

ALASKA LEGISLATURE

2588

HOUSE and SENATE FINANCE COMMITTEE FILES, 2003-2004

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February 13, 2004

Dear Representative Holm:

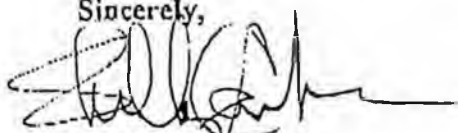
Thank you for your support of the Alaska Commission on Aging, please continue this by advocating that HB394 be approved.

The Alaska Commission on Aging assists seniors through state funded services to continue to live meaningful lives. The Commission provides support and services that enable seniors to remain in their homes and in their communities. These services promote health and well-being in our senior population

By supporting community-based services such as care coordination, respite and Adult Day Centers we are demonstrating that we value our seniors and their place in our communities.

Please continue your support for the Alaska Commission on Aging.

Sincerely,



Shelly Carlson
282 E. Birch Hill
Fairbanks, AK 99706



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A UNITED WAY AGENCY

February 12, 2004

Representative Jim Holm
State Capitol, Room 416
Juneau, AK 99801-1182

Fax 907/465-2937

Dear Representative Holm:

Your House Bill 394 extending the Commission on Aging is of great importance to the elders of Alaska. The Commission allows for planning and coordination of services. A year ago I decided that I wanted to help the seniors of Alaska and in my research found that the Commission served a unique and important place in the constellation of agencies serving the elderly. They are able to look at the services with the consumer in mind to assure that there is adequate holistic planning.

I am pleased that you sponsored this legislation and on behalf of the volunteer seniors I applaud your efforts and the efforts of the Commission on Aging.

Yours truly,

Robert Coghill
Regional Director
National Senior Service Corps

February 13, 2004

Mr. James Holm
Fax: 465-2937

RE: Alaska Commission On Aging

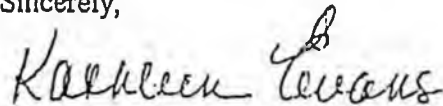
Dear Mr. Holm:

I am writing to thank you for supporting HB 394, the continuance of ACoA until June, 2008.

As you are no doubt aware, ACoA advocates for seniors all over the State and has staunchly supported the provision of Home and Community based services for this silent minority. The Commission keeps abreast of program changes in the State and works closely with the Legislature vis a vis senior issues.

With the recent cuts of services to seniors, I believe it is critical that ACoA be allowed to continue as advocates for our senior citizens.

Sincerely,



Kathleen Evans, B.S.W.
Care Coordinator



DEPARTMENT OF HEALTH & HUMAN SERVICES

U.S. ADMINISTRATION ON AGING

Region X
RX-33
2201 Sixth Avenue
Seattle, WA 98121

February 12, 2004

The Honorable Jim Holm
Alaska House of Representatives
State Capitol Building
Room 416
Juneau, AK 99801

Dear Representative Holm:

I'm writing in strong support of House Bill 394 and Senate Bill 263 to extend the Alaska Commission on Aging to June 30, 2008.

The Commission performs an essential role in planning, developing and overseeing the Older Americans Act, and other programs to assist older Alaskans to remain in their own homes and communities as long as possible. Its initiative in coordinating Older Americans Act Title III programs with the Title VI Alaskan Natives programs (direct federal-tribal) is an exemplary national model. The Commission's leadership has also been very effective in fostering collaborative and creative partnerships with both the public and private sectors resulting in greater efficiency and enhanced services.

As the Commission members are seniors themselves, they provide a direct link to older Alaskans and their communities. And, as a vehicle for senior, community and research input, the Commission's analysis produces an ongoing vision for both current and future planning to meet the needs of a rapidly increasing and aging older Alaskan population.

It is essential that the excellent work of the Commission be continued.

Sincerely,

A handwritten signature in cursive script that reads "Chisato Kawabori".

Chisato Kawabori, Ph.D.
Regional Administrator

AARP Alaska



February 9, 2004

The Honorable Bruce Weyhrauch, Chair
House State Affairs Committee
Alaska State Capitol, Room 102
Juneau, Alaska 99801-1182

Dear Chair Weyhrauch:

HB 394 (Holm)—Support

On behalf of the AARP members in Alaska, we encourage you and your colleagues on the House State Affairs Committee to support HB 394, sponsored by your Committee Vice-Chair, Jim Holm. HB 394 would extend the Alaska Commission on Aging until June 30, 2008.

Every state has a citizen advisory group that helps state government deal with the changing demographics of our aging society. Since 1990, Alaska has reversed the trend of retirees migrating "Outside" and, except for Nevada, Alaska now has the highest percentage of retirees who remain in their home state and do not relocate. Although our percentages are yet small, they reflect an "aging of Alaska" that will be similar to the other states of the Union.

There are many public policy issues, both opportunities and challenges, that come with this demographic trend. The Alaska Commission on Aging has for several years brought together some of our "best and brightest" minds to help our state deal with issues varying from housing to caregiving, from nutrition to long term care.

We need the Alaska Commission on Aging to continue its significant role in our State and for its citizens.

AARP recommends an "AYE" vote on HB 394.

If you have any questions about our position, please feel free to contact Marie Darlin, Coordinator of the AARP Capital City Task Force (907-586-3637); Patrick Luby, AARP Legislative Representative (907-762-3314); or me (907-245-5259).

Thank you for your consideration.

Sincerely,

Marguerite Stetson

Marguerite Stetson
AARP State Coordinator for Advocacy
3009 Northwood Street
Anchorage, Alaska 99517-1871
907-245-5259 (voice)
907-245-5279 (fax)
ffmas@aurora.uaf.edu

CC: Vice-Chair Holm
Representative Coghill
Representative Lynn
Representative Seaton
Representative Berkowitz
Representative Gruenberg
Marie Darlin
Patrick Luby

February 13, 2004

Dear Representative Holm:

Congratulations and thank you for taking the lead in supporting the Alaska Commission on Aging. It is imperative that HB394 be approved. This commission is an extremely important entity, especially in these times of major change. The commission was established to ensure the dignity and independence of this state's seniors and to assist them, through state funded services, to lead useful and meaningful lives. Some of the goals include:

- 1) providing support and services to enable them to remain in their own homes and communities;
- 2) promoting health and well-being;
- 3) ensuring adequate training and professional development of service providers resulting in competent delivery of services to seniors; and
- 4) providing opportunities to facilitate maximum mutual benefit and harmony between generations.

Home and community-based services such as care coordination, in-home respite and Adult Day Centers are absolutely critical to helping seniors. The continued provision of these services are being threatened. Reduction of these services will be devastating to our elderly and ultimately more costly to the state of Alaska as placement in assisted living homes and nursing homes will become necessary for many.

Again, my thanks, Jim, for your support of the continuance of this commission.

Sincerely,



Brenda VonBrach
P.O. Box 60749
Fairbanks, Alaska 99706

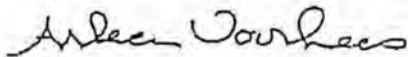
February 13, 2004

Dear Representative Holm:

Thank you for sponsoring HB394. Your lead supporting the Alaska Commission on Aging is a true sign of your commitment to your community. This entity is very important and pertinent to all communities in Alaska. The signs of the times are not encouraging for services that are critical for improving the lives of our seniors. With this commission we can assure our seniors will be cared for with dignity. We must continue to support the provisions that are in place.

Your efforts are truly appreciated.

Sincerely,



Arleen Voorhees
400 Spruce St
Fairbanks, AK 99709

Subject:

Date: Mon, 16 Feb 2004 17:42:33 -0900

From: "Kathy Lee" <jolynn68@hotmail.com>

To: Representative_Jim_Holm@legis.state.ak.us

February 16, 2004

The Honorable Jim Holm
House of Representatives
Alaska State Capitol
Juneau, Alaska 99801-1182

Dear Representative Holm:

I would first like to congratulate you in taking the lead in support of the Alaska Commission on Aging. ACOA has been instrumental in guiding and supporting home and community based services such as respite care, adult day services and care coordination. With the recent cuts in these services it has become even more important for the Alaska Commission on Aging to continue their role. When you consider the size of our State and the very limited dollars available to serve seniors, along with the "baby boomers" which are quickly becoming the seniors of today, programs will be even more dependent on the wisdom, longevity and guidance the Alaska Commission on Aging offers.

I have worked with the senior population for over sixteen years. It wasn't that long ago that programs like these were preparing for the increased senior population with the hope of providing quality services and meeting most everyone's needs. Now it appears that the future looks very grim for those seniors that need the assistance of home and community based services.

Your lead in the support of the Alaska Commission on Aging's continuance through June of 2008, (HB 394) offers some hope at a very bleak time for those that at one time supported many of the human service needs of those living in the State of Alaska.

Thank you for this opportunity to comment and I wish you the best in these difficult times.

Sincerely,

Kathy Lee
244 Bentley Drive
Fairbanks, Alaska 99701

POMS Main Menu

POMS Unviewed Message Summary for Representative Holm

[Main Menu](#) | [Extract](#) as

Evelyn J Norheim
Po Box 748
Po Box 748
Petersburg AK, 99833-0748

Email:

Non Constituent Supports
BILL#: HB 394 COMMISSION ON AGING
SUBJECT:

MESSAGE: I would like to urge this HSTA committee to continue the great work and keep the Commission on Aging. I especially hope the financial aid to our Petersburg Senior Citizens Food Program continues now and beyond 2008. It is vital our citizens have these nutritious meals.

DISTRIBUTION: 9

Theodore M Smith
Po Box 841
Po Box 841
Petersburg AK, 99833-0841

Email:

Non Constituent Supports
BILL#: HB 394 COMMISSION ON AGING
SUBJECT:

MESSAGE: This is to concur with HB394. It is very important to our local senior citizens that this commission is extended. This will allow them to continue to receive valuable services that would not be available with out this commission. Thank you for the opportunity to respond.

DISTRIBUTION: 14

Douglas K Welde
Po Box 875
Po Box 875
Petersburg AK, 99833-0875

Email:

Non Constituent Supports
BILL#: HB 394 COMMISSION ON AGING
SUBJECT:

MESSAGE: I urge your support of HB 394. The services provided by funding the commission are vital to our senior citizens, the meal program being one. We certainly must continue to help care for seniors!!

DISTRIBUTION: 13

Bobbi Hansen
Po Box 1984
Po Box 1984
Petersburg AK, 99833-1984

Email:

Non Constituent Supports
BILL#: HB 394 COMMISSION ON AGING
SUBJECT:

MESSAGE: As a senior I need this food service because of my health and finances. Other seniors agree with me. I oppose HB 394 if it would take away food service for seniors.

DISTRIBUTION: 13

SENATE FINANCE COMMITTEE

SIGN-IN

HB 394-COMMISSION ON AGING

NAME: PAULA RECCHIA Subject/Bill No: HB394
Co./Dept./Title: Staff @ Commission on Aging Phone: 465-4793
Address: 150 3rd St. Suite 103 Juncos Zip: 99801

Do you wish to testify? Yes No Respond To Questions

NAME: Marie Darlin Subject/Bill No: 394
Co./Dept./Title: ARP Phone: _____
Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: Pat Davidson Subject/Bill No: 394
Co./Dept./Title: Leg Audit Phone: 3830
Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

HB

395

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: CSHB 395(RES)
(H) Publish Date: 4/19/04

Revision Date/Time (Note if correction): 4/19/2004 Dept. Affected: Natural Resources
Title: Shallow Natural Gas RDU: Resource Development
Component: Oil and Gas Development
Sponsor: Harris, Gatto, Stoltze, Seaton
Requester: House Resources Component No.: 439

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual	7.0	7.0	7.0	7.0	7.0	7.0
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	7.0	7.0	7.0	7.0	7.0	7.0

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

FUND SOURCE	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
1002 Federal Receipts						
1003 GF Match						
1004 GF	7.0	7.0	7.0	7.0	7.0	7.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	7.0	7.0	7.0	7.0	7.0	7.0

Estimate of any current year (FY2004) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

HE 395 would make a number of changes to the state's shallow natural gas leasing program including additional public notice requirements; setback guidelines, noise mitigation, and reclamation requirements; and a provision for bonding

Under Sections 13 and 14 of the bill, additional public notification beyond that already carried out by DNR would be required. Specifically, this would require DNR to publish notice in a paper of statewide circulation and a paper in the affected area one additional time beyond what is currently done when giving notice of a shallow natural gas application and calling for public comments. In addition, the bill would require DNR to publish two display ads in at least one paper of statewide circulation and one local paper in the area of the proposed action.

Prepared by: Mark D. Myers Phone 269-8800
Division: Oil and Gas Date/Time 4/19/04
Approved by: Thomas Irwin, Commissioner Date 4/19/04
Agency: Natural Resources

FISCAL NOTE #2

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. CSHB 395(RES)

ANALYSIS CONTINUATION

The Anchorage Daily News has general circulation in all areas of the state. The cost for a legal notice is \$404 per day (weekday).

Publication cost in a local paper is estimated at \$225 (Frontiersman was used as an estimate) per day.

Display ad in the Anchorage Daily News = $\$614.70 \times 2 = 1,229.40$

Display ad in a local paper = $\$242.00 \times 2 = 484.00$

Combined total all additional notice: \$ 2,342.40

Last year, DNR processed three groups of applications in calendar year 2003 (DNR tries to group applications to cut down on noticing costs). $3 \times \$2,342.40 = \$7,027.20$

LEGAL SERVICES

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LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

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FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

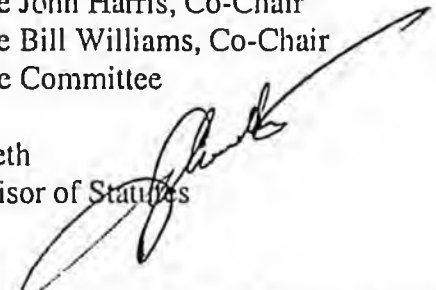
MEMORANDUM

April 27, 2004

SUBJECT: Committee Substitute for House Bill 395(FIN)
(Work Order No. 23-LS1314K)

TO: Representative John Harris, Co-Chair
Representative Bill Williams, Co-Chair
House Finance Committee

FROM: Jack Chenoweth
Assistant Revisor of Statutes



The Committee Substitute for House Bill 395(Finance) incorporates two amendments into the Resources-adopted draft.

In the companion bill, CSHB 531(Fin), the committee adopted an amendment that deleted the "damages for the owner's use and enjoyment of the property" provision. That same omission of the language ought to be considered for CSHB 395(Finance) where the language appears at page 12, beginning at line 5. However, that deletion is a substantive change concerning a matter as to which the committee was divided, and I don't think I have the authority to make the deletion on my own initiative as a technical or conforming correction.

JBC:lmb
04-129.lmb

Enclosure

4/27/04

W/D

23-LS1314M.1
Chenoweth
4/27/04

AMENDMENT 1 by Rep Harris

OFFERED IN THE HOUSE

TO: CSHB 395(RES)

1 Page 3, line 10, through page 4, line 11:

2 Delete all material.

3

4 Renumber the following bill sections accordingly.

5

6 Page 17, line 17:

7 Delete "6, 12, 15, 17, 19, and 22"

8 Insert "10, 13, 15, 17, and 20"

9

10 Page 17, line 22:

11 Delete "sec. 23 of this Act, secs. 2, 4, 6, 12, 15, 17, 19 and 22"

12 Insert "sec. 21 of this Act, secs. 2, 4, 10, 13, 15, 17, and 20"

13

14 Page 17, line 24:

15 Delete "sec. 23"

16 Insert "sec. 21"

17

18 Page 17, line 28:

19 Delete "sec. 24"

20 Insert "sec. 22"

4/27/04 ~~ADOPTED~~

no/obj^{23-LS1314M.2}
Chenoweth
4/27/04

AMENDMENT

2 by Rep Harris

OFFERED IN THE HOUSE
TO: CSHB 395(RES)

1 Page 17, following line 14:

2 Insert a new bill section to read:

3 **"* Sec. 23.** The uncodified law of the State of Alaska is amended by adding a new section
4 to read:

5 APPLICABILITY. The provisions of AS 38.05.177(c), as amended by sec. 8 of this
6 Act, 38.05.177(f), as amended by sec. 9 of this Act, 38.05.177(k), as amended by sec. 10 of
7 this Act and 38.05.177(p) and (q), added by sec. 11 of this Act, apply to leases issued under
8 AS 38.05.177 and in effect on the effective date of secs. 8 - 11 of this Act."

9

10 Renumber the following bill sections accordingly.

11

12 Page 17, line 22:

13 Delete "sec. 23"

14 Insert "sec. 24"

15

16 Page 17, line 24:

17 Delete "sec. 23"

18 Insert "sec. 24"

19

20 Page 17, line 28:

21 Delete "sec. 24"

22 Insert "sec. 25"

Adopted
no/obj

23-LS1314/M.3
Chenoweth
4/27/04

4/27/04.
AMENDMENT 3

OFFERED IN THE HOUSE
TO: CSHB 395(RES)

BY REPRESENTATIVE HARRIS

1 Page 7, following line 21:

2 Insert a new bill section to read:

3 **** Sec. 10.** AS 38.05.177(h) is amended to read:

4 (h) A lease issued under this section is subject to the following terms and
5 conditions and may be terminated by the director in the event of a breach of a term or
6 condition:

7 (1) the lessee may surrender the lease or relinquish part of the lease at
8 any time; however, a lease or part of a lease that was issued under this section
9 before the effective date of this bill section and that is surrendered or
10 relinquished under this paragraph may not again be leased under this section
11 unless the lease complies with the provisions of this section as it reads on the
12 effective date of this bill section;

13 (2) the lease may not be transferred or assigned until a well capable of
14 production of gas in paying quantities has been drilled on the lease; however, this
15 paragraph does not prohibit the lessee from entering into a farm out agreement or
16 similar arrangement with a third party under which the third party assists in
17 exploration and development of production from the lease if the agreement or
18 arrangement does not require a payment of consideration by the third party to the
19 lessee, except that the lessee may retain an overriding royalty interest in the lease or
20 may retain a net profit or other production payment."

21
22 Renumber the following bill sections accordingly.

23

1 Page 17, following line 14:

2 Insert a new bill section to read:

3 , "* Sec. 24. The uncodified law of the State of Alaska is amended by adding a new section
4 to read:

5 CERTAIN LEASES ISSUED UNDER FORMER AS 38.05.177 AND
6 SURRENDERED OR RELINQUISHED MAY NOT BE AGAIN BE LEASED. A lease or
7 part of a lease that was issued under former AS 38.05.177 before the effective date of this
8 section and that is surrendered or relinquished under former AS 38.05.177(h)(1) may not
9 again be leased unless the lease complies with the provisions of AS 38.05.180(ff), as repealed
10 and reenacted by sec. 13 of this Act."

11

12 Renumber the following bill sections accordingly.

13

14 Page 17, line 17:

15 Delete "12, 15, 17, 19, and 22"

16 Insert "13, 16, 18, 20, 23, and 24"

17

18 Page 17, following line 22:

19 Delete "sec. 23"

20 Insert "sec. 25"

21 Delete "12, 15, 17, 19, and 22"

22 Insert "13, 16, 18, 20, 23, and 24"

23

24 Page 17, line 24:

25 Delete "sec. 23"

26 Insert "sec. 25"

27

28 Page 17, line 28:

29 Delete "sec. 24"

30 Insert "sec. 26"

AMENDMENT

H 4/27/04

OFFERED IN THE HOUSE
FINANCE COMMITTEE
TO: CSHB 395(RES)

BY REPRESENTATIVE CROFT

WAD

1 Page 9, Line 24-Page 10, Line 6;

2 Delete all material and insert:

3 "(3) for a nonconventional gas lease, rights under the reservation as set out
4 in AS 38.05.125 may not be exercised under the lease unless

5 (A) the owner and the state and its lessees, successors, or
6 assigns reach a prior written agreement under which the state and its
7 lessees, successors, or assigns may enter upon the land in the exercise of
8 the reserved right; only one written agreement authorizing entry onto the
9 land may be required under this subparagraph to authorize activity by the
10 state and its lessees, successors, or assigns, or by their agents, attorneys,
11 and servants as allowed under this subsection; an agreement entered into
12 under this subparagraph is

13 (i) for the duration of the period of production or recovery
14 operations unless the parties agree to a different duration; and

15 (ii) a covenant running with the land;

16 (B) the director, after notice and an opportunity to be heard,
17 determines that, to exercise rights under the reservation and the lease, the
18 lessee has no other reasonable means of entry than access and entry upon
19 the land of the owner; the lessee has the burden of demonstrating
20 compliance with this subparagraph; and

21 (C) the state, its lessees, successors, or assigns make provisions to
22 pay the owner of the land full payment for all damages sustained by the
23 owner by reason of entering upon the land for the purpose of exercising
24 rights under the lease, by posting a surety bond determined by the owner
25 and by the state, its lessees, successors, or assigns to be sufficient as to
26 form, amount and security to secure to the owner payment for all damages,
27 subject to the following:

1
2
3
4
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7
8

(i) if a provision of this subparagraph conflicts with a requirement of AS 38.05.130, the provision of this subparagraph prevails; and

(ii) in addition to the coverage for actual damages required by AS 38.05.130 or this subparagraph, as appropriate, the parties shall make provision for payment of reasonable compensation to the owner for any loss by the owner of the owner's use and enjoyment of the property."



ALASKA STATE LEGISLATURE
REPRESENTATIVE JOHN HARRIS
STATE CAPITOL 505 JUNEAU, ALASKA 99801-1182 (907)465-4859

COMMITTEE SUBSTITUTE FOR HOUSE BILL 395 (RES)
SPONSOR STATEMENT

HB 395 was designed to resolve concerns many Alaskans have with coal bed methane development in the areas of property rights, water quality assurance, and local involvement of residents.

Many concerns have been raised recently by residents of the Mat-Su Borough and Homer area through a series of public forums. All sponsors worked diligently, listening to public input from numerous community hearings and comments received during the committee process.

This CS continues to require that:

- 1) Public comment and other routes of access be considered prior to executing a lease.
- 2) The integrity of the affected water supply is protected.
- 3) Public notice be given prior to the award of a lease via newspapers and direct mail.
- 4) The owner's surface property be restored in the event of damage.
- 5) Noise from field operation is mitigated.
- 6) Shallow natural gas exploration is defined/capped at 3,000 ft.

The changes for this CS:

Sec. 2: Terminology change: Shallow natural gas is redesignated as "nonconventional gas."

Sec. 7: Adds a new chapter on nonconventional gas operations for land not governed by 38.05

Sec. 9: Stipulates the manner (distance) in which water wells are tested for purity, as suggested by AOGCC as best engineering practice.

Sec. 16: Mandates that water discharge from Coal Bed Methane Drilling be regulated by DEC. (by repealing the current exemption)

Sec. 23 & 24: These are the contingency repealers. They enumerate the sections [2, 4, 6, 12, 15, 17, 19, & 22] that will take effect if, and only if, HB 531 passes.



Alaska State Legislature

REPRESENTATIVE JOHN HARRIS

District 12 - Eielson AFB, Valdez, Delta Junction, Palmer, Glennallen, Salcha, Paxson, Sutton, Chickaloon

Sectional for CS for House Bill 395(RES) Version "M"

On Dealing with shallow natural gas activity oversight by the Alaska Oil and Gas Conservation Commission

Sections 1&2: This amendment alters the authority of the AOGCC such that paragraph (1) prohibits the commission from issuing a permit if operations would involve producing gas from an aquifer that serves as a source of drinking water or for agricultural purposes" and a conditional prohibition against the reinjection of produced water. Paragraph (2) expands the authority of the commission to regulate hydraulic fracturing associated with exploration for, and the disposal of, wastes produced by those operations.

Section 3 & 4: This section adds a new provision directing the AOGCC to initiate a public forum process to resolve informally matters of public health, safety, welfare, and environmental complaints.

Section 5: Standardizes 'shallow natural gas' to mean natural gas drilled at a depth of no greater than 3,000. adds provisions for interaction between a developer and a surface owner (as defined in the new chapter) only for activities not governed by the Alaska Land Act (38.05)

Section 7 Adds a new chapter dealing with nonconventional gas operations for land not governed by 38.05. (there are very few possible types of land i.e. homesteads, territory)

Sections 8 deals with changes to authorizing shallow natural gas leasing under 38.05.177. Section 5 amends requirements of notice by acknowledging that the director should actually consider public comment that may be received before executing a lease. The substitution of "may" for "shall" alters the scope of the director's authority to where discretion can be exercised.

Section 9 adds a series of additional requirements to be inserted in a shallow natural gas lease, to include: water well testing. Appropriate setbacks for compressor stations. Noise mitigation measures. And surface restoration requirements if the surface is disturbed by exploration or development.

In instances in which an owner and a lessee cannot reach agreement for the latter's entry on to property to explore for and develop shallow natural gas and the lessee seeks to post a bond to permit entry, the first amendment adds a further requirement that the lessee demonstrate the necessity to access the property.

Co-Chair, Joint Armed Services Committee
Co-Chair, House Finance Committee
Member, Energy Council

Session: State Capitol, Juneau, Alaska 99801-1182 • Phone: (907) 465-4859 Fax: (907) 465-3799
Interim: P.O. Box 305, Valdez, Alaska 99686 • Phone (907) 835-2836 Fax: (907) 835-3732

Section 10 requires the lessee to demonstrate necessity of access before a surety bond is determined, and requires written advance notice at least 30 days before initial entry.

Section 11 provides the opportunity for the owner to submit further comments of appropriate action to the director (of Oil & Gas) in the event the lessee and owner cannot come to an agreement.

Sections 13 & 14 provides notice requirement at the receipt of a lease application.

Section 16 Repeals the exemption of regulation of water discharge from Coal Bed Methane Drilling; under the proposed language, DEC will regulate water byproduct from shallow natural gas operations.

Sections 20/21/22 Repeals portions of legislative findings (enacted by HB 69 last year) that override local control of shallow natural gas resources.

Sections 23 & 24 List contingent effects of many sections {2, 4, 6, 12, 15, 17, 19, & 22} such that they only take effect if HB 531 is enacted.

HB 531 scraps the shallow natural gas program; therefore, provisions for future public notice and the like, become moot should 531 pass.

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: CSHB 395(RES)
 (H) Publish Date: 4/19/04

Revision Date/Time (Note if correction): 4/19/2004 Dept. Affected: Natural Resources
 Title: Shallow Natural Gas RDU: Resource Development
 Component: Oil and Gas Development
 Sponsor: Harris, Gatto, Stoltze, Seaton
 Requester: House Resources Component No. 439

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual	7.0	7.0	7.0	7.0	7.0	7.0
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	7.0	7.0	7.0	7.0	7.0	7.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ()						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	7.0	7.0	7.0	7.0	7.0	7.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	7.0	7.0	7.0	7.0	7.0	7.0

Estimate of any current year (FY2004) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

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

HB 395 would make a number of changes to the state's shallow natural gas leasing program including additional public notice requirements; setback guidelines, noise mitigation, and reclamation requirements; and a provision for bonding

Under Sections 13 and 14 of the bill, additional public notification beyond that already carried out by DNR would be required. Specifically, this would require DNR to publish notice in a paper of statewide circulation and a paper in the affected area one additional time beyond what is currently done when giving notice of a shallow natural gas application and calling for public comments. In addition, the bill would require DNR to publish two display ads in at least one paper of statewide circulation and one local paper in the area of the proposed action.

Prepared by: Mark D. Myers Phone 269-8800
 Division: Oil and Gas Date/Time 4/19/04
 Approved by: Thomas Irwin, Commissioner Date 4/19/04
 Agency: Natural Resources

FISCAL NOTE #2

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. CSHB 395(RES)

ANALYSIS CONTINUATION

The Anchorage Daily News has general circulation in all areas of the state. The cost for a legal notice is \$404 per day (weekday).

Publication cost in a local paper is estimated at \$225 (Frontiersman was used as an estimate) per day.

Display ad in the Anchorage Daily News = $\$614.70 \times 2 = 1,229.40$

Display ad in a local paper = $\$242.00 \times 2 = 484.00$

Combined total all additional notice: \$ 2,342.40

Last year, DNR processed three groups of applications in calendar year 2003 (DNR tries to group applications to cut down on noticing costs). $3 \times \$2,342.40 = \$7,027.20$

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

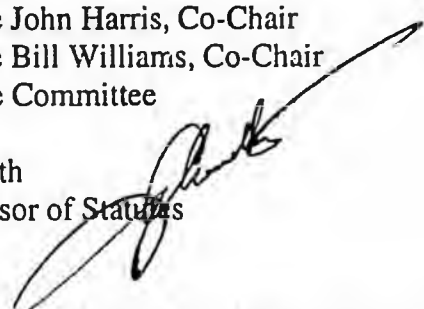
MEMORANDUM

April 27, 2004

SUBJECT: Committee Substitute for House Bill 395(FIN)
(Work Order No. 23-LS1314\K)

TO: Representative John Harris, Co-Chair
Representative Bill Williams, Co-Chair
House Finance Committee

FROM: Jack Chenoweth
Assistant Revisor of Statutes



The Committee Substitute for House Bill 395(Finance) incorporates two amendments into the Resources-adopted draft.

In the companion bill, CSHB 531(Fin), the committee adopted an amendment that deleted the "damages for the owner's use and enjoyment of the property" provision. That same omission of the language ought to be considered for CSHB 395(Finance) where the language appears at page 12, beginning at line 5. However, that deletion is a substantive change concerning a matter as to which the committee was divided, and I don't think I have the authority to make the deletion on my own initiative as a technical or conforming correction.

JBC:lmb
04-129.lmb

Enclosure

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Alaska Oil and Gas Association



121 W. Fireweed Lane, Suite 207
Anchorage, Alaska 99503-2035
Phone: (907)272-1481 Fax: (907)279-8114
Email: brady@aoga.org
Judith Brady, Executive Director

April 22, 2004

Via Facsimile: (907)465-3793

The Honorable Bill Williams
Alaska State House of Representatives
State Capitol, Room 515
Juneau, AK 99801-1182

AOGA Concerns on Shallow Gas Legislation
(CSHB 531 and CSHB 395)

Dear Representative Williams:

The Alaska Oil & Gas Association (AOGA) shares your interest in Alaska's shallow gas leasing/coalbed methane program and your concern for its future. We have been following the proposed legislation pertaining to the shallow gas program and the public meetings undertaken by the Department of Natural Resources (DNR). We note that the Department has just released the public draft review of the Coalbed Methane Development Standards.

AOGA supports repealing the present, separate shallow gas leasing/coalbed methane program and incorporating it into Alaska's competitive oil and gas system with its required Best Interest Finding as proposed in CSHB 531. Simply stated, we believe many of the issues raised in this proposed legislation could, and should, be addressed by a Best Interest Finding. AOGA also recommends that CSHB 531 and CSHB 395 be revised to incorporate the same surface protection rights, including payment of damages and bonding requirements for nonconventional gas and coalbed methane, as the state demands for its conventional oil and gas leasing program. Alaska's current bonding requirements are based on legal precedent, are legally defensible, protect the state's dominant subsurface interest in the oil and gas that belongs to all Alaskans while assuring the surface owner of the right to negotiate a fair agreement for surface damages, should there be any. Finally, we have made recommendations on other provisions of CSHB 531 and CSHB 395.

AOGA is a private, nonprofit trade association whose 19 member companies represent the majority of oil and gas operations in the state. Our interest, as an association, is the same as the State of Alaska's: oil and gas leasing programs that have clear standards that are legally defensible and environmentally and technically sound, and that respect the rights of the public, the lessees and individual property owners.

April 22, 2004

Page 2

We appreciate the willingness of policy makers to understand the complex legal and political challenges inherent in Alaska's "split estate" heritage. While Alaska's ownership of the subsurface mineral estate on state-selected oil and gas lands is the basis for the state's wealth and its Permanent Fund, this same ownership sometimes causes concerns with private surface owners and managers. Both CSHB 531 and CSHB 395 address unconventional gas leasing in those instances where the state owns the subsurface and a private individual owns the surface.

The historical record of split estate transactions, both in other states and in Alaska, shows that most transactions between companies and individual landowners involve mutual respect, accommodation and agreement. For those transactions for which no agreement can be reached, there is a history of court decisions, including those in Alaska, which lay the foundation for resolving any such disputes today.

In 1996 the shallow gas leasing/coalbed methane program was viewed as a positive opportunity for the people of the state. In a bi-partisan vote the Legislature established the shallow gas leasing program with a vote of 57 yeas and 3 nays. Governor Knowles signed it into law.

The support for the program was based on its potential to bring new sources of clean, efficient energy to the state as well as providing jobs and taxes for local economies, and that in light of the tightening gas market in the Cook Inlet area, this new source could provide much needed gas reserves. It was believed the state had regulations in place to assure it could be done in an environmentally safe manner while protecting the rights of surface owners.

AOGA believes that shallow gas leasing and coalbed methane development is still a positive opportunity. The state does have regulations in place to assure environmentally safe development of coalbed methane and the state has the legal means of protecting both the surface and subsurface owners.

However, it has become clear that there is a lack of understanding of Alaska's split estate heritage as well as a variety of homeowner concerns that must be addressed if the future of the program is to be assured.

Most, if not all, of the present concerns being expressed by homeowners would have been aired, discussed and addressed had the program included a Best Interest Finding in the beginning.

AOGA agrees with concerned legislators and the administration that it will be in the best interest of all parties for the state to have the same leasing, public notice requirements, environmental protections, Best Interest Finding requirements, and bonding and surface use protections for nonconventional gas as it does for conventional oil and gas.

Alaska's conventional oil and gas leasing program is comprehensive, timely and legally defensible. It meets the public criteria for fair notice, local involvement, environmental protection, bonding and damage requirements. A Best Interest Finding:

- provides extensive public notice;
- provides for public hearings;

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Page 3

- provides written responses to all concerns raised;
- provides the opportunity for experts from all agencies, the Departments of Environmental Conservation, Fish & Game and Natural Resources, as well as local governments, private organizations and individuals to provide input;
- provides a method for responding to special circumstances with special mitigation measures; and
- provides a legally defensible, comprehensive finding on which all parties can rely.

Recommendations for CSHB 531

1. AOGA supports repealing the present, separate shallow gas leasing/coalbed methane program and incorporating it into Alaska's competitive oil and gas system with its required Best Interest Finding as proposed in CSHB 531.

We believe that such an action will restore the faith of the public in these programs.

2. We support that provision of CSHB 531 that clearly identifies the role of the Alaska Oil & Gas Conservation Commission (AOGCC) in protecting water rights for nonconventional gas. (AS 31.05.030(j)).

This is the same role the Commission plays in conventional oil and gas leasing and therefore meets our recommendation that nonconventional oil and gas must be subject to the same environmental criteria as conventional oil and gas.

3. AOGA recommends that CSHB 531 be revised to incorporate the same surface protection rights, including payment of damages and bonding requirements for nonconventional gas and coalbed methane, as the state demands for its conventional oil and gas leasing program.

Alaska has strict surface damage requirements to protect the rights of surface owners.

Since Statehood there have been many cases of split estate negotiations in the Matanuska and the Kenai Boroughs. Only two cases have gone to DNR for resolution.

A straightforward approach would be to include a provision making it clear that existing state law governing damages and bonds also applies to gas only leases. Recommended language for CSHB 531(RES), Version V, is suggested below, along with language that clarifies the process. This language replaces the language included in Section 41, AS 38.05.180(ff)(3)(A) and (B):

(3) the provisions of AS 38.05.130 apply to gas only leases and shall be implemented as follows:

(A) **Damages and posting of bond.** A developer may not exercise a right of entry until the developer makes provision to pay the surface owner full payment for all damages sustained by the surface owner by reason of entering upon the land. If the surface owner, for any cause, refuses or

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neglects to settle the damages, the developer may enter upon the land after posting a surety bond determined by the Department of Natural Resources using a procedure similar to the procedure used to administer AS 38.05.130, including notice and an opportunity to be heard. The bond must be sufficient as to form, amount, and security to secure the surface owner payment for damages. The surface owner may institute legal proceedings in a court where the land is located as may be necessary to determine the damages that the surface owner may suffer.

(B) Before the amount of the surety bond to be posted is determined by the director, the director, after notice and an opportunity to be heard, shall review the lessee's proposed Plan of Operations to determine if use of the surface is reasonably necessary to remove the minerals.

(C) If the lessee holds a statewide bond, the amount determined by the director may be imposed against such bond and no separate additional bond will be required.

4. AOGA is strongly advising that there be no added requirement, special to shallow gas leasing or coalbed methane, concerning bonding/damages. Both CSHB 531 and CSHB 395 propose that, if the land owner and the lessee do not come to an agreement on use of the land, the director, in determining the amount of surety bond, shall make a finding that the lessee "has no other reasonable means of entry than access and entry on the land of the owner". Further, that in addition to the coverage of actual damages a surface owner be paid "reasonable compensation ... for any loss by the owner of the owner's use and enjoyment of the property." (Proposed language in CSHB 531 AS 38.05.180 (f)(3); CSHB 395 AS 38.05.177(k)(3)).

As to the requirement that there be a finding that the lessee has no other reasonable means of entry, the legislature's attorney, Jack Chenoweth, pointed out his concern in a March 30 memo that, insofar as the new bonding provisions in CSHB 531 and CSHB 395 limit access to the subsurface estate, they would therefore "call into question compliance with the statutory reservation" of the state's subsurface reservation of mineral rights.

The new bonding and damages proposals in CSHB 531 and in CSHB 395 raise serious legal and practical issues for all of Alaska's oil and gas leasing programs by making the dominant mineral estate into the subservient estate. Case law on surface estate is very clear that the mineral estate is the dominant estate, carrying with it the right to make such use of the surface as is reasonably necessary to remove the minerals.

Alaska's current bonding requirements are based on legal precedent, are legally defensible, protect the state's dominant subsurface interest in the oil and gas that belongs to all Alaskans while assuring the surface owner of the right to negotiate a fair agreement for surface damages, should there be any.

Alaska is not unique in having different owners of the surface and subsurface or mineral estate. Alaska is unique in that the state's mineral estate was deemed so important to the state's future that the Alaska Statehood Act imposed restrictions on the state's ability to alienate its mineral estate.

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Page 5

Under 6(i) of the Statehood Act, the state must reserve to itself the mineral rights of all lands granted to it and must continue to do so even when the state sells, grants, deeds or patents these lands to third parties. If the state does not do so, the state lands "shall be forfeited to the United States...".

This restriction has implications for what rights the state can and cannot grant to surface owners when the state owns the subsurface. Quite simply, the state cannot transfer to a private surface owner a right that is inherent in the mineral state,

The combination of long-standing legal precedent in the resolutions of rights between surface and subsurface owners along with the restrictions in 6(i) of the Statehood Act means that care must be taken in responding to the challenge of protecting rights.

With the changes proposed above, nonconventional gas (shallow gas and coalbed methane) would be subject to the same process, notice, environmental and surface protection requirements as the conventional oil and gas leasing program in Alaska.

Recommendations on CSHB 395

1. AOGA supports the direction to the AOGCC on the protection of water in the proposed amendment of AS 31.05.030(j). AOGCC's role should be the same for conventional and unconventional oil and gas leasing.
2. We question the purpose and workability of the proposed AOGCC public forum process for shallow gas proposed in the section on AS 31.05.098. If the shallow gas program is incorporated into a Best Interest Finding, which we believe is the most comprehensive answer to concerns being expressed, this section will not be necessary.

If, this section is retained in lieu of a Best Interest Finding, the following should be considered:

- Tighten up the language to reflect that only matters within AOGCC's jurisdiction will be addressed in the hearings. (See especially lines 28-30 on page 3.)
 - Determine who can complain and in what time period. As written, anyone, anywhere, at any time can file a complaint and expect a public process 60 days later. Due process to the lessee is lost.
 - This section also seems to be making the AOGCC the gatekeeper for all complaints to the Department of Environmental Conservation, the Department of Public Safety, the Department of Natural Resources. Is the intent to add a new layer of hearings on these departments based on complaints?
3. It is noted that in the proposed amendment for private, non-state lands, the state's "damages and posting of bond" is almost identical to that provided for conventional oil and gas leasing (Chapter 90 Mineral Interests; Sec. 34.90.020) and yet for nonconventional leasing, additional requirements are proposed. (AS 38.05.177 (k)(3). (See also Section 12.)

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The first issue is whether the legislature wants to impose these requirements on private lands.

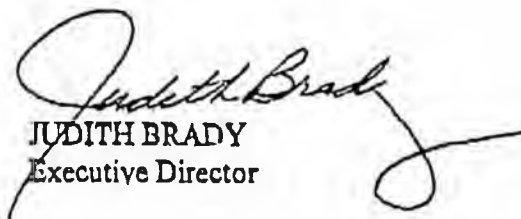
The second issue has to do with imposing additional bonding and damage requirements for nonconventional leases. We have expressed our concern with this approach in our comments on CSHB 531 (See comments 3 and 4.) AOGA believes that conventional and nonconventional oil and gas leasing programs should be bound by the same historic case law pertaining to damages and surface use. We believe these laws provide the protection that Alaskans expect. We recommend that the same language we've proposed in Section 41 of HB 531 be substituted in this legislation for the same reasons.

We emphasize that the proposed additional requirements for damages have serious implications both for the legal precedents that have governed split estate matters for years and for the implications to Alaska's conventional oil and gas leasing program. They are the single largest impediment in both CSHB 395 and CSHB 531.

4. Additional water testing, this time a requirement that each private water well within a quarter mile circle be tested by the lessee, is included in a new subsection, AS 38.05.177(f). It may be desirable to baseline test, but the size of area required to be tested is going to present some problems, aside from the obvious cost. It is our understanding that many Alaskans do not register their wells nor are all wells that are not registered logged. Further, some owners may not want them tested. There should be consideration given as to how a lessee could comply with this requirement.
5. The sections pertaining to appropriate setbacks and reasonable and appropriate noise mitigation would be more appropriately addressed in a Best Interest Finding, as would the lease abandonment requirement. All of these issues are commonly addressed in Best Interest Findings.

This concludes AOGA's comments. We hope they are helpful. We would be glad to work with you to ensure that the unconventional gas leasing program offers the same level of protection and assurance to the lessees, the public and the State as does Alaska's conventional oil and gas program.

Sincerely,


JUDITH BRADY
Executive Director

HB

404

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 404
(H) Publish Date: 1/28/04

Revision Date/Time (corrected): 12/12/03 12:42pm Dept. Affected: Administration
Title: An act relating to the Alaska Commission on Postsecondary RDU: Centralized Administrative Services
Education:... relating to an exemption from the State Procurement Code... Component: Purchasing
Sponsor: Rules
Requester: Governor Component No.: 60

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

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

Estimate of any current year (FY2004) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The bill would exempt Alaska Commission on Postsecondary Education contracts for guaranteeing and disbursing financial aid money to institutions of postsecondary education from the State Procurement Code (AS 36.30).

Bill has no fiscal impact.

Prepared by: Vern Jones, Chief Procurement Officer Phone: (907)465-5684
Division: General Services Date/Time: 12/15/03 10:00 AM
Approved by: Mike Miller, Commissioner Date: 12/15/2003
Agency: Administration

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: HB 404
(H) Publish Date: 1/28/04

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
Title ASLC Return Funds to State RDU Investments (122)
Component Investments
Sponsor Rules
Requester By Request of the Governor Component No. 383

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation has no fiscal impact on the operations of the division.

Prepared by: Greg Winegar, Director Phone (907) 465-2510
Division Investments Date/Time 12/12/03 4:22 PM
Approved by: Edgar Blatchford, Commissioner Date 12/12/2003
Agency Department of Community & Economic Development

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 4
Bill Version: HB 404
(H) Publish Date: 2/12/04

Revision Date/Time (Note if correction): _____ Department: Labor and Workforce Development
Title: Student Loan Programs RDU: Business Partnerships
Sponsor: House EDU Component: Workforce Investment Board
Requester: Governor Component Number: 2659

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

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

Estimate of any current year (FY2004) cost: None
Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

There is no anticipated fiscal impact to the department as a result of this legislation.

Prepared by: Katherine Farnham, Director Phone 269-7490
Division: Business Partnerships Division Date/Time 2/5/04 2:09 PM
Approved by: Greg O'Claray, Commissioner Date 2/5/2004
Agency: Department of Labor and Workforce Development

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 5
Bill Version: CSHB 404(HES)
(H) Publish Date: 2/26/04

Revision Date/Time (Note if correction): 2/17/04 3:28 p.m. Dept. Affected: Education
Title An Act relating to ACPE; relating to ASLC; relating to bonds of the corporation; relating to loan and grant programs... RDU ACPE
Sponsor Rules Committee Component Program Administration & Operations
Requester (H) HES Component No. 2738

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	120.0	120.0	120.0	120.0	120.0	120.0
Miscellaneous						
TOTAL OPERATING	120.0	120.0	120.0	120.0	120.0	120.0

CAPITAL EXPENDITURES	85.0					
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CHANGE IN REVENUES (bond proceeds)	75,000.0	*	*			
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FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
1002 Federal Receipts	120.0	120.0	120.0	120.0	120.0	120.0
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	120.0	120.0	120.0	120.0	120.0	120.0

Estimate of any current year (FY2004) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill would allow the Alaska Student Loan Corporation (ASLC) to issue bonds and use the proceeds for purposes other than the sole funding of financial aid programs currently authorized in law. This creates a mechanism for the ASLC to return money, not otherwise required to fund core agency programs, to the state through financing of state capital projects. As of this date, the ASLC anticipates utilizing this mechanism to return approximately \$260.0 million to the state over a three-year period to begin in FY2005. *Amounts for FY06 and FY07 will be determined next year.

This bill also would create an administrative collection order to be used for establishing a lien on property belonging to a borrower who has defaulted on an education loan.

This bill also amends the state's needs-based grant program so that grants may only be awarded to

Prepared by: Sheila King, Financial Officer Phone 465-6757
Division Finance Date/Time 2/17/04 3:28 PM
Approved by: Diane Barrans, Executive Director Date 2/17/2004
Agency Alaska Commission on Postsecondary Education

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. CSHB 404(STA)

ANALYSIS CONTINUATION

students attending qualified education programs in Alaska and authorizes the Alaska Commission on Postsecondary Education to give preference to students enrolled in programs of study required for entry into Alaska's labor shortage areas. This bill authorizes the ASLC to fund this financial aid program from corporate receipts, as they may be available, and to use those corporation funds to leverage an additional \$120,000 in federal matching dollars. The ASLC currently anticipates funding up to approximately \$600,000 in grants per year beginning in FY2005.

The \$85,000 capital budget request is to procure a web-based, grant management software tool to insure the grant application, eligibility certification, and awarding process is highly automated and requires minimal staffing resources on the part of the Commission and participating Alaska postsecondary institutions. The capital request is for the expenditure of corporation receipts, fund source 1106.

STATE OF ALASKA

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

FRANK H. MURKOWSKI, GOVERNOR

3030 VINTAGE BLVD.
JUNEAU, ALASKA 99801-7109
VOICE (907) 441-2962
In Juneau (907) 465 6740
TDD (907) 465-3143
FAX (907) 465-3293

February 9, 2004

VIA FACSIMILE TRANSMISSION

The Honorable Peggy Wilson, Chair
Health, Education, and Social Services Committee
Alaska House of Representatives
State Capitol, Room 106
Juneau, AK 99801

Dear Representative Wilson,

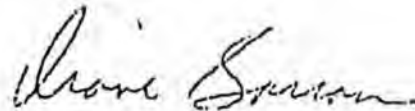
I am writing to formally request that House Bill 404, an act relating to the Alaska Commission on Postsecondary Education and the Alaska Student Loan Corporation, be scheduled for a hearing in your committee.

HB404's objectives are to:

1. Broaden the scope of the Corporation's bonding authority;
2. Reconstitute the State student grant program to focus on Alaska's workforce needs;
3. Provide loan borrowers with better loan consolidation options;
4. Clarify the Commission's ability to administratively issue liens in the collection defaulted education loans; and
5. Provide certain exemption from the State Procurement Code for services related to guaranteeing and disbursing loans.

Thank you in advance for your consideration of this request. The original of this letter will be forwarded to you with the following attachments: the Governor's transmittal letter, a current version of the bill, and a sectional analysis.

Sincerely,



Diane Barrans
Executive Director

Attachments (3)

Governor's transmittal letter dated January 28:

Dear Speaker Kott:

Under the authority of article III, section 18, of the Alaska Constitution, I am transmitting a bill relating to the Alaska Commission on Post-secondary Education (ACPE) and the Alaska Student Loan Corporation (ASLC). This bill is a result of ASLC board members and management, in consultation with financial advisors, proposing a mechanism where (1) the state could optimize the use of its financial assets and deliver a greater return to Alaskans for its initial investment in ASLC and ACPE; and (2) continue to effectively administer ACPE/ASLC financial aid programs.

The bill would allow ASLC to issue bonds utilizing future cash flow that is in excess of that needed for effective and efficient operation of corporation programs. ASLC predicts it can return \$260 million to the state over a three-year period beginning in 2004; the proceeds from which would be available to finance capital projects.

The ASLC's primary mission is to support, promote, and provide access to postsecondary education for Alaskans. The objective of this legislation is to continue to serve that mission, but to do so in a way that permits ASLC to serve broader state interests through the efficient allocation of financial resources. As part of the development process, cash flow models were developed to ensure the corporation has and will continue to have the financial capacity to discount loan interest rates and deliver outstanding borrower benefits to its primary customers -- Alaska students and their families.

The bill establishes a "needs-based-grant" program to be funded from corporate receipts and federal matching dollars. Grants must be used for qualified Alaska education programs focused on meeting Alaska's labor shortage needs. A priority is placed on students enrolled in programs of study (such as health care and education) where there is a severe shortage of trained individuals in Alaska.

The bill also creates an "administrative collection order" and a process for establishment and use of such an order by ACPE. An administrative collection order would allow ACPE to establish a lien on borrower's property when that person has broken their promise to re-pay an education loan.

Finally, the bill exempts ACPE and ASLC contracts for disbursing and guaranteeing financial aid money from Alaska's procurement code. This creates efficiencies in the internal operations of ACPE and ASLC and meets the needs of participating post-secondary institutions (ACPE contracts with a guaranty agency and disbursing agents to electronically guarantee and/or disburse financial aid money for students to colleges and universities).

I urge your prompt and favorable action on this measure.

Sincerely yours,

/s/

Frank H. Murkowski
Governor

ALASKA COMMISSION ON POSTSECONDARY EDUCATION
SECTIONAL ANALYSIS
CSHB 404 (2/19/04)

BILL SECTION	AK STATUTE SECTION TITLE	PAGE	LINE	PURPOSE OF SECTION	TYPE OF CHANGE
1	ACPE authorized functions. 14.42.030(e)	1-3	7-1	Adds authority to establish and enforce collection orders on defaulted loans and provide for borrower appeals of collection orders.	Amended Language
2	Education loan fund. 14.42.210(a)	3	2-9	Conforming change to add revised grant program.	Amended Language
3	14.42.210(b)	3	10-19	Conforming change; by reference, specifically authorizes grant program funding.	Amended Language
4	Bonds of the corporation. 14.43.220(a)	3	20-31	Expand the use of bond proceeds to pay costs of state projects.	Amended Language
5	Bonds of the corporation. 14.43.220(g)	4	1-3	Places an aggregate cap on the amount of bonds the corporation may issue to finance projects of the state.	New Language
6	Conditions of loans. 14.43.120(u)	4	4-14	Makes determination of an origination fee a corporation function and automatically places fees into the education loan fund of the corporation.	Amended Language
7	Consolidation of loans. 14.43.122(a)	4	15-23	Increases flexibility for offering loan consolidation options.	Amended Language
8	Default. 14.43.145 (a)	4-5	24-8	Provides authority to establish a collection order as a means of recovering on defaulted loans.	Amended Language
9	Authority and procedure to administratively establish and enforce a collection order. 14.43.151	5	9-17	Describes administrative process for establishing a lien through a collection order.	New Language
	Initiation of administrative action to establish a collection order; required notice. 14.43.152	5-6	18-12	Steps for establishing collection order; notice to borrower.	
	Hearings in administrative action to establish a collection order; burden of proof. 14.43.153	6-7	13-6	Provides due process for borrower to contest establishment of collection order through administrative hearing.	

BILL SECTION	AK STATUTE SECTION TITLE	PAGE	LINE	PURPOSE OF SECTION	TYPE OF CHANGE
	Collection order as judgments. Sec. 14.43.154	7	7-12	Provides that collection order is equivalent to judgment.	New Language.
	Nature of remedies. 14.43.155	7	13-14	Provides that collection order is an alternate remedy to commission.	New Language
10	Purpose; creation. 14.43.161	7	15-20	Conforming change of trademark name.	Amended Language.
11	Repayment of loans. 14.43.166	7	21-30	Requires immediate repayment of consolidation loans.	Amended Language.
12	Default. 14.43.168(b)	7-8	31-2	Conforming change to incorporate new administrative collection order authority.	Amended Language
13	Creation, purpose. 14.43.170	8	3-12	Conforming change of trademark name.	Amended Language
14	Applicability of other laws. 14.43.171	8	13-18	Changes applicable cite to allow for consolidation of supplemental education loans.	Amended Language
15	Eligibility. 14.43.172(c)	8-9	19-10	Revised so borrower that has fully repaid a defaulted loan may be eligible for new loan without a cosigner.	Amended Language
16	Eligibility. 14.43.172(d)	9	11-16		
17	Limits and conditions of loans. 14.43.300(a)	9	17-27	Clean up amendment. Guarantee fees eliminated in prior legislation. Origination fee currently charged.	Amending Language
18	Purpose: creation. 14.43.400	9-10	28-5	Revised to rename and describe grant program.	Amended Language
19	Administration. 14.43.405(a)	10	6-8	Conforming change of name of grant program to be administered as provided in 14.42.030.	Amended Language
20	Applicability of other laws. 14.43.406	10	9-18	Conforms by incorporating reference to other aid programs, grant program residency requirement, confidentiality of financial need information, repayment for an ineligible recipient, and definitions.	New Language
21	Distribution of funds. 14.43.410	10	19-24	Conforming change of name of grant program.	Amended Language

BILL SECTION	AK STATUTE SECTION TITLE	PAGE	LINE	PURPOSE OF SECTION	TYPE OF CHANGE
22	4.43.410(b)	10	25-29	Revised to permit grants for half-time study.	New Language
23	Eligibility; priority. 14.43.415	10-11	30-28	Revised to require in-state attendance. Requires prioritization of eligible programs of study based on state workforce needs.	Amended Language
24	Limitation on grants. 14.43.420(a)	11-12	29-1	Revises minimum and maximum grant amounts.	Amended Language
25	14.43.420(c)	12	2-4	Sets maximum grant dollars per recipient.	New Language
26	Loan terms and conditions. 14.43.740(a)	12	5-9	Removes student-specific loan maximum; permits loan consolidation and administrative collection from liens.	Amended Language
27	14.43.740(g)	12	10-12	Permits commission to set loan limits by regulation.	New Language
28	Definition. 14.43.990	12	13-19	Provide definition for AlaskAdvantage, the agency's service mark registered under the Trademark Act.	New Language.
29	Repayment condition for program participants. 14.44.040(c)	12	20-23	Conforming change to include new authority for collection order for defaulted WICHE PSEP loans.	Amended Language
30	Application of this chapter. General Provisions to state procurement code. 36.30.850(b)	12	24-28	Excludes contracts for electronic services entered into by the Commission and Corporation for financial aid administration.	Amended Language
31	Repealer section	12	29-30	Repeal AS 14.42.110. Purpose of corporation. Repeal AS 14.42.220(f). Limits aggregate amount of bonds that can be issued in two consecutive years other than through legislation. Repeal 14.43.122(b). Limits consolidated loan interest rate to be weighted average of the interest rates on loans being consolidated.	Amending Language.

BILL SECTION	AK STATUTE SECTION TITLE	PAGE	LINE	PURPOSE OF SECTION	TYPE OF CHANGE
31	Repealer section (cont'd)	12	29-30	<p>Repeal 14.43.300(g). ACPE authority to set loan origination fee on memorial education loans. Duplicate language of 14.43.120(u) incorporated by reference.</p> <p>Repeal 14.43.405(b). Student aid provisions applicable to the grant program. Replaced in Sec. 18.</p> <p>Repeal 14.43.420(b). Allows grant to be used at accredited postsecondary educational institution, already stated in eligibility section 14.43.415. See Sec. 20.</p> <p>Repeal 14.43.500(1) Defines resident. Replaced in Sec. 20 by incorporating residency requirement of 14.43.162.</p> <p>Repeal 14.43.500(2) Defines undergraduate. Term not used in remaining text.</p>	Amending Language.
32	Transition language.	12-13	31-5	Authorization to promulgate regulations.	
33	Instructions to Revisor	13	6-13	Conforming changes to titles in Articles 5 and 8.	
34	Instructions to Regulations Attorney	13	14-20	Instructions to make conforming changes to insert "Alaska Advantage" in regulations.	
35	Effective date section.	13	21	Providing for Sec. 6 to be effective January 1, 2005.	
36	Effective date section.	13	22-23	Providing for, except as stated in Sec. 35, this Act to have an immediate effective date.	

HB

413

HFIN

FILE

CBR Sweep Summary - DRAFT								
				FY04		Minimum	Fall 2003	Notes if Revenue not equal to Appropriation
		FY04	FY04	Revenue	Amount	Reverse	Potential	
Fund	Appropriation	Revenue	Shortfall	Swept	Amount	Sweep Balance		
No Reversal Necessary								
1	FHWA Airspace leases				\$19,049	\$0	\$19,049	
2	State Forestation Fund				\$194		\$194	
3	AMHS Replacement Fund				\$0		\$0	
4	Education Facility Maintenance/Construction Fund				\$0		\$0	
Total		\$0	\$0	\$0	\$19,243	\$0	\$19,243	
Reversal Necessary to Support FY 04 Appropriation Level and Future Year Spending								
5	Voc Rehab Small Business Enterprise Revolving Loan Fund	\$365,000	\$230,000	\$135,000	\$121,587	\$121,587	\$0	5/ \$13,413 Shortage does not appear to be a problem; actual expenditures are lower than authorization
6	Alaska Historical Commission	\$0	\$0	\$0	\$85,302	\$0	\$85,302	6/ \$0 Extra sweep supports future appropriations.
7	Oil/Haz Substance Release Accounts	\$20,171,600	\$9,232,900	\$10,938,700	\$18,349,829	\$10,938,700	\$7,411,129	7/ \$0 Extra sweep supports future appropriations.
8	Employment Assistance & Training (STEP)	\$5,639,700	\$4,650,000	\$989,700	\$1,947,655	\$989,700	\$957,955	3/ \$0 See footnote
9	Workers Safety/Comp Account	\$4,139,400	\$4,139,400	\$0	\$4,547,743	\$0	\$4,547,743	4/ \$0 See footnote
10	Commercial Passenger Vessel Env. Compliance Fund	\$706,900	\$706,900	\$0	\$1,099,965	\$706,900	\$393,065	5/ -\$706,900 Revenue received late in year and funds FY05
11	Tobacco Ed/Cessation Fund	\$5,395,600	\$4,295,600	\$1,100,000	\$1,260,524	\$1,100,000	\$160,524	5/ \$0 Extra sweep supports future appropriations.
12	Bldg Safety Account	\$1,603,700	\$1,508,000	\$95,700	\$92,843	\$92,843	\$0	\$2,857 Small shortfall is not a problem
13	Alcohol/Drug Abuse Trmnt/Prevention Fund	\$21,400,000	\$15,300,000	\$6,100,000	\$6,191,229	\$6,100,000	\$91,229	5/ \$0 Extra sweep supports future appropriations.

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14	Land Disposal Income Fund	\$7,818,500	\$4,318,500	\$3,500,000	\$5,048,554	\$3,500,000	\$1,548,554	7/	\$0 Extra sweep supports future appropriations.
15	AMHS Fund	\$86,945,400	\$82,945,400	\$4,000,000	\$9,277,305	\$4,000,000	\$5,277,305		\$0 The extra sweep amount is to load the fund for FY05. FY05 will be shortfunded without full reversal.
	Total	\$154,185,800	\$127,326,700	\$26,859,100	\$48,022,536	\$27,549,730	\$20,472,806		-\$690,630
Reverse to Restore Balance - So Available In FY 05									
16	Debt Retirement Fund	\$53,820,600	\$61,747,107	\$0	\$7,926,507	\$7,926,507	\$0	2/	-\$7,926,507 The extra sweep amount is to load the fund for FY05. FY05 will be shortfunded without full reversal.
17	Ak Tech Voc Ed Pgm Fund (TVEP)	\$4,561,500	\$4,561,500	\$0	\$913,590	\$913,590	\$0	3/	-\$913,590 See footnote
	Total	\$58,382,100	\$66,308,607	\$0	\$8,840,097	\$8,840,097	\$0		-\$16,766,604
Reverse to Restore Prior Year Account Balances over \$999 to Communities									
18	Municipal Capital Matching Grants (sum of 2 grant programs)	\$0	\$0	\$0	\$2,301,844	\$2,158,525	\$143,319		-\$2,158,525 Expenditure would require a supplemental appropriation. Potential sweep amount affects accounts less than \$1000.
Policy Call									
19	Railbelt Energy Fund	\$0	\$0	\$0	\$29,571,811		\$29,571,811		\$0
	Grand Total	\$212,567,900	\$193,635,307	\$26,859,100	\$88,755,531	\$38,548,352	\$50,207,179		-\$19,615,759
Notes:									
1/	Department requests full amount be reversed to support future year spending; annual revenue not sufficient to maintain current spending level.								
2/	Reversal will make the funding available to pay FY 05 debt costs.								
3/	Since fund is a diversion of monies that would otherwise go into the unemployment insurance trust fund, reverse full amount.								
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CBR Sweep Summary - DRAFT

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Adopted

2/3/04

ATTN: George Utermohle

Amendment to SB 283 / HB 413

Amend section 1 by adding a new subsection to read:

(b) The sum of \$125,000 is appropriated from the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) to the Department of Revenue, treasury division, for the fiscal year ending June 30, 2004, for investment management fees for the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska).

Amend existing subsection (b) to read:

(c) (b) The appropriations in (a) **and (b)** of this section **are**[IS] made under art. IX, sec. 17(c), Constitution of the State of Alaska.

Incorporates Amendment 1 by Harris
Adopted 2/3/04

23-LS1565ND
Utermohle
2/3/04

CS FOR HOUSE BILL NO. 413(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES CROFT, Harris, Morgau

A BILL

FOR AN ACT ENTITLED

1 "An Act making an appropriation to reverse the deposit of money available for
2 appropriation in the general fund at the end of fiscal year 2003 into the constitutional
3 budget reserve fund; making an appropriation for investment management fees for the
4 constitutional budget reserve fund; making appropriations under art. IX, sec. 17(c),
5 Constitution of the State of Alaska, from the constitutional budget reserve fund; and
6 providing for an effective date."

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

8 * Section 1. CONSTITUTIONAL BUDGET RESERVE FUND. (a) Deposits in the
9 budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) for fiscal year 2003
10 that were made from subfunds and accounts other than the operating general fund (state
11 accounting system fund number 11100) by operation of art. IX, sec. 17(d), Constitution of the
12 State of Alaska, to repay appropriations from the budget reserve fund are appropriated from
13 the budget reserve fund to the subfunds and accounts from which they were transferred.

1 (b) The sum of \$125,000 is appropriated from the budget reserve fund (art. IX,
2 sec. 17, Constitution of the State of Alaska) to the Department of Revenue, treasury
3 division, for the fiscal year ending June 30, 2004, for investment management fees for
4 the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska).

5 (c) The appropriations in (a) and (b) of this section are made under art. IX,
6 sec. 17(c), Constitution of the State of Alaska.

7 * Sec. 2. RETROACTIVITY. Section 1 of this Act is retroactive to July 1, 2003.

8 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

23-LS1565\D
Utermohle
2/3/04

CS FOR HOUSE BILL NO. 413(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES CROFT, Harris, Morgan

*Incorporates
Amendment
1 by
Harris
adopted.*

A BILL

FOR AN ACT ENTITLED

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HB

417

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: HB 417
 (H) Publish Date: 2/23/04

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Natural Gas Dev Auth Initiative RDU AK Natural Gas Dev Authority
 Component AK Natural Gas Dev Authority
 Sponsor Representative Chenault
 Requester House Oil & Gas Committee Component No. 2708

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	****	****	****	****	****	****
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CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

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

Estimate of any current year (FY2004) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

**** This legislation would change the responsibility of the Alaska Natural Gas Development Authority from reviewing the economic viability of a gas pipeline from Prudhoe Bay to Valdez and a spur from Glennallen to the Southcentral gas distribution grid to including the review of the economic viability of a gas line to tidewater at a point on Cook Inlet.

Since the Alaska Natural Gas Development Authority is already reviewing the economic viability of a spur to the Southcentral gas distribution grid, it is uncertain if additional funds will be necessary to expand that review to include to tidewater at a point on Cook Inlet.

Prepared by: Steve Porter, Deputy Commissioner Phone (907) 465-2365
 Division Department of Revenue Date/Time 2/15/04 8:18 PM
 Approved by: Steve Porter, Deputy Commissioner Date 2/15/2004
 Agency Department of Revenue

STATE OF ALASKA

REPRESENTATIVE
MIKE CHENAULT

Interim:
145 Main St. Loop, Second Floor
Kenai, Alaska 99611
(907) 283-7223
Fax: (907) 283-3075



HOUSE OF REPRESENTATIVES

Official Business

Session:
Capitol Building, Room 432
Juneau, Alaska 99801-1182
(907) 465-3779
Toll Free: (800) 469-3779
Fax: (907) 465-2833

House Bill 417

An Act Amending the definition of project in the Act establishing the Alaska Natural Gas Development Authority

House Bill 417 amends the definition of project to include all options for a terminus of the Alaska Natural Gas Pipeline. This specifically identifies Cook Inlet as a possibility for a terminus.

Revised 02/10/04

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

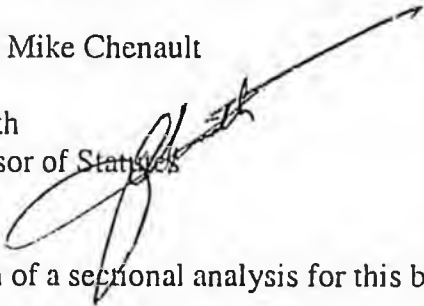
MEMORANDUM

February 3, 2004

SUBJECT: House Bill 417, amending the definition of "project" in the Act establishing the Alaska Natural Gas Development Authority -- sectional analysis (Work Order No. 23-LS1494\A)

TO: Representative Mike Chenault

FROM: Jack Chenoweth
Assistant Revisor of Statistics



Chris Koski has asked for preparation of a sectional analysis for this bill.

The 2002 initiative that establishes the Alaska Natural Gas Development Authority and defines its powers and duties directs the Authority to evaluate and develop a North Slope natural gas pipeline project. The initiative supplies a definition of the term "project" to include delivery of the gas to a point on tidewater on Prince William Sound. Bill section 1 amends that definition to add the alternative of delivery to tidewater at a point on Cook Inlet.

Bill section 2 gives the measure an immediate effective date.

JBC:med
04-129.med

Cook Inlet Gas Supplies & Prices

- Current Cook Inlet gas prices have been low because the large gas reserves found over 30 years ago were “stranded”
- Cook Inlet gas reserves need to and can be replenished, but exploration for today’s \$2.50 gas will not attract at-risk investors
- Over the next several years all local gas consumers will see the average gas price double as contracts indexed to higher L-48 gas markets dominate newly found on-going gas supplies

Potential Cook Inlet Gas Pricing with North Slope Spur Line



Gas Price in Chicago	\$4.00 / Mbtu
Tariff from North Slope	-\$3.00

Net-Back Gas Price on North Slope	\$1.00
Tariff to Cook Inlet	+\$1.50

Gas Price in Cook Inlet	\$2.50 / Mbtu

- Cook Inlet price of North Slope gas will be approximately \$1.50 less than the gas price in the Mid-West (the difference in the tariff down the AICan highway vs the tariff to Cook Inlet)
- State can consider legislating additional discounts on royalty gas for Alaskan households and/or businesses

ANGDA Business Model

- Achieve lowest cost of service for NS gas transportation using unique bonding and tax status
- Assure maximum benefits to all Alaskans
- Borrow commercially in market & avoid State funding mistake
- Work cooperatively and supportively with other public or commercial entities to get Alaska gas to market

New ANGDA Base Case Investment (Notional)

	Old Base	New Base	Basis	
Treatment Plant	\$2 B	ϕ1.0 B	(\$2.3B)*(2/4.5)	Prod
Pipeline	\$4 B	\$3.5 B	(\$4.4B)*(800/740)*(36/52)	Prod
Liquefaction Plant	\$4 B	\$3.0 B	(15 Mtons)*(\$150/ton)*(1.3)	BP
LNG Tankers	\$2 B	\$2.25 B	(9)*(\$150M) + (3)*(\$300M)	Less US
Spur Line	-	\$0.25 B	(20")*(125miles)*(\$100k/"mile)	
WC Regas	-	\$0.3 B	0.5 BSCFPD WC facility	
NGL Plant	-	\$0.2 B	(\$0.4B)*(2/4.5)	Prod
TOTAL	\$12 B	\$10.5 B	Net of -\$2.25B & +\$0.75B	

ANGDA Financing & Tax Alternatives

<u>CASES</u>	Debt to Equity Ratio	Return on Equity	Debt Interest Rate	Taxable Status ?	Cost of Service
High Return Business	70 / 30 %	15 %	8 %	YES	2.83
Attractive Investment	70 / 30 %	12 %	8 %	YES	2.51
Low Interest Debt	80 / 20 %	12 %	5 %	YES	1.94
No Return & Highway Bonds	All Debt	Zero	3.5 %	NO	1.36

Wellhead Value NOT Included in Cost of Service (\$/million BTU)

Comparison of Projects

Notional Cost of Service (\$/Mbtu)

	ANGDA LNG	AICan Highway
Attractive Investment	2.51	2.27
Low Interest Debt	1.94	1.79
THROUGHPUT	2 BSCFPD	4.5 BSCFPD
CAPITAL COST	\$10.5 B	\$19 B

Wellhead Value NOT Included in Cost of Service

Observations on All-American LNG Project

- LNG export key to achieving economy of scale with in-state use
- Gas at tidewater opens up a wide variety of options (i.e., petrochemicals & CNG)
- Cost of service drops over a \$1/mmbtu using ANGDA financing & tax leverage
- Alaskan LNG can compete in \$3 gas world
- LNG customers will share in market price risk / reward