

341 HCRA #1 & #2 WORKING DRAFTS - NEW MATERIALS 1978

219 - fees -

equal to gross impact costs

line 14 - what go they want by land development -

- Discounted on a cash flow basis -

Franchise fee - stated comm. agreement - through a land agreement (which board) power of eminent domain acting collegially provides direct involvement in community and the planning function

- one approach through zoning planning power - vetoed PAM
- continuing payment schedule to retire the debt

(Alaska Industrial Development Act - differential involved
[is this a possible model?])

2/26 Kevin's suggestions that local governments might wish to be available

Don Gilman - major of Kencai
Larry Farnam - Dick Nevai - Johnny Johnson
(major - Seward) (city manager)

Oil companies - depreciate any impact -
(CRA has their own projections)

- constitutional questions / tax a fee? and the questions.

- pay taxes everywhere - (nice feature of the bill)

LISA's questions - how long are we looking at for income - no way to tell which

ideas * Warning - annual fee - reapply each year - fixed fee to employment - force oil companies to disclose & plan.

- change statutes to include up front tax payments now as a credit against tax paid later.

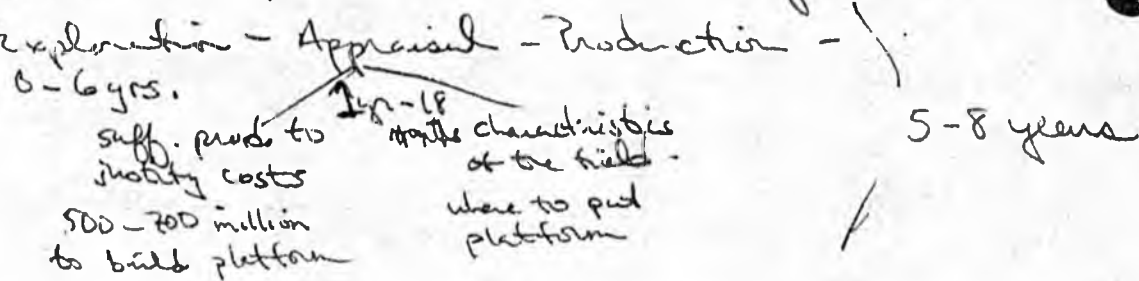
muni to withhold build permits if project will create adverse impacts - criteria for issuing build, permit & planning reqs.

(franchise?)

2/28 Mr. Pann - grants for planning & other uses not for impacts - impacts to be estimated at \$4 million. There will be no significant compensation from the fed. govt & should be financed by those who profit - consumers - through oil companies it can be passed to consumers not aimed at punitive tax on oil companies

- estimated increase in population comes from CRA spread over 20 year periods
- estimated cost of state & local govt per capita
- DOR be the one to estimate revenues

Mr. Kevin Waring - AK. has 1/2 of OCS and located out 3 miles - outside of our taxing jurisdictions - The estimation variations are part of the estimation process while dealing with hypotheticals - Exploration - Appraisal - Production -



LNG - wholly onshore facilities

Concrete - 300,000 jobs. - earthquake problems either it - fluid base or hard pack. 1,000 - 1,500 employees for concrete platform

Ericksen - Problem areas - 1) estimating impact (future costs are difficult) 2) allocation - Those responsible are difficult to identify - 3) incidence problem - how to make them pay -

3/7 Introduction of background materials - red - yellow

Tom Matthews - man. of engineering - Anchorage - Exxon
immediate demand for oil devel. & no tax revenues
generated to state & local gov't

(1) - questionably if OCS ever will impact

(2) assuming revenue credits -

"any person engaged in anything leased or contracted"
right of private infringement -

• The "real impacts" - what is happening? 20-year
pop & discoveries done & SIMULTANEOUSLY is not reality

- The North Sea - leased all desirable acreage & 100
discoveries - 50 of these were major - correlation of
offshore rigs - ect. just not going to happen in Alaska -
lease sale 39 - all supported out of Seward & impacts

are: a) 30-acre tract - supply base

b) radio commun.

c) another tract at Ak. railroads

d) boats out of Seward & Ak. docks - "Alaska-Star"

workforce - company & contract - 4 in Seward

8 local sub-contract

13 Ak resid. - other
25 AK.

200 - total - 175 - out-of-state

limited amount of local employment, goods and services
long-term impacts - indeterminate

Santa Barbara - 1968 - now beg. to level. That lease
comparable as an isolated sale - Ak. situation -

5-8 yrs. to bring it or to production

Immediate major demands - non-existent

- 3% sales and use

- start fees (loading)

- prop. taxes (enclosure #)

- benefits to employment

10,000 gal. a day of diesel fuel - 2¢ a gal. to state

current rate of use that gets way to state.

C2M Act - 1.6 bil. to state to contract OCS

AK. eligible to 25% of these funds

look at this and strings attached -

Pay a permit fee with no payback if nothing doesn't occur
& based on data that assumes simultaneously events occur - drastic

construction phase - large build-up - modular - many
people involved in construction phase

need for additional impact - 3/4 mil. \$ a with a goods
& services

15-20 years before all lease areas will be leased

9 out of 10 exploratory wells dry -

range of estimates - how to determine fee for permit -

OCB alleviate unemployment - ?? near impossibility of
determining fees & lack of data and federal impact
funds available - while Oil Co. by would allow
for Aik. to devel. its CRM plan -

- O doesn't think there is much ~~decision~~ incentive to
bring things (industry) in

- K petro-chemical & other devel. in Cook Inlet
that would need to be segregated

#3 Mr. Wiles - Chevron U.S.A.

Gulf of Alaska's operating ^{committee} study - impacts -

- synopsis of economic report -

completed May 1975 & briefed officials

able to effectively plan after social & economic

impacts - recoverable reserves & rate of recovery

are unknowns - production stage employment will

go down - estimated impacts from various communities

[impact would not be great but benefits would be]

\$30 mil. & 24 employees in Kenai

no figures the the $\frac{3}{4}$ mil. a with ad as to how
those breakdown - Matthews didn't know

Question: California law that outdated impact -

3/8 Initial phase - no immediate demand - Matthew

-R 1977 development phase - a good time period other
than 20 years - average in the 20 year period
Call of Alaska - 39 -

bank of monies -

why C2M Act provide grants and loans

Permit fee system is C2M in California / none
related to impacts - NOAA grant on
OCS impacts

-O what construction and/or about - 25 currently
demand for water - limited existing water supplies
No drink problem at dock water - additional

base bases -

Mr. Shewalter -

North Sea - California - how many people employed in Cook
Inlet - how many employed then - now - services required -
local settlement of Kenai peninsula. How many Alaskans could

receive full-time employment projections based on phase
leasing schedules

3/9 Wiles continues - possible constitutionality question -
• 030 - fee

Stelley, Mobil - case study - YAKATAT -
Mobil request water use

3/10 20 mil - right of way leasing bill - normal taxing level

Snider - look into 90 of amount of lease -
• sale -

3/11 Larry Powell - Mayor of YAKATAT - community survey -
1975 - found that people were not interested in large scale build-up but some developments with restrictions & not destroying the quality of life
1976 - budget expenditures approaching 3X what happened in '73 & '74 - considerable costs
capital improvements - were not as great as anticipated for a comm. which encouraged development.
The community plan was integral to a good working relationship w/ YAKATAT community. More specifically what needs of community are -

Police facilities

Water facilities at capacity

Sewer facilities at capacity

Dock facilities need upgrading

Revenues not available until FY 1977

Airport has had considerable impact

Property ^{values} ~~has~~ increase to private citizens had a
definite impact - 21 mills 1977 / 12 mills 1974

Attempts to get ~~RA~~ title ~~IX~~ and Title X

for cap. improvements

13 million assessed valuation

10,000 per capita income - now 15, - 15,

status in areas of village corporations

75% Native pop.

1500 acres of Yakutat boundaries

\$225,000 - FY 77 300-350, - FY 78 = \$10,000

contribution to schools -

C&RA grants for zoning - \$10,000 + \$40,000

Pipeline Grant - - \$53,000

control land situation to not allow for speculation from
outside

3/15 Erickson - Chenoweth -

permit approach -

looked at the uses of OCS / granting approval to a franchise - type of approach - substantial precedence for franchise approach negotiating a fee for the ~~negotiation~~ franchise between the community/area and the oil companies. Approach that stands reasonably good chance of success.

the ability of the authority to hold the monopoly is it not possible for the local gov't to create it's own authority? Yes - accord. to JACT under AS 29 - away from work. areas do all local areas have control of tidelands like YAKATAT? - yes, if it is owned by locality. no dysfunction on local level from establishment

BB 224/C2M - coastal area but not immediate area of OCS

authority could: retain ownership - not necessary that land is in control (owned) by state or locality - right to exercise "inherent domain" -

"impact" depend. to the value of the prop. onshore" — not intention of the sponsor

legislative research — planning & zoning

PAN — "immediate impact" — in anticipation of demand
see Ted Stevens column —

there is no guarantee that Congress will appropriate the funds for OCS —

State had taxing capability in Valdez & for OCS
there is no taxing jurisdiction outside the 3-mile limit.

Lethin — municipality makes bargain — oil company —
bases outside muni may not legally be
(Error — implied that they were paying more tax —
IS that true?)

Testimony that experts on rigs & onshore development are Alaskan residents

No problem with rebate system
the amt. of money will be ascertained by what the companies are planning on doing — phasing it in — (Ericson proposal)

~~Notes~~

3/16 Hank Ostrosky -

Federal Field Committee - Article 9 C-

Comm. Law of the Sea - 44.9.719 -

Kevin Waring - Comm. & Rural Planning -
arriving at their own best estimates

Main Service Bases - done by C&RA -

Port Facility - level of exploration & development

Regional Transportation Needs for facilities - transportation
infrastructure - "oil as a transportation industry"

Planning Concepts - details approaches of other states

Regional Planning Document - workforce, popul. growth
assessment of lands for industrial development.

The Management of OCS related development - what
demands are placed upon the local govt - and the
tools needed for

forecast model from Scotland - North Sea -

C&RA - preparation of local areas for potential impact

Rodiak Assessment Plan and Borough

Kenai Borough - assessment plan in works

→ fit together a comprehensive state plan for

this areas

Kevin Worring (cont.) plan against the possibilities
of development - FACTS :
The situation of grants.

no appropriations to implement CZM - 1972
31.9 million loans - loan entitlements
not grants to Alaska -
Calif - N. Mexico - will be eligible for grants
No prospect of 600, mil. in grants funds -
costs of public services is 3 to 4 times higher
than other states.

if uncertainty then it is far more equitable to
place the risk, gambles and uncertainties upon
the industry not the communities.

Rudd - where does the money come from for
document publication

HUD -
CZM - funds for OCS
EDA - public facilities funds
General Fund -

50/50
funding split for
state & local
planning

defined econometric model -

4-5 years - add'l employment growth 3,200
excluded some of the potential projects -

Benny - secure add'l revenues to support services
Mini League - franchise fee - support -
additional support to
indisputable that there will be a need for more services

Time frame from point of contact - oil

- Authority - not to have legal power to sue -
- Purposes -
- Amendment to organic statute -
- zoning option - mention this to Lisa -

3/5 Mr. Weiss - mayor of Kailua - Kauai
not meet the needs of sewage - schools -
Impact - hosp. - state highway - small boat harbor,
schools, sewers - (not an item on mini
budget that will not
be expected)
able to identify all costs
and

● Sinkeldner, Mark - attorney Atlantic Richfield -
- for simple ways of meeting the problem
- he recommends apply to state (local) to
get upstart funds.

- challenged subjective nature of the fees application
- appears to pit the state agency against the local community -
 - questioned the option of the municipality to elect not to grant the permit -
 - d what happens during the appeal - Sec. 41.45.040.
 - is the permit granted?
 - d Sec 41.45.60 - within which time frame must the state take action to grant a permit? open discretion
 - Sec. 41.45.070 - modified to include a provision that there is opportunity to respond - with notice and not on a summary basis.
 - Single request - have the locality make application

Schaeferweiser, Darryl - Seward - recog. & supports the need for adequate funding -

- concern over impact as to the total magnitude of the bill
- d clarification of "onsite" / definitions
- d local government / defined (p. 1)
- Sec. 41.45.020. - line 17 - needs definition
- p. 3 line 5 - "adjacent community"
- stress the positive aspects of OLS impacts
- p. 4 l. 6 - how broad an area is going to be defined
- p. 4 l. 10 - when is it applic. to notify other parties

2.19 / 3/25 continued - Mr. Schaefermeyer - Seward

- p. 7 l. 5 - variance in muni & borough ordinances
& this will cause additional problems / which will be
the prevailing law under this bill.

~~Fudge~~ Recommendation to clarify the language regarding
jurisdiction,

- Sec. 41.45.080. who should get fees involved
because again the lack of definition - potentiality
of adverse relationship

- p. 8 line 29 - define "community affected"

- Sec. 41.45.130. - penalties be a civil penalty
can one levy this high of a fine as a misdemeanor
- front-end money - Anderson's questions
- state receiving adequate funding by oil taxation
& possibly set that aside in a separate
fund to go to local community
- difficult time in filing for grants -

Mr. Martins - Exxon attorney -

funds available through federal CEM
1/4 of a billion - alluded to -

- payment of property taxes - plus payment of
permit fee - recommendation the option to
reconcil permit fee after p. taxes collected

- no provision for what the local govt does with the money
- p. 8 l. 2 - standard multiplier - recommended. should be arrived at by the local communities
- Sec. 4L45.110. - DOI & Governor receive notification already by federal

idea:

- scrap - give local govt's authority to levy a fee & collect it directly
- left to operate in the unorganized borough (state to collect - using the money (since they can't rebate it to unorganized area))
- ~~allow~~ to have the authority to impose a special fee - & grant permit } employees
- strike the rebate provision
- doesn't take care of city outside corporate limits - they would rely on state -

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 ^b	3 730	4 065	4 715	5 495	6 925
Tayside	25	35	95	135	150	280	475	765
East Central ^a	665	770	910	975	1 815	2 530	2 430	2 080
West Central ^c	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.

March 15, 1977

TO: LISA
FROM: JUDITH

RE: Income Tax of OCS drilling rig employees

Transcript - Verbatim 3/7/77

Ose: "These 75 or whatever, that are being brought up then, the only revenue is through income tax?"

Matthew: "That's right, because they don't live in the state and they don't place any demand or services on the state".

Kelly: "Why are we receiving income tax on these people, I don't think we are, are we?"

Matthews: "It depends on how their residency is established with the company. If they are working for a company that is established and franchised with the State of Alaska, and they're paid out of Alaska, then essentially a portion of their income is subject to Alaskan taxation."

Kelly: "Is the Alaska Star subject to Alaska taxation?"

Matthews: "Yes sir, being it's maintained and operated by a company called North-Star Drilling Company in Anchorage."

I spoke with Mike McCormick, Chief, Audit Services, Department of Revenue and between corporate and individual taxation. The company has a legal obligation to withhold taxes on employees who are residents of the state. The state can tax individuals who are non-residents for income earned within the state. The state has no legal jurisdiction to tax income earned outside of the state.

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

200 barrel / day (relatively small)

	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	94	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, communications 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	701	751	973	946	947	947	155%	222%

*Services and miscellaneous aggregated
**Withheld to comply with disclosure regulations

Hold Indefinitely

Sec. 41.45. . FEDERAL GRANT ASSISTANCE OFFSET. (a) Formula grants appropriated under sec. 308(c) of the Coastal Energy Impact Program (16 U.S.C. 1456a(c)) and received by the state for the purpose of reallocation to municipalities and communities in accordance with the provisions of that Act shall be applied to offset fees due under this chapter.

(b) If the department determines an allocation prior to payment of a fee by an applicant under this chapter, there shall be allowed as a credit against a fee payable by the applicant an amount determined by applying to the allocation for a municipality or community the ratio which the fee payable by the applicant bears to the estimated fees payable by all applicants for facilities to be located in the municipality or community or within 10 miles of the municipality or community during the fiscal year.

(c) If the department determines an allocation subsequent to payment of a fee by a permit holder under this chapter, there shall be allowed, as a credit or refund, an amount determined by applying to the allocation for the municipality or community the ratio which the fee paid by the permit holder bears to the total of fees paid and the estimate of fees payable by all permit holders and applicants for facilities to be located in the municipality or community or within 10 miles of the municipality or community during the fiscal year. The permit holder may claim the amount computed in this subsection

(1) as a credit against any additional fee payable for the benefit of the municipality or community under this chapter; or

(2) if the permit holder reasonably anticipates no further activity in conjunction with a shore facility within the municipality or community or within 10 miles of the municipality or community which would require a subsequent permit or amendment of a permit for an existing facility, as a refund of the amount.

(d) Amounts refunded to a holder of a permit under (c)(2) of this section shall be withheld by the commissioner from payments due the municipality or community.

(e) In this section, "allocation" means the intrastate determination and allocation required to be made by the department under AS 44.47.050(19).

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

(19) by regulation adopted in accordance with the Administrative Procedures Act (AS 44.62), provide for an intrastate allocation process for the determination and equitable allocation of financial assistance payable to municipalities and communities under sec. 308(g)(2) of the Coastal Energy Impact Program (16 U.S.C. 1456a(g)(2)).

EXAMPLE 1: Determination of allocation prior to payment of fees ...

The Department determines that, of the federal grant money available, the City of X is entitled to \$ 100,000.

It is estimated that there will be five applications for permits to be issued in X during the same fiscal year, the applications and fees payable set out below:

A	\$ 20,000	
B	\$ 40,000	
C	\$ 75,000	
D	\$ 15,000	
E	<u>\$ 50,000</u>	
	\$ 200,000	Total permit fees payable

A may claim as a credit against the \$ 20,000 fee payable the sum of \$ 10,000:

$$\frac{\$ 20,000}{\$ 200,000} = 10\% \times 100,000 = \$ 10,000 \text{ and pays } \$ 10,000$$

B may claim as a credit	20,000	and pays	20,000
C may claim as a credit	37,500	and pays	37,500
D may claim as a credit	7,500	and pays	7,500
E may claim as a credit	<u>25,000</u>	and pays	<u>25,000</u>
	\$100,000		\$ 100,000

In summary, the municipality receives \$ 200,000

\$ 100,000 from the allocation made by the Department

\$ 100,000 from the payments by the applicants

EXAMPLE 2. Determination of allocation subsequent to payment of fee by one or more applicants; claim for credit or refund

The department determines that, of federal grant money available, the City of Y is entitled to \$ 200,000.

Two permits have been issued, and two permit fees paid in full by the permit holders, amounting to total payments of \$ 400,000:

A has paid \$ 100,000

B has paid \$ 300,000

During the fiscal year, the department determines, from advance reports which it receives, that 3 more permits will likely be issued:

C: estimated permit fee of \$ 50,000

D: estimated permit fee of \$ 35,000

E: estimated permit fee of \$ 15,000

and that the total of all fees which will fall due during the fiscal year for the City of Y will be \$ 500,000.

A may claim as a credit (against future fee payments) or a refund the sum of \$ 40,000:

$$\frac{\$ 100,000}{\$ 500,000} = 20\% \times \$ 200,000 = \$ 40,000$$

B may claim as a credit (against future fee payments) or a refund the sum of \$ 120,000:

$$\frac{\$ 300,000}{\$ 500,000} = 60\% \times \$ 200,000 = \$ 120,000$$

C, when it pays its fee, pays \$ 30,000:

$$\frac{\$ 50,000}{\$ 500,000} = 10\% \times \$ 200,000 = \$ 20,000 \text{ credit against } \$ 50,000 \text{ or}$$

an actual payment of \$ 30,000

D, when it pays its fee, pays \$ 21,000:

$$\frac{\$ 35,000}{\$ 500,000} = 7\% \times \$ 200,000 = \$ 14,000 \text{ credit against } \$ 35,000 \text{ or}$$

an actual payment of \$ 21,000

E, when it pays its fee, pays \$ 9,000:

$$\frac{\$ 15,000}{\$ 500,000} = 3\% \times \$ 200,000 = \$ 6,000 \text{ credit against } \$ 15,000 \text{ or an actual payment of } \$ 9,000.$$

In summary:

The department provides, by way of credit or refund, \$ 160,000 to the benefit of A and B:

to A \$ 40,000
to B \$ 120,000

It withholds this amount (\$ 160,000) from the \$ 200,000 allocation due the City of Y, and pays the City the difference (\$ 40,000)

The City of Y

has received \$ 400,000 from A and B
will receive 30,000 from C
 21,000 from D
 9,000 from E
 40,000 of federal funds from the State
 \$ 500,000

The permittees have each paid (net after allowing for credits and refunds) 60% of the fee which they should have paid:

A	60% x \$ 100,000	=	\$ 60,000
B	60% x \$ 300,000	=	180,000
C	60% x \$ 50,000	=	30,000
D	60% x \$ 35,000	=	21,000
E	60% x \$ 15,000	=	<u>9,000</u>
			\$300,000

which, together with the \$ 200,000 of federal assistance, equals the \$ 500,000 which the City of Y was entitled to under the permit fee formula.

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;

Impact on the municipality or the region within a 10-mile radius

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.

Research
This

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 ... re 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.

Judith - Lisa didn't
want this in committee
members files - I caught
it in time

D

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.

LISA,

JACK handed me this this morning to handle the North Slope Borough situation. Shall we duplicate and attach to his package of propose language changes for tomorrow?

Also attached is the fiscal note - FY1.

J.

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. CS HB 219
 Title An Act Providing For Permits...for Offshore Oil & Gas Exploration, Development &
 Requested by House Community & Regional Affairs Committee Date 03/28/77 Production

II. FISCAL DETAIL
 Agency Affected Division of Community Planning, Dept. of Community & Regional Affairs
 Program Category Affected Development
 Budget Request Unit(s) Affected Community Planning Assistance

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL		4.0	4.5	5.0		
300 CONTRACTUAL		3.0	3.5	4.0		
400 COMMODITIES		1.0	1.0	1.0		
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		8.0	9.0	10.0		

FUNDING (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
GENERAL FUND		8.0	9.0	10.0		
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
FULL TIME		-0-	-0-	-0-		
PART TIME						
TEMPORARY						

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

CS HB 219 sets up a permit requirement for persons providing shore facilities in support of oil and gas exploration, development and production offshore Alaska and requires the Department of Community and Regional Affairs to receive and act upon permit applications according to standards set out in law and regulation. We anticipate that the actual number of permit applications to be processed will be limited at first (5-20 annually) and do not justify a full-time position. The limited staff time needed to administer the permits and fees can best be provided by adjusting staff priorities. However, administration of CS HB 219 also requires adoption of regulations, public distribution of data, and may require extensive public hearings. The Fiscal Note does allow for travel, public notices, distribution of data and other incidental costs as may prove necessary.

IV. DATE 03/29/77 PREPARED BY Kevin Wain
 AGENCY Community Planning Division
 PHONE 465-4706
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

HB

219

(#1 + #2 WORK-
ING DRAFTS)

3-28-77

TO: JACK

FROM: Judith

RE: Further clarification on the question
of the North Slope Borough

Given that to single out the North
Slope Borough is not feasible perse,
how about language to the effect
that:

If all local communities impacted are in
one municipality and the municipality
and the oil companies can not agree on
onshore facility site and permit fee then
the Department of E&RA would make the
final site selection and ~~determine the fee~~
without issue the permit.

LISA feels that the deal between the
municipality and oil companies is cut
well in advance of ~~permit~~ application for
a permit and it is not this earliest stage of
negotiation that a municipality such as N. Slope
might really hold things up! Thanks. Judith

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, for purposes of assisting communities impacted by such development, and for the administration of the franchise requirements of this chapter.

unnecess of representation could prove to be a point of contention.
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.

where is community authority
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

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 service ^{and} 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 members¹⁾) The regional board is empowered to select a franchisee and negotiate the franchise fee.

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.

- 6 -

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

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 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.

SECTIONAL OUTLINE

- * SECTION 1 - LEGISLATIVE FINDINGS AND PURPOSE
PAGE 1 of HB 219 WITH WHATEVER
CHANGES ARE NECESSARY TO ELIMINATE
CHANCE OF UNFAVORABLE JUDICIAL REVIEW

- * SECTION 2 - AMEND AS 44.47.050 TO
BEEF UP "PURPOSES" SECTION OF C & R.A.
ORGANIC STATUTE

- * SECTION 3 - NEW CHAPTER (44.48)
SEC 010. CREATES ALASKA OCS SERVICES
AUTHORITY IN C & R.A.; ~~GRANTED TO~~
~~HAVE AUTHORITY TO~~ FOR THE PURPOSE OF
CO-ORDINATING ONSHORE DEV. AND ^{ASSISTING COMMUNITIES} IMPARTED, AND ADMINISTERING
THE FRANCHISE REQUIREMENTS OF THIS CHAPTER
SEC 020 - AUTHORITY GOVERNED BY
COMMITTEE COMPOSED OF COMMISSIONER
OF C & R.A. + DIRECTOR OF DIVISION
OF COMMUNITY PLANNING + DIRECTOR OF
DIV OF LOCAL GOV ASSIST.

- SEC 030 - NO PERSON MAY OPERATE
AN "ONSHORE SERVICE FACILITY" FOR
~~ONSHORE DEVELOPMENT~~ OCS DEVELOPMENT
WITHOUT A FRANCHISE FROM THE
AUTHORITY (EXCEPT AS PROVIDED IN —)

ACQUISITION OF
SEC 040 FRANCHISE TO BE INITIATED
BY APPLICATION TO COMMITTEE STATING

A) IN THE CASE OF FACILITIES OPERATING
ON THE EFFECTIVE DATE OF THIS ACT

- 1) LOCATION
- 2) TYPES OF OCS GRABBER
- 3) OWNERSHIP OF LAND
- 4) OWNERSHIP OF OPERATION
- 5) EXPECTED GROWTH, PHYSICAL

EXPECTED GROWTH

EXPANSION ALLOWED BY PERMITS FROM

B) IN CASE OF FACILITIES NOT YET
OPERATING

- 1) PROPOSED SITE
- 2) OWNERSHIP OF PROPOSED SITE
- 3) EXPECTED QUANTITY OF CARGO
- 4) ETC

M) OTHER INFORMATION REQUIRED BY
REGULATION

ALSO EXACT MONEY PAYMENT

SEC 050 COMMITTEE TO HOLD PUBLIC HEARING
ON APPLICATION(S) 90 DAY NOTICE
REQUIRED. OTHERS MAY APPLY FOR
SAME SITE OR OTHER SITES TO SERVE
SAME AREA - PURPOSE OF HEARING TO
DETERMINE ~~SUITABILITY~~ ^{SUITABILITY} OF SITE
IN RELATION TO EXPECTED USE,
ENVIRONMENTAL AND COMMUNITY
IMPACT.

INPUT FROM COMMUNITY LOCAL
PERSPECTIVE
COMPARISONS OF PORT FACILITY

Mr. Ziegman - power of state to tax extra territorial activities - Buck Act - federally owned lands outside state has power to tax economic activities (income or severance tax)
OCS Lands Act (fed) - not extended state's taxing power.
Ziegman - impose a tax on onshore facilities (clear right)
franchise tax precedent for use in this way - 50% chance that S.C. will invalidate

adv. of franchise tax is that you
- owner
- operator
} right to operate a supply base, dock-

license to use the land / license to

(tax is on the franchise that legislature creates)
of tax imposed on the privilege

→ not a franchise fee (limited = annual recurring % of gross net there losses = dry wells)

Rudd

also franchise fee within the 3 mile limit - way of getting at OCS activities

taxes used to discriminate foreign vessels,
foreign commerce -

AK. week position if applied

(1) onshore fac. to service OCS
explore other alternatives

on AK. production
and on OCS } equal
taxation

draft - emphasis on onshore activity is what
you are measuring the fee by:

don't put OCS into the measure of the tax

* tax creditable against a severance tax

AK & OCS production serviced at same onshore
base (how do you determine credit in this
situation & when it is dry hole)

(drill holes)

→ x base rate

Initial fee -

D & P - incremental fee - ^{fn} rate based on production

not dealing w/ Admin - DOR no right situation -

Defense of legality - offshore instead of OCS -
Cook Inlet - current tax & reconciliation or
within 3-mile limit credit against seance tax or

Leads requiring req. by computing estimated input
even though facilities has dual usage.
(ie measuring increased use)

* [different fee computed based on different areas]
Jack's notion in part

Icy Bay - retrociliation for imposing tax:
- state called upon to provide services

Possibility be license fees: (ie fee to operate
& simplest graduation)

PROPOSAL - Apply permit - file w/ state economic & EIP
- based on submit to DOR & makes a
study - increased pop - & cost up w/
build, permit fee
- oil companies don't know & we couldn't

production at OCS is basis of tax

if brings on shore then
measure tax at 1st use - when it comes on shore
state (Louisiana) has right (severance tax is
disguised)

Mississippi case - validated a franchise tax
on interstate commerce / legitimized U.S.

Supreme Court

(Check supower power) regarding request
for information of oil companies.

impact cost ^{related} to production } not in favor
impose a tax on Off-shore production is weak position
tax tied to development on shore
find a device to measure the tax.

leaves a great deal of discretion of the departments
to what they determine is
established - admin. procedure that is
somewhat formal - direct COP to a certifi-
cate (annual or whatever) to provide
prop. req. for making this kind of thing -
how computation is made & then
submit to legislature - would it be ok

by DOR - assess - ~~for~~ measured by the
anticipated impact but is ascertainable at that
time - qualification & selection for reevaluation
as well as any further expansion require a
reassessment by DOR.

- Can you require

~~Making the best~~

if within 3 miles limit

Broad Act - including offshore within 3 mile limit
for all facilities after the following date

Impact measured by both direct & indirect ^{employment} and
multiplied by any factor

[use complicated Adm. structure for disaction
at Administrative level weakens the position
with the oil company -]

Memorandum

C & RA
employment
formula -
change or
increase

base
that one
takes

(- Dept - Wednesday

Thursday 116
85

Schedule

- ~~for~~

DOR

note - explanation
Friday -
mechanism -

assessed value - net effect of info -
estimate of prop. to be built

index based upon employment

- LISA - does not really answer the problem of
down the line development -

Anchorage
Literacy
Project

219 - Oil Company handouts - Cecil Barnes

- next is JACK

- answer - couple of letters

-

fee for zoning / can't we ask
then to pay a fee -

(above taxable base)
collect if it
legislation)

forget franchise approach - CSD Authority

JACK - Charlie PARR -
Mr. Ziefman -

HB

219

(NEW MATERIAL
1978)

Hearing on HB 219
Municipal lg. Comm.
11/2/77 - Juneau

oil spills

Valdez -

- basically a "no-growth" bill
- bonding situation in Valdez?
- Money for state - ?
- state provided \$5 mil. to Valdez for impact - what prog?
- still waiting for pipeline if this bill was in effect -
- ^{ways to} make own decisions
- planning & zoning - do they?

Where in bill does it say growth not good?

Where does it say they can't make own decisions?

Where does it say state is telling munis. what they want?

Where shd. state impact \$ come from? (\$160 mil. in hole)

Happy w/ 20 mil tax divvy?

Mozzatt - Petersburg

\$ difficulty w big brother + no growth -
opposition by Mayor - no formal action by Mayor -

Betty Wallin - Kodiak -
supports bill

John Carlson -
incl. Interior - (looking towards
refinery)

Value of facility changes -
Reaction to frustrations of being
able to get info from Alyeska.
"explaining need for facility"
"evaluate other locations"

CITY OF PETERSBURG

P. O. Box 329 • PETERSBURG, ALASKA 99833

March 30, 1977

Representative E.J. Haugen
Pouch V
Juneau, Alaska
99811

Dear Representative Haugen:

HB 219, if passed, would be detrimental to all Alaskan Communities in their development, planning and zoning, and economics.

HB 219 could and would retard development of any facilities in Alaskan communities and makes decisions by local authorities impossible.

Petersburg is vehemently opposed to this Bill in any form.

I am personally totally opposed to this Bill.

Sincerely,

Theodore M. Smith (TMS)

Theodore M. Smith
Mayor, City of Petersburg

TMS/plc



STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

DIVISION OF LOCAL GOVERNMENT ASSISTANCE

JAY S. HAMMOND, GOVERNOR

POUCH B - JUNEAU 99311

October 20, 1977

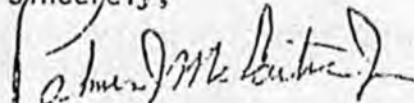
Dear State Legislator:

Enclosed is the department's new regulation implementing the Coastal Energy Impact Program (CEIP). The CEIP is a federal grant and loan program designed to help coastal states and communities deal with the impacts of energy development.

Under the CEIP the state is given the primary responsibility for administration with the federal CEIP office providing technical assistance and funding. On April 4, 1977, Governor Hammond designated DCRA as the lead agency for the CEIP. Accordingly, DCRA has assumed the responsibility of preparing the federally mandated intrastate allocation process required to implement and administer this program. Local government officials and interested state agency personnel helped draft the guidelines that implement this process and we expect these parties to continue to be active in guiding this program.

This allocation process and the criteria used to rank applications has undergone a great deal of public scrutiny and will be subject to periodic revision. We feel that much will be learned in the initial year of operation and therefore we need the flexibility to go back and revise the CEIP application process to make it a more workable and useful program. Public input on any proposed changes will be encouraged and in some cases changes will probably be initiated by eligible CEIP applicants or other interested parties. The adoption of this regulation will afford us the flexibility to make needed changes to insure the maximum benefit from this program.

Sincerely,



Palmer McCarter
Director

DEPARTMENT OF COMMUNITY AND
REGIONAL AFFAIRS

Notice of Proposed Changes in the Regulations of the
Department of Community and Regional Affairs

Notice is hereby given that the Department of Community and Regional Affairs, under authority vested by AS 44.47.160, proposes to adopt regulations in Title 19 of the Alaska Administrative Code to implement AS 44.47.050(14), as follows:

- (1) Chapter 17 is created by adding new provisions as follows:

Section 10 - Coastal Energy Impact Program

19 AAC 17.010. Loans and grants shall be made in accordance with the provisions of this Department's "Coastal Energy Impact Program Policy Guidelines". Copies of the "Coastal Energy Impact Program Policy Guidelines" are available from the Department of Community & Regional Affairs, without cost.

Authority: AS 44.47.050 (14)
AS 44.47.100

Notice is also given that any person interested may present written statements or arguments relevant to the action proposed at Room 209, Community Building, Juneau, Alaska, before 4 o'clock p.m. on November 18, 1977.

Copies of the proposed regulation may be obtained by writing to: CEIP Coordinator, LGAD, Pouch B, Juneau, Alaska 99811.

The Department, upon its own motion or at the instance of any interested person, may thereafter adopt the proposals substantially as described above without further notice or may decide to take no action on them.

DATE: October 14, 1977

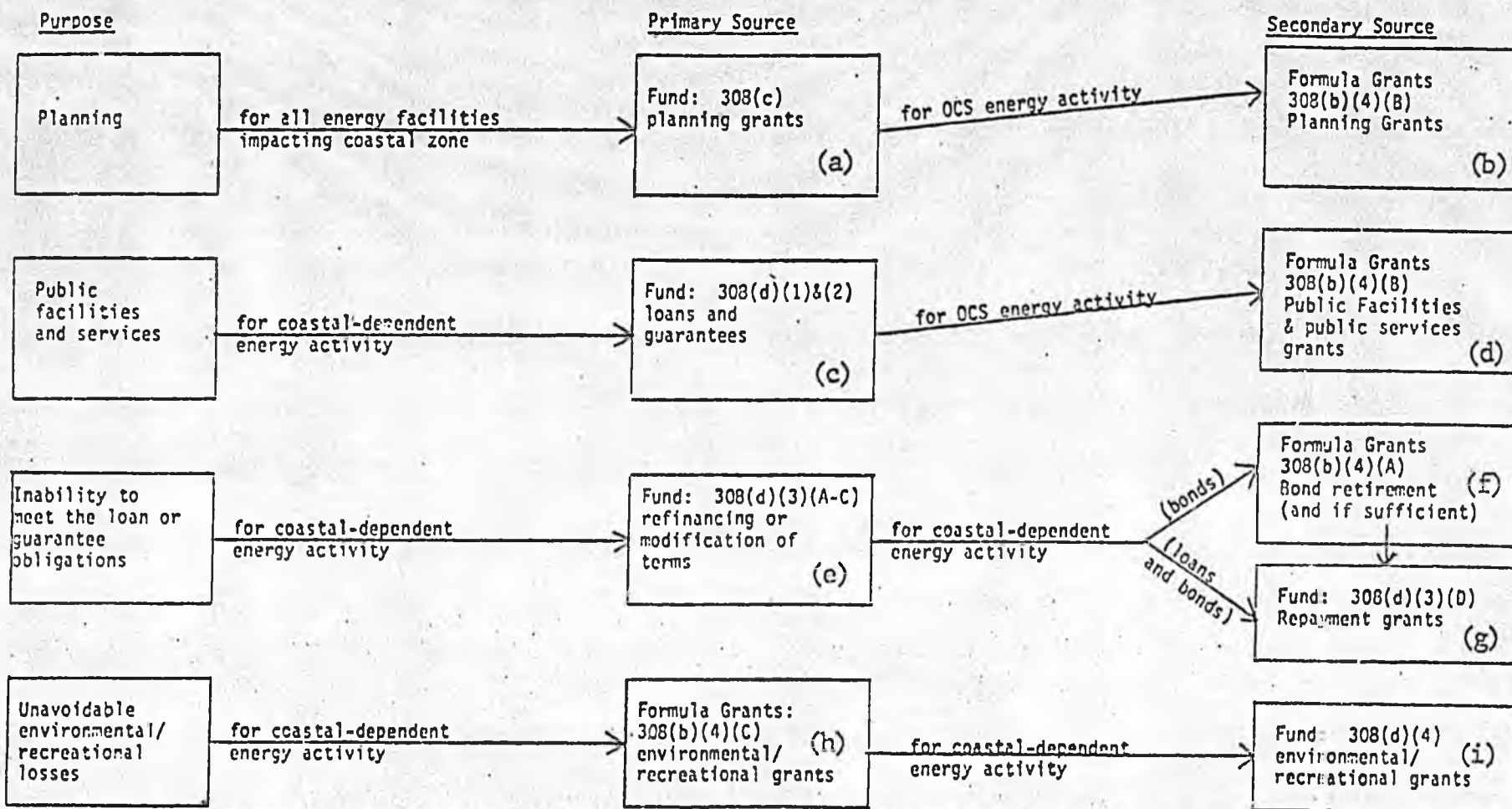
/s/ Lee McAnerney

Commissioner

CEIP FEDERAL ALLOTMENTS TO ALASKA FOR FY'77

Figure 1

PL 94-370 Coastal Energy Impact Program: Primary and Fund 308(c) Planning Grants



Square (a) Fund Planning Grants -- 308(c) 80% Fed./ 20% Local/State	Alaska Allotment	\$ 365,456
Squares (b)(d)(f)(h) Formula Grants -- 308(b) 100% Fed.	Alaska Allotment	1,178,643
Squares (c)(e)(g) Credit Assistance ("Fund") 308(d)(1),(2),(3) 100% Fed.	Alaska Allotment	48,612,973
Square (i) Environmental/Recreation Grants 308(d)(4) 100% Fed.	Alaska Allotment	662,904

Senate Bill on Drilling

S.F. Chronicle #115/77

New Offshore Oil Rules OK'd

Washington

The Senate yesterday voted for a sweeping overhaul of the rules for tapping offshore oil and gas resources and gave President Carter the power to order exploratory drilling both in the seabed and on land.

A bill making major amendments in a 1953 law allowing the leasing of petroleum resources on the outer continental shelf was passed 59 to 18. The bill, setting new guidelines for offshore drilling, would:

- Direct the President to make an inventory of the nation's oil and gas resources and give him the power to order federal exploratory drilling on offshore and onshore land—either public or private. Federal agencies would do the exploratory drilling only if it was not being done by oil companies.

- Give the secretary of Interior an almost unlimited number of bidding systems to choose from in awarding offshore oil and gas leases. An amendment by Senator John Glenn (Dem.-Ohio) would let the secretary use a bidding system

not in the bill if it were not vetoed by either the House or Senate within 30 days.

- Reduce the number of leases that could be sold under "cash bonus" bids from two-thirds to one-half.

- Guarantee independent refiners access to offshore crude at world prices, and would require that pipelines carrying oil from the outer shelf be open to all producers on a nondiscriminatory basis.

- Give states more say in offshore matters, create a fund to pay for damage caused by oil spills and provide compensation for fishermen whose vessels or gear are damaged by offshore oil operations.

Senator J. Bennett Johnston (Dem.-La.) called the Durkin amendment — which would give the President power to order exploratory drilling — "absolutely insane." Senator Clifford Hansen (Rep.-Wyo.) called it a "ripoff" of the taxpayer and probably unconstitutional. The amendment was authored by Senator John Durkin (Dem.-N.H.).

"I happen to think that it

represents a clear invasion of the rights of the private property owner," Hansen said. "There would be lawsuits filed from one end of the country to the other."

Johnston said the amendment would result in a "multibillion dollar" program of exploration by a government oil company replacing independent drillers who now who "do 95 per cent of the exploratory drilling."

Senate Democratic Leader Robert Byrd of West Virginia told his colleagues the bill might do more to improve the nation's oil and gas supply than any other energy bill now pending in congress.

The bill, Byrd said, would increase the number of companies that could drill on the outer continental shelf while also increasing the government's ability to assess the nation's oil resources.

The legislation now goes to the House, where similar legislation is pending before a special committee. The controversial senate amendments could run into trouble in the House.

United Press



otem spotlight Anch. News 8/23/77

219

Daily News photo by Koo Steptun

Early morning sun highlights this totem pole in the Sitka National Monument administered by the National Park Service in the Southeast community. The monument commemorates the 1804 battle between Tlingit Indians and the Russians for possession of the area. A nearby visitors' center houses a facility for Indian craftsmen.

New offshore oil leasing plan

By ROSEMARY SHINOHARA
Daily News Staff Writer

Interior Secretary Cecil Andrus has announced a new offshore oil and gas leasing schedule through 1981 with six sales planned off Alaska, including a second sale in Cook Inlet.

The schedule, made public today, excludes two areas which Alaska officials suggested should be considered as marine sanctuaries, and three of four areas where the state said sales should be held off until Arctic ice experience and technology were developed.

Andrus said in announcing the schedule that it was prepared "in close consultation" with the affected coastal states. States were asked to respond to detailed questions about sales in their areas by July 15, and Alaska did so at great length.

The secretary had earlier announced a sale in Lower Cook Inlet in October of this year. That sale, supported by the administration of Gov.

Jay S. Hammond, was originally scheduled for February of this year. But when Andrus became Interior secretary, he ordered it postponed.

Other sales on the latest planning schedule include:

—A federal-state near-shore
(Continued on page 2)

(over)

• New oil leasing schedule

(Continued from Page 1)

Beaufort Sea sale in December of 1979.

—A Gulf of Alaska sale in June of 1980, and a Kodiak area sale in October of 1980.

—A second sale in Cook Inlet in March of 1981, and a sale in the Norton Sound area of the Bering Sea in December of 1981.

Two federal sales which had been proposed under prior Republican administrations, one at St. George Basin on the Bering Sea shelf and one in Bristol Bay, were not on the Andrus planning schedule.

Commissioner of Natural Resources Robert LeResche said Monday, "We're pleased with the schedule. ... it was very responsive to our suggestions. Especially since they listed second sales in the North Gulf of Alaska and Cook Inlet. Our only disappointment is that the Beaufort Sea sale is not happening until late '79. We had asked that it be held in early 1979 in conjunction with a state sale."

The State of Alaska, in its comments to Interior last month, recommended that both the Bering Sea and Bristol Bay areas be considered as marine sanctuaries, and lease sales in them be postponed indefinitely.

The state also had recommended that sales in the Chuckchi Sea, the Norton Basin in the Bering Sea, in the ice shear zone and ice pack zone of the Beaufort Sea, all be delayed until adequate technology and

experience is developed to ensure safe operations in Arctic ice conditions.

Particularly, the state recommended that in those four areas, sales should be put off until development in the near-shore region of the Beaufort Sea proved that exploration and development would be technologically successful.

Of the four areas, Andrus scheduled only the Norton Basin sale, and that one is the longest range sale on the planning schedule.

As for the second sale in Cook Inlet in 1981, the secretary said the three-year interval was intended to prove for "an orderly level of activity."

Senate Committee Favors Onshore Impact Funds

Mich. Times June '77

Times Washington Bureau
WASHINGTON — The Senate Energy Committee voted yesterday to give Alaska and other coastal states a greater share of the revenue from offshore oil and gas to help cope with onshore impacts of drilling.

The revenue sharing amendment was added to a broad outer continental shelf reform bill which passed the committee by a 12-4 vote.

According to a spokesman for Sen. J. Bennett Johnston, D-La., author of the amendment, Alaska probably will not benefit from the revenue sharing plan until actual oil production starts in several years.

He said the amendment is aimed for the time being at compensating states where oil production is already under way — primarily in Louisiana and Texas.

Under the amendment, a \$100 million fund would be set up and distributed each year to coastal states according to the amount of oil and gas produced or landed off their shores.

The money could be used in accordance with the state's approved coastzone management plan to help cope with the numerous onshore impacts associated with offshore drilling.

Meanwhile, House authors of the outer continental shelf bill are working on a completely different revenue sharing amendment which would give Alaska a far greater share of the oil profits and start the payments immediately.

Under the House version, which is being drafted by Reps. William J. Hughes, D-N.J., and John Breaux, D-La., states would not have to wait for

oil production to begin before qualifying for the impact assistance.

Rather, they could begin drawing money as soon as the first acreage of their shores is leased to the oil companies — a step which has already been taken in Alaska.

Instead of limiting the total impact fund to \$100 million a year, the House version would set aside as much as \$2 billion a year for the coastal states, depending on the total amount of money received by the national treasury from outer continental shelf operations.

Hughes, who met briefly with President Carter yesterday, reported that the President does not favor the House approach since it would funnel millions of dollars to coastal states merely because drilling is taking place off their shores and not really because they need it.

Hughes conceded that he may have to decrease the total amount of money which would be provided to coastal states in order to avoid the appearance of a windfall which might cause the whole program to be defeated.

But he said the Johnston amendment as passed by the Senate committee is also unacceptable because it would not give Alaska the money it needs at this time to prepare for offshore drilling.

In addition to adopting the revenue sharing proposal, the Senate committee also acted on two other important amendments to the bill.

First, the panel defeated an amendment which would have authorized the secretary of Interior to engage in government-sponsored oil drilling.

The secretary already has that authority under the law, and Secretary Cecil Andrus has announced that the government will begin an exploration program as early as next year.

By defeating the amendment, the committee did not take away the secretary's authority to drill, but simply served notice that it does not look

favor government drilling, a committee spokesman explained.

In addition, the committee adopted an amendment strongly opposed by the oil industry which would require the use of bidding systems other than bonus bidding on one-third of all offshore acreage.

The oil industry has lobbied fierce

ly against changing the bidding system and in favor of the status quo.

The House Outer Continental Shelf Committee is scheduled to begin voting on its version of the bill June 29, and it is obvious that there will be differences which will have to be resolved in conference.

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

DIVISION OF COMMUNITY PLANNING

POUCH B - JUNEAU 99811

JAY S. HAMMOND, GOVERNOR

October 6, 1977

The Honorable Lisa Rudd
2827 Lore Road
Anchorage, Alaska 99507

Dear Lisa:

Enclosed are the materials on House Bill 219 which Rob Shoaf and I presented to the Community and Regional Affairs Committee in August. The materials are marked as Exhibits 1 through 8 and do not at this time represent departmental policy on this bill. The exhibits are summarized in the following paragraphs.

Exhibit 1. This exhibit shows the onshore and offshore employment assumptions used by this Department to forecast total OCS-related employment in the Northern and Western Gulf of Alaska. Also included are current population estimates for those coastal cities likely to be affected by exploration and commercial development of offshore petroleum resources. Please note that while none of the individual activities employ large numbers of people, the numbers of new jobs assumed would significantly contribute to the population of small cities which might be affected.

Exhibit 2. Exhibit 2 indicates the planning capabilities of those cities and boroughs which may be affected by leasing and development of offshore areas near their jurisdiction. While most of the municipalities have a planning and zoning commission, very few actually have a professional planning staff.

Exhibit 3. Exhibit 3 lists the loans and grants available through the Coastal Energy Impact Program (CEIP). Available are planning grants, formula grants and credit assistance. All planning grant money must be used before formula grants become available. Planning grant requires a 20 percent match by local communities. The twenty percent match required could be financed through OCS permit fees.

Exhibit 4. Exhibit 4 lists the types of planning activities which can be funded through the CEIP program. Please note that CEIP funds are not currently available to finance the cost of negotiating with a potential developer or handling increased administrative costs resulting from rapid growth.

Exhibit 5. Exhibit 5 is a summary of the most recent version of House Bill 219. It contains a table which estimates the hypothetical revenues that would be generated from the proposed fee schedule.

Exhibit 6. Exhibit 6 is a brief outline of the merits of House Bill 219, its shortcomings as it is currently written, and suggested improvements which might be considered by the Committee.

Page 2
The Honorable Lisa Rudd
October 6, 1977

Exhibit 7. Exhibit 7 is Rob's critical examination of two areas in the bill which he thinks may need further revision: local approval power and prior planning by the developer.

Exhibit 8. Exhibit 8 suggests examples of statutory language which might minimize problems raised in Exhibit 7.

I hope this information is useful to you and the Committee members. As I told you during our last meeting, I will be available to discuss the bill at the November Municipal League Meeting, or at another time if more convenient.

Looking forward to speaking to you soon.

Sincerely yours,

Lois

Lois Kramer
Planning Supervisor

LK/sv

Enclosures

ONSHORE EMPLOYMENT ASSUMPTIONS

Category	Employment
Rig Service.....	25 per rig
Platform Service: Installation.....	100 per platform
Drilling.....	80 per platform
Production.....	40 per platform
Administration.....	15 per rig 40 per platform
Service Bases.....	15 per berth
Oil Terminals: 250,000 b/d.....	150 per terminal
350,000 b/d.....	200 per terminal
450,000 b/d.....	250 per terminal
600,000 b/d.....	300 per terminal
LNG Plants: 1 billion cu.ft./d.....	200 per terminal
1.6 billion cu.ft./d.....	300 per terminal

Offshore Employment Assumptions

Operation	Number of Jobs/Activity
Rig.....	115
Platform: Installation and Hook-up.....	300
Drilling.....	250
Production.....	140
Lay-barge.....	250
Bury-barge.....	100

Construction Employment Assumptions

ONSHORE FACILITY		NUMBER OF JOBS			
		YEAR 1	YEAR 2	YEAR 3	YEAR 4
Service Base	2 berth	75	150		
	3-4 berth	100	200		
	4 berth	125	250		
Oil Terminal	250,000 b/d	150	600	1,200	300
	350,000 b/d	200	800	1,500	500
	450,000 b/d	200	1,000	1,900	600
	600,000 b/d	300	1,200	2,300	700
LNG Plant	1 billion cu.ft./d	500	1,300	2,500	800
	1.6 billion cu.ft./d	500	2,000	4,000	1,200

POPULATION OF CITIES

Yakutat	442
Cordova	2,406
Seward	1,823
Homer	1,538
Seldovia	612
Kodiak	4,960
Unalaska	510
Dillingham	1,176
City of St. Paul	456
Nome	2,585
Kotzebue	2,431
Barrow	2,307

Do these apply also to Cook Inlet?

TOTAL DIRECT AND INDIRECT EMPLOYMENT: NORTHERN GULF

YEAR	NO FIND	MODERATE FIND		HIGH FIND	BOHARZA
		NO PIPELINE	PIPELINE		
1976	240	240	240	240	240
1977	670	906	906	1123	1261
1978	905	1790	1790	1900	2155
1979	477	1366	1356	2843	3677
1980	240	1366	1669	3540	4745
1981		906	2336	4375	6140
1982		953	3212	5705	6681
1983		1353	2691	5210	9305
1984		2060	2360	7348	11392
1985		2623	2923	8899	13728
1986		2439	2739	6401	9622
1987		2299	2599	5349	8248
1988		2069	2369	4887	7803
1989		1838	2138	4173	6918
1990		1585	1895	3671	5840

TOTAL DIRECT AND INDIRECT EMPLOYMENT: WESTERN GULF

YEAR AFTER LEASE SALE	YEAR	NO FIND	MODERATE FIND		HIGH FIND
			NO PIPELINE	PIPELINE	
1st	1980	239	321	322	322
2nd	1981	454	834	834	1181
3rd	1982	669	1337	1447	2227
4th	1983	244	925	1145	2049
5th	1984		751	1160	2535
6th	1985		530	1265	3360
7th	1986		1021	2251	4791
8th	1987		1421	3311	3791
9th	1988		1179	1622	2885
10th	1989		1920	2145	3584
11th	1990		1853	2078	3378
12th	1991		1735	1951	3261
13th	1992		1505	1736	3030

	LEASE SALE AREA	CLASSIFICATION	ORGANIZATION			PLANNING TOOLS				POPULATION (1976)	
			Planning and Zoning Commission	Professional Planning Staff	Coastal Resource District (7/77)	Coastal Management Program (anticipated date of adoption)	OCS Planning Study (including EDA Title IX)	Comprehensive Plan (date of publication)	Capital Improvements Program (date of publication)		Zoning Ordinance
MUNICIPALITY OF ANCHORAGE	Lower Cook Inlet (11) Gulf of Alaska (12) Kodiak Basin (13) Aleutian Shelf (14) Bristol Bay (15) Bering Sea - St. George Bering Sea - Norton Basin Chukchi Sea (17) Beaufort Sea (18)	Unified home rule boro.	☑	☑	☑	1979		1961(b)	1963	☑	175,603
Yakutat		First class city	☑		☑	1980(a)	☑	1976		☑	442
Cordova		Home rule city	☑		☑	1980(a)		1976		☑	2,406
KENAI PENINSULA BOROUGH		Second class borough	☑	☑	☑	1979	☑	1970	1967	☑	19,407
KODIAK ISLAND BOROUGH		Second class borough	☑	☑	☑	1980	☑	1968(c)		☑	7,901
Unalaska		First class city			☑	1978(a)		1977			510
Dillingham		First class city			☑	1980(a)		1970			1,176
BRISTOL BAY BOROUGH		Second class borough	☑		☑	1980		1966	1966	☑	1,147
City of St. Paul		Second class city				(a)					456
Nome		First class city	☑		☑	1980(a)		1968	1968		2,585
Kotzebue		Second class city	☑		☑	1980(a)		1971(d)	1975		2,431
NORTH SLOPE BOROUGH		Home rule borough	☑	☑	☑	1979		1973	1974		12,614

(a) Cities within the unorganized borough. Nearby areas in the unorganized borough may be affected by OCS development and may eventually be organized into coastal resource service areas. Coastal management plans for service areas may be adopted later than 1980.

(b) Comprehensive plan for the Municipality of Anchorage is being updated.

(c) Comprehensive plan updated for Port Lions in 1975 and for Near Island in 1974.

(d) Land use element of comprehensive plan for Kotzebue updated in 1976.

Figure 1

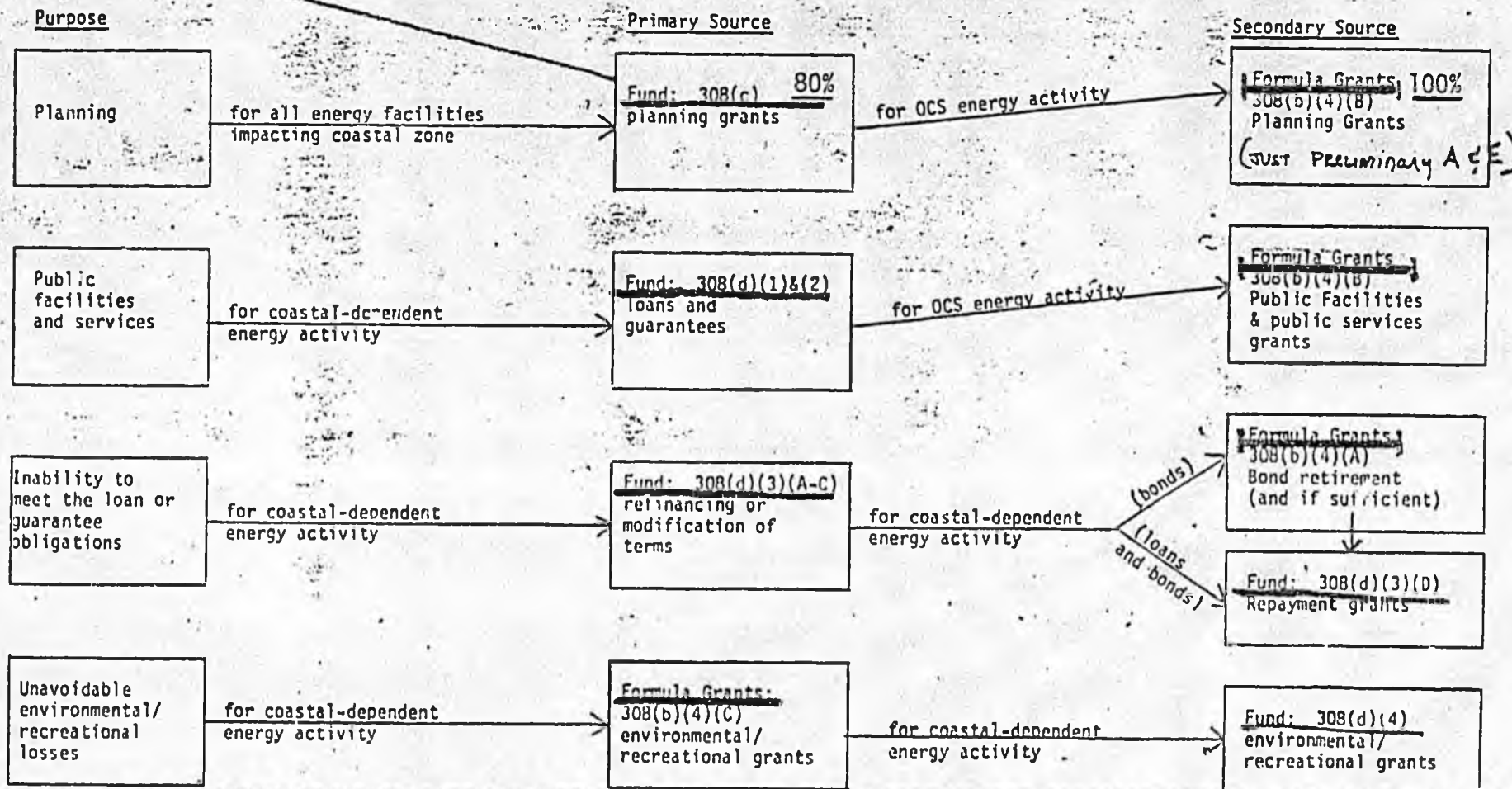
PLANNING CAPABILITIES

15% of \$3.5 million divided equally among 34 coastal states = approximately \$15,000

85% of \$3.5 million allotted on basis of need

Figure 1

PL 94-370 Coastal Energy Impact Program: Primary and Fund 308(c) Planning Grants



Formula Grants	308 (b)	U.S. \$ 10 million	AK: \$ 1,178,643
Credit Assistance ("Fund")	308 (d)(1), (2), (3)	110 "	48,612,973
Planning Grants	308 (c)	3.5 "	365,466
Environmental/Recreational Grants	308 (d)(4)	1.5 "	662,904

Exhibit 3

JA 5-2

July 5, 1977

I. Summary of HB 219

The onshore facilities construction permit bill was proposed in the Tenth legislature - First session by representative Parr and eighteen others. It is designed to provide municipalities affected by offshore energy development with a means of exercising control over the location and public costs of OCS related onshore development.

Under the bill, each facility must obtain a permit prior to beginning construction. Permits cannot be issued without local approval from the municipality where the facility will be located. Thus, local units are given a bargaining tool which can be used to negotiate over the location and types of OCS related facilities. If negotiation fails to satisfy local needs, municipal denial of project approval will bar issuance of the permit and prevent construction of the facility in that municipality.

Permit fees generated under the bill are to be used to plan for and minimize the public costs of the OCS related onshore development. Fee amounts are proportionate to the projected impacts of the facility. (see table 1) At least 50% of the fees will go directly to the municipality where the facility is being built. An additional 45% of the fees will benefit the municipality in the form of state assistance.

This 45% of the fees will be allocated among state agencies and the municipality by DCRA according to their relative responsibilities for the provision of public facilities and services necessitated by the development. State assistance will be in forms of planning, legal expertise, and the direct provision of services such as education, transportation, and health care.

HB 219 proposes two alternative fee schedules. One measure of fees is based on population growth and the cost of government. The alternative measure is based solely on the value of the proposed development. For each facility, the formula producing the highest fee is used.

Using the valuation measure of fees, the amount of revenues produced by a development is related to the size of the proposed facility. Facility value is roughly predictable by the stages of the oil extraction process. During exploration, support facilities on shore will be valued at \$10 million or less. Based on a value percentage fee calculation, a \$10 million facility would pay \$250,000 in fees. (see table 1) If oil is discovered, shore processing facilities will have a much higher value. The very large processing facility at Valdez is valued at \$1.2 billion dollars. Fees for a facility that size would be \$6 million dollars. Although the scale of the terminal at Valdez represents the largest type of terminal which may be built to service offshore oil, it is obvious that processing facilities will generate large fees. Table 1 gives examples of fees produced by different sized production facilities.

(1) Preliminary planning for the consequences of new or expanded significantly energy facilities affecting the coastal zone, including

(i) analysis of government or private industry siting policies;

(ii) devising strategies for the public purchase of land or the establishment of other enforceable land-use controls for lands upon or near which energy development is to take place;

(iii) devising methods of protecting environmental resources, as defined in §931.72, threatened by the siting, construction, operation, or expansion of new or expanded energy facilities; or

(iv) conducting risk management studies, hazard analyses, emergency contingency planning and coordination studies, and assessment of mitigating measures for maintaining or improving public safety threatened by the siting, construction, expansion, or operation of new or expanded energy facilities.

(2) Planning for the consequences of a specific new or expanded energy significantly facility affecting the coastal zone, including

(1) study of and planning for economic, social, or environmental consequences of the siting, construction, expansion, or operation of a new or expanded energy facility such as

(A) increased population;

(B) changes in employment patterns, including those in fishing and tourism;

(C) changes in demand for public facilities, public services, and housing;

(D) local price inflation;

(E) changes in patterns of tax and user fee revenues or inter-governmental transfers;

(F) effects on fishing and tourism resources;

(G) effects on beaches, sand dunes, air quality, water quality, or other environmental or recreational resources;

(H) shoreline erosion;

(I) ecological effects; and

(J) effects on public safety.

(ii) conducting analyses required for state or local regulatory decisions related to energy facilities, including licenses, leases, permits, and zoning ordinances;

(iii) performing cost/benefit analyses or otherwise comparing the consequences of alternate energy facility sites or types;

(iv) devising strategies for recovering compensation from appropriate parties for any adverse effects caused by the energy facility involved;

(v) forecasting employment, population, public facility and public service needs and costs, and tax or user-fee revenues;

(vi) planning for the public facilities eligible for financing under Subpart E of this part;

(vii) study of and planning for the secondary consequences, including environmental and economic consequences, of alternative types and sites of public facilities eligible for financing under Subpart E of this part; and

(viii) study of and planning for the consequences of the phasing out of energy facilities.

(3) Carrying out projects necessary to administer assistance under Section 308, including;

(i) collecting data and analyzing information required in §§931.48 (a)(5) and 931.78(c)(4) for environmental impact assessment;

(ii) designing and carrying out an intrastate allocation process as described in Subpart J of this part; and

(iii) paying other reasonable costs of administering assistance under

July 5, 1977

House bill 219 provides an important boost to local preparation for OCS - onshore facilities. Developers are required to submit plans to the state three years in advance. This advance notice allows time for local assessment of the project and definition of a local policy in regardⁿ to the project. Advance reporting also requires the developer to disclose information which will assist municipal decision making.

Municipalities may use fees paid to cover planning and capital improvements costs. Independent legal assistance, land use and financial planners, and administrative assistance may be paid for out of these fees. Localities can use the planning process to control growth and establish a pattern for evaluating subsequent land use demands.

Status of the bill: HB 219 was not reported out of committee in the first session. Public hearings are being held to explain the bill and provide a channel for local input into the legislative process.

July 5, 1977

TABLE 1

REVENUES THAT THE FEES WILL GENERATE

EXPLORATORY STAGE

IF the facility is valued at \$5 million fee = \$100,000

IF the facility is valued at \$20 million fee = \$250,000

Most of the facilities built to service OCS exploration will cost \$10 million or less. The assessed value of the service base at Yakutat is \$5.5 million as of the first of 1977.

DEVELOPMENT AND PRODUCTION STAGE

IF the facility is valued at \$500 million fee* = \$2.5 million

IF the facility is valued at \$750 million fee = \$3.75 million

IF the facility is valued at \$1 billion fee = \$5.0 million

IF the facility is valued at \$1.2 billion fee = \$6.0 million

The oil terminal at Valdez will process 1.2 million barrels of oil per day and is valued at 1.2 billion dollars. If the largest possible find is made in the Northern Gulf, shore terminal capacity will need to be 650,000 barrels per day at a value of approximately \$800 million. Also a larger discovery in the Northern Gulf would require a Liquified Natural Gas terminal with one billion cubic feet per day capacity at a value of approximately one billion dollars.

*These fees for the production stage are calculated at a straight one half percent. If the developer failed to provide three year advance information, the fees would double.

MERITS OF HB 219

1. Places municipalities in the driver's seat for any OCS-related shoreside development.
2. Creates a land management tool which is applied statewide and thus is not a disincentive to development.
3. Provides money to finance costs of local planning not presently covered by CEIP or other grants.

SHORTCOMINGS OF BILL AS CURRENTLY WRITTEN

1. Local approval or veto of a proposed facility need not be consistent with existing local or State plans.
2. Standards for permit evaluation are not specified. No procedural or substantive rights of developers are enumerated or protected.
3. HB 219 is not tied to the Coastal Management Act and its requirements.
4. Three years advance notice of construction plans may not be feasible in all cases.

SUGGESTED IMPROVEMENTS

1. To limit potential arbitrary uses of local approval or veto of a proposed facility by:
 - a. Requiring municipal decisions to be consistent with existing and emerging plans and policies under the Coastal Management Act;
 - or b. Establishing decision guidelines in the bill to ensure that a municipal approval or veto is to protect the public welfare and is consistent with Coastal Management policies;
 - or c. Grant municipalities the power to suspend a permit application for one year while a Coastal Management program is written.

Each alternative should clarify the procedural rights of the developer.

2. Make the advance planning requirement more flexible so that developers will not be penalized by changes in their plans caused by forces beyond their control.

The views of this memo do
not reflect Departmental
Policy

TO: Members of House Committee
Community and Regional Affairs

DATE: August 9, 1977

FILE NO:

TELEPHONE NO:

FROM: Robert Shoaf
Summer Intern

SUBJECT: HB 219

Our critical examination of HB 219 focuses on two major topics:

- A. Local approval power
- B. Prior planning by developers

A. Local approval power

Local approval power and permit fees are the two major features of the onshore facilities construction permit. A permit will not be issued without local approval. Municipalities are not required to have planning and zoning in place to make this local decision. Areas that do exercise land use controls do not have to make their decision inconsistent with existing municipal plans and ordinances.

Regardless of how the permit is classified, the local approval power is regulatory in nature and should be designed to protect private property rights. Private property uses cannot be abridged by government unless the public intervention is reasonably related to public welfare. Traditionally, to prevent arbitrary public intervention in private land use, police power controls established standards for intervention (by planning and zoning) in advance.

The Division of Community Planning feels that local approval power in HB 219 is an essential tool which will enable municipalities to manage OCS onshore development. However, municipal decisions must be directed to protect the public welfare. Furthermore, HB 219 should be coordinated with coastal planning under the Coastal Management Act.

Three alternatives are available to remove the arbitrary nature of local approval.

1. Prior planning

OCS onshore facilities siting decisions will be made in the context of coastal planning under Alaska's Coastal Management Act. Local decisions under HB 219 should adhere to approval District Coastal Management Programs. In municipalities where no management programs have been written, local decisions should be in accordance with any existing land use controls and with the principles and emerging plans of the Coastal Management Act.

It is not certain that District Programs under CMA will produce the type of specific standards needed to guide local development decisions. Additionally, not every municipality may be able to afford adequate, on going planning.

2. Guidelines in HB 219

To guide local decisions and to prevent arbitrariness the legislature can incorporate guidelines for municipal decision making in HB 219. Because of the comprehensive mandate for coastal planning in the Coastal Management Act, these guidelines should mirror the policies of CMA.

Guidelines could require that municipal evaluation of a onshore facility construction proposal consider the environmental, social and economic impacts of the project. Approval of a project could issue when a City Council or Municipal Borough found that these impacts were manageable. For example, a municipality could base its decision in part, on whether or not the necessary supportive public facilities and services will be available when the development is completed.

Evaluation of a proposal will require detailed assessment of the proposal and its effects on a municipality. A third alternative is to structure a municipality's use of this assessment period so that local land use plans are produced to serve as a guide for the municipal decision.

3. Interim Planning

This alternative grants municipalities the power to suspend construction of an onshore facility for a reasonable time while District Coastal Management Programs are written and implemented. These programs would place the municipal decision in a more comprehensive framework than would the reliance on guidelines. Additionally, the municipal programs would serve as a guide for future management of OCS impacts, and as a basis for ongoing planning.

If a municipality chooses to approve a proposal without suspending construction pending implementation of a District Program, local approval should be based on positive findings that the impacts of the project are manageable.

In this alternative, HB 219 would only serve municipalities who have not yet written District Management programs.

B. Prior planning by developers

The requirement of three years advance notice of construction plans by developers (section 41.45.110, May 28, 1977 version) may not be feasible. Uncertainties not controlled by developers, such as Federal OCS leasing policies, may interfere with their ability to accurately project construction plans three years in advance.

When external factors dictate a change in plans for OCS onshore activities, developers should be able to change their plans without the excessive penalty of doubling the permit fee. To allow flexibility, the advance planning requirement might be reduced to two years, with changes in plans allowed with one years notice, unless waived by a municipality. Additionally, the Department of Community and Regional Affairs should determine what advance information is feasible in terms of progress of lease sales and exploration.

Statutory Language To Structure Municipal Decisions

Alternative 1: Prior planning

Local comp. plans

"Local approval or denial of a permit shall be in accord with existing or emerging Coastal Management Programs, policies and guidelines.

Alternative 2: Guidelines

"Local permit approval may be granted by a City Council or Borough Assembly if it finds:

- a. That the use will not materially endanger the public health or safety if located where proposed:
 1. That the municipal water supply will be of sufficient quality and quantity to meet the increased demand attributable to the facility;
 2. That the proposed use will not have an unreasonable impact of the coastal environment;
 3. That the necessary supportive public facilities and services will be available as the demand for them attributable to the facility increases;
 4. That associated land and water transportation will minimize degradation of waterfront uses.
- b. That the proposed facility is in accord with existing plans and regulations;
- c. That the use will not substantially injure the value of adjoining or abutting property, or is a public necessity;
- d. That the use will not unreasonably disrupt the social and economic well-being of the municipality."

Alternative 3: Interim planning

HB 219 should specify whether the decision to utilize the moratorium or proceed immediately will be an administrative or legislative one.

Language to implement alternative three should be placed in a new section of the bill. The new section could state:

"Local Approval of an Onshore Facilities Construction Permit.

"When a developer of an OCS onshore facility requests local approval of its proposal, the municipal assembly or council shall meet to make one of two possible decisions.

"If the assembly finds that the project will be consistent with state and local plans then existing under Alaska's CMA [or consistent with enumerated standards], then local approval may be given.

"If the assembly finds that the proposal is not consistent with these guidelines [or will have a significant impact on coastal resources which is not adequately managed by present planning] or is not consistent with the local health, safety and welfare, then the assembly, by a majority vote, may choose to impose a two year moratorium on the proposal, during which time the municipality shall prepare a district coastal management program (See A.S. 46.35.030) to guide subsequent local decisions.

"If a municipality already has implemented a coastal management program, this section does not apply and the local permit decision shall be made in accordance with the policies and procedures of that plan.

"Once a moratorium is imposed, the municipality should contact the Department of Community and Regional Affairs to make arrangements to locate any funds needed for planning."

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

DIVISION OF COMMUNITY PLANNING

JAY S. HAMMOND, GOVERNOR

POUCH B - JUNEAU 99811

January 19, 1978

Where is Attachment?

The Honorable Lisa Rudd
Representative
Pouch V
Juneau, Alaska 99811

Dear Representative Rudd:

This evaluation of oil terminal and service base sites in Kodiak Island Borough represents a major step in the preparation for offshore oil development which may occur in the Western Gulf of Alaska. The Department of Interior's OCS Lease Schedule now proposes a federal sale off Kodiak Island to take place in October 1980.

The study itself embodies many "firsts" for Alaska. It is the first time the State has joined with a borough and a Native Regional Corporation to design, monitor and review a project of this type. In addition, it is the first time that petroleum company opinions concerning OCS site preferences and industrial needs were solicited and obtained in advance of a siting decision. And finally, it is the first time that the method of decision-analysis has been used to organize and integrate the viewpoints of many interest groups for the purposes of site evaluation.

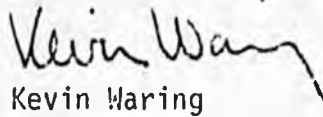
What is presented here is a useful working document providing basic description of sites considered, an evaluation of their development potential--advantages and disadvantages, and a ranking of the sites. The study suggests a way of thinking about site choices. We are advocating an approach to siting decisions that is firm as to purpose but flexibly open to alternative solutions. To accommodate the unknowns inherent in offshore oil exploration, several sites should be considered for future development, pending the outcome of exploratory activity.

Representative Lisa Rudd
January 19, 1978
Page 2

While no absolute decisions need to be made at this time, the Kodiak Island Borough through its land use planning powers, can reserve sites which reflect a balance of viewpoints, are capable of meeting oil company needs, suitable in terms of existing laws and policies, and available for development.

We hope that the approach taken and the findings are of interest to you.

Sincerely,

A handwritten signature in cursive script that reads "Kevin Waring". The signature is written in dark ink and is positioned above the printed name and title.

Kevin Waring
Director

January 10, 1978


Honorable Randy Phillips
House of Representatives
State of Alaska
Pouch V
Juneau, Alaska 99811

Dear Randy:

Enclosed is a draft of the ordinance you requested. As discussed, this is designed for introduction at the Borough level and should be understood that way.

Please call if we may further assist.

Sincerely,



Vincent O'Reilly, Mayor

VOR: sp

Enclosure

CC: Honorable Lisa Rudd
State of Alaska House of Representatives

City of Kenai

3000 580
GENERAL INVESTMENT SERVICES
ALASKA
1000 7500

"An ordinance providing for site planning and development permits and fees for the construction of major developments; industrial, commercial and residential and providing for an effective date."

BE IT ENACTED BY THE BOROUGH ASSEMBLY OF THE KENAI PENINSULA:

Section 1. ASSEMBLY FINDINGS AND DECLARATION OF PURPOSE:

(a) The assembly finds that major development activities; industrial, commercial, residential impact the coastal zone of the Kenai Peninsula; that site planning is essential to prevent degradation of our coastal zone and provide for effective use of the coastal zone; that major developments involve demands for public facilities and services which, initially, are beyond the capacity of local governments to provide; that early knowledge of the location and magnitude of anticipated development will better allow the Borough and local government to plan the provision of public facilities and services before and during the period of development; that the planning and provision of public facilities and services in advance of construction generates a temporary demand for additional revenues to defray costs associated with extra ordinary municipal expenditures; and that there is a need to provide mechanism by which the local governments may receive information about projected developmental activity as a basis for sound public planning decisions and to obtain financial support in order to partially defray the costs of planning and initiating provision of necessary public facilities and services.

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