

SB

170

<TARGET><BILL>SB 170</BILL><SUBJECT>SB
170</SUBJECT><COMM>SRES29</COMM></TARGET>

**SENATE COMMITTEE REPORT
First Committee of Referral**

DATE: 2/5/16

FURTHER: Finance

Date of 5-Day Notice: 2/25/16
(in accordance with Uniform Rule 28)

DATE TURNED IN TO OFFICE: 2/1/16

Resources Committee considered SENATE BILL NO. 170

SB 170 DNR FEES FOR GEOLOGICAL SERVICES

"An Act authorizing the Department of Natural Resources, division of geological and geophysical surveys, to collect fees for facilities, equipment, products, and services; relating to accounting for certain program receipts; and providing for an effective date."

and recommends:

- be replaced with CS SB 170 (RES) Same Title [] New Title
- adopt previous CS _____ (_____) [] Same Title [] New Title
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

Dept Abbr.	
ADM	LWF
CED	LAW
COR	LEG
EED	MVA
DEC	DNR
DFG	DPS
GOV	REV
DHS	DOT
AJS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
<u>DNR</u>	<input checked="" type="checkbox"/>			<u>1</u>

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Costello	<input checked="" type="checkbox"/>			
	Wielechowski	<input checked="" type="checkbox"/>			
	Cogbill	<input checked="" type="checkbox"/>			
	Micciche	<input checked="" type="checkbox"/>			
	Stoltze	<input checked="" type="checkbox"/>			
CHAIR:	GIESSEL	<input checked="" type="checkbox"/>			

ALASKA STATE LEGISLATURE

716 W 4th Avenue
Anchorage AK 99501-2133
907-269-0181
Fax: 907-269-0184



State Capitol
Juneau AK 99801-1182
907-465-4843
Fax: 907-465-3871
800-892-4843

North to the Future

Senator Cathy Giessel
Senate District N

SENATE BILL 170 SPONSOR STATEMENT

The Alaska Department of Natural Resources' Geologic Materials Center in Anchorage offers a critical service to promoting our state's economy and scientific knowledge. The center serves as the main repository for geologic materials from all over Alaska, gathering samples from oil and gas exploration, mining, and infrastructure development. Having all these samples in one location allows scientists, companies, universities and other government agencies access to materials they otherwise would have to find themselves, saving time and money.

The center currently is unable to charge fees for the use of its space and samples because it is prevented by law. Virtually every other such facility in the United States requires a fee to see and work on the geologic materials. Recently, the center relocated from a series of trailers into a modern, integrated facility that meets scientific best practices. Without the ability to charge fees, the center will inevitably run at a loss.

Senate Bill 170 enables the Division of Geological and Geophysical Surveys to set and collect fees for the use of its facilities. The bill also directs those fees back to the Division and by extension the Geologic Materials Center, rather than into the general fund. User groups would pay fees in order to continue the operations of the center or for services they use. By setting a fee structure and the means to use those fees, Senate Bill 170 helps the center move towards its eventual goal of being self-sustaining.

I respectfully urge your consideration and support for this piece of legislation.

Senator.Cathy.Giessel@akleg.gov

Fiscal Note

State of Alaska
2016 Legislative Session

Bill Version: SB 170
Fiscal Note Number: _____
() Publish Date: _____

Identifier: SB170-DNR-GGS-2-26-16
Title: DNR FEES FOR GEOLOGICAL SERVICES
Sponsor: GIESSEL
Requester: Senate Resources

Department: Department of Natural Resources
Appropriation: Fire Suppression, Land & Water Resources
Allocation: Geological & Geophysical Surveys
OMB Component Number: 1031

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2017	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2017 Request	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
OPERATING EXPENDITURES	FY 2017	FY 2017					
Personal Services			***	***	***	***	***
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	***	***	***	***	***

Fund Source (Operating Only)

1004 Gen Fund		(85.0)					
1005 GF/Prgm		85.0					
Total	0.0	0.0	***	***	***	***	***

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues							
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Estimated SUPPLEMENTAL (FY2016) cost: 0.0 (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2017) cost: 0.0 (separate capital appropriation required)
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? yes
If yes, by what date are the regulations to be adopted, amended or repealed? 02/01/17

Why this fiscal note differs from previous version:

Not applicable, initial version.

Prepared By: <u>Steven Masterman</u>	Phone: <u>(907)451-5007</u>
Division: <u>Division of Geological & Geophysical Surveys</u>	Date: <u>02/26/2016 12:00 AM</u>
Approved By: <u>Mark Myers, Commissioner</u>	Date: <u>02/26/16</u>
Agency: <u>Department of Natural Resources</u>	

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2016 LEGISLATIVE SESSION

BILL NO. SB 170

Analysis

This bill modifies statute **AS 41.08.030 Printing and Distribution of Reports**, and includes a new section **AS 41.08.045 Fees for facilities, equipment, products and services** to the statutes governing the Division of Geological & Geophysical Surveys (DGGS). This revision and new section provide the division authority to charge fees for products and services provided by the division at the new Geological Material Center (GMC) in Anchorage.

The new center is a greatly improved, expanded, and upgraded facility when compared to the old location in Eagle River. Expectedly, operating and maintenance costs associated with operating this state-of-the-art facility have substantially increased, however, providing a sustainable funding mechanism for the facility through charging for services has been planned since the project's conceptual design.

It is DNR's objective to ultimately place the GMC into the public building fund (PBF) managed by the Department of Administration. Current funding is adequate to operate the facility, but is insufficient to allow the facility to enter the PBF. Entering the PBF is advantageous, as it provides the capital for stable long-term operation, maintenance, and upgrades to the facility. Staying outside the PBF exposes the state to unforeseen costly maintenance projects, such as a roof replacement, additional shelving, or other necessary improvements. By initiating fees at the GMC, DGGS is being proactive to ultimately make the facility primarily user-funded.

Fees will be adopted through the regulatory process. This process generally takes six to nine months to allow for legal review and public comment. As this process will result in revenue generation for the division, there is internal pressure to complete the regulatory process as soon as possible to begin revenue receipt.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101


State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

February 24, 2016

SUBJECT: Sectional summary SB 170
(Work Order No. 29-LS1400\A)

TO: Senator Cathy Giessel
Attn: Akis Gialopsos

FROM: Alpheus Bullard 
Legislative Counsel

You have requested a sectional summary of the above-described bill. As a preliminary matter, note that this sectional summary should not be considered an authoritative interpretation of the bill -- the bill itself is the best statement of its contents.

Section 1. Provides that fees collected by the Department of Natural Resources (department) under AS 41.08.045, added by bill sec. 3, will be accounted for separately and that appropriations from these fees are not made from the unrestricted general fund.

Section 2. Conforms AS 41.08.030 to the changes made to AS 41.08 by sec. 3 of the bill.

Section 3. Adds a new section to AS 41.08 permitting the department's division of geological and geophysical surveys to charge and collect fees for facilities, equipment, products, or services that the division offers.

Section 4. Amends uncodified law to permit the department to adopt regulations necessary to implement changes made by the Act.

Section 5. Makes sec. 4 effective immediately.

Section 6. Gives secs. 1 - 3 an effective date of July 1, 2016.

TLAB:lem
16-175.lem



February 29, 2016

FAQs related to Senate Bill 170

Question – What is DNR doing to transition away from Unrestricted General Funds to Designated General Funds?

The Department of Natural Resources is progressively migrating from unrestricted general funds (UGF) to designated general funds (DGF) or program receipts (PR). This is core to the Department's strategy of a self-funding business model. This migration to a greater reliance on designated funds is occurring in multiple divisions within the department. This budgetary cycle several measures have been, or are being, proposed to continue this transition:

- The Division of Mining Land and Water has made multiple fund switches from UGF to DGF that will make the division more than 50% funded by designated general funds
- The Division of Parks and Outdoor Recreation has over a number of years been transitioning to DGF, with a goal of being at least 50% funded by DGF.
- The Division of Parks and Outdoor Recreation has a bill under consideration to allow it to sell merchandise, this will increase its revenue and assist this transition
- There is a department-wide review of fees
- DGGs is proposing to institute a fee for service funding mechanism at the Geological Material Center in Anchorage. This will help fund the facility and contribute to migrating the department to greater reliance on DGF/PR.
- The Division of Forestry is making the log phytosanitary certification program self-funded, and is moving a southeast Forestry position to be self-funded by timber receipts.
- The Division of Agriculture implemented a 20% increase on most fees in FY2016.

Question – Are there other DGGs facilities that will be affected by this legislation?

Yes, DGGs's main office is in Fairbanks. Currently all the geologic materials (rocks) that are publically accessible are in the GMC in Anchorage. DGGs does have other "in process materials" in its Fairbanks facility, these samples will be viewable once they are housed in the GMC. DGGs distributes its maps and reports from the Fairbanks facility, but we have received requests to similarly distribute those from the GMC. Other than helping to fund the facility, which will benefit the overall division, there are few direct effects on other portions of the division.

Question – What is a typical user of the GMC?

During the last few years we have been getting approximately 500 visitors annually at the GMC. This has broken down into the following rough percentages – oil and gas / mineral geologists 50-60%, academia 20%, other government agencies (USGS, DOE, BLM) 20%, public and school groups 5-10%. Typical users view the sample inventory online and know ahead of time the materials they are interested in viewing. Industry and academia typically review core and surface rock samples and thin sections. They typically request material for analyses and use the microscopes and cameras at the facility to document the materials. All results from analyses on GMC materials are provided to DGGS and published.

Question – Would there be different fees for different user groups?

Yes. We plan to charge industry users at full rates, academia at a reduced rate, and offer services free to other government agencies, and to school groups or other teaching uses such as core workshops held there by the University of Alaska. These practices are in line with other facilities nationally.

Question – Is there a monthly membership fee, or are charges based on a usage rate?

At this time we envision a blend of options for users:

- We plan to offer a monthly or yearly subscription so that larger or more frequent users need not bother with invoices for individual visits.
- We plan to offer packages that bundle commonly used services, this will also help reduce accounting and billing.
- We also plan to offer a per usage rate which will be for the occasional or low-use visitor.

Question – What kind of materials are in the GMC that make it so special?

The GMC contains samples representing 48,000,000 feet of exploration drilling, 195,000 thin sections and 336,000 surface rock samples from across Alaska. At a drilling cost of \$1,000-2,000/foot for oil and gas drilling, this represents \$50-\$100 billion of exploration expenditure in Alaska. The GMC also houses the entire USGS, BLM, BOEM, USBM and DGGS rock and sample collections.

In a recent letter, Repsol wrote while describing the role of DGGS publications and materials at the GMC in its recent exploration:

“We believe the GMC and DGGS have played an important role in helping us understand the regional petroleum system and ultimately becoming a successful explorer...” and “In 2012, we utilized samples / prepared microscope slides from eight wells from the GMC for biostratigraphic analyses. This work helped us tie together our regional correlation markers

from wells and seismic to a chronostratigraphic framework from biostratigraphy. These data, supplied by the DGGS and GMC, helped to form part of our geological and correlation framework within the Colville Delta, a main focus of our exploration and appraisal activity."

Repsol went on to announce an oil discovery with contingent resources between 500 million and 3.7 billion barrels of oil, which could make it the largest oilfield discovered in Alaska since the Prudhoe field.

Every box of samples at the GMC could contain the key to the next major oil or mineral discovery.

Question – Why can't this happen in the private sector?

We do not know of any private core facilities that are open for visitation. Numerous major oil and gas and mineral companies operate core and sample repositories for their corporate use, but we do not know of any that are open to general viewing of the materials. To open these up for viewing would be counter to competitive advantage gained from storing the materials.

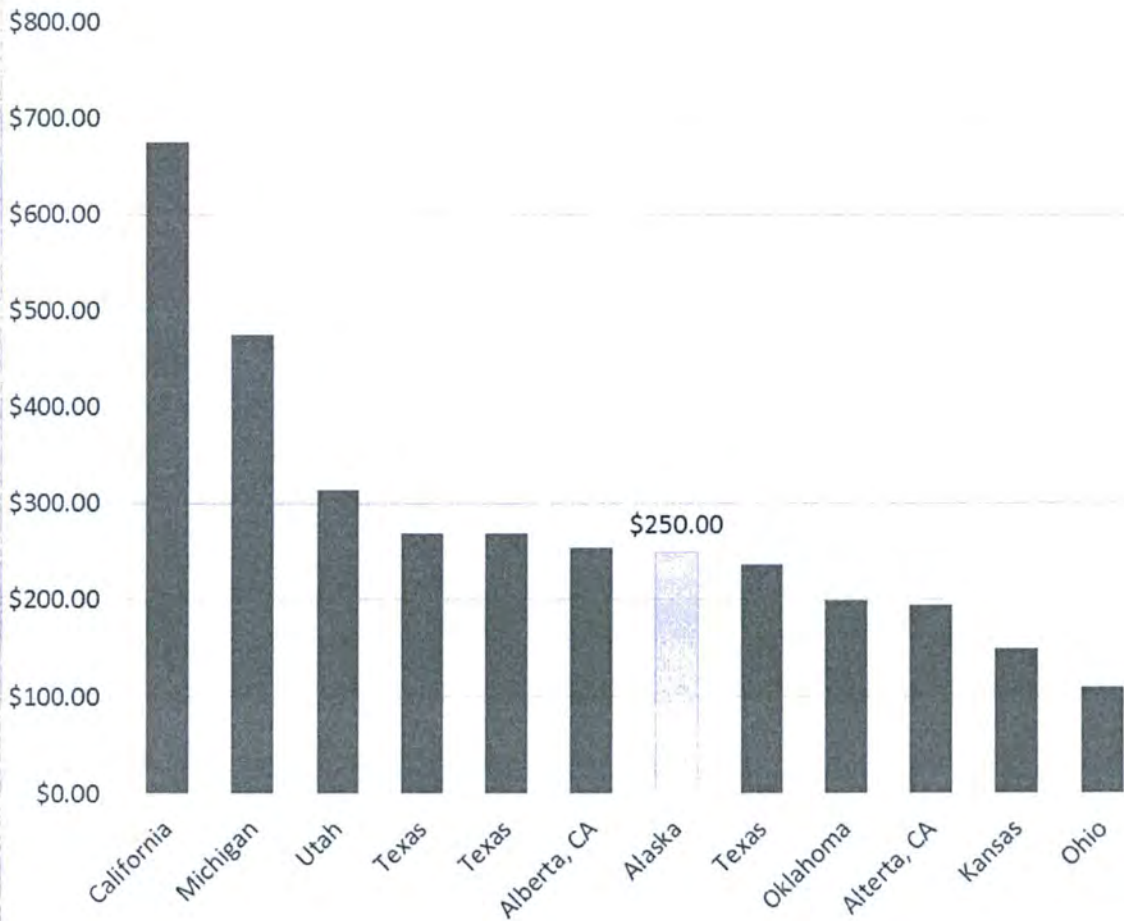
Government-run facilities provide for the long term and secure operation that will preserve these materials for their future use. Corporations come and go, and mandates change with management focus. To lose this material as a result of cost-cutting or corporate decision making would be a severe blow to future resource development in the state. Government operation secures this collection's availability to assist in resource development and geologic research in Alaska.

Question – How do the operations of the GMC compare to other core facilities of its kind in other states?

Of the 28 public core repositories in the US and Canada, ten are over 25,000 square feet in size (GMC is 100,000 square feet). Of these larger facilities, nine either currently charge fees (seven), or are in the process of adopting fees (two, including the GMC). All the facilities operate in much the same way, archiving and making geological materials available for inspection, analysis and interpretation, and offer very similar services. Some have more advanced services and instrumentation than currently available at the GMC, but the methods and means of examining geologic samples is common from facility to facility.

We have reviewed charges at other facilities and our proposed fee schedule will be mid-range when compared to these other facilities. For example, we compared the cost for a small visitor to the facility between our proposed fees, and those in place at other facilities:

Core Repository Service Fees



Based upon a half-day (4 hrs):
1. Viewing 10 boxes of core
2. Viewing 10 boxes of cuttings
3. Having 10 plugs made from core



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Natural Resources
DIVISION OF GEOLOGICAL & GEOPHYSICAL SURVEYS

3354 College Road
Fairbanks, Alaska 99709-3707
Main: 907.451.5010
Fax: 907.451.5050

Geologic Materials Center
3651 Penland Parkway
Anchorage, Alaska 99508
Main: 907.696.0079
Fax: 907.696.0078

February 16, 2016

Senator Cathy Giessel
State Capitol Room 427
Juneau AK, 99801

Dear Senator Giessel,

Thank you for sponsoring legislation to provide the Division of Geological and Geophysical Surveys fee collection authority to offset the cost of services provided at the new Geological Material Center (GMC) in Anchorage. This legislation is important to ensure the long-term viability of the facility, and to reduce the impact of the facility on the State's operating budget.

During planning this new facility the concept of charging for services was considered from the onset. We reviewed fee schedules from other similar facilities in the United States and Canada, and have been considering the range of fees charged at these facilities during our planning process. During the regulatory process the proposed fees will be reviewed by the Department of Law, and made available for public input. While the fee schedule has not been finalized, we share with you our intentions that:

- We will not charge for donations.
- Fees will be waived, or greatly reduced for other government agencies and academic research.
- Fees will be mid-range when compared to other U.S. and Canadian geologic material centers, with a fee structure that charges similar fees for similar services offered at other facilities around the country.

It is our intent to have a vibrant and well used facility, which meets the needs of the users, and continues to promote natural resource development and scientific research. We do not wish or intend to drive away potential users with high fees, which would be counterproductive to the overall goals of the GMC, and not in the best interest of the State.

Sincerely,

A handwritten signature in cursive script that reads "S. Masterman".

Steven Masterman
State Geologist and Director
907.451.5007

cc: Courtney Sanborn, Legislative Liaison, DNR
Marty Rutherford, Deputy Commissioner, DNR
Ed Fogels, Deputy Commissioner, DNR