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ALASKA STATE LEGISLATURE House District 35

HB 89 Sponsor Statement

Weather related disasters have cost the State of Alaska \$106,474,936 over the past twenty years according to the Department of Military and Veterans Affairs. One of the most persistent and costly problems for Alaska communities is the regular flooding of rivers. In many regions this flooding is caused by an accumulation of gravel in the river bed, and the severity of the flooding could be decreased by removal of the gravel.

HB 89 provides commercial operators with a financially achievable way to remove gravel and other material in a riverbed prone to flooding. Statute currently requires that the state receive fair market value for sales of its gravel. The Department of Natural Resources assesses fair market value of gravel statewide and charges an up-front per yard fee for gravel removed from state land. This includes all gravel below a river that is determined to be navigable. The current pricing for gravel varies statewide from \$5.00 per yard in Cordova, to \$3.25 per yard on the Kenai Peninsula, \$3.00 in the Mat-Su Borough, and \$2.50 in the Aleutian Islands. This fee inhibits commercial removal of gravel from rivers with regular flooding issues.

HB 89 allows the Department of Natural Resources to consider mitigation of state disaster expenses as part of the fair market value calculation, and to receive a percent of the profit that a private contractor receives for the sale of the gravel they have extracted. HB 89 establishes this level at 12.5% of profits, mirroring the royalty share that the state receives for its oil and gas resources. The percent of profit paid to the state is calculated after the cost of extraction, loading and transportation are subtracted.