

**ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE**

February 8, 2023

3:31 p.m.

MEMBERS PRESENT

Senator Click Bishop, Co-Chair
Senator Cathy Giessel, Co-Chair
Senator Bill Wielechowski, Vice Chair
Senator Scott Kawasaki
Senator James Kaufman
Senator Forrest Dunbar
Senator Matt Claman

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

PRESENTATION(S): OVERVIEW OF THE TAX STRUCTURE ON COOK INLET BY
THE DEPARTMENT OF REVENUE (DOR)

- HEARD

PRESENTATION(S): OVERVIEW OF THE DEPARTMENT OF NATURAL
RESOURCES (DNR)

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

DAN STICKEL, Chief Economist
Economic Research Group
Department of Revenue (DOR)
Juneau, Alaska

POSITION STATEMENT: Answered questions and provided information
about the tax structure for Cook Inlet.

BRANDON SPANOS, Deputy Director
Tax Division

Department of Revenue (DOR)
Anchorage, Alaska

POSITION STATEMENT: Answered questions and provided information about the tax structure for Cook Inlet.

JOHN CROWTHER, Deputy Commissioner
Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Participated in the Department of Natural Resources (DNR) overview.

BRENT GOODRUM, Deputy Commissioner
Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Participated in the Department of Natural Resources (DNR) overview.

MIA KIRK, Acting Director
Division of Agriculture
Department of Natural Resources
Palmer, Alaska

POSITION STATEMENT: Answered questions during the Department of Natural Resources overview.

BRENT GOODRUM, Deputy Commissioner
Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Participated in the Department of Natural Resources (DNR) overview.

JOHN BOYLE, Commissioner-Designee
Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Participated in the Department of Natural Resources (DNR) overview.

ACTION NARRATIVE

[3:31:49 PM](#)

CO-CHAIR CATHY GIESSEL called the Senate Resources Standing Committee meeting to order at 3:31 p.m. Present at the call to order were Senators Dunbar, Claman, Wielechowski, and Co-Chair Bishop and Co-Chair Giessel. Senators Kaufman and Kawasaki arrived shortly thereafter.

DEPARTMENT OF REVENUE (DOR) DISCUSSION ABOUT THE TAX STRUCTURE
FOR COOK INLET

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CO-CHAIR GIESSEL announced that the Department of Revenue would respond to the lingering questions about the tax structure for Cook Inlet.

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DAN STICKEL, Chief Economist, Economic Research Group, Department of Revenue (DOR), Juneau, Alaska, introduced himself.

CO-CHAIR GIESSEL requested answers to the following:

- The tax rate for Cook Inlet.
- Whether expenditures in Cook Inlet could be deducted from a company's North Slope liabilities.
- The revenue implications for the state if a company, Hilcorp specifically, is an S corporations.

MR. STICKEL clarified that DOR cannot talk about specific taxpayer information so the presenters would be talking in generalities when they discuss corporations that are and are not subject to corporate income tax.

He convey that in terms of the overall fiscal system in Cook Inlet, the state receives revenue primarily from four main sources:

- **State royalty** applies to production from state-owned lands.
- **Corporate income tax** applies to C corporations. Statewide, most companies doing business in the oil and gas industry are C corporations. For companies that are subject to corporate income tax, the top marginal rate is 9.4 percent.
- **Property tax** is a 20 mill assessment, or 2 percent of the assessed value of the property. A credit for any municipal taxes offsets that, so the company pays 20 mills and the state receives a portion.
- **Severance/Production tax** is applied to the production of oil and gas and paid to the state.

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MR. STICKEL explained that the severance/production tax in Cook Inlet changed January 1, 2022 so there are both before and after regimes, for gas taxes in particular. The base tax rate is 35 percent of the production value. It is a net profits-based tax.

Production tax value is the calculation similar to a net profit calculation. That applied to both oil and gas prior to January 1, 2022. After that date, the 35 percent net continued to apply to oil, but for gas it changed to a 13 percent gross tax rate. That change applied statewide for all gas production. It originally was intended to line up with a potentially major gas sale from the North Slope.

MR. STICKEL stated that there is no tax floor in Cook Inlet. Currently, no significant tax credits apply. A small number of companies receive the small producer credit that is being phased out. The other major tax credits for Cook Inlet were repealed effective January 1, 2018. Tax ceilings are in place for oil and gas. The tax ceiling for oil is \$1 per barrel. For oil, run through the tax calculation, apply the 35 percent of production tax net rate, and what's owed is either the 35 net tax or the \$1/bbl ceiling.

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SENATOR KAUFMAN joined the meeting.

MR. STICKEL continued to explain that a tax ceiling also applies to gas. It distinguishes between fields in production prior to April 1, 2006 and fields that came into production after that date. That date was tied to the state's switch from a gross tax system to a net tax system that was implemented in 2006 with the petroleum profits tax (PPT) legislation. For the gas fields that were producing prior to April 1 2006, the tax ceiling is based on the effective gross tax rate in place for the preceding 12 months. Depending on the field, those ceilings range from zero to about \$0.25 per thousand cubic feet (Mcf). For any fields that came into production post April 1, 2006, the tax ceiling is \$0.177/Mcf. As of 2006, that represents the average gross tax rate for all fields.

[3:39:11 PM](#)

SENATOR KAWASAKI joined the committee.

MR. STICKEL added that starting in 2022 when gas changed to a gross tax, a producer that has both oil and gas production is able to apply all of their lease expenditures against the net tax calculation for oil.

He asked if there were questions.

[3:40:00 PM](#)

SENATOR CLAMAN asked him to expand on the question of what expenses can be deducted against fields on the North Slope versus Cook Inlet.

MR. STICKEL explained that production tax has what's referred to as a ring fence. It describes how lease expenditures can apply between different fields. For example, for a field on the North Slope a producer calculates their tax on a slope-wide basis. This means that any expenditures in one field can be used to offset revenue from production in another field. In response to a question, he confirmed this was specific to the North Slope.

For Cook Inlet, each field has its own calculation, which means a producer cannot use expenses from one field to offset revenue from another field. The producer also cannot apply any of those expenses against North Slope production.

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SENATOR WIELECHOWSKI asked if he had responded to the committee questions in writing.

MR. STICKEL answered no but the department would provide written responses.

SENATOR WIELECHOWSKI said it would be helpful to have the numbers on a single sheet for reference. He recapped his understanding of the explanation of the taxes and asked if it was accurate.

MR. STICKEL said he'd be happy to update a presentation the division delivered last session and provide that to the committee.

CO-CHAIR GIESSEL asked him to send it to her office.

SENATOR WIELECHOWSKI said the committee was looking for levers to pull to get more gas from Cook Inlet, so it was important to know those tax rates. He asked how much the state had collected the last couple of years in taxes and royalties from Cook Inlet.

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MR. STICKEL said an analysis was prepared last year that looked at total taxes and royalties. For FY2021 the estimate was \$65 million from Cook Inlet and the estimate for FY2020 was \$68 million. He noted that the department was in the process of updating the analysis for FY2022.

SENATOR WIELECHOWSKI asked how many barrels were produced.

MR. STICKEL answered that for FY2021, there was 10,600 bbl/day of oil production from Cook Inlet and about 222 million cubic feet (MMcf) per day of gas production.

SENATOR WIELECHOWSKI asked how much in taxes and royalties the state was receiving per barrel per day from Cook Inlet versus the North Slope compared to what the producers and federal government were receiving.

MR. STICKEL said he would follow up with the information.

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CO-CHAIR BISHOP asked if he could prepare an order of operations specific to Cook Inlet.

MR. STICKEL agreed to provide the information.

[3:45:06 PM](#)

SENATOR DUNBAR asked him to confirm the taxes and royalties the state collected from Cook Inlet for FY2021 and FY2022.

MR. STICKEL said the analysis prepared last year showed that for FY2020 Cook Inlet revenue was estimated at \$68 million and revenue for FY2021 was estimated at \$65 million.

SENATOR DUNBAR asked if that was from just gas or gas and oil combined.

MR. STICKEL answered that those revenue numbers were from gas and oil combined. He added that property and income tax were difficult to assign to either oil or gas.

SENATOR DUNBAR commented that it was a little surprising that the state only received \$65 million in total revenue from oil and gas together from Cook Inlet. He asked for help understanding both how to stimulate gas production and how that revenue compares to all the activity in Cook Inlet.

MR. STICKEL said the forthcoming graphic will highlight the key elements of the fiscal regime, including tax ceiling, tax rate, the way lease expenditures are applied, and tax credits, which no longer apply. The analysis will show that the production tax burden is relatively low for Cook Inlet. He acknowledged that the analysis could be expanded to look at property tax.

CO-CHAIR GIESSEL stated that her office would distribute the analysis that Mr. Stickel agreed to provide.

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SENATOR CLAMAN requested the graphic also describe how the department calculates what a producer actually pays. He commented that because of the cap, producers probably aren't always paying 35 percent.

[3:49:07 PM](#)

SENATOR WIELECHOWSKI asked for the total amount of tax credits the state had provided for Cook Inlet. He noted that he'd heard conflicting numbers.

MR. STICKEL said he would follow up with the information.

SENATOR WIELECHOWSKI asked if the tax division had done an analysis of the incentives that worked and did not work. He listed examples that included tax credits, jack-up rigs, cutting credit royalties to zero, and reducing tax on oil and gas.

MR. STICKEL replied that they were in the process of updating prior analyses that looked at the correlation between enacting tax credits and what happened to oil and gas production in Cook Inlet; and what companies that received tax credits went on to do in terms of lease expenditures and production.

[3:50:42 PM](#)

SENATOR WIELECHOWSKI asked whether the department was working on any sort of an ask from Cook Inlet producers.

MR. STICKEL said he would defer the policy question about what the department was working on, but he could speak to the analysis that the tax group was working to update.

SENATOR WIELECHOWSKI asked whether someone from the department was available to answer policy questions.

MR. STICKEL answered that some leadership members of the Tax Division were available online.

CO-CHAIR GIESSEL asked Brandon Spanos to respond to Senator Wielechowski's question.

[3:51:29 PM](#)

BRANDON SPANOS, Deputy Director, Tax Division, Department of Revenue (DOR), Anchorage, Alaska, stated that he would defer to

the Commissioner of Revenue. He'd been in the position for a month and did not have that information.

SENATOR WIELECHOWSKI said he understood, but the answer was important. He didn't want the committee and legislature to be rushed into making a decision about Cook Inlet, but the situation was approaching crisis level because some utilities were going to run out of gas in just two years. He opined that getting an import facility for LNG up and running would take five years and it may take even longer to build a gasline. He said he has the feeling that an "ask" is coming and he'd like the committee and legislature to be prepared for that. He restated the importance of getting the information from the tax division sooner rather than later.

CO-CHAIR GIESSEL advised that she would ask the commissioner of Revenue to come before the committee and answer the question.

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CO-CHAIR BISHOP said diversification is key, and then commented on what would have happened if Susitna [Susitna Watana Dam] had been built in 1984.

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SENATOR KAWASAKI said he too anticipates a forthcoming "ask" from the utilities. He emphasized that the lack of affordable gas is critical throughout the Railbelt, but particularly so for people in the Interior and Fairbanks region. If there's going to be a substantive policy change or an "ask" for the Cook Inlet region, it's better to know that sooner rather than later.

CO-CHAIR GIESSEL noted that Mr. Stickel would take the committee's specific question to the commissioner.

PRESENTATION(S): OVERVIEW OF THE DEPARTMENT OF NATURAL RESOURCES (DNR)

[3:55:58 PM](#)

CO-CHAIR GIESSEL announced the consideration of an overview of the Department of Natural Resources. She listed the individuals who would participate in the presentation.

[3:56:40 PM](#)

At ease

[3:58:08 PM](#)

CO-CHAIR GESSEL reconvened the meeting and welcomed John Crowther.

[3:58:21 PM](#)

JOHN CROWTHER, Deputy Commissioner, Department of Natural Resources, Anchorage, Alaska introduced himself and provided a brief biography. He relayed that Commissioner-Designee Boyle would arrive subsequently to provide introductory remarks about himself as he assumes the leadership of the department.

MR. CROWTHER read the department's mission statement from the Alaska Constitution. It provides a unique directive to maximize the value of resources for the public. The department takes its mission seriously and the organizational chart shows the professionals who provide leadership over seven divisions and two key offices. [The organizational chart may be found on slide 2 of the presentation.]

[4:01:58 PM](#)

BRENT GOODRUM, Deputy Commissioner, Department of Natural Resources, Anchorage, Alaska, introduced himself and provided a brief biography.

[4:02:35 PM](#)

MR. GOODRUM explained that the Division of Agriculture works to protect Alaska's natural resources and ecosystems through a variety of programs. A state priority is to improve food security by getting more land into production through agricultural land sales, improving infrastructure, leveraging USDA agricultural production programs, and continued support for market access for agricultural producers.

The 2022 season was challenging and harvests were poor. The division responded by implementing a food security cost assistance incentive grant program. Nearly \$500,000 is being distributed to 43 commercial livestock producers statewide in phase one. The Alaska Barley Transportation Support Grant Program that is underway is in response to the shortage of Alaska-grown livestock feed. The state is seeking to cover transportation costs to import critically needed livestock feed.

MR. GOODRUM described a joint program with the Division of Mining Land and Water. It was the first successful land sale offering of 27 parcels. This was nearly 2,000 acres within the Nenana Totchaket Agricultural Project area. Successful bidders are currently working on farm development plans.

MR. GOODRUM highlighted that division inspectors helped to facilitate the export of over \$140 million in logs and peonies in 2022. The division manages about \$1 million in specialty crop grants and \$4 million in micro grants that are focused on food security. Last, the Agricultural Revolving Loan Fund continued to provide loan opportunities for new and expanded agricultural programs.

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SENATOR WIELECHOWSKI expressed interest in the reimbursement to commercial farmers for livestock feed. He noted that of the \$450,000 that was distributed to 43 individuals, about one-third or \$147,000 went to just one individual. He asked for an explanation.

MR. GOODRUM deferred to Mia Kirk.

[4:06:52 PM](#)

MIA KIRK, Acting Director, Division of Agriculture, Department of Natural Resources, Palmer, Alaska, offered her understanding that a \$147,000 receipt was submitted. It was not a reimbursement. The division reimbursed 40 percent of the eligible receipts that were submitted and that's what happened with that specific receipt.

SENATOR WIELECHOWSKI asked if this was a state or federal program and how it worked if one-third could go to one individual.

MS. KIRK reiterated that the \$147,000 was a receipt. The division reviewed the applications for eligibility and established a 40 percent reimbursement for the eligible receipts that were submitted. The individual who submitted the \$147,000 receipt would have been reimbursed 40 percent, or close to \$60,000.

[4:09:47 PM](#)

MR. GOODRUM reviewed the Division of Forestry and Fire Prevention. He noted that fire prevention was added to the division's name by Executive Order on July 1, 2022. He stated that the division is tasked with wildland fire management over 150 million acres, primarily to protect life and property.

He reported that last year the Lime Complex fire in Southwest Alaska was the largest in the nation, encompassing more than 865,000 acres. This area saw little fire activity in the past. In 2022, 30 fires each burned more than 40,000 acres. A total of

592 fires statewide were attacked aggressively, which limited 216 fires that occurred in critical protection zones, resulting in just 109 acres being consumed.

MR. GOODRUM reported that with help from the legislature, the division established a fuel mitigation section that proactively mitigates hazardous fuels and establish and maintain strategic fire breaks around homes, businesses, and communities.

MR. GOODRUM reviewed the 2022 firefighting activities that were accomplished with legislative support. He spoke to slide 6:

Legislative Support in 2022

Building Firefighting Capacity: DOF received the first half of the \$8 million needed to increase our firefighting forces to Preparedness Level 3, including:

- Lead firefighters, training & fuels specialists, GIS analyst, critical support staff

Passed Emergency Firefighter (EFF) Bill:

GF funds can now pay EFFs for non-emergency hazardous fuels work.

- Creates stable employment for rural Alaskans
- Rebuilds village fire crews
- Diversifies rural economies

Reinstated the Wildland Fire Academy

- Provides training to new firefighters to build expertise and help rebuild our village fire crews.

Added 6 new firefighting crew support vehicles

Provided seasonal wildland firefighters with health care

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MR. GOODRUM reviewed the following about the division's strategic plan that was implemented in 2022:

Strategic plan will reduce suppression costs & increase public safety

1. Implement the second phase of a self-sufficient Alaska firefighting force that will:
 - Provide for public safety
 - Protect critical infrastructure, Alaskan investments and communities from wildland fire
 - Reduce suppression costs by containing fires at smaller footprints
 - Reduce the need to rely on expensive and potentially unavailable Lower-48 resources

2. Create a network of hazardous fuels treatments around communities that:
 - Increases public and firefighter safety
 - Includes the use of local contractors
 - Creates community involvement and builds skills and preparedness for wildland fire

[4:13:07 PM](#)

MR. GOODRUM stated the division manages 47 million acres of forest on state land for commercial timber sales and public use. Timber sales are the primary source of wood for local sawmills and value-added wood product manufactures throughout the state. They are also an important source of woody biomass for heat and electricity, primarily in the Interior. The division also builds and maintains roads on state lands. He highlighted that in 2022 the division sold 9.4 million board feet in 34 timber sales, worth \$1.7 million. The industry contributed 1,580 jobs and \$110 million to the Alaska economy in 2022.

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SENATOR DUNBAR asked how closely the division had been working on carbon sequestration, and the different strategies to effectively reduce fires in boreal forests in the Interior.

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JOHN BOYLE, Commissioner-Designee, Department of Natural Resources, Anchorage, Alaska, stated that the department was working to answer questions related to carbon sequestration. Some information suggests that there are sustainable forestry opportunities, particularly in the Interior. The department is looking at whether its statutory and regulatory structure are fit for purpose. A criticism from potential investors is that the current lease terms and the mechanisms might not give the industry the predictability and needed board feet to justify a \$200 million investment in forest infrastructure.

COMMISSIONER-DESIGNEE continued to say that addressing these concerns entails revitalizing an industry in decline and providing new opportunities to actively manage forests to improve the quality of the timber and reduce susceptibility to wildfire. Through this process comes the "additionality" element that is essential for a carbon offset project.

[The concept of an "offset" requires the concept of additionality. To offset some harm, it's necessary to show that the activity "caused" some equivalent extra good to occur elsewhere. Additionality is about this causal question.]

COMMISSIONER-DESIGNEE emphasized that revitalizing and building the forest industry is an important factor for success in the carbon offset realm. This entails cutting beetle-killed trees and thinning forests.

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SENATOR CLAMAN referenced the bullet on slide 8 that highlighted 34 timber sales totaling 9.4 million board feet, worth \$1.7 million. He asked if those sales were consistent with sales over the last 10 years on state lands.

COMMISSIONER-DESIGNEE BOYLE replied the forest harvests fluctuate, but 2021 was one of the largest harvests in about a decade totaling about 15 million board feet. Most of the sales are in Southeast and the state has very limited forest lands remaining to offer for timber sales.

SENATOR CLAMAN expressed confusion about conflicting amounts and dates between the information on the slide and the response.

COMMISSIONER-DESIGNEE BOYLE clarified that he was talking about the large harvest in 2021 when he said last year. He deferred to Mr. Goodrum for the exact numbers.

MR. GOODRUM offered to provide a historical look at Division of Forestry sales and the board feet associated with each sale.

SENATOR CLAMAN asked for a 10-15 year look back.

MR. GOODRUM agreed to provide the information.

[4:22:34 PM](#)

MR. CROWTHER advanced to slide 9. He described the Division of Geological and Geophysical Surveys as a world class scientific organization. The division's mission clarifies that it is about

applied science, not just theory. He reviewed the different sections and highlighted several accomplishments.

Mineral Resources Section is responsible for characterizing minerals throughout the state. He directed attention to the bulleted accomplishments on the slide and highlighted geologic mapping.

- Completed new geologic mapping of 2,317 square miles in eastern Interior (Yukon-Tanana upland)

This area has existing mining activity and the mineral resources section is further characterizing the geology for explorers to understand where additional deposits may lie.

[4:24:31 PM](#)

Energy Resources Section looks at oil and gas, coal, geothermal, and other energy potential. He directed attention to the bulleted accomplishments on the slide and highlighted the published research in an international journal.

- Important research on the controls on reservoir quality in the Nanushuk Formation published in international petroleum journal

MR. CROWTHER stated that both the mineral resources and energy resources sections operated in partnership with the US Geological Survey and use federal funding to complete their resource assessment work. The division works hard to bring those funds into Alaska.

[4:25:18 PM](#)

CO-CHAIR BISHOP highlighted that it was the on the ground work of DNR geologists that led to the Prudhoe Bay discovery.

MR. CROWTHER agreed it was fair to say that the state's geologic capacity going back to the identification of the earliest oil fields on the North Slope was critical in the discovery and characterization. That extemporary geologic work was repeated with the Nanushuk Formation.

[4:26:29 PM](#)

Engineering Geology Section is about understanding the environment. He spoke briefly to the bullets and noted that this section was in the field the day after Cyclone Merbok to assess high water marks and the impacts of flooding to better understand them in the event of future storms and inform future

construction, rebuilding, and relocation activities to increase safety.

- Visited 138 field sites as part of ASTAR construction materials and hydrology investigations on the North Slope.
- Collected 691 square miles of new lidar and nine square miles of new nearshore bathymetry to support hazard assessments all over the state.
- Deployed science response teams to landslides at Seward, Skagway, Juneau, and Denali Village, and to western Alaska coastal communities impacted by Extra-Tropical Cyclone Merbok.
- Published 22 hazards-related DGGS reports and datasets and an additional four papers in peer-reviewed journals.

[4:27:42 PM](#)

Geologic Information Center is the technical brain that enables data collection in the field and allows data to be published and processed for access.

Volcanology Section houses the Alaska Volcano Observatory that monitors and assesses volcanic activity throughout the state. A variety of sensing and geologic characterization helps predict activity. Federal funding drives the activity so the division works with federal partners. He highlighted the recently completed field work in the Aleutian Chain to switch from analog to digital sensors.

- Completed the 4-year "Analog to Digital" project upgrading volcano monitoring stations, resulting in improved ability to forecast and detect volcanic unrest and eruptions.

Geologic Materials Center is a state library of natural resource information that, in some instances, goes back 100 years. About 10 years ago the legislature provided funding to update and modernize the facility. That modern facility is filled with geologic samples and mining material, and is regularly accessed by explorers from around the world.

Alaska Geospatial Office (AGO) coordinates and standardizes the way geospatial information is utilized throughout the state system. This is not only state government, but also local

authorities seeking to provide updated and real-time geospatial information to residents.

CO-CHAIR GIESSEL noted that geologists would talk to the committee when they considered sequestration.

[4:30:34 PM](#)

MR. CROWTHER advanced to slide 12 that highlights things the division plans to work on in calendar year 2023. He said this includes work to characterize geologic hazards, characterize mineral and energy resources, and make the data more accessible using advances in technology.

[4:31:24 PM](#)

MR. GOODRUM advanced to slide 13 to review the Division of Mining, Land and Water. He spoke to the following:

Mission:

Provides for the appropriate use and management of Alaska's state-owned land and water, aiming towards maximum use consistent with the public interest.

The **Division of Mining, Land and Water** manages more than 160 million acres - a land base comparable in size to California and most of Oregon combined.

DMLW supports core missions of the Department including acquiring and disposing of land and resources; providing use of and access to state lands for the public; fostering responsible development of lands; managing resource data; and protecting the State's natural resource assets consistent with the public interest.

[4:32:16 PM](#)

MR. GOODRUM advanced to slide 14 to review some of the Division of Mining, Land and Water accomplishments in FY2022:

FY2022

- Generated \$32.5M in revenues to the state through authorizations for use of state lands and waters, royalty payments, and land sales.
- A total of 20,098 acres of municipal entitlement land was conveyed to 3 different Boroughs.

- Sold 148 parcels of land to the public, totaling approximately 1,497 acres of land.
- Offered approximately 2,000 acres of Agricultural land in the Nenana-Totchaket Agricultural Project and featured approximately 27 parcels ranging in size from 20-320 acres each.
- Generated \$5.4M in revenue from land sales for the Land Income Disposal Fund.

Provided support for Governor Dunleavy's Unlocking Alaska Initiative asserting, on behalf of all Alaskans, state ownership, management and control over submerged lands and navigable waters and over RS 2477 rights-of-way and other state easements across Alaska by:

- Commencing litigation against the Federal Government to remove clouds from state title on navigable rivers.
- Winning a substantial victory for majority of the North Fork and Middle Fork of the Fortymile River.
- Developing the State Transportation Plan for the Fortymile area to be completed in FY2023.
- Conducting extensive fieldwork to support Quiet Title Act litigation on rivers across the state and all RS 2477 rights-of-ways located within the Yukon-Charley Rivers National Preserve.
- Pursuing a Joint Reconciliation Initiative to potentially expand land entitlement to both the State and Native Corporations.
- Issuing authorizations for Crescent Lake within Lake Clark National Park & Preserve.

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MR. GOODRUM advanced to slide 15 and described the organizational retooling the Division of Mining, Land and Water underwent in the last few years. Statewide policy teams were created to improve efficiency, consistency, and customer service. The division now settles about 81 percent of permit applications for the use of state lands within 30 days. More than 30 statewide policies were developed that enhanced consistency and two new over-the-counter permit programs were

created. These efforts have reduced backlogs in land applications by 32 percent and water applications by 42 percent.

MR. GOODRUM highlighted that the division also continues to support efforts to enhance the growth of the mariculture industry in Alaska.

[4:34:46 PM](#)

MR. CROWTHER displayed slide 16 and reviewed the Division of Oil and Gas. He read the mission statement:

Mission: Manage lands for oil, gas & geothermal exploration and development in a fair and transparent manner to maximize prudent use of resources for the greatest benefit of all Alaskans; facilitates safe & environmentally conscious operation & maintenance of common carrier pipelines.

MR. CROWTHER stated that the State of Alaska is one of the most respected petroleum provinces in the world. Nearly 18 billion barrels have been produced from the North Slope and the division sees the potential for billions more. The division holds lease sales, manages and unitizes the leases, and permits the developments as projects proceed. The division also plays an important role in receiving and managing the state's royalty. He noted that the Department of Revenue handles the tax portion of that revenue stream.

MR. CROWTHER highlighted the following accomplishments in FY2022:

- Verified and receipted \$1.8 billion in royalty, net profit share lease revenues, rents, bonus bids, unit actions, and federal payments.
- Oversaw activities on 37 oil and gas units and five lease operations, conducted five area wide lease sales and managed 1,719 lease actions.
- Area-wide lease sales resulted in \$568 thousand in bonus bids and more than 19 thousand acres leased.
- Collected \$227,000 in leasing application fees and \$15.5 million in lease rent payments.
- Royalty audits resulted in recovering \$3.3 million in royalty and Net Profit Share Lease revenue, including interest.

- Entered into two new multi-year Royalty-In-Kind contracts with Marathon and Petro Star.

MR. CROWTHER also noted that the division manages the release of tax credit seismic information to the public, as provided in statute. He noted that the program that provides credits for explorers shooting seismic was no longer available. However, provisions of those laws obligate that data be disclosed to the public after the statutory period, often for ten years.

[4:38:38 PM](#)

CO-CHAIR BISHOP offered his understanding that anybody can look at the rocks after the information is released, as provided in statute.

MR. CROWTHER answered yes; the information is available for a di minimis, at-cost fee.

[4:39:22 PM](#)

MR. CROWTHER displayed slide 17 and highlighted the first bullet about the new unitization activity on the North Slope. It indicates that an explorer has characterized a resource and is working on subsequent development. In those units the operator is building on its sanction of the Pikka project. He said the department looks forward to further characterization in those new units.

MR. CROWTHER also highlighted the right-of-way lease applications and permits the department has issued. Finally, in keeping with its mission regarding not just oil and gas but also geothermal, the division had a best interest finding for the geothermal prospect that was issued in FY2022. The division continues to promote the development of the geothermal resource and looks at ways to improve that program so more activity can happen in the geothermal space in Alaska.

[4:40:39 PM](#)

MR. GOODRUM advanced to slide 18 and stated that the Division of Parks and Outdoor Recreation operates the largest state park system in the nation. The division supports public safety, economic development, education, and resource management as it provides access to world-class outdoor recreation opportunities. He mentioned record traffic, the increased number of permits issued, the improved reservation system, and the new electronic fee stations.

MR. GOODRUM specifically mentioned the following:

- Park Rangers responded to 42-plus Search and Rescues.
- Office of Boating Safety's 366 classes, 54 pool sessions reached 10,332 participants; 221,919 since inception.
- Office of History & Archaeology's State Historic Preservation Office reviewed 2,111 projects, signed 14 major agreements and made substantive amendments to 9 other major agreements.
- Office of History & Archaeology's State Historic Preservation Office reviewed 2,111 projects, signed 14 major agreements and made substantive amendments to 9 other major agreements

SENATOR DUNBAR expressed interest in the Alaska Long Trail project. He asked about the prospects of it being built, the likely construction costs, and whether those funds would be included in a future budget.

MR. GOODRUM offered his understanding that money for the project was included in the capital budget. He added that it was challenging because the network of land ownership along the route from Seward north to Fairbanks was so diverse. He said the division is still in the learning phase, but recognizes that this trail is an exciting opportunity.

[4:44:00 PM](#)

SENATOR CLAMAN commented that while he appreciates the idea of a global plan before moving forward with the trail system, he didn't believe it was practical. He suggested that a patchwork approach like Anchorage took on the Coastal Trail was more likely to be successful. He voiced his frustration that the governor had vetoed Long Trail monies the last few years that could have started the project. He emphasized the huge support for this trail and that most people recognize that it won't be built in one year.

[4:45:14 PM](#)

MR. CROWTHER advanced to slide 19 and explained that the Office of Project Management and Permitting (OPMP) was responsible for permitting all large projects that require multiple authorizations and chooses to be facilitated by a state organization. The intent is to provide a one-stop-shop for project applicants to receive information and direction from all

state, federal, and local authorities. The office works to ensure that permitting is consistent, defensible, transparent, and timely.

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MR. CROWTHER advanced to slide 20 and provided commentary.

Large Project Coordination: These include major oil and gas developments and major mining developments. He noted that the list has both prospects and operating mines because mines must be continuously permitted throughout their operations. Major transportation projects have also received coordination through OPMP. These include the Ambler Access Road and the West Susitna Access Road. The OPMP team has also coordinated hydroelectric projects, as illustrated on the slide.

Federal Plans and Activities: In the last several years, OPMP has spent more time tracking and managing federal actions. He stated that while federal permitting is part of project development under any administration and project structure, the suite of federal actions that potentially restrict activity in Alaska have been significant under the Biden administration. With appropriations from the legislature, an increasingly important role for OPMP has been tracking and responding to the federal actions related to the Alaska National Interest Lands Conservation Act (ANILCA), the federal permitting process that needs to move forward, and federal regulatory actions that affect the development of lands and resources in the state.

Federal Programs and Grants: He noted that OPMP also performs a variety of grant management activities.

[4:48:02 PM](#)

MR. GOODRUM advanced to slide 21 and summarized the mission of the Support Services Division:

Mission: Provide client-focused, efficient and cost-effective financial, budget, procurement, human resource, information technology and recording services to the Department of Natural Resources and the public.

He stated that the division has processed an increasing number of e-recordings in recent years, and revenue generation has been

steady. He noted that the marked revenue uptick in FY2021 was due to the all-time high number of home refinancings and recording of those documents. He directed attention to the critical functions outlined in the mission statement, all of which are critical to a smooth functioning department.

[4:49:09 PM](#)

MR. CROWTHER advanced to slide 22 to review the Trust Land Office. He explained that this office works within DNR to manage Alaska's Mental Health Trust lands. Those lands are endowed to the Mental Health Trust for the benefit of trust beneficiaries and to run the programs that are run by the Mental Health Trust Authority. He directed attention to the list of revenues the trust generated last year. Of the \$11 million that was generated last year, \$3.6 million came from mineral and energy assets. Land sales generated more than \$3.4 million, thereby creating additional revenue for taxing authorities.

MR. CROWTHER highlighted the following Trust Land Office initiatives bulleted on slide 23:

- Subdivision development on multiple Trust parcels statewide to offer in future land sales and leasing.
- Icy Cape Minerals Project drilling program leading to a prefeasibility study.
- Easements program to capture revenue from existing and new utility infrastructure.

He confirmed an earlier statement about the important role the Mental Health Trust Authority plays in providing timber to the timber industry in Southeast Alaska. He noted that the Trust Land Office was continuing to work to execute the land exchange with the US Forest Service, pursuant to federal approvals next year.

[4:51:29 PM](#)

COMMISSIONER-DESIGNEE BOYLE discussed the Office of Commissioner and the Department of Natural Resources (DNR) as a whole. He spoke about the incredible culture at DNR and the dedicated and highly skilled professionals who work there. They go above and beyond to serve the interests of the state. Maintaining that culture is key to retaining and attract talent. He made the following observations:

- In FY2022, DNR worked to reduce the backlog of administrative appeals. Some of the decisions that have been rendered in recent months may significantly influence investment for development in the state. Recognizing that timely response to appeals is important, the department created an associate director position to focus on processing these appeal packages.

- DNR actively promotes Alaska resources to global investors. The team at the Division of Geological & Geophysical Surveys was instrumental in the department being able to market the attractiveness of the Nanushuk Formation on the North Slope. The fruits of that work are apparent in the Pikka and Willow projects. It feeds in to new entrants and facilitates reaching out to the Department of Defense and the Department of Energy to showcase Alaska's ability to be a key resource supplier. This is important to national security and the nation's ability to transition to different forms of energy in the future.

- Statehood defense is another area of focus for the department. Commissioner-designee Boyle mentioned reimplementing of the Roadless Rule for the Tongass; the EPA's preemptive veto on the Pebble Mine Project; statehood land entitlement selections, particularly along the Dalton Highway; and the Willow project in the NPRA. Litigation on these issues is to protect the interests of the state so it's possible to grow and develop the natural resources called for in the Statehood Act. The compact with the federal government said the state would be able to utilize its resources to build infrastructure and provide quality of life for residents. He opined that the preemptive veto of the Pebble project disregards the state's ability to manage and protect its resources through state processes. These issues merit time, attention, and resources to push back when necessary but also find areas of alignment.

- It's important for the department to be customer-service oriented in terms of the ability to process permits, appeals, and leases timely to attract investment and enable business and commerce to move forward. It is incumbent on the department to keep that focus in mind.

COMMISSIONER-DESIGNEE BOYLE concluded his comments saying that the department was eager to talk with the committee in forthcoming weeks about the forthcoming carbon bills and working through the issues to fulfill the Article VIII mandate to develop, conserve, and maximize the resources in the best interest of the people.

[4:59:49 PM](#)

SENATOR CLAMAN asked if the Pebble Mine decision was one of his highest priorities as commissioner.

COMMISSIONER-DESIGNEE BOYLE answered yes, in the context of the state being able to conduct its own permitting regime for development on state land.

[5:00:23 PM](#)

SENATOR WIELECHOWSKI asked if the administration had plans to file a lawsuit or intervene in a lawsuit regarding the EPA decision on Pebble Mine.

COMMISSIONER-DESIGNEE BOYLE offered his understanding that the administration was discussing that issue.

CO-CHAIR GIESSEL thanked the presenters.

[5:01:25 PM](#)

There being no further business to come before the committee, Co-Chair Giessel adjourned the Senate Resources Standing Committee meeting at 5:01 p.m.