

**ALASKA STATE LEGISLATURE  
HOUSE RESOURCES STANDING COMMITTEE**

May 2, 2005

1:48 p.m.

**MEMBERS PRESENT**

Representative Jay Ramras, Co-Chair  
Representative Ralph Samuels, Co-Chair  
Representative Jim Elkins  
Representative Carl Gatto  
Representative Gabrielle LeDoux  
Representative Kurt Olson  
Representative Paul Seaton  
Representative Harry Crawford  
Representative Mary Kapsner

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

HOUSE BILL NO. 254

"An Act directing the Alaska Natural Gas Development Authority to use money appropriated from the Railbelt energy fund and from other sources for preliminary engineering and related work for the construction of pipeline facilities to transport Alaska North Slope natural gas to the Southcentral Alaska gas distribution grid, and amending the definition of 'project' as applied to the work of the Alaska Natural Gas Development Authority; and providing for an effective date."

- MOVED HB 254 OUT OF COMMITTEE

HOUSE BILL NO. 280

"An Act relating to the taxation of mining property; relating to contracts approved by municipalities for payments in lieu of taxes; and providing for an effective date."

- MOVED CSHB 280(RES) OUT OF COMMITTEE

HOUSE JOINT RESOLUTION NO. 17

Opposing the Federal Lands Recreation Enhancement Act.

- MOVED HJR 17 OUT OF COMMITTEE

HOUSE CONCURRENT RESOLUTION NO. 13

Expressing the legislature's support for the construction of a natural gas spur pipeline between Fairbanks and the Nenana Basin and Southcentral Alaska, commending the interest and initiative of the sponsors of that project, and encouraging the appropriate state resource agencies to lend support to those efforts.

- MOVED CSHCR 13(RES) OUT OF COMMITTEE

SENATE JOINT RESOLUTION NO. 16

Supporting legislation before the United States Congress that reaffirms the right of the states to regulate hunting and fishing.

- MOVED SJR 16 OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: HB 254

SHORT TITLE: NAT. GAS SPUR LINE AND DISTRIBUTION GRID

SPONSOR(s): REPRESENTATIVE(s) ROKEBERG

04/05/05	(H)	READ THE FIRST TIME - REFERRALS
04/05/05	(H)	O&G, RES, FIN
04/21/05	(H)	O&G AT 5:00 PM CAPITOL 124
04/21/05	(H)	-- Meeting Postponed to 4/26/05 --
04/26/05	(H)	O&G AT 5:00 PM CAPITOL 124
04/26/05	(H)	Bills Previously Heard/Scheduled
04/28/05	(H)	O&G AT 5:00 PM CAPITOL 124
04/28/05	(H)	Moved Out of Committee
04/28/05	(H)	MINUTE(O&G)
04/29/05	(H)	O&G RPT 2DP 5NR
04/29/05	(H)	DP: MCGUIRE, ROKEBERG;
04/29/05	(H)	NR: KERTTULA, GARDNER, SAMUELS, DAHLSTROM, KOHRING
05/02/05	(H)	RES AT 1:00 PM CAPITOL 124

BILL: HB 280

SHORT TITLE: MINERALS TAX/PAYMENTS TO MUNIS IN LIEU

SPONSOR(s): RESOURCES

04/19/05	(H)	READ THE FIRST TIME - REFERRALS
04/19/05	(H)	RES, FIN
05/02/05	(H)	RES AT 1:00 PM CAPITOL 124

BILL: HJR 17

SHORT TITLE: FEDERAL LANDS RECREATION ENHANCEMENT ACT

SPONSOR(s): REPRESENTATIVE(s) ELKINS

04/05/05 (H) READ THE FIRST TIME - REFERRALS  
04/05/05 (H) RES  
05/02/05 (H) RES AT 1:00 PM CAPITOL 124

BILL: HCR 13

SHORT TITLE: NATURAL GAS SPUR LINE CONSTRUCTION

SPONSOR(s): REPRESENTATIVE(s) RAMRAS

04/28/05 (H) READ THE FIRST TIME - REFERRALS  
04/28/05 (H) RES  
05/02/05 (H) RES AT 1:00 PM CAPITOL 124

BILL: SJR 16

SHORT TITLE: STATES' RIGHT TO REGULATE HUNTING/FISHING

SPONSOR(s): SENATOR(s) THERRIAULT

03/21/05 (S) READ THE FIRST TIME - REFERRALS  
03/21/05 (S) RES  
04/04/05 (S) RES AT 3:30 PM BUTROVICH 205  
04/04/05 (S) Moved SJR 16 Out of Committee  
04/04/05 (S) MINUTE(RES)  
04/05/05 (S) RES RPT 5DP 2NR  
04/05/05 (S) DP: WAGONER, DYSON, SEEKINS, STEDMAN,  
STEVENS B  
04/05/05 (S) NR: GUESS, ELTON  
04/22/05 (S) TRANSMITTED TO (H)  
04/22/05 (S) VERSION: SJR 16  
04/25/05 (H) READ THE FIRST TIME - REFERRALS  
04/25/05 (H) RES  
05/02/05 (H) RES AT 1:00 PM CAPITOL 124

**WITNESS REGISTER**

REPRESENTATIVE NORMAN ROKEBERG

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Testified as the sponsor of HB 254.

HAROLD HEINZE, Chief Executive Officer

Alaska Natural Gas Development Authority

Anchorage, Alaska

POSITION STATEMENT: Testified that ANGDA views HB 254 and its accompanying appropriation as a way to provide an additional

funding source to look at other opportunities if necessary and testified in support of HCR 13.

WARREN KEOGH

Chickaloon, Alaska

POSITION STATEMENT: During hearing on HB 254, expressed concerns.

JIM POUND, Staff

to Representative Jay Ramras

Alaska State Legislature

POSITION STATEMENT: Presented HB 280 and HCR 13 on behalf of Representative Ramras, sponsor.

CATHY WASSERMAN

Alaska Municipal League

Juneau, Alaska

POSITION STATEMENT: Testified in opposition to the original HB 280, and had questions about the committee substitute.

STEVE VAN SANT, State Assessor

Division of Community Advocacy

Department of Commerce, Community and Economic Development

Anchorage, Alaska

POSITION STATEMENT: Answered questions regarding HB 280.

STEVE BORELL, Executive Director

Alaska Miners Association

Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 280.

JAMES FUGUE

Donlin Creek mine

Council of Alaska Producers

Anchorage, Alaska

POSITION STATEMENT: Characterized HB 280 as bringing about certainty to the tax structure in the unorganized borough.

BRETT FRIED, Economist

Department of Revenue

Juneau, Alaska

POSITION STATEMENT: Answered questions regarding HB 280.

JENNIFER BAXTER, Staff

to Representative Jim Elkins

Alaska State Legislature

POSITION STATEMENT: Presented HJR 17 on behalf of Representative Jim Elkins, sponsor.

DAVID STANCLIFF, Staff  
to Senator Gene Therriault  
Alaska State Legislature  
Juneau, Alaska

POSITION STATEMENT: Presented SJR 13 on behalf of Senator Therriault, sponsor.

#### **ACTION NARRATIVE**

**CO-CHAIR RALPH SAMUELS** called the House Resources Standing Committee meeting to order at [1:48:33 PM](#). Representatives Elkins, Kapsner, Samuels, Seaton and Gatto were present at the call to order. Representative Ramras, LeDoux, Crawford, and Olson arrived as the meeting was in process.

#### HB 254-NAT. GAS SPUR LINE AND DISTRIBUTION GRID

REPRESENTATIVE NORMAN ROKEBERG, Alaska State Legislature, Juneau, said HB 254 is a grubstake bill, and it expands the scope of work for the Alaska Natural Gas Development Authority (ANGDA). There is a companion bill to provide an additional \$8 million to ANGDA to study spur line projects, he said, and it provides for the review of a bullet line from the North Slope to Cook Inlet. He added that it looks at two other routings. The governor vetoed \$2.5 million for funds for the right-of-way acquisition from Glennallen to Matanuska-Susitna, he said. He stated that the Cook Inlet tribal council, in concert with North Star LLC, has a \$3 million federal grant to review the Parks Highway area. "The authority shall agree to cooperate with the federal grantees, so any other monies that have been appropriated by the federal government to study spur lines, this bill specifically indicates they would cooperate," he stated. "The funding that's in the companion appropriation bill comes from the \$28 million railbelt energy fund--\$8 million of which goes to ANGDA for the study and \$20 million for the current existing southern intertie repair and maintenance," he added.

[1:53:23 PM](#)

REPRESENTATIVE ROKEBERG said grubstake is an old Alaska concept, and this issue is so important, the Department of Energy has indicated that by 2012 the Cook Inlet area will not be able to provide consumer natural gas no matter what the price.

REPRESENTATIVE SEATON suggested putting cost recovery in the title.

REPRESENTATIVE ROKEBERG said titles are for senators and minority members to play with. It is not necessary, he added.

[1:55:22 PM](#)

CO-CHAIR SAMUELS said the sponsor statement clarifies HB 254.

[1:55:55 PM](#)

REPRESENTATIVE GATTO referred to a news article that stated two companies buy two thirds of Cook Inlet's gas, and if they stop buying gas, the price will go through the roof. He said if they keep buying gas, it will run out and the price will go up as well. He suggested it was a no-win situation.

REPRESENTATIVE ROKEBERG said gas shortages will still be felt in 2012 unless new gas is found. "Even if we shut the plants down, we're going to still come up short," he said.

REPRESENTATIVE GATTO asked how that can be if those two plants are two thirds of the consumption.

REPRESENTATIVE ROKEBERG answered:

The export license for Conoco Phillips plant goes through 2009, so if we have a finite amount of gas-- we've had new discoveries on the Kenai. The Kachemak pipe line that goes down near the Ninilchik area, going toward Homer. And there are some additional fields down there. But I'm not sure, I can't recall the exact quantities of the discovery ... They are adding to our stocks, and there are certainly other potential gas in the Cook Inlet basin area. This legislature, for the last decade, has gone out of its way to try to incent development, particularly the Cook Inlet area. We've had some success ... this committee in the last legislature passed a tax credit bill for gas pipe lines, which has been, I think, was instrumental with the Kachemak pipe line development, which was quite expensive.

REPRESENTATIVE ROKEBERG continued that despite the known demands, the area could ultimately have a shortage of gas, and

questioned how others can be encouraged to explore for gas. "That's why it is important to look at the use of the gas, the size of the spur line, and ultimately how we are to use that." He said there is no question in his mind that "we have to absolutely stay completely focused on natural gas. Any diversion of alternate/other types of energies will diminish the ability to afford and put in a gas pipe line." He added wind or coal generation "should absolutely be a policy that should be discouraged by the legislature."

[2:00:25 PM](#)

REPRESENTATIVE ROKEBERG said the legislature should stay on target and stay on natural gas. To justify the capacity of a gas line, "we're going to have other green field developments, from Dow Chemical to petro-chemical type utilization. And we need to make those industrial sites available at tidewater." He noted that one of the issues is the price. He said natural gas prices have doubled in the past two years.

[2:01:34 PM](#)

REPRESENTATIVE GATTO asked if the bill is separate from moving North Slope gas to Chicago.

REPRESENTATIVE ROKEBERG said it is a further addition to the scope of work and routing for a spur line off the Chicago or Valdez route, because it adds the Parks Highway Y-off from Fairbanks. It also calls for a bullet line from the North Slope to Cook Inlet, he added.

[2:03:04 PM](#)

CO-CHAIR RAMRAS said he is a big supporter of alternative energy and wants to recognize that conventional hydro-carbon energy can co-exist with innovative forms of energy without adding to the costs. He said he is of the opinion that the port authority's program is not viable, and he saw a news article today that undermines one of the partners in Sempra. He noted the sponsor statement suggests the state will allocate some of the \$8 million to a route that he doesn't think is viable, and he asked Representative Rokeberg if he would accept an amendment to delete lines 22-29 on page 3 of the bill.

[2:04:54 PM](#)

REPRESENTATIVE ROKEBERG said that would gut the bill. "I share your concern about the Port Authority," he noted. The trouble with deleting the Glennallen to Cook Inlet route would be counter productive, "because even if we had a highway route, you could go two different ways. I mean in terms of routing analysis, you can come from, even the highway route, you can come down the Richardson highway to the Glen highway and go that route. Or come down the Parks highway, so that debate needs to take place."

CO-CHAIR RAMRAS said he meant just line 25 to delete "to tidewater at a point on Prince William Sound".

REPRESENTATIVE ROKEBERG said he is very reluctant. The bill came from an initiative from the people of Alaska in the formation of ANGDA itself, he said. The original charge was an all-Alaska pipeline from the North Slope to Valdez, he added, and if the highway route falls apart, "we close the door on ANGDA's charge to compete with the Port Authority project."

[2:07:09 PM](#)

HAROLD HEINZE, Chief Executive Officer, Alaska Natural Gas Development Authority, said the bill provides a number of options. He emphasized that ANGDA has done screening studies of different routes for getting North Slope gas to Cook Inlet, and "frankly it is clear that at a screening level, economics are not going to dictate some of the choices that need to be made if they are made at all." If there is a line going from the North Slope to Valdez, it is logical to look at bringing gas to Cook Inlet from Glennallen, he stated. If it goes down the highway to Chicago, then from Delta to Cook Inlet via Glennallen and or direct to Cook Inlet are both possible, he said. When looking at all the elements, it is very unclear which is the best route, he stated, and the bill expands what ANGDA can examine.

[2:10:29 PM](#)

MR. HEINZE said ANGDA has looked at the bill and its accompanying appropriation as a way to provide an additional funding source to look at other opportunities if necessary. He said it is not necessary now, but it could be in the next few months as negotiations with the producers end up being successful or not. "If we were to use this funding, it is our position that we would do it in the context of intending to repay, at some point, the railbelt energy fund," he said, and ANGDA will not pursue it if it will not be successful.

[2:11:41 PM](#)

WARREN KEOGH, Chickaloon, Alaska, said he is concerned about ANGDA receiving money because they spent "about \$500,000 in the past six months for contracted services and ANGDA's recent action, which is a submission of a right-of-way application to the Alaska Department of Natural Resources for a 300-foot pipe line right-of-way from Glennallen to Palmer." He questioned additional state funds because ANGDA has not provided adequate public notice in public meetings, and its public outreach has been inadequate. He said landowners had no idea the pipeline was routed through their private property. The spur line engineering report alerts ANGDA to fault lines crossing the route, which require extensive field investigations for proper design of the pipe line, and Mr. Keogh said that those field evaluations should be done prior to final route selection. "My question is why has a route been selected and the right-of-way application been submitted prior to these recommended field studies?" He also noted a similar problem with fish streams and wetlands. He said his community will be traversed by 20 miles of the pipe line, and it was not advised before the route was selected. Furthermore, ANGDA reported it did public outreach to the community, which merely consisted of talking to one Chickaloon resident who happens to manage a natural gas development firm. The community council passed a resolution to ask ANGDA to suspend its right-of-way and permit acquisition process, he said.

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MR. KEOGH said ANGDA has moved too hastily and made some mistakes. He understands the urgency and he supported the ANGDA initiative, but said it would be better to slow down and do things right before spending \$8 million of railbelt funds.

[2:16:38 PM](#)

REPRESENTATIVE GATTO said, "You did mention that there was no notification of a pipe line routed down Trunk Road, and ... I haven't been home for four months but I'm certainly not aware of any notification to that degree."

MR. KEOGH said on the joint pipe line office website where the application is posted, the right-of-way application route is shown on 20 maps including the routes that cross private lands.

He said the right-of-way application is only for state lands but it also shows where the route crosses private lands.

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REPRESENTATIVE GATTO said there are recent issues with power line construction from MEA who received agreements with property owners, but this line is scheduled to go through without landowner approval.

MR. KEOGH said landowners on the route did not know the pipe line was intended to go through their property.

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REPRESENTATIVE ROKEBERG said he is mystified why Mr. Keogh is not supporting this legislation, because it would provide an alternative to the right-of-way through Chickaloon. "I guess I am a little bit baffled," he said.

MR. KEOGH said when a state entity plans a pipeline route he would expect meaningful input from the impacted communities. No matter where it is, "folks along the way need to be well-appriSED and have significant input." He said the people of ANGDA might not be aware that Chickaloon has a land plan. "In the scramble to find the best way to get natural gas out of the state and along whatever route, [it's important] that you pay close and careful consideration to the interests and needs and the priorities of the citizens of the local communities," he explained.

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REPRESENTATIVE ROKEBERG said he can't really disagree, "but for him to oppose legislation that doesn't speak to those issues is disappointing."

[2:21:11 PM](#)

REPRESENTATIVE SEATON moved to report HB 254, version F, out of committee with individual recommendations and the accompanying fiscal notes.

There being no objection, HB 254 was passed out of committee.

[2:21:40 PM](#)

HB 280-MINERALS TAX/PAYMENTS TO MUNIS IN LIEU

CO-CHAIR RAMRAS announced that the next order of business would be HOUSE BILL NO. 280 "An Act relating to the taxation of mining property; relating to contracts approved by municipalities for payments in lieu of taxes; and providing for an effective date."

CO-CHAIR SAMUELS moved to adopt CSHB 280, version 24-LS0933\F, Kurtz, as a working document.

There being no objection, it was so ordered.

REPRESENTATIVE SEATON asked if the intent was to hold the bill.

CO-CHAIR RAMRAS said the intent is to get it rolling.

[2:23:11 PM](#)

JIM POUND, Staff to Representative Jay Ramras, Alaska State Legislature, said HB 280 was proposed by the industry to provide stability to the mining industry, especially in unorganized boroughs. It will create a 4-mill property tax on mines in unorganized boroughs that will go to the state and is suggested to be used for education, he said. Under the committee substitute (CS), when a borough "is organized, provided it is organized currently, it will allow that local municipality to personal property tax the mine at whatever the personal property tax is that's established within that borough." If it annexes a mine, it will move the personal property tax levy up to be equal with others in that borough. The bill will restrict severance taxes on the actual minerals being extracted, and the term is 15 years after production begins, then the community can levy its tax. Facilities that the public use will not be taxed, under HB 280, he concluded.

[2:25:43 PM](#)

REPRESENTATIVE KAPSNER asked which mines this is directed at.

MR. POUND said for now it is for Pogo and Donlin Creek.

REPRESENTATIVE KAPSNER asked the life expectancy of the mines.

MR. POUND said he thinks Pogo is 20 years and Donlin is longer.

REPRESENTATIVE KAPSNER said she thought it was 15 years.

REPRESENTATIVE GATTO noticed that mines producing less than \$10 million are exempt, and he asked if a large, new mine will be exempt until the day it produces at that minimum.

MR. POUND said the legislation is written to help small mines.

REPRESENTATIVE GATTO repeated his question.

MR. POUND said they will not pay taxes until they start producing \$10 million worth of minerals.

[2:27:31 PM](#)

REPRESENTATIVE LEDOUX said this also applies to boroughs that already are incorporated.

MR. POUND said, "It does if they decide to annex a mine."

REPRESENTATIVE LEDOUX said Section 3 says municipalities may not impose a severance tax other than a tax imposed before January 1, 2006. Suppose they already have a mine but they don't have a severance tax, even if they are an organized borough. Can they impose a severance tax? she asked.

MR. POUND said only if they impose it before January 1, 2006.

[2:28:20 PM](#)

REPRESENTATIVE SEATON asked about current severance tax rates.

MR. POUND said he didn't know.

REPRESENTATIVE SEATON asked if the bill relates only to personal and not real property.

MR. POUND said it is real and tangible personal property.

[2:29:24 PM](#)

REPRESENTATIVE SEATON asked, "So the exclusion from taxation or the ability for the municipalities to impose taxes, up to their limit, is that on personal property, but they're excluded from putting their current rate on real property?"

MR. POUND said municipalities should be able to tax the same way they tax any business within the borough. The assessment will be done by the state, he added.

[2:30:05 PM](#)

REPRESENTATIVE SEATON asked if a mine within a current borough will now be assessed by the state.

MR. POUND said in an existing borough a mine will still be assessed by the municipality, and he gave the example of the Fort Knox mine in Fairbanks.

REPRESENTATIVE SEATON said the only reduction in tax that Fairbanks will see for the Fort Knox mine will be the limitation on imposing severance taxes.

MR. POUND said that was correct, unless Fairbanks imposes a severance tax before January.

[2:30:54 PM](#)

CATHY WASSERMAN, Alaska Municipal League (AML), said she has not seen the latest copy of HB 280. She thanked the mining industry for talking to AML about it. The municipal league was very concerned about the state making deals with an industry on taxing that would take place in a potential new borough. She said she needs to look at the CS and its severance tax addition, but she is glad that the cap for the new borough was removed.

[2:32:35 PM](#)

CO-CHAIR RAMRAS said he had the same concern as the municipal league. His North Star Borough has the Fort Knox mine, and the Pogo mine is 80-90 miles from the borough, and there has been some talk of annexing it. He said he is in favor of the self assessment tax of 4 mills where there is no tax now being paid. He said 6 mills in an organized borough was a concern because a mine might go to court to try to lower their existing mill rate to the 6-mill rate. There is now no mechanism to use the bill to get out of taxes, he said. If a place like Pogo mine was at 6 mills, in the original HB 280 the community of Delta could not raise it if it annexed it, so it could have ended up lower than the other commercial businesses for fifteen years, he said.

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CO-CHAIR RAMRAS said those are the concerns that he had while redrafting the bill, and he asked if AML is more comfortable.

MS. WASSERMAN said it is better but AML wants to look over the severance tax provision. If the mine is annexed into an organized borough, would that mine be paying less than another mine that was already in the borough, she asked?

CO-CHAIR RAMRAS said there shouldn't be any lack of parity within an borough. He said the concern is precluding the development of a mine because a community of 25 people makes a borough in order to get the mine to pay for the community.

[2:36:58 PM](#)

REPRESENTATIVE SEATON asked if Ms. Wasserman is familiar with the Deltana Borough charter commission and its letter saying the purpose of the bill is to prevent borough formation.

MS. WASSERMAN said AML has not addressed that issue and focused on the point that taxes should be a local decision. The letter has good points that could lead into good discussions, she said.

[2:38:20 PM](#)

REPRESENTATIVE SEATON asked if the state assessor can comment on the Deltana Borough charter commission letter.

STEVE VAN SANT, State Assessor, Division of Community Advocacy, Department of Commerce, Community, and Economic Development, Anchorage, said the department worked on this bill with Senator Therriault without any public input. He said he is an assessor so everything is black and white. He stated that he "looked at not having one entity shouldering the entire burden for a community." "The severance tax issue was an issue," he said. He added that resources are the property of the residents of Alaska, so if a severance tax is levied, it should be levied by the state, and it should be consistent. He said it appears that some communities use the severance tax to hold mines hostage. "We made recommendations based on the good of the state."

[2:40:55 PM](#)

REPRESENTATIVE SEATON asked Mr. Van Sant if he is proposing that fishing communities do the same with their severance tax.

MR. VAN SANT said the CS is only referring to minerals. There are only two communities that have a severance tax, Kodiak and Denali, he stated.

[2:41:52 PM](#)

REPRESENTATIVE KAPSNER asked average mill rates.

MR. VAN SANT said it is 15.226 in Fairbanks and 6.61 for the Greens Creek mine in Juneau.

REPRESENTATIVE SEATON said Juneau has a rate of 6.61 for a mine in a roadless area, and 11.5 if it is within the road system.

[2:43:48 PM](#)

REPRESENTATIVE SEATON asked if a new mine is limited to 4 mills, and then it became connected to the road system, could it increase?

[2:44:21 PM](#)

MR. VAN SANT said, "If a new borough is formed, they're going to pay 4 mills, unless a local property tax is levied. So if they levy a local property tax ... that's local determination, the state has nothing to do with that. I know we have two or three communities in the state that have varying mill rates because of lack of access to certain services ... It would be up to the local community to determine what services they are going to provide and whether or not they're going to go with differential tax zones in those areas."

REPRESENTATIVE SEATON said if the borough had differential mill rates dependant on services available, under this bill would the tax structure still be allowed.

MR. VAN SANT said this bill would not touch a tiered mill levy.

CO-CHAIR RAMRAS said there is a storm around certainty of oil and gas taxes. He said his understanding is that the mining industry just wants to bring some certainty, and there is "no devil" in this CS. He said it is a forthright effort by the industry who has come forward with a self-assessment. He said the CS brings stability to an industry that we are trying to nurture along.

MR. VAN SANT said he thought the first bill was a problem, and he was incensed. He said it has changed radically, and, the bill says now "we will pay the same taxes everybody else pays." He said it is good there is an industry willing to pay 4 mills where it is paying none now. He said, "Most of those exemptions that were there in the first place, pretty much exempted every tax a municipality could levy. It doesn't read that way any more." He said the property tax will be the same as everyone else, as well as the fees and excise taxes.

[2:49:01 PM](#)

REPRESENTATIVE LEDOUX asked if a municipality could raise its mill rate if it already has a severance tax.

MR. VAN SANT said he is not sure, but there are only two municipalities levying a severance tax.

REPRESENTATIVE LEDOUX said that the Lake and Pen Borough has a severance tax.

MR. VAN SANT said they do not to his knowledge.

[2:50:15 PM](#)

STEVE BORELL, Executive Director, Alaska Miners Association, said it is unique when an industry volunteers to pay a new tax. That tax would be a property tax on large mines operating in unorganized boroughs only, and it would have a constant rate for the first 15 years after production, he said. He listed taxes the industry already pays to the state. In the unorganized borough, there is no municipal tax, and this is where the industry is proposing a new tax, he said. He noted that the industry often complains of uncertainty regarding prices, taxes, and regulations. This bill removes the tax uncertainty, he claimed. "Given the short time remaining in this session, we urge you to pass this bill out of committee as soon as possible," he concluded.

[2:53:12 PM](#)

REPRESENTATIVE GATTO asked what the benefits are to the mining industry.

MR. BORELL said stability. He said a mine might look like a cash cow, and companies fear investing in the state.

[2:55:08 PM](#)

REPRESENTATIVE KAPSNER said 4 mills sounds really low, especially since it is over 15 in Fairbanks.

CO-CHAIR RAMRAS said to note the mines that are paying zero now.

REPRESENTATIVE ELKINS said the bill goes to finance next.

[2:56:23 PM](#)

REPRESENTATIVE KAPSNER asked how 4 mills was derived.

MR. BORELL said it is the school contribution amount.

REPRESENTATIVE GATTO said, "The 4-mill giveback is based on the true and real value of personal property throughout the entire borough, and this would only be four mills based on the property of a mining operation providing it had \$10 million. That's a pretty wide distinction, isn't it?"

MR. BORELL answered: "If the assessed value is more than \$10 million--and the purpose of that was to make the assessors job significantly easier because you don't have to worry about the mom and pops." He added that right now, the other entities within the organized boroughs pay nothing at all.

REPRESENTATIVE GATTO asked if Delta Junction is considering incorporating.

MR. BORELL said it is.

REPRESENTATIVE GATTO said Delta Junction has been extremely resistant to incorporating. "What is bringing about this change of attitude," he asked.

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MR. BORELL said he doesn't know.

JAMES FUGUE, Donlin Creek Project and Council of Alaska Producers, said this bill is about bringing certainty to the tax structure in the unorganized borough. He said his company is facing an investment decision with Donlin Creek mine, and with an unknown tax structure, it can't refine its investment models. He noted that the bill has generated important dialogue. He said mill rates across Alaska are very variable, and for Donlin

Creek, 1 mill on a \$1 billion project is \$1 million. A \$4 mill property tax would start out at \$4 million per annum, and a 6 mill property tax would be of the order of \$6 million, and that is what the Red Dog mine is paying, he declared.

REPRESENTATIVE KAPSNER asked the life expectancy of Donlin.

MR. FUGUE said 15 years is the number the company uses.

[3:02:23 PM](#)

CO-CHAIR RAMRAS asked what the assessed value will be after 15 years if it remains unorganized.

MR. VAN SANT said after fifteen years this tax goes away if there is no organized municipality.

REPRESENTATIVE SEATON said the bill states there can be no taxes measured on the gross or net income from the taxable property, and he asked if it precludes the state corporate income tax.

[3:03:58 PM](#)

BRETT FRIED, Economist, Department of Revenue, said he hasn't had a chance to read the CS.

REPRESENTATIVE SEATON said he also wants to know if the transportation of minerals and mining transportation companies would be free of taxation. He said he wants to make sure the substitution of taxes only includes taxes that would be authorized by a municipality and not taxation by the state.

[3:05:46 PM](#)

MR. FRIED said he doesn't know.

CO-CHAIR SAMUELS said the way he reads the severance tax provision is that if it exists now, it will stay. Other than that, only the state has that right, he stated. "I agree with the bill on the whole. Someone who is going to go in and spend tens of millions of dollars, and the local government just sits and waits and waits, till you can't get your money back out and it goes click. It is almost a game of gotcha, because you cannot take your equipment and go anywhere else." He said the amount can be argued, but the state still has the right to impose a severance tax, so he thinks it is a good compromise.

3:07:20 PM

REPRESENTATIVE ELKINS said there are some unanswered questions, but this late in the session it should be moved on.

REPRESENTATIVE SEATON said the direction of the CS is good, but there are questions that need to be answered. He said he wants to know about taxes imposed before January 1, 2005.

CO-CHAIR RAMRAS said the first draft was a Trojan horse with the devil inside. The references on lines 12-14 relate to the Pogo and Fort Knox mines, and any other existing mine operations. "I did not want an ability for someone with a Fort Knox to be able to use this vehicle to go back and skinny their way out of an existing tax. The date was selected because as of now, Pogo is not in a borough, and Fort Knox already is, so it puts a pivotal date whereby Pogo is not in a borough and Fort Knox is.

3:10:04 PM

REPRESENTATIVE LEDOUX said she feels uncomfortable with Section 3. People know the mill rate can go up when they buy a house or a lodge, so the municipality should retain that prerogative.

REPRESENTATIVE GATTO said gravel extracted in his district is not taxed, and Section 3 takes away the ability to levy a tax on the gravel after January.

CO-CHAIR RAMRAS said the gravel pit land is probably taxed at the current mill rate.

3:12:33 PM

CO-CHAIR SAMUELS said the borough has property tax, but if there isn't a severance tax provision, it will keep mines from entering an unoccupied borough. "Once the municipality has it, and they wish to change the mill rate, that's up to the people of that community." It will affect all property owners equally.

3:13:30 PM

REPRESENTATIVE LEDOUX said Section 3 relates to the boroughs that are already organized, so there would be those sorts of controls.

REPRESENTATIVE SEATON asked if a rate change is precluded on a severance tax. He wants that question answered. He asked if

the bill only applies to the \$10 million mines or on the small ones.

[3:15:36 PM](#)

CO-CHAIR RAMRAS said the intention is to protect "the dad and the kid that are mining" from a 4-mill tax.

REPRESENTATIVE KAPSNER said she is in favor of the Donlin Creek mine but her neighbors upriver are talking about forming a borough, and the bill might preclude that. In order to form a borough state law requires a 4 mill-school rate and the borough would need to bond for new schools for the children from the mining community. It is also required to provide for roads and public safety, she explained. Except for this mine, there is no way to cover those cost, and she said she is concerned about the upriver people wanting to set taxes, but the bill sets it in stone for the next 15 years.

CO-CHAIR RAMRAS said, "It is 4 mills until a borough is organized, and if those communities you're talking about organized a borough, and then they set a mill rate at 10, then the mine would rise to that mill rate within that area. It would rise to the prevailing mill rate. That was the difference between the 280 and the CS for 280; it clarifies precisely that."

REPRESENTATIVE KAPSNER said she was looking at the last version.

[3:20:47 PM](#)

REPRESENTATIVE SEATON said if he had had the CS earlier, he wouldn't need to ask so many questions. He said he wants to address the Pebble mine with regard to page 6, line 20. He said it looks like property used for transportation of minerals could be exempt from the tax.

MR. VAN SANT said, "This is the exact same question we asked in the Senate Community and Regional Affairs Standing Committee. The language changed a little bit, and under this, nothing would be taxable, so obviously there's a typo here." He said he thinks it was meant to say, "that is located in municipality organized before January 1, 2005." He said, "Obviously we need to change this one ... I don't know where it came from."

[3:22:32 PM](#)

REPRESENTATIVE SEATON said with this language, the dock and transportation facilities for the Pebble mine wouldn't be taxed.

MR. VAN SANT said the intent is that the facilities open to public use would be exempt from this tax, which doesn't need to be in the bill because the department wouldn't assess it anyway.

[3:23:37 PM](#)

REPRESENTATIVE SEATON said he would like a conceptual amendment to fix it before it leaves the committee.

The committee took an at-ease from 3:24 to 3:25.

[3:25:39 PM](#).

REPRESENTATIVE SEATON offered conceptual Amendment 1 to delete lines 20 - 21 on Page 6.

REPRESENTATIVE CRAWFORD objected and asked what that would do.

REPRESENTATIVE SEATON explained that the CS reads that property or dock facilities used for transportation and located within a city or municipality are not taxable, and Amendment 1 deletes that language, so that those properties will be assessed just like all private facilities.

REPRESENTATIVE CRAWFORD withdrew his objection; there being no further objection, Amendment 1 carried.

[3:27:45 PM](#)

REPRESENTATIVE GATTO requested a clarification on severance taxes referred to in Section 3, Page 2. If there is a minimal tax currently imposed, he asked, will the municipality be restricted from raising it?

[3:28:30 PM](#)

CO-CHAIR SAMUELS said he reads that a municipality is grandfathered in if it has a tax, and it can raise it.

REPRESENTATIVE LEDOUX suggested asking legal services.

CO-CHAIR RAMRAS said the House Finance Committee can do that.

REPRESENTATIVE SEATON said he asked for that question to follow the bill, so it will be answered in the next committee.

[3:29:29 PM](#)

REPRESENTATIVE KAPSNER moved to report HB 280, labeled 24-LS0933\F, Kurtz, 3/2/05 as amended, out of committee with individual recommendations and the accompanying fiscal notes.

There being no objection, CSHB 280(RES) passed out of committee.

[3:29:57 PM](#)

HJR 17-FEDERAL LANDS RECREATION ENHANCEMENT ACT

CO-CHAIR RAMRAS announced that the next order of business would be HOUSE JOINT RESOLUTION NO. 17 Opposing the Federal Lands Recreation Enhancement Act.

JENNIFER BAXTER, Staff to Representative Jim Elkins, Alaska State Legislature, said HJR 17 opposes the Federal Lands Recreational Enhancement Act, which allows the forest service, park service, bureau of land management, fish and wildlife service, and bureau of reclamation to charge fees for recreational use of federally managed land by the public. Once enacted, fees will be required to access certain lands, she said. She noted that the federal government manages two thirds of Alaska lands, and a fee would be regressive and impose an undue burden on rural people who use these lands. She listed other states that have suggested similar resolutions.

[3:32:26 PM](#)

CO-CHAIR SAMUELS said he buys a sticker to go to the Chugach State Park, so he asked why the federal government shouldn't do the same thing.

MS. BAXTER said it would be an additional fee on top of what our state already charges.

CO-CHAIR SAMUELS asked if there is a charge now.

MS. BAXTER said she doesn't believe so.

CO-CHAIR SAMUELS moved to adopt the committee substitute (CS) for HJR 17, labeled 24-LS0847\Y, as a work draft.

[3:33:36 PM](#)

CO-CHAIR SAMUELS asked if a person has to pay to use a federal park, like to raft in the Arctic National Wildlife Refuge.

MS. BAXTER said, "The National Park Service, right now--one of our national forests is the Tongass National Forest, and our state isn't charging access fees, currently, to use certain lands, and I don't believe that the federal government is charging fees to use, like the national forest service, as far as in Southeast that I know of."

REPRESENTATIVE LEDOUX asked if the policy in Alaska is different, because she recalls user fees for Yellowstone.

MS. BAXTER said she doesn't know.

REPRESENTATIVE GATTO mentioned the federal government's Golden Eagle Pass for national parks.

MS. BAXTER said the federal resolution proposes an annual pass.

REPRESENTATIVE GATTO said HJR 17 tells the government not to charge for the use of federal lands, but it already charges through the Golden Eagle Pass, and he asked if the resolution is asking for an exemption.

MS. BAXTER said, "I believe that this is an additional fee. What this resolution would enact, an additional fee to what we already pay the federal government for the use of public lands."

REPRESENTATIVE ELKINS said this is about all federal lands. "They don't charge you today to go hunting in the Tongass National Forest, but they could."

[3:36:56 PM](#)

REPRESENTATIVE LEDOUX asked if the resolution exempts parks.

MS. BAXTER said it includes the National Park Service.

REPRESENTATIVE SEATON said, "We have been trying to get people that utilize the woods for -- the greenies -- the people that are using them for other than hunting, and that we've had the complaints that only hunters pay for the maintenance of trails and all these other things. Is the intent of this to mean that only hunters will pay ... through the hunting license fees for

any of the maintenance and everything on all the federal lands, recreational lands in Alaska?

MS. BAXTER asked if Representative Seaton is asking if it is in addition to fees for a hunting license.

REPRESENTATIVE SEATON clarified that if recreationists aren't charged, only hunters will pay for federal lands.

MS. BAXTER said, "What these fees would impose--they say the federal government would--the tax would go toward that certain site for maintenance, but our city and borough taxes pay for the facilities and upkeep, as is. So this would be in addition to what we are already paying for the maintenance of the facilities. And it wouldn't just be restricted to hunters."

REPRESENTATIVE ELKINS said his hunting fee never went to maintain any federal lands.

[3:40:06 PM](#)

REPRESENTATIVE SEATON said he misspoke, he didn't mean hunting licenses, but duck stamps and federal permits.

REPRESENTATIVE OLSON moved to report HJR 17, labeled 24-LS0847\Y, out of committee with individual recommendations and the accompanying fiscal notes.

There being no objection, CSHJR 17(RES) passed out of committee.

#### HCR 13-NATURAL GAS SPUR LINE CONSTRUCTION

CO-CHAIR RAMRAS announced that the next order of business would be HOUSE CONCURRENT RESOLUTION NO. 13 Expressing the legislature's support for the construction of a natural gas spur pipeline between Fairbanks and the Nenana Basin and Southcentral Alaska, commending the interest and initiative of the sponsors of that project, and encouraging the appropriate state resource agencies to lend support to those efforts.

JIM POUND, Staff to Representative Jay Ramras, Alaska State Legislature, said HCR 13 would encourage the development of the stranded gas in the Interior. He added that early testing in the Nenana region indicates there could be as much as 10 trillion cubic feet of natural gas, and if it pans out, it will be stranded until a pipeline can be built. He said Fairbanks would have a difficult time consuming that much gas, so the idea

is for the pipeline to go north and south. He noted that several companies are working on this project, and HCR 13 asks the resource agencies to work with them.

The committee took an at-ease from [3:43:50 PM](#) to [3:43:58 PM](#).

MR. POUND recommended the following changes: on page 1, line 8, delete "to 15 trillion" because the actual estimate is only 10 trillion; on Page 2, line 8, insert ", LLC, Usibelli Energy LLC, Arctic Slope Regional Corporation"; and on Page 2, line 9, add "who have worked together and Enstar has secured partial federal funding".

[3:45:42 PM](#)

HAROLD HEINZE, Chief Executive Officer, Alaska Natural Gas Development Authority (ANGDA), said he supports the resolution and has suggestions. He said on line 6 and 9, the word "reserves" is used, which implies they are well-known, discovered, and found, so he suggests using "potential reserves", "resource base", or "reserve base". He said there are no reserves at this time in the Nenana basin, and the reserves on the North Slope at most are 35 trillion cubic feet. He added that on line 12, page 2, the term "fastest most efficient" should not be used because that is unknown.

[3:47:30 PM](#)

REPRESENTATIVE GATTO suggested striking the word "reserves", and use 35 trillion instead of 100 trillion. He said he will offer that as conceptual Amendment 1.

REPRESENTATIVE CRAWFORD said he objected and offered an amendment to conceptual Amendment 1. He said 100 trillion is the potential, and he would like to keep it. He said there are 35 trillion cubic feet of reserves, so "take the reserves out and put resources, and we can say 100."

REPRESENTATIVE GATTO objected to the amendment to conceptual Amendment 1 because the number "35" is used extensively, and anyone could say there is up to 100 million, but those are potential.

REPRESENTATIVE CRAWFORD said "Or you can leave the 'reserves' in there and say '35', but to take 'reserves' out and just say '35 trillion potential resource' is a misnomer."

[3:50:34 PM](#)

REPRESENTATIVE GATTO said change the '35' and keep 'reserves'.

CO-CHAIR SAMUELS said, "If we use the word 'reserves', we have to use the '35'. If we want to use '100', then we use the word 'resource'."

[3:51:08 PM](#)

REPRESENTATIVE CRAWFORD withdrew the amendment to conceptual Amendment 1.

REPRESENTATIVE GATTO restated conceptual Amendment 1 to read: delete "100" and add "35".

There being no objection, conceptual Amendment 1 carried.

[3:52:32 PM](#)

CO-CHAIR SAMUELS offered Amendment 2, as follows:

Page 1, line 8, following "estimated 10"

Delete "to 15"

Page 1, line 9,

Delete "reserves"

Insert "resources"

There being no objection, Amendment 2 carried.

CO-CHAIR RAMRAS offered Amendment 3, as follows:

Page 2, line 8, following "Andex Resources"

Insert ", LLC, Usibelli Energy, LLC,"

Page 2, line 9, following "ENSTAR Natural Gas Company"

Delete ", "

Insert "Arctic Slope Regional Corporation"

Page 2, line 9, following "who have"

Insert "worked"

Page 2, line 9, following "together"

Insert "and ENSTAR has"

There being no objection, Amendment 3 carried.

[3:54:16 PM](#)

REPRESENTATIVE ELKINS moved to report HCR 13, labeled 24-LS0943\Y, as amended, out of committee with individual recommendations and the accompanying fiscal notes.

There being no objection, CSHCR 13(RES) passed out of committee.

SJR 16-STATES' RIGHT TO REGULATE HUNTING/FISHING

CO-CHAIR RAMRAS announced that the final order of business would be SENATE JOINT RESOLUTION NO. 16 Supporting legislation before the United States Congress that reaffirms the right of the states to regulate hunting and fishing.

DAVID STANCLIFF, Staff to Senator Therriault, Alaska State Legislature, said SJR 16 goes to the heart of a conflict "that's existed in Alaska for a number of years." He said over 50 percent of the prime hunting areas have been eliminated in Alaska through various resource designations. He noted that the courts told Arizona it couldn't have differential access for resident and non-resident hunters. The resolution supports two bills before Congress that clarify that states do have management authority and the right to differentiate between residents and non-residents. He opined that this is not divisive between rural and urban users, but it is a matter of state sovereignty.

[3:57:39 PM](#)

REPRESENTATIVE OLSON moved to report SJR 16 out of committee with individual recommendations and accompanying fiscal notes.

There being no objection, SJR 16 passed out of committee.

[3:58:41 PM](#)

**ADJOURNMENT**

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 3:58 p.m.