

**ALASKA STATE LEGISLATURE
HOUSE RESOURCES STANDING COMMITTEE**

April 11, 2016

1:22 p.m.

MEMBERS PRESENT

Representative Benjamin Nageak, Co-Chair
Representative David Talerico, Co-Chair
Representative Bob Herron
Representative Craig Johnson
Representative Kurt Olson
Representative Paul Seaton
Representative Andy Josephson
Representative Geran Tarr
Representative Mike Chenault (alternate)

MEMBERS ABSENT

Representative Mike Hawker, Vice Chair

COMMITTEE CALENDAR

CS FOR SENATE BILL NO. 170(RES)

"An Act authorizing the Department of Natural Resources, division of geological and geophysical surveys, to collect fees for facilities, equipment, products, and services; relating to accounting for certain program receipts; and providing for an effective date."

- MOVED CSSB 170(RES) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 170

SHORT TITLE: DNR FEES FOR GEOLOGICAL SERVICES

SPONSOR(s): SENATOR(s) GIESSEL

02/05/16	(S)	READ THE FIRST TIME - REFERRALS
02/05/16	(S)	RES, FIN
02/29/16	(S)	RES AT 3:30 PM BUTROVICH 205
02/29/16	(S)	Moved CSSB 170(RES) Out of Committee
02/29/16	(S)	MINUTE (RES)
03/02/16	(S)	RES RPT CS 6DP SAME TITLE
03/02/16	(S)	DP: GIESSEL, COSTELLO, WIELECHOWSKI, COGHILL, MICCICHE, STOLTZE

03/17/16 (S) FIN AT 9:00 AM SENATE FINANCE 532
03/17/16 (S) Heard & Held
03/17/16 (S) MINUTE (FIN)
04/04/16 (S) FIN AT 9:00 AM SENATE FINANCE 532
04/04/16 (S) Moved CSSB 170(RES) Out of Committee
04/04/16 (S) MINUTE (FIN)
04/06/16 (S) FIN RPT CS (RES) 5DP 1NR
04/06/16 (S) DP: KELLY, MACKINNON, MICCICHE,
DUNLEAVY, HOFFMAN
04/06/16 (S) NR: OLSON
04/07/16 (S) TRANSMITTED TO (H)
04/07/16 (S) VERSION: CSSB 170(RES)
04/08/16 (H) READ THE FIRST TIME - REFERRALS
04/08/16 (H) RES, FIN
04/09/16 (H) RES AT 9:00 AM BARNES 124
04/09/16 (H) -- MEETING CANCELED --
04/11/16 (H) RES AT 1:00 PM BARNES 124

WITNESS REGISTER

SENATOR CATHY GIESSEL
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented CSSB 170(RES) as prime sponsor.

AKIS GIALOPSOS, Staff
Senator Cathy Giessel
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: On behalf of Senator Giessel, sponsor, provided a sectional analysis of CSSB 170(RES).

STEVEN MASTERMAN, Director, State Geologist
Division of Geological & Geophysical Surveys
Department of Natural Resources (DNR)
Fairbanks, Alaska

POSITION STATEMENT: Answered questions regarding CSSB 170(RES).

ACTION NARRATIVE

1:22:17 PM

CO-CHAIR DAVID TALERICO called the House Resources Standing Committee meeting to order at 1:22 p.m. Representatives Olson, Johnson, Josephson, Tarr, Herron, Chenault (alternate), Nageak, and Talerico were present at the call to order. Representative Seaton arrived as the meeting was in progress.

SB 170-DNR FEES FOR GEOLOGICAL SERVICES

1:23:13 PM

CO-CHAIR TALERICO announced that the only order of business is CS FOR SENATE BILL NO. 170(RES), "An Act authorizing the Department of Natural Resources, division of geological and geophysical surveys, to collect fees for facilities, equipment, products, and services; relating to accounting for certain program receipts; and providing for an effective date."

1:23:31 PM

SENATOR CATHY GIESSEL, Alaska State Legislature, explained that the Geologic Materials Center (GMC) is located in Anchorage, and that core samples are voluntarily donated to the GMC by some companies, the U.S. Army Corps of Engineers, U.S. Bureau of Ocean Energy Management, and various other federal and state entities. Core samples originate from oil and gas exploration or mining projects, and geologists can go to the GMC and read these rocks as though they were books and this information may lead to future discoveries of Alaska's resources. Previously, the Geologic Materials Center was located in Eagle River where the core samples were kept in conexes, which are unheated and unlit metal boxes outside in the weather and the cores were deteriorating. The new facility in Anchorage provides viewing rooms wherein companies or explorers review the rocks. This bill would enable the Department of Natural Resources (DNR), Division of Geologic and Geophysical Surveys, to charge folks to review the core samples, because under current statute there is not the ability to receive the receipts.

1:25:55 PM

AKIS GIALOPSOS, Staff, Senator Cathy Giessel, Alaska State Legislature, on behalf of Senator Giessel, sponsor, provided a sectional analysis of CSSB 170(RES). He paraphrased from the following written sectional analysis [original punctuation provided]:

*Section 1. Provides that fees collected by the Department of Natural Resources (department) under AS 41.08.045, added by bill section 3, will be accounted for separately and that appropriations from these fees are not made from the unrestricted general fund.

*Section 2. Conforms AS 41.08.030 to the changes made to AS 41.08 by section 3 of the bill.

*Section 3. Adds a new section to AS 41.08 permitting the department's division of geological and geophysical surveys to charge and collect fees for facilities, equipment, products, or services that the division offers. Institutes a fee waiver for students using the facilities, equipment, products or services for educational purposes.

*Section 4. Amend uncodified law to permit the department to adopt regulations necessary to implement changes made by the Act.

*Section 5. Makes section 4 effective immediately.

*Section 6. Gives sections 1-3 an effective date of July 1, 2016.

MR. GIALOPSOS explained that under existing statute the division can charge for the purchase of maps and certain materials, but that revenue goes directly into the general fund. Because these proceeds eventually go into the receipt authority account, [Section 2] deletes to conform to Section 3. Section 3 is the heart of the bill - it creates the new section in AS 41.08 that empowers the division to enable a fee structure. It was also in this section that the committee substitute was created, pursuant to an amendment offered by Senator Wielechowski and unanimously adopted, to explicitly waive fees for any student utilizing the facilities for educational purposes. Section 4 amends and codifies the law and permits the department to adopt regulations to conform to Section 3 of the bill. Section 5 makes Section 4 effective immediately and Section 6 makes July 1, 2016, the effective date of the Act.

[1:27:58 PM](#)

REPRESENTATIVE HERRON requested Mr. Masterman to put on record what the life expectancy of this facility will be when it reaches full capacity.

STEVEN MASTERMAN, Director & State Geologist, Division of Geological & Geophysical Surveys, Department of Natural Resources (DNR) advised that, initially, the facility was about one-third full from the collection that was held in Eagle River. Since that time the GMC has received the U.S. Geological

Survey's (USGS) entire collection, a large donation from "BP" and "ConocoPhillips," as well as several sizable but smaller donations from mining companies. Currently, the facility is about 42-43 percent full. At the current rate, there is approximately one decade's worth of space left before more shelves will be required or expansion is considered.

[1:29:47 PM](#)

REPRESENTATIVE JOHNSON asked the cost for someone to review the core samples.

MR. GIALOPSOS deferred to Dr. Masterman to answer the question, but noted that Dr. Masterman has discussed a fee structure within the median of other facilities in North America.

DR. MASTERMAN replied that a national review was performed of fee structures from other facilities charging for this type of service. There are 10 facilities that are either close to or bigger than Alaska's facility and, once the Alaska facility is charging fees, then 9 of the 10 facilities will be charging fees. Alaska's facility would be priced in the mid-point of those other fee schedules such that the fees would generate revenue but not detract from people using the facility. The division is cognizant of having realistic fees.

REPRESENTATIVE JOHNSON inquired as to the specific number.

DR. MASTERMAN responded that the draft fee schedule is prepared, but must be reviewed by the commissioner's office and the Department of Law and will then go out for public comment before the division promulgates regulations. An example was provided in the bill packet wherein an individual goes to the Geologic Materials Center (GMC), pulls a collection of core boxes off the shelf and asks that some samples be taken. The [proposed] price in this scenario would be \$250, which is at the lower end of the price range for the other facilities nationally.

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REPRESENTATIVE TARR surmised that some of the donations are from the same companies that may come in to the GMC to use the materials later. She asked whether any push back is expected from these companies when they ask to see the samples later.

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MR. GIALOPSOS answered it is Senator Giessel's understanding, in speaking with the stakeholder groups and the division, that it is the norm for the entity to pay full fees whether or not that entity has donated those samples. He advised that this actually would prevent a person from being charged to donate.

DR. MASTERMAN confirmed there is not a charge for people to donate materials. But, if companies wish to store their samples at the facility, the GMC will accept the samples, and then charge for the viewing of those samples. Alternatively, a company can have its own facility and maintain its samples in a confidential and private manner, but obviously the company would have to foot the bill for its own facility. Therefore, there is substantial advantage to industry to house these materials in this facility.

[1:34:17 PM](#)

CO-CHAIR TALERICO opened public testimony and then closed it after ascertaining that no one wished to testify.

[1:34:44 PM](#)

REPRESENTATIVE CHENAULT drew attention to the fiscal note and requested an explanation of the public building fund (PBF). He observed from the fiscal note that the cost would be \$400,000 to allow the GMC facility to enter into the PBF.

DR. MASTERMAN replied that the division's plan is to enter into the public building fund, which is a fund that provides for the long-term maintenance and operation of a facility such as this. Items that do not fall under GMC's operating budget, such as roof or furnace replacement, would be handled by the public building fund and amortized over the life of the improvement or maintenance item. Currently, GMC cannot afford to enter into the PBF because its operating budget does not allow it; therefore, the bill proposes a fee schedule to generate revenue that will provide for the long-term maintenance and operation of the facility. In the event the facility does not enter into the PBF, if the roof required replacement or there was a large maintenance item, [the division] would then have to request funding from the legislature for those items. The bill would provide a mechanism to maintain the building over the long term.

[1:36:55 PM](#)

REPRESENTATIVE CHENAULT referred to the 2/29/16 question-and-answer document included in the committee packet titled, "FAQS related to Senate Bill 170." Turning to page 3 of the document and the question, "How do the operations of the GMC compare to other core facilities of its kind in other states?" he observed in the answer that there are ten facilities over 25,000 square feet and that Alaska's GMC is 100,000 square feet. He asked whether the figure of 100,000 is correct.

DR. MASTERMAN confirmed the GMC's interior space is 100,000 square feet and noted it is one of the largest in the nation.

REPRESENTATIVE TARR pointed out that this facility is in her district and has been a great addition because it is no longer a big empty box store and its full-time employees are frequenting local businesses for lunch. She offered her appreciation for the GMC's presence.

[1:38:26 PM](#)

CO-CHAIR NAGEAK moved to report CSSB 170(RES) out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSSB 170(RES) was reported from the House Resources Standing Committee.

[1:39:08 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 1:39 p.m.