

**ALASKA STATE LEGISLATURE  
HOUSE RESOURCES STANDING COMMITTEE**

April 5, 2024

3:32 p.m.

**MEMBERS PRESENT**

Representative Tom McKay, Chair  
Representative Kevin McCabe  
Representative Dan Saddler  
Representative Stanley Wright  
Representative Jennie Armstrong  
Representative Donna Mears  
Representative Maxine Dibert

**MEMBERS ABSENT**

Representative George Rauscher, Vice Chair  
Representative Thomas Baker

**OTHER LEGISLATORS PRESENT**

Senator Robert Meyers

**COMMITTEE CALENDAR**

HOUSE BILL NO. 394

"An Act relating to the Regulatory Commission of Alaska and regulation of the service of natural gas storage and liquefied natural gas import facilities; relating to records of the Regulatory Commission of Alaska; relating to rates established by the Regulatory Commission of Alaska; and providing for an effective date."

- MOVED HB 394 OUT OF COMMITTEE

HOUSE BILL NO. 393

"An Act relating to oil and gas leases and royalty shares; and providing for an effective date."

- FAILED TO MOVE OUT OF COMMITTEE

HOUSE BILL NO. 388

"An Act relating to state loans for oil and gas projects in the Cook Inlet sedimentary basin; relating to the Alaska Energy Authority; relating to the Alaska Industrial Development and Export Authority; and providing for an effective date."

- MOVED CSHB 388 (RES) OUT OF COMMITTEE

HOUSE BILL NO. 359

"An Act relating to the permanent fund dividend and a one-time permanent fund dividend payment and land voucher; and providing for an effective date."

- FAILED TO MOVE OUT OF COMMITTEE

HOUSE BILL NO. 349

"An Act relating to leases of public land for renewable energy projects; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 394

SHORT TITLE: RCA REGULATE NATURAL GAS STORAGE FACILITY

SPONSOR (s): RESOURCES

03/20/24	(H)	READ THE FIRST TIME - REFERRALS
03/20/24	(H)	RES, L&C
04/01/24	(H)	RES AT 1:00 PM BARNES 124
04/01/24	(H)	<Bill Hearing Rescheduled to 04/03/24>
04/03/24	(H)	RES AT 1:00 PM BARNES 124
04/03/24	(H)	Heard & Held
04/03/24	(H)	MINUTE (RES)
04/05/24	(H)	RES AT 1:00 PM BARNES 124

BILL: HB 393

SHORT TITLE: COOK INLET/MIDDLE EARTH GAS ROYALTIES

SPONSOR (s): RESOURCES

03/18/24	(H)	READ THE FIRST TIME - REFERRALS
03/18/24	(H)	RES, FIN
04/01/24	(H)	RES AT 1:00 PM BARNES 124
04/01/24	(H)	<Bill Hearing Rescheduled to 04/03/24>
04/03/24	(H)	RES AT 1:00 PM BARNES 124
04/03/24	(H)	Heard & Held
04/03/24	(H)	MINUTE (RES)
04/05/24	(H)	RES AT 1:00 PM BARNES 124

BILL: HB 388

SHORT TITLE: COOK INLET RESERVE-BASED LENDING

SPONSOR (s): RESOURCES

02/26/24	(H)	READ THE FIRST TIME - REFERRALS
02/26/24	(H)	RES, ENE, FIN
02/28/24	(H)	ENE REFERRAL REMOVED
03/06/24	(H)	RES AT 1:00 PM BARNES 124
03/06/24	(H)	<Bill Hearing Rescheduled to 03/11/24>
03/08/24	(H)	RES AT 1:00 PM BARNES 124
03/08/24	(H)	<Bill Hearing Canceled>
03/11/24	(H)	RES AT 1:00 PM BARNES 124
03/11/24	(H)	<Bill Hearing Canceled>
03/20/24	(H)	RES AT 1:00 PM BARNES 124
03/20/24	(H)	<Bill Hearing Canceled>
03/22/24	(H)	RES AT 1:00 PM BARNES 124
03/22/24	(H)	Heard & Held
03/22/24	(H)	MINUTE(RES)
03/27/24	(H)	RES AT 1:00 PM BARNES 124
03/27/24	(H)	<Bill Hearing Canceled>
04/03/24	(H)	RES AT 1:00 PM BARNES 124
04/03/24	(H)	Heard & Held
04/03/24	(H)	MINUTE(RES)
04/05/24	(H)	RES AT 1:00 PM BARNES 124

BILL: HB 359

SHORT TITLE: ONE-TIME PFD PAYMENT

SPONSOR(s) : CRONK

02/20/24	(H)	READ THE FIRST TIME - REFERRALS
02/20/24	(H)	RES, FIN
03/01/24	(H)	RES AT 1:00 PM BARNES 124
03/01/24	(H)	Heard & Held
03/01/24	(H)	MINUTE(RES)
03/08/24	(H)	RES AT 1:00 PM BARNES 124
03/08/24	(H)	Heard & Held
03/08/24	(H)	MINUTE(RES)
03/15/24	(H)	RES AT 1:00 PM BARNES 124
03/15/24	(H)	<Bill Hearing Canceled>
03/25/24	(H)	RES AT 1:00 PM BARNES 124
03/25/24	(H)	Heard & Held
03/25/24	(H)	MINUTE(RES)
03/27/24	(H)	RES AT 1:00 PM BARNES 124
03/27/24	(H)	<Bill Hearing Canceled>
04/03/24	(H)	RES AT 1:00 PM BARNES 124
04/03/24	(H)	Scheduled but Not Heard
04/05/24	(H)	RES AT 1:00 PM BARNES 124

**WITNESS REGISTER**

TREVOR JEPSEN, Staff  
Representative Tom McKay  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** On behalf of the sponsor, the House Resources Standing Committee, of which Representative McKay serves as chair, spoke to HB 394, HB 393, and explained Amendment 1 to CSHB 388.

ROBERT DOYLE, Chair  
Regulatory Commission of Alaska  
Anchorage, Alaska

**POSITION STATEMENT:** Answered questions during the hearing on amendments to HB 394.

BRANDON BREFCZYNSKI, Deputy Director  
Alaska Industrial Development and Export Authority  
Anchorage, Alaska

**POSITION STATEMENT:** Responded to a question during the hearing on HB 388.

#### **ACTION NARRATIVE**

[3:31:53 PM](#)

CHAIR MCKAY called the House Resources Standing Committee meeting to order at 3:32 p.m. Representatives Mears, Armstrong, Dibert, McCabe, Saddler, Wright, and McKay were present at the call to order.

#### **HB 394-RCA REGULATE NATURAL GAS STORAGE FACILITY**

[3:32:36 PM](#)

CHAIR MCKAY announced that the first order of business would be HOUSE BILL NO. 394, "An Act relating to the Regulatory Commission of Alaska and regulation of the service of natural gas storage and liquefied natural gas import facilities; relating to records of the Regulatory Commission of Alaska; relating to rates established by the Regulatory Commission of Alaska; and providing for an effective date."

[3:33:57 PM](#)

REPRESENTATIVE MEARS moved to adopt Amendment 1 to HB 394, labeled 33-LS1441\U.1, Nauman, 4/4/24, which read as follows:

Page 1, lines 2 - 3:

Delete "**relating to records of the Regulatory Commission of Alaska;**"

Page 2, line 27, through page 3, line 4:

Delete all material.

Renumber the following bill sections accordingly.

Page 4, lines 17 - 27:

Delete all material.

Renumber the following bill sections accordingly.

[3:34:02 PM](#)

CHAIR MCKAY objected for the purpose of discussion.

[3:34:16 PM](#)

REPRESENTATIVE MEARS stated that Amendment 1 deals with the section of the proposed legislation concerning required confidentiality. She argued that the point is mute because the Regulatory Commission of Alaska (RCA) already has the ability to make documents confidential and requiring this in statute would diminish RCA's ability to provide public service.

[3:35:02 PM](#)

TREVOR JEPSEN, Staff, Representative Tom McKay, Alaska State Legislature, on behalf of the sponsor, the House Resources Standing Committee, of which Representative McKay served as chair, expressed the understanding that RCA would not have an issue with protecting financial records from the onset, without the petitioning process for confidentiality. He noted that the main concern is that there would be adequate gas storage available and engaging the private sector to do this.

[3:36:00 PM](#)

ROBERT DOYLE, Chair, Regulatory Commission of Alaska, answered questions during the hearing on HB 394. On behalf of RCA, he expressed support for the proposed legislation and the belief that having gas shortages is the "new normal." He expressed the importance of having the private sector involved [in procuring gas for the state], and he said that having these [records

confidential from the onset would promote this]. He discussed RCA's process with confidentiality.

COMMISSIONER DOYLE, in response to a question from Chair McKay, expressed the opinion that Amendment 1 would not be needed; however, he added it would be a matter of public policy, and the legislature would need to make the decision.

[3:38:08 PM](#)

REPRESENTATIVE MCCABE maintained that the proposed legislation is designed to create more access to natural gas storage, and it is not designed to obtain Hilcorp's financial records. He expressed opposition to Amendment 1.

[3:39:00 PM](#)

CHAIR MCKAY removed his objection to the motion to adopt Amendment 1.

REPRESENTATIVE MCCABE objected.

[3:39:30 PM](#)

REPRESENTATIVE MEARS argued that HB 394 would create additional layers of secrecy in statute for the [gas] industry, of which more transparency is needed. She continued that RCA already has mechanisms for confidentiality. She expressed the opinion that additional confidentiality "above and beyond" what is given to other utilities should not be provided.

[3:40:12 PM](#)

CHAIR MCKAY explained that S corporations are protected by federal law to have their financial information confidential.

[3:40:24 PM](#)

REPRESENTATIVE SADDLER expressed opposition to the proposed amendment. He pointed out that utilities are publicly regulated so their financials are available to the public, while liquified natural gas (LNG) and gas storage facilities would be private organizations. He opined that transparency for records is mostly a positive thing; however, competitive businesses would not want records available to competitors. He pointed out that RCA, as a trusted public entity and in service to the public good, would have access to the records.

[3:41:41 PM](#)

A roll call vote was taken. Representatives Mears, Armstrong, and Dibert voted in favor of adopting Amendment 1 to HB 394. Representatives Wright, McCabe, Saddler, and McKay voted against it. Therefore, Amendment 1 failed to be adopted by a vote of 3-4.

[3:42:29 PM](#)

REPRESENTATIVE MEARS moved to adopt Amendment 2 to HB 394, labeled 33-LS1441\U.2, Nauman, 4/4/24, which read as follows:

Page 1, line 2:

Delete "and liquefied natural gas import facilities"

Page 1, line 7:

Delete "AS 42.05.711(q), (s), and (w)"

Insert "AS 42.05.711(q) and (s)"

Page 3, lines 16 - 18:

Delete all material.

Renumber the following bill sections accordingly.

[3:42:35 PM](#)

REPRESENTATIVE MCCABE objected.

[3:42:42 PM](#)

REPRESENTATIVE MEARS explained that Amendment 2 would remove the carveout that directs RCA to oversee imported LNG to the state. She pointed out that the Federal Energy Regulatory Commission (FERC) already oversees this. She explained that FERC does not always provide oversight for setting rates, as its role is to make certain permitted facilities are safe, while RCA would provide rate protection. She noted the short timeframe she has had to examine this, and she expressed unease because parts of the supply chain might be left out of the regulations.

[3:44:00 PM](#)

MR. JEPSEN stated that there is concern that FERC would not regulate some situations where a facility is importing LNG. He

opined that if RCA was removed as a regulator as well, there would be no regulation of the facility. After some research, he stated, he obtained a legal memo, of which he read, as follows:

The Nikiski LNG import terminal would be subject to the exclusive jurisdiction of the Federal Energy Regulatory Commission under the Natural Gas Acts [sic]. State regulation of those facilities is preempted by federal law. The Natural Gas Act has long been recognized as a comprehensive scheme of federal regulation of all wholesale of natural gas in interstate commerce, which ... confers upon for exclusive jurisdiction over the transportation and sale of natural gas in interstate commerce for resale. Where state regulation affects ability of FERC to regulate comprehensively of the transportation, storage, and sale of natural gas to achieve uniformity, which was an objective of the Natural Gas Act, or presents the prospect of interference with federal regulatory power, the state law has been preemptive.

MR. JEPSEN reiterated that FERC has total jurisdiction over the subject, and this amendment would clarify this so there is no confusion. He stated that FERC would have power in any scenario where gas was imported, transported, or sold.

[3:45:44 PM](#)

CHAIR MCKAY expressed the understanding that Amendment 2 would be redundant.

MR. JEPSEN expressed the opinion that the amendment is unnecessary.

[3:46:13 PM](#)

COMMISSIONER DOYLE expressed opposition to Amendment 2, as the carveout would be appropriate.

[3:46:31 PM](#)

REPRESENTATIVE MEARS expressed the belief that her point was made in the [memo read to the committee]. She opined that if there were an overlap, FERC would have jurisdiction and primacy; therefore, the carveout would be unnecessary.

[3:46:52 PM](#)

MR. JEPSEN expressed disagreement.

REPRESENTATIVE MCCABE maintained his objection to the motion to adopt Amendment 2.

[3:47:03 PM](#)

A roll call vote was taken. Representatives Armstrong, Mears, and Dibert voted in favor of adopting Amendment 2 to HB 394. Representatives Saddler, Wright, McCabe, and McKay voted against it. Therefore, Amendment 2 failed to be adopted by a vote of 3-4.

[3:47:56 PM](#)

REPRESENTATIVE MEARS [did not offer] Amendment 3.

[3:48:08 PM](#)

REPRESENTATIVE MEARS moved to adopt Amendment 4 to HB 394, labeled 33-LS1441\U.4, Nauman, 4/4/24, which read as follows:

Page 1, lines 3 - 4:

Delete "**relating to rates established by the Regulatory Commission of Alaska;**"

Page 2, lines 3 - 26:

Delete all material.

Renumber the following bill sections accordingly.

Page 4, lines 9 - 16:

Delete all material.

Renumber the following bill sections accordingly.

[3:48:16 PM](#)

REPRESENTATIVE MCCABE objected.

[3:48:19 PM](#)

REPRESENTATIVE MEARS explained that RCA code already covers fair market value (FMV), so the amendment would remove this language from the proposed legislation. She noted that the language in

the proposed legislation concerns only the oil and gas fields, not the equipment, which would be considered in depreciation schedules. She noted the fluctuation in the FMV of oil and gas fields; therefore, she said it should not be included in the calculations.

[3:49:17 PM](#)

MR. JEPSEN explained that the FMV language was added to the bill to signal to the private sector that it would not be told the value of its assets, as there would be an evaluation process. He argued that if the private sector is to engage in gas storage, these companies must be treated fairly. He referenced the subjectivity in determining FMV, as no sales would be taking place; however, he expressed the belief that this would be appropriate.

[3:50:14 PM](#)

COMMISSIONER DOYLE pointed out the natural gas shortages in the state and the need for the public to have adequacy. He reiterated that there will be a "new normal," and new procedures will need to be considered, with FMV being part of the new process. He pointed out that FMV is based on selling an asset on the open market, and when something is new, RCA would look at the date of the investment, the cost of the asset, and how it would be put into the system. He stated that the consideration would be how FMV would change these things. He stated that if this were the policy, RCA would make sure it is done in a prudent, just, and fair manner. Because more storage is needed, he expressed opposition to removing this as a consideration. He suggested that to have more gas storage in the older gas fields, depreciation of these fields would need to be considered and a new system would need to be created to assess this. He reiterated that RCA would take the legislature's direction in this.

[3:52:17 PM](#)

REPRESENTATIVE SADDLER expressed opposition to Amendment 4. He opined that deleting the FMV language would risk leaving the value of assets constant. He continued that values would be set at the beginning of a contract and never adjust while the price of gas would fluctuate.

[3:53:07 PM](#)

REPRESENTATIVE MEARS noted that the commissioner touched on the fact that these are already considered as capital investments; therefore, there would already be a consideration of FMV under other utilities RCA is regulating. Because of this, she argued that the language on FMV does not need to be in the proposed legislation.

REPRESENTATIVE MCCABE maintained his objection to the motion to adopt Amendment 4.

[3:53:44 PM](#)

A roll call vote was taken. Representatives Armstrong, Mears, and Dibert voted in favor of adopting Amendment 4 to HB 394. Representatives Saddler, Wright, McCabe, and McKay voted against it. Therefore, Amendment 4 failed to be adopted by a vote of 3-4.

[3:54:35 PM](#)

REPRESENTATIVE MCCABE moved to report HB 394 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HB 394 was reported out of the House Resources Standing Committee.

[3:55:10 PM](#)

The committee took an at-ease from 3:55 p.m. to 3:58 p.m.

**HB 393-COOK INLET/MIDDLE EARTH GAS ROYALTIES**

[3:58:41 PM](#)

CHAIR MCKAY announced that the next order of business would be HOUSE BILL NO. 393, "An Act relating to oil and gas leases and royalty shares; and providing for an effective date."

[3:59:11 PM](#)

REPRESENTATIVE MEARS moved to adopt Amendment 1 to HB 393, labeled 33-LS1006\R.1, Nauman, 4/4/24, which read as follows:

Page 8, line 17, following "(7)":

Insert "**except as provided in (nn) of this section, and**"

Page 8, line 27:

Delete "a new subsection"  
Insert "new subsections"

Page 8, line 28:

Delete "Notwithstanding"  
Insert "Except as provided in (nn) of this section, and notwithstanding"

Page 9, following line 4:

Insert a new subsection to read:  
"(nn) The royalty share modifications in (f)(7) and (mm) of this section terminate on January 1, 2035."

[3:59:17 PM](#)

CHAIR MCKAY objected for the purpose of discussion.

[3:59:22 PM](#)

REPRESENTATIVE MEARS explained that Amendment 1 would put a sunset date on royalty relief, so the legislature could revisit the program in 10 years. She expressed the opinion that this would be reasonable; otherwise, the state would be locked in to never receiving royalties from Cook Inlet.

[4:00:06 PM](#)

MR. JEPSEN stated that he has no comments on Amendment 1, and he suggested that this be left up to the will of the committee.

[4:00:27 PM](#)

REPRESENTATIVE SADDLER stated that there would be a long lead-in time for investments for these projects, and time would go by quickly. He suggested that future legislatures would have the ability to put a sunset date on this once its effectiveness is realized. He expressed the opinion that a hard sunset date put in place in the beginning would erode the value of the royalty reduction. He expressed opposition to Amendment 1.

[4:01:16 PM](#)

REPRESENTATIVE ARMSTRONG moved to adopt Conceptual Amendment 1 to Amendment 1, on page 1, line 15, to replace "2035" with "2045". There being no objection, Conceptual Amendment 1 to Amendment 1 was adopted.

[4:02:06 PM](#)

REPRESENTATIVE SADDLER commented that even though this would be a longer time, the same argument applies; however, he stated that he would add some more thought to this.

[4:02:39 PM](#)

CHAIR MCKAY commented that gas wells decline rapidly, and the opportunity to tax and gather royalties would not last very long. He suggested that the gas wells would most likely be shut in, and something else would be happening. He expressed the opinion that in 20 years the point would be mute.

[4:03:19 PM](#)

REPRESENTATIVE ARMSTRONG stated that the 2045 sunset would be reasonable because it is 20 years away, and she expressed the belief that future legislatures could easily extend this date, while the public would be assured the current gas crisis is not being used to enact an indefinite fix. She expressed the importance of having a sunset clause.

[4:04:08 PM](#)

TREVOR JEPSEN, Staff, Representative Tom McKay, Alaska State Legislature, on behalf of the sponsor, the House Resources Standing Committee, of which Representative McKay serves as chair, addressed the proposed sunset clause in Amendment 1, as amended, to HB 393. He stated that the reason there is a zero royalty rate is because this concerns Alaska gas, and any tax on this would be passed to the consumer. He expressed the opinion that there should not be any tax that would be passed through to Alaskans. He added that to have the cheapest gas, it should be royalty free.

[4:04:45 PM](#)

REPRESENTATIVE ARMSTRONG commented that the proposed legislation is not only impacting natural gas, it also would be impacting oil royalties, and currently there is not an oil crisis in the state.

[4:05:05 PM](#)

REPRESENTATIVE SADDLER expressed opposition to Amendment 1, as amended, for the same reasoning he expressed earlier.

[4:06:00 PM](#)

CHAIR MCKAY expressed the belief that Amendment 1, as amended, would make no difference, and he expressed support for the amendment.

[The committee treated the objection as if it were maintained.]

[4:06:18 PM](#)

A roll call vote was taken. Representatives Armstrong, Mears, and Dibert voted in favor of Amendment 1, as amended, to HB 393. Representatives McCabe, Saddler, Wright, and McKay voted against it. Therefore, Amendment 1, as amended, failed to be adopted by a vote of 3-4.

[4:07:21 PM](#)

REPRESENTATIVE MEARS moved to adopt Amendment 2 to HB 393, labeled 33-LS1006\R.2, Nauman, 4/4/24, which read as follows:

Page 1, line 1, following "**shares**":

Insert "**relating to disclosure of information related to oil and gas production taxes**;"

Page 9, following line 4:

Insert new bill sections to read:

"\* **Sec. 3.** AS 43.55.890 is amended to read:

**Sec. 43.55.890. Disclosure of tax information.**

Notwithstanding any contrary provision of AS 40.25.100 **or AS 43.05.230**, [AND REGARDLESS OF WHETHER THE INFORMATION IS CONSIDERED UNDER AS 43.05.230(E) TO CONSTITUTE STATISTICS CLASSIFIED TO PREVENT THE IDENTIFICATION OF PARTICULAR RETURNS OR REPORTS,] the department **shall make publicly available** [MAY PUBLISH] the following information under this chapter, [IF AGGREGATED AMONG THREE OR MORE PRODUCERS OR EXPLORERS,] showing by month or calendar year and by lease or property, unit, or area of the state:

- (1) the amount of oil or gas production;
- (2) the amount of taxes levied under this chapter or paid under this chapter;
- (3) the effective tax rates under this chapter;

(4) the gross value of oil or gas at the point of production;

(5) the transportation costs for oil or gas;

(6) qualified capital expenditures, as defined in AS 43.55.023;

(7) exploration expenditures under AS 43.55.025;

(8) production tax values of oil or gas under AS 43.55.160;

(9) lease expenditures under AS 43.55.165;

(10) adjustments to lease expenditures under AS 43.55.170;

(11) tax credits applicable or potentially applicable against taxes levied by this chapter.

**\* Sec. 4.** The uncodified law of the State of Alaska is amended by adding a new section to read:

APPLICABILITY. AS 43.55.890, as amended by sec. 3 of this Act, applies to information collected on or after the effective date of sec. 3 of this Act."

Renumber the following bill sections accordingly.

[4:07:33 PM](#)

REPRESENTATIVE SADDLER objected for the purpose of discussion.

[4:07:38 PM](#)

REPRESENTATIVE MEARS spoke to her perspective on transparency and accountability for Alaska's resources. Looking specifically at Cook Inlet gas, she expressed the belief that smaller operators would have no problem sharing their financials. She pointed out that the largest operator [Hilcorp] also operates in Texas, where there is fiscal transparency. She stated that adding the amendment to the proposed legislation would be on par with other business practices in the country, and she opined that businesses in Alaska should not be treated any differently.

[4:08:32 PM](#)

MR. JEPSEN deferred to the chair.

[4:09:16 PM](#)

The committee took an at-ease from 4:09 p.m. to 4:10 p.m.

4:10:01 PM

CHAIR MCKAY stated that the discussion is on forcing S corporations operating in Alaska to reveal competitive financial information. He pointed out that this could be damaging to current and future operations. He expressed opposition to the proposed amendment.

4:10:33 PM

REPRESENTATIVE MCCABE expressed the understanding that Hilcorp was invited to Alaska to do business 10 years ago, and at that time the state knew that Hilcorp was an S corporation, and it knew how Hilcorp reported its financials. He warned that the amendment would "change the game" with an oil company, and he argued that the state has done this over the past decades, and this is why oil companies "shy away from Alaska." He expressed opposition to Amendment 2.

REPRESENTATIVE SADDLER maintained his objection to the motion to adopt Amendment 2.

4:11:25 PM

A roll call vote was taken. Representatives Dibert, Armstrong, and Mears voted in favor of Amendment 2 to HB 393. Representatives McCabe, Saddler, Wright, and McKay voted against it. Therefore, Amendment 2 failed to be adopted by a vote of 3-4.

4:12:14 PM

REPRESENTATIVE MEARS moved to adopt Amendment 3 to HB 393, labeled 33-LS1006\R.3, Nauman, 4/4/24, which read as follows:

Page 1, line 1, following "**shares**":

Insert "**establishing an income tax on certain entities producing or transporting oil or gas in the state**;"

Page 9, following line 4:

Insert new bill sections to read:

"\* **Sec. 3.** AS 43.20 is amended by adding a new section to read:

**Sec. 43.20.019. Tax on income attributable to a qualified entity.** (a) If an entity has qualified taxable income over \$4,000,000 in a tax year, the

entity shall pay a tax of 9.4 percent on the qualified taxable income over \$4,000,000.

(b) The tax under this section does not apply to a corporation paying tax under AS 43.20.011.

(c) The department may aggregate the qualified taxable income of two or more entities for the purpose of determining the tax due under this section if the department determines that, without the provisions of this section, the qualified taxable income would reasonably be expected to be attributed to a single entity.

(d) In this section,

(1) "entity" means a

(A) sole proprietorship;

(B) partnership; or

(C) entity that has elected to file federal returns under 26 U.S.C. 1361 - 1379 (Internal Revenue Code);

(2) "qualified taxable income" means income from the production of oil or gas from a lease or property in the state or from the transportation of oil or gas by pipeline in the state before deductions for

(A) dividends and gifts; and

(B) wages, salaries, bonuses, or other similar payments to owners, partners, members, or shareholders of the entity.

\* **Sec. 4.** The uncodified law of the State of Alaska is amended by adding a new section to read:

APPLICABILITY. AS 43.20.019, added by sec. 3 of this Act, applies to the tax year of an entity beginning on or after the effective date of sec. 3 of this Act."

Renumber the following bill sections accordingly.

[4:12:19 PM](#)

REPRESENTATIVE SADDLER objected.

[4:12:23 PM](#)

REPRESENTATIVE MEARS stated that the subject of Amendment 3 has been discussed by the committee before. She stated that the amendment is most colloquially known as "closing the S-corp loophole." She noted that when Hilcorp took over BP's assets, the result was a lack of income to the state. She noted that

Hilcorp pays corporate income taxes in Texas, but this does not happen in Alaska. In looking at the state's financials, she suggested that revenue should be compared with the needs of the state. She maintained that it has been a decade since the oil and gas tax structure in the state was examined. She argued that this tax structure has not been working for Alaska, and the revenue from the oil and gas industry needs to be examined.

[4:13:46 PM](#)

CHAIR MCKAY expressed disagreement with Representative Mears. He argued that the permanent fund dividends have been decreasing because of the cost of government. He stated that the production on the North Slope has been increasing, with new fields opening because the tax structure has not been changed. He continued that tax stability and certainty is vital to long-term industry investment.

[4:14:33 PM](#)

REPRESENTATIVE SADDLER argued that the tax structure created 10 years ago has been benefiting the state, and the amendment would undo this progress. He provided examples of success with the current tax structure. He noted Hilcorp's expertise in obtaining more oil and gas out of mature fields. He restated his opposition to Amendment 3.

[4:15:31 PM](#)

CHAIR MCKAY refocused the discussion to Cook Inlet, not the North Slope. He expressed gratitude that Hilcorp came to the state and "rescued Cook Inlet."

REPRESENTATIVE SADDLER maintained his objection to the motion to adopt Amendment 3.

[4:16:04 PM](#)

A roll call vote was taken. Representatives Mears, Dibert, and Armstrong voted in favor of adopting Amendment 3 to HB 393. Representatives McCabe, Saddler, Wright, and McKay voted against it. Therefore, Amendment 3 failed to be adopted by a vote of 3-4.

[4:16:58 PM](#)

REPRESENTATIVE MCCABE moved to report HB 393 out of committee with individual recommendations and the accompanying fiscal notes.

REPRESENTATIVE MEARS objected.

[4:17:17 PM](#)

A roll call vote was taken. Representatives McCabe, Saddler, Wright, and McKay voted in favor of reporting HB 393 out of committee with individual recommendations and the accompanying fiscal notes. Representatives Armstrong, Mears, and Dibert voted against it. [The tally was 4 yeas and 3 nays, but without a 5-person majority of the full membership in favor, the vote was not valid, and HB 393 was reported as failed to move out of the House Resources Standing Committee.]

[4:18:09 PM](#)

The committee took an at-ease from 4:18 p.m. to 4:20 p.m.

**HB 388-COOK INLET RESERVE-BASED LENDING**

[4:20:35 PM](#)

CHAIR MCKAY announced that the next order of business would be HOUSE BILL NO. 388, "An Act relating to state loans for oil and gas projects in the Cook Inlet sedimentary basin; relating to the Alaska Energy Authority; relating to the Alaska Industrial Development and Export Authority; and providing for an effective date." [Before the committee, adopted on 4/3/24 as a working document, was the proposed committee substitute (CS) for HB 388 Version 33-LS1237\R, Nauman, 3/30/24, ("Version R").]

[4:21:10 PM](#)

REPRESENTATIVE MCCABE moved to adopt Amendment 1 to HB 388, Version R, labeled 33-LS1237\R.1, Nauman, 4/4/24, which read as follows:

Page 1, line 2. following "to":  
Insert "**the creation of subsidiaries by**"

[4:21:13 PM](#)

CHAIR MCKAY objected for the purpose of discussion.

[4:21:18 PM](#)

TREVOR JEPSEN, Staff, Representative Tom McKay, Alaska State Legislature, on behalf of the sponsor, the House Resources Standing Committee, of which Representative McKay serves as chair, expressed the opinion that the language in the proposed legislation is too broad, and Amendment 1 would tighten this up.

[4:21:53 PM](#)

CHAIR MCKAY removed his objection. There being no further objection, Amendment 1 was adopted.

[4:22:41 PM](#)

The committee took an at-ease from 4:22 p.m. to 4:23 p.m.

[4:23:10 PM](#)

REPRESENTATIVE MCCABE moved to report CSHB 388, Version 33-LS1237\R, Nauman, 3/30/24, as amended, out of committee with individual recommendations and the accompanying fiscal notes and with the authority for Legislative Legal Services to make technical and conforming changes.

[4:23:37 PM](#)

REPRESENTATIVE MEARS objected for the purpose of discussion. She expressed support for Alaska Industrial Development and Export Authority (AIDEA) to provide loans for economic development within the state, along with natural gas development in Cook Inlet; however, given the other scope of AIDEA, she argued that the case has not been made for why the proposed legislation would be necessary. She expressed uncertainty that the proposed legislation would provide advantages to the program already in existence.

REPRESENTATIVE MEARS removed her objection.

[4:24:32 PM](#)

MR. JEPSEN stated that currently statute does not address reporting requirements. He expressed the opinion that AIDEA is actively looking at potential projects in Cook Inlet, and this is an important portion of the proposed legislation. He added that AIDEA also would be allowed to set interest rates below

market value, which would reinforce that the projects are necessary for the state.

[4:25:39 PM](#)

BRANDON BREFCZYNSKI, Deputy Director, Alaska Industrial Development and Export Authority, answered the question of why the proposed legislation is necessary. He stated that AIDEA has the ability to finance projects in Cook Inlet, but the proposed legislation would add another tool, giving AIDEA additional options if the legislature were to appropriate funds. He pointed out that AIDEA would be able to issue loans below the normal rate. He noted that AIDEA supports the piece that creates subsidiaries, as currently AIDEA does not have accounts to do this.

[4:27:16 PM](#)

REPRESENTATIVE SADDLER pointed out that in reference to reserve-based lending, the state has borrowed money in the past based on the oil in the ground after it was discovered. He added that this would not be an appropriation but "an empty bucket." He added, "We may not need it, but we may be glad we have it."

[4:28:17 PM](#)

CHAIR MCKAY announced that there being no further objection, CSHB 388(RES) was reported out of the House Resources Standing Committee.

[4:28:52 PM](#)

The committee took an at-ease from 4:28 p.m. to 4:31 p.m.

#### **HB 359-ONE-TIME PFD PAYMENT**

[4:31:20 PM](#)

CHAIR MCKAY announced that the final order of business would be HOUSE BILL NO. 359, "An Act relating to the permanent fund dividend and a one-time permanent fund dividend payment and land voucher; and providing for an effective date." [Before the committee, adopted on 3/25/24 as a working document, was the proposed committee substitute (CS) for HB 359, Version 33-LS1292\B, Nauman, 3/15/24, ("Version B").]

[4:32:00 PM](#)

REPRESENTATIVE MCCABE moved to report CSHB 359, Version 33-LS1292\B, Nauman, 3/15/24, out of committee with individual recommendations and the accompanying fiscal notes.

REPRESENTATIVE MEARS objected.

[4:32:14 PM](#)

A roll call vote was taken. Representatives Saddler, Wright, McCabe, and McKay voted in favor of the motion to move CSHB 359, Version 33-LS1291\B, Nauman, 3/15/24, out of committee with individual recommendations and the accompanying fiscal notes. Representatives Armstrong, Mears, and Dibert voted against it. [The tally was 4 yeas and 3 nays, but without a 5-person majority of the full membership in favor, the vote was not valid, and CSHB 359 was reported as failed to move out of the House Resources Standing Committee.]

[4:33:17 PM](#)

The committee took an at-ease from 4:33 p.m. to 4:35 p.m.

[4:35:42 PM](#)

CHAIR MCKAY made closing comments.

[4:36:12 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at [4:36] p.m.