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REPRESENTATIVE PAUL SEATON

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Sponsor Statement

HB 229 ver D

HB 229 suspends until January 1, 2019 the surety bond or cash deposit requirement for oil and gas businesses operating in Alaska. This suspension will provide the Dept. of Commerce, Community & Economic Development additional time to develop the regulations needed for proper implementation of this requirement.

The surety bond requirements in AS 43.70.025 and AS 43.70.028 took effect January 1, 2017, as part of HB 247 which was enacted in 2016. The \$250,000 surety bond was included to protect Alaskan small businesses providing supplies and services from the 90 day recovery period if the oil and gas company files for bankruptcy. Section 547 of the Bankruptcy Code allows a trustee to sue Alaskan small business suppliers on existing debts that the oil and gas business paid during the 90 days before the bankruptcy case was filed. The money collected from Alaskan small businesses can then be given to creditors, including secured creditors, whose debts were unpaid. The surety bond or cash deposit provides some reimbursement protection for Alaskan small businesses.