

SENATE FINANCE COMMITTEE  
March 30, 2010  
9:17 a.m.

[9:17:14 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:17 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair  
Senator Bert Stedman, Co-Chair  
Senator Charlie Huggins, Vice-Chair  
Senator Johnny Ellis  
Senator Dennis Egan  
Senator Donny Olson  
Senator Joe Thomas

MEMBERS ABSENT

None

ALSO PRESENT

Representative Jay Ramras; Senator Kevin Meyer; Carl Rose, Executive Director, Association of Alaska School Board; Carol Comeau, Superintendent, Anchorage School District; Mary Francis, Executive Director, Alaska Council of School Administrators; Tim Benintendi, Staff, Senator Olson; Randy Bates, Director, Division of Coastal and Ocean Management, Department of Natural Resources; Marilyn Crockett, Executive Director, Alaska Oil and Gas Association; Pete Slaiby, Vice President, Shell Alaska; Wayne Stevens, President, Alaska State Chamber; Paul Laird, General Manager, Alaska Support Industry Alliance; Kathie Wasserman, Executive Director, AML. Mayor Edward Itta, North Slope Borough;

PRESENT VIA TELECONFERENCE

Marlene Campbell, City and Borough of Sitka; Maureen Mr. Campbell Crea, Self, Anchorage; Tom Lohman, North Slope Borough; Steve Borell, Alaska Miners Association.

SUMMARY

HCR 2 IN-STATE GAS PIPELINE

HCR 2 was REPORTED out of Committee with a "do pass" recommendation and with a new zero fiscal note from the Senate Finance Committee.

SB 4 COASTAL MANAGEMENT PROGRAM

SB 4 was HEARD and HELD in Committee for further consideration.

SB 237 SCHOOL CONSTRUCTION DEBT REIMBURSEMENT

SB 237 was HEARD and HELD in Committee for further consideration.

#hcr2

HOUSE CONCURRENT RESOLUTION NO. 2

Requesting the governor to provide energy security for all Alaskans by pursuing development of a natural gas bullet pipeline from the North Slope to the Cook Inlet region; and requesting the governor to identify and negotiate with one or more persons capable of producing natural gas from the Gubik area, and other areas on the North Slope if necessary, in sufficient quantities to support a bullet pipeline project.

Senator Huggins MOVED to ADOPT work draft 26-LS0264\M. Co-Chair Stedman OBJECTED.

REPRESENTATIVE JAY RAMRAS disclosed that this was the second hearing of the resolution by the Senate Finance Committee. He commented on the issue's maturation.

Co-Chair Stedman asked about the changes made in the CS. Representative Ramras explained the changes in the CS. He commented on Line 14 and discussion regarding jeopardizing the supply to consumers relying on production from the Cook Inlet region. He highlighted Page 3, Lines 19-22 which reflects the Senate Resource Co-chairs studying gas to liquids programs. He informed that Fischer-Tropsch projects were large for the Alaskan marketplace. He claimed that the technology is now advanced and appropriate.

[9:21:57 AM](#)

Co-Chair Stedman asserted that Representative Ramras was detailing the CS.

Representative Ramras explained the CS through sectional analysis. He noted that Alaska now has a standalone gas Pipeline project advanced by the plan created by Harry Noah. He discussed Line 14, which mirrors some of the aspirations in HB 369. He commented on Line 17 through Line 20 concerning a precipitous decline in the taps line necessitating alternative revenue sources for the export of lesser priced energy for those Alaskans living along the Yukon River. Line 21 and 22 recognize two imminent open seasons. He highlighted Lines 23 through 26 that recognize a heavily conditioned open season for the pipeline. The open season would provide the most efficient method of delivery for the least expensive gas to Alaskans, which is impossible if the project is so heavily conditioned to be delayed for an indeterminable amount of time. He continued with Line 27 through 29 which reinforces the concern regarding moving forward into the construction phase for a large diameter gas pipeline. He discussed Page 5, Lines 5 through 10 which addressed necessary permits, right of ways, and specifications. He mentioned Lines 11 through 17 and the two facilities discussed including the importance of maintaining the existing export license for the Conoco Phillips Marathon Liquefied Natural Gas (LNG) facility. The export permit is the only one of its kind in the United States and serves as an industrial anchor for the purpose of establishing an instate gas pipeline. He expressed concern for a project without an industrial anchor as it becomes simply a concept and no longer a project.

[9:28:49 AM](#)

Representative Ramras discussed Lines 18 thorough 21, which reinforce the need for the administration and the Department of Natural Resources (DNR) to pursue the renewal of the license issued by the Department of Energy (DOE). He mentioned the instate gas caucus which enjoys a membership of 17 members in the state legislature. He recognized the continued negotiations with the commercial working group. He stressed the need for a robust discussion amongst a commercial working group of buyers and sellers to encourage the governor and the stand alone pipeline team to continue

those discussions. He stressed the importance of a gas to liquids program.

[9:31:34 AM](#)

Co-Chair Stedman removed his objection. Version M was adopted.

Co-Chair Stedman asked for an explanation of HCR 2. Representative Ramras responded that global market place dynamics have changed. Version M is recognition of the fact that the dynamics of shale gas and of equatorial tide water projects have changed in the last year. He thought it better to take advantage of Japanese Crude Cocktail, which is a barrel of energy equivalent price computation. He stressed mindfulness about the necessity of acting quickly to export natural gas. He felt a responsibility for determining means of delivering energy to all communities including the Railbelt. He stated that an economy built on inexpensive and abundant energy is exemplified by Anchorage. He noted the initiatives to move in-state gas forward.

[9:37:12 AM](#)

Senator Ellis asked about the interplay between hydro and natural gas. He commented on the interest in instate natural gas. He asked about the tradeoff between the two options.

Representative Ramras responded that Alaska is referred to as a state in civil war. He noted that one project competes against another. One project, the Susitna, is large. The interior comprises the largest coldest community in the circumpolar globe still tethered to diesel. He noted that the transportation tariff makes electric heat unlikely. He opined that HCR 2 speaks to the commercial working group in addressing the component of demand. He spoke to the likelihood of a transportation tariff if the proposed pipeline is only partially full. He stated that he did not see a contest between large scale hydro and instate gas. He calculated that the contest was the gathering of a commercial working group to match buyers and sellers and create enough demand to allow for a reasonable transportation tariff. The state's future is in hydro power and the benefit of hydrocarbons and gas molecules is the bridge fuel for the next 50 to 100 years.

[9:41:10 AM](#)

Senator Huggins commented that the inside support in the governor's office is helpful. He observed that the process expressed by Representative Ramras was sound. He agreed with the various alternatives. He opined that the psychology of Alaska selling gas was important especially in-state gas. He underlined that the issue was not only about the Railbelt, but the logistical distribution system that allows transport of gas products to remote areas is important. He asked about key elements concerning the package and the timeline to allow the project to move forward. He stressed that the final decision or solution must be economically viable.

[9:43:34 AM](#)

Representative Ramras stressed the importance of the project's sanction date. He believed that the state could see a sanction date in a year or two. He elaborated that Alaskans are interested in the short term plan. He noted that HCR 2 recognizes that if the state does not proceed with the project it must consider the importation of gas into the South Central region. He cautioned that Cook Inlet's gas supply is depleted and expanding communities and businesses will have to employ diesel as a fuel source for the next 10 or 20 years. He advocated for a discussion between buyers and sellers in the commercial working group. He advised that the governor's office, administration, and the Department of Natural Resources engage in the extension of the export license for the Marathon Conoco Liquefied Natural Gas (LNG) facility. He encouraged the members of both legislative bodies to seek alignment.

[9:50:00 AM](#)

Senator Thomas appreciated the resolution as a comprehensive solution. He expressed support for the instate gasline. He guessed that if Alaska were to lose their export license it would be their last leading to dependence on gas importation.

[9:51:18 AM](#)

Co-Chair Stedman asked about Page 2, Line 22 of the CS. He wondered about the date of 2016 for transport of natural gas along the pipeline. He inquired about the optimistic

timeline and wondered if it was a print error. Representative Ramras opined that Alaska would not see a large diameter gas pipeline until after the year 2016. The focus of the resolution is an in-state gas pipeline.

[9:52:30 AM](#)

Co-Chair Stedman mentioned one zero fiscal note from the Senate Finance Committee.

Co-Chair Hoffman MOVED to report SCSCSHCR 2 (FIN) out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

HCR 2 was REPORTED out of Committee with a "do pass" recommendation and with a new zero fiscal note from the Senate Finance Committee.

[9:55:42 AM](#)

#sb237

SENATE BILL NO. 237

"An Act extending the deadline for authorizing school construction debt reimbursed by the state."

[9:55:51 AM](#)

Co-Chair Stedman explained the intent to bring SB 237 back to the committee for the second time and reopen public testimony by invitation only.

SENATOR KEVIN MEYER stated that he had no additional comments and supported the amendment by Co-Chair Hoffman.

Co-Chair Stedman reported that the request for a breakdown by the department of school construction funding for urban and Regional Education Attendance Area (REAA) schools over the last twenty years was provided as requested during the bill's last hearing. He asked Senator Meyer for a brief synopsis of the bill.

Senator Meyer explained the legislation. He elaborated that SB 237 extends the debt reimbursement program. The program is typically renewed for two year periods and is currently nearing sunset. The program is very important to the urban schools.

Co-Chair Stedman mentioned one fiscal note from Department of Education and Early Development (DEED) showing the cost of debt reimbursement beginning in FY13 at \$3,700,000. He observed an additional fiscal note just delivered from DEED reflecting changes in the CS, but he preferred to review it prior to passing it out to committee members.

Co-Chair Hoffman noted that a ruling by the third judicial district stated that the system in the current debt reimbursement system was unconstitutional due to the lack of focus on rural Alaska. He explained that he was searching for a funding mechanism for both urban and rural Alaska.

[9:59:57 AM](#)

CARL ROSE, EXECUTIVE DIRECTOR, ASSOCIATION OF ALASKA SCHOOL BOARDS, testified unanimous support of the legislation by the Association of Alaska School Boards. He recalled the General Obligation (GO) bond that cleaned up the major maintenance list eight years ago which lacked a formula to treat the grant and bonding programs with equity. He noted the large imbalance regarding the needs of both urban and rural Alaska. The bill provides a great beginning in providing a formula for both the grant and bonded debt.

CAROL COMEAU, SUPERINTENDENT, ANCHORAGE SCHOOL DISTRICT, testified in support of the legislation. She believed it fair to have rural Alaska receive funding as she recognized their needs for new construction as well as the backlog of deferred maintenance. She applauded the Senate Finance Committee for bringing this forward.

[10:03:46 AM](#)

Co-Chair Hoffman noted the dialog of a sunset for the legislation. He stated that he was not interested in the sunset.

Ms. Comeau declared strong support for the elimination of any sunset date for both the debt reimbursement and the proposal for the rural funding.

[10:04:37 AM](#)

MARY FRANCIS, EXECUTIVE DIRECTOR, ALASKA COUNCIL OF SCHOOL ADMINISTRATORS testified in support of the legislation. She

noted that the bill allows a process to address the needs of schools for those unable to bond locally. She suggested an audit for school buildings statewide to allow for better understanding of the maintenance and school construction needs.

10:06:10 AM

Co-Chair Hoffman appreciated the testimony on the contentious issue.

SB 237 was HEARD and HELD in Committee for further consideration.

#sb4

SENATE BILL NO. 4

"An Act relating to the Alaska coastal management program; and establishing the Alaska Coastal Policy Board."

10:07:00 AM

Senator Olson delivered the sponsor statement.

In 2003, HB 191 instituted significant changes to the Alaska Coastal Management Program (ACMP). It unduly impacted local participation in development reviews and approvals affecting both state and federal actions in the coastal zone. Prior to 2003, the program was not felt to be significantly problematic. Currently, there are 28 management districts either approved, or under review for approval. For a list of current districts, see the Alaska Coastal Management Program website at (<http://alaskacoast.state.ak.us/district/html/progressfinal.htm>). To identify a community within a particular coastal district, see <http://alaskacoast.state.ak.us/explore/communityindex.pdf> .

The authority for a Consistency Review Process, used to implement the ACMP, is found at 11 AAC 110. This process reviews proposed development activities for conformity with state laws and regulations, federal laws and regulations, and district enforceable policies, such as exist now. Under this bill,



districts would be authorized to generate enforceable policies as they see fit. Two other regulations play prominent roles, 11 AAC 112 deals with statewide standards, and 11 AAC 114 deals with the district plan approval process. The governing statutes are AS 46.39 and AS 46.40.

With the changes from 2003, regulations adopted by the Department of Natural Resources severely limited the ability of coastal districts to establish enforceable, locally-generated policies regarding the eventual effects of development on coastal resources and uses. So dramatic were the changes that the federal Office of Oceans and Coastal Resource Management formally reviewed state actions for compliance, and took two years to determine acceptance.

Since the 2003 changes, Alaska's coastal districts have dealt with controversy and delay by DNR where achieving suitable district management plans are concerned. Formerly, disputes over approval of district plans were resolved by the Coastal Policy Council. This bill would restore that option to a new Coastal Policy Board. Disbanding the Council under HB 191 concentrated all decision-making power within DNR.

CSSB 4 (CRA) would establish the Alaska Coastal Policy Board within the Department of Natural Resources, and restore an authoritative role for local residents, one that was working acceptably prior to 2003. The new board would be much trimmer than the pre-2003 panel of seventeen members. Nine members would compose the new board, including five public members appointed by the governor. One of the five would be at-large from any of the coastal districts, and the others would be appointed from four defined regions: Northwest Alaska, Southwest Alaska, Upper Cook Inlet, and Southeast Alaska. Filling out the board membership would be the commissioners of DEC, F&G, DNR, and CCED. DNR would continue to provide day-to-day management and support.

With the governor appointing five public members and with four commissioners having seats by definition, the contention that substantial influences would shift away from DNR is arguable. Disbanding the Council

under HB 191 concentrated all decision-making power with the Commissioner of the Department of Natural Resources, and has since shown the changes to be excessive and less productive.

CSSB 4 (CRA) would also reinstate authority for locally-generated enforceable policies, streamline project reviews, provide Board approval of agency-generated regulations, provide for district management plan approvals, allow for receiving grants and other monies, and empower the Board with other administrative authorities.

The primary thrust of CSSB 4 (CRA) is to return a measure of authority to local district residents, through their district organizations, by sharing power over the Alaska Coastal Management Program

[10:09:59 AM](#)

TIM BENINTENDI, STAFF, SENATOR OLSON explained that SB 4 amends the Alaska Coastal Management Program (ACMP) by providing a fair and reasonable approach to coastal development, which would encourage participation of local coastal districts, state agencies and project applicants. The legislation would establish the Alaska Coastal Policy Board, remove the Department of Environmental Conservation (DEC) carve-out, and allow coastal districts to establish meaningful and enforceable policies. He continued that SB 4 streamlines the board size from a 17 to a 9 member board. A new board would represent coastal districts and all state resource agencies. The new board would operate on a consensus basis for nearly all decisions. All members would be appointed by the governor and DNR would provide support services to the board. The administration has cautioned against changes that would make the program more cumbersome and costly for project developers. He explained that SB 4 does not restore the ability for citizen law suits or petitions.

Mr. Benintendi continued that local enforceable policies cannot override state or federal regulations or statutes and must be clear and concise. Subsistence usage is identified as a value and is already in coastal regulations.

[10:15:11 AM](#)

Co-Chair Stedman asked about Page 13, Line 9 and the activities within the coastal zone inland. Mr. Benintendi answered that the provision for review of a project in the inland area if deemed to impact the coastal zone would be subject to review by the panel. He explained that a mine up-land even a dozen miles from the coastal area is subject to review under the coastal policy board.

Co-Chair Stedman asked if timber harvests were included. He referred to Page 18 and the US code 1453. Mr. Benintendi offered to present answers at a later date.

Senator Huggins directed attention to a letter in the committee packet referring to off shore permit stipulations. Mr. Benintendi offered to address the issue at a later date. Senator Olson noted that the letter was addressed to him and he understood that all communities are subject to federal law.

[10:18:12 AM](#)

Co-Chair Stedman asked for further discussion on the board. He was interested in necessary qualifications for board appointments and public positions. Senator Olson understood that the board appointees must be residents of one of the 28 coastal districts.

Co-Chair Stedman referred to Page 3, Line 5 and the board's quorum with the board delegating one or more of the members the power to hold hearings. He asked about the term "hold hearings."

[10:20:57 AM](#)

Mr. Benintendi suggested that the reference was to subcommittee hearings.

Co-Chair Stedman noted two fiscal notes, one from DNR for \$165 thousand in general funds to cover the cost of travel and supplies for the coastal policy board as well as contractual funds for DNR and draft regulation and another from DEC for \$118,700 for interagency receipts for one additional person needed to serve as the department's coastal management coordinator.

Senator Huggins referenced Page 3, Line 24. He asked about the adoption of regulations to be approved by the board.

Mr. Benintendi thought that the department would draft regulations and the board would have the option to review them. Senator Olson clarified the board has the same authority as they did prior to 2003.

[10:23:15 AM](#)

MARLENE CAMPBELL, CITY AND BOROUGH OF SITKA (via teleconference), testified in support of SB 4 to effectively enable Alaska's coastal communities to participate in the Alaska Coastal Management Program.

Senator Olson requested an outline of the relationship between Sitka and DNR since 2003. Ms. Campbell recalled an arduous multiyear process with the city attempting to revise their coastal program which was gutted by the proposed changes. She noted that a program was finally approved in April 2007, which resulted in a lack of opportunity to comment on the coastal plan.

[10:28:25 AM](#)

MAUREEN MR. CAMPBELL CREA, SELF, ANCHORAGE (via teleconference) testified in support of the legislation. She commented that SB 4 addresses several significant problems in the current Alaska Coastal Management Program (ACMP). She believed that an effective coastal management program facilitates development while protecting valuable uses and resources of the coastal zone through an open and public process.

[10:32:59 AM](#)

TOM LOHMAN, NORTH SLOPE BOROUGH (via teleconference), testified in support of the legislation. He agreed that areas inland of the coastal zone could be impacted by the legislation. The board issue allows for public members with knowledge of the program. He spoke to the fear of restoring some limited meaningful role for local communities in the program. He opined that all districts had greater abilities to adopt local policies before 2003. He argued that districts could adopt policies that would conflict with state or federal law and Section 14 prevents them from doing so.

[10:37:01 AM](#)

STEVE BORELL, ALASKA MINERS ASSOCIATION (via teleconference) testified in opposition to SB 4. He disagreed with the method of establishment of the ACPM board. He stated that the board's power does not include the numerous checks and balances that are imposed on the DNR and would eliminate the requirement for district plans to meet statewide standards. He claimed that SB 4 would allow the coastal policy board to define the boundaries of coastal districts as far inland as they wished, which would give the coastal districts authority over any activity in the state.

[10:40:00 AM](#)

MAYOR EDWARD ITTA, NORTH SLOPE BOROUGH, testified in support of SB 4. He believed that the legislation strikes a reasonable balance. He asserted that the program is not a permitting program, but instead one of coordination. He stated that the program does not create new obstacles to slow down development projects, but instead establishes a process for resolving conflicts between project applicants, agencies and local districts.

[10:42:44 AM](#)

RANDY BATES, DIRECTOR, DIVISION OF COASTAL AND OCEAN MANAGEMENT, DEPARTMENT OF NATURAL RESOURCES, testified that the department has concerns about the CS for SB 4. The initial concern is the creation of a new oversight body for the coastal policy board and vests the body with the ability to approve enforceable policies that would override agency authority, effectively rendering the legislative establishment of laws relative to resource management and protection moot. The second concern is that the bill is specific to the issues of a group of ACMP participants but is not a bill of balance. He opined that the legislation changes the structure of the ACMP from one of local input to one of local control. The legislation would allow enforceable policies to be more restrictive, stringent, and more prescriptive than existing state and federal laws by allowing modification of standards and authority of resource agencies. He stressed recognition that the ACMP will be subject to a program audit by Legislative Budget and Audit Committee this year as a result of a sunset provision within the statute.

[10:46:00 AM](#)

Co-Chair Hoffman requested that the department submit a reasonable address to the expressed concerns.

MARILYN CROCKETT, EXECUTIVE DIRECTOR, ALASKA OIL AND GAS ASSOCIATION declared strong concerns with the legislation. She opined that the legislation provides conflicting requirements, consistent disagreement between local districts and state agencies about the particular requirements of a coastal management program.

PETE SLAIBY, VICE PRESIDENT, SHELL ALASKA, testified in opposition to the legislation. He valued the needs of the stakeholders in the communities involved. He stated that Shell Alaska made 250 visits into communities to explain their intentions. He stated that the existing legislation at the state and federal levels covers the concerns voiced by stakeholders. He provided an example regarding public comment received by Shell Alaska regarding air permits. The concern with the bill is the series of regulations.

[10:52:28 AM](#)

WAYNE STEVENS, PRESIDENT, ALASKA STATE CHAMBER, testified in opposition to the legislation. He shared that significant questions have been insufficiently addressed in the legislative debate. He opined that SB 4 attempts to solve a problem that may not exist and has not been well defined. Without compelling evidence that the current program does not adequately protect Alaska's coastal resources or allow for substantial public participation, the state chamber questions the wisdom of adding complexity to the permitting process.

[10:54:36 AM](#)

PAUL LAIRD, GENERAL MANAGER, ALASKA SUPPORT INDUSTRY ALLIANCE, testified in opposition to the legislation. He examined that Alaska's oil and gas industry lost 1500 jobs in the last year due to a hostile tax environment and global economic conditions. He opined that SB 4 would further delay investment and destroy jobs and businesses in Alaska's resource industries.

[10:56:18 AM](#)

KATHIE WASSERMAN, EXECUTIVE DIRECTOR, ALASKA MUNICIPAL LEAGUE (AML) testified in support of the legislation. She explained that the support of SB 4 by AML is in an effort

to restore their ability to regain a meaningful seat at the table.

Senator Olson concluded that the bill's impetus was lack of movement or compromise on behalf of the opposition to rectify the situation.

SB 4 was HEARD and HELD in Committee for further consideration.

#  
ADJOURNMENT

The meeting was adjourned at 10:57 AM.