

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

Juneau, Alaska

Saturday

May 20, 2006

Eleventh Day

Pursuant to adjournment the Senate was called to order by President Stevens at 2:11 p.m.

The roll showed thirteen members present. Senator Guess was excused from a call of the Senate. Senators Elton, Hoffman, Huggins, Kookesh, Olson, Seekins were absent.

Senator Gary Stevens moved and asked unanimous consent that Senator Huggins be excused from a call of the Senate today to morning plane time May 21. Without objection, Senator Huggins was excused.

Senator Gary Stevens moved and asked unanimous consent that Senator Seekins be excused from a call of the Senate today to evening plane time May 21. Without objection, Senator Seekins was excused.

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

On love and dedication:

1 Corinthians 13:13 says, “And now these three remain: faith, hope and love. But the greatest of these is love.”

Dear God, Amidst our faith in one another, our hope for the future and our love of Alaska, allow us to hold onto and to cherish the greatest of these: love.

Allow that love to extend to all humanity and throughout the natural world; that we may look upon our fellow beings as sisters, brothers, mothers and fathers. May we dedicate ourselves to maintaining everlasting love in our hearts, clarity and charity in our thoughts, and may peace suffuse our soul.

Amen.

Senator Wilken led the Senate in the Pledge of Allegiance.

Certification

Senator Gary Stevens moved and asked unanimous consent that the journals for the one hundred twenty-first legislative day of the second session, the first through tenth legislative days of the second special session and Senate and House Joint Journal Supplement No. 16 be approved as certified by the Assistant Secretary. Without objection, it was so ordered.

Messages from the Governor

SB 304

Message dated May 19 and received May 20 was read, stating the Governor signed the following bill and transmitted the engrossed and enrolled copies to the Lieutenant Governor's Office for permanent filing:

HOUSE CS FOR SENATE BILL NO. 304(TRA)

"An Act relating to the privileges of airport parking shuttles and to fees or charges imposed on a person who is not a lessee or concessionaire of an airport."

Chapter 30, SLA 2006
Effective Date: 08/17/2006

HB 243

Message dated May 18 and received May 20 was read, stating the Governor signed the following bill and transmitted the engrossed and enrolled copies to the Lieutenant Governor's Office for permanent filing:

SENATE CS FOR CS FOR HOUSE BILL NO. 243(FIN) "An Act relating to the financial plan for the intertie between the Swan Lake and Tyee Lake hydroelectric projects; and providing for an effective date."

Chapter 31, SLA 2006
Effective Date: 05/19/2006

HB 400

Message dated May 18 and received May 20 was read, stating the Governor signed the following bill and transmitted the engrossed and enrolled copies to the Lieutenant Governor's Office for permanent filing:

SENATE CS FOR CS FOR HOUSE BILL NO. 400(JUD) "An Act relating to confiscation of firearms during disaster emergencies."

Chapter 32, SLA 2006
Effective Date: 08/16/2006

HCR 6

Message dated May 18 and received May 19 was read, stating the Governor read the following resolution and transmitted the engrossed and enrolled copies to the Lieutenant Governor's Office for permanent filing:

HOUSE CONCURRENT RESOLUTION NO. 6 am S
Relating to reestablishing the Alaska Information Infrastructure Policy Task Force.

Legislative Resolve No. 39

HCR 43

Message dated May 18 and received May 19 was read, stating the Governor read the following resolution and transmitted the engrossed and enrolled copies to the Lieutenant Governor's Office for permanent filing:

HOUSE CONCURRENT RESOLUTION NO. 43
Suspending Rules 24(c), 35, 41(b), and 42(e),
Uniform Rules of the Alaska State Legislature,
concerning Senate Bill No. 12, relating to the
prohibition or elimination of financial relationships
with persons that conduct business in countries that
support or ignore slavery and trafficking in persons.

Legislative Resolve No. 40

HCR 44

Message dated May 18 and received May 19 was read, stating the Governor read the following resolution and transmitted the engrossed and enrolled copies to the Lieutenant Governor's Office for permanent filing:

HOUSE CONCURRENT RESOLUTION NO. 44
Suspending Rules 24(c), 35, 41(b), and 42(e),
Uniform Rules of the Alaska State Legislature,
concerning Senate Bill No. 261, relating to traffic
safety corridors.

Legislative Resolve No. 41

The presence of Senator Olson was noted.

Introduction and Reference of Senate Bills

SB 2001

SENATE BILL NO. 2001 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; providing that provisions of AS 43.55 do not apply to certain oil and gas subject to a contract executed under the Alaska Stranded Gas Development Act; 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 Finance Committee.

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 May 20:

Dear President Stevens:

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

This bill is substantially similar to HCS CSSB 305(FIN) am H, which was the version of SB 305 that passed the House on May 8, 2006. Like SB 305, this bill would eliminate the economic limit factor (ELF) from the determination of production tax, and would replace it with a more progressive and investment-friendly tax system.

This bill does make some changes to the final House version of SB 305. Apart from editorial adjustments, those changes are as follows:

1. Section 5 of the bill replaces the 21.5 percent tax rate that appeared in the final House version of SB 305 with what we believe is the more appropriate 20 percent rate.
2. The additional "progressivity" tax based on a price index, added by the House and contained in sec. 5 of the final House version of SB 305, is eliminated as excessive, along with the related "high energy cost offset fund" provision.
3. The treatment of cost deductions ("lease expenditures") in sec. 25 of the bill is reorganized and clarified, and the reference to industry practices and standards is limited to the better defined and more relevant in-state practices and standards rather than the entire United States. The cost adjustment provision, AS 43.55.160(e), is clarified to avoid double-counting adjustments that are made in the calculation of lease expenditures.

4. Several revisions have been made in the list of items excluded from deductible costs in sec. 25 of the bill. The term "gross negligence" is substituted for the term "negligence" in AS 43.55.160(d)(6); "well pad" is substituted for "well" in AS 43.55.160(d)(16), and the scope of the exclusion is clarified with respect to projects that replace, renovate, or improve facilities. The exclusion for oil spill costs is slightly narrowed to exempt a spill confined to a gravel pad.
5. The 50,000 barrel a day phase-out provision for the sec. 170 tax credit in sec. 25 of the bill is eliminated, so that all producers qualify equally for the same credit.
6. A new section is added to the bill on the relationship of the production tax statute to the Alaska Stranded Gas Development Act. This section affirms that the production tax and oil conservation surcharges will not apply to oil or gas for which a producer is obligated to make payments in lieu of taxes and surcharges (including gas delivered in kind) under a stranded gas contract.
7. The starting date for the new production tax provisions is changed from April 1 to July 1, 2006.

The 20 percent tax credits for qualified investments and for annual losses remain the same. The credits could not be used to reduce a taxpayer's liability below zero. A credit not used in a given period may still either be carried forward or sold to another taxpayer who might better be able to use it. The transitional investment expenditure provisions also are unchanged from the House-passed bill.

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,
/s/
Frank H. Murkowski
Governor

Announcements

Announcements are at the end of the journal.

Adjournment

Senator Gary Stevens moved and asked unanimous consent that the Senate stand in adjournment until 5:00 p.m., May 21, 2006. Without objection, the Senate adjourned at 2:19 p.m.

Liz Clark
Assistant Senate Secretary

May 2006

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

FINANCE

May 20 Saturday Senate Finance 532 6:00 PM
+ SB2001 OIL AND GAS TAX
-- Testimony <Invitation Only> --

May 21 Sunday Senate Finance 532 1:00 PM
+= SB2001 OIL AND GAS TAX
-- Testimony <Invitation Only> --

May 22 **Monday** **Senate Finance 532** **2:00 PM**
-- Time Change --
+= SB2001 OIL AND GAS TAX
-- Testimony <Invitation Only> --

JOINT COMMITTEES

LEGISLATIVE BUDGET & AUDIT

| | | | |
|--------------------------------------|---------------|----------------------|----------------|
| May 21 | Sunday | Butrovich 205 | 6:00 PM |
| Consultant Availability: | | | |
| 6:00 - 7:00 Consultants Introduction | | | |
| a. James Barnes | | | |
| b. Don Shepler | | | |
| c. Rick Harper | | | |
| d. James Eason | | | |
| 7:00 - 9:00 Questions and Answers | | | |

LEGISLATIVE COUNCIL

May 22 **Monday** **House Finance 519** **3:30 PM**
-- Agenda to be Announced --

OTHER MEETINGS**MISCELLANEOUS MEETINGS**

| | | | |
|---------------|--|------------------------|----------------|
| May 20 | Saturday | Centennial Hall | 9:00 AM |
| | Presentation on Proposed Gas Pipeline Contract | | |
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| | Presentation on Proposed Gas Pipeline Contract | | |
| May 21 | Sunday | Centennial Hall | 9:00 AM |
| | -- Meeting Canceled -- | | |
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| May 22 | Monday | Centennial Hall | 9:00 AM |
| | Presentation on Proposed Gas Pipeline Contract | | |
| May 23 | Tuesday | Centennial Hall | 9:00 AM |
| | Presentation on Proposed Gas Pipeline Contract | | |
| May 23 | Tuesday | Centennial Hall | 1:30 PM |
| | Presentation on Proposed Gas Pipeline Contract | | |