

HOUSE FINANCE COMMITTEE
April 2, 2012
9:36 a.m.

9:36:00 AM

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 9:36 a.m.

MEMBERS PRESENT

Representative Bill Stoltze, Co-Chair
Representative Bill Thomas Jr., Co-Chair
Representative Anna Fairclough, Vice-Chair
Representative Mia Costello
Representative Mike Doogan
Representative Bryce Edgmon
Representative Les Gara
Representative David Guttenberg
Representative Reggie Joule
Representative Mark Neuman
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Wyn Menefee, Operations Manager, Division of Mining, Land and Water, Department of Natural Resources.

SUMMARY

HB 361 DISPOSALS OF STATE RESOURCES

CSHB 361(FIN) was REPORTED out of committee with a "do pass" recommendation and with new indeterminate fiscal note from the Department of Natural Resources and previously published zero fiscal notes: FN1 (DFG), FN2 (DOT).

#hb361

HOUSE BILL NO. 361

"An Act relating to the Alaska Land Act, including certain lease, sale, and other disposal of state land and materials; relating to production royalties from miners; relating to rights to use state water; and providing for an effective date."

[9:36:07 AM](#)

Representative Edgmon MOVED to ADOPT Amendment 4:

Page 17, Line 26 through Page 18, Line 3:

Delete all material.

Re-number following bill sections accordingly.

Co-Chair Stoltze OBJECTED for purpose of discussion.

Representative Edgmon explained the purpose of Amendment 4 was to delete Section 26, on page 17 of the bill. The amendment accomplishes the removal of unintended consequences of transforming temporary water use authorization into a permanent water right or authorization. He offered the amendment while being in support of the bill.

Co-Chair Stoltze WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment 4 was adopted.

[9:39:30 AM](#)

AT EASE

[9:40:08 AM](#)

RECONVENED

Representative Gara MOVED to ADOPT Amendment 5:

Page 7, line 24:

insert after the word "operations": "that generate less than \$10,000 in annual gross income."

Co-Chair Stoltze OBJECTED for purpose of discussion.

Representative Gara referred to page 7 of the bill. He pointed out there was no definition of "small operations" that would be exempted from the production royalty. He

explained the need for some limitation before being exempted from the royalty tax. The amendment offered that small mining operations producing less than \$10,000 in annual gross income be exempted. He wanted to make sure that larger companies were not able to avoid the royalty payment. He did not know if that was the intention of the department.

WYN MENEFEE, OPERATIONS MANAGER, DIVISION OF MINING, LAND AND WATER, DEPARTMENT OF NATURAL RESOURCES stated that the \$10,000 gross income is in the ballpark. He believed the limit was more appropriate in regulation because of the variable prices of minerals. There might be fluctuation in the prices of gold versus silver versus platinum. The administration perspective believed it would be better for the department to address the dollar number in regulation.

Vice-chair Fairclough referred to an earlier Representative Seaton gravel bill [HB 89] and believed there was a different threshold that expanded the reporting requirements because of the auditing burden. She remarked that it was around the \$40,000 mark.

Representative Neuman agreed that the Department of Revenue testified they had removed all taxes because it was too inefficient.

Mr. Menefee interjected that the present bill and the gravel bill [HB 89] do not link together. The royalties in HB 361 are on locatable minerals. The other bill [HB 89] referred to a mining license tax.

Representative Gara commented that gravel extraction is for public purpose therefore, it is important to keep the cost down. Mining is not extraction for a public purpose, but it is for the private operator's profit. He is happy to accomplish the change in regulation, but without any language in the bill there is no control over where the limit is set. He remarked that he would be happy to work on better language before the bill hits the floor. At present there was nothing in the bill stating someone would not pay taxes even if they made a lot more money. He thought it to be an unconstitutional delegation of powers. There must be standards for the agency.

Mr. Menefee indicated the department could try to work on better language. He added that he would rather not see a

dollar amount, but the state would not be obtaining royalty payments anyway as it is a net royalty amount. He agreed there could be some different language crafted, but the challenge would be in finding the correct language since net royalties can also be exempted on larger operations. The intention is to deal with groups extracting and developing a small amount of mineral product. He acknowledged that he would try to work on redrafting the language.

Representative Gara WITHDREW Amendment 5.

[9:46:55 AM](#)

Representative Gara MOVED to ADOPT Amendment 6:

page 18, line 3:
insert after "project": "if the current standards for issuing a temporary water use authorization under this section are met."

Co-Chair Stoltze OBJECTED for purpose of discussion.

Representative Gara explained the amendment had to do with granting water use authorization permits that use a significant amount of water.

Co-Chair Stoltze interrupted that a similar amendment had just been passed.

Representative Gara WITHDREW Amendment 6.

[9:48:07 AM](#)

Vice-chair Fairclough summarized the three fiscal notes. The first from the Department of Natural Resources listed that from FY 13 to FY 18 a zero fiscal note and an indeterminate in the change to revenues. The second fiscal note, the Department of Transportation and Public Facilities, stated that from FY 13 to FY 18, a zero fiscal note and zero changes to revenue. And the third, the Department of Fish and Game, was a zero fiscal note from FY 13 to FY 18.

Representative Doogan revealed that he did not think the legislature should be handing legislative authority to the agencies to make public policy decisions. The Finance

committee makes policy by deciding how much money is given back or taken away from companies and people. He believed there has been a habit of handing out exemptions through legislation or methods such as revealed in the bill. He voiced his concerns, but indicated he would not keep the bill from moving out of committee.

Representative Neuman asked the department about fiscal note 3002. In the language section, on page 2, the Department of Revenue (REV) mentions that the primary benefit would come from the savings costs through staff time saved in less auditing and royalty paperwork. He stressed that considerable legislation passed through the committee referencing cost savings, but efficiencies are never seen. The fiscal note said the savings would go into more pressing mining issues. He wondered if that just moves manpower around and exactly where would the savings be seen and how would it be measured. Mr. Menefee responded that the savings and staff efficiencies would come in several different ways through the bill. He noted that if the current backlog could be finished and new incoming applications were kept current, the department could reallocate staff time. The savings in one area does not automatically mean it can be cut out of budget as the staff will be needed to catch up with the backlog. The other savings would come to the applicant who will need less time waiting for their application to be processed. A third savings is in the cost for the applicant. The applicant may not have to go to public notice for an auction or another appraisal.

[9:53:45 AM](#)

Representative Neuman asked whether there was an exact way to measure the number of people being helped and the staff reduction time. Mr. Menefee responded that he had given some cost savings examples to the committee before. A savings of 130 days off a material sale processing translates into 2600 hours of time savings to the applicants in a year. The staff savings time would be less. The amount of savings will be incremental and challenging so hard to predict accurately. Representative Neuman stated that he wanted to return to the Missions and Measures and the ultimate goal of measuring department efficiency.

Co-Chair Stoltze pointed out the value of the bill when more money was being spent on a \$10,000 lease then it was

worth. He agreed the department's time was important, but also the public's time. The bill creates a more efficient process.

Representative Doogan agreed, but voiced his concern that there was no upper limit in the bill. He would be more comfortable if there was a ceiling. The legislature is giving the power to the department to do whatever they want and that did not make him comfortable.

9:57:39 AM

Representative Costello commented that the legislature would like departments to come and tell them about finding efficiencies that have grown out of the expertise and decades-long hands-on involvement that state workers have with the issues. The process has been a long time in the making. In the bill, the department has indicated they will be reviewing some of the statues and providing efficiencies. She signified that would be a positive exchange with the state, executive, and legislative branches. She hoped more departments would be forthcoming with similar legislation.

Vice-chair Fairclough MOVED to report CSHB 361 (FIN) out of committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CSHB 361(FIN) was REPORTED out of committee with a "do pass" recommendation and with new indeterminate fiscal note from the Department of Natural Resources and previously published zero fiscal notes: FN1 (DFG), FN2 (DOT).

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ADJOURNMENT

The meeting was adjourned at 10:00 AM.