

**ALASKA STATE LEGISLATURE  
HOUSE RESOURCES STANDING COMMITTEE**

March 31, 2006

1:20 p.m.

**MEMBERS PRESENT**

Representative Jay Ramras, Co-Chair  
Representative Jim Elkins  
Representative Kurt Olson  
Representative Paul Seaton  
Representative Harry Crawford

**MEMBERS ABSENT**

Representative Ralph Samuels, Co-Chair  
Representative Carl Gatto  
Representative Gabrielle LeDoux  
Representative Mary Kapsner

**COMMITTEE CALENDAR**

HOUSE BILL NO. 307

"An Act creating the Knik River Public Use Area."

- MOVED CSHB 307(RES) OUT OF COMMITTEE

HOUSE BILL NO. 484

"An Act allowing for revenue received from issuance of additional entry permits to be appropriated for reimbursement to salmon fishery associations."

- MOVED CSHB 484(FSH) OUT OF COMMITTEE

HOUSE BILL NO. 386

"An Act making uniform throughout the state the deadline for certain exploration expenditures used as credits against the production tax on oil and gas produced from a lease or property in the state by extending to July 1, 2010, the deadline for those expenditures on leases or properties located north of 68 degrees, 15 minutes, North latitude."

- HEARD AND HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 307

SHORT TITLE: KNIK RIVER PUBLIC USE AREA

SPONSOR(s): REPRESENTATIVE(s) STOLTZE

05/07/05 (H) READ THE FIRST TIME - REFERRALS  
05/07/05 (H) RES, FIN  
03/27/06 (H) RES AT 2:00 PM CAPITOL 124  
03/27/06 (H) Heard & Held  
03/27/06 (H) MINUTE(RES)  
03/29/06 (H) RES AT 1:00 PM CAPITOL 124  
03/29/06 (H) Heard & Held  
03/29/06 (H) MINUTE(RES)

BILL: HB 484

SHORT TITLE: FISHERY ASSOCIATION REIMBURSEMENT

SPONSOR(s): REPRESENTATIVE(s) WILSON

02/13/06 (H) READ THE FIRST TIME - REFERRALS  
02/13/06 (H) FSH, RES, FIN  
03/22/06 (H) FSH AT 8:30 AM CAPITOL 124  
03/22/06 (H) Moved CSHB 484(FSH) Out of Committee  
03/22/06 (H) MINUTE(FSH)  
03/24/06 (H) FSH RPT CS(FSH) 3DP 2NR  
03/24/06 (H) DP: WILSON, ELKINS, THOMAS;  
03/24/06 (H) NR: HARRIS, KAPSNER  
03/31/06 (H) RES AT 1:00 PM CAPITOL 124

BILL: HB 386

SHORT TITLE: EXTEND NORTH SLOPE SEVERANCE TAX CREDIT

SPONSOR(s): REPRESENTATIVE(s) KOHRING

01/20/06 (H) READ THE FIRST TIME - REFERRALS  
01/20/06 (H) O&G, RES, FIN  
02/23/06 (H) O&G AT 5:00 PM CAPITOL 124  
02/23/06 (H) NATURAL GAS PIPELINE INCENTIVE/ GAS TAX  
03/02/06 (H) O&G AT 5:00 PM CAPITOL 124  
03/02/06 (H) NATURAL GAS PIPELINE INCENTIVE/ GAS TAX  
03/07/06 (H) O&G AT 5:30 PM CAPITOL 124  
03/07/06 (H) Scheduled But Not Heard  
03/08/06 (H) O&G AT 6:00 PM CAPITOL 124  
03/08/06 (H) Scheduled But Not Heard  
03/16/06 (H) O&G AT 5:00 PM CAPITOL 124  
03/16/06 (H) Moved CSHB 386(O&G) Out of Committee  
03/16/06 (H) MINUTE(O&G)  
03/17/06 (H) O&G RPT CS(O&G) NT 1DP 3NR  
03/17/06 (H) DP: KOHRING;  
03/17/06 (H) NR: SAMUELS, DAHLSTROM, ROKEBERG  
03/31/06 (H) RES AT 1:00 PM CAPITOL 124

## **WITNESS REGISTER**

REPRESENTATIVE BILL STOLTZE

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Answered questions about HB 307 as sponsor.

DICK MYLIUS, Director

Division of Mining, Land and Water

Department of Natural Resources

Anchorage, Alaska

POSITION STATEMENT: Answered questions about HB 307.

LINDA MILLER, Staff

to Representative Peggy Wilson

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Presented HB 484 on behalf of Representative Wilson, sponsor.

FRANK HOMAN, Chair

Commercial Fisheries Entry Commission

Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 484.

REPRESENTATIVE VIC KOHRING

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Presented HB 386 as sponsor.

CHARISSE MILLETT, Staff

to Representative Kohring

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Answered questions on HB 386.

## **ACTION NARRATIVE**

**CO-CHAIR JAY RAMRAS** called the House Resources Standing Committee meeting to order at 1:20:48 PM. Representatives Seaton, Elkins, Crawford, Olson and Ramras were present at the call to order.

HB 307-KNIK RIVER PUBLIC USE AREA

CO-CHAIR RAMRAS announced that the first order of business would be HOUSE BILL NO. 307, "An Act creating the Knik River Public Use Area."

REPRESENTATIVE SEATON moved Amendment 1 as follows [original punctuation provided]:

Page 1, line 14  
Following "vehicle"  
Insert "and non-motorized recreation"

Renumber accordingly.

REPRESENTATIVE ELKINS objected for purposes of discussion.

REPRESENTATIVE SEATON said Amendment 1 adds non-motorized recreational opportunities to show that the legislation promotes existing and all types of recreational uses.

REPRESENTATIVE ELKINS withdrew his objection. Hearing no further objections, Amendment 1 passed.

REPRESENTATIVE SEATON moved Amendment 2, as follows [original punctuation provided]:

Page 2, lines 18  
Following "(d)"  
Delete "With the assistance of the United States  
Army Corps of Engineers,"

Renumber accordingly.

REPRESENTATIVE ELKINS objected for purposes of discussion.

[1:23:24 PM](#)

REPRESENTATIVE SEATON said Amendment 2 deletes the phrase "Army Corps of Engineers" because it might bring forward GIS maps that may interfere with the actual usage of the area. He noted that a GIS mapping system in Homer, Alaska classified everything as a wetland. The amendment does not prevent a wetland from being identified, "it just gets us out of the process of having this map control all our history."

REPRESENTATIVE BILL STOLTZE noted that the commissioner will still have the ability to designate wetlands for habitat.

REPRESENTATIVE SEATON stated that the intent is to allow the commissioner to use any resources desired, but the state won't get a GIS map imposed on it that delineates everything as a wetland, which would then make the state prove that each parcel is not wetlands.

REPRESENTATIVE STOLTZE said Amendment 2 maintains the spirit of the bill.

REPRESENTATIVE ELKINS withdrew his objection. Hearing no further objections, Amendment 2 passed.

[1:26:47 PM](#)

REPRESENTATIVE SEATON offered Amendment 3 as follows [original punctuation provided]:

Page 3, line 6

Following "activities"

Insert "as compatible with purposes specified in AS 41.23.180"

Re-number accordingly.

REPRESENTATIVE ELKINS objected for purposes of discussion.

REPRESENTATIVE SEATON said Amendment 3 inserts language to make sure the commissioner is directed to allow uses consistent with the purposes of the act, which were to provide for both vehicular and non-motorized activities

REPRESENTATIVE ELKINS removed his objection. Hearing no further objections, Amendment 3 passed.

REPRESENTATIVE SEATON asked for further clarification on the definition of trails.

DICK MYLIUS, Director, Division of Mining, Land and Water, Department of Natural Resources (DNR), said trails are all different, so it would be difficult to define one. He said during the planning process DNR would meet with all the user groups and try to identify what they consider important trails. "A trail to a mountain biker is a lot different than a trail for somebody on an [off road vehicle]."

[1:28:57 PM](#)

REPRESENTATIVE SEATON asked if any track would need to be designated as a trail or if the planning process would look only at well-used trails.

MR. MYLIUS said DNR would have the flexibility to identify the important trails for different groups, but it would not be required to designate any and every trail. The plan will have the flexibility to deal with that issue, he said.

[1:30:04 PM](#)

REPRESENTATIVE SEATON said he wanted to make sure the management plan process had that kind of flexibility.

REPRESENTATIVE STOLTZE said he had a conceptual amendment for protecting cultural properties. He said he wants to refine the language and take it to the House Finance Committee, making sure it is covered in the legislation but is not overly broad.

REPRESENTATIVE CRAWFORD said he supported that.

[1:31:07 PM](#)

REPRESENTATIVE SEATON moved to report HB 307 as amended out of committee with individual recommendations and the accompanying fiscal notes. Hearing no objections, CSHB 307(RES) passed out of the House Resources Standing Committee.

[1:31:27 PM](#)

#### HB 484-FISHERY ASSOCIATION REIMBURSEMENT

CO-CHAIR RAMRAS announced that the next order of business would be HOUSE BILL NO. 484, "An Act allowing for revenue received from issuance of additional entry permits to be appropriated for reimbursement to salmon fishery associations."

[1:31:53 PM](#)

LINDA MILLER, Staff to Representative Peggy Wilson, sponsor of HB 484, said the Alaska Legislature created salmon fishery associations in 2002 to encourage fleet reduction in the fisheries. She said associations may be formed throughout the state to facilitate a permit buy-back program, which allows a group of fishermen to buy back permits in their fishery. The Southeast Alaska Seiners formed an association for that purpose, but a concern was raised by the seiners of possible future

action by the Commercial Fisheries Entry Commission (CFEC) to issue and sell more permits. The group asked for a guarantee that their money would be reimbursed if that ever happened. She said HB 484 does that. The House Special Committee on Fisheries substitute (CS) to HB 484 contains housekeeping language.

MS. MILLER said HB 484 makes it clear that in the unlikely event that the CFEC sells permits that were previously purchased by an association, the legislature may appropriate money back to the association. The change from the original version to the CS makes it clear that the association that actually did the buy-back is the one that may receive the payback, she stated. She said that the state has a responsibility to monitor each limited entry fishery. In the event that more permits are needed through a CFEC determination or a court action, the provisions of HB 484 would apply, she concluded.

[1:35:26 PM](#)

REPRESENTATIVE SEATON said on page 1, lines 8 and 9, the intent is to reimburse an association [only for what was paid]. If the permits sell for more than the original purchase price, the association would be reimbursed for only the original amount.

MS. MILLER said that is correct.

REPRESENTATIVE ELKINS asked why the language is "may" instead of "shall," and what assures that it will be done.

MS. MILLER said it was based on constitutional requirements.

[1:37:17 PM](#)

REPRESENTATIVE ELKINS said he can see it not happening.

REPRESENTATIVE SEATON suggested that dedicated funds are not permitted under the constitution.

MS. MILLER believes that is correct.

[1:38:09 PM](#)

REPRESENTATIVE ELKINS said it doesn't say it is coming out of dedicated funds.

[1:38:38 PM](#)

FRANK HOMAN, Chair, Commercial Fisheries Entry Commission, said Ms. Miller summed it up. The "may" is typical of legislative language to avoid a dedicated-fund situation, he explained, because the legislature always has the last word on any appropriation.

[1:39:41 PM](#)

REPRESENTATIVE SEATON wanted confirmation that if permits were sold for more than the associations purchased them for, the associations would be reimbursed only for their costs, and the remaining money would stay in the state.

MR. HOMAN said that was his understanding.

[1:40:15 PM](#)

JERRY MCCUNE, United Fishermen of Alaska, said there has always been the nagging question of what would happen if a court ordered permits to be put back into a fishery. There is only one association at this time, the Southeast Alaska Seiners Association, but others might be formed. If there were permits re-issued, then the association could get some of their money back under this bill, he stated. The amount would be determined by the legislature, he noted. He gave the example that aquaculture association money goes into the general fund and has to be appropriated back out by the legislature.

[1:42:09 PM](#)

REPRESENTATIVE SEATON asked Mr. McCune if it was his understanding that if the state sold the permits for many times the amount of what the association paid, the amount being reimbursed would only be the amount the association paid.

[1:42:48 PM](#)

MR. MCCUNE said it would only be the money that the association put out, and the rest would go into the general fund.

[1:43:29 PM](#)

REPRESENTATIVE ELKINS said he wished the bill were stronger, but it is fine.

[1:43:50 PM](#)

CO-CHAIR RAMRAS said the committee is missing four members and asked if the bill should be held.

REPRESENTATIVE SEATON said Representative LeDoux is Co-Chair of the House Special Committee on Fisheries, which is where the CS came from.

[1:44:38 PM](#)

REPRESENTATIVE OLSON moved to report CSHB 484(FSH) out of committee with individual recommendations and the accompanying fiscal notes. Hearing no objections, it was so ordered.

HB 386-EXTEND NORTH SLOPE SEVERANCE TAX CREDIT

[1:45:12 PM](#)

CO-CHAIR RAMRAS announced that the final order of business would be HOUSE BILL NO. 386, "An Act making uniform throughout the state the deadline for certain exploration expenditures used as credits against the production tax on oil and gas produced from a lease or property in the state by extending to July 1, 2010, the deadline for those expenditures on leases or properties located north of 68 degrees, 15 minutes, North latitude."

The committee took an at-ease from 1:45 p.m. to [2:02:23 PM](#).

REPRESENTATIVE VIC KOHRING said HB 386 is the same as what the House Resources Standing Committee put in the committee substitute (CS) [for HB 488]. He said it is not the same in its entirety, but it is the same with regard to the incentives for the industry. "We tried to make that bill better by rolling in, in the form of the CS, some things that essentially sweeten the pot and made it better for the industry in terms of incentives." He said the incentives included providing tax credits against not just the production tax, but against bonus bids, lease rental payments, property taxes, corporate tax liability, "and so forth." He said that was all part of the CS, and he is bringing this bill before the committee "because of the volatility of the whole situation." He said there is no guarantee that the provisions in the CS will pass, and, thus, HB 386 can pass on its own.

[2:04:19 PM](#)

REPRESENTATIVE KOHRING said HB 386 will provide tax credits to offset taxes on oil and gas produced in the state, and those

credits can be sold to other companies. He stated that the amount of expenses that could be claimed are up to 40 percent, "not that the full 40 percent would be granted; it will be at the discretion of the department to provide once they have looked at the application and examined what credits are being applied for." He said it has been a fairly successful program in encouraging more development in marginal fields. He said there are five applications pending for a total of \$15.1 million in credits. There are seven that have already been granted, he stated. "It's not like it's a statute that we put on the books that's just been sitting there unused, as some bills end up being. This is one that has actually been used by the industry." He said small companies feel that this bill will make a difference in terms of development in the state, and he noted there are ten letters in support, including one from Anadarko Petroleum Corporation. The bill "enjoys strong support from those companies," and he asked who would not support a tax credit to their industry.

[2:06:28 PM](#)

REPRESENTATIVE KOHRING spoke of support from the Alaska Oil and Gas Conservation Commission and other oil companies.

[2:06:50 PM](#)

REPRESENTATIVE CRAWFORD said he has a concern of expanding the credits to property taxes because there are boroughs and municipalities that really depend on those taxes.

REPRESENTATIVE KOHRING deferred to Ms. Millett.

CHARISSE MILLETT, Staff to Representative Kohring, said the bill only applies to state property taxes, not municipal taxes. She drew attention to page 2, line 17.

[2:08:14 PM](#)

REPRESENTATIVE OLSON said with all the work the committee has done on this issue, he would prefer that the full committee look at it. He said he would probably support it, but it would be a disservice to the other members [to vote on it now].

[2:09:26 PM](#)

REPRESENTATIVE ELKINS said he agrees with Representative Olson. He will support it, but it is a good idea to wait.

CO-CHAIR RAMRAS said he shares that opinion.

REPRESENTATIVE KOHRING said he will be happy to come back.

REPRESENTATIVE OLSON said the committee might lose some friends if it cut some members out of the process.

[HB 386 was held over]

[2:11:23 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at [2:11 PM](#).