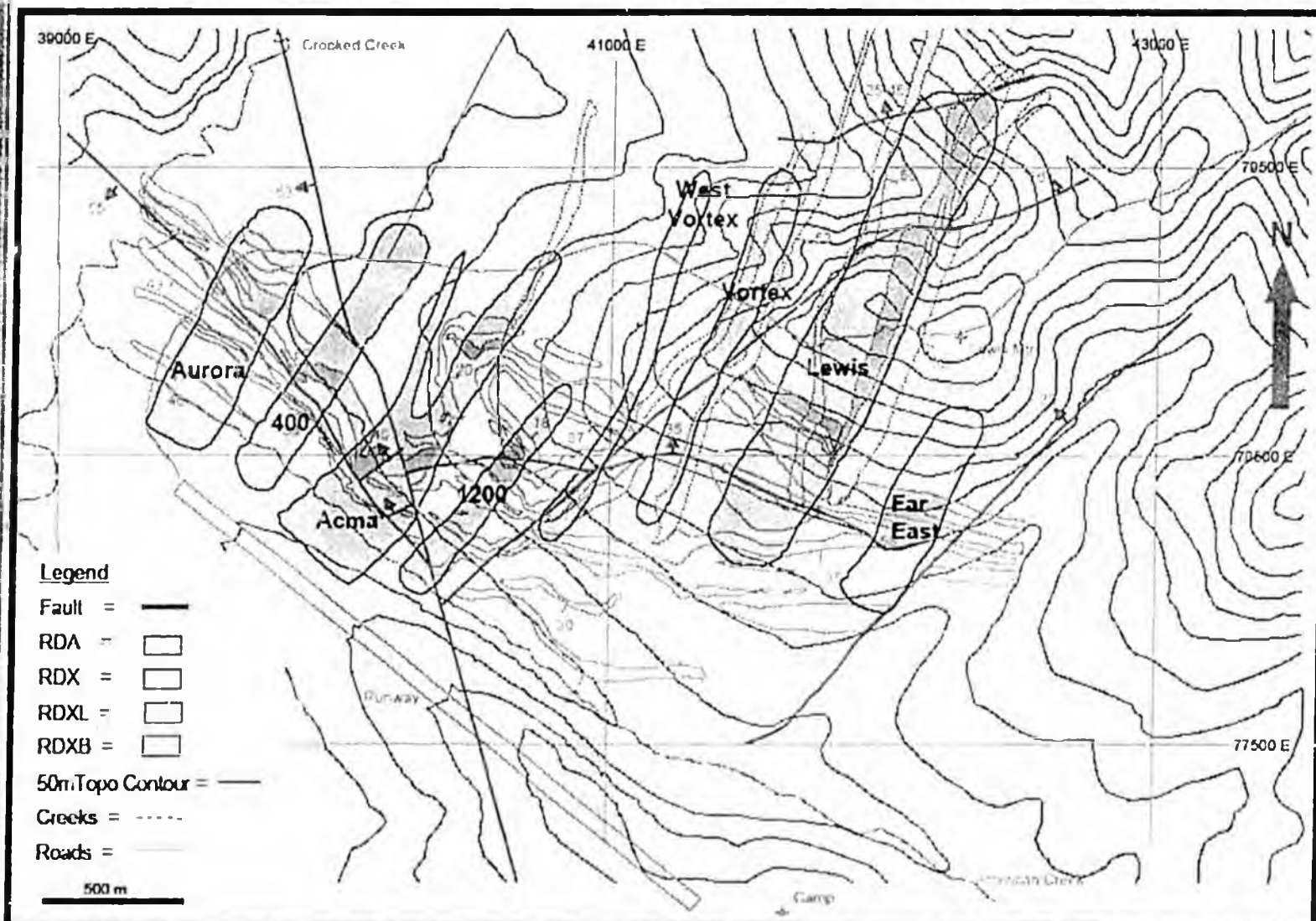


ALASKA LEGISLATURE

HOUSE and SENATE FINANCE COMMITTEE FILES, 2005-2006 2901

PDC

Mineralized Corridors





Current Resource Estimate



DONLIN CREEK RESOURCE ESTIMATE APRIL 2003

NOVAGOLD/PLACER DOME/MRDI

1.5 g/t Cutoff

	Tonnes (M)	Gold g/t	Contained Ounces
Measured	7.9	3.1	799,000
Indicated	109.5	2.9	10,343,000
Total M&I	117.5	3.0	11,142,000
Inferred	142.2	3.1	14,308,000



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Additional 2005 Fieldwork

- Geotechnical (Auger and Trenching)
- Water wells to investigate pit dewatering
- RC drilling to condemn facilities sites
- RC drilling to evaluate CCE resource
- Engineering studies (road, port, runway)
- Environmental studies
- Wind monitoring



Primary Issues

- Power
- No regional grid or generating capacity
- Lime
- Will require significant quantities of lime for process and tailings neutralization
- Logistics
- Remote location
- Limited river access

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Power - Potential Solution

- Current Plans require 80 MW Peak Load, 70 MW Average Load (30k tpd mill)
- Evaluated more than 10 options
- On site generation using diesel
- Potential to supplement with wind generation
 - Wind option requires data collection for validation
 - Objective - offset ~40% of fuel requirement



Lime - Potential Solution

- Projected lime requirement - 50,000 tons/year
- Three potential options
 - Imported Lime
 - Limestone in region
- Identified onsite calcareous sandstone resource
- Approximately 10% CCE equivalent
- Could offset requirement for 30,000 tons/year
- Resource remains to be validated by drilling and geochemical testing of bulk samples



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Logistics and Infrastructure



- Annual consumables (30,000 ton/day mill)
 - General Consumables 50,000 tons
 - Fuel (no wind generation) 140,000 tons
 - Lime (assumes on site CCE) 20,000 tons
- Barge materials up the Kuskokwim River
- Port location at Jungjuk Creek
- All weather road to Donlin Creek
- Construct a new 6000' airstrip near Donlin Creek



Preliminary Process Outline

- Conventional open pit
- 2 pits (ACMA, Lewis)
- Truck and shovel
- Evaluating 30,000 and 40,000 tpd scenarios
- Logistical support
- Grade control/dilution issues
- Three stage crushing and primary ball milling
- Flotation/Pressure oxidation mill
- Conventional tailings

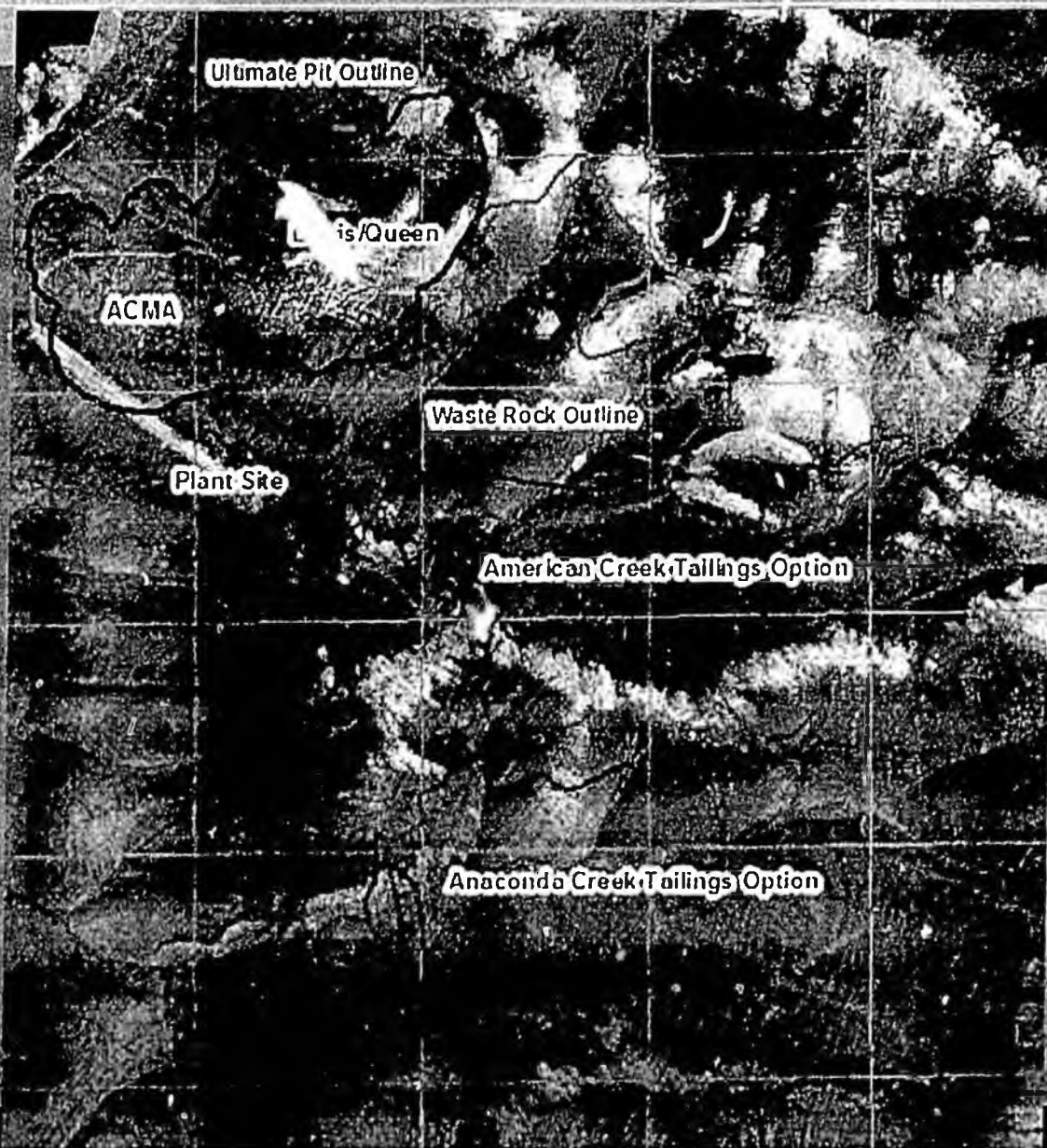


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PDC

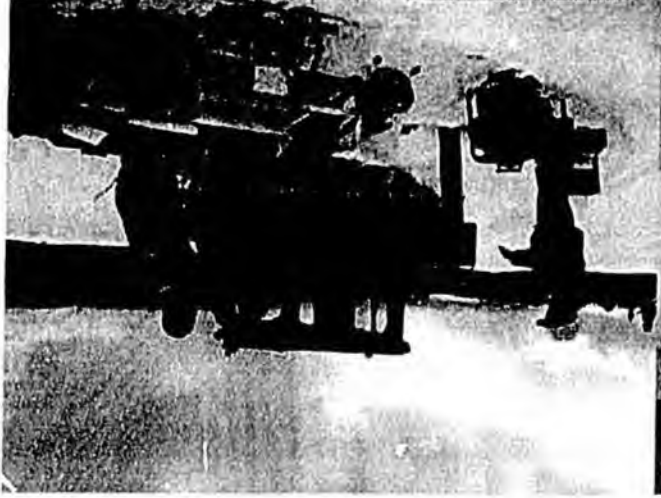
Site map





Infrastructure

- Approximately 25 miles of road construction
- Port and laydown area at Jungjuk Creek
- 6000' surfaced runway
- Facilities associated with power generation
- Field engineering and environmental studies will be ongoing this summer





PDA

Infrastructure

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- Port and laydown area at Jungjuk Creek
 - 6000' surfaced runway
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 - Field engineering and environmental studies will be ongoing this summer



Environmental Studies



- Archeological resources
- Surface water flows and quality - ~ 8 years
- Ground water flows and quality - 5 quarters
- Fisheries
- Habitat and animal species
- Meteorology / Air quality
- Wetlands delineation
- Rock characterization
- Social & economic studies
- Traditional knowledge & Subsistence resources



Environmental Studies Map



POC

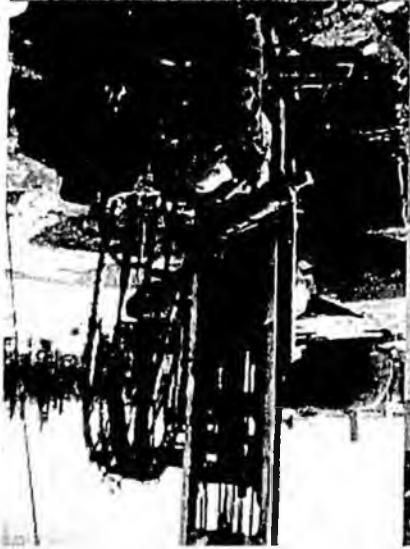
Environmental Studies Map





2005 Project Description

- 30 or 40k tpd operation
- Waste rock and initial tailings in American valley, later tailing in Anaconda valley
- Supplies barged up Kuskokwim River to port at Jungjuk Creek
- Power provided by onsite diesel + wind





2005 Objectives



- Validate wind generation option
- Validate on site CCE resource
- Convert additional inferred resources to Measured & Indicated
- Complete a prefeasability study
- Begin permitting process



2005 Objectives



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- Validate on site CCE resource
- Convert additional inferred resources to Measured & Indicated
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- Begin permitting process

LEGAL SERVICES**DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA****COPY**(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329MEMORANDUM

May 4, 2005

SUBJECT: CSHB 280(RES): Explanation of AS 43.67.020, added by bill section 4 (Work Order No. 24-LS0933\Y)

TO: Representative Jay Ramras

FROM: Jack Chenoweth
Assistant Revisor

Jim Pound has asked for a memo providing an explanation for AS 43.67.020, added by sec. 4 of CSHB 280(RES). The provision reads:

Sec. 43.67.020. In place of municipal taxes. For a period of 15 years after the production commencement date, the taxes levied or authorized under AS 43.67.010 are in place of the following taxes that might otherwise be imposed by a municipality incorporated on or after January 1, 2005, on the property, or imposed by a municipality incorporated before January 1, 2005, on property located within an area annexed by the municipality on or after January 1, 2005:

- (1) taxes on the sale or use of minerals;
- (2) taxes on or measured by gross or net income from the taxable property, including income from the exploration for, production of, or transportation of minerals or taxable property; and
- (3) any license, excise, fee, charge, severance, throughput, or other tax on or pertaining to the taxable property or services used in or associated with the taxable property or in its maintenance or operation unless the tax is also levied on property not subject to tax under AS 43.67.010(a).

Under AS 43.67.010, added earlier in the bill, the state levies and collects a mining property tax on mining-related properties in the state's unorganized borough. AS 43.67.010 specifies the rate of levy and authorizes contracts for payments in lieu of taxes.

Whenever, under AS 43.67.010, the mineral-related property tax is levied (or, alternatively, when under that section payments are made in lieu of taxes), then AS 43.67.020 also operates. This section is intended to preclude a municipality from levying its own taxes on property subject to mining-related property taxes or payments in lieu ("the taxes levied or authorized under AS 43.67.010 are in place of the following

Representative Jay Ramras
May 4, 2005
Page 2

taxes that might otherwise be imposed by a municipality."). The municipality's authority to levy its own taxes on these sources is suspended from the "production commencement date" (defined later in AS 43.67 as the date on which the initial shipment of products from mining operations is made) for a period of 15 years. The language of this section directs that its preclusive effect applies to "new" municipalities -- newly-incorporated on or after January 1, 2005 -- and existing municipalities annexing mining-related properties when the annexation occurs on or after January 1, 2005. The taxes that, under this section, may not be levied by a municipality against mining-related property and related services include the following --

(1) taxes on the sale or use of minerals -- presumably sales and use taxes imposed on transactions involving minerals;

(2) taxes on or measured by gross or net income from the taxable property, including income from the exploration for, production of, or transportation of minerals or taxable property -- in other words, income taxes¹; and

(3) any license, excise, fee, charge, severance, throughput, or other tax on or pertaining to the taxable property or services used in or associated with the taxable property or in its maintenance or operation; however, in the concluding part of the paragraph, there is an exception that would allow levy against these sources if "the tax is also levied on property *not subject to tax under AS 43.67.010(a)*," whatever that may encompass.

JBC:lmb
05-169.lmb

¹ Municipalities already may not levy and collect income taxes on the *income* of individuals. AS 43.20.290:

Exclusive state authority. No tax may be levied and collected upon the net income of resident or nonresident individuals by a general law city or by a home rule city or any other political subdivision of the state.

LEGAL SERVICES

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Juneau, Alaska 99801-1182
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MEMORANDUM

May 4, 2005

SUBJECT: CSHB 280(RES): Power of municipality to levy and collect property taxes on minerals (Work Order No. 24-LS0933\Y)

TO: Representative Jim Holm

FROM: Jack Chenoweth
Assistant Revisor

In conjunction with the above-captioned bill, I have from Barbara Cotting the question of whether a municipality may levy and collect a severance tax on minerals.

An April 29, 1986, Opinion of the Attorney General answers the question in the affirmative, concluding

We believe that a better reading of the restrictions of article VIII, and particularly section 2 of that article, is that the provisions reserve to the legislature the exclusive authority to act as to the state's proprietary interest in natural resources. Thus, a borough would be prohibited from entering into a royalty contract for the production of minerals on state lands, from issuing grazing leases, and from appropriating water. An entity's power to tax is separate from its proprietary interest. We do not believe that, after full briefing, the full Alaska Supreme Court would hold that article VIII limits taxing authority, whether that authority is exercised by the state or by a municipality.

It may well be that, as a policy matter, the legislature will conclude that the production of mineral resources in the state should benefit the people of the state as a whole, and not just the people of the municipality in which the natural resources occur. The legislature may prohibit a local severance tax altogether, as it has done in AS 43.55. Or, it may devise a particular plan for distributing the revenue from a type of tax between the municipality and the state, as it has done in AS 43.56. Absent a restriction by the legislature, we believe that a borough may exercise the power to levy a severance tax.

Opinion, at pp. 12 - 14 (citations and note omitted). A copy of the full text is attached.

Opinions of the attorney general, while not controlling on matters of statutory

Representative Jim Holm

May 4, 2005

Page 2

interpretation, are entitled to some deference. Regarding the proper use of opinions of Attorneys General in statutory construction, the Alaska Supreme Court has declared:

While opinions of the attorney general are not controlling as to the meaning of the statute, the fact that his opinions have not been challenged and that he is the officer charged by law with advising the officers charged with the enforcement of the law as to the meaning of it[,] entitle his opinions to great weight.

Allison v. State, 583 P.2d 813, 816 (Alaska 1978), quoting *Smith v. Municipal Court of Glendale Judicial District*, 334 P.2d 931, 935 (Cal. App. 2d 1959).

JBC:lmb

05-167.lmb

Enclosure

5 of 7 DOCUMENTS

OFFICE OF THE ATTORNEY GENERAL OF THE STATE OF ALASKA

File No. 663-86-0456

1986 Alas. AG LEXIS 274; 1986-1 Op. (Inf.) Atty Gen. Alas. 375

April 29, 1986

TYPE: INFORMAL OPINION

SYLLABUS:

[*1]

SUBJECT: Power of borough to levy severance tax on minerals

REQUESTBY:

Hon. Emil Notti, Commissioner
Department of Community and Regional Affairs

OPINIONBY:

HAROLD M. BROWN, ATTORNEY GENERAL; Deborah Vogt, Assistant Attorney General

OPINION:

MEMORANDUM

You have asked for our review of an opinion submitted to your office by Mr. Thomas Klinkner of Wohlforth & Flint regarding the authority of a first class borough to levy a severance tax on minerals. With some reservations, we agree with the conclusion of that opinion.

At the outset, we note that neither your request nor the opinion of Mr. Klinkner set out the language of a proposed tax, and as a result our analysis is in the abstract. We understand that the primary concern of the proposed borough is with the ability to tax the DeLeng Mountain enterprise, which is on privately owned Native corporation land. Mr. Klinkner's conclusion is limited to the authority of the borough to levy a tax on minerals mined from lands in which the mineral estate is privately owned.

The framers of the Alaska Constitution were aware that the powers, particularly the taxing powers, of local governments had been construed very narrowly in other states. As the Alaska Supreme [*2] Court noted in *Liberati v. Bristol Bay Borough*, 584 P.2d 1115 (Alaska 1978), the second sentence of article X, section 1, appears in the Alaska Constitution specifically to overrule the common law rule of narrow construction. 584 P.2d at 1120 & n.19. That provision reads: "A liberal construction shall be given to the powers of local government." n1 As the court noted, the framers placed the provision in what is now section 1 so that it would apply to general law municipalities as well as home rule municipalities. *Id.* at 1120-21 & n.19.

n1 The section in its entirety provides:

Section 1. Purpose and Construction. The purpose of this article is to provide for maximum local self-government with a minimum of local government units, and to prevent duplication of tax-levying jurisdictions. A liberal construction shall be given to the powers of local government units.

The Alaska Legislature has provided for two types of municipalities: home rule municipalities and general law municipalities. A home rule municipality "has all legislative powers not prohibited by law or charter." AS 29.04.010. A general law municipality "has legislative powers conferred by law." AS 29.04.020. [*3] I understand that the Northwest Arctic Borough would be a general law municipality and therefore limited to the powers specifically granted by the legislature.

AS 29.35.010 grants general powers to all municipalities, subject to other provisions of law. Among those powers is the power "to levy a tax or special assessment, and impose a lien for its enforcement." AS 29.35.010(6). It could be argued that the general power to levy a tax must be combined with a specific grant such as those found in chapter 45, authorizing property and sales taxes, in order for a general law municipality to levy a particular tax. However, we do not believe that the state supreme court would adopt such an interpretation. In *Liberati*, the court read the predecessor of this section, former AS 29.48.010(7) (which authorized municipalities "to levy taxes"), to be a "broad grant of taxing authority, limited only by other provisions of law" and to be "consistent with the second sentence of article X, section 1 which requires that '[a] liberal construction shall be given to the powers of local government.'" *Liberati*, 584 P.2d at 1120.

Chapter 45 of title 29 delineates specific provisions for municipal [*4] property taxes and sales taxes, and for the enforcement of tax liens. Those provisions include some limitations on property taxes and sales taxes, but are silent as to severance taxes. Thus, it appears that the general power to tax granted by AS 29.35.010(6) has not been limited by any other provision of title 29.

Nor do we find a limitation on this power to tax in any other statute. Nothing in the mining license tax specifically prohibits a municipality from levying a severance tax. In this regard, it should be noted that the legislature may limit the ability of a municipality to levy a tax, including a severance tax, and that it has done so in the past. AS 43.55 levies production taxes on producers of oil and gas. AS 43.55.017 specifically provides that the taxes imposed by that chapter "are in place of all taxes now imposed by the state or any of its municipalities, and neither the state nor a municipality may impose a tax upon [production of oil or gas or oil and gas in place]." Similarly, AS 43.56 levies a property tax on oil and gas production and pipeline transportation property, and permits local taxation of that property subject to limitations. AS 43.56.030 provides [*5] that the taxes imposed in the chapter "are in place of . . . all other ad valorem [sic] or other taxes imposed by a municipality on property subject to tax under this chapter. . . ."

Our inquiry would end here with the conclusion that the general power to impose a severance tax on minerals has not been limited by the legislature were it not for the concerns expressed by Justice Rabinowitz in his dissent in *Liberati*. In that case, the Bristol Bay Borough had levied a three percent tax on the sale of all raw fish caught within the borough. The challengers argued that the tax was a severance tax, and was prohibited by the provisions of article VIII of the Alaska Constitution. The majority of the court concluded that the tax at issue was a sales tax and did not reach the issue of whether a severance tax is prohibited by article VIII of the constitution. Justice Rabinowitz, however, concluded:

In my opinion, the severance tax imposed by Bristol Bay Borough does violate the provisions of Article VIII of the Alaska Constitution which reserve the benefits from, and control over management of the fisheries resource to all the people of the state. The effect of the borough's ordinance [*6] is to exclusively appropriate to its own benefit, and that of its residents, the use of a natural resource which is reserved to all of the people of the state for their common use. Article VIII, Section 2 of the Alaska Constitution reserved to the legislature, not the borough, the authority to act as to this resource. Absent a delegation by the legislature to the borough, I conclude that the ordinance contravenes Alaska's Constitution.

Liberati, 584 P.2d at 1124-25 (footnote omitted).

Mr. Klmkner concludes that this prohibition, if adopted by the court, would not apply to a tax levied on minerals mined from a privately owned mineral estate in real property. He further states that such private interests would include mineral estates patented under state or federal public land laws. We have some difficulty with his analysis at this point.

A severance tax is a general revenue tax levied on the activity of severing natural resources within the taxing jurisdiction. n2 The power to levy this type of tax comes from a jurisdiction's sovereign, statutory or constitutional power to levy taxes, and not from the jurisdiction's proprietary interest in the resource. It is levied [*7] on the producer of the natural resource regardless of the ownership of the land from which the resource is produced. Thus, the severance tax at issue in *Commonwealth Edison v. Montana*, 453 U.S. 609 (1981), was levied by the State of Montana primarily on production from coal leases on federal lands. Alaska's oil and gas production taxes apply to oil and gas produced from state, federal and private land within the state. AS 43.55.011; 44.55.016.

n2 "Alaska's Oil and Gas Tax Structure: A Study with Recommendations for Improvement," Alaska Department of Revenue (1977), describes the Oil and Gas Properties Production Tax as "a tax on the activity of producing oil and gas in Alaska." *Id.* at II-2.

Alaska is prohibited by the Statehood Act from alienating the mineral interest in mineral lands (1981 Op. Att'y Gen. #10 (Oct. 20). n3 If mining activity were to take place within the borough on state lands, the state would retain ownership of the minerals, just as the state retains ownership of the oil on state oil leases until the oil is severed. Thus, since it appears that any borough-wide severance tax would tax the production of state-owned minerals, we believe that the [*8] concerns raised by Justice Rabinowitz must be addressed in more detail.

n3 Contrary to Mr. Klinkner's representation, the state does not, and may not, patent mineral lands. 1981 Op. Att'y Gen. #10 (Oct. 20).

One reading of Justice Rabinowitz's conclusions would be that the constitution reserves to the legislature all legislation dealing with natural resources in the state, whether those resources occur on public or private land. This reading appears consistent with Justice Rabinowitz's language that article VIII, section 2, reserves to the legislature "the power to act as to this resource." It would imply that, since the state has the power to levy a severance tax on minerals, that power resides solely in the legislature. We believe this reading to be too broad. The constitutional provision explicitly relied on by Justice Rabinowitz was article VIII, section 2, which provides:

Section 2. General Authority. The legislature shall provide for the utilization, development, and conservation of all natural resources belonging to the State, including land and waters, for the maximum benefit of its people.

It is clear from the minutes of the Constitutional Convention that [*9] this section was intended to apply only to the state's proprietary interest in natural resources, and not to a general, overall interest in resources within the state regardless of ownership. n4 At the Constitutional Convention, that provision was developed from section 2 of Committee Proposal No. 8/a. During the floor debate of that section, the following discussion took place:

DAVIS: Mr. Riley, in Section 2, line 14, or actually lines 12, 13 and 14, it says, "The State of Alaska shall provide for the utilization, conservation and development of all of the natural resources, including lands and waters belonging to the State." It appears to me that as that is written it is broad enough to cover all natural resources, no matter whether they are privately owned, publicly owned, or what they may be. I am wondering if you did not intend to put a comma after the word "waters" at the end of line 14, so that it would then become clear that we are only talking about natural resources belonging to the state.

RILEY: That would be my conception of it, Mr. Davis.

DAVIS: There wasn't any intention that the state is going to develop natural resources on either federal land or privately [*10] owned land, is that right?

RILEY: No. The sections covered in the commentary states all resources over which the state has a proprietary interest, and I think the point is well taken.

4 Proceedings of the Alaska Constitutional Convention at 2499 (January 18, 1956). The provision was amended so that the words "belonging to the state" modified "natural resources" rather than only "lands and waters." *Id.* at 2500. Thus, it is clear that the framers intended the provision to apply only to the proprietary interest of the state, and not to all the

natural resources that might be found within the boundaries of the state. It then follows that the article cannot be read to prevent any severance tax levied by a municipality on any minerals within the state.

n4 The Commentary on what was then section 1 of Committee Proposal 8 (Natural Resources) read:

(Sec. 1. States' Proprietary Interest)

This section is a general grant of authority to the state for the utilization and development of all resources over which the state has a proprietary interest. This includes all game fish, wildlife, fisheries, waters and those lands and related land uses including mineral rights, etc., that may be acquired by the state through grants from the United States or by other means. Authority over private lands and resource interest is not provided in this article except as that authority is generally reserved in Section 18 [dealing with Private Ways of Necessity].

[*11]

Another possible reading would be that apparently subscribed to by Mr. Klinkner -- that the legislature retains the exclusive authority to act (including tax) as to resources in which the state retains a propriety interest. The difficulty with this approach is that a severance tax is not a tax on minerals (state-owned or otherwise), but rather is a tax on the (private) activity of production. *Oliver Iron Mining Co. v. Lord*, 262 U.S. 172 (1922) ("[the tax] is not laid on the land containing the ore, nor on the ore after removal, but on the business of mining the ore"). As a result, there does not seem to be any neat distinction between a sales tax levied on state owned resources (after they are captured by a private party) and a severance tax levied on the private producer of minerals on state land. The tax at issue in *Liberati* was on fish -- a resource "reserved to the people for common use" by article VIII, section 3. The tax was levied exclusively on this resource. If the Rabinowitz language were read to prohibit a borough from acting (including taxing) as to resources in which the state has once had a proprietary interest (even after those resources are captured [*12] by a private party), it would seem that this sales tax would be prohibited also. The majority of the court, however, had no difficulty finding that tax constitutional.

If the constitution were construed to prohibit only a municipal severance tax as applied to the production of state-owned minerals, then two identically situated private companies, one producing minerals under a lease on state lands and another producing minerals under a lease on private lands, would be treated very differently. The justification for this difference would have to be that article VIII impliedly limits municipal authority in this area. But, as set out above, the constitutional framers intended that municipal powers should be broadly construed, and made this intent explicit. The majority of the court in *Liberati* held that "we should not be quick to imply limitations on the taxing power where none are expressed." 584 P.2d at 1121.

We believe that a better reading of the restrictions of article VIII, and particularly section 2 of that article, is that the provisions reserve to the legislature the exclusive authority to act as to the state's proprietary interest in natural resources. Thus, a borough [*13] would be prohibited from entering into a royalty contract for the production of minerals on state lands, from issuing grazing leases, and from appropriating water. n5 An entity's power to tax is separate from its proprietary interest. See *Merrion v. Jicarilla Apache Tribe*, 455 U.S. 130, 145-46 (1982). We do not believe that, after full briefing, the full Alaska Supreme Court would hold that article VIII limits taxing authority, whether that authority is exercised by the state or by a municipality.

n5 The Department of Law has advised that this provision prohibits a municipality from exerting authority over the appropriation of water. 1974 Inf. Op. Atty Gen (Apr. 4; James Reeves).

It may well be that, as a policy matter, the legislature will conclude that the production of mineral resources in the state should benefit the people of the state as a whole, and not just the people of the municipality in which the natural resources occur. The legislature may prohibit a local severance tax altogether, as it has done in AS 43.55. Or, it may devise a particular plan for distributing the revenue from a type of tax between the municipality and the state, as it has done in [*14] AS 43.56. Absent a restriction by the legislature, we believe that a borough may exercise the power to levy a severance tax.

HB

283

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB 283
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title AK Housing Finance Corp Board RDU Alaska Housing Finance Corp
Comp. Component Operations
Sponsor Representative Kott
Requester House Finance Committee Component No. 110

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services	20.0	20.0	20.0	20.0	20.0	20.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	20.0	20.0	20.0	20.0	20.0	20.0

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						
1103 Alaska Housing Finance Corporation Receipts	20.0	20.0	20.0	20.0	20.0	20.0
TOTAL	20.0	20.0	20.0	20.0	20.0	20.0

Estimate of any current year (FY2005) cost: 00

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

HB 283 would increase the compensation for board members of the Alaska Housing Finance Corporation from \$100 to \$400 per day. This change would affect only the four public members of the board.

As a result, the \$300 increase per public board member would result in a fiscal impact of approximately \$20,000 per fiscal year for the Corporation.

Prepared by: Bryan Butcher, Gov. Relations/Public Affairs Director Phone 330-8445
Division Alaska Housing Finance Corporation Date/Time 5/3/05 2:30 PM
Approved by: _____ Date 5/3/2005
Agency _____

ALASKA STATE LEGISLATURE

Chair:
Legislative Council

Member:
Community and Regional Affairs
Judiciary
Labor and Commerce - Vice Chair



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REPRESENTATIVE PETE KOTT DISTRICT 17 - EAGLE RIVER

Sponsor Statement for HB 283

House Bill 283, an Act relating to the compensation for board members of the Alaska Housing Finance Corporation, would increase the compensation from the current level of \$100 to \$400.

The current level of \$100 compensation has been in place since the inception of the Corporation in 1971. This legislation would provide a much needed increase in the amount of compensation commensurate with the importance of the work being done. HB 283 would increase the compensation to \$400, which is the currently the amount received by the Alaska Permanent Fund Corporation Board of Trustees.

The Board of Directors of AHFC is required to review and consider topics having to do with bonding, the mortgage industry, public housing, and many other technical issues. In any given year, the Board is asked to consider and approve \$600 million to \$1 billion in bond programs and millions of dollars in tax credit and other federal grants. The workload is such that board members must spend a great deal of their personal time studying and educating themselves about corporate activities. These are just some of the reasons why it is important to do what is necessary to help keep as capable a board as possible.

The compensation is only applicable to the four public members of the Corporation's seven member Board of Directors. It is estimated that the increase in compensation would cost the Corporation approximately \$15,000 in corporate receipts per fiscal year.

THE
FOLLOWING
DOCUMENT(S)
ARE
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MEMORANDUM

State of Alaska
Governor's OfficeTo: James F. Clark
Chief of Staff

Date: February 9, 2005

From: Laraine L. Derr
CommissionerPhone: 465-3393
Fax: 465-8110

Subject: Per Diem for Boards and # of meeting days

You asked that I prepare a table that shows the Boards who get per diem and those that receive a stipend. Also included is the numbers of days that boards meet. I have attached a report from law citing the statute for each of the boards.

The following boards get per diem plus an honoraria:

NORTH PACIFIC RESEARCH BOARD	\$100/day	At least once every 3 months. Majority is quorum.
AEROSPACE DEVELOPMENT CORPORATION	\$100/day	Approximately 150 days per year.
PAROLE BOARD	\$150/day	At call of the chair or of 4 members of the board. (About 6 times a year.)
PENSION INVESTMENT BOARD	\$150/day	10-12 times per year; 20-25 days total; special meetings as necessary.
PUBLIC EMPLOYEES' RETIREMENT BOARD	\$150/day	2 times per year; 6 days total, special meetings occasionally.
TEACHERS' RETIREMENT BOARD	\$150/day	Historically meets 4 times/year, total 50-65 days; Joint F&G Boards meet approximately 7-15 days.
FISHERIES - <i>Board</i>	\$186/day	Historically meets 20-25 days a year. Joint F&G boards meet approximately 7 days per year.
GAME <i>Board</i> -	\$186/day	
MENTAL HEALTH TRUST AUTHORITY	\$200/day	5-6 times per year, 1 day each; 5-6 days total, excluding travel.
COMMERCIAL FISHING/AGRICULTURE BANK	\$250/day	As determined by the Board; full board meetings approximately 10 times per year, 20 days total.
PERMANENT FUND	\$400/day	At least once every three months
RAILROAD CORPORATION	\$400/day	4 times per year or as necessary, 15 days maximum.
OCCUPATIONAL SAFETY	\$50/day	12 meetings per year.
INDUSTRIAL DEVELOPMENT/EXPORT AUTH	\$100/day	
MUNICIPAL BOND BANK	actual expenses	
AJFC	\$100/day	

HB

283

SFIN

FILE

HB 283

was referred to the
Senate Finance
Committee

Hearing(s) were held

The bill did not move
from Committee

THE
FOLLOWING
DOCUMENT(S)
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motion made to adopt - but no
action taken

WORK DRAFT

WORK DRAFT

WORK DRAFT

24 LS0922MF
Bullock
4/26/06

SENATE CS FOR CS FOR HOUSE BILL NO. 283()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FOURTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVE KOTT

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the compensation for board members of the Alaska Housing
2 Finance Corporation; relating to the salary for commissioners of the Regulatory
3 Commission of Alaska; and providing for an effective date."

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

5 * Section 1. AS 18.56.030(e) is amended to read:

6 (e) The members of the board described in (a)-(d) of this section receive \$400
7 [\$100] compensation for each day spent on official business of the corporation and
8 may be reimbursed by the corporation for actual and necessary expenses at the same
9 rate paid to members of state boards under AS 39.20.180.

10 * Sec. 2. AS 42.04.020(f) is amended to read:

11 (f) Members of the commission are in the exempt service and shall receive an
12 annual salary [ARE ENTITLED TO A MONTHLY SALARY EQUAL TO STEP C,
13 RANGE 26, OF THE SALARY SCHEDULE IN AS 39.27.011(a) FOR JUNEAU,
14 ALASKA. THE CHAIR OF THE COMMISSION IS ENTITLED TO A MONTHLY

1 SALARY EQUAL TO STEP C, RANGE 27, OF THE SALARY SCHEDULE IN
2 AS 39.27.011(a) FOR JUNEAU, ALASKA].

3 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

SENATE FINANCE COMMITTEE
5 / 1 / 2006 COMMITTEE ACTION

Bill Number	HB 283		
Amendment			
Motion	to adopt CS "F"		
<u>Motion by</u>	Green		
<u>Objection by</u>	Green		
<u>Removed</u>			
<u>Second Objection by</u>			
<u>Committee Member</u>	<u>Y</u>	<u>Vote</u>	<u>N</u>
Senator Olson			
Senator Stedman			
Senator Bunde			
Senator Dyson			
Senator Hoffman			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
MOTION			

Note: no action was taken on this motion to adopt the CS

ALASKA STATE LEGISLATURE

Chair:
Legislative Council

Member:
Community and Regional Affairs-
Judiciary
Labor and Commerce - Vice Chair



Session:
Alaska State Capitol
Juneau, AK 99801-1182
Phone: (907) 465-3777
Fax: (907) 465-2819
Toll Free (877) 861-5688

Interim:
10928 Eagle River Road - Suite 238
Eagle River, AK 99501-2133
Phone: (907) 694-8944
Fax: (907) 694-8945

REPRESENTATIVE PETE KOTT DISTRICT 17 - EAGLE RIVER

Sponsor Statement for HB 283

House Bill 283, an Act relating to the compensation for board members of the Alaska Housing Finance Corporation, would increase the compensation from the current level of \$100 to \$400.

The current level of \$100 compensation has been in place since the inception of the Corporation in 1971. This legislation would provide a much needed increase in the amount of compensation commensurate with the importance of the work being done. HB 283 would increase the compensation to \$400, which is the currently the amount received by the Alaska Permanent Fund Corporation Board of Trustees.

The Board of Directors of AHFC is required to review and consider topics having to do with bonding, the mortgage industry, public housing, and many other technical issues. In any given year, the Board is asked to consider and approve \$600 million to \$1 billion in bond programs and millions of dollars in tax credit and other federal grants. The workload is such that board members must spend a great deal of their personal time studying and educating themselves about corporate activities. These are just some of the reasons why it is important to do what is necessary to help keep as capable a board as possible.

The compensation is only applicable to the four public members of the Corporation's seven member Board of Directors. It is estimated that the increase in compensation would cost the Corporation approximately \$15,000 in corporate receipts per fiscal year.



Headquarters:
4300 Boniface Parkway
Anchorage, AK 99504
907-338-6100

Mailing Address:
PO Box 101020
Anchorage, AK 99510

Internet Web Site:
<http://www.ahfc.state.ak.us>

House Bill 283

House Bill 283, an Act relating to the compensation for board members of the Alaska Housing Finance Corporation, would increase the board member compensation from the current level of \$100 to \$400.

The current level of \$100 compensation per day has been in place since the inception of the Corporation in 1971. This legislation would provide a much needed increase in the amount of compensation commensurate with the importance of the work being done. HB 283 would increase the compensation to \$400, which is the currently the amount received by the Alaska Permanent Fund Corporation Board of Trustees.

The Board of Directors of AHFC is required to review and consider topics having to do with bonding, the mortgage industry, public housing, and many other technical issues. In any given year, the Board is asked to consider and approve \$600 million to \$1 billion in bond programs and millions of dollars in tax credit and other federal grants. The workload is such that board members must spend a great deal of their personal time studying and educating themselves about corporate activities. These are just some of the reasons why it is important to do what is necessary to help keep as capable a board membership as possible.

The compensation is only applicable to the four public members of the Corporation's seven member Board of Directors. It is estimated that the increase in per diem would cost the Corporation approximately \$20,000 in corporate receipts per fiscal year.



HB 283

MEMORANDUM

State of Alaska
Governor's OfficeTo: James F. Clark
Chief of Staff

Date: February 9, 2005

From: Laraine L. Derr
CommissionerPhone: 465-3393
Fax: 465-8110

Subject: Per Diem for Boards and # of meeting days

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GAME <i>Br</i> -	\$186/day	5-6 times per year, 1 day each; 5-6 days total, excluding travel.
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COMMERCIAL FISHING/AGRICULTURE BANK	\$250/day	At least once every three months. 4 times per year or as necessary. 15 days maximum.
PERMANENT FUND	\$400/day	
RAILROAD CORPORATION	\$400/day	
OCCUPATIONAL SAFETY	\$50/day	
INDUSTRIAL DEVELOPMENT/EXPORT AUTH	\$100/day	
MUNICIPAL BOND BANK	actual expenses	
AJPC	\$100/day	

SENATE COMMITTEE REPORT

DATE: 5/7/05

FURTHER: Finance

DATE TURNED
IN TO OFFICE: _____

State Affairs Committee considered CS FOR HOUSE BILL NO. 283(STA)

HB 283 AK HOUSING FINANCE CORP BOARD COMP.

"An Act relating to the compensation for board members of the Alaska Housing Finance Corporation; and providing for an effective date."

and recommends:

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

CS Senate Bill:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
SCS House Bill:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION with fiscal note

SIGNATURES AND RECOMMENDATIONS:	Do PASS	Do NOT PASS	NO REC	AMEND
STA				
CHAIR:				

5/7 - FIN
waived

HB

286

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT

MAY 6 2005

SENATE FINANCE
COMMITTEE

DATE: 5/5/05

FURTHER:

DATE TURNED
IN TO OFFICE: 6 May 2005

Finance Committee considered

HOUSE BILL NO. 286

HB 286 VALUE OF ROYALTY ON GAS PRODUCTION

"An Act amending the manner of determining the royalty received by the state on gas production by directing the commissioner of natural resources to accept, under certain circumstances, the transfer price of the gas if established by transfer price order of the Regulatory Commission of Alaska; and providing for an effective date."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous 5 CS HB 286 (RES)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

CS Senate Bill:
 Same Title
 New Title

SCS House Bill:
 Same Title
 Technical Title
 Change
 New Title w/
 SCR # 16

~~NEW~~ ^{PREVIOUS} FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#
DNR	5/5/05			✓	#2
Revenue	5/5/05		*		#3
DCCED	5/5/05			✓	#4

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#
Commerce	4/21/05			✓	#1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			

FISCAL NOTE

REPORTED OUT

MAY 6 2005

SENATE FINANCE
COMMITTEE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SCS HB 286(res)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue 04
Title Production Tax Credits RDU Tax and Treasury
Component Tax
Sponsor Rep. Samuels
Requester Senate Resources Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
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 (FY2005) cost: 0.0
Check this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This fiscal note only treats the tax related sections, sections 2 - 8.

This bill improves the AS 43.55.025 (production tax) exploration credit program enacted in 2003 in several important ways. It creates new rules in the Cook Inlet more appropriate for encouraging exploration in a well-explored, mature basin. It extends the time available for performing work that will qualify for the credit out to 2010 for everywhere except the North Slope. This should be particularly important in the Alaska Peninsula area where DNR has proposed a lease sale for the fall of 2005, as well as areas with exploration licenses. Finally, the bill introduces clarifying language about when the 20% , 40 % (and lack of opportunity for an 80%) credit apply. (continued on next page)

Prepared by: Dan Dickinson & Greg Bidwell Phone 269-6620
Division Tax Division Date/Time 5/5/05 8:12 AM
Approved by: Jerry Burnett, Special Assistant to the Commissioner Date 5/5/2005
Agency Department of Revenue

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

BILL NO. HB 286

ANALYSIS CONTINUATION

Although the credit will decrease state revenues in the short term, it should increase them over the long term. However it is impossible to predict with any certainty the exact size of either effect. Some of the considerations affecting revenues:

Given the infrastructure already developed in the Cook Inlet, minimum fields sizes smaller than 10 million barrels or 40 billion cubic feet of gas may be economic to develop. More typical fields in the Cook Inlet would be 20 million barrels of oil and 200 bcf of gas. Though it may take several years to bring into production, state revenue (royalty production tax, property tax and corporate income tax) from such an oil field would average 50 million dollars for its first producing decade. Gas fields can be brought on more quickly, and such a typical gas field could average \$180 million dollars in state revenue over its first decade. Thus if this program results in one or more typical incremental production opportunities from the Cook Inlet it will more than pay for itself.

At levels of exploration seen over the past several years, the 20 million dollar cap will kick in between 3 and 4 years from now. If there is incremental exploration, the cap will be reached earlier.

In the Alaska Peninsula, while we expect wells to be drilled from onshore facilities, given the remoteness of the region and the lack of infrastructure, we assume that on average these wells will qualify for a 30% credit, half qualifying for the 40% and half qualifying for the 20% credit. Thus we estimate \$7 million dollars a year in credits if there is sufficient Alaska Peninsula exploration. The credit might promote higher bidding (and thus state revenues) in the lease sale. We estimate the minimum economic fields size to be between 100 million and 200 million barrels of oil. Such a field, if discovered and developed, could yield about \$500 million dollars in state revenues over the first decade of production. Thus, if successful, the program will pay off more than an order of magnitude more than its costs.

Section 2 rewrites the statutory language to clear up confusion that has arisen over the original language. It makes clear that there are only four possible situations:

- (1) Well work more than three miles from an existing well, but not more than 25 miles from a unit that qualifies for a 20% credit,
- (2) Well work more than 25 miles from an existing unit but not more than 3 miles from an existing well that qualifies for a 20% credit (although this portion of the credit expires June 30, 2007),
- (3) Well work that is both 25 miles from an existing unit and 3 miles from an existing well that qualifies for a 40% credit, and
- (4) Seismic work not associated with a well that qualifies for a 40% credit.

There is no way to combine these to get an 80% credit for any given dollar outlay.

Section 3 does two things. It extends the sunset of the existing credit from 2007 to 2010 for all work performed south of the Brooks Range. In the Cook Inlet, while also extending the sunset to 2010, section 3 also sets new rules, effective July 1 2005, more appropriate for a mature basin like the Cook Inlet.

Section 4 harmonizes statute section (c) with the section one rewrites, and for the Cook Inlet introduces the notion that if the commissioner of DNR certifies that the target is separate exploration target, the well work qualifies for the credits as though it were three miles from another well – even though it may be closer.

Section 5 also has language that harmonizes statute section (d) with the other changes, and for the Cook Inlet reduces the qualifying distance from an existing unit from 25 miles to 10 miles.

Section 6 harmonizes section (e) with the earlier changes.

Section 7 clarifies the process whereby a Cook Inlet explorer can get the required certification from the commissioner of DNR to qualify for the credit with a separate exploration target. It also further limits the total of special Cook Inlet credit to 20 million dollars.

Section 8 sets forth several definitions pertinent to Cook Inlet.

MAY 6 2005

SENATE FINANCE
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB286SCS(RES)-DNR-C
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Natural Resources
Title: Value of Royalty on Gas Production RDU: Resource Development
Component: Oil and Gas Development
Sponsor: Rep. Samuels
Requester: Senate Finance Component No. 439

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
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 ()	***Indeterminate
-------------------------------	-------------------------

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 (FY2005) cost: 00

Check this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Section 1 of this bill amends AS 38 05 180(aa), a statute that relates to the royalty value of gas sold to a gas or electric utility that serves the general public. Under the state's oil and gas leases, a producer-lessee must pay the state royalties-in-value (cash) or royalties-in-kind (oil or gas). If the producer pays the gas royalty in-value, meaning that the producer sells the gas to its customer and then tenders a payment to the state, the producer is liable under the lease for a royalty value that is the higher of the producer's actual sales price (less certain allowed deductions) or the average royalty values for other producers in the same area based on their sales.

Under current law, AS 38 05 180(aa) provides that a gas producer can apply to the Commissioner of the Department of Natural Resources (the department) to have its royalty gas valued at its contract sales price to the utility.
(Continued on next page)

Prepared by: Mark D. Myers, Director Phone: 269-8E 30
Division: Oil and Gas Date/Time: 5/5/2005
Approved by: Tom Irwin, Commissioner Date: 5/5/2005
Agency: Natural Resources

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

BILL NO. HB286SCS(RES)-DI

ANALYSIS CONTINUATION

If the Commissioner approves the application, the state gives up the higher of value under the lease, relating to the average sales prices received by other producers as noted above. To obtain approval under AS 38.05.180(aa), the producer must present a negotiated, third-party arm's length contract for the Commissioner's consideration.

Section 1 would change current law to allow a producer-lessee that transfers its gas to an affiliated utility to apply for AS 38.05.180(aa) treatment. Under the bill, if a producer-lessee has an internal transfer price for gas consumed by its utility approved for ratemaking purposes by the Regulatory Commission of Alaska, it could apply to the department to have its transfer price used as its royalty value. In the absence of HB 286, the department would use the higher of value to determine the royalty value.

This bill (sections 2-8) would also extend the sunset date until 2010 on oil and gas exploration credits against production tax (SB 185, CH 59, SLA 03) for all areas south of 68 degrees, 15 minutes North latitude (south of the Brooks Range). It also amends the qualifications for work done in the Cook Inlet sedimentary basin.

***Indeterminate. Section 1: The department is unable to determine whether enacting HB 286, section 1 would have a negative fiscal impact on the state. If the transfer price were used for the royalty value, as the bill would permit with department approval, the impact would be negative if the transfer price was lower than the average of other producers' royalty values.

Indeterminate. Sections 2 - 8: The proposed Alaska Peninsula sale is tentatively scheduled for fall of 2005. An extension of the sunset deadline to the proposed Alaska Peninsula sale area may encourage additional or higher competitive bids, although these additional revenues are impossible to predict or quantify.

MAY 6 2005

SENATE FINANCE
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SCSHB 286 (RES)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
Title Value of Royalty on Gas Production RDU Regulatory Commission of Alaska (399)
Component Regulatory Commission of Alaska
Sponsor Samuels
Requester Senate Resources Component No. 2417

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
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 (FY2005) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation contemplates changes to DNR's statute, AS 38, by directing the DNR Commissioner to accept, under certain circumstances, the transfer price of the gas if established by transfer price order of the Regulatory Commission of Alaska. Such activity is within the scope of the RCA's normal operations; consequently, no fiscal impact on the agency is anticipated.

Prepared by: Kate Giard, Chairman Phone (907) 263-2110
Division Regulatory Commission of Alaska Date/Time 5/5/05 9 54 AM
Approved by: Edgar Blatchford, Commissioner Date 5/5/2005
Agency Commerce, Community, and Economic Development



REPRESENTATIVE RALPH SAMUELS

HOUSE DISTRICT 29

Sponsor Statement

HB 286

"An Act amending the manner of determining the royalty received by the state on gas production by directing the commissioner of natural resources to accept, under certain circumstances, the transfer price of the gas if established by transfer price order of the Regulatory Commission of Alaska; and providing for an effective date."

Anchorage Municipal Light and Power is proposing a housekeeping amendment to AS 38.05.180(aa). The amendment will allow the Department of Natural Resources to use the transfer price for gas set by the Regulatory Commission of Alaska to value the State's share of royalty gas. The amendment reflects language as proposed by ML&P and modified at DNR's request. DNR does not oppose this amendment.

Since 1986, Alaska utilities have been able to use the price set in their long-term gas purchase contracts as the value for royalty gas values.

ML&P has used (aa) for the gas ML&P uses from its share of the Beluga River Field. DNR agreed to let ML&P continue to receive (aa) treatment based on the ML&P/Shell contract even after ML&P bought Shell's interest in the field. But that contract expires at the end of 2005. While ML&P's share in the Beluga River Field will assure ML&P of a supply of gas, in the absence of the proposed legislation, ML&P will not be able to continue to receive (aa) treatment for its gas.

The proposed legislation adds language that allows DNR to use the gas transfer price set by the RCA much like DNR uses the contract price for gas. The transfer price is the rate ML&P is required to charge itself for the Beluga Field gas it uses. The proposed amendment allows DNR to give (aa) treatment not only to an arms-length gas supply contract, but also to RCA-approved orders setting the transfer price when a utility uses its own natural gas.

The proposed amendment is consistent with the purpose of the original law. It will allow ML&P to continue to receive the benefits the Legislature intended to provide to consumers. It assures that rigorous and fair regulatory process will be used to set the price for royalty gas. The fiscal impact will be minimal compared to the (aa) treatment ML&P presently receives. This amendment will help ensure that Anchorage electric consumers have certainty and stability in their electric rates.

Email: Representative_Ralph_Samuels@legis.state.ak.us

Session: Alaska State Capitol, Juneau, Alaska 99801-1182 • Phone: (907) 465-2095 Fax: (907) 465-3810
Interim: 716 W. 4th Ave., Anchorage, Alaska 99501-2133 • Phone: (907) 269-0240 Fax: (907) 269-0242

ALASKA STATE LEGISLATURE



Official Business

SENATE RESOURCES COMMITTEE

Senator Tom Wagoner, Chair

State Capitol, Room 427

Juneau, AK 99801-1182

Phone: (907) 465-4907 Fax: (907) 465-4779

Senator Ralph Seekins, Vice-Chair

Senator Ben Stevens

Senator Kim Elton

Senator Fred Dyson

Senator Bert Stedman

Senator Gretchen Guess

SCS HB 286(RES)

Bill Explanation & Sectional Description

The Exploration Credits are now contained in this bill that accomplishes the following:

1. It extends the exploration credits adopted in 2003 to July 2, 2010, for every place in Alaska south of the Brooks Range.
2. It adopts a new set of rules for credits in the Cook Inlet Basin from 2005-2010.
3. It clarifies that certain situations have credits authorized through 2007 and that the new extended credits are under a different "situation" or standard.
4. It reinserts the Arctic National Wildlife Refuge for qualifying for the original credit, which is set to expire in 2007.

Sec. 1: Original HB 286

Sec. 2: Rewrites statute to conform to regulations developed for original credits and states that subsection (2) language is specific only to credits expiring in 2007.

Sec. 3: Extends sunset from 2007 to 2010 for work south of the Brooks Range and sets a time line for Cook Inlet basin credits - July 1, 2005 to July 1, 2010.

Sec. 4: Makes changes so Section 1 language is more precise and authorizes a "within 3 mile" standard for the Cook Inlet if the DNR commissioner certifies it as a separate exploration target.

Sec. 5: Makes changes so Section 1 language is more precise and reduces the distance from 25 miles to 10 miles for the Cook Inlet basin.

Sec. 6: Changes one phrase to make Section 1 language more precise.

Sec. 7: Clarifies process for Cook Inlet credits from DNR commissioner and limits Cook Inlet credits to 20 million dollars.

Sec. 8: Definitions relevant to Cook Inlet basin.

Sec. 9: Immediate effective date.

SENATE COMMITTEE REPORT

DATE: 5/3/05

FURTHER: Finance

DATE TURNED
IN TO OFFICE: 5/5/05

Resources Committee considered HOUSE BILL NO. 286

HB 286 VALUE OF ROYALTY ON GAS PRODUCTION

"An Act amending the manner of determining the royalty received by the state on gas production by directing the commissioner of natural resources to accept, under certain circumstances, the transfer price of the gas if established by transfer price order of the Regulatory Commission of Alaska; and providing for an effective date."

and recommends:

- be replaced with SCS HB 286 (RES) (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

CS Senate Bill:	
<input type="checkbox"/>	Same Title
<input checked="" type="checkbox"/>	New Title
SCS House Bill:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input checked="" type="checkbox"/>	New Title w/ SCR # <u>16</u>

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
DNR	5/5/05	✓			2
REV	5/5/05	✓			3
CEC	5/5/05			✓	4

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
CEC	4/28			✓	1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
DYSON <i>[Signature]</i>	✓			
B STEVENS <i>[Signature]</i>	✓			
STEDMAN <i>[Signature]</i>	✓			
DEERINS <i>[Signature]</i>	✓			
GUESS <i>[Signature]</i>			X	
WAGNER <i>[Signature]</i> CHR L	✓			
CHAIR: <i>[Signature]</i> ELTON			✓	

HB

291

HFIN

FILE

ALASKA STATE LEGISLATURE

House of Representatives

COMMITTEE ASSIGNMENTS

RULES COMMITTEE, CHAIRMAN
LABOR & COMMERCE COMMITTEE, MEMBER
LEGISLATIVE COUNCIL, MEMBER
SPECIAL COMMITTEE ON OIL & GAS, MEMBER
SPECIAL COMMITTEE ON WAYS & MEANS, MEMBER

Website: <http://www.akRepublicans.org/rokeberg/index.php>



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ALASKA STATE CAPITOL
JUNEAU, AK 99801-1187
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FAX (907) 465-2040

Representative Norman Rokeberg

e-mail: Representative_Norman_Rokeberg@legis.state.ak.us

SPONSOR STATEMENT FOR HB 291

By: Representative Norman Rokeberg

Title: An Act relating to release of information in individual workers' compensation records for commercial purposes; and providing for an effective date.

Today, there is a gap in the Workers' Compensation Act that opens up a portal into the privacy of injured workers who have filed a claim with the Division of Workers' Compensation. House Bill 291 seeks to close this opening to prevent the "mining" of division records for commercial purposes such as investment solicitations and credit agencies.

Currently, the Workers' Compensation Act makes it a misdemeanor to solicit employment for a lawyer or oneself regarding a compensation claim [AS 23.30.260(2)]. Although that statute prohibits certain solicitation activities, it does not clearly provide the division with the authority to decline to produce information for commercial endeavors. House Bill 291 will clarify the division's ability to refuse to assist in illegal conduct and provide guidance to division conduct.

HB 291 is not intended to prohibit disclosure of public record information regarding a specific claim to a newspaper reporter, an insurer seeking the names of employers who are uninsured for purposes of soliciting contracts to provide workers' compensation insurance (as these employer coverage status is not in respect of a claim). Nor would it prohibit an investigator for a law firm representing an injured worker asking, pursuant to a valid discovery order or other authorized discovery process, for information regarding other claims that are relevant to an on-going claim for compensation. This provision does not alter other subsections providing that medical and vocational reemployment records in a claim are not public records.

In an age where information is king and privacy fleeting, House Bill 291 closes an information loop-hole to protect the privacy of Alaska's injured workers.

April 15, 2005

Senator Con Bunde, Chair,
Senate Labor & Commerce Committee
Alaska State Legislature
State Capitol (MS 3100)
Juneau, Alaska 99801-1182

Dear Senator Bunde and Committee Members,

My name is Hyo R. Kim and I have been an Alaska resident for over 27 years. Approximately 5 months ago, I received a letter from an out of state attorney that somehow learned of an injury I had at work. He indicated in his letter that if I contacted his firm, they could possibly get me more money for my injury.

I called the attorney to find out what this was about and how he had access to my personal information. During our conversation, the attorney asked me many questions about how I was injured, what the injury was, etc. After talking, the attorney indicated that he could not do anything for me since the injury was not substantial. I got the feeling he thought there was not enough money for him to get involved.

I asked him how he was able to get my personal information and he basically said he had his sources in the State of Alaska. This really bothered me since I really don't want people other than those that I approve of having access to my personal and private information. This especially concerns me the most now that there are so many cases in the news of identity theft and fraud.

After discussing with my friends the conversation I had with this attorney, I learned that he most likely got my personal information from the Workers Compensation Board and the Alaska Dept. of Labor. If this is the case, it irritates me a lot as I do not want people to have access to my private information and I assumed that what I filled out on the Alaska Workers Compensation forms was confidential.

I am very surprised the State of Alaska would allow this information to be released about its residents. My injury is my private concern and should only involve me, my employer, my doctor, my family and not an out of state attorney. I ask you to please take the appropriate steps to make sure this does not happen again in the future.

Sincerely,



Hyo R. Kim
P.O. Box 705
Petersburg, Alaska 99833

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB291-DOLWD-WC-04-29-05
() Publish Date: _____

Revision Date/Time (Note if correction): _____
Title: Workers' Compensation Records
Sponsor: House Rules
Requester: House Finance

Department: Labor and Workforce Development
RDU: Workers' Compensation
Component: Workers' Compensation
Component Number: 344

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
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 (FY2005) cost: None
Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
This bill would prevent the division from compiling or providing information about individual workers' compensation files for commercial use. There is no anticipated fiscal impact to the department as a result of this legislation.

Prepared by: Paul F. Lisankle, Director Phone: 465-6059
Division: Workers' Compensation Date/Time: 4/29/05 9:52 AM
Approved by: Greg O'Clary, Commissioner Date: 4/29/2005
Agency: Department of Labor and Workforce Development

HB

304

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSHB 304(RES)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
Title Commercial Fishing Loan Program RDU Investments (122)
Component Investments
Sponsor Coghill
Requester Finance Component No. 383

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
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 (1036)	0.0	(21.8)	(42.9)	(63.2)	(82.5)	(100.9)

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 (FY2006) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill would make several changes to the Commercial Fishing Revolving Loan Fund (CFRLF). Two of the changes would result in fewer loans being made that would reduce the amount of interest earned by the fund. Section 1 of the bill would reduce the amount of vessel and gear refinancing allowed from \$300,000 to \$200,000. The department estimates that this would result in one fewer loan each year totaling \$200,000. A 9% interest rate and a 9.6% delinquency rate were used in the calculation.

Section 3 of the bill would reduce the total amount that a borrower could have in outstanding loans at any given point in time from \$630,000 to \$400,000. The department estimates that this would result in one less loan per year totaling \$68,213. A 9% interest rate and a 9.6% delinquency rate was also used in this calculation.

Prepared by: Greg Winegar, Director Phone: (907) 465-2510
Division: Investments Date/Time: 4/19/06 10:13 AM
Approved by: William C. Noll, Commissioner Date: 4/19/2006
Agency: Commerce, Community, and Economic Development

REPORTED OUT OF FISCAL NOTE

HFC 4/20/06

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSHB 304(RES)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
Title: Commercial Fishing Loan Program RDU: Investments (122)
Component: Investments
Sponsor: Coghill
Requester: Finance Component No.: 383

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
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						
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CHANGE IN REVENUES (1036)	0.0	(21.8)	(42.9)	(63.2)	(82.5)	(100.9)
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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 a 1y current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill would make several changes to the Commercial Fishing Revolving Loan Fund (CFRLF). Two of the changes would result in fewer loans being made that would reduce the amount of interest earned by the fund. Section 1 of the bill would reduce the amount of vessel and gear refinancing allowed from \$300,000 to \$200,000. The department estimates that this would result in one fewer loan each year totaling \$200,000. A 9% interest rate and a 3.6% delinquency rate were used in the calculation.

Section 3 of the bill would reduce the total amount that a borrower could have in outstanding loans at any given point in time from \$630,000 to \$400,000. The department estimates that this would result in one less loan per year totaling \$68,213. A 9% interest rate and a 9.6% delinquency rate was also used in this calculation.

Prepared by: Greg Winegar, Director
Division: Investments
Approved by: William C. Noll, Commissioner
Agency: Commerce, Community, and Economic Development

Phone: (907) 465-2510
Date/Time: 4/19/06 10:13 AM
Date: 4/19/2006

HOUSE FINANCE COMMITTEE ROLL CALL

Pass

DATE: _____

Amendment: #1

MEMBER

Favor

Oppose

JOULE	—		
KELLY		✓	
KERTTULA			✓
MOSES			✓
STOLTZE	—		
WEYHRAUCH	—		
FOSTER		✓	
HAWKER	—		
HOLM		✓	
CHENAULT		✓	
MEYER		✓	

adjusted

24-LS0523\S

AMENDMENT# 1

OFFERED IN THE HOUSE FINANCE BY REPRESENTATIVE KELLY
TO: CSHB 304(RES)

- 1 Page 5, line 1:
- 2 Delete line 1 and insert:
- 3 (2) may not bear interest exceeding the prime rate plus two percentage point S
- 4 [10 ½ PERCENT]; for the purposes of this paragraph, "prime rate" has the
- 5 meaning given in AS 44.88.599;

AS 44.88.590(2) "prime rate" means the lowest United States money center prime rate of interest that is published in the Wall Street Journal.

When the cap was put in place CFRLF was unable to refinance other lenders loans. Keeping the cap in place increases CFRLF's competitive factor and makes them the preferred lender instead of lender of last resort.

The was put their when CFRLF did not price loans to prime rate. They now use prime rate plus.

The state can not cap the interest rate that it pays on the bonds it sells to finance itself so why cap the interest for loans it makes?

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSHB 304(FSH)
(H) Publish Date: 3/24/06

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
Title: Commercial Fishing Loan Program RDU: Investments (122)
Component: Investments
Sponsor: Coghill
Requester: House Fisheries Component No.: 383

Expenditures/Revenues

(Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
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						
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CHANGE IN REVENUES (1036)	0.0	(33.0)	(64.0)	(95.4)	(124.6)	(152.4)
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill would make several changes to the Commercial Fishing Revolving Loan Fund (CFRLF). Two of the changes would result in fewer loans being made that would reduce the amount of interest earned by the fund. Section 1 of the bill would reduce the amount of vessel and gear refinancing allowed from \$300,000 to \$200,000. The department estimates that this would result in one fewer loan each year totaling \$200,000. A 9% interest rate and a 9.6% delinquency rate were used in the calculation of lost interest earnings.

Section 3 of the bill would reduce the total amount that a borrower could have in outstanding loans at any given time from \$630,000 to \$335,000. The department estimates that this would result in three fewer loans per year totaling \$204,639. A 9% interest rate and a 9.6% delinquency rate was also used in this calculation of lost interest earnings.

Prepared by: Greg Winegar, Director Phone: (907) 465-2510
Division: Investments Date/Time: 3/21/06 4:39 PM
Approved by: William C. Noll, Commissioner Date: 3/21/2006
Agency: Department of Commerce, Community, and Economic Development

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House Bill 304 Commercial Fishing Loan Program

SPONSOR STATEMENT

This bill is a product of my philosophical belief that government should not compete with the private sector. I want to make sure that any loan program the State administers is the source of last resort.

This bill would require someone applying for a loan through the Commercial Fishing Revolving Loan Fund (CFRLF) for repair, restoration, or upgrading of vessels and gear, for the purchase of entry permits and gear, and for construction and purchase of vessels to be ineligible for financing from other recognized commercial lending institutions. While the division currently utilizes this practice I want it codify it to make it a permanent statutory requirement.

HB 304 reduces the amount of loans for refinancing a debt to \$200,000 per person, down from \$300,000. It increases the loan limit for past due federal tax obligations to \$35,000. And it limits all loans, including purchase of entry permits and gear, vessel purchases, repair of existing vessels, and federal tax debt for one person to \$400,000. The bill reduces security of a loan from 90% to 80% of the appraised value of the collateral. The House Resources Committee amended my bill to eliminate a prime rate plus 2% interest rate and reimplemented the existing ceiling of 10.5%. I would like to revisit this issue and determine what policy the legislature wants to implement when loaning money.

This bill has been a work in progress. I have been working with the department diligently for the last year to clarify and tighten requirements in the Commercial Fishing Revolving Loan Program.

ALASKA STATE HOUSE OF REPRESENTATIVES



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Session

(907)-465-3719

FAX# (907)-465-3258

State Capitol
Room 204

REPRESENTATIVE JOHN COGHILL

HB 304 Commercial Fishing Loan Program

SECTIONAL

Section 1. Provides another qualification, that being the person is not eligible for financing from other recognized commercial lending institutions, for an individual for the repair, restoration, or upgrading of existing vessels and gear, for the purchase of entry permits and gear, and for the construction and purchase of vessels if the individual has been a state resident for a continuous two years immediately preceding the date of the application.

This section adds a requirement that the applicant is not eligible for financing from another source that is a state financial institution, federally chartered financial institution, or the Commercial Fishing and Agricultural Bank.

It also eliminates one category of applicants for a loan to pay federal tax obligations. With the change the applicant must show lack training or lack of employment opportunities in the area other than commercial fishing or is economically dependent on commercial fishing as a livelihood and commercial fishing has been a traditional way of life.

It reduces the refinance obligation limit from \$300,000 to \$200,000.

Section 2. The bill originally changed the prime rate from a fixed 10.5 % interest rate to a sliding "prime rate plus two percentage points". However, House Resources amended it back to the 10.5% ceiling. Prime rate in AS 44.88.599 is defined as "the lowest United States money center prime rate of interest that is published in the Wall Street Journal.

It reduces the percent of appraised value of the collateral that can be loaned to secure a loan from 90% to 80% of the appraised value of the collateral.

Section 3. This section increases the amount of the total balance of federal tax loans from \$30,000 to \$35,000.

Excluding the purchase of fishing quotas by community quota entities, the total outstanding loans for a borrower may not exceed \$400,000.

Section 4. AS 16.10.315 is repealed. This provision required to department to allocate at least 10 percent of the money appropriated annually for loans of \$35,000 or less made for