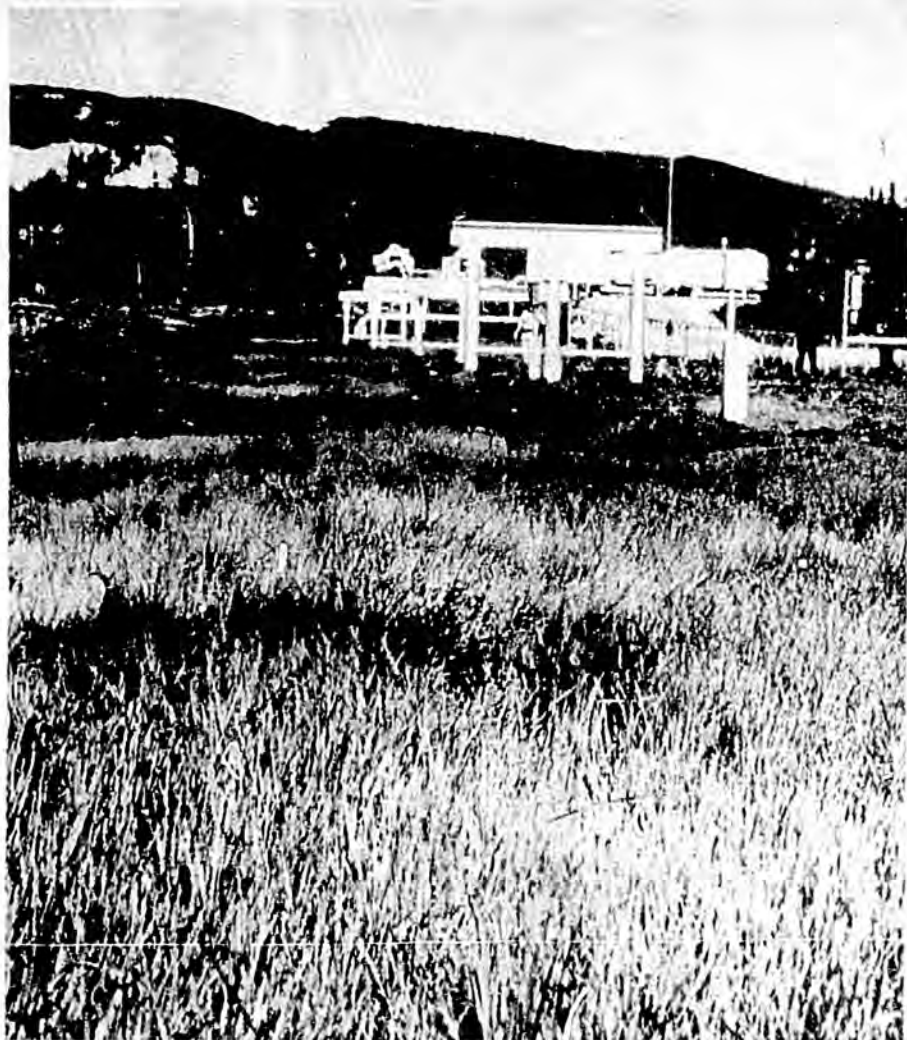


ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672

464 SCOMM13: JOINT COMM. ON GAS PIPELINE IMPACT 1974-76



This field of grass was grown in six weeks by botanists at Arctic Gas' \$3.5 million Arctic test facility at Sans Sault, NWT. A ditch had been dug to accommodate a stretch of 48-in. diameter pipe for testing purposes and then was covered and seeded to see how quickly and effectively a vegetative cover could be restored.

ference Board of Canada.

In May of this year, Wilder urged the investment section of the Canadian Life Insurance Association to "start thinking of increasing your proportion of assets in the energy field . . . (This) growing accumulation of Canadian savings which you gentlemen represent is of considerable interest to Arctic Gas. We are hopeful that it will be a significant factor in achieving majority Canadian ownership (of this project)."

Reactions to the energy situation around Canada seem to be sharply divided. Some fear the large degree of domination of Canada's energy companies by foreign corporations. Others note that without outside help, the level of activity and employment in the resource industries might well have been much slower. Arctic Gas representatives frankly push the international aspects of the project. "Arctic Gas exemplifies the historic spirit of the U.S. and Canadian relations . . . a spirit which recognizes that the interest of each nation can be best served by mutual cooperation—and never more so than in this instance." The recent energy policy report however, stated adamantly that development of Ca-

nadian resources would be governed by Canadian needs.

In order to assess the total impact of the pipeline on the Canadian economy during both construction and operation, Arctic Gas has commissioned studies by the Institute for the Quantitative Analysis of Social and Economic Policy at the University of Toronto. Using many sets of circumstances and working with its TRACE econometric model, the Institute is preparing forecasts of the Canadian economy with and without the pipeline. The computer models will measure the potential impact of the line both nationally and regionally in terms of such factors as employment, national income, gross national product, inflation, interest rates, balance of payments and exchange value of the Canadian dollar.

Although studies are not completed, indications from results so far are that there need not be upward pressure on the Canadian dollar resulting from financing and construction of the pipeline. Imported capital resulting from the financing and construction is likely to be at least matched by direct and induced payment for foreign goods and services. Impacts on other major

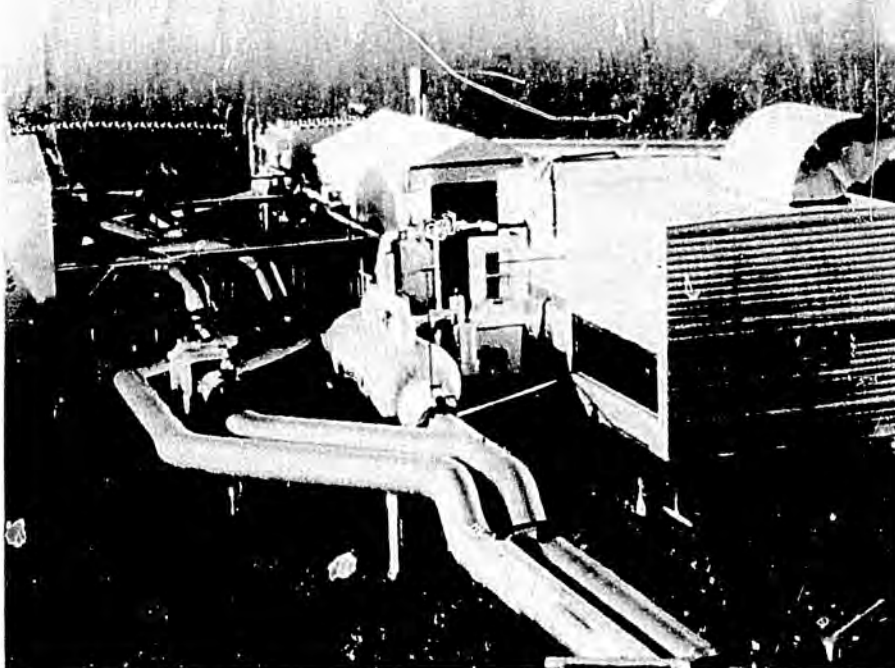


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This pipeline testing facility at Sans Sault, NWT, is one of three operated in the North by Arctic Gas.

economic factors such as price levels and interest costs should be negligible.

In terms of employment generation, preliminary results suggest that total income and employment impact of investment in

the pipeline will be on the same order of magnitude as investment in the rest of Canadian industry.

In financing studies, the company's objective is a viable plan which will provide

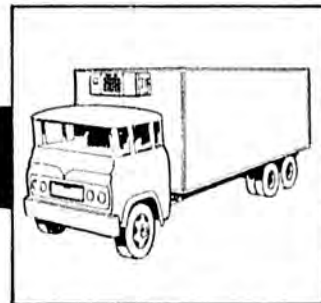
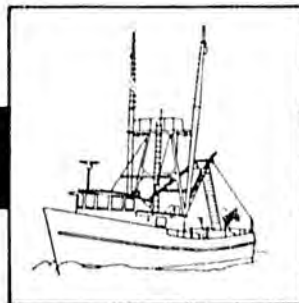
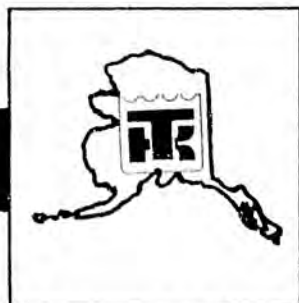
first priority to Canadian investors and a minimum 50 per cent Canadian equity ownership. "The only limitation on Canadian ownership that we can foresee will be the amount of funds that Canadian corporate, institutional and private investors choose to make available."

Of the \$5 billion required, the company anticipates that about 20 percent will be equity capital. The \$4 billion of debt capital will comprise a combination of such forms as 20- or 25-year first mortgage bonds, some junior debt money which may have provisions for conversion to equity, and bank loans. In addition to more than half of the equity capital, the company expects to be able to raise a substantial portion of the debt money in the growing Canadian capital market. A very large segment of the debt money, as well as the equity, will obviously have to be raised in the U.S.

In Anchorage, Wilder told AC&O that borrowing would not take place before 1975-76 and would then follow traditional finance methods, hoping for long term money. Rate estimate for private placement is 9 to 9 3/4 per cent.

EL PASO

While the Arctic Gas groups worry over possible success of the El Paso gas line in Alaska, they also have realistically considered this route as one alternative. By so



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doing, they avoid the problems encountered by the trans-Alaska consortium when it was alleged that the latter did not consider all alternate means of transporting Alaskan crude oil.

Although Arctic Gas does not believe the El Paso plan is the most economic or advantageous way for the U.S. to tap its large gas reserves on the Slope, the consortium does acknowledge that "it could be done." One potential advantage from the U.S. viewpoint, as seen by Arctic Gas, is that a U.S. transportation system, as opposed to one across Canada, would involve less strain on the U.S. balance of payments.

Wilder says that liquefied natural gas is important when the source cannot be linked with the market by pipeline and he thinks it unlikely that the Federal Power Commission, which would regulate the gas line, would let this gas (North Slope) serve only one market, namely the west coast.

Other industry spokesmen have pointed out that over the long term, Arctic Gas offers high well head value and low local employment, which overall might serve the whole of Alaska better. El Paso promises relatively high local employment and a relatively low well head value because of high transportation costs.

Others question whether present proven Slope reserves are enough for liquefaction.

James Lister, El Paso project director in Houston, says "both lines are needed," and that there is a good case for a line from the Mackenzie Delta and Prudhoe Bay south and neither line is exclusive. He bases his statement not only on the 17 trillion cubic feet of gas Van Horte says is in the Delta, but "there are hundreds of trillions of cubic feet at Mackenzie." Initially, however, El Paso believes their routing has the most advantages.

Lister also says El Paso has extensive pipelines across the country which can accommodate gas transmissions in both directions so their market is not limited to the west coast. He also contends that "we're able to pay the same well head price as anyone" and that the "same people regulate both lines —" meaning the Federal Power Commission which up to now has set the well head value.

The Alaska routing, Lister said, will not only be an all-Alaska pipeline through the state, but "can provide an infinite number of taps off the pipeline to provide an infinite number of energy sources."

Energy taps in Alaska appeal to residents in the interior of the state, particularly in Fairbanks, who see it as potential alleviation to their burdensome icefog problems. Governor William Egan, while not endorsing either proposal, has voiced concern over "how Alaskan gas leaves Alaska" and what benefits it can give the state's people.

Meanwhile, El Paso has "favorable prospects" for gas commitments for their project and their own explorations for gas are well under way. Studies for the pipe-

line and liquefaction plant are out of the preliminary stages and in-depth studies have begun.

COMPLICATIONS

Hindrances, obstacles and uncertainties suggested in the first part of this dissertation are compounded by numerous unknowns and controversial attitudes among industry and government people. For example, what if the state of Alaska chooses to take its 12½ per cent gas royalty in kind? Would this throw weight to an Alaskan line? Suppose a cents-per-million cubic feet tax were imposed? Suppose the Canadian land claims litigation drags on with no Parliamentary decision

until the next election because of political implications? If the issue threatens to become an unifying force to bring down Pierre Trudeau's government, would the Trudeau government, as landlord of the pipeline route, make a negative decision on the right-of-way permit?

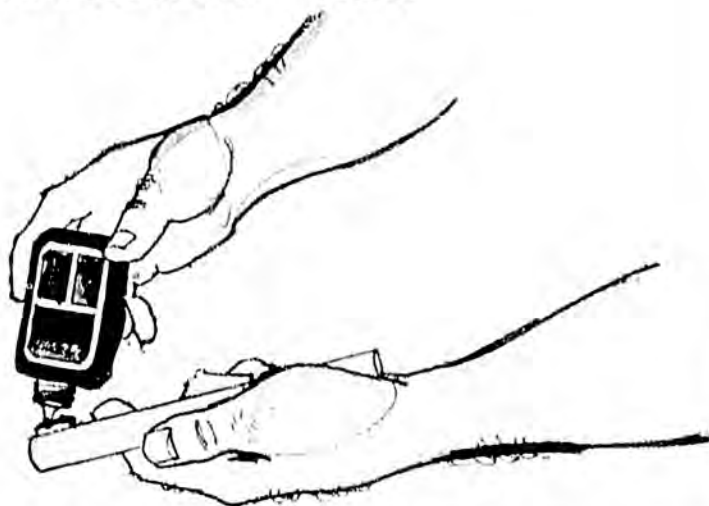
What would be the legal ownership of Alaskan gas in the line while in Canada? Would a sudden cut of Middle East oil change attitudes on this and other aspects of the line?

Obviously, the persuaders of Arctic Gas companies have a Herculean task before them, possibly bigger than the actual construction of the line itself, Gargantuan though it is. □

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PRESERVING PET 4

Commander J. P. Trunz Jr., is in charge of the Office of Naval Petroleum and Oil Shale Reserves in the Pentagon. Of the four naval petroleum reserves and three naval oil shale reserves administered by his office, the largest in terms of land mass and almost certainly in terms of potential production is Naval Petroleum Reserve No. 4 which covers 37,000 square miles, or about half of Alaska north of the Brooks range.

Trunz would love to bring the oil out of Petroleum Reserve No. 4 but he can't say that. He even said he couldn't say that. From a prepared speech delivered to the Society of Petroleum Engineers in Anchorage, he noted that "We can only assume that the laws affecting that Reserve will be continued as they are presently written, and the Navy would have no plans for the Reserve other than as authorized by these laws."

The Navy hasn't done much with Pet 4 since 1953 except to develop a small quantity of gas in the South Barrow gas field which is being used by the Natives at Barrow and vicinity. That little bit has reduced fuel costs to the Natives by 60 per cent and is said to have saved the government as much in transportation costs as it has spent in all the years it has had Pet 4, about \$50 million.

Development of Pet 4 started in 1944 when a potential energy crisis hit the country. Tankers supplying oil to Alaska were needed to supply American troops stationed elsewhere and it looked like petroleum could be in very short supply on the west coast if the war continued for long. At that time all of the North Slope was withdrawn from private exploration and the Navy undertook a major petroleum exploration program called PET-4. This program included the drilling of 36 test wells and 44 core sample holes, seismic shooting of 36,800 square miles, geologic mapping of 21,000 square miles by reconnaissance (semi-detailed and detailed methods), vertical aerial photography of 70,000 miles, and many related studies.

The PET-4 operation demonstrated the presence of a widespread petroliferous province, the probability of nine large deposits of recoverable gas and oil, and was abandoned in 1953.

PET-4 did not drill deep enough, essentially only exploring the shallow Cretaceous geologic formations. Of the 80 wells drilled most were concentrated in

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STATE OF ALASKA

DEPARTMENT OF HIGHWAYS

OFFICE OF THE COMMISSIONER

WILLIAM A. EGAN, GOVERNOR

P. O. BOX 1467 — JUNEAU 99801

November 30, 1973

Re: 00-2516

DEC 3 1973

Mr. George Sharrock
Committee Director and Coordinator
Special Petroleum Impact Committee
326 "H" Street, Room #8
Anchorage, Alaska 99501

Dear Mr. Sharrock:

We have your letter of November 17, 1973 forwarding a copy of Mr. Robert Ditman's letter of September 25, 1973.

Answers to the specific questions related to our department are being channeled through the office of Mr. Robert Favitt, Director of Planning and Research, Office of the Governor.

Sincerely yours,



B. A. Campbell
Commissioner of Highways

CC: Office of the Governor

STATE OF ALASKA

WILLIAM A. EGAN, GOVERNOR

DEPARTMENT OF PUBLIC SAFETY

DEC 5 RECD

OFFICE OF THE COMMISSIONER

POUCH N — STATE CAPITOL
JUNEAU 99801

December 3, 1973

Mr. George Sharrock
Committee Director and Coordinator
Special Petroleum Impact Committee
Alaska State Legislature
326 H Street, Room 8
Anchorage, Alaska 99501

Re: Your letter of 11/17/73

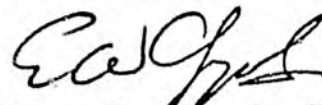
Dear Mr. Sharrock:

The answers to your questions are no doubt best contained in my Supplementary Budget Requests for fiscal years 1974 and 1975. These requests have been forwarded through channels to Governor Egan who has not had the opportunity to review the many requests from all agencies or to formulate his policies and budgetary recommendations.

Inasmuch as requests for additional trooper and protection support is by nature rather nebulous and predicated upon my judgments and opinions, I feel that the answers to your questions must come from the Governor. After all, the level of our service to the public is a value judgment for he alone to ultimately make and implement.

I am certain that this is not the answer you most desire, but am equally certain you can see the merit in having this information come from the person most responsible for the level of police services in the State of Alaska.

Very truly yours,



Emery W. Chapple, Jr.
Commissioner

cc: Governor William A. Egan
Colonel M. E. Dankworth

STATE OF ALASKA

OFFICE OF THE GOVERNOR

STATE PLANNING AND RESEARCH

WILLIAM A. EGAN, GOVERNOR

DEC 3 REC'D

POUCH AD — JUNEAU 99801
PHONE 586-5386

November 30, 1973

Mr. George Sharrock
Committee Director &
Coordinator
Special Petroleum Impact
Committee
326 H Street, Room 8
Anchorage, Alaska 99501

Dear George:

Thank you for your letter of November 17 and the copies of letters sent to several Commissioners. I am, of course, familiar with Bob Ditman's September 25 letter to you, and wish to assure you and the Committee that each of the Commissioners is available to provide factual information to legislative committees either during or between sessions.

The difficulty in this instance lies in the fact that the particular information you are seeking has not yet been finalized. As a former State Commissioner, you are aware that the Governor's Budget Review Committee holds its meetings with all State agencies between October 15 and December 15. This year, the Committee is requiring from each agency a well-documented and well-justified pipeline impact budget in addition to its normal operating budget request. The Committee, in turn, will review each of these impact budgets in light of the State's overall assumptions concerning construction impact, state revenues, surveillance agreements with the Federal government, current information from Alyeska, and other pertinent factors before finalizing them in a budget recommendation to Governor Egan.

Recent meetings with officials of Alyeska have confirmed our determination to have a better picture of the logistics of the construction operation before finally identifying the anticipated

November 30, 1973

impacts and the measures necessary to address them. For example; the results of the current negotiations between Alyeska and the unions will have a substantive affect on population, distribution, leisure time, family relationships, etc. In turn, these matters will affect all areas of state and local services and facilities. Similarly, the final resolution of the question regarding medical services to be provided by Alyeska will impact medical manpower in Alaska, as well as the continuity of vital health programs.

As Commissioner Mallott and I stressed at the Fairbanks hearing before your Committee, the administration and the Legislature have a mutual concern and a mutual goal with respect to the forthcoming construction; to anticipate and meet the needs of Alaskans and their communities so that the maximum social and economic benefit will result from the pipeline construction and operation.

When the Pipeline Coordinating Committee and its sub-committees (including the Budget Review Committee) are satisfied that their assumptions are based on the most current and most dependable data, the base line information and resultant projections will be documented, published and released. With such a tool, the Governor's legislative recommendations on this subject can be discussed on the basis of factual information and authoritative assumptions.

Kindest personal regards.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. W. Pavitt', with a large, stylized initial 'R' and a horizontal line extending to the right.

R. W. Pavitt, AIP
Director

MEETING OF NORTHWEST FEDERAL REGIONAL COUNCIL WITH
ALASKA SPECIAL PETROLEUM IMPACT COMMITTEE

Seattle, Washington
December 18, 1973

Northwest Federal Regional Council

Dave Dougherty
Executive Director

Bernard E. Kelly (Chairman)
Regional Director
Dept. of Health, Education & Welfare

Jim Agee (Vice Chairman)
Regional Administrator
Environmental Protection Agency

Oscar Pedersen
Regional Administrator
Office of Housing & Urban Development

David Head
Regional Administrator
Law Enforcement Assistance Administration

James Hughes
Regional Director
Department of Labor

Donald Samuelson
Regional Director
Dept. of Transportation

J. Finley
Regional Administrator
Office of Economic Opportunity

S. Trenhaile
Regional Director
Dept. of Agriculture

R. Sampsel
Regional Director
Dept. of the Interior

Special Petroleum Impact Committee

George Sharrock
Director and Coordinator

✓ Senator Ron Rettig (Chairman)
Anchorage, Alaska

✓ Senator Cliff Groh
Anchorage, Alaska

Senator Terry Miller (Senate President)
Fairbanks, Alaska

Representative Tom Fink (House Speaker)
Anchorage, Alaska

✓ Representative Richard McVeigh
Anchorage, Alaska

Senator Robert H. Ziegler, Sr.
Ketchikan, Alaska

Senator Keith Miller
Anchorage, Alaska

✓ Senator H. D. (Pete) Meland
Sitka, Alaska

Representative Robert Hartig
Anchorage, Alaska

✓ Representative Andrew Warwick
Fairbanks, Alaska

Representative Lavell Wilson
Tok, Alaska

C & L
Lundberg

W

NOV 21 1973

D

LEGISLATIVE AFFAIRS
AGENCY

November 20, 1973

(Members of Special Petroleum Impact Committee)

Dear

I have arranged for the Committee to meet with the Federal Regional Council. I tried to have the Council come to Alaska for the meeting, but found this could not be done. The meeting is set for the morning of December 18th at the Council Headquarters, Arcade Plaza Building, 1321 Second Avenue, Seattle.

It was the intent to hold an Impact Committee meeting early in December to review our report and allow the Committee to make decisions on legislative recommendations. Following our receipt of all information from the communities, it will take about 10 days to prepare the report.

It is believed that combining the Committee meeting with the Regional Council meeting would be best. Therefore, I have arranged for the Committee to meet the morning of December 17th in a conference room at the Regional Council Headquarters at 9:30 A.M.

I plan to have copies of the report to you a few days in advance.

The Northwest Federal Regional Council members are:

Bernard E. Kelly (Chairman)
Regional Director
Dept. of Health, Education & Welfare

Donald Samuelson
Regional Director
Dept. of Transportation

Jim Agee (Vice Chairman)
Regional Administrator
Environmental Protection Agency

James Hughes
Regional Director
Dept. of Labor

Oscar Pedersen
Regional Administrator
Office of Housing and Urban Development

J. Finley
Regional Administrator
Office of Economic Opportunity

Special Petroleum Impact Committee -2-

November 20, 1973

S. Trenhaile
Regional Director
Dept. of Agriculture

R. Sampsel
Regional Director
Dept. of the Interior

There is reason to believe that there will be federal programs for aid in some of the impacted areas. The purpose of the meeting with the Council is to explore all possible means. There has been some discussion by the Council regarding pipeline impact and they will have further discussions with their Washington, D.C. offices before December 18th.

Since the Council offices are not far from the Olympic Hotel, reservations will be made there at Government rates.

We should have confirmation on whether you plan to attend the meetings as soon as possible.

Sincerely,

George Sharrock
Committee Director and Coordinator

GS:ta

cc: ✓ John Elliott
Executive Director
Legislative Affairs Agency

b.P.S. (John Elliott) In addition to the TRs you will send directly to the Committee members, we will need TRs for Ben Marsh, Trudie Alford and myself.

STATE OF ALASKA THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99801

March 12, 1974

MEMORANDUM

TO: Russell E. Mulder, Deputy Director

FROM: Greg Machyowsky, Legislative Counsel

SUBJECT: Applicability of Article IX, Sec. 9 of the state constitution (relating to debts incurred by political subdivisions) to loan programs authorized by the state for political subdivisions; applicability of Article III, Secs. 22 and 23 (relating to the executive) to review of Department of Community and Regional Affairs determinations on loan applications by Legislative Budget and Audit Committee.

Whether Article IX, Sec. 9 relates only to bonded indebtedness incurred for capital improvements or to bonded and any other kind of indebtedness for such improvements appears still to be under question; moreover, whether the provision is to be read as prohibiting any debt other than for capital improvements might also be questioned.

In practice it seems the constitutional provision is generally accepted as applying to debt incurred for capital improvements only, primarily bonded debt, and perhaps as well other than bonded debt for capital improvements.

There are at least two permanent statutes now in effect authorizing loans to municipalities, namely AS 46.03.030, authorizing loans for water supply and sewage treatment systems, and AS 44.19.177, authorizing urban renewal loans to municipalities damaged by natural disasters.

To insure against raising of probably the more apparent of the two constitutional questions on Article IX, Sec. 9 noted above, perhaps inserting the following provision would be helpful in loan program enabling legislation:

If the loan is for a capital improvement the ordinance to be effective must be ratified by a majority of the qualified voters of the municipality voting on the question at a general or special municipal election.

Russell E. Mulder
Deputy Director

-2-

March 12, 1974

Incidentally, the term "community" if used to describe localities eligible for loans, perhaps should be defined or otherwise indicated as either including or excluding unincorporated communities; presumably it is intended to cover at least cities and boroughs.

A loan program to municipalities which is to be administered by the Department of Community and Regional Affairs but invests the Legislative Budget and Audit Committee with responsibility to approve or disapprove applications would seem to come within the purview of Article III, Sec. 22 of the state constitution, calling for executive and administrative functions to be allocated among principal departments and Article III, Secs. 25 and 26, requiring the head of each department to be appointed by the governor, subject to confirmation by the legislature. Article III, Sec. 22 qualifies the requirements as follows:

Regulatory, quasi-judicial, and temporary agencies may be established by law and need not be allocated within a principal department.

A loan program, if enacted as a temporary measure, and calling for approval of administrative decisions by a legislative appointed commission may perhaps be viewed as an executive and administrative function vested in a temporary agency and thereby not subject to the requirements for allocating functions within principal departments, with department heads appointed by the executive. In the context of the apparent purpose of the provisions, however, and the general constitutional principle of separation of powers underlying the state constitution, the vesting of final administrative or executive authority in a legislative agency, even on a temporary basis, may be questioned for conformity with the constitution.

Let me know of course if the matters noted require more extensive and specific review in terms of proposed bill or amendment requests.

STATE OF ALASKA THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99801

LEGISLATIVE AFFAIRS AGENCY

March 12, 1974

M E M O R A N D U M

TO: Senate Community and Regional Affairs Committee

FROM: Russell E. Mulder, Deputy Director

SUBJECT: Draft of CSSB 382 (Pipeline Impact) ~~7~~ /

NOTE: Reference needs to be made to CSHB 505 and SB 382

Section 1. New language stressing "temporary emergency" (p. 1, line 10).

Sec. 2(a). Primarily sec. 2(a)(1) of CSHB 505. The word "seasonal" was removed on p. 1, line 18 between "normal" and "population" and paragraph "(2)" was deleted. Sec. 2(b) is sec. 4 of CSHB 505. Sec. 2(c) is basically sec. 3 of CSHB 505. Sec. 2(d) is a combination of secs. 2(b) and 4(c) of CSHB 505. Sec. 2(e) is partly taken from sec. 4(d) of CSHB 505.

Sec. 3. Taken from sec. 5(a) of CSHB 505. Subsection (b) of that sec. was deleted.

Sec. 4. Primarily the concept embraced in sec. 44.19.589(b)-(1) of SB 382 (p. 3, line 10); limited to grants and providing for approval by Legislative Budget and Audit Committee in lieu of Special Legislative Pipeline Impact Review Committee.

Sec. 5. Same as above except it relates to loans for capital improvements only and "(b)" incorporates sec. 44.19.589(f) of SB 382 (p. 5, lines 1 - 3).

Sec. 6. Same as sec. 44.19.603 of SB 382 (p. 6, lines 25 - 27) but changing Special Legislative Pipeline Impact Review Committee to Legislative Budget and Audit Committee.

Sec. 7. Taken from sec. 12 of CSHB 505.

Sec. 8. Except for a new "(1)" (definition of "department"), basic language taken from sec. 8 of CSHB 505.

Senate Community and Regional Affairs Committee
March 12
Page 2

Sec. 9. New language patterned after AS 43.25.110 (part of the Alaska Industrial Incentive Act) and AS 43.26.070 (part of the Industrial Incentive Tax Credit Act).

Sec. 10. Same effective date as contained in SB 382 and CSHB 505.

REM:cb

Intent - ant
2 pages long
✓ 3 programs

- formula - population

- ~~Arbitr.~~ discretionary

grants (pipeline related impact,

✓ committee - like Rettig

✓ need not confer director

- approval only of disbursement
of funds

- above their normal operating expenses.

- ~~only~~ expire

< June 30, 1975

no applications approved
after that date.

✓ Emergency legis - Temporary

✓ Dept. of C & R A.

- ~~no loans~~

✓ grants (limited) to non-cap-
improvements (operation)

✓ capital imp. loans okay

✓ - 7% interest 1 quarter of

⑦ 1% the state is currently
paying on its obligations
✓ terms by director which
are.

* Section 1. Purpose. It is the intention of the legislature to financially assist municipalities in meeting extraordinary ~~operating~~ expenditures caused by pipeline construction impact.

* It is the purpose of this Act to provide temporary, emergency ^{financial} relief to municipalities ~~adversely~~ ~~incurring extraordinary~~ in order that they can meet extraordinary expenditures caused by or related to pipeline construction.

* Sec. 2. Formula Grants. ^{The Dept of C & R A.} (Sec. 2 of CSHB 505)
(a) yes
(b) yes
(c) Sec. 3 of CSHB 505
(d) Sec. 4(a) "
(e) Sec 4(c)
(f) Sec. 5

Sec. 3. Discretionary Grants. The Department of C. & R A may, with the approval of the B & A Comm, make grants to a municipality demonstrating extraordinary municipal operating expenditures beyond its capability to reasonably meet from growth in receipts from present municipal revenue sources.

Sec. 4. ^(a) Capital Improvement Loans.
The Dept. of C & R A may, with the
approval of the B/A Committee, make
loans to municipalities ~~which~~
~~are~~ demonstrating extraordinary munici-
cipal capital improvement ex-
penditures beyond...

(b) The Dept. shall estab-
lish the terms and conditions of
the loans but ~~the~~ interest may
not be charged in excess of
one quarter of per cent ~~of the~~ the
rate the state is paying on its
obligations.

Sec. 5. B/A Comm. Approval. —

Sec. 6. Termination Date for
Applications

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.

Sec. 4. ^(a) Capital Improvement Loans.
The Dept. of C & P A may, with the
approval of the B/A Committee, make
loans to municipalities ~~which~~
~~are~~ demonstrating extraordinary munici-
cipal capital improvement ex-
penditures beyond...

(b) The Dept. ~~to~~ shall estab-
lish the terms and conditions of
the loans but ~~the~~ interest may
not be changed in excess of
one quarter of per cent ~~of the~~ the
rate the state is paying on its
obligations.

Sec. 5. B/A Comm. Approval. —

Sec. 6. Termination Date for
Applications

February 26, 1974

M E M O R A N D U M

TO: Senator Rader

FROM: Russell E. Mulder, Deputy Director

SUBJECT: An inconsistent use of language in
SB 382 (1974) and HB 638 (1974)

In reviewing identical bills to create the Pipeline Impact Agency (SB 382 and HB 638) it has been brought to the attention of this office that an inconsistency exists within the bills themselves. In sec. 10 of the bills (p. 2, lines 7-10) it is stated that

"...The legislature finds, too, that revenue-sharing formulas on per capita or percentage per capita increase basis are less desirable, less effective, and more costly than the case-by-case approach intended in the legislation...."

Sec. 589(c), on the other hand, provides that

"Grants...shall be made on the basis of percentage increase in population..." (p. 3, lines 19-21)

This conflicting language was brought together during the process of drafting the final bill for introduction from various work drafts. In the final draft the language referring to grants being made on the basis of percentage increase in population should have been changed to reflect the newer thinking as set forth in sec. 10 (Purpose).

In order to resolve this inconsistency, it is suggested that the first sentence of sec. 589(c) be changed to read:

"Grants under (b)(1) of this section shall be made on a case-by-case basis as demonstrated by need."

REM/sm

CYRA Comm. 2/26/7

SB 382

look into! ① Check const. question re new amend-
ment, i.e., need for a vote of the
people for anticipate loans... check
with Greg.

~~XXXXXXXXXXXXXX~~

look into! Separation of powers question
- Need a sec. 26 Board? (section 603)

Anchorage Board

- 1.) SB 505 & 382 should be combined.
 - \$10 mil disbursed per formula &
15 mil " by Agency on an
emergency (contingency fund).
 - ~~XXXXXX~~ They have 05

Original sponsor: Rules Committee by
request of the Governor

IN THE HOUSE

BY THE COMMUNITY AND
REGIONAL AFFAIRS COMMITTEE

CS FOR HOUSE BILL NO. 505

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to assisting municipalities; and
providing for an effective date."

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

* Section 1. DECLARATION OF PURPOSE. It is the intention of the legis-
lature to financially assist municipalities in meeting certain extraordinary
operating expenditures caused by accelerated population growth other than the
normal seasonal population increase and which are beyond the capability of
the impacted municipalities to reasonably meet. It is the further intention
of the legislature that the state respond promptly to the impact needs of
municipalities.

* Sec. 2. ELIGIBILITY STANDARDS. (a) Grants to carry out the purposes
of this Act may be made to a municipality demonstrating

(1) an annual population growth rate in excess of 2.9 per cent
of the base population *other than the normal seasonal population increase;*

(2) extraordinary municipal operating expenditures beyond its
capability to reasonably meet from growth in receipts from present municipal
revenue sources.

(b) The base population for measuring the annual population growth rate,
for purposes of this section, is the population of the municipality on the
first day of the quarter in which this Act takes effect.

* Sec. 3. ESSENTIAL MUNICIPAL SERVICES. Grants made under this Act may
be expended only for operating expenditures for essential municipal services
specified in the application.

* Sec. 4. GRANT COMPUTATION AND PAYMENT. (a) An existing municipality

1 or a municipality incorporated after the effective date of this Act is eligible
2 for a grant amount under this Act equal to its annual population growth by
3 June 30, 1975 in excess of the 2.9 per cent growth rate standard established
4 under sec. 2 of this Act multiplied by its per capita general fund expendi-
5 tures, excluding expenditures for education, capital outlay and debt service,
6 for, in the case of an existing municipality, the last complete fiscal year
7 preceding the effective date of this Act and, in the case of a municipality
8 incorporated after the effective date of this Act, its fiscal year budget.

9 (b) Total grants under this Act to a municipality with a population of
10 10,000 persons or more on the first day of the quarter in which the effective
11 date of this Act falls may not exceed \$250 per capita of the population
12 growth in excess of the average annual population growth rate standard estab-
13 lished under sec. 2 of this Act. Total grants under this Act to a municipali-
14 ty with a population under 10,000 persons on the first day of the quarter in
15 which the effective date of this Act falls may not exceed \$400 per capita of
16 the population growth in excess of the average annual population growth rate
17 standard established under sec. 2 of this Act.

18 (c) The base population for measuring the per capita general fund
19 expenditures for purposes of this section is the population of the munici-
20 pality on the first day of the quarter in which the effective date of this
21 Act falls.

22 (d) Grants may be made quarterly based upon quarterly population esti-
23 mates with final adjustment to be made on June 30, 1975. Final grant payments
24 shall be withheld until after final adjustments of amounts are made on June 30,
25 1975.

26 " Sec. 5. PREPAYMENTS. (a) A municipality may receive, as a prepayment,
27 up to 50 per cent of the amount it will be entitled to under this Act upon
28 certification by the Department of Community and Regional Affairs that the
29 municipality will more likely than not meet the eligibility standards set

1 out in sec. 2 of this Act.

2 (b) Total prepayments to municipalities made under this section may not
3 exceed \$5,000,000.

4 * Sec. 6. APPLICATION. (a) Grants under this Act may be made only upon
5 application by a municipality to the Department of Community and Regional
6 Affairs. Each grant application shall state the essential municipal services
7 for which the grant will be expended. A prepayment grant application may be
8 submitted at any time after the effective date of this Act.

9 (b) No grant may be expended for purposes other than those specified
10 in the application.

11 * Sec. 7. ACCOUNTABILITY FOR GRANTS. (a) A municipality shall submit a
12 financial report covering the expenditure of a grant already received under
13 this Act to the Department of Community and Regional Affairs before another
14 grant may be received under this Act.

15 (b) A municipality receiving grants under this Act shall

16 (1) maintain a separate account for the grants received under this
17 Act;

18 (2) provide for an annual independent audit of the separate account
19 for the grants received under this Act; and

20 (3) submit a copy of the independent audit report to the Department
21 of Community and Regional Affairs.

22 * Sec. 8. APPROVAL. Grants under this Act shall be made by the Department
23 of Community and Regional Affairs at the direction of the governor subject
24 to approval of the Special Legislative Pipeline Impact Review Committee.

25 * Sec. 9. POPULATION. A municipality shall submit estimated population
26 and population growth figures to the Department of Community and Regional
27 Affairs. These population and population growth figures are subject to review
28 and approval by the Department of Community and Regional Affairs. The
29 decisions of the Department of Community and Regional Affairs are final as to

1 (1) population growth figures for the purpose of establishing
2 eligibility under sec. 2 of this Act;

3 (2) population figures for computing grant amounts under sec. 4
4 of this Act; and

5 (3) population figures for computing prepayment amounts under
6 sec. 5 of this Act.

7 * Sec. 10. PIPELINE IMPACT FUND. There is the pipeline impact fund
8 created for the purpose of carrying out the provisions of this Act. The fund
9 consists of all money made available by appropriations of the state legisla-
10 ture, and from other appropriated funds all contributions from whatever
11 source, and income and interest derived from the investment of money.

12 [* Sec. 11. SPECIAL LEGISLATIVE PIPELINE IMPACT REVIEW COMMITTEE. There
13 is established the Special Legislative Pipeline Impact Review Committee com-
14 posed of three members of the senate appointed by the president of the senate
15 and three members of the house of representatives appointed by the speaker of
16 the house. The committee shall select its own chairman.

17 * Sec. 12. TERM OF MEMBERSHIP. The committee shall be organized within
18 15 days after the organization of each legislature. Members serve for the
19 duration of the legislature during which they are appointed. If they are
20 reelected or their term of office extends into the next succeeding legisla-
21 ture, they continue to serve until reappointed or the appointment of their
22 successor.

23 * Sec. 13. VACANCIES. When a vacancy occurs in the membership of the
24 committee, the presiding officer of the house incurring the vacancy shall
25 choose a successor. If the office of the president of the senate or speaker
26 of the house of representatives becomes vacant and a vacancy from the affected
27 house occurs among the membership of the committee, the remaining committee
28 members from the house incurring the vacancy shall appoint a new member.

29 * Sec. 14. MEETINGS. (a) The committee may meet during sessions of the

1 legislature and during the interim between sessions at such times and places
2 in the state as the chairman may determine. Members may receive, for the
3 minimum time required to get to and from meetings and for the period while
4 attending meetings, the same travel and per diem allowances provided by law
5 for members of the legislature when attending sessions, except that members
6 of the committee receive no per diem during legislative sessions other than
7 the per diem allowance paid to other members of the legislature.

8 (b) The members of the committee can validly conduct a meeting and vote
9 by communicating simultaneously with each other by means of conference tele-
10 phones or similar communications equipment.

11 (c) A majority of the members of the committee constitute a quorum for
12 the purpose of carrying out its duties under this Act.

13 * Sec. 15. DUTIES OF COMMITTEE. The committee shall review and approve
14 or disapprove, in whole or in part, the grants made by the Department of
15 Community and Regional Affairs under this Act.

16 * Sec. 16. DIVISION OF LEGISLATIVE FINANCE ASSISTANCE. The division of
17 legislative finance shall cooperate with the committee and shall furnish
18 technical assistance and personnel, if available, upon request.

19 * Sec. 17. DEFINITIONS. In this Act

20 (1) "municipality" means a home rule municipality or a general
21 law municipal corporation and political subdivision, which is a first or
22 second class borough or city incorporated under the laws of the state;

23 (2) "operating expenditures" means personal services, contractual
24 services, travel, commodities, and up to \$20,000 per item of equipment except
25 that it does not include any of these items if part of a capital improvement
26 expenditure;

27 (3) "population" means nonmilitary population;

28 (4) "quarter" means a period beginning January 1, April 1, July 1
29 and October 1 of a calendar year.

1 * Sec. 18. REGULATIONS. The Department of Community and Regional Affairs
2 may adopt regulations necessary to carry out the purpose of this Act.

3 * Sec. 19. EFFECTIVE DATE. This Act takes effect on the day after its
4 passage and approval or on the day it becomes law without approval.

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Introduced: 2/15/74
Referred: Community and
Regional Affairs and
Finance

BY THE RULES COMMITTEE
BY REQUEST OF THE
SPECIAL PETROLEUM
IMPACT COMMITTEE

1 IN THE SENATE

2 CS *for* SENATE BILL NO. 382

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act creating the Pipeline Impact Agency; and
7 providing for an effective date."

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

9 * Section 1. AS 44.19 is amended by adding new sections to read:

10 ARTICLE 8. PIPELINE IMPACT AGENCY.

11 Sec. 44.19.581. PURPOSE. The legislature finds that construction
12 of the trans-Alaska pipeline, from its commencement to completion over
13 a period of approximately three years, will impose severe to mild
14 strains on local and state governmental services and facilities. While
15 the pipeline construction indubitably will, in the long run, mean
16 immense growth and development to the communities and areas along the
17 pipeline route, and to those areas coming under direct pipeline con-
18 struction influence, the legislature further finds that localities most
19 affected will be unable to cope with the probable impact on facilities
20 and services brought about by the anticipated overwhelming and sudden
21 increases in numbers of citizens to be served. The legislature finds,
22 also, that communities while likely to be impacted are willing and
23 ready via local taxation to do all possible themselves to meet impact
24 requirements, even to the full limits of local taxation tolerance,
25 nevertheless, recognizing the state will be the prime beneficiary of
26 pipeline construction via realization of enormous oil development
27 revenues for the total state, the legislature finds that local impact
28 financial burdens logically should be borne by the state as its invest-
29 ment in those future revenues. It is, therefore, the intent of the

1 legislature, in this measure, to provide a means of quickly and deci-
2 sively determining specific impact problems and, additionally, for
3 moving quickly and decisively to provide funds, facilities, personnel
4 or other means for quick solutions. Finally, the legislature intends
5 via this legislation to meet local and state pipeline construction impact
6 problems as quickly and efficiently as possible in manners similar to
7 the handling of disaster impact problems. ~~The legislature finds, too,~~
8 ~~that revenue-sharing formulas on per capita or percentage per capita~~
9 ~~increase basis are less desirable, less effective, and more costly than~~
10 ~~the case-by-case approach intended in the legislation. Under the~~
11 ~~formula approach, provision would have to be made for all probable as~~
12 ~~well as all possible impact contingencies, some of which may never~~
13 ~~develop.~~

14 Sec. 44.19.583. PIPELINE IMPACT AGENCY. There is created in the
15 ~~(Department of Community and Regional Affairs)~~
16 ~~office of the governor~~ the Pipeline Impact Agency.

17 Sec. 44.19.585. DIRECTOR. The Pipeline Impact Agency is adminis-
18 tered by a director of pipeline impact. The director is appointed by
19 the governor and serves at the pleasure of the governor. The appoint-
20 ment of the director is subject to confirmation by a majority of the
21 members of the legislature in joint session.

22 Sec. 44.19.587. PROGRAM TO ASSIST MUNICIPALITIES DURING PIPELINE
23 CONSTRUCTION. The Pipeline Impact Agency shall administer a state
24 program to provide assistance to municipalities which are adversely
25 affected, economically and socially, by pipeline construction.

26 Sec. 44.19.589. POWERS AND DUTIES. (a) The director shall

27 (1) advise and assist the governor in developing planning
28 assumptions and a broad preparedness plan with respect to the economic
29 and social impact that will accompany pipeline construction;

(2) advise and assist the governor in developing policies,

1 programs and control systems designed to alleviate the economic and
2 social impact resulting from pipeline construction; and

3 (3) advise and assist the governor with respect to resolving
4 issues related to pipeline construction impact preparedness responsi-
5 bilities of state agencies which arise concerning two or more of those
6 agencies.

7 (b) The director, with the approval of the Special Legislative
8 Pipeline Impact Review Committee ~~(as provided for in secs. 395 - 605~~
9 ~~of this chapter~~, may

10 (1) make loans and grants and purchase evidences of indebted-
11 ness with funds from the pipeline impact fund to municipalities economi-
12 cally or socially adversely affected by pipeline construction;

13 (2) guarantee municipal bonds when a municipality needs to
14 undertake a capital improvement program on an accelerated basis; and

15 (3) pay (for not more than three years) from the pipeline
16 impact fund a portion of the debt service or interest or both incurred
17 by a municipality for undertaking capital improvements made necessary
18 by pipeline construction.

19 ⁽⁴⁾
20 (c) Grants under (b)(1) of this section shall be made ~~on the~~
21 ~~basis of percentage increase in population and not on the basis of~~
22 ~~per capita increase in population~~ Applications for grants shall be
23 made in a form prescribed by the director. A grant shall be allotted
24 according to an agreement made between the director on behalf of the
25 state and the municipality receiving the grant. The agreement may
26 include any provision agreed upon by the parties and shall include in
27 substance the following provisions:

28 (1) a schedule of grant disbursements, if, as determined
29 by the director, a grant is to be disbursed other than in one sum;

(2) agreement by the municipality to

1 (A) proceed with and complete the proposed project
2 or program expeditiously;

3 (B) not discontinue operation or dispose of all or
4 part of the project or program for which it receives a grant with-
5 out the approval of the director;

6 (C) apply for, and make reasonable efforts to secure,
7 federal assistance which may be available for the project or
8 program, subject to any conditions the agency may require in
9 order to maximize the amounts of that assistance received or to
10 be received for all projects or programs in the state;

11 (3) agreement by the municipality that, if federal assistance
12 for a project or program becomes available to the municipality which
13 was not included in the calculation of the amount of a grant authorized
14 and disbursed under this section, the value of the federal assistance
15 shall be ascertained and subtracted from the total value of the project
16 or program and the balance shall be proportionately divided between
17 the state and municipality;

18 (4) provision for alteration or modification of an approved
19 project or program and for remedies in case of failure to perform the
20 agreement between the parties or noncompliance with regulations promul-
21 gated by the director under this section.

22 (d) If funds appropriated by the legislature to provide loans and
23 grants and purchase evidences of indebtedness under this section are
24 not adequate to satisfy amounts required by approved grant applications,
25 funds shall be allocated on the basis of priority established by the
26 director by regulations promulgated to carry out the provisions of this
27 section.

28 (e) The director shall provide a quarterly report to the legisla-
29 ture with respect to grants made under this section.

1 (f) The director shall determine the terms and conditions for
2 making a loan and purchasing an evidence of indebtedness under this
3 section.

4 ⁶⁰⁷
5 Sec. 44.19.~~591~~. AUTHORITY TO ACCEPT SERVICE, GIFTS, GRANTS, AND
6 LOANS. When the federal government or an agency or officer of the
7 federal government offers to the state, or through the state to a
8 municipality, services, equipment, supplies, materials, or funds by
9 way of gift, grant, or loan, for the purpose of alleviating the social
10 or economic impact resulting from pipeline construction, the state
11 acting through the director, or the municipality acting through its
12 executive officer or governing body, may accept the offer subject to
13 the terms of the offer and the rules and regulations of the agency
14 making the offer.

15 ⁶⁰⁷
16 Sec. 44.19.~~593~~. PIPELINE IMPACT FUND. There is the pipeline
17 impact fund created for the purpose of carrying out the provisions of
18 sec. 587(b) of this chapter. The fund consists of all money made
19 available by appropriations of the state legislature, and from other
20 appropriated funds, all contributions from whatever source, and income
21 and interest derived from the investment of money.

22 ⁷⁰¹
23 Sec. 44.19.~~595~~. SPECIAL LEGISLATIVE PIPELINE IMPACT REVIEW COM-
24 MITTEE. There is established the Special Legislative Pipeline Impact
25 Review Committee composed of three members of the senate appointed by
26 the president of the senate and three members of the house of represen-
27 tatives appointed by the speaker of the house. The committee shall
28 select its own chairman.

29 ⁷⁰³
30 Sec. 44.19.~~597~~. TERM OF MEMBERSHIP. The committee shall be
31 organized within 15 days after the organization of each legislature.
32 Members serve for the duration of the legislature during which they
33 are appointed. If they are reelected or their term of office extends

1 into the next succeeding legislature, they continue to serve until
2 reappointed or the appointment of their successor.

3 Sec. 44.19.⁷⁶⁵~~589~~. VACANCIES. When a vacancy occurs in the member-
4 ship of the committee, the presiding officer of the house incurring
5 the vacancy shall choose a successor. If the office of the president
6 of the senate or speaker of the house of representatives becomes
7 vacant and a vacancy from the affected house occurs among the member-
8 ship of the committee, the remaining committee members from the house
9 incurring the vacancy shall appoint a new member.

10 Sec. 44.19.⁷⁶⁷~~589~~. MEETINGS. (a) The committee may meet during
11 sessions of the legislature and during the interim between sessions at
12 such times and places in the state as the chairman may determine.
13 Members may receive, for the minimum time required to get to and from
14 meetings and for the period while attending meetings, the same travel
15 and per diem allowances provided by law for members of the legislature
16 when attending sessions, except that members of the committee receive
17 no per diem during legislative sessions other than the per diem allow-
18 ance paid to other members of the legislature.

19 (b) The members of the committee can validly conduct a meeting
20 and vote by communicating simultaneously with each other by means of
21 conference telephones or similar communications equipment.

22 (c) A majority of the members of the committee constitute a
23 quorum for the purpose of carrying out its duties under sec. ⁷⁶⁷~~589~~ of
24 this chapter.

25 Sec. 44.19.⁷⁶⁷~~589~~. DUTIES OF COMMITTEE. The committee shall review
26 and approve or disapprove, in whole or in part, the decisions made
27 by the Pipeline Impact Agency ~~under sec. 589(b) of this chapter.~~

28 Sec. 44.19.⁷⁶⁷~~589~~. DIVISION OF LEGISLATIVE FINANCE ASSISTANCE. The
29 division of legislative finance shall cooperate with the committee and

Insert
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shall furnish technical assistance and personnel, if available, upon request.

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

Insert #1

(4) allow A community ^{to} may borrow from the fund to cover immediate impact needs in anticipation of tax revenues, grants under this act, federal grants, or other revenue sources;

(b) ^{paragraph} Loans under this ~~section~~ may be granted upon application and the passage by the local governing body of an ordinance authorizing the borrowing. The ordinance shall specify the anticipated revenue sources and provide for a pledge of the revenues to the repayment of the loans;

(c) Loans under this ^{paragraph} section shall require concurrence of the Special Legislative Pipeline Impact Review Committee and shall include the following terms:

(1) ^A The loan shall bear interest at a rate not to exceed six per cent a year.

(2) ^B No interest may be charged for the first three years of the loan or until January 1, 1978, whichever is sooner.

(3) ^C If the loan or any part of it is not repaid or otherwise extinguished before the date of commencement of interest, repayment shall be made in equal semi-annual installments, including interest, starting six months following the commencement of interest. The payments schedule shall provide for full payment of the loan over a period of not more than 20 years.

1 INSERT # 2

2 ~~ONLY FOR EXTRA~~ only for extraordinary municipal operations^{ing} expendi-
3 tures ~~which are~~ beyond a municipality's capacity to reasonably meet. In
4 considering population growth shall be given greater weight ^{(shall be given to per-} than per
5 ^{centage population growth)} capita increase in population.

6
7 ~~See draft for new language~~
8 ~~page~~

*Insert # 3**((forget underlining))*

1 ^{44.18.591}
2 * Sec. 2. ELIGIBILITY STANDARDS. (a) Grants to carry out the
3 purposes of this ^{Chapter} ~~Act~~ may be made to a municipality demonstrating

4 (1) an annual population growth rate in excess of its
5 average annual growth rate for the period April 1, 1970, through
6 July 1, 1973;

7 (2) extraordinary municipal operating expenditures beyond
8 its capability to reasonably meet from growth in receipts from present
9 municipal revenue sources; and

10 (3) that both (1) and (2) of this subsection can be
11 directly attributed to the impact of construction of the trans-
12 Alaska pipeline.

13 (b) The base population for measuring the annual population
14 growth rate for purposes of this section is the population of the
15 municipality on the first day of the quarter in which the effective

16 ^{44.18.593}
17 * Sec. 2. GRANT COMPUTATION AND PAYMENT. (a) A municipality is
18 eligible for a grant amount under this ^{Chapter} ~~Act~~ equal to its population
19 growth by June 30, 1975 in excess of the average annual population
20 growth rate standard established under sec. ⁵⁹¹ ~~2~~ of this ^{Chapter} ~~Act~~ multiplied
21 by its per capita general fund expenditures, excluding expenditures
22 for education, capital outlay and debt service, for the last
23 complete fiscal year preceding the effective date of this Act.

24 (b) A municipality incorporated after the effective date of this
25 Act is eligible for a grant amount under this ^{Chapter} ~~Act~~ equal to its
26 population growth by June 30, 1975 in excess of the average annual
27 population growth rate standard established under sec. ⁵⁹¹ ~~3~~ of this
28 ^{Chapter} ~~Act~~ multiplied by its per capita general fund expenditures, excluding
29 expenditures for education, capital outlay and debt service, for its
fiscal year budget.

1
2 (c) Total grants under this ^{Chapter} ~~Act~~ to a municipality with a
3 population of 10,000 persons or more on the first day of the quarter
4 in which ^{this Act takes effect} ~~the effective date of this Act falls~~ may not exceed \$250
5 per capita of the population growth in excess of the average annual

6
7 population growth rate standard established under sec. ⁵⁹¹ ~~2~~ of this ^{Chapter} ~~Act~~.
8 Total grants under this Act to a municipality with a population
9 under 10,000 persons on the first day of the quarter in which ^{this Act takes effect} ~~the~~
10 ~~effective date of this Act falls~~ may not exceed \$400 per capita of
11 the population growth in excess of the average annual population
12 growth rate standard established under sec. ⁵⁹¹ ~~2~~ of this ^{Chapter} ~~Act~~.

13 (d) The base population for measuring the per capita general
14 fund expenditures for purposes of this section is the population
15 of the municipality on the first day of the quarter in which ^{Act} ~~the~~ ^{this takes effect}
16 ~~effective date of this Act falls~~.

17 (e) Grants may be made quarterly based upon quarterly population
18 estimates with final adjustment to be made on June 30, 1975. Final
19 grant payments shall be withheld until after final adjustments of
20 amounts are made on June 30, 1975.

21 * Sec. ^{44.19.} ~~595~~ PREPAYMENTS. (a) A municipality may receive, as a pre-
22 payment, up to 50 per cent of the amount it will be entitled to
23 under this ^{Chapter} ~~Act~~ upon certification by the ^{Agency} ~~Department of Community and~~
24 ~~Regional Affairs~~ that the municipality will more likely than not meet
25 the eligibility standards set forth in sec. ⁵⁹¹ ~~2~~ of this ^{Chapter} ~~Act~~.

26 (b) Total prepayments to municipalities made under this section
27 may not exceed \$5,000,000.
28
29

44.19.587

* Sec. 6. APPLICATION. (a) Grants under this Act may be made only

upon application by a municipality to the ~~Department of Community and Regional Affairs~~ ^{agency}. Each grant application shall state the essential/municipal services for which the grant will be expended. A prepayment grant application may be submitted at any time after the effective date of this Act.

(b) No grant may be expended for purposes other than those specified in the application.

44.19.599

* Sec. 7. ACCOUNTABILITY FOR GRANTS. (a) A municipality shall submit

a financial report covering the expenditure of any grant already received under this ~~Act~~ ^{chapter} to the ~~Department of Community and Regional Affairs~~ ^{agency} before another grant may be received under this ~~Act~~ ^{chapter}.

(b) A municipality receiving grants under this Act shall

(1) maintain a separate account for the grants received under this ~~Act~~ ^{chapter};

(2) provide for an annual independent audit of the separate account for the grants received under this ~~Act~~ ^{chapter}; and

(3) submit a copy of the independent audit report to the ~~Department of Community and Regional Affairs~~ ^{agency}.

44.19.601

* Sec. 8. APPROVAL. Grants under this ~~Act~~ ^{chapter} shall be made by the De-

partment of Community and Regional Affairs at the direction of the

~~governor~~ ^{director} subject to approval of the ~~Legislative Budget and Audit Committee~~ ^{Special Legislative Policies Impact Review}.

44.19.603

* Sec. 9. POPULATION. A municipality shall submit estimated population

and population growth figures to the ~~Department of Community and~~ ^{agency}

~~Regional Affairs~~. These population and population growth figures are

subject to review and approval by the ~~Department of Community and~~ ^{agency}

~~Regional Affairs~~. The decisions of the ~~Department of Community and~~ ^{agency}

~~Regional Affairs~~ are final as to

(1) population growth figures for the purpose of establishing eligibility under sec. ⁵⁹¹ ~~2~~ of this ^{chapter} ~~Act~~;

(2) population figures for computing grant amounts under sec. ⁵⁹³ ~~1~~ of this ^{chapter} ~~Act~~; and

(3) population figures for computing prepayment amounts under sec. ⁵⁹⁵ ~~2~~ of this ^{chapter} ~~Act~~.

^{44,19,605}
* Sec. ~~2~~ ¹ REGULATIONS. The ^{agency} ~~Department~~ of Community and Regional Affairs may adopt regulations necessary to carry out the purpose of this Act.

Insert # 4

* Sec. 44,19,803. Definitions. In this chapter

(1) "agency" means the Population and Family Agency;

(2) "population" means non-milita. population;

(3) "municipality" means a home rule municipality or a general law municipal corporation and political subdivision, which is a first or second class borough or city incorporated under the laws of the state;

(4) "operating expenditures" means personal services, contractual services, travel, commodities and up to \$20,000 per item of equipment except that it does not include any of these items if part of a capital improvement expenditure;

(5) "quarter" means a period beginning January 1, April 1, July 1 and October 1 of a calendar year.

STF:md
2-23-74

IN THE HOUSE

BY THE COMMUNITY AND
REGIONAL AFFAIRS COMMITTEECS FOR HOUSE BILL NO. 505

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to assisting municipalities; and providing for an effective date."

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

* Section 1. DECLARATION OF PURPOSE. It is the intention of the legislature to financially assist municipalities in meeting certain extraordinary operating expenditures directly attributable to the impact of construction of the trans-Alaska pipeline and which are beyond the capability of the impacted municipalities to reasonably meet. It is the further intention of the legislature that the state respond promptly to the impact needs of municipalities.

^{14.18.571}
* Sec. 2. ELIGIBILITY STANDARDS. (a) Grants to carry out the purposes of this ^{chapter} ~~Act~~ may be made to a municipality demonstrating
(1) an annual population growth rate in excess of its average annual growth rate for the period April 1, 1970, through July 1, 1973;

(2) extraordinary municipal operating expenditures beyond its capability to reasonably meet from growth in receipts from present municipal revenue sources; and

(3) that both (1) and (2) of this subsection can be directly attributed to the impact of construction of the trans-Alaska pipeline.

(b) The base population for measuring the annual population growth rate for purposes of this section is the population of the municipality on the first day of the quarter in which the effective

1 date of this Act falls.

2 * Sec. 3. ESSENTIAL MUNICIPAL SERVICES. Grants made under this
3 Act may be expended only for operating expenditures for

4 (1) police protection;

5 (2) fire protection;

6 (3) solid waste collection and disposal;

7 (4) water supply and sewage disposal systems;

8 (5) health care services;

9 (6) land use and environmental planning and regulation; and

10 (7) other essential municipal services specified in the

11 application.

12 ^{44,18,593} * Sec. 4. GRANT COMPUTATION AND PAYMENT. (a) A municipality is

13 eligible for a grant amount under this ^{Chapter} ~~Act~~ equal to its population
14 growth by June 30, 1975 in excess of the average annual population
15 ⁵⁹¹ growth rate standard established under sec. ^{Chapter} ~~2~~ of this ~~Act~~ multiplied
16 by its per capita general fund expenditures, excluding expenditures
17 for education, capital outlay and debt service, for the last
18 complete fiscal year preceding the effective date of this Act.

19 (b) A municipality incorporated after the effective date of this
20 Act is eligible for a grant amount under this ^{Chapter} ~~Act~~ equal to its
21 population growth by June 30, 1975 in excess of the average annual
22 population growth rate standard established under sec. ⁵⁹¹ ~~3~~ of this
23 ^{Chapter} ~~Act~~ multiplied by its per capita general fund expenditures, excluding
24 expenditures for education, capital outlay and debt service, for its
25 fiscal year budget.

26 (c) Total grants under this ^{Chapter} ~~Act~~ to a municipality with a
27 population of 10,000 persons or more on the first day of the quarter
28 ^{this Act takes effect} ~~in which the effective date of this Act falls~~ may not exceed \$250
29 per capita of the population growth in excess of the average annual

population growth rate standard established under sec. ⁵⁹¹ ~~2~~ of this ^{Chapter} ~~Act~~.
Total grants under this Act to a municipality with a population
under 10,000 persons ^{this Act takes effect} on the first day of the quarter in which ~~the~~
~~effective date of this Act falls~~ may not exceed \$400 per capita of
the population growth in excess of the average annual population
growth rate standard established under sec. ⁵⁹¹ ~~2~~ of this ^{Chapter} ~~Act~~.

(d) The base population for measuring the per capita general
fund expenditures for purposes of this section is the population
of the municipality on the first day of the quarter ^{Act} ~~in which the~~ ^{this takes effect}
~~effective date of this Act falls~~.

(e) Grants may be made quarterly based upon quarterly population
estimates with final adjustment to be made on June 30, 1975. Final
grant payments shall be withheld until after final adjustments of
amounts are made on June 30, 1975.

^{44.19.} * Sec. ⁵⁹¹ ~~5~~ PREPAYMENTS. (a) A municipality may receive, as a pre-
payment, up to 50 per cent of the amount it will be entitled to
under this ^{Chapter} ~~Act~~ upon certification by the ^{agency} ~~Department of Community and~~
~~Regional Affairs~~ that the municipality will more likely than not meet
the eligibility standards set forth in sec. ⁵⁹¹ ~~2~~ of this ^{Chapter} ~~Act~~.

(b) Total prepayments to municipalities made under this section
may not exceed \$5,000,000.

^{44.19.587} * Sec. ⁵⁹¹ ~~6~~ APPLICATION. (a) Grants under this Act may be made only
upon application by a municipality to the ^{agency} ~~Department of Community~~
~~and Regional Affairs~~. Each grant application shall state the
essential ~~municipal~~ services for which the grant will be expended.
A prepayment grant application may be submitted at any time after
the effective date of this Act.

(b) No grant may be expended for purposes other than those
specified in the application.

44,19,599

* Sec. 7. ACCOUNTABILITY FOR GRANTS. (a) A municipality shall submit a financial report covering the expenditure of any grant already received under this ~~Act~~ ^{chapter} to the ~~Department of Community and Regional Affairs~~ ^{agency} before another grant may be received under this ~~Act~~ ^{chapter}.

(b) A municipality receiving grants under this Act shall

(1) maintain a separate account for the grants received under this ~~Act~~ ^{chapter};

(2) provide for an annual independent audit of the separate account for the grants received under this ~~Act~~ ^{chapter}; and

(3) submit a copy of the independent audit report to the ~~Department of Community and Regional Affairs~~ ^{agency}.

* Sec. 8. APPROVAL. Grants under this ~~Act~~ ^{chapter} shall be made by the ~~Department of Community and Regional Affairs~~ at the direction of the governor subject to approval of the ~~Legislative Budget and Audit Committee~~ ^{Special Legislative Policy Impact Review}.

44,19,603
* Sec. 9. POPULATION. A municipality shall submit estimated population and population growth figures to the ~~Department of Community and Regional Affairs~~ ^{agency}. These population and population growth figures are subject to review and approval by the ~~Department of Community and Regional Affairs~~ ^{agency}. The decisions of the ~~Department of Community and Regional Affairs~~ are final as to

(1) population growth figures for the purpose of establishing eligibility under sec. ~~9~~ ⁵⁹¹ of this ~~Act~~ ^{chapter};

(2) population figures for computing grant amounts under sec. ~~10~~ ⁵⁹³ of this ~~Act~~ ^{chapter}; and

(3) population figures for computing prepayment amounts under sec. ~~11~~ ⁵⁹⁵ of this ~~Act~~ ^{chapter}.

* Sec. 10. DEFINITIONS. ~~In this chapter~~ ^{In this chapter}

(1) "population" means non-military population; ✓

1 (2) "municipality" means a home rule municipality or a
2 general law municipal corporation and political subdivision, which
3 is a first or second class borough or city incorporated under the
4 laws of the state;

5 (3) "operating expenditures" means personal services, con-
6 tractual services, travel, commodities and up to \$20,000 per item of
7 equipment except that it does not include any of these items if part
8 of a capital improvement expenditure;

9 (4) "quarter" means a period beginning January 1, April 1,
10 July 1 and October 1 of a calendar year.

11 * Sec. ^{44,19,605} ~~11~~ REGULATIONS. The ^{agency} ~~Department of Community and Regional~~
12 ~~Affairs~~ may adopt regulations necessary to carry out the purpose of
13 this Act.

14 * Sec. 12. EFFECTIVE DATE. This Act takes effect on the day after
15 its passage and approval or on the day it becomes law without approval.
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STF:md
2-23-74

IN THE HOUSE

BY THE COMMUNITY AND
REGIONAL AFFAIRS COMMITTEE

CS FOR HOUSE BILL NO. 505

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to assisting municipalities; and
providing for an effective date."

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

* Section 1. DECLARATION OF PURPOSE. It is the intention of the legislature to financially assist municipalities in meeting certain extraordinary operating expenditures directly attributable to the impact of construction of the trans-Alaska pipeline and which are beyond the capability of the impacted municipalities to reasonably meet. It is the further intention of the legislature that the state respond promptly to the impact needs of municipalities.

^{44.19.591}
* Sec. 2. ^{Chapter} ELIGIBILITY STANDARDS. (a) Grants to carry out the purposes of this ~~Act~~ may be made to a municipality demonstrating

(1) an annual population growth rate in excess of its average annual growth rate for the period April 1, 1970, through July 1, 1973;

(2) extraordinary municipal operating expenditures beyond its capability to reasonably meet from growth in receipts from present municipal revenue sources; and

(3) that both (1) and (2) of this subsection can be directly attributed to the impact of construction of the trans-Alaska pipeline.

(b) The base population for measuring the annual population growth rate for purposes of this section is the population of the municipality on the first day of the quarter in which the effective

1 date of this Act falls.

2 * Sec. 3. ESSENTIAL MUNICIPAL SERVICES. Grants made under this
3 Act may be expended only for operating expenditures for

- 4 (1) police protection;
- 5 (2) fire protection;
- 6 (3) solid waste collection and disposal;
- 7 (4) water supply and sewage disposal systems;
- 8 (5) health care services;
- 9 (6) land use and environmental planning and regulation; and
- 10 (7) other essential municipal services specified in the

11 application.

12 ^{44,18,593}
13 * Sec. 4. GRANT COMPUTATION AND PAYMENT. (a) A municipality is
14 eligible for a grant amount under this ^{Chapter} ~~Act~~ equal to its population
15 growth by June 30, 1975 in excess of the average annual population
16 growth rate standard established under sec. ⁵⁹¹ ~~2~~ of this ^{Chapter} ~~Act~~ multiplied
17 by its per capita general fund expenditures, excluding expenditures
18 for education, capital outlay and debt service, for the last
19 complete fiscal year preceding the effective date of this Act.

20 (b) A municipality incorporated after the effective date of this
21 Act is eligible for a grant amount under this ^{Chapter} ~~Act~~ equal to its
22 population growth by June 30, 1975 in excess of the average annual
23 population growth rate standard established under sec. ⁵⁹¹ ~~3~~ of this
24 ^{Chapter} ~~Act~~ multiplied by its per capita general fund expenditures, excluding
25 expenditures for education, capital outlay and debt service, for its
26 fiscal year budget.

27 (c) Total grants under this ^{Chapter} ~~Act~~ to a municipality with a
28 population of 10,000 persons or more on the first day of the quarter
29 ^{this Act takes effect} ~~in which the effective date of this Act falls~~ may not exceed \$250
per capita of the population growth in excess of the average annual

1 population growth rate standard established under sec. ⁵⁹¹ ~~2~~ of this ^{chapter} ~~Act~~.
2 Total grants under this Act to a municipality with a population
3 under 10,000 persons ^{this Act takes effect} on the first day of the quarter in which ~~the~~
4 ~~effective date of this Act falls~~ may not exceed \$400 per capita of
5 the population growth in excess of the average annual population
6 growth rate standard established under sec. ⁵⁹¹ ~~2~~ of this ^{chapter} ~~Act~~.

7 (d) The base population for measuring the per capita general
8 fund expenditures for purposes of this section is the population
9 of the municipality on the first day of the quarter in which ~~the~~ ^{Act} ~~this takes effect~~
10 ~~effective date of this Act falls~~.

11 (e) Grants may be made quarterly based upon quarterly population
12 estimates with final adjustment to be made on June 30, 1975. Final
13 grant payments shall be withheld until after final adjustments of
14 amounts are made on June 30, 1975.

15 * Sec. ^{44.19.} ~~575~~ PREPAYMENTS. (a) A municipality may receive, as a pre-
16 payment, up to 50 per cent of the amount it will be entitled to
17 under this ^{chapter} ~~Act~~ upon certification by the ^{agency} ~~Department of Community and~~
18 ~~Regional Affairs~~ that the municipality will more likely than not meet
19 the eligibility standards set forth in sec. ⁵⁹¹ ~~2~~ of this ^{chapter} ~~Act~~.

20 (b) Total prepayments to municipalities made under this section
21 may not exceed \$5,000,000.

22 * Sec. ^{44.19.597} ~~6~~ APPLICATION. (a) Grants under this Act may be made only
23 upon application by a municipality to the ^{agency} ~~Department of Community~~
24 ~~and Regional Affairs~~. Each grant application shall state the
25 essential ~~municipal~~ services for which the grant will be expended.
26 A prepayment grant application may be submitted at any time after
27 the effective date of this Act.

28 (b) No grant may be expended for purposes other than those
29 specified in the application.

44,19,597

* Sec. 7. ACCOUNTABILITY FOR GRANTS. (a) A municipality shall submit

a financial report covering the expenditure of any grant already
received under this ~~Act~~ ^{chapter} to the ~~Department of Community and Regional~~ ^{agency}
~~Affairs~~ ^{chapter} before another grant may be received under this ~~Act~~.

(b) A municipality receiving grants under this Act shall

(1) maintain a separate account for the grants received
under this ~~Act~~ ^{chapter};

(2) provide for an annual independent audit of the separate
account for the grants received under this ~~Act~~ ^{chapter}; and

(3) submit a copy of the independent audit report to the ~~Department of Community and Regional Affairs~~ ^{agency}.

44,19,601
* Sec. 8. APPROVAL. Grants under this ~~Act~~ ^{chapter} shall be made by the De-
~~partment of Community and Regional Affairs~~ at the direction of the
governor subject to approval of the ~~Legislative Budget and Audit~~ ^{Special Legislative Pipeline Impact Review}
Committee.

44,19,603
* Sec. 9. POPULATION. A municipality shall submit estimated population
and population growth figures to the ~~Department of Community and~~ ^{agency}
~~Regional Affairs~~. These population and population growth figures are
subject to review and approval by the ~~Department of Community and~~ ^{agency}
~~Regional Affairs~~. The decisions of the ~~Department of Community and~~ ^{agency}
~~Regional Affairs~~ are final as to

(1) population growth figures for the purpose of estab-
lishing eligibility under sec. 2 of this ~~Act~~ ^{chapter};

(2) population figures for computing grant amounts under
sec. 14 of this ~~Act~~ ^{chapter}; and

(3) population figures for computing prepayment amounts
under sec. 2 of this ~~Act~~ ^{chapter}.

* Sec. 10. DEFINITIONS. ~~In this chapter~~ ^{In this chapter}

(1) "population" means non-military population;

(2) "municipality" means a home rule municipality or a
general law municipal corporation and political subdivision, which
is a first or second class borough or city incorporated under the
laws of the state;

(3) "operating expenditures" means personal services, con-
tractual services, travel, commodities and up to \$20,000 per item of
equipment except that it does not include any of these items if part
of a capital improvement expenditure;

(4) "quarter" means a period beginning January 1, April 1,
July 1 and October 1 of a calendar year.

^{44,19,605}
* Sec. ~~11~~¹² ^{agency} REGULATIONS. The ~~Department~~ of Community and Regional
~~Affairs~~ may adopt regulations necessary to carry out the purpose of
this Act.

* Sec. 12. EFFECTIVE DATE. This Act takes effect on the day after
its passage and approval or on the day it becomes law without approval.

Introduced: 2/15/74
Referred: Community and
Regional Affairs and
Finance

BY THE RULES COMMITTEE
BY REQUEST OF THE
SPECIAL PETROLEUM
IMPACT COMMITTEE

1 IN THE SENATE

2 CS for SENATE BILL NO. 382

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act creating the Pipeline Impact Agency; and
7 providing for an effective date."

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

9 * Section 1. AS 44.19 is amended by adding new sections to read:

10 ARTICLE 8. PIPELINE IMPACT AGENCY.

11 Sec. 44.19.581. PURPOSE. The legislature finds that construction
12 of the trans-Alaska pipeline, from its commencement to completion over
13 a period of approximately three years, will impose severe to mild
14 strains on local and state governmental services and facilities. While
15 the pipeline construction indubitably will, in the long run, mean
16 immense growth and development to the communities and areas along the
17 pipeline route, and to those areas coming under direct pipeline con-
18 struction influence, the legislature further finds that localities most
19 affected will be unable to cope with the probable impact on facilities
20 and services brought about by the anticipated overwhelming and sudden
21 increases in numbers of citizens to be served. The legislature finds,
22 also, that communities while likely to be impacted are willing and
23 ready via local taxation to do all possible themselves to meet impact
24 requirements, even to the full limits of local taxation tolerance,
25 nevertheless, recognizing the state will be the prime beneficiary of
26 pipeline construction via realization of enormous oil development
27 revenues for the total state, the legislature finds that local impact
28 financial burdens logically should be borne by the state as its invest-
29 ment in those future revenues. It is, therefore, the intent of the

1 legislature, in this measure, to provide a means of quickly and deci-
2 sively determining specific impact problems and, additionally, for
3 moving quickly and decisively to provide funds, facilities, personnel
4 or other means for quick solutions. Finally, the legislature intends
5 via this legislation to meet local and state pipeline construction impact
6 problems as quickly and efficiently as possible in manners similar to
7 the handling of disaster impact problems. ~~The legislature finds, too,~~
8 ~~that revenue-sharing formulas on per capita or percentage per capita~~
9 ~~increase basis are less desirable, less effective, and more costly than~~
10 ~~the case-by-case approach intended in the legislation. Under the~~
11 ~~formula approach, provision would have to be made for all probable as~~
12 ~~well as all possible impact contingencies, some of which may never~~
13 ~~develop.~~

14 Sec. 44.19.583. PIPELINE IMPACT AGENCY. There is created in the
15 Department of Community and Regional Affairs
16 ~~office of the governor~~ the Pipeline Impact Agency.

17 Sec. 44.19.585. DIRECTOR. The Pipeline Impact Agency is adminis-
18 tered by a director of pipeline impact. The director is appointed by
19 the governor and serves at the pleasure of the governor. The appoint-
20 ment of the director is subject to confirmation by a majority of the
21 members of the legislature in joint session.

22 Sec. 44.19.587. PROGRAM TO ASSIST MUNICIPALITIES DURING PIPELINE
23 CONSTRUCTION. The Pipeline Impact Agency shall administer a state
24 program to provide assistance to municipalities which are adversely
25 affected, economically and socially, by pipeline construction.

26 Sec. 44.19.589. POWERS AND DUTIES. (a) The director shall

27 (1) advise and assist the governor in developing planning
28 assumptions and a broad preparedness plan with respect to the economic
29 and social impact that will accompany pipeline construction;

(2) advise and assist the governor in developing policies,

1 programs and control systems designed to alleviate the economic and
2 social impact resulting from pipeline construction; and

3 (3) advise and assist the governor with respect to resolving
4 issues related to pipeline construction impact preparedness responsi-
5 bilities of state agencies which arise concerning two or more of those
6 agencies.

7 (b) The director, with the approval of the Special Legislative
8 Pipeline Impact Review Committee ~~(as provided for in secs. 595, 605~~
9 ~~of this chapter)~~, may

10 (1) make loans and grants and purchase evidences of indebted-
11 ness with funds from the pipeline impact fund to municipalities economi-
12 cally or socially adversely affected by pipeline construction;

13 (2) guarantee municipal bonds when a municipality needs to
14 undertake a capital improvement program on an accelerated basis; and

15 (3) pay (for not more than three years) from the pipeline
16 impact fund a portion of the debt service or interest or both incurred
17 by a municipality for undertaking capital improvements made necessary
18 by pipeline construction.

19 (4)
20 (c) Grants under (b)(1) of this section shall be made ~~on the~~
21 ~~basis of percentage increase in population and not on the basis of~~

22 ~~per capita increase in population.~~ Applications for grants shall be
23 made in a form prescribed by the director. A grant shall be allotted
24 according to an agreement made between the director on behalf of the
25 state and the municipality receiving the grant. The agreement may
26 include any provision agreed upon by the parties and shall include in
27 substance the following provisions:

28 (1) a schedule of grant disbursements, if, as determined
29 by the director, a grant is to be disbursed other than in one sum;

(2) agreement by the municipality to

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1 (A) proceed with and complete the proposed project
2 or program expeditiously;

3 (B) not discontinue operation or dispose of all or
4 part of the project or program for which it receives a grant with-
5 out the approval of the director;

6 (C) apply for, and make reasonable efforts to secure,
7 federal assistance which may be available for the project or
8 program, subject to any conditions the agency may require in
9 order to maximize the amounts of that assistance received or to
10 be received for all projects or programs in the state;

11 (3) agreement by the municipality that, if federal assistance
12 for a project or program becomes available to the municipality which
13 was not included in the calculation of the amount of a grant authorized
14 and disbursed under this section, the value of the federal assistance
15 shall be ascertained and subtracted from the total value of the project
16 or program and the balance shall be proportionately divided between
17 the state and municipality;

18 (4) provision for alteration or modification of an approved
19 project or program and for remedies in case of failure to perform the
20 agreement between the parties or noncompliance with regulations promul-
21 gated by the director under this section.

22 (d) If funds appropriated by the legislature to provide loans and
23 grants and purchase evidences of indebtedness under this section are
24 not adequate to satisfy amounts required by approved grant applications,
25 funds shall be allocated on the basis of priority established by the
26 director by regulations promulgated to carry out the provisions of this
27 section.

28 (e) The director shall provide a quarterly report to the legisla-
29 ture with respect to grants made under this section.

1 (f) The director shall determine the terms and conditions for
2 making a loan and purchasing an evidence of indebtedness under this
3 section.

4 ⁶⁰⁷
5 Sec. 44.19.594. AUTHORITY TO ACCEPT SERVICE, GIFTS, GRANTS, AND
6 LOANS. When the federal government or an agency or officer of the
7 federal government offers to the state, or through the state to a
8 municipality, services, equipment, supplies, materials, or funds by
9 way of gift, grant, or loan, for the purpose of alleviating the social
10 or economic impact resulting from pipeline construction, the state
11 acting through the director, or the municipality acting through its
12 executive officer or governing body, may accept the offer subject to
13 the terms of the offer and the rules and regulations of the agency
14 making the offer.

15 ⁶⁰⁷
16 Sec. 44.19.595. PIPELINE IMPACT FUND. There is the pipeline
17 impact fund created for the purpose of carrying out the provisions of
18 sec. 587(b) of this chapter. The fund consists of all money made
19 available by appropriations of the state legislature, and from other
20 appropriated funds, all contributions from whatever source, and income
21 and interest derived from the investment of money.

22 ⁷⁰¹
23 Sec. 44.19.596. SPECIAL LEGISLATIVE PIPELINE IMPACT REVIEW COM-
24 MITTEE. There is established the Special Legislative Pipeline Impact
25 Review Committee composed of three members of the senate appointed by
26 the president of the senate and three members of the house of represen-
27 tatives appointed by the speaker of the house. The committee shall
28 select its own chairman.

29 ⁷⁰³
30 Sec. 44.19.597. TERM OF MEMBERSHIP. The committee shall be
31 organized within 15 days after the organization of each legislature.
32 Members serve for the duration of the legislature during which they
33 are appointed. If they are reelected or their term of office extends

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1 into the next succeeding legislature, they continue to serve until
2 reappointed or the appointment of their successor.

3 Sec. 44.19.⁷⁰⁵~~589~~. VACANCIES. When a vacancy occurs in the member-
4 ship of the committee, the presiding officer of the house incurring
5 the vacancy shall choose a successor. If the office of the president
6 of the senate or speaker of the house of representatives becomes
7 vacant and a vacancy from the affected house occurs among the member-
8 ship of the committee, the remaining committee members from the house
9 incurring the vacancy shall appoint a new member.

10 Sec. 44.19.⁷⁰⁷~~601~~. MEETINGS. (a) The committee may meet during
11 sessions of the legislature and during the interim between sessions at
12 such times and places in the state as the chairman may determine.
13 Members may receive, for the minimum time required to get to and from
14 meetings and for the period while attending meetings, the same travel
15 and per diem allowances provided by law for members of the legislature
16 when attending sessions, except that members of the committee receive
17 no per diem during legislative sessions other than the per diem allow-
18 ance paid to other members of the legislature.

19 (b) The members of the committee can validly conduct a meeting
20 and vote by communicating simultaneously with each other by means of
21 conference telephones or similar communications equipment.

22 (c) A majority of the members of the committee constitute a
23 quorum for the purpose of carrying out its duties under sec. ⁷⁰⁷~~603~~ of
24 this chapter.

25 Sec. 44.19.⁷⁰⁷~~603~~. DUTIES OF COMMITTEE. The committee shall review
26 and approve or disapprove, in whole or in part, the decisions made
27 by the Pipeline Impact Agency ~~under sec. 589(b) of this chapter.~~
28

29 Sec. 44.19.⁸⁰¹~~605~~. DIVISION OF LEGISLATIVE FINANCE ASSISTANCE. The
division of legislative finance shall cooperate with the committee and

1 • shall furnish technical assistance and personnel, if available, upon
2 request.

3 * Sec. 2. This Act takes effect on the day after its passage and approval
4 or on the day it becomes law without approval.
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(4) allow ^{to} A community may borrow from the fund to cover immediate impact needs in anticipation of tax revenues, grants under this act, federal grants, or other revenue sources.

(b) Loans under this ^{paragraph} ~~section~~ may be granted upon application and the passage by the local governing body of an ordinance authorizing the borrowing. The ordinance shall specify the anticipated revenue sources and provide for a pledge of the revenues to the repayment of the loans;

(c) Loans under this ^{paragraph} ~~section~~ shall require concurrence of the Special Legislative Pipeline Impact Review Committee and shall include the following terms:

(1) The loan shall bear interest at a rate not to exceed six per cent a year.

(2) No interest may be charged for the first three years of the loan or until January 1, 1978, whichever is sooner.

(3) If the loan or any part of it is not repaid or otherwise extinguished before the date of commencement of interest, repayment shall be made in equal semi-annual installments, including interest, starting six months following the commencement of interest. The payments schedule shall provide for full payment of the loan over a period of not more than 20 years.

1 INSERT # 2

2 ~~ONLY FOR EXTRA~~ only for extraordinary municipal operations expendi-
3 tures ~~xxxx~~ beyond a municipality's capacity to reasonably meet in
4 considering population growth shall be given greater weight than per
5 capita increase in population.
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44.19.591
* Sec. 2.

ELIGIBILITY STANDARDS. (a) Grants to carry out the purposes of this ^{Chapter} Act may be made to a municipality demonstrating

(1) an annual population growth rate in excess of its average annual growth rate for the period April 1, 1970, through July 1, 1973;

(2) extraordinary municipal operating expenditures beyond its capability to reasonably meet from growth in receipts from present municipal revenue sources; and

(3) that both (1) and (2) of this subsection can be directly attributed to the impact of construction of the trans-Alaska pipeline.

(b) The base population for measuring the annual population growth rate for purposes of this section is the population of the municipality on the first day of the quarter in which the effective

44.19.593
* Sec. 4.

GRANT COMPUTATION AND PAYMENT. (a) A municipality is eligible for a grant amount under this ^{Chapter} Act equal to its population growth by June 30, 1975 in excess of the average annual population growth rate standard established under sec. ⁵⁹¹ ~~2~~ of this ^{Chapter} Act multiplied by its per capita general fund expenditures, excluding expenditures for education, capital outlay and debt service, for the last complete fiscal year preceding the effective date of this Act.

(b) A municipality incorporated after the effective date of this Act is eligible for a grant amount under this ^{Chapter} Act equal to its population growth by June 30, 1975 in excess of the average annual population growth rate standard established under sec. ⁵⁹¹ ~~3~~ of this ^{Chapter} Act multiplied by its per capita general fund expenditures, excluding expenditures for education, capital outlay and debt service, for its fiscal year budget.

1
2 (c) Total grants under this ^{Chapter} ~~Act~~ to a municipality with a
3 population of 10,000 persons or more on the first day of the quarter
4 ^{this Act takes effect} ~~in which the effective date of this Act falls~~ may not exceed \$250
5 per capita of the population growth in excess of the average annual

6
7 population growth rate standard established under sec. ⁵⁹¹ ~~2~~ of this ^{Chapter} ~~Act~~.
8 Total grants under this Act to a municipality with a population
9 under 10,000 persons on the first day of the quarter in which ^{this Act takes effect} ~~the~~
10 ~~effective date of this Act falls~~ may not exceed \$400 per capita of
11 the population growth in excess of the average annual population
12 growth rate standard established under sec. ⁵⁹¹ ~~2~~ of this ^{Chapter} ~~Act~~.

13 (d) The base population for measuring the per capita general
14 and expenditures for purposes of this section is the population
15 of the municipality on the first day of the quarter in which ^{this Act takes effect} ~~the~~
16 ~~effective date of this Act falls~~.

17 (e) Grants may be made quarterly based upon quarterly population
18 estimates with final adjustment to be made on June 30, 1975. Final
19 grant payments shall be withheld until after final adjustments of
20 amounts are made on June 30, 1975.

21 * Sec. ^{44.19.} ~~595~~ PREPAYMENTS. (a) A municipality may receive, as a pre-
22 payment, up to 50 per cent of the amount it will be entitled to
23 under this ^{Chapter} ~~Act~~ upon certification by the ^{agency} ~~Department of Community and~~
24 ~~Regional Affairs~~ that the municipality will more likely than not meet
25 the eligibility standards set forth in sec. ⁵⁹¹ ~~2~~ of this ^{Chapter} ~~Act~~.

26 (b) Total prepayments to municipalities made under this section
27 may not exceed \$5,000,000.
28
29

44.19.597

* Sec. 4. APPLICATION. (a) Grants under this Act may be made only

upon application by a municipality to the ^{agency} ~~Department of Community and Regional Affairs~~. Each grant application shall state the essential/municipal services for which the grant will be expended. A prepayment grant application may be submitted at any time after the effective date of this Act.

(b) No grant may be expended for purposes other than those specified in the application.

44.19.599

* Sec. 5. ACCOUNTABILITY FOR GRANTS. (a) A municipality shall submit

a financial report covering the expenditure of any grant already received under this ^{chapter} ~~Act~~ to the ^{agency} ~~Department of Community and Regional Affairs~~ before another grant may be received under this ^{chapter} ~~Act~~.

(b) A municipality receiving grants under this Act shall

(1) maintain a separate account for the grants received under this ^{chapter} ~~Act~~;

(2) provide for an annual independent audit of the separate account for the grants received under this ^{chapter} ~~Act~~; and

(3) submit a copy of the independent audit report to the ^{agency} ~~Department of Community and Regional Affairs~~.

44.19.601

* Sec. 6. APPROVAL. Grants under this ^{chapter} ~~Act~~ shall be made by the De-

partment of Community and Regional Affairs at the direction of the governor subject to approval of the ^{Special Legislative Tippling Impact Review} ~~Legislative Budget and Audit~~ Committee.

44.19.603

* Sec. 7. POPULATION. A municipality shall submit estimated population

and population growth figures to the ^{agency} ~~Department of Community and Regional Affairs~~. These population and population growth figures are subject to review and approval by the ^{agency} ~~Department of Community and Regional Affairs~~. The decisions of the ^{agency} ~~Department of Community and Regional Affairs~~ are final as to

(1) population growth figures for the purpose of establishing eligibility under sec. ⁵⁹¹ ~~2~~ of this ^{chapter} ~~Act~~;

(2) population figures for computing grant amounts under sec. ⁵⁹³ ~~15~~ of this ^{chapter} ~~Act~~; and

(3) population figures for computing prepayment amounts under sec. ⁵⁹⁵ ~~3~~ of this ^{chapter} ~~Act~~.

^{44,19,605}
* Sec. ~~11~~ ^{agency} REGULATIONS. The ~~Department of Community and Regional~~ ^{Agency} ~~Advisers~~ may adopt regulations necessary to carry out the purpose of this Act.

Insert # 4

* Sec. 44,19,803. Definitions. In this chapter
(1) "agency" means the Pipeline ~~Project~~ ^{Agency};

(2) "population" means non-military population;

(3) "municipality" means a home rule municipality or a general law municipal corporation and political subdivision, which is a first or second class borough or city incorporated under the laws of the state;

(4) "operating expenditures" means personal services, contractual services, travel, commodities and up to \$20,000 per item of equipment except that it does not include any of these items if part of a capital improvement expenditure;

(5) "quarter" means a period beginning January 1, April 1, July 1 and October 1 of a calendar year.

BY THE RULES COMMITTEE
BY REQUEST OF THE
SPECIAL PETROLEUM
IMPACT COMMITTEE

IN THE HOUSE

SB 382
CS FOR ~~HB 515~~

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to assisting municipalities, creating a pipeline/impact office; and providing for an effective date."

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

*Section 1. AS 44.19 is amended by adding new sections to read:

ARTICLE 8. PIPELINE IMPACT AGENCY.

*House
Comments*

Sec. 44.19.581. PURPOSE. The legislature finds that construction of the trans-Alaska pipeline, from its commencement to completion over a period of approximately three years, will impose severe to mild strains on local and state governmental services and facilities. While the pipeline construction indubitably will, in the long run, mean immense growth and development to the communities and areas along the pipeline route, and to those areas coming under direct pipeline construction influence, the legislature further finds that localities most affected will be unable to cope with the probable impact on facilities and services brought about by the anticipated overwhelming and sudden increases in numbers of citizens to be served. The legislature finds, also, that communities while likely to be impacted are willing and ready via local taxation to do all possible themselves to meet impact requirements, even to the full limits of local taxation tolerance, nevertheless, recognizing the state will be the prime beneficiary of pipeline construction via realization of enormous oil development revenues for the total state, the legislature finds that local impact financial burdens logically should be borne by the state as its investment in those future revenues. It is, therefore, the intent of the legislature, in this measure, to provide a means of quickly and decisively determining specific impact problems and, additionally, for moving quickly and decisively to provide funds, facilities, personnel or other means for quick solutions. Finally, the legislature intends via this legislation to meet local

and state pipeline construction impact problems as quickly and efficiently as possible in manners similar to the handling of disaster impact problems.

Dept. of Comm. & Regional
Sec. 44.19.583. PIPELINE IMPACT AGENCY. There is created in the ~~office of the governor~~ the Pipeline Impact Agency.

Mr. Conf. 12/1/83
Sec. 44.19.585. DIRECTOR. The Pipeline Impact Agency is administered by a director of pipeline impact. The director is appointed by the governor and serves at the pleasure of the governor. *Add leg. confirmation*

Sec. 44.19.587. PROGRAM TO ASSIST MUNICIPALITIES DURING PIPELINE CONSTRUCTION. The Pipeline Impact Office shall administer a state program to provide assistance to municipalities which are adversely affected, economically and socially, by pipeline construction.

Sec. 44.19.589. POWERS AND DUTIES. (a) The director shall

(1) advise and assist the governor in developing planning assumptions and a broad preparedness plan with respect to the economic and social impact that will accompany pipeline construction;

(2) advise and assist the governor in developing policies, programs and control systems designed to alleviate the economic and social impact resulting from pipeline construction; and

(3) advise and assist the governor with respect to resolving issues related to pipeline construction impact preparedness responsibilities of state agencies which arise concerning two or more of those agencies.

Special Leg. Impact Comm.
(b) The director, with the approval of the ~~Legislative Audit~~ Committee may

(1) make loans and grants and purchase evidences of indebtedness with funds from the pipeline impact fund to municipalities economically or socially adversely affected by pipeline construction;

(2) guarantee municipal bonds when a municipality needs to undertake a capital improvement program on an accelerated basis; and

(3) pay (for not more than three years) from the pipeline impact fund a portion of the debt service or interest or both incurred by a municipality for undertaking capital improvements made necessary by pipeline construction.

use
(c) Grants under (b) (1) of this section shall be made and shall be made only for extraordinary municipal operations expenditures *where* beyond a municipality's capacity to reasonably meet. *In considering population growth shall be given* greater weight *shall be given to percentage population growth* than per capita increase in population. Applications for grants

shall be made in a form prescribed by the director. A grant shall be allotted according to an agreement made between the director on behalf of the state and the municipality receiving the grant. The agreement may include any provision agreed upon by the parties and shall include in substance the following provisions:

(1) a schedule of grant disbursements, if, as determined by the director, a grant is to be disbursed other than in one sum;

(2) agreement by the municipality to

(A) proceed with and complete the proposed project or program expeditiously;

(B) not discontinue operation or dispose of all or part of the project or program for which it receives a grant without the approval of the director;

(C) apply for, and make reasonable efforts to secure, federal assistance which may be available for the project or program, subject to any conditions the agency may require in order to maximize the amounts of that assistance received or to be received for all projects or programs in the state;

(3) agreement by the municipality that, if federal assistance for a project or program becomes available to the municipality which was not included in the calculation of the amount of a grant authorized and disbursed under this section, the value of the federal assistance shall be ascertained and subtracted from the total of the project or program and the balance shall be proportionately divided between the state and municipality;

(4) provision for alteration or modification of an approved project or program and for remedies in case of failure to perform the agreement between the parties or noncompliance with regulations promulgated by the director under this section.

(d) If funds appropriated by the legislature to provide loans and grants and purchase evidences of indebtedness under this section are not adequate to satisfy amounts required by approved grant applications, funds shall be allocated on the basis of priority established by the director by regulations promulgated to carry out the provisions of this section.

(e) The director shall provide a quarterly report to the legislature with respect to applications and grants made under this section.

(f) The director shall determine the terms and conditions for making a loan and purchasing an evidence of indebtedness under this section.

Emergency
(g) The director shall defer action on all applications which do not require immediate action until the Ninth State Legislature at which time the director shall submit to the legislature a listing of applications together with his evaluation of the priority and urgency of each request.

Sec. 44.19.591 AUTHORITY TO ACCEPT SERVICE, GIFTS, GRANTS, AND LOANS. When the federal government or an agency or officer of the federal government offers to the state, or through the state to a municipality, services, equipment, supplies, materials, or funds by way of gift, grant, or loan, for the purpose of alleviating the social or economic impact resulting from pipeline construction, the state acting through the director, or the municipality acting through its executive officer or governing body, may accept the offer subject to the terms of the offer and the rules and regulations of the agency making the offer.

Sec. 44.19.592 INITIAL GRANTS TO IMPACT COMMUNITIES. (a) Eligibility Standards.

(1) Grants to carry out the purposes of this Act shall be made to a municipality demonstrating an annual population growth rate in excess of ~~2.9~~ *growth from 1970 to 1974* ~~four percent;~~

(2) The base population for measuring the annual population growth rate for purposes of this section is the population of the municipality on the first day of the quarter of the calendar year during which the construction date of the trans-Alaska pipeline occurs.

use 505 for
(b) Grant Computation and Payment.

annual grant?
(1) A municipality is eligible for a grant amount under this Act equal to its population growth by June 30, 1975 in excess of the 2.9 percent annual population growth rate standard established under Sec. 2 of this Act multiplied by that percentage which population growth of the municipality in excess of ~~2.9~~ *2.9* percent bears to total population growth in excess of four percent for all Alaska municipalities multiplied by the sum or \$10,000,000.

(2) Grants may be made quarterly based upon quarterly population estimates with final adjustment to be made on June 30, 1975. Final grant payments shall be withheld until after final adjustments of amounts are made on June 30, 1975.

(c) Prepayments.

(1) A municipality may receive, as a prepayment, up to 50 percent of the amount it will be entitled to under this Act upon certification by the Pipeline Impact Office that the municipality will more likely than not meet the eligibility standards set forth in Subsection (a).

(2) Total prepayments to municipalities made under this section may not exceed \$5,000,000.

(d) Application. Grants under this Act may be made only upon application by a municipality to the Pipeline Impact Office. Each grant application shall state the projected population increase in excess of ~~four percent~~ ^{four and one-half percent} for the period of July 1, 1974 through June 30, 1975 together with the data upon which the projections are based.

(e) Approval. Grants under this Act shall be made by the Pipeline Impact Office at the direction of the governor subject to approval of the Legislative Budget and Audit Committee.

(f) Population. A municipality shall submit estimated population and population growth figures to the Pipeline Impact Office. These population and population growth figures are subject to review and approval by the Pipeline Impact Office. The decisions of the Pipeline Impact Offices are final as to

(1) population growth figures for the purpose of establishing eligibility under Subsection (a);

(2) population figures for computing grant amounts under Subsection (c) of this Act; or

(3) population figures for computing prepayment amounts under subsection (d).

Sec. 44.19.593. PIPELINE IMPACT FUND. There is the pipeline impact fund created for the purpose of carrying out the provisions of sec. 587(b) of this chapter. The fund consists of all money made available by appropriations of the state legislature, and from other appropriated funds, all contributions from whatever source, and income and interest derived from the investment of money.

Sec. 44.19.595. DEFINITIONS. For purposes of this Act

(1) "construction commencement date" means the date the following occur:

(A) There has been issued to the owner of his agen right-of permits, leases, and title and other rights in lands, and other approvals, permits, licenses and certificates, by federal, state and local agencies that a reasonable and prudent person would consider adeuqate to commence construction of the facilities in the expectation that all other approvals permits, licenses and certificates necessary for the completion of facilities will be obtained;

(B) all approvals, permits licenses and certificates are in full force and effect, unrevoked and without any modification, which might jeopardize the completion or continued construction of the facilities; and

(C) no order, judgement, decree, determination or award of a federal, state or local court or administrative or regulatory agency enjoining, either temporarily or permanently, the construction of the continuation of construction of the facilities is in effect.

(2) "municipality" means a ^{Home Rule &} general law municipal corporation and political subdivision, which is a first or second class borough or city incorporated under the laws of the state;

(3) "operating expenditures" means personal services, contractural services, travel, commodities and up to \$20,000 per item of equipment except that it does not include any of these items if part of a capital improvement expenditure;

(4) "quarter of a calendar year" means a period beginning January 1, April 1, July 1, and October 1 of a calendar year.

Sec. 44.19.597. REGULATIONS. The Pipeline Impact Office may adopt regulations necessary to carry out the purpose of this Act.

Sec. 44.19.599. EFFECTIVE DATE. This Act takes effect on the day after its passage and approval or on the day it becomes law without approval.

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

Agency Bill SB 382

1) change insert #2 per Arch.
draft. - done

2) line 15, p. 3 (of insert) something missing

sec. 581. - defer

(1) Budget & Audit will do it.

(2) discretionary grants.

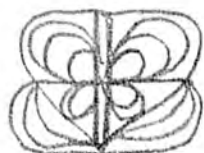
(3) formula grants.

- directors shall make grants
according to pop. in-
crease

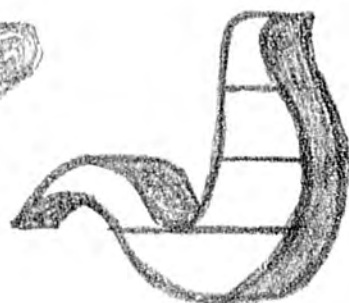
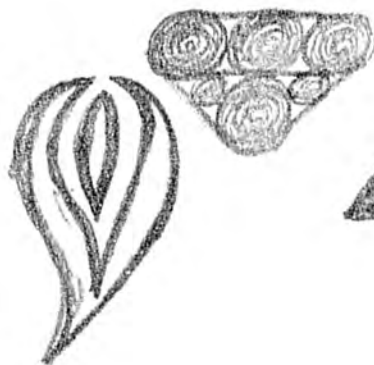
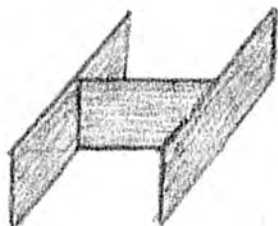
- "may" per Pettig's bill.
(not a funding request).



see. SB 270 (Slides)



- type, top of p. 2 "non" in re-
ference "nonrenewable" resource
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PLEASE NOTE: THE PRECEDING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.

EXCELLENT SUMMARY OF THE SITUATION - Chas. Tassery

Washington Analysis Corporation

1612 K STREET N.W., WASHINGTON, D.C. 20006 (202) 659-8030 *fu*

APR 7 1980

March 12, 1980

THE ALASKAN GAS PIPELINE

Summary and Conclusions

Although generally recognized as a project vital to U.S. energy security and very significant to economic development in Canada, the proposed pipeline to transport natural gas from Alaska's Prudhoe Bay to the lower 48 states has still not emerged from the planning phase. Recent oil price rises have probably made the project a viable one from an economic perspective, but currently it is tied up in a knot of ill-advised federal decisions that will require new legislation to untangle. While the intent of these government actions was to forestall inequities and speed construction, it is our belief that the strictures laid down are so tight as to prevent funding and building of the pipeline until the law is changed.

A Special Advisor to DOE recently proposed a new financing scheme in an attempt to break the impasse, but it has been unfavorably received by Congress and the White House, as well as the companies involved. We doubt that new legislation will be considered until 1981, and then we expect the debate to drag on for months. Once a new funding plan is approved, pipeline construction companies such as Bannister Continental will be in a strong position to benefit, as will line pipe manufacturers such as Steele, and other firms engaged in supplying large construction projects. We stress, however, that project start-up is probably at least two years further away from reality than has been commonly assumed.

History of the Pipeline

Plans were conceived for transporting Alaskan oil and gas to the lower 48 states shortly after the great Prudhoe Bay discovery was made in 1968. By 1978, the Trans-Alaskan Pipeline System (TAPS) was in place and sending crude petroleum south. However, the development of the Alaskan Natural Gas Transmission System (ANGTS) has met with a series of delays. Currently gas is being re-injected into the oil reservoir. (Figures on resource and pipeline ownership by North Slope producers are shown in Appendix 1.)

A SUBSIDIARY OF BACHE HALSEY STUART SHIELDS INCORPORATED

Bache

Three groups, the El Paso, Arctic Gas and Alcan consortiums, were formed in 1969 to compete for a government license to build a gas pipeline. The construction certificate was ultimately awarded to Alcan, of which Northwest Energy was the parent company. Among the reasons cited were environmental superiority and Alcan's assurance that its project could be financed entirely in the private sector. Subsequently, Alcan was joined by other pipeline companies (listed in Appendix 2), and became known as the Alaskan Northwest Natural Gas Pipeline Company. The project was the subject of an elaborate treaty between the United States and Canada in 1977.

The proposed 4,800-mile gas pipeline would travel south from Prudhoe Bay, paralleling the oil line to Fairbanks, follow the Alaskan Highway to the Canadian border, then head across Canada and split near Calgary, Alberta, into two segments — a western leg extending to San Francisco, and an eastern leg to Chicago. The Canadian part of the line would be built by the Foothills consortium, composed of two Canadian firms (listed in Appendix 2). The transmission system would carry about 2.4 billion cubic feet of gas per day and DOE estimates total costs at \$23 billion, in 1979 dollars: \$2 to \$3 billion for the lower 48 portion, \$6.0 billion for the Canadian leg, and \$15 billion for the Alaskan segment. The great expense of the Alaskan segment is due to field development and gathering systems (estimated at \$4 billion), construction of a conditioning plant to clean the gas and separate it into different fuels (estimated at \$3.5 billion), and building of the pipeline itself, under difficult Arctic conditions (estimated at \$7.5 billion).

Comprehensive design and civil engineering studies have yet to be undertaken and thus the cost estimates are not firm. Design alone is conservatively estimated by DOE at \$500 million, and would be completed by 1982 if started now. Construction of the transmission system would take an additional three to four years.

Government Decisions

Starting in 1976, Federal authorities issued a number of rulings on the ANGTS which were supposed to provide for swift construction of the pipeline. The government's intent was to prevent problems similar to those plaguing TAPS. However, the actual effect of determinations made so far by the Congress, the President, and the Federal Energy Regulatory Commission (FERC), has been to hinder seriously the prospects for moving ahead. The difficulties arise mainly with the Alaskan section of the ANGTS, since the Lower 48 and Canadian sections should be relatively easy to finance and construct. However, because the Alaskan portion accounts for more than two-thirds of cost and is the first link to Prudhoe Bay, its status is vital to the rest of the project. The government decisions and their impact to date are reviewed below.

CONGRESSIONAL LEGISLATION: In the Alaskan Natural Gas Pipeline Act of 1976, Congress legislated policy on certain aspects of the pipeline. The Act had two major provisions of interest:

- 1) Congress stipulated that it would award building rights to whatever company proposed the route finally chosen by the President.

This arrangement committed the Government to backing whatever consortium happened to propose the desirable route, quite aside from the financial and technological strength of the consortium itself. As a result, the ANGTS construction certificate went to a group led by Northwest Energy, a regional transmission company which the oil industry and financial community find difficult to take seriously as a builder of transeontinental pipelines. Moreover, Northwest's Executive Officer, John MacMillan, is viewed as a highly unconventional figure, and his personal ties to President Carter and financial ties to the Carter campaign committee have not helped to diminish the lack of confidence with which many regard his consortium.

- 2) Congress also insisted that access to the ANGTS be guaranteed for any concern that wishes to ship gas, regardless of participation in the building of the pipeline.

The intent of this stipulation was to prevent the owners of the pipeline from monopolizing access to the system, and to encourage other firms to search for gas. The effect, for now, has been to make participation in the ownership consortium unattractive to other potential shippers. With access guaranteed, they feel little compulsion to participate in the costly, high-risk planning phase of what appears to them as a weak and floundering project.

PRESIDENTIAL DECISION: President Carter issued his decision on pipeline financing and ownership in June, 1977. While it has aroused much controversy, changes will not be easy because The Alaskan Natural Gas Pipeline Act requires Congressional approval of major alterations in the Presidential ruling. The three conditions set by Carter on Alean's right to build the ANGTS were:

- 1) Gas producers that develop Prudhoe Bay petroleum resources (i.e., Exxon, ARCO, and Sohio) are forbidden from having any equity ownership -- and hence any management voice -- in the pipeline, and they are restricted to debt financing for any interest they might wish to acquire.

While the oil companies have traditionally stayed out of the gas transmission business, the enormous cost of the proposed pipeline makes conventional approaches questionable. The major North Slope petroleum concerns form one of the few groups with enough money to contribute towards such an undertaking. The Presidential Decision, however, closes off this source of equity capital. It is unlikely that producers would be inclined to tie up billions of dollars in commercial loans that carry a high risk, yet offer low returns and no management rights.

- 2) None of the pipeline's construction expenses may be billed to consumers before the project is finished. Only after the pipeline is built and operating can owners begin to recover costs through consumer charges.

Consumers are another of the very few groups able to guarantee this multi-billion dollar project. If prevented from incurring surcharges, they can merely ensure timely repayment of costs after the pipeline is built, rather than inspire investor confidence as an exploitable source of capital in the risky precompletion phase. However, the Carter decision makes any other outcome unavoidable.

- 3) The Federal Government will take no part in financing of the pipeline via guarantees.

This condition was set on the basis of Northwest's assertions that all funds could be raised in the private sector. However, Northwest envisioned consumers and producers -- the latter on a debt as well as a non-management equity basis -- as important sources of capital when it made its assurances. Regardless of Northwest's hopes, this is unlikely to occur. Hence, the Administration, having removed the only alternatives to government participation, then proceeded to eliminate the government as well. President Carter apparently felt federal guarantees were politically unacceptable.

FERC RULINGS: FERC is involved in three major aspects of the natural gas pipeline. It has ruled that:

- 1) Gas producers must themselves bear all conditioning costs.

Although in the past it was generally accepted that producers would pay for conditioning costs, FERC policy of the last several years has allowed more flexibility in the apportionment of these expenses between producers and pipelines. Hence this decision amounts to a major policy reversal, and probably reflects FERC awareness of the Northwest group's inherent financial weakness, as well as certain fears of "Big Oil monopoly control." At any rate, while producers are willing to share conditioning costs with the pipeline consortium (and even the Presidential Decision envisioned this), carrying the entire burden is unacceptable, especially in view of the substantial non-completion risks. Moreover, FERC, having saddled the producers with responsibility for conditioning, has also ruled that the costs (estimated at well over \$.75 per mcf, in 1980 dollars) must not be added to the allowable well-head price (\$1.80 per mcf in February 1980, escalating by inflation as measured by the GNP deflator).

- 2) A variable rate of return (ROR) has been set which ignores the investment tax credit (ITC). The ROR on the Alaskan segment of the line has been placed at a center-point of 17.5% if the project is completed without cost overruns. For the lower 48 leg the figure will be 15%.

Some FERC staffers have complained that the return established by the Commission is too high and will cause unfair prices to consumers. Moreover, while government agencies are directed to overlook the ITC when setting rates of return, the policy has caused concern in this case, due to the prodigious amounts of money involved. Calculations that include the effect of the tax credit place the center-point ROR as high as 30.5%. While such a high return would undoubtedly be a boon to the pipeline's equity owners, the differential between their return and that of prospective lenders is a severe disincentive to the latter. If other parties ultimately secure pipeline debt, the ROR will have to be reduced and the investment tax credit taken into account, because the risk will no longer be so high. And such an extraordinary ROR would be politically unacceptable under those conditions.

Of course, there is the possibility, under the novel variable return concept, that unexpected cost overruns could reduce the ROR to a level well below the 17.5% and 15% figures mentioned above. This, however, only makes for added project risk.

- 3) One area in which FERC has yet to set policy, and where its ruling is eagerly awaited, regards "tracking" -- pass-through arrangements that automatically send costs forward to consumers. While the Presidential Decision forbids pre-completion surcharges to customers, "tracking" will still be necessary once the pipeline is operating, and it would become immediately relevant if surcharges were permitted. Tracking may have to be put in place by federal legislation that would override state utility commissions. Given the enormous cost of the project, there are many circumstances under which state commissions might wish to protect consumers from bearing any costs not directly related to their own gas consumption.

PROJECT FINANCE: Although it is not strictly a decision of the government, Federal authorities have apparently concurred with Northwest's proposal to finance the pipeline on a non-recourse basis (where lenders could seize only assets of the pipeline, and not those of equity owners, in the event of project failure). While this arrangement certainly protects Northwest's position, it makes it even more difficult for the ANGTS to attract normal debt capital. Such a method of financing, viewed in relation to the absence of any strong "guarantor of last resort," makes the ANGTS particularly risky during the construction phase. Since Northwest lacks the financial strength to allow for conventional recourse, a shift away from project finance would automatically imply a radically altered equity base. Moreover, debt owners may simply demand recourse financing if there are no absolute federal guarantees or perfect "tracking" mechanisms for an all-events tariff.

Outlook

We feel it is virtually certain that the ANGTS will never be built under the arrangements described above. Delays on the Alaskan leg of the project will also hold up "pre-build" of the Canadian portion since authorities in Ottawa -- in a move to protect their own exports going through the line -- have ruled that reasonable assurances for financing of the entire project must be obtained before Canadian firms may begin construction on their segment.

A Special Advisor to DOE, Martin Lipton, recently formulated a plan that would have overturned the troublesome provisions of past federal decisions, but the plan was rejected by the White House and key members of Congress, as well as by sponsors and producers. The scheme contained what we consider to be the essentials for ANGTS construction, namely, federal guarantees and equity participation by North Slope producers. The President and energy legislators on Capitol Hill are against the scheme because they do not want the government to back lucrative rates of return for "Big Oil." Northwest is opposed because it does not want its 100% ownership of the ANGTS tampered with; and producers dislike the plan because their ownership would be disproportionate with their financial commitment. However, Lipton's proposal represents the considered opinion of an outside source that current financing plans are unworkable, and it tends to confirm the belief that they must be altered in some way. While this specific scheme has been rejected, we expect its general thrust to be adopted eventually. Indeed Lipton's main concern may only have been to stir up debate and provide the initial impetus for change.

The Lipton proposal would have included the conditioning plant in project expenses and established an initial fund of \$11 billion to cover the total estimated cost. Two over-run pools would also have been set up: the first a \$5.5 billion fund consisting of 90% producer and 10% sponsor monies, and the second a government-backed fund of \$10 billion. The over-all capital structure would have been 75% debt and 25% equity. This plan differed somewhat from a proposal Exxon submitted in October of 1979, calling for a similar over-all capital structure, but allowing producers to put up 40% of debt and equity, with conditioning costs borne by sponsors.

Before Congress will ever consent to such a comprehensive revamping of ANGTS financing, Northwest itself will have to admit that its original funding schemes cannot succeed. In our opinion, this confession of failure is inevitable. At that point -- since such an admission would largely defeat the purpose of having chosen Northwest in the first place -- Congress is likely to strike down Northwest's total control of the ANGTS. That of course, is not to say that it will entirely eliminate the Northwest sponsors from the pipeline project. We see diluted Northwest ownership, as envisioned in the DOE and Exxon proposals, as the most likely outcome (though it will only come about over the strenuous objections of John MacMillian). However, to instill true confidence in institutional lenders it might be necessary to bring more than just the North Slope producers in on equity participation; other transmission companies might also be required. This would further erode Northwest's position.

At issue in Congress will be not the necessity of producer participation but its extent and form. Congress will probably favor a degree of control over pipeline construction by ARCO, Exxon and Sohio, but its attitude on the producers' role in pipeline operation is less certain. As mentioned, Northwest has been contemplating a scheme whereby producers would have equity participation in the building of the ANGTS, as well as a guaranteed rate of return on investment once the pipeline was finished, but with no management role after completion. Congress would no doubt favor this scheme as a way of obtaining producer monies while avoiding long-term producer control. However, it is unlikely that producers would readily forego all operating rights over a project into which they have poured billions of dollars. So when the inevitable new financing plan is authorized, we expect that Congress -- unless it prefers massive consumer surcharging or outright federal ownership of the pipeline -- will have little choice but to strike some bargain with the North Slope companies.

This is likely to be a very long, drawn-out process. We doubt that any serious action will be taken during 1980. Legislation may well be introduced after the elections, during the Congressional session commencing in 1981. But debate on such a controversial topic will occupy many months, so that a new ANGTS financing plan will probably not go through until late next year at the earliest. At that point it will still be necessary to complete the engineering studies (which provide the basis for cost estimates) and arrange for financing. Construction could then begin in 1983 with the first gas flowing in 1987.

William Stoops
Adam Sieminski
(202) 659-8030

Appendix 1

Ownership of Prudhoe Bay Oil, Gas and Pipelines

Company	TAPS ^{1/}	Crude Oil ^{2/}	Natural Gas ^{3/}	Possible ANGTS ^{4/}
ARCO	21.00	20.38	35.7	15/22.5
Exxon	20.00	20.38	35.7	15/25.5
Sohio	33.34	52.96	26.1	10/15.0
BP	15.84	-0-	-0-	--
Mobil	5.00	2.08	.8	--
Phillips	1.66	2.03	.8	--
Amerada Hess	1.50	0.54	.2	--
Union	1.66	-0-	-0-	--
Chevron	-0-	0.84	.5	--
Getty	-0-	.55	.2	--
Other ^{5/}	-0-	.23	.1	60/40
	100.00	100.00	100.0	100

Calculation of Gas Ownership

Company	Associated Gas	Gas Cap	Total ^{6/}
ARCO	20.38	42.24	35.68
Exxon	20.38	42.24	35.68
Sohio	52.96	14.59	26.16
BP	-0-	-0-	-0-
Mobil	2.08	.27	0.81
Phillips	2.03	.26	0.79
Amerada Hess	.54	-0-	0.16
Union	-0-	-0-	.17
Chevron	.84	.40	0.53
Getty	.55	-0-	.17
Other	.23	-0-	.07
	100.00	100.00	100.00

^{1/} Percentage ownership in the Trans-Alaska Pipeline System, after the July 1974 expansion agreement.

^{2/} Crude oil ownership of the Prudhoe Bay pool, producing mainly from the Sadlerochit reservoir, but also the Shublik, and Sag River formations. (The Prudhoe Bay field also contains the separate Kuparuk and Lisburne formations.) These figures are subject to revision under the unit agreement, as the reservoir characteristics become more understood.

^{3/} Natural gas ownership is subject to several uncertain activities. First, the Prudhoe Bay pool contains both associated gas as well as a gas cap, each with different ownership patterns. Second, there is still much disagreement over the amounts of each type of gas in place, and over the extent to which each can be produced. See table of calculations on gas ownership.

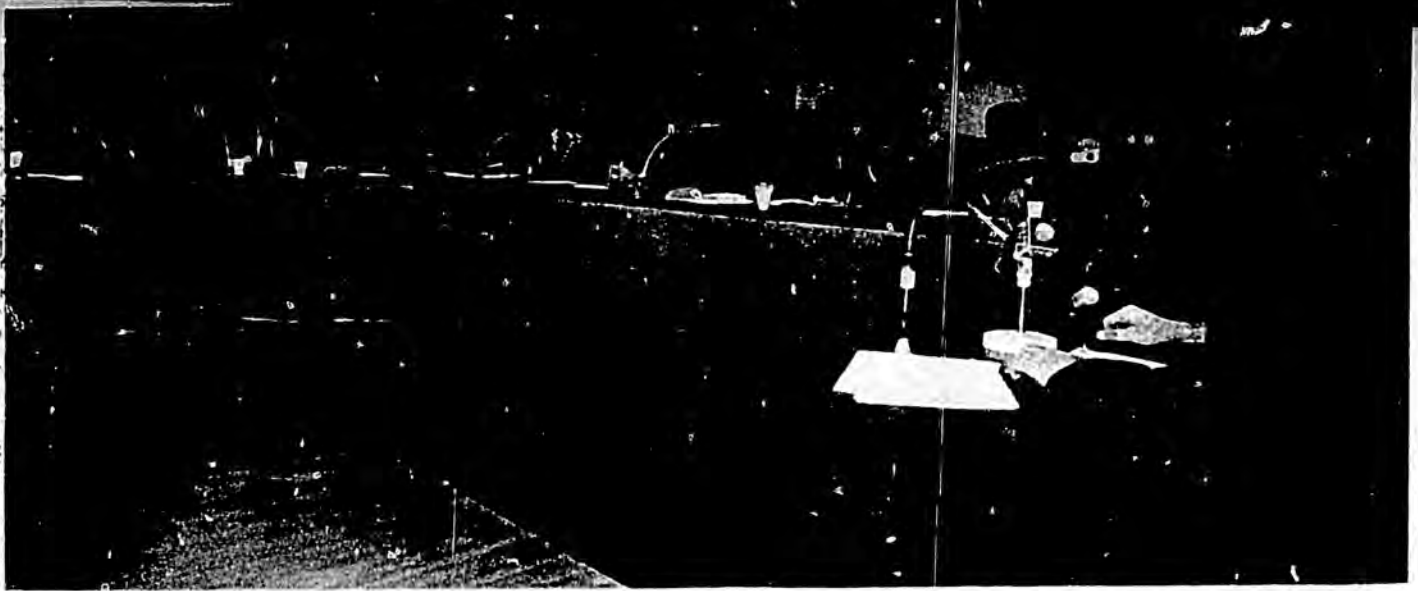
^{4/} Possible percentage ownership in the Alaska Natural Gas Transportation System if the three major gas producers take proportionate shares totaling either 40% or 60%.

^{5/} Crude oil and associated natural gas producers include: Placid (.04), Louisiana Land (.04), Marathon (.04), and the Hunt family (.09). In the case of the gas pipeline, there is still great uncertainty over the possible equity ownership, but if the gas producers were to own a total of 40% for example, it might be apportioned as shown.

^{6/} Total gas ownership is based on an assumed apportionment of produceable gas of 30% associated in the oil rim and 70% in the gas cap.

SCOMM

#13:7



IMPACT PANEL—Members of the legislature's joint interim pipeline impact committee listened to city and borough officials Monday at hearings in the Fairbanks

city council chamber. From left are Sen. Ron Rettig, Rep. Dick McVeigh, Rep. Selwyn Carrol, Sen. Keith Miller, Rep. Robert Hartig and City Manager Wally Droz.

(Staff photo)

Area officials talk of impact

By DENNIS FRADLEY
Resources Editor

City and borough officials Monday made their needs known to members of the legislature's joint interim pipeline impact committee at hearings in the city council chamber.

Chaired by Sen. Ron Rettig, R-Anchorage, the panel is conducting hearings across the state this week to determine some of the problems that will be created once construction of the trans-Alaska pipeline begins.

Fairbanks Mayor Harold Gillam opened the testimony and told the legislators the state doesn't need to meet the impact problems, it just has to provide the people in the communities the tools to do the job themselves.

The tools Gillam mentioned were backing for municipal bonds, investment of state funds into local banks to lower interest rates, and opening land for the people to develop.

City Manager Wally Droz followed Gillam and was more specific with requests. Droz cited more than \$27 million in capital improvements already made by the city to meet the expected population expansion.

These improvements were in the area of sewer and water line additions, expansion of electric generating facilities, additional police and fire vehicles, and numerous other new facilities.

The city urgently needs, however, improvements for its

electrical, water and telephone services, Droz added.

"The city of Fairbanks requires assistance from the state to meet its power requirements in two areas," he said. "Firstly, we must get a commitment from the state to sell us oil and gas from its share of royalty oil and gas from the North Slope fields at the nearest point of delivery from pipelines carrying oil and gas which we have reason to believe will be in the North Pole area," Droz told the legislators.

"Secondly, the City of Fairbanks requires financial assistance."

A dual-fueled generator—capable of burning either natural gas or oil—would cost \$6.5 million, according to Droz, while a coal-fired unit would cost \$15 million.

He said utility rates in the area were already too high.

Other items needed by Fairbanks to meet the impact problem include additional water treatment and storage facilities, and new facilities for the telephone system.

Droz also cited needs for a slight buildup in the police and fire departments.

When asked what kind of assistance Fairbanks would be seeking from the state, Droz replied: "Whatever we can get." He said a grant would be his first choice and a loan second.

Borough Mayor John Carlson said the five-year delay in construction of the pipeline has been on the government's side,

since the government has been able to gear up for impact. He cited the land zoning and recreation improvements as examples.

He estimated the borough administration budget would be increased \$700,000 for impact related problems.

It was in the borough school system, however, that the more serious problems were seen. Business Manager Bill Case told the legislators that he believed studies done on impact to date were conservative in the estimates of increased student enrollment. These studies show a 20 per cent increase for the Fairbanks North Star Borough school system.

Case gave the panel estimates of the increased costs solely to pipeline-related impact. These figures went from \$1.8 million in 1974-75 to \$38.9 million in 1967-79. He said the state would have to provide money to meet these needs.

Chuck Rees spoke for the

school board and told the legislators the board is on record favoring 100 per cent funding for schools by the state.

Rees cited three other areas where state assistance is needed: possible guarantee for the 12.8 million bonds recently approved, assistance to supply power to the Wainwright schools to keep them open, and purchase of mobile classrooms for use during the boom period.

In addition to Rettig, members on the committee include Sens. Clifford Groh, R-Anchorage, Keith Miller, R-Anchorage, Terry Miller, R-Fairbanks, and Reps. Andrew Warwick, R-Fairbanks, Lavelle Wilson, R-Tok, Tom Fink, R-Anchorage, Robert Hartig, R-Anchorage, and Dick McVeigh, D-Anchorage. Rep. Selwyn Carrol, R-Fairbanks, sat in with the panel as an observer.



Alaska State Legislature

Senate

JUNEAU, ALASKA

February 27, 1976

Senator Chancy Croft
President of the Senate
Alaska State Legislature
State Capitol, Pouch V
Juneau, Alaska 99811

Representative Mike Bradner
Speaker of the House
Alaska State Legislature
State Capitol, Pouch V
Juneau, Alaska 99811

RE: Interim Report of the Joint Gas Pipeline Impact Committee

Dear Mr. President and Mr. Speaker:

Please consider this to be a letter of transmittal of the Interim Report of the Joint Gas Pipeline Impact Committee existing pursuant to H.B. 258 "The Gas Pipeline Impact Committee", Chapter 170 SLA 75. I request that this letter of transmittal, together with the report, be read into the appropriate Journal in each house.

As an aid to the interpretation of the Interim Report, I submit the following as being my understanding of the sense of the Committee:

1. The Committee does not intend to suggest that the Commissioner of Natural Resources or the Royalty Board enter into unreasonable agreements with prospective purchasers. It is the sense of the Committee that Alaska should indicate that it is a "willing seller" of a portion of its gas and is seeking a "willing buyer" on terms which will reserve as much gas as possible for future use to meet Alaska's internal domestic and other needs. The Committee would expect the executive to negotiate the best possible agreement. Understanding, that when such an agreement is negotiated, it may or may not be acceptable to the Legislature. It may be that the executive will negotiate the best possible agreement, at the same time recommending against its implementation on the basis that too little is received by the State and too much given by the State. We believe that it is imperative, however, in the conduct of the people's business, that such a tentative agreement be made public and its merits debated.
2. We do not wish to tie our negotiator's hands by quantifying the word "substantial" as used in paragraph #7 in the Committee's findings, and paragraph #1 of the Committee's recommendations.

3. The Committee does not suggest an arbitrary time deadline for our executive negotiators. We do point out, however, for the agreement to be finalized, legislative approval is necessary and a special session should be avoided if possible.
4. We do not intend in any manner to preclude negotiations for use of royalty gas within the State of Alaska and the further exploration of petrochemical and domestic uses. The major thrust of the Committee's recommendations is based on the belief that a Trans-Alaska pipeline is essential for future domestic and petrochemical in-state use options of North Slope gas.
5. Pursuant to other action by the Committee, the following have been introduced by the respective Rules Committee by request:

SCR 85/HCR 107	"Relating to the Impact on Alaska of a Trans-Canada Gas Transportation System"
SB 685/HB 848	"An Act Making a Special Appropriation to the Department of Natural Resources for the Purpose of Conducting Negotiations with Prospective Purchasers of North Slope Natural Gas and Providing for an Effective Date"
SB 686/HB 850	"An Act Relating to Waste of Oil and Gas and Providing for an Effective Date"
SB 687/HB 849	"An Act Relating to the Leases of State Land for Oil and Gas into taking of Royalty Gas from them and Providing for an Effective Date"

6. Finally, and most importantly, our recommendations are based on the facts and circumstances as they exist today.

The situation may change at any time rendering the presently recommended strategy inappropriate. For example, it has been suggested that the Federal Power Commission may conduct allocation proceedings nullifying contractual sales commitments. Gas may be more or less deregulated. The recent request of the President for authority to make the final route decision subsequent to January 1, 1977 may effect the political climate. It may be determined, as has been suggested by some, that neither the Trans-Alaska nor the Trans-Canada line are economically feasible at this time.

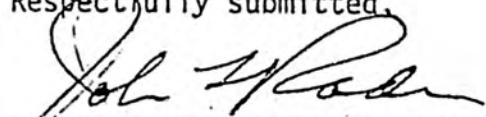
The recommendations of the Committee rely strongly on the advice of our consultant, Mr. Rush Moody, recently Vice-Chairman of the Federal Power Commission. The strategy may only be appropriate if the Federal Power Commission closes the certification hearings in May according to it's present schedule and further certifies one route based on the precedents, principles, and considerations customarily employed in past certification proceedings admittedly more limited in scope and of much less national significance.

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The opportunity to use royalty gas to accomplish our public purposes as we perceive them may be lost unless we have substantially negotiated possible sale terms and are ready to move if and when the time arrives - which may be very soon.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "John Rader", written over the typed name.

Senator John Rader, Chairman
Gas Pipeline Impact Committee

JR/kb

INTERIM REPORT
OF THE
JOINT GAS PIPELINE IMPACT COMMITTEE

This Committee, through public hearings and staff investigation, has become convinced that immediate action by the State of Alaska is essential if the citizens of this State are to receive maximum benefit from the State's natural gas resource.

The Committee will issue a full and complete report on its findings and recommendations at a later date, but is impelled to submit this interim report to the Legislature and the people of the State of Alaska because of the urgency of the present situation.

The Committee finds and concludes the following:

1. A federal decision authorizing the transportation of North Slope natural gas across Canada would be inimical to the interests of the State of Alaska. The State's resource would be drained, its people denied access to a premium fuel and raw material, its work force deprived of employment opportunities, and productive economic growth would be thwarted.
2. A federal decision authorizing the transportation of North Slope natural gas across the State of Alaska to an open port will serve the best interests of the State.
3. The level of benefits, and burdens reasonably to be expected by the State as a consequence of any decision on a North Slope gas transportation system are of such magnitude that the routing decision must be regarded as critical to the future of the State. Action to secure a Trans-Alaska routing must be pursued as expeditiously as possible; no reasonable step should be left untaken.
4. The position of the state as owner of a one-eighth royalty in natural