency Affected: State Bond Committee  
 Program Category Affected: Debt Service  
 BRU, Program of Subprogram(s) Affected: International Airports Revenue Bonds

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	3,550	2,850	2,850	2,850	2,850
<b>TOTAL OPERATING</b>	-	3,550	2,850	2,850	2,850	2,850
<b>CAPITAL</b>	-	-	-	-	-	-
<b>REVENUE</b>	-	-	-	-	-	-

**FUNDING: (Thousands of Dollars)**

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	3,550	2,850	2,850	2,850	2,850
<b>TOTAL</b>	-	3,550	2,850	2,850	2,850	2,850

**POSITIONS:**

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

**ANALYSIS:** Attach a separate page for analysis.

Prepared By: Milt Barker *MB*  
 Division: Treasury

Phone: 465-2350  
 Date: May 7, 1985

Approved by Commissioner: *Henry G. Shindler*  
 Agency: Department of Revenue

Date: 5/9/85

Distribution (by Agency preparing fiscal note):

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

SB 311  
Fiscal Note Analysis

Assumes issuance of bonds of \$23,700,000 at 11% level debt service for 30 years plus \$700,000 in issuance costs for FY 86.

The appropriation for FY 86 and FY 87 is from the International Airports Construction Fund. Thereafter, appropriations would be from the International Airports Revenue Fund.

## MEMORANDUM

## State of Alaska

Department of Transportation &amp; Public Facilities

TO: Jay Hogan, Associate Director  
Office of Management and Budget  
Office of the Governor

DATE: May 4, 1985

FILE NO: 465-3900

TELEPHONE NO:

MAY 1 1985

FROM: R. J. Knapp  
Commissioner

SUBJECT: AIA Changes  
BUDGET REVIEW

BUDGET REVIEW

We are requesting certain changes in projects for the Anchorage International Airport in the Governor's budget. These changes will also require a change in Section 1 of HB 105 which authorizes additional International Airport Revenue Bonds.

The changes are as follows:

1. Change the project title, "Anchorage International Airport Main Terminal Renovation Phase II." To "Anchorage International Airport Parking Garage and Terminal Access."
2. Increase the project appropriation to \$44,000,000 of which \$6 million is from the International Airport Revenue Fund, and \$38,000,000 is from the International Airport Construction Fund.
3. Increase the bond authorization in Section 1 of CSHB 105 (Finance) from \$86,525,000 to \$100,825,000.
4. Delete the separate project titled Parking Garage Design.

These changes will allow us to accelerate the parking structure design and construction with the terminal modification in access to the baggage claim area. This will reduce the congestion to the public during construction as well as accelerate the parking facility.

This project will allow design and construction of a parking garage at the Anchorage International Airport; passage-ways necessary to connect the garage to the terminal; provide convenient, efficient interface with the parking garage make modification to electrical mechanical and structural portions of the terminal to enhance the ultimate usefulness of the terminal and the garage, pay all costs related to issuance of the bonds, establishment of the required reserves; and the cost of debt service during construction (estimated to take 2 years).

Existing parking supply is inadequate for projected parking demand. This expansion and remodeling will provide sufficient parking to accommodate anticipated needs.

All maintenance operation and debt service costs for this facility will be paid from the International Airport Revenue Fund. The parking structure will produce revenue and in the very near term, the receipts from the increased parking spaces provided should cover the costs.

~~AP 311~~  
AP 311

AP

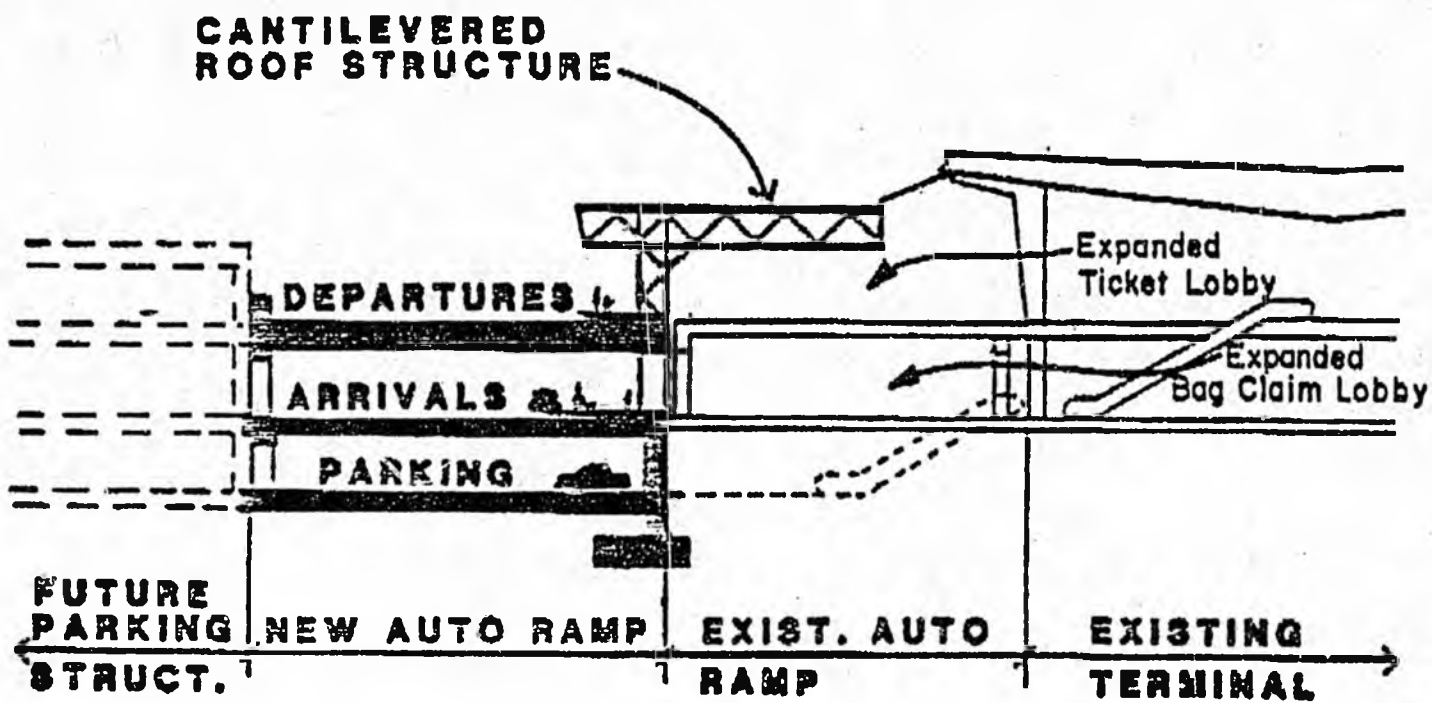
ANCHORAGE INTERNATIONAL AIRPORT  
TERMINAL EXPANSION PHASE II

Phase:

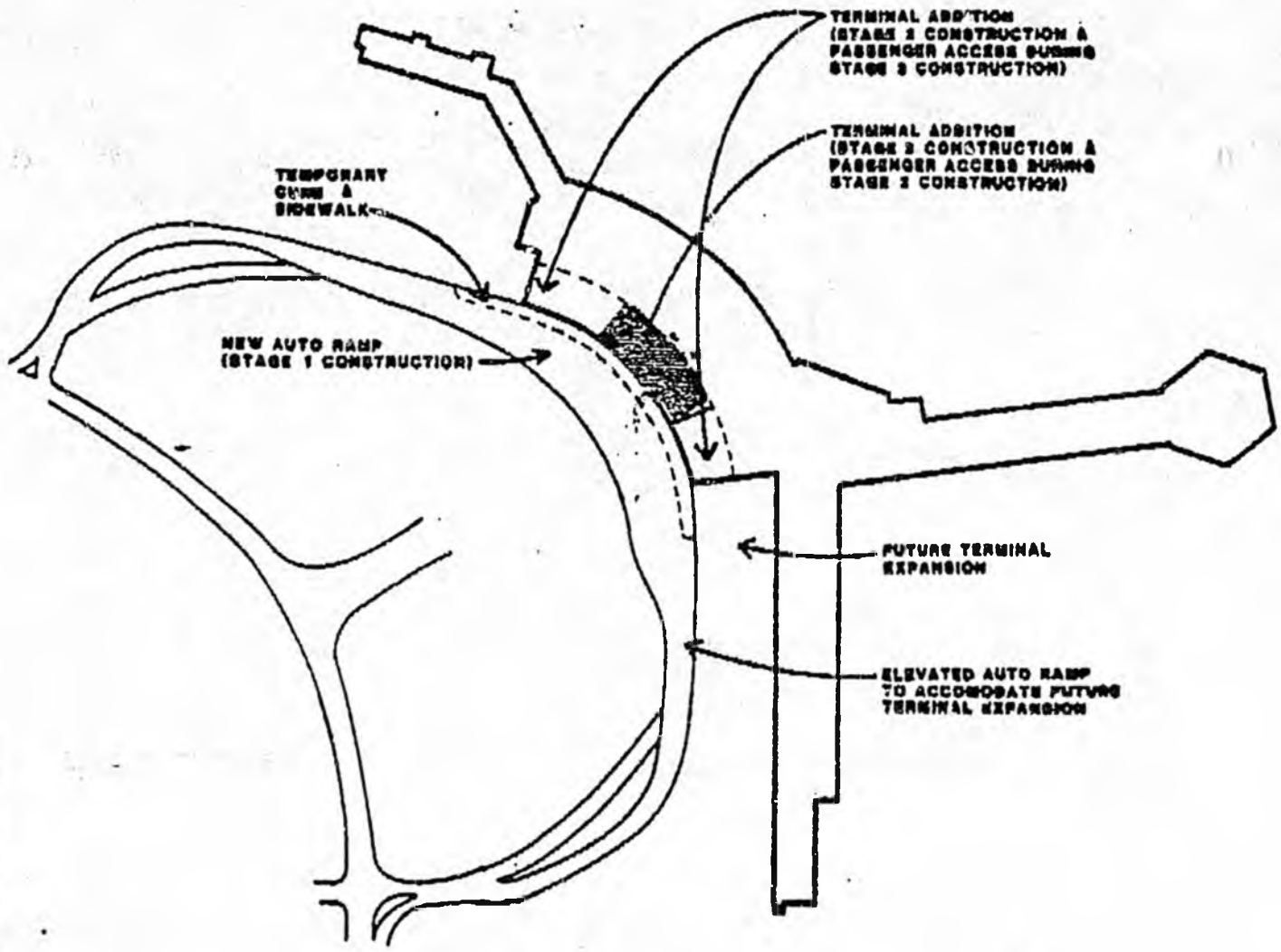
This project will expand the existing terminal building width out over the existing vehicle ramps and replace the vehicle ramps. The ticket lobby and bag claim areas will be expanded into this new space and remodeled.

Project Need:

Existing terminal facilities are undersized and inadequate for the level of aviation activity experienced and AIA. Expansion will allow an increase to the lobby and baggage claim areas sufficient to serve the large number of passengers travelling on wide body aircraft. The arrival and departure ramps will be relocated and expanded to accommodate the growing number of travellers and allow continued, convenient airport operation.



## BUILDING SECTION



A13 310

**Article 3. International Airports Revenue Bonds.**

Section	Section
410. Bond authorization	490. Bond negotiability
420. Construction fund	500. Airport charges
430. Revenue fund	510. State improvements to airports
440. Redemption fund	520. Refunding
450. Bond terms	530. Bonds as legal investments
460. Bond resolution	540. Statutory construction
470. Enforcement by holder	550. Definitions
480. Amounts required for payments	

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**Legislative history reports.** — For report on ch. 149, SLA 1972 (CSHB 531), see 1972 House Journal, p. 1233.

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**Sec. 37.15.410. Bond authorization.** For the purpose of providing part or all of the money to be used, with or without any grants or other money which may become available, the issuance and sale of revenue bonds of the state in the total principal sum of not to exceed \$62,825,000 is authorized to acquire, equip, construct and install the additions, improvements, extensions and facilities authorized in AS 37.15.510. The principal of and interest on these bonds shall be paid out of and secured by the gross revenues derived by the state from the ownership, lease, use and operation of the airports, and of all the facilities of them and out of any other revenues or money which the state legislature may provide exclusive of any state tax or license. (§ 1 ch 149 SLA 1972; am § 1 ch 66 SLA 1974; am § 1 ch 68 SLA 1979; am § 1 ch 11 SLA 1982; am § 1 ch 25 SLA 1983)

**Effect of amendments.** — The 1979 amendment substituted "\$43,325,000" for "\$34,825,000" in the first sentence.

The 1982 amendment, substituted "\$34,825,000" for "\$43,325,000" in the first sentence.

The 1983 amendment substituted

"\$62,825,000" for "\$34,825,000" in the first sentence.

**Editor's notes.** — See ch. 69, SLA 1979 in Temporary and Special Acts and Resolves for the appropriation of the increase in bonds authorized by ch. 68, SLA 1979.

**Sec. 37.15.420. Construction fund.** (a) There is a special fund of the state known as the "International Airports Construction Fund," into which shall be paid the proceeds of the sale of the bonds (except any accrued interest paid on them, which shall be paid into the bond redemption fund) and any grant or other money which is legally provided for the same purposes for which the bonds are authorized. The money in the construction fund shall be used to pay the costs of acquiring, equipping, constructing and installing additions and improvements to and extensions of and facilities for the airports and costs incidental thereto, including costs of the authorization, issuance and

(b) The investment of money in the revenue fund may be made in such manner as the committee may determine. The interest earned upon or any profits derived from the sale of this investment shall be deposited in and become a part of the revenue fund. (§ 1 ch 149 SLA 1972)

**Opinions of Attorney General.** — This fund does not represent an unconstitutional dedication of public funds under § 7, art. IX, of the state constitution, as that section of the constitution contains an implied exception for revenue derived from bond issues and for revenue

derived from facilities constructed with bond proceeds, at least to the extent that it is necessary to satisfy the debt obligation or maintain the facility so that it continues to generate revenues for that purpose. November 30, 1982, Op. Att'y Gen.

**Sec. 37.15.440. Redemption fund.** There is another special fund of the state, known as the "International Airports Revenue Bond Redemption Fund," which is a trust fund for paying and securing the payment of the principal of and interest and redemption premium, if any, on the bonds and which shall be at all times completely segregated and set apart from all other funds of the state. The committee, on behalf of the state, shall obligate and bind the state to set aside and pay into the bond redemption fund any part or parts of, or all of, or a fixed proportion of, or a fixed amount of the money in the revenue fund sufficient to pay the principal of and interest and redemption premium, if any, on the bonds as the payments become due and, if it considers it necessary, to set aside and maintain reserves for this purpose. The bond redemption fund shall be drawn upon for the purpose of paying the principal of and interest and redemption premium, if any, on the bonds, and the bonds do not constitute a general obligation of the state. (§ 1 ch 149 SLA 1972)

**Opinions of Attorney General.** — This fund does not represent an unconstitutional dedication of public funds under § 7, art. IX, of the state constitution, as that section of the constitution contains an implied exception for revenue derived from bond issues and for revenue

derived from facilities constructed with bond proceeds, at least to the extent that it is necessary to satisfy the debt obligation or maintain the facility so that it continues to generate revenues for that purpose. November 30, 1982, Op. Att'y Gen.

**Sec. 37.15.450. Bond terms.** (a) The bonds shall be sold in such amounts or series and at such time or times as determined by the committee. Before selling a series of bonds, the committee shall give notice inviting sealed bids in such manner as it may prescribe. If satisfactory bids are received, the bonds offered for sale shall be awarded to the highest responsible bidder. If the committee determines that the bids received are not satisfactory as to price or responsibility of the bidders, it may reject all bids received. The bonds, or each series of them, shall be sold at such a price so that the effective interest rate over the life of the bonds does not exceed 11 percent per year or that

the bonds, with due regard, however, to necessary or normal costs of maintenance and operation, renewals and replacements of and repairs to the airports and to all improvements to them and facilities of them owned, used, operated or leased in connection with them, the future growth and expansion of the airports and all of such facilities, and the possibility of additional revenue bond financing for airports purposes. Any such decisions of the committee, as expressed in any bond resolution, are final and conclusive when any bonds have been issued pursuant to the bond resolution.

(e) A bond resolution may provide that the bonds issued shall contain a recital that they are issued under AS 37.15.410 — 37.15.550, and any such bonds containing this recital shall be conclusively considered to be valid and to have been issued in conformity with AS 37.15.410 — 37.15.550.

(f) The validity of the authorization and issuance of bonds is not affected by any proceedings for the acquisition or construction of the additions, improvements, extensions or facilities for which the bonds have been issued or by any contracts in connection with the acquisition or construction. (§ 1 ch 149 SLA 1972; am §§ 1, 2 ch 19 SLA 1973; am § 4 ch 85 SLA 1980; am § 5 ch 110 SLA 1982)

**Revisor's notes.** — AS 37.15.450 was derived from § 7, ch. 88, SLA 1961, as amended by § 8, ch. 62, SLA 1968 and § 3, ch. 173, SLA 1970. In the last sentence of what is now designated subsection (b), the only differences between the wording here and in those earlier versions are that "hereafter" was changed to "after the effective date of this Act" and "authorized by this Act" (in two places) was changed to "authorized as of that date." The latter change suggests that the date referred to in the former change is June 27, 1972, the effective date of the Act putting these provisions in the Alaska Statutes, rather than

April 15, 1961, the effective date of the original international airports bond authorization Act. Therefore, under AS 01.05.031(b)(5), the 1972 date has been inserted in the text.

**Effect of amendments.** — The 1980 amendment substituted "10" for "eight" preceding "percent per year" near the end of the next-to-last sentence of subsection (a).

The 1982 amendment substituted the language beginning "11 percent per year" for "10 percent per year" at the end of the next-to-last sentence of subsection (a).

**Sec. 37.15.460. Bond resolution.** The committee is authorized and directed to adopt the bond resolution and prepare all other documents and proceedings necessary for the issuance, sale and delivery of the bonds or any part or series of them. The bond resolution shall fix the principal amount, denomination, date, maturities, place or places of payment, rights of redemption, if any, terms, form, conditions and covenants of the bonds or each series of them. The committee shall also determine and provide for the date and manner of sale of the bonds, and shall provide whether the notice of sale is to be published elsewhere in addition to the publication required by AS 37.15.450. (§ 1 ch 149 SLA 1972)

delivery of such bonds. All provisions of AS 37.15.410 — 37.15.550 applicable to revenue bonds are applicable to the refunding bonds and to the issuance, sale or exchange of them, except as otherwise provided in this section.

(c) Refunding bonds may be issued in a principal amount sufficient to provide funds for the payment of all bonds to be refunded by them, and, in addition, for the payment of all expenses incident to the calling, retiring or paying of the outstanding bonds, and the issuance of the refunding bonds. These expenses include the difference in amount between the par value of the refunding bonds and any amount less than par for which the refunding bonds are sold, any amount necessary to be made available for the payment of interest upon the refunding bonds from the date of sale of them to the date of payment of the bonds to be refunded or to the date upon which the bonds to be refunded will be paid pursuant to the call of them or agreement with the holders of them, and the premium, if any, necessary to be paid in order to call or retire the outstanding bonds and the interest accruing on them to the date of the call or retirement. (§ 1 ch 149 SLA 1972)

**Collateral references.** — Funding or refunding obligations as subject to conditions respecting limitation of indebtedness or approval by voters, 97 ALR 442.

Power of governmental unit to issue bonds as implying power to refund them, 1 ALR2d 134.

**Sec. 37.15.530. Bonds as legal investments.** The bonds are legal investments for all banks, trust companies, savings banks, savings and loan associations and other persons carrying on a banking business, all insurance companies and other persons carrying on an insurance business, and all executors, administrators, trustees and other fiduciaries. The bonds may be accepted as security for deposits of all funds of the state and its political subdivisions. (§ 1 ch 149 SLA 1972)

**Sec. 37.15.540. Statutory construction.** AS 37.15.410 — 37.15.550 shall be liberally construed in order to carry out the purposes for which they were enacted, and all existing laws in conflict with any of these sections are superseded insofar as necessary to accomplish the purposes of and carry out the provisions of these sections. (§ 1 ch 149 SLA 1972)

**Sec. 37.15.550. Definitions.** As used in AS 37.15.410 — 37.15.550, unless the context otherwise requires:

(1) "airports" means the international airports owned and operated by the state and located at or near the cities of Anchorage and Fairbanks;

(2) "bond redemption fund" means the International Airports Revenue Bond Redemption Fund created by AS 37.15.440, including any accounts which are created in that fund after June 27, 1972;

Introduced: 5/6/85  
Referred: Finance

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2

SENATE BILL NO. 311

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act increasing the bond authorization for airport  
7 revenue bonds; and providing for an effective date."

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

9 \* Section 1. AS 37.15.410 is amended to read:

10 Sec. 37.15.410. BOND AUTHORIZATION. For the purpose of provid-  
11 ing part or all of the money to be used, with or without any grants or  
12 other money that [WHICH] may become available, the issuance and sale  
13 of revenue bonds of the state in the total principal sum of not to  
14 exceed \$86,525,000 [\$62,825,000] is authorized to acquire, equip,  
15 construct, and install the additions, improvements, extensions, and  
16 facilities authorized in AS 37.15.510. The principal of and interest  
17 on these bonds shall be paid out of and secured by the gross revenues  
18 derived by the state from the ownership, lease, use, and operation of  
19 the airports, and of all the facilities of them and out of any other  
20 revenues or money that [WHICH] the state legislature may provide  
21 exclusive of any state tax or license.

22 \* Sec. 2. This Act takes effect immediately in accordance with AS 01.-  
23 10.070(c).