

SENATE FINANCE COMMITTEE
April 14, 2012
9:26 a.m.

[9:26:37 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:26 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

None

ALSO PRESENT

Darwin Peterson, Staff, Senator Bert Stedman; Jane Pierson, Staff, Representative Steve Thomson; Gerald Kepes, Partner, Head of Upstream and Gas, PFC Energy; Christine Hess, Staff, Representative Reggie Joule; Representative Max Gruenberg; Dan Jager, Fire Marshall, Capital City Fire/Rescue; Representative Tammy Wilson; Bonne Woldstad, Self; Representative Mike Hawker; Erin Shine, Staff, Representative Craig Johnson; Lynette Berg, Staff, Representative Steve Thomson; Representative Paul Seaton; Tim Clark, Staff, Representative Bryce Edgmon.

PRESENT VIA TELECONFERENCE

Elizabeth Hensley, NANA Regional Corporation, Juneau; Harley Hightower, Chair, Alaska State Board of Registration for Architects, Engineers, and Land Surveyors, Anchorage; Boyd Brownfield, Self, Anchorage.

SUMMARY

CSHCR 23(FIN)

ALASKA ARCTIC POLICY COMMISSION

SCS CSHCR 23(FIN) was REPORTED out of committee with a "do pass" recommendation and with a new fiscal impact note from the Legislature.

HB 56

INCLUDE ARSON IN CRIMES OF CONSPIRACY

HB 56 was HEARD and HELD in committee for further consideration.

CSHB 146(RES)

LAND TRANSFER FROM STATE AND ALASKA RR

CSHB 146(RES) was HEARD and HELD in committee for further consideration.

CSHB 261(FIN)

COMMERCIAL FISHING ENTRY PERMIT LOANS

CSHB 261(FIN) was REPORTED out of committee with a "do pass" recommendation and with a previously published zero fiscal note: FN1(DFG) and a previously published zero fiscal note: FN3(CED).

CSHB 276(FIN)

OIL/GAS PROD. TAX CREDITS/RATES/VALUE

SCS CSHB 276(FIN) was REPORTED out of committee with a "do pass" recommendation and with a previously published indeterminate fiscal note: FN3(REV) and a previously published fiscal impact note: FN4(DNR).

CSHB 279(FIN)

EXTENDING CERTAIN BOARDS & COMMISSIONS

CSHB 279(FIN) was HEARD and HELD in committee for further consideration.

HB 304

ALASKA FIRE STANDARDS COUNCIL

HB 304 was HEARD and HELD in committee for further consideration.

HB 337 BD OF ARCHITECTS, ENGINEERS, SURVEYORS

HB 337 was HEARD and HELD in committee for further consideration.

CSHB 365(FIN)
AQUATIC INVASIVE SPECIES

CSHB 365(FIN) was HEARD and HELD in committee for further consideration.

#hb276

CS FOR HOUSE BILL NO. 276(FIN)

"An Act providing for a credit against the oil and gas production tax for costs incurred for conducting seismic exploration and drilling certain oil or natural gas exploration wells in certain basins; relating to the determination of the production tax value of oil and gas production; and relating to a special tax rate for new oil or gas production south of 68 degrees North latitude."

[9:28:12 AM](#)

Co-Chair Hoffman MOVED to ADOPT the proposed committee substitute for HB 276, Work Draft 27-LS1193\W (Nauman, 4/13/12) as a working document.

[9:28:28 AM](#)

Co-Chair Stedman OBJECTED for the purpose of discussion.

DARWIN PETERSON, STAFF, SENATOR BERT STEDMAN, discussed the changes in the new committee substitute, version W. He shared that the following sectional analysis described how the legislation arrived at a 30 percent allowance on new production from new fields, which were not in existing units.

Section 1: AS 43.55.011(e) is the 25% base tax. In order to calculate the base tax for a new lease or property, you take the production tax value and subtract 30% gross value at the point of production

for new fields and multiply by 25% to get the base tax.

Section 2: AS 43.55.011(g) is the progressivity calculation. You calculate the production tax value as you normally would and use that to come up with the progressivity percentage. Then you take the production tax value and subtract the incentive allowance which is 30% of the gross value at the point of production for new fields. That gives you your adjusted production tax value you will pay.

Section 4: AS 43.55.020(a) is the calculation of a producer's installment payments. It just says that once you figure out what the tax will be, you pay 1/12 of that amount monthly.

Section 8: AS 43.55.160(a) is the calculation of production tax value. It simply says you have to adjust the production tax value based on the new allowance in AS 43.55.162.

Section 10: This section sets up the new 30% allowance for the first 10 years of sustained production or the first ten years after January 1, 2013, whichever is later. In order to qualify, a development must be in a new lease or property that is north of 68 degrees north latitude and was not part of a unit or did not have commercial production prior to January 1, 2008.

[9:31:13 AM](#)

Co-Chair Stedman WITHDREW his OBJECTION. There being NO FURTHER OBJECTION, Work Draft 27-LS1193\W was ADOPTED.

Co-Chair Stedman discussed a fiscal impact note from the Department of Natural Resources in the amount of \$211,400 in general funds for two new full-time positions and an indeterminate fiscal note from the Department of Revenue (DOR). He added that an updated fiscal note was forthcoming from DOR.

JANE PIERSON, STAFF, REPRESENTATIVE STEVE THOMSON, provided some background for the bill.

BACKGROUND:

This bill was originally conceived to provide tax credits meaningful enough to attract exploration in the Nenana Basin. Fairbanks is suffering from staggering energy costs.

1. \$660 million last year for space heating
2. Average KWH is 23 cents
3. Heating oil is over \$4.00 per gallon and
4. And Natural Gas is at \$23 Mcf and only available to 1100 customers due to shortages of supplies.

Because of the high costs of energy, many people are burning wood or coal which is not helping Fairbanks meet PM 2.5, EPA standards.

Some residents have had to choose between paying for necessities or keeping warm, especially during this long, cold winter.

The lack of adequate gas supplies has also created a stumbling block for economic development, businesses are struggling and development has been curtailed.

Yet, just 50 miles north of Fairbanks lays the Nenana Basin:

1. Where there is an exciting potential for gas and possibly oil
2. Situated adjacent to roads, the rail road and
3. Power transmission systems

After working with the House Resources committee, DNR, DOR, DOL, and other communities interested in this concept the bill was developed. The bill was expanded to include drilling in other unexplored/underexplored basins or areas, and expanded to additionally include seismic exploration.

Yet the original concept of the bill was preserved, which is to serve Alaskans, not only

by providing incentives that could lead to commercialization of hydrocarbons for export, but also to promote exploration for oil and gas resources in frontier basins where there is a possibility for local regional use.

Ever present in these discussions was how to balance the elements of this bill as a public policy:

1. The State's Priority to inspire exploration and development
2. The level of Risk that is reasonable for the state to carry
3. The total financial contribution the state is willing to make
4. And the potential for a return on the state's investment

THE SPECIFICS OF THE BILL:

P.7, [Section 6 AS 43.55.025(p)] In the bill before you includes six geologic areas for exploration. (See map provided). All these areas were identified by DNR as having potential for discovery of hydrocarbons and all with some proximity to existing communities struggling with high energy costs.

1. Kotzebue and Selawick Basins
2. Nenana and Yukon Flats
3. Emmonak
4. Glannallen and Cooper River area
5. Egegik - Northern Alaska Peninsula
6. Port Moller - Southern Alaska Peninsula

(DNR can address questions on how we got to these 6 areas and Representatives from Nana and Doyon can address the importance of the Nenana and Kotzebue areas)

P. 4, [Section 4] With addition of these other 5 areas, the potential cost and risk to the state rose. To address this HB 276 limits the number of exploration wells and seismic exploration eligible for credits and limits the credits.

1. Exploration well credits - limits the number of wells to 4 wells in one of the areas identified on the map with no more than 2 wells in any one area. The tax credit for drilling is for 80% of the total exploration expenditures for work performed or \$25 million, whichever is less. (This is 15% more than what would currently be available in existing statute, unless the total cost is 20% over 25 million - then 65% is better). The total credit exposure is \$90 million or \$30 mm more than what is currently available.. However, only 15% above credits that are currently, available.
2. Seismic credits were created in this bill to attract new geophysical analysis. The seismic credits are for 4 total projects, with no more than one in any of the areas identified on the map. The credit amount is 75% of the total exploration expenditures, or \$7.5 million, whichever is less. (i.e. 10% more than what is available in existing statute, unless the total is 35% over 7.5 million). The total maximum credit that would be available is \$30 million. However, this is 10% more than what might be currently available. Seismic projects are subject to the same pre-qualification criteria as drilling.

These credits apply to work performed after June 1, 2012 and like other production tax credits in AS 43.55.025, expires in 2016. The credit is also not stackable with other credits provided under AS 43.55.025 or AS 43.55.023. It is the intent of this

bill that the quick window for these credits will create a frontier basin stampede.

[Section 6] To ensure the state's investment is warranted, and exploration projects are sound, with DNR's input, prequalification criteria were created that must be satisfied before any project commences. DNR has broad discretion to weigh these factors within 60 days or as soon as practicable before approving or denying exploration well or seismic exploration credits under this bill. These pre-qualification criteria can be found for drilling on page 7, line 21 through page 8, line 2 and for seismic on page 8, lines 24 through page 9 line 2.

Also key in discussions on the bill, was how the state gets a return on its investment. More geological data for state use and public release helps to expand our knowledge of the potential resources in these remote areas. It assists present and future explorers, and seismic data could very well attract new investment and development in the state, bringing the potential for increased production, tax revenues and royalties.

Added as qualification for the credits under HB276 is a requirement that all exploration drilling and seismic data collected must be turned over to the state and made available for public release within two years of receiving the credit under this bill.

[Section 2] The final consideration that arose was what if an explorer in one of these remote areas of Alaska is successful?

These remote frontier areas are difficult to reach, face logistical obstacles, and challenges getting hydrocarbons to market. Yet producers in these areas would pay the same production tax as companies on the North Slope that already has infrastructure and access to markets.

Therefore, another component was added:

For those explorers in these frontier basins who reach commercial production, we gave a break on production taxes. New producers in "middle earth",

commencing production after January 1, 2013 and prior to January 1, 2022, are eligible for a rate of 4% on the gross value at the point of production, or taxes under 43.55.011(e), whichever is less, for seven years following the start of commercial production.

After 7 years, the tax rate reverts back to what is in existing statute. This tax rate is crafted only to apply to new production south of 68 degrees latitude and not within the Cook Inlet. This bill gives no breaks on Royalty, corporate income tax, or property taxes. What it does, is give explorers willing to take the risk to explore in these remote areas some predictability for the first seven years of hydrocarbon commercialization. This will assist these companies in obtaining financing for infrastructure and other costs associated with remote areas.

This completes my presentation and I would be happy to answer any of the questions committee members may ask.

[9:40:42 AM](#)

GERALD KEPES, PARTNER, HEAD OF UPSTREAM AND GAS, PFC ENERGY, began a PowerPoint presentation (copy on file). He explained that the presentation examined the changes to HB 276 that impacted exploration and production activities. He related that the legislation proposed a gross revenue allowance that would impact new oil development or new development as stipulated. He concluded that the presentation was intended to show the impact or difference between the proposed gross revenue allowance and the current policy for new oil under ACES.

Mr. Kepes discussed slide 1 titled "ACES (\$25/bbl Capex New Development)." He related that the slide represented a stylized new development with capital expenditures (CAPEX) of approximately \$17 per barrel in a 70 million barrel field; the field would have a peak production of 10,000 barrels per day (bbl/d). He explained that at an oil price of \$100 per barrel, the slide's scenario had a net present value (NPV) of \$112 million and generated an internal rate of return (IRR) of 16 percent.

Mr. Kepes spoke to slide 2 titled "ACES with 30 % Gross Revenue Allowance (\$17/bbl Capex New Development)" and stated that it depicted the result of applying the gross revenue allowance to the same new development as slide 1. He shared that slide 2's NPV had nearly doubled in comparison to the previous slide and that the IRR had also increased to 20 percent. He concluded that the 30 percent gross revenue allowance represented a substantial difference for the low-cost new developments and reiterated that the slide showed the difference between adding the allowance versus the current treatment for new oil.

Mr. Kepes discussed slide 3 titled "ACES (\$25/bbl Capex New Development)." He shared that the slide stepped up the cost scale and had a CAPEX of \$25 per barrel for the stylized new development. He stated that a CAPEX of \$25 per barrel was more reflective of the costs for new developments in Alaska, which were away from existing infrastructure and were higher cost. He reiterated that the slide represented a 70 million barrel field with a peak production level of about 10,000 bbl/d. The slide generated an NPV of approximately \$24 million and an IRR of about 11 percent.

Mr. Kepes addressed slide 4 titled "ACES with 30% Gross Revenue Allowance (\$25/bbl Capex New Development)." He stated that slide 4 added the 30 percent gross revenue allowance to the same development as the previous slide. In comparison to the previous slide, the IRR rose to 14 percent and the NPV also increased by about \$100 million to \$121 million. He related that the slide showed the impact of adding the new gross revenue allowance at higher costs versus the current treatment of oil in the ACES regime.

[9:45:14 AM](#)

Mr. Kepes discussed slide 5 titled "ACES (\$34/bbl Capex New Development)." He shared that the slide's development represented the highest cost range examined and that it had a CAPEX of \$34 per barrel. He opined that under ACES, this sort of investment was unattractive and generated a negative NPV and a fairly low IRR.

Mr. Kepes explained slide 6 titled "ACES with 30% Gross Revenue Allowance (\$34/bbl Capex New Development)" and stated that it applied the gross revenue allowance to the same development as the previous slide. In comparison to previous slide, the NPV on slide 6 had moved into the

positive and the IRR had increased to about 10 percent. He reiterated that the intent of the slides was to demonstrate the specific difference created by applying the 30 percent gross revenue allowance to a range of low-cost, medium-cost, and high-cost new developments of oil that were outside and away from existing infrastructure and production.

Co-Chair Stedman gave a brief explanation of the 30 percent gross revenue allowance and pointed out that the concept had arisen from previous work on enhancing new oil production with gross progressivity calculations. If the committee could not go to a gross calculation and restructure ACES, enhancements for new oil needed to be addressed within the current ACES structure. He explained that the 30 percent gross revenue allowance was designed to replicate the returns of prior legislation that the committee had spent a month or so working on. He offered that if ACES was restructured in the future, the gross revenue allowance would probably also be restructured. He explained that he wanted the public to be informed as to the background and numbers surrounding the concept.

ELIZABETH HENSLEY, NANA REGIONAL CORPORATION, JUNEAU (via teleconference), testified in support of the legislation and expressed appreciation for the aspects of the bill that incentivized exploration in the Kotzebue and Selawick Basins.

[9:48:52 AM](#)

Co-Chair Hoffman MOVED to report SCS CSHB 276(FIN) out of committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

[9:49:12 AM](#)

SCS CSHB 276(FIN) was REPORTED out of committee with a "do pass" recommendation and with a previously published indeterminate fiscal note: FN3(REV) and a previously published fiscal impact note: FN4(DNR).

#hcr23

CS FOR HOUSE CONCURRENT RESOLUTION NO. 23(FIN)

Establishing and relating to the Alaska Arctic Policy Commission.

[9:49:43 AM](#)

Co-Chair Hoffman MOVED to ADOPT the proposed committee substitute for HCR 23, Work Draft 27-LS1212\T (Nauman, 4/13/12) as a working document.

[9:50:02 AM](#)

Co-Chair Stedman OBJECTED for the purpose of discussion.

Mr. Peterson explained the changes in the new committee substitute for HCR 23, version T. He related that on page 2, lines 15 through 17, language had been added; the language "and each has a significant stake in the nature and course of those activities and development" had been added to the end of the sentence on lines 16 through 17. The second change, on page 3, line 3, increased the number of members of the commission from 17 to 20. On page 3, lines 21 and 22, the language "with experience in a coastal management program" was added after the wording "one member from a coastal community." He related that the commission's new members were on subsections K, L, and M. Subsection K added a new member who represented the marine transportations and logistics industry. Subsection L designated a new member to the commission who would represent a Native corporation. Subsection M added one member to the commission who would represent a state-licensed marine pilot. He stated that there were changes to page 4, lines 6 and 7, which dealt with the commission's alternate members. He explained that previously, the commission had four public alternate members, but that the language had been reworded so that there were two alternate members from the public and two alternate members from the legislature. He added that the two members from the legislature would include one Senator and one Representative.

[9:52:03 AM](#)

Co-Chair Stedman WITHDREW his OBJECTION. There being NO FURTHER OBJECTION, Work Draft 27-LS1212\T was ADOPTED.

CHRISTINE HESS, STAFF, REPRESENTATIVE REGGIE JOULE, explained that the legislation was a result of a

recommendation by the Northern Waters Task Force that an arctic policy commission be established. She explained that all arctic nations, including the United States, had an arctic policy, but that the U.S.'s policy was moving forward slowly. She concluded that it was decided that Alaska needed its own arctic policy.

Co-Chair Stedman discussed a fiscal impact note from Legislative Council in the amount of \$272,600 in general funds for the cost of travel and one range 19 position to staff the commission.

[9:53:25 AM](#)

Co-Chair Hoffman MOVED to report SCS CSHCR 23(FIN) out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

[9:53:46 AM](#)

SCS CSHCR 23(FIN) was REPORTED out of committee with a "do pass" recommendation and with a new fiscal impact note from the Legislature.

#hb56

HOUSE BILL NO. 56

"An Act making arson in the first degree and arson in the second degree serious felonies for purposes of application of the crime of conspiracy."

REPRESENTATIVE MAX GRUENBERG, stated that the legislation added 1st and 2nd degree arson to the crime of conspiracy. He explained that a conspiracy was an illegal criminal agreement to commit a crime, and one act in furtherance of the crime. He stated that conspiracy was easier to prove than the completed crime or an attempt, which required "a substantial step towards the completed crime." He related that 1st degree arson was the intentional burning or explosion of property that put a human life in danger, while arson in the 2nd degree was the intentional starting of a fire or an explosion of a building. He explained that arson was a very difficult crime to prove because often the evidence was destroyed and stated that a very small percentage of arsons were proven. He concluded that the legislation was necessary because in a number of cases,

arsons were conspiracies to destroy property for insurance purposes. He furthered that in many cases, the person behind the arson was nowhere near the scene and the evidence was long gone. He shared that conspiracy worked similar to solicitation in that completion was not a prerequisite for prosecution and conviction. He stated that conspiracy was one degree below the actual crime; for example, arson in the 1st degree was a class A felony, so conspiracy to commit the crime would be a class B felony.

Co-Chair Stedman discussed a zero fiscal note from the Department of Law, a zero fiscal note from the Department of Public Safety, and an indeterminate fiscal note from the Department of Corrections.

[9:58:07 AM](#)

DAN JAGER, FIRE MARSHALL, CAPITAL CITY FIRE/RESCUE, spoke in support of the bill. He stated that he was a member of the Alaska Association of Fire and Arson Investigators and the Alaska Fire Chiefs Association and that both groups strongly supported the legislation. He shared his experience as fire investigator in Alaska over the last ten years. He related that arson was a difficult crime to investigate and that it had less than a 2 percent conviction rate across the country. In 2011, there were over 35 fires classified as arson or suspicious in nature in Juneau alone. The property destroyed by the fires included vehicles, structures, open fields, and school parks. He stated that in Juneau, there were three cases in which suspects were identified and were in the legal system. One of the cases in the legal system involved an adult male who set fire to an aerial ladder truck that had two firemen still inside of it. He furthered that in December, two juveniles, ages 7 and 12 lit separate fires in the local Fred Meyer and Wal-Mart stores and that just the day prior, a teenager had confessed to setting fire to an outdoor restroom several times over the past few months. He related that arson was a crime that was often planned and carried out by more than one person. He concluded that HB 56 was an important bill to fire investigators and that currently, arsonists could only be charged with that crime if it was completed or attempted. He explained that the passage of the bill would provide stronger punishment whether or not the conspirators completed the arson and concluded that the legislation could benefit open and

active cases in Juneau, as well as other areas throughout the state.

[10:00:41 AM](#)

HB 56 was HEARD and HELD in committee for further consideration.

#hb146

CS FOR HOUSE BILL NO. 146(RES)

"An Act authorizing the transfer of land from the State of Alaska and the Alaska Railroad Corporation to property owners along the Eielson Spur Line; and providing for an effective date."

REPRESENTATIVE TAMMY WILSON, explained that HB 146 restored a reversionary property right to those affected by the repeal of Section 1209 of the Alaska Railroad Transfer Act (ARTA). In 2003, at the urging of the Alaska Railroad Corporation, Congress repealed a few sections of ARTA in order to address some title issues of concern; however, in the process, the property owners' reversionary right, which allowed ownership of the property to be transferred back once the right of way was no longer in use was also repealed. She pointed out that it was important to keep in mind that the bill only restored a right that was taken away and did not grant anyone special privileges, beyond what was originally in ARTA. She furthered that the bill only applied to the homesteads along the Eielson Spur Line. She pointed out that all of the affected parties, the railroad included, agreed on the bill as written.

Co-Chair Stedman discussed a zero fiscal note from the Department of Commerce, Community and Economic Development and an indeterminate fiscal note from the Department of Labor and Workforce Development.

BONNE WOLDSTAD, SELF, testified in support of the bill and stated that it would return her family's right to reclaim their property if the railroad ever moved.

Co-Chair Stedman observed that Ms. Woldstad had traveled all the way from the Fairbanks area to testify and indicated that further testimony regarding her situation would be welcomed.

Ms. Woldstad explained that her family owned a U.S. patented homestead that pre-existed the railroad. She related that when the railroad was laid to Eielson Air Force Base, it had crossed over the property. She stated that under the March 12, 1914 act, the railroad had the right to cross the property and that her family had never argued or disputed that right; however, in 2003, while attempting to fix track problems in Anchorage that involved land swapping, the railroad had asked Congress to repeal the reversionary clause. She explained that the unintended consequence of repealing the reversionary clause was that her family had lost their mechanism to reclaim ownership of the property if and when the railroad ever moved.

[10:05:03 AM](#)

HB 146 was HEARD and HELD in committee for further consideration.

#hb279

CS FOR HOUSE BILL NO. 279(FIN)

"An Act extending the termination dates of the Board of Nursing, the Board of Dental Examiners, the Board of Barbers and Hairdressers, the Big Game Commercial Services Board, the Alcoholic Beverage Control Board, and the Alaska Seismic Hazards Safety Commission; and providing for an effective date."

[10:05:27 AM](#)

Co-Chair Hoffman MOVED to ADOPT the proposed committee substitute for SB 279, Work Draft 27-LS0944\E (Martin, 4/10/12) as a working document.

[10:05:35 AM](#)

Co-Chair Stedman OBJECTED for the purpose of discussion.

Mr. Peterson explained the changes in the new committee substitute, version E. He stated on page 2, Section 5, language had been inserted that specified that a person who was convicted of a felony involving moral turpitude may not serve on a board or commission of the state, unless the conviction had been overturned on appeal or otherwise set aside. Section 9 of the bill specified that Section 5 only applied to appointments on or after the effective date of

the legislation. He explained that the definition of a felony involving moral turpitude was referenced in Section 5 as the Alaska Statute 15.80.010. He pointed out that the committee members' packets contained the statute and that it listed the specific felonies involving moral turpitude. He offered that crimes involving moral turpitude were crimes that were immoral or wrong by nature, such as murder, manslaughter, assault, sexual assault, sexual abuse of a minor, kidnapping, and the distribution or possession of child pornography. He related that if a person was convicted of a crime involving moral turpitude, they might be ineligible for certain state licenses. He further explained that in Alaska, morticians, hearing aid dealers, pharmacists, real estate appraisers, and even pawn shop employees would be prohibited from obtaining a state license or gaining employment if they had been convicted of such a crime. He concluded that Alaska should not allow someone who was convicted of a felony involving moral turpitude to serve on a state board or commission.

[10:07:54 AM](#)

Co-Chair Stedman WITHDREW his OBJECTION. There being NO FURTHER OBJECTION, Work Draft 27-LS0944\E was ADOPTED.

REPRESENTATIVE MIKE HAWKER, explained that he was currently serving as Chairman of the Legislative Budget and Audit Committee and that HB 279 was the annual board and commission reauthorization legislation. He added that the bill extended the dates of the following state boards and commissions: the Board of Barbers and Hairdressers to June 30, 2019, the Board of Dental Examiners to June 30, 2019, the Big Game Commercial Services Board to June 30, 2016, the Board of Nursing to June 30, 2019, the Alcoholic Beverage Control Board to June 30, 2015, and the Alaska Seismic Hazards Safety Commission June 30, 2014. He shared that all of the legislation's extended boards and commissions had undergone the audits that were required by the Legislative Budget and Audit Committee and had been found meritorious of continuing to exist. He added that he had no opinion on the substance of the changes offered in the new committee substitute, but pointed out that the Alaska Legislature had a long-standing precedent of not including policy calls in reauthorization bills in an attempt to "keep them clean." He recalled that the prior year, "similar language" had resulted in "the bill" being vetoed by the governor. He stated that governor's letter of

veto was provided to Co-Chair Stedman and offered that the letter raised a number of questions. He requested that the committee consider that the new committee substitute should be vetted through the judiciary committees prior to being included in legislation at this stage in the process.

Co-Chair Stedman discussed a fiscal impact note from the Department of Public Safety in the amount \$1,538,200 for the Alcoholic Beverage Control Board, a fiscal impact note from the Department of Natural Resources in the amount of \$10,000 for the Alaska Seismic Hazards Safety Commission, a fiscal impact note from the Department of Commerce, Community and Economic Development in the amount of \$160,200 for the Board of Barbers and Hairdressers, a fiscal impact note from the Department of Commerce, Community and Economic Development in the amount of \$461,600 for the Big Game Commercial Service Board, a fiscal impact note from the Department of Commerce, Community and Economic Development in the amount of \$200,900 for the Board of Dental Examiners, and a fiscal impact note from the Department of Commerce, Community and Economic Development in the amount of \$1,070,800 for the Board of Nursing. He concluded that "all of these" were currently funded in the FY 13 operating budget.

[10:11:04 AM](#)

CSHB 279(FIN) was HEARD and HELD in committee for further consideration.

#hb304

HOUSE BILL NO. 304

"An Act relating to the membership of the Alaska Fire Standards Council."

ERIN SHINE, STAFF, REPRESENTATIVE CRAIG JOHNSON, explained that the legislation made three simple changes to membership of the Alaska Fire Standards Council. She explained that the first change designated an existing seat to a member of the Alaska Professional Firefighters Association, the second change added a seat for a member of the Alaska Fire Chiefs Association, and the third change reclassified the existing seat for a member of the Alaska State Firefighters Association. She stated that the governor would appoint one member from each of the associations to the Alaska Fire Standards Council from a

list of at least three nominees submitted by each association. She related that the intent of HB 304 was to insure that the three mentioned associations would have representation on the Alaska Fire Standards Council.

Co-Chair Stedman discussed a fiscal impact note from the Department of Public Safety in the amount of \$2,200 for increased travel costs.

[10:12:53 AM](#)

HB 304 was HEARD and HELD in committee for further consideration.

#hb337

HOUSE BILL NO. 337

"An Act relating to the Board of Registration for Architects, Engineers, and Land Surveyors and to the Department of Commerce, Community, and Economic Development."

LYNETTE BERG, STAFF, REPRESENTATIVE STEVE THOMSON, introduced HB 337 and stated that it would revise the Alaska Statutes to designate a full-time investigator, rather than part-time, to serve the Alaska State Board of Registration for Architects, Engineers, and Land Surveyors (AELS). She explained that the full-time position would insure that the AELS Board could meet the growing demands of oversight in the industries within its responsibility. She related that currently, the AELS Board shared one part-time investigator with five other boards. The investigator's oversight included a total of around 20,000 licensees; furthermore, out of the 20,000 licensees, 28 percent were AELS registrants, which represented over 5,600 licensees for the AELS Board alone. She stated that a new regulation had recently taken effect, which added ten additional engineering professions to the AELS Board's oversight. She furthered that some of new professions under the AELS Board's regulation included the structural, environmental, nuclear, and industrial engineering branches and that the number of licensees under the AELS Board would increase drastically. She offered that adding the new branches of engineering was necessary for the safety of Alaskans; however, the additional branches would add to an already heavy workload for the part-time investigator. She

furthered that the lack of a full-time investigator for the board could reduce its effectiveness in carrying out charges that were required by the statutes and the regulations. She concluded that an unintended consequence of overloading the investigator might be a failure to fully fulfill state and regulatory charges and stated that HB 337 would help the AELS Board properly oversee licensees, while still remaining in compliance with all state regulations and statutes. She spoke to the fiscal note and pointed out that the AELS Board intended to begin forward funding the full-time investigator position by December of 2013, at which time the next scheduled fee increase would take place. Currently, licensees must pay \$125 for biennial licensure. The fee increase was expected to be a minimal increase of \$20 or less per licensee per year. She concluded that all the testimony on the bill had been in favor of the fee increase.

[10:16:37 AM](#)

Co-Chair Stedman discussed a fiscal impact note from the Department of Commerce, Community and Economic Development in the amount of \$114,900.

Senator McGuire queried what specific boards, other than the AELS Board, the investigator was currently assigned to and pondered if the five remaining boards would each request its own investigator, should the legislation pass. Ms. Berg replied that the other boards represented the construction contractors, home inspectors, electrical administrators, mechanical administrators, and storage tank workers.

Senator McGuire inquired if there had been any testimony as to whether or not the remaining boards would also require their own individual investigator. Ms. Berg replied that she had not heard any testimony to that effect.

HARLEY HIGHTOWER, CHAIR, ALASKA STATE BOARD OF REGISTRATION FOR ARCHITECTS, ENGINEERS, AND LAND SURVEYORS, ANCHORAGE (via teleconference), testified in support of HB 337. He related that he was an architect who had been practicing statewide since 1964 and that he was presently serving as chair of the AELS Board. He related that HB 337 represented a priority issue for AELS and that it would allow the board to more effectively perform its charge of the protection of the health, safety, and welfare of the public. He stated

the current AELS investigator also served five other boards and was forced to pick and choose which cases to pursue. He warned that the investigator's overloaded schedule was not only a health and safety issue, but that it also exposed the state and the board to liability. He furthered that the cost increases created by the legislation would be minimal and would be covered by a slight increase in fees. He offered that AELS's fees were reasonable and fell in the lower range in comparison to the other 54 jurisdictions. He concluded that the professions that were regulated by the AELS Board all supported the legislation.

BOYD BROWNFIELD, SELF, ANCHORAGE (via teleconference), expressed his support of the legislation. He shared that he had been a registered civil engineer in Alaska since August, 1975 and had served on the AELS for 8 years. He stated that during his tenure on AELS Board, he served as the chairman for two years and vice-chair for four years and expressed support of the board having its own full-time investigator. He pointed out that AELS was the third largest professional board out of 20 boards, but that AELS was first in the category of complexity because it had four separate and distinct professions to serve. He related that the engineering profession alone had six separate and distinct branches, each representing its own technical challenges and that the number of branches would soon increase 15. He stated that the AELS investigator was assigned to several different boards and was only serving AELS 17 percent of the time. He shared that the current investigator was performing his duties in a "superb" manner and encouraged the committee to pass the legislation.

Co-Chair Stedman discussed a fiscal impact note from the Department of Commerce, Community and Economic Development in the amount of \$114,900.

[10:23:54 AM](#)

HB 337 was HEARD and HELD in committee for further consideration.

#hb365

CS FOR HOUSE BILL NO. 365(FIN)

"An Act relating to the rapid response to, and control of, aquatic invasive species."

REPRESENTATIVE PAUL SEATON, introduced HB 365 and stated that the legislation addressed an issue of invasive species coming into Alaska. He explained that there were situations where an invasive species would come into an area and instead of a rapid containment and elimination response, studies were conducted. He shared that containment of an invasive species could be done at the point of introduction, but that after a species was established throughout a range, it became extremely difficult and expensive to remove. He discussed an invasive species situation in Sitka, where *Didemnum Vexillum* had infested Whiting Harbor and related its potential impact on fisheries in the area. He explained that HB 365 gave the Department of Fish and Game and other state agencies the authority and tools to rapidly respond to invasive species outbreaks. The legislation also directed the "board and staff" to prioritize the eradication of an invasive species over the other management issues in that area. He furthered that the bill required the Department of Natural Resources to include a "hold harmless" provision in its leases and permits in order to enable the department to respond on an emergency basis and not be held liable.

Co-Chair Stedman discussed three zero fiscal notes from the Department of Environmental Conservation and the Department of Health and Social Services, one fiscal impact note from the Department of Natural Resources in the amount of \$84,200, and a fiscal impact note from the Department of Fish and Game in the amount of \$489,200.

[10:27:45 AM](#)

CSHB 365(FIN) was HEARD and HELD in committee for further consideration.

#hb261

CS FOR HOUSE BILL NO. 261(FIN)

"An Act relating to loans for the purchase of commercial fishing entry permits; and providing for an effective date."

TIM CLARK, STAFF, REPRESENTATIVE BRYCE EDGMON, highlighted the bill and stated that the legislation increased the maximum loan amount for entry permit loans under Section B of the Commercial Fishing Revolving Loan Fund from \$100,000 to \$200,000. He explained that the increase reflected the

reality of the cost of entry permits and expounded that in 2011, the Prince William Sound salmon drift net permit averaged \$161,000 in price. The loans would only be available to Alaska residents who were not eligible for financing through commercial banks or the Alaska Commercial Fishing and Agriculture Bank. He concluded that the bill lowered the barrier for Alaskans to take ownership of Alaskan fisheries and helped eliminate the hindrance of the cost of entry permits.

Co-Chair Stedman discussed two previously published zero fiscal notes from the Department of Fish and Game and the Department of Commerce, Community and Economic Development.

[10:29:42 AM](#)

AT EASE

[10:30:02 AM](#)

RECONVENED

[10:30:09 AM](#)

Co-Chair Hoffman MOVED to report CSHB 261(FIN) out of committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

[10:30:16 AM](#)

CSHB 261(FIN) was REPORTED out of committee with a "do pass" recommendation and with a previously published zero fiscal note: FN1(DFG) and a previously published zero fiscal note: FN3(CED).

#

ADJOURNMENT

[10:30:46 AM](#)

The meeting was adjourned at 10:30 AM.

