

SENATE FINANCE COMMITTEE  
February 1, 2022  
1:06 p.m.

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CALL TO ORDER

Co-Chair Bishop called the Senate Finance Committee meeting to order at 1:06 p.m.

MEMBERS PRESENT

Senator Click Bishop, Co-Chair  
Senator Bert Stedman, Co-Chair  
Senator Lyman Hoffman  
Senator Donny Olson  
Senator Bill Wielechowski  
Senator David Wilson

MEMBERS ABSENT

Senator Natasha von Imhof

ALSO PRESENT

Senator Gary Stevens, Sponsor; Tim Lamkin, Staff, Senator Gary Stevens; Michael Johnson, Commissioner, Department of Education and Early Development; Aaron O'Quinn, Petroleum Land Manager, Division of Oil and Gas, Juneau.

PRESENT VIA TELECONFERENCE

Amber Vaska, Executive Director of Tribal Government and Client Services, Tanana Chiefs Conference, Alaska Regional Coalition, Fairbanks; Haley Paine, Deputy Director, Division of Oil and Gas, Anchorage; Dan Seamount, Commissioner, Alaska Oil and Gas Conservation Commission, Anchorage; Haley Paine, Deputy Director, Division of Oil and Gas, Anchorage; Sean Clifton, Policy and Program Specialist, Department of Natural Resources, Division of Oil and Gas, Anchorage.

SUMMARY

SB 62            GAS LEASES; RENEWABLE ENERGY GRANT FUND

SB 62 was HEARD and HELD in committee for further consideration.

SB 72 SEC. SCHOOL CIVICS EDUCATION

SB 72 was HEARD and HELD in committee for further consideration.

#sb72

SENATE BILL NO. 72

"An Act relating to civics education, civics examinations, and secondary school graduation requirements; and providing for an effective date."

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SENATOR GARY STEVENS, SPONSOR, introduced the legislation. He stressed the importance of civics education. He remarked that there was a misunderstanding about the public process. He felt that children needed to be educated to understand what it meant to be a citizen of the country. He pointed out that there was a recent history of apathy about the civics process and involvement. He remarked that other states had taken efforts to improve civics education. He stated that there was a test for citizenship, that students should have as a requirement.

Senator Hoffman wondered whether Senator Stevens had passed that test.

Senator Stevens replied in the affirmative.

Senator Hoffman wondered whether everyone who ran for state office should take the test.

Senator Stevens replied that it was beyond his purview.

Co-Chair Stedman looked at line 12, page 2 of the bill. He wondered why the percentage requirement is 60 and not 70.

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TIM LAMKIN, STAFF, SENATOR GARY STEVENS, replied that the number was chosen by the prior committees and noted that it

was a bare minimum passing grade, but stated that it could have an amendment.

Co-Chair Stedman felt that a 70 percent score would be more reasonable.

Senator Stevens deferred the subject to the commissioner of the Department of Education and Early Development (DEED).

Senator Olson recalled that the exit exam was voted out of the legislature a few years prior. He noted that he voted it out, because there was an issue with how the questions might be asked or framed without understanding the different correct answers for the separate locations of the state.

Senator Stevens replied that the exam was not intended as an exit exam, so the intention was to learn in the exam.

Senator Olson pointed out that there would not be a second exam issued unless the student had received a passing score.

Senator Stevens agreed, and stressed that it was not a one-shot test.

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Mr. Lamkin discussed the Sectional Analysis (copy on file):

Sec. 1: AS 14.03.076, relating to public schools, adds a new section

- a. directing the State Board of Education and Early Development (SBOE) to develop curriculum and a related assessment based on the civics portion of the naturalization examination administered by the U.S. Department of Homeland Security for immigrants seeking U.S. citizenship. The curriculum and assessment must also include systems of Alaska Tribal government;
- b. requiring students to pass the assessment established in (a) above in order to receive a high school diploma, with exceptions for students with a disability and who receive a waiver from their local school board;

- c. schools are to document on student transcripts when a student has passed the assessment, with the option for the student to retake the assessment;
- d. districts are required to report annually on their respective civics course offerings and overall average student score on the assessment; and
- e. a passing score is defined as correctly answering 60 percent or more on the civics assessment.

Section 2: AS 14.07.168, relating to reporting requirements of the SBOE, to include in their annual report to the legislature a description of civics education curriculum in the state, of civics-related course offerings in respective districts, and of student performance on the assessment described in section 1, by district.

Section 3: Provides for an effective date of July 1, 2022.

Senator Olson queried the efforts of the short period of time until the effective date.

Senator Stevens deferred to DEED.

Co-Chair Bishop queried a plan to interface with tribal governments.

Mr. Lamkin replied that there was a support from Alaska Native organizations, and were ready to have participation.

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MICHAEL JOHNSON, COMMISSIONER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, spoke in support of the legislation. He pointed out the lack of knowledge of U.S. civics, and noted that people 45 years old or older scored much higher than those under the age of 45. He stressed the importance of tribal government and affairs education, so there could be Alaska-specific education. He felt that it was a much needed effort to repair the system, but would not be a "fix all."

Senator Hoffman recalled that he knew someone who became a U.S. citizen in their nineties with a score of 100 percent.

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Co-Chair Bishop asked about the involvement with tribal organizations to build the curriculum in time for the effective date.

Commissioner Johnson stated that a curriculum had been introduced by First Alaskans Institute that could be incorporated into the exam.

Co-Chair Stedman wondered how many schools in the state taught Alaska history.

Commissioner Johnson agreed to provide that information.

Co-Chair Bishop OPENED public testimony.

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AMBER VASKA, EXECUTIVE DIRECTOR OF TRIBAL GOVERNMENT AND CLIENT SERVICES, TANANA CHIEFS CONFERENCE, ALASKA REGIONAL COALITION, FAIRBANKS (via teleconference), spoke in support of the bill.

Co-Chair Bishop CLOSED public testimony.

Co-Chair Stedman wondered whether the test would be multiple choice.

Senator Stevens replied in the affirmative.

Senator Wielechowski wondered whether districts that already a civics curriculum had would need to redesign their curriculum.

Senator Stevens replied that there would not be an expectation of districts to rewrite curriculum, but rather it would be universal across the state.

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Senator Wielechowski asked how and when the exam would be taken.

Senator Stevens replied that the test would not be an exit exam, but rather an attempt to ensure civics exposure education.

Mr. Lamkin stated that every district had social studies requirements, but perhaps not specifically civics education.

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AT EASE

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Co-Chair Bishop announced that the deadline for amendments would be Friday, February 4 at 4pm.

SB 72 was HEARD and HELD in committee for further consideration.

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AT EASE

[1:45:36 PM](#)

RECONVENED

#sb62

SENATE BILL NO. 62

"An Act relating to surface use restrictions for oil and gas leases; relating to gas leases in Kachemak Bay; relating to the renewable energy grant fund; and providing for an effective date."

[1:45:36 PM](#)

AARON O'QUINN, PETROLEUM LAND MANAGER, DIVISION OF OIL AND GAS, JUNEAU, discussed the presentation, "SB 62 Gas Leases, Renewable Energy Grant Fund; Senate Finance Committee" (copy on file). He discussed slide 2, "Main Purpose":

- Allow the Division of Oil and Gas (DOG) to lease and capture revenue from State-owned resources underlying lands restricted to surface use.

- Would only allow for drilling and development from nearby unrestricted land.
- Would not grant any right to use the restricted surface of the leased land.
- Increased revenue: Lands with surface-use restrictions can still provide revenue in the form of lease sale bids, annual rental payments, and royalties if made available for subsurface-only development.
  - Modern drilling technology enables oil and gas to be developed from adjacent lands with no impact to the surface of subject land, even offshore.
  - The State will benefit from the ability to capture revenue through development of State resources with no impact to the surface of protected lands using established regulatory methods.

Mr. O'Quinn pointed to slide 3, "What Happens if we can't Lease":

- Leasing is the standard mechanism for establishing a contractual relationship between the resource owner (the State) and the developer.
- Main concern: Mechanism for collecting royalties
- If unleased land is drained from wells on adjacent leases, royalties may not be paid to the State or that revenue could be diminished.
- May require seeking remedy through the Alaska Oil and Gas Conservation Commission (AOGCC), a separate state agency.
- The Division of Oil and Gas can't exercise all its regulatory authority over unleased acreage.
- The lease is the primary mechanism for requiring compliance with mitigation measures, sharing of drilling and reservoir data, etc.

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AT EASE

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Senator Wielechowski queried the estimated revenues in Kachemak Bay.

Mr. O'Quinn replied that there was not a current estimate because the land was unexplored, so therefore the revenue expectation was unknown.

Senator Wielechowski wondered whether any companies had adjacent leases who could stand to benefit from the policy.

Mr. O'Quinn replied that companies had leases in the area, and stated that the land would go through an annual lease sale process.

Senator Wielechowski wondered about instances where adjacent leaseholders on nonstate land were extracting oil and gas from the area.

Mr. O'Quinn replied with slide 5, "The Subject Area." The slide outlined the exact details of the land.

Co-Chair Stedman asked for a detail of why the land had not been leased in the past, and also information about directional drilling.

Mr. O'Quinn replied with reasons that the area had not been leased in the past, which were mostly related to statute.

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Mr. O'Quinn pointed to slide 4, "Correlative Rights":

- Rule of Capture Doctrine - extract oil and gas from a parcel without regard for adjacent parcels.
- Correlative Rights Doctrine - a limit on the rule of capture - each owner of a common oil and gas pool is allowed their fair share.
- DOG can protect its share in two ways:
  - Unit/Participating Area through DOG Unit Process (unavailable to UNLEASED land)
  - Establish Unit via AOGCC - requires public hearing, AOGCC may compel the pooling of interests (AS 31.05.100).
- Compulsory Unit via AOGCC is not common and results in a costly administrative process to pool Kachemak Bay acreage.
- AOGCC further implements the correlative rights doctrine through the statutes/regs that govern well

spacings, production rates, injection rates, and other technical aspects of the drilling process

Co-Chair Stedman asked about the potential offset in the royalty collection.

Mr. O'Quinn stated that the statutes stated that leases could be offered in multiple ways.

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HALEY PAINE, DEPUTY DIRECTOR, DIVISION OF OIL AND GAS, ANCHORAGE (via teleconference), offered more information about Cook Inlet and Kachemak Bay. She shared that there were studies about market potential in the area.

[2:08:06 PM](#)

DAN SEAMOUNT, COMMISSIONER, ALASKA OIL AND GAS CONSERVATION COMMISSION, ANCHORAGE (via teleconference), gave a brief history of oil and gas exploration in the state. He remarked that there had not been a report of freshwater contamination from oil and gas exploration in over 60 years. He explained the details of the well within the Kachemak Bay.

Co-Chair Stedman asked whether enhancement of directional drilling was a reach in the industry and whether the

Mr. Seamount said that they would drill three miles back from shore to the proposed resource area. The drilling was so accurate, like amazingly accurate.

Senator Wielechowski surmised that the likelihood of oil and gas getting into Kachemak Bay was zero.

Mr. Dan Seamount agreed and stated that he would "bet his career on it."

[2:16:00 PM](#)

Mr. O'Quinn spoke to Slide 5, which showed a map of the subject area. He said that the area was being developed for discreet locations without surface impact.

Senator Wielechowski understood that if the bill passed it would not allow for seismic activity or exploration.

Me. O'Quinn replied in the affirmative - the status quo of the restrictions that were already in place would stand.

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Senator Wielechowski questioned the extreme depths. He asked about a depth provision.

Mr. O'Quinn deferred to the experts on the matter.

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HALEY PAINE, DEPUTY DIRECTOR, DIVISION OF OIL AND GAS, ANCHORAGE (via teleconference), thought that Commissioner Seamount would be best to speak to the depth limits.

Commissioner Seamount spoke of 2200 feet constraints due to the mechanics of the drilling well. He believed that there were constraints in place simply through well mechanics. He thought that there was a

Co-Chair Stedman hoped to hear from the Department of Revenue on offsets or surprises in the structure. He also hoped for an update on the basin itself. He thought that Cook Inlet might have been overstimulated in the past.

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Senator Wielechowski agreed with Co-Chair Stedman. He wanted an update on the basin. He asked whether fracking would be allowed under the bill.

Mr. O'Quinn deferred to AOGCC.

Commissioner Seamount believed that the dangers of fracking were overblown, and he had never seen issue with fracking. He stressed that the issue was about not injecting correctly.

Co-Chair Stedman asked how long fracking had been a practice in Alaska.

Commissioner Seamount asserted that fracking had been around for decades and had never been a problem with the 25 percent of the production wells that used fracking.

Mr. O'Quinn pointed to slide 6, "Section 1":

- Amends AS 38.05 to add a new section, AS 38.05.176.
- Specifies that a statute restricting the surface use of an oil and gas or gas only lease area does not also restrict leasing and development of the subsurface of that area from unrestricted land.
- The purpose is to address future surface-use restrictions that may be imposed on the State's natural resources.

Senator Wielechowski queried the other areas with surface use restrictions.

Mr. O'Quinn deferred to Mr. Clifton

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SEAN CLIFTON, POLICY AND PROGRAM SPECIALIST, DEPARTMENT OF NATURAL RESOURCES, DIVISION OF OIL AND GAS, ANCHORAGE (via teleconference), stated that there were no statutorily designated areas with the types of restrictions in the bill.

Co-Chair Bishop surmised that the bill would not be a total fix to the statute, but stressed that it was specific to Kachemak Bay.

Mr. Clifton replied that the purpose of the section was to be an outline of future similar locations.

Senator Wielechowski felt that the section was extremely broad.

Mr. Clifton disagreed, because there needed to be an authorized area through multiple regulations.

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Mr. O'Quinn discussed slide 7, "Sections 2 and 3":

- Amends AS 38.04.184 by adding a new subsection (h)
- Authorized DNR to offer gas-only leases in an area adjacent to Kachemak Bay within Township 5 South, Range 15 West, Seward Meridian, Alaska (see map).

- No right to use the surface of the land would be authorized, honoring the spirit of the earlier law prohibiting leasing in Kachemak Bay.
- Amends AS 38.03.184(b)
- Acknowledges the exemption created by the new subsection (h) of this bill.

Co-Chair Bishop queried the number of public hearings in the process.

Mr. O'Quinn replied that there was a preliminary best interest finding which accounted for scientific records and research released to the public, and solicited written feedback. There would then be an informational meeting on the best interest findings. He stressed that there would be a robust public process.

Co-Chair Bishop wondered whether a public hearing would occur if needed.

Mr. O'Quinn assumed so.

Co-Chair Bishop felt that public hearings may drive more mitigation measures for the operator.

Mr. O'Quinn agreed.

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Senator Olson wondered whether Native corporation interests had contributed to the bill.

Mr. O'Quinn replied that Cook Inlet Region Inc. (CIRI) was the subsurface shareholder, and had worked closely with the department. He did not know the details of their specific input on the bill.

Senator Olson wondered whether the mariculture groups had weighed in the bill.

Mr. O'Quinn was not aware of whether the industry had been involved in the process.

Mr. Clifton stated that the answer was no to both questions. He stated that CIRI had no subsurface interest in the subject area off the coast. He stated that since the

bill explicitly prohibited surface activities, so there was no impact on mariculture activities.

Senator Olson noted that there was a recent major leak in the area.

Mr. Clifton stated that the issue was related to a very old pipeline, which was not permitted by the bill.

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Senator Wielechowski stressed that oil or gas must be transported to land.

Mr. Clifton replied that the gas would be produced through a wellbore, and the wells were strictly engineered and regulated for safety.

Mr. O'Quinn asked that Mr. Seamount describe the production process.

Mr. Seamount stated that the description was accurate.

Senator Olson stressed that it was a seismically active region of the state, so there could be a major impact potentially. He asked about safeguards.

Mr. Clifton deferred to AOGCC.

Mr. Seamount replied that it was a very remote possibility. He recalled that the 1964 earthquake had no effect on production in Cook Inlet.

[2:51:00 PM](#)

Co-Chair Bishop wondered whether the production pad required a permit.

Mr. O'Quinn replied in the affirmative.

Co-Chair Bishop surmised that the pad could reach the subject area from the pad horizontally.

Mr. O'Quinn agreed.

Mr. O'Quinn pointed to slide 8, "Sections 4 through 6":

- Amends AS 42.45.045(b) to allow the legislature to appropriate revenue from these leases to the Renewable Energy Grant Fund.
- Revenue would come from the State's rentals and royalties made possible by this bill.
- Such appropriations would occur after the required deposit of any such revenue to the Alaska Permanent Fund required under art. IX, sec. 15 of the Alaska Constitution.
- Housekeeping: moves language about Department of Revenue being manager of the fund that was displaced by Section 4.
- Provides for the bill to be effective immediately.

Co-Chair Bishop asked for more detail about bullet three.

Mr. O'Quinn stated that oil and gas royalties were required to be deposited at various percentages into various places. He stated that 50 percent was deposited to the Alaska Permanent Fund for investment, and another 0.5 percent to the Alaska Education Fund. He stated that the 45.5 percent remaining revenue would be used for legislative appropriation.

Co-Chair Bishop discussed the following day's agenda.

SB 62 was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

2:56:58 PM

The meeting was adjourned at 2:56 p.m.