

STATE OF ALASKA

THE LEGISLATURE

1979

Source

Legislative
Resolve No.

HCS CSSCR 33

30



Relating to a continued study of a direct investment by the state in the Alaska natural gas pipeline project.

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

WHEREAS in 1978 the legislature adopted Senate Concurrent Resolution No. 102 relating to a direct investment by the state in the Alaska natural gas pipeline project; and

WHEREAS in that resolution the legislature recognized the benefits which may result to the State of Alaska through timely construction of the natural gas pipeline; and

WHEREAS that resolution established a Joint Interim Committee on Gas Pipeline Financing to review and consider the merits of direct investment by the State of Alaska in the pipeline project; and

WHEREAS the committee was directed, in consultation with the governor, to determine if direct state financial participation in the pipeline project appeared to be in the best interests of the state; and

WHEREAS, if direct participation was in the best interests of the state, the committee, again in consultation with the governor, was directed to propose legislation to authorize a maximum of \$500,000,000 in direct state financial participation in the pipeline project; and

WHEREAS the committee has been organized, co-chairmen elected, and its work initiated under Senate Concurrent Resolution No. 102; and

WHEREAS the committee submitted a written report to the legislature on January 31, 1979; and

WHEREAS, because of delays beyond the committee's control in the development of data necessary and pertinent to the scheduling of financing and construction of the Alaska natural gas pipeline, it was considered irresponsible for the committee, in consultation with the governor, to make recommendations regarding state financial participation in the report made to the legislature on January 31, 1979; and

WHEREAS there are several major points to be resolved, including but not limited to the following: effects of gas extraction on oil production; effects of an interstate gas pipeline on in-state petrochemical development; lack of substantial gas sales contracts; conditioning costs; pipeline pressure and size; marketability of Alaska gas; possible gas imports from Mexico; reluctance of major producers to participate in the project; and numerous regulatory decisions which the Federal Energy Regulatory Commission must still make before prudent investors will participate in equity financing; and

WHEREAS the legislative finance division has forecast that state general fund revenues will be insufficient to support an outright cash investment of \$500 million even under the most optimistic circumstances;

BE IT RESOLVED by the Alaska State Legislature that the Joint Interim Committee on Gas Pipeline Financing is directed to consult with appropriate financial and legal experts and obtain for the legislature

- (1) a formal opinion of bond counsel on whether general obligation bonds may be legally used to finance state equity participation in the natural gas pipeline;
- (2) if bond counsel determines that the use of general obligation bonds would be legal for this purpose, expert financial opinion on how the issuance of the bonds would affect the state's ability to finance other needed capital projects;
- (3) detailed projections of the state's general fund balances using reasonable income and revenue assumptions; and
- (4) expert financial and legal opinions on any other methods for providing financial assistance to the gas pipeline project; and be it

FURTHER RESOLVED that the Joint Interim Committee on Gas Pipeline Financing is directed to continue its efforts to develop, in consultation with the governor, a report for the legislature examining the economic feasibility of the natural gas pipeline and alternative methods by which the legislature may wish to assist timely construction of the pipeline, including the desirability of direct financial participation in the pipeline; and be it

FURTHER RESOLVED that the Joint Interim Committee on Gas Pipeline Financing submit a written report, including findings and recommendations, to the Second Session of the Eleventh Legislature.