

SENATE FINANCE COMMITTEE  
April 27, 2023  
1:35 p.m.

[1:35:32 PM](#)

CALL TO ORDER

Co-Chair Olson called the Senate Finance Committee meeting to order at 1:35 p.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

None

ALSO PRESENT

Ken Alper, Staff, Senator Donny Olson; Pete Ecklund, Staff, Senator Bert Stedman.

SUMMARY

SB 114 OIL & GAS PRODUCTION TAX; INCOME TAX

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

CSHB 39(FIN) am(brf sup maj fld)(efd fld)

APPROP: OPERATING BUDGET/LOANS/FUND; SUPP

CSHB 39(FIN) was HEARD and HELD in committee for further consideration.

CSHB 41(FIN) am

APPROP: MENTAL HEALTH BUDGET

CSHB 41(FIN) was SCHEDULED but not HEARD.

Co-Chair Olson discussed the agenda.

#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."

1:36:13 PM

Co-Chair Olson relayed that there was invited testimony scheduled for the bill the following week. The committee would consider a new Committee Substitute (CS).

1:36:52 PM

AT EASE

1:36:56 PM

RECONVENED

Co-Chair Stedman MOVED to ADOPT proposed committee substitute for SB 114, Work Draft 33-LS0641\R (Nauman, 4/25/23).

Co-Chair Olson OBJECTED for discussion.

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KEN ALPER, STAFF, SENATOR DONNY OLSON, discussed the changes in the proposed CS. He recalled that the committee had adopted a CS two weeks previously that had removed the ring-fencing provision. He identified that there had been a technical issue that had been brought to light by industry, which he wanted to clarify. He drew attention to Section 4 on Page 3 of the bill; which was a provision of the bill brought forward by the sponsor that indicated that the per-barrel credit earned on a field should only be usable to the extent the company was reinvesting capital in the same field.

Mr. Alper made note of the word "unit" on line 30 of the new CS and explained that the previous version of the bill had the words "lease or property." He detailed that there had been concern that the language could be interpreted to

mean that companies had to spend the money on the same lease or participating area, while the sponsor's intent was that the spending could be anywhere on the unit and be able to use all the per-barrel credits earned from production on the unit.

Co-Chair Olson WITHDREW his objection. There being NO OBJECTION, it was so ordered.

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

[1:39:30 PM](#)

AT EASE

[1:41:23 PM](#)

RECONVENED

Co-Chair Olson handed the gavel to Co-Chair Stedman.

#hb39

CS FOR HOUSE BILL NO. 39(FIN) am(brf sup maj fld)(efd fld)

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; repealing appropriations; amending appropriations; making reappropriations; and making supplemental appropriations."

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Co-Chair Stedman relayed that there had been a need for clean-up language for the previous version of the operating budget. The committee would consider a CS with the clarifying language and consider two amendments.

Senator Merrick MOVED to ADOPT proposed committee substitute for CSHB 39(FIN), Work Draft 33-GH1347\H (Marx, 4/26/23).

Co-Chair Olson OBJECTED for discussion.

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PETE ECKLUND, STAFF, SENATOR BERT STEDMAN, recalled that there had been a technical amendment related to salary

adjustment correction that had been adopted the previous day. The technical amendment was the only change reflected in the proposed CS.

Co-Chair Olson WITHDREW his objection. There being NO OBJECTION, it was so ordered.

[1:43:52 PM](#)  
AT EASE

[1:44:17 PM](#)  
RECONVENED

Senator Kiehl MOVED to ADOPT Amendment 1.

Senator Wilson OBJECTED for discussion.

Senator Kiehl spoke to Amendment 1, which would remove conditional wordage related to abortions and would add back some General Fund (GF) money that the CS removed. He continued that the amendment would put the bill back into compliance with the Alaska Constitution. He cited that the language in the bill was not necessary to comply with federal law, and the state always followed federal law when it came to Medicaid dollars. He asserted that the language was not needed to follow the federal law. He emphasized that the courts had looked at the language and the language violated the law.

Senator Kiehl acknowledged that there were strongly held beliefs on the topic of abortion, and noted that the Alaska Supreme Court had held repeatedly that the constitutional right to privacy included a decision a decision on when or if to become a parent. He explained that without the adoption of Amendment 1, the state would still have to pay for the procedures and would have a budget that did not follow the state's foundational document. He urged members to support the amendment and have a budget that was square with the constitution.

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Senator Wilson spoke in opposition to the amendment. He thought the language was in the bill because there were many Alaskans and many legislators in both bodies that felt that the legislature should not be using state dollars, via Medicaid or GF, to pay for abortions. He commented on the

strong feelings in his district pertaining to the subject. He hoped that one day the Supreme Court interpret the right to privacy differently.

Senator Merrick was adamantly opposed to the amendment and relayed that the majority of her constituents were opposed to the amendment. She shared that she had a teenage birth mother, and had been adopted at birth. She thought it was important to stand up for children that could have the opportunity in the future.

Co-Chair Stedman also opposed the amendment. He acknowledged the difficulty of the issue. He thought the language in the bill had been used for many years.

Co-Chair Olson relayed that as a medical doctor he realized that abortion was a passionately-felt issue that divided people. He understood that women in need of life-saving care would receive the attention needed under the current bill. He was not in favor of the amendment.

Senator Kiehl restated that the issue was one with very passionate beliefs. He agreed that Co-Chair Olson's point was correct in that the language in the bill would not prevent people from getting medical care.

Senator Kiehl MOVED to WITHDRAW Amendment 1. There being NO OBJECTION, it was so ordered.

[1:49:57 PM](#)

Senator Bishop MOVED to ADOPT Amendment 2.

Co-Chair Stedman OBJECTED for discussion.

Senator Bishop spoke to Amendment 2, which restored \$4,965,300 in GF to the Department of Environmental Conservation (DEC) for state assumption of 404 primacy [of the Clean Water Act]. He recalled that the previous year there had been debate on the issue and differences between the House and Senate. He recalled that the Conference Committee had settled upon \$1 million for a comprehensive study.

Senator Bishop recalled that there were only three states that had assumed the primacy, but other states were working towards the goal. He reasoned that in order to assume the

program, it would be necessary to seed the program with GF money before federal dollars would follow. He asserted that there were no federal dollars to the three states that currently had 404 primacy, but the matter was being actively pursued by Alaska's congressional delegation. He used the example that the last quotes on the state's natural gas pipeline had been \$800 million in mitigation damages for wetlands. He cited that if homeowners had wetlands to backfill, it would be necessary to pay for an offset with cash or a trade to fulfill a 404 permit obligation.

Senator Bishop reminded that in 2005, the legislature had passed a law to have primacy over the 402 program, which he thought was paid for with half federal funds. When the legislature passed the bill in 2005, it took until 2008 for the United States Environmental Protection Agency to pass over the primacy to DEC.

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Senator Merrick asserted that assuming 404 primacy would streamline permitting and provide more predictability and stability. She thought the state had a proud history of developing things cleaner, safer, and more environmentally sound than anywhere in the world. She opined that Alaska held itself to a higher standard than the federal government. She thought that with two-thirds of the country's wetlands, it was of the utmost importance for the state to assume 404 primacy. She mentioned letters of support. She thought the amendment would ensure that permitting was efficient and that investment and development increased, and the environment would be protected.

Co-Chair Stedman commented that 404 primacy was another tough issue. He thought he was one of the legislators that had voted for statutory changes to take on 404 primacy several years previously. He thought the financial environment had changed. He had concerns with the agency's ability to absorb a new program including funding, administering, and hiring for the new program. He hoped that in the future the federal government would come forward with a 60 percent to 70 percent match to pay for the program. He commented that the structure was place but there was currently a conversation just regarding funding. He did not feel it was the right time to move forward with

the change. He thought the prices to pay for development were cumbersome and extreme. He thought there were underlying issues with 404 permitting. He commented that he had constituents on both sides of the issue. He did not support the amendment.

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Co-Chair Olson considered the idea that Alaska sounded like the kind of place where individuals lived off the grid. He mentioned miners in his district and thought the state assuming 404 primacy would make it easier for industry. He mentioned the budget proposed by the other body, which was in deficit. He mentioned the constricted budget and thought it was the wrong time for the state to assume the program. He would not support the amendment.

Co-Chair Stedman MAINTAINED his objection.

A roll call vote was taken on the motion.

IN FAVOR: Wilson, Bishop, Merrick  
OPPOSED: Kiehl, Hoffman, Olson, Stedman.

The MOTION FAILED (3/4).

CSHB 39(FIN) was HEARD and HELD in committee for further consideration.

Co-Chair Stedman discussed the agenda for the following day.

#  
ADJOURNMENT  
[1:59:15 PM](#)

The meeting was adjourned at 1:59 p.m.