

**ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE**

May 8, 2003

4:03 p.m.

MEMBERS PRESENT

Senator Scott Ogan, Chair
Senator Thomas Wagoner, Vice Chair
Senator Ralph Seekins
Senator Ben Stevens
Senator Georgianna Lincoln

MEMBERS ABSENT

Senator Fred Dyson
Senator Kim Elton

COMMITTEE CALENDAR

CS FOR HOUSE BILL NO. 61(FIN)

"An Act establishing an exploration and development incentive tax credit for operators and working interest owners directly engaged in the exploration for and development of gas for sale and delivery without reference to volume from a lease or property in the state; and providing for an effective date."

MOVED SCS CSHB 61(RES) OUT OF COMMITTEE

CS FOR HOUSE BILL NO. 118(RES) am

"An Act relating to the transportation and sale of certain commercially caught fish by an agent of a commercial fishing permit holder and to the sale of fish; and providing for an effective date."

MOVED CSHB 118(RES) am OUT OF COMMITTEE

PREVIOUS ACTION

HB 61 - See Resources minutes dated 5/7/03

HB 118 - See Labor and Commerce minutes dated 4/8/03 and 4/15/03

WITNESS REGISTER

Mr. Larry Houle
Alaska Support Industry Alliance
POSITION STATEMENT: Supports SCS CSHB 61(RES)

Representative Paul Seaton

Alaska State Capitol
Juneau, AK 99801-1182
POSITION STATEMENT: Sponsor of HB 118

Mr. Doug Mecum
Director, Division of Commercial Fisheries
Department of Fish & Game
PO Box 25526
Juneau, AK 99802-5226
POSITION STATEMENT: Supports CSHB 118(RES) am

ACTION NARRATIVE

TAPE 03-44, SIDE A
Number 0001

CHAIR SCOTT OGAN called the Senate Resources Standing Committee meeting to order at 4:03 p.m. Senators Wagoner, Stevens, Seekins and Chair Ogan were present. Senator Elton was excused for medical reasons and Senator Dyson was attending another committee hearing. The first order of business to come before the committee was HB 61.

HB 61-OIL & GAS TAX CREDIT FOR EXPLORATION/DEV

CHAIR OGAN informed committee members that the bill contains a 10-year sunset provision. He wrestled with the idea of shortening that timeframe but instead decided to propose an amendment [Amendment 1] that treats the problem in a different manner.

Amendment 1 reads as follows.

23-LS0270\S.1
Chenoweth

A M E N D M E N T 1

OFFERED IN THE SENATE
TO: CSHB 61(FIN)

BY SENATOR OGAN

Page 4, following line 30:

Insert a new bill section to read:

"* **Sec. 4.** The uncodified law of the State of Alaska is amended by adding a new section to read:

REPORT ON EFFECT OF GAS EXPLORATION AND DEVELOPMENT TAX CREDIT. Not later than November 30, 2008, the Department of Revenue shall prepare and publish a report on the effect of the gas exploration and development tax credit authorized by AS 43.20.043, added by sec. 1 of this Act. The department shall advise the legislature of the availability of the report and, within the first 10 days of the First Regular Session of the Twenty-Sixth Alaska State Legislature, transmit copies of the report to the chairs or co-chairs of the House and Senate Resources Committees and the chairs or co-chairs of the House and Senate Special Committees on Oil and Gas, if established. The report must address

(1) the number of successful gas discoveries for which a tax credit is provided under AS 43.20.043;

(2) the volume or amount of new gas reserves brought into production for which a tax credit is provided under AS 43.20.043;

(3) the total credits allowed under AS 43.20.043 that are applied to the tax liability through the date of preparation of the report;

(4) the total credits applied for under AS 43.20.043 that are not yet approved as of the date of preparation of the report;

(5) royalties obtained and oil and gas property production taxes paid from new gas production and anticipated from gas production for production for which credits are allowed under AS 43.20.043; and

(6) any other information that, in the judgment of the commissioner of revenue, would evaluate the effectiveness of the gas exploration and development tax credit authorized under AS 43.20.043."

Renumber the following bill sections accordingly.

Page 5, line 1:

Delete "sec. 4"

Insert "sec. 5"

SENATOR WAGONER objected to the adoption of Amendment 1 for the purpose of discussion.

CHAIR OGAN explained that Amendment 1 instructs the Department of Revenue (DOR) to provide a report in five years. The report is to contain information specific to items 1 through 6 listed in the amendment. That report will let the legislature know how

this program is working out in 5 years from now. He believes that is a better approach than sunseting the program, which is cause for uncertainty. The report will be delivered to the House and Senate Resources Committee co-chairs and House and Senate Special Committees on Oil and Gas, if established.

SENATOR WAGONER withdrew his objection to the adoption of Amendment 1, therefore it was adopted.

CHAIR OGAN announced that Mr. Logsdon was available to answer questions. With no questions, he took public testimony.

MR. LARRY HOULE, Alaska Support Industry Alliance, stated strong support for this legislation. It is a successful efforts bill, meaning no credits are given for dry holes. The Alliance sees this as the proper role of government and applauds the sponsor for introducing this legislation.

[SENATOR LINCOLN arrived.]

SENATOR WAGONER moved SCS CSHB 61(RES) from committee with individual recommendations and its zero fiscal note. There being no objection, the motion carried.

CHAIR OGAN announced an at-ease.

HB 118-TRANSPORTATION OF COMMERCIAL FISH

REPRESENTATIVE PAUL SEATON, sponsor of HB 118, informed committee members that HB 118 gives fishermen another tool to get better quality fish to market while reducing costs and provides the Alaska Department of Fish and Game (ADF&G) with a better mechanism to keep track of fish. Fishermen will have a legal way to consolidate catches, record that information, and move those fish to market.

CHAIR OGAN asked who opposes the bill.

REPRESENTATIVE PAUL SEATON said no one has opposed this legislation.

CHAIR OGAN asked if this legislation will "put a few guys in the fish transport business...?"

REPRESENTATIVE SEATON agreed and added a number of fishermen with small catches will be able to aggregate their catches on one boat and make up the fish ticket on each fisherman's catch.

That way, only one boat will have to run the fish to town without everyone having to leave the fishing grounds or hold the fish longer. That will provide for better quality fish and reduce fuel expenses.

SENATOR WAGONER said about six or eight boats fished Chinitna Bay after the season was over [last year] in Cook Inlet. Those boats had an 8-hour run to sell their minimal amount of fish. This bill will allow those fishermen to combine their catches and have one boat make the run.

REPRESENTATIVE SEATON pointed out that a quirk in current law requires the fisherman to be at the point of sale so a fisher cannot make a fish ticket and have those fish delivered by another fisherman.

MR. DOUG MECUM, Director of the Division of Commercial Fisheries, ADF&G, said he was available to answer questions.

CHAIR OGAN asked Mr. Mecum to review the history of why this has not been allowed in the past.

MR. MECUM said this legislation covers all of ADF&G's concerns. It has worked with the Departments of Law and Public Safety and finds the bill contains adequate protections to ensure that ADF&G gets accurate data, which has been its main concern. He explained that the current statutory requirement that fishermen be present at the point of sale was imposed for the purpose of enforcement of fishing regulations and tracking. This legislation modifies that statute. The Division of Wildlife Protection will be able to track down where and when the fish were caught.

CHAIR OGAN asked if the Division of Wildlife Protection supports this legislation.

MR. MECUM said that division is comfortable with this legislation. Major Cockrell has testified at least three times to that effect.

There being no further questions or discussion, SENATOR WAGONER moved CSHB 118(RES) am out of committee with individual recommendations and its attached fiscal note.

CHAIR OGAN announced that without objection, the motion carried. He then adjourned the meeting at 4:23 p.m.