

**ALASKA STATE LEGISLATURE**  
**HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS**

March 22, 2006

9:49 a.m.

**MEMBERS PRESENT**

Representative Bruce Weyhrauch, Chair  
Representative Ralph Samuels  
Representative Paul Seaton  
Representative Peggy Wilson  
Representative Max Gruenberg  
Representative Carl Moses

**MEMBERS ABSENT**

Representative Norman Rokeberg

**COMMITTEE CALENDAR**

HOUSE BILL NO. 418

"An Act relating to a mining production tax; relating to the mining license tax; relating to production royalties on minerals; relating to exploration incentive credits; and providing for an effective date."

- HEARD AND HELD

HOUSE BILL NO. 492

"An Act relating to the transfer of the state's interest in certain gas to the Alaska Retirement Management Board for the purpose of satisfying the unfunded accrued actuarial liability of the state and employers of teachers in the state to state retirement systems; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 418

SHORT TITLE: MINING PROD. & LICENSE TAXES/ROYALTIES

SPONSOR(S): REPRESENTATIVE(S) SEATON

02/01/06	(H)	READ THE FIRST TIME - REFERRALS
02/01/06	(H)	W&M, RES, FIN
02/22/06	(H)	W&M AT 9:00 AM CAPITOL 106
02/22/06	(H)	Heard & Held

02/22/06	(H)	MINUTE(W&M)
02/24/06	(H)	W&M AT 9:00 AM CAPITOL 106
02/24/06	(H)	Heard & Held
02/24/06	(H)	MINUTE(W&M)
02/27/06	(H)	W&M AT 9:00 AM CAPITOL 106
02/27/06	(H)	Heard & Held
02/27/06	(H)	MINUTE(W&M)
03/01/06	(H)	W&M AT 9:00 AM CAPITOL 106
03/01/06	(H)	Heard & Held
03/01/06	(H)	MINUTE(W&M)
03/06/06	(H)	W&M AT 9:00 AM CAPITOL 106
03/06/06	(H)	<Bill Hearing Canceled>
03/22/06	(H)	W&M AT 9:00 AM CAPITOL 106

**WITNESS REGISTER**

SCOTT BRENNAN, Campaign Director  
 Alaskans for Responsible Mining  
 Anchorage, Alaska  
 POSITION STATEMENT: Testified in support of HB 418.

IAN LAING, Staff  
 to Representative Paul Seaton  
 Alaska State Legislature  
 Juneau, Alaska  
 POSITION STATEMENT: Summarized the difference between HB 418 and the committee substitute, Version S, on behalf of Representative Seaton, sponsor.

**ACTION NARRATIVE**

**CHAIR BRUCE WEYHRAUCH** called the House Special Committee on Ways and Means meeting to order at [9:49:27 AM](#). Representatives Weyhrauch, Gruenberg, Moses, Samuels, Seaton, and Wilson were present at the call to order.

HB 418-MINING PROD. & LICENSE TAXES/ROYALTIES

[9:49:36 AM](#)

CHAIR WEYHRAUCH announced that the only order of business would be HOUSE BILL NO. 418, "An Act relating to a mining production tax; relating to the mining license tax; relating to production royalties on minerals; relating to exploration incentive credits; and providing for an effective date."

[9:50:14 AM](#)

REPRESENTATIVE SEATON informed the committee that since the last hearing on HB 418, a committee substitute (CS) was drafted to realign the bill to the current mining license tax structure yet with adjustments made to rentals to provide a more reasonable return to [Alaska residents]. The earlier bill version presented somewhat of a dichotomy, he relayed, in that it went from a net profit tax to a gross unlike the proposed petroleum production profits tax (PPT) which goes "from a gross production to a net."

9:53:10 AM

SCOTT BRENNAN, Campaign Director, Alaskans for Responsible Mining, a coalition of 19 conservation, tourism, fishing, and native organizations, explained that the coalition is working to raise public awareness of the impacts of the mining industry. He further clarified that the coalition supports HB 418 because the legislation aims to improve regulations [in the mining industry] to ensure that the benefits to Alaskans are maximized and the risks are minimized. He relayed that he often asks Alaska residents to imagine they own a sizeable amount of mineral-rich land and to determine what they would consider to be a fair market value for the sale of those minerals to a foreign-owned mining industry wishing to purchase and sell the deposits. He noted that in terms of fair market value, Representative Seaton's proposal might "look a bit modest" if one were to think of its proposed 3 percent of the value of the mineral which would [only] be \$30,000 if the mineral value were \$1 million. He highlighted that Alaska and Nevada are the only states with a profits-based royalty - one which generally provides the lowest rate of return to the residents of that particular state. He said that his coalition encourages the committee to "look at what is done nationally and also consider [today's] record-high mineral prices ...." He noted that it could be argued that the current net-profit system is not consistent with the constitutional requirement that the resource development provide the maximum benefit to the people of the state. He expressed his encouragement that the committee ensures that the mining companies, many foreign-owned and experiencing record profits, pay their fair share just as former governors, Jay S. Hammond and Walter J. Hickel, have argued they should. In conclusion, he opined that "there is no reason an Alaskan who's working at one of these mines should pay higher taxes than the foreign-owned companies profiting at our expense."

9:57:55 AM

CHAIR WEYHRAUCH determined there was no further testimony.

9:58:30 AM

REPRESENTATIVE WILSON moved to adopt the CS for HB 418, Version 24-LS1456\S, Chenoweth/Bullock, 3/22/06 as the working document. There being no objection, Version S was before the committee.

9:58:58 AM

IAN LAING, staff to Representative Paul Seaton, Alaska State Legislature, on behalf of Representative Seaton, sponsor of HB 418, informed the committee that Version S amends the current license tax with changes to the royalty as well as to the rents for both coal and minerals.

10:00:01 AM

CHAIR WEYHRAUCH announced that HB 418 would be held over.

REPRESENTATIVE SEATON informed the committee that a side-by-side comparison of Version S and the original bill can be found in the committee packets.

10:00:32 AM

**ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Ways and Means meeting was adjourned at 10:00 a.m.