

**ALASKA STATE LEGISLATURE  
HOUSE RESOURCES STANDING COMMITTEE**

March 31, 2008

1:36 p.m.

**MEMBERS PRESENT**

Representative Craig Johnson, Co-Chair  
Representative Anna Fairclough  
Representative Bob Roses  
Representative Paul Seaton  
Representative Peggy Wilson  
Representative Bryce Edgmon  
Representative David Guttenberg  
Representative Scott Kawasaki

**MEMBERS ABSENT**

Representative Carl Gatto, Co-Chair

**COMMITTEE CALENDAR**

SENATE JOINT RESOLUTION NO. 17

Urging the United States Congress to provide a means for consistently sharing, on an ongoing basis, revenue generated from oil and gas development on the outer continental shelf with all coastal energy-producing states to ensure that those states develop, support, and maintain necessary infrastructure and preserve environmental integrity.

- MOVED SJR 17 OUT OF COMMITTEE

SENATE BILL NO. 229

"An Act relating to the Tanana Valley State Forest and to assignment of certain forest land to the Minto Flats State Game Refuge; and providing for an effective date."

- MOVED SB 229 OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: SJR 17

SHORT TITLE: OFFSHORE OIL & GAS REVENUE

SPONSOR(S): SENATOR(S) WIELECHOWSKI

02/19/08           (S)           READ THE FIRST TIME - REFERRALS

02/19/08 (S) RES  
 03/01/08 (S) RES AT 11:00 AM BUTROVICH 205  
 03/01/08 (S) -- MEETING CANCELED --  
 03/14/08 (S) RES AT 3:30 PM BUTROVICH 205  
 03/14/08 (S) Moved SJR 17 Out of Committee  
 03/14/08 (S) MINUTE(RES)  
 03/15/08 (S) RES AT 11:00 AM BUTROVICH 205  
 03/15/08 (S) -- MEETING CANCELED --  
 03/17/08 (S) RES RPT 6DP  
 03/17/08 (S) DP: HUGGINS, WIELECHOWSKI, WAGONER,  
 GREEN, MCGUIRE, STEVENS  
 03/18/08 (S) TRANSMITTED TO (H)  
 03/18/08 (S) VERSION: SJR 17  
 03/19/08 (H) READ THE FIRST TIME - REFERRALS  
 03/19/08 (H) RES, FIN  
 03/28/08 (H) RES AT 1:00 PM BARNES 124  
 03/28/08 (H) -- MEETING CANCELED --  
 03/31/08 (H) RES AT 1:00 PM BARNES 124

BILL: SB 229

SHORT TITLE: TANANA VALLEY FOREST/MINTO FLATS REFUGE

SPONSOR(S): SENATOR(S) THOMAS

01/16/08 (S) READ THE FIRST TIME - REFERRALS  
 01/16/08 (S) RES, FIN  
 02/16/08 (S) RES AT 11:00 AM BUTROVICH 205  
 02/16/08 (S) Moved SB 229 Out of Committee  
 02/16/08 (S) MINUTE(RES)  
 02/19/08 (S) RES RPT 5DP  
 02/19/08 (S) DP: HUGGINS, WAGONER, GREEN, MCGUIRE,  
 STEVENS  
 02/29/08 (S) FIN AT 9:00 AM SENATE FINANCE 532  
 02/29/08 (S) Scheduled But Not Heard  
 03/03/08 (S) FIN RPT 5DP 2NR  
 03/03/08 (S) DP: STEDMAN, ELTON, THOMAS, DYSON,  
 HUGGINS  
 03/03/08 (S) NR: HOFFMAN, OLSON  
 03/03/08 (S) FIN AT 9:00 AM SENATE FINANCE 532  
 03/03/08 (S) Moved SB 229 Out of Committee  
 03/03/08 (S) MINUTE(FIN)  
 03/12/08 (S) TRANSMITTED TO (H)  
 03/12/08 (S) VERSION: SB 229  
 03/13/08 (H) READ THE FIRST TIME - REFERRALS  
 03/13/08 (H) RES, FIN  
 03/28/08 (H) RES AT 1:00 PM BARNES 124  
 03/28/08 (H) -- MEETING CANCELED --  
 03/31/08 (H) RES AT 1:00 PM BARNES 124

**WITNESS REGISTER**

SENATOR BILL WIELECHOWSKI  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Testified as the sponsor of SJR 17.

MICHELLE SYDEMAN, Staff  
to Senator Bill Wielechowski  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions regarding SJR 17.

KEVIN BANKS, Acting Director  
Central Office  
Division of Oil & Gas  
Anchorage, Alaska

**POSITION STATEMENT:** Supported SJR 17 on behalf of the Palin Administration.

SENATOR JOE THOMAS  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Testified as the sponsor of SB 229.

MARTHA FREEMAN, Forest Resources Program Manager  
Director's Office  
Division of Forestry  
Department of Natural Resources  
Anchorage, Alaska

**POSITION STATEMENT:** Answered questions regarding SB 229.

**ACTION NARRATIVE**

**CO-CHAIR CRAIG JOHNSON** called the House Resources Standing Committee meeting to order at [1:36:09 PM](#). Representatives Seaton, Roses, Guttenberg, Edgmon, and Johnson were present at the call to order. Representatives Kawasaki, Fairclough, and Wilson arrived as the meeting was in progress.

SJR 17-OFFSHORE OIL & GAS REVENUE

[1:36:19 PM](#)

CO-CHAIR JOHNSON announced that the first order of business would be SENATE JOINT RESOLUTION NO. 17, Urging the United States Congress to provide a means for consistently sharing, on an ongoing basis, revenue generated from oil and gas development on the outer continental shelf with all coastal energy-producing states to ensure that those states develop, support, and maintain necessary infrastructure and preserve environmental integrity.

SENATOR BILL WIELECHOWSKI, Alaska State Legislature, sponsor of SJR 17, presented the following testimony:

This resolution calls on Congress to provide Alaska and other coastal states with a fair share of revenue from oil and gas leasing and development in the Outer Continental Shelf [OCS]. As you know, [under] the Mineral Lands Leasing Act of 1920 ... the federal government shares with the states 50 percent of revenue generated from mineral production on federal lands within each state's boundaries. The shared mineral revenue is distributed to the states automatically, outside of any budget process. Unfortunately, there is no comparable authority for the federal government to automatically share revenue from oil and gas activities occurring six miles or more offshore with adjacent coastal states. For years coastal states have argued that they deserve a share of OCS revenues because they provide the infrastructure that supports offshore operations and bear the environmental risks of offshore development. On several occasions Congress has recognized this vital contribution and has created revenue sharing programs, most of which have been temporary or only extended to a handful of states. ... Under the most recent example the federal government agreed to give Alabama, Louisiana, Mississippi, and Texas 37.5 percent of revenue from oil and gas leasing and development in newly opened federal waters in the Gulf of Mexico. This act is expected to distribute more than \$60 billion to those four states over the next twenty-five years. Alaska was excluded from this program despite the efforts of our congressional delegation. This resolution supports the position that all coastal states with adjacent OCS development should receive on a regular and ongoing basis a fair share of revenue from OCS activities as compensation and reward for their contribution to the nation's

energy infrastructure. Since statehood oil and gas activities from Alaska's Outer Continental Shelf have generated almost \$5 billion for the federal government. This does not include the \$2.6 billion the federal government earned in the last Chukchi Sea sale. If the revenue sharing program, like the one that is currently in place in the Gulf of Mexico, had been in place back in February [2008] when the sale took place, Alaska would have stood to gain \$975 million from the sale alone. And more leasing and development are likely to occur in the future as two-thirds of the nation's Outer Continental Shelf is off the coast of Alaska with as much as 55 billion barrels of technically recoverable oil and 280 trillion cubic feet of technically recoverable gas. The resolution has the support of Alaska's congressional delegation, the administration, and those coastal communities most affected by offshore oil and gas development and I would urge your support.

[1:39:45 PM](#)

REPRESENTATIVE EDGMON understood that U.S. Senator Jeff Bingaman [Chair, Energy and Natural Resources Committee] does not support this revenue sharing. What are the prospects of revenue sharing actually happening, he asked.

SENATOR WIELECHOWSKI related that U.S. Senator Ted Stevens is urging this resolution and thinks it is important. Senator Wielechowski said it is his understanding, as well, that Senator Bingaman is not supportive of any OCS revenue sharing, but that Senator Bingaman has also stated he would not oppose someone else trying to push the issue. Senator Wielechowski understood that U.S. Senator Max Baucus is interested in opening up this revenue sharing to other states, including Alaska. So, it is a challenge, but there are prospects of it happening. From the fundamental standpoint of fairness, there is really no fair reason why Alaska should not get a share of the revenue when four other states are receiving it.

SENATOR WIELECHOWSKI, in further response to Representative Edgmon, explained that the 50 percent of revenue addressed by the first whereas in the bill [page 1, lines 6-8] is from mineral production on federal land within the state's boundaries. Within zero to three miles the states get a small amount of compensation, but past six miles the states get

nothing. Because the vast majority of the Chukchi Sea sales were beyond six miles, Alaska got nothing.

1:42:15 PM

REPRESENTATIVE WILSON asked how far offshore the programs go for those states that do receive the revenue sharing.

SENATOR WIELECHOWSKI responded that in the Chukchi Sea some of the sales were sixty miles out, possibly more. He deferred to his staff person, Ms. Sydeman.

MICHELLE SYDEMAN, Staff to Senator Bill Wielechowski, Alaska State Legislature, said she believes the revenue sharing programs go out to the 200 mile limit, which is the limit that defines the federal OCS.

1:43:05 PM

REPRESENTATIVE SEATON inquired whether any portion of SJR 17 would apply to the extended jurisdiction included in [HJR 39] which urges the U.S. to ratify the Law of the Sea Treaty.

MS. SYDEMAN replied she has 10 years of OCS discussions and she is not familiar with any OCS revenue sharing program that looks beyond the 200 mile limit. She said she imagines the Law of the Sea applies to those waters that are not within the jurisdiction of any nation.

1:44:10 PM

KEVIN BANKS, Acting Director, Central Office, Division of Oil & Gas, stated that the [Palin] Administration supports such a resolution. It is only fair that Alaska receive the same kind of treatment as Texas, Louisiana, Mississippi, and Alabama, especially given the kinds of impacts that will fall on the rural Alaska communities adjacent to the OCS. The major industrialization of oil and gas development will have a huge impact on those communities.

1:45:14 PM

REPRESENTATIVE SEATON asked whether there is any mechanism for looking at the differential benefit to the state should a gas line be built and there are bids from OCS or no revenue to the state that would displace gas bids that would be applicable from state or federal lands.

MR. BANKS said the appropriate way to think about this is that the development for areas like the Beaufort Sea and Chukchi Sea is still fairly immature. So, the state would presumably move gas through a gas pipeline first. It is also a matter of the cost of development - the cheaper onshore gas would likely reach the pipeline before offshore gas. He said he is not sure the state needs to be concerned about displacement of state gas insofar as how OCS gas would line up with the state's. It involves a certain amount of guess work. If a very large project were to develop in the Chukchi Sea for gas, that would be self supporting and meet needs for gas into some gas pipeline onshore and, under current rules, Alaska would get no revenue from it. However, it would also string along a bunch of onshore projects that may, at the moment, be too small to reach the pipeline and from which the state would share in 50 percent of the revenue. In general, he said, OCS gas would help a gas pipeline project, but Representative Seaton is correct that the state would get a lot less revenue for it.

[1:47:58 PM](#)

REPRESENTATIVE SEATON inquired whether there is anything that would prevent a producer owning both offshore and onshore leases and owning capacity in the gas line from substituting offshore gas, for which the state would get no royalty or production tax, for onshore gas.

MR. BANKS answered no, there probably is not any mechanism at the Federal Energy Regulatory Commission (FERC) or the financing of the pipeline that would obligate a producer to produce its onshore gas prior to its offshore gas.

[1:49:02 PM](#)

REPRESENTATIVE SEATON surmised that receiving a share of offshore revenues would provide a potential benefit to the state and be one more reason for going forward with the gas pipeline. The revenue sharing would at least eliminate the concern that the state would do all the work and not get any of the benefit.

MR. BANKS said correct, it would level the playing field.

[1:50:17 PM](#)

CO-CHAIR JOHNSON closed public testimony after ascertaining that no one else wished to testify.

REPRESENTATIVE ROSES moved to report SJR 17 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, SJR 17 was reported from the House Resources Standing Committee.

The committee took an at-ease from 1:51 p.m. to 1:53 p.m.

SB 229-TANANA VALLEY FOREST/MINTO FLATS REFUGE

1:53:37 PM

CO-CHAIR JOHNSON announced that the next order of business would be SENATE BILL NO. 229, "An Act relating to the Tanana Valley State Forest and to assignment of certain forest land to the Minto Flats State Game Refuge; and providing for an effective date."

SENATOR JOE THOMAS, Alaska State Legislature, sponsor of SB 229, spoke from the following written sponsor statement [original punctuation provided]:

Senate Bill 229 amends the boundaries of the Tanana Valley State Forest (TVSF) to correct errors in legal descriptions, reflect updated land status, and to better match the management intent for the Forest. This is done by adding and deleting boundary references to the legal descriptions in statute. These changes result in a net increase to the state forest of approximately 40,000 acres. SB 229 also moves approximately 4,300 acres from the state to the Minto Flats State Game Refuge.

In 1983 the Legislature created the 1.8 million-acre Tanana Valley State Forest that stretches from Manley to Tok. The forest is open to mining, gravel extraction, oil and gas leasing, and grazing. The Department of Natural Resources manages the state forests for a sustained yield of these resources, with the primary purpose of timber management (AS 41.17.200). The Bonanza Creek Experimental Forest, a 12,400-acre area dedicated to forestry research, is also located within the state forest.

State forests provide fish and wildlife habitat, clean water, opportunities for recreation and tourism, and minerals. In addition to the management of these

resources, the Tanana Valley State Forest offers many recreational opportunities including hunting, fishing, trapping, camping, hiking, dog mushing, cross-country skiing, wildlife viewing, snow machining, gold panning, boating, and berry-picking.

In 1996, the division updated the Tanana Valley State Forest Management Plan and established a citizens' advisory committee. The 12-member citizen's advisory committee, representing a variety of state forest users, actively participates in forest planning in the Tanana Basin. This entity has endorsed the recommendations on management of the forest and has carefully crafted the changes in a manner that resulted in support from all affected land users and owners.

SB 229 is supported by the Alaska State Forest Association, the Fairbanks Economic Development Corporation, hunting and recreation groups as well as all surrounding land owners.

Please join me in amending the Tanana Valley State Forest to better align with its original intent and support the passage of Senate Bill 229.

[1:56:43 PM](#)

REPRESENTATIVE ROSES inquired whether there is currently a permitting process or fee structure that would go into place.

SENATOR THOMAS responded no, this is open land, unless there are some specific recreational use areas where there are charges. So, there are no fees.

SENATOR THOMAS, in response to Co-Chair Johnson, reiterated that SB 229 would result in a 40,000 acre [net] increase to the state forest. It does not change any designations or any uses of the land other than the part that is put into the Minto Flats State Game Refuge, and that is pretty much all open as well.

[1:57:53 PM](#)

CO-CHAIR JOHNSON asked what happens to the land and what type of designation is the deleted land.

MARTHA FREEMAN, Forest Resources Program Manager, Director's Office, Division of Forestry, Department of Natural Resources, explained that 4,000 acres would be added to the refuge and the remaining lands [300 acres] would be state public domain land managed under the Tanana Basin Area Plan. The designations on most of these are for wildlife habitat and public recreation.

CO-CHAIR JOHNSON inquired whether this would exclude any traditional uses on the land, such as hunting and fishing, that were previously allowed under state forest designation.

MS. FREEMAN replied that the generally allowed uses on those lands will not change.

[1:59:05 PM](#)

CO-CHAIR JOHNSON opened public testimony.

REPRESENTATIVE EDGMON asked what the difference is between a state forest and a state game refuge.

MS. FREEMAN answered that legislatively designated state forest keeps the land in public ownership so it is not available for land disposal or sale to private interests, but it can be leased or permitted for other uses. While managed for multiple use, it is clear that commercial forest management is part of the use for the state forest.

[2:00:02 PM](#)

REPRESENTATIVE EDGMON inquired whether these different categories in state statute have a different meaning under land management plans.

MS. FREEMAN said each has its own special legislative designation, so first of all the legislature would commit the land to a particular use. When state forests are established, the Division of Forestry develops a specific management plan for each state forest.

REPRESENTATIVE EDGMON surmised the Tanana Valley State Forest Management Plan would not spill over into the [Minto Flats State] Game Refuge.

MS. FREEMAN responded correct, there is a separate management plan for the Minto Flats State Game Refuge.

[2:00:54 PM](#)

REPRESENTATIVE SEATON directed attention to the yellow blocks, 12A and 13B, on the Tanana Valley State Forest Management Plan map. What are the reasons for changing those lands from a state forest designation to undesignated, he asked.

MS. FREEMAN said the three parcels farthest to the southeast are wetland or muskeg areas without much forest potential. The fourth parcel in the northern end is high elevation land that also does not have much forest potential. Regarding the other areas, there was a drafting error in the original bill where two townships were flipped - originally the western township was supposed to be included and the eastern township was not - so this corrects that error.

[2:02:07 PM](#)

REPRESENTATIVE SEATON inquired whether any of the deleted parcels are being actively pursued for some other usage.

MS. FREEMAN replied no. The three parcels colored brown [on the map] are the ones that are wetland and proposed to be added to the Minto Flats State Game Refuge and they do not have commercial forestry potential. The other parcel is along the Chatinika River corridor and it is intensively used for public recreation and already has many private inholdings.

[2:02:46 PM](#)

CO-CHAIR JOHNSON asked whether the no-net-loss of wetlands policy will apply to removing these wetlands from the state forest.

MS. FREEMAN answered no, the wetlands are still being retained in state ownership and there is no development proposal. So, there is no change to their status in terms of wetland banking or mitigation.

[2:03:29 PM](#)

REPRESENTATIVE SEATON noted that the parcel labeled 4B, proposed for deletion from the state forest, has a fairly high usage and some inholdings. He understood the rest of that area could be available for disposal after it is out of the state forest. He said he wants to make sure that any disposal of those lands is

through a full and open public process and surmised there would be no preferential ties.

MS. FREEMAN said correct. There is no presumption that these parcels are available for disposal. In fact, none of the parcels coming out of the state forest are classified as settlement lands, they all happen to be wildlife habitat or public recreation.

2:05:03 PM

REPRESENTATIVE ROSES inquired whether expansion of Alaska Railroad spur lines to military training sites could affect any of the areas in SB 229.

MS. FREEMAN responded there is potential for rail extension to improve the access of some state lands in terms of commercial potential for transporting timber resources. However, she does not know that it goes through any of the parcels currently proposed for a change in status. In further response to Representative Roses, Ms. Freeman affirmed that the change in status would not prevent the railroad from going through any of those parcels. The legislation that establishes the forest makes it clear that transportation is one of the uses for which it is established.

2:06:26 PM

CO-CHAIR JOHNSON closed public testimony after ascertaining that no one else wished to testify.

CO-CHAIR JOHNSON stated he is not big on creating more park lands and tying up resources, so he does not have a problem with SB 229 because it would not minimize development.

REPRESENTATIVE WILSON moved to report SB 229 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, SB 229 was reported out of the House Resources Standing Committee.

#### **ADJOURNMENT**

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 2:08 p.m.