

SENATE JOURNAL
ALASKA STATE LEGISLATURE
TWENTY-FOURTH LEGISLATURE
THIRD SPECIAL SESSION

Juneau, Alaska

Wednesday

July 12, 2006

First Day

Pursuant to the June 26 Proclamation of the Governor calling for the convening of the Third Special Session of the Twenty-Fourth Legislature (page 3626), the Senate was called to order by President Stevens at 6:07 p.m.

The roll showed fifteen members present. Senators Bunde, French were excused from a call of the Senate. Senators Guess, Kookesh, Olson were absent.

The prayer was offered by the Chaplain, Amanda Green. Senator Hoffman moved and asked unanimous consent that the prayer be spread. Without objection, it was so ordered.

Our Dear Father in Heaven,

Thank You for allowing the legislators and their staff to return safely to our Capitol. At this time, Father, we would like to ask You to aid them in the decision-making process as the decisions they make will affect all Alaskans. Heavenly Father, we would also ask You to assist the families of those present, in their patience as this session continues.

Father, we are grateful for the chance to once again gather to decipher familiar issues before us; at this time, Father, we again ask for Your wisdom to guide us.

We ask that You please give us all patience, unity to stand strong, and respect for one another to facilitate work as a team.

We ask these things in Your name, Amen.

Senator Seekins led the Senate in the Pledge of Allegiance.

Certification

Senator Gary Stevens moved and asked unanimous consent that the journal for the thirtieth legislative day of the Second Special Session and the First Journal Supplement of the Second Regular Session and the Second Special Session be approved as certified by the Secretary. Without objection, it was so ordered.

The presence of Senator Kookesh was noted.

Messages from the Governor

Executive Proclamation
by
Frank H. Murkowski, Governor

Under the authority of art. II, sec. 9, and art. III, sec. 17, of the Alaska Constitution, and in the public interest, I call the Twenty-fourth Legislature of the State of Alaska into its third special session at Juneau, Alaska in the legislative chambers on July 12, 2006, at 11:00 a.m. to consider the:

- (1) repeal of the oil production tax and the gas production tax and providing for a production tax on oil and gas; and
- (2) subject of statutory changes for the purpose of clarifying or providing additional authority for the development of contract terms under the Alaska Stranded Gas Development Act (AS 43.82).

Dated this 26th day of June 2006.

/s/

Frank H. Murkowski, Governor

Message dated July 10 was read stating:

Dear President Stevens:

Under the provisions of article III, section 18 of the Alaska Constitution, I am requesting the opportunity to address both the Senate and the House in a joint session of the Twenty-fourth Alaska State Legislature on Thursday, July 13, 2006 at 11 a.m.

Thank you for your cooperation in this effort.

Sincerely yours,

/s/

Frank H. Murkowski
Governor

Messages from the House

Message dated July 12 was read, stating:

The House of Representatives respectfully invites the Senate to a Joint Session of the Twenty-fourth Alaska Legislature on Thursday, July 13 at 11:00 a.m. for a message from the Governor.

Senator Gary Stevens moved and asked unanimous consent that the Senate accept the House invitation to meet in Joint Session. Without objection, it was so ordered.

The Secretary was requested to notify the House.

Communications

The following report is on file in the Office of the Secretary of the Senate:

Annual Report to the Legislature
from Mary Anne Henry, Director
Office of Victims' Rights, Alaska State Legislature
in accordance with AS 24.65.170

Introduction and Reference of Senate Bills**SB 3001**

SENATE BILL NO. 3001 BY THE SENATE RULES COMMITTEE
BY REQUEST OF THE GOVERNOR, entitled:

"An Act relating to the production tax on oil and gas and to conservation surcharges on oil; relating to criminal penalties for violating conditions governing access to and use of confidential information relating to the production tax; amending the definition of 'gas' as that definition applies in the Alaska Stranded Gas Development Act; making conforming amendments; and providing for an effective date."

was read the first time and referred to the Special Committee on Natural Gas Development.

The following fiscal information was published today:

Fiscal Note No. 1, zero, Department of Natural Resources

Fiscal Note No. 2, Department of Revenue

Governor's transmittal letter dated July 12:

Dear President Stevens:

Under the authority of article III, section 18, of the Alaska Constitution, I am transmitting a bill relating to the oil and gas production tax.

This bill is similar to previous versions of oil and gas production tax legislation that the Legislature has considered during both the regular and special sessions this year. I appreciate that legislators have devoted sustained and serious attention and concern to this subject, and there is therefore no need for me to repeat in detail here the reasons why this legislation is urgently needed or how the new tax system set out in this legislation would work. Legislators well understand that the existing production tax law is not adequately serving the interests of Alaskans and that the approach taken by this bill would provide the state with a fairer share of the value of oil and gas production while encouraging vital investment in future production.

I also appreciate that the legislative process this year has led to numerous improvements in the bills that were originally submitted, resulting in increased clarity, predictability, and ease of administration. The bill I am transmitting takes advantage of these improvements by using as its model the most recent versions that were passed by the House and Senate, HCS CSSB 2001(FIN) am H and CCS SB 2001. The following two changes from those versions are reflected in the bill:

1. Because I still believe that a 20 percent tax rate on net value represents a more appropriate balance than either of the higher rates contained in HCS CSSB 2001(FIN) am H or CCS SB 2001, my bill returns to a 20 percent rate.
2. For the same reason, my bill eliminates the additional “progressivity” tax provisions that were in the other versions.
3. Similarly, because I believe that the four percent of gross value tax floor on North Slope production that was added by HCS CSSB 2001(FIN) am H and the similar three percent floor that was contained in CCS SB 2001 are inconsistent with the concept of a progressive net value tax system, my bill eliminates that tax floor provision.

As explained more fully in my transmittal letter accompanying the original administration bills, this bill will greatly improve Alaska's oil and gas tax system, encouraging investment in the state, making tax administration more predictable, and better reflecting the variable economics of oil and gas development. This bill will provide Alaskans with a fairer share of the value of the oil and gas taken out of the ground in our state and provide fiscal certainty for future generations of Alaskans.

I urge your prompt and favorable action on the bill.

Sincerely yours,

/s/

Frank H. Murkowski
Governor

SB 3002

SENATE BILL NO. 3002 BY THE SENATE RULES COMMITTEE
BY REQUEST OF THE GOVERNOR, entitled:

"An Act relating to the Alaska Stranded Gas Development Act; relating to municipal impact money received under the terms of a stranded gas fiscal contract; relating to determination of full and true value of property and required contributions for education in municipalities affected by stranded gas fiscal contracts; and providing for an effective date."

was read the first time and referred to the Special Committee on Natural Gas Development.

The following fiscal information was published today:

Fiscal Note No. 1, zero, Department of Revenue

Fiscal Note No. 2, zero, Department of Natural Resources

Governor's transmittal letter dated July 12:

Dear President Stevens:

Under the authority of article III, section 18, of the Alaska Constitution, I am transmitting a bill relating to the Alaska Stranded Gas Development Act. This bill is a shorter version of SB 2004, which was introduced at my request during the Second Special Session of the Twenty-Fourth Alaska State Legislature. The provisions of the present bill are based largely on certain amendments to SB 2004 that were reflected in CSSB 2004(NGD). The bill I am transmitting would authorize the commissioner of revenue to negotiate fiscal terms relating to oil, and includes provisions relating to certain payments to municipalities and nonprofit organizations.

I continue to believe that the proposed fiscal contract originally negotiated with the producers would be in the public interest. However, it is my intent to be responsive to the concerns expressed by the Legislature and members of the public concerning the provisions in the fiscal contract that provide for fiscal certainty for certain taxes levied on the production of oil. I encourage the Legislature to

continue review the fiscal contract and consider amendments to the Stranded Gas Development Act that will provide a sound foundation throughout the duration of the contract. I pledge the full cooperation of my administration to assist you in this effort, which is in the long-term fiscal interest of the state.

I urge your prompt and favorable consideration of this bill.

Sincerely yours,

/s/

Frank H. Murkowski
Governor

Unfinished Business

Senators Dyson, Therriault, Wagoner moved and asked unanimous consent to be excused from a call of the Senate on July 14. Without objection, Senators Dyson, Therriault, Wagoner were excused.

Senator Ellis moved and asked unanimous consent to be excused from a call of the Senate from July 24 through July 25. Without objection, Senator Ellis was excused.

Announcements

Announcements are at the end of the journal.

Enrollment

SB 231

The following memorandum dated July 11 was received from the Division of Legal and Research Services, Legislative Affairs Agency:

I am reporting the following errors in HOUSE CS FOR CS FOR SENATE BILL NO. 231(FIN) am H(brf sup maj pfld H) "An Act making appropriations, including capital appropriations, supplemental appropriations, reappropriations, and appropriations to capitalize

funds; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date" which were discovered after enrollment and have not been corrected:

Section 46(d)

Page 158, line 6:

Delete "FSSLA 2002"

Insert "SSSLA 2002"

Explanation: The appropriation being amended is in sec. 1, ch. 1, SSSLA 2002.

Section 55

Page 163, line 18:

Delete "FSSLA 2001"

Insert "SLA 2001"

Explanation: The appropriation being amended is in sec. 1, ch. 61, SLA 2001.

Section 66(d)

Page 180, line 11:

Delete "and 65 - 67"

Insert "66, and 67"

Explanation: The retroactivity of sec. 65 is covered by sec. 66(a).

Adjournment

Senator Gary Stevens moved and asked unanimous consent that the Senate stand in adjournment until 10:45 a.m., July 13, 2006. Without objection, the Senate adjourned at 6:28 p.m.

Kirsten Waid
Secretary of the Senate

Announcements

Americans with Disabilities Act Notice - Persons with disabilities who require special accommodation or alternative communication formats to access committee meetings may contact the appropriate committee office or the Legislative Information Office in their community. Reasonable advance notice is needed to accommodate the request. For further information, call the ADA Coordinator at 465-3854 Voice/465-4980 TDD.

SPECIAL COMMITTEES
SPECIAL COMMITTEE ON NATURAL GAS DEV

Jul 13	Thursday	Senate Finance 532	9:00 AM
+	9:00 a.m. Introduction to Special Session Bills:		
+	SB3001	OIL/GAS PROD. TAX	
+	SB3002	STRANDED GAS AMENDMENTS	
+	1:30 p.m. Proposed Revisions to the Stranded Gas Act		

JOINT COMMITTEES**LEGISLATIVE BUDGET & AUDIT**

Jul 13	Thursday	Location Tba	4:00 PM
	No Audits		
	No RPLs		
	No Audit Requests		
	Other Committee Business		

OTHER MEETINGS**JOINT SESSION**

Jul 13	Thursday	House Chamber	11:00 AM
	Message from the Honorable Frank H. Murkowski, Governor		