

336

HCRRA

HB

215

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HB

219

(FILE #1)

HB

215

February 8, 1977

TO: LISA  
FROM: JUDITH  
RE: Day Care Appropriation

My conversation with Mr. Pitts on Monday, February 7, 1977, proved to be very beneficial. He briefed me on the background of HCS 750 which increased the subsidy by \$123,000 to include day care for AFDC recipients. The AFDC criterion was mandated to be the first priority and resulted in approximately 400 new children at \$12.00 per day X 21 days per month; in excess of the \$123,000.

Communities such as Anchorage began taking steps in September and October to reduce their clients to only those families in the lower one-third income categories. Mr. Pitts pointed out that the attached estimated supplemental funding would allow funding of day care in the three communities who are unable to fund all eligible families for the balance of the current fiscal year.

Families whose net income is \$7,000 or less are currently eligible in addition to all AFDC families. As I understand it, all other families have been rejected or in the process of being cutback. Fairbanks and Kodiak are currently providing day care to only those at the poverty level and Anchorage apparently will be initiating some additional cutbacks to reduce family eligibility to poverty-level.

Attachments:

Projected Supplemental Appropriation for FY 77  
Letter to Representative Larry Carpenter

*Thanks very much -*

# STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

## DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

POUCH B - JUNEAU 99811

February 7, 1977

The Honorable Lisa Rudd  
Chairman  
House Community and Regional  
Affairs Committee  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

*FAX please \$ 20,000 per mo.*

Dear Representative Rudd:

The following information is in reference to your inquiry regarding a supplemental appropriation for FY 77 Day Care Funding. Per your request we have projected additional funding to allow total funding of day care in the three communities who are unable to fund all eligible families for the balance of the current fiscal year. The required additional funding is:

1) Fairbanks North Star Borough	\$262,800	
2) City and Borough of Juneau	76,100	
3) Kodiak Island Borough	<u>73,600</u>	
	\$412,500	

*\$15,000  
\$7000 \$35,000*

These additional funds would cover the period of March through June, 1977, only.

*and 80,00*

The above total was computed based on the number of subsidized families plus eligible families rejected because of the lack of funds as of December 31, 1976, and using a standard gross index of ten percent overall during the last half of the current fiscal year.

I trust this information will be satisfactory. However, if you desire more please feel free to call me or Mr. Harvey Pitts, Day Care Coordinator in Anchorage, at 279-3462.

Sincerely,



Michael C. Harper  
Deputy Commissioner



FRANK J. GOLD, Ed. D.

Registered Psychologist

1221 COPPET

FAIRBANKS, ALASKA 99701

(907) 458-4409

452-8959

*for your information*  
*FJG*

January 7, 1977

Larry D. Carpenter, Representative  
Alaska State House of Representatives  
Pouch V  
Juneau, Alaska 99811

Dear Larry,

Please excuse the tardiness of this reply; I wanted to have a response to your letter and the letter written by Ann Maxton to you before you left Fairbanks for Juneau. Unfortunately, the beginning of the month is hectic--and a couple of court appearances didn't help.

The basic facts provided to you by Ms Maxton are basically correct: the amount of funding made available to the Fairbanks North Star Borough for day care assistance is simply inadequate to meet the demand. Although I was successful in getting a supplemental appropriation of approximately \$20,000 from the Office of the Child Care Programs Coordinator (the total for the Fairbanks North Star Borough thus totalling \$128,620), the demand for our community is probably in excess of \$300,000.

The day care assistance program is set-up so that five distinct income categories exist; as the parent's income goes up, the amount of state assistance decreases. Thus, we fund from 10% to 100% of the cost of care for those hours the parent is working and/or in training and/or in school. There is no funding available through this program for parents not meeting the above criteria; it is not a welfare operation.

In July and August, the word from the Coordinator's office was that we should advertise the program, get lots of eligible folks on the program, and that additional funding could be expected. Unfortunately, the extra funding could not come anywhere close to the unexpected demand within the Fairbanks North Star Borough. As soon as this became evident, we were told to eliminate those families within the top two categories--those folks making the most. Since then, categories #3 and #2 had to be cut out also. At this time, we are only funding those families who receive 100% support; these folks make less than \$7500 per year.

There is one additional constraint that must be noted: no matter what, those families who are eligible and are receiving AFDC, must be funded for the entire fiscal year; they cannot be

	Juneau	Kodiak	Fairbanks	Totals
Group I				
Income	0-5,999	0-6,449	0-6,900	
Families	20	24	73	117
Kids	31	37	113	181
Amount	35,376	42,504	129,360	207,240
Group II				
Income	6,000-7,999	6,450-8,599	6,900-9,200	
Families	18	15	35	68
Kids	28	23	54	105
Amount	28,987	23,760	55,598	108,345
Group III				
Income	8,000-10,999	8,600-11,824	9,200-12,650	
Families	20	12	35	67
Kids	31	18	54	103
Amount	24,763	14,414	43,243	82,420
Group IV				
Income	11,000-12,999	11,825-13,974	12,650-14,950	
Families	8	8	36	52
Kids	13	12	56	81
Amount	7,524	6,864	32,076	46,464
Group V				
Income	13,000-14,999	13,975-16,124	14,950-17,249	
Families	1	1	8	10
Kids	1	1	13	15
Amount	526	502	20,577	21,605
Totals of Groups	97,176	88,044	280,854	466,074
LESS (to be given 3/31/77)	21,076	14,444	18,054	53,574
TOTAL	76,100	73,600	262,800	412,500*

\* Total of Juneau, Kodiak and Fairbanks

this was prepared by Rocky MacKinnon with information furnished by Harvey Pitts, Child Care Coordinator, Dept. Community & Regional Affairs 2/10/77

DOLLARS NEEDED NOW TILL END OF FY 1977

FAIRBANKS

Group 1	\$ 129,360
Group 2	55,598
Group 3	43,243
Group 4	32,076
Group 5	<u>20,577</u>

\$ 280,854

Less Amount

To Be Allocated - (18,054)

\$ 262,800

KODIAK

Group 1	\$ 42,504
Group 2	23,760
Group 3	14,414
Group 4	6,864
Group 5	<u>502</u>

\$ 88,044

Less Amount

To Be Allocated - (14,444)

\$ 73,600

JUNEAU

Group 1	\$ 35,376
Group 2	28,987
Group 3	24,763
Group 4	7,524
Group 5	<u>526</u>

\$ 97,176

Less Amount

To Be Allocated - (21,076)

\$ 76,100

ANCHORAGE - Approximately \$80,000 thru 6/30 to subsidize Group IV & V.

To: Members of the House CRA Committee

18 February 1977

The American Association of University Women wishes to lend its support to the passage of HB215. We spoke out strongly in favor of the original day care subsidy bill which has been providing day care assistance to low income children, assuring them the opportunity for licensed, qualified care.

As you must be aware, the availability of qualified child care is far less than the need. In fact more than 80% of the day care population in Alaska (children aged 0-9 years) is served by unlicensed arrangements of one sort or another. What is most startling is that there are hundreds of young children in our state without any care at all. One reason for this situation is that parents cannot afford to pay the seemingly high cost of qualified care which averages about \$10/day. That is \$200/month (or \$2,400/year) which is as much or more than a family must pay for food or rent. Consider that cost to a family earning a \$10,000 to \$12,000/year salary. And child care costs are on the rise. Care givers are no longer willing to work for poverty wages at what may be one of the most important jobs in our nation, one unequalled in responsibility, stress and long hours, even though the going rate of \$5/hour for child care staff can hardly be said to be an incentive to enter that line of work.

Only two years ago when the subsidy bill was introduced, the average cost of care in Alaska was at \$7.50/day (according to the League of Women Voter's "Alaskan Day Care: Quality and Cost" pg. 6). Two years before that it was \$5/day in Alaska, and nationwide the national average was \$3.50/day! In 1965, however, seventy to eighty percent of the child care arrangements in the nation were free from an adult relative or through trade arrangements with friends and neighbors (see the League's "Day Care - Alaska's Unmet Need" pg. 2+3). As you can see, child care costs are rising at a phenomenal rate - far faster than people's salaries - yet even at the present rate of \$10/day the cost is no greater per hour than what we would pay the casual babysitter for watching TV at night while the kids are asleep. For little over a dollar an hour we expect the care giver to provide the major upbringing of a child during almost all of that child's waking day.

The question then always arises whether one parent shouldn't be staying home with his young children instead of "choosing" to work outside the home. Statistics from the Dept. of Labor's Women's Bureau in their "Handbook on Women Workers, 1975" show that over 70% of all working women have more than good reason:

29% had husbands earning less than \$10,000

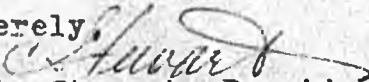
19% were widowed, divorced or separated

23% were single.

Working mothers would fall within the first two categories and over 50% of all mothers with children under age 18 are working. In fact 33% of white women and 52% of minority women with children under age 6 hold jobs outside the home!

Parents are not staying home because they must work, and their children deserve and need adequate care. We feel that the additional subsidy requested in this bill is valid and desperately needed by Alaskans to meet the soaring cost of child care.

Sincerely,

  
Connie Stewart, President

American Association of University Women  
Juneau-Douglas Branch

February 21, 1977

TO: STEVE COWPER, CHAIR  
HOUSE FINANCE COMMITTEE

FROM: LISA RUDD, CHAIR  
COMMUNITY & REGIONAL AFFAIRS COMMITTEE

RE: HB 215 - Supplemental Appropriation for the Day Care  
Assistance Program

The Community & Regional Affairs Committee, after hearing testimony from the Community and Regional Affairs Department and the managers of the day care assistance program in Juneau and Anchorage and from a day care provider in Fairbanks, has reduced the requested appropriation from \$412,500 to \$368,750.

While the department had allowed for maximum possible growth in the program for the next four months in arriving at the \$412,500 figure, testimony from the program managers and provider indicated that such dramatic growth was not likely to take place. Therefore the committee chose a figure which would allow some growth in the program, but not as much as originally predicted by the department.

It is proposed that the \$368,750 appropriation be divided in the following way:

Fairbanks North Star Borough	\$183,960
City and Borough of Juneau	53,270
Kodiak Island Borough	51,520
Municipality of Anchorage	80,000

The Community and Regional Affairs Committee would like to draw the Finance Committee's attention to the need to increase the FY'78 appropriation for the day care assistance program by at least the \$368,750 which is being added to this year's appropriation. The department testified at our hearings that the amount shown in the Governor's budget for FY '78 is simply a maintenance budget based on the original FY'77 appropriation.



## Fairbanks Summer Day Camp

P.O. Box 80452

Fairbanks, Alaska 99708

(907) 479-6844

2/19/1977

To: House C&RA Committee

From: John Hartle

re: HB 215 meeting of 2/18 with Harvey Pitts,  
Theressa Donnally, Margo Dick,  
Lisa Rudd, myself

Dear Committee members,

In my recollection, the way we arrived at a new figure for the Day Care Assistance supplemental appropriation began with our questioning Mr. Pitts, statewide DCA coordinator, on how he derived the original one. He explained exactly the factors he considered and how he had weighted each factor. We asked him how varying the amount would affect the program, statewide, during the next four months. Eventually we arrived at a figure (368,960. or close) we were all comfortable with; it allows for reinstatement of the program at the original level with a moderate growth factor. It would take up all the people who were dropped, include the waiting lists and plan for a reasonable, but less than maximal, growth. This seemed entirely satisfactory to all present and I urge your support for this important bill.

I would like to thank Rep. Phillips and the committee for enlisting my help on this problem, allowing my voice to be heard on a matter that concerns me deeply. Thank you.

Sincerely,

John Hartle

c.c. Harvey Pitts  
Theressa Donnally  
Margo Dick

# Municipality of Anchorage

## MEMORANDUM

DATE: February 17, 1977  
TO: Therese U. Donnelly  
FROM: Rita Jacobs *R.J.*  
SUBJECT: Insufficient Funds Denial

### CRA DENIALS GROUPS IV and V EFFECTIVE MARCH 1, 1977

Number families denied 43  
Total children 54

#### State Share Group IV and V

20%	30%	40%	50%	60%
1	1	40	4	8

Cost. To. STATE  
50.40    75.60    4032.00    504.00    1209.60

Mo. est. 5871.60

OF the 43 families above:

27 were single-parent families

16 were two-parent families

When the above 43 first enrolled they were in the following groups:

Group I - 5  
II - 4  
III - 19  
IV - 8  
V - 7

AFDC Statistics as of February 1977

Group I 100% ..

Total Families Participating 139  
Total Children 170

Ages	Number	Monthly Cost per Child	Monthly Cost.
0-12 months	11	@\$315.00	\$3465.00
1-6 years	141	@\$252.00	\$35,532.00
*over 7 years	18	@\$147.00	\$2646.00
Total Monthly Cost			\$41,643.00
Annual Cost			\$499,716.00

\*Cost for Part Time slot does not include cost for summer vacation or school holidays.

MUNICIPALITY OF ANCHORAGE  
 OFFICE OF HUMAN DEVELOPMENT  
 DAY CARE ASSISTANCE PROGRAM

DATE: as of January 31, 1977

I. FAMILY DATA	1975	1976	1977
a. Number single parent-fathers in program		32	14
b. Number single parent-father's children		46	22
c. Number two parent households worked thru program		43	4
d. Nuber single parents worked thru program		6	1
e. Number families closed		205	203
f. Number denied on original application		74	178
g. Number families moved out of area		12	13
h. Number families from AFDC to CRA		35	11
i. Number families from CRA to AFDC		14	6
j. Number from CRA to AFDC paying own daycare		Unknown	1
k. List the number of families transferring from higher subsidy group to a lower subsidy group		Unknown	73
l. List the number of families transferring from a lower subsidy group to a higher subsidy group		Unknown	57
m. Number families to return to full-time school		5	10
n. Number families that have children over age seven		9	9

DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS  
 DAY CARE ASSISTANCE PROGRAM  
 MONTHLY LOCAL AGENCY STATISTICAL REPORT

From MUNICIPALITY OF ANCHORAGE  
 (name of local administering agency)

For the month of JANUARY, 1977  
 (Incomplete: 1 billing not added as of 2/17/77)

I. UNITS OF SERVICE DATA	Reporting Month	Year to Date
a. Number of part time units of service (P)	982	5801
b. Number of full time units of service (F)	7943	51189
c. Number of more than full time units of service (M)	51	563
d. Total units of service delivered (P + 2F + 3M = total)	17021	109868
e. Total units of service delivered in centers	11829	80907
f. Total units of service delivered in homes	5192	28961
II. COST DATA		
a. Total cost of day care for CRA program children	\$92,195.08	\$561,945.45
b. Cost to parents for care of program children	16,311.29	89,649.26
c. Cost to state for care of program children	75,883.79	472,296.19
III. FAMILY DATA		
a. Number of new families entering program	88	515
b. Number of new children entering CRA day care	121	743
c. Number of new families in which one parent or guardian is enabled to work because of CRA day care assistance	69	398
d. Number of new families in which one parent or guardian is enabled to train or go to school because of CRA day care assistance	14	67
e. Number of new families in which one parent or guardian is enabled to work and train because of CRA day care assistance	5	48
f. Number of new families in Income Group I	44	312
g. Number of new families in Income Group II	7	52
h. Number of new families in Income Group III	23	107
i. Number of new families in Income Group IV	8	24
j. Number of new families in Income Group V	6	15
k. Number of new single parent families	72	346
l. Number of eligible families rejected because appropriate licensed space unavailable	N/A	N/A
m. Number of eligible families rejected because of insufficient program funds	N/A	43
n. Number of families certified eligible for AFDC or WIN benefits receiving program funds	24	202
o. Reviews	132	747
p. Denied	5	178
Closed	61	203

# LEAGUE OF WOMEN VOTERS OF ALASKA

HB 215

The League of Women Voters of Alaska is firmly in support of HB 215 and urges its swift passage, since passage much after March 1st will ~~require additional appropriation and~~ will cut deserving parents unnecessarily from the program. The League has been a strong backer of day care assistance, and our statewide position established just last year after careful study states that "supplemental financial and regulatory responsibilities should be shared by all levels of government to insure that day care is of high quality and available to those who need it".

I would like to underscore the fact that care given to children under this Dept. of Community and Regional Affairs program is required to be licensed by the State and is therefore providing a basic quality that is unavailable to too many Alaskan children. In fact 85% of the children in Alaska are cared for outside the home in unlicensed facilities. That is 17,000 kids (almost 9,000 in Anchorage alone) with working parents or a working single parent who must rely on arrangements that may be less than satisfactory because very few young families in the big cities have relatives close by that are available to help provide care. It is especially interesting to follow the licensing pattern that this program has produced. As parents become aware of their eligibility in the day care subsidy program, they tend to pressure their "babysitters" to become licensed, thus increasing the quantity and quality of overall childcare in Alaska. In Anchorage, for example, the number of available day care slots for 11,000 kids was 1,300 in October, 1975, when the program began. At the end of this last fiscal year it had risen to over 2,000 and now the number of slots has expanded to 2,400 with 300 more ready for processing. The same has happened in Kodiak and Juneau where available slots have doubled since the program began.

I would like to remind this committee that parents work because they have no other economic choice. Most employed parents are widowed, divorced, separated, or their spouse is earning less than \$10,000 a year; and in fact 52% of all minority women with children under the age of 6 are employed (compared with 52% of all women with children under 18) according to U. S. Dept. of Labor statistics. Low income working parents are faced with day care expenses that few can adequately meet. The going rate for childcare is about \$10 to \$12 a day (with infant care as high as \$15 to \$17 a day) and that is up drastically from only four years ago, for providers are no longer willing or able to work for poverty wages. That daily rate for one preschool child adds up to between \$2,400 and \$3,000 each year, or more if a family has more than one child. Working parents need to fund additional childcare during the summer months when school is out of session. That yearly sum takes a pretty hefty bite out of even a \$10,000 a year salary. When you add up the costs of rent, food, clothes, utilities and taxes, not to mention car and medical expenses, you may find the salary already expended past its limits. And yet in Fairbanks, for example, we understand that the program has already had to cut back service to all but those families whose combined income is \$8,000 or less!

The League feels that this program can therefore not yet reach significant numbers of people for whom help was intended. It would pay, for example, all or most of a family's day care expenses, allowing that family frequently to pull itself up from reliance on welfare; and yet ~~would~~ not support that family during the trying months that follow when the family is or would be actually paying more and more of its own share, requiring less and less from the State program. One particularly revealing case is

that of an Anchorage woman who recently called the CRA office. She explained how the program was keeping her family unit together because previously she had to hold down three jobs as a single parent to provide for her family -- two during the week and one on the weekends. The subsidy program permitted her to live normally with one job and to be with her children. She worked her way up to level IV in which she was paying 50% of her childcare costs. But as of March 1st she would be dropped in the cut back, and she was calling in tears because this was going to force her to disrupt her family, to dissipate her resources and her energy just trying to make a living wage.

We understand the reluctance of some of you to grant supplemental budget appropriations, however in this case we feel that the grant is not only justified but vital to the parents and children involved. The Dept. of CRA had little way of knowing last year how many families would actually be applying for the available monies. The need was greater than many realized and we are seeing now the results of the program's success in responses from families and the mushrooming of available licensed slots. We are seeing success in the movement of families into, up through, and out of the program.

But there is one further important reason that we feel that the Dept. should not be jeopardized for using up existing funds. Last year's SB 753 which caused such flack at the end of the session contained some unalarming language that changed the definition of child to include "a child determined to be eligible for assistance under AS 47.25.310-47.25.420 and living with a family receiving benefits under AS 47.25.30 - 47.25.420." This in effect put the AFDC and WIN kids into the CRA program and out of Health and Social Service. Since Title XX funds could not be spent through the CRA Dept., those funds were reallocated to other areas within the Dept. of HSS, and only the State of Alaska general fund match monies were transferred for the use of the CRA Dept. to maintain the program. In other words 100% of the AFDC and WIN children were transferred to CRA, but only 20% of the money that it took HSS to run the program were transferred over. This financial burden has greatly affected the intent and expansion of the subsidy program, for monies which would otherwise have gone into the subsidy program have had to go to fully fund the AFDC kids which under law have priority. I should mention, however, that aside from the undue financial burden placed upon the Dept. of CRA, the overall move of AFDC and WIN kids out of HSS has been most beneficial. Prior to the move many childcare facilities refused to take state subsidized children ("welfare cases") and most day care homes would not. Now under the Dept. of CRA the stigma is gone and facilities are cooperating and new slots are opening up weekly.

We commend the Department of Community and Regional Affairs for a job being well done in helping communities take responsibility for their day care populations. We feel that the added supplemental appropriation asked for in this bill is not at all unreasonable or unjustified and we urge quick passage.

Sincerely,

Susan R. Clark  
Human Resources Lobbyist  
League of Women Voters of Alaska

# Lack Of Funds Cuts Day Care Subsidies

About 10 per cent of the Anchorage families receiving state-subsidized day care are being dropped from the program because of a lack of funds, a municipal official said yesterday.

Theresa Donnelly, coordinator for the Municipal Day Care Assistance Program, said 60 families with a total of 73 children are being dropped from the program effective today because there are not enough state funds left to carry the program through June 30, the end of the state's fiscal year. During February 515 families with a total of 743 children participated in the program.

The legislature authorized the subsidized day care program in 1975 with the hope that welfare parents might have the incentive to seek jobs if they received help with the high cost of day care. Working parents pay for the day care on a sliding fee scale based on their income and the state picks up the remainder of the day care costs.

Mrs. Donnelly said the state pays a maximum of \$12 per day for each child over a year old who is in a licensed care center and a maximum of \$15 a day for infants. The average cost of children to age one is \$315 a month and \$252 a month for children over the age of one year.

Mrs. Donnelly fears that people holding down paying jobs might go back on welfare since they cannot afford to pay 100 per cent of day care costs for their children. Some of the participants in the program are "talking about resigning their positions and going back on welfare" since they were notified of the program cutbacks, Mrs. Donnelly said.

Involved are parents who were on welfare, then found low-paying jobs and have worked their way up to higher salary ranges.

The families who were cut off from the program today have adjusted incomes ranging from \$11,000 to \$14,999 annually, Mrs. Donnelly said. Additionally, persons who make between \$8,000 and \$10,999 must pay a larger percentage of the day care costs for their children, she said.

Those who do not have large financial commitments are being asked to pay 40 per cent of the costs of caring for their children. They now pay 20 per cent.

Mrs. Donnelly said this is being done in an effort to maintain those in

the lowest income brackets in the program. She also said in the last six months some parents have been voluntarily increasing their own payments so that more could remain in the program.

The municipality is spending about \$7,000 a month more than the \$70,000 it is receiving from the state, said Mrs. Donnelly, "which means there is an immediate need to cut some people off the program" in order to maintain those at the lower end of the income scale.

The municipality has a total grant from the state of \$841,044 for fiscal 1977, she said.

That amount of money probably would have been enough to subsidize working parents if the legislature hadn't last year moved day care payments to parents on the Aid to Families with Dependent Children from the Department of Health and Social Services to the Department of Community and Regional Affairs which administers the first program.

The government picks up 100 per cent of the day care costs for the dependent children aid recipients. "The impact of ADC recipients took half of our annual allocation," Mrs. Donnelly said.

A bill which would ease the situation has been introduced in the state legislature. The bill, sponsored by the Community and Regional Affairs Committee, calls for a \$368,750 supplemental appropriation to fund the statewide program through the end of this fiscal year.

The bill has already received approval from the sponsoring committee and is likely to win favorable recommendation from the House Finance Committee, which reportedly plans to reduce the appropriation before sending it to a vote of the full House later this week.

"We're hoping it will have some kind of priority and move through as quickly as possible," Mrs. Donnelly said.

If the legislature approves the appropriation, a portion of Anchorage's share would be used to make retroactive payments to providers of day care. Mrs. Donnelly said that the families who are being deleted from the program can be reimbursed for day care expenses retroactive to March 1 if they leave their children in licensed day care facilities.

# STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

DIVISION OF COMMUNITY & RURAL DEVELOPMENT

JAY S. HAMMOND, GOVERNOR

Bayview Commercial Bldg.  
Suite 230  
619 Warehouse Avenue  
Anchorage, Alaska 99501

March 14, 1977

Mr. John Swan  
Director  
Eneput Children's Center  
P.O. Box 80452  
College, Alaska 99701

Dear John:

I have been asked to respond to your letter of February 22, 1977 to Commissioner McAnerney regarding the supplemental appropriation for the Child Assistance Program which is contained in House Bill 215. Your letter to Commissioner McAnerney was written on the day before our last conversation in Juneau, which took place on February 23, 1977. Therefore, we have already discussed most of the points mentioned in your letter. However, I will again address each of those points in an attempt to "clear the air" regarding our position on the supplemental appropriation itself.

In your letter you state that "...Community and Regional Affairs personnel do seem ill prepared to ask for a supplemental appropriation that is in excess of the original appropriation for most communities...". Let me assure you this is not the case. In fact, the opposite is true. Our files contain statistics gathered from each community in the state where a child care assistance grant has been made. Further, these files are more complete than any files which may be found anywhere else in the State with regards to the Day Care Assistance Program. It was this data, which we have carefully gathered over the past year and a half, that was used to compute the \$412,000 figure which was originally submitted in answer to an inquiry from Representative Lisa Rudd. The \$412,000 figure was computed using growth patterns that have occurred throughout the State over the past year and a half of program operation. I still believe that figure to be reasonable, and not in the least over stated.

We too feel that the Day Care Assistance Program is providing an extremely important service to our low income and single parent families throughout the State.

Our original objection to a supplemental appropriation stems from the administration's position of holding the line on all program expenditures. Obviously, a supplemental appropriation would be in opposition to that position. However, the administration's present

position is that the supplemental appropriation for the Child Assistance Program will not be opposed this fiscal year. However, any increase in the administration's recommendation for the Day Care Assistance Program next year must be accompanied by a concomitant reduction in program expenditures in other areas, or an increase in revenues.


Most of your testimony and the objections which you voiced to me privately centered around the fact that there does not exist sufficient licensed spaces to expend the supplemental appropriation in Fairbanks or Juneau. In my response to that allegation, I have stated that where sufficient demand and Day Care Assistance funding are available in the various communities throughout the State, we have observed that the number of licensed spaces trends upward to accommodate. For instance, in June of 1976 there were 295 licensed child care spaces in the Fairbanks North Star Borough. Even though the Day Care Assistance Program funding in Fairbanks was limited to an amount less than could have been utilized, on January 19, 1977 the number of licensed spaces in the Fairbanks North Star Borough had grown to a much higher total of 431. This represents an increase of 46% in licensed spaces available; which, I'm sure, is at least in part due to the Day Care Assistance Programs as well as the demand for licensed child care in Fairbanks. You also mentioned the program in Juneau. Like the Fairbanks North Star Borough, the City and Borough of Juneau has realized a substantial increase in the number of licensed child care spaces during that same period of time. In June of 1976 there were 273 licensed child care spaces available in Juneau, Alaska. However, as of January 19, 1977 this figure had grown to 513 licensed child care spaces. This represents an increase of 88%, and again, like Fairbanks, the City and Borough of Juneau also received a day care assistance grant which was less than could have been expended in that community! In June of 1976 the Kodiak Island Borough contained 91 licensed child care spaces. On January 19, 1977 the number of licensed child care spaces had grown to 199, an increase of 119%! In the smaller communities-the City of Petersburg-in June of 1976 there were 46 licensed child care spaces in the City of Petersburg. On January 19, 1977, the total number of licensed child care spaces in the City of Petersburg had increased to 62, an increase of 35%. In June of 1976 the Municipality of Anchorage contained 1,929 licensed child care spaces. On January 19, 1977 this figure had grown to 2,419, an increase of 25%. In every instance these figures lend validity to my statements regarding program growth in various communities wherein the day care assistance grants are available, and any figures regarding the need of a supplemental appropriation for day care assistance which does not consider the growth factors quoted above are certainly unrealistic.

At any rate, John, it appears that our debate is academic, since it is now apparent that the supplemental appropriation will not be passed in time for it to be utilized during the month of March. I do want to thank you, though, for your efforts on behalf of the many families throughout the State who have benefitted and who, hopefully, will continue to benefit, from the States Day Care Assistance Program. It is through constructive criticism such as your's that those of us who are responsible for administering the program receive many ideas which are vital to the proper evolution of the program, and gives us more and more insight into the problems encountered at the local level. We hope to continue working with you in the future to provide the best possible service to the families and children of this State.

Again, let me assure you that everyone connected with the administration of the Day Care Assistance Program is interested in providing the best possible service with the limited resources we have.

If you should ever find yourself in Anchorage with a few spare moments, please do drop by the office so we can chat. Meanwhile, if we can be of further assistance to you, please do not hesitate to contact us.

Very truly yours,

  
F. Harvey Pitts  
Child Care Programs  
Coordinator

FHP:sb

cc: Commissioner McAnerney  
X Representative Lisa Rudd  
Jessie Dodson

February 26, 1977

TO: All Alaska Legislators

RE: Supplemental Day Care Appropriation

We, the undersigned, wish to express our support of the supplemental appropriation now before the legislature which would provide for the continuance of the state's day care assistance program through the remainder of this fiscal year.

We urge you to consider Alaskan families' dramatic needs for day care assistance (outlined in the Status of Women in Alaska 1977 report) as an issue of high priority during this legislative term.

Thank you.

- Colleen McLaughlin 4200 North Star Anch. 99503
- Rita Schmidt 4741 Newcastle, Anchorage, Ak.
- Ann [unclear] 907 [unclear] Anchorage
- Ruth Shindler Box 8114, Anch. 99508
- Jan Quasha 117 Elm, Anch, AK 99501
- Barbara [unclear] PO Box 14-066 Anchorage 99501
- Maree Bakerick 3800 Larson Lane Anch 99504
- Jo. Fellows Swenson 2614 E. 42 Anch. 99504
- Abel [unclear] 1227 [unclear] Anchorage, Ak 99501
- Patricia C. Zachery Box 12 Caribou St Eagle River AK 99577
- Betsy Prague 7409 Spruce Road Apt. #4 Anchorage 99504
- Bruce W. Perry 3324 Monticello St, Anch 99503
- Shirley [unclear] 3354 Monticello St Anchorage, Ak 99503
- Maryann Vandecastle 1330 West 25<sup>th</sup>, #3 Anchorage, AK 99503
- Kana L. Erickson 3807 Northwood Anchorage Ak 99503
- Margaret J. Rowitz 2915 W. 35<sup>th</sup> Ave. Anchorage 99503
- John [unclear] 2650 E 30 Anchorage 99501
- Paul [unclear] P.O. Box 4734 " 99509
- Richard [unclear] R64 H St. " 99501
- Mary C. Homer 3401 [unclear] " 99502
- Tamie [unclear] 816 N. Bagrow Anchorage 99507
- Tamara Patterson SRA Box 62X Anchorage 99507

Robin Luel

4200 North Star #3

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Victor Swindlow

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Anch. 99502

Julia L. Froelicher

SRA 1730

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Bonnie Bidker

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Security Turn Bedm

3701 Eureka Sp 9D

Anch. 99503

Lynne Woods

4815 Malibu Rd.

Anchorage 99503

~~Sylvia Bronowski~~

~~5400 W. Diamond D-14~~

~~Anch. 99502~~

Cathleen M. Fisher

1559 Steadwell St.

Anchorage 99504

~~Janet Swanson~~

~~4701 Ingraham St.~~

~~Anchorage 99507~~

~~Janet Bransley~~

~~315 E 24th St #4~~

~~Anchorage 99503~~

~~Christina M. [unclear]~~

~~5342 21st Ave~~

~~Anch. 99505~~

Jean Tucker

113 B Klavne FRich

99505

HB

219

(Outer CONT.  
SHELF RESOURCES)

#1

BY PARR, BRADLEY, BROWN,  
BUCHHOLDT, COTTEN, COWPER,  
ELIASON, GARDINER, GRJENING,  
MCKINNON, MALONE, MEEKINS,  
MILLER, NAKAK, OSE, RUDD,  
SMITH, SNIDE AND SWANSON

1 IN THE HOUSE

2 HOUSE BILL NO. 219

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act providing for permits and fees for the con-  
7 struction of shore facilities associated with outer  
8 continental shelf natural resource extraction; and  
9 providing for an effective date."

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

11 \* Section 1. AS 41 is amended by adding a new chapter to read:

12 CHAPTER 45. SHORE FACILITIES FOR OFFSHORE RESOURCE EXTRACTION.

13 Sec. 41.45.010. LEGISLATIVE FINDINGS AND DECLARATION OF PURPOSE.

14 (a) The legislature finds that <sup>exploration,</sup> [major] resource <sup>+ production</sup> development projects  
15 create an [immediate] demand for greatly increased state and municipal  
16 services in areas contiguous to the projects and that tax revenues de-  
17 rived from these projects are received by the state and local govern-  
18 ments only after significant impact on and expense by the state and  
19 local governments in providing necessary services has [already] occurred.

20 (b) The legislature considers it probable that the initial demand  
21 for publicly provided services related to outer continental shelf oil  
22 and gas <sup>exploration, + production</sup> development projects will exceed corresponding initial tax  
23 revenues from the projects by an even greater proportion than occurs with  
24 resource [development] projects wholly inside the state.

25 (c) It is the purpose of this chapter to provide a mechanism by  
26 which the increase in demand for state and municipal services occurring  
27 as the result of an outer continental shelf oil or gas [development] pro-  
28 ject will be met by revenue from the project responsible for the in-  
29 crease in demand.

1           Sec. 41.45.020. SHORE FACILITIES CONSTRUCTION PERMIT. A person  
2 engaged in the exploration, development or production of oil or gas  
3 under terms of a lease from the United States in outer continental shelf  
4 areas shall, before constructing, leasing, or in any other manner pro-  
5 viding for shore facilities associated with the exploration, development,  
6 or production, apply for and obtain from the Department of Community and  
7 Regional Affairs a shore facilities construction permit and pay the  
8 permit fee provided in sec. 30 of this chapter.

9           Sec. 41.45.030. FEE FOR SHORE FACILITIES PERMIT. (a) The fee for  
10 a shore facilities construction permit is equal to the proportion of  
11 the anticipated outer continental shelf oil and gas development within  
12 the affected area which the facility represents of gross impact costs  
13 less development revenues. For purposes of this section

14           (1) "gross impact cost" equals the maximum anticipated popu-  
15 lation increase attributable to outer continental shelf oil and gas  
16 development in the affected area <sup>what is?</sup> during a 20-year period multiplied by  
17 the per capita costs of state and local government in the affected area  
18 in the year <sup>7 & following yrs?</sup> in which application is made for a permit; and

19           (2) "development revenue" equals the sum of estimated petro-  
20 leum property taxes and general property taxes levied and collected on  
21 onshore facilities in the affected area, estimated income taxes collected  
22 from Alaska residents in the affected area, and anticipated outer con-  
23 tinental shelf oil and gas development grants for which application may  
24 be made to the United States government, each of which shall be dis-  
25 counted on a cash flow basis using a discount rate which includes both  
26 the cost of money to the state and anticipated reductions in purchasing  
27 power due to inflation.

28           (b) The applicant shall be provided access to the data used by the  
29 department in calculating the permit fee, and shall be given notice

*Wides incl.  
prop. & sales  
taxes from  
increased  
business  
pop.*

1 and opportunity for hearing by the department before determination of  
2 the permit fee.

3 Sec. 41.45.040. REIMBURSEMENT TO MUNICIPALITIES. The department  
4 shall allocate to each municipality affected by a project an amount  
5 equal to that portion of the permit fee which is attributable to the  
6 provision of public facilities and services by the municipality.

7 Sec. 41.45.050. REGULATIONS. The department shall promulgate  
8 regulations to implement this chapter.

9 Sec. 41.45.060. DEFINITIONS. In this chapter

10 (1) "department" means the Department of Community and Re-  
11 gional Affairs;

12 (2) "shore facility" means a facility which is an integral  
13 part of, or directly associated with, the exploration for, or extrac-  
14 tion, production or transportation of, oil or gas from the outer conti-  
15 nental shelf, and which is owned by, or committed by contract or other  
16 agreement to, persons exploring for or producing or transporting oil or  
17 gas from the outer continental shelf; "shore facility" includes but is  
18 not limited to pumping stations, compressor stations, power plants,  
19 topping plants, processing units, roads, tank farms, tanker terminals,  
20 docks and other port facilities, air strips and communication equipment  
21 and facilities, maintenance equipment and facilities, construction camps  
22 and maintenance camps and other related facilities.

23 \* Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-  
24 070(c).

THE LEGISLATURE OF THE STATE OF ALASKA  
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 219  
 Title An Act providing for permits and fees  
 Requested by \_\_\_\_\_ Date \_\_\_\_\_

II. FISCAL DETAIL

Agency Affected REVENUE  
 Program Category Affected ADMINISTRATION  
 Budget Request Unit(s) Affected RESEARCH, DATA PROCESSING, PETROLEUM REVENUE DIVISION

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES		1.0	1.0	1.05		
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars)

GENERAL FUND		1.0	1.0	1.05		
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME		See below				
PART TIME						
TEMPORARY						

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

The Department of Revenue estimates that the preparation of the income tax data required for estimating purposes would require the effort of two man-days. The preparation of the oil property tax data is estimated to require one man-week. It is assumed that the estimated costs could be absorbed.

IV. DATE 3/3/77 PREPARED BY Baerbel R. Sorensen *BRS*  
 AGENCY Department of Revenue  
 PHONE 465-2174  
 Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

*Lisa - another possible  
formula for HS 219*

41.45.030. FEE FOR SHORE FACILITIES PERMITS -

Application Fee

- (a) The fee for a shore facilities construction permit is the sum of the estimated "Multiple of the Local Services Fees" plus the "Population Adjustment"
- (b) "Local Services Fees" are equal to the <sup>e.g.</sup> quintuple of the quotient computed by dividing the total state and locally financed costs of providing local governmental services to the community for the community's fiscal year during which the application for a permit is made by the total local resident population during that period. For purposes of this computation the Department of Community and Regional Affairs with the assistance of the local government is to ascertain the costs on the basis of the necessary data from the community's financial records.
- (c) The "Multiple of the Local Services Fees" is computed by multiplying the "Local Services Fees" with the estimated total additional residents in the community employed by the applicant at the peak of the operation in the area during a 20-year period commencing with the time the application for the permit is made.
- (d) "Population Adjustment" is the product of multiplying the "Multiple of the Local Services Fees" with the percentage determined by dividing the number of total additional residents in the community employed by the applicant at the peak of operation in the area by the total resident population in the community at the time of application for the permit, and multiplying the quotient with one hundred.

Permit Renewal

- (a) Every year the permittee is to apply for renewal of the permit, and is to pay a renewal fee.
- (b) The renewal fee is the product computed by multiplying the total number of additional residents in the community employed by the permittee during the preceding fiscal year of the community with the amount determined by dividing the total state and locally financed costs of local services to be provided by the local community for the fiscal year during which application for the renewal is made by the number of total residents in the community at the time application for renewal is made.

*Ms Lorenson,  
Lept Rev*

*does franchise  
go on forever?*

CONTINENTAL SHELF SERVICE FACILITIES ACT

\*Section 1. Legislative Findings and Purpose. Taken from page 1 of HB 219 with whatever changes are necessary to enhance chance of favorable judicial review.

\*Section 2. Amend AS 44.47.050 to beef up "purposes" section of C & RA organic statute.

\*Section 3. Adds new chapter (44.48)

Sec. 010. Creates Alaska Continental Shelf Services Authority in C & RA for the purposes of coordinating on-shore development related to outer continental shelf petroleum and mineral exploration activities, *devel. prod.* for purposes of assisting communities impacted by such development, and for the administration of the franchise requirements of this chapter.

Sec. 020. The authority is to be governed by a committee composed of the commissioner (C & RA), the director of the Division of Community Planning (in C & RA), and the director of the Division of Local Government Assistance.

Sec. 030. No person may operate an "on-shore service facility" for continental shelf development without a franchise from the authority except as provided in sec. 100 of this chapter.

Sec. 040. The authority shall monitor the activities of the federal government and state government with respect to continental shelf exploration and leasing, prepare a quarterly report to the legislature and the governor on the potential need for continental shelf on-shore service facilities. When the board determines that service facilities are likely to be required in the near future, but in no case later than 90 days prior to the date at which the Department of Interior or other leasing authority proposes to receive bids on outer continental shelf tracts, the authority shall give notice of a hearing for the purpose of selecting a site or sites to serve the proposed continental shelf development. The purpose of the hearing shall be to solicit nominations of appropriate sites from interested communities and from continental shelf developers, operators of existing on-shore facilities, and other interested parties. The nominations shall contain 1) location of the proposed site, 2) the types of supply services expected to be required at this site, 3) the ownership of the land at and surrounding the site, 4) the capacity of the site to grow to meet the expected demands and an estimation of that expected demand and 5) such other information as the board may consider pertinent. In the case of facilities already in operation the board shall additionally solicit information concerning the current use of the facility and its ownership.

Sec. 050. The committee shall hold site selection hearings not less than 90 days nor more than 120 days after notice of those hearings have been distributed to all interested parties. Input shall be solicited from local communities in the area of the continental shelf development, prospective

*This means before leasing - advisable?*

users of the port facility including but not limited to holders of outer continental shelf leases, firms supplying the operations on those leases, local governments in the area of the proposed sites, representatives of fishing or other commercial activities who may be adversely impacted economically from the choice of a particular site or sites, and federal and state governmental experts on civil engineering, environmental science, or other technical matters which may relate to the port development.

Sec. 060. The committee shall determine, on the basis of the public hearing record, and any other relevant information available to it, the preferred site or sites for a continental shelf development facility or facilities. The criteria to be used by the committee in making this selection, in descending order of importance, are 1) minimize adverse economic and social impact on any community that may be adjacent to or coincident with the site, 2) minimize adverse environmental impact, 3) minimize the costs of facility development, minimize the expense of servicing OCS activities, and make the best use of existing port facilities, 4) maximize the likelihood that facilities will be useful for other purposes if and when OCS development tapers off.

Sec. 070. If the chosen site is in a borough, the borough may appeal the site decision to the governor who shall have 30 days to 1) affirm the decision, or 2) direct the board to give the issue further study, in which case the governor shall provide specific instructions as to what areas of concern should be looked into further. (If the site is in a city which is not itself included in a borough, the city has the same appeal right.) This appeal must be exercised within 30 days of the date of the initial site

choice decision. Other parties with a major interest in the siting decision including the prospective companies developing the OCS resource, land owners in the vicinity of the site, or others with similar interests may, within the 30 day period subsequent to the initial decision, request a rehearing by the board stating in that request the reasons why they believe an additional hearing is necessary.

Sec. 080. Once a final site selection decision is made a regional continental shelf facilities board shall be formed composed of the committee members or their designees (who must be on the C & RA staff) plus three members elected by the borough assembly (or the city council if there is no borough. If the city later becomes a part of a borough the new assembly elects new board members. The regional board is empowered to select a franchisee and negotiate the franchise fee.

*what if in area not incorp?*

*U)*

If requested by a majority of the board members the Department of C & RA shall provide staff support to the board in its selection of the franchisee, and in the setting of the franchise fee. Four members of the board constitute a quorum, and actions of the board require an affirmative vote of four members.

Sec. 090. The franchise shall be awarded to firms actually engaged in continental shelf development unless the board determines that other ownership is in the best interests of the state and community; however, in the case where an approved site is an existing facility the franchise shall be awarded to the operator of the existing facility unless it is the board's decision that the operator does not have the technical or financial capability to promptly and efficiently meet the expected requirements for continental shelf supply services. In this case the board shall encourage the existing facility operator and prospective continental shelf developers to establish some form of joint venture to which the franchise then shall be awarded.

Sec. 109. Where a port exists at the approved continental shelf supply facility site the franchise and franchise fee shall not be required unless cargo directly destined for outer continental shelf development crossing the facility exceeds 25 per cent of all other cargo either in value or in tonnage over the period of one month. The facility operator shall periodically report to the board on the tonnage crossing its facility and shall not exceed the 25 per cent figure without first obtaining the franchise from the regional facilities board.

Sec. 110. The franchise fee shall be a matter of free negotiation between the board and the franchisee. The fee may be paid on the basis of any or all of the following: 1) an initial lump sum payment, 2) periodic payments of fixed amounts, 3) periodic payments based on the value of material moved across the franchise facility, 4) initial lump sum payment to be followed by a subsequent lump sum payment if and when activity reaches a specified level, or 5) any other method that reasonably relates fee payments to impact costs expected to be imposed upon the community by OCS development.

Sec. 120. The franchise fee shall be subject to renegotiation each five years, and shall not exceed the cost to the community and state that have a reasonable probability of occurring during the five year period. These costs shall be net of any payments expected to be received for property taxes on the facility, and if the franchise fee includes a periodic payment, shall be net of the expected value of those periodic payments. After the initial five year period has lapsed the maximum permissible franchise fee during the second five year period shall be calculated in the same manner as was the maximum fee for the first five year period, except that the maximum

- 1 -

shall be increased by the net community costs incurred over the previous five year period in excess of those collected or defrayed by the franchise fee paid during that period, or alternatively, decreased by the amount that the actual monies paid were in excess of actual net costs incurred on the community. However, in no case shall a community be required to reimburse the franchisee for any "excess payments" except by means of credits against future franchise payments.

Sec. 130. The franchisee or prospective franchisee who believes that the fee proposed by the board is higher than permitted under sec. 120 may pay the fee under protest and appeal to the superior court, and such payment shall not prejudice the franchisee's rights in any way. No franchise shall be awarded, however, without payment of the fee, and a prospective franchisee who appeals an offer of the board to the court acquires no rights in the franchise, which the board may then award to another applicant on the same terms and conditions as were turned down by the initial prospective franchisee. Acceptance by a second applicant of the terms rejected by the initial prospective franchisee shall be prima facie evidence of the reasonableness of the proposed fee under the criteria established in sec. 120. The attorney general shall defend the board and the committee in any actions brought against it.

Sec. 140. If on renegotiation the board and the franchisee cannot agree the franchisee may pay the franchise fee proposed by the board under protest and appeal as provided under sec. 130 above. If the franchisee does not wish to make payment under protest then the local government may acquire by eminent domain the facilities of the franchisee at the approved site, or if the local government is not interested the state may so acquire them.

Sec. 150. Franchise payment shall be shared between the state and local government (if one exists) on the basis of 30 percent to the state and 70 per cent to the local government. If a local government should be formed or should expand to encompass an approved site subsequent to the collection of a franchise fee the local government shall receive 1.167 *how arrived at?* per cent of the previously collected fee for each month of the five year franchise period yet to run, counting from the effective date of the annexation or formation of the local government.

Sec. 160. The board shall have power of eminent domain, but this may be exercised only through unanimous vote of the board and only to acquire an approved site. Nothing herein requires the use of this power by the board.

Sec. 170. A franchise may not be sold or otherwise alienated to a non OCS operator without local government having right of first refusal, and the state the right of second refusal.

Sec. 180. Non discrimination in operation of the facility with respect to rates, terms and conditions charged to other users shall be a condition of the franchise.

Sec. 190. Nothing herein shall exempt a franchise facility from payment of property taxes or compliance with lawful zoning requirements. Neither shall a facility be entitled to any local services or special treatment by virtue of its franchise. The franchise is not necessary exclusive.

Sec. 200. Civil penalties shall be assessed for operation of an OCS service facility without a franchise. Penalties shall be based on the value of the cargo moved across the facility during any period when the facility did not possess but should have possessed a franchise. Owner of the cargo and the owner and/or operator of the facility shall be jointly liable for the civil penalty.

Sec. 300. Definitions.

*franchise to operators?*

Original sponsor: ((( must be on all CS's )))

PARR, BRADLEY, BROWN et al

BY THE COMMUNITY AND REGIONAL  
AFFAIRS COMMITTEE

1 IN THE HOUSE  
2 ~~SENATE~~

CS for HOUSE BILL NO. 219

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Alaska Outer Continental  
Shelf Service Authority; and providing for an  
effective date."

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

\* Section 1. LEGISLATIVE FINDINGS AND PURPOSE. (a) The Legislature finds that activities which occur in the waters of the Outer Continental Shelf adjacent to the territorial waters of the state require the construction of support facilities in onshore areas of the state contiguous to the projects; that the siting, planning and construction and operation of new or expanded onshore facilities and activities associated with supply of outer continental shelf projects involve demands for public facilities and services which, initially, are beyond the ability of local governments to meet; and that the planning and provision of public services and facilities without corresponding generation of offsetting tax revenues should occur without net fiscal loss to the state and its local governments and should not otherwise adversely affect the welfare of the citizens of the community and the state.

(b) It is the purpose of this Act to provide a mechanism by which to ensure that the location, construction and operation of support

1 facilities and services for outer continental shelf projects will pro-  
2 duce minimal adverse effects on the citizens of the state and affected  
3 communities by providing for exchange of information between parties  
4 involved with outer continental shelf activity, and that the increase  
5 in demand for state and municipal services occurring as a result of outer  
6 continental shelf development will be met by revenue from the project  
7 responsible for the increase in demand.

8 \* Section 2. AS 44 is amended by the addition of a new chapter to read:

9 CHAPTER 48. CONTINENTAL SHELF SERVICE FACILITIES

10 Sec. 44.48.010. ALASKA CONTINENTAL SHELF SERVICE AUTHORITY. (a)

11 There is created within the department the Alaska Continental Shelf  
12 Service Authority for the purpose of administering the franchise require-  
13 ments established in this chapter, to assist in providing better coor-  
14 dination of onshore development resulting from continental shelf petroleum  
15 and exploration and development activities, and for the purpose of  
16 assisting communities impacted or likely to be impacted by this develop-  
17 ment.

18 (b) The authority is governed by a committee composed of the  
19 commissioner, the director of the Division of Community Planning in the  
20 department, and the director of the Division of Local Government Assis-  
21 tance in the department. The commissioner may by public notice designate  
22 other employees of the department to serve in the place of any member of  
23 the committee.

24 Sec. 44.48.020. FRANCHISE FOR ONSHORE SERVICE FACILITIES.

25 ✓ Expect as provided in sec. 080 of this chapter, no person may construct  
26 an onshore facility except on a site approved by the authority and  
27 under a franchise issued by the authority.

28 Sec. 44.48.030. ONSHORE SERVICE FACILITIES SITE SELECTION PROCESS.

29 (a) The authority shall monitor the activities of the federal government

1 and state government with respect to continental shelf exploration and  
 2 leasing and prepare a quarterly report to the legislature and the  
 3 governor on the potential need for continental shelf onshore service  
 4 facilities. When the authority determines that service facilities are  
 5 likely to be required in the near future, but in no case later than 90  
 6 days prior to the date at which the Department of Interior or other  
 7 leasing authority proposes to <sup>+ open?</sup> receive bids on outer continental shelf  
 8 tracts, the authority shall give notice of a hearing for the purpose of  
 9 selecting a site or sites to serve the proposed continental shelf develop-  
 10 ment.

11 (b) Nominations of appropriate sites or comments shall be solicited  
 12 from: interested communities; local governments; prospective developers  
 13 of the petroleum resources which may be found in the area to be leased;  
 14 operators or owners of existing or proposed port facilities in the  
 15 region of the leasing activity; other agencies of the state and federal  
 16 government; experts on civil engineerings, environmental science, or  
 17 other technical matters which may relate to port development; current  
 18 users of existing port facilities; representatives of fishing or other  
 19 commercial interests which may be adversely impacted by the selection of  
 20 a particular site or sites; <sup>representatives of subsistence users groups -</sup> and other interested parties.

21 (c) The authority shall hold site selection hearings not less than  
 22 90 days nor more than 120 days after notice of the hearings, which shall  
 23 be published in all newspapers of general circulation in the region  
 24 of the expected development and mailed to all local governments in that  
 25 region.

26 Sec. 44.48.040. CRITERIA FOR SITE SELECTION. (a) The authority  
 27 shall determine, on the basis of the record of public hearing and any  
 28 other relevant information available to it, the preferred site or sites  
 29 for service facilities.

22 before  
 23 12/15/71

to total of 20 yrs. -

make use of facility pay - 4 -

give local com. control over developments - franchise awarded to cont. shelf ~~develop~~

(b) A determination of the authority shall be based upon application of the following criteria to the candidate sites:

(1) preference shall be given to a site or sites which minimize the adverse economic and social impact on any municipality or community that may be adjacent or proximate to the site;

(2) among candidate sites:

(A) the selection shall favor sites which minimize adverse environmental impact;

(B) the selection shall favor the use of existing port facilities to minimize necessary investment in development of facilities, to minimize the costs of serving offshore petroleum exploration, development and production operations, and to provide for expansion of existing facilities in the most economical fashion;

(3) consideration shall be given to the necessity and desirability of developing or expanding facilities for use by the community or region after use of the facility to service outer continental shelf development has been completed.

(c) If a site or sites are within the boundaries of a municipality which exercises planning and zoning powers under AS 29.33.070 - 29.33.245, no site may be selected unless the site is in an area which is zoned for a use not inconsistent with service facility development.

(d) A single site may be composed of noncontiguous parcels.

Sec. 44.48.050. DECISION. The authority shall announce its decision within 90 days following the date of the last site selection hearing. A copy of the decision of the authority shall be mailed to all parties of record to any hearings concerning a site approved or rejected by the authority. The decision of the authority becomes effective on the 30th day following announcement of the decision unless an interested party files a written request for reconsideration in the manner provided in

1           Sec. 44.48.<sup>070</sup>~~060~~. REGIONAL CONTINENTAL SHELF FACILITIES BOARD.

2 Immediately after the site selection becomes final a Regional Continen-  
3 tal Shelf Facilities Board shall be established, composed of six persons,  
4 three state members designated by the commissioner and

5           (1) if the site is in an organized borough, three local members  
6 elected by the borough assembly;

7           (2) if the site is in a city in the unorganized borough, three  
8 members elected by the city council; or

9           (3) if the site is in the unorganized borough and not in a  
10 city, three local members appointed by the commissioner. *by a vote of community*

11           Sec. 44.48.<sup>080</sup>~~070~~. AWARD OF FRANCHISE. (a) Subject to the limitations  
12 imposed in (b) of this section, the board shall select the franchisee.  
13 The authority shall award the franchise contingent upon the successful  
14 conclusion of negotiations between the board and the franchise of the  
15 amount and manner of payment of a franchise fee as provided in sec. <sup>090</sup>~~080~~  
16 of this chapter.

17           (b) In awarding a franchise, if the site or sites finally approved  
18 by the authority encompass an existing port facility,

19           (1) the franchise shall be awarded to a firm or firms actually  
20 engaged in outer continental shelf development unless the board deter-  
21 mines that award of the franchise to another party is in the best  
22 interests of the state or the municipality;

23           (2) when the port facility ceases to be exempted from the pro-  
24 visions of this chapter by operation of (c) of this section, the fran-  
25 chise shall be awarded to the operator of the facility unless the board  
26 finds that the operator does not have the technical or financial capacity  
27 to promptly and efficiently meet the expected requirements for outer  
28 continental shelf supply services through the facility; the board shall,  
29 after hearing, enter a finding that the operator fails to qualify<sup>f</sup> for

1 sec. <sup>060</sup>~~55~~ of this chapter.

2 Sec. 44.48.<sup>060</sup>~~055~~. RECONSIDERATION An interested party is entitled  
3 to a reconsideration hearing by the authority. Requests for reconsidera-  
4 tion shall be acted upon by the authority in preference to any other  
5 matter.

6 (b) A request for reconsideration shall specify the grounds upon  
7 which the request is based and include a succinct statement of the issues  
8 or matters to be presented by the party requesting the hearing.

9 (c) The authority shall serve a copy of the request for reconsidera-  
10 tion on any other interested party at the same time notice of recon-  
11 sideration is provided under (d) of this section.

12 — (d) The authority shall determine the time and place of <sup>the</sup> hearing.  
13 The hearing shall be held, whenever possible, in a community proximate  
14 to the site or sites approved or rejected by the authority which are the  
15 subject of the request for reconsideration. The date for the hearing  
16 shall be not later than 90 days after the date of announcement of the  
17 of the decision of the authority that is the subject of request for  
18 reconsideration.

19 (e) The case may be reconsidered by the authority on all the  
20 pertinent parts of the record and the additional evidence or argument  
21 that are presented. If oral evidence is introduced before the authority,  
22 no member of the authority may vote unless he has heard the evidence.

23 (f) In secs. 50 and <sup>60</sup>~~55~~ of this chapter, "interested party" means

24 (1) a municipality adjacent or proximate to a site approved  
25 or rejected by the authority;

26 (2) an operator of an existing onshore service facility; or

27 (3) the owner of a lease within the outer continental shelf or  
28 within the territorial sea which is to be served by the service  
29 facility.

-7-

1 the franchise and may, thereafter, assist the operator and any outer  
2 continental shelf developer to operate the facility under agreement or  
3 joint venture.

4 (c) If a port facility exists at an approved supply facility site,  
5 no franchise shall be required until cargo directly destined for outer  
6 continental shelf developments handled to <sup>+</sup>transshipped through the  
7 facility in any month exceeds 25 percent of all cargo, by value or  
8 tonnage, handled or transshipped through the facility during the pre-  
9 ceding month. The exemption provided by this section expires 90 days  
10 after the last day of the calendar month in which cargo directly handled  
11 or transshipped through the facility exceeds the limitation imposed in  
12 this section.

13 Sec. 44.48.090. DETERMINATION OF FRANCHISE FEE. (a) Subject to the  
14 conditions and limitations of (b)-(d) of this section, the fee for a  
15 franchise issued under the provisions of this chapter and the manner of  
16 its payment are determined by negotiation between the board and the  
17 prospective franchisee.

18 (b) No franchise fee may exceed the costs to the state and munici-  
19 pality which have a reasonable probability of occurring as a result of  
20 outer continental shelf petroleum development, less anticipated payments  
21 by all franchisees within the community, during the five year period.  
22 If two or more franchises are negotiated and approved by the board, the  
23 franchisees shall, between or among themselves, determine the percentage  
24 of the total of the franchise fee to be paid by each.

25 (c) A franchise fee is subject to renegotiation at the end of five  
26 years. The provisions of (b) of this section are applicable to  
27 renegotiated franchise fees except that *to limit of 20 yrs?*

28 (1) if the net community costs incurred during the previous  
29 five year period exceeded the costs defrayed by the franchise fees paid

- 8 -

1 during that period, the maximum permissible fee is increased by the  
2 excess amount; and

3 (2) if the net community costs incurred during the previous  
4 five year period were less than the costs defrayed by the franchise fees  
5 paid during that period, the maximum permissible fee is reduced by the  
6 amount by which excess franchise fees were paid.

7 (d) A fee may be paid on any of the following bases:

8 (1) initial payment of the full amount due in one sum;

9 (2) initial partial payment with subsequent payment or payments  
10 contingent upon transshipment of cargo through the facility at a pre-  
11 determined volume;

12 (3) periodic payments of fixed amounts;

13 (4) periodic payments based on the value of cargo transshipped  
14 through the facility for which the franchise is issued; or

15 (5) any other method that reasonably relates fee payments to  
16 costs expected to be incurred or imposed on the community and the state  
17 by outer continental shelf petroleum exploration, development and pro-  
18 duction.

19 Sec. 44.48.100. APPEAL OF DETERMINATION OF FRANCHISE FEE. (a) A  
20 prospective franchisee who believes that the fee determined by the board  
21 exceeds the amount permitted under sec. 090 of this chapter may pay the  
22 fee under protest and appeal the question to the superior court. Payment  
23 of the fee under protest shall not prejudice the claim of the prospective  
24 franchisee.

25 (b) A prospective franchisee who appeals a determination of the  
26 board to the court without payment acquires no rights in a franchise.  
27 The board may award the franchise to another party on terms and conditions  
28 equal or more favorable to the board than those rejected by the initial  
29 prospective franchisee. Acceptance by another party of the terms and

1 conditions rejected by an initial prospective franchisee is evidence of  
2 the reasonableness of the proposed fee.

3 (c) The provisions of this section are applicable to franchise fees  
4 subject to renegotiation under sec. 090(c) of this chapter.  
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Sec. 44.48.110 . EMINENT DOMAIN. The board, by unanimous vote of its members, may exercise the power of eminent domain to acquire an approved site. Exercise of the power of eminent domain within a municipality requires the concurrence of the governing body of the municipality. The provisions of AS 09.55.240 - 09.55.460 are applicable to the provisions of this section.

Sec. 44.48.120. COLLECTION AND DISPOSITION OF FRANCHISE FEES.

(a) Franchise fees determined under the provisions of sec. 090. of this chapter shall be remitted to the department. The commissioner shall pay to an organized borough or to a city in the unorganized borough in which is located a facility for which a franchise has been issued 70 percent of the franchise fee collected under this chapter.

(b) If a municipality entitled to receive a portion of a franchise fee under (a) of this section is incorporated or annexes territory which contains an approved site containing a facility subject to collection of a franchise fee, the municipality is entitled to receive 1.167 percent of the fee previously collected for the facility for each month of any unexpired portion of the franchise period after the effective date of the incorporation of the municipality or its annexation of the territory containing the approved site. There is authorized to be appropriated annually to the department the sum, if any, that is certified by the commissioner to the governor as necessary to provide an amount to each municipality entitled to receive a portion of a franchise fee previously collected in accordance with this subsection.

(c) Sums not paid to a municipality under (a) of this section shall be deposited in the general fund.

Sec. 44.48.130. LIMITATIONS ON SALE OR TRANSFER OF A FRANCHISE.

No franchise may be sold or otherwise conveyed by a party holding a franchise to any person not engaged in outer continental shelf activity without prior consent of the governing body of the municipality in which the facility is located and the commissioner. Before acting to convey the franchise or any rights in the franchise to any

-11-

1 person not engaged in outer continental shelf activity, the party  
2 holding a franchise shall first offer the franchise for sale to the  
3 municipality, which shall have a period of 60 days to purchase the  
4 franchise or any rights in it. If the governing body of the munici-  
5 pality refuses the franchise, the holder of the franchise shall offer  
6 the franchise or rights in it to the commissioner, who shall have a  
7 period of 60 days to purchase the franchise or any rights in it.

8 Sec. 44.48.140. NONDISCRIMINATION IN FACILITY OPERATION. Non-  
9 discrimination in operation of a facility for which a franchise is  
10 granted under the provisions of this chapter as to rates, terms and  
11 conditions of use of the facility by users shall be a condition of  
12 each franchise.

13 Sec. 44.48.150. COMPLIANCE WITH OTHER PROVISION OF LAW. (a) The  
14 provisions of secs. 10 - of this chapter do not exempt a franchised  
15 facility from the payment of property taxes under AS 29.53 or  
16 AS 43.56 or from compliance with the applicable zoning regulations  
17 lawfully adopted under AS 29.333.090.

18 (b) The grant of a franchise to a facility is not exclusive  
19 unless the provisions of the franchise so permit.

20 Sec. 44.48.160. ENFORCEMENT. (a) When it appears, after investi-  
21 gation, that there is a violation of a provision of this chapter,  
22 the department (authority) shall proceed in accordance with the pro-  
23 visions of this section to enforce compliance with the provisions of  
24 this chapter.

25 (b) A person who violates sec. of this chapter or a pro-  
26 vision or condition of a franchise issued under this chapter is sub-  
27 ject to civil penalties. Penalties shall be based upon the value of  
28 cargo moved across or through the facility during any period when an  
29 operator of a facility required to have a franchise under this chapter

1 did not have a franchise.

2 (c) a person may be enjoined by the superior court from com-  
3 mitting a violation of a provision of this chapter.

4 (d) Actions under this section to recover penalties or damanges  
5 or to enjoin violations shall be brought by the attorney general in a  
6 court of competent jurisdiction.

7 (e) All penalties recovered shall be paid into the general fund  
8 of the state.

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Sec. 44.48.170 . DEFINITIONS. In this chapter,

(1) "authority" means the Alaska Continental Shelf Services Authority;

(2) "board" means a regional Continental Shelf Service Facilities Board;

(3) "commissioner" means the commissioner of the Department of Community and Regional Affairs;

(4) "department" means the Department of Community and Regional Affairs;

(5) <sup>onshore</sup> "service facility" means each of the following:

(A) a wharf, dock, quay or other structure used for the final transshipment of cargo destined to supply mobile or fixed offshore oil and gas drilling vessels or structures;

(B) warehouses, storage yards and tank farms associated with the facilities described in (A) of this paragraph for the storage of cargo destined to supply offshore drilling operations; and

(C) offices and repair shops or yards primarily required for servicing or administering offshore drilling operations which are located in physical proximity to the facilities described in (A) and (B) of this paragraph.

(D) pipeline terminals?

\* Sec. 3. AS 44.47.050 is amended by adding a new paragraph to read:

(19) provide staff and technical assistance to the Continental Shelf Services Authority established by AS 44.48;

\* Sec. 4. This Act takes effect immediately in accordance with AS 01.10.070(c).

*Pass on coastal mgmt.  
3 hearing define community  
state leases after 4/1/72*

*Standard  
multiple copies*

*intent before  
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areas -*

BY THE COMMUNITY AND  
REGIONAL AFFAIRS COMMITTEE

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 219

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

*Call Rodney  
Ward (Mayor)  
get to his  
bill*

*Money collected  
by state to be  
held in trust.  
Regions affected.*

6 For an Act entitled: "An Act providing for permits and fees for the construc-  
7 tion of shore-based support facilities for offshore oil  
8 and gas exploration, development and production; and  
9 providing for an effective date."

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

11 \* Section 1. AS 41 is amended by adding a new chapter to read:

12 CHAPTER 45. SHORE FACILITIES FOR OFFSHORE  
13 RESOURCE EXTRACTION.

14 Sec. 41.45.010. LEGISLATIVE FINDINGS AND DECLARATION OF PURPOSE.

15 (a) The legislature finds that activities associated with the explora-  
16 tion, development and recovery of natural resources from the waters  
17 adjacent to the state require the construction of support facilities in  
18 onshore areas of the state contiguous to the projects; that the siting,  
19 planning, construction and operation of new **[**or expanded**]** onshore facili-  
20 ties and activities associated with the supply of offshore projects  
21 involve demands for public facilities and services which, initially, are  
22 beyond the capacity of local governments to provide; that early know-  
23 ledge of the location and magnitude of anticipated shore-based support  
24 facilities will better allow municipalities and the state to plan the  
25 provision of public facilities and services before and during the  
26 period of construction and operation of the support facilities; that the  
27 planning and provision of public facilities and services in advance of  
28 construction of shore-based support facilities generates a temporary  
29 demand for additional revenues to defray costs associated with extra-

1 ordinary municipal expenditures; and that there is a need to provide a  
2 mechanism by which the state and local governments may receive informa-  
3 tion about projected onshore support activity as a basis for sound  
4 public planning decisions and to obtain financial support in order to  
5 partially defray the costs of planning and initiating provision of  
6 necessary public facilities and services.

7 (b) It is the purpose of this chapter to provide a mechanism by  
8 which to ensure that the location, construction and operation of support  
9 facilities for projects in all waters adjacent to the state will pro-  
10 duce minimal adverse effects upon the people of the state and affected  
11 local governments by providing for the exchange of information between  
12 parties involved with offshore activity, and that the increase in demand  
13 for public services occurring as a result of shore-based facility  
14 development will be met by a contribution of revenue from the facilities  
15 responsible for the increase in demand.

16 Sec. 41.45.020. SHORE FACILITIES CONSTRUCTION PERMIT. (a) No  
17 person engaged in exploration, development or production of oil or gas  
18 under terms of a lease from the United States, the state, or any party  
19 in the offshore waters adjacent to the state may construct, lease or in  
20 any other manner provide for shore facilities associated with explora-  
21 tion, development or production without first applying for and securing  
22 from the department a shore facilities construction permit and paying  
23 the fee provided in sec. 30 of this chapter.

24 (b) An applicant for a permit under this section shall file an  
25 application with the department in a form which the department, by regu-  
26 lation, has prescribed. The application shall contain the following  
27 information:

28 (1) a description of the location and of the facility to be  
29 built at the location;

1 (2) an estimate of the value of the facility upon its com-  
2 pletion;

3 (3) a summary of any studies or reports which have been made  
4 examining the economic impact of the construction and operation of the  
5 *define* facility on an adjacent community or on the region, including, but not  
6 limited to, the applicant's estimate of the number of persons to be em-  
7 ployed in the construction and operation of the facility during each  
8 year of the five-year period commencing with the submission of the  
9 application;

10 (4) a statement explaining the need for the facility;

11 (5) a description of any reasonable alternate locations for  
12 the proposed facility, a statement of the comparative merits and detri-  
13 ments of each location identified, and a statement of why the primary  
14 proposed location is best suited for the facility;

15 (6) any additional information which the department, by regu-  
16 lation, may require in order to fairly evaluate

17 (A) conformance of the proposed facility to applicable  
18 state and local laws and regulations;

19 (B) the effects of the economic activity of the pro-  
20 posed facility;

21 *too broad?* (C) the effects of the proposed facility on the public  
22 health, welfare, and safety;

23 (D) the capacity of the state and of a municipality  
24 adjacent to the proposed facility to provide necessary public  
25 facilities and services;

26 (7) any additional information which the applicant considers  
27 relevant; and

28 (8) a resolution <sup>*of approval*</sup> of the governing body of

29 (A) a municipality in which the proposed facility is to

1 be located;

2 (B) a municipality in the vicinity or area affected by  
3 construction and operation of the proposed facility.

4 (c) An application filed with the department shall be available  
5 for public inspection.

6 (d) An application shall be accompanied by proof of service of a  
7 copy of the application on the mayor of each municipality in the area  
8 in which any portion of the facility is to be located, both as primarily  
9 and alternatively proposed.

10 (e) The department may, by order entered after filing, require the  
11 applicant to serve notice of the application, and file proof of notice,  
12 on other persons as the department considers appropriate.

13 Sec. 41.45.030. PERMIT FEE. (a) At the time of filing an appli-  
14 cation for a permit under sec. 20 of this chapter, the applicant shall  
15 pay a permit fee to the Department of Revenue.

16 (b) The fee payable under (a) of this section is based upon the  
17 one of the following two schedules which produces the greater revenue:

18 (1) valuation of the proposed facility upon completion, with  
19 payment of two per cent of the estimated value up to \$5,000,000; plus  
20 one per cent of the estimated value over \$5,000,000 and up to  
21 \$20,000,000; plus one-half of one per cent of the estimated value over  
22 \$20,000,000;

23 (2) the estimate of the maximum anticipated population in-  
24 crease attributable to employment in construction or operation of the  
25 facility over the five-year period following submission of the applica-  
26 tion, multiplied by the per capita cost of state and local government  
27 in the year in which application is made for the permit.

28 (c) The applicant shall provide the department with the data which  
29 was used to calculate the permit fee.

*how broad?*

*why?*

*w/ in municipality +*

*language not used - appeal street*  
*shd. developer have right to appeal?*  
*No - he determines fee.*

1           Sec. 41.45.040. APPEAL OF FEE. (a) A municipality which is en-  
2 titled to receive a portion of a shore facilities construction permit  
3 fee paid by an applicant under this chapter may appeal the determination  
4 of the amount of the fee. The governing body of the municipality shall,  
5 within 30 days of receipt of written notice that an application has been  
6 submitted and a fee paid, file an appeal with the department setting out  
7 the reasons why it believes the fee paid has not been correctly computed.

8           (b) If a municipality appeals the determination of the fee paid  
9 under (a) of this section, the commissioner of the department shall,  
10 within 45 days after giving written notice to all parties, conduct a  
11 hearing on the matter. If, after the hearing, the commissioner deter-  
12 mines that the fee payable by the applicant has been incorrectly com-  
13 puted, he shall provide the applicant a written statement describing the  
14 error in computation and indicating the amount of the fee due. The  
15 applicant shall pay the additional amount of the fee within 30 days of  
16 receipt of the decision of the commissioner.

17           (c) An applicant or a municipality aggrieved by a decision of the  
18 commissioner under (b) of this section may appeal the decision in the  
19 superior court.

20           Sec. 41.45.050. AMENDMENT OF PERMIT. (a) A permit issued by the  
21 department under sec. 30 of this chapter may be amended. An applicator  
22 for an amended permit shall be submitted in the manner provided for new  
23 applications in sec. 20 of this chapter. If an amendment to an approved  
24 permit would result in a substantial change of an original permit, the  
25 amendment shall be treated as a new application and a supplemental permit  
26 fee shall be paid.

27           (b) If it appears to the commissioner or to officials of a muni-  
28 cipality entitled to receive a portion of a shore facilities construction  
29 permit fee under this chapter that there will occur substantial change

1 in the use of the facility from the activity described in the original  
2 application or an amended application for a permit, the commissioner may  
3 call for a public hearing on the question. The commissioner shall,  
4 within 45 days after giving written notice to all parties, conduct a  
5 hearing on the matter. If, after the hearing, the commissioner deter-  
6 mines that there has been substantial change in the use of the facility  
7 from the activity described in the original or amended application for  
8 a permit, he shall require the applicant to submit an application for  
9 an amended permit.

10 (c) An amended permit submitted by an applicant under an order of  
11 the commissioner entered under (b) of this section shall be accompanied  
12 by payment of the increment in the fee due, together with a penalty  
13 payment of 10 per cent of the total amount of permit fees due for the  
14 facility. *judicial review?*

15 (d) For purposes of this section, a change in the use of a facility  
16 for which a permit has been issued is "substantial" if

17 (1) the applicant or the commissioner determines that the  
18 value of any changes or improvements in the facility would increase the  
19 estimated value of the facility <sup>*under sec 30(a)(1)*</sup> by more than 10 per cent; or

20 (2) the applicant or the commissioner determines that the  
21 actual population increase <sup>*under sec. 30(a)(2)*</sup> will exceed the estimate determined under  
22 sec. 30(a)(2) of this chapter by more than 10 per cent.

23 Sec. 41.45.060. REFUSAL OF PERMIT. <sup>*shall issue w/in 30 days -*</sup> The department may refuse to  
24 issue a permit under this chapter only if it finds that

25 (1) a fee due and payable by the applicant on an original  
26 application or an amended application has not been promptly paid; or

27 (2) the application does not contain, or is not supported by  
28 written concurrence of the governing body of a municipality required by  
29 sec. 20(b)(8) of this chapter.

*zoning  
municipal  
dispute  
Seward -  
Kenai  
how -*

1           Sec. 41.45.070. REVOCATION OR SUSPENSION OF PERMIT. The depart-  
2 ment may revoke or suspend a permit issued under the provisions of this  
3 chapter if, *after notice +*

4           (1) the facility does not conform, in location, construction  
5 or operation, to applicable municipal ordinance or regulation; or

6           (2) after notice and hearing to all parties, the commissioner  
7 determines that an additional fee is due and payable under sec. 40(b) of  
8 this chapter or an additional fee and penalty are due and payable under  
9 sec. 50(b) of this chapter, and the holder of the permit has failed to  
10 pay the additional fee, together with penalty due if any, within the  
11 time prescribed by law. *judicial review?*

12           Sec. 41.45.080. DISPOSITION OF FEES AND PENALTIES. The commis-  
13 sioner of the Department of Revenue may retain five per cent of the fees  
14 and penalties collected under this chapter to defray the costs of receipt  
15 and review of applications for permits or for the *adm. + enforcement* enforcement of the  
16 provisions of this chapter. Of the balance remaining, not less than 50  
17 per cent of the fee shall be returned to a municipality or combination  
18 of municipalities in which the proposed facility is to be located or  
19 which are in the vicinity of, or which may be affected by, construction  
20 and operation of the proposed facility. Determination of the amount  
21 transmitted to a municipality shall be subject to negotiation between the  
22 Department of Community and Regional Affairs and any affected munici-  
23 pality. The portion of the fee not returned to municipalities shall be  
24 deposited by the Department of Revenue in the general fund.

25           Sec. 41.45.090. MONITORING OF FACILITIES. The department shall  
26 review and monitor the operation of all facilities for which a permit has  
27 been issued under this chapter.

28           Sec. 41.45.100. ADMINISTRATION. (a) Annually, the department  
29 shall compute and report, for use by applicants and permittees under this

1 chapter

2 (1) standard multiplier factors relating the number of per-  
3 sons engaged in direct employment in a shore facility to the number of  
4 persons indirectly employed and the number of dependents of all persons  
5 employed; and

6 (2) the per capita cost of state and local government service.

7 (b) The department shall, by regulation, require holders of per-  
8 mits issued under this chapter to furnish:

9 (1) information indicating the number of persons employed in  
10 a facility for which a permit is issued under this chapter;

11 (2) the estimate of the value of facilities for which a per-  
12 mit is issued under this chapter.

13 Sec. 41.45.110. LONG-RANGE DEVELOPMENT PLAN. (a) Any person  
14 contemplating the construction of a facility subject to issuance of a  
15 permit under this chapter in the state in the ensuing three years shall  
16 furnish annually to the department for its review a long-range plan for  
17 the construction and operation of facilities. The plan shall be sub-  
18 mitted not later than September 1 of each year, and shall include the  
19 following information:

20 (1) the general location, size and type of all facilities to  
21 be owned and operated <sup>or leased</sup> whose construction is projected to commence dur-  
22 ing the ensuing three-year period;

23 (2) projections of the demand for public facilities and ser-  
24 vices required by the facility and explanation of the basis for those  
25 projections, and a description of the manner and extent to which the  
26 proposed facilities will meet project demand.

27 (b) A plan furnished under this section shall be made available  
28 to the governing body of any municipality or community affected by the  
29 activity described or summarized in the plan.

1           Sec. 41.45.120. FAILURE TO SUBMIT LONG-RANGE PLAN. If an appli-  
 2 cant for a permit under secs. 10 - 100 of this chapter has failed to  
 3 provide the department with annual copies of a long-range plan as re-  
 4 quired by sec. 110 of this chapter, the permit fee due and payable by  
 5 the applicant for permit shall be twice the amount authorized in sec.  
 6 30(b) of this chapter.

7           Sec. 41.45.130. PENALTIES FOR VIOLATION OF PROVISIONS OF THIS CHAP-  
 8 TER. (a) A person who wilfully violates a provision of secs. 10 - 100  
 9 of this chapter or any regulation adopted by the department under this  
 10 chapter is guilty of a misdemeanor and, upon conviction, is punishable  
 11 by a fine of not more than \$10,000 for each violation. Each day of a  
 12 continuing violation constitutes a separate offense.

13           (b) At the request of the commissioner, the attorney general shall  
 14 enforce this chapter and institute legal actions to accomplish its en-  
 15 forcement.

16           Sec. 41.45.140. DEFINITIONS. In this chapter, unless the context  
 17 otherwise requires,

18           (1) "commissioner" means the commissioner of the Department  
 19 of Community and Regional Affairs;

20           (2) "department" means the Department of Community and  
 21 Regional Affairs;

22           (3) "shore facility" means a facility which is an integral  
 23 part of, or directly associated with, the exploration for, or extraction,  
 24 production or transportation of, oil or gas from the waters adjacent to  
 25 the state, and which is owned by, or committed by contract or other  
 26 agreement to, persons exploring for or producing or transporting oil or  
 27 gas from adjacent coastal waters; the term includes, but is not limited  
 28 to,

29           (A) a wharf, dock or other port structure or facility

1 used for the final transshipment of cargo destined for mobile or  
2 fixed offshore oil or gas drilling vessels or structures;

3 (B) warehouses, storage yards, tank farms, tanker ter-  
4 minals and pipelines associated with the facilities described in  
5 (A) of this paragraph for the storage of cargo destined for off-  
6 shore drilling operations or for the storage of petroleum products  
7 from offshore drilling operations;

8 (C) offices, maintenance facilities, maintenance and  
9 construction camps and related facilities primarily required for  
10 administration or servicing of offshore drilling operations which  
11 are located in physical proximity to the facilities described in  
12 (A) and (B) of this paragraph.

13 \* Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-  
14 070(c).  
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## APPLICABILITY

1 Page 2, line 16:

2 Sec. 41.45.020. SHORE FACILITIES CONSTRUCTION PERMIT. (a) No  
3 person engaged in exploration, development or production of oil or gas  
4 under terms of a lease from the United States, the state, or any party  
5 in the offshore waters adjacent to the state may construct, lease or in  
6 any other manner provide shore facilities associated with exploration,  
7 development or production after the effective date of this Act without  
8 first applying for and securing from the department a shore facilities  
9 construction permit and paying the fee provided in sec. 30 of this  
10 chapter.  
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RESPONSE TO COMMENTS RECEIVED DURING TESTIMONY ON FRIDAY, MARCH 25,  
WITH REFERENCE TO PROPOSED CSHB 219 --

Page 3, line 5: reference to "adjacent community or on the region" --

The term has no clearly understood reference unless one is provided in the bill. The committee may want to phrase a definition in terms of distance or mileage or, in keeping with the spirit of the bill, suggest or require that the department define the term by regulation. This could be done by incorporating the latter as a mandatory requirement in the section entitled "Administration, " AS 41.45.100(b) of the draft. [The term also appears, obliquely, at page 4, lines 2 and 3 and 6.]

Page 3, lines 21 and 22: reference to "health, welfare, and safety" --

The purpose of inclusion of the phrase was to allow the department to require evaluation of impact in the broadest possible terms with reference to any governmental function which an affected local government might perform under AS 29.

Page 3, line 28: correct to read :

(8) a resolution of approval of the governing body...

Page 4, line 10: Subsection (e) may be deleted; because applications are available for public inspection [subsection (c)], the department may provide copies to any interested party.

Page 4, lines 23 and 24: The formula could be made "tighter" by having it read:

(2) the estimate of the maximum anticipated population increase within the municipality attributable to employment...

Page 5: Sec. 40 of the draft.

With respect to the observation of Mr. Singletary, it was my intent that the issuance of a permit not be held up while the parties engage in hearings over whether the fee determined and tendered by the applicant was properly computed, but only if a fee, however determined, was not "promptly paid" [see sec. 60(1), following page].

Page 6, line 19:

estimated value of the facility determined under sec. 30(a)(1) of this chapter by more than 10 per cent;

Page 6, line 23: Objection was made that there was no time frame within which the department would be required to release a permit. The provision could be amended to read:

Sec. 41.45.060. ISSUANCE OF PERMIT. The department shall issue a permit within 30 days of receipt of a complete application. The department may refuse to issue a permit...

Page 7, lines 1 - 11: Request that no permit be revoked or suspended without opportunity for a public hearing. Revise the section to read:

Sec. 41.45.070. REVOCATION OR SUSPENSION OF PERMIT. The department may revoke or suspend a permit issued under the provisions of this chapter if, after notice and hearing to all parties, the commissioner determines that

(1) the facility does not conform, in location, construction or operation, to applicable municipal ordinance or regulation; or

(2) an additional fee is due and payable under sec. 40(b) of this chapter or an additional fee and penalty are due and payable under sec. 50(b) of this chapter, and the holder of the permit has failed to pay the additional fee, together with penalty due, if any, within the time prescribed by law.

Page 7, line 15 and 16: Revise to read:

...to defray the costs of administration and enforcement of the provisions of this chapter.

Page 7, lines 25 - 27: Amend to read:

... for which a permit has been issued under this chapter for compliance with the provisions of this chapter and the provisions of the permit application.

[The purpose of the section is to require that some entity having the technical capacity to do so oversee operations of permittees in order to assure that the statements made by the applicant for permit reflect the later circumstances. If activity exceeds predictions, a supplementary permit fee may be levied.]

Page 8, line 2: One witness mentioned that "standard multiplier factors" vary among communities. I don't know whether this is true but, assuming it is, the paragraph could be amended to read:

(1) standard multiplier factors determined by region and appli-

cable to all communities within a region relating the number...

Page 8, lines 13 and following: In light of the fact that some of the information required under long-range reports must be provided to the Department of the Interior under the provisions of an OCS lease, the committee might want to consider a further subsection in sec. 110 authorizing return of this information in satisfaction of the requirements imposed in this section.

Page 9, lines 7 - 12: This is a CRIMINAL penalty intended for application to a party required to have a permit under this chapter and conducting operations without that permit. The CIVIL penalties in the bill are to be found in two places: the 10% penalty of sec. 50(c) [page 6, line 10] and the "double payment" provision of sec. 120 [page 9, lines 1 - 6].

Page 9: Add, to the definitions section, a standard definition of the term "municipality."

\*\*\*

Page 2, line 16 and following: You have asked for clarification of the parties which would be required to apply for a permit. As section 20(a) is now written, the applicant would be a party "engaged in exploration, development or production under terms of a lease... in the offshore waters adjacent to the state," thus placing the burden squarely on the companies holding the leases. Should you want to require that actual contractors and/or operators (rather than the industry directly) bear the responsibility and attendant costs, it would be sufficient to rewrite sec. 20(a) to read:

(a) No person may construct a shore facility without first applying for and securing from the department a shore facilities construction permit and paying the fee provided in sec. 30 of this chapter.

You would, of course, rely on the definition of "shore facility" set out in the definitions section to distinguish between facilities for which a prior permit is required and those which would not. Using the language set out above, however, it would appear clearer that the contractor would carry the burden.

Sec. 41.45.060. ISSUANCE OF PERMIT. (a) The department shall issue a permit within 30 days of receipt of a completed application and payment of the permit fee. The department may refuse to issue a permit only if it finds that

(1) a fee due and payable by the applicant on an original application or an amended application has not been promptly paid; or

(2) the application does not contain, or is not supported by, written approval of the governing body of the municipality required by sec. 20(b)(8) of this chapter.

(b) If the area affected by construction of a shore facility is within one municipality and the municipality unreasonably withholds approval of an application for permit required by sec. 20(b)(8) of this chapter, the commissioner may waive the approval requirement and issue the permit.

*Your file only - did not  
distribute to members -  
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REQUIREMENT OF PROMPT PAYMENT --

1 Amend Sec. 41.45.080 by adding another subsection to read:

2 ( ) Payments due a municipality under this section shall be trans-  
3 mitted by the department within 30 days of agreement between the parties  
4 of the amount payable.  
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"REBATE" OR "REFUND" PROVISION --

*services in participation of the development of the project was originally & that the fee originally paid from the plan for delivery*

1 Page 7, line 2 --

2 After Sec. 41.45.060, add a new section to read:

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4 Sec. 41.45.070. OVERPAYMENT AND REFUND. (a) If a holder of a permit  
5 for a facility issued under this chapter has reason to believe that there  
6 has occurred or will occur a substantial change in the use of a facility  
7 from the activity described in the application for an original permit or  
8 amended permit, he may file with the commissioner an application for  
9 an amended permit and request a refund of a portion of the fees previously  
10 paid. Within 45 days after receipt of an application, after notice  
11 to the applicant and any affected municipality, the commissioner shall  
12 conduct a public hearing on the application. If, after the hearing, the  
13 commissioner determines that there has been a substantial change or that  
14 a substantial change is reasonably likely to occur, ~~he shall accept~~  
15 the amended application and authorize a refund of the ~~amount of a fee~~ <sup>unobligated portion</sup>  
16 previously paid by the applicant. *of the*

17 (b) A refund of a portion of a fee authorized by the commissioner  
18 under (a) of this section shall be the difference between ~~amounts~~ <sup>obligated</sup> pre-  
19 viously paid by the applicant and the amount computed ~~in accordance with~~ <sup>in accordance with</sup>  
20 sec. 30(a) c of this chapter on an application accepted by the commissioner  
21 under (a) of this section.

22 (c) Not later than October 1 of each year, the commissioner shall  
23 certify to the governor the amount of refunds payable to permit holders  
24 under this section. The governor shall include the amount which the  
25 commissioner certifies in the annual budget submitted in accordance with  
26 AS 37.07.

27 (d) For purposes of this section, a change in the use of a facility  
28 is "substantial" if

29 (1) the estimated or actual value of any changes or improvement

1 in a facility for which a permit has been issued will be less than the  
2 estimated value of the facility determined in an original or amended  
3 application by more than 10 per cent; or

4 (2) the actual population increase attributable to the constructio  
5 and operation of a facility for which a permit has been issued will be  
6 less than the estimate determined in an original or amended application  
7 by more than 10 per cent.  
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ALLOCATION FOR THE BENEFIT OF UNINCORPORATED AREAS --

1 Page 7, line 13 and following -- Change sec. 41.45.080 to read:

2           Sec. 41.45.080. DISPOSITION OF FEES AND PENALTIES. (a) The com-  
3 missioner of the Department of Revenue shall deposit in the general fund  
4 the money collected under this chapter.

5           (b) There is established in the general fund the shore facilities  
6 assistance account. Ninety-five per cent of the fees and penalties  
7 received under this chapter, or as much of the amount as the legislature  
8 may annually appropriate, shall be placed in the account for the uses  
9 and purposes described in (c) and (d) of this section.

10           (c) Not less than 50 per cent of the fees and penalties paid by  
11 an applicant for a permit under this chapter for a facility located  
12 within a municipality or within 10 miles of a municipality shall be paid  
13 by the department from the account to a municipality or combination of  
14 municipalities. Determination of the amount payable under this subsec-  
15 tion to a municipality or combination of municipalities shall be deter-  
16 mined by agreement between the department and the governing body of an  
17 affected municipality.

18           (d) Fees and penalties paid by an applicant for a permit under this  
19 chapter for a facility located in a community or within 10 miles of a  
20 community of the unorganized borough are available for the benefit of  
21 the community. The department may

22                   (1) transfer amounts to another state agency for use by the  
23 agency to benefit the community; or

24                   (2) retain an amount for its use for the benefit of the com-  
25 munity.  
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Amend the definition section to include a definition of "community":

1 ( ) "community" means a village located in the unorganized  
2 borough in which is located a school operated by an educational service  
3 area or the Bureau of Indian Affairs and any other village containing  
4 25 or more permanent residents;

INCLUDE PROVISION THAT FACILITIES PROVIDED TO OPERATORS UNDER LEASE  
BE SUBJECT TO THE LONG-RANGE DEVELOPMENT PLAN REQUIREMENT --

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Page 8, lines 22 - 24:

(1) the general location, size and type of all facilities to be  
owned and operated or leased whose construction is projected to commence  
during the ensuing three-year period;

Page 8, line 25 --

Delete the current language of subsection (c) and insert --

(c) Fees and penalties paid by an applicant for a permit under this chapter for a facility located in a municipality or within 10 miles of a municipality shall be paid by the department to the municipality or combination of municipalities. [If two or more municipalities are entitled to receive an amount under this subsection, the municipalities shall, among themselves, propose to the department the amount payable to each and the department shall make payment based upon the determination.]

Page 9, line 12 --

Delete the current language of subsection (e) and insert --

(e) Payments due a municipality under this section shall be transmitted by the department

(1) within 30 days of receipt of payment of the fee by the Department of Revenue, if payment is due to only one municipality;

(2) within 30 days of receipt of the allocation agreed to by the municipalities, if payment is due to more than one municipality.

Charles Prokop of Exxon, testimony before the Council on Environmental Quality, September 26-27, 1973:

"As production grows it would become necessary to have more and more personnel 'on location' until within a year or so a sizable community would develop near the producing area. If we keep our assumption of 200,000 B/D production as an example area, we could expect approximately 20 modest size business buildings, and two small hotels for temporary personnel and approximately 400 homes for the 600 people directly employed. A similar number would be expected to live outside the area in nearby cities with heavy emphasis still on Anchorage.

Of course, new supporting services would grow into the communities to serve the families of the employees, providing new jobs for those not directly associated with the industry. This could produce a community of near 2400 people and the churches, schools, recreation and service buildings accompanying a small population center. Land use would be approximately 6 square miles . . . .

There are several locations on the coastline of the Gulf which would accommodate sizable communities. At present Yakutat and Cordova are the only towns in the area under discussion. Neither is large enough to absorb even a part of the increased population, but either could be enlarged substantially should their positions be strategic. Yakutat would probably be the most ideally located of the two."

## OIL INDUSTRY EMPLOYMENT IN SCOTLAND

TABLE 5.6 CHANGES IN OIL INDUSTRY EMPLOYMENT, MARCH 1973-DECEMBER 1974

	Mar. '73	Jun. '73	Sep. '73	Dec. '73	Mar. '74	Jul. '74	Oct. '74	Dec. '74
Inverness and Easter Ross	1 840	1 795	2 040	3 205	4 175	4 375	3 520	4 025
Remainder of Highlands and Islands	50	65	50	85	395	930	1 365	1 565
North East	1 410	2 305	2 305 <sup>b</sup>	3 730	4 065	4 715	5 495	6 925
Tayside	25	35	95	135	150	280	475	765
East Central <sup>a</sup>	665	770	910	975	1 815	2 530	2 430	2 080
West Central <sup>c</sup>	110	170	250	480	675	785	855	870
Total	4 100	5 140	5 650	8 610	11 275	13 615	14 140	16 230

- a. East Central is equivalent to the Firth of Forth region as described in Chapter 6.
- b. No fresh figure was published for this quarter, therefore previous total has been carried forward.
- c. The figures for West Central Scotland do not include workers engaged in rig construction work in Clyde shipyards, e.g. Marathon, Clydebank. In December 1974 workers in this category numbered 1935.

Source: Department of Employment.

SOURCE: Hutchison, MacGregor and Hogg, Alexander, Scotland and Oil, 1975, p. 61.

EXHIBIT I  
COMPARATIVE EMPLOYMENT DATA  
1961-1974  
KENAI-COOK INLET LABOR AREA

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	% Increase 1961-1970	% Increase 1961-1974
Total Civilian Work Force	2,512	3,123	3,274	3,318	2,914	3,883	5,415	6,475	6,262	5,560	5,508	5,967	5,748	6,179	121%	146%
Total Employment	2,102	2,664	2,723	2,830	2,510	3,383	4,936	5,892	5,510	4,745	4,594	5,022	4,831	5,375	126%	156%
Total Unemployment	410	459	551	488	404	500	479	583	752	815	914	945	917	970	99%	137%
Non-agricultural wage and salary employment	960	1,284	1,322	1,397	1,754	2,462	3,677	4,470	4,153	3,576	3,454	3,822	4,049	4,487	273%	367%
Mining	155	169	159	179	212	415	915	1,099	966	652	525	528	560	503	321%	225%
Contract Construction	57	24	99	128	259	**	821	1,209	736	354	398	433	343	441	521%	674%
Manufacturing	138	198	236	266	265	258	260	333	482	583	524	553	629	716	322%	419%
Transportation, communi- cations and utilities	90	104	94	107	124	141	306	267	273	293	254	280	296	404	226%	349%
Trade	113	134	152	151	219	303	357	432	528	507	466	502	507	627	349%	455%
Finance, insurance and real estate	27	34	44	**	**	**	**	**	**	**	**	79	81	90	**	233%
Services	86	154	135	**	180	263	334	401	364	339	338	446	596	671	294%	680%
Miscellaneous	*	*	*	*	**	**	**	**	*	**	**	55	90	88	**	*
Government	294	397	403	380	445	595	611	641	70	751	873	946	947	947	155%	222%

\*Services and miscellaneous aggregated

\*\*Withheld to comply with disclosure regulations

EXHIBIT I  
COMPARATIVE EMPLOYMENT DATA  
1961-1974  
KENAI-COOK INLET LABOR AREA

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Miscellaneous	*	*	*	*	**	**	**	**	*	**	**	55	90	88	**	*
Government	294	397	403	380	445	595	611	641	70	751	873	946	947	947	155%	222%

\*Services and miscellaneous aggregated

\*\*Withheld to comply with disclosure regulations

Analysis of HB 219 as Proposed February 15, 1977

The bill proposes to establish a shore facilities construction permit system, and to charge a permit fee based on the difference between "gross impact cost" and "development revenue" to be estimated by the Department of Community and Regional Affairs.

The "gross impact costs" are determined by multiplying the per capita costs of state and local government services in the area with the maximum anticipated population increase anticipated in conjunction with the offshore development in the area. "Development revenue" is to be determined by estimating petroleum property taxes, general property taxes, estimated income tax collections, and anticipated outer continental shelf oil and gas development grants.

The bill is unclear with respect to several items:

1. It appears that the permit fee to be assessed is aimed at covering costs of governmental services which will not be funded from other sources. The bill refers to per capita state and local government cost without specifically indicating which cost items are to be included, especially state costs.
2. It is unclear whether the permit fee assessed is supposed to reflect estimated total cost for the 20-year period, or whether it is to be based on the maximum impact at one point in time. The question of the 20-year coverage occurs because of the reference to the discounting of the cash flow on the revenue side. This implies that on the revenue side, the whole period will be taken into consideration.
3. In this connection, the question occurs why the inflationary impact is to be taken into account on the revenue side while no reference to this is made on the cost side.
4. If the permit to be assessed is to reflect the otherwise unfunded portion of state and local costs, all state and local revenue sources applicable should be incorporated. This would include a local sales tax, if applicable, school taxes, all excise taxes, license fees and other revenue sources, especially at the state level. However, most of these revenues, as well as some of the expenditure items, cannot yet be traced to specific localities. Because of this, the concept incorporated in the bill appears to be unworkable, at least in its present form.

Statement, Parr, March 14, 1977

I am sorry that conflicting committee meetings did not permit me to be here during oil company testimony on HB 219. Over the weekend, however, I have listened to the tapes of that testimony and would like to offer a few comments.

Mr. Mathews of Exxon made quite a point of the fact that the North Sea was a case of rushed development whereas only 5% of the U.S. OCS had been developed over a number of years. Against his statement should be read the attached pages from the Baldwins' book: Onshore Planning for Offshore Oil: Lessons from Scotland. (Appendix 1)

The Exxon representative further indicated that very few jobs would be made available for Alaskans, that the bulk of the work force would be brought in to the rigs or platforms by air from the Lower 48, spend two weeks at work (beyond the three-mile limit) and fly home again. Two points: They don't intend to train and hire Alaskans-which would benefit our economy-and it seems unlekely that the state will collect any income tax from those workers who neither live nor work within the three-mile limit.

Also, the Committee should compare the above statements with that by Mr. Showalter of SOHIO, that the OCS development will help unemployment following completion of pipeline construction, hiring skilled workers who live in Anchorage.

Mr. Matthews and Mr. Wiles (Shell Oil) stated that the number of people will be small. It is up to the Committee to decide whether to accept their figures or those prepared by Mr. Waring and Mr. Trimble. My own preference is to assume the higher figures, require the companies to submit payrolls and other data, and give them a rebate if they have indeed been overcharged.

The Committee might also note that expansion of a water, sewer, electric power, or school systems does not happen overnight. The community simply cannot wait until the development phase hits to begin construction of needed facilities.

References were made to \$1.6 billion (sic). A column by Senator Ted Stevens, which I furnished the Committee at its first hearing on HB 219, indicates

- (1) a total of \$1.2 billion, of which
- (2) \$800 million is for loans and
- (3) \$400 million is for grants, of which
- (4) \$50 million is for planning, the rest for unavoidable