

**ALASKA STATE LEGISLATURE  
HOUSE RESOURCES STANDING COMMITTEE**

February 4, 2004

1:42 p.m.

**MEMBERS PRESENT**

Representative Nancy Dahlstrom, Co-Chair  
Representative Beverly Masek, Co-Chair  
Representative Cheryll Heinze, Vice Chair  
Representative Carl Gatto  
Representative Bob Lynn  
Representative Nick Stepovich  
Representative Kelly Wolf  
Representative Beth Kerttula  
Representative David Guttenberg

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

HOUSE BILL NO. 344

"An Act relating to annual rental fees for mining claims, and providing for reduced royalties during the first three years of production."

- HEARD AND HELD

HOUSE BILL NO. 345

"An Act relating to fees for state park developed campsites; and providing for an effective date."

- HEARD AND HELD

**PREVIOUS ACTION**

BILL: HB 344

SHORT TITLE: MINING FEES, RENTALS, & ROYALTIES

SPONSOR(S): REPRESENTATIVE(S) FATE

Jrn-Date	Jrn-Page		Action
01/12/04	2286	(H)	PREFILE RELEASED 1/2/04
01/12/04	2286	(H)	READ THE FIRST TIME - REFERRALS
01/12/04	2286	(H)	RES, FIN

01/12/04	2286	(H)	REFERRED TO RESOURCES
01/21/04	2363	(H)	COSPONSOR(S): FOSTER
02/04/04		(H)	RES AT 1:00 PM CAPITOL 124

BILL: HB 345

SHORT TITLE: CAMPSITE FEES: DISABLED VETERANS/SENIORS  
 SPONSOR(S): REPRESENTATIVE(S) FATE

Jrn-Date	Jrn-Page		Action
01/12/04	2286	(H)	PREFILE RELEASED 1/2/04
01/12/04	2286	(H)	READ THE FIRST TIME - REFERRALS
01/12/04	2286	(H)	RES, FIN
01/12/04	2286	(H)	REFERRED TO RESOURCES
02/04/04		(H)	RES AT 1:00 PM CAPITOL 124

**WITNESS REGISTER**

JIM POUND, Staff  
 to Representative Hugh Fate  
 Alaska State Legislature  
 Juneau, Alaska

POSITION STATEMENT: Presented HB 344 on behalf of  
 Representative Fate, sponsor.

STAN FOO, Mining Section Manager  
 Division of Mining, Land and Water  
 Department of Natural Resources  
 Anchorage, Alaska

POSITION STATEMENT: During discussion of HB 344, provided  
 information and answered questions.

KERWIN KRAUSE, Geologist  
 Division of Mining, Land and Water  
 Department of Natural Resources  
 Anchorage, Alaska

POSITION STATEMENT: During discussion of HB 344, provided  
 information and answered questions.

CAROLINE ALLEN, Staff  
 to Representative Hugh Fate  
 Alaska State Legislature  
 Juneau, Alaska

POSITION STATEMENT: Presented HB 345, on behalf of  
 Representative Fate, sponsor.

JOE MATHIS, Co-Owner

Montana Creek Campground  
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 345.

SHEILA LANKFORD, Co-Owner  
Montana Creek Campground  
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 345.

SCOTT REISLAND, Vice President  
Alaska Campground Association;  
National Board of RV Parks;  
Member, Board of Directors  
Alaska Travel Industry Association  
Fairbanks, Alaska

POSITION STATEMENT: Testified in opposition to HB 345.

PETE PANARESE, Field Operations Manager  
Division of Parks and Outdoor Recreation  
Department of Natural Resources  
Anchorage, Alaska

POSITION STATEMENT: During discussion of HB 345, presented information and answered questions.

#### **ACTION NARRATIVE**

#### **TAPE 04-1, SIDE A**

Number 0001

**CO-CHAIR NANCY DAHLSTROM** called the House Resources Standing Committee meeting to order at 1:42 p.m. Representatives Dahlstrom, Masek, Heinze, Wolf, Gatto, Stepovich, Guttenberg, and Kerttula were present at the call to order. Representative Lynn arrived as the meeting was in progress.

#### **HB 344-MINING FEES, RENTALS, & ROYALTIES**

CO-CHAIR DAHLSTROM announced that the first order of business would be HOUSE BILL NO. 344, "An Act relating to annual rental fees for mining claims, and providing for reduced royalties during the first three years of production."

Number 0139

JIM POUND, Staff to Representative Hugh Fate, presented HB 344 on behalf of Representative Fate, sponsor. Mr. Pound characterized HB 344 as a bill that would allow Alaska to

continue in [resource development]. In the past, he said Alaska [had many] small precious metal mines operated by actual owners with one or two employees. He explained that those mines brought income to themselves, individual people, and the state. Mr. Pound said many of those hardworking miners have been forgotten over the years, with [the state] paying more attention to oil and gas [development]. Today, the small mine is all but gone from Alaska because [the state] has not given those miners the incentives to go back into the field to work, he said.

MR. POUND said HB 344 is designed to start that process again. The incentives include a reduction in the rental fees and claims for the first five years, and the miner will also get a credit on his or her royalties for the first three years. He said the small miner is what made Alaska what it is today. Furthermore, it is a small business that buys locally and is an industry that can prosper statewide. He urged support for HB 344. Mr. Pound noted that the sponsor had some amendments he would like to offer.

Number 0421

REPRESENTATIVE HEINZE asked if all claims are of equal size and cost.

Number 0450

STAN FOO, Mining Section Manager, Division of Mining, Land and Water, Department of Natural Resources (DNR), testified. He said one of DNR's concerns is that there is currently no distinction in state law between placer mining claims and hard rock mining claims, although it is a distinction in federal law. Mr. Foo said that is an issue that would have to be addressed.

REPRESENTATIVE HEINZE mentioned Donlin Creek. She asked for clarification on [various sizes of operations].

MR. FOO, in response, said Donlin Creek is on private grounds controlled by the Calista Corporation and the Kuskokwim Corporation. He said it seems like the bill is distinguishing between the small placer operator and the hard rock operator, which is a distinction that isn't available under state law. However, federal law does differentiate between placer mines and hard rock mines. With regard to size of operations, he said there is an obvious difference between Fort Knox and a small placer operator in the size of the property and production and the possible royalties that might be generated.

Number 0626

REPRESENTATIVE STEPOVICH asked if the bill reflects that.

MR. FOO, in response, said the bill seemed to distinguish between placer operations and hard rock operations.

Number 0735

REPRESENTATIVE KERTTULA said she has some major concerns, one of which is that it looks like the sponsor wants to make the differentiation between placer and hard rock claims, which the state doesn't make. She said she is not sure that the language is really clear [in distinguishing] between small and large mines, which she thought was the intent. Representative Kerttula indicated she would like Mr. Foo's help to be absolutely certain of that. She asked Mr. Foo how this plan is going to interact with exploration incentive credits currently in place.

MR. FOO said this bill would provide additional tax or royalty reductions. He said currently, most of the large hard rock operators do qualify for the \$20 million in royalty reductions and exploration credit. There is also a break given for the first three years of operation. This would be in addition to that, he said.

REPRESENTATIVE KERTTULA asked Mr. Pound if the real intent is to "touch" the placer mines.

MR. POUND, in response, said correct. He said he had some "clean up" language.

Number 0893

REPRESENTATIVE GATTO pointed out that the fiscal note had a page and a half of notes at the bottom. He turned attention to page 2 of the fiscal note, which read in part:

Therefore, it would not be possible to apply the provisions of this bill exactly as they are written. This fiscal note assumes that this technical issue is resolved ....

REPRESENTATIVE GATTO said apparently [the technical issue] is not [resolved]. Suggesting that the fiscal note is confusing,

he said the question cannot be addressed because the differences between [placer mining and hard rock mining] are not resolved yet. He remarked, "They are lumped together and yet we're taking them apart in the bill, but they haven't been taken apart yet."

Number 0973

MR. POUND, in response, said those are technical issues that he'd just found out about. He said he had some conceptual language that he thought would resolve the issue.

REPRESENTATIVE GATTO asked how much money the operator would save because of this bill.

MR. POUND, in response, said a lot of it has to do with the viability of the mine, especially with the royalties aspect. He said if a mine operator has a relatively viable mine that starts producing and the operator can save on royalties within the first five years, it will return the cost of getting that mine into operation. Mr. Pound remarked, "A small mine is probably a D6 or 8." He said in a placer mining operation, the other equipment that is involved is a fairly large investment.

Number 1082

REPRESENTATIVE STEP OVICH turned attention to page 3, lines 10-13, which read:

(B) a credit equal to the total amount of net losses during the first three years of production; this credit may be applied to the production royalty owed in the first three years during which production yields a net income.

REPRESENTATIVE STEP OVICH asked if he understands this language to mean that if the losses outweigh royalties, then it would be possible to receive a credit.

Number 1143

MR. POUND responded that is correct.

REPRESENTATIVE STEP OVICH asked if the state will be giving back money to companies in which [the losses far outweigh the royalties].

MR. POUND responded that he does not foresee a situation where the state will be giving back money.

REPRESENTATIVE STEPOVICH asked for clarification on how the credit works.

MR. POUND replied DNR may be able to explain [how the credit works] better than he can. He said as he understands it, the mine operators are allowed to take net losses and apply it as part of their credit against royalties [owed to the state]. If the mine is viable and profitable in three years, then the mine operator would get an additional royalty credit.

REPRESENTATIVE STEPOVICH turned attention to page 3, line 11, he asked if the word "may" leaves [the interpretation of this bill] open.

MR. POUND responded that this language would leave it wide open for the miner. He said with this wording, the miner may or may not choose to apply the credit this way, as opposed to using the word "shall". He added that the miner could have another way to write off the losses.

Number 1269

REPRESENTATIVE GUTTENBERG asked if anyone has done an economic model to [examine] the viability of this plan.

MR. POUND replied that he is not aware of any.

REPRESENTATIVE GUTTENBERG asked Mr. Foo if this bill actually separates the placer [miners] from hard rock [miners].

Number 1300

MR. FOO replied that he believes it would be necessary to distinguish between the placer and hard rock mines to enact this legislation.

REPRESENTATIVE GUTTENBERG asked Mr. Foo if this bill clearly and definitively makes a distinction between the two [types of mining].

REPRESENTATIVE GUTTENBERG, in response to Mr. Foo's comments, said the bill says the distinction must be made, but does not actually make that distinction. It leaves DNR to make that decision, he commented.

Number 1368

REPRESENTATIVE GATTO said it appears a placer miner could save \$20 for a placer mine and a hard rock miner could save \$50 for a hard rock mine. According to the fiscal note this savings would cost the state \$15,000. He said he is concerned that this bill would cost \$15,000 to give out \$20 or \$50 credits. Representative Gatto questioned that a miner would be concerned about \$20, and he said he does not believe that this is something that should be offered. He asked Mr. Pound to provide a justification for spending \$15,000.

MR. POUND advised the committee that he was told this morning that the cost of "MTRSC" has gone up. He added that he only received the fiscal note today and has not had the opportunity to look at it to determine if the figures are completely valid.

REPRESENTATIVE STEPOVICH asked what the maximum savings would be for the miner under subsections (f) and (g).

MR. POUND responded that it would depend on the viability of the mine. He explained that there would not be any kind of major savings for the rent, but there could be a savings on the royalties if it is a viable mine.

Number 1506

CO-CHAIR MASEK asked for clarification on what happens to the sites mentioned in the sponsor statement and if big corporations are letting these sites go [back to the state to be leased].

MR. FOO asked for clarification of Co-Chair Masek's question.

Number 1554

CO-CHAIR MASEK said the intent of this legislation is to encourage more mining. She asked if there are there a lot of big corporations that are holding onto leased mining sites which are not being mined.

MR. POUND responded that the statement was inserted into the sponsor statement based on information provided by [Fairbanks Gold Mining, Inc.] that in the Fairbanks area there are a considerable number of mining claims that from a corporate perspective, they do not consider viable for them to mine. He said their process is to just hold on to the properties and pay

the rent; therefore, no royalties are being paid to the state. He said this bill would provide such companies to consider some kind of a sublease program to sublease [the sites] to a smaller mining company thus making it a viable operation [capable of] \$50,000 to \$70,000 [in production] each year.

REPRESENTATIVE STEPOVICH asked who would qualify under this plan.

MR. POUND responded that a new mining operation or any mining company that has been in operation less than five years would qualify.

REPRESENTATIVE STEPOVICH surmised that a company that had been in operation for more than five years would not qualify.

MR. POUND replied that is correct.

Number 1689

REPRESENTATIVE KERTTULA asked how the regulations would be rewritten to make the program work.

MR. FOO responded that it would be necessary to sort out the distinction between the placer miners and hard rock miners.

REPRESENTATIVE KERTTULA asked about current regulations and how the plan would work. She said she assumes some of the costs of developing the regulations are in the fiscal note.

Number 1752

KERWIN KRAUSE, Geologist, Division of Mining, Land and Water, Department of Natural Resources, testified. He responded that with the exploration incentive credit Act, the largest mining companies as well as the small placer miners have availed themselves to that set of laws. Even though quite few people have filed applications to get preliminary approval on [this credit], the only mine that could actually take the credit will be the Pogo Mine, he commented. There have not been any applications from small miners, he said. He indicated this credit allows deductions of 50 percent from production, royalties, mine license taxes, or corporate tax requirements.

REPRESENTATIVE KERTTULA asked if the department has implemented any regulations to run the incentive program. She clarified that she is interested in any sidebars that may have been

established. She asked what sidebars the department plans to put into place to determine when it would be productive and correct to allow for the reduction.

MR. KRAUSE responded that the department is not enacting any regulations for the exploration incentive credit Act. The division has a lengthy application process that has sidebars, he said. The department would scrutinize and adjudicate those applications. Mr. Krause told members that he could not say whether the department would use the same process with this proposed legislation.

REPRESENTATIVE KERTTULA asked if the committee could be provided with a copy of the application for the exploration incentive credit Act.

Number 1940

REPRESENTATIVE GUTTENBERG referred to page 2, lines 18, 19, 25, and 26, subsections (f) and (g), and he asked Mr. Foo what the basis was for establishing those numbers [with regard to the acreage amount].

MR. FOO commented that typically placer mine operations are smaller than hard rock operations.

REPRESENTATIVE GUTTENBERG asked if there is a "break point" on permits or applications [reflected in the sizes set out in subsections (f) and (g)].

MR. FOO replied that he is not aware of any.

REPRESENTATIVE STEPOVICH commented that anything that can be done to help miners is a good thing, so he hoped the details could be worked out. He asked how the rental fees are paid.

MR. KRAUSE responded that the rental fee is a three-tiered rental plan in which the first 5 years is \$25 for the smaller sized claims and \$100 for the larger claims. From years 6 through 10 it is \$55 for the smaller sized claims and \$220 for larger ones. At the 11th year and thereafter, the rental is fixed at that point, and the rent is \$130 for smaller claims to \$520 for the larger claims, those are billed out every year on September 1, and every 10 years there is a consumer price index adjustment.

CO-CHAIR DAHLSTROM announced her intention to hold the bill in committee while amendments are being produced and the members have an opportunity to review additional materials.

[HB 344 was held over.]

HB 345-CAMPSITE FEES: DISABLED VETERANS/SENIORS

Number 2119

CO-CHAIR DAHLSTROM announced that the final order of business would be HOUSE BILL NO. 345, "An Act relating to fees for state park developed campsites; and providing for an effective date."

Number 2138

CAROLINE ALLEN, Staff to Representative Hugh Fate, Alaska State Legislature, presented HB 345 on behalf of Representative Fate, sponsor. She told the committee that HB 345 provides for Alaskan residents who are senior citizens or disabled veterans to obtain a camping permit for a non-urban campsite at a discounted price from a \$100 annual fee to \$10 annual fee. She said that this is a considerable savings [to them] because the Division of Parks and Outdoor Recreation has decided to do away with seasons passes, except for disabled veterans, and instead charge \$20 per night per campsite. Ms. Allen explained that non-urban campsites are campsites that do not fall within or adjacent to an urban city. The developed campsites provide restrooms, picnic tables, cooking facilities, and approved water sources. She suggested that the bill provides an incentive for seniors and disabled veterans who are Alaskan residents to travel throughout the state. This bill will keep tourism dollars in the state, she added.

Number 2260

JOE MATHIS, Owner, Montana Creek Campground, testified in opposition to HB 345. He told the members that he believes this bill is well intended, but is poor public policy. Noting that he operates one of the state campgrounds, he said the revenues that come from that campground go to provide services for state government. Mr. Mathis said if the intention of the legislature is to continue the idea of privatization of campgrounds, this bill provides no incentive for potential entrepreneurs. He told members that anyone considering [entering into this industry] would have to think about what other revenues the legislature would take away from them. Mr. Mathis summarized his comments

by saying at a time when the state is trying to devise ways to bring in revenue to cover the revenue shortfalls, this is not good public policy and would be a disincentive for the privatization of campgrounds.

Number 2348

MR. MATHIS said he believes this is encouraging an environment of entitlements. He said he is approaching the age of 60, and he does not feel like a senior citizen. He warned that this is a "slippery slope." Mr. Mathis said he sees no problem in providing disabled veterans with free camping; however, he sees the inclusion of senior citizens as a whole new class of entitlements for people who are not entitled to it.

Number 2404

SHEILA LANKFORD, Owner, Montana Creek Campground, testified in opposition to HB 345. She said that as a business owner, she has a problem with state government competing with private enterprise. She explained that there is a state campground across the highway from their [campground], and although she currently leases the property, in the future if this bill passes, seniors will be able to drive across the road and camp for free. The current tourism boycott due to wolf control will adversely affect the private campground, and offering free camping alternatives will only compound the problem, she commented.

MS. LANKFORD told members as an Alaskan, she truly cares about state parks, and the availability and maintenance of those parks. Declining revenues and a lack of funding have already impacted parks with closures and lack of maintenance. She said she sees no logic in providing free camping under these circumstances, because user fees are essential to offset limited funding for maintenance. Ms. Lankford said she believes state park closures and the lack of maintenance look terrible to tourists, and reflect badly on Alaska. Negative images are displayed instantly through chat rooms and are devastating to all campgrounds, she added.

Number 2489

MS. LANKFORD told members that a 60-year old should no longer be considered a senior citizen. This bill is aimed at "baby-boomers" who are the largest segment of the population in the United States, she commented. Ms. Lankford pointed out that the

baby-boomer [generation] is part of the wealthiest in the country, she said so why would the legislature consider giving them free camping [privileges]. Anyone who can afford to buy or rent a motor home does not need the incentive of free parking to go camping. There are few seniors who tent camp anymore, she added. In summary, Ms. Lankford quoted Dr. Phil in asking Representative Fate, "What were you thinking?"

Number 2539

REPRESENTATIVE GATTO phrased his question in reference to Ms. Lankford's comment that a 60 year old is not a senior citizen, and he asked what age would she find appropriate to be a senior citizen.

MS. LANKFORD responded that she believes that 75 years old would be appropriate.

Number 2575

SCOTT REISLAND, Vice President, Alaska Campground Association; National Board of RV Parks; Member, Board of Directors, Alaska Travel Industry Association, testified in opposition to HB 345. He told members that he was born and raised in Alaska and currently owns two RV parks. The senior citizen of today is much different than those of the past, he commented. Seniors live longer, healthier lives and pursue a dynamic and active lifestyle, and the majority of senior citizens have a high level of disposable income, he said. Mr. Reiland said there have been a record-breaking number of motor homes sold in the last few years and baby-boomers are a large part of this.

Number 2678

MR. REISLAND pointed out that the state campgrounds are in serious trouble. Budget constraints have severely impacted state parks to the point that parks are not adequately maintained or staffed, he said. Mr. Reiland told members that the Division of Parks and Outdoor Recreation have announced the increase in camping fees and the elimination of the commercial pass program. He said the division has turned to outsourcing through bid contracts of the day-to-day operations of many state parks. Prior contractors will be less willing to participate in this outsourcing program and it will be cost prohibitive if there is a lot of free camping, he suggested. Mr. Reiland said he believes HB 345 would work in direct opposition to state park efforts.

Number 2734

MR. REISLAND told members that there has been a decrease in independent travelers to the state because Alaska is no longer as competitive as other destinations due to severely limited tourism marketing dollars. He said Alaska Campground Association members are preparing for another boycott [because of the new wolf control program]. The private campground sector has worked collaboratively with the state and federal parklands in an effort to eliminate unfair competition between the public and private sector camping facilities, he said. The bill will undermine much of the work the association has done with state and federal parks. It will limit user fees, reduce the state's ability to provide a quality camping experience, and will undermine a level playing field between private and public sector camping, he summarized. This is unfair government competition, he stated. He said he hopes members consider the Alaska Campground Association's views on this issue.

Number 2829

REPRESENTATIVE GATTO asked Mr. Reisland to comment on the age of baby boomers. He said he believes the leading edge of baby boomers is about 53 years of age.

MR. REISLAND responded that is probably correct.

REPRESENTATIVE GATTO responded that assuming that is correct, there are no baby boomers that are senior citizens. He said he would prefer not to mix the two [terms] since they are not equal.

Number 2861

REPRESENTATIVE HEINZE said that she believes baby boomers were born in 1946 and 1947 and people 55 years of age and older are considered seniors. She asked what the definition of a senior citizen is.

Number 2897

REPRESENTATIVE WOLF asked Mr. Reisland if he knows how many season passes were honored in the park last year.

MR. REISLAND responded that he does not know that number. He told members that there are a lot of seniors who stay in private campgrounds because there is a marketing effort to attract them.

REPRESENTATIVE WOLF asked Mr. Reisland who would have that information.

MR. REISLAND replied that the Division of Parks and Outdoor Recreation would have it.

Number 2950

PETE PANARESE, Field Operations Manager, Division of Parks and Outdoor Recreation, testified. He said last year, the Alaska state parks system sold approximately 1,700 camping passes to residents of the state and gave away 1,100 disabled veterans passes.

CO-CHAIR MASEK turned attention to the number of people that use the campgrounds [tape ends midspeech].

**TAPE 04-1, SIDE B**

Number 2985

CO-CHAIR MASEK continued by saying that last year, the state had some state parks that were closed one in the Matanuska-Susitna ("Mat-Su") area and one in the Kenai area. Noting that there have been budget shortfalls, she said she wondered how the park service would be maintained and managed if there was going to be another revenue shortfall with this bill. She stated that she is reluctant to [put forth] her support for it until more details can be found out with regard to the fiscal impact and what it would do to the park system in FY 05.

REPRESENTATIVE STEPOVICH asked Mr. Panarese if those were resident numbers.

MR. PANARESE said last year, decals were only sold to Alaska residents. Several years ago, benefits for nonresidents of the state were stopped. He said only Alaskan residents and resident disabled veterans are eligible for the annual camping permit.

REPRESENTATIVE STEPOVICH asked if the parks could be opened back up by using the fees that Co-Chair Masek spoke of.

MR. PANARESE said the state park system had experienced a bunch of reductions for the summer of 2003 that forced campground

closures. The majority of those closed campgrounds in the valley and in the Northern area near Fairbanks were reopened through the use of private contractors. He said the division was successful in opening 9 of the 11 facilities that it had to close temporarily until contractors were found. Mr. Panarese remarked, "The testimony that I've heard is a testament to that." The state was successful in getting people to run its parks for it. He said this is one of the strategies being used to keep parks open and structure the budget for many years. This isn't a new strategy, he said.

MR. PANARESE said it is working, the parks were opened with the existing fee program, which supported the 1,700 decals that were sold and the 1,100 passes issued to the state's disabled veterans. Offering his perspective, he said this is a legislative decision and he didn't believe the department had taken a position. Mr. Panarese remarked, "At least my bill analysis does not have that block filled in, we defer to you on that." He said it's particularly the support of the disabled veterans pass. However, he said the current package seems to be working and the privatization/partnership was a major factor in the department's decision to do away with the annual camping pass for state residents. Mr. Panarese stated that it wasn't an idle decision, it was looked at hard for many years, and this year the [department] had to make that move. It provides more accurate cost recovery for what is being done and a platform for which the [department] can continue privatizing, he said.

Number 2817

REPRESENTATIVE GATTO asked if the money collected for passes and fees goes into the general fund or if it is kept by the [Division of Parks and Outdoor Recreation].

MR. PANARESE said the legislation that allows fees to be charged requires that all money be deposited into the general fund, and the legislature, in its discretion, can "reappropriate" that back to the Division of Parks and Outdoor Recreation for its use. He remarked, "We have been very fortunate that for much of our history of collecting fees, the legislature has seen fit to do that."

REPRESENTATIVE GATTO asked if the fees that are returned are an equal [amount] to those submitted or if it is more in line with what the legislature feels is appropriate and is not connected to the amount of money collected.

MR. PANARESE explained that there is a dynamic in the situation of collecting fees. He remarked:

We collect the majority of our fees during the very end of the fiscal year and the beginning of a new fiscal year. We routinely will ... deposit all of our funds into the general fund and have been reliably lapsing about \$100,000 to \$150,000, maybe even more of those funds that ... was not authorized for us to spend by the previous year's ... legislative budget decision. So we seem to run behind the curve for us to most efficiently use our budget because of the position of the fiscal year. Right in the middle of our busiest season.

Number 2735

REPRESENTATIVE LYNN expressed concern about [how the fee would apply to] disabled veterans. Noting that there was not currently a fee for disabled veterans, he asked if this bill would raise the fee to \$10 and bring in an additional \$11,000 [in revenue]. He asked if there were 1,100 disabled passes given out during the prior year. Representative Lynn said he wonders how that compares to the amount of money that was spent to decorate the elevators in the Capitol building. He remarked, "I think we owe our disabled veterans."

REPRESENTATIVE HEINZE asked if this includes state cabin rentals.

MR. PANARESE said no.

Number 2668

REPRESENTATIVE GUTTENBERG said the operations of its state parks had been outsourced to private contractors. He asked what changing the fee structure would do to the contractual obligation that the state has.

MR. PANARESE said he was not sure he could respond to the question stated that way. He asked Representative Guttenberg to restate the question.

Number 2640

REPRESENTATIVE GUTTENBERG said the economic relationship with the operators of the state parks is being changed by changing

the fee structure. He asked what would happen to those contracts that the state has outsourced to operate its parks. Is the obligation broken, he asked.

MR. PANARESE said he did not believe the obligation will be broken, rather it will just make it far more difficult for [the state] to obtain qualified private contractors to operate state campgrounds. He remarked:

Cause when they pencil what their revenue will be to pay for the service they're providing, it's difficult for them to figure how much revenue they won't be able to collect. If a senior is in their state park campground, we could very well require them to honor the pass and that revenue goes away from them.

... The people that we had operating in our campgrounds the last summer, the new operators, were commenting quite regularly that this was a detriment to them and they were trying to improvise in the field such as saying to us, "... Why don't we allow the decal users to have a price break rather than free camping."

... We tried to reconcile that and came ... with the decision that ... it's probably best to not have that benefit available, that everybody pays the fees with the exception of the disabled veterans. That has been not a negotiable item. We require our private contractors to honor that group of people.

REPRESENTATIVE GUTTENBERG asked Mr. Panarese if he'd had any feedback concerning this bill about whether operations would be continued. He said the state's been successful in outsourcing these things to keep them open. He explained that he is worried that if something is changed, the [state] is going to lose the operations of the parks and they will close.

MR. PANARESE said the private campground operators hadn't been in contact with him directly. Noting that a public notice had been issued, he said one of the things that was done earlier is [the division] stopped offering the annual camping pass to residents and the annual pass to RV [recreational vehicle] rental companies effective January 1, 2004. It reduced one of the major impediments for recruiting operators and outsourcing state campgrounds. He said the major impediment was honoring decals that were perhaps going to be "in their units for weeks

at a time with no revenue coming to them." Mr. Panarese said he expects that if this legislation were to pass, [operators] would be concerned.

Number 2494

REPRESENTATIVE KERTTULA asked if there was a charge to veterans for a replacement permit.

MR. PANARESE said the state park system had to have a contingency for replacing all of its decals. He remarked:

If a person comes in with a bit of the decal that they scraped ... off their window and sold the car, we'll give them another one for \$10. If they give us a reasonable excuse as to why ... they need another decal and it's something of the nature that the vehicle was damaged, they replaced the window or something of that nature, we charge them \$10 to replace it.

REPRESENTATIVE KERTTULA asked if there was an increased fee for people to get a replacement decal.

MR. PANARESE remarked:

Currently, if a disabled veteran loses their fee or ... if a campground pass holder that was a resident lost it, ... we would replace it for \$10. If they wanted to purchase an additional pass ... for a second vehicle or ... a third vehicle, and that is a situation that we've had to accommodate over the years, we would charge them half price for the second pass and then full price for the third pass.

With the veterans we had to come up with a little bit different situation .... We would sell them a second pass for \$50 and we issue the passes for two years and if they bought a third pass in the first year, we would sell it to them for \$100. If they bought a third pass in the second year, we'd sell it them for \$200, I believe ....

REPRESENTATIVE KERTTULA asked why disabled veterans are charged more for the second and third pass and why [the cost] isn't always the same. She asked if this bill would change that.

MR. PANARESE responded:

The legislation that we have in AS 41.21.026 basically instructs us to issue a ... annual camping pass permit, and we've all ... assumed that was one. ... Each veteran would get a free pass. The second pass, we would sell to them at the same price we would sell it to everybody else. ... The regime I just mentioned is now no longer going to be in place because we no longer offer the camping pass.

So we have got to go to work right away and amend our director's order and the information online - do the public notice that would put the word out widely that this is a change in the benefits. We no longer offer a camping pass, there's no need to sell the veterans or other recipients of this that's being considered by the bill, a second and third pass. We would issue them a pass free and thereafter we would want them to pay the nightly fee.

REPRESENTATIVE KERTTULA asked how many second and third passes had already been issued.

MR. PANARESE said he didn't have that information.

REPRESENTATIVE KERTTULA suggested that it might not be a significant number.

MR. PANARESE said that would be his estimate.

Number 2296

REPRESENTATIVE WOLF asked how many nonresidents ask for annual passes.

MR. PANARESE replied:

They haven't asked. It was an issue that was very demanding on us. When we ... eliminated that nonresident pass, we had great trepidation that it would affect our visitation and people would be very concerned about it, but we didn't get a lot of concern registered. I think I had eight calls and I had to write a few letters.

REPRESENTATIVE WOLF said he could foresee this causing a real quagmire on the Kenai Peninsula, similar to what Representative Masek had mentioned about [the Matanuska-Susitna] Valley. He said a park closed on the [Kenai Peninsula] and he viewed this as being a mess.

Number 2239

CO-CHAIR DAHLSTROM said it is her intention to hold the bill. She indicated the committee is waiting to receive more information and would need to do more work. She mentioned that several members had questions and concerns about the attached fiscal note.

[HB 345 was held over.]

#### **ADJOURNMENT**

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 2:47 p.m.