

ALASKA LEGISLATURE

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HOUSE and SENATE FINANCE COMMITTEE FILES, 2003-2004

external grant or contract funded in-water field projects. In addition, the agencies report that they refined their ranking and decision making process in response to concerns raised by Commission members about how waters get listed or de-listed as "polluted" or "at risk". Although, the Commission remains cautious until the day-to-day practice becomes more evident, it appears ADGC and the other resource agencies have been responsive to concerns that have been raised. If ACWA actually works as the agencies intend - resulting in cohesive prioritization of water related functions among Fish & Game, Natural Resources and Environmental Conservation - the Minerals Commission would applaud this effort as long overdue efficiency building within state government.

THE COMMISSION RECOMMENDS THAT:

The Governor's office conduct a review of the Alaska's Clean Water Action initiative to ascertain if it can deliver on the promises the Alaska Minerals Commission heard from the agencies. Those promises were to improve efficiency and build a common agreement on the water management priorities of the resources agencies and Alaska Division of Governmental Coordination.

2) ACCESS & INFRASTRUCTURE

The lack of infrastructure, including roads, airports, and power transmission networks, increases the costs of exploration, development, and operation of mineral deposits and limits the potential for this industry to grow and help diversify Alaska's economy.

Many regions of Alaska have experienced significant improvements in their economic opportunities and standard of living when infrastructure improvements were completed.

If there is to be no development in the extensive areas of Alaska that have already been set aside as parks and refuges, then the other areas of Alaska that are not designated as wilderness constitute the land base that must support our society. Even though these non-wilderness areas are often beautiful or wild in their own right, they were not the crown jewels that justified prior withdrawal. Infrastructure development in these areas must be supported and projects that have the potential to significantly enhance the viability of local communities should be encouraged first.

2a) ROADS TO RESOURCES

FINDING: Many of the major mineral and coal deposits in Alaska are "stranded" because there is no road access to the major rivers or to tidewater. The last major road built in the state was the 52-mile road from the Red Dog Mine to the DeLong Mountain Transportation System port near Kivalina in 1988.

Notable areas that could benefit from road access include the Ambler mineral belt, the north-west Arctic and Beluga coalfields, the area around and west of Iliamna, the Flat-Iditarod area, and the Goodpaster mining district.

Although Alaska Statutes AS 19.30.020 and 19.30.030 address development access roads, the funding available, even if inflation adjusted, would probably not even cover the costs of permitting.

During the next few years it is possible that significant funding for access improvement might be available through GARVEE (Grant Anticipation Revenue Vehicle) bonds, the Denali Commission, and special federal appropriations similar to those used in Appalachia.

THE COMMISSION RECOMMENDS THAT:

The Governor direct the Department of Transportation & Public Facilities to prepare a prioritized list of potential "Roads to Resources", and investigate mechanisms whereby funds can be made available in a long-term program to link potential resource development to tidewater.

2b) RESTRICTING THE USE OF MINING AIRSTRIPS

FINDING: In many remote mining camps, the only feasible summer access is by use of an airstrip on, or adjacent to, the mining operation. Unauthorized use of these strips, often by commercial operations, can result in potentially unsafe conditions, and the attendant threat of liability, both to the miner and to the State.

THE COMMISSION RECOMMENDS THAT:

The Governor and the Legislature should direct the Division of Mining, Land & Water to amend the mining regulations so that where an airstrip is required for access to a specific mining operation, the Plan of Operations will allow the permit holder to restrict the use of the airstrip.

2c) POWER SUPPLIES

FINDING: Major mines require substantial power supplies, in the order of 20-50 megawatts (Mw). Any additional processing will increase that demand manyfold.

Many remote mines choose to generate their own power using modular diesel generating sets, but as evidenced by Red Dog, the permitting of on-site generation can become a limiting factor.

An alternative would be to use mines as a "base-load" to justify extending interties and/or building new off-site power plants to slowly extend power-by-wire to many of the remote villages that presently rely upon the Power Cost Equalization funds to reduce the high cost of electrical energy.

Activity at Dunlin Creek, Shotgun, and Pebble Copper might justify an intertie from the Cook Inlet area to Bethel and the villages of the Yukon-Kuskokwim Delta. Likewise in southeast Alaska planned interties from Tyee to Ketchikan and from Juneau to Hoonah could provide affordable power to mines and communities.

THE COMMISSION RECOMMENDS THAT:

The Governor and Legislature should continue to support the Alaska Industrial Development & Export Authority/Alaska Energy Authority, Alaska Village Electric Cooperative, and the Southeast Intertie in extending electrical grids into areas where mineral development is occurring or anticipated.

3) STATE'S RIGHTS ISSUES

These issues have been separated because although they are also about ownership and access, both of which are fundamentally important in mineral investment decisions, two of them are not exclusively Alaskan issues, and allow for cooperative efforts with other states at the federal level.

RS 2477 trails may offer the only access across lands in Alaska where ownership patterns have changed and become more complex since statehood. Similarly, navigable waterways can provide the cheapest form of transportation for some mineralized areas, and some are inherently important gold placer deposits.

Western States have as much of a vested interest in RS 2477 access as does Alaska, and all states have an interest in ownership of the riverbeds and watercolumns of navigable rivers and lakes.

3a) RS 2477 TRAILS

FINDING: In 1993 the Legislature appropriated funds for a task force to create an RS2477 trail inventory. Since 1993 there has been no funding to pursue Alaska's RS2477 trails through 'quiet title' action. The Alaska Division of Land has researched 1,950 trails proposed as RS2477 rights-of-way. Of these, 620 routes appear to qualify, about 250 need more information, and the remainder may not qualify due to circumstances such as lack of evidence, duplication of existing rights-of-way, or failure to meet the requirements of the RS2477 law.

The State has achieved Quiet Title to the Harrison Creek – Portage Creek Trail (RST 8) in the Circle Mining District. Because the original trail has been moved many times to accommodate active mining since 1976, (the deadline for identification of existing rights-of-way), the State has entered into a consent decree accepting a mutually agreeable 60-foot right-of-way to substitute for abandonment of portions of the existing trail.

This was one of 11 of the 620 "Qualified" trails that was "Certified" as a test case, and was selected for litigation because it had the broadest potential for setting precedent.

The Department of Law and the Division of Mining, Land & Water require funds for this legal effort to file "quiet title" actions in court to determine the validity of the routes.

THE COMMISSION RECOMMENDS THAT:

- 3a.1) The Legislature should fund a multi-year, multi-agency Capital Project of \$300,000 annually for the Division of Mining, Land & Water to work with the Department of Law and other agencies to aggressively pursue precedent-setting "quiet title" actions, and to preserve the State's rights.
- 3a.2) The Governor should aggressively assert "quiet title" to the routes with the best documentation. Furthermore, the State should assert an access route pursuant to Title XI of the Alaska National Interest Lands Conservation Act to test the process and set a precedent.

3b) NAVIGABILITY

FINDING: State ownership of the beds of navigable waters is an inherent attribute of State sovereignty protected by the United States Constitution.

The State of Alaska owns all watercolumns and the land under most navigable waterways in Alaska. The Submerged Lands Act of 1953, the Alaska Statehood Act of 1958, and the Alaska State Constitution establish State ownership of watercolumns (actual water that is in a lake or river) and shorelands (the beds of navigable rivers). The courts have defined navigable waters as those used or susceptible to use for travel, trade, and commerce at the time of statehood." (Emphasis added).

This interpretation would include not only the obviously navigable waterways such as the Yukon, Kuskokwim, Tanana, Fortymile, and Kobuk Rivers, but many smaller rivers used for travel. Some of the rivers that could be considered navigable, such as Birch Creek and the Fortymile River, contain important placer gold deposits.

While title to the beds of navigable waters vested in the state at Statehood, the federal courts have only ruled on the navigability of 13 waterways in Alaska. Alaska faces two types of legal hurdles in establishing its ownership of lands under navigable waters. The first is to determine what rivers and lakes are navigable under federal law. The second is to establish that the United States did not defeat the state's title to navigable waters through pre-statehood federal reservations. The state has used the court action (quiet title) to address both of these hurdles by defining the types of rivers and lakes that are navigable under federal law, and to determine whether or not certain pre-statehood federal reservations defeated the state's title.

In 1980, the State established a comprehensive navigability program within the Department of Natural Resources (DNR). This program was designed to respond to federal land conveyances and land management activities under the Alaska Statehood Act, the Alaska Native Claims Settlement Act, and the Alaska National Interest Lands Conservation Act. The basic purpose of the program was to protect the public rights associated with navigable waters, including the State's title to the submerged lands. The program also included monitoring of federal land conveyance and management programs to identify navigability disputes, seeking cooperative resolution of navigability problems through negotiation and legislation, and preparing for navigability litigation.

Budget cuts have greatly reduced the ability of State agencies to respond to navigability issues, and to pursue assertions of State ownership of navigable waters.

THE COMMISSION RECOMMENDS THAT:

The Legislature should make funding available to reinstate a centralized, systematic navigability program within the Department of Natural Resources. Additionally, funding should continue to be made available to the Department of Law to support any "quiet title" actions necessary to secure ownership of submerged lands. Further, the state and federal governments should establish more efficient methods for determining what waterbodies are navigable and therefore are state owned.

3c) EXPEDITED LAND TRANSFERS

FINDING: Because of the high mineral potential proximal to existing transportation, in 1994 the Commission recommended that the State should seek expedited transfer of State-selected lands along the Denali Highway.

Subsequently, about 3,000 mining claims have been staked in this area during the last five years for the copper, nickel, and platinum-group element potential, and over \$3 million has been spent in exploration, including detailed airborne geophysical surveys and limited drilling. However, because of the uncertain ownership of State-selected land, the companies involved cannot justify further expensive evaluation of the area.

On October 4th 2000, the Division of Mining, Land & Water (DMLW) recognized the potential of this block, and requested that 235,000 acres of State-selected land between the Richardson Highway and the Maclaren River be added to the Land Conveyance Priority List (CPL). In June 2002 the State received final Tentative Approval (TA) to 6 of the 10 Townships selected, and the TA to the final 4 Townships was received in December, 2002.

Furthermore, on September 9, 2002, a request was made to add an additional 25 Townships to the CPL. These 576,000 acres are predominantly north of the Denali Highway between the Maclaren and Susitna Rivers.

THE COMMISSION RECOMMENDS THAT:

The Governor and the Legislature should direct the Division of Mining, Land & Water to aggressively pursue expedited transfer of State-selected lands along the Denali Highway where there is demonstrated potential for mineral development.

4) DATA ACQUISITION

Many potential investors in Alaska's mineral industry are discouraged by the lack of detailed geologic information, and choose to invest in areas that have more public data to guide grassroots exploration. Those companies that have been successful in exploration, and identified prospects worthy of development, find that they are expected to fully define the baseline data of the whole area surrounding their discovery, because no such database exists.

4a) GEOPHYSICAL AND GEOLOGICAL MAPPING

FINDING: Since 1993, State-funded airborne geophysical surveys have covered approximately 8,500 square miles of the State of Alaska's 162,500 square mile land entitlement, at a total cost of \$ 3.69 million. Additional funding has been invested by the State to complete the geologic mapping on the ground that is necessary to allow interpretation of the airborne surveys.

An additional \$1.57 million has been invested by the Bureau of Land Management (BLM) and other entities to survey about 3,800 square miles of predominantly federal land in the state.

During this same period, the mining industry has invested \$367 million in exploration in the state, and has staked thousands of new claims based on the results of the surveys.

This increased activity was the intent of the surveys and will accelerate discovery of new Alaskan mineral deposits. However, with a land base of 162,500 square miles, much of it chosen for its mineral potential, it will take the State of Alaska another 150 years to survey its land endowment at the present rate of funding.

The costs for the surveys have increased in recent years due to consolidation in the industry, and increased fuel and insurance costs.

THE COMMISSION RECOMMENDS THAT:

The Governor and the Legislature should invest \$5 million per year (approximately 21% of what industry spent on exploration in 2001) for the next decade, preferably through foundation funding, in airborne geophysical surveys and complementary geological and geochemical surveys.

4b) BASELINE DATA

FINDING: Water quality regulation in Alaska is growing increasingly complex. Often, the Alaska Department of Environmental Conservation (ADEC) is required to make decisions about water quality regulations without Alaska-specific data. Many Alaskans recognize the need to develop sound environmental baseline information. This research should extend to development of appropriate aquatic life criteria for acute and chronic toxicity under Alaska conditions.

THE COMMISSION RECOMMENDS THAT:

The Governor should direct the Alaska Department of Environmental Conservation to work with industry to develop priorities for basic research on topics important to Alaska, such as total dissolved solids and pH.

5) REGIONAL ECONOMIC DEVELOPMENT

FINDING: In many regions of Alaska, mineral development is one of the few sectors that might offer the opportunity for a sustainable economy, to provide family wage jobs, and add significantly to the local tax base (e.g. Red Dog in the Northwest Arctic Borough, Usibelli Coal Mine in the Denali Borough, Fort Knox in the Fairbanks North Star Borough, and Greens Creek in the City & Borough of Juneau).

The following is a specific regional project, which is recommended to stimulate mineral development. If successful, such an integrated approach will have application throughout Alaska.

To stimulate investment by the private sector, the mineral potential, land status, infrastructure, and the constraints on development such as archeological sites or essential fish habitat, should be clearly identified in a GIS (Geographic Information System) database. In addition, communities in southeast Alaska which have been severely impacted by the decline in the timber industry have expressed interest in how they might be able to benefit from the minerals industry.

Based upon the economic deterioration in the region, excellent potential for mineral discovery, and a well-developed infrastructure, good candidates would be Prince of Wales Island, the Duncan Canal/Stikine mining districts, and the Haines region.

THE COMMISSION RECOMMENDS THAT:

The Governor and Legislature should appropriate \$250,000 for a two-year Capital Improvement Project. This project, administered by the Department of Community & Economic Development, would make relevant information available regarding mineral development opportunities in the economically depressed areas around the Porcupine district near Haines, the Duncan Canal and Bradfield regions in the Stikine mining district, and Prince of Wales Island, in a marketing format.

6) EDUCATION AND RESEARCH

6a) AMEREF

FINDING: The "Alaska Resource Kit" which is being used in the statewide public school system, is an excellent program for educating Alaska's students in the issues and fundamentals of resource development. The Kit incorporates technical, economic, and environmental aspects into a balanced program that addresses mineral, timber, and energy development. Future kits will be developed to address our fishing resources as well.

The Program is a cooperative and successful effort between the Department of Education, and the Alaska Minerals and Energy Resource Education Fund (AMEREF).

The Department of Education develops the curriculum and is responsible for its implementation into the school system through funding provided for teacher training.

AMEREF is presently supported by the resource industries. AMEREF funds the production and replacement of teaching materials, ensures the technical accuracy of the material, and organizes and distributes the education kits. AMEREF is looking to expand the program by incurring additional funding through various grant programs.

The program provides a broad-based resource education for Alaska's student's which is critical to their future ability to make well reasoned decisions about the use and protection of Alaska's wealth of natural resources.

THE COMMISSION RECOMMENDS THAT:

The Governor and the Legislature should appropriate \$50,000 to the Division of Teaching and Learning Support, Minerals and Energy Education Program, as the State's share of supporting the Alaska Mineral and Energy Resource Education Fund.

6b) SCHOOL OF MINERAL ENGINEERING

FINDING: The University of Alaska Fairbanks' School of Mineral Engineering offers accredited degree programs for educating mining, geological, and petroleum engineers and conducts applied research through the Mineral Industry Research Laboratory and Petroleum Development Laboratory.

These professional degree and research programs are vital to the continued development of the State's mineral and energy industries, to the jobs and incomes of its residents, and to the public revenues used to support education and other public services.

THE COMMISSION RECOMMENDS THAT:

The Governor and Legislature should provide adequate budgetary support to the UAF School of Mineral Engineering.

7) EXTENDING THE LIFE OF THE MINERALS COMMISSION

FINDING. The charge of the Alaska Minerals Commission is to make recommendations to the Governor and Legislature on ways to mitigate the constraints on the development of the minerals industry in Alaska. The 1986 Act creating the Alaska Minerals Commission has been amended twice to extend its life through February 1, 2004.

Since 1986, several pieces of legislation have passed that have helped foster the recent growth of this important industry (see Executive Summary of this report).

Now more than ever, it is important to diversify the Alaskan economy. The Commission serves to focus the ideas of the many industry volunteers who contribute recommendations, and the annual budget of \$10,000 is a good investment for the State.

THE COMMISSION RECOMMENDS THAT:

The Governor and the Legislature should extend the term of the Alaska Minerals Commission and provide funding through February 1, 2014.

PART B. FEDERAL ISSUES OF STATE CONCERN

B1) MARINE TRANSPORTATION TASK FORCE

FINDING: Requirements of the Jones Act continue to impede reasonable resource development opportunities in Alaska. Originally the Merchant Marine Act of 1920, the Jones Act requires that ships operating within the United States be built at U. S. shipyards, and that they be owned and crewed by Americans. Drafted shortly after World War I, this legislation grew out of the belief that a strong U.S. merchant marine was essential to maintaining the security of our country.

Several recent studies have concluded that the Jones Act impedes commerce in the U.S. and hampers the development of an efficient intermodal transportation system. However, overwhelming support by Congress and carrier industry as recently as 2000 to maintain the Act in its present form resulted in a collapse of any organized efforts to change the law.

The one sector that is clearly under-served due to the Jones Act is bulk carriage. Bulk shipping by ocean is a service practically nonexistent in the domestic market, and commodity shippers such as mineral companies in Alaska seeking new markets for their products are especially affected.

THE COMMISSION RECOMMENDS THAT:

The Governor and Alaska Legislature fund a marine transportation task force. The task force will identify and provide recommendations on key coastwise shipping questions related to transporting bulk resources like rock, sand, and gravel, coal, and other Alaska resources to regional and domestic markets. Associated infrastructure issues would include West Coast port facility support; markets (local, national and international); backhaul opportunities, a listing of available vessels in compliance, and potential solutions within the constraints of the Jones Act.

B2) DETAILED GEOLOGICAL MAPPING

FINDING: Although the U. S. Geological Survey (USGS) has produced many regional geologic maps at the 1:250,000 scale, there have been very few bedrock and surficial geologic maps, and almost no engineering geologic maps, produced at the 1:63,360 (1 inch = 1 mile) scale for Alaska. Given that the regional maps are compiled from 1:63,360 maps, it would be very useful if the USGS published more detailed maps, and supplemented existing data with more field mapping programs including surficial and engineering geologic maps

THE COMMISSION RECOMMENDS THAT:

The Governor and Legislature should encourage the Congressional delegation to seek funding for the U. S. Geological Survey specifically for detailed mapping, including surficial and engineering, as well as bedrock geological mapping of the State of Alaska. Such funding should include cooperative programs between the University of Alaska, the Alaska Division of Geological & Geophysical Surveys and the U. S. Geological Survey.

B3) RESOLUTION OF OUTDATED SEGREGATIONS

FINDING: Large tracts of land in Alaska that were "temporarily" withdrawn from public entry more than 30 years ago remain unnecessarily closed. These Outdated Segregations preclude mineral development, deny access to other lands and resources, and prohibit transfer of land selections to the State of Alaska and Alaska Native Claims Settlement Act (ANCSA) corporations.

The land segregations were originally set aside for three primary purposes:

1. Selection and conveyance to ANCSA corporations;
2. Possible inclusion within federal conservation units; and
3. Industrial developments such as alternate candidates for a Trans-Alaska Pipeline corridor.

Until recently, the Bureau of Land Management (BLM) was not motivated or funded to create the land management plans that are required before the land withdrawals can be removed by Congressional action.

In its January 2002 report, the Commission recommended that the Legislature urge the Congressional Delegation to expedite the process of removing the Outdated Segregations. House Joint Resolution No. 48 was drafted for this purpose, and it was passed on June 21, 2002. This resolution appears to have accomplished its intended purpose. The BLM has expressed its support for an accelerated program to address this issue. On November 18, 2002, the BLM Resources Advisory Council (RAC) unanimously passed Resolution 03-01. As a result the BLM RAC will form a working group that will prioritize pilot areas for fast-track resolution. The group will prepare findings and recommendations by May of 2003. The Alaska Minerals Commission applauds the Legislature for its action on this issue.

THE COMMISSION RECOMMENDS THAT:

The Governor and Legislature should direct the Department of Natural Resources to participate, monitor, encourage, and assist the BLM, to the extent necessary and possible, as the federal agency goes about the process of creating land management plans, removing outdated segregations, and completing conveyance of lands to the State and ANCSA corporations.

B4) ESSENTIAL FISH HABITAT

FINDING: Protection of "Essential Fish Habitat" (EFH) is a key component of the 1996 Sustainable Fisheries Act (SFA), which amended the 1976 Magnuson-Stevens Fisheries Conservation and Management Act (MSFCMA).

Under the SFA, eight Regional Fisheries Management Councils develop Fisheries Management Plans for important fish species, and provide this information to the National Marine Fisheries Service (NMFS). The NMFS has defined essential fish habitats very broadly, and throughout the western states has included all waters currently accessible to salmon. All federal agencies involved in any kind of development are required to consult NMFS if their actions "may adversely affect EFHs."

This broad mandate will, at best, slow permitting with a complex consultative process, or in the worst case result in project denial or modifications that effectively prohibit resource development. Thus "Essential Fish Habitat" has the potential to be at least as onerous as the Corps of Engineers 404 "Wetlands" permitting.

THE COMMISSION RECOMMENDS THAT:

The Governor and Legislature should work with the Congressional Delegation to limit the authority of the National Marine Fisheries Service to marine waters, and leave management of anadromous fish within state waters to the Alaska Department of Fish & Game.

B5) ANILCA PROVISIONS

FINDING: In order to assure passage of the Alaska National Interest Lands Conservation Act (ANILCA) in 1980, there were several sections included to protect pre-existing rights. Several provisions would allow mineral development on or near otherwise withdrawn land. Title XI addressed access across the Conservation System Units (CSU). Sections 101d and 1326b assured that no more land in Alaska would be considered for new CSU or similar designations. Sections 103b and 1302h provided mechanisms for the Secretary of the Interior to adjust the boundaries of CSU or to exchange lands within them to exclude mineralized areas.

THE COMMISSION RECOMMENDS THAT:

The Governor and Legislature, through the Attorney General's office, the State's Washington D.C. office, and the Congressional Delegation should insist that the federal administration:

- B5a) Provide access across Conservation System Units (CSU) as required by Title XI of the Alaska National Interest Lands Conservation Act (ANILCA);
- B5b) Prohibit the creation of additional CSU lands in Alaska as required by Sections 101d and 1326b of ANILCA; and
- B5c) Exchange mineralized areas from existing CSU under the authority of Sections 103b and 1302h of ANILCA.

APPENDIX A ENABLING LEGISLATION

CHAPTER 98 SESSION LAWS OF ALASKA, 1986 AS AMENDED BY CHAPTER 12 SESSION LAWS OF ALASKA, 1998

AN ACT

Relating to the Alaska Minerals Commission; and providing for an effective date.

Section 1. (a) The legislature finds that the minerals industries, including metallic minerals, industrial minerals, and hydrocarbons, have traditionally and continue to be the major source of wealth and income in the state.

(b) The legislature further finds that there are major constraints on the continued development of a diverse mineral industry in the state, including the Environmental Protection Agency's effluent guidelines, state water quality standards and improperly classified streams and rivers, restriction on surface access, complex and numerous permitting requirements, and limited access to minerals through mineral closing orders and restrictions on multiple use through state and federal land use plans.

Section 2. ALASKA MINERALS COMMISSION ESTABLISHED. (a) The Alaska Minerals Commission is established in the Department of Commerce and Economic Development.

(b) The Commission is composed of 11 members. The Commission shall be composed of individuals who have at least five years' experience in the various aspects of the minerals industries in the state. The Governor shall appoint five members of the Commission, one of whom must reside in a rural community. The President of the Senate shall appoint three members of the Commission. The Speaker of the House of Representatives shall appoint three members of the Commission. Each member serves at the pleasure of the appointing authority.

(c) The Commission shall make recommendations to the Governor and to the Legislature on ways to mitigate the constraints, including governmental constraints, on development of minerals, including coal, in the State.

(d) The Commission shall report its recommendations each year to the Governor and the Legislature during the first 10 days of the regular session of the Legislature.

Sec. 3. This Act is repealed February 1, 1994.*

Sec. 4. This Act takes effect immediately in accordance with AS 01.10.070(c)

*Note: The Act was amended to extend the life of the Commission to February 1, 2004.

APPENDIX B

ALASKA MINERALS COMMISSION STATEMENT OF PURPOSE

The Alaska Minerals Commission was created by the 14th Legislature in Chapter 38 of the Session Laws of 1986 and was established to make recommendations to the Governor and to the Legislature on ways to mitigate constraints on the development of minerals in the State.

The minerals industry offers the greatest potential of any Alaska industry for expanding and diversifying the State's economic base; for increasing Statewide employment; and for generating new wealth to create businesses and provide revenues for State and local governments.

However, Alaska has a complex pattern of land ownership and management; has overlapping and uncertain regulatory requirements; has unique geographic, geologic and climatic conditions; and has an undeveloped transportation system.

To attract the capital necessary for the exploration and development of new mines; to ensure that mines can be developed feasibly and in a timely fashion; and to ensure that producing mines remain viable—constraints on the industry must be mitigated.

The Alaska Minerals Commission will prepare reports for the First and Second Sessions of the 15 th Legislature and the First Session of the 16 th . Legislature, recommending to the Governor and to the Legislature the adoption of legislation and the implementation of administrative policy that will best accomplish the statement of policy found in Article VIII. of the Constitution of Alaska:

"It is the policy of the State to encourage the settlement of its land and development of its resources by making them available for maximum use consistent with the public interest."

And the statement of policy found in the President's National Materials and Minerals Report to Congress of April 5, 1982:

"It is the policy of this administration to decrease America's mineral vulnerability by taking positive action that will promote our national security, help ensure a healthy and vigorous economy, create American jobs, and protect America's national resources and environment."

The goals and recommendations of the Alaska Minerals Commission are to assure that the Legislature and the State administration endorse and promote development of a viable mining industry in the State.

APPENDIX C

MINERAL POLICY ACT

Sec. 44.99.110. Declaration of state mineral policy. The Legislature, acting under art. VIII, sec. 1 of the Constitution of the State of Alaska, in an effort to further the economic development of the state, to maintain a sound economy and stable employment, and to encourage responsible economic development within the state for the benefit of present and future generations through the proper conservation and development of the abundant mineral resources within the state, including metals, industrial minerals, and coal, declares as the mineral policy of the state that

- (1) mineral exploration and development be given fair and equitable consideration with other resource use in the multiple use management of state land;
- (2) mineral development be encouraged through reasonable and consistent non-duplicative regulations and administrative stipulations;
- (3) mineral development and the entry into the marketplace of mineral products be considered in developing a statewide transportation infrastructure system;
- (4) mineral development be encouraged through appropriate public information and education, scientific research, technical studies, and the University of Alaska program involvement;
- (5) economic development with respect to the state mineral industry be encouraged with Pacific Rim nations (Sec.1 Ch. 138 SLA 1988).

APPENDIX D

RECOMMENDATIONS IMPLEMENTED

During 2002 several of the recommendations from the January 2002 Alaska Minerals Commission report were effected, or substantial progress was made in their implementation.

- Funding was provided for the airborne geophysical surveys and for Alaska Mineral and Energy Education Fund (AMEREF).
- Several changes in the Water Quality Standards were proposed for implementation by the Department of Environmental Conservation.
- Funding was provided to study the effects of the State assuming primacy for the NPDES (National Pollutant Discharge Elimination System) process.
- Parts of the "Denali Block" were tentatively approved for State ownership.

Since the first report in 1987 there have been numerous implemented recommendations of the Alaska Minerals Commission, including:

- Passage of Alaska Mineral Policy Act (1988);
- Funding for the AMEREF program (1987-2002);
- Funding for the Citizen's Advisory Commission on Federal Areas (1991-1998);
- Addition of the Department of Commerce to the Resource Cabinet (1992);
- Exemption of minerals from municipal in-situ taxation (1992);
- Funding for airborne geophysical surveys (1992-2002);
- Creation of a task force for RS2477 trail inventory (1993);
- Restriction of Mineral Closing Orders (1993);
- Protection for claimants on state-selected land (1994);
- Extending terms of permits when legal impediments prevent use (1994);
- Selection of lands with high mineral potential (1994);
- Passage of the Exploration Incentives Act (1995);
- Passage of the Diminutive Discharge Bill (1995);
- Providing more flexible work hours for miners (1996);
- Allowing coal mines access to the state bonding pool (1996);
- Assertion of RS2477 rights-of-way (1997);
- Legislative Resolution 31 was passed opposing International Parks, World Heritage Sites, and Marine Biosphere Reserves in western Alaska, and supporting the federal American Lands Sovereignty Protection Act (1997);
- Resolution of the Mental Health Lands issue (1997);
- Funding was provided to update equipment in the Recorders Offices (1998);
- Establishment of a rational State water quality standard for arsenic (1998);
- The Alaska Minerals Commission was authorized to continue until February 2004 (1998);
- Baseline water quality studies by the U. S. Geological Survey and the Division of Mining, Land and Water continued in the Fortymile and Goodpaster watersheds (1998-2001);

- The Department of Environmental Conservation (DEC) received funds for a core permitting team (2001);
- Some State-selected lands in the Denali Highway area were tentatively approved for State ownership (2002);
- The DEC proposed necessary changes to the State's Water Quality Standards (2002);
- Funds were appropriated to study the desirability of the State assuming primacy for the NPDES (National Pollutant Discharge Elimination Discharge System) process (2002).
- Funding was provided for the airborne geophysical surveys and for Alaska Mineral and Energy Education Fund (AMEREF), and
- Several changes in the Water Quality Standards were proposed for implementation by the Department of Environmental Conservation (2002).

Obviously the Commission cannot take sole credit for the resolution of many of these issues, but it is encouraging to note the success of Commission recommendations, thanks to the efforts of the Legislators and Governors in recent years.



This publication was released by the Department of Community and Economic Development. Its purpose is to report the findings and recommendations of the Alaska Minerals Commission to the Governor and to the Legislature of Alaska. It was produced at a cost of \$1.40 per copy and printed in Juneau, Alaska. This publication is required by Chapter 98, Session Laws of Alaska, as amended by Chapter 4, Session Laws of Alaska, 1993.

Photo Credit: NovaGold



Council of Alaska Producers

P.O. Box 22653 Juneau, Alaska 99802

March 12, 2003

Senator Ben Stevens
State Capitol, Room 119
Juneau, Alaska 99801

Dear Stevens:

On behalf of the Council of Alaska Producers, I would like to thank the sponsor for introduction of SB 79, a bill to extend the term of the Alaska Minerals Commission. Although I am relatively new to Alaska, having been appointed in October 2002 to the position of General Manager of the Greens Creek Mine, the previous manager briefed me well on the track record of the Minerals Commission. The Minerals Commission has demonstrated the ability to produce a concise annual report that serves to focus the legislative and administrative branches on ways to remove constraints on mineral development in Alaska. The Commission draws on the experience of a wide cross-section of industry professionals and completes its work and prepares the report at minimal cost to the State.

I have observed this myself in the 2003 Minerals Commission report, which sets forth a number of issues that need to be addressed and which would help improve the business climate for the operations of our Council of Alaska Producers members. Our organization certainly supports passage of SB 79, so that we can continue to capitalize on the potential of the mining industry in Alaska.

Thank you,

Rich Heig, President
Council of Alaska Producers

SENATE COMMITTEE REPORT First Committee of Referral

DATE: 2/21/03

FURTHER: Finance

Date of 5-Day Notice: 2/27/03
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 3/5/03

Resources Committee considered SENATE BILL NO. 79

SB 79 EXTEND ALASKA MINERALS COMMISSION

"An Act extending the termination date of the Alaska Minerals Commission."

and recommends:

be replaced with _____ CS _____ (_____)

adopt previous _____ CS _____ (_____)

attached amendment(s)

adopt Letter of Intent by _____ Committee

further referral to _____ Committee

Senate Bill:

same title

new title

House Bill:

same title

technical title

new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
DCED	2/27/03	✓		1

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:		DO PASS	DO NOT PASS	NO REC	AMEND
Ben Stevens	<i>Ben Stevens</i>	✓			
Seckins	<i>Ralph Seckins</i>	✓			
Wagner	<i>Thomas Wagner</i>	✓			
Dyson	<i>Fred Dyson</i>	✓			
Lincoln	<i>James Lincoln</i>	✓			
Elton	<i>Scott Elton</i>	✓			
Ogan	CHAIR: <i>Scott Ogan</i>	✓			



From the
SENATE FINANCE COMMITTEE

- Senator Lyda Green, Co-Chair
 Senator Gary Wilken, Co-Chair

— Staw Foo, Mining
Section Mgr

Div of Mining, Land, + Water
DNR

will be at Anch L10

re: SB79

SENATE FINANCE COMMITTEE

SIGN - IN

SB 79-EXTEND ALASKA MINERALS COMMISSION

NAME: NEIL MACKINNON Subject/Bill No: SB 79

Co./Dept./Title: MINERALS COMMISSION Phone: _____

Address: 1114 GLACIER AVE 99801 Zip: 99801

Do you wish to testify? Yes No Respond To Questions

NAME: Lance Moller Subject/Bill No: SB 79

Co./Dept./Title: Miners Commission Phone: 463-3662

Address: 612 W. W. HUGHES AVE Juneau Zip: 99801

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____

Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____

Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

SB

82

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 3/31/03

FURTHER:

RECEIVED
FEB 20 2004
SENATE FINANCE
COMMITTEE

DATE TURNED IN TO OFFICE: 20 Feb 2004

Finance Committee considered

SENATE BILL NO. 82

SB 82 ALCOHOLIC BEVERAGE TAX FOR WINE & OTHERS

"An Act relating to the state alcoholic beverage tax for certain wine and other beverages."

and recommends:

be replaced with _____ CS _____ (_____)

adopt previous _____ CS SB 82 (L+C)

attached amendment(s)

adopt Letter of Intent by _____ Committee

further referral to _____ Committee

Senate Bill:

same title

new title

House Bill:

same title

technical title

new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
Revenue	2/17/04		✓	#2

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	Do PASS	Do NOT PASS	No REC	AMEND
<i>Paul Poyne</i>	✓			
<i>George P. Olson</i>			✓	
<i>J. C. Bledsoe</i>	✓			
<i>Ben Steens</i>	✓			
COCHAIR: <i>Gregory Lytle</i>	✓			
COCHAIR: <i>Lynda Green</i>	✓			

FEB 20 2004

SENATE FINANCE COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: CSSB 82
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title Alcoholic Beverage Tax for Wine RDU Revenue Programs & Services
& Others _____ Component Tax Division
Sponsor Senator Gary Stevens
Requester Senate Finance Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()	(18.4)	(18.4)	(18.4)	(18.4)	(18.4)	(18.4)
------------------------	--------	--------	--------	--------	--------	--------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type-Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0
Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See page 2 for analysis.

Prepared by: Chuck Harlamert Phone 465-2320
Division Tax Division Date/Time 2/17/04 9:27 AM
Approved by: Steve Porter, Deputy Commissioner Date 2/17/2004
Agency Department of Revenue

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. CSSB 82

ANALYSIS CONTINUATION

This legislation is intended to reduce the tax burden for small Alaska wine producers. Wine is taxed at the rate of \$2.50 per gallon at the time it is sold in the state or consigned to the state. Section 1 of the bill would exempt from taxation the first 100 gallons of wine each month per taxpayer. The maximum benefit is \$3,000 per taxpayer per year. Section 2 limits the exclusion to 100 gallons per month per business.

This tax break accrues to all taxpayers including in-state producers and importers, ten of which reported tax on wine during FY03. By contrast, a tax break specifically for small producers would necessarily have to include small in-state and out-of-state producers. Any limits on the benefit for a single producer would require coordination of each producer's tax benefit, potentially between multiple distributors. We do not have the information necessary to measure the impact of this 100 gallon exemption, or variations, were the tax break targeted at producers instead of the taxpayer. We believe that the impact on revenues would exceed that of the bill as drafted if producers were specifically targeted.

Operating costs are unaffected by the bill. The department will add two lines to our existing tax return to calculate taxable gallons after the exclusion and compute the tax. We believe that our costs, and the costs of distributors, would be significant were the tax benefit awarded directly to small producers.

We estimate the annual revenue loss from the bill at \$18,400 based on returns filed for FY03. Approximately \$3,400 (18%) of this benefit accrues to small in-state producers.

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Alaska State Capitol
Juneau, Alaska 99801-1182
(907) 465-4925
Fax: (907) 465-3517
Toll Free: 1-800-821-4925

Senator Gary Stevens

Alaska State Legislature

INTERIM ADDRESS:
112 Mill Bay Road
Kodiak, Alaska 99615
(907) 486-4925
Fax: (907) 486-5264

SPONSOR STATEMENT-SB 82

(Updated 4/23/03)

SB 82, "An Act relating to the state alcoholic beverage tax for certain wine and other beverages." This bill will aid Alaska's four small wineries; two of which are located on Kodiak Island, a third is in Haines, the fourth is in Anchorage.

When the 22nd Alaska Legislature passed into law House Bill 225, breweries were allowed to keep the former tax rate of \$.35 per gallon on sales of the first 60,000 barrels of beer sold in the state. Wineries were not given similar consideration; as a result, the tax on wine rose from \$.85 per gallon to \$2.50 per gallon. This important revenue measure, while helping breweries, has, unfortunately, put Alaska's small, emerging wineries at a competitive disadvantage in the marketplace.

Recognizing that a revision to current state statute to allow wineries an exemption similar to breweries would lead to a substantial revenue loss, SB 82 attempts to level the playing field for our small wineries by offering a tax exemption of 100 gallons per month. This figure was derived after much consultation with winery operators and the Department of Revenue. The 100 gallon per month figure is also an attempt to minimize revenue loss from unintended beneficiaries, while keeping within the constrictions of interstate commerce law.

The bill also includes language that will further reduce unintended revenue loss by treating as a single taxpayer, two or more taxpayers who have a relationship, as defined in 26 U.S.C. 267(b) (Internal Revenue Code).

By supporting SB 82, you will help this developing Alaska industry produce a competitively-priced product, allowing them to continue to contribute new revenue to the state's changing economy.

GREAT LAND WINES, LTD.

May 1, 2003

Senator Gary Wilkins, Finance Committee
State Capitol Building,
Room 518
Juneau, AK 99801

RE: SB 82

Dear Legislators:

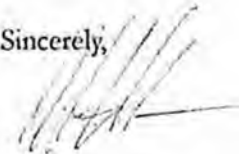
Our governor tells the people that he wants to develop Alaskan businesses so that those businesses can lead us out of the financial disaster in which we find ourselves. So far the steps taken by the Legislature and the steps recommended by the new Governor Murkowski have only increased our costs for permits, licenses and our excise taxes have gone up 300%. We do not understand how to grow our business when we are burdened with excessive fees while receiving fewer services from the state. But what seriously concerns us is the discrepancy between the excise taxes paid by Alaskan wineries that breweries do not have to pay.

According to figures from the Dept. of Revenue, breweries are exempted up to 60,000 barrels a year, while Alaska's four small wineries have no exemption from the tax at all. 60,000 barrels of beer is equal to 2,820,000 gallons. I have testified in front of your committee twice this session, but I believe the committee does not yet understand just how small an operation we are. Our total output of wine for a year is less than 300 gallons, of that we might sell 150 gallons. We pay the full excise tax as per the alcohol tax increase passed last session which means that instead of paying \$.85 a gallon we are now paying \$2.50 a gallon. The total amount that we pay will be no more than \$375. a year, if we sell all of that at the winery. If we sell our wine wholesale, the retail seller pays the tax. Still the amount of money coming into State coffers is minuscule.

Breweries on the other hand are exempted for huge amounts and companies that are not Alaskan businesses are paying nothing. I am sure that it was not the Legislature's intention to exempt major breweries from paying the higher tax. Still that is the outcome. SB 82 attempts to make the tax laws on alcohol more equal and fair. We do not object to paying a tax to the State, but we do find it difficult to do when our small local business is unfairly burdened.

We support SB 82 and ask you to give our small business a chance to succeed by passing this bill.

Sincerely,



David B. Meunaker, Owner Operator
Great Land Wines, Ltd.

P. O. BOX 1093 • HAINES, AK • 99827
PHONE: 907.766.2096 • FAX: 907.766.2094

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FOLLOWING
DOCUMENT(S)
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ORIGINAL
COPIES



PO Box 3574
Kodiak, AK 99615
907-486-1420
alaskawildwine@gci.net

April 11, 2003

Dear whom it may concern:

I wish to give support to SB 82 sponsored by Senator Gary Stevens. As a small Alaskan winery owner I have followed this bill with great interest. The passage of HB 225 last fall raised my excise taxes to the highest in the nation; from \$0.85 to \$2.50 per gallon sold in Alaska. This tax increase has impacted my winery substantially.

Researching HB 225 I have encountered some disturbing information. Subsection C of HB 225 gave breweries a substantial discount in excise taxes. Fiscal notes from the Department of Revenue state that " the impact on the revenue could be significant" And " For example, a brewer approaching the 2-million-barrel threshold that sells 60,000 barrels in Alaska would pay \$651,000 compared to an unqualified brewer paying \$2,641,200 on its barrels " The Department of Revenue also states that 13,979,490 gallons of beer, 1,380,535 gallons of wine, and 1,087,720 gallons of spirits were sold in Alaska in 1999. The Kodiak legislative office has not data for more recent years. Therefore, the impact on state revenue from a brewery reduction is much greater than the impact would be from a similar winery reduction.

The 60,000-barrel beer reduction given to breweries in HB 225 originated from federal statutes (26 U.S.C. 5051 (a)) reducing federal excise taxes on beer sold in the USA during a calendar year. Similarly, the federal statutes (26 U.S.C. 5041 (c)) give wineries a full reduction at 100,000 gallons of wine sold in a year. HB 225 gave the full federal reduction to breweries for sales in Alaska. Federal reductions should only apply to a sales volume within all 50 states.

The current bill asks for only 1.2% of the federal reduction or 100 gallons a month as a compromise with the Department of Revenue and members of the Labor and Commerce Committee. The maximum revenue lost each year per winery from this bill is \$3,000.00 as compared to 2 million per brewery in HB 225. In my case, at 300 gallons a year, it would be \$750.00. This bill also includes a provision treating taxpayers with relationships as a single taxpayer to further reduce the impact on the state revenues. HB 225 lacks this provision.

For further information on the effects and circumstances surrounding this bill I ask you to please request the following: 1) that the Revenue Department produce a fiscal note on lost state revenue from HB 225 C - the brewery discount and 2) testimony from the Alaskan Manufacturing Association, the Kodiak Chamber of Commerce, the Made In Alaska Program, and the Department of Community and Economic Development to get important views on this bill.

In summary, SB 82 attempts to equalize taxation in the alcohol industry while decreasing the impact on state revenues and supporting small Alaskan wineries. This burgeoning Alaska industry needs your support to prosper and contribute to the states changing economy. Please support this Alaskan business and pass SB 82.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven Thomson".

Steven Thomson
Alaskan Wilderness Winos
Vice President

PRESS RELEASE *For Immediate Release*

Contact: Bill Webb, 907-272-5634; bill@anchoragemarkets.com



February 11, 2004, Anchorage, Alaska

Kodiak Island Winery Selected As Manufacturer of Year By Made In Alaska Program

Salmonberry and rhubarb wines are the favorites of Kodiak Island Winery's many customers and devotees that have developed over the winery's five successful years in business. This small winery, located in a scenic setting at mile 36.25 on the Chiniak Highway on Kodiak Island, now produces about 10,000 bottles of high quality wines and champagnes. Their wines are sold in many locations in Kodiak as well as in Anchorage, Juneau, Fairbanks, Homer, Sitka and other Alaska cities. The company's goal is to supply wine to all of Alaska's cities. All wines are hand crafted and bottled by owners John and Judy Lucas.

The winery produces seven types of wine and four flavors of champagne, Salmonberry, Blueberry, Strawberry and Rhubarb. The Lucas grows their own organic rhubarb and local youth pick the berries needed for wine production. Inadequate supplies of strawberries and blackberries require their purchase from an organic farmer in Oregon. "Production is now sufficient enough to allow one to two year aging of some wines that will result in an even higher quality product", reports John Lucas. "We have always recommended that our customers let it age for a year or two before drinking, but we know that aging has often not been the case."

The winery is a popular spot for Kodiak weddings. Larger weddings require the use of a tent on the spacious grounds, but the tasting room is sufficient in size to accommodate smaller gatherings. When not in use for weddings the room is a tasting room, art gallery and gift shop that displays and sells many Made In Alaska products, including, jams and jellies, quilts, paintings and sculptures. Judy Lucas loves flowers and her fresh flower arrangements add color and pleasing fragrances to the setting.

Working with Threshold Recycling, the Lucas' winery has been able to use many recycled wine bottles. Area taverns owners know the types of bottles needed and save these types for reuse by the winery.

Kodiak Island Winery has combined ingenuity and hard work with their concern for the environment and for their community while producing a quality product. Their wines are already of economic importance and represent a new opportunity for Alaska's economic growth. All affiliated with the Made In Alaska Program join in congratulating John and Judy Lucas on their success and their selection as the 2003 Made In Alaska Manufacturer of Year.

Kodiak Island Winery has been selected as the 13th Annual Manufacturer of Year (2003) by the Made In Alaska Program. Previous recipients of this prestigious award have been:

- 2002 Alaska Sausage and Seafood of Anchorage
- 2001 Alaska Black Diamond of Princess Island (Ward Cove)
- 2000 Fenton Woods of Wasilla
- 1999 Alaska Mint of Anchorage
- 1998 Cameron Birch Syrups & Confections, Inc. of Wasilla
- 1997 Alaska Canine Cookies, Inc. of Anchorage
- 1996 Interstate Brands Corporation/Sunrise Bakery of Anchorage
- 1995 The Great Alaska Bowl Company of Fairbanks
- 1994 Alaska Wild Berry Products of Homer & Anchorage
- 1993 Marian Boat Works of Anchorage
- 1992 Alaskan Brewing & Bottling Co. of Juneau
- 1991 Tesoro Alaska Petroleum of Anchorage

For more information regarding this press release or the Made In Alaska Program contact:

William "Bill" F. Webb, Program Manager/Agent
Made In Alaska

741 East 13th Avenue, Anchorage, AK 99501-4621

Phone 272-5634; Fax 272-5634; Email bill@anchoragemarkets.com

Contact information for Kodiak Island Winery:

John or Judy Lucas, Owners

Post Office Box 5630, Chiniak, AK 99615-5630

Phone 486 4848; Fax 486-4848; Email jjlucas@ptialaska.net

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Senator Gary Stevens
Alaska State Legislature

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SPONSOR STATEMENT-SB 82
(Updated 4/1/03)

SB 82, "An Act relating to the state alcoholic beverage tax for certain wine and other beverages."

SB 82 replaces the Federal yearly sales eligibility excise tax limit of 100,000 gallons a year (basis used in HB 225 passed by the 22nd Alaska Legislature) with 100 gallons per year. This reduction decreases the impact on state revenues while stimulating and supporting small Alaskan wineries. This burgeoning Alaska industry needs support to prosper and contribute to the state's changing economy; SB 82 is one means of assisting them. I urge your support for this measure.

LEGAL SERVICES

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

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

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

MEMORANDUM

April 1, 2003

SUBJECT: Alcoholic Beverage Tax; Sectional Summary (CSSB 82(L&C))

TO: Senator Gary Stevens
Attn: Doug Letch

FROM: Tamara Brandt Cook
Director *TBC*

Sec. 1. Exempts from the state tax on alcoholic beverages, wine or other beverages of 21 percent alcohol by volume or less, other than malt beverages and cider, on amounts sold in or consigned for shipment into the state that do not exceed 100 gallons a month.

Sec. 2. Two or more taxpayers who have a relationship as defined in the Internal Revenue Code are treated as a single taxpayer for purposes of applying the exemption in sec. 1 of the bill.

TBC:lmb
03-121.lmb

Back up Material
Provided by Sen. Gary Stevens

My wife and I are part of a seriously beleaguered group of Alaskans, the small business person struggling to make a living in a world that has become increasingly unfriendly to the entrepreneur. We are trying to establish a business that will use wholly renewable resources to product a uniquely Alaskan product that leaves such a small foot print on the environment of Alaska as to not even be noticed. Great Land Wines, Ltd. of Haines is beginning its 4th year of operation. We are gaining recognition and interest in our State as well as in the lower 48. We were awarded a medal in the Indy International Wine competition last summer.

However, when the legislature passed the new liquor tax law last year it seriously impacted our ability to be successful. The law is aimed at hard liquor sales in the state. Microbreweries were exempted from the new tax, while the four fledgling wineries in the state were not.

Most likely this was an oversight on the part of the legislature since not many lawmakers knew there were any wineries in the state.

A tax increase of nearly three hundred percent is some impact! Since we are operating on very slim margins, this increased tax burden might be the difference between continuing this year and shutting our winery down for good.

Our winery and the other wineries in the state do not see a reason for the state to reward the breweries and punish the wineries. To correct this discrepancy we request that you revisit the law passed last year and insert a sentence that would give the wineries the same exemption that the breweries get. This is only fair. If the change can be made in a way that does not include a new law, all the better, but we invoke our right under the constitution of the State of Alaska and the Constitution of the United States for redress of grievances. Please treat us in the same way that you treat like businesses, the breweries. The power to tax is the power to destroy. This tax could destroy any success we might have hoped for.

If you require additional information, please contact me.

David B. Menaker
Great Land Wines, Ltd.
907.766.2698
907.766.2096
FAX 907.766.2094

SENATE FINANCE COMMITTEE

SIGN-IN

SB 82-ALCOHOLIC BEVERAGE TAX FOR WINE & OTHERS

NAME: Doug Letch Subject/Bill No: SB-82

Co./Dept./Title: Chief of Staff - Sen. Stevens Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: Chuck Harlamert Subject/Bill No: SB 82

Co./Dept./Title: Dept. of Revenue Phone: 4773

Address: 11th Fl. SOB Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____

Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____

Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

SENATE COMMITTEE REPORT

First Committee of Referral

DATE: 2/26/03

FURTHER: Finance

Date of 5-Day Notice: 3/5/03
 (in accordance with Uniform Rule 23)

DATE TURNED
 IN TO OFFICE: 3/31/03

Labor and Commerce Committee considered SENATE BILL NO. 82

SB 82 ALCOHOLIC BEVERAGE TAX FOR WINE & OTHERS

"An Act relating to the state alcoholic beverage tax for certain wine and other beverages."

and recommends:

- be replaced with CS SB 82 (LEC)
- adopt previous CS ()
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:

- same title
- new title

House Bill:

- same title
- technical title
- new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
REV	3/24/03	✓		1

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:

	Do PASS	Do NOT PASS	No REC	AMEND
Davis <i>Betty Davis</i>	✓			
French <i>[Signature]</i>			✓	
Seekins <i>Karen Seekins</i>			✓	
G. Stevens <i>[Signature]</i>	✓			
Bunde CHAIR: <i>O. Bunde</i>	✓			

SB

84

SFIN

FILE

SB 84

was referred to the
Senate Finance
Committee

No hearing was held
on this bill

SB

85

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT

MAY 8 2003

SENATE FINANCE
COMMITTEE

DATE: 5/3/03

FURTHER:

DATE TURNED IN TO OFFICE: 8 May 2003

Finance Committee considered

SENATE BILL NO. 85

SB 65 REPEAT SERIOUS SEX OFFENSES

"An Act relating to sentencing and to the earning of good time deductions for certain sexual offenses."

and recommends:

be replaced with _____ CS _____ (_____)

adopt previous _____ CS SB 85 (STP)

attached amendment(s)

adopt Letter of Intent by _____ Committee

further referral to _____ Committee

Senate Bill:

same title

new title

House Bill:

same title

technical title

new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
Admin	4/26/03	*		
Corrections	4/26/03		✓	

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
Law	4/26/03		✓	#2

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	Do PASS	Do NOT PASS	NO REC	AMEND
<i>John Taylor</i>	✓			
<i>John Taylor</i>	✓			
<i>Thomas A. O'Brien</i>	✓			
<i>C. B. ...</i>	✓			
<i>Sen. ...</i>	✓			
COCHAIR: <i>John ...</i>	✓			
COCHAIR: <i>...</i>	✓			

FISCAL NOTE

REPORTED DATE

MAY 8 2003

SENATE FINANCE
COMMITTEE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: SB 85
(S) Publish Date: 4/11/03

Revision Date/Time (Note if correction): _____ Dept. Affected: Law
Title: "An Act relating to sentencing and to the earning of good time deductions for certain sexual offenses." BRU: Criminal Division
Sponsor: Senator French Component: All
Requester: Senate State Affairs Committee Component No.: _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 0.0
Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*
This bill increases the presumptive sentences and decreases the amount of good time that may be earned during imprisonment for persons convicted of certain felony sexual offenses.

Passage of this legislation is not anticipated to have a fiscal impact on the Department of Law.

Prepared by: Joan M. Kasson Phone: (907) 465-5370
Division: Attorney General's Office Date/Time: 4/2/03 1:07 PM
Approved by: Kathryn Daughhelee for Gregg D. Renkes, Attorney General Date: 4/2/2003
Agency: Department of Law

MAY 8 2003

SENATE FINANCE COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSSB 85
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Administration
Title An Act relating to sentencing and good BRU Legal and Advocacy Services
for felony sexual offenses Component Public Defender Agency
Sponsor Senator French
Requester Senate State Affairs Component No. 1631

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services	*	*	*	*	*	*
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	*	*	*	*	*	*

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	*	*	*	*	*	*
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	*	*	*	*	*	*

Estimate of any current year (FY2003) cost: 0.0
Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time	*	*	*	*	*	*
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached page for analysis.

Prepared by: Linda K. Wilson, Deputy Director Phone (907)-334-4416
Division Public Defender Agency Date/Time 4/29/03 4:39 PM
Approved by: Mike Miller, Commissioner Date 4/29/2003
Agency Department of Administration

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

BILL NO. CSSB 85

ANALYSIS CONTINUATION

This bill has three distinct features. Sections 1-5 propose to increase the maximum sentences for all felony sexual offenses, and to increase the presumptive sentences for felony sexual offense convictions for first offenders and when the defendant has a prior sexual felony conviction. Section 6 eliminates the 10-year look back limitation for prior convictions for class B and C sexual offense felonies that the court considers when determining if presumptive sentencing applies and for general sentencing purposes in all sexual felony cases. Currently only prior felony convictions where less than 10 years from the date of the defendant's unconditional discharge on the immediately preceding offense and the commission of the present offense has elapsed may be considered by the court in class B and C felony sentencing proceedings. Lastly, Section 10 of the bill proposes to eliminate entirely the award of good time to prisoners convicted of a sexual felony who have a prior sexual felony conviction, no matter how old. Currently all prisoners convicted of a sentence that exceeds 3 days earn a one-third deduction for good behavior.

This bill will have a fiscal impact on the operations of the Public Defender Agency. There may be litigation on whether this bill violates equal protection of the laws under the Alaska or United States Constitution. In the past, Alaska courts have found that laws singling out particular offenses (rather than classes of offenses) for disparate treatment violate equal protection. Also, it is likely that more cases will be contested and go to jury trial because of the increased sentences, and the elimination of good time awarded for second offenders, as proposed in this bill. If conviction results at trial, it is equally likely that there will be more appeals from those convictions. The Agency represented indigent defendants in over 20,000 cases in FY02, over 3600 of which were felonies. It is expected that the Agency's caseload will increase by approximately 1,000 cases for FY03, from the half yearly figures for FY03, also increasing the number of felonies for FY03 by approximately 100 cases. A noticeable number of the felony sexual offense charges involve indigent native defendants with substance abuse issues surrounding the alleged offense. Felony sex offenses are costly cases to defend at trial. With the increase in maximum allowable sentences, it is also likely that any suspended portion of the sentence will also increase, which may result in more contested adjudications on petitions to revoke probation proceedings, because of the potential to have a larger sentence imposed upon revocation. This will also likely increase the workload of the Agency.

The Agency cannot predict with any accuracy what the fiscal impact will be on the Agency if this bill becomes law, but is sure there will be one. Therefore, an indeterminate fiscal note is submitted.

MAY 8 2003

SENATE - SUBJECT
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSSB85(STA)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Department of Corrections
Title: Good Time Deductions for Sexual Offenses BRU: Administration & Operations
Sponsor: Senator French Component: _____
Requester: _____ Component No.: _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services	0.0	0.0	0.0	*	*	*
Travel	0.0	0.0	0.0	*	*	*
Contractual	0.0	0.0	0.0	*	*	*
Supplies	0.0	0.0	0.0	*	*	*
Equipment	0.0	0.0	0.0	*	*	*
Land & Structures	0.0	0.0	0.0	*	*	*
Grants & Claims	0.0	0.0	0.0	*	*	*
Miscellaneous	0.0	0.0	0.0	*	*	*
TOTAL OPERATING	0.0	0.0	0.0	*	*	*
CAPITAL EXPENDITURES	0.0	0.0	0.0	*	*	*
CHANGE IN REVENUES ()	0.0	0.0	0.0	*	*	*

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	*	*	*
1003 GF Match	0.0	0.0	0.0	*	*	*
1004 GF	0.0	0.0	0.0	*	*	*
1005 GF/Program Receipts	0.0	0.0	0.0	*	*	*
1037 GF/Mental Health	0.0	0.0	0.0	*	*	*
Other (Specify Type--Do not abbreviate)	0.0	0.0	0.0	*	*	*
TOTAL	0.0	0.0	0.0	*	*	*

Estimate of any current year (FY2003) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time	0	0	0	0	0	0
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

The Department of Corrections does not expect additional costs as a result of changes to sentencing in SB 85 in the first three years after enactment. For years beyond FY 07, there may be a cost to the department due to the increase in the length of sentences and the elimination of good time deductions for repeat sexual offenders, but it cannot be determined with any precision. Please see attached.

Prepared by: Jerry D. Burnett, Director
Division: Administrative Services
Approved by: Portia C.K. Parker, Deputy Commissioner
Agency: Department of Corrections

Phone 465-3339
Date/Time 4/29/03 11:41 AM
Date 4/29/2003

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

BILL NO. CSSB 85(STA)

ANALYSIS CONTINUATION

In an attempt to determine the potential impact on the Department of Corrections (DOC), the DOC Research Section researched the re-offend rate of sex offenders in the department's custody. The research section reported that there were 727 sex offenders in the department's custody on April 2, 2003.

Number of the 727 sex offenders who are repeat offenders (in the department's custody for any reason previously):

- In DOC custody on a sex offense	727	100%
- In DOC previously and released at some point	581	80%
- Average number of times sex offender admitted to DOC (up to 11/11/2001)	6.24 times	
- Percent admitted to DOC 10 or more times (581= 100%)	302	52%

Major offenses committed when admitted to DOC (by the 727 sex offenders in custody on 04/02/03):

- Parole/Probation/Court violations, etc.	25%
- All sex offenses (sex assault/abuse/etc.)	15%
- All alcohol (DUI/Minor Consuming/etc.)	13%
- All Assaults	16%
- Theft/Burglary/Larceny/Robbery	11%
- All traffic	5%
- All Other	15%

Given the high level of recidivism for all offenses among this group of sex offenders, it is likely that many of the inmates who would receive a longer sentence under the provisions of SB 85 already would spend a significant portion of that time in prison for some charge regardless of passage of this legislation. Keeping this group of sex offenders in prison for longer periods for a single crime, and thus incarcerated in lower cost, long-term facilities, may reduce or contain costs for booking/intake, inmate transportation and may help contain increasing demands for pre-trial bed space.

ALASKA STATE LEGISLATURE

Senate
Judiciary
Committee

Senate
Labor & Commerce
Committee

Senate
Administrative
Regulation Review
Committee



SENATOR HOLLIS FRENCH

Senator_Hollis_French@legis.state.ak.us
www.akdemocrats.org

While in Session
State Capitol
Juneau, Alaska 99801
(907) 465-3892
1 (866) 465-3892
Fax: (907) 465-6595

While in Anchorage
716 West 4th Avenue
Anchorage, Alaska 99501
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Fax: (907) 269-0238

SPONSOR STATEMENT – CS SB 85 (STA)

An Act relating to sentencing and to the earning of good time deductions for certain sexual offenders

CS SB 85(STA) – “An Act relating to sentencing and the earning of good time deductions for certain sexual offenders” addresses a pressing public safety issue in Alaska. Our state has long had one of the highest rates of reported rapes per capita in the nation, ranking first among all states for 19 of the last 26 years, including 2001. It is time to do something about this undistinguished -- and shameful -- rating and to provide additional protection for Alaska’s women and children, the most frequent victims of sexual crimes. SB 85 addresses this issue by focusing on the worst of the worst – repeat sexual offenders, those who have been convicted of a sex offense and subsequently commit another sexual crime.

CS SB 85 (STA) has two purposes: first, to increase the penalties for repeat sex offenders and, second, to add repeat sexual offenders to the list of those who are not eligible to earn a “good time” reduction of their terms.

CS SB 85(STA) is designed to treat repeat sex offenders differently from other repeat felons. Research has shown that sexual offenders are not like other offenders. As noted in a National Institute of Justice (NIJ) research report on managing adult sex offenders, sex crimes flourish in secrecy. Many offenders are otherwise highly functioning and use their social skills to commit their crimes and to manipulate both victims and criminal justice officials. Offenders are often very accomplished at presenting a facade designed to hide the truth about themselves. Many sex offenders commit a wide range and large number of sexually deviant acts during their lives and show a continued propensity to offend. The NIJ study

concludes that adult offenders who commit sex crimes should be managed, treated, and supervised differently from other criminals.

Current statutory guidelines in Alaska, however, treat all two-time felons as though they were the same, that is, all prior felony convictions are given equal weight when an individual is sentenced on a new offense. For example, a judge sentencing a person convicted of a second forgery or a second sexual offense has to operate under the same sentencing guidelines. SB 85 establishes a separate, and more stringent, set of sentencing guidelines for those who commit second or subsequent sexual offenses or commit a sexual felony after a prior felony conviction.

The other proposed change in the law in CS SB 85 (STA) is to add repeat sexual offenders to the list of those who are not eligible to earn “good time” or a reduction in their prison terms for good behavior. Under current law, most prisoners, including sexual offenders, can earn a one-third reduction of their sentences for good behavior. CS SB 85 (STA) would require repeat sexual offenders to serve the full length of their sentences; they would not be eligible for parole.

By increasing sentences for repeat sexual offenses and actual time served for these offenses, SB 85 will help to protect Alaska’s women and children from some of the most heinous crimes against them, sexual felonies.

I urge your support of this legislation.

Senator Hollis French
April 11, 2003

SECTIONAL ANALYSIS -- CS SB 85 (STA)

An Act relating to sentencing and to the earning of good time deductions for certain sexual offenses

- Section 1** Amends AS 12.55.12(c) to bring it into conformance with the new AS 12.55.125(i) enacted by this bill.
- Section 2** Amends AS 12.55.12(d) to bring it into conformance with the new AS 12.55.125(i) enacted by this bill.
- Section 3** Amends AS 12.55.12(e) to bring it into conformance with the new AS 12.55.125(i) enacted by this bill.
- Section 4** Corrects a reference to a subsection repealed in earlier legislation.
- Section 5** Establishes a separate, and more stringent, sentencing schedule for individuals convicted of "sexual felonies" (see below, Section 9). Increases maximum term for first offenses. Establishes new maximum and presumptive sentences (see Attachment A) for conviction of a second or subsequent sexual felony. Under current law, sentencing for a second felony, whether it is sexual felony or another type of felony, is controlled by the same statutory requirements for maximum and presumptive sentences.
- Section 6** Provides guidelines on how to consider prior convictions in Alaska or other jurisdictions when imposing sentences.
- Section 7** Corrects a reference to a subsection repealed in earlier legislation.
- Section 8** Corrects a reference to a subsection repealed in earlier legislation.
- Section 9** Provides a definition for "sexual felony."
- Section 10** Adds repeat sexual felons to the list of those not eligible for a "good time" reduction in their term of imprisonment.
- Section 11** Establishes that the provisions of the bill are applicable to sentencings and calculation of "good time" for offenses committed on or after the effective date of the Act.

Sentencing Guidelines for Repeat Sexual Offenders

Current Law and CS SB 85(STA) Proposal

CRIME	UNCLASSIFIED FELONIES	CLASS A FELONIES	CLASS B FELONIES	CLASS C FELONIES
	Sexual Assault 1 Sexual Abuse of Minor 1	Attempted Sexual Assault 1 Attempted Sexual Abuse of Minor 1	Sexual Assault 2 Sexual Abuse of Minor 2	Sexual Assault 2 Sexual Abuse of Minor 3
CURRENT LAW PRESUMPTIVE SENTENCES				
First felony offense	8	5	1 to 4	0
One prior felony	15	10	4	2
Two prior felonies	25	15	6	3
MAXIMUM SENTENCE	30	20	10	5
PROPOSAL PRESUMPTIVE SENTENCES				
First felony offense	8	5	1 to 4	0
One prior felony	15	10	5	2
One prior sex felony	20	15	10	3
Two prior felonies	25	15	10	3
Two prior sex felonies	30	20	15	6
MAXIMUM SENTENCE	40	30	20	10



Alaska State Legislature House and Senate Democrats

www.akdemocrats.org

FOR IMMEDIATE RELEASE • April 11, 2003

CONTACT: Jordan Marshall • (907) 465-3842, Toll-free (888) 465-4919, Cell: 321-3682
Fax: 465-5125, Jordan_Marshall@legis.state.ak.us

Sex Offender Bill Receives Unanimous Bipartisan Support

Sen. Hollis French and Colleagues Take Stand to Protect Women and Children

JUNEAU – Repeat sex offenders would receive longer sentences under a bill introduced by Senator Hollis French (D-Anchorage). Senate Bill 85 passed out of the Senate State Affairs Committee yesterday with unanimous bipartisan support.

SB 85 aims to increase the penalties for repeat sex offenders. It also would make repeat sex offenders ineligible for the one-third “good time” reduction in prison sentences that most offenders can earn.

“Alaska ranks among the worst in the country in terms of reported rapes per capita, and has for years,” says Senator French. “I believe it is time to change that and to do something about this undistinguished – and shameful – rating. This law will provide additional protection for Alaska’s women and children, who are the most frequent victims of sexual crimes.”

SB 85 focuses on repeat sexual offenders, those who have been convicted of a prior sex offense, whether in Alaska or in the Lower 48, and who subsequently commit another sexual felony here in the Alaska. Research on sexual offenders has shown that they should be dealt with differently than other types of offenders. However, current sentencing law in Alaska treats all two-time felons the same. Prior felony convictions are given equal weight when an individual is sentenced on a new offense.

Take this example: an individual is convicted of sexual assault, and he has one prior felony conviction. The law as it stands treats that first conviction the same, whether it was a vehicle theft or a previous sexual assault.

“This is wrong,” says French, a former state prosecutor.

(MORE)

Putting Alaskans First • Moving Alaska Forward 2003

Sen. Bettye Davis, Sen. Johnny Ellis, Sen. Kim Elton, Sen. Lyman Hoffman, Sen. Hollis French, Sen. Gretchen Guess, Sen. Georgianna Lincoln, Sen. Donny Olson, Rep. Ethan Berkowitz, Rep. Sharon Cissna, Rep. Harry Crawford, Rep. Eric Croft, Rep. Les Gara, Rep. Max Gruenberg, Rep. David Guttenberg, Rep. Reggie Joule, Rep. Mary Kapsner, Rep. Beth Kerttula, Rep. Albert Kookesh, Rep. Carl Moses



Alaska State Legislature House and Senate Democrats

(2 of 2)

“The purpose of SB 85 is to establish a separate, and more stringent set of sentencing guidelines for those who commit second or subsequent sexual offenses.”

The other change proposed by SB 85 eliminates the “good time” reduction that many prisoners earn in their sentences for good behavior. The “good time” reduction often reduces a prison term by a third, or more. Repeat sex offenders will be required to serve the full sentence they receive in court.

“Victims are often dismayed to learn that the 10-year sentence imposed by a judge only amounts to a little over six years,” notes French. “This change in the law will cure that.”

The bill passed out of its first committee unanimously, and continues to receive good support. “There’s no political angle to this subject. I appreciate the support of my Republican colleagues in the Senate, including Senators Ben Stevens, Fred Dyson, and Con Bunde, who are co-sponsoring the measure.”

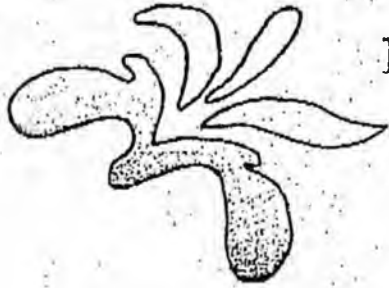
SB 85 is now in the Senate Judiciary Committee, where a hearing has been requested.

###

For more information, contact Senator Hollis French, 907-465-3892.

Putting Alaskans First • Moving Alaska Forward 2003

Sen. Bettye Davis, Sen. Johnny Ellis, Sen. Kim Elton, Sen. Lyman Hoffman, Sen. Hollis French, Sen. Gretchen Guess, Sen. Georgianna Lincoln, Sen. Donny Olson, Rep. Ethan Berkowitz, Rep. Sharon Cissna, Rep. Harry Crawford, Rep. Eric Croft, Rep. Les Gara, Rep. Max Gruenberg, Rep. David Guttenberg, Rep. Reggie Joule, Rep. Mary Kapsner, Rep. Beth Kertlula, Rep. Albert Kookesh, Rep. Carl Moses



**INTERIOR ALASKA CENTER
FOR NON-VIOLENT LIVING**

717 Ninth Avenue • Fairbanks, Alaska 99701
(907) 452-2293 • Fax: 452-2613 • 1-800-478-7273

May 1, 2003

Senator French
Capitol Building
Juneau, AK

Dear Senator French,

I am writing this letter to you in support of SB85. In our agency we experience first hand the devastation caused by sexual assault. Entire families are destroyed, left to rebuild what they can when offenders are relatives. Rape of adults by strangers leaves lasting fear of places, inability to trust, and damage to having a healthy intimate relationship just to name a few.

It is our experience that someone who is on their second or third felony offense and especially if the prior crimes have been sexual in nature, are grave dangers to our society. As an individual and as an agency we support wholly seeing the sentences of second and third time felons extended.

In addition we support the presumptive sentences for sexual abuse of a minor as listed in SB85.

Thank you for your commitment to the issue of sexual assault. We appreciate all you do in Juneau.

Sincerely

Brenda Stanfill
Executive Director

THE
FOLLOWING
DOCUMENT(S)
ARE
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ORIGINAL
COPIES



Alaska Women's Resource Center

610 C Street, Suite 2A ♦ Anchorage, AK 99501 ♦ (907) 276-0528 ♦ fax (907) 279-6754

April 30, 2003

TO: Members of the Senate Judiciary Committee

FROM: Mary Dyer, Executive Director

RE: SB 85

We at the Alaska Women's Resource Center wish to express our support of the passage of SB 85. We work daily with individuals who have known the trauma of a sexual assault. Many victims carry the burden of guilt with them for years. To come forward with their story takes great courage. To have the legal process minimize a repeat offender's sentence or lessen their sentence for "good time" says volumes to all victims.

We need to let all offenders know that we as a State are serious about the safety of our citizens. Please support SB 85.

TUNDRA WOMEN'S COALITION

WORKING TOGETHER TOWARD A BRIGHTER FUTURE



April 30, 2003

To: Senate Judiciary Committee
From: Michelle DeWitt,
TWC Executive Director

Senate Judiciary Committee Members:

I support SB 85, the bill sponsored by Senator French that will increase sentences and eliminate "good time" for repeat sex offenders. TWC provides services for victims of family and sexual violence, and it is from our daily work with victims and knowledge of offenders' behaviors that I - and the staff at TWC - determined that we support this bill. I hope to see this bill moved out of committee.

Sincerely,

A handwritten signature in black ink, appearing to read "Michelle DeWitt". The signature is fluid and cursive, with a long horizontal stroke at the end.

Michelle DeWitt



Kenai-Soldotna Women's Resource & Crisis Center

April 29, 2003

Senator Hollis French
State Capitol
Juneau, AK 99801-1182

RE: SB 85

Dear Senator French:

Thank you very much for sponsoring Senate Bill 85. The board of directors, staff and clients of the Kenai-Soldotna Women's Resource & Crisis Center are very appreciative of your work on this issue.

Increasing sentences for repeat sex offenders and disallowing good time will ensure better protection for Alaskans against brutal assaults. In addition, providing stronger sentences for these offenders sends a strong message to those contemplating sex offenses.

Thank you again for sponsoring this important piece of legislation. We appreciate your proactive approach in addressing sexual assault in the State.

Sincerely,

Heather Arnett
Executive Director
Kenai-Soldotna Women's Resource & Crisis Center



SITKANS AGAINST FAMILY VIOLENCE

P.O. Box 6136 • Sitka, Alaska 99835
(907) 747-3370 • Fax 747-3450 • Crisis Line 1-800-478-6511



April 10, 2003

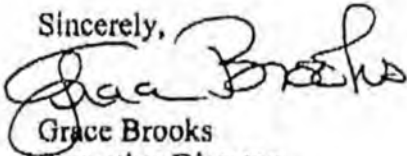
Senator French
Room 504
State Capitol Building
Juneau AK 99801

Dear Senator French:

I am writing to support SB85. We have learned that repeat sex offenders are very likely to continue to offend. I applaud your efforts to increase jail time for repeat sex offenders. Being raped causes so many scares and is such a trauma. It takes years of healing and never is forgotten. I support this bill in hopes that there will be fewer victims.

In Sitka SAFV is part of the Sexual Assault Response Team. We know only too well the trauma that victims experience and the struggle they have in reclaiming their lives. These crimes need to be responded to in a very serious manner and this bill address that.
Thank you

Sincerely,


Grace Brooks
Executive Director

cc: Senator Gary Stevens
Senator Cowdry
Senator Dyson
Senator Guess
Senator Hoffman



Member of the Alaska Network on Domestic Violence and Sexual Assault
United Way Member Agency

E-2 Sunday, February 23, 2003

Daily News

ck Dougherty
President & Editor

Steve Lindbeck
Associate Editor

by Norman C. Brown

Prine Fanning, Editor and Publisher, 1971-1983

nce Fanning, Editor and Publisher, 1967-1971

OPINION

COMPASS: *Points of view from the community*

Get tough with repeat offenders

By SEN. HOLLIS FRENCH

Like most Alaskans, I am proud of our state. However, a recent news article disturbed me. The article reported that the rates of sex assault in Anchorage, and in Alaska as a whole, are among the highest in the nation. Since 1976, the state has ranked in the top five in the nation for reported rapes per capita.

I got to thinking about that and the question I kept coming back to is this: What am I going to say to the people of my district and the people of this state when I am rightly asked, "What did you do to stop this?" Did I help to strengthen the laws? Did I raise the community's awareness? Did I help get money for a shelter or help fund a study that would look at the pattern of the cases?

We can't go on leading the nation in sex assault. I feel ashamed about that. We must use all our power to get our rates down and keep them down.

Gov. Murkowski promised during the campaign and in his State of the State address to get tough on crime. I welcome the governor's attitude. I would encourage him to focus on the truly bad actors in the criminal justice system — on the individuals who, in just a few minutes of outrageous behavior, can inflict a lifetime of damage on a victim.

I have three proposals.

First, we must strengthen the laws on repeat sex offenders. We must carefully target those individuals who have been convicted of sex crimes in the past, and when they commit another sex crime we must



There's no Democratic way to feel about this, nor is there a Republican way to feel. There's only one way to feel, and that's outraged.

hammer them and hammer them hard.

The law as it stands treats all repeat felons the same. For example, if you commit a sex assault, do your prison time and upon release commit another sex assault, the law treats that first conviction as if it were the same as stealing a car or forging a check. All two-time felons are the same, according to the law. I would argue, however, that a two-time rapist is different. A two-time rapist needs to spend a long time in a small place where he can't hurt anyone else. I'll be proposing a change to the sentencing laws to deal with these hard-core repeat offenders.

My second idea jelled when I read about Carlos Rodriguez, who was released from prison recently. Rodriguez made his criminal career enticing young boys 12 to 14 years old with drugs and alcohol, then forcing sex on them. Most were too ashamed to go to the police. Several of his victims committed suicide over the years. Now Rodriguez is out of prison and in the care of an overworked parole officer.

Back in 1983, when he was convicted, Rodriguez was sentenced to 24 years in prison. So 1983 plus 24 should equal 2007.

Why was he released early? Good time. Prisoners earn good time for obeying the rules in prison. Good time is why Carlos Rodriguez is out on the streets. Repeat sex offenders should not get the same good-time reduction as other prisoners.

We also need to know more. A study has been proposed to provide demographic information about rape victims and offenders in Anchorage and to provide more details about the actual assaults. The same questions should be researched statewide.

The overwhelming majority of sex assaults committed in this state are inflicted upon women and children. There's no political angle to this subject. There's no Democratic way to feel about this, nor is there a Republican way to feel. There's only one way to feel, and that's outraged.

Please join me in sharing that feeling of outrage. Please join me in supporting legislation and funding to address Alaska's problems in this area. Alaska should not lead the nation in sex assaults. This is one area in which every Alaskan would be proud to be in last place.

■ Sen. Hollis French represents District M in Anchorage.

SENATE COMMITTEE REPORT

DATE: 4/11/03

FURTHER:

DATE TURNED
IN TO OFFICE: 5/2/03

Judiciary Committee considered SENATE BILL NO. 85

SB 85 REPEAT SERIOUS SEX OFFENSES

"An Act relating to sentencing and to the earning of good time deductions for certain sexual offenses."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS SB 85 (STA)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:

same title

new title

House Bill:

same title

technical title

new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
COR	4/1		✓	1
LAW	4/2		✓	2

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
Therriault <i>[Signature]</i>			X	
Ogun <i>[Signature]</i>			X	
French <i>[Signature]</i>	X			
Ellis <i>[Signature]</i>	X			
Seckins CHAIR: <i>[Signature]</i>	✓			

SENATE COMMITTEE REPORT First Committee of Referral

DATE: 2/26/03

FURTHER: Judiciary

Date of 5-Day Notice: 3/27/03
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 4/11/03

State Affairs Committee considered SENATE BILL NO. 85

SB 85 REPEAT SERIOUS SEX OFFENSES

"An Act relating to sentencing and to the earning of good time deductions for certain sexual offenses."

and recommends:

- be replaced with _____ CS SB85 (STA)
- adopt previous _____ CS _____
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:

- same title
- new title

House Bill:

- same title
- technical title
- new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
DOC	4/1/03		✓	1
DOL	4/2/03		✓	2

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:

	DO PASS	DO NOT PASS	NO REC	AMEND
Dyson	✓			
GUESS	✓			
Cowley	✓			
Hoffman	✓			
Gary Stank	✓			

SENATE FINANCE COMMITTEE

SIGN-IN

SB 85-REPEAT SERIOUS SEX OFFENSES

NAME: Senator Hollis French Subject/Bill No: SB 85

Co./Dept./Title: AK State Senate Capitol 504 Phone: 465-3892

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: Lauree Hugonin Subject/Bill No: SB 85

Co./Dept./Title: Alaska Network on Domestic Violence + Sexual Assault Phone: 586-3650

Address: 130 Seward, rm 209 Juneau Zip: 99801

Do you wish to testify? Yes No Respond To Questions

NAME: Portia Parker Subject/Bill No: SB 85

Co./Dept./Title: Deputy Commissioner Phone: 465-4338

Address: Dept. of Corrections Zip: _____

Do you wish to testify? Yes No Respond To Questions (CORR Fiscal Note)

NAME: _____ Subject/Bill No: _____

Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

SB

86

SFIN

FILE

SB 86

was referred to the
Senate Finance
Committee

No hearing was held
on this bill

hearings were scheduled 4/3/03, 4/4/03
+ 4/29/03

L. LS0623VQ
Kurtz
4/22/03

CS FOR SENATE BILL NO. 86()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): SENATE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act amending the rate of interest on delinquent taxes when the amount of the tax
2 delinquency is less than \$100,000, which amendment also has the effect of changing the
3 interest rate payable on overpayment of taxes."

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

5 * Section 1. AS 43.05.225 is amended to read:

6 Sec. 43.05.225. Interest. Unless otherwise provided,

7 (1) when a tax levied in this title becomes delinquent and the amount
8 of the delinquency

9 (A) is less than \$100,000, it bears interest in a calendar
10 quarter at the rate of five percentage points above the annual rate charged
11 member banks for advances by the 12th Federal Reserve District as of the
12 first day of that calendar quarter, or at the annual rate of eight percent,
13 whichever is greater, compounded quarterly as of the last day of that
14 quarter:

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(B) is \$100,000 or more, it bears interest in a calendar quarter at the rate of five percentage points above the annual rate charged member banks for advances by the 12th Federal Reserve District as of the first day of that calendar quarter, or at the annual rate of 11 percent, whichever is greater, compounded quarterly as of the last day of that quarter;

(2) the interest rate is 12 percent a year for

(A) delinquent fees payable under AS 05.15.095(c);

(B) [REPEALED AND

(C)] unclaimed property that is not timely paid or delivered, as allowed by AS 34.45.470(a).

23-LS0623VH
Kurtz
3/31/03

CS FOR SENATE BILL NO. 86()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): SENATE FINANCE COMMITTEE

A BILL
FOR AN ACT ENTITLED

1 "An Act relating to the rate of interest on delinquent taxes."

2 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

3 * Section 1. AS 43.05.225 is amended to read:

4 **Sec. 43.05.225. Interest.** Unless otherwise provided,

5 (1) when a tax levied under AS 43.20.072, AS 43.55, or AS 43.56 [IN
6 THIS TITLE] becomes delinquent, it bears interest in a calendar quarter at the rate of
7 five percentage points above the annual rate charged member banks for advances by
8 the 12th Federal Reserve District as of the first day of that calendar quarter, or at the
9 annual rate of 11 percent, whichever is greater, compounded quarterly as of the last
10 day of that quarter;

11 (2) when a tax levied in this title other than a tax described in (1)
12 of this section becomes delinquent, it bears interest in a calendar quarter at the
13 rate of five percentage points above the annual rate charged member banks for
14 advances by the 12th Federal Reserve District as of the first day of that calendar
15 quarter, compounded quarterly as of the last day of that quarter;

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(3) the interest rate is 12 percent a year for

(A) delinquent fees payable under AS 05.15.095(c);

(B) [REPEALED

(C)] unclaimed property that is not timely paid or delivered, as allowed by AS 34.45.470(a).

* Sec. 2. AS 43.05.280(a) is amended to read:

(a) Interest shall be allowed and paid on an overpayment of a tax under this title at the rate and in the manner provided in AS 43.05.225 [AS 43.05.225(1)].

* Sec. 3. AS 43.31.141 is amended to read:

Sec. 43.31.141. When tax due, extension and interest. The tax imposed by this chapter is due and payable 15 months after the decedent's death and shall be paid by the executor to the department. If the department finds that the payment on the due date of tax or any part of the tax would impose undue hardship upon the estate, the department may extend the time for payment of any part, but no extension may be for more than one year and the aggregate of extensions with respect to an estate may not exceed five years from the due date. In that case, the amount in respect of which the extension is granted shall be paid on or before the date of the expiration of the period of the extension unless a further extension is granted. If the time for the payment is extended, there shall be collected, as part of this amount, interest on the tax as provid. 1 in AS 43.05.225 [AS 43.05.225(1)] from the due date of the tax to the date the tax is paid.



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

SPONSOR STATEMENT

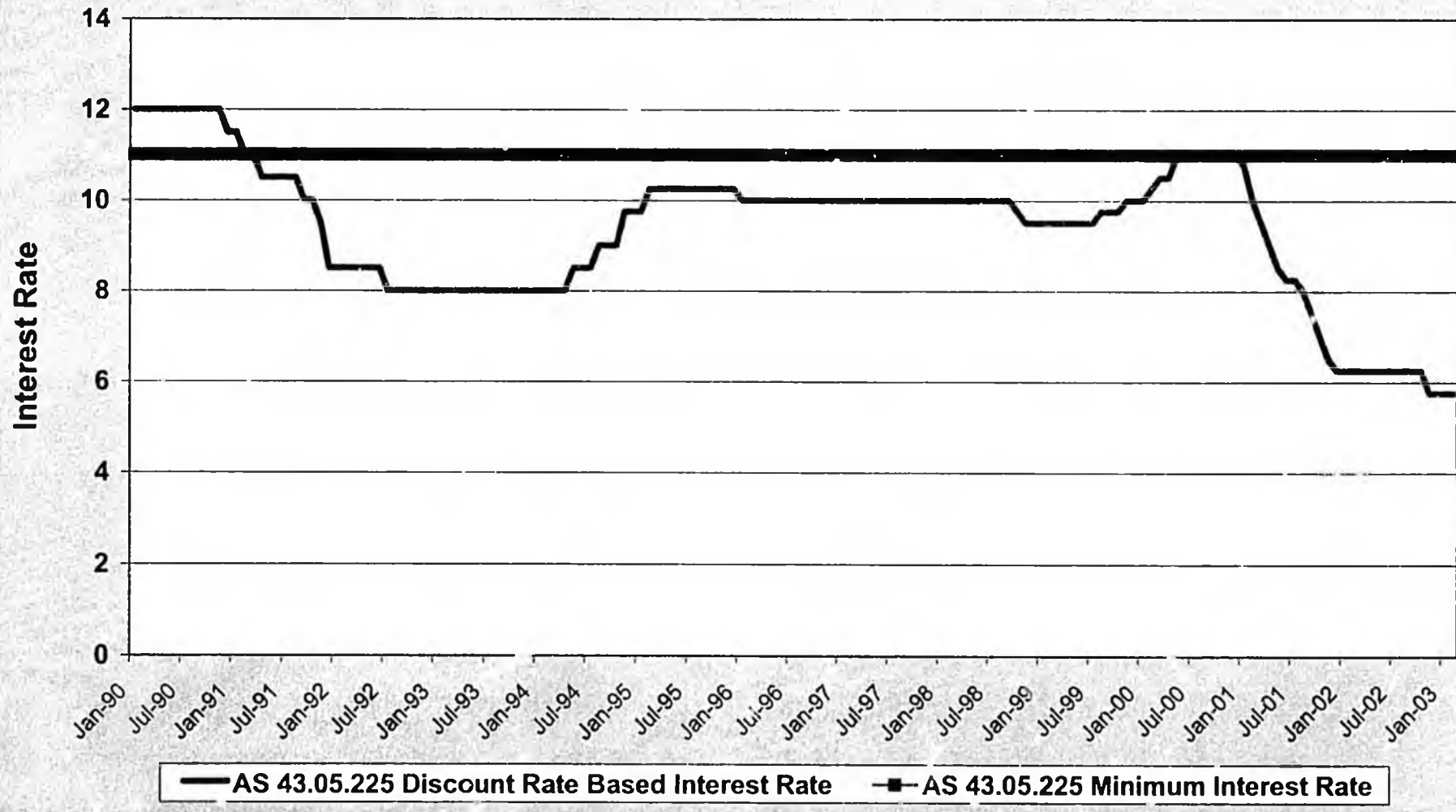
Senate Bill 86 Interest on Delinquent Taxes

Alaska's revenue and taxation laws are laid out in Title 43 of the Alaska Statutes. Section 43.05.225 sets the interest rate that the state must levy for delinquent taxes at 5 percentage points above the 12th Federal Reserve District discount rate or at the rate of 11%, whichever is greater. SB 86 eliminates the 11% minimum interest rate reference and retains the 12th District discount rate plus 5 formula as the only option for calculating interest on delinquent taxes.

Eliminating the statutory reference to a set interest rate of 11% will establish a fair method of calculating interest owed and interest due by allowing it to float with the market. Since 1991, the market driven formula of 5 percentage points above the 12th District discount rate has consistently remained below 11%. It is inappropriate to charge Alaskans 11% interest on delinquent taxes, especially since many delinquencies are a result of legitimate filing errors. In addition, the State has been forced to pay the exaggerated interest rate of 11% on refunds for overpayment of taxes.

With the passage of SB 86, the State will receive a fair and reasonable interest from delinquent taxpayers and also pay a fair and reasonable interest on refunds to taxpayers.

Comparison of the Statutory Minimum Interest Rate for Over/Under Payment of Taxes with 12th District Discount Rate + 5% (Jan 1990--Feb 2003)



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FOLLOWING
DOCUMENT(S)
ARE
POOR
ORIGINAL
COPIES



**Marathon
Oil Company**

5555 San Felipe
P.O. Box 3128
Houston, TX 77253-3128
Telephone 713/629-6600

April 4, 2003

Bill No. 86

Testimony of Marathon Oil Company

Against Lowering the Interest-Rate on Tax Deficiencies for Some Taxpayers but Not for others

Before the SENATE FINANCE COMMITTEE

Dear Senator Wilken and members of the Finance Committee,

I am General Tax Counsel for Marathon Oil Company. Marathon would like to take this opportunity to support the passage of SB 86, as originally proposed, which would eliminate the present floor of 11% for the interest under AS 43.05.225 that accrues on unpaid taxes or underpaid taxes. Additionally, I would like to second the comments made by Mr. Tom Williams of BP regarding the proposed Committee Substitute for SB 86. Marathon also opposes the committee substitute for the reasons outlined by Mr. Williams.

Thank you for the opportunity to provide my written testimony to the Committee today.

Sincerely,

A handwritten signature in cursive script, appearing to read 'C. Zabel'.

Catherine L. Zabel
General Tax Counsel
Marathon Oil Company
(713)296-3939