

**MINUTES**  
**SENATE FINANCE COMMITTEE**  
**March 08, 2001**  
**9:04 AM**

**TAPES**

SFC-01 # 34, Side A  
SFC 01 # 34, Side B

**CALL TO ORDER**

Co-Chair Dave Donley convened the meeting at approximately 9:04 AM.

**PRESENT**

Senator Dave Donley, Co-Chair  
Senator Pete Kelly, Co-Chair  
Senator Loren Leman  
Senator Lyda Green  
Senator Alan Austerman  
Senator Lyman Hoffman

**Also Attending:** HEATHER RAUCH, Volunteer, Alaska Conservation Voters; DAN COFFEE, Chair, Board of Fisheries; SUE SCHRADER, Alaskan Conservation Voters; KATHRYN DAUGHHETTE, Director, Division of Administrative Services, Department of Law; KEVIN BROOKS, Director, Division of Administrative Services, Department of Fish and Game; KELLY HEPLER, Director, Division of Sport Fish, Department of Fish and Game; LARRY PIERSLY, Deputy Commissioner, Department of Revenue;

**Attending via Teleconference:** From Kenai: DAVE MARTIN, Clam Gulch resident, representing the Cook Inlet Fisherman's Fund; BOB MERCHANT, representing the Soldotna Fish and Game Advisory Committee; CHRIS GARCIA, representing the Cook Inlet Fisherman's Fund; PAUL SHADURA, Representative, Kenai Peninsula Fisherman's Association; DREW SPARLIN; JOHN EFTA; LEONARD EFTA; From Anchorage: PAM MILLER, 20-year Alaskan resident.

**SUMMARY INFORMATION**

HB 117-SUPPLEMENTAL APPROPRIATIONS: FAST TRACK

The Committee heard from the Department of Law, the Department of Fish and Game, the Department of Revenue and members of the public.

The bill was held in Committee.

#HB117

CS FOR HOUSE BILL NO. 117(FIN) am  
"An Act making supplemental and other appropriations; and  
providing for an effective date."

Co-Chair Donley announced the bill would not be moved from Committee at this meeting, but that the Committee would hear public testimony.

Co-Chair Donley invited testimony pertaining to the changes made to the governor's FY 01 fast track supplemental budget request by the House of Representatives.

Comments primarily pertained to the following sections of the committee substitute.

Section 2  
Department of Community and Economic Development  
Arctic Power  
Designated Grant to Arctic Power for education efforts to open  
the Alaska National Wildlife Refuge (ANWAR)  
\$1,500,000 general funds

and

Section 4 (b) and (c)  
Department of Fish and Game  
Board of Fisheries  
Reappropriation of Kenai River Area Plan funds to fund Board  
of Fisheries Halibut Subsistence Regulations (\$20,000) and  
Cook Inlet/Northern Gulf of Alaska fisheries management  
(\$35,000)

HEATHER RAUCH, Volunteer, Alaska Conservation Voters, testified in Juneau to her concerns with this appropriation. She shared that after doing research, she was unable to identify the accountability of the group's efforts. She questioned the need for the including the funding in the fast track supplemental given the lapse date of 2006.

[The next eight testifiers addressed their comments to Section 4 of the committee substitute.]

[Note: quality of teleconference audio is extremely poor.]

DAVE MARTIN, Clam Gulch resident, representing the Cook Inlet Fisherman's Fund, testified via teleconference from Kenai in opposition of the reappropriation of funding to the Board of Fisheries. He asserted that the problems the Board proposes to address do not exist. He opposed the removal of the funds from the Kenai River Area Plan and he suggested instead that the Department of Fish and Game should gather more data on salmon stocks in the area. He relayed comments made to the advisory committees by Commissioner Frank Rue, instructing them to remove all federal issues from their agendas and that no comments or positions would be forwarded to the federal fisheries management.

BOB MERCHANT, representing the Soldotna Fish and Game Advisory Committee, testified via teleconference from Kenai to request restoration of funding to the Division of Sport Fish for a river impact study of the Kenai River. He stated that such a study has been on-going for five years and would provide essential information for the long-term planning process of river systems in South-central Alaska.

CHRIS GARCIA, representing the Cook Inlet Fisherman's Fund, testified via teleconference from Kenai referring to three pieces of correspondence he had submitted to the Committee. He spoke to the "misinformation" associated with the reappropriation. He opposed the Board of Fisheries addressing the issue of subsistence use on the Kenai Peninsula. He spoke to the large amounts of fish, possibly 40 million pounds that subsistence users would take from the resource.

PAUL SHADURA, Representative, Kenai Peninsula Fisherman's Association, testified via teleconference from Kenai to express his discontent with the reappropriation to the Board of Fisheries. He warned that if the funds were not returned to the on-going river impact study, the progress involving representatives from several South-central communities to date would be lost. He stressed the need for the most accurate scientific data as possible to make wise regulatory decisions.

DREW SPARLIN testified via teleconference from Kenai to speak against the appropriation to the Board of Fisheries. He stated that the association he represented [inaudible] supports scientific study to better manage resources. He stressed the seriousness of the issue.

JOHN EFTA testified via teleconference from Kenai that he would like the Board of Fisheries funds returned to their original intent. He commented that his interpretation is that the Board is

charged with issuing regulations but is also attempting to make legislation and appropriations. He compared the allocation of fish to the allocation of money. He suggested that if there is a conservation problem then all uses should be discontinued, rather than only one user group.

LEONARD EFTA testified via teleconference from Kenai in opposition to the Board of Fisheries reappropriation.

DAN COFFEE, Chair, Board of Fisheries testified in Juneau that he wished to clarify the issue. He pointed out that this matter does not involve the Federal Subsistence Board, but rather the Board of Fisheries' relationship to the North Pacific Fishery Management Council (NPFMC). This Council, he explained, manages halibut fisheries through the International Halibut Commission.

Mr. Coffee stressed that the Board is acting in response to actions taken by the NPFMC, which has impacts on state waters fisheries, i.e. sport fisheries and commercial fisheries in state waters. He stated that the actions are a result of requests from stakeholders to establish a process to allow development of both local area management plans and subsistence regulations that are more geographically specific and would reflect local interest to a degree that the Council could not do. He explained that the NPFMC regulates in "two huge areas: 2C and 3A". He described these areas as including Cook Inlet through Prince William Sound, Seward, Kodiak and the Aleutian Islands chain. He stated that the differences in the various fisheries across this area are "tremendous".

Mr. Coffee continued that what resulted was a joint effort between the NPFMC and the Board, whereby the Board would undertake its usual process of public hearings and make recommendations to the Council based upon a consensus of the various fishing communities as to how local area management plans might be developed. He emphasized "might", saying that the protocol requires the decisions to be "consensus driven", meaning that sport, subsistence, personal use, guided and commercial user groups must all agree. He used the efforts undertaken in the Sitka Sound area as a model, which took approximately five years and was adopted into regulations by the NPFMC. He said the regulations were a result of local efforts with some assistance from the Board. He remarked that the Council and the Board agree this is an appropriate manner to proceed in developing management plans for the rest of the assigned area.

Mr. Coffee recounted that these efforts were underway for one and one-half to two years, with a one-year hiatus due to lack of funds. He stated that during this time, several proposals were submitted,

which need to be addressed. He stated that the primary focus is the boundaries between the areas and how they could be recognized. The secondary focus, he added relates to concerns of local depletion.

Mr. Coffee expressed that he has been informed that local depletion is an issue in Cook Inlet in particular. He continued that he has also been informed that local depletion is less critical in areas such as Kodiak, where the fishing pressure is lower.

Mr. Coffee disclosed that the intent is to revise and conduct the public process and make recommendations to the NPFMC so that the Council could take action relative to the local area management plans. He stressed that this is a lengthy process.

Mr. Coffee warned that either the Board is involved in the process, or it is "100 percent a federal process." He stressed the extensive public process the Board of Fisheries employs, which he opined, would give the greatest voice to Alaskan's in determining the resource allocation.

Mr. Coffee next addressed the issue of halibut subsistence, which is a result of actions by the NPFMC establishing halibut subsistence regulations. He explained that the Council adopted the qualifications of halibut subsistence and requested that the Board use its public process to geographically localize better ways to conduct a halibut subsistence fishery that has minimum impact on commercial, existing sport, and guided sport fisheries. He recounted that the Council's initial consideration was to implement a statewide halibut subsistence long-line fishery allowing 20 hooks. He expressed that this would have been "devastating" to the commercial industry and the charter and sport fishing activities in such high-use area as Cook Inlet. He qualified that the Board has no legal authority in this matter, but that it can offer the public process, which is not included in the federal system, into the decision-making.

Mr. Coffee disclosed that the Board did not seek this particular type of funding for this program. He stated that the source was recommended because it had not been used for three years. He suggested that the policy call for the Committee to make was whether it is appropriate for the Board to be involved in local area management plans and whether this is beneficial to the majority of users in the state.

Senator Hoffman asked if the witness thought the first priority for halibut harvest should be for subsistence use.

Mr. Coffee did.

Senator Hoffman asked why the witness testified that the Board attempted to make recommendations for subsistence management that would minimize the impact on commercial, charter and sport activities.

Mr. Coffee explained that in Cook Inlet and in Sitka Sound, there is localized depletion. He stressed that the concern would be in placing a high-impact type of fisheries on those areas, since this would be detrimental to the resource as well as to other types of fisheries. He asserted that there are methods of adequately addressing subsistence needs without permitting statewide 20-hook long-line fishing.

Senator Hoffman asked how the subsistence halibut fishery would be managed that would minimize the impact to other users, but not affect the subsistence uses.

Mr. Coffee stressed that his first concern is with the resource and that his second priority is subsistence use. He stated that if the resource were threatened, certain restrictions would be implemented after consideration and input from the public. He suggested that other methods of fishing could satisfy the subsistence needs. He emphasized that the Board's concern was that a statewide 20-hook long-line would exacerbate the circumstances in places where the resource was already depleted.

Senator Lemman pointed out there are two issues of concern for those testifying. The first, he said, is whether the funds are needed for the Kenai River impact study. The second, he continued relates to the allocation of the resource. He recommended dividing the issue and deciding upon each independently.

Senator Lemman agreed with Mr. Coffee that there should be public involvement in the development of area management plans. However, he stated that when the issue of subsistence arises, the matter of who actually benefits from subsistence is never identified and also, he believed that the allocation is too high.

Senator Austerman suggested the Board should be given general funds for this program rather than Cook Inlet Management funds. He asserted that the Board should have a direct relationship with the NPFMC because the Council has the greater control over Alaskans' participation in various fisheries. He spoke of other fisheries and the benefits of Board involvement to Alaskans.

Senator Austerman then suggested that the Board "created its own problem" with the subsistence issue. He gave dip net fishing as an

example. He recommended that the Board further clarify between subsistence and personal use.

Mr. Coffee acknowledged that the subsistence issue is "deep and wide". He stated that the Board only has authority to establish subsistence and non-subsistence areas. When there is an over-abundance of a certain resource in one area, he stated, the board is limited in its ability to address the issue.

Mr. Coffee stressed the need to protect the halibut resource in Cook Inlet. He asserted that the halibut subsistence fishery was newly created by the Council, not by the Board. He warned that if the board does not address this issue by June 2001, the federal government would make the decisions without public input from Alaskans.

SUE SCHRADER, Alaskan Conservation Voters testified in Juneau to request similar oversight of expenditures by Arctic Power as is required for the University of Alaska and other agencies. She referenced written testimony she had submitted. [Copy on file.] She asserted that the funds granted to Arctic Power would not be available to address "the many other needs around the state." She further charged that all Alaskans were being asked to fund the oil industry's lobbying efforts.

Senator Lemman agreed with the need for oversight of all state funding. However, he stressed that he supports the appropriation, not only because it supports the oil industry, but instead because it supports all of Alaska. He did not agree that this appropriation takes away from other needs. Rather, he opined, this is an investment in the state's future. He stated that there are many in the country who do not understand the issue and that it is important to educate them.

Senator Hoffman reminded that requests were made to Arctic Power during the last hearing on this subject as to how the funds would be utilized. He asked if that information had been supplied.

Co-Chair Donley was uncertain but stated he would ensure that any information he has received is distributed to all members.

Ms. Schrader stated that the information was requested over one week ago and had yet to be provided to the public. She was concerned that the public would never know how this money is spent.

Co-Chair Donley shared he had discussions with Arctic Power and learned there is a legitimate concern with "answering every question" because of the strategy involved in attempting to win

congressional votes. He asserted that there were many people in Alaska who opposed the opening of ANWR to oil exploration and development. By exposing planned Arctic Power expenditures, he surmised, others would take advantage and use that information to accomplish a different goal. He suggested that a shorter lapse date could be imposed to ensure the funds are used as efficiently as possible to meet the demand. While he supported accountability, he wanted to ensure that the information was not used to subvert the lobbying efforts.

Senator Austerman pointed out that the Committee has the power to go into Executive Session, which he felt would be appropriate. He asserted that since requested information had yet to be provided, and representatives had not made themselves available, there were no grounds to call such a session at this time.

Co-Chair Donley asked if representatives from any department impacted by the committee substitute wished to testify.

KATHRYN DAUGHHETTE, Director, Division of Administrative Services, Department of Law, testified to the omission of funding in the House committee substitute for the on-going case against the Bank of America. She stated that the issue is currently in mediation. She suggested that the legislature withhold any funding decisions until mediation was completed. She explained that if a settlement is reached, the expenditures could be addressed in the regular supplemental budget legislation. Otherwise, she noted that funding could be requested in the FY 02 budget if the matter went to litigation.

Senator Hoffman requested the witness address the Department of Transportation and Public Facilities case involving the Copper River Highway. He pointed out that funding for this matter was not included in the committee substitute. He wanted to know the consequences if the consent agreement were not met. He asked if there would be further litigation and what the cost would be. He stressed that the requested allocation of \$400,000 could be much less than continued legal action and penalties.

Ms. Daughhette stated that the Department of Law had prepared a response to that question and she would ensure he received it.

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KEVIN BROOKS, Director, Division of Administrative Services, Department of Fish and Game testified to the reappropriation to the

Board of Fisheries. He pointed out that the original appropriation was not federal funds and was made in 1998 from fish and game funds. He said the funds were for two projects in conjunction to the Kenai River Area Plan Study; one was a boat wake study and the other addressed overcrowding. He stated that the boat wake study was completed. He noted that after the reappropriation to the Board of Fisheries, \$60,000 remained in the fund to adequately complete the overcrowding study. He reminded that legislation adopted since the original appropriation limited the amount of fish and game funds that could be used for sport fish activities. Therefore, he said it was appropriate to utilize the funds in the Board process.

Mr. Brooks read a proposed technical amendment, "The appropriations made under (b) and (c) of this section are not subject to the provisions of AS 16.05.110(b)." Title 16, he relayed, addresses the use of fish and game funds for sport fish purposes, which involve extensive RSA and budgeting.

Senator Leman referred to testimony relaying concerns about leaving the impact study uncompleted. He asked the witness if the reappropriation of funds would in any manner affect the on-going study.

KELLY HEPLER, Director, Division of Sport Fish, Department of Fish and Game, responded that Mr. Shadura's testimony was correct. If the funds were reappropriated to the Board of Fisheries, they would not be available for the carrying capacity study and that study would be delayed. He shared that he has been attempting to locate alternative funding, but that the project would not be funding in 2001. He emphasized, "It is a matter of priorities" noting that the NPFMC is scheduled to meet in June 2001 to take final action on the halibut subsistence issue. He opined that the reappropriation use of the funds was more immediate.

Senator Leman asked how much money would be needed to complete the carrying capacity study.

Mr. Hepler replied that \$40,000 was projected for completion of the study.

Co-Chair Donley noted changes regarding the redistricting board and asked if members had questions regarding the changes made to the original request in the committee substitute.

Senator Leman asked for a breakdown of the changes.

Co-Chair Donley stated it would be provided.

Co-Chair Donley asked if anyone present wished to comment on any other changes made to the governor's fast track supplemental budget request by the House of Representatives.

Section 11 (a)  
Department of Revenue  
Tax Division  
Expert analysis for a major North Slope oil and gas property tax assessment challenge.  
\$683,000 general funds  
\$638,000 statutory designated program receipts

Senator Hoffman requested the Office of Management and Budget comment on this item. He stated he had received memorandum from the Department of Revenue.

Senator Leman had been investigating the issue, involving a resolution of the dispute between the North Slope Borough and the taxpayers. He stated that the Department of Revenue was to provide information detailing expended funds, which was approximately \$400,000. He noted that all of the originally requested funds would not be necessary and that an amendment would be submitted to reflect the changes.

LARRY PIERSLY, Deputy Commissioner, Department of Revenue, affirmed Senator Leman is correct that the request has been reduced to \$400,000 to deal with property tax issues. He detailed the progress on the disputes, noting the Prudhoe Bay Oil and Gas Production Facility dispute was settled, but that another had arisen. This, he stated involves the assessed value of the Alyeska Pipeline.

[Note: teleconference audio quality is very poor.]

PAM MILLER, 20-year Alaskan resident, testified via teleconference from Anchorage in opposition to the appropriation to Arctic Power. She stressed that the oil companies are the richest corporations in the world and did not need assistance in this matter. She asserted her belief that the arctic refuge should not be subject to oil exploration and development. She did not believe the Department of Environmental Conservation was given the resources to adequately monitor activities.

Co-Chair Donley requested Committee members submit amendments to the committee substitute to his office.

Senator Austerman requested the co-chair contact representatives from Arctic Power to come before the Committee and present their budget. He reiterated this could be done in executive session, if

necessary.

Co-Chair Donley stated that while the request is reasonable. The parties were currently in Washington DC lobbying on behalf of the state and that it is critical that they use their efforts there at this time.

Senator Austerman stated that he knew there are several members of the organization and that certainly one could be made available.

Senator Leman commented that he approved of executive sessions only when absolutely necessary. However, he stressed that this issue is important and that accountability is critical.

Co-Chair Donley commented, "It may be a moving target how they use the funds." He stated that different strategies are necessary when addressing the issue in the US Senate and in the US House of Representatives, and that all expenditures may not be anticipated. He shared that he better understood the matter after meeting with US Representative Frank Murkowski and US Senator Ted Stevens.

Senator Austerman stressed that he does not oppose allocating funds to Arctic Power but that he did not think members of the legislature should travel to Washington DC to learn from the Alaska congressional delegation whether this group is adequately utilizing the funds.

Co-Chair Kelly agreed that information regarding past expenditures should be made available. However, he strongly opposed giving information regarding current strategies to parties that may wish to sabotage the efforts.

Co-Chair Donley stated that a decision would be announced later in the day.

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**ADJOURNMENT**

Co-Chair Dave Donley adjourned the meeting at 10:11 AM