

ALASKA STATE LEGISLATURE
HOUSE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

April 12, 2022

8:05 a.m.

MEMBERS PRESENT

Representative Sara Hannan, Co-Chair
Representative Calvin Schrage, Co-Chair (via teleconference)
Representative Harriet Drummond
Representative Mike Prax
Representative Ken McCarty
Representative Kevin McCabe

MEMBERS ABSENT

Representative Josiah Patkotak, Vice Chair

COMMITTEE CALENDAR

HOUSE BILL NO. 167

"An Act relating to specie as legal tender in the state; and relating to borough and city sales and use taxes on specie."

- HEARD & HELD

HOUSE BILL NO. 349

"An Act relating to the establishment of oil and gas drilling units and patterns."

- HEARD & HELD

HOUSE BILL NO. 402

"An Act relating to identification requirements for contractors and home inspectors."

- HEARD & HELD

HOUSE BILL NO. 411

"An Act relating to municipal tax exemptions and deferrals on economic development property."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 167

SHORT TITLE: GOLD AND SILVER SPECIE AS LEGAL TENDER
SPONSOR(s): REPRESENTATIVE(s) MCCABE

04/09/21 (H) READ THE FIRST TIME - REFERRALS
04/09/21 (H) CRA, STA, FIN
03/29/22 (H) CRA AT 8:00 AM BARNES 124
03/29/22 (H) -- MEETING CANCELED --
04/05/22 (H) CRA AT 8:00 AM BARNES 124
04/05/22 (H) -- MEETING CANCELED --
04/12/22 (H) CRA AT 8:00 AM BARNES 124

BILL: HB 349

SHORT TITLE: HEARING ESTABLISH DRILLING UNITS/SPACING
SPONSOR(s): REPRESENTATIVE(s) RAUSCHER

02/22/22 (H) READ THE FIRST TIME - REFERRALS
02/22/22 (H) CRA, RES
03/29/22 (H) CRA AT 8:00 AM BARNES 124
03/29/22 (H) -- MEETING CANCELED --
04/05/22 (H) CRA AT 8:00 AM BARNES 124
04/05/22 (H) -- MEETING CANCELED --
04/07/22 (H) CRA AT 8:00 AM BARNES 124
04/07/22 (H) -- MEETING CANCELED --
04/12/22 (H) CRA AT 8:00 AM BARNES 124

BILL: HB 402

SHORT TITLE: IDENTIFICATION OF CONTRACTOR IN ADS
SPONSOR(s): COMMUNITY & REGIONAL AFFAIRS

03/18/22 (H) READ THE FIRST TIME - REFERRALS
03/18/22 (H) CRA, L&C
03/29/22 (H) CRA AT 8:00 AM BARNES 124
03/29/22 (H) -- MEETING CANCELED --
04/05/22 (H) CRA AT 8:00 AM BARNES 124
04/05/22 (H) -- MEETING CANCELED --
04/07/22 (H) CRA AT 8:00 AM BARNES 124
04/07/22 (H) -- MEETING CANCELED --
04/12/22 (H) CRA AT 8:00 AM BARNES 124

BILL: HB 411

SHORT TITLE: MUNICIPAL TAX EXEMPTIONS/DEFERRALS
SPONSOR(s): COMMUNITY & REGIONAL AFFAIRS

04/04/22 (H) READ THE FIRST TIME - REFERRALS
04/04/22 (H) CRA, L&C
04/05/22 (H) CRA AT 8:00 AM BARNES 124
04/05/22 (H) -- MEETING CANCELED --

04/07/22 (H) CRA AT 8:00 AM BARNES 124
04/07/22 (H) -- MEETING CANCELED --
04/12/22 (H) CRA AT 8:00 AM BARNES 124

WITNESS REGISTER

REPRESENTATIVE KEVIN MCCABE
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: As prime sponsor, presented HB 167.

JULIE MORRIS, Staff
Representative Kevin McCabe
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Gave a sectional analysis of HB 167 on behalf of Representative McCabe, prime sponsor.

PAMELA LEARY, Director
Treasury Division
Department of Revenue
Juneau, Alaska

POSITION STATEMENT: Responded to questions during the hearing on HB 167.

REPRESENTATIVE GEORGE RAUSCHER
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: As prime sponsor, presented HB 349.

RYAN MCKEE, Staff
Representative George Rauscher
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Offered the sectional analysis to HB 349 on behalf of Representative Rauscher, prime sponsor.

JEREMY PRICE, Chair/Commissioner
Alaska Oil and Gas Conservation Commission
Department of Commerce, Community & Economic Development
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 349.

JESSIE CHMIELOWSKI, Engineering Commissioner
Alaska Oil and Gas Conservation Commission
Department of Commerce, Community & Economic Development

Anchorage, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 349.

RYAN JOHNSTON

Staff, Representative Calvin Schrage
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HB 402 and HB 411 on behalf of Representative Schrage, prime sponsor.

ROBERT PEARSON, Local Government Specialist V
Community Aid & Accountability Section
Division of Community and Regional Affairs
Department of Commerce, Community & Economic Development
Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 411.

ACTION NARRATIVE

[8:05:08 AM](#)

CO-CHAIR SARA HANNAN called the House Community and Regional Affairs Standing Committee meeting to order at 8:05 a.m. Representatives McCabe, Prax, Drummond, McCarty, and Hannan were present at the call to order. Representative Schrage arrived (via teleconference) as the meeting was in progress.

HB 167-GOLD AND SILVER SPECIE AS LEGAL TENDER

[8:06:22 AM](#)

CO-CHAIR HANNAN announced that the first order of business would be HOUSE BILL NO. 167, "An Act relating to specie as legal tender in the state; and relating to borough and city sales and use taxes on specie."

[8:06:56 AM](#)

REPRESENTATIVE KEVIN MCCABE, Alaska State Legislature, as prime sponsor, paraphrased the sponsor statement [included in the committee packet], which read as follows [original punctuation provided]:

The purpose of HB 167 is to recognize Alaska's constitutional duty, power and right under Section 10,

Article I, of the United States Constitution, and the Tenth Amendment of the United States Constitution to make gold and silver legal tender in the payment of debt. HB 167 will secure the rights of citizens of this state under the Ninth and Tenth Amendments of the United States Constitution to tender gold and silver in the payment of a debt should the merchant or payee agree to accept it. This bill will bring Alaska into full compliance with the United States Constitution with the policies, practices, and procedures of this State with respect to the use of gold, silver and specie as legal tender in the payment of debt. In these unprecedented times, this bill will preserve, protect, and promote the state and its economic security, safety, health, and welfare of the people of this state; and protect this state and its citizens in the acquisition and possession of gold and silver and their use as legal tender in the payment of debt.

REPRESENTATIVE MCCABE remarked that "it sounds dangerous." He noted many states have done this. He said there is interest in the bill, which would create a study in the House Finance Committee on "the possibility of establishing an alternative form of legal tender for the payment of debts, public charges, taxes, and other money owed to the state."

[8:11:43 AM](#)

JULIE MORRIS, Staff, Representative Kevin McCabe, Alaska State Legislature, on behalf of Representative McCabe, prime sponsor of HB 167, read the sectional analysis [included in the committee packet].

[8:14:07 AM](#)

REPRESENTATIVE MCCABE, in response to Representative McCarty's query as to the trustworthiness of gold specie, said he thinks it is as trustworthy as any other legal tender. In response to a follow-up question regarding changes in the value of gold, said he cannot say what the value of the gold, in terms of carats, is in the specie, but he could find out. He said other states just look up the value of gold; he acknowledged that the value fluctuates.

REPRESENTATIVE MCCARTY said, "I think this is a great idea."

[8:18:59 AM](#)

REPRESENTATIVE PRAX suggested the problem is that many years ago U.S. Congress abandoned "the constitutionally required manner of establishing a currency." It is the value of the federal reserve note that fluctuates. He indicated it is the public that will have to accept it.

[8:20:21 AM](#)

REPRESENTATIVE DRUMMOND observed that "this appears to be applied to plastic" and said she is used to "gold or ... metallic foils, in printing, being stamped onto paper." She asked, "How do you know there's gold in this, and how do you recover it from plastic, which melts when you apply heat to it?"

REPRESENTATIVE MCCABE said he did not know, but was assured from a dealer that [the specie samples he had brought for the committee to view] were legitimate. In response to a follow-up question, he said the states that issue these accept them as legal tender.

REPRESENTATIVE DRUMMOND noted the words "should the merchant or payee agree to accept it" - in the sponsor statement - and considered that since the value fluctuates, the burden to determine the value would fall on the merchant.

REPRESENTATIVE MCCABE likened that to setting gas prices.

[8:24:59 AM](#)

PAMELA LEARY, Director, Treasury Division, Department of Revenue, in response to a question from Representative McCarty regarding tax reporting in relation to species, said she does not know the tax ramifications but guessed that the value tendered would be the reported income value, as with any other currency. She said she would need to do some research to provide a definite answer to that question.

[8:27:57 AM](#)

CO-CHAIR HANNAN asked Ms. Leary to also find out whether the states using species accept them for state tax purposes and how states are dealing with this within the states' treasuries.

MS. LEARY responded that some of the states have gold repositories, so that may be how they are able to "accept that." She said she could do further research.

[8:29:00 AM](#)

REPRESENTATIVE PRAX suggested Ms. Leary research Epperly v. Alaska. He said the federal reserve notes are "accepted" but "not constitutionally authorized."

[8:30:44 AM](#)

REPRESENTATIVE DRUMMOND said she sensed this could present a problem to the recreational marijuana industry, which currently cannot be served by Alaska's financial institutions because of federal laws.

[8:31:54 AM](#)

REPRESENTATIVE MCCABE countered that making species be legal tender would actually benefit the marijuana industry, because currently it cannot put its dollars in a bank, and dollars lose value. He said, "These wouldn't lose value because they're tied to gold." To Representative McCarty's question about taxes, he surmised that if [a merchant] brings in one dollar's worth in gold, and at the end of the year it is worth \$20, then the merchant would have to [report that as taxable income] "much the same as you would with interest." He offered his understanding that the value of the dollar has gone down 30 percent in the last three years. In closing, he asked for the committee's support of HB 167 and indicated upcoming testimony and receipt of letters of report.

[8:34:25 AM](#)

CO-CHAIR HANNAN announced that HB 167 was held over.

[8:34:34 AM](#)

The committee took a brief at-ease at 8:34 a.m.

HB 349-HEARING ESTABLISH DRILLING UNITS/SPACING

[8:35:21 AM](#)

CO-CHAIR HANNAN announced that the next order of business would be HOUSE BILL NO. 349, "An Act relating to the establishment of oil and gas drilling units and patterns."

[8:35:48 AM](#)

REPRESENTATIVE GEORGE RAUSCHER, Alaska State Legislature, as prime sponsor of HB 349, paraphrased the sponsor statement, which read as follows [original punctuation provided]:

HB 349 was written because the way we search for and produce oil in the 21st century, has changed since the 1950's. During that time, policymakers were worried that oil companies might drill too many vertical wells that were spaced too tightly together, resulting in oil left in the ground that could no longer be recovered. Try googling Spindletop images.

Today, no one is spending millions of dollars to drill unnecessary wells in Alaska. In the decades since the early days of the industry, advancements in drilling technology allows wells to be directionally drilled underground, sometimes with multiple lateral wells from a single motherbore or parent well. Holes can be a few thousand feet deep, yet tens of thousands of feet long to recover greater amounts of oil and gas.

Unfortunately, our outdated statutes have not kept up with the advancements in the oil and gas industry. The statutes being amended by this legislation were originally designed to provide oversight by involving another step, to provide assurance that perforations into the ground were not going to be too close, jeopardizing substructure integrity of the field or zone. This extra oversight is no longer necessary, slows down development and costs the state time and money. HB 349 eliminates needless regulatory red tape, as drilling and production processes have fundamentally changed since the statute was written.

[8:38:40 AM](#)

The committee took an at-ease from 8:38 a.m. to 8:41 a.m.

[8:41:17 AM](#)

RYAN MCKEE, Staff, Representative George Rauscher, Alaska State Legislature, read the sectional analysis to HB 349 [included in the committee packet] on behalf of Representative Rauscher, prime sponsor.

[8:43:03 AM](#)

REPRESENTATIVE MCCARTY questioned the significance of a change from "that" to "which".

MR. MCKEE suggested someone from the Alaska Oil and Gas Conservation Commission (AOGCC) should be able to explain.

[8:43:31 AM](#)

REPRESENTATIVE DRUMMOND remarked that the sectional analysis should explain what would happen to law as a result of the change from "which" to "that", and she said she was not sure the sectional analysis would "stand up to scrutiny."

[8:44:00 AM](#)

CO-CHAIR HANNAN noted that the change from "which" to "that" is found in Section 1, on [page 1], line 6, and asked a representative from AOGCC to offer explanation.

[8:44:24 AM](#)

JEREMY PRICE, Chair/Commissioner, Alaska Oil and Gas Conservation Commission, Department of Commerce, Community & Economic Development, told Co-Chair Hannan that that particular change had been made by [Legislative Legal Services] rather than requested by AOGCC. In response to a follow-up request from Co-Chair Hannan, he offered his understanding that the goal of the legislation is to no longer require a holding of a hearing in instances of well spacing and regarding drilling. He said AOGCC is pleased to see the substantive change, in Section 1, from "may" to "shall" in direction of the commission establishing a drilling unit for each pool. He offered further clarification as to the process of discovery and drilling and spacing exceptions.

[8:47:36 AM](#)

JESSIE CHMIELOWSKI, Engineering Commissioner, Alaska Oil and Gas Conservation Commission, Department of Commerce, Community & Economic Development, specified the changes requested by AOGCC are relatively small and occur on page 1, lines 7-8, the deletion of "shall" and insertion of "may"; and on page 1, lines 14-15, the deletion of "after notice and hearings". She said those changes give AOGCC more flexibility and help it change its goal.

[8:48:33 AM](#)

CO-CHAIR HANNAN mentioned news coverage regarding a gas leak that happened the day before, and she interpreted the article to indicate that there had not been well spacing that was adequately evaluated. She said she thought this is the problem that well spacing language is meant to prevent. She asked whether a hearing [of the commission] could have prevented that occurrence and whether well spacing has "anything to do with that discharge of gas."

[8:50:27 AM](#)

MS. CHMIELOWSKI indicated that the well in question would not have qualified for an exemption. She offered further details. In response to a follow-up question regarding the protection of economic development alongside assurance of no risk to the public, she first explained that what is being talked about is not the distance of the well from another well's surface, but rather where the well penetrates the reservoir. She noted that when a well is drained too quickly, it results in waste, and AOGCC encourages "ultimate maximum recovery from a reservoir." It monitors where wells are drilled. Wells are built based on geology and reservoir characteristics; default drilling sections based on governmental sections are out of date, she explained. She described a well that goes down vertically and then changes to horizontal, crossing multiple governmental sections. There can be multiple, long lateral [drills]. She said building more than one well in a governmental section does not promote waste; it allows for more recovery from the reservoir, which is a goal of AOGCC. She explained that [through HB 349], AOGCC is asking the legislature to relieve the commission from an administrative burden. She noted that the protection of owners to receive their share of the resource would remain unchanged under the proposed legislation.

[8:56:40 AM](#)

MR. PRICE proffered that a governmental section is 160 acres of subsurface distance around a well. He said at this point in time, when a company finds oil and gas, it has to "settle in for a while" before it is able to drill additional wells, in order to "jump through these hoops that are largely unnecessary at this point in time."

[8:58:25 AM](#)

MS. CHMIELOWSKI, in response to Representative Prax, confirmed that the spacing of the well in the aforementioned event of yesterday was not the issue. What happened was a surprise that could not have been predicted.

[8:59:00 AM](#)

REPRESENTATIVE RAUSCHER, in response to a query from Representative Prax, said he would bring photos showing how wells were drilled [on the North Slope], where he worked in the '70s and '80s, with comparison to how wells are drilled now. He clarified that the proposed legislation would clean up language to avoid requiring an unnecessary process.

[9:01:46 AM](#)

CO-CHAIR HANNAN noted this is not a North Slope issue but a Cook Inlet one, and she said she would like the committee to understand the problem being faced in that location. She mentioned "spindle tops" in Allegheny, New York, which have been in existence since the 1860s.

[9:03:10 AM](#)

REPRESENTATIVE DRUMMOND reflected on the number of drilling sites she has seen in the Kern River oil field, in Bakersfield, California.

[9:04:01 AM](#)

CO-CHAIR HANNAN announced that HB 349 was held over.

[9:04:04 AM](#)

The committee took a brief at-ease at 9:04 a.m.

HB 402-IDENTIFICATION OF CONTRACTOR IN ADS

[9:04:54 AM](#)

CO-CHAIR HANNAN announced that the next order of business would be HOUSE BILL NO. 402, "An Act relating to identification requirements for contractors and home inspectors."

[9:05:07 AM](#)

RYAN JOHNSTON, Staff, Representative Calvin Schrage, Alaska State Legislature, presented HB 402 on behalf of Representative Schrage, prime sponsor. He said the bill would address an issue related to the advertising requirements of contractors, based on statute established in 1968. The contractors currently are required "to list fairly specific language" and HB 402 would provide opportunity for an online option. He read the sectional analysis of HB 402, included in the committee packet. The bill would amend AS 08.18.171 to add new language specifying that a contractor's Internet website or "landing page" satisfies the contractor's identification requirements. He said Section 2 would amend AS 08.18.053(b); he indicated that the same action would be taken for home inspectors. He noted that HB 402 would add the definition of "landing page" - a single page that appears in response to clicking on a search engine and other advertisement.

[9:07:15 AM](#)

REPRESENTATIVE DRUMMOND expressed total understanding of the proposed legislation.

MR. JOHNSTON noted that the bill looks to help small business owners with multiple licenses by modernizing the process.

[9:09:06 AM](#)

MR. JOHNSTON, in response to Representative McCarty, explained that the bill would establish a way for all licensing information to be made available in one online search platform. In response to a follow-up question, he confirmed Representative McCarty was correct in saying that the website information would still need to be included in a print advertisement.

[9:11:53 AM](#)

CO-CHAIR HANNAN, to clarify, offered her understanding that the proposed bill would not require use of a website but would allow it.

MR. JOHNSTON confirmed that is correct.

[9:13:54 AM](#)

CO-CHAIR SCHRAGE, as prime sponsor, confirmed that Co-Chair Hannan had aptly expressed the status quo in comparison to what HB 402 would allow.

[9:14:04 AM](#)

CO-CHAIR HANNAN announced that HB 402 was held over.

[9:14:10 AM](#)

The committee took a brief at-ease at 9:14 a.m.

HB 411-MUNICIPAL TAX EXEMPTIONS/DEFERRALS

[9:14:34 AM](#)

CO-CHAIR HANNAN announced that the final order of business would be HOUSE BILL NO. 411, "An Act relating to municipal tax exemptions and deferrals on economic development property."

[9:14:48 AM](#)

RYAN JOHNSTON, Staff, Representative Calvin Schrage, Alaska State Legislature, presented HB 411 on behalf of Representative Schrage, prime sponsor. He said the bill seeks to allow municipalities to offer tax exemptions and deferrals on economic development property within service areas. The bill would amend AS 29.45.050(m) to allow the exemptions and deferrals, but it would provide a 30-day window for the service areas to concur or disagree with the potential tax deferral.

[9:16:33 AM](#)

ROBERT PEARSON, Local Government Specialist V, Community Aid & Accountability Section, Division of Community and Regional Affairs, Department of Commerce, Community & Economic Development, in response to a question from Representative Drummond as to the definition of "special service area", offered his understanding that the definition is in statute, but he did not know it offhand.

[9:18:57 AM](#)

MR. JOHNSTON, in response to a concern from Representative Prax that some service areas may not meet often enough to be able to respond within 30 days, said that possibility has been considered by the bill sponsor, and one idea would be to specify 30 days "from notice" to the service area. To a follow-up question, he confirmed the bill sponsor's office has been in contact with the Fairbanks North Star Borough.

[9:21:03 AM](#)

REPRESENTATIVE DRUMMOND said by-laws for meeting notification may result in the need for the notice proposed under HB 411 to be increase to 60 or 90 days. She said again she would like a definition of service areas.

[9:21:39 AM](#)

MR. JOHNSTON, in response to Representative McCarty, gave Girdwood as an example of service area governed by a board and a place that cannot be offered economic development incentives by the Municipality of Anchorage. In response to a follow-up question, regarding why Girdwood would be approaching the state, he offered his understanding that when the statute was first put in place, there was concern that a municipality could "do anything" without [consulting] with the service area. He said he would seek a better answer for Representative McCarty.

[9:24:07 AM](#)

REPRESENTATIVE PRAX said he thinks it is fair to say that currently a second-class borough could grant tax exemption from borough imposed taxes, but should not be allowed to require the service area to agree to the tax exemption of the service area tax. He offered his understanding that that could be done today, and that is what HB 411 is trying to prevent.

[9:25:06 AM](#)

MR. PEARSON said he thinks Representative Prax is correct. He said the makers of the existing statute were trying to avoid a situation by disallowing it altogether; whereas HB 411 would allow it with the approval of the service area.

[9:26:21 AM](#)

REPRESENTATIVE DRUMMOND noted the government structure of Anchorage and how it is different from that in Girdwood.

[9:27:04 AM](#)

CO-CHAIR HANNAN asked Mr. Pearson for knowledge about what statute allows for service areas within municipal governments and how many of them there are.

MR. PEARSON estimated there are potentially hundreds of service areas that could be affected by HB 411. In response to a follow-up question, he said there are property taxes in various sized city governances, but there are many jurisdictions without property taxes.

[9:29:33 AM](#)

REPRESENTATIVE PRAX surmised that citizens could establish a service area which taxes itself in order to have police protection, for example.

[9:30:28 AM](#)

REPRESENTATIVE DRUMMOND offered an example of expansion of a police service area in Anchorage.

[9:31:52 AM](#)

MR. JOHNSTON, in response to a request from Representative Prax for a definition of "economic development property", directed attention to the definition on page 2, lines 8-24.

[9:33:12 AM](#)

CO-CHAIR HANNAN announced that HB 411 was held over.

[9:33:25 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at 9:33 a.m.