

SENATE JOURNAL
ALASKA STATE LEGISLATURE
THIRTIETH LEGISLATURE
SECOND SESSION

Juneau, Alaska

Monday

February 5, 2018

Twenty-first Day

Pursuant to adjournment the Senate was called to order by President pro tempore Micciche at 11:07 a.m.

The roll showed fifteen members present. Senators Olson, von Imhof, Wielechowski were excused from a call of the Senate. Senator Kelly was absent. The seat from District E was vacant.

Senator Coghill, Acting Majority Leader, moved and asked unanimous consent President Kelly be excused from a call of the Senate today. Without objection, Senator Kelly was excused.

The prayer was offered by the Chaplain, Pastor Tom Matthews, Douglas Island Bible Church. Senator Hoffman moved and asked unanimous consent that the prayer be spread. Without objection, it was so ordered.

Dear Lord:

God of heaven and earth who created us for Your glory. What an awesome privilege it is for me to come before you in prayer for these Senators. It is incredible for me to think that the creator of the universe has a desire to hear my requests. But Your word clearly tells us that is exactly what you want.

As I come before you today, I would ask you to examine me and to use me as a fit vessel for your service. As David said with a repentant heart, "*See if there be any wicked way in me.*" I know you can't use me unless my own heart is right before you. David's prayer is my prayer as well today.

I humbly come before you to pray on behalf of those who are gathered here. They have a daunting task in the midst of a very difficult year. With the economy as it is, with the price of oil as it is, Alaska has some challenges ahead of it. But there are other issues that are being addressed as well. Issues that touch the heart and soul of every Alaskan. I pray as Solomon prayed, for wisdom and understanding to be given to them. Wisdom and understanding that is beyond them, that can only come from above.

May these legislators be men and women of integrity and justice. May they remain stalwart in their personal resolve to best represent those who put them here.

I lift this prayer in the name of your Son, Jesus Christ. Amen.

Senator Begich led the Senate in the Pledge of Allegiance.

Certification

Senator Coghill, Acting Majority Leader, moved and asked unanimous consent that the journals for the eighteenth through twentieth legislative days be approved as certified by the Secretary. Without objection, it was so ordered.

Communications

The following reports are on file in the Office of the Secretary of the Senate:

Alaska Court System
Schedule of Compensation and Travel
Alaska Supreme Court Justices, Appellate Court Judges, and
Administrative Director
Calendar Year 2017
in accordance with AS 22.20.037

Department of Administration
Division of Finance
Compensation and Travel Report of Executive Positions for 2017
January 31, 2018
in accordance with AS 37.05.210

Standing Committee Reports

SB 126

The Finance Committee considered SENATE BILL NO. 126 "An Act providing for an exception to the regulation of the practice of medicine for a physician who provides medical services to an athletic team from another state." Signing do pass: Senator MacKinnon, Cochair; Senators Bishop, Stevens, Micciche.

The following previously published fiscal information applies:
Fiscal Note No. 1, Department of Commerce, Community and
Economic Development

The bill was referred to the Rules Committee.

SB 128

The Health and Social Services Committee considered SENATE BILL NO. 128 "An Act establishing the marijuana education and treatment fund; and relating to the duties of the Department of Health and Social Services to administer a comprehensive marijuana use education and treatment program." Signing do pass: Senator Wilson, Chair; Senators von Imhof, Micciche, Giessel.

The following fiscal information was published today:
Fiscal Note No. 1, Department of Health and Social Services
Fiscal Note No. 2, Department of Health and Social Services

The bill was referred to the Finance Committee.

HB 64

The Education Committee considered CS FOR HOUSE BILL NO. 64(EDC) "An Act relating to the establishment of the Task Force on Reading Proficiency and Reading Instruction for All Students and on the Effects of Dyslexia on Some Students" and recommended it be replaced with

SENATE CS FOR CS FOR HOUSE BILL NO. 64(EDC) "An Act relating to the establishment of the Legislative Task Force on Reading Proficiency and Dyslexia." (Title Change SCR 16)

Signing do pass: Senator Stevens, Chair; Senators Begich, Coghill, Hughes.

The following fiscal information was published today:
Fiscal Note No. 2, zero, Legislative Agency

The bill was referred to the Rules Committee.

Introduction and Reference of Senate Bills**SB 175**

SENATE BILL NO. 175 BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR, entitled:

"An Act authorizing the commissioner of natural resources to disclose confidential information in an investigation or proceeding, including a lease royalty audit, appeal, or request for reconsideration and issue a protective order limiting the persons who have access to the confidential information."

was read the first time and referred to the Judiciary and Resources Committees.

The following fiscal information was published today:
Fiscal Note No. 1, zero, Department of Natural Resources

Governor's transmittal letter dated February 2:

Dear President Kelly:

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill that clarifies how confidential information obtained by the Commissioner of natural resources may be used and treated as part of the Department of Natural Resources (DNR) appeals, audits, and requests for reconsideration.

A long-standing dilemma faces DNR with respect to the handling of oil and gas sales price information considered "confidential" under Alaska law. Specifically, this dilemma impedes the department's ability to effectively audit and enforce royalty payments when multiple companies working the same lease negotiate different prices. Because sales contracts by one party cannot be provided to another due to confidentiality, producers object to the audit on the basis of a lack of due process. The department then faces administrative obstacles in finalizing the royalty audits.

While the department believes it has the statutory and contractual authority to share this information for audit purposes, providing the information in the face of objection from the affected parties could expose the department and its employees to a claim for improper disclosure of confidential information and criminal penalties. This bill would clarify that the department may disclose pricing information to affected parties under a protective order to finalize the audits without going to court. This will allow the State to more quickly and efficiently collect the royalties it is owed in the future.

I urge your favorable action on this measure so the State may timely finalize audits and recover the royalties it is owed moving forward.

Sincerely,

/s/

Bill Walker
Governor

SB 176

SENATE BILL NO. 176 BY THE SENATE RULES COMMITTEE
BY REQUEST OF THE GOVERNOR, entitled:

"An Act establishing the Alaska Tax Credit Certificate Bond Corporation; relating to purchases of tax credit certificates; relating to overriding royalty interest agreements; and providing for an effective date."

was read the first time and referred to the Resources and Finance Committees.

The following fiscal information was published today:

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

Governor's transmittal letter dated February 2:

Dear President Kelly:

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill to create a State corporation authorized to issue bonds for the purpose of purchasing oil and gas exploration tax credits.

The passage of legislation last year, HB 111 (CH. 3, SSSLA 17), signaled the end of the State's program to purchase oil and gas tax credits. These credits were earned by small producers and explorers; major producers have always been ineligible to participate. Since the beginning of this program in 2007, Alaska has purchased over \$3.5 billion in these credits, with about \$800 million currently in company hands awaiting payment. Another \$200 million are expected before the program is fully terminated. Just as we value our large producers, we value these small producers. Some of the most exciting new developments in the past few years are the result of the efforts of these new small producers.

After the downturn in oil prices and the State's budget challenges, the State was no longer able to purchase these credits as quickly as they were submitted. Since 2016, the State has appropriated funds based on

a statutory formula, resulting in the large accrued balances. The payment delay has resulted in significant uncertainty for Alaska's small producers, some of whom have had a difficult time borrowing additional money to complete their projects. Last year's legislation to end the program was an important step towards restoring the State to a more stable fiscal foundation. This bill would allow the State to take the next vital step in resolving the State's oil and gas tax credit obligation.

The bill would establish an Alaska Tax Credit Certificate Bond Corporation that would be authorized to issue up to \$1 billion in bonds to finance purchases of oil and gas tax credits at a discount from face value. This discount offered to these small producers would then be used to pay the cost of financing the bonds. In short, the State would not bear the cost of financing the bonds, but rather that would be paid by the small producers. The bonds would not constitute a general obligation of the State. The corporation's authority to issue bonds would expire on December 31, 2021.

This bill would provide authority for the Department of Revenue to negotiate the purchase of tax credits at less than full value when bond proceeds are used for those purchases. Under the bill, applicants that have requested purchase of tax credits from the oil and gas tax credit fund would notify the Department of Revenue of interest in purchase of tax credits from bond proceeds at a discounted amount. Those applicants would need to include all tax credits requested for purchase from the fund in the notice of interest. A purchase offer amount by the Department of Revenue from bond proceeds would be determined by discounting the face amount of such tax credits based on the assumed payment schedule of the tax credits if the Department of Revenue had purchased the tax credits through the oil and gas tax credit fund over a number of years.

The face amount of the tax credits would be discounted each year by 10 percent. A lower discount could apply for an applicant that agrees to one or more conditions that provide additional value to the State. These conditions include agreements for overriding royalty interests, waivers of confidentiality for early release of seismic data, and commitments to make future qualified capital expenditures in the state. The lower discount rate would apply automatically to purchases of

certain corporate income tax credits for gas storage facilities and in-state oil refineries. The lower discount rate will be based on the State's true interest cost plus 1.5 percent, which we currently estimate will be about 5.5 percent. The corporation would not issue bonds unless it found that the discount rate applied in the Department of Revenue's purchase of the tax credits would exceed the State's true interest cost on the bonds by at least 1.5 percent per year.

The Department of Natural Resources would handle the agreements for overriding royalty interests and waivers of confidentiality for early release of seismic data. The bill would have an immediate effective date. The immediate effective date would allow the new Alaska Tax Credit Certificate Bond Corporation, the Department of Revenue, the Department of Natural Resources, and those requesting purchase from the oil and gas tax credit fund the ability to start work right away to address these tax credits.

I am proposing this bill to achieve a fair resolution to the oil and gas tax credit purchase program, and to free up capital for the small companies impacted by the program to resume investing in future oil production. Passage of this bill would allow the state to move past the uncertainty on these tax credits and focus on growing Alaska.

I urge your prompt and favorable action on this measure.

Sincerely,
/s/
Bill Walker
Governor

SB 177

SENATE BILL NO. 177 BY SENATOR MACKINNON, entitled:

"An Act relating to the mental health trust fund and the Alaska Mental Health Trust Authority; relating to the Alaska Mental Health Trust Authority's authority to acquire, invest in, make capital improvements to, or undertake other activities on real properties; relating to management of mental health trust land; establishing the Alaska Mental Health Trust

Authority Development account; relating to public access to information concerning the Alaska Mental Health Trust Authority or mental health trust land; and providing for an effective date."

was read the first time and referred to the State Affairs and Finance Committees.

Consideration of the Calendar

Citations

In Memoriam - Robert Dennis
Representative(s) Claman

Senator(s) Kelly, Begich, Bishop, Coghill, Costello, Egan, Gardner, Giessel, Hoffman, Hughes, MacKinnon, Meyer, Micciche, Olson, Stedman, Stevens, von Imhof, Wielechowski, Wilson

Senator Coghill, Acting Majority Leader, moved and asked unanimous consent the citation be adopted. Without objection, the citation was adopted and referred to the Secretary for transmittal.

Announcements

Announcements are at the end of the journal.

Adjournment

Senator Coghill, Acting Majority Leader, moved and asked unanimous consent the Senate stand in adjournment until 10:30 a.m., February 7, 2018. Without objection, the Senate adjourned at 11:24 a.m.

Liz Clark
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.

STANDING COMMITTEES

+ indicates teleconference

= indicates bill previously heard/scheduled

COMMUNITY & REGIONAL AFFAIRS

Feb 06 Tuesday Beltz 105 (tsbldg) 3:30 PM
 + HB 2 PRIV EMPLOYER VOLUNTARY VET PREFERENCE

Feb 08 Thursday Beltz 105 (tsbldg) 3:30 PM
 + Bills Previously Heard/Scheduled

EDUCATION

Feb 05 Monday Butrovich 205 8:00 AM
 += HB 64 READING PROFICIENCY TASK FORCE; DYSLEXIA
 -- Testimony <Time Limit May Be Set> --
 -- Testimony <Invited and Public> --
 + Bills Previously Heard/Scheduled
 Streamed live on AKL.tv

Feb 07 Wednesday Capitol 106 8:00 AM
 -- Please Note Location Change --
 Joint Meeting with the House Education Committee
 Presentation: University of Alaska President
 Dr. Jim Johnson
 "Building a Culture of Education:
 K12 - University Partnerships
 University Administrative Cost Effectiveness"
 -- Testimony <Invitation Only> --
 Streamed live on AKL.tv

EDUCATION (continued)

Feb 09	Friday	Butrovich 205	8:00 AM
+	Bills Previously Heard/Scheduled		

FINANCE

Feb 05	Monday	Senate Finance 532	9:00 AM
+= SB 37	PHARMA BD & EMPLOYEES;DRUG DIST/MANUFAC		
+ SB 126	VISITING PHYSICIANS WITH SPORTS TEAMS		
+	Bills Previously Heard/Scheduled:		
+= SB 4	NON-CHEMICAL BARBERING;HAIR BRAIDING		

Feb 06	Tuesday	Senate Finance 532	9:00 AM
+	Presentation: Shared Services Initiative		
	Commissioner Designee - Leslie Ridle		
+	Bills Previously Heard/Scheduled		

Feb 07	Wednesday	Senate Finance 532	9:00 AM
+	Presentation: State Debt Analysis		
	Deven Mitchell, State Investment Officer		
	Department of Revenue		
+	Bills Previously Heard/Scheduled		

Feb 08	Thursday	Senate Finance 532	9:00 AM
+	Presentation: Health Care Authority Overview		
	Contractor with the Department of Administration		
+	Bills Previously Heard/Scheduled		

Feb 09	Friday	Senate Finance 532	9:00 AM
+= SB 144	APPROP: OPERATING BUDGET/LOANS/FUNDS		
	David Teal, Director, Legislative Finance		
	Division		
+ SB 168	APPROP: SUPPLEMENTAL OP.; FUND; AMENDING		
	Pat Pitney, Director, Office of Management and		
	Budget		
	Neil Steinger, Chief Budget Analyst, Office of		
	Management and Budget		
+	Bills Previously Heard/Scheduled		

HEALTH & SOCIAL SERVICES

Feb 05 Monday Butrovich 205 1:30 PM
 -- MEETING CANCELED --
 + Bills Previously Heard/Scheduled
 += SB 81 DHSS CENT. REGISTRY;LICENSE;BCKGROUND CHK

Feb 07 Wednesday Butrovich 205 1:30 PM
 + SB 170 EXTEND: SENIOR BENEFITS PAYMENT PROGRAM
 -- Testimony <Invited and Public> --

Feb 09 Friday Butrovich 205 1:30 PM
 + Bills Previously Heard/Scheduled
 += SB 170 EXTEND: SENIOR BENEFITS PAYMENT PROGRAM

JUDICIARY

Feb 05 Monday Beltz 105 (tsbldg) 1:30 PM
 No Meeting Scheduled

Feb 07 Wednesday Beltz 105 (tsbldg) 1:30 PM
 No Meeting Scheduled

Feb 09 Friday Beltz 105 (tsbldg) 1:30 PM
 No Meeting Scheduled

LABOR & COMMERCE

Feb 06 Tuesday Beltz 105 (tsbldg) 1:30 PM
 += SB 62 REPEAL CERTIFICATE OF NEED PROGRAM
 -- Testimony <Invited and Public> --
 + SB 105 MARITAL & FAMILY THERAPY LIC. & SERVICES
 -- Public Testimony --
 + Bills Previously Heard/Scheduled

LABOR & COMMERCE (continued)

Feb 08 Thursday Beltz 105 (tsbldg) 1:30 PM
 + SB 155 REAL ESTATE APPRAISAL MNGMT. COMPANIES
 -- Public Testimony --
 + SB 116 EDUCATION TAX CREDITS;SUNSET;REPEALS
 -- Public Testimony --
 + HB 126 ORGANIZED MILITIA: WORKERS COMPENSATION
 -- Public Testimony --
 + SJR 12 CONGRESS REVERSE FCC ON NET NEUTRALITY
 -- Public Testimony --
 + Bills Previously Heard/Scheduled

RESOURCES

Feb 05 Monday Butrovich 205 3:30 PM
 + Overview: Alaska's State Park System
 - Department of Natural Resources, Division of
 Parks & Outdoor Recreation
 -- Testimony <Invitation Only> --
 + Bills Previously Heard/Scheduled

Feb 07 Wednesday Butrovich 205 3:30 PM
 + Overview: Alaska's Federal Issues
 - Department of Law
 -- Testimony <Invitation Only> --
 + Bills Previously Heard/Scheduled

Feb 09 Friday Butrovich 205 3:30 PM
 += SB 86 ALASKA RAILROAD CORPORATION LAND
 -- Testimony <Invitation Only> --
 + SB 166 MINING: CLAIMS;RIGHTS;RENTAL RATES;LABOR
 -- Testimony <Invitation Only> --
 + Overview: Arctic Strategic Transportation
 & Resources Project (ASTAR)
 + Bills Previously Heard/Scheduled

STATE AFFAIRS

Feb 06 Tuesday Butrovich 205 3:30 PM
 -- Public Testimony --
 + SR 7 DEDICATING THE JAN FAIKS CONFERENCE ROOM
 + SCR 5 ALASKA READS DAY
 + SR 8 FEBRUARY 2018: BLACK HISTORY MONTH
 + Bills Previously Heard/Scheduled

Feb 08 Thursday Butrovich 205 3:30 PM
 + SB 164 CONFIDENTIALITY OF ANIMAL & CROP RECORDS
 + SB 148 BACKGROUND CHECKS FOR POLICE & TRAINING
 + Bills Previously Heard/Scheduled

TRANSPORTATION

Feb 06 Tuesday Butrovich 205 1:30 PM
 -- Time Change --
 + Aviation Overview and Project Updates

Feb 08 Thursday Butrovich 205 1:30 PM
 -- Time Change --
 + STIP 101 (State Transportation Improvement Program) & Overview of New STIP (2019-2021)

FINANCE SUBCOMMITTEES

ADMINISTRATION

Feb 09 Friday Senate Finance 532 3:30 PM
 -- Teleconference <Invitation Only> --
 Overview of FY19 Department Budget

FINANCE SUBCOMMITTEES (continued)

COMMERCE, COMMUNITY & ECONOMIC DEV

Feb 06 Tuesday Senate Finance 532 8:15 AM
 Department Overview

CORRECTIONS

Feb 09 Friday Senate Finance 532 2:00 PM
 + FY19 Budget Review

REVENUE

Feb 09 Friday Senate Finance 532 1:00 PM
 + FY19 Budget Review

JOINT COMMITTEES

LEGISLATIVE COUNCIL

Feb 05 Monday House Finance 519 6:00 PM
 + Approval of Minutes:
 a. March 2017 - August 2017
 + Ratification of Charitable Events:
 a. The Canvas at REACH Annual Fundraising Dinner
 b. 2nd Annual Catholic Community Services Formal
 Gala
 c. 26th Annual Girl Scouts Fundraiser
 d. Lawmaker's Round Up
 e. 33rd Annual Sham Jam
 + Contract Approvals:
 a. Bethel Lease Extension
 b. Cordova Lease Extension
 c. Eagle River Lease Extension
 d. Glennallen Lease Extension
 e. Homer Lease Extension
 f. Interagency Lease Extension

(Continued on Next Page)

LEGISLATIVE COUNCIL (continued)**(Continued from Previous Page)**

g. Juneau Storage - Goldstein Lease Extension
 h. Ketchikan Lease Extension
 i. Kotzebue Lease Extension
 j. North Pole Lease Extension
 k. Ombudsman - Anchorage Lease Extension
 l. Office of Victims' Rights Lease Extension
 m. Sitka Lease Extension
 n. Unalaska Lease Extension
 o. Wrangell Lease Extension
 Executive Session
 + Other Committee Business
 a. FY17 Legislative Audit
 b. FY19 Proposed Budget

Feb 06 Tuesday Gruenberg 120 7:00 AM
 Sexual & Other Workplace Harassment Subcommittee:
 Sexual & Other Workplace Harassment Policy

Feb 08 Thursday Gruenberg 120 7:00 AM
 Sexual & Other Workplace Harassment Subcommittee:
 Sexual & Other Workplace Harassment Policy

Feb 10 Saturday Gruenberg 120 10:00 AM
 Sexual & Other Workplace Harassment Subcommittee:
 Sexual & Other Workplace Harassment Policy

OTHER MEETINGS**JOINT SESSION**

Feb 07 Wednesday House Chamber 11:00 AM
 State of the Judiciary Address by the Honorable
 Craig Stowers, Chief Justice

Feb 22 Thursday House Chamber 11:00 AM
 Annual Address by the Honorable
 Lisa Murkowski, U.S. Senator

JOINT SESSION (continued)

Feb 26	Monday	House Chamber	11:00 AM
	Annual Address by the Honorable Dan Sullivan, U.S. Senator		

MISCELLANEOUS MEETINGS

Feb 12	Monday	Senate Finance 532	1:00 PM
	School District Legislative Fly-In Informal Q & A Session Regarding Alaska's Public School System All School District Participants of the Fly-In are Encouraged to Attend		