

**ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT,
INTERNATIONAL TRADE AND TOURISM**

February 24, 2004
5:21 p.m.

MEMBERS PRESENT

Representative Cheryll Heinze, Chair
Representative Nancy Dahlstrom
Representative Vic Kohring
Representative Sharon Cissna
Representative Harry Crawford

MEMBERS ABSENT

Representative Lesil McGuire, Vice Chair
Representative Pete Kott

COMMITTEE CALENDAR

HOUSE BILL NO. 419

"An Act relating to regional seafood development associations and to regional seafood development taxes."

- MOVED CSHB 419(EDT) OUT OF COMMITTEE

HOUSE BILL NO. 512

"An Act establishing the Hydrogen Energy Partnership in the Department of Community and Economic Development; requiring the commissioner of community and economic development to seek public and private funding for the partnership; providing for the contingent repeal of an effective date; and providing for an effective date."

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 419

SHORT TITLE: REGIONAL SEAFOOD DEVELOPMENT ASS'NS./TAX

SPONSOR(S): REPRESENTATIVE(S) OGG BY REQUEST OF SALMON INDUSTRY TASK FORCE

02/02/04	(H)	READ THE FIRST TIME - REFERRALS
02/02/04	(H)	EDT, RES, FIN
02/10/04	(H)	EDT AT 10:00 AM CAPITOL 120

02/10/04 (H) Heard & Held
02/10/04 (H) MINUTE(EDT)
02/24/04 (H) EDT AT 5:15 PM CAPITOL 120

BILL: HB 512

SHORT TITLE: HYDROGEN ENERGY RESEARCH PROGRAM

SPONSOR(S): REPRESENTATIVE(S) CRAWFORD

02/16/04 (H) READ THE FIRST TIME - REFERRALS
02/16/04 (H) EDT, FIN
02/24/04 (H) EDT AT 5:15 PM CAPITOL 120

WITNESS REGISTER

REPRESENTATIVE DAN OGG
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Spoke as sponsor of HB 419 by request of the Joint Legislative Salmon Industry Task Force.

GERALD McCUNE, President
Cordova District Fisheries United
Cordova, Alaska

POSITION STATEMENT: Spoke in support of HB 419.

ACTION NARRATIVE

TAPE 04-12, SIDE A

Number 0001

CHAIR CHERYLL HEINZE called the House Special Committee on Economic Development, International Trade and Tourism meeting to order at 5:21 p.m. Representatives Heinze, Kohring, Dahlstrom, Cissna, and Crawford were present at the call to order.

HB 419-REGIONAL SEAFOOD DEVELOPMENT ASS'NS./TAX

CHAIR HEINZE announced that the first order of business would be HOUSE BILL NO. 419, "An Act relating to regional seafood development associations and to regional seafood development taxes." [In packets was a new proposed committee substitute (CS), Version Q, labeled 23-LS1418/Q, Utermohle, 2/16/04.]

Number 0066

REPRESENTATIVE DAN OGG, Alaska State Legislature, presented HB 419 as sponsor by request of the Joint Legislative Salmon

Industry Task Force. He explained that HB 419 will allow different regions in the state to set up their own marketing and development organizations in order to enhance their ability to sell their own fish. He said the last time he presented HB 419 to this committee, there was some concern because there was an indeterminate fiscal note for the bill.

REPRESENTATIVE OGG said [his staff] has been working with different departments to make HB 419 more user-friendly. Noting changes in [Version Q], he said a \$500 application fee has been added. Also, because of concern from the Department of Revenue (DOR), there is now language to ensure that only one tax rate applies to each region; the previous version allowed different fisheries within a region to establish different tax rates, which make it hard for DOR to determine the fiscal ramifications, so this new version clarifies that issue.

REPRESENTATIVE OGG explained that language had been added to close what DOR calls the "purchaser loophole." He explained that under current statute, if a fisherman sells his/her own product to someone who is not a licensed fishery, the fisherman is not liable for payment of the tax; the proposed changes would make that fisherman liable for the tax. He said the last change referred to ensuring inclusion into the associations [set up by HB 419]. He noted that the former version had language that would allow the association to exclude an individual or group; the new section would make sure that any fisherman or groups of fishermen that wanted to participate in the regional association would be allowed to join.

REPRESENTATIVE OGG offered his belief that the changes in Version Q made HB 419 a much better bill, that going through the different committees had been a learning process, and that he feels HB 419 has come a long way and is something that works.

Number 0294

CHAIR HEINZE referred to the handout in packets labeled "CS change for HB 419," noting that the fourth section [relating to Sec. 44.33.065(a)(3)] says "any fisherman or other persons or groups". She asked what "other persons or groups" refers to.

REPRESENTATIVE OGG referred to [Version Q], page 9, line 30, and said the language would allow processors to be affiliated with the association. He then noted a typographical error on page 10, line 28, where "Northern" should be changed to "Norton".

Number 0426

GERALD McCUNE, President, Cordova District Fisheries United (CDFU), spoke in support of HB 419. He said CDFU has a marketing committee that has been marketing their region's salmon for eight years, and feels passage of HB 419 would help to fund their marketing committee, which is now dependent on grants. The increased funding from the tax would help CDFU do more things such as expand its business from the Copper River salmon into chum salmon and other species. He said CDFU wholeheartedly supports HB 419 with the changes proposed in Version Q. He said he envisions a committee in his area with the mayor, the processors, and the fishermen sitting together and coming up with better advertising, more effective marketing, and increased sales of their product.

Number 0516

CHAIR HEINZE stated that because the committee had just heard the bill last week, she felt everything was covered but the fiscal note.

The committee took a brief at-ease at 5:30 p.m.

Number 0554

REPRESENTATIVE CISSNA moved [to adopt Amendment 1, which amended Version 23-LS1418/Q, Utermohle, 2/16/04, not yet adopted] as follows:

Page 10, line 28,
Delete "Northern"
Insert "Norton"

There being no objection, it was so ordered.

Number 0591

REPRESENTATIVE DAHLSTROM moved to report [CSHB 419, Version 23-LS1418/Q, Utermohle, 2/16/04, as amended] out of committee with individual recommendations and the accompanying zero fiscal note.

Number 0603

REPRESENTATIVE KOHRING objected for purposes of discussion.

REPRESENTATIVE KOHRING said the committee had addressed the concept of organizations taxing themselves before, when dealing with the tourism industry. He asked Representative Ogg why this legislation is necessary when the groups could raise the money themselves.

REPRESENTATIVE OGG acknowledged that the groups could do that, but said having a statute would make it harder for the attorneys to break the association apart.

Number 0716

REPRESENTATIVE KOHRING noted that there would probably be some people who didn't want to participate in the regional seafood associations, and asked if Representative Ogg has heard any strong opposition to the passage of HB 419.

REPRESENTATIVE OGG said he was on the Joint Legislative Salmon Industry Task Force and hadn't heard any opposition to HB 419. He said CDFU had proposed the idea for HB 419 because of concern that many of the regional organizations are currently run by grant funding, that those grants are hard to find, and that they won't always be available. He said the concern from the industry was in regard to creating competition among different regions within the state; that issue was addressed by putting language into the bill that promoted cooperation with the other regions as well as the Alaska Seafood Marketing Institute (ASMI). He added that inclusion into the regional associations was voluntary and that a person could decide whether or not to become involved.

Number 0848

REPRESENTATIVE KOHRING asked if individual fishermen would be taxed as a result of HB 419, or if the entity of the regional associations would be taxed.

REPRESENTATIVE OGG answered that if a fisherman voted into the regional association, then that fisherman would be taxed under HB 419.

Number 0900

REPRESENTATIVE KOHRING expressed concern that this may be opening the door for future taxation of fishermen, and he wasn't sure he wanted to go down that road.

REPRESENTATIVE OGG responded that it was a good idea to look down the road, and while putting together HB 419 he was very specific with the wording. He added that because only the legislature could impose taxes, the bill is very particular in setting up the tax range from 0.5 percent to 2 percent. He said in order for the taxing structure to change, it is necessary to come back to the legislature.

REPRESENTATIVE KOHRING commended Representative Ogg and the fishing industry for pushing forward HB 419. He stated that he felt it was respectable when an industry was willing to self-impose a tax to help generate revenue. However, his problem was philosophical, he said, since he didn't feel establishing another taxing entity was the proper course. He said he'd feel better if the associations could be set up outside of the governmental realm.

REPRESENTATIVE OGG responded that if it could have been done another way, it probably would have been. He said HB 419 had a governmental connection that was as limited as possible while still allowing the regional associations to form.

Number 1012

REPRESENTATIVE CISSNA asked for clarification on the term "tax" when referring to this bill. She said she wasn't sure if a group of people getting together and voluntarily contributing money in an effort to get something done fell under the general definition of a tax.

REPRESENTATIVE OGG replied that what he felt Representative Cissna was referring to was more along the lines of property owners.

REPRESENTATIVE CISSNA said that was similar to what was happening with this association, since the permit holders are essentially property owners. She said she was just wondering about the use of words.

REPRESENTATIVE OGG said he hoped he was helpful.

Number 1162

REPRESENTATIVE DAHLSTROM moved to adopt CSHB 419, Version 23-LS1418/Q, Utermohle, 2/16/04, as a work draft. There being no objection, it was so ordered.

Number 1166

REPRESENTATIVE DAHLSTROM again moved to adopt Amendment 1 [changing "Northern" to "Norton" on page 10, line 28]. There being no objection, it was so ordered.

Number 1182

REPRESENTATIVE DAHLSTROM renewed the motion to report CSHB 419, Version 23-LS1418/Q, Utermohle, 2/16/04, as amended, out of committee with individual recommendations and the accompanying zero fiscal note. There being no objection, CSHB 419(EDT) was reported from the House Special Committee on Economic Development, International Trade and Tourism.

HB 512-HYDROGEN ENERGY RESEARCH PROGRAM

Number 1216

CHAIR HEINZE announced that the final order of business would be HOUSE BILL NO. 512, "An Act establishing the Hydrogen Energy Partnership in the Department of Community and Economic Development; requiring the commissioner of community and economic development to seek public and private funding for the partnership; providing for the contingent repeal of an effective date; and providing for an effective date."

Number 1231

REPRESENTATIVE CRAWFORD, sponsor, explained that HB 512 establishes a hydrogen energy partnership within the Department of Community & Economic Development (DCED). Noting that Hawaii has a similar commission, he said passage of the bill is about "the future of Alaska, the future of America, and, I think, the future of the human race." He used an analogy to illustrate that Alaska needs to be forward thinking when dealing with energy resources. He said [the country] will shift from carbon-based energy in the future, and he feels hydrogen energy is how the energy needs will be met. Saying he wants Alaska to be a leader in the hydrogen-based energy economy, he emphasized that HB 512 would help with that.

REPRESENTATIVE CRAWFORD shared the reasons Alaska should move into hydrogen energy research. He cited uncertain supplies of natural gas and the aging infrastructure [of the oil suppliers], and opined that exploring hydrogen energy sources could bring

stability. He explained that the best way for Alaska to produce hydrogen energy is by using renewable resources that Alaska has an abundance of. He cited a statistic that there are about 100 years' worth of oil resources left in the world and 150 - 200 years of coal resources left. He pointed out, however, that there are enough geothermal resources to produce 45,000 years' worth of energy.

Number 1385

REPRESENTATIVE CRAWFORD said one reason geothermal energy goes unused is because the areas with the resources have small populations. Hydrogen can be produced from seawater with geothermal resources and shipped in tankers throughout the world. He suggested Alaska could set up power plants in remote villages and run those plants from hydrogen fuel cells. He also pointed out that hydrogen is a nonpolluting energy source that only produces water vapor. He said pushing this type of energy source would help with global warming because it would reduce the emission of carbon monoxide into the atmosphere.

REPRESENTATIVE CRAWFORD, noting that shipping hydrogen requires the use of zeolites, said Alaska has a lot of zeolite resources that could be mined, and that industry could be further developed. He said there are lots of other reasons for further developing hydrogen energy resources, an area Hawaii is already exploring. He said Alaska has the resources to develop hydrogen energy, and has a site on the island of Akutan that could be set up as a demonstration project. He said the only thing that is holding this project up is [the legislature].

Number 1494

REPRESENTATIVE KOHRING asked whether Representative Crawford has heard any opposition from the oil industry, and wondered if [the state] hadn't seen aggressive development in hydrogen resources because the oil industry is powerful and is pushing to further develop oil resources.

REPRESENTATIVE CRAWFORD answered that he hadn't heard opposition from the oil industry. He said companies are starting to buy up land in other states that have geothermal potential because of a strong belief that this type of energy is the future power source for vehicles. Representative Crawford reported he'd seen some hydrogen cars when he went to the National Conference of State Legislatures (NCSL) in San Francisco and felt that "the

future is now." He stressed that Alaska needs to develop this resource now, before it is too late.

Number 1586

REPRESENTATIVE KOHRING related his understanding that it takes a lot of energy to create hydrogen, and surmised that geothermal energy is so attractive because it is clean and abundant. He asked Representative Crawford where the realistic, potential geothermal energy sites are in Alaska.

REPRESENTATIVE CRAWFORD answered that there are potential sites all through the Alaska Peninsula, the island of Akutan, and a site west of the Beluga power plant that have potential for geothermal energy harnessing. He added that the Beluga power plant had excess power capacity and doesn't run efficiently. He said the excess power could be used to create hydrogen and store that energy for times of need. He added that the same can be said for coal plants, and the utilization of this excess power to create hydrogen would drive the cost down for the consumer.

Number 1701

REPRESENTATIVE KOHRING commented that those ideas sound great, and asked why some corporation or entrepreneur hadn't invested money into the development of hydrogen.

REPRESENTATIVE CRAWFORD replied that he'd discussed that with the developers of the hydrogen fuel-cell cars at the NCSL; they'd told him that without government involvement, there was no impetus to invest in a distribution system as long as there was oil to burn. He added that without the distribution system, there is no impetus to build the cars; the auto industry could have the cars available if there were a distribution system; and the service stations will invest in the distribution systems when there is a demand for them. Thus the government has to get the ball rolling and create the impetus for both sides.

REPRESENTATIVE CRAWFORD noted that in Iceland, they are changing over to hydrogen-powered vehicles. Saying California would love to have clear skies again, he said he felt this was a way to make that happen. He said it will take the policymakers to initiate this change, and HB 512 is the start of that.

Number 1822

CHAIR HEINZE noted that Chugach has one of the largest fuel-cell demonstration projects in the world. She shared that during a recent briefing on mining, she learned that some companies are going to start mining north of Fairbanks for platinum that will be used for fuel-cell development. She said Representative Kott is interested in fuel cells, and announced that the bill would be held over for further discussion and for his involvement. [HB 512 was held over.]

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Economic Development, International Trade and Tourism meeting was adjourned at 5:25 p.m.