

MINUTES
SENATE FINANCE COMMITTEE
January 24, 2002
9:33 AM

TAPES

SFC-02 # 2, Side A
SFC 02 # 2, Side B

CALL TO ORDER

Co-Chair Dave Donley convened the meeting at approximately 9:33 AM.

PRESENT

Senator Dave Donley, Co-Chair
Senator Jerry Ward, Vice Chair
Senator Lyda Green
Senator Gary Wilken
Senator Alan Austerman
Senator Lyman Hoffman
Senator Loren Leman
Senator Donald Olson

Also Attending: REPRESENTATIVE ELDON MULDER; KIM DUKE, Executive Director, Arctic Power; DENNY DEWITT, Legislative Aide, Representative Mulder; NICO BUS, Administrative Services Manager, Division of Support Services, Department of Natural Resources

Attending via Teleconference: From Anchorage: STEVE CONN, Alaska Public Interest Research Group; From Mat-Su: JIM SYKES; From Fairbanks: FRED BROWN, member, Central Labor Council; JOHN BROWN, President, Central Labor Council; DON LOWRY; LUCI BEACH; LEON TOMASIC; DEBBIE MILLER

SUMMARY INFORMATION

HB 334-APPROP: GRANT TO ARCTIC POWER FOR ANWR

The Committee heard testimony on HB 334. The Committee considered but failed to pass one amendment. The bill moved from Committee.

#HB334

CS FOR HOUSE BILL NO. 334(FIN)

"An Act making appropriations for a grant to Arctic Power to promote the opening of the Arctic National Wildlife Refuge for oil and gas exploration and development; and providing for an effective date."

[Audio difficulties]

This was the first hearing for this bill in the Senate Finance Committee.

DENNY DEWITT, Legislative Aide, Representative Eldon Mulder, informed the Committee this bill would appropriate approximately \$624,000 of a balance of \$697,000 remaining from a FY 02 appropriation for the gas pipeline study authorized through the Legislative Budget and Audit Committee along with \$400,000 from the general fund. He continued that \$100,000 of the \$400,000 is for a video project on the value of opening the arctic plain by the City of Kaktovik. He stressed this is important legislation and "should move quickly as the opportunity to persuade a few members of the United States Senate is upon us as they will be considering the energy package rather quickly." He noted the support the Bush Administration and the fact that the Alaska National Wildlife Refuge (ANWR) legislation has already passed the United States House of Representatives.

KIM DUKE, Executive Director, Arctic Power, informed the Committee that Arctic Power has been established for approximately ten years, and its purpose is to open the coastal plain of ANWR for oil and gas exploration. She noted that Arctic Power helped get legislation passed to open ANWR in 1995 in the United States House of Representatives and Senate; however President Clinton vetoed that legislation. She stated "Arctic Power has been working hard to keep members of Congress educated on the issues and have been waiting for the opportune time to open the campaign up again." She informed that Arctic Power received a \$2 million grant last year.

Ms. Duke noted energy bill legislation that includes ANWR, was approved by the United States House of Representatives, last August; however, "the work to monitor additional provisions to that legislation," has exceeded Arctic Power's FY 02 funding. She stressed that the additional funding in this request would enable Arctic Power to target a "very intensive three-month campaign to get the energy bill moved through the Senate." She noted indications from the administration that "now is the time to get this legislation moved." She noted positive reversal of positions

from other states' legislators and supportive noteworthy newspaper editorials such as one in the Chicago Tribune.

Senator Hoffman referred to the three-month extensive campaign timeframe and questioned that the date of June 30, 2006 in the material provided to the Committee exceeds the normal amount of time for an appropriation.

Mr. DeWitt responded that the choice of dates was based on the historical capital appropriation to Arctic Power.

Senator Wilken asked Ms. Dukes to explain the information on the ANWR Program 2001 sheet [copy on file].

Ms. Duke detailed the total grant appropriation of \$1,957,181.04, and that the breakout of the expenditures are not included in the total. She detailed what the expenditures included.

Senator Wilken asked if all those funds had been spent.

Ms. Duke replied that yes, those funds were expended by December of 2001, with the balance of the \$2 million grant not spent but allocated for expenditure.

Senator Wilken clarified these funds were allocated in 2001. He asked what the oil companies were doing to support this endeavor.

Ms. Duke replied the oil companies are very involved in supporting Arctic Power in its mission to have ANWR opened to exploration. She informed that the oil companies have donated large sums of money in addition to hosting congressional members and staff as well other people on their chartered flights and tours of the North Slope facilities, often including food and lodging. She stressed that the oil companies have been very accommodating in these aspects. She informed that the oil companies have representation on Arctic Power's Board of Directors and are involved in fund raising efforts.

Senator Wilken asked if Arctic Power documents these in-kind and monetary donations.

Ms. Duke responded this information is tracked "to an extent on a casual in-kind list." She noted that Arctic Power tracks their budget "very carefully in order to break out percentage of participation for their annual budget." She stated she could supply those numbers to the Committee. She stated that the tour contribution efforts are not tracked, although Arctic Power could investigate that further "with some effort."

Senator Wilken reiterated this is a valid question that would enable the people of Alaska to "know at what level oil companies and others who benefit from this endeavor" are contributing.

Senator Austerman stated the supporting documentation for this bill does not supply any information that shows the total budget for Arctic Power and the source of additional operating funds. He said that knowing what the total budget is would be a reference point for the legislature and would be appropriate for use when the public asks legislators about the state funding of Arctic Power. He requested Arctic Power to supply the legislature with a total budget that reflects "how much money is being spent and where the money is coming from." He stated that this should include any membership fees. He reiterated this information would give the legislature and the public a "better idea" as to how other entities were assisting Arctic Power in its endeavor.

Ms. Duke responded that Arctic Power's 2001 financial statement is not finalized yet; however, it should be complete within a few weeks. She informed that 47 percent of the 2001 budget was funded with state funds and 53 percent from other sources.

Senator Austerman stated the report does not include any information regarding these percentages and he feels that the fact that 53 percent of Arctic Power's budget is from other sources is "important information."

REPRESENTATIVE ELDON MULDER stated that he had discussed this disclosure topic with the management of Arctic Power and the reason behind this information not being included in the past is because the management feels this is confidential information and "it might tip off their hand in relations to strategy and strategic decisions." He continued, "this is a very intensive campaign against a very well-funded extremists environmental movement that is very active."

Representative Mulder continued that Arctic Power would be willing to share this information in a confidential manner with the Committee.

Senator Austerman voiced understanding of the situation, but stressed that the public asks these questions, and it would be beneficial to legislators to have the information.

Representative Mulder agreed.

Senator Hoffman noted that a letter [copy not provided] addressed

to Co-Chair Donley from Commissioner Pat Pourchot of the Department of Natural Resources, dated January 23, 2002, states there is an unused balance of \$600,000, yet the appropriation specifies an unused balance of \$697,000.

Representative Mulder explained the amount included in the bill was originally \$800,000, but after consultation with Senator Therriault, Chair of the Legislative Budget & Audit (LB&A) Committee, who is actually the holder of the funds, the number was revised to \$700,000 as a more accurate balance. Representative Mulder stated that as of today, "this amount is still a good number." He stated the amount included in Commissioner Pourchot's letter might be a reflection that the Department envisioned spending this money another way; however, this requested appropriation amount "would stand" as Representative Mulder understood from Senator Therriault that the gas pipeline work was "basically finished," and that the funds should be reallocated to a "project of a similar fashion."

AT EASE 9:52 AM/9:56 AM

[Audio difficulties]

NICO BUS, Administrative Services Manager, Division of Support Services, Department of Natural Resources, informed that the unused funds being transferred to Arctic Power is a portion of the \$1.5 million appropriation for gasline work. He informed that for the past seven months, he had been responsible for the accounting of this money. In answer to the question of whether there is \$600,000 or \$700,000 remaining of the allocation, he stated that at the end of December, after working on the expenditures with all the agencies involved, "the total balance remaining was \$600,000 including accruals." He continued that the final "January through June budget" for the Gas Pipeline Office, combined with the monetary commitments from oil producers to the gas pipeline project, brings the "total funds to \$900,000, although this number is not certain." He continued the Department's recommendation is that the gas pipeline remaining balance "be expensed into FY 03 to help cover costs incurred for closing the pipeline office or for future operations of the Gas Pipeline Office."

Senator Ward asked if the Gas Pipeline Office is authorized to spend more than was approved by the Chair of LB&A Committee.

Mr. Bus responded that the last agreement with the Chair of LG&A Committee was that the pipeline office has up to \$900,000 to spend in FY 02.

Mr. Bus answered a question of Senator Ward's noting that the Chair of the LB&A Committee "was making an assumption that some of the accruals were not going to materialize," whereas Mr. Bus believes there "will be more accruals than anticipated." He stated that the office is "trying to finalize those accruals" to have a firmer balance figure.

Senator Ward asked if the most recent agreement with the Legislative Budget and Audit Committee meant that the Gas Pipeline Office "was not authorized to spend more than a certain amount of money and would need authorization from the Legislative Budget and Audit Committee Chair to exceed that."

Mr. Bus agreed that was the agreement, and the Office had received "two approvals; one for \$585,000 and one for \$430,000 which is close to \$1.1 million." He said the Office has gone back to the Chair and informed him that it appeared the Office would be getting "\$200,000 of the commitments back that would adjust the agreements to \$900,000." He informed that the Office "did not agree to adjust lower than that."

Senator Ward responded that the office was not in the position of getting the Chair to agree, but rather were "in the situation of getting authorization from the chairman to go to whatever limit there was."

Mr. Bus said "the agreement was now in excess of \$1.1 million dollars, and that the Office had been able to adjust that down to \$900,000." He continued that the "amount might be adjusted even lower, but the Office is not in a position currently to determine that."

Co-Chair Donley announced that teleconference testimony would begin and would be limited to one minute.

FRED BROWN, member, Alaska State Employees Association and Fairbanks Central Labor Council, testified via teleconference from Fairbanks to urge support of HB 334. He stated there is no better investment the legislature "can make than in the jobs" that would result from exploration on the Arctic Coastal Plain and "no better economic stimulus package for America than the passage of the energy bill in the United States Senate."

JOHN BROWN President, Fairbanks Central Labor Council, testified via teleconference from Fairbanks in support of HB 334. He stated, "it makes sense for working families in Alaska." He stated that if the United States Senate approves the energy package, the corresponding jobs would be "good jobs," and it is imperative to

support it. He said that opposition to the energy bill is "well organized, well funded and is working hard to prevent the passage of this legislation in Washington." He stressed that oil companies have proven they can conduct "responsible development."

DON LOWRY, representing Operating Engineers, testified via teleconference from Fairbanks, in support of opening ANWR and to stress he fully supports HB 334. He feels this small area of development would have "little impact on the environment."

JIM SYKES testified via teleconference from Mat-Su and referenced comments in his faxed correspondence to the Committee [copy on file] that states his opposition to HB 334. He reiterated that oil produced from the Arctic Refuge "generates 44 percent less revenue per barrel than oil produced on state lands."

STEVE CONN testified via teleconference from Anchorage in opposition to HB 334. He cited that "corporate welfare and pandering have created the current fiscal crisis," the lack of investigation into high gas prices, no investigation of undeveloped property under lease to the state, and no accurate state accounting.

LUCI BEACH testified via teleconference from Fairbanks and stated her opposition to funding an oil lobby group instead of appropriating money to Arctic Village which is dedicated to protecting lifestyles and caribou herds, or to education programs for children. She voiced her opposition to HB 334 and said that Arctic Power "should look first to oil companies for funding, not the state."

LEON TOMASIC, retired construction worker, testified via teleconference from Fairbanks in support of HB 334. He stated that oil companies have "continually developed environmentally sound ways to do things." He said this is "a chance for good jobs, not service jobs."

DEBBIE MILLER testified via teleconference from Fairbanks that things are looking bright on the North Slope with increased oil flows this year. She informed that the state has 14 million acres of land set aside for oil development and the state will lose money if ANWR is opened. She said that "Arctic Power is a lobbying organization" and she does not support HB 334. She urged the Committee to seek legal council before holding any action on this request.

Senator Olson voiced concern that if sufficient funds were not available from the Department of Natural Resources to cover this

request, he would, nonetheless, want Kaktovik to get full funding for their project.

Senator Austerman asked what would happen if the Department of Natural Resources "does not have this level of unused funds," specifically if Arctic Power would "come up short" if the \$100,000 was designated to fund the Kaktovik project.

Mr. DeWitt said he had spoken with Senator Therriault's staff today and was assured there is \$697,000 available for this funding request. He continued that if the available funding were less, the appropriation to Arctic Power would be reduced; however, the funding for Kaktovik would be from general funds and would be preserved.

Senator Austerman clarified Arctic Power would be the one short-funded in this case.

Mr. DeWitt said, "Yes, that would be the expectation."

Senator Hoffman asked if the dollars spent included those that have been encumbered.

Mr. DeWitt responded the Legislative Budget and Audit Committee staff in Senator Therriault's office indicated confidence that there would be \$697,000 available.

Amendment #1: This amendment inserts language on page 1, line 2 following "development". The amended bill title reads as follows.

An Act making appropriations for a grant to Arctic Power to promote the opening of the Arctic National Wildlife Refuge for oil and gas exploration and development; making an appropriation for tourism marketing programs; making an appropriation for salmon marketing programs; and providing for an effective date.

This amendment also inserts two new bill sections to read as follows.

Sec. 2. TOURISM INDUSTRY ASSISTANCE PACKAGE. (a) The sum of \$800,000 is appropriated from the general fund to the Department of Community and Economic Development for the fiscal years ending June 30, 2002, and June 30, 2003, for payment as a grant under AS 37.05.316 to the Alaska Travel Industry Association for additional tourism marketing efforts to mitigate the economic impacts to the Alaska tourism industry from the September 11, 2001 terrorist attacks. The

amount appropriated in this subsection includes \$250,000 for international tourism marketing.

(b) The sum of \$200,000 is appropriated from the general fund to the Department of Transportation and Public Facilities, Alaska Marine Highway system, for the fiscal years ending June 30, 2002, and June 30, 2003, for additional marketing efforts to mitigate the economic impacts to the Alaska tourism industry from the September 11, 2001, terrorist attacks.

Sec. 3. SALMON INDUSTRY ASSISTANCE PACKAGE. (a) The sum of \$1,000,000 is appropriated from the general fund to the Department of Community and Economic Development, Alaska Seafood Marketing Institute, for the fiscal years ending June 30, 2002, and June 30, 2003 to implement expanded international salmon niche marketing programs in developing overseas markets, to conduct strategic salmon market analysis, and for grants to develop and support regional salmon niche marketing programs.

Senator Hoffman voiced full support of the HB 334 appropriation and felt that the Committee should make sure that the economic health of Alaska is fully addressed. He offered Amendment #1 and detailed the amendment funding. He noted the governor's request of \$10 million each for the salmon industry and tourism industry. He stated that time was of the essence and the governor's deadline for the fast track supplemental was in mid February.

Senator Hoffman's voiced concern that the potential impact to the state of Alaska would be more than one third of a billion dollars in business losses to the travel industry. He stated that people are "making travel plans or not making them" now. He stressed that in addition to the immediate travel industry loss, the "multiplier factor" would be far-reaching.

He noted that the Alaska Seafood Marketing Industry (ASMI) needs a head start in their marketing and cannot wait for the Legislature to take action in mid or late March.

Senator Hoffman stated that although he supports the \$1 million for Arctic Power his concern is that by giving money to this effort, the state might end up taking money from the salmon industry. He continued that the prospect of Arctic Power being successful in its endeavor is good and the subsequent profit for the state would be "very high." He stated that the benefits from the salmon and tourism industry are "even better" than those from ANWR. He stated that the legislature should support these industries for the "economic health of state." He stated these three industries

provide the highest number of jobs in the state of Alaska and this is his reason for submitting this amendment. He continued that when the governor submits his supplemental the remainder of the funding could be addressed.

Senator Hoffman moved for adoption of the amendment.

Senator Austerman objected.

Co-Chair Donley asked what is the funding source for subsection (b) in Section 2.

Senator Hoffman replied that it is the same funding source as the House of Representatives appropriation.

SFC 01 # 2, Side B 10:26 AM

Co-Chair Donley questioned if this is a reappropriation from the FY 02 Marine Highway System appropriation and the proposed FY 03 appropriation.

Senator Hoffman restated Section 2 language.

Co-Chair Donley informed that he was currently working on the FY 03 operating budget with Representative Mulder, and they were investigating a funding assistance package for tourism. He stressed that a timeframe for identifying a funding source was uncertain; however, it was being addressed. He stated his comments are not a commitment or an assurance that the funds would be available, but rather notification that the funds are being sought.

Senator Hoffman asked Co-Chair Donley what an expected timeframe might be for addressing this funding.

Co-Chair Donley responded that legislation regarding a tourism funding source might be introduced the following week in the House of Representatives. He stressed he was not promising that if the Committee does not adopt this amendment, another funding source would be available.

Senator Hoffman asked if there was any similar effort being advanced for the salmon industry.

Co-Chair Donley commented he was not aware of any.

Co-Chair Donley said the Committee should recognize that this

amendment would require a title change to the bill, as it does not fit under the original title from the House of Representatives. He stated this title change would have to be separate legislation.

Senator Lemman expressed appreciation for Senator Hoffman's purpose to support the tourism and salmon industries; however, he could not support this amendment at this time. He continued there are other vehicles available for possible funding, and he felt amending this bill is inappropriate for that purpose. He stated he would like to continue conversations on how to support these industries.

Co-Chair Donley voiced appreciation for Senator Hoffman's concerns. He stated that this bill needs to be advanced to the Senate floor; however, the tourism and salmon industries' situations require more discussion. He stated he opposes the amendment as this time.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Austerman, Senator Green, Senator Lemman Senator Ward, Senator Wilken, and Co-Chair Donley

ABSENT: Co-Chair Kelly

The motion FAILED (2-6-1)

The amendment FAILED to be adopted.

Senator Ward offered a motion to move CS HB 334 (FIN) from Committee.

Senator Austerman objected. He stated Arctic Power, the tourism industry, the salmon industry, and numerous other entities need money. He opined the state needs to address an "overall forward looking financial plan" for the state.

Senator Ward agreed with Senator Austerman that the state needs an overall plan; however, he asserted HB 334 is part of the overall plan. He stated ANWR is one of the key elements to the state plan, and it needs to be addressed on a national level, as it is a benefit for all of Alaska today and in the future.

A roll call was taken on the motion.

IN FAVOR: Senator Green, Senator Hoffman, Senator Ward, Senator Wilken, Co-Chair Donley, Senator Lemman, Senator Olson

OPPOSED: Senator Austerman

ABSENT: Co-Chair Kelly

The motion PASSED (7-1-1)

The bill MOVED from committee.

Senator Olson voiced appreciation to the Committee for the support of this bill on behalf of the community of Kaktovik.

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ADJOURNMENT

Co-Chair Dave Donley adjourned the meeting at 10:35 AM.