

HOUSE FINANCE COMMITTEE  
April 5, 2012  
10:01 a.m.

10:01:33 AM

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 10:01 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

Representative Bob Lynn

PRESENT VIA TELECONFERENCE

Ed Fogels, Deputy Commissioner, Department of Natural Resources; Greg Conrad, Executive Director, Interstate Mining Compact Commission.

SUMMARY

HB 360 INTERSTATE MINING COMPACT & COMMISSION

HB 360 was REPORTED out of committee with a "do pass" recommendation and new fiscal note

from the Department of Natural Resources by  
the House Finance Committee.

#hb360

HOUSE BILL NO. 360

"An Act enacting the Interstate Mining Compact and relating to the compact; relating to the Interstate Mining Commission; and providing for an effective date."

10:01:41 AM

REPRESENTATIVE BOB LYNN explained the legislation. The bill authorized Alaska to participate as a full voting member in the Interstate Mining Compact Commission. Currently Alaska was an associate member who cannot vote. He remarked that the mining industry has historically been the cornerstone of the Alaska economy and was growing more significant every day. Alaska currently had seven operating mines employing more than 2000 people in high paying jobs. The Interstate Mining Compact Commission (IMCC) was a multi-state governmental organization representing the natural resources and environmental protection interests of its member states. The compact's purposes were to advance the protection and restoration of land, water and other resources affected by mining and act as the industry's collective voice in Washington D.C. He asked for support of the bill in light of its importance for Alaska's future.

ED FOGELS, DEPUTY COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES (via teleconference) pointed out that mining in Alaska had been increasing over the past several years. The seven operating mines were all doing well. He identified increasing controversy over mining in recent years and skepticism of the permitting process. At the governor's request, the Department of Natural Resources (DNR) was exploring ways to strengthen and improve permitting for mining and other sectors and make it more efficient. The department examined how other states permitted and regulated mining and aimed to improve collaboration with the federal government. Membership in the IMCC would assist the state's goal of improved collaboration with the federal regulatory agencies. Alaska had been an associate member of the compact for six years. The commission presently consisted of 24 states and provided a robust information exchange between the member states and fully represented

the states when testifying before Congress on crucial legislation. The compact also met with the key federal agencies that oversee the permitting process in Alaska. He provided an example of the Environmental Protection Agency (EPA) initiative to take over bonding for hard rock mining throughout the nation. All mining states were concerned about the initiative to take over mine bonding and threaten each state's ability to permit and regulate its mines. The commission was bringing its members together to start working with the EPA to educate the agency on the initiative's ramifications and propose alternative solutions. He emphasized the benefit of full membership for Alaska in the compact.

[10:08:05 AM](#)

Representative Guttenberg questioned whether Alaska relinquished any state sovereignty by joining the commission as a full member. Mr. Fogels answered in the negative. He reported that specific language existed in the bill, which ensured Alaska's authority. He explained that the commission was an advisory body that does not dictate to the states what they can and cannot do. The role of the commission was to make the member states, "a joint voice to the U.S. Congress."

Representative Guttenberg asked whether anything prohibited Alaska speaking on its own behalf that might contradict the compact as it dealt with other states. Mr. Fogels replied that nothing existed in the legislation or membership that prohibited the state from speaking on its own behalf.

Representative Neuman wondered if the IMCC carried any authority to improve some of the mining laws facing the state. He mentioned increased attention by the Federal Safety Mining Act. He wondered if the compact could work toward compromises with the federal government to allow the state to take over safety management of smaller mining operations. Mr. Fogels replied that the IMCC can help achieve some of the member's goals. He added that it depended on the specific federal law that dictated the program. He noted a recent IMCC effort to work with state's concerns. As a result, the federal Mine Safety and Health Administration (MSHW) director pledged to work more closely with states to resolve issues. He did not know how the effort would affect the state of Alaska's issues. He

assured the committee of DNR's continued effort on the issue.

[10:12:19 AM](#)

Co-Chair Stoltze OPENED public testimony.

GREG CONRAD, EXECUTIVE DIRECTOR, INTERSTATE MINING COMPACT COMMISSION (via teleconference) testified in support of the legislation. He related that Alaska was an associate member since 2006 and had the opportunity to learn about the benefits and services that IMCC provided to its member states. The legislation was introduced to bring the state into full membership. He felt it was important that the states regulatory concerns were heard in Washington D.C. He shared that the IMCC was recognized for "its experience and expertise on mining issues." Over the past year, the IMCC testified to Congress on behalf of the member states six times on various mining subjects. The IMCC was frequently asked to provide recommendations on a number of mining issues on Capitol Hill and before federal regulatory agencies. The commission's member states commitment and input on common concerns allow the IMCC to "speak with one voice."

Mr. Conrad talked about why Alaska should become a full member of the commission. He emphasized that "the act of participation and commitment of the full member states carry the organization forward in support and leadership." Alaska will have a formal vote as a full member and carry influence "in guiding the direction of the compact." The state will have leadership opportunities and a greater chance to wield influence within the organization. Alaska, as a full member will be better understood by Congress and other federal interests the IMCC worked with. He believed that Alaska's participation in the IMCC offered the state a unique and special voice in mining.

[10:17:09 AM](#)

Co-Chair Stoltze asked Mr. Fogels what he saw as the role of the Alaska Mental Health Trust in the IMCC as one of the new mining partners in the compact. Mr. Fogels replied that the biggest benefit for the Mental Health Trust membership was to make sure that the permitting process was as efficient as possible. The trust will have a stronger relationship with federal agencies through the IMCC. He

remarked that the trust was looking at potential coal development and other major mining activities.

Co-Chair Stoltze CLOSED public testimony.

Vice-chair Fairclough discussed the fiscal note FN 1 (DNR). She reported that the fiscal note appropriated \$60 thousand for membership and travel expenses.

Vice-chair Fairclough commented that the governor participated as a designee for the associate membership. She wondered how the state became an associate member and whether the membership included travel in the governor's budget. Mr. Fogels responded that the current dues portion of the membership was covered through existing funds in the Division of Mining, Land and Water in the amount of \$7,500 per year. The travel expenses were also paid for out of "existing budgets" and the state only attended a portion of the meetings. Full membership entailed greater participation in IMCC meetings.

[10:21:39 AM](#)

Vice-chair Fairclough asked for clarification of how one aspect of membership dues were calculated. She described the dues as an equal portion (divided among member states) of 50% of the IMCC budget. Mr. Conrad affirmed that was one component of the budget.

Vice-chair Fairclough requested clarification on the dues related to the other 50 percent. She noted an IMCC reference to a formula that calculated the state's total resource value for extraction. She wondered how she could determine the current status of Alaska's additional dues compared to other states. She asked whether Alaska would be the major contributor to the compact and whether that would reduce the other states contribution. She asked what was Alaska's contribution compared to the commissions total budget. Mr. Conrad explained how dues were calculated. He cited Article 7 in the legislation that defined the formula used to determine member's dues. The requested appropriation was a combination of two factors: one half of the contribution was pro-rata and the remainder was based on the value of mineral production. He indicated that Alaska's dues from coal and non-coal production was approximately \$35,000. Several member states pay more. He offered to provide a dues assessment chart that presented

the fee distribution among the member states. He relayed that the operating expenses for the IMCC were approximately \$550 thousand. The compact employed two full time staff and a part time book keeper. Administrative expenses were approximately 20 percent of the budget.

Vice-chair Fairclough requested clarification about how the mineral valuation was obtained. Mr. Conrad responded that the IMCC calculated the value of non-coal mineral production from the most recent Mineral's Yearbook published by the United States Geological Survey. The value of coal was determined using the figures provided by the federal Energy Information Administration, part of the United States Department of Energy.

Vice-chair Fairclough extrapolated that the two numbers were tied together to form a base and a percentage was determined from that. Mr. Conrad replied that the percentage was calculated based upon the value of the mineral production compared to the rest of the member states.

[10:28:02 AM](#)

Representative Guttenberg referenced the backup document "Interstate Mining Compact Commission" (copy on file), Page 3, first paragraph:

The Governors of the party states are to be the commissioners. This means one commissioner from each party state. However, it was considered essential to provide mechanisms for the representation of the state by a Governor's alternate, when the Governor himself could not carry out his responsibilities in compact work in person. To accomplish this purpose, the article requires that there be in each party state an advisory body to counsel the Governor in matters relating to the compact. ...

In order to assure the connection between the Governor's work on the Interstate Mining Commission and this advisory body, the article also requires that the Governor's alternate be a member of the advisory board.

Representative Guttenberg inquired whether Alaska's associate membership currently required a governor's alternate and if that was built in to the existing budget.

Mr. Fogels answered that an advisory board does not currently exist. He communicated that the governor appointed a designee and he was currently the designee. He contended that an advisory board was discretionary by the use of the word "may" in HB 360. The governor had two advisory bodies related to mining: the Alaska Minerals Commission and Natural Resources Conservation and Development Board. The governor remained undecided about creating another advisory board for IMCC membership.

Representative Guttenberg pointed out that the document specified that the IMCC articles required an advisory board. Mr. Fogels confirmed that was correct but the language in the legislation modified the provision which allowed Alaska's discretion in choosing to appoint an advisory board.

[10:30:41 AM](#)

Co-Chair Stoltze asked whether the administration supported the bill. Mr. Fogels responded that the administration supported the legislation.

Vice-chair Fairclough remembered that when the state entered a compact the state then cannot make modifications to the compact. She wondered whether Alaska's modification was actually permissible. Mr. Fogels responded that the Department of Law (DOL) and the IMCC worked specifically on creating the modification.

Co-Chair Stoltze requested a yes or no answer.

Vice-chair Fairclough questioned whether an individual state's modification to the compact was prohibited or whether the IMCC "advised" against modification by a state entering the compact. Mr. Conrad replied that the IMCC "advised" that the compact language "not be amended significantly by the states."

Co-Chair Stoltze asked for further clarification. Mr. Conrad stated that the importance of compacts was the uniformity of the membership in the legislative language. However, the IMCC regularly agreed to make adjustments for new member states that were deemed appropriate by the commission.

Vice-chair Fairclough MOVED to AMEND the Department of Natural Resources fiscal note to eliminate \$20,000 appropriated for the travel budget. She felt that sufficient funds existed in DNR's budget for IMCC related travel.

Co-Chair Stoltze concurred with amending the fiscal note. There being NO OBJECTION it was so ordered.

[10:34:31 AM](#)

Representative Doogan asked if the motion eliminated the travel budget for FY 2013. Co-Chair Stoltze indicated that was correct and specified that the elimination was intended for all future years.

Vice-chair Fairclough indicated that the remaining \$40 thousand appropriation was intended to meet the state's obligation for membership dues.

Vice-chair Fairclough MOVED to report HB 360 out of committee with individual recommendations and the accompanying fiscal note(s.)

HB 360 was REPORTED out of committee with a "do pass" recommendation and new fiscal note from the Department of Natural Resources by the House Finance Committee.

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ADJOURNMENT

[10:36:51 AM](#)

The meeting was adjourned at 10:36 AM