

SENATE FINANCE COMMITTEE
April 12, 2023
1:06 p.m.

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CALL TO ORDER

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

MEMBERS PRESENT

Senator Donny Olson, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Click Bishop
Senator Jesse Kiehl
Senator Kelly Merrick
Senator David Wilson

MEMBERS ABSENT

Senator Lyman Hoffman, Co-Chair

ALSO PRESENT

Senator Jesse Bjorkman, Sponsor; Laura Achee, Staff, Senator Jesse Bjorkman; Alison Arians, Deputy Director, Division of Forestry and Fire Protection, Department of Natural Resources; Kelsey Schober, Senior Policy Advisor, The Nature Conservancy of Alaska; Cathy Schlingheyde, Staff, Senator Jesse Kiehl; Andy Mills, Special Assistant and Legislative Liaison, Department of Transportation and Public Facilities; Senator Forrest Dunbar, Sponsor; Arielle Wiggin, Staff, Senator Forrest Dunbar; Nikole Nelson, Executive Director, Alaska Legal Services Corporation; Nancy Meade, General Counsel, Alaska Court System; Ken Alper, Staff, Senator Donny Olson; Senator Bill Wielechowski, Sponsor.

PRESENT VIA TELECONFERENCE

Rodney Dial, Mayor, Ketchikan Gateway Borough, Ketchikan; Joe Young, Owner, Young's Timber Inc., Tok; Patti Saunders, Alaska Community Action on Toxics, Anchorage; Mike Craft, Self, Fairbanks; Justin Mack, Secretary Treasurer, Alaska

Professional Firefighters Association, Anchorage; Dyani Chapman, Alaska Environment, Anchorage; Lesa Hollen, Self, Anchorage; Margaret Tarrant, Self, Anchorage; Sandra Moller, Director, Division of Community and Regional Affairs, Department of Commerce, Community and Economic Development.

SUMMARY

SB 67 PFAS USE FIREFIGHTING

SB 67 was HEARD and HELD in committee for further consideration.

SB 87 LUMBER GRADING PROGRAM

SB 87 was HEARD and HELD in committee for further consideration.

SB 104 CIVIL LEGAL SERVICES FUND

SB 104 was HEARD and HELD in committee for further consideration.

SB 114 OIL & GAS PRODUCTION TAX; INCOME TAX

SB 114 was HEARD and HELD in committee for further consideration.

Co-Chair Olson discussed housekeeping.

#sb87

SENATE BILL NO. 87

"An Act relating to a lumber grading training program and lumber grading certificates; relating to use of lumber graded and certified by a person holding a lumber grading training program certificate; and providing for an effective date."

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SENATOR JESSE BJORKMAN, SPONSOR, read the title of the bill and offered a sponsor statement:

Senate Bill 87 would create a local lumber grading program in Alaska Statute to allow dimensional lumber

produced in the state to be graded by locally trained Alaskans and then used in some residential construction applications. Currently, dimensional lumber used in construction must be graded and stamped in order to meet lender requirements and building codes. However, the grading process is expensive, and most Alaska sawmill operators do not produce enough lumber to cover grading costs.

Under SB 87, locally milled dimensional lumber that conforms to DNR's substitute equivalents for agency grading standards consistent with Number 2 and better, Stud and Number 3 grades could be sold directly to the end user or a contractor for use in residential structures with up to three units. This will create economic opportunities for small businesses, provide an opportunity for Alaskans to purchase local products, and perhaps offer building materials at a lower cost than dimensional lumber from the lower 48. It could also help address Alaska's housing shortages across the state, which are made worse by the significant increase in the cost of construction materials and lag time due to supply chain issues and encourage higher value-added use of materials harvested from forest thinning and hazardous fuels reduction projects that would otherwise be piled and burned.

A local lumber grading program would lower the barrier for entry to create new sawmills. These sawmills can serve as a catalyst to increase investment in forest management and help build the timber sector statewide. This will result in permanent, stable, family-wage jobs in rural communities and villages, and strengthen and diversify local economies. A larger timber sector in turn can provide the additionality needed for creating and selling forest carbon offset projects, adding further investment and revenues to the timber sector.

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Senator Bjorkman continued his testimony. He discussed the high cost of lumber in rural communities. He noted support for the legislation in the building as well as within the lumber industry.

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LAURA ACHEE, STAFF, SENATOR JESSE BJORKMAN, introduced herself and discussed a Sectional Analysis (copy on file):

SB 87 Ver. A: Lumber Grading Program Sectional Analysis Section 1: Adds new statutes to AS 41.17 directing the Department of Natural Resources Division of Forestry and Fire Protection to establish a local lumber grading training program for conservative grading standards established by DNR. It specifies the frequency of the courses and directs the division to identify the content of courses, qualifications for instructors, and requirements for completion. The section also provides guidance for issuing certificates, specifies the duration of the certificate, defines exceptions for certification without taking a training course, and specifies how a certificate may be revoked.

The section also adds new statutes to AS 41.17 that allow for the use of locally graded lumber in residential construction of single homes, duplexes, or triplexes. The new language allows an individual holding a lumber grading certificate to grade and sell lumber that they have produced directly to a person constructing a residence or a contractor and specifies the documentation the seller must provide. The language also provides a building inspector the authority to approve, conditionally approve, or reject the lumber for use in a residence.

Section 2: Provides an immediate effective date.

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ALISON ARIANS, DEPUTY DIRECTOR, DIVISION OF FORESTRY AND FIRE PROTECTION, DEPARTMENT OF NATURAL RESOURCES, discussed a presentation entitled "SB 87 - Local Lumber Grading" (copy on file).

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Ms. Arians looked at slide 2, "Grade Stamped Lumber":

- Grade Stamped lumber allows the purchaser to know the wood meets a quality standard

- Grading agencies such as Western Wood Products Association (WWPA) publishes the Western Lumber Grading Rules for appearance grading
- Grading rules are accredited by the American Lumber Standards Committee (ALSC)
- Members of WWPA receive mill training, quality assurance (QA), market analysis, and professional development
- Small mill operators find it economically challenging to become a member of these types of associations

Ms. Arians discussed lumber grading practices. She relayed that appearance grading was when a piece of wood was bent until broken to determine the strength of the wood. She stressed that membership in grading agencies could be prohibitively expensive for smaller mills.

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Ms. Arians spoke to slide 3, "Cost of grading agency membership in Alaska":

- Membership Dues + Monthly Site Inspections + Inspector Travel Costs ≈\$2200/month
- Membership options for small mill operators:
 - Only pay for membership fees during active periods
 - Stockpile milled material and bring in an inspector when there is enough to justify the travel costs
- Difficult for small mills to produce enough volume to justify these costs and remain profitable

Ms. Arians stated that small mills would not have to pay month to month and could be selective about membership options. However, grading costs were high for smaller mills producing a limited volume of wood. She relayed that Northland Wood and Viking were the two mills in Alaska that were members of the WWPA.

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Co-Chair Olson asked where the two WWPA members were located.

Ms. Arians relayed that Northland Wood was in the Interior and Viking was on Prince of Whales Island.

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Ms. Arians referenced slide 4, "What is a Local Use Lumber Program?":

- It is state law/regulation in seven states allowing non graded/stamped locally produced dimensional lumber in some construction applications
- It is often an exemption to a building code that requires grade stamped lumber
- It is focused on small mill operators providing opportunities for them to enter home construction markets

Ms. Arians shared that building homes offered structural redundancy and predictability.

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Co-Chair Olson asked about the lumber from mills and whether the lumber was 2x4 and 4x4, or larger pieces of wood.

Ms. Arians relayed that a list of wood products would be addressed later in the presentation.

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Ms. Arians turned to slide 5, "What is a Local Use Lumber Program?":

- It includes a training program for small mill operators on grading their own lumber and includes a recertification schedule
- Because of the code exemption, it allows for traditional home construction financing
- Gives building inspectors an opportunity to inspect and reject the wood if necessary

Ms. Arians said that if a person currently wanted to build a home, they could use cash to buy lumber but would not be able to get a loan. The bill would allow for a loan.

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Ms. Arians considered slide 6, "What is a Local Use Lumber Program?":

- Local use lumber must be sold to the end user or the contractor building the home
- Most states only allow residential (1 - 3 family home) construction as well as outbuildings
- Mill operator must take and pass a grading course
- Certification only lasts for 5 years
- Mill operator provides a certificate with the local lumber
- Only applies to softwood

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Co-Chair Olson asked whether there was any place in the state that milled hard wood.

Ms. Arians thought there were mills that made hardwood for cabinets and flooring but not dimensional lumber.

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Ms. Arians displayed slide 7, "Why is this program needed in Alaska?":

- Wood prices have increased dramatically for home construction
 - National Association of Home Builders notes wood prices add \$36k to new single family home construction
 - Alaska Housing Finance Corporation cites high cost of construction as a reason new building permits fell 15%
- Canadian import tariffs on softwood were raised to 17.99% in early 2022
 - Alaska imports ~\$20 million annually in wood products from Canada (Canadian Trade Commission)
- Forest Management
 - Salvage harvest of beetle-killed trees less than 4 years past mortality
 - Increase forest management opportunities for private landowners
- Increase economic activity in rural communities
- Increase milling capacity

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Ms. Arians highlighted slide 8, "Mill Capacity and Production in Alaska," which showed a graph of dimensional lumber production capacity in Alaska. She noted that the graph was sourced from the United States Forest Service Southeast Alaska mill survey. The graph showed how much capacity the state had in the past, how much was still available, and how much could be available in the future.

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Ms. Arians looked at slide 9, "Grading Agency lumber standards," which showed a table with categories of lumber and grades of lumber. She said that the program would train people in the categories of light framing, stud, structural light framing, and joists and planks. The training covered the scope of materials for smaller, residential homes.

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Ms. Arians addressed slide 10, "Alaska Local Use Lumber - Substitute Equivalent Grades," which showed a table of lumber grades. The grades included Number 2 and Better, Stud, and Number 3. The one-day class would cover these three grades.

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Ms. Arians advanced to slide 11, "Alaska Training and Certification":

- One day free class focusing on visually grading lumber to the three Alaska grades.
 - Issuance of Alaska Local Use Lumber handbook
 - Issuance of Air-Drying Best Practices document
- Offered at least annually in Southeast, Southcentral and Interior
- Recertification required every five years
- Certification issued to the person, not the mill

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Senator Wilson wondered whether the department had already implemented a one-day training course to gauge effectiveness of the program.

Ms. Arians relayed that DNR was modelling its program after what was done in the state of Wisconsin, which was like the

proposal in the bill and had proven successful in the state of Wisconsin.

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Ms. Arians looked at slide 12, "Selling the lumber (special conditions)":

- Mill owner/operator sells the lumber directly to the end user or to the contractor building the home
- Lumber sale must include documentation that describes the 5 designations (grade, species, moisture content, surface condition, size)
- Lumber sale must include a copy of the mill owner's certification with the Alaska Local Use Lumber program
- Building inspector may refuse the lumber

Ms. Arians said that builders would be encouraged to reach out to inspectors early in the process.

Ms. Arians showed slide 13, "Thank you!":

Jeremy Douse
Northern Region Forester
Alaska Division of Forestry And Fire Protection
Alaska Department of Natural Resource
907.451.2670
jeremy.douse@alaska.gov
<http://forestry.alaska.gov/>
<https://forestrymaps-soa-dnr.hub.arcgis.com/>

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Senator Kiehl asked how tall the residential units could be.

Ms. Arians replied that she was not sure of the specific height. She offered to get back to the committee with the information.

Senator Kiehl wondered about graders being limited to grading the products in their own mills and not that of other mills.

Ms. Arians thought that the benefit of mill owners grading only their own wood gave them a deeper knowledge of the wood they were selling. She said that mill owners could pay for someone else to come in and grade their wood, but that

grading their own wood offered integrity of product and saved money.

Senator Bjorkman interjected that through the program was like other state programs in which people could sell the products they produced. He thought Alaska had the advantage of having less species of trees, which provided for less complexity. Further, the state had wood that was slow-growing and strong, despite not being hardwood. He cited that the spruce under discussion was most recently used in helicopter rotors. He said that when people attested to the quality of wood that they produced themselves it highlighted the quality of the product.

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Co-Chair Olson asked what kind of money could be saved by using locally harvested wood.

Senator Bjorkman thought that local production helped to eliminate transportation costs for materials.

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Co-Chair Olson OPENED public testimony.

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KELSEY SCHOBBER, SENIOR POLICY ADVISOR, THE NATURE CONSERVANCY OF ALASKA, spoke in support of the bill. She testified that a critical component of community sustainability was a sustainable and regenerative economy. She noted a report by her organization from 2021, that explored economic opportunities for her region. She said that one of the opportunities identified by the report was a sustainable timber market. He said that the bill would ensure that lumber harvests from young growth timber would meet a certifiable standard and that the workforce would be available to create that certifiable standard. She stated that supporting the implementation of a lumber standard would help to move the industry forward.

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RODNEY DIAL, MAYOR, KETCHIKAN GATEWAY BOROUGH, KETCHIKAN (via teleconference), testified in support of the bill. He stated that the borough was facing a housing crisis;

affordability and availability were hindering economic growth. He believed that the proposed program was important to increase the availability of lumber, particularly when the supply chain was strained. He spoke of the recent high prices of lumber in Ketchikan. He noted the long history of lumber mills and sawmills in the area. He felt that the bill would facilitate local access to local lumber, support new housing, and create jobs.

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JOE YOUNG, OWNER, YOUNG'S TIMBER INC., TOK (via teleconference), testified in support of the bill. He relayed that he had been in business since 1993, producing a wide range of value-added products. He said that currently, it was cost prohibitive to bring in a lumber grader. He asserted that SB 87 would create more jobs and would address the housing shortage in rural areas of the state. He noted that Alaska producers need a long-term and steady supply of timber for the program to be successful.

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Senator Bishop asked Mr. Young whether he had done any estimates on potential increase in timber sales if the bill were to become law.

Mr. Young estimated there would be a 10 percent to 15 percent increase initially.

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Co-Chair Stedman asked Mr. Young about the size of his operation, including the number of employees and size of the sawmill.

Mr. Young explained that his company bought timber from the Division of Forestry and harvested it with a mechanical harvesting side. Once the logs were brought to the mill, they were processed into saw logs. He had four different types of sawmills that produced various lengths of timber.

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Co-Chair Olson CLOSED public testimony.

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Ms. Achee thanked the committee for hearing the bill. She asserted that the bill allowed for greater use of Alaska's timber products for the use of construction and would be beneficial to the state.

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Co-Chair Stedman asked whether the bill would allow for the timber to be cut and used for residences.

Ms. Achee understood that if someone had a personal use harvest of lumber and was living in an area where graded lumber was required, they could work with a sawmill that was certified to grade lumber and use that lumber for construction.

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Senator Bishop considered that it would be nice to have a stamp specific to Alaska.

Ms. Arians thought the bill would be a first step in building a market for more lumber and suggested that once the market was built a stamp could be considered in the future.

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Ms. Arians addressed FN 1 from the Department of Natural Resources. She explained that the Department would contract the implementation of a training program through the University of Alaska Fairbanks - Cooperative Extension Service through a Reimbursable Services Agreement. The University has the capacity to develop training, professional development, and outreach programs to natural resources-based industry. She stated that the expenditure would include \$206,000 annually to fund the Cooperative Extension Service to train graders and mill workers. There would be \$5,000 allocated for the lumber grading handbook and minimal travel.

Co-Chair Olson set the bill aside.

SB 87 was HEARD and HELD in committee for further consideration.

#sb67

SENATE BILL NO. 67

"An Act relating to firefighting substances; and providing for an effective date."

[1:54:07 PM](#)

Senator Jesse Kiehl, Sponsor, provided an opening sponsor statement:

Per- and polyfluoroalkyl substances (PFAS) are a group of chemicals harmful to human health. They are linked to serious health conditions including low birth weight, thyroid disease, and cancer—even at extremely small concentrations.

They also make excellent ingredients in firefighting foams, in part because they resist breaking down. When firefighting foams or other compounds containing PFAS seep into drinking water, the toxic "forever chemicals" linger for years.

The Alaska Department of Environmental Conservation declared PFAS hazardous substances several years ago. Senate Bill 67 protects Alaskans' health and prevents future pollution by banning PFAS foams unless federal law preempts. The bill also requires the state to take back small quantities of PFAS foam to ensure it's disposed of safely.

Because there is not yet an effective alternative for the intensity of fire threat oil & gas operations face at refineries or the Trans Alaska Pipeline terminal, the bill exempts those producing, transporting, or refining oil and gas until the State Fire Marshal determines an effective non-PFAS substance could do the job.

Senator Kiehl shared that in the past the Department of Transportation had been required by the Federal Aviation Administration (FAA) to use PFAS laden firefighting foams. He said that the bill would put the requirement on the state Fire Marshall to phase out PFAS foams for a safe alternative. He stressed the importance that the PFAS substances be removed and disposed of responsibly. He cited an effective date of January 1, 2024.

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Co-Chair Olson thought there had been changes to the bill in the Senate Resources Committee.

Senator Kiehl noted that the Senate Resource Committee had made 2 changes to the legislation:

The Senate Resource Committee adopted the following changes:

1. In Section 1 (AS 46.03.340), page 1, lines 9-12:

a. Deleted "engaged in the business of oil of gas production, transmission, transportation, or refining"

b. Added "to respond to a fire that originates in relation to oil or gas production, transmission, transportation, or refining"

This change allows for any respondent to a fire relating to oil or gas production, transmission, transportation, or refining to use PFAS or PFAS containing substances to fight the fire.

2. In Section 1 (AS 46.03.340), page 2, line 6:

a. Deleted "25"

b. Added "40"

This change allows the state to accept for disposal a quantity not to exceed 40 gallons per year, up from 25 gallons in the previous version; 40 gallons covers the estimated 35 gallons of substance anticipated to be accepted from impacted Project Code Red communities.

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Senator Wilson asked which department was referenced on page 2, line 4, regarding the state fire marshal.

Senator Kiehl clarified that the fire marshal had some regulatory authority to delay the implementation when there was an alternate for oil and gas industry fires. He said that the department referenced in the bill was the Department of Environmental Conservation. He said that the

most important thing was that the administration be proactive in the cleanup; the administration could put the responsibility within whichever department seemed a cost effective fit.

Senator Wilson wondered whether the bill should narrow the language to specify one department rather than using language that indicated "the department."

Senator Kiehl relayed that the language had been recommended by the executive branch to provide for flexibility.

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CATHY SCHLINGHEYDE, STAFF, SENATOR JESSE KIEHL, addressed a Sectional Analysis (copy on file):

Sec. 1 of the bill creates a new section:

Sec. 46.03.340(a): Everyone outside the oil & gas industry must stop using PFAS-containing foams, unless federal law preempts Alaska law.

Sec. 46.03.340(b): People fighting fires in the oil & gas industry may continue using PFAS-containing foams until an alternative is approved by regulation.

Sec. 46.03.340(c): The state fire marshal can determine there is a safe and effective PFAS-free foam for fighting oil or gas fires if the alternate foam is listed by an organization in OSHA's Nationally Recognized Testing Laboratory Program. The fire marshal must require the new foam by regulation, with a stated effective date.

Sec. 46.03.350(d): DEC must take up to 40 gallons per year of PFAS-containing firefighting foam from Alaskans for disposal.

Sec. 2 of the bill sets an effective date of January 1, 2024.

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ANDY MILLS, SPECIAL ASSISTANT AND LEGISLATIVE LIAISON,
DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES,
addressed FN 1 from Department of Transportation and Public
Facilities, OMB Component 2355:

This legislation requires the state fire marshal to make a determination and promulgate regulations consistent with federally mandated firefighting substances containing perfluoroalkyl or polyfluoroalkyl substances (often referred to as PFAS or PFOA/PFOS or colloquially as "forever chemicals").

The Department of Transportation & Public Facilities (DOT&PF) state airports are mandated by the Federal Aviation Administration (FAA) to utilize PFAS-containing aqueous film forming foam (AFFF) for firefighting purposes and not subject to state fire marshal regulations given the federal requirement. Under this language, the Department of Environmental Conservation would ensure the state accepts "a firefighting substance" containing PFAS. Clarification provided by the sponsor identified that DOT&PF was the state entity who would accept for disposal the AFFF from persons in Alaska with a cap of 40 gallons per year. There was further clarification that the communities where this collection and disposal effort would be targeted are those who participated in the Project Code Red initiative (details below).

As context, Project Code Red was an initiative spanning two decades (earliest mentions found are from the early 2000s) that supplied a Conex container full of firefighting equipment to rural Alaska villages (see standard equipment manifest provided with this fiscal note). Research indicates original funding for Project Code Red was found to be a combination of federal funds and state grants to the Alaska Villages Initiative (AVI). In consultation with the AVI, the entity who organized, assembled, and distributed Project Code Red, a list of 138 rural communities were cited as receiving Project Code Red equipment. Research further indicates training on this equipment was also provided by the Department of Public Safety and their Office of Rural Fire Protection at each village where equipment was provided. Review of a community list (also attached) shows 132 communities

with some quantity of PFAS-containing AFFF for disposal.

Given that context, DOT&PF anticipates, as directed by this legislation and in cooperation with above listed state and private entities, operating a contracted program to ensure specialized environmental contractors collect and dispose of any PFAS-containing AFFF substance. One state funded position would be required to coordinate the outreach, inventory verification, contracting, and logistics of this program with the following costs:

One FTE: PFAS Disposal Coordinator at Range 21, step F; in the General Government Union (GGU)

Advance step placement up to F step allows department to recruit an experienced contract coordinator.

Salary & Benefits: annually \$87.0 salary, COLA positioned in Fairbanks of \$3.5, associated benefits of \$59.5 (total of \$150.0)

Travel: \$30.0 in FY 24 and FY 25 to establish program, then taper down to \$15.0 for FY 26 and FY 27 (travel to rural villages for situations where community wants it out but doesn't know status of AFFF inventory)

Commodities: \$5.0 (computer, phone, etc.)

This PFAS disposal coordinator would be responsible for reaching out to the 132 villages identified to alert them to the existence of this disposal program. Upon receipt of a request from an interested village, the coordinator will draft and post a competitive bid for contractor services to go out and collect PFAS-containing substance(s). Referencing the Project Code Red manifest, each village is anticipated to have a baseline minimum of 5 gallons of AFFF and a 30-gallon tank filled with a water/AFFF mixture in a "ready state" for firefighting purposes. Given the 40 gallon per year limit, the contractor would have to mobilize once to dispose of the estimated 35 gallons for each community. If the village has purchased, acquired, or been gifted additional AFFF, additional years would be necessary to capture the additional amounts, up to 40 gallons per year.

To get a cost estimate, the department reached out to several environmental contractors for scenarios on general cost estimates based on scope provided, location and mode of transporting the disposal effort.

Contractor-A scenario used a methodology of provided a range of costs from ~\$6.0 for disposal via mostly road, to ~\$10.0 by mostly barge, and ~\$15.0 by mostly air to dispose of the 35 gallons (5-gallon AFFF container in an overpack container and the 30 gallons substance in the firefighting equipment to be drained into a 55-gallon drum). This did not include site survey cost estimates. The list of communities that received Project Code Red equipment appears to require more air travel than road or barge and, therefore, the estimate provided reflects a higher average between the barge and air options. Using this methodology, to dispose of estimated 35 gallons in 132 villages would cost \$12.5 for each community for a total contractor cost of \$1,650.0.

Contractor-B scenario used a methodology based on bulk activity for all work to be performed. This scope included an initial site survey at an estimated cost of \$500.0, administrative duties and fees of \$15.0, mobilization and packing of disposal AFFF at \$1,770.0, transportation at \$600.0, disposal at \$500.0 and a summary of disposal certification at \$50.0 to address all 132 remote site disposals. The total estimated for this contractor to handle all disposal activities is estimated at \$3,435.0 (a competitive bid would be required for each contract).

Averaging the two contractor cost estimates gives a total minimum estimated capital appropriation of \$2,550.0 along with the personnel costs and all assumptions detailed in this analysis. One significant caveat to this analysis is with the language of the legislation stating a "person in the state" leaves the option for unknown quantities of AFFF yet to be identified eligible for disposal. If individuals outside of the villages listed on the Project Code Red list come forward and qualify, capital funds appropriated will be used on a first-come, first-serve basis until such time as the capital appropriation is exhausted. While unknown and therefore not captured in the capital estimate of this fiscal note, the state contemplates there could be a significant amount of AFFF disposal from sources outside of Project Code Red areas given the broad eligibility and the annual nature of the disposal language proposed in this

legislation (no end date for acceptance of disposal outside of department's personnel backout at the end of FY 27).

The effective date of this bill, if enacted, would be January 1, 2024. DOT&PF would look to hire the PFAS disposal coordinator once the FY 24 budget was enacted with capital funds available for contractor collection and disposal starting the first quarter of calendar year 2024.

Assumptions used in this analysis:

- In addition to disposal contract program costs, there is the real potential for liability costs associated with PFAS disposal that cannot be quantified at this time but, under reasonable consideration, could far exceed the costs of this fiscal note should a spill or mishandling of the PFAS-containing AFFF occur, even outside of the state's control.
- There are likely some villages where their AFFF is no longer retrievable, either used for firefighting or disposed of prior to outreach, and would result in fewer gallons for disposal in some contracts. An offset to this assumption are communities that have procured additional AFFF beyond the Project Code Red supply. Given the unknowns in quantities of qualifying parties, the department chose to use the presumed numbers available in the absence of better inventory data.
- The legislation only contemplates disposal of the "a firefighting substance" and not the contaminated equipment or container that is left behind.
- No alternative PFAS-free AFFF is currently authorized at the time of this analysis and no provision of this bill specifies replacement of firefighting substances.
- Toxic levels in drinking water have been established at a federal level and classification as a hazardous material is in progress at the federal level.

Mr. Mills stressed that the fiscal note was an estimate based on the information currently available.

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Co-Chair Olson OPENED public testimony.

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PATTI SAUNDERS, ALASKA COMMUNITY ACTION ON TOXICS, ANCHORAGE (via teleconference), spoke in support of the bill. She cited that there were currently PFAS poisoning water supplies at 469 sites throughout Alaska. She referenced the Alaska Community Water Quality Report published by her organization (copy on file). She said that all the waters tested were used for fishing and recreation. She said that there were safe and economical alternatives to PFAS currently being used all over the world. She said that there were 33 alternatives that had been "Green Screen" certified. She believed that the bill was a critical first step in the prevention of future environmental harm.

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MIKE CRAFT, SELF, FAIRBANKS (via teleconference), testified in support of the legislation. He offered a brief history of the use of PFAS and the known environmental impacts of the substance. He lamented that people could be watering their gardens with contaminated water and not know the water was poisoned.

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JUSTIN MACK, SECRETARY TREASURER, ALASKA PROFESSIONAL FIREFIGHTERS' ASSOCIATION, ANCHORAGE (via teleconference), spoke in support of the bill. He worked as a captain in the Anchorage Fire Department. He asserted that PFAS was a known problem in the profession. He said that even with all the best practices in place, firefighters were still getting cancer due to PFAS exposure. He noted that there were strict policies surrounding the chemical. He believed that there were alternative chemicals available for fighting fires.

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DYANI CHAPMAN, ALASKA ENVIRONMENT, ANCHORAGE (via teleconference), testified in support of the bill. She reiterated previous testimony about PFAS contamination in Alaska's waters and wildlife. She listed states that had chosen to use alternatives to PFAS to protect firefighters and the environment. She thought alternatives to PFAS had

been well tested in states with wildfires. She urged the passage of the legislation.

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LESA HOLLEN, SELF, ANCHORAGE (via teleconference), spoke in support of the bill. She shared that she was a neuroscientist. She asserted that PFAS affected every part of a mammal's body, passing through the blood/brain barrier. She listed the myriad of ill effects of PFAS on humans, predominately cancer. She spoke to the cost of Medicare to address illnesses in the state.

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MARGARET TARRANT, SELF, ANCHORAGE (via teleconference), testified in support of the bill. She spoke of members of her community that had been exposed to PFAS and subsequently diagnosed with cancer. She reiterated previous testimony on the ills of PFAS.

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AT EASE

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RECONVENED

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Co-Chair Olson CLOSED public testimony.

Senator Kiehl thanked the committee for considering the legislation.

Co-Chair Olson set SB 67 aside.

SB 67 was HEARD and HELD in committee for further consideration.

#sb104

SENATE BILL NO. 104

"An Act relating to appropriations to the civil legal services fund."

[2:24:17 PM](#)

Co-Chair Olson invited Senator Dunbar to the table.

[2:24:36 PM](#)

SENATOR FORREST DUNBAR, SPONSOR, explained that the bill would increase funding for the Alaska Civil Legal Services Fund. He shared that legislation allowing the legislature to appropriate filing fees for ALSC was passed in 2018 and was originally set at 25 percent but lowered to 10 percent with the intention to reassess the need for a higher appropriation later; those contributions were now necessary to fully support their clients in need. He spoke of his internship at Alaska Legal Services and his passion for providing free legal services to residents in the state.

[2:26:45 PM](#)

ARIELLE WIGGIN, STAFF, SENATOR FORREST DUNBAR, discussed a Sectional Analysis (copy on file):

SECTIONAL ANALYSIS

SB 104: CIVIL LEGAL SERVICES FUND

Section 1: amends AS 37.05.590 Civil Legal Services Fund so that up to twenty-five percent, instead of ten percent, of Court System filing fees can be appropriated by the Legislature to the existing Civil Legal Services Fund each year.

[2:27:14 PM](#)

Senator Wilson referred to the statute and asked where the remainder of the court filing fees would go.

[2:28:03 PM](#)

NIKOLE NELSON, EXECUTIVE DIRECTOR, ALASKA LEGAL SERVICES CORPORATION, asked whether Senator Wilson was referring to the 50 percent of punitive damages that were part of the fund.

Senator Wilson replied in the affirmative.

Ms. Nelson explained that the fund had two components: the first allowed for 50 percent of punitive damages awarded to the state to go into the fund, which had not generated much revenue. She said that the statute that governed the fund had been amended in 2018 to include 10 percent of court system filing fees, on top of the punitive damages award. She said that when the bill was amended in 2018, it had

originally been 25 percent, which was negotiated down to 10 percent, with the caveat that it would be increased if the fund did not meet community need.

[2:30:05 PM](#)

Senator Wilson asked whether the increase would increase court fees, and if those fees were needed by the Court System. He wondered whether putting them in the general fund would leave the Court System in financial need.

Ms. Nelson understood that the funds did not go to the Court System, but rather into the general fund.

[2:31:10 PM](#)

Senator Wilson reiterated his question about court filing fees.

[2:31:47 PM](#)

NANCY MEADE, GENERAL COUNSEL, ALASKA COURT SYSTEM, relayed that the bill did not impact the finances of the Alaska Court System. She said that every dollar that the system collected for filing fees went directly to the general fund. She stated that the system's budget was not based on filing fees.

Senator Wilson asked when the last time the Court System had considered increasing filing fees.

Ms. Meade believed fees had been increased in 2018. She thought that the increase had been written into intent language in the Operating Budget. She said that the basic filing fee for a civil case was \$250.

[2:33:41 PM](#)

Ms. Nelson continued her testimony. She thanked the committee for hearing the bill. She stressed that both the state and federal constitutions guaranteed due process and equal protection under the law, but a right to council was not guaranteed in the civil justice system. She said that there was a gap between those who needed civil legal aid and those who received it. She said that legal aid had not kept pace with community need. She provided a background and the mission of Alaska Legal Services (ALS).

MS. Nelson shared that the mission of ALS was to ensure fairness to all in the justice system, regardless of economic status or geographical location. The work was done through providing individual advice and representation, providing self-help materials, and providing guidance for those going through the system on their own. The work was done through twelve regional offices, and the organization maintained a statewide footprint.

Ms. Nelson continued that the work was done by employees and volunteers. She listed typical consumers who sought the help of ALS from day to day, which included some of the state's most vulnerable residents.

[2:37:11 PM](#)

Ms. Nelson emphasized that access to justice in the civil system was paramount. She cited that ALS received contributions from communities where their offices were located. She shared that ALS had provided representation to thousands of Alaskans, 86 percent of which had resulted in positive outcomes.

Ms. Nelson noted that there was a \$5 to \$1 return on funds invested into the program. She said that ALS had saved the state \$2.6 million in avoided medical and counselling costs.

Ms. Nelson cited the problem of turning away hundreds of families per year due to lack of resources. She noted that the target population continued to grow, while funding had not kept pace. She said that in 1984, ALS had been appropriated \$1.2 million to serve a target population of 40,000. She stated that in the current state fiscal year the state appropriation, coming from 2 sources, was equal to \$681,600 - to serve a target population of 128,000. She said that in 1984 the state was spending \$28 per person, which when inflation adjusted for 2023 would be \$81 per person. She lamented that the funds had not increased, or been adjusted for inflation, and that the state currently spent \$5 per person.

[2:40:36 PM](#)

Ms. Nelson stressed that when the fund was amended in 2018 to include the 10 percent filing fees, the promise was to

revisit the matter should it be found that funding was not sufficient. She stressed that funding had not kept pace, and the issue needed to be addressed.

[2:41:08 PM](#)

Ms. Nelson mentioned that ALS was incredibly cost-efficient and did the best it could with the available resources.

[2:41:47 PM](#)

Senator Bishop understood that ALS turned away 200 cases per year.

Ms. Nelson clarified that half of the cases brought before them were turned away due to lack of resources.

Senator Bishop asked whether Ms. Nelson could put a monetary figure to the number of people that ALS had to turn away.

Ms. Nelson said that she would provide the information. She cited that for every additional \$100,000 added to the ALS budget, 180 more clients could be served.

[2:43:04 PM](#)

Ms. Nelson mentioned that ALS was leveraging resources with donated office space and other support from local communities where offices were located. She said that the pro bono program had leveraged nearly 4,000 hours of donated time in the last year. She emphasized that the state needed to address the civil justice crisis and assure that access to justice was a reality for everyone.

[2:44:24 PM](#)

SANDRA MOLLER, DIRECTOR, DIVISION OF COMMUNITY AND REGIONAL AFFAIRS, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT (via teleconference), addressed the zero FN 1 from DCCED.

[2:45:23 PM](#)

AT EASE

[2:45:52 PM](#)

RECONVENED

Senator Wilson considered FN 1, which showed fiscal impact on the 'Grants and Benefits' line and the 'Legal Services' line through FY24. He asked why there were no reflected outgoing costs, FY25 through FY29. He thought the note should be indeterminate rather than zero.

Ms. Moller affirmed that the numbers on the note were correct. She admitted that the numbers in the outgoing years were indeterminate.

Senator Wilson argued that the note reflected a zero cost rather than an indeterminate cost.

Ms. Moller relayed that the fiscal note should be indeterminate and not zero.

[2:48:37 PM](#)

Senator Bishop addressed FN 1 from DCCED, OMB Component 2879.

[2:49:11 PM](#)

Co-Chair Olson OPENED public testimony.

[2:49:48 PM](#)

AT EASE

[2:50:05 PM](#)

RECONVENED

Co-Chair Olson CLOSED public testimony.

SB 104 was HEARD and HELD in committee for further consideration.

#sb114

SENATE BILL NO. 114

"An Act establishing an income tax on certain entities producing or transporting oil or gas in the state; relating to the oil and gas production tax; and providing for an effective date."

[2:50:22 PM](#)

Co-Chair Stedman MOVED to ADOPT proposed committee substitute for SB 114, Work Draft 33-LS0641\U (Nauman, 4/3/23).

Co-Chair Olson OBJECTED for discussion.

[2:51:04 PM](#)

KEN ALPER, STAFF, SENATOR DONNY OLSON, addressed a summary of changes documents (copy on file):

CS for Senate Bill 114: Oil and Gas Production Tax, Income Tax

Changes from initial version ("S" to "U")

Original bill was 42 pages long and had 47 sections.

Current CS is five pages long and has nine sections.

Four main changes:

1) Remove the addition of a "ringfence" on the North Slope, which would have required separate calculation of company spending on each field with a separate profit and thus tax calculation for each field.

2) Remove substantial conforming language throughout the bill that referred to the ringfence and the various separate calculations required for it.

3) Corrects an error in the "per barrel credit" change, so that the credit goes all the way to zero at high prices.

4) Removed the repeal of AS 43.55.024(a) and (b). This is an obsolete, sunsetted credit having to do with new field development outside both Cook Inlet and the North Slope.

This was removed because it is unnecessary and enabled the elimination of about another 10 pages of conforming text.

What the bill still does:

1) Expands the current petroleum corporate income tax to all oil and gas producers and transporters, regardless of business form. The tax is 9.4% of taxable income greater than

\$4 million / year. (Section 1)

2) Reduces the "per taxable barrel credit" by \$3, from \$8 to \$5 at the highest point (wellhead value below \$80), declining to zero at wellhead value of \$120. (Section 2-3)

- 3) Limits use of the per-barrel credits earned in a year for production from a particular field to no more than the producer's qualified capital spending on that field. (Section 4)
- 4) Changes are retroactive to January 1, 2023

[2:54:36 PM](#)

Co-Chair Olson WITHDREW his objection. There being NO OBJECTION, it was so ordered. The CS for SB 114 was ADOPTED.

[2:55:02 PM](#)

SENATOR BILL WIELECHOWSKI, SPONSOR, thought ring fencing was a concern that was compounded by the complex tax structure of the state. He supported the new bill version and thanked the committee for their work.

[2:55:37 PM](#)

Co-Chair Stedman asked for help understanding the retroactive date.

[2:55:59 PM](#)

Senator Wielechowski said that corporate income tax structure operated on a calendar year rather than a fiscal year. He added that there was precedent for retroactivity in oil tax structures. He said that the committee should decide what was in the best interest of the state.

[2:57:07 PM](#)

Co-Chair Olson set the bill aside.

SB 114 was HEARD and HELD in committee for further consideration.

Co-Chair Olson discussed housekeeping.

#

ADJOURNMENT

[2:57:53 PM](#)

The meeting was adjourned at 2:57 p.m.