

AK LEGISLATURE FINANCE COMMITTEES FILES 2007-2008 3321

203

REVISED FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSSB 80(RES)
(S) Publish Date: 5/2/07

Revision Date/Time (Note if correction): _____ Dept. Affected: Administration
Title Oil and Gas Production Tax RDU AOGCC
Component AOGCC
Sponsor Senators Wagoner, Theriault, Dyson, et al.
Requester Senate Resource Component No. 2010

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
1162 AOGCC Receipts	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2007) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Any consultation we provide as part of the Petroleum Systems Integrity Office (PSIO) working group will be part of our ongoing responsibilities at the Alaska Oil and Gas Conservation Commission (AOGCC). Therefore there will be no additional fiscal impact on the agency with the passing of this bill.

Prepared by: Jody J. Colombie, Special Assistant I
Division: Alaska Oil and Gas Conservation Commission
Approved by: Rachael Petro, Deputy Commissioner
Agency: Department of Administration

Phone 793-1221
Date/Time 4/26/07 3pm
Date 4/26/07

1 abandonment for which the cost is incurred is undertaken for the purpose of replacing,
2 renovating, or improving the facility, pipeline, well pad, platform, or other structure;
3 for the purposes of this paragraph, "barrel of oil equivalent" means

4 (A) in the case of oil, one barrel;

5 (B) in the case of gas, 6,000 cubic feet;

6 (16) costs incurred for containment, control, cleanup, or removal in
7 connection with any unpermitted release of oil or a hazardous substance and any
8 liability for damages imposed on the producer or explorer for that unpermitted release;
9 this paragraph does not apply to the cost of developing and maintaining an oil
10 discharge prevention and contingency plan under AS 46.04.030;

11 (17) costs incurred to satisfy a work commitment under an exploration
12 license under AS 38.05.132;

13 (18) that portion of expenditures, that would otherwise be qualified
14 capital expenditures as defined in AS 43.55.023(k), incurred during a calendar year
15 that are less than the product of \$0.30 multiplied by the total taxable production from
16 each lease or property, in BTU equivalent barrels, during that calendar year, except
17 that, when a portion of a calendar year is subject to this provision, the expenditures
18 and volumes shall be prorated within that calendar year;

19 (19) costs or that portion of the costs determined by the
20 commissioner, in consultation with the commissioner of environmental
21 conservation and the chair of the Alaska Oil and Gas Conservation Commission
22 and relying on the standard practices of the industry, to be

23 (A) related to the repair and replacement of improperly
24 maintained property or equipment;

25 (B) incurred to maintain the operational capability of
26 facilities or equipment shut down because of improper maintenance of
27 property or equipment; or

} insert
to
CS5890
(RES)

28 (C) for operating facilities or equipment at diminished
29 capacity in proportion to the amount of diminished capacity that is caused
30 by the improper maintenance of property or equipment.

31 * Sec. 2. The uncodified law of the State of Alaska is amended by adding a new section to

1 read:

2 APPLICABILITY. Section 1 of this Act applies to oil and gas produced after
3 March 31, 2006.

4 * Sec. 3. The uncodified law of the State of Alaska is amended by adding a new section to
5 read:

6 TRANSITIONAL PROVISIONS. (a) A person that filed a statement under
7 AS 43.55.030 before the effective date of this Act and deducted lease expenditures that may
8 not be deducted under AS 43.55.165(e), as amended by sec. 1 of this Act, shall file an
9 amended return and pay any additional tax within 90 days after the effective date of this Act.

10 (b) A person required to make an installment payment of estimated tax under
11 AS 43.55.020(a) for a period not included in a return required to be filed before the effective
12 date of this Act shall determine the amount of the underpayment, if any, that is attributable to
13 lease expenditures that may not be deducted under AS 43.55.165(e) as amended by sec. 1 of
14 this Act. The amount of any underpayment determined under this subsection shall be paid
15 within 90 days after the effective date of this Act.

16 * Sec. 4. The uncodified law of the State of Alaska is amended by adding a new section to
17 read:

18 RETROACTIVITY. Section 1 of this Act is retroactive to April 1, 2006.

19 * Sec. 5. This Act takes effect immediately under AS 01.10.070(c).

1 abandonment for which the cost is incurred is undertaken for the purpose of replacing,
 2 renovating, or improving the facility, pipeline, well pad, platform, or other structure;
 3 for the purposes of this paragraph, "barrel of oil equivalent" means

4 (A) in the case of oil, one barrel;

5 (B) in the case of gas, 6,000 cubic feet;

6 (16) costs incurred for containment, control, cleanup, or removal in
 7 connection with any unpermitted release of oil or a hazardous substance and any
 8 liability for damages imposed on the producer or explorer for that unpermitted release;
 9 this paragraph does not apply to the cost of developing and maintaining an oil
 10 discharge prevention and contingency plan under AS 46.04.030;

11 (17) costs incurred to satisfy a work commitment under an exploration
 12 license under AS 38.05.132;

13 (18) that portion of expenditures, that would otherwise be qualified
 14 capital expenditures as defined in AS 43.55.023(k), incurred during a calendar year
 15 that are less than the product of \$0.30 multiplied by the total taxable production from
 16 each lease or property, in BTU equivalent barrels, during that calendar year, except
 17 that, when a portion of a calendar year is subject to this provision, the expenditures
 18 and volumes shall be prorated within that calendar year;

19 (19) costs or that portion of the costs determined by the
 20 commissioner, in consultation with the commissioner of environmental
 21 conservation, the commissioner of natural resources, and the person in the
 22 Department of Natural Resources who is the lead person for exercising oversight
 23 over the maintenance of oil and gas facilities, equipment, and infrastructure in
 24 the state, and taking into consideration good oil field practice, to be

25 (A) related to the repair and replacement of property or
 26 equipment that was not maintained or was improperly maintained;

27 (B) incurred to maintain the operational capability of
 28 facilities or equipment shut down because of improper maintenance of
 29 property or equipment; or

30 (C) incremental operating expenses incurred as a result of
 31 operating facilities or equipment at diminished capacity when that



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

FAX COVER SHEET

DATE: 8 May 2007 TIME: 9:50 am

TO: Legal Services

NUMBER OF PAGES, INCLUDING COVER SHEET: 2

FROM: MINDY ROWLAND
SENATE FINANCE COMMITTEE SECRETARY
PHONE: 465-4935
FAX: 465-2187

NOTES: Final Please.

CS SB 80 (FIN) 25-LS0425\L

Plus 1 amendment: page 3 line 27:

insert language of subparagraph (B)

of 25-LS0425\C

(attached)

Thanks,
Mindy



Official Business

ALASKA STATE LEGISLATURE

SENATOR THOMAS H. WAGONER

- Member, Resources
- Member, Community & Regional Affairs
- Member, World Trade

Session: January – May

State Capitol, #427

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Phone: 907-465-2828 Fax: 907-165-4779

Interim: May – December

145 Main Street Loop; Suite 226

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Sponsor Statement

SB 80 – Oil and Gas Production Tax: Expenditures

The language in this bill was offered as an amendment to HB 3001, the Petroleum Production Tax (PPT) on August 9, 2006 before the Senate Special Committee on Natural Gas Development.

The issue which prompted that proposed amendment last August remains, and perhaps is even expanded, given the problems associated with the ongoing BP corrosion crisis.

Simply put, this bill protects the State of Alaska by encouraging proper maintenance efforts; which costs would then be allowed as deductions or credits against the PPT.

However, if a company failed to conduct proper maintenance on a pipeline, they would not be allowed to utilize the deductions or credits authorized by the PPT for their costs to repair that improperly maintained pipeline.

The authority to make a determination on costs related to improperly maintained facilities rests with the Commissioner of the Department of Revenue, in consultation with the Commissioner of the Department of Environmental Conservation and the newly formed Petroleum Safety Integrity Office and relying on industry standards.

The bill is structured to be applicable on the same date as was the PPT tax – April 1, 2006.



THE ALLIANCE

...for responsible development of Alaska's Oil, Gas & Mineral Resources

360 West Benson Blvd., Suite 200 • Anchorage, AK 99503 • Phone (907) 553-2226 • Fax (907) 561-8870

FAXED APRIL 30, 2007

The Honorable Bert Stedman, Co-Chairman
The Honorable Lyman Hoffman, Co-Chairman
Senate Finance Committee
Alaska State Legislature
State Capitol (M5 3101)
Juneau, Alaska 99801-1182

Dear Senators Stedman and Hoffman,

The Alaska Support Industry Alliance, a trade association whose 400 members provide goods and services to Alaska's oil, gas and mining industries and more than 30,000 jobs for Alaskans, would like to express our opposition to Senate Bill 80. We believe the bill is unnecessary, unfair and premature. It will accomplish little but to spawn disputes and uncertainty, and it will be a further disincentive to the long-term oil and gas investment that's the lifeblood of Alaska's economy. We urge you not to pass it out of the Senate Finance Committee.

The bill is unnecessary. Current legislation already denies tax credits for lease expenditures resulting from fraud, willful misconduct or gross negligence, and disallows costs related to spills.

The bill is unfair, and would result in double taxation. The flat 30-cent-per-barrel tax credit exclusion in the new Petroleum Production Tax (PPT) explicitly was intended to cover all maintenance expenditures - those resulting from "proper" and "improper" maintenance. SB 80's additional exclusion for costs incurred due to "improper maintenance" constitutes double taxation. Producers across the board are denied deductions for maintenance costs under the umbrella of the 30-cent-per-barrel provision of the PPT, then would be denied additional tax credits on a case-by-case basis for some of the same maintenance expenditures under SB 80.

The bill is a petri dish for tax disputes. Terms in SB 80 such as "improper" maintenance and "diminished" capacity are vague and undefined, leaving interpretation in the hands of several commissioners, headed by the commissioner of Revenue. By contrast, the 30-cent provision offers clarity and certainty. We may not like it, but at least everyone understands the rules.

Alliance opposition to SB 80
Page 2

The bill is premature. It's been less than a year since the legislature retroactively imposed the largest tax increase in Alaska's history on North Slope producers, roughly tripling severance taxes. Regulations for the new PPT haven't even been drafted yet, and SB 80 proponents already want to change it. The Alliance believes additional changes at this time will further undermine Alaska's reputation as a stable and predictable place to invest, resulting in fewer jobs and business opportunities for Alaskans.

SB 80 may seem like prudent politics to some, but it's poor public policy. The Alliance opposes this proposed legislation and urges you not to move it out of the Senate Finance Committee. Thank you for your consideration.

Sincerely,

PAUL LAIRD

Paul Laird
General Manager

ENHANCEMENT OF THE "GROSS" CHARACTER OF THE PPT BILL

August 5, 2006

Pedro van Meurs

This memo has been written at the request of Senator Wagoner. The request was to provide ideas as to how the "gross" character of the PPT bill can be enhanced.

This memo does not reflect the views of the Administration and is solely meant to provide Senator Wagoner with my professional advice on these ideas.

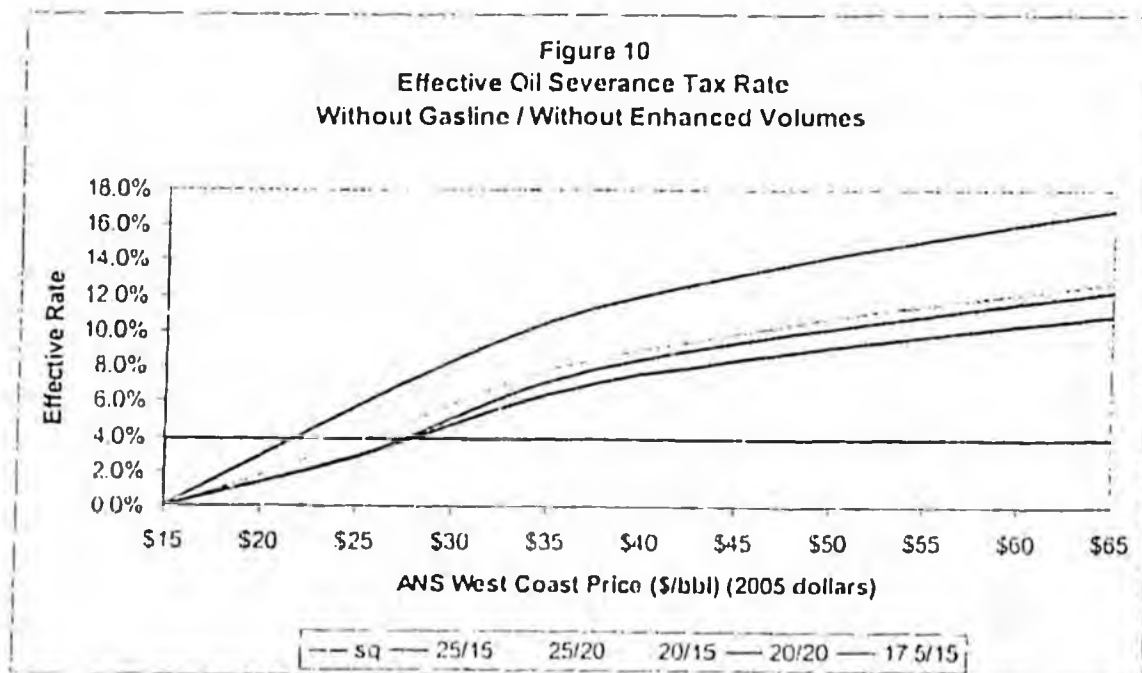
FLOOR

Considerable concern has been expressed about the fact that under some circumstances of low prices and high levels of investment, the PPT may result in less severance tax than we would have received otherwise under the current severance tax.

This can be prevented with the introduction of a "floor", very similar as was introduced in House Bill 3004.

The floor would be based on the gross value at the point of production of the taxable oil and gas.

Roger Marks presented to the Legislature in February this year a direct comparison between the various proposed PPT systems and the 4% average on gross that would be otherwise applicable to the year 2006.



These graphs prove that at about \$ 25 per barrel the current ELF produces about the same amount as a 22.5/20 PPT.

If we assume the adoption of a 22.5/20 PPT than one could take the position that the PPT should not be less than 4% of gross when the ANS West Coast price exceeds \$ 25 per barrel.

HB 3004 introduced the concept that at lower prices the North Slope oil becomes obviously less economic and it would be counter productive to continue to tax the oil industry. Therefore HB 3004 proposes a scale with a lower floor at lower prices.

This overall concept could be combined with the results of the analysis of Roger Marks as follows:

Over an ANS price of \$ 25 per barrel	--	4%
When ANS is between \$ 20 and \$ 25 per barrel	--	3%
When ANS is between \$ 17.50 and \$ 20 per barrel	--	2%
When ANS is between \$ 15 and \$ 17.50 per barrel	--	1%
Below \$ 15 per barrel	--	0%

Each year the floor would be compared with the tax payable under the PPT and if the floor is higher, the higher amount would be paid.

Following is an example how the floor would work based on a PPT tax rate of 20% and a floor of 4%:

Gross Revenues	100	100	100
Cost deductions	40	90	120
Net Revenues	60	10	- 20
PPT Tax	12	2	-4
Floor	4	4	4
Tax payable	12	4	4

If the Gross Revenue based PPT is higher than the Net Revenue based PPT this extra payment can not be recovered in following years as a deduction. In other words this excess cannot be carried forward in order to be recovered in future years.

Of course, the payment of the differential between the Gross and Net Revenue based PPT cannot be taken as a deduction for the Net Revenue based PPT.

However, any carry forward credits as a result of a tax loss based on the Net Revenue based PPT remain unaltered.

Also under this scheme companies would not lose their capital investment credits of 20%.

It is also suggested that the additional non-transferable tax credits under Sec. 43.55.024 of the proposed House Bill 3001 (FIN) will still be creditable against the Gross Revenue Based PPT if this is higher than the Net Revenue Based PPT. These additional non-transferable tax credits were meant to protect small companies and encourage companies outside Cook Inlet and the North Slope. The Gross Revenue based PPT should not harm such companies.

INCREASE THE NON DEDUCTABLE ITEMS

The more costs are being excluded from the Net Revenue calculation the more the overall calculation becomes more similar to a Gross Revenue calculation. Therefore, the Gross Revenue character of the tax can be enhanced by simply adding to the list of items that are not considered lease expenditures.

There are two important cost components that could be excluded from lease expenditures:

- Costs related to gas development under a stranded gas contract, and
- Capital maintenance expenditures.

Gas development costs under a stranded gas contract.

Much concern has been expressed about the fact that with a net revenue based system there could be a joint cost problem in Point Thomson and other similar fields if the stranded gas contract would be implemented.

It is argued that all Point Thomson development and operating costs would be deductible under the PPT. At the same time under the stranded gas contract, companies would provide a 7.25% share to the State on gross and not pay the 20% or 22.5% PPT on gas. It is perceived that Point Thomson is being cross subsidized from what otherwise would be tax on oil under the PPT.

My view is that this is not a fair comparison, since reasonably all costs can be absorbed by the condensates. Nevertheless, this issue remains a concern of the Legislators.

It would be possible to add a further item on the list of non deductible costs under proposed AS. 43.55.165 (c) of House Bill 3001 (FIN) written as follows (*non legal language*):

- "(19) 75% of the capital and operating costs associated with the Point Thomson Unit and other gas fields that are being developed under a contract under AS.43.82, with respect to working interest owners which have concluded such a contract."

The 75% is based on the energy equivalent value considering that Point Thomson may have 400 million barrels of condensates and 7 - 8 Tcf of gas. In other words, the capital and operating costs would be allocated on an energy equivalent basis between condensates and gas. It is believed that many potential gas fields on the North Slope will have condensates and that these percentages may vary. For purposes of the bill, this percentage would be simply fixed.

The 25% allocated to condensates would be deductible for PPT purposes and would receive the related tax credits.

The 75% allocated to gas would not be deductible for PPT purposes and would not receive the related tax credits.

It can be assumed that the PTU would require a \$ 2.5 billion capital expenditure. Based on a 100% working interest, this arrangement would not receive a PPT tax reduction of \$ 750 million during development of the field. Assuming a \$ 1 billion operating expenditure over the life time of the field, it would mean that over time companies would pay \$ 150 million more tax during the operation of the field.

This is a significant tax increase, but in the total scheme of PPT taxation over the next 30 years this may represent only 1%-2% more tax.

Nevertheless, it would make the economics of Point Thomson development less attractive on an incremental basis and it would therefore make the entire gas project less attractive economically.

An interesting side effect of this arrangement is that it would place Chevron and other minority interest holders in a much better position relative to the sponsors. These companies have expressed concern that they would be discriminated against relative to the three sponsors. If Chevron and others do not join the stranded gas contract or would not be able to enter into a uniform upstream contract, they would at least benefit considerably relative to the Sponsors since they would receive the full tax deductions and credits. At the same time such companies would, of course, have to pay the full PPT on their gas income and therefore it is logical to permit them these tax credits and deductions.

Deemed Capital Maintenance Costs

Another concern that is regularly expressed is that the State should not permit the deduction of costs related to replacing equipment that is becoming defective or gathering lines that need to be replaced because of corrosion or other problems. The argument is that these assets should have been better maintained in the first place.

It should be noted that in most oil and gas fields, assets will have to be replaced after the technical life of such assets has expired. Therefore, such replacements are reasonable lease expenditures and are required to protect the health and safety of the workers and to protect the environment. Nevertheless, it is possible to exclude them from the lease expenditures under AS 43.55.165 (e) if this is politically desirable. A section could be added as follows (*non legal language*):

- (20) deemed capital maintenance expenditures which shall be capital expenditures equal to US \$ 0.30 per BTU equivalent barrel taxable production.

The US \$ 0.30 per BTU equivalent barrel is based on reasonable capital maintenance costs of fields for which I have (confidential) information. Based on a production of 900,000 barrel equivalent per day, this means that about \$ 100 million in capital expenditures per year will not be deductible for PPT purposes. Based on a PPT rate of 22.5% and a tax credit rate of 20% this means that the companies will pay \$ 42.5 million more tax per year.

An interesting side effect is that companies that would have a low level of capital expenditure per barrel would feel the effect more on a relative basis than companies that would have a high level of capital expenditures per barrel. Companies that re-invest strongly are therefore harmed less by this provision than typical harvesters.

Disallowing "deemed capital maintenance" costs
August 8, 2006
Pedro van Meurs

The shut down of Prudhoe Bay has brought in sharp focus that some of the facilities on the North Slope may be in poor shape.

The repair of such facilities could involve billions of dollars over the next two decades.

This raises firstly a fairness issue. Should companies receive a tax deduction and tax credit together for 40% of the value (under the 20/20 system) for replacing a pipeline that was defective and not properly maintained (as BP admitted during their short presentation to the Senate Committee). The pipeline replacement may also be subject to the "2 for 1" formula which would raise the contribution of Alaska to 50%.

However, at the same time this raises a broader issue. It is likely that over time more defective equipment will be identified that needs repair or replacement. The Prudhoe Bay oil field is now 30 years old and the continued operation for the next 30 years may pose a variety of problems.

In cost control there has always been a rather important "grey area" between "repair" and "betterment or replacement".

Under accounting rules if expenditures are made to replace an asset or improve the asset in a manner that provides it with a longer technical asset life, these costs are typically considered "capital" expenditures, if an asset is merely repaired it is an "operating" expenditure. For auditors it is often difficult to determine the difference.

Under the PPT the capital expenditures can be deducted and also receive a tax credit of 20%. Operating costs can only be deducted. It is therefore logical for companies to try to consider repairs as much as possible as capital expenditures by arguing that they created a "betterment" of the equipment. Or they may decide to simply replace the asset even if it can be repaired because of the tax deductions and credits. This could be an area of misuse under the PPT. A significant percentage of the operating costs could slip into the capital costs to the detriment of the State.

For all these reasons one could simply disallow a small part of the total capital expenditures as "lease expenditures". In this case they cannot be deducted or used for tax credits.

My suggestion is to disallow the first \$ 0.30 per BTU equivalent barrel as "lease expenditures".

A section could be added to AS 43.55.165 (e) of the bill as follows under non deductible lease expenditures (*non legal language*):

- (20) deemed capital maintenance expenditures which shall be capital expenditures equal to US \$ 0.30 per BTU equivalent barrel taxable production.

The US \$ 0.30 per BTU equivalent barrel is based on reasonable capital maintenance costs of fields for which I have (confidential) information. Based on a production of 900,000 barrel equivalent per day, this means that about \$ 100 million in capital expenditures per year will not be deductible for PPT purposes. Based on a PPT rate of 20% and a tax credit rate of 20% this means that the companies will pay \$ 40 million more tax per year.

I believe that this would provide a good answer to possible public criticism that under the PPT we would provide 50% of the replacement costs of pipelines as a result of the Prudhoe Bay shut down. I believe this would be popular with the Senate and the House. This could enhance the probability that the PPT would pass.

AMENDMENT 7

Page 32, line 29, following "AS 38.05.132":

Insert ";

(19) that portion of capital expenditures incurred during a calendar year that are less than the product of \$.30 multiplied by the total taxable production from the lease in BTU equivalent barrels during that calendar year.

DR. VAN MEURS explained that there is a gray area in accounting between normal maintenance and improvement costs. If an expenditure were classified as betterment or replacement, it would be a capital expenditure and subject to the 20 percent tax credit as well as the 22.5 percent deduction. Maintenance is a reasonable deduction for PPT; but it is sometimes hard to decide which expenditures fall into that classification. The simplest solution is to take some base expenditure that really will be replacement and, over the next 20 or 30 years, disallow a modest floor of the capital expenditures. From an international perspective, \$.30 per barrel taxable production seems to be a reasonable figure. The intent of this amendment is to clarify that, when repairs turn into replacement, a certain amount of capital expenditures is not subject to deductions or credits.

CHAIR SEEKINS called for questions and removed his objection.

ROBYNN WILSON noted that the term "capital expenditures" is not defined anywhere in the amendment. She suggested inserting the phrase, "that would otherwise qualify as a qualified capital expenditure", because "Qualified capital expenditure" is defined on page 17, line 1 of the bill.

SENATOR RUNDE asked if she was suggesting the insertion of the word "qualified" before "capital expenditures".

ROBYNN WILSON replied that, after the word "expenditure", she suggests inserting the words "that would otherwise qualify as a

qualified capital expenditure".

SENATOR BUNDE asked if simply inserting "qualified", so it would read, "that portion of qualified capital expenditures", would work.

ROBYNN WILSON replied that it would work; but it might be necessary to move the definition from Section 024(k) [actually Section 43.55.023(k)] to the definition section in 900.

SENATOR WAGONER recommended that the amendment be set aside until the drafter can be present.

SENATOR BEN STEVENS saw no reason to question the drafter's work.

SENATOR DYSON wondered if the federal definition of what is allowed will include items that Dr. Van Meurs and Senator Wagoner are trying to prevent.

DR. VAN MEURS agreed with Robynn Wilson's suggested language.

SENATOR DYSON asked if he was implying that whatever is allowed under federal code is acceptable.

DR. VAN MEURS answered yes.

ROBYNN WILSON said that, as she understands the amendment, it falls within (e), which is the prohibited deductions list. The total production is multiplied by \$.30 to arrive at a figure that would not be allowed as a deduction or credit. She asked if that is correct.

DR. VAN MEURS answered yes.

CHAIR SEEKINS set the amendment aside pending a review by the drafter and sponsor.

AMENDMENT 9

Page 32, line 29, following "AS 38.05.132":

Insert":

(19) costs or a portion of the costs determined by the commissioner, in consultation with the commissioner of environmental conservation and the chair of the Alaska Oil and Gas Conservation Commission, to be

(A) related to the repair and replacement of improperly maintained property or equipment; or

(B) incurred to maintain the operational capability of facilities or equipment shut down or operating at diminished capacity because of improper maintenance of property and equipment"

SENATOR GREEN objected for explanation.

SENATOR WAGONER explained that he has presented this amendment on behalf of Senator Therriault.

SENATOR THERRIAULT said the amendment was prompted by the recent shutdown of a portion of the TAPS line due to maintenance issues, which raised the question of how repairs would be handled in a net-based PPI system. The amount of oil produced by the affected fields is approximately 375,000 barrels per day. His calculations indicate that the operating costs, even when there is no production, are about \$1 million per day. The amendment allows the commissioner of revenue, in consultation with the commissioner of the Department of Environmental Conservation (DEC), and the chairman of the Alaska Oil and Gas Conservation Commission (AOGCC) to determine what costs are attributable to lack of maintenance and disallow those costs.

1:38:20 PM

SENATOR BEN STEVENS commented that paragraph (B) on line 8 might encourage a complete shut down, because the operating expenses

would not be deductible when operating at diminished capacity.

SENATOR THERRIAULT said he does not think it would have that effect, because agency personnel have the latitude to look at the costs and agree what is and is not reasonable and allowable.

SENATOR BEN STEVENS reiterated that he believes it would encourage a total shutdown and that it might provide a disincentive to replacing bad equipment.

SENATOR THERRIAULT repeated that, because the commissioners have the flexibility to make determinations on a case-by-case basis, he does not believe that would be the case.

CHAIR SEEKINS used an automobile maintenance analogy to illustrate how the agency representatives might make the determination and asked if that is how Senator Therriault sees it working.

SENATOR THERRIAULT agreed with his analogy and emphasized that this refers specifically to improperly maintained equipment.

1:43:47 PM

MR. DICKINSON, Consultant to DOR, commented that his interpretation of the amendment is that all operating costs would be disallowed as long as the plant is operating at diminished capacity, and he does not think that is the intent.

SENATOR THERRIAULT pointed out that line 2 says "costs or a portion of the costs", so there is flexibility.

MR. DICKINSON responded that he would like to see the criteria used to determine that portion.

SENATOR THERRIAULT said that could be fleshed out in regulation through discussion with the companies.

1:45:59 PM

CHAIR SEEKINS asked if Mr. Dickinson was saying that, if capacity were diminished by 10 percent, all operating costs would be disallowed.

MR. DICKINSON answered yes, that it is not clear what portion is being disallowed.

1:47:32 PM

SENATOR GREEN asked whether this could open the state to litigation regarding the interpretation of "improper maintenance". She also asked if there is an appeal process in place.

SENATOR THERRIAULT replied that there is an established process for appealing a determination by the commissioner(s).

CHAIR SEEKINS said he would feel more comfortable if it were "additional costs" rather than just "costs".

SENATOR STEDMAN wondered how the retroactive portion of this would work without regulations in place, as it appears to target the current situation on the North Slope.

SENATOR THERRIAULT replied that most of the costs associated with the partial shutdown have not occurred yet and may not for some time. He feels that our legal process can accommodate this while addressing the pressing concerns of the constituency.

SENATOR STEDMAN said that his constituents are more concerned about the revenue loss than they are about tax issues related to getting the pipe back on line.

1:52:02 PM

SENATOR BEN STEVENS wondered if the committee is creating something that already exists in the bill. Under Section 43.55.160, the determination of production tax value is calculated by taking the gross value less the producer's lease expenditures under 43.55.165, which are identified in the bill.

SENATOR THERRIAULT said that the cost of repairs qualifies for deductions under this system. Since the tax is imposed at the corporate level, that would include normal maintenance and any additional expenses due to operating the field during a shutdown or partial shutdown. If the expenditure stems from improperly maintained property or equipment, it is not appropriate to charge that back against state revenues, and this amendment seeks to address that.

CHAIR SEEKINS said he believes the intent is to prohibit deductions on additional costs incurred to maintain operations, not normal costs, and suggested inserting the word "additional" on line 3.

1:57:49 PM

SENATOR THERRIAULT said the amendment applies to "the cost incurred to maintain the operational capabilities of facilities or equipment shutdown or operating at diminished capacity because of improper maintenance". The state has agreed to share the costs because it is getting production; but it makes no sense to deduct the expenses of a field that is shut down or partially shut down against production from other fields.

CHAIR SEEKINS responded that, as long as we are talking about additional costs, he would have fewer objections to the amendment. He is concerned that, as written, it might not accomplish what is intended.

1:58:10 PM

SENATOR BEN STEVENS reiterated that one would not know if the costs were incurred due to misconduct or negligence until an investigation is completed, and this amendment creates a disincentive to operate at diminished capacity while that is underway.

SENATOR DYSON supported Senator B. Stevens' comments and suggested that the insertion of "additional" on line 3 should

allay his concerns. He thought there would have to be an overwhelming tax advantage for a company to choose to shut down.

CHAIR SEEKINS asked Senator Therriault to point to an example when this amendment might come into play.

SENATOR THERRIAULT replied that, if Prudhoe Bay were shut down, the operating costs would continue to accrue at about \$3 per barrel, or roughly \$1 million per day for normal, day-to-day operation of the field. Because of inadequate maintenance however, that cost would not be offset by income from production.

CHAIR SEEKINS asked if Senator Therriault is considering the lack of maintenance referenced in his amendment as wilful misconduct or gross negligence.

SENATOR THERRIAULT replied that he was not sure what legal standard would be used.

CHAIR SEEKINS noted that not pigging the line is a cost already covered by an exclusion in the bill [sub-section (e) paragraph (e), page 31].

2:04:53 PM

SENATOR THERRIAULT said those were fairly high standards and were not applicable to this provision.

SENATOR BEN STEVENS said he does not want the costs associated with improper maintenance or negligence to be deductible; but instead of being determined by the commissioners, he suggests that the amendment read, "A portion of the costs determined by the court."

SENATOR THERRIAULT replied that a company could appeal the commissioners' decision to disallow costs and, if it were dissatisfied with the result of the appeal, could take it to court. He does not agree that every decision should go to court.

when it could be handled at the agency level.

SENATOR DYSON asked if all of the commissioners' decisions can be appealed in court.

CHAIR SEEKINS said yes.

SENATOR BEN STEVENS pointed out that, since the term "improperly maintained" is probably not defined in the chapter, every instance would be litigated.

CHAIR SEEKINS contended that the bill already addresses this issue and, if a change is needed, it might be more reasonable to simply add "or improperly maintained" to paragraph (6) on page 31.

SENATOR THERRIAULT said he thinks it is important to add language to clarify what operating expenses and capital expenses are not allowable.

SENATOR DYSON said he does not agree that every instance under this amendment would end up in court.

SENATOR BEN STEVENS said that he still objects to the amendment because he does not want to put anything into statute that would discourage operation of a facility, even at a diminished capacity.

At ease 2:13:30 PM to 2:19:35 PM

CHAIR SEEKINS asked Ms. Wilson how her department would audit this process if the amendment passes.

MS. WILSON answered that she has a real problem with the lack of definition of "improper maintenance". Because it is not defined, every expenditure would have to be audited for improper maintenance. Her department has a three-year statute of limitations on audits, and it could take some time for the court

to determine what is improper, making it difficult to evaluate the costs within that time frame.

SENATOR ELTON said he does not know whether it is possible to define "improper maintenance" and thinks the state has to rely on the good judgment of state regulators and commissioners.

MS. WILSON added that rewriting the amendment using the phrase "without reasonable care", which is a standard understood by the court, might resolve the definition issue.

2:25:37 PM

SENATOR BUNDE said the committee has "gone around the block" six times on this and called for the question.

CHAIR SEEKINS overruled the call in order to allow continued discussion.

SENATOR WILKEN moved Amendment 1 to Amendment 3 and objected to explain. After the second "or" on line 9, insert "the incremental costs of:". This would cause lines 8-9 of the amendment to read, "incurred to maintain the operational capability of the facilities or equipment shut down, or the incremental costs of operating at a diminished capacity." He removed his objection.

2:28:44 PM

SENATOR THERRIAULT supported Senator Wilken's amendment to Amendment 9.

There being no objection, Amendment 1 to Amendment 9 was adopted.

SENATOR THERRIAULT said that Mr. Dickinson recommended that, on line 3, the word "a" before portion be replaced with "that", so it reads "costs or that portion of the costs".

SENATOR DYSON moved Amendment 2 to Amendment 9.

There being no objection, Amendment 2 to Amendment 9 was adopted.

2:31:05 PM

CHAIR SEEKINS said he would feel better if there were a legal standard for improper maintenance.

SENATOR DYSON agreed. He recommended the following definition: "divergence from prudent industry standards and practice" and suggested that it either be inserted as sub-paragraph (C) in the amendment, or after gross-negligence on line 15, page 31 of the bill.

SENATOR ELTON offered that a third option is to strike "improperly maintained" and insert Senator Dyson's language.

SENATOR THERRIault said that he would work with a drafter on this definition.

CHAIR SEEKINS set the amendment aside while Senator Therriault re-drafts the language.

AMENDMENT 10

Page 32, line 29, following "AS 38.05.132":

Insert";

(19) that portion of expenditures that would otherwise be qualified capital expenditures as defined in AS 43.55.024(k), incurred during a calendar year that are less than the product of \$.30 multiplied by the total taxable production from the lease in BTU equivalent barrels during that calendar year, except when a portion of a calendar year is subject to this provision, the expenditures and volumes shall be prorated within that calendar year.

CHAIR SEEKINS objected for discussion.

SENATOR WAGONER said this amendment is the former Amendment 7, with changes. The word "capital" was deleted on line 4 and the following language was inserted on that line after the comma, "that would otherwise be qualified capital expenditures as defined in AS 43.55.024(k)". On line 8, after "year", is inserted "except when a portion of a calendar year is subject to this provision, the expenditures and volumes shall be prorated within that calendar year." The intent is to establish a floor on maintenance costs with the calculation of \$.30 per barrel times total taxable production.

CHAIR SEEKINS removed his objection and Amendment 10 was adopted.

3:57:50 PM at case 3:02:57 PM

SENATOR WAGONER moved Amendment 11 (24-GH2096\F.34).

AMENDMENT 13

Page 32, line 29, following "AS 38.05.132":

Insert ";

(19) costs or that portion of the costs determined by the commissioner, in consultation with the commissioner of environmental conservation and the chair of the Alaska Oil and Gas Conservation Commission and relying on the standard practices of the industry, to be

(A) related to the repair and replacement of improperly maintained property or equipment; or

(B) incurred to maintain the operational capability of facilities or equipment shut down or for the incremental cost of operating at diminished capacity because of improper maintenance of property or equipment"

SENATOR BEN STEVENS objected.

SENATOR WAGONER explained that the difference between Amendment 13 and Amendment 9 is found on line 3, where "a" was replaced by "that", and line 9 after the second "or", where "incremental cost of" was added.

SENATOR THERRIAULT noted that the second change Senator Wagoner referred to is on line 10, where the drafter also added "or for" before the words "the incremental cost". The drafter also modified lines 5-6 to specify that the commissioners could rely on "the standard practices of the industry" in determining whether the equipment was improperly maintained.

4:01:06 PM

SENATOR WAGONER moved Amendment 1 to Amendment 13, to renumber paragraph (19) on line 3 to (20), because the committee did pass a paragraph (19) previously.

There being no objection, Amendment 1 to Amendment 13 was adopted.

4:01:26 PM

CHAIR SEEKINS said that, while he understands that the state does not want to authorize deductions for improper maintenance, he is extremely nervous about the size of the bureaucracy that will result from this amendment, and the process that the producers will have to go through to make a pre-determination of what costs should be considered repair or replacement due to improper maintenance based on other standards in the industry. He is not concerned about catastrophic events, but those that effect the day-to-day operations.

4:06:02 PM

SENATOR GREEN suggested that the words "gross deviation" be inserted on line 5, before "standard".

SENATOR THERRIAULT replied that the addition of that language would set the standard very high and make it difficult to prove.

4:07:18 PM

The roll was called on Amendment 13.

Yea: Senator Dyson, Senator Wilken, Senator Elton,
Senator Kookesh, Senator Wagoner

Nay: Senator Olson, Senator Hoffman, Senator B.
Stevens, Senator Stedman, Senator Bunde, Senator
Green, Senator, Senator Seekins

Amendment 13 failed adoption by 5 yea - 7 nay.

**SENATE COMMITTEE REPORT
First Committee of Referral**

DATE: 2/9/07

FURTHER: Finance

Date of 5-Day Notice: 2/15/07
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 5/1/07

Resources Committee considered SENATE BILL NO. 80

SB 80 OIL & GAS PRODUCTION TAX: EXPENDITURES

"An Act relating to allowable lease expenditures for the purpose of determining the production tax value of oil and gas for the purposes of the oil and gas production tax; and providing for an effective date."

and recommends:

- be replaced with SCS or CS SB 80 (RES)
- adopt previous SCS or CS _____ (_____)
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

SENATE BILL:	
<input checked="" type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
<hr/>	
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#
ADM	4/26			✓	1
DEC	2/20			✓	2
REV	2/20	✓			3

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Lyla Green</i>	Green			✓	
<i>Michelle McGuine</i>	McGuine			✓	
<i>Steve Stevens</i>	STEVENS			✓	
<i>Steve Stehman</i>	Stehman			✓	
<i>Wielechowski</i>	wielechowski				✓
<i>Wagner</i>	WAGNER				✓
CHAIR: <i>[Signature]</i>	<i>[Signature]</i>			✓	

SB

81

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT
MAR 13 2007
SENATE FINANCE COMMITTEE

DATE: 2/22/07

FURTHER:

DATE TURNED IN TO OFFICE: 3/13/2007

Finance Committee considered SENATE BILL NO. 81

SB 81 EXTEND BOARD OF MIDWIVES

"An Act extending the termination date for the Board of Certified Direct-Entry Midwives; and providing for an effective date."

and recommends:

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

SENATE BILL:
 Same Title
 New Title

HOUSE BILL:
 Same Title
 Technical Title Change
 New Title w/ SCR # _____

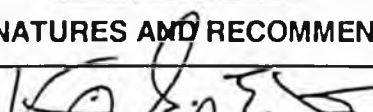
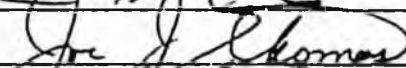





NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
DCCED	2/15/07			✓	1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	Do PASS	Do NOT PASS	NO REC	AMEND
	Elton	✓			
	Thomas	✓			
	Dyson	✓			
	Huggins	✓			
	Olton	✓			
CO-CHAIR: 	Hoffman	✓			
CO-CHAIR: 	Stedman	✓			

FISCAL NOTE

REPORTED OUT
MAR 13 2007
SENATE FINANCE COMMITTEE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 81
(S) Publish Date: 2/22/07

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
Title: Extend Board of Midwives RDU: Corp, Bus & Prof Licensing (117)
Component: Corp, Bus & Prof Licensing
Sponsor: Davis
Requester: Senate HES Component No.: 2360

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services		12.9	12.9	12.9	12.9	12.9
Travel		2.4	2.4	2.4	2.4	2.4
Contractual		4.9	4.9	4.9	4.9	4.9
Supplies		0.0	0.0	0.0	0.0	0.0
Equipment		0.0	0.0	0.0	0.0	0.0
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	20.2	20.2	20.2	20.2	20.2

CAPITAL EXPENDITURES						
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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 1156-Receipt Supported Services		20.2	20.2	20.2	20.2	20.2
TOTAL	0.0	20.2	20.2	20.2	20.2	20.2

Estimate of any current year (FY2007) cost: 20.2
 Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

SB 81 extends the Board of Certified Direct-Entry Midwives to June 30, 2015. In accordance with AS 08.03.020, funding is extended one year following the termination date allowing the Board to conclude its affairs. FY 2008 funding is included in the Operating Budget request. The costs shown for subsequent fiscal years reflect the direct costs included in the FY 2008 budget.

The program is required to cover its costs with licensing fees under AS 08.01.065, and revenue generated by board fees are anticipated to cover its full operating costs. New funds are not required to implement this bill.

Prepared by: Chris Wyatt, Administrative Manager Phone (907) 465-2572
 Division: Corporations, Business, and Professional Licensing Date/Time 2/15/07 6:35 PM
 Approved by: Emil Notti, Commissioner Date 2/15/2007
 Agency: Commerce, Community, and Economic Development

Alaska State Legislature

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[Senator Bettye Davis@legis.state.ak.us](mailto:Senator.Bettye.Davis@legis.state.ak.us)
<http://www.akdemocrats.org>

Senator Bettye Davis

SB 81 "An Act extending the termination date for the Board of Certified Direct-Entry Midwives; and providing for an effective date."

Sponsor Statement

Senate Bill 81 extends the sunset date of the Board of Certified Direct-Entry Midwives until June 30, 2015, in accordance with the recommendations of the Legislative Auditor. The legislative auditor has concluded the Board of Certified Direct-Entry Midwives meets the statutory requirements of public need and is in compliance with AS 08.01.065(c), which requires occupational licensing fees to cover the regulatory costs of that occupation.

The board has served as a means to make people practicing Midwifery aware of the level of experience and education expected of them. It consists of five members appointed by the Governor: one public member, two certified direct-entry midwives (CDMs), one certified nurse midwife, and one physician licensed by the Alaska State Medical Board who is either an obstetrician or who has specialized obstetric training.

Their duties include examining and certifying applicants, permitting apprentices, holding hearings and ordering disciplinary sanctions. They maintain all educational records; approve curricula, training, and programs for direct entry midwives and apprentices. They have worked proactively to ensure that public safety has been maintained while improving the profession of Midwives. They have successfully incorporated Certified Professional Midwife standards into Alaska's Certified Direct-Entry Midwives licensing program and worked with the State to establish Medicaid procedures for CDM services, thereby placing Alaska among eight states which both license their traditional midwives and provide Medicaid reimbursement for their services. They continue to work to create and revise regulations that ensure proper training and increase educational requirements.

Women seeking an alternative to hospital care for normal pregnancy and birth rely on the diligence of the board to enhance both the quality and accessibility of their healthcare. We urge your support on passage of this bill.

ALASKA STATE LEGISLATURE
LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



P.O. Box 113300
Juneau, AK 98111-3300
(907) 465-3830
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legaudit@legis.state.ak.us

September 15, 2006

Members of the Legislative Budget
and Audit Committee:

In accordance with the provisions of Title 24 and Title 44 of the Alaska Statutes (sunset legislation), the attached report is submitted for your review.

DEPARTMENT OF COMMERCE, COMMUNITY,
AND ECONOMIC DEVELOPMENT
BOARD OF CERTIFIED DIRECT-ENTRY MIDWIVES
September 11, 2006

Audit Control Number

08-20044-06

This audit was conducted as required by AS 44.66.050 and under the authority of AS 24.20.271(1). Alaska Statute 44.66.050(c) lists criteria to be used to assess the demonstrated public need for a given board, commission, or program subject to the sunset review process. Currently under AS 08.03.010(c)(8), the Board of Certified Direct-Entry Midwives is scheduled to terminate on June 30, 2007. The board would be allowed one year in which to conclude its administrative operations.

In our opinion, the termination date for the Board of Certified Direct-Entry Midwives should be extended. We recommend that the legislature extend the termination date of the board to June 30, 2015.

The audit was conducted in accordance with generally accepted government audit standards. Fieldwork procedures utilized in the course of developing report conclusion and the analysis presented in this report are discussed in the Objectives, Scope, and Methodology.

A handwritten signature in black ink that reads "Pat Davidson".

Pat Davidson, CPA
Legislative Auditor

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OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with the intent of Title 24 and Title 44 of the Alaska Statutes (sunset legislation), we have reviewed the activities of the Board of Certified Direct-Entry Midwives (board). Under AS 44.66.050(a), the legislative committee of reference is to consider this report during the legislative oversight process to determine whether the board should be reestablished. Currently, AS 08.03.010(c)(8) requires the board to terminate on June 30, 2007. If the legislature takes no action to extend the termination date, the board will have one year from that date to conclude its operations.

Objectives

Central, interrelated objectives of our report are:

1. To determine if the termination date of the board should be extended.
2. To determine if the board is operating in the public interest.
3. To determine if the board has exercised appropriate regulatory oversight of licensed midwives and apprentice midwives.

The assessment of the operations and performance of the board was based on criteria set out in AS 44.66.050(c). Criteria set out in this statute relate to the determination of a demonstrated public need for the board.

Scope and Methodology

Under the direction and supervision of the Division of Legislative Audit, another auditor conducted the majority of this review. We followed professional standards to determine that the other auditor was independent and that their work was competent and sufficient.

The major areas of our review were board proceedings, licensing, and complaint investigation and resolution functions for fiscal years ending June 30, 2003, 2004, 2005, and 2006. During the course of our examination we reviewed and evaluated the following:

- Applicable statutes and regulations.
- Compliance with statutes and regulation related to the licensing of midwives and apprentice midwives. Our evaluation addressed consideration of applications, testing of candidates, and continuing education necessary for an individual to maintain their license in good standing.

- Minutes of board meetings, budget documents, and annual reports related to, or issued by, the board.
- Files related to applicants for, and holders of, licenses issued by the board.
- Complaints filed with the Department of Commerce, Community, and Economic Development, Division of Corporations, Professional and Business Licensing (division).
- Interviews with employees of the division.
- Reading and correspondence files maintained with the division.

ORGANIZATION AND FUNCTION

The Board of Certified Direct-Entry Midwives (board) was established in 1992. The purpose of the board is to protect the health and safety of the public by identifying individuals who are willing to pursue technical training and meet specified technical qualifications necessary for licensure as midwives.

The board establishes educational, experience, and continuing education requirements for licensed midwives. These requirements are intended to provide assurance that licensed individuals provide a minimum standard of care. State law does allow for midwife services to be provided by unlicensed individuals. As stated in AS 08.65.150, the differentiation is that those not certified under state law "may not practice midwifery for compensation."

The current board is composed of five members: two certified direct-entry midwives, one certified nurse midwife, one physician licensed by the Alaska State Medical Board who has an obstetrical practice or has specialized training in obstetrics, and one public member.

Board members are appointed by the governor to serve four-year terms. The board is responsible for appointing a chair and secretary from among its members. Alaska Statute requires that the public member of the board have no direct financial interest nor be engaged in the occupation the board regulates (midwifery).

**Board of Certified
Direct-Entry Midwives**
(As of June 30, 2006)

Dana L. Brown, CDM, CPM, Chair

Barbara Norton, Certified Nurse Midwife

Mark E. Richey, MD

Holly M. Steiner, R.N., CDM

Mila (Melinda) A. Cosgrove
Public Member

Board Duties and Powers

Alaska Statute 08.65.030 establishes the powers of the board. They include:

1. Examine applicants and issue certificates to qualified applicants.
2. Adopt regulations establishing certification and certificate renewal requirements.
3. Issue permits to apprentice direct-entry midwives.

4. Hold hearings and order the disciplinary sanction of a person who violates statutes or regulations governing direct-entry midwives.
5. Supply forms for applications, licenses, permits, certificates, and other papers and records.
6. Enforce statutes relating to midwifery and adopt regulations necessary to carry out statutory provisions.
7. Approve curricula and adopt standards for basic education, training, and apprentice programs.
8. Provide for surveys of the basic direct-entry midwife education programs in the state at the times it considers necessary.
9. Approve education, training, and apprentice programs that meet the requirements of this chapter and of the board, and deny, revoke, or suspend approval of such programs for failure to meet the requirements.

Department of Commerce, Community, and Economic Development (DCCED), Division of Corporations, Business and Professional Licensing (division)

The division provides administrative and investigative assistance to the board. Administrative assistance includes budgetary services and functions such as collecting fees, maintaining files, receiving and issuing application forms, and publishing notices of examinations and meetings.

Alaska Statute 08.01.065 mandates that DCCED adopt regulations to establish the amount and manner of payment of fees for applications, examinations, licenses, registration, permits, investigations, and all other fees as appropriate for the occupations covered by the statute.

Alaska Statute 08.01.087 empowers the division with the authority to conduct an investigation on its own initiative or in response to a complaint.

REPORT CONCLUSIONS

In our opinion, the Board of Certified Direct-Entry Midwives (board) is operating in the public's best interest and should continue to regulate midwives. The board is safeguarding public interest by promoting the competence and integrity of those who hold themselves out to the public as qualified and competent direct-entry midwives.

The board serves a public purpose and has demonstrated an ability to conduct its business in a satisfactory manner. The board continues to propose regulation changes that will improve its effectiveness and ensure that midwives and apprentice midwives are licensed in the State of Alaska.

Alaska Statute 08.03.010(c)(8) requires that the Board of Certified Direct-Entry Midwives be terminated on June 30, 2007. Under AS 08.03.020, the board has a one-year period to administratively conclude its affairs. We recommend that the legislature extend the board's termination date until June 30, 2015.

(Intentionally left blank)

ANALYSIS OF PUBLIC NEED

The following analyses of Board of Certified Direct-Entry Midwives (board) activities relate to the public-need factors defined in the sunset review law at AS 44.66.050(c). These analyses are not intended to be comprehensive, but address those areas we were able to cover within the scope of our review.

Determine the extent to which the board, commission, or program has operated in the public interest.

The board, through its administration of the licensure of midwives and apprentice direct-entry midwives, has endeavored to present competent professionals to the public. To promote continued competence, all licensees must provide proof of continuing education for license renewal and are subject to a full continuing education audit.

The board has issued licenses in a uniform manner, held required meetings, and administered examinations in accordance with statutory requirements.

The board adopted or revised regulations regarding professional licensure and educational requirements. Applicants must show that they have completed the required Midwifery Education Accreditation Council courses of study in midwifery and pharmacology, and have completed their required supervised clinical experience. The board also accepts Midwives Association of Alaska courses and other curricula reviewed by the board. Applicants for certification by examination must pass an examination given by the North American Registry of Midwives, an independent examiner. Applicants for certification by credentials must prove that they were previously licensed in another state and all current required courses of study are up-to-date. All applications are thoroughly reviewed by the board at each meeting.

Throughout the audit period, the board worked to develop regulations that would benefit the public. A self-study course related to state regulations was developed for CPE hours. The board successfully incorporated Certified Professional Midwife standards into Alaska's Certified Direct-Entry Midwives licensing program.

Determine the extent to which the board, commission, or agency has recommended statutory changes that are generally of benefit to the public interest.

During the period under review, the board supported passage of Chapter 118, SLA 2004, revised by Chapter 57, SLA 2005 which requires the licensure of midwifery birth centers in a more standardized manner.

During the period under review, the board implemented regulatory changes to benefit the public interest. These changes included:

- Requirement that the applicant hold a current certification in Basic Life Support for Health Care Providers and Neonatal Resuscitation (12 AAC 14.110(b)(5)).
- Including regulations requiring certification in the use of intravenous (IV) therapy for the administration of allowable medicines and IV Therapy for Group B Streptococci;¹ two new developments in the profession (12 AAC 14.110(b)(5)).

Determine the extent to which the operation of the board, commission, or agency program has been impeded or enhanced by existing statutes, procedures, and practices that it has adopted, and any other matter, including budgetary, resource, and personnel matters.

General licensing statutes require that the Department of Commerce, Community, and Economic Development adopt regulations that establish the amount of fees to be charged to licensees of an occupation. The department must adopt fees that provide for financial self-sufficiency. Additionally, the department must perform an annual review to determine whether the financial self-sufficiency requirement has been met.

A significant issue for this board has been the amount of licensing fees charged to license holders. Currently, Certified Direct-Entry Midwives pay a biennial licensing fee of \$2,088. This amount is an increase from \$1,350 paid in the previous two-year licensing period. These fees are set by the Division of Corporations, Business, and Professional Licensing. The general licensing statutes at AS 08.01.065(c) require *“that the total amount of fees collected for an occupation approximately equals the actual regulatory costs for the occupation.”*

The board sets fees based on a two-year cycle, with the majority of the revenue collected in odd-numbered fiscal years. Based upon the financial data presented in Exhibit 1 on the next page licensing fees appear appropriately set at this time.

From Exhibit 1, it is evident contractual expenditures were high in both FY 03 and FY 04. This was the result of legal fees related to a license revocation case. Fiscal prudence by the board is demonstrated by the decrease in personal services and travel expenditures over the four year period. During the same time revenues rose slightly as a result of increased license fees in response to the litigation charges incurred in FY 03 and FY 04. The board had licensing fees set sufficient to cover their annual operating costs; however, the financial impact of litigation charges continue for multiple periods as seen in Exhibit 1.

¹ Group B streptococcus (group B strep) is a type of bacteria that causes illness in newborn babies, pregnant women, the elderly, and adults with certain illnesses. Group B strep is the most common cause of life-threatening infections in newborns.

Exhibit 1

Board of Certified Direct-Entry Midwives Schedule of License Revenues and Board Expenditures FY03 – FY 06 (Unaudited)				
	FY 06	FY 05	FY 04	FY 03
Revenue	\$ 8,271	\$ 51,087	\$ 15,055	\$33,120
Direct Expenses				
Personal Services	12,105	12,099	18,958	19,750
Travel	1,767	2,960	2,951	7,825
Contractual	3,923	2,302	28,537	18,224
Supplies	71	0	47	109
Equipment	0	0	0	0
	<u>17,866</u>	<u>17,361</u>	<u>50,493</u>	<u>45,908</u>
Indirect Expense	<u>1,800</u>	<u>1,700</u>	<u>1,400</u>	<u>1,300</u>
Total Expenses	<u>\$ 19,666</u>	<u>\$ 19,161</u>	<u>\$ 51,893</u>	<u>\$47,208</u>
Annual Surplus (Deficit)	<u>(11,395)</u>	<u>32,026</u>	<u>(36,838)</u>	<u>(14,088)</u>
Beginning Cumulative Surplus (Deficit)	<u>(13,000)</u>	<u>(45,026)</u>	<u>(8,188)</u>	<u>5,900</u>
Ending Cumulative Surplus (Deficit)	<u><u>\$(24,395)</u></u>	<u><u>\$(13,000)</u></u>	<u><u>\$(45,026)</u></u>	<u><u>\$(8,188)</u></u>

The Board of Certified Direct-Entry Midwives has discussed with the Division of Corporations, Business and Professional Licensing a proposal to set up a fund to cover legal costs for all professional organizations. Such a fund would be supported by an annual fee from each licensee. The board feels that this would help alleviate the financial burden of investigative and legal costs for smaller occupational boards. At this time, no such fund has been created.

Looking prospectively, the board will likely eliminate the cumulative deficit if annual expenditures, licensing fees, and the number of licensees remain relatively constant over the next biennial licensing period. Given this scenario, the Division of Corporations, Business and Professional Licensing should maintain the current license fee for the next licensing period. Following that period, the division should reevaluate the need for a fee change to ensure occupational fees are set to avoid an operational surplus or deficit.

Determine the extent to which the board, commission, or agency has encouraged interested persons to report to it concerning the effect of its regulations and decisions on the effectiveness of service, economy of service, and availability of service that it has provided.

The locations, dates, and times of upcoming board meetings and proposed changes in regulations were published in the *Anchorage Daily News*, as well as posted on the board's website. Adequate time was provided for interested individuals to plan to attend or to submit written comment for review.

Determine the extent to which the board, commission, or agency has encouraged public participation in the making of its regulations and decisions.

Public notices of proposed regulations are published in the *Anchorage Daily News* and the Alaska Online Public Notice System. The board meeting minutes show that unlimited time was allotted for the scheduled public comment period. All proposed regulation changes are subject to the public participation process.

Determine the efficiency with which public inquiries or complaints regarding the activities of the board, commission, or agency filed with it, with the department to which a board or commission is administratively assigned, or with the office of victims' rights or the office of the ombudsman have been processed and resolved.

For the period July 2002 through June 2006, the division opened nine investigative cases related to six different individuals licensed by the Board of Certified Direct-Entry Midwives.

The types of complaints filed included:

- Incompetence (5)
- Negligence (2)
- Unlicensed practice (1)
- Other (1)

Approximately 67% of the cases were filed by a Peer Review Committee member, the remaining were filed by another government agency (22%) and patients (11%).

Seven, or 78%, of the cases closed in a reasonable period of time. Only one case (11%) remained open for a period greater than 120 days. That case complaint related to an unlicensed practice; the case was closed due to insufficient evidence. We found it reasonable that one case remained open at June 30, 2006 given that the case opened less than two months prior to that date.

We have reviewed the nature and extent of the complaints filed involving midwives. The division, in conjunction with the board, took appropriate investigative action, prioritized

complaints in a reasonable manner, and proceeded in a manner consistent with the potential threat the complaints posed to the public welfare.

No complaints or investigations specifically involving the actions and activities of the Board of Certified Direct-Entry Midwives were received, or undertaken by, either the Office of the Ombudsman or the Office of Victims' Rights within the past four fiscal years.

Determine the extent to which a board or commission that regulates entry into an occupation or profession has presented qualified applicants to serve the public.

The application process for licensing appears reasonable and appropriate. The licensing process is neither unduly restrictive nor too lax. Continuing education is required and adequately monitored by the board to promote a high level of quality performance and to help ensure the integrity of the profession.

Each applicant is required to satisfy the requirements for licensing. Board meeting minutes reflect that the board considers each application and verifies the licensing requirements are satisfied prior to issuing a license.

Exhibit 2

New Licenses and Permits Issued (exclusive of renewals)	FY 03	FY 04	FY 05	FY 06	Current Licenses (as of June 30, 2006)
Midwives	2	6	4	2	28
Apprentices	4	0	5	3	8
Total licensees at end of year	31	35	32	36	

Exhibit 2 is a summary of new licenses and permits issued by the board for FY 03 through FY 06.

Determine the extent to which state personnel practices, including affirmative action requirements, have been complied with by the board, commission, or agency to its own activities and the area of activity or interest.

We did not find any evidence that the board was not complying with the state personnel practices, including affirmative action, in qualifying applicants.

Determine the extent to which statutory, regulatory, budgeting, or other changes are necessary to enable the agency, board, or commission to better serve the interests of the public and to comply with the factors enumerated in this subsection.

Since inception of the board in 1992, biennial licensing fees for this occupation have ranged from an initial fee of \$350 to the current fee of \$2,088. During this audit review period, the licensing fees increased 55% from \$1,350 to \$2,088 and are not expected to decrease for the

next licensing period.

Currently, the licensing fees established for this board are the highest of any other licensed profession.² The fees are high because of the limited number of licensed midwives and unpredictable legal and investigative costs.

High licensing fees may, to some individuals, represent a barrier of entry into a profession. In the case of direct-entry midwives, Exhibit 2 shows that the licensing fees have not stopped the growth in the number of individuals being licensed as midwives or entering into the apprenticeship program. However, as long as the fees remain high the board should monitor for any substantial negative impact the fees have on the number of direct-entry midwives practicing in Alaska.

Determine the extent to which the board, commission, or agency has effectively attained its objectives and purposes and the efficiency with which the board, commission, or agency has operated.

Broad objectives identified by the board included:

- Proposing regulation changes.
- Clarify the current rules and regulations to benefit the public.
- Increase professional and public awareness of direct-entry midwifery.
- Approve additional avenues for study to gain licensure.
- Approve new curriculums for continuing education.
- Work towards lowering license fees.

It appears that the board has effectively and efficiently obtained its objectives and purposes. In proposing regulatory changes, the board has worked to ensure the objective of the regulation is clearly defined. They have provided for consistent language throughout the Certified Direct-Entry Midwives regulations and have updated the regulations and statutes to reflect new changes in the professional environment. Evidence suggests the board establishes and meets its operational objectives annually.

Determine the extent to which the board, commission, or agency duplicates the activities of another governmental agency or the private sector.

The board does not duplicate any activities of other government agencies or private sector organizations. The board is solely responsible for drafting regulations to carry out the laws governing the practice of direct-entry midwifery. The board makes final licensing decisions and takes disciplinary action against people who violate the licensing laws. The board, along with the licensing examiner from the Division of Corporations, Business and Professional

² For the biennial licensing period January 2005 through December 2006.

Licensing, are responsible for overseeing all the regulations, codes of conduct, continuing education requirements, and investigating complaints related to the midwifery profession.

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DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT
Office of the Commissioner

Frank H. Murkowski, Governor
William C. Noll, Commissioner

RECEIVED
OCT 19 2006
LEGISLATIVE AUDIT

September 29, 2006

Ms. Pat Davidson, CPA
Legislative Auditor
Legislative Budget and Audit Committee
Division of Legislative Audit
P.O. Box 113300
Juneau, Alaska 99811-3300

Dear Ms. Davidson,

Thank you for the opportunity to comment on the preliminary audit report for the Board of Certified Direct-Entry Midwives.

The department concurs with the audit findings. There are two items in the report that I would like to bring to your attention:

On page 8 the second to the last paragraph begins "The board sets fees..." should be corrected as identified in the previous paragraph, it is the "Department" who sets fees after consulting with the Board.

Additionally, on page 9, the first paragraph under Exhibit 1 discusses a proposal to set up a fund to cover legal costs. In FY05, the Division of Corporations, Business and Professional Licensing did propose the idea of creating a Legal Defense Fund patterned after a similar fund in the State of Colorado. However, there was strong opposition to that proposal by OMB and by members of the Legislature. Such a fund could help to avoid large increases in licensing fees when litigation costs arise.

Thanks again for the opportunity to comment on your findings.

Sincerely,



William C. Noll
Commissioner

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RECEIVED
OCT 31 2006
LEGISLATIVE AUDIT



Alaska Family Health & Birth Clinic
728 Gaffney Road, Suite 100
Fairbanks, AK 99701
(907) 456-3719

Alaska State Legislature
Legislative Budget and Audit Committee
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

October 26, 2006

To Whom It May Concern:

This is written in response to the preliminary audit report concerning the Board of Certified Direct-entry Midwives. I concur with the recommendation that legislature extend the termination date of the board to June 30, 2015. My conclusions are the same as those in the audit report. In the Analysis of Public Need section on page 8, it implies that the board increased certification requirements for apprentice direct-entry supervisors. We tried to do this but were unable to change regulation because of wording in statute. Someday the Midwives Association of Alaska will need to go to legislature and try to get legislation passed to change wording in statute so that certain regs. can be addressed. I concur with the rest of the report. I am very pleased with the report.

Sincerely,

Dana Brown
CDM Board Chair

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ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



P.O. Box 113300
Juneau, AK 98111-3300
(907) 465-3830
FAX (907) 465-2347
legaudit@legis.state.ak.us

October 26, 2006

Members of the Legislative Budget
and Audit Committee:

We have reviewed the response to our preliminary audit from the Board of Certified Direct-Entry Midwives. The response points out that the board was unsuccessful in their attempt to effect regulatory changes to 12 AAC 14.210 to increase certification requirements for apprentice direct-entry supervisors due to statutory language (AS 08.65.090(b)). We agree that certification requirements for apprentice direct-entry supervisors did not increase during the audit period, and that section of the report has been corrected.

Pat Davidson, CPA
Legislative Auditor

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Senate Finance Committee
Testimony for SB 81

My name is Kaye Kanne. I am a Certified Direct-Entry Midwife and Executive Director of the Juneau Family Birth Center. Thank you for this opportunity to testify to your committee. I am asking for your support on SB 81, a bill to extend the Certified Direct-Entry Licensing Board to 2015. I sat on the Board of Certified Direct-Entry Midwives from its inception in 1992 until I had completed two terms and resigned in 2000. I worked hard with this legislature to create the CDM Board in 1992. Alaska has excellent midwifery standards thanks to the past efforts of our legislators.

The Board has done an excellent job of writing and implementing regulations for the governing of Certified Direct-Entry midwives in Alaska. The Board continues to strive for the highest standards for CDM's and as a result, midwives in Alaska are professional, well trained and provide safe, excellent care for women and families. Training standards are high, with Certified Direct-Entry Midwife students required to attend twice as many births to achieve licensing as a Certified Nurse Midwife.

Alaska has one of the best midwifery laws in the United States. Many other states have looked to us as an example when passing midwifery legislation. Alaska is at the forefront of Direct-Entry Midwifery licensing. Midwives serve healthy, low-risk women. Alaska is a young state with a very large birthing population. We serve approximately 10% of all the births in Alaska, and the numbers are growing. Let's continue the excellent work we have been doing by continuing the Certified Direct-Entry licensing Board until 2015.

I am available for questions. Thank you for your continued support of midwifery issues, families, and children in Alaska.

Kaye Kanne, CDM
Executive Director
Juneau Family Birth Center
3225 Hospital Drive #106
Juneau, Alaska 99801
907-586-1203

**SENATE COMMITTEE REPORT
First Committee of Referral**

DATE: 2/12/07

FURTHER: Finance

Date of 5-Day Notice: 2/15/07
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 2/21/07

Health, Education and Social Services Committee considered

SENATE BILL NO. 81

SB 81 EXTEND BOARD OF MIDWIVES

"An Act extending the termination date for the Board of Certified Direct-Entry Midwives; and providing for an effective date."

and recommends:

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

SENATE BILL:
<input type="checkbox"/> Same Title
<input type="checkbox"/> New Title
<hr/>
HOUSE BILL:
<input type="checkbox"/> Same Title
<input type="checkbox"/> Technical Title Change
<input type="checkbox"/> New Title w/ SCR # _____

NEW FISCAL NOTE(S):

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
CEC	2/15/07	✓			1

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Elton	✓			
	Thomas	✓			
	Cooney			✓	
	Dyson	✓			
	Davis	✓			
CHAIR: Betty Davis	Davis	✓			

SB

82

HFIN

FILE

FY2007 OIL AND GAS SUPPLEMENTAL

	A	B	C	D	E	F	G	H	I
1	Sec. No.	Department	RDU or Component or Capital	Supplemental Need	General Funds	Federal Funds	Other Funds	Fund Source	Total Funds
2	1	Law	Capital - Oil, Gas & Mining	Work related to the state gas pipeline and bringing North Slope natural gas to market, and other oil and gas projects. The Department of Law's Oil, Gas & Mining section continues to play a major role in the State's top priority project related to the construction of a gas pipeline and bringing natural gas to market. A number of contracts with outside counsel and experts are underway and will continue to be needed as negotiations continue. In addition the Department of Law anticipates the Exxon Royalty Reopener will go to trial in either FY 07 or FY 08 and continues to prepare for a four to five week hearing before the Federal Energy Regulation Committee (FERC) considering (in part) the state's and Anadarko's challenges to the TransAlaska Pipeline Service (TAPS) 2005 FERC tariff.	21,500.0				21,500.0
3	2(a)	Natural Resources	Capital	Gas Pipeline Analysis Outside experts and consultants will be retained for work related to the gas pipeline, including outside legal counsel and experts on federal pipeline law and FERC procedures. A consultant to advise the state on crafting an RFP consistent with the Alaska Gasline Inducement Act (AGIA) for gasline proposals and with analyzing those proposals under AGIA will also be retained.	6,550.0				6,550.0
4	2(b)	Natural Resources	Capital	Oil and Gas Lease Litigation This project will help offset the costs of litigation arising out of the DNR's exercise of the state's rights under its leases and the unit agreement (Point Thomson appeal). This request will help fund the costs of outside experts and legal counsel.	1,500.0				1,500.0
5	3(a)	Revenue	Capital	Commercialization of North Slope Gas \$419.5 - two internal economists to work on gasline issues \$1,360.0 for two contractual economists and/or commercial analysts' firms to assist in modeling and analyzing tax incentives and impacts, marketing options and criteria to evaluate applicants and proposed projects \$1,169.6 for specialized legal counsel \$50.9 for other costs, including financial and legal research	3,000.0				3,000.0
6	3(b)	Revenue	Tax Division	Petroleum Production Tax (PPT) implementation costs: \$521.7 for three positions and contracts for developing regulations, expenses for public hearings and legal advice on regulations.	521.7				521.7
7	3(c)	Revenue	Tax Division	Language to allow the department to make refunds for capital expenditures and lease bids as provided in the PPT. AS 43.55 023(f).					0.0
8	4(a)	Natural Resources	Gas Pipeline	Extend lapse date from June 30, 2007, to June 30, 2008, for the Bullen Pt Road right-of-way permitting multi-year allocation in sec. 7(d)(1), ch. 6, SLA 2005, pg. 11, as amended by sec. 34(c), ch. 82, SLA 2006, pg. 151. The amount expected to be available is \$100.0. The lapse extension also applies to sec. 7(d)(2) Division of Oil and Gas Increased Workload, which expects \$150.0 to be available. The lapse extension also applies to sec. 7(d)(3) Commissioner's office increased workload. This allocation is expected to be fully expended by June 30, 2007.					0.0
9	4(b)	Administration	Alaska Oil and Gas Conservation Commission	Extend the lapse date from June 30, 2007, to June 30, 2008, for the gas pipeline development multi-year appropriation made in sec. 20(a), ch. 3, FSSLA 2005, pg. 106, line 21. The amount expected to be available is \$250.0.					0.0

FY2007 OIL AND GAS SUPPLEMENTAL

	A	B	C	D	E	F	G	H	I
1	Sec. No.	Department	RDU or Component or Capital	Supplemental Need	General Funds	Federal Funds	Other Funds	Fund Source	Total Funds
10	4(b)	Natural Resources	Gas Pipeline	Extend lapse date from June 30, 2007, to June 30, 2008, for the gas pipeline risk analysis and royalty issues multi-year allocation in sec. 20(c)(1), ch. 3, FSSLA 2005, pg. 107, line 2. The amount expected to be available is \$1,500.0. The lapse extension also applies to sec. 20(c)(2) gas pipeline corridor geologic hazards and resource evaluation. This allocation is expected to be fully expended by June 30, 2007.					0.0
11	4(b)	Revenue	Commissioner's Office	Extend lapse date from June 30, 2007, to June 30, 2008, for the gas pipeline development multi-year appropriation made in sec. 20(e), ch. 3 FSSLA 2005, pg. 107, line 13. The amount expected to be available is \$100.0.					0.0
12	4(b)	Revenue	Alaska Natural Gas Development Authority	Extend lapse date from June 30, 2007, to June 30, 2008, for the gas pipeline development multi-year appropriation made in sec 20(f), ch. 3, FSSLA 2005, pg 107, line 16. The amount expected to be available is \$500.0.					0.0
13	4(c)	Natural Resources	Gas Pipeline	Extend lapse date from June 30, 2007, to June 30, 2008, for the Bullen Pt. Road right-of-way permitting multi-year allocation in sec. 20(d)(1), ch. 3, FSSLA 2005, pg. 107, line 10, as amended by sec. 34(d), ch. 82, SLA 2006, pg. 151. The amount expected to be available is \$800.0. The lapse extension also applies to sec. 20(d)(2) Division of Oil and Gas Increased Workload. This allocation is expected to be full expended by June 30, 2007. The lapse extension also applies to sec. 20(d)(3) Commissioner's office increased workload, which expects \$10.0 to be available.					0.0
14	5			Lapse of Other Appropriations					0.0
15	6			Retroactivity					0.0
16	7			Immediate Effective Date					0.0
17				Oil and Gas Supplemental Bill Total	33,071.7	0.0	0.0	0.0	33,071.7

SARAH PALIN
GOVERNOR
GOVERNOR@GOV.STATE.AK.US



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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 13, 2007

The Honorable Lyda Green
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Green:

Under the authority of article III, section 18 of the Alaska Constitution, I am transmitting a bill making appropriations for bringing North Slope natural gas to market and other oil and gas issues. This request also includes extending the lapse date of gas pipeline related appropriations made in previous years.

Sections 1-3 of the bill appropriate funding to the Departments of Law, Natural Resources, and Revenue for their necessary gas pipeline and other oil and gas related work.

Section 4 extends the lapse date of appropriations made in prior years that dealt with state gas pipeline issues.

Building the gas pipeline is critical for our future. We need a project that ensures any viable explorer or producer can access a gas pipeline on reasonable terms and we need a project that can be expanded when there is more gas found. Funding these requests in this supplemental bill will provide the foundation necessary to ensure a gas pipeline is constructed on Alaska's terms.

I appreciate your consideration of this supplemental request.

Sincerely,

A handwritten signature in cursive script that reads "Sarah Palin".

Sarah Palin
Governor

COMMITTEE COPY

SENATE BILL NO. 82

S B

8 2

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT
First Committee of Referral

REPORTED OUT MAR 07 2007 SENATE FINANCE COMMITTEE

DATE: 2/14/07

FURTHER:

Date of 5-Day Notice: _____
 (in accordance with Uniform Rule 23)

DATE TURNED IN TO OFFICE: 7 March 2007

Finance Committee considered SENATE BILL NO. 82

SB 82 SUPPLEMENTAL APPROPRIATIONS: OIL & GAS

"An Act making supplemental appropriations and other appropriations; amending the lapse dates of certain appropriations; and providing for an effective date."

and recommends:

- be replaced with SCS or CS SB 82 (FIN)
- adopt previous SCS or CS CS Forthcoming
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

SENATE BILL:	
<input checked="" type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
<hr/>	
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 - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	E. L. ...	✓			
	THOMAS	✓			
		✓			
CO-CHAIR:		✓			
CO-CHAIR:					

25-GS1016L
Kane
3/7/07

CS FOR SENATE BILL NO. 82(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIFTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL
FOR AN ACT ENTITLED

1 **"An Act making supplemental appropriations and other appropriations; amending the**
2 **lapse dates of certain appropriations; and providing for an effective date."**

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

4 *** Section 1. DEPARTMENT OF LAW** The sum of \$21,500,000 is appropriated from the
5 general fund to the Department of Law, oil, gas, and mining, for work related to the state gas
6 pipeline and to bringing North Slope natural gas to market, and to other oil and gas projects.

7 *** Sec. 2. DEPARTMENT OF NATURAL RESOURCES.** (a) The sum of \$6,550,000 is
8 appropriated from the general fund to the Department of Natural Resources for gas pipeline
9 analysis.

10 (b) The sum of \$1,500,000 is appropriated from the general fund to the Department of
11 Natural Resources for oil and gas lease litigation.

12 *** Sec. 3. DEPARTMENT OF REVENUE.** (a) The sum of \$3,000,000 is appropriated from
13 the general fund to the Department of Revenue for matters related to commercialization of
14 North Slope gas.

1 (b) The sum of \$521,700 is appropriated from the general fund to the Department of
2 Revenue, tax division, for implementation costs of the petroleum production tax for the fiscal
3 year ending June 30, 2007.

4 (c) The amount necessary to issue refunds for capital expenditures and lease bids as provided
5 in AS 43.55.023(f) for the fiscal year ending June 30, 2007, is appropriated from the general
6 fund to the Department of Revenue, tax division, for the purpose of making refunds under
7 AS 43.55.023(f).

8 * **Sec. 4. AMENDMENT OF LAPSE OF CERTAIN PRIOR YEAR APPROPRIATIONS.**

9 (a) Section 34(c), ch. 82, SLA 2006, is amended to read:

10 (c) The unexpended and unobligated balance of the appropriation made in sec.
11 7(d), ch. 6, SLA 2005, lapses June 30, 2008 [2007].

12 (b) Section 64(c), ch. 3, FSSLA 2005, is amended to read:

13 (c) The appropriations made by

14 (1) sec. [SECS. 20(a), 20(c), 20(e), 20(f), AND] 37(b), ch. 3, FSSLA
15 2005, [OF THIS ACT] lapse June 30, 2007;

16 (2) secs. 20(a), 20(c), 20(e), and 20(f), ch. 3, FSSLA 2005, lapse
17 June 30, 2008.

18 (c) Section 20(d), ch. 3, FSSLA 2005, as amended by sec. 34(d), ch. 82, SLA 2006,
19 is amended to read:

20 (d) The sum of \$1,525,000 is appropriated from the general fund to the
21 Department of Natural Resources for work related to the state gas pipeline and to
22 bringing North Slope natural gas to market, for the fiscal years ending June 30, 2005,
23 June 30, 2006, [AND] June 30, 2007, and June 30, 2008, for the following purposes:

PURPOSE	ALLOCATION
(1) Bullen Pt. Road right-of-way permitting	\$800,000
(2) Division of oil and gas increased workload	675,000
(3) Commissioner's office increased workload	50,000

28 * **Sec. 5. DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC**
29 **DEVELOPMENT.** (a) The sum of \$576,318 is appropriated from program receipts from the
30 seafood marketing assessment (AS 16.51.120) and from other program receipts of the Alaska
31 Seafood Marketing Institute to the Department of Commerce, Community, and Economic

1 Development, Alaska Seafood Marketing Institute, for expansion of the national consumer
2 marketing campaign for the fiscal year ending June 30, 2007.

3 (b) The sum of \$1,423,682 is appropriated from the general fund to the Department of
4 Commerce, Community, and Economic Development, Alaska Seafood Marketing Institute,
5 for expansion of the national consumer marketing campaign for the fiscal year ending
6 June 30, 2007.

7 (c) The sum appropriated in (b) of this section is intended to represent the cumulative total of
8 program receipts from the salmon marketing tax (former AS 43.76.110), from the seafood
9 marketing assessment (AS 16.51.120), and from program receipts from the Alaska Seafood
10 Marketing Institute that were collected through June 30, 2006, subject to transfer to the
11 Alaska Seafood Marketing Institute, less the cumulative total of program receipts from those
12 sources transferred to the Alaska Seafood Marketing Institute through June 30, 2006.

13 * **Sec. 6. LAPSE OF OTHER APPROPRIATIONS.** The appropriations made by secs. 1, 2,
14 and 3(a) of this Act are not one-year appropriations and lapse as provided in AS 37.25.020.

15 * **Sec. 7. RETROACTIVITY.** (a) The appropriation made by sec. 1 of this Act is retroactive
16 to October 1, 2006.

17 (b) The appropriations made by sec. 2 of this Act are retroactive to February 1, 2007.

18 * **Sec. 8. CONTINGENCY.** The appropriation made in sec. 2(a) of this Act is contingent on
19 the enactment of a bill passed by the Twenty-Fifth Alaska State Legislature that establishes
20 the Alaska Gasline Inducement Act.

21 * **Sec. 9.** Section 5 of this Act takes effect March 16, 2007.

22 * **Sec. 10.** Except as provided in sec. 9 of this Act, this Act takes effect immediately under
23 AS 01.10.070(c).

SB 82/

SB 83

(FILE 1)

SFIN

FILE

SB 82

2/22/07 OMB
Law
Revenue
DNR
Admin

HELD

3/5/07 meeting cancelled
CS "K" (3/5) - not offered
3/7/07 CS "L" - adopted



10:20 am faxed to Legal
10:25 delivered to Sen. Secty w/ CS forthcoming
1:45 pm delivered final to Sen. Secty

SENATE FINANCE COMMITTEE REPORT
First Committee of Referral

REPORTED OUT
 MAR 07 2007
 SENATE FINANCE COMMITTEE

DATE: 2/14/07

FURTHER:

Date of 5-Day Notice: _____
 (in accordance with Uniform Rule 23)

DATE TURNED
 IN TO OFFICE: 7 March 2007

Finance Committee considered SENATE BILL NO. 82

SB 82 SUPPLEMENTAL APPROPRIATIONS: OIL & GAS

"An Act making supplemental appropriations and other appropriations; amending the lapse dates of certain appropriations; and providing for an effective date."

and recommends:

- be replaced with SCS or CS SB 82 (FIN)
- adopt previous SCS or CS CS Forthcoming
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

SENATE BILL:	
<input checked="" type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
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 - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	Do PASS	Do NOT PASS	No REC	AMEND
	Eitzen	✓			
	Thomas	✓			
		✓			
CO-CHAIR:		✓			
CO-CHAIR:					



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

FAX COVER SHEET

DATE: 7 March 2007 TIME: 10:20 am

TO: Legal Services

NUMBER OF PAGES, INCLUDING COVER SHEET: 1

FROM: MINDY ROWLAND
SENATE FINANCE COMMITTEE SECRETARY
PHONE: 465-4935
FAX: 465-2187

NOTES: Final Please

CS SB 82 (FIN) 25-GS1010/L

Kane 3/7/07

no changes

Thx

Mindy

ADOPTED 3/7/07

WORK DRAFT

WORK DRAFT

WORK DRAFT

25-GS1016L
Kane
3/7/07

CS FOR SENATE BILL NO. 82(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIFTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL
FOR AN ACT ENTITLED

1 "An Act making supplemental appropriations and other appropriations; amending the
2 lapse dates of certain appropriations; and providing for an effective date."

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

4 * Section 1. DEPARTMENT OF LAW. The sum of \$21,500,000 is appropriated from the
5 general fund to the Department of Law, oil, gas, and mining, for work related to the state gas
6 pipeline and to bringing North Slope natural gas to market, and to other oil and gas projects.

7 * Sec. 2. DEPARTMENT OF NATURAL RESOURCES. (a) The sum of \$6,550,000 is
8 appropriated from the general fund to the Department of Natural Resources for gas pipeline
9 analysis.

10 (b) The sum of \$1,500,000 is appropriated from the general fund to the Department of
11 Natural Resources for oil and gas lease litigation.

12 * Sec. 3. DEPARTMENT OF REVENUE. (a) The sum of \$3,000,000 is appropriated from
13 the general fund to the Department of Revenue for matters related to commercialization of
14 North Slope gas.

1 (b) The sum of \$521,700 is appropriated from the general fund to the Department of
2 Revenue, tax division, for implementation costs of the petroleum production tax for the fiscal
3 year ending June 30, 2007.

4 (c) The amount necessary to issue refunds for capital expenditures and lease bids as provided
5 in AS 43.55.023(f) for the fiscal year ending June 30, 2007, is appropriated from the general
6 fund to the Department of Revenue, tax division, for the purpose of making refunds under
7 AS 43.55.023(f).

8 * **Sec. 4. AMENDMENT OF LAPSE OF CERTAIN PRIOR YEAR APPROPRIATIONS.**

9 (a) Section 34(c), ch. 82, SLA 2006, is amended to read:

10 (c) The unexpended and unobligated balance of the appropriation made in sec.
11 7(d), ch. 6, SLA 2005, lapses June 30, 2008 [2007].

12 (b) Section 64(c), ch. 3, FSSLA 2005, is amended to read:

13 (c) The appropriations made by

14 (1) sec. [SECS. 20(a), 20(c), 20(e), 20(f), AND] 37(b), ch. 3, FSSLA
15 2005, [OF THIS ACT] lapse June 30, 2007;

16 (2) secs. 20(a), 20(c), 20(e), and 20(f), ch. 3, FSSLA 2005, lapse
17 June 30, 2008.

18 (c) Section 20(d), ch. 3, FSSLA 2005, as amended by sec. 34(d), ch. 82, SLA 2006,
19 is amended to read:

20 (d) The sum of \$1,525,000 is appropriated from the general fund to the
21 Department of Natural Resources for work related to the state gas pipeline and to
22 bringing North Slope natural gas to market, for the fiscal years ending June 30, 2005,
23 June 30, 2006, [AND] June 30, 2007, and June 30, 2008, for the following purposes:

PURPOSE	ALLOCATION
(1) Bullen Pt. Road right-of-way permitting	\$800,000
(2) Division of oil and gas increased workload	675,000
(3) Commissioner's office increased workload	50,000

28 * **Sec. 5. DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC**
29 **DEVELOPMENT.** (a) The sum of \$576,318 is appropriated from program receipts from the
30 seafood marketing assessment (AS 16.51.120) and from other program receipts of the Alaska
31 Seafood Marketing Institute to the Department of Commerce, Community, and Economic

1 Development, Alaska Seafood Marketing Institute, for expansion of the national consumer
2 marketing campaign for the fiscal year ending June 30, 2007.

3 (b) The sum of \$1,423,682 is appropriated from the general fund to the Department of
4 Commerce, Community, and Economic Development, Alaska Seafood Marketing Institute,
5 for expansion of the national consumer marketing campaign for the fiscal year ending
6 June 30, 2007.

7 (c) The sum appropriated in (b) of this section is intended to represent the cumulative total of
8 program receipts from the salmon marketing tax (former AS 43.76.110), from the seafood
9 marketing assessment (AS 16.51.120), and from program receipts from the Alaska Seafood
10 Marketing Institute that were collected through June 30, 2006, subject to transfer to the
11 Alaska Seafood Marketing Institute, less the cumulative total of program receipts from those
12 sources transferred to the Alaska Seafood Marketing Institute through June 30, 2006.

13 * **Sec. 6. LAPSE OF OTHER APPROPRIATIONS.** The appropriations made by secs. 1, 2,
14 and 3(a) of this Act are not one-year appropriations and lapse as provided in AS 37.25.020.

15 * **Sec. 7. RETROACTIVITY.** (a) The appropriation made by sec. 1 of this Act is retroactive
16 to October 1, 2006.

17 (b) The appropriations made by sec. 2 of this Act are retroactive to February 1, 2007.

18 * **Sec. 8. CONTINGENCY.** The appropriation made in sec. 2(a) of this Act is contingent on
19 the enactment of a bill passed by the Twenty-Fifth Alaska State Legislature that establishes
20 the Alaska Gasline Inducement Act.

21 * **Sec. 9.** Section 5 of this Act takes effect March 16, 2007.

22 * **Sec. 10.** Except as provided in sec. 9 of this Act, this Act takes effect immediately under
23 AS 01.10.070(c).

CS FOR SENATE BILL NO. 82(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIFTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
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