

HOUSE FINANCE COMMITTEE

April 16, 2010

10:47 a.m.

10:47:26 AM

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 10:47 a.m.

MEMBERS PRESENT

Representative Mike Hawker, Co-Chair
Representative Bill Stoltze, Co-Chair
Representative Bill Thomas Jr., Vice-Chair
Representative Allan Austerman
Representative Mike Doogan
Representative Anna Fairclough
Representative Neal Foster
Representative Les Gara
Representative Reggie Joule
Representative Mike Kelly
Representative Woodie Salmon

MEMBERS ABSENT

None.

ALSO PRESENT

Senator Kevin Meyer; Senator Bill Wielechowski; Senator Johnny Ellis; Senator Donny Olson; Representative Nancy Dahlstrom; Representative Lindsey Holmes; Representative Bob Buch; Representative John Harris; Representative Mike Chenault; James Armstrong, Staff, Co-Chair Stoltze; Robert Carpenter, Fiscal Analyst, Legislative Finance Division, Legislative Affairs Agency; Roger Marks, Petroleum Economist, Legislative Budget and Audit Committee; Pat Galvin, Commissioner, Department of Revenue; Michael Hurley, Director, Government Affairs, ConocoPhillips; Josh Applebee, Staff, Senator Kevin Meyer; Senator Charlie Huggins, Sponsor; Sharon Long, Staff, Senator Charlie Huggins; Senator Charlie Huggins, Sponsor; Josh Tempel, Staff, Senator Charlie Huggins; Jennifer Strickler, Operations Manager, Division of Occupational Licensing,

Department of Commerce, Community and Economic Development; Ben Mulligan, Staff, House Finance Committee; Sharon Kelly, Staff, Representative Mike Chenault; Diane Barrans, Executive Director, Postsecondary Education Commission, Department of Education; Tim Lamkin, Staff, Senator Gary Stevens; Larry Ledoux, Commissioner, Department of Education and Early Development; Chris Wilson, Juneau; Senator Donald Olson, Sponsor; David Grey, Staff, Senator Lyman Hoffman; James Armstrong, Staff, Co-Chair Stoltze; Senator Bill Weilechowski, Sponsor; Mike Powlowski, Staff, Senator Lesil McGuire; Mary Siroky, Special Assistant to the Commissioner, Department of Transportation and Public Facilities; Representative Mark Neuman; Charles Swanton, Director, Division of Sport Fish, Department of Fish and Game; Tim Lamkin, Staff, Senator Gary Stevens; Diane Barrans, Executive Director, Postsecondary Education Commission, Department of Education; Senator Thomas Wagoner; Pat Galvin, Commissioner, Department of Revenue; Peter Eckland, Staff, Representative Bill Thomas; Kaci Schroeder, Staff, Representative Bill Thomas; Chris Poag, Assistant Attorney General, Commercial/Fair Business Section, Department of Law.

PRESENT VIA TELECONFERENCE

Shirley Gifford, Alcohol Beverage Control (ABC) Board; Dr. David Logan, Alaska Dental Society; Fernando Pena, Cash America; Alex Vaughn, Cash America; Andree McLeod.

SUMMARY

SB 32 MEDICAID: HOME/COMMUNITY BASED SERVICES

CSSB 32(FIN) was SCHEDULED but not HEARD.

SB 139 INCENTIVES FOR CERTAIN MEDICAL PROVIDERS

CSSB 139(FIN) was SCHEDULED but not HEARD.

SB 174 SCHOLARSHIPS: AK SCHOLARS/GRANTS/EXCHANGE

CSSB 174(FIN) was SCHEDULED but not HEARD.

SB 220 ENERGY EFFICIENCY/ ALTERNATIVE ENERGY

HCSCSSB 220(FIN) was REPORTED out of Committee with a "do pass" recommendation and with attached

new fiscal impact note by the Department of Revenue, new zero note by the Department of Transportation and Public Facilities, and previously published fiscal notes: FN3 (DEC), FN 6 (DHS), FN7 (CED), FN8 (CED, FN9 (REV), and FN11 (ADM).

SB 221 LEGIS. TASK FORCE ON HIGHER ED/CAREERS

HCSCSSB 221(FIN) was REPORTED out of Committee with "no recommendation" and two new attached fiscal impact note by the Department of Education and Early Development and one new fiscal impact note by the Legislative Affairs Agency.

SB 230 BUDGET: CAPITAL, SUPP. & OTHER APPROPS

CSSB 230(FIN) was HEARD and HELD in Committee for further consideration.

SB 234 ALCOHOLIC BEVERAGE CONTROL BD

HCS CSSB 234(L&C) was REPORTED out of Committee with a "do pass" recommendation and with attached new fiscal note by the Department of Public Safety.

SB 237 SCHOOL CONSTRUCTION DEBT REIMBURSEMENT

CSSB 237(FIN) was SCHEDULED but not HEARD.

SB 258 DENTAL CARE INSURANCE/PREFERRED PROVIDERS

CSSB 258(L&C) was REPORTED out of Committee with a "do pass" recommendation and with previously attached fiscal note: FN1 (DEC).

SB 292 PAWNBROKERS

HCS CSSB 292(FIN) was REPORTED out of Committee with "no recommendation" and attached previously published fiscal note: FN1 (CED).

SB 294 SPORT FISH GUIDE LICENSES

HCS CSSB 294(FIN) was REPORTED out of Committee with "no recommendation" and attached new fiscal note by the Department of Fish and Game.

SB 305 SEPARATE OIL & GAS PRODUCTION TAX

HCS CSSB 305(FIN) was REPORTED out of Committee with "no recommendation" and attached new fiscal impact note by the Department of Revenue.

SB 309 GAS EXPLORATION\DEVELOPMENT TAX CREDIT

HCS CSSB 309(FIN) was REPORTED out of Committee with "no recommendation" and attached new indeterminate note by the Department of Revenue and previously published fiscal note: FN2 (DNR).

SB 312 VESSEL PASSENGER TAX

HCS CSSB 312(FIN) was REPORTED out of Committee with "no recommendation" and attached new fiscal impact note by the Department of Revenue and previously published fiscal note: FN2 (CED).

SJR 21 CONST. AM: INCREASE NUMBER OF LEGISLATORS

SJR 21 was REPORTED out of Committee with "no recommendation" and attached new fiscal impact note by the Office of the Governor and new indeterminate note by the Legislative Affairs Agency.

#sb230

CS FOR SENATE BILL NO. 230(FIN)

"An Act making and amending appropriations, including capital appropriations, supplemental appropriations, and other appropriations; making appropriations to capitalize funds; and providing for an effective date."

[10:47:34 AM](#)

Vice-Chair Thomas MOVED to ADOPT the work draft of the Committee Substitute (CS) SB 230, 26-GS2824\T, Kane, 4/16/10 as a working document.

Co-Chair Stoltze OBJECTED for discussion.

JAMES ARMSTRONG, STAFF, CO-CHAIR STOLTZE, stated that over the last 4 years, the Alaska Legislature's Capital Budget Submission and Information System (CAPSIS) had undergone upgrades. However, an existing technical glitch in the program had caused redundant information to be transmitted between the two bodies. The error had affected 8 different projects, which would need to be corrected.

ROBERT CARPENTER, FISCAL ANALYST, LEGISLATIVE FINANCE DIVISION, LEGISLATIVE AFFAIRS AGENCY, confirmed Mr. Armstrong's testimony.

Mr. Armstrong pointed out to the committee that the first major change to the bill could be found in Section 10. The grants discussed in section 10 now refer only to municipalities. A new Section 13 covers the other named recipients. The effective date for Section 10 was April 19, 2010. The effective date for Section 13 was July 1, 2010. He assured the committee that each office affected by the technical errors would be informed immediately.

[10:52:40 AM](#)

Representative Gara inquired of the total additions and deletions reflected in the newest version of the bill. Mr. Armstrong responded that \$6 million had been taken from governor's mansion refurbishment request. Approximately \$148,557,000 in general fund requests were removed and \$21,620,000 in other funds. He added that the numbers would change when the 8 project errors were rectified. He shared that the figures could be found on the Legislative Finance website.

Representative Gara expressed interested in funding for Medicare clinics, reportedly found in the latest version of the bill. Mr. Armstrong replied that the project could be found in Section 13.

Co-Chair Stoltze WITHDREW his OBJECTION. There being NO further OBJECTION, Committee Substitute 26-GS2824\T, Kane, 4/16/10 was ADOPTED as a working document.

Mr. Armstrong recommended that any questions or suggestions concerning the legislation be submitted to him via email.

CSSB 230(FIN) was set aside until after the recess.

10:55:42 AM

RECESSED

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RECONVENED

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#sb305

CS FOR SENATE BILL NO. 305(FIN)(title am)

"An Act providing that the tax rate applicable to the production of oil as the average production tax value of oil, gas produced in the Cook Inlet sedimentary basin, and gas produced outside of the Cook Inlet sedimentary basin and used in the state increases above \$30 shall be 0.4 percent multiplied by the number that represents the difference between that average monthly production tax value and \$30, or the sum of 25 percent and the product of 0.1 percent multiplied by the number that represents the difference between that average monthly production tax value and \$92.50, except that the total rate determined in the calculation may not exceed 50 percent; providing for an increase in the rate of tax on the production of gas as the average production tax value on a BTU equivalent barrel basis of gas produced outside of the Cook Inlet sedimentary basin and not used in the state increases above \$30; relating to payments of the oil and gas production tax; relating to availability of a portion of the money received from the tax on oil and gas production for appropriation to the community revenue sharing fund; relating to the allocation of lease expenditures and adjustments to lease expenditures; and providing for an effective date."

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Co-Chair Hawker related that an accord had been set with the Department of Revenue concerning the technical competency of the legislation.

Vice-Chair Thomas MOVED to ADOPT the work draft for HCS for CSSB 305 26-LS-1577\U, Bullock, 4/15/10 as a working document.

Co-Chair Hawker OBJECTED for discussion.

ROGER MARKS, PETROLEUM ECONOMIST, LEGISLATIVE BUDGET AND AUDIT COMMITTEE, detailed that the changes from Version "K" to Version "U" were the result of requests from the administration. He cited the technical amendments adopted in Version "U" (copy on file).

PAT GALVIN, COMMISSIONER, DEPARTMENT OF REVENUE, clarified that technical problems had been identified in Version "K" and subsequently amended in Version "U". He expressed interest in examining the current version for any necessary technical changes.

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Mr. Marks stated that he would be comparing Version "K" with Version "U", while highlighting the changes. He referred to, "List of Technical Amendments to HCS CS SB 305 Adopted in Version "U", Prepared by Representative Hawkers' Office (copy on file).

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Representative Kelly queried the removal of the language "from each lease or property", from Page 15, line 10. Commissioner Galvin replied that the phrase had been removed to for clarity.

Mr. Marks relayed that next change was in Section 8, which stated that lease expenditures occurring prior to commercial production, or during exploration, could be off-set against income within specific areas.

Representative Doogan requested clarification as to which version of the bill was being discussed. Mr. Marks replied that the latest version of the bill was the "U" Version, and that the discussion concerned the changes form Version "K" to Version "U". Co-Chair Hawker added that Section 8 was physically located in the same place in the "U" version, but the language had been changed from Version "K".

Mr. Marks reiterated that the new Section 8 language stated that expenditures incurred within an area, could only be used in that area. The department preferred the word "commercial" over "sustained", because "commercial production" was a defined term.

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Co-Chair Hawker asked Mr. Marks and Commissioner Galvin if they supported the version changes. Both replied in the affirmative.

Co-Chair Hawker WITHDREW his OBJECTION.

The work draft for HCS for CSSB 305 26-LS-1577\U, Bullock, 4/15/10 was ADOPTED as a working document.

Co-Chair Hawker WITHDREW Amendment 1 (Hawker).(copy on file).

Co-Chair Hawker MOVED to ADOPT Amendment 2 (Hawker):

Page 8, line 20

Delete "land , lease,"

Insert "land or lease or"

Page 9, line 19 following "property"

Insert "in the state"

Page 11, line 25

Delete "land, lease,"

Insert "land or lease or"

Page 12, line 9

Delete "land, lease,"

Insert "land or lease or"

Page 12, line 21

Delete "land, lease,"

Insert "land or lease or"

Page 13, line 2

Delete "land, lease,"

Insert "land or lease or"

Page 16, line 13

Delete "Sections 2 - 4"

Insert "Sections 2 - 5"

Co-Chair Stoltze OBJECTED for discussion.

Commissioner Galvin pointed out to the committee the language changes in the bill. The word "lease or "property" were defined terms. The purpose of the language change was to distinguish the land from the lease or property.

Co-Chair Hawker clarified that the language included everything in the amendment, except Lines 5 and 6, and Line 24 through 26.

Commissioner Galvin stated that the amendment would provide consistency between bill sections. The last lines of the amendment ensured that the department's directive to adopt regulation was made retroactive.

Co-Chair Hawker asked if the sponsor was comfortable with Amendment 2. Mr. Marks replied yes.

Commissioner Galvin said that the amendment fulfilled the technical concerns raised by the department.

Co-Chair Stoltze WITHDREW his OBJECTION to Amendment 2.

There being no further OBJECTION, Amendment 2 was ADOPTED.

Co-Chair Hawker asked if the amendments were sufficient to the department. Commissioner Galvin replied yes, for the moment.

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Representative Gara attempted to summarize his understanding of the bill. Until gas was exported, Alaska's Clear and Equitable Share (ACES) remained unchanged, a 25 percent production tax on oil, and the equivalent of a 25

percent production tax on gas, with progressivity, under the agreed upon terms. Producers received a benefit if they turned gas fields for production into a pipeline, and gas costs could be deducted from the oil taxes. He understood that the policy conversation about decoupling would happen at a future date. Mr. Marks concurred.

Co-Chair Hawker asked about the intent of the legislation. Commissioner Galvin concurred with Representative Gara's assessment of the bill. Co-Chair Hawker reminded the committee that the mission was to take a bill that accomplished the tasks recommended to the House Floor, where the policy call would be made by the entire body. He added that it was the sponsor's belief that the dilutive effect of the current statutory construct would cause an immediate decrease in tax revenues the minute gas was produced. The sponsor predicated that the issue was urgent. He requested an evaluation and policy discussion by the Department of Revenue concerning the issue.

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Commissioner Galvin introduced the PowerPoint presentation, "Comments On HCS CSSB 305 (FIN) Ver.U" (copy on file). Slide 2 details the three major concerns to the department regarding the bill:

- Decoupling is not necessary at this time.
 - SB 305 could be passed at anytime in the next 10 years, and the result would be the same.
- SB 305 "locks-in" a lower gas production tax obligation
 - Would reduce the state's negotiating flexibility in the coming years
 - We could always lower the gas tax after "lock-in", but we might not be able to raise it
- SB 305 is a significant overall tax increase
 - It sends the Producers and the rest of the world the wrong message about Alaska's interest in promoting a gasline project

Representative Gara understood that the legislation would lower the gas tax. Commissioner Galvin responded that the under the current law, the entire tax obligation for oil

and gas was divided equally between the two resources. The legislation would separate the tax systems between oil and gas to determine the tax obligation. Commissioner Galvin stressed that the current formula resulted in a larger obligation than when calculated under SB 305. Representative Gara asked if the breadth of the term "gas tax" had been defined in the original regulations. Commissioner Galvin responded that defining the gas tax obligation had been a priority. The department believed it would not be in the state's interest to imply that the impact on the oil tax was caused by the introduction of natural gas into the conversation. The department chose the point of production formula, which reflected the value of the two commodities when combined.

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Representative Gara stated that when the bill passed in the other body the gas tax was calculated on the British Thermal Unit (BTU) equivalent. He pointed out to the committee that under the current Version "U", a point of production approach was being used to calculate the tax. He asked if the language change expanded the breadth of the gas tax. Commissioner Galvin replied that the version that had passed out of the senate indicated that the department would develop regulations on cost allocations while considering the barrel of oil equivalent (BOE). The current version placed an expectation that the point of production formula would be used when possible. Representative Gara requested an estimate of how much lower the tax would be using the department's preferred formula. Commissioner Galvin referred to the presentation, "Comments on HCS CSSB 305 (FIN) VER. U" (copy on file), Page 21, which charts the gas tax with prices ranging from \$40 per barrel to \$200 per barrel. The slide compares the status quo with the other possible formulas.

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Co-Chair Hawker noted that the chart detailed the tax that was attributable to gas.

Commissioner Galvin said that SB 305 would be an overall tax increase. The tax burden on the gas pipeline project would be significantly raised. He stressed that decoupling now would send a negative message to producers.

Commissioner Galvin directed committee attention back to Slide 3. If SB 305 were enacted in 2020, the resulting state revenue would be the same as if it were enacted in 2010. Slide 4 indicated that in all of the modeling cases run by the department, the "locked-in" gas production tax obligation was larger under the current system than it would be under SB 305. Commissioner Galvin continued to Slide 5, "Sample Cases: Comparing SB 305, Petroleum Production Tax (PPT), and the Status Quo". At current prices, SB 305 would be a larger tax increase than adjustment from PPT to ACES. The Status Quo brings in nearly the same tax revenue that would be generated if the PPT system had been decoupled (Slide 6). Slide 7 shows another example of a comparison of the total tax revenue under a PPT/Stranded Gas Development Act (SGDA) scenario. When compared with the Status Quo, there was no perceived significant loss. He said that the projected tax numbers under SB 305 could be misleading, and would color public discussion about an appropriate fiscal system for the gasline far into the future. He cited the charts on Slide 8 and 9 of the presentation, which illustrate different comparisons of the overall tax-take between oil and gas in different combinations. He questioned the problem being solved by SB 305, Slide 10.

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Commissioner Galvin pointed out to the committee that the trepidation of becoming locked in to an obligation for fear of economic loss was unwarranted. Slide 10 refuted the claim of a potential \$2 billion dollar loss in the Department of Law analysis, which states:

- Only the gas production tax obligation (not the rate) is "locked-in" at the open season;
- The legislature can change the oil tax system anytime before or after the open season;
- The so-called "\$2 billion loss" will only occur if three things happen:
 - o We are successful in achieving a large capacity gas pipeline;
 - o The price of oil and gas remain far apart (defying fundamental economic principles); AND

- o The next 5 Legislatures decide that it is appropriate to leave the current tax system as is.

Commissioner Galvin continued to Slide 11, which states:

"What is the "Problem Being Solved by SB305?"

- Is It?: That any "dilution" of oil taxes caused by mixing in a lower value hydrocarbon is an unacceptable "loss" of oil tax revenue?
- Response: Should the Legislature react similarly when a large volume heavy oil project is proposed?
- Will it have the same dynamic; highly profitable sweet crude will be diluted, thus reducing its profitability and its progressivity tax rate
- State will "lose" oil tax revenue due to the introduction of heavy oil

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Commissioner Galvin addressed the question proposed on Slide 12:

"What is the "Problem Being Solved by SB305?"

- Is It?: That under the status quo, at high oil/gas price parity, the state is at risk of seeing a reduction of overall production tax revenue when they "flip the gas switch"?
- Response: Legislature has 10 years to decide if it wants to take on that risk in exchange for a gasline;
- If it is not an acceptable risk, then there are a number of alternative options (including decoupling) that could be carefully considered.

One alternative approach to address the possible revenue loss would be to establish in the current tax system a minimum tax equal to a separate oil tax (i.e. the combined tax cannot be lower than what the separate oil tax would be). This would preserve the economic incentive nature of

the current system, while protecting the state's downside risk in the case of high parity, and did not require significant structural changes to the current system, such as cost allocation. Commissioner Galvin offered closing observations. He relayed that passing such a large tax increase just before the two upcoming open seasons sent a confusing message about the state's desire for a gasline, SB 305 locked in a lower gas production tax obligation, thus reducing the state's negotiating flexibility, and SB 305 could be passed after the open season without legal restriction or economic limitation. He felt that the bill failed to meet the best interest of the state and maintained strong opposition to the legislation.

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Co-Chair Hawker revealed that were the bill to pass committee, he would be attaching a "no recommendation" to his signature on the committee report. He urged the committee to compare and contrast the arguments presented by the bill sponsor with that of Commissioner Galvin, when weighing the legislation.

Representative Austerman questioned the use of the word "might" on Slide 2 of the presentation. Commissioner Galvin replied that the language hedged the legal risk in the event that the state failed to honor the Alaska Gasline Inducement Act (AGIA) tax inducement exemption.

Representative Austerman believed that the bill was too complicated.

Commissioner Galvin attempted to clarify. He assured the committee that the gas tax obligation was on the gas that was shipped through the AGIA acquired facility.

Representative Austerman requested that the bill be broken down into layman's terms to facilitate further discussion. Commissioner Galvin endeavored to simplify:

"You have \$8 gas and your all-on cost for transportation and so forth is \$4, just to make it easy. So you have \$4, what is called "point of production" value. Then the question at that point is, "What is the production tax that's gonna be ascribed to that?" And under the current system you would tax that gas with whatever oil, and you'd end up splitting it based upon the relative values at the

point of production, and you might end up with a gas tax obligation of \$1.50, say. With SB 305 you're gonna take that \$4 dollar point of production, you're gonna take some of the costs for production and subtract it from that, and you are going to have a tax rate that you are going to then charge, and you're going to end up with a tax obligation somewhere less than \$1.50. It's going to be, maybe, \$1.25 or \$1.00. And that's the difference, is that, at the end of the day, the tax obligation on that gas is going to be lower with SB 305 than ostensibly what you have under the status quo."

3:09:10 PM

Representative Kelly asked Commissioner Galvin how he would have constructed the tax from the beginning; for Alaska, and then for the rest of the world. Commissioner Galvin responded comparing the state's options with the rest of world presents two thoughts. One, Alaska was in a unique situation in the world going from a full oil providence with a long-term existing fiscal system, into a world class oil and gas province. Most provinces do not have a transition; they enter into the production of oil and gas simultaneously. He queried the opportunity to "start from scratch". He said that if the state were to take tax cues from other areas of the world, it would be discovered that most places had a tax combination of oil and gas. However there were places that kept them separate. He felt that separating the profitability streams of oil and gas was an arbitrary accounting exercise.

Representative Kelly cited Page 15, Line 6. He commented that "the department shall" could be changed to "the department may". Commissioner Galvin responded that the amount of discretion that was appropriate to give the department in establishing the cost allocation methodology had been under discussion. The issue was a policy call, without empirical arguments to weigh when establishing a right or wrong answer. The department preferred to receive direction from the legislature as to which methodology to use.

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Representative Doogan asked about the 3 closing observations found on Slide 14 of the presentation. He requested reconciliation between points 1 and 2.

Commissioner Galvin responded that, as illustrated on Slide 18, using the status quo method to derive the gas production tax obligation, although the overall tax is lower, the proportion of tax attributed to gas is greater. The relationship holds true throughout the different price scenarios. Decoupling would cause the oil tax to rise faster than the gas tax decreased. As the costs between oil and gas were moved, oil was moved up the progressivity line. Gas was not at the progressivity line, and remained flat. This resulted in a lesser gas tax under SB 305.

Representative Doogan understood that under the current system, gas production diluted the effect of the higher oil price, but the lower gas tax did provide a favorable position. Commissioner Galvin agreed. He added that the passing of the bill would be off-putting to producers because it would insinuate that the state should receive considerably more tax revenue when gas was being produced.

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Representative Gara expressed concern that without SB 305, the "lock-in" gas tax rate defined by regulation could be successfully challenged in court. Commissioner Galvin said that a challenge to the department's regulations would be unprecedented. He pointed out to the committee that the regulations had been reviewed during a public comment period, and had been accepted by producers. He believed that the state should be confident with the system already in place.

Representative Fairclough asserted that the gasline and gas revenues were not a "silver bullet" for the state. She pointed out to the committee that all of the models in question had been modeled out to 10 years. She wondered if modeling to 20 years would be more beneficial, as a point would eventually be reached where production was going to adversely, in an inverse way, affect the value of oil and the taxes the state collected. She asked if the department had modeled out further than ten years in order to know the ramifications on projections of oil going down and gas coming online. Commissioner Galvin answered yes. Representative Fairclough probed how much the state could receive if oil were provided for under a different rate through decoupling, specifically, in the second 10 year section. Commissioner Galvin replied that if there were a disincentive for a gas pipeline, then the state could

expect to continue to see a decline of oil production, and overall state revenue. Representative Fairclough wondered if the benefit to the state for not collecting taxes in the first 10 years of production would be significant. Commissioner Galvin replied that in order to answer the question, the legislature would need to decide on the price relationship between oil and gas for the years 2020 through 2030.

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Commissioner Galvin stated that he could not fully answer the question with the information available. He stated that if the tax system for the next 20 years were put into place under the legislation, the state would not succeed in building a gas pipeline. Representative Fairclough clarified that the Commissioner had presented a scenario explaining the problems with SB 305. She requested that he provide the committee with an alternative scenario, for 2020 through 2030, that explains what the state would receive in the second 10 years of production.

Commissioner Galvin argued that if SB 305 failed, and the state were to move forward in the development of the gas pipeline, when the time arrived for the state to "lock-in" the oil tax, the price relationship would remain \$120/\$8 gas. He predicted that the current system would be replaced by an alternative minimum tax in order to capture the value. He contended that Alaska was not in a position to make the decision right now. He stressed that the state should leave its options open in order to create a system that provides for a pipeline, and the ability to change the system if necessary.

Representative Fairclough voiced discomfort with the risk that not decoupling could "lock-in" tax rates for the state.

Co-Chair Hawker requested that someone from the department schedule a sit down with Representative Fairclough.

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Representative Salmon queried the urgency of the May 1, 2010 passage of the legislation suggested by the bill sponsor.

Commissioner Galvin felt that the difference between the priority of the sponsor, and what the department recommended was moot, as only the gas portion of the obligation was relevant going into the open season.

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MICHAEL HURLEY, DIRECTOR, GOVERNMENT AFFAIRS, CONOCOPHILLIPS, stated that the bill did not solve the problem of gas taxation. He said that ConocoPhillips understood the sponsor's intent, but feared that the public would misinterpret what the bill would do. He remarked that the bill was a reflection of one of the many flaws in AGIA. The fundamental issue of how gas would end up being taxed was not addressed. The lack of clarity concerning how the gas would be taxed added to the uncertainty that producers faced when considering proposing gas into the pipeline in the 2, upcoming open seasons. He thought that fiscal issues would eventually need to be addressed. He shared that ConocoPhillips appreciated the sponsor's intent in designing the bill to speak to the flaws in AGIA. He felt that the bill added to the complexity of the issue. He reported that ConocoPhillips would continue to work with the state to create a tax structure that encouraged investment, production, and jobs for Alaskans.

Representative Gara stated that there was an anomaly in the existing tax. He asserted that it was not the desire of the legislature to put into place a system that produced less revenue for the state with gas and oil pipelines, than would be received with solely an oil pipeline. He thought that the issue would need discussed further.

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Representative Kelly asked Mr. Hurley if he preferred the House Resources version of the bill (Version N), or the current Version "U". Mr. Hurley replied that he would suggest "no recommendation" for Version "U".

Representative Fairclough asked if there was a version that worked best for the industry. Mr. Hurley replied that, in the end, both versions accomplish same thing. He thought that Version "N" had been cleaner than Version "U". The "U" version required the commissioner to write additional pages of regulations, ConocoPhillips would need restructuring, and cost allocations would need review. Overall the "U"

version was messier for the company. However, both versions keep current businesses operating at the status quo, until the big gas flows in the big gasline.

Representative Fairclough wondered if the state would retain the flexibility to change the tax rate for Alaskans in the future. She requested the industry perspective on whether there was a "drop-dead" date that would benefit Alaskans. Mr. Hurley opined that what was designed and promoted in AGIA as an inducement, was now being described as something that could change on a whim. Representative Fairclough added that the understanding had been that there was a date certain that AGIA anticipated, and now it was understood that the date still had flexibility to either raise or lower the gas tax.

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Representative Kelly asked if locking in a tax rate now would be enough for producers to go forward with a gasline. Mr. Hurley replied no. Representative Kelly perceived that Alaskans were being told that locking in a rate now would be ineffective.

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Commissioner Galvin clarified why the state might not be able to raise the tax in the future. He cited the discussions during the special session on AGIA. At that time, the administrations recommendation was that the AGIA tax inducement be made a contractual commitment between the state and the producers. The recommendation was removed because the legislature wanted to retain the ability to change the tax system and disregard what was being offered during the open season. The Department of Law (DOL) believed that there may still be an obligation inherent in the AGIA language. The enactment of AGIA had never stated that the tax inducement was an absolute "lock-in". The administration acknowledged that the agreement should have been contractual.

Co-Chair Hawker requested that Commissioner Galvin explain the revised fiscal note.

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Commissioner Galvin stated that the necessary expenditures as a result of Version "U" would mandate that the department develop 2 sets of regulations; one handling cost allocation, and the other dealing with the allocation of adjustments to the cost. Based upon information from DOL and the department's experience with the regulatory process, the cost estimate generated was \$330,000.

Vice-Chair Thomas MOVED to report HCS CS SB 305(FIN) out of Committee with individual recommendations and the accompanying new fiscal note.

Representative Joule OBJECTED for the purpose of discussion.

Representative Joule WITHDREW his OBJECTION.

Co-Chair Hawker OBJECTED for the purpose of discussion.

Co-Chair Hawker closed public testimony.

Co-Chair Hawker WITHDREW his OBJECTION.

There being NO further OBJECTION, it was so ordered.

HCS CSSB 305(FIN) was REPORTED out of Committee with "no recommendation" and attached new fiscal note by the Department of Revenue.

[3:56:07 PM](#)

AT EASE

[4:22:16 PM](#)

RECONVENED

#sb234

CS FOR SENATE BILL NO. 234(FIN)

"An Act relating to the voting procedures of the Alcoholic Beverage Control Board; allowing the Alcoholic Beverage Control Board to release information contained in the statewide database of alcohol purchases and shipments to the person who purchased the alcohol or to whom the alcohol was shipped; relating to the access of persons under 21 to premises where alcoholic beverages are sold, served, or consumed; extending the termination date of the Alcoholic Beverage Control Board; and providing for an effective date."

4:22:45 PM

Co-Chair Stoltze MOVED to ADOPT HCS CS SB 234 (L&C), Version 26-LS1350\P, as a working document. There being NO OBJECTION, it was so ordered.

JOSH APPLEBEE, STAFF, SENATOR KEVIN MEYER, highlighted the main points of the bill. Under the legislation the Alcoholic Beverage Control Board (ABC) would be extended an additional year, with the following provisions:

The removal of the executive directors voting ability in the event of a tie;

The allowance of the ABC Board to release information contained in the statewide database of alcohol purchases and shipments to the person who purchased the alcohol or to whom the alcohol was shipped.

Mr. Applebee informed the committee that both provisions were recommendations that could be found in the most recent legislative audit. He noted the fiscal note for \$1.4 million. Co-Chair Hawker added that the figure was consistent with past board budget numbers. He shared that the board was expensive and involved.

Representative Austerman asked if the fiscal note was a result of not including the ABC Board in the operating budget.

Co-Chair Stoltze relayed that fiscal notes for board extension typically included the cost of the board's continuation.

SHIRLEY GIFFORD, ALCOHOL BEVERAGE CONTROL (ABC) BOARD, explained that the fiscal note was included in the event that the sunset date was not extended through 2011.

Co-Chair Hawker furthered that the appropriation would not be doubled, the fiscal note reflected the one year extension only. He added that it was unusual to extend boards for one year at a time, but the audit had identified issues that called for closer and more frequent review of the board.

Mr. Applebee said that the Legislative Budget and Audit Committee (LB&A) wanted to carry out additional follow-up

with the board over the summer of 2010, with the intention of bringing a more comprehensive extension bill before the legislature in 2011.

[4:29:04 PM](#)

Representative Fairclough wondered about confidentiality issues concerning the public database. She reminded the committee that in the past there had been testimony in opposition to a database that revealed the names and addresses of resident who were purchasing alcohol.

Co-Chair Hawker noted that the database was in existing statue.

Co-Chair Stoltze MOVED to report HCS CSSB 234(L&C) out of Committee with individual recommendations and the accompanying fiscal note.

HCS CSSB 234(L&C) was REPORTED out of Committee with a "do pass" recommendation and with attached new fiscal note by the Department of Public Safety.

#sb258

CS FOR SENATE BILL NO. 258(L&C)

"An Act prohibiting health care insurers that provide dental care coverage from setting fees that a dentist may charge under a preferred provider contract for dental services not covered under the insurer's policy, and relating to preferred provider contracts between insurers and dentists."

[4:31:56 PM](#)

SENATOR CHARLIE HUGGINS, SPONSOR, explained that the bill would protect the patient, as well as provide a mechanism for controlling cost issues for dentists and insurance companies.

SHARON LONG, STAFF, SENATOR CHARLIE HUGGINS, stated that the provisions in the legislation had been crafted by dental professionals, the insurance industry and small business owners. Insurers would be allowed to offer alternative contracts to providers; one that would dictate discounted fee schedules for services on which a benefit was paid, as well as services on which benefits were not

paid, and another which would cap fees on services for which an insurer paid a benefit. Dentist would have 2 options when participating in preferred provider and managed care programs, which would protect consumer's access to dental care because it would minimize cost shifting that occurred when fee capping was introduced.

[4:36:11 PM](#)

Ms. Long pointed out to the committee the letter in the bill packet from The National Federation of Independent Business (copy on file) urging support for the legislation.

Representative Gara asked if insurance companies and dentist could to sign up to be preferred providers, with a cap, on services are already covered, but no cap could be placed on services that were not covered. Ms. Long replied that there would be an option of 2 different contracts. One which would cap the fees which were covered in the policy, or another where the retail fee schedule would go into effect after the covered services were met. Representative Gara clarified that insurance companies would still be able to negotiate with dentists on prices. Ms. Long replied yes. Representative Gara expressed support for the bill.

Co-Chair Stoltze opened public testimony.

DR. DAVID LOGAN, ALASKA DENTAL SOCIETY, spoke in support of the legislation.

Co-Chair Stoltze closed public testimony.

Co-Chair Hawker highlighted the zero fiscal note.

Vice-Chair Thomas MOVED to report CSSB 258(L&C) out of Committee with individual recommendations and the accompanying fiscal note.

There being no OBJECTION it was so ordered.

CSSB 258(L&C) was REPORTED out of Committee with a "do pass" recommendation and with previously attached fiscal note: FN1 (DEC).

#sb292

CS FOR SENATE BILL NO. 292(JUD)

"An Act relating to the registration and operation of pawnbrokers, to the exemption for pawnbrokers under the Alaska Small Loans Act, and to the exclusion of pawnbrokers under certain definitions in the Uniform Commercial Code; and providing for an effective date."

4:43:01 PM

SENATOR CHARLIE HUGGINS, SPONSOR, explained that the legislation would create a method for pawnshops in the state to report and track stolen goods.

Co-Chair Stoltze said that the issue had been discussed before. He stated that regulations already existed to regulate and control the goods sold to pawnshops, but that local municipalities had been noncompliant. He asked if the legislation would force all pawnshops into conformity. Senator Huggins replied in the affirmative.

4:46:35 PM

JOSH TEMPEL, STAFF, SENATOR CHARLIE HUGGINS, reported that the bill has had broad support from ethically managed pawn shops and law enforcement. He directed attention to the blank CS, work draft Version "M", of the legislation.

4:47:58 PM

AT EASE

5:09:11 PM

RECONVENED

Vice-Chair Thomas MOVED to ADOPT HCS CS SB 292, 26-LS1487\M, Bannister, 4/14/10, as a working document.

Co-Chair Stoltze OBJECTED for the purpose of discussion.

Mr. Tempel relayed that the first change in the CS could be found on Page 1, Line 8. The change separated pawnshops from second-hand stores. It raised the limit that could be received from pawning an item from \$500 to \$750. The second change, found on Page 3, Line 24, again altered the number from \$500 to \$750. Mr. Tempel shared that the effective date would be delayed for a year at the request of one pawnbroker in Soldotna, who needed more time to review the legislation.

Co-Chair Stoltze questioned the power of one pawnbroker to alter the effective date. Mr. Tempel replied that all the other parties involved had been comfortable with the delay.

Senator Huggins added that the delay would allow for a more successful transition.

Co-Chair Stoltze WITHDREW his OBJECTION. There being NO OBJECTION, HCS CS SC 292 was ADOPTED as a working document.

JENNIFER STRICKLER, OPERATIONS MANAGER, DIVISION OF OCCUPATIONAL LICENSING, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, explained that the fiscal note requested a part-time investigator position the funding for which would be paid by the licensees. She emphasized that the program was new under centralized licensing.

[5:14:25 PM](#)

Co-Chair Stoltze asked if the effective date delay would result in fees being collected earlier. Ms. Strickler replied that the fees would be collected starting the effective date of the bill.

Representative Joule referred to the change in revenue reflected on the fiscal note. He wondered why the \$76,000 skipped from year to year. Ms. Strickler responded that the number dipped from year to year because licensing was based on the biennial cycle.

Representative Gara clarified that the revenue would pay for the expected fiscal impact. Ms. Strickler answered yes.

Representative Gara asked if the Unfair Trade Practices Act still governed pawnbroker conduct concerning fraud. Senator Huggins answered yes.

Co-Chair Stoltze opened public testimony.

FERNANDO PENA, CASH AMERICA, testified in support of the bill.

ALEX VAUGHN, CASH AMERICA, spoke in support of the legislation.

Vice-Chair Thomas MOVED to report HCS CSSB 292(FIN) out of Committee with individual recommendations and the accompanying fiscal note.

HCS CSSB 292(FIN) was REPORTED out of Committee with "no recommendation" and attached previously published fiscal note: FN1 (CED).

[5:20:13 PM](#)

AT EASE

[5:20:26 PM](#)

RECONVENED

#sb221

CS FOR SENATE BILL NO. 221(EDC)

"An Act establishing an advisory task force on higher education and career readiness in the legislative branch of government; and providing for an effective date."

[5:20:35 PM](#)

Co-Chair Hawker MOVED to ADOPT HCS CS SB 221, work draft 26-LS1309\M, Mischel, 4/16/10 as a working document.

Co-Chair Stoltze OBJECTED for the purpose of discussion.

BEN MULLIGAN, STAFF, HOUSE FINANCE COMMITTEE, provided a sectional analysis of the bill. The program had been renamed "The Alaska Merit Scholarship Program". Section 1 established district determination of student eligibility. Section 2 gave the Alaska Commission on Postsecondary Education (ACPE) the ability to adopt regulations pertaining to the merit program. Section 3, which was part of the Alaska Advantage Grant Program, raised the amount of needs based funding per school year from \$2,000 to \$3,000. Section 4 states that a student may not receive more than a total of \$12,000 (formerly \$8,000) in awarded grants. Section 5 established the eligibility and awards structure of the Alaskan Merit Scholarship program. Section 5 details the award structure and the requirements to qualify as a postsecondary institution. Section 5 also contained agreed upon defined terms. Section 6 had been amended to establish that the commission would provide adequate funding for not fewer than 5 students to attend four-year programs in each of the following fields: dentistry, optometry, and pharmacy.

[5:24:42 PM](#)

Mr. Mulligan continued. Sections 8 and 9 contained transitional language to allow the Department of Education

(DOE) to permit the implementation of regulations. The Merit Scholarship program would not be implemented until July 2011. Section 10 contained provisions for the Joint Legislative Higher Education Scholarship Funding Taskforce, which was defined in Senate Concurrent Resolution (SCR) 19. Section 11 established an advisory taskforce on higher education and career readiness, which was found in the original version of SB 221. Two members from each body, appointed by the presiding officer, would be appointed to the taskforce. Mr. Mulligan stated that all section pertaining to the Alaska Merit scholarship program would be delayed a full year in order to give DOE a chance to examine how the program would need to be structured. The delay would also allow the various taskforces the ability research the programs more comprehensively.

Representative Austerman asked if any of the regulations in the bill would be implemented before the effective date of 2011.

DIANE BARRANS, EXECUTIVE DIRECTOR, POSTSECONDARY EDUCATION COMMISSION, DEPARTMENT OF EDUCATION, replied that the DOE and the commission were prepared to move forward with the regulations immediately. She stated that the plan was to put regulations out by summer 2010, for public comment. The hope was to have regulations that reasonably reflected what schools and students would need to know by fall 2011, to participate in the programs.

[5:31:02 PM](#)

Mr. Mulligan added that the transition language directly stated that the regulations would be available for study, but would not take effect until the effective date. This would allow for the chance begin promulgating regulations in order to get a head start on the regulatory process.

Co-Chair Hawker offered several points of clarification regarding the bill. Page 7, Section 6 discussed the extension of the Western Interstate Commission for Higher Education (WICHE) program. He relayed that it had been unclear whether the program would be comprised of 5 students or 60 students. He also asked bill drafters to examine Page 4, Section 5, which discussed maximum awards under the Alaska merit scholarship program. He wondered if the awards would be distributed per year or per semester.

SHARON KELLY, STAFF, REPRESENTATIVE MIKE CHENAULT, cited Page 5, Item c, which stated that a student receiving a scholarship could remain eligible for up to 8 semesters. She agreed that the language could be clarified.

[5:36:07 PM](#)

Representative Joule wondered if students could raise their eligibility levels by achieving high grade point averages during the first year of college. Ms. Barrans replied no.

Representative Gara stated that he had not seen a fiscal note funding the increase the ACPE grant cap from \$2,000 to \$3,000. He requested a fiscal estimate of the cost to the state if the full \$3,000 was given to all who qualified. Ms. Barrans replied that the fiscal note in the bill packet provided for an additional \$400,000 to fund the program for the FY11 year. The commission had \$620,000 left over from the FY09 appropriation to fund grants in FY11. The average funding for the program for the last 4 years has been \$1 million per year. \$1.1 million had been added in continuation years for the needs based grant program. She anticipated that after implementation the annual base grant would rise from \$1,000 to \$1,500, priority grants from \$2,000 to \$3,000, for the FY11 year. The out years after that would be influenced by the legislative recommendations from the taskforce.

Representative Gara asked if the numbers could be more easily provided by removing the regulation that offered only half of the capped amount. Ms. Barrans replied that she could get back to the committee with the numbers.

Representative Gara expressed concern for students living in districts without access to the courses required to qualify for the merit scholarship. He thought that Section 3 could resolve the problem.

[5:42:52 PM](#)

Co-Chair Hawker reminded the committee that only committee chairs had the power to order fiscal notes for distribution.

Representative Fairclough queried the language on Page 5, Line 8. She hoped that student would not be precluded based on taking classes during the summer semester. Ms. Barrans

replied that the scholarship could be spread out over three semesters in an academic year. The six year timeline was intended to allow for students who do not proceed immediately from high school to postsecondary education.

Representative Fairclough expressed concern that a student taking three semesters in years one and two, might end up not qualifying for aid in their third year. Ms. Barrans replied that the student would remain eligible for 8 semesters. If the student chose to accelerate their program, the scholarship would be exhausted by the end of the 8 semesters.

Representative Fairclough cited Page 4, Lines 10-12. She asked if there had been a reduction in the governor's original proposal for academic excellence. Mr. Mulligan referred the question to the DOE commissioner.

Representative Joule wondered how long after high school graduation could a student be eligible for the program. Ms. Barrans replied that under the terms of the bill, the student would be eligible for 6 years, following high school graduation.

Representative Gara asked where the funds discussed in Section 3 could be used. Ms. Barrans said that the funds could be used at credited traditional or vocational institutions. Currently, the program operated as a federal and state partnership and the state received a small amount of federal dollars. The terms upon which the grants were issued must comply with federal requirements.

Representative Gara queried further examples of credited institutions. Ms. Barrans replied that charter colleges and career academies would qualify.

[5:48:18 PM](#)

Representative Gara expressed discomfort with Page 5, Line 1. He wondered if the state would save money by not rewarding merit grants to students with less than a B average. Ms. Barrans responded that that scenario had not been calculated.

Representative Gara communicated reservation as to how the program would apply to districts without access to the courses required to qualify for the scholarships.

Representative Joule advocated for awarding scholarships to students with a 2.5 grade point average (B average). He shared his experience working with students who were at the B average. He argued that the B average students were hard and steady workers, and should not be denied the opportunity for college scholarships.

Representative Doogan asked how many college credits the first award level of \$4,755, would pay for. Ms. Barrans answered that the sum was the equivalent value of 15 credits at the University of Alaska based on the approved tuition rate for 2010. The funds could be used for any allowable cost for attendance.

Representative Gara expressed the desire to assist all students in going onto postsecondary education, regardless of their grade point average. He asked if there was assistance under the bill for students who acquired a general education diploma (GED). Ms. Kelly believed that the intent of the bill was to move the governor's merit scholarship forward. She added that any changes that needed to be made to the bill could be made during the next legislative session.

Representative Gara clarified that there was no provision in the merit scholarship language for GED recipients to receive assistance. Ms. Kelly said that was correct.

[5:53:23 PM](#)

TIM LAMKIN, STAFF, SENATOR GARY STEVENS, testified that the CS had full support from the sponsor. He said that the \$4,755 figure specifically referred to the average tuition at University of Alaska Anchorage (UAA). Tuition varied around the state between the campuses. The University of Alaska Anchorage tuition was slightly higher than the University of Alaska Fairbanks, and the average of upper and lower division classes for one year was the equation used to establish the \$4,755 figure.

Vice-Chair Thomas asked if a waiver would be used for rural students that did not have access to the courses required to qualify for the program.

Mr. Lamkin understood that there was transition language in the regulations. He referred to Page 7, Lines 20-31. The

student may be eligible for the program even though the student did not fully meet the required core academic curriculum for the school years beginning July 1, 2010, through June 30, 2014. He stated that the effort was to reform the education system and to encourage students to work harder and perform better in school.

Vice-Chair Thomas asked whether the student or the university received the money. Mr. Lamkin stated that the issue would be clarified in the regulations. Mr. Lamkin assured the committee that the taskforce would be working during the interim to craft comprehensive regulations.

[5:58:27 PM](#)

Co-Chair Hawker opened public testimony.

Representative Austerman requested clarification on Page 4, Lines 6 & 10 of the bill.

LARRY LEDOUX, COMMISSIONER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, responded that two sets of criteria were offered in order to qualify for the scholarships. The first was 4 years of mathematics, 4 years of language arts, 4 years of science, and 4 years of social studies, one year of a foreign language, which may include an Alaska Native language, fine arts, or cultural heritage. The second option was 3 years of mathematics, 4 years of language arts, 3 years of science, 4 years of social studies, and 2 years of foreign language or an Alaska Native language. The student would have the choice between the two options. The language had been included by the Senate Education Committee. Representative Austerman wondered if the two options lowered the standards for qualifying to the level of vocational education. Commissioner Ledoux responded that the second option was intended for students who were not oriented toward mathematics or the hard sciences. According to the American College and Testing Board, both options represented a college preparatory curriculum. The original proposal was 4 years of science, 4 years of mathematics, 4 years of language arts, and 3 years of social studies, and had been modified through the process, resulting in the 2 options.

[6:02:43 PM](#)

Representative Joule thought that the conversation about education in the state could be broader than the bill allowed. He expressed the desire to support a bill that addressed real education reform so that GPAs would not be an issue. He emphasized that the conversation should be about students being able to read, comprehend, and retain information by the 3rd grade. He stressed the need to expand the conversation, and to work for a reformation of the entire educational system.

Representative Doogan wondered how the fiscal impact could begin at \$9 million and increase to 21.5 million over 5 years. Ms. Barrans stated that the expected fiscal impact for FY2010 was \$9,321.9 million; and had two components. One was \$1.1 million, which was continuation level funding for the needs based grant, the other \$8.2 million represented the average award amount for the number of students that were expected to participate in the programs the first group. The increase in the three years after that provided for each of the new cohorts entering the program. An attrition factor was built into each student group based on the attrition rate that was typically experienced at the University of Alaska.

Representative Gara queried the problem of schools that did not have the coursework required to qualify for the scholarships. He understood the department intended to suggest the schools use on-line courses.

[6:07:26 PM](#)

Commissioner Ledoux informed the committee that across the state, for many years, there had been independent courses utilizing different methods of distance delivery. The alternative courses had been used in 60 schools that had between 20 and 11 students, ranging in ages K-12. Some districts operated learning centers where students could work on distance courses. Some districts were utilizing e-learning blackboard illuminate, which were interactive distance courses using the internet. Others had purchased special independent study curriculum that was facilitated by teachers. Many districts were using online, two way video in real time. Aside from state sponsored correspondence schools, some districts were utilizing national correspondence schools. Many states across the country, Alaska included, were coordinating activities into a virtual school to make it easier for districts to offer

the required coursework. He emphasized the importance of rigorous study; the department intended to be careful to uphold high academic expectations.

Commissioner Ledoux regarded the proposal as a contract rather than as a scholarship. The students in the states smaller schools were aware of the challenges faced by their districts, and they work harder because of it.

Representative Gara reiterated concerns about students who graduate with a GED. Commissioner Ledoux replied that some states had GED pathways. The House Education Committee elected not to include GED recipients in the program.

Representative Gara asked if the department supported a GED pathway.

Commissioner Ledoux responded that merit scholarship programs evolve. He thought that as the program evolved from year to year, an alternative pathway could be established.

[6:12:43 PM](#)

Commissioner Ledoux said that the program was not about what student were doing right now; it was about what they were going to do. He reference Representative Gara's concern for scholarships for students with a GPA of 2.5. He reiterated that the program was a contract; if the student worked hard, if the student took the rigorous curriculum, if good grades were received, the student would have a help to go to college.

Representative Gara clarified that he wanted to help people with a 2.5 GPA get into college.

Representative Salmon asked about the \$400 million dollar endowment written into the original bill. He wondered why the fiscal note showed most of the funding coming from the general fund. Commissioner Ledoux answered that the version of the bill before the committee did not say how the program would be funded. That task had been assigned to a committee that would meet within the next two years.

Representative Salmon wondered what happened with the endowment process.

Commissioner Ledoux replied that the endowment was not currently in the bill, but could be reconsidered.

Vice-Chair Thomas asked if funding had been written into the fiscal note to pay for the implementation of the program into districts, such as adding more teachers. Commissioner Ledoux replied no. He furthered that the cost to districts would vary depending on how the program was implemented, Larger schools could modify class schedules and offerings, according to what the students needed under the program requirements. Small schools could do the same; however, the state would help to develop the necessary programs in smaller districts. He said that more teachers would not be needed because the number of students would not be increasing.

[6:17:33 PM](#)

Vice-Chair Thomas countered that the several of the 15 school districts that he represented reported that they would need new teachers in order to offer the classes required by the program. He expressed concern that certain districts would be left behind. He thought more research was needed to be sure that the legislation was fair and equitable. Commissioner Ledoux assured the committee that the department would be reporting back to the legislature every year into the future with regard to which schools in the district were participating in the program. Every superintendent in the state had been contacted and asked if the program could be delivered in their districts. He said that every superintendent in the district replied that the program could be supported. He added that it would be more difficult for some districts, and that the department would work to assist those schools.

Vice-Chair Thomas cautioned the passing of the \$3 million fiscal note without assurances that all students in the state would benefit, particularly the students in the districts he represented. He felt he could not support a bill that would leave the students he represented behind.

[6:20:13 PM](#)

Representative Fairclough thought it would be wise to let the task force move forward with improvements in the program.

Co-Chair Hawker any more public testimony.

CHRIS WILSON, JUNEAU, shared that he was a recipient of an honors scholarship through the old scholarship program. He expressed dismay that the program had disappeared. He was currently employed by state because due to his two degrees.

Co-Chair Hawker closed public testimony.

SB 221 was set aside until later in the meeting.

[6:26:22 PM](#)

AT EASE

[7:25:55 PM](#)

RECONVENE

#sjr21

SENATE JOINT RESOLUTION NO. 21

Proposing amendments to the Constitution of the State of Alaska relating to and increasing the number of members of the House of Representatives to forty-eight and the number of members of the senate to twenty-four.

[7:26:23 PM](#)

SENATOR DONALD OLSON, SPONSOR, reviewed the legislation. The Alaska legislature had been expanded several times in the past. In 1913 the first territorial legislature was established with 8 senators and 16 representatives. Then, in 1942, the legislature was increased to 12 senators and 24 representatives. In 1959, with the ratification of the state constitution, the legislature was increased to 20 senators and 40 representatives. In the 50 years since, the size of the legislature had remained unchanged. Alaska had the smallest bicameral legislature in the nation. The population of the state had tripled since statehood, and the increase had been disproportionate, favoring large urban areas over smaller rural communities. Without an increase in the size of the legislature, the 2010 Census could be reconciled with Article 6, Section 6 of the state constitution, which mandated the existence of continuous compact and socioeconomic districts, or the federal mandate under the U.S. Voting Rights Act of 1965. He noted that in the last 46 years, 29 states had changed the size of their legislative body and that 9 of those states, with populations comparable to Alaska, had a legislature with 134 members.

7:29:44 PM

DAVID GREY, STAFF, SENATOR LYMAN HOFFMAN, referred to the handout "Population Trend for Election Districts in 2010", (copy on file). The population distributions for 2010 were calculated based on the Department of Labor (DOL) estimations from 2008. He noted that DOL used the permanent fund application numbers as the basis for the projections, but that the 2010 Census would provide more valid numbers. He noted that in crafting the handout he had included the numbers from House Joint Resolution 38, which recommended and increase in the house to 44 members. The handout illustrated the numbers applying the increase of 44 members, vs. 46, vs. 48. He pointed out to the committee the fourth column of numbers labeled "Difference from Average", which calculated the numbers above or below the ideal average for the districts. He noted that in the southeastern and rural areas of the state the numbers were below average, where as in the Mat-Su and Anchorage areas the numbers were high. The Supreme Court had allowed for a plus or minus 5 percent in the rural districts, but had expected more accurate numbers in calculating urban areas.

Co-Chair Stoltze asked if the plus or minus 5 percent would need to be reconciled in a corresponding district. Mr. Grey believed so.

Mr. Grey continued that in urban areas additional votes were easily available, but rural districts with smaller populations did not have the same ability.

7:35:00 PM

Representative Foster spoke in support of the legislation. He related that in urban areas the average citizen could walk door to door to garner support. He noted that when the number of rural villages under the representation of one legislator was increased, it became more difficult for the average person to campaign. The number of villages represented by one legislator could be as high as 30, with great distance between communities, which would require air travel, and necessitate a substantial campaign budget. He thought that the legislation would allow for the average person to represent in the legislature rather than only the affluent.

Senator Olson responded that financial limitations had kept representatives of many rural villages from visiting and addressing the needs of small communities. This had led to a feeling of disenfranchisement, and cynicism toward the legislature.

[7:37:14 PM](#)

Representative Gara commented that urban areas also struggle with the unavailability of legislators. As districts had grown, people had less contact with their legislators. He thought that something needed to be done to address the increase in population.

Representative Doogan asked about the increase of house members, and how the number had been determined. Mr. Grey stated that the number was chosen (48) to see if the number would keep each district "hold harmless". The number was chosen in an attempt to preserve the status quo.

Senator Olson stated that the number took into consideration the division of populations in areas where district boundaries had been established ten years ago, and factored in the western and south central areas; Kodiak, the Kenai Peninsula, down toward Yakutat, and into southeast.

[7:40:06 PM](#)

Vice-Chair Thomas appreciated the intent of the legislation. He listed several reasons for flux in the state's population in the past and suggested that job creation could help keep people in the state. He relayed that the numbers on the handout reveal that the districts he represented were the most affected by the issue.

Senator Olson shared that there were legislators serving on the committee that might not be back next year without the passage of the legislation.

Co-Chair Stoltze closed public testimony.

[7:43:00 PM](#)

Co-Chair Hawker discussed the fiscal notes number one and two. FN2 reflected the \$1500 ballot charge to put the resolution on the ballot for public vote. He noted the

technical error on FN2; the \$1500 was not reflected in the required appropriation column, and needed to be corrected. Co-Chair Hawker stated that FN1 reflected the estimated \$4,470,000 cost of 12 new legislators, additional staff, support time, attorney fees, travel, contractual allowance supplies, and capital outlay. He noted that the legislature was budgeted at \$60 million per year, which would increase if 12 more legislators were added. He stated that the full cost was yet unknown. He wondered where room would be found for 12 more legislators and 35 staff members in the capital building. He suggested that the fiscal note be indeterminate for "land and structures" as well as miscellaneous, and that it be made clear to the public that the cost of implementing the legislation was yet unknown.

[7:46:37 PM](#)

Co-Chair Stoltze stated that the term "indeterminate" would be an accurate representation for the public.

Representative Joule agreed that the cost of the legislation was indeterminate. He countered that the loss of the voices of residents living in underrepresented areas could not be measured monetarily.

Co-Chair Hawker voiced support for the legislation.

Senator Olson believed that the decision was not taken lightly and that the will of the people would be revealed by a vote.

Representative Salmon asked when the increase in the number of legislators would go into effect.

[7:49:03 PM](#)

Mr. Grey replied that the reapportionment board would not receive the 2010 Census numbers until March 2011.

Co-Chair Stoltze noted that the resolution did not change the constitution, it only changed the math.

Vice-Chair Thomas MOVED to report SJR 21 out of Committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

SJR 21 was REPORTED out of Committee with "no recommendation" and attached new fiscal impact note by the Office of the Governor and new indeterminate note by the Legislative Affairs Agency.

#sb230

CS FOR SENATE BILL NO. 230(FIN)

"An Act making and amending appropriations, including capital appropriations, supplemental appropriations, and other appropriations; making appropriations to capitalize funds; and providing for an effective date."

[7:55:16 PM](#)

Co-Chair Stoltze announced that there would be a brief presentation on the progress of SB 230, which was still undergoing technical changes. He informed the committee that the physical document was still in the office of legislative finance.

JAMES ARMSTRONG, STAFF, CO-CHAIR STOLTZE, discussed the document "2010 Legislature-Capital Budget Project Compare by Agency-House Structure (copy on file). The document lists the technical changes that had been made to the legislation. The first correction was the miscoding of an appropriation to the renewable energy fund. The second change was at the request of a house member and put \$300,000 in the Alaska Association of Conservation Districts-Land Development and Project Management. The next change was for \$40,000 to fund the Alaska Humanities Forum, followed by one-third of a request for the Alaska Public Telecommunications, Inc. for \$50,000. The next change added \$125,000 to the Bering Sea Fishermen's Association. Next was \$500,000 for the Ketchikan Indian Community-Vocational Training School. A new request for \$2,000,000 by the Naknek Electric Association, Inc. would be matched by congressional funds. Co-Chair Hawker noted that the match be made was requested by Senator Murkowski, who stated that the money will free \$12.5 million in federal funding for the project.

Representative Joule asked if this was the effort for geothermal. Co-Chair Hawker replied yes.

Mr. Armstrong continued. The request for the North Star Volunteer Fire Department had been raised by \$100,000 to \$245,000. Another correction was made to funding for the Abbot Loop Traffic Calming Improvements, which was now \$120,000. The next change was per the request from the mayor in Anchorage; the change would be detailed in the language section of the new bill version. Two separate appropriations for Anchorage Local Road Rehabilitation had been removed from the bill and added the existing appropriation. He noted that the two combined repayment equaled net zero. Next, \$25,000 had been added for Bethel-Electric Utility Acquisition Study. Per the request of the sponsor 2 projects were reversed, Craig-Community Streets Improvements was added, Craig-Public Works Heavy Equipment Purchase and Replacement was deleted. The \$230,000 Hooper Bay-Boat Harbor and Barge Landing Reconnaissance request was added. The Mat-Su Horseshoe Lake Road Upgrade was reduced by \$300,000, per the request of the districts. Another net zero switch of projects was the Mat-Su New Generator for Swanson Elementary School was added and the Trapper Creek Fire Service Area was deleted as there is not a fire service area in Trapper Creek. One of the largest technical corrections was a \$12,000,000 appropriation to the Northwest Arctic Borough-Northwest Magnet School and Kotzebue High School. He stated that \$85,000 had been added for the Ninilchik -Senior Center Preservation. The last two changes were the addition of \$2,000,000 for the Nome State Office Building Design and Construction, which was taken from the Nome Courthouse Deferred Maintenance and Remodel appropriation for \$4,700,000, leaving that at \$2,700,000, and providing a net zero. He shared that the Legislative Finance Website includes the language section amendments and side by side comparisons between the house and the senate requests.

[8:03:53 PM](#)

Co-Chair Stoltze clarified that the website was WWW.LEGFIN.STATE.US

Representative Gara asked about the amount allocated to fund the Medicare clinic. Mr. Armstrong replied that \$1 million had been added for the clinic, with accompanying intent language.

Representative Fairclough explained that the duplicated funds found in the original bill version were intergovernmental changes.

#sb220

CS FOR SENATE BILL NO. 220(FIN)

"An Act relating to energy efficiency, energy conservation, and alternative energy, to an emerging energy technology fund, to the lease of state land to a public electric utility, to the Alaska heating assistance program, to state energy use data, to the Southeast energy fund, to nuclear energy production and facilities, to the definition of 'power project' or 'project' as it relates to rural and statewide energy programs and the Alaska Energy Authority, and to the definition of 'alternative energy system'; establishing an Alaska energy efficiency revolving loan fund; directing the Department of Transportation and Public Facilities to prepare a report on the feasibility of using compressed natural gas to power vehicles in the state, including vehicles owned or operated by the state, and including in that study, if warranted, a pilot program proposal for powering some vehicles owned or operated by the state with compressed natural gas; authorizing and relating to the issuance of bonds by the Alaska Housing Finance Corporation; relating to a report regarding a municipal energy improvements financing program and to an energy report by the Office of the Governor; and providing for an effective date."

[8:08:49 PM](#)

MIKE POWLOWSKI, STAFF, SENATOR LESIL MCGUIRE, introduced himself for the record.

[8:09:58 PM](#) AT EASE

[8:11:15 PM](#) RECONVIENE

Co-Chair Stoltze solicited discussion of the proposed amendments.

SENATOR BILL WEILECHOWSKI, SPONSOR, communicated that he had no objection to the proposed amendments.

SENATOR LESIL MCGUIRE noted no objection to the proposed amendments.

Vice-Chair Thomas MOVED Amendment 1, 26-LS1197\Y.6, Kane, 4/13/10:

Page 11, line 11:
Delete "or"
Insert "and 42.45.310,"

Page 11, line 12, following "AS 10.25":
Insert "or another electric utility holding certificate of public convenience and necessity under AS 42.05"

Co-Chair Stoltze OBJECTED for the purpose of discussion.

Mr. Powlowski stated that the amendment 1 made an important change to the recipients who were eligible to receive grants from the southeast energy fund that had been re-enacted and modified within SB 220. The amendment added electric utilities holding a certificate of public convenience or necessity, to the list of entities that could receive grants under the legislation.

Co-Chair Stoltze WITHDREW his OBJECTION to Amendment 1. There being no further OBJECTION, Amendment 1 was ADOPTED.

Representative Kelly Moved Amendment 2, 26-LS1197\Y.7, Kane, 4/15/10:

Page 18, lines 15-16:
Delete "with a catalytic converter or a catalytic converter for a wood stove"
Insert "that complies with the provision of 40 C.F.R. 60.530 [WITH A CATLYTIC CONVERTER OR A CATALYTIC CONVERTER FOR A WOOD STOVE]"

Page 18, line 21:
Delete "wood, coal,"
Insert "coal [WOOD,COAL,]"

Co-Chair Stoltze OBJECTED for the purpose of discussion.

Mr. Powlowski explained that a simple wood or pellet grain stove would not work appropriately under 40 C.F.R 60.530,

which established the admissions criteria determined by the Environmental Protection Agency (EPA).

Co-Chair Stoltze WITHDREW his OBJECTION to Amendment 2. There being no further OBJECTION, Amendment 2 was ADOPTED.

Representative Gara WITHDREW Amendment 3.

[8:17:41 PM](#)

Representative Gara MOVED Amendment 4, 26-LS1197\Y.4, Kane, 4/14/10:

Page 15, following line 24:
Insert a new bill section to read:

"* **Sec. 17.** AS 44.42 is amended by adding a new section to read:

Sec. 44.42.067. Retrofits and new construction for energy efficiency; energy efficiency report. (a) Not later than January 1, 2020, the department shall work with other state agencies to retrofit at least 25 percent of all public facilities, starting with those it determines are the least energy efficient, if the department determines that retrofitting the public facilities will result in a net savings in energy costs to the state within 15 years after completion of the retrofits for a public facility and if funding for the retrofits is available.

(b) A retrofit or deferred maintenance of a public facility performed under this section, to the extent feasible, shall meet or exceed the most recently published edition of the ASHRAE/IESNA Standard 90.1, Energy Standard for Buildings Except for Low-Rise Residential Buildings, as published by the American Society of Heating, Refrigerating and Air-Conditioning Engineers.

(c) New construction of a public facility under this section shall meet or exceed the most recently published edition of the ASHRAE/IESNA Standard 90.1, Energy Standard for Buildings Except for Low-Rise Residential Buildings, as published by the American Society of Heating, Refrigerating and Air-Conditioning Engineers.

(d) Not later than January 1 of each year, the department, in consultation with the Department of

Administration, shall submit a report to the legislature detailing the department's progress in meeting the requirements of this section to reduce state energy consumption and costs and carrying out the duties listed in AS 44.42.020 as they relate to energy use. The department shall include in the report an analysis of the consumption and expense data recorded by the office of management and budget under AS 37.07.040, comparing energy consumption levels in each year with past years to determine if reductions are being achieved.

(e) In this section, "public facility" means a facility owned and controlled by the state for government or public use that is 10,000 square feet or more and is not a legislative building or court building."

Renumber the following bill sections accordingly.

Page 26, line 18:

Delete "secs. 27 - 34"

Insert "secs. 28 - 35"

Page 26, line 20:

Delete "secs. 27 - 34"

Insert "secs. 28 - 35"

Page 26, line 21:

Delete "secs. 27 - 34"

Insert "secs. 28 - 35"

Page 27, line 1:

Delete "secs. 27 - 34"

Insert "secs. 28 - 35"-

Page 27, following line 1:

Insert a new bill section to read:

"* **Sec. 45.** The uncodified law of the State of Alaska is amended by adding a new section to read:

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES.
Not later than one year after the effective date of this section, the Department of Transportation and Public Facilities, in consultation with the Alaska Energy Authority, shall adopt and implement a systematic process for prioritizing the retrofitting of state facilities for a

long-term increase in energy efficiency and reduction of energy costs."

Renumber the following bill sections accordingly.

Page 27, line 9:

Delete "Section 42(b)"

Insert "Section 43(b)"

Co-Chair Stoltze OBJECTED for the purpose of discussion.

Representative Gara explained that the amendment would require major retrofits and new construction to certain state buildings in order to meet energy efficiency standards. He added that not only would the efficiency standards be met, but the cost of bringing the DOT managed buildings up to standard would be reimbursed within 15 years.

Representative Fairclough asked what the life expectancy of a boiler system was, and the cost of maintenance relative to the life expectancy. She expressed concern that 15 years may not allow for reimbursement of all expected upgrades.

Co-Chair Hawker articulated his unease was that the amendment would codify the most recently published edition of the American Society of Heating, Refrigerating and Air Conditioning Engineers/Illuminating Engineering Society of North America (ASHRAE/IESNA) Standard 90.1 Energy Standard for Buildings Except for Low-Rise Residential Buildings, as Published by the American Society of Heating, Refrigerating and Air Conditioning Engineers. He believed that the amendment should be scrutinized by an energy committee that was more familiar with terms of art pertaining to energy issues and codes.

Representative Fairclough agreed that the amendment needed more work in order to be codified into state statute.

[8:21:51 PM](#)

Senator Weilechowski stated that the ASHRAE standards were currently being adhered to by the Department of Transportation and that monetary saving had been experienced by DOT in the retrofitting of buildings using language similar to that found in the amendment. The sponsors had worked closely with the department to craft

the amendment language. He said that 8 buildings had been retrofitted so far, with an average savings of \$570,000 per year. The estimated savings under the provision was \$2.75 million per year.

Senator McGuire stated that she wanted to see the bill passed adding that, "the possible is better than the perfect". She furthered that the code was already being applied by the department.

[8:23:57 PM](#)

MARY SIROKY, SPECIAL ASSISTANT TO THE COMMISSIONER, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, stated that the ASHRAE standard was used as the baseline upon which the architectural engineering community designed facilities in Alaska. The code focused on commercial buildings, and was the national standard used by many states. She understood that the code was being used, and would continue to be used, despite the passage of the amendment.

Co-Chair Hawker clarified that the standard was being used without being codified and made a mandate, it was used a matter of policy and practice. Ms. Siroky replied yes. Co-Chair Hawker asked if DOT was currently engaged in the retrofitting of 25 different buildings. Ms. Siroky responded that the department had not received additional funding for the retrofits needed on all 25 buildings. She shared that the department had written a fiscal note that would add an additional body to oversee the necessary retrofits. She stated that four facilities per year would be necessary to meet the mandate of completing 25 percent by 2020. Co-Chair Hawker reiterated his unease with the codification and mandating of the language as statute.

[8:26:44 PM](#)

Representative Gara emphasized that the amendment was the result of 2 years of work by the Senate Energy Committee, which had worked with the department and the engineering community. He stated that the amendment did not limit the amount of reimbursement to the state. The legislation asked the department to focus on the projects that would create a rapid return. The department supported the amendment and the energy committee had vetted it and worked to craft language that was adoptable as a standard.

Representative Fairclough asked if the provision had been included in the legislation when it was passed on the floor of the other body.

Representative Gara stated that it was inserted by the Senate Energy Committee after spending 2 years traveling the state and gathering research. The members of the Senate Finance Committee had voiced no objection to the addition of the amendment to the legislation.

Co-Chair Stoltze asked if a similar amendment had been offered on the senate floor. Representative Fairclough said that the bill had passed the senate without the amendment in it. Co-Chair Stoltze rebutted that that information should not guide the committee's decisions now.

Representative Fairclough agreed. She commented that when the committee attached itself to a national standard, adopted in a different committee, mistakes could be made.

Co-Chair Stoltze asked if the administration supported the amendment. Ms. Siroky stated that the department was ambivalent.

Co-Chair Stoltze MAINTAINED his OBJECTION.

Representative Gara commented that the provisions of the national standard that did not make money for the state would not be followed.

A roll call vote was taken on the motion.

IN FAVOR: Thomas, Doogan, Foster, Gara, Joule, Salmon
OPPOSED: Austerman, Fairclough, Kelly, Stoltze, Hawker

The MOTION PASSED (6-5).

[8:32:36 PM](#)

Representative Gara MOVED to ADOPT Amendment 5.

Page 15 following line 24:

Insert "**Sec. 17.** AS 44.83.080 is amended by
adding a new paragraph to read:

(17) to promote energy conservation, energy efficiency, and alternative energy through training and public education."

Renumber the following bill sections accordingly.

Page 26, line 18, following "secs.":

Insert "28-35"

Delete "27-34"

Page 26, line 20, following "secs.":

Insert "28-35"

Delete "27-34"

Page 26, line 21, following "secs,":

Insert "28-35"

Delete "27-34"

Page 27, line 1, following "secs.":

Insert "28-35"

Delete "27-34"

Page 27, line 1, following "Section":

Insert "43(b)"

Delete "42(b)"

Representative Gara noted that the amendment would allow the Alaska Energy Authority (AEA) the authority to promote energy efficiency and conservation, and help the legislature move forward with the deployment of energy efficiency where it would save the state money and benefit communities. He added that if an education campaign was thought to be beneficial it could be included as a mandate.

Co-Chair Hawker stated that the amendment was well crafted and recommended it receive full support of the committee.

Co-Chair Stoltze REMOVED his OBJECTION. There being no further OBJECTION the motion was ADOPTED.

[8:35:12 PM](#)

Co-Chair Hawker stated that the bill had been extremely well crafted and that he was comfortable with the fiscal notes.

Vice-Chair Thomas MOVED to report HCS CS SB 220(FIN) out of Committee with individual recommendations and the accompanying fiscal notes.

HCS CS SB 220(FIN) was REPORTED out of Committee with a "do pass" recommendation and with attached new fiscal impact note by the Department of Revenue, new zero note by the Department of Transportation and Public Facilities, and previously published fiscal notes: FN3 (DEC), FN 6 (DHS), FN7 (CED), FN8 (CED, FN9 (REV), and FN11 (ADM).

[8:37:01 PM](#)

AT EASE

[8:50:46 PM](#)

RECONVENE

#sb294

CS FOR SENATE BILL NO. 294(FIN)

"An Act amending the termination date of the licensing of sport fishing operators and sport fishing guides; and providing for an effective date."

SENATOR LESIL MCGUIRE, SPONSOR, explained that SB 294 would extend the Sport Fish Guide License Program. The program required sport fish guides to maintain a minimal level of insurance and first aid training. The bill would also allow for the collection and reporting of catch data, which would benefit both commercial and sport fishermen alike. The catch data collected as a result of the program was important for the effective state management of the resource. She noted the importance of the catch data when figuring escapement levels. The Department of Fish and Game urged support of the bill. She added that, were the program to sunset, a federal existed, however it was in the states best interest to maintain state management.

REPRESENTATIVE MARK NEUMAN commented that in 2009 the program's efficiency had been improved under the sunset review.

[8:55:11 PM](#)

Co-Chair Stoltze clarified that the CS SB 294 (FIN) LS1546\R was the CS currently being discussed in committee.

Ms. McGuire stated that in the interest of compromise, the one year extension suggested by Representative Newman would be acceptable. She hoped that over the interim, continued program efficiencies would be discussed.

Co-Chair Stoltze MOVED to ADOPT Conceptual Amendment 1:

Page 1, line 9 following "January 1,"

Delete "2017"

Insert "2012"

Re-number accordingly.

Co-Chair Hawker OBJECTED for the purpose of discussion.

Representative Doogan wondered if Legislative Budget and Audit (LB&A) had offered information on the legislation. Co-Chair Stoltze stated that sunset clauses did not require input from LB&A.

Representative Fairclough requested more information on the reason for the one year sunset. She voiced concern that the recent sunset had been extended in order to end the "fish wars" within the state. She wondered if time and money was being wasted on the issue.

Co-Chair Stoltze responded that there were still unresolved issues pertaining to the industry and the sunset extension would allow for further resolution.

Representative Austerman understood that the issue was complicated. He noted two different approaches suggested by both bodies. He proposed that it would be wise to extend the sunset another year, rather than allowing the bill to die in committee.

Co-Chair Hawker withdrew his OBJECTION to the amendment.

There being no further OBJECTION, the Conceptual Amendment 1 was ADOPTED.

Co-Chair Stoltze opened public testimony.

[9:00:25 PM](#)

Co-Chair Stoltze closed public testimony.

Co-Chair Hawker informed the committee that the fiscal note anticipated the board being extended through 2012, and would need to be adjusted to reflect a board extension through 2011.

Representative Fairclough maintained confusion and discomfort with the one year extension of the sunset.

CHARLES SWANTON, DIRECTOR, DIVISION OF SPORT FISH, DEPARTMENT OF FISH AND GAME, stated that the department supported the bill with the one year extension.

Representative Austerman commented that the legislation was a reflection of the amount of confidence the legislature had in the department and thought that the one year extension was appropriate. He suggested that the program should be re-evaluated every year.

Senator McGuire stated that the declining fish stocks had made for contentious discussions. She insisted the department that had worked with her to craft decent legislation to manage the state's fish resource. She pointed out that the department still used fish wheels to ascertain stocks, and that the legislature should assist the department with funding for technological upgrades.

Representative Gara interpreted that the department would prefer a longer extension of the sunset, but would accept the one year rather than nothing.

[9:06:37 PM](#)

Representative Kelly opined that the limited amount of time left in the legislative session limited extended committee debate on the issue.

Vice-Chair Thomas MOVED to report HCS CSSB 294(FIN) out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

HCS CSSB 294(FIN) was REPORTED out of Committee with "no recommendation" and attached new fiscal note by the Department of Fish and Game.

AT EASE

[9:14:15 PM](#)

RECONVENED

#sb221

CS FOR SENATE BILL NO. 221(EDC)

"An Act establishing an advisory task force on higher education and career readiness in the legislative branch of government; and providing for an effective date."

[9:14:15 PM](#)

Representative Gara MOVED to ADOPT Amendment 4, 26-LS1309\M.4, Mischel, 4/16/10:

Page 3, line 13:

Delete "\$3,000"

Insert "\$4,000"

Page 3, following line 10:

Insert a new bill section to read:

"* **Sec. 3.** AS 14.43.415(b) is amended to read:

(b) The commission **may, if sufficient funding is available,** [SHALL] give an applicant eligible under (a) of this section priority for a grant award if that applicant is, or is about to be, enrolled in a program of study that is preparatory for employment in an occupation or profession for which the Department of Labor and Workforce Development, or another workforce data source selected as reliable by the commission, indicates there is a severe shortage of trained individuals in this state. Additionally, the commission may give an applicant priority for a grant award if that applicant has participated in a secondary education program of study that can be

demonstrated to the commission to be a predictor for success at the postsecondary education level for a program of study described in this subsection. For purposes of this subsection,

(1) "occupation or profession" means a job for which specific postsecondary certification is a prerequisite for entry-level placement;

(2) "severe shortage" means a current or recurring job vacancy rate of 15 percent or greater, as determined by the Department of Labor and Workforce Development or by another workforce data source determined reliable by the commission."

Renumber the following bill sections accordingly.

Page 7, line 28:

Delete "sec. 5"

Insert "sec. 6"

Page 8, line 10:

Delete "secs. 1, 2, 5, 7, and 8"

Insert "secs. 1, 2, 6, 8, and 9"

Page 13, line 3:

Delete "Section 11"

Insert "Section 12"

Page 13, line 4:

Delete "Sections 3, 4, 6, and 8 - 11"

Insert "Sections 4, 5, 7, and 9 - 12"

Page 13, line 6:

Delete "sec. 13"

Insert "sec. 14"

Co-Chair Stoltze OBJECTED for the purpose of discussion.

Representative Gara explained that the amendment would make 2 changes in Section 3 of the bill. The cap for needs based grants for vocational technical schools and state higher education would increase from \$3,000 to \$4,000. The second change changes "shall" to "may" in Section 3, Line 8. A fiscal note would need to be created to support the fiscal impact of the amendment.

TIM LAMKIN, STAFF, SENATOR GARY STEVENS, noted that between the two bodies a worthy compromise had been established concerning the legislation. He warned that the amendment could impede the progress of the bill.

[9:18:52 PM](#)

Representative Fairclough questioned Page 3, line 15. She wondered if a change in the cap would limit the time a student could participate in the program.

DIANE BARRANS, EXECUTIVE DIRECTOR, POSTSECONDARY EDUCATION COMMISSION, DEPARTMENT OF EDUCATION, thought the concern was a valid.

Representative Doogan noted that the house had not weighed in on any form of the bill, so there could be no existing compromise between bodies on the legislation.

Vice-Chair Thomas asked if the grant was limited to trade schools. Mr. Lamkin understood that the funds could be applied to qualifying postsecondary educational facilities. Ms. Barrans added qualifying schools were Pell grant eligible schools; which included both vocational and collegiate schools, but was not all encompassing in Alaska.

Vice-Chair Thomas commented that the money awarded by the program was a small help, but that it was not significant when considering the full cost of postsecondary education.

[9:22:55 PM](#)

Representative Fairclough asked if, based on the funds currently available for the program, the program would be adversely affected by the number of students receiving funding. Ms. Barrans replied yes. Section 2 of the bill would go into effect immediately and the pool of grant applicants for the 2010-2011 year was already set. A rise

in the cap would limit the amount of students who could receive funding.

Representative Fairclough thought that the raising of the cap could be re-examined at another time after the task force had the chance to analyze the bill more closely.

Representative Gara did not think that the change would adversely affect students who had already applied for the 2010-2011 year. He said a fiscal note would be written to fund the change. He urged against delaying the cap raise.

Co-Chair Stoltze MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Doogan, Foster, Gara, Salmon,
OPPOSED: Austerman, Fairclough, Joule, Kelly, Thomas,
Stoltze, Hawker

The MOTION FAILED (4-7).

[9:29:18 PM](#)

Representative Gara MOVED to ADOPT Amendment 2, 26-LS1309\M.2, Mischel, 4/16/10:

Page 4, following line 25:

Insert a new subsection to read:

"(c) Notwithstanding the requirements under (a)(3) and (4) of this section, the department shall adopt, in regulation, alternative standards to the curriculum and grade point average requirements that demonstrate preparedness for attendance at a qualified postsecondary institution for an otherwise eligible student. The standards may include minimum scores for a general education diploma and alternative curriculum standards for vocational or other courses relating to a postsecondary course of study."

Page 5, line 6, following "regulation.":

Insert "The regulations must allow for an extension of time for a student who meets alternative eligibility standards adopted under AS 14.43.820(c)."

Co-Chair Stoltze OBJECTED for the purpose of discussion.

Mr. Lamkin reminded the committee that the reform effort was a contract with students to perform a more rigorous curriculum. He believed that Representative Gara had a valid point, but stressed that the issue would be best taken up by the task force.

Co-Chair Hawker voiced support for the department to resolve the issue addressed by the amendment and that the amendment was unnecessary.

Co-Chair Stoltze MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Doogan, Foster, Gara, Salmon

OPPOSED: Fairclough, Joule, Kelly, Thomas, Austerman, Hawker, Stoltze

The MOTION FAILED (4-7).

[9:31:52 PM](#)

Co-Chair Hawker MOVED to ADOPT Amendment 3, 26-LS1309\M.3, Mischel, 4/16/10):

Page 4, line 26:

Delete "**Maximum awards.** (a)The maximum"

Insert "**Maximum annual awards.** (a)The maximum annual"

Page 7, line 9, following "students":

Insert "each year"

Co-Chair Stoltze OBJECTED for the purpose of discussion.

Co-Chair Hawker explained that the amendment clarifies that the award amount was an annual award, which was accomplished by changing the preface to the section from "maximum awards" to "maximum annual awards". The second

change clarified that the total number of students that would receive awards was 20.

Co-Chair Stoltze WITHDREW his OBJECTION. There being no further OBJECTION, it was so ordered.

Co-Chair Hawker asked if any of the amendments that had passed had changed the fiscal notes. Ms. Barrans replied no.

Co-Chair Hawker stated that the most significant fiscal note was for the Alaska Commission on Postsecondary Education (ACPE). He wondered if the cost leading into 2015 was too high to be maintained. He felt that within two budget cycles, the state could be back in a deficit. Ms. Barrans replied that the state would be paying for success.

Co-Chair Hawker warned that the passage of large fiscal notes during the session could lead to future deficits.

Representative Gara expressed frustration that the state could spend \$20 million on a college aid program that was not going to help student attend college. He believed that for half the amount a program could have been developed that would help those willing to go to college of job training. He stressed that he had never seen a bill that cost so much money that was so incomplete and poorly crafted. He opined that the state was one of 2 in the nation that had refused to sign on to a national policy towards bettering schools.

[9:38:28 PM](#)

Representative Joule asked about the establishment of the advisory taskforce discussed in Section 11 of the bill. Mr. Lamkin replied that the task force was intentionally set up to include members with a background in education. The list of members included a number of institutions and agencies within the state that were directly involved in the K-12 and postsecondary educational system. Representative Joule asked about the involvement of the Alaska Federation of Natives (AFN). He shared that there were many native corporations that gave millions of dollars annually for scholarships. He asked if the president of the task force would reach out to the native corporations, or if the only native representation would be from AFN. Mr. Lamkin responded that concern for rural capacity on the task force

had been discussed in education committees. In the interest of minimizing controversy, AFN seemed to be the natural choice as the rural voice on the task force. He believed that, given the scholarships and vocational training offered by native organizations in the state, AFN would seek out a representative from one of those organizations.

Representative Fairclough wondered if the organizations listed for the task force had already agreed to participate. Mr. Lamkin said yes.

Representative Doogan questioned the effectiveness of a task force comprised of members who were part of a system that was already failing. He wondered if there was better pool to draw from. He thought the legislation had been poorly crafted. He felt that under the legislation money would not be given to students who really needed it. He suggested that the problems faced by students in Alaska were substantially different than in the lower 48. He felt that the legislature had embarked on a course that was irreversible and redundant.

[9:45:14 PM](#)

Vice-Chair Thomas pointed out to the committee that charter schools, which were proving to be successful in the education of students in the state, were not represented on the advisory board list. He shared that as a young person growing up in the state receiving a higher education had been encouraged. He lamented that children in rural Alaska could be denied the chance to apply for the scholarship because of curriculum limitations in smaller village schools. He questioned the sincerity of the bill to help students from all parts of the state and declared strong opposition to the legislation.

Representative Fairclough reiterated the concern that the scholars program at UAS would be eliminated because of diminished general fund dollars as a result of the legislation. She thought that changes needed to be examined within DOE in order for the legislation to be successful.

Representative Gara acknowledged the hard work done on the legislation. He reiterated his frustration regarding the legislative policy in the bill.

Co-Chair Stoltze acknowledged that more time and information would be needed to craft a bill that pleased all parties, and that the K-12 system in the state needed improvement. He applauded the hard work that had been done to craft the legislation.

[9:51:14 PM](#)

Representative Kelly hoped the once a task force was established, the members would be made aware of the committee's concerns about an already failing education system in the state.

Co-Chair Stoltze WITHDREW his OBJECTION to adopting work draft 26-LS1309\M, as the working document. There being NO OBJECTION, it was so ordered.

Co-Chair Hawker MOVED to report HCS CS SB 221(FIN), amended, out of Committee with individual recommendations and the accompanying fiscal notes.

HCS CS SB 221(FIN) was REPORTED out of Committee with "no recommendation" and two new attached fiscal impact note by the Department of Education and Early Development and one new fiscal impact note by the Legislative Affairs Agency.

#sb309

CS FOR SENATE BILL NO. 309(FIN)

"An Act amending and extending the exploration and development incentive tax credit under the Alaska Net Income Tax Act for operators and working interest owners directly engaged in the exploration for and development of gas from a lease or property in the state; relating to interest on certain underpayments or overpayments of the oil and gas production tax; providing a credit against the tax on the production of oil and gas for drilling certain exploration wells in the Cook Inlet sedimentary basin; relating to the use of the oil and gas tax credit fund to purchase certain tax credit certificates; providing for an effective date by amending the effective date for sec. 2, ch. 61, SLA 2003; and providing for an effective date."

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Senator Lesil McGuire stated that the bill had been vetted in multiple committees in both bodies. The Cook Inlet region had been facing shortages of gas, the main electrification method in the area for the last 40 years. The gas was affordable because it was a bi-product of oil drilling in the region. She cited a Petro technical Resources of Alaska report which revealed that 187 oil wells would need to be drilled between now and 2020; in order to maintain supply and demand, and to avoid importing the product from Indonesia. She stated that due to a provision put into place in 2003, under title 43 of the tax code, the Gas Exploration and Development tax credit could be used to incentivize companies. The tax credit applied to all areas outside of the North Slope Borough. The bill would allow for a qualified credit against corporate income taxes for up to 25 percent of the corporations expenditures, specifically in Cook Inlet exploration. She stated that the Senate Finance Committee had agreed to allow for the credit to be taken against 75 percent of the tax liability for qualified expenditures. The bill would also allow credits to be applied against exploration efforts in existing known reservoirs. The bill included a sunset extension, which had been moved back from 2017 to 2016 by the Senate Finance Committee. The original statutory frame work for the gas exploration and development tax credit would have expired in 2013. The second part of the bill allowed for three different corporations to drill in the Cook Inlet area at different percentages. Changes had been incorporated in the production tax system with respect to ACES. Producers had recommended the reduction of progressivity from .4 to .2. The department would be allowed to waive interest on the underpayment of taxes due to a retroactive regulation change. The agreed upon rate was roughly 11 percent. The bill would permit small explorers to sell their credits back to the state without making an investment equivalent to the credits within 24 months. The change would have no effect on the treasury, but would help ensure that the benefits of the credits were going to small explorers.

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Senator McGuire stressed that the intent of the legislation was to stimulate activity in Cook Inlet and the areas south of 68 degrees, and to make modifications in the ACES structure. She thought that the current system hindered development. For example, this year marked the first time

in 49 years that Conoco Phillips had not drilled an oil well in the state.

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Mr. Powlowski referred to the sectional analysis:

Section 1 amends AS 43.20.043 (a) by increasing the gas exploration and development tax credit to 25% on qualifies capital expenditures and annual costs from 10% for investments made after December 31, 2009.

Section 1 changed the gas exploration and development tax credit under AS 43.20. The change was for corporate income taxes and not the production tax. Page 2, Line 16 and Line 18 illustrated the change in the taxed percentage.

Co-Chair Hawker requested confirmation that the language of the bill had previously vetted in committee in HB 229.

Mr. Powlowski continued to Section 2:

Section 2 amends AS 43.20.043 (b) to conform to the changes made in section 1.

Section 2 was similarly from HB 229.

Section 3 amends AS 43.20.043 (c) to replace the 50% cap on the application of the gas exploration and development tax credit against the Alaska Net Income Tax with a cap of 75%.

Section 4 amends AS 43.20.043 (e) to ensure that the value of a credit under AS 43.20.043 is passed through to consumers in a rate base submitted to a regulatory agency.

Section 5 amends AS 43.20.043 (g) to clarify that if a taxpayer elects to take a credit under AS 43.20.043 the taxpayer may not also claim a tax credit or royalty modification under other identified sections of Alaska law.

Mr. Powlowski explained that Section 3, Page 3, included similar language from 229, but with the change to the percentage of taxpayer liability. Section 4 was an amendment to HB 229, and was meant to ensure that the

benefits of a credit flow to the consumer. Section 5, Page 4, Lines 8- 16, clarified that if corporations elected to take the 25 percent corporate income tax credit, the taxpayer would forgo the right to take other credits.

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Co-Chair Hawker clarified that the provision had been rewritten for the sake of lucidity. Mr. Powlowski replied in the affirmative.

Mr. Powlowski continued with the sectional analysis:

Section 6 amends AS 43.20.043 (i)(1) to allow a taxpayer to claim a credit under AS 43.20.043 for development in an existing field and for an expenditure that does not lead to production. Section 6 also clarifies that topping plants, treatment or liquefied natural gas and other manufacturing plants are not qualified expenditures.

Section 7 amends AS 43.20.043 to clarify that a credit under AS 43.20.043 may be taken in the year in which the expenditure is made or cost is accrued, or in the following tax year.

Section 8 amends AS 43.55.020 by adding a new subsection that allows the department to waive interest on the underpayment or overpayment of a tax liability if the underpayment or overpayment was due to a retroactive regulation change.

Section 9 amends AS 43.55.025 (a) to create a special tiered exploration tax credit of 80, 90 or 100 percent of total exploration expenditures.

Section 10 amends AS 43.55.025 by adding a new subsection (m) to clarify that the special credit established in section 10 is for the first three unaffiliated wells drilled into the pre-Tertiary strata in Cook Inlet using a jack-up drill rig. Also caps credits; lesser of 100% credit or \$25 million, lesser of 90% credit or \$22.5 million; lesser of 80% credit or \$20.0 million. Only one credit per person may not include cost to construct or manufacture a jack-up rig and must be for work performed after June 30, 2010. If

exploration results in sustained production of oil or gas, 50 percent of credit received shall be repaid. Taxpayer obtaining credit in this section may not claim credit under AS 43.55.023 or another provision in this section for the same exploration expenditure. Provides definitions for "jack-up rig", "reservoir" and "sustained production".

Mr. Powlowski stated that Page 4, Section 6, included language from HB 229, redefining property as it related to the qualified capital investment. The bill allowed for a credit for fields where there had already been discovery of gas, as the most readily available areas that gas would be found was in established gas fields. Page 5 reflected a change made by the committee in HB 229, removing topping plants, liquefied natural gas, or manufacturing plants from the list of qualifying facilities. Section 7 contained timing language regulating when a taxpayer could elect to take the credits. Section 8 marked the division of work that was done in HB 229 and the governor's initiatives. Page 5, Line 23 through Page 6, Line 20, was related to the under or overpayment of taxes due to retroactive regulation change and the interest rate applied to the payment. Section 9 marked another diversion, and was originally written into SB 290, establishing a new tiered credit system within the exploration incentive credit of 80, 90, or 100 percent, or the lesser amount described in Section 10. Section 10, Page 7, Line 7, established that the first 3 unaffiliated persons that drill an off-shore exploration well for the purpose of discovering oil and gas in Cook Inlet, that penetrates at least 3,000 feet below the Tertiary strata, would receive special credits. If the exploration leads to a discovery, the value of 50 percent of the credit would be repaid to the state.

Mr. Powlowski cited the sectional analysis:

Section 11 amends the uncodified law related to the carry forward of credits accrued under AS 43.20.043 beyond the sunset date of the credit.

Section 12 repeals AS 43.55.028 (e) (2) and (e) (3) which requires a small producer accessing the oil and gas tax credit fund to make additional expenditures within 24 months of claiming the credit.

Section 13 amends the uncodified law of the state of Alaska to add transition language for the changes made in section 8.

Section 14 amends the uncodified law of the state of Alaska to make section 8 retroactive to January 1, 2006.

Section 15 amends the uncodified law of the state of Alaska to conform the retroactive application of regulations under section 8 to other retroactive regulations issued by the department.

Section 16 extends the sunset of the tax credit under AS 43.20.043 to 2016 from 2013.

Section 17 adds an effective date of July 1, 2010 for section 12.

Section 18 adds an immediate effective date for all sections other than section 17.

Mr. Powlowski stated that Section 12 would ensure that the small producers could access the benefit of the credits as they were designed. Section 13 was transition language for the changes made in Section 8. The same followed for Sections 14 and 15. Section 16 was the sunset for the corporate income tax. Section 17 was an effective date for Section 12 of the bill, which was the repealer section, and needed to be different than Section 18, because the repealers needed to be related to the fiscal year.

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Co-Chair Hawker informed the committee that a significant amount of the sectional analysis had been debated in committee under HB 229; except Section 8, which was a new section from the governor. Sections 9 and 10 were new and had not yet been vetted by the committee.

SENATOR THOMAS WAGONER stated that the bill outlined the exploration and drilling incentive in the amount of 100, 90, and 80 percent, for three wells that would be drilled off shore in Cook Inlet. The first well would be 100 percent of exploration expenditures, up to \$25 million. The second well would be 90 percent of exploration expenditures

up to \$22.5 million. The third well would be 80 percent, not to exceed \$20 million. He understood that in the industry, producers would share the cost of mobilization and demobilization of the jack-up rig used by several parties. It was required in the legislation that the wells be dug by three, unaffiliated companies, in an effort to spread the wells throughout the inlet. The Kitchens Unit was 85 thousand square acres. Another unit was the old ARCO Sunfish, which sits beneath the area ConocoPhillips was currently producing gas out of. A clause was included in the legislation stating; if producers make hydrocarbons commercially, 50 percent of the allowed exploration cost would be paid back to the state.

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Co-Chair Hawker asked what was unique about the jack up rig that made the use of it good public policy. Senator Wagoner replied that the jack up rig was mobile. Stationary platforms had limited drilling depth because the rigging on them was not reinforced to allow for deeper drilling. He explained that drillers were required to drill down to the Cretaceous area and ideally into the Jurassic area. He noted the success of the gas and oil production that had occurred in the inlet but stressed that Cook Inlet had been underexplored.

Co-Chair Hawker shared that the Alaska Oil and Gas Conservation Commission was eager to know what was at the depths of the inlet. Senator Wagoner stated that geologists maintained that there was an abundant source of oil in the depths of the inlet. He added that XTO, a subsidiary of ExxonMobil, had been looking at drilling into the Jurassic area of the inlet, but had not had support from its corporate office. The proposed tax credits would be incentive for the corporate office of XTO to lend its support to the endeavor.

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Representative Gara asked if the bill limited the number of jack up rigs in the inlet. Senator Wagoner responded that the state would incentivize the first three wells built by unaffiliated people. He believed that more than one jack up rig would be unlikely. Two years ago, Escopeta Oil received a waiver of the Jones Act for the transportation of the

jack up rig in and out of the inlet. The waiver was still current.

Representative Gara queried the potential cost to the state and remained unclear about the total number of wells that would be incentivized. Senator Wagoner repeated that only three wells would be incentivized.

Senator McGuire interjected that the cap was \$67,500,000 and included just the three wells.

Co-Chair Hawker pointed out to the committee that gross exposure to the state was the \$67,500,000, but provisions written into the bill would ensure the recovery of 50 percent of the expense.

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Co-Chair Hawker stated that sharing the exploration risk should be the role of the state. Subsequently, if the efforts were successful, the state should share in the rewards, in addition to the ordinary royalty and tax structure. He commended the philosophy behind the legislation.

Representative Joule asked about the depths needed to reach the Jurassic area. Senator Wagoner replied 20,000 feet and below. He furthered that in areas of the inlet the basin was shaped like a letter "U", which would allow for side drilling and faster access to the Jurassic area.

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Co-Chair Hawker opened public testimony.

PAT GALVIN, COMMISSIONER, DEPARTMENT OF REVENUE, testified that the provisions in the bill that stem from the administration's tax credit bill were identified in the sectional analysis. One was the elimination of the current requirement of the demonstration of further investment in the state by the taxpayer in order to receive a state purchase of a credit certificate. The change was beneficial to new exploration ventures that were seeking partners, primarily investors. The second provision would waive the interest that would be calculated against an underpayment of taxes due solely to a retroactive application of a regulation.

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Commissioner Galvin stated that the department recognized the value of providing the tax credits. The application of the production tax system was varied because there were different tax systems for the separate areas of Cook Inlet, "Middle Earth" (the area between Cook Inlet and the North Slope), and the North Slope. The provision took the existing credit program in the income tax section that was exclusive to gas exploration activity, and expanded it from 10 percent to 25 percent. The application was expanded to the existing units that had production, but were ripe for exploration. Erecting a jack up rig in Cook Inlet had been a goal of the state for over a decade. The upfront cost of the project had been the barrier, and the state had been in search of a funding source for the mobilization and demobilization costs. There is no single intently with sufficient interest in exploration opportunities in Cook Inlet to economically justify the investment. The bill highlights the credits up front for perspective players, which could pave the way for a jack up rig in the inlet. The state expects multiple years of wells to be drilled from the rig once it was established in the inlet. The \$67,500,000 was the maximum amount to be paid if each well costs \$25 million. Each well is not expected to cost \$25 million, which would limit the states exposure. Most of the taxpayers would be able to write between 45 and 65 percent off of the state tax system.

Co-Chair Hawker needed clarification on the jack-up credit. He asked if the department was comfortable placing sidebars around the expenditures that would qualify for the credit. Commissioner Galvin replied yes. He added that the credit was built around the law and used the existing definition of eligible costs. The department was comfortable that it had defined eligible expenditures and the limits of the stampede credit.

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Representative Fairclough wondered if royalties in-kind from the rigs could be stored for security in the event of a state emergency. She hoped that the issue could be discussed into the future.

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Representative Gara asked if the jack up rig credit was exclusive of other credits. Commissioner Galvin replied yes. Representative Gara asked if the language of the bill specified that the income tax credit was also exclusive. Commissioner Galvin responded in the affirmative.

Representative Gara commented that the state currently charged a very minimal tax, just 2 percent on the gross. He expressed skepticism that it was the tax rate that was hindering production in Cook Inlet. He asserted that the gas in the inlet was difficult to find and that companies would not explore until there was a utility ready to buy new gas. How wondered how the tax rate change was a motivating factor. Commissioner Galvin agreed that lack of drilling in the inlet was not exclusive to the economic return for the driller. He said that within the inlet, the system was inefficient, because the market was capped and limited and the available reserves had been exhausted. The amount of investment necessary to justify the next well was significant. The credits provided would bring down the initial costs in order to justify the investment for the monetary return provided by the market. He said that the production of Cook Inlet gas was not exclusively a revenue source for state government, but an issue of providing energy to the people of the area.

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ANDREE MCLEOD stated that on July 10, 2009, the state awarded new oil and gas explorers \$193 million. She queried where the tax credits were. She stated that she had requested the names of the 15 new oil and gas explorers that had received the \$193 million, and was told the information was not available to the public. She asked the public would be made privy as to where the money from the credits was going.

Commissioner Galvin replied that the request of the names of the companies that received credits, and the amount of the credits awarded, was denied because the taxpayer information was confidential. Her recent modified request for only the names would be considered after the Department of Law had examined the extent of the confidentiality provisions under the tax law.

Co-Chair Hawker stressed that individual taxpayer data was confidential.

Co-Chair Hawker Closed public testimony.

Representative Gara referred to the expansion of the corporate income tax credit to 25 percent. A benefit of the credit was that the well data was kept confidential. He assumed that the Department of Natural Resources (DNR) had resistance to providing state money and receiving no data. The data would be necessary in order to expand Cook Inlet production. Commissioner Galvin replied that DNR was not his department.

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Co-Chair Stoltze MOVED to ADOPT Amendment 1, 26-LS1629\S.1. Bullock, 4/16/10, by request:

Page 7, lines 8-9:

Delete "at least 3,000 feet below the base of the tertiary-aged strata"

Co-Chair Hawker OBJECTED for the purpose of discussion.

Mr. Polowski explained that the "3,000 feet" specificity had been deemed unnecessary.

Co-Chair Hawker WITHDREW his OBJECTION. There being no further OBJECTION, it was so ordered.

Co-Chair Hawker MOVED Amendment 2 by request:

To Pages 8, line 24:

Delete "2024 and insert "2020

Co-Chair Stoltze OBJECTED for the purpose of discussion.

Mr. Polowski explained the sunset for the corporate income tax credit in the original bill was 2020. The amendment would make the commensurate 4 year difference on Page 8, Line 24 to the sunset change on Page 9, Line 15.

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Representative Gara wondered if the corporate income tax credit had a sunset date. Representative McGuire replied the sunset date was 2017, with a carry forward meant to sunset in 2024. Representative Gara asked if the 25 percent credit would revert back to 10 percent in 2017, except for the carry forward. Mr. Polowski believed that the credit disappeared entirely upon the sunset date.

Vice-Chair Thomas withdrew his OBJECTION. There being no further OBJECTION, Amendment 2 was ADOPTED.

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Representative Gara WITHDREW Amendment 4:

Page 4, line 6 following **"chapter"**:

Insert"**i**

(4) shall agree, in writing, to the applicable provisions of AS 43.55.025(f)(2) and shall submit to the Department of Natural Resources all data that would be required to be submitted under AS 43.55.025(f)(2) for a credit under AS 43.55.025"

Co-Chair Hawker addressed the fiscal notes. Both reflected zero fiscal impact. Revenue projections were indeterminate. He wondered if an indeterminate expense fiscal note existed. Commissioner Galvin said that there were no expenditures to be noted on a fiscal note. Co-Chair Hawker thought that an indeterminate fiscal note would be needed because the bill offered a credit that would need to be accepted by another party. Commissioner Galvin stated that the determination of potential credits was a revenue issue. The department had not projected the expenditures of the program into the future, and had decided to deem the expenditures indeterminate for the time being.

Co-Chair Hawker said that the legislature was under no obligation to add money to 2011 budget as a result of passing the legislation.

Co-Chair Stoltze MOVED to REPORT SB 309 (FIN), 26-LS1629\S, as amended, from committee with attached fiscal note and individual recommendations.

Representative Gara OBJECTED for the purpose of discussion. He pointed out to the committee the provision on Page 4, which originally was a new well credit designed for new production in new wells. Not only was the credit being expanded to 25 percent, but it was being expanded to be used in fields and existing wells. He expressed concern with the change in policy.

Representative Gara WITHDREW his OBJECTION.

There being no further OBJECTION, HCS CSSB 309(FIN), as amended, was MOVED out of Committee with individual recommendations and the accompanying fiscal notes.

HCS CSSB 309(FIN) was REPORTED out of Committee with "no recommendation" and attached new indeterminate note by the Department of Revenue and previously published fiscal note: FN2 (DNR).

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RECESSED
RECONVENED

Co-Chair Stoltze noted that the amendment

#sb312

CS FOR SENATE BILL NO. 312(FIN)

"An Act relating to the deposit of the proceeds of the tax on gambling operations aboard certain commercial passenger vessels into the general fund; providing for a reduction in the excise tax to \$34.50 for a passenger for each voyage on a commercial passenger vessel; describing the passengers that are subject to the excise tax and liable for the payment of the tax; providing for a reduction in the state excise tax imposed on a passenger traveling on a commercial passenger vessel by the amount of tax on a passenger traveling on a commercial passenger vessel imposed by a municipality under a law enacted before December 17, 2007; authorizing appropriations from the commercial vessel passenger tax account to the first seven ports of call in the state and for costs associated with commercial passenger vessels and the passengers on board; limiting the use of funds appropriated from the commercial passenger vessel tax account to expenditures related to port facilities, harbor

infrastructure, other services provided to the commercial passenger vessels and the passengers on board those vessels and certain other purposes; repealing the regional cruise ship impact fund; relating to the administration of the excise tax by the Department of Revenue and regulations required to be adopted; requiring a report from the Department of Commerce, Community, and Economic Development relating to safely and efficiently hosting passengers; defining 'voyage' for purposes of the excise tax; relating to municipal levies on a passenger on a commercial passenger vessel; and providing for an effective date."

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Co-Chair Stoltze announced the beginning of the committee's amendment process to the legislation.

Vice-Chair Thomas MOVED to ADOPT Conceptual Amendment 1, work draft 26-LS1633\W:

"An Act relating to the deposit of the proceeds of the tax on gambling operations aboard certain commercial passenger vessels into a special fund within the commercial vessel passenger tax account in the general fund; providing for a reduction in the excise tax to \$40 for a passenger for each voyage on a commercial passenger vessel; describing the passengers that are subject to the excise tax and liable for the payment of the tax; providing for a reduction in the state excise tax imposed on a passenger traveling on a commercial passenger vessel by the amount of tax on a passenger traveling on a commercial passenger vessel imposed by certain municipalities under laws enacted before December 17, 2006; authorizing appropriations from the

commercial vessel passenger tax account to the first seven ports of call in the state to certain other municipalities and for costs associated with commercial passenger vessels and the passengers on board; limiting the use of funds appropriated from the commercial passenger vessel tax account to expenditures related to port facilities, harbor infrastructure, other services provided to the commercial passenger vessels and the passengers on board those vessels and certain other purposes; repealing the regional cruise ship impact fund; relating to the administration of the excise tax by the Department of Revenue and regulations required to be adopted; requiring a report from the Department of Commerce, Community, and Economic Development relating to safely and efficiently hosting passengers; defining 'voyage' for purposes of the excise tax; relating to municipal levies on a passenger on a commercial passenger vessel; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. AS 43.35.220 is amended to read:

Sec. 43.35.220. Disposition of receipts. The proceeds from the tax on gambling operations aboard commercial passenger vessels in the state's marine water shall be deposited in the commercial vessel passenger gambling fund within the commercial vessel passenger tax account (AS 43.52.230(a)) [A SPECIAL "COMMERCIAL VESSEL PASSENGER TAX ACCOUNT" IN THE GENERAL FUND].

* Sec. 2. AS 43.52.200 is amended to read:

Sec. 43.52.200. Levy of excise tax on overnight accommodations on commercial passenger vessels. There is imposed an excise tax on passengers traveling [TRAVEL] on commercial passenger vessels providing overnight accommodations that anchor or moor on [IN] the state's marine water with the intent to allow passengers to embark or disembark.

* **Sec. 3.** AS 43.52.210 is amended to read:

Sec. 43.52.210. Rate of tax. The tax imposed by AS 43.52.200 - 43.52.295 is levied at a rate of \$40 for [\$46] a passenger for each [PER] voyage.

* **Sec. 4.** AS 43.52.220 is amended to read:

Sec. 43.52.220. Liability for payment of tax. A passenger subject to[TRAVELING ON A COMMERCIAL PASSENGER VESSEL PROVIDING OVERNIGHT ACCOMMODATIONS IN STATE MARINE WATER IS LIABLE FOR] the excise tax imposed by AS 43.52.200 - 43.52.295 is liable for the payment of the tax. The tax shall be collected from the passenger [AND IS DUE AND PAYABLE TO THE DEPARTMENT

(1)] by the person who provides travel aboard a commercial vessel and shall be paid to the department [FOR WHICH THE TAX IS PAYABLE; AND

(2)] in the manner and at the times required by the department by regulation.

* **Sec. 5.** AS 43.52.230(a) is amended to read:

(a) The proceeds from the tax imposed under AS 43.52.200 - 43.52.295 [ON TRAVEL ON COMMERCIAL PASSENGER VESSELS PROVIDING OVERNIGHT ACCOMMODATIONS IN THE STATE'S MARINE WATER] shall be deposited in a special "commercial vessel passenger tax account" in the general fund. The legislature may appropriate money from this account for the purposes described in (b) and (d) [(c)] of this section and in AS 43.52.250 [, FOR STATE-OWNED PORT AND HARBOR FACILITIES, OTHER

SERVICES TO PROPERLY PROVIDE FOR VESSEL OR WATERCRAFT VISITS, TO ENHANCE THE SAFETY AND EFFICIENCY OF INTERSTATE AND FOREIGN COMMERCE, AND SUCH OTHER LAWFUL PURPOSES AS DETERMINED BY THE LEGISLATURE].

* **Sec. 6.** AS 43.52.230(b) is amended to read:

(b) For each voyage of a commercial passenger vessel [PROVIDING OVERNIGHT ACCOMMODATIONS], the commissioner shall identify the first seven [FIVE] ports of call in the state and the number of passengers subject to the tax imposed under AS 43.52.200 - 43.52.295 on board [THE VESSEL] at each port of call. Subject to annual appropriation by the legislature, the commissioner shall distribute to each port of call \$8 for each [\$5 PER] passenger subject to the tax imposed [OF THE TAX REVENUE COLLECTED FROM THE TAX LEVIED] under AS 43.52.200 - 43.52.295. If the port of call is a city located within a borough [NOT OTHERWISE UNIFIED WITH THE BOROUGH], the commissioner shall [, SUBJECT TO APPROPRIATION BY THE LEGISLATURE,] distribute \$4 for each [\$2.50 PER] passenger to the city and \$4 [\$2.50] to the borough. A city or borough that receives a payment [EACH PORT OF CALL RECEIVING FUNDS] under this subsection [SECTION] shall use the funds for [IN A MANNER CALCULATED TO IMPROVE] port [AND HARBOR] facilities, harbor infrastructure, and other services provided to the commercial passenger vessels and the passengers on board those vessels [TO PROPERLY PROVIDE FOR VESSEL OR WATERCRAFT VISITS AND TO ENHANCE THE SAFETY AND EFFICIENCY OF INTERSTATE AND FOREIGN COMMERCE].

* **Sec. 7.** AS 43.52.230 is amended by adding a new subsection to read:

(d) In addition to making an appropriation for the payments described in (b) of this section, the legislature may appropriate money from the commercial vessel passenger tax account to projects that (1) improve port and harbor infrastructure, (2) provide services to commercial passenger vessels and the passengers onboard those vessels, (3) improve the safety and efficiency of the interstate and foreign commerce activities in which the vessels and the passengers onboard those vessels are engaged, or (4) other lawful purposes.

* **Sec. 8.** AS 43.52.240 is amended to read:

Sec. 43.52.240. Administration. [(a)] The department shall

(1) [ADMINISTER AS 43.52.200 - 43.52.295;
AND

(2)] collect [, SUPERVISE,] and enforce the collection of taxes due under AS 43.52.200 - 43.52.295 and penalties as provided in AS 43.05;

(2) [.

(b) [THE DEPARTMENT MAY] adopt regulations necessary for the administration of AS 43.52.200 - 43.52.295; and

(3) subject to annual appropriation, distribute the payments described in AS 43.52.230(b) and in 43.52.250.

* **Sec. 9.** AS 43.52.250 is repealed and reenacted to read:

Sec. 43.52.250. Local levies. (a) A municipality that imposes and collects a tax, in any form, on a passenger traveling on a commercial passenger vessel under an ordinance enacted by the municipality before December 17, 2006, may not receive a distribution under AS 43.52.230(b).

(b) Subject to appropriation and to (c) of this section, a municipality that imposes and collects a tax of less than \$8 on a passenger traveling on a commercial passenger vessel under an ordinance enacted before December 17, 2006, may receive a distribution from the commissioner equal to the difference between \$8 for each passenger and the amount of the municipal tax imposed and collected for each passenger. If the municipal tax is reduced, the distribution from the commissioner increases accordingly, so that the combination of the state distribution and the municipal tax equals \$8 for each passenger. If the municipal tax is increased to \$8 for each passenger or more, the municipality may not receive a distribution under this subsection.

(c) If the municipality that imposes and collects the tax of less than \$8 on a passenger traveling on a commercial passenger vessel under an ordinance enacted before December 17, 2006, is a city within a borough, the commissioner shall distribute to the borough in which the city is located \$1 and distribute the balance of the amount calculated under (b) of this section to the city.

(d) The state tax imposed on a passenger by AS 43.52.220 - 43.52.295 shall be reduced by the total

amount of each tax on the passenger that was imposed and collected by a municipality under an ordinance adopted before December 17, 2006. The amount of the reduction shall be based on the tax rate levied under each ordinance when it was first adopted, except that, if a municipality subsequently decreases its tax rate, the amount of the reduction shall be based on the decreased tax rate.

* **Sec. 10.** AS 43.52 is amended by adding a new section to read:

Sec. 43.52.260. Periodic report. The Department of Commerce, Community, and Economic Development shall, every three years, prepare and submit to the governor, the legislature, and the public a report that addresses the projected needs of communities to safely and efficiently host passengers that pay taxes under AS 43.52.200 - 43.52.295.

* **Sec. 11.** AS 43.52.295(4) is amended to read:

(4) "voyage" means any trip or itinerary lasting more than 72 hours in the state.

* **Sec. 12.** AS 43.52.230(c) is repealed.

* **Sec. 13.** The uncodified law of the State of Alaska is amended by adding a new section to read:

CONTINGENT EFFECT OF SECS. 1 - 12 OF THIS ACT. (a) Sections 1 - 12 of this Act take effect only if the state and the Alaska Cruise Association reach a settlement in Alaska Cruise Association v. Galvin, Case Number 3:09-cv-00195-RRB (D. Alaska) before October 31, 2010, that disposes of the case with prejudice.

(b) The attorney general shall notify the revisor of statutes if a settlement is reached as described in (a) of this section.

* **Sec. 14.** If, under sec. 13 of this Act, secs. 1 - 12 of this Act take effect, they take effect October 31, 2010.

* **Sec. 15.** Section 13 of this Act takes effect immediately under AS 01.10.070(c).

Co-Chair Stoltze OBJECTED for the purpose of discussion.

Vice-Chair Thomas announced that he was the sole sponsor of the amendment.

PETER ECKLAND, STAFF, REPRESENTATIVE BILL THOMAS, stated that the amendment set the passenger head tax set at \$40 per passenger with a local deduct of \$15; \$7 in Ketchikan and \$8 in Juneau. Ports that had a local tax were not

eligible to also receive state tax dollars. The amendment created a gambling sub fund, and set a flat rate of \$8 per port, per passenger. Under the amendment, if a local tax were to be lowered from \$8 to \$5, the amount deducted would also be lowered by \$3, in order to maintain the \$8 tax across the board. Finally the contingent effect in the bill states that the Attorney General must notify the reviser of statutes by October 31, 2010, that the Alaska Cruise Association case had been dropped, with prejudice, in order for the bill to go into effect.

Vice-Chair Thomas MOVED Conceptual Amendment 1 to Conceptual Amendment 1 for CSSB 312:

Page 1, line 9

After: 17

Delete: 2006

Insert: 2007

Page 2, line 14-17

After: in

Delete all material

Insert: the general fund.

Page 2, line 26

After: of

Delete: \$40

Insert: \$34.50

Page 4, line 31

After: 17

Delete: 2006

Insert: 2007

Page 5, line 4

After: 17

Delete: 2006

Insert: 2007

Page 5, line 14

After: 17

Delete: 2006

Insert: 2007

Page 5, line 19

After: 17

Delete: 2006

Insert: 2007

*Legislative Legal will do any and all other conforming and technical amendments.

KACI SCHROEDER-HOTCH, STAFF, REPRESENTATIVE BILL THOMAS, discussed the changes made by the amendment.

Representative Doogan OBJECTED for the purpose of discussion.

Representative Doogan asked about the effect of changing the 2006 to 2007 throughout the bill. Ms. Schreoder-Hotch stated 2007 was the most recent date that the tax was in place for Juneau and Ketchikan.

Representative Doogan WITHDREW his OBJECTION.

There being no further OBJECTION, Conceptual Amendment 1 was ADOPTED.

Co-Chair Hawker noted for the record that a conforming title amendment would be needed due to the passage of the conceptual amendment to the conceptual amendment.

Representative Gara clarified that the head tax was being reduced from \$46.50 to 34.50, and that each of the first 4 parts of call would receive \$8, or the difference between the local tax and \$8. Mr. Eckland responded that the state tax would be set at \$34.50; with a deduct of \$7 when the vessel stopped in Ketchikan, and \$8 dollars when the vessel stopped in Juneau. Representative Gara understood that in the case of Juneau and Ketchikan, the state would collect \$19.50, but for the next 5 ports the state would remit \$8 per passenger. Overall, all ports would receive a total of \$8 per passenger.

[12:54:39 AM](#)

Representative Gara reiterated that he did not support the reduction of the head tax.

There being no further OBJECTION, Conceptual Amendment 1, to Conceptual Amendment 1, was ADOPTED.

[12:56:47 AM](#)

Representative Austerman offered Conceptual Amendment 2, to Conceptual Amendment 1, as amended:

Page 2, lines 11 through 17:

Delete all material

Renumber the following sections accordingly

Make conforming title amendment as necessary

Co-Chair Stoltze OBJECTED for the purpose of discussion.

Representative Austerman explained that under the current law, the funds from gambling money went into the cruise passenger fund, he felt that the fund should continue to do so in order to support development around the state. He noted that the funds should be used particularly for the development of ports.

Representative Fairclough asked if the current amount of the cruise passenger fund was available. Mr. Eckland believed it was between \$5 and 6 million per year.

[12:59:57 AM](#)

Representative Doogan thought that the affect of Conceptual Amendment 1, to Conceptual Amendment 1, changed the language to state that the funds would go to the general fund, and that Conceptual Amendment 2, would put the funds into the commercial passenger vessel tax fund.

Representative Foster queried the need for a change in which fund the money was distributed into.

[1:01:11 AM](#)

Mr. Eckland stated that the gambling funds were general fund revenues and could be used for any lawful purpose determined by the legislature. He believed the intent of the amendment was to leave the current law in place.

Representative Austerman stated that the current law dictated that the proceeds from the tax on the gambling operations aboard commercial passenger vessels in the state marine waters should be deposited in a special commercial vessel passenger account in the general fund.

Representative Foster understood that the funds could not be dedicated and that the law was a reminder that the funds were to be used for infrastructure related to cruise ships.

Co-Chair Stoltze WITHDREW his OBJECTION.

There being no further OBJECTION, Conceptual Amendment 2 was ADOPTED.

[1:03:54 AM](#)

Vice-Chair Thomas stated that the impact of tourism was equal for all communities and that parity should be the end result for all ports throughout the state. He pointed out to the committee that the effective date would not allow for the funds to fulfill the capital budget needs for this year. He urged the reexamination of the legislation in 2015 in order to distinguish its success. He said that the regional impact fund was important for developing ports, but that the fund was now empty.

[1:07:07 AM](#)

Co-Chair Hawker wanted to pass the legislation out with a forthcoming fiscal note. He sensed that the loss of revenue would be neutral. He declared that with the return of the \$34.50 tax, the revenue reduction illustrated on the first fiscal note to accompany the original bill should be honored. Mr. Eckland argued that more money would be distributed, which changed the original fiscal note.

CHRIS POAG, ASSISTANT ATTORNEY GENERAL, COMMERCIAL/FAIR BUSINESS SECTION, DEPARTMENT OF LAW, stated that the fiscal note would remain the same with the total of \$22 million.

[1:08:39 AM](#)
[1:23:05 AM](#)

AT EASE
RECONVENED

Representative Austerman MOVED to RESCIND the action on Conceptual Amendment 2. There being no OBJECTION it was so ordered.

Representative Austerman MOVED to ADOPT Conceptual Amendment 3:

Page 2, line 14 following "in"

Delete all material

Insert "the large passenger vessel gaming and gambling tax account", which is established as a sub account of the fund established in AS 43.52.230(a)

Co-Chair Stoltze OBJECTED for the purpose of discussion.

Co-Chair Stoltze WITHDREW his OBJECTION.

Representative Doogan pointed out to the committee that the word "the" needed to be added to the amendment to read: "**the** large passenger vessel gaming and gambling tax account", which is established as a sub account of the fund established in AS 43.52.230(a).

Representative Fairclough asked if in the work draft amendment offered by Representative Thomas, page 2, line 14, the word "commercial" should be maintained or should it be changed to "large", which was reflected in the Conceptual Amendment 3 offered by Representative Austerman.

Mr. Poag stated that the gambling tax proceeds specifically used the term "large passenger vessel". In naming the sub account the department used language that was similar to language found in tax statute.

There being no further OBJECTION, Conceptual Amendment 3 was ADOPTED.

[1:27:20 AM](#)

Vice-Chair Thomas MOVED to REPORT CS SB 312(FIN), 26-LS1633\P, as amended, out of committee with individual recommendations and the accompanying fiscal notes.

Co-Chair Hawker OBJECTED for the purpose of discussion.

HCS CSSB 312(FIN) was REPORTED out of Committee with "no recommendation" and attached new fiscal impact note by the Department of Revenue and previously published fiscal note: FN2 (CED).

#sb32

CS FOR SENATE BILL NO. 32(FIN)

"An Act relating to medical assistance payments for home and community-based services and provision of personal care services in a recipient's home; and providing for an effective date."

CSSB 32(FIN) was SCHEDULED but not HEARD.

#sb139

CS FOR SENATE BILL NO. 139(FIN)

"An Act establishing an employment incentive program for certain health care professionals employed in the state; and providing for an effective date."

CSSB 139(FIN) was SCHEDULED but not HEARD.

#sb174

CS FOR SENATE BILL NO. 174(FIN)

"An Act relating to the Alaska scholars program administered by the Board of Regents of the University of Alaska and to scholarship information; repealing provisions related to University of Alaska

scholarships; relating to the AlaskAdvantage Education Grant Program; and relating to professional student exchange program availability; and relating to exemptions from the conditions for loan repayment under the medical education program."

CSSB 174(FIN) was SCHEDULED but not HEARD.

#sb237

CS FOR SENATE BILL NO. 237(FIN)

"An Act establishing a formula and a fund for school construction grant funding for regional educational attendance areas; extending the deadline for authorizing school construction debt reimbursed by the state; and requiring a report from the commissioner of revenue."

CSSB 237(FIN) was SCHEDULED but not HEARD.

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ADJOURNMENT

The meeting was adjourned at 1:29 AM.