

HOUSE FINANCE COMMITTEE
May 19, 2003
4:24 PM

TAPE HFC 03 - 103, Side A

CALL TO ORDER

Co-Chair Williams called the House Finance Committee meeting to order at 4:24 PM.

MEMBERS PRESENT

Representative John Harris, Co-Chair
Representative Bill Williams, Co-Chair
Representative Kevin Meyer, Vice-Chair
Representative Ethan Berkowitz
Representative Mike Chenault
Representative Richard Foster
Representative Mike Hawker
Representative Beth Kerttula
Representative Carl Moses
Representative Bill Stoltze
Representative Jim Whitaker

MEMBERS ABSENT

Representative Eric Croft
Representative Reggie Joule

ALSO PRESENT

Senator Thomas Wagoner; Will Nebesky, Department of Natural Resources; Bill Van Dyke, Petroleum Manager, Department of Natural Resources; Steve Porter, Deputy Commissioner, Department of Revenue.

PRESENT VIA TELECONFERENCE

Dan Dickinson, Director, Division of Oil and Gas Audit, Department of Revenue.

SUMMARY

CSSB 185(FIN)

"An Act providing for a reduction of royalty on certain oil produced from Cook Inlet submerged land, and for a credit for certain exploration expenses against oil and gas properties production taxes on oil and gas produced from a lease or property in the state."

CSSB 185(FIN) was REPORTED out of Committee with a "do pass" recommendation and with two previously published fiscal impact notes: DNR #2 and REV #3.

CSSB 117(FIN)

"An Act relating to the longevity bonus program; and providing for an effective date."

CSSB 117 (FIN) was REPORTED out of Committee with no recommendation" and five fiscal impact notes: #2, #3 and #4, and #6 from the Department of Health and Social Services, and #5 from the Department of Administration.

#sb185

CS FOR SENATE BILL NO. 185(FIN)

"An Act providing for a reduction of royalty on certain oil produced from Cook Inlet submerged land, and for a credit for certain exploration expenses against oil and gas properties production taxes on oil and gas produced from a lease or property in the state."

Representative Berkowitz expressed concern about moving a bill of this magnitude without having the opportunity to fine-tune its programs. He observed that incentives were being made available without adequate knowledge of the level of exploration throughout the state. He raised questions about access to all producers. He questioned whether ten years' hold on data was too much, or whether two years might encourage competition.

Representative Berkowitz MOVED to ADOPT Amendment #1, by Representative Berkowitz and Representative Kerttula:

REPORT TO THE LEGISLATURE. On or before the first day of the Second Regular Session of the Twenty-Third Alaska State Legislature, the commissioner of natural resources shall prepare a report to the legislature. The report must include a discussion

- (1) Specific incentives that could be used to spur oil and gas exploration;
- (2) A comprehensive plan to lower pipeline tariffs for independent oil producers;
- (3) A comprehensive plan for reasonably priced access to facilities and infrastructure;
- (4) An informational study on the higher cost of exploration and development in the state and plans to mitigate that higher cost; and
- (5) The potential costs and benefits inherent to each incentive plan.

Co-Chair Williams OBJECTED.

In response to a question by Co-Chair Harris, Representative Berkowitz stated that the Department had been apprised of the changes proposed by the amendment. He pointed out that the amendment requires a comprehensive report from the

Department of Natural Resources regarding oil exploration. He maintained that the areas contained in the amendment needed further study.

Representative Whitaker asked that his name be added to the amendment.

STEVE PORTER, DEPUTY COMMISSIONER, DEPARTMENT OF REVENUE stated that the report indicated by the amendment was more comprehensive than anticipated. He expressed concern regarding the words "comprehensive plan" in regards to the level of effort required. He observed that additional personnel would be needed if the level of detail required were great.

Representative Berkowitz MOVED to AMEND the Amendment to delete the word "comprehensive" from lines 11 and 13. Co-Chair Williams OBJECTED for purpose of further discussion.

Representative Hawker noted that "plan" indicated intent to lower pipeline tariffs and implied that current practices needed to be changed. He stated that he would be more comfortable with an amendment that discussed the "feasibility" or "reasonability" of lower pipeline tariffs.

Mr. Porter suggested the wording:

(2) An analysis of the impact of pipeline tariffs on independent oil producers;

Representative Berkowitz WITHDREW his MOTION and MOVED Amendment #1.a, which would change "comprehensive plan" to "an analysis".

Vice-Chair Meyer OBJECTED. He asked the definition of independent oil producers. He noted that the title of the bill indicated Cook Inlet Oil and asked if this reflected a concern for access to the pipeline in the Cook Inlet or TAPS. He also asked whether facilities referred to those in Cook Inlet or all facilities. He suggested that a clear definition of independent oil might be available. Mr. Porter indicated that the word "independent" might not be a definitive statement. He asked whether this was focused on the North Slope.

Representative Kerttula stated that the focus was mainly for non-carriers in the North Slope. Mr. Porter indicated that removing "independent oil producers" would be more inclusive. Rep. Meyer concurred that this might be preferable since the bill was focused on the North Slope.

Representative Berkowitz noted that that the cost of exploration expenses might be anywhere in the state.

Representative Whitaker maintained that the intent of the report is to find out what is probable and possible.

Representative Hawker clarified lines 4 and 5. He suggested that (4) be changed to read "an analysis of the costs of exploration and development in the state and opportunities or approaches to mitigate that higher cost".

Representative Whitaker observed that the report need not be overly comprehensive. Representative Hawker concurred that his suggested was to focus on viable and immediate opportunities.

Representative Hawker suggested that (5) be finished to read: "inherent to each option."

Amendment 1A was Amended to read and MOVED:

REPORT TO THE LEGISLATURE. On or before the first day of the Second Regular Session of the Twenty-Third Alaska State Legislature, the commissioner of natural resources shall prepare a report to the legislature. The report must include a discussion

- (1) Of specific incentives that could be used to spur oil and gas exploration;
- (2) And an analysis of the impact of pipeline tariffs on independent oil producers;
- (3) And an analysis of the costs of access to facilities and infrastructure;
- (4) And an analysis of the costs of exploration and development in the state and opportunities or approaches to mitigate that higher cost; and
- (5) Of the potential costs and benefits inherent to each option.

There being NO OBJECTION, Amendment 1.A was ADOPTED as Amended.

Mr. Porter clarified that the Department would not be able to immediately analyze the impacts of the bill. Representative Berkowitz emphasized that this was his concern with the bill. Mr. Porter clarified that they would not be able to analyze the effectiveness of the bill until the following year.

Representative Berkowitz pointed out that his intent was that next session, when an oil and gas bill was introduced, the research would give adequate background information.

Representative Foster MOVED to report HCSSB 185 (FIN) out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTIONS, it was so ordered.

HCSSB 185 (FIN) was REPORTED out of Committee with a recommendation and

CSSB 185(FIN) was REPORTED out of Committee with a "do pass" recommendation and with two previously published fiscal impact notes: DNR #2 and REV #3.

#sb117

CS FOR SENATE BILL NO. 117(FIN)

"An Act relating to the longevity bonus program; and providing for an effective date."

Representative Stoltze MOVED to ADOPT Amendment #1, #23-GS1100\C.5, Cook, 5/18/03 (Copy on File).

Co-Chair Williams OBJECTED.

Representative Stoltze explained that the amendment would off an income based needs-based program. The income levels were based on the Denali Kid Care program.

Co-Chair Williams stated that he would like to work on the legislation. He noted that the Governor does not like the bill; it was barely passed by the Senate. There is not enough time in this session to address a compromise. He commented that it was a logistic problem.

Co-Chair Harris noted that he supported Amendment #1. It would provide for protect the most needy in the State. The amendment would allow those people that really need to qualify to receive it. He asked if these people would have to apply monthly for eligibility.

Representative Stoltze thought that they would rely on regulatory authority.

AT EASE: 5:00 P.M.
RECONVENE: 5:05 P.M.

Representative Stoltze WITHDREW the Amendment and proposed to offer it on the Floor.

Co-Chair Harris MOVED to report CSSB 117 (FIN) out of Committee with individual recommendations and the accompanying fiscal note. Representative Berkowitz OBJECTED.

A roll call vote was taken on the motion.

IN FAVOR: Stoltze; Whitaker; Hawker; Meyer; Williams; Harris
OPPOSED: Berkowitz; Foster; Kerttula; Moses

Representative Chenault was not present for the vote.

The MOTION PASSED (6-4).

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ADJOURNMENT

The meeting was adjourned at 4:59 P.M.