

**ALASKA STATE LEGISLATURE  
HOUSE RESOURCES STANDING COMMITTEE**

May 14, 2003  
8:15 a.m.

**MEMBERS PRESENT**

Representative Hugh Fate, Chair  
Representative Carl Gatto  
Representative Cheryll Heinze  
Representative Carl Morgan  
Representative Kelly Wolf  
Representative Sharon Cissna  
Representative David Guttenberg

**MEMBERS ABSENT**

Representative Beverly Masek, Vice Chair  
Representative Bob Lynn

**COMMITTEE CALENDAR**

HOUSE BILL NO. 246

"An Act relating to the limitation on upland acreage that a person may take or hold under oil and gas leases; and providing for an effective date."

- MOVED CSHB 246(RES) OUT OF COMMITTEE

CS FOR SENATE BILL NO. 56(FIN)

"An Act relating to sport fishing license fees and anadromous king salmon tag fees for residents of Yukon, Canada; and providing for an effective date."

- MOVED CSSB 56(FIN) OUT OF COMMITTEE

HOUSE BILL NO. 196

"An Act relating to carbon sequestration; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

**PREVIOUS ACTION**

BILL: HB 246

SHORT TITLE: OIL & GAS AUDITS & ACREAGE LIMITS

SPONSOR(S): RLS BY REQUEST OF THE GOVERNOR

Jrn-Date	Jrn-Page		Action
04/04/03	0783	(H)	READ THE FIRST TIME - REFERRALS
04/04/03	0783	(H)	O&G, RES
04/04/03	0783	(H)	FN1: INDETERMINATE(DNR)
04/04/03	0784	(H)	GOVERNOR'S TRANSMITTAL LETTER
04/24/03		(H)	O&G AT 3:15 PM CAPITOL 124
04/24/03		(H)	Scheduled But Not Heard
04/29/03		(H)	O&G AT 3:15 PM CAPITOL 124
04/29/03		(H)	Moved Out of Committee
04/29/03		(H)	MINUTE(O&G)
04/30/03	1200	(H)	O&G RPT 5DP
04/30/03	1200	(H)	DP: HOLM, KERTTULA, CRAWFORD, FATE,
04/30/03	1200	(H)	KOHRING
04/30/03	1201	(H)	FN1: INDETERMINATE(DNR)
05/05/03		(H)	RES AT 1:00 PM CAPITOL 124
05/05/03		(H)	<Bill Hearing Postponed to 05/07/03>
05/07/03		(H)	RES AT 8:00 AM CAPITOL 124
05/07/03		(H)	Scheduled But Not Heard
05/07/03		(H)	RES AT 1:30 PM CAPITOL 124
05/07/03		(H)	Scheduled But Not Heard
05/09/03		(H)	RES AT 8:00 AM CAPITOL 124
05/09/03		(H)	Scheduled But Not Heard
05/12/03		(H)	RES AT 1:00 PM CAPITOL 124
05/12/03		(H)	Scheduled But Not Heard
05/14/03		(H)	RES AT 8:00 AM CAPITOL 124

BILL: SB 56

SHORT TITLE:SPORT FISHING FEES FOR YUKON RESIDENTS

SPONSOR(S): SENATOR(S) DYSON

Jrn-Date	Jrn-Page		Action
02/03/03	0106	(S)	READ THE FIRST TIME - REFERRALS
02/03/03	0106	(S)	RES, FIN
04/28/03		(S)	RES AT 3:30 PM BUTROVICH 205
04/28/03		(S)	Scheduled But Not Heard
04/30/03		(S)	RES AT 3:30 PM BUTROVICH 205
04/30/03		(S)	Moved Out of Committee
04/30/03		(S)	MINUTE(RES)
05/01/03	1071	(S)	RES RPT 3DP 2NR
05/01/03	1071	(S)	DP: WAGONER, SEEKINS, STEVENS B;
05/01/03	1071	(S)	NR: LINCOLN, ELTON

05/01/03	1071	(S)	FN1: (DFG)
05/08/03	1245	(S)	FIN RPT CS 2DP 1DNP 4NR NEW TITLE
05/08/03	1245	(S)	DP: WILKEN, STEVENS B; NR: GREEN,
05/08/03	1245	(S)	TAYLOR, HOFFMAN, OLSON; DNP: BUNDE
05/08/03	1245	(S)	FN1: (DFG)
05/08/03		(S)	FIN AT 9:00 AM SENATE FINANCE 532
05/08/03		(S)	Moved CSSB 56(FIN) Out of Committee
05/08/03		(S)	MINUTE(FIN)
05/10/03	1304	(S)	RULES TO CALENDAR 5/10/2003
05/10/03	1304	(S)	READ THE SECOND TIME
05/10/03	1305	(S)	FIN CS ADOPTED Y13 N6 E1
05/10/03	1305	(S)	ADVANCED TO THIRD READING 5/11 CALENDAR
05/11/03	1322	(S)	READ THE THIRD TIME CSSB 56(FIN)
05/11/03	1323	(S)	PASSED Y17 N2 E1
05/11/03	1323	(S)	EFFECTIVE DATE(S) SAME AS PASSAGE
05/11/03	1326	(S)	TRANSMITTED TO (H)
05/11/03	1326	(S)	VERSION: CSSB 56(FIN)
05/12/03	1553	(H)	READ THE FIRST TIME - REFERRALS
05/12/03	1553	(H)	RES, FIN
05/12/03	1580	(H)	CROSS SPONSOR(S): GRUENBERG
05/14/03		(H)	RES AT 8:00 AM CAPITOL 124

**WITNESS REGISTER**

MARK MYERS, Director  
 Division of Oil & Gas  
 Department of Natural Resources  
 Anchorage, Alaska

POSITION STATEMENT: Presented HB 246 and answered questions.

SENATOR FRED DYSON  
 Alaska State Legislature  
 Juneau, Alaska

POSITION STATEMENT: Testified as sponsor of SB 56.

GORDY WILLIAMS, Legislative Liaison  
 Office of the Commissioner  
 Alaska Department of Fish & Game (ADF&G)

Juneau, Alaska

POSITION STATEMENT: Testified on SB 56, highlighting fiscal and public policy issues; answered questions.

ROB BENTZ, Deputy Director  
Division of Sport Fish  
Alaska Department of Fish & Game  
Juneau, Alaska

POSITION STATEMENT: Answered questions relating to SB 56.

**ACTION NARRATIVE**

**TAPE 03-45, SIDE A**

Number 0001

**CHAIR HUGH FATE** called the House Resources Standing Committee meeting to order at 8:15 a.m. Representatives Fate, Heinze, Morgan, Wolf, and Cissna were present at the call to order. Representatives Guttenberg and Gatto arrived as the meeting was in progress.

HB 246-OIL & GAS AUDITS & ACREAGE LIMITS

Number 0075

CHAIR FATE announced that the first order of business would be HOUSE BILL NO. 246, "An Act relating to the limitation on upland acreage that a person may take or hold under oil and gas leases; and providing for an effective date." [The bill was sponsored by the House Rules Standing Committee by request of the governor.]

Number 0275

REPRESENTATIVE MORGAN moved to adopt the proposed committee substitute (CS), Version 23-GH1135\D, Chenoweth, 5/13/03, as a work draft. [No objection was stated, and Version D was treated as adopted.]

Number 0352

MARK MYERS, Director, Division of Oil & Gas, Department of Natural Resources (DNR), explained that HB 246 has two distinct parts. First, it expands allowable acreage that can be under lease by an individual company. Current statute limits this to 500,000 acres of non-unitized upland state lands. Highlighting a recent history of new exploration programs, he cited

exploration licensing and shallow gas leasing in the North Slope foothills area, indicating such areas traditionally haven't seen a lot of interest. It is believed the original intent of the 500,000 acres was from looking at a more restricted statewide program, but now there are companies at or near their acreage limitations that are "good explorers," he told members.

MR. MYERS related the belief that if the acreage limitation is extended, more acreage will be sold, there will be stimulation of exploration licenses in the Interior basins, and the shallow gas leasing program potentially will be helped by adding more "players." He explained that three companies are at or near their acreage limitations: Anadarko Petroleum Corporation ("Anadarko"); Petro-Canada; and ConocoPhillips Alaska, Inc. ("ConocoPhillips"), which is near 400,000 acres and has at times been at the limit, as has BP [Exploration (Alaska) Inc.], which is selling its acreage now. Passing around copies of a map showing current state leases, he said there remains a lot of acreage to lease and remarked, "We think this will help."

MR. MYERS explained that the Umiat Meridian is important to the bill because the additional 250,000 incremental acres given to companies must be south of that line; there were concerns relating to the original 500,000 acres about having a monopolistic approach on the North Slope, and the limitation is to keep it from being owned by one or two companies. The additional acreage will be in primarily "frontier exploration areas" where a company needs a large amount of land to get a good commercial position in order to justify the "integrated economics" to develop the infrastructure to actually produce. He concluded:

So we think it provides the proper balance between ... preventing potential conflict of ... monopolization of the central North Slope, the upper, more prospective oil areas, but allows for more folks to be involved in exploration licenses, shallow gas leases, and conventional leases south of that line.

Number 0650

CHAIR FATE referred to the mention of shallow gas and surmised that this would include other areas of the state south of the Umiat Meridian, even in Cook Inlet, for example.

MR. MYERS affirmed that. He said it also would allow companies that have used almost all their acreage on the North Slope to be able to buy onshore acreage in Cook Inlet. He added:

Again, we don't see a great synergy between Cook Inlet and the North Slope. They're pretty different basins. They produce into different markets. And Cook Inlet oil, for example, is all refined locally, so it doesn't really compete with that oil going down TAPS [Trans-Alaska Pipeline System], which is predominantly exported.

Number 0699

CHAIR FATE asked whether 250,000 acres is in addition to what the company would have if it's at or near capacity. He also asked whether there is enough land in the Cook Inlet area or enough hydrocarbon basins to facilitate that much acreage.

MR. MYERS said that's a very good question. Referring again to the map, he pointed out green outlines of sedimentary basins that would be eligible for licenses or potentially for lease sales if the department chose to go through the "best interest" process for leases. Indicating the state has been selling a lot of exploration licenses, he said a company picks up, under licenses, up to 500,000 acres in an individual block. For a company that has bought a license and converted it all to leases, its entire statewide allotment would be used in that single license. This bill would allow such a company to pick up a reasonable portion if it had one license and a reasonably loose position elsewhere, for example. "So we think it's balanced, and we think it will help us sell leases," he said.

MR. MYERS pointed out that for this part of the bill, there is an indeterminate positive fiscal note; he opined that it will only lead to additional revenue.

Number 0778

REPRESENTATIVE HEINZE asked whether, under the exploration license, it's 500,000 [acres].

MR. MYERS affirmed that it's a maximum of 500,000. He added:

That does not count against your leases until you convert to leases. There's a license. ... It's not leased land. They have no rights of production. They

have exclusive right to convert to leases, though. ...  
If they convert, then, that would count against their  
statewide [limit].

Number 0813

REPRESENTATIVE CISSNA recalled other leases such as in the  
Katalla area and elsewhere. She noted that those aren't marked  
[on the map].

MR. MYERS replied that there's a small, privately owned  
concession around the Katalla oil field that was selected, to  
his belief, by a Native corporation; it's a tiny amount of  
acreage specific to that one small field, too small to show on a  
map of this scale, and there is no state lease or interest. In  
regard to other small, possibly prospective areas, he said:

Basically, there's multiple different ... leasing  
programs that are active. One is the federal  
government, which looks at the offshore waters - the  
Minerals Management Service. So the OCS [outer  
continental shelf], they're contemplating ... working  
a five-year schedule for Alaska, particularly for the  
Beaufort Sea, lower Cook Inlet areas, and looking at  
Norton Sound and other areas, to revive interest in  
those areas. I think they'll have some interest in  
the lower Cook Inlet. They certainly will have some  
interest in the Beaufort Sea area - onshore, the  
Bureau of Land Management and particularly in NPR-A  
[National Petroleum Reserve-Alaska] - and then they  
have onshore acreage, federal acreage, in the Cook  
Inlet in particular. So ... they have active,  
producing [areas] on federal lands ... in the Cook  
Inlet [area].

I think other areas that have significant petroleum  
potential, particularly for gas, are in the Nenana  
basin, Copper River basin, Susitna basin. And those  
areas are highlighted by the exploration licenses  
already there. In addition, if you look in the  
Bristol Bay area, there's both oil and gas potential  
onshore as well as offshore. And then as you move to  
the north, you can see ... north and east of Fairbanks  
there's the Yukon-Kandik basin, which is the one that  
kind of hinges over to the Canadian basin; that has  
... definitely some oil potential, as well as some gas  
potential. And then the Yukon Flats, near the

wildlife refuge to the north of that, is also (indisc.--papers over microphone) prospective, ... both oil and gas.

Number 0995

CHAIR FATE noted that those are outlined in green on the map. He then said this is an extremely important bill to the oil industry and to the state because the leases not only enhance exploration, but also provide revenue from the leases.

Number 1025

REPRESENTATIVE GUTTENBERG asked about the difference between unitized and non-unitized acreage.

MR. MYERS explained:

The entitlement was ... designed for exploration, so that once it's in a unit, it's typically either in a plan of exploration or a plan of development. Most of our units are in a plan of development, so it's actually in development and the acreage is held by that plan of development. So it's extended beyond the primary term of the lease.

Leases that are put into units have a negotiated work plan with the state. And they have, typically, production going on in them. So ... that acreage does not count against the statewide entitlement. So you put [it] in a unit; it's another way that ... your credits on exploration acreage goes down.

But there's ... a hook there, which is part of our responsibility to make sure that once it goes in a unit, we're extending those leases beyond their primary terms, that we haven't agreed to work planned toward development, which typically includes shooting seismic [data], then drilling wells. So it locks the land up, but there is a distinct work commitment ... and a work in progress.

When you buy [an] exploration lease, typically in the preliminary stages of exploration ... you may have some seismic data; you typically don't have any well data. ... So, in that case, you need a lot more acreage. When you get to the unitization, you have to

have distinct exploration prospects in their outline. We won't approve the unit acreage beyond what we believe ... is the potential reservoir, based on the seismic and well data. So you can get more acreage ... than the 500,000 if it's within units, but units have very specific work requirements and they're very defined hydrocarbon plays or known producing or commercial fields.

Number 1160

MR. MYERS addressed the second part of the bill, which moves royalty audit authority back to DNR from the Department of Revenue (DOR). It's strictly for royalty matters, he said, and the purpose is efficiency. He explained:

In 1980 the law was changed to put it all in the Department of Revenue, thinking the same auditors would do ... the audits and there was efficiency there. But then the state entered the settlements, the Amerada Hess case. So each oil and gas company has a separate settlement distinct for royalties, different than taxes. So, in fact, audits aren't held at the same time; they're not done in conjunction. Not only that, but the settlements are ... commonly different on the two sides. So the working knowledge of that, really, and the negotiating part of that was done within the DNR, with the Department of Law. So there isn't any, really, commonality in the audits.

Currently, DNR has ... four positions for audits, but those audits are initiated and supervised by DOR, and they have two supervising folks to do it. ... What we found is that it's a fairly inefficient way to work. Both DOR and DNR are in concurrence that it's more efficient to move that function back to DNR; it takes a statutory change. With that, DOR would transfer about \$237,000 to DNR. We'd pick up two additional audit positions. So it's just an efficiency bill. We know of no opposition to it, and it's supported by the administration from both departments.

Number 1259

REPRESENTATIVE GUTTENBERG referred to page 4, Section [6], noting that it deletes language relating to payment for oil or

gas royalty. He asked whether redundancy is being removed or whether it takes out audits for royalty.

MR. MYERS said this basically just transfers authority to do the audits from the DOR statutes and into the DNR statutes.

Number 1316

REPRESENTATIVE CISSNA sought clarification about the history of this portion and whether this audit change will affect the industry, for example.

MR. MYERS answered that the majority of the audit work is accomplished by DNR now. Because the authority exists in DOR, however, the head auditor for the issue must be within DOR. Noting that the settlements are still evolving, he said that as they change or go through "reopeners" and so forth, [DNR] finds that having the commercial knowledge in the organization doing the renegotiation is much better. He said, "It makes us more effective in the negotiations, and I think it makes us fairer, more knowledgeable." He suggested this is a benefit for the industry because of wanting negotiations to be based on knowledge when reopening a settlement. He told members:

The settlements do set the framework. ... You just renegotiate ... changes in the marketplace, changes in the way petroleum's evaluated, or changes in transportation charges, basically. And they go up and down. The companies can reopen this, equal [the] playing field. ... So those commercial negotiations are very much linked to the auditing, because it's through the auditing that you find out whether or not you're getting out of line with the valuation.

So we ... definitely gain efficiency on the commercial side to get true market value for our oil, based on the settlement, if that authority ... is within DNR. Again, we've had a good, cooperative working relationship with DOR; they recognize that it's inefficient as well, and that, again, envisioned was that tax and royalty audits would be done simultaneously and you would gain efficiency. When we reevaluate, given the current budget standards, we're always reevaluating ways to make the department more efficient. ... We're swamped with the increase in operations; this ... clearly makes us more efficient.

REPRESENTATIVE CISSNA asked whether there were testifiers from the industry. She pointed out that the proposed CS had just been provided to members the previous evening.

CHAIR FATE called a recess at 8:35 a.m.

Number 1500

CHAIR FATE called the meeting back to order at 9:23 a.m. and announced that he was ready to move the bill. He related his understanding that Representative Cissna had discussed the bill in the meantime and was satisfied with it. He pointed out that it has an indeterminate fiscal note.

Number 1530

REPRESENTATIVE GATTO moved to report CSHB 246, Version 23-GH1135\D, Chenoweth, 5/13/03, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 246(RES) was reported from the House Resources Standing Committee.

SB 56-SPORT FISHING FEES FOR YUKON RESIDENTS

CHAIR FATE announced that the final order of business would be CS FOR SENATE BILL NO. 56(FIN), "An Act relating to sport fishing license fees and anadromous king salmon tag fees for residents of Yukon, Canada; and providing for an effective date."

Number 1608

SENATOR FRED DYSON, Alaska State Legislature, sponsor, explained that Yukon, Canada, whose population now is just below 30,000, is struggling economically and yet has worked with Alaska enthusiastically to extend the railroad, put in a gas line, and so forth. Its government has passed legislation to provide reciprocity on fishing licenses to allow Alaskans to fish there for arctic char, grayling, and trout, for example, and works closely [with the State of Alaska] on managing caribou herds.

SENATOR DYSON noted that committee packets include letters from the State Chamber of Commerce and from Haines and Skagway, the two communities that see the most Yukoners taking advantage of saltwater fishing there; both communities see this bill as perhaps a bit of an economic boon.

SENATOR DYSON informed members that the bill allows Yukon residents to pay resident Alaskan rates for licenses; however, they won't be classified as residents when it comes to managing the [fish]. Thus nothing gives them equal access in times of shortage. Rather, this allows a small privilege of buying licenses at resident rates. He indicated Yukoners he'd spoken with are delighted with this concept. He said the bill's language is permissive, allowing the commissioner to extend this courtesy to Yukon residents if the commissioner so chooses.

Number 1833

REPRESENTATIVE GATTO said he is excited about this. He pointed out that when floating down the Yukon River starting in Canada, a person must stop and look for where the border is, since it is seamless. He characterized Yukon residents as Alaskans' brothers and sisters, and applauded whoever came up with the idea of the bill.

SENATOR DYSON suggested applauding former Senator Randy Phillips.

CHAIR FATE agreed it's a good idea, long overdue. He surmised that technicalities such as whether the licenses are a different color would be taken care of by the department.

Number 1930

REPRESENTATIVE WOLF said he didn't have problems with the bill, but expressed concern that "we have nonresident Alaskans influencing management of Alaska's fish and game at this time already, and they're U.S. citizens." Agreeing that the Yukoners are like brothers and sisters, he questioned why they won't be allowed [to participate in management], while he said "nonresident Alaskans" are allowed to.

CHAIR FATE responded that he thinks that is conjecture and arguable. Indicating he didn't want to address that issue, he said this particular legislation has to stand on its own merit, which he interpreted to be the cost and authority to allow Yukon residents to come to Alaska to fish [for a nonresident fee].

Number 2007

REPRESENTATIVE MORGAN said he's delighted to see the bill, since he represents a district that borders Canada and he knows people in Gakona, for example, who have dual citizenship, and knows

people in Aniak who have relatives from Fort Yukon. He said this has been a long time coming. "The more we can open up our arms ... and try to be good neighbors, it's good for the country, it's good for my village, it's good for the urban area, it's good for the world," he told members.

Number 2098

REPRESENTATIVE GATTO moved to report CSSB 56(FIN) out of committee with individual recommendations and the accompanying fiscal notes.

[Attention was brought to a testifier from the department, whom Chair Fate invited to speak; the motion was left pending.]

Number 2129

GORDY WILLIAMS, Legislative Liaison, Office of the Commissioner, Alaska Department of Fish & Game (ADF&G), noted that as the sponsor statement says, this concept had been before the legislature previously but didn't pass. He agreed Canadians and Yukoners are good neighbors, but suggested it is important to put on the record some public policy and fiscal issues. Drawing attention to the fiscal note and accompanying explanation sheet, he offered his understanding that the sponsor believes people coming over [from the Yukon] will spend money in Alaskan communities. However, Mr. Williams highlighted the potential loss in state revenue: \$46,000 to the fish and game fund through the projections in the fiscal note.

MR. WILLIAMS addressed public policy issues. He told members:

We think this could set a bit of a precedent. And the Senator doesn't necessarily agree, and says that ... others haven't come forth and said they would give us this reciprocity. But we do share a long border with British Columbia. And, for example, the primary sport fishing locations for the Yukoners are Haines and Skagway, to a large degree, because they have access to salt water there and to salmon and halibut and things that they don't have elsewhere. ... And if you drive out of either Haines or Skagway, you're in British Columbia for the first hour or so that you drive out of there. And ... we're not offering this to British Columbia and, as the Senator will point out, they're not offering it to us either.

But it ... is a little bit of a precedent. What if British Columbia does come to us and say that they would like to do a similar thing? We have significantly different sport fishing regulations in Alaska and bag limits, versus what they have in the Yukon or what they have in British Columbia. For example, I think in the Yukon [they're] allowed to keep either 2 or 4 salmon a day. And in Alaska the total amount would be 27, but that would mean you'd have to ... catch the maximum of all the species, but certainly you could be reasonably expected to catch 6 to 8 salmon a day when the cohos are around, plus the halibut and the bottomfish.

MR. WILLIAMS concluded by saying this is a nice thing to give people, but the department wants the committee to be aware of the foregoing issues.

Number 2282

REPRESENTATIVE GATTO remarked that sales generally increase whenever a discount is given. He asked about the effects.

MR. WILLIAMS referred to the spreadsheet and said it's hard to predict. Right now, the annual nonresident license is \$100. This shows 2,700 Yukon participants; he surmised that many are the same people because it's cheaper now to buy a series of one-day or multi-day licenses than to buy the annual one. If the annual license dropped to \$15, however, people no longer would buy shorter-term licenses.

Number 2334

CHAIR FATE asked whether the aggregate revenues from sport fishing licenses offset the costs, no matter what length of time the licenses are for.

MR. WILLIAMS deferred to Mr. Bentz, but noted that sport fish license fees are a significant component because no general fund dollars go into sport fish. He asked whether Chair Fate was talking about costs for management and running the fishery.

CHAIR FATE mentioned the cost of licenses, protection, and running the [Division of Sport Fish].

Number 2408

ROB BENTZ, Deputy Director, Division of Sport Fish, Alaska Department of Fish & Game, responded:

It does offset the costs. We match federal monies, Dingell-Johnson, Wallop-Breaux federal funds. We match those with ... the revenues from the fish and game fund that are license fees and king salmon tags. And we pay for, with a combination of funds, our entire sport fish division budget. ... There are more things that we could do, that we'd like to do, but it does fund our program.

CHAIR FATE surmised, then, that ADF&G hasn't "peeled off" the amount of revenue derived from state sources to create a spreadsheet or record of that particular income from the state.

MR. BENTZ said [the department] knows what the license revenue is. The amount of federal funding is learned after the fact every year.

MR. WILLIAMS pointed out that king salmon tags are sold more like duck stamps. The department knows how much money is raised yearly from king salmon tags, but not how many tags are generated by Yukon residents or other people. The department knows all the revenue raised from sport fish licensing and can track that by state or person, except for the king salmon tags.

Number 2515

REPRESENTATIVE WOLF asked whether the department is taking a wild guess about the number of licenses.

MR. WILLIAMS indicated the department had looked at the period when the annual license fee was raised to \$100 and found that participation from the Yukon remained pretty static.

MR. BENTZ, in response to a question from Representative Wolf, said the foregoing was in the mid-1990s, perhaps 1995 or 1996.

Number 2569

REPRESENTATIVE HEINZE asked about the potential loss of \$46,000.

MR. WILLIAMS referred to the spreadsheet, noting that the explanation sheet shows the different categories. The spreadsheet shows 2002 revenues. The 2,700 [specifically, 2,741, the total licenses sold to Yukon Territory residents] is

hard to predict, since many of the figures above on the spreadsheet are from people who bought one-day, three-day, or seven-day licenses because that's cheaper than buying an annual license. Although it isn't 2,700 discrete individuals, the department hasn't reviewed how many are repeat customers and so forth. He indicated 2,700 was used as the base number and carried through.

Number 2626

REPRESENTATIVE HEINZE asked how much the \$46,000 would affect ADF&G's Division of Sport Fish.

MR. BENTZ said one could multiply the \$46,000 from the fish and game fund by three, for about \$120,000, since the department matches 25 percent state funds - these fish and game funds - with 75 percent federal funds. Therefore, closer to \$170,000 wouldn't be in the fish and game fund, or there would be federal funds that the state couldn't match with this \$46,000. Thus about \$170,000 would be lost from the annual operating budget, which equates to several significant field projects.

Number 2697

CHAIR FATE said he's a bit bothered by the fiscal note and some of the spreadsheet numbers because everything seems indeterminate and based on king salmon and king salmon tags in coming up with the \$46,000 figure. He noted that people fish for grayling or pike, for example, on the Yukon River or Porcupine River. He questioned whether the department had any idea whether \$46,000 was a firm figure.

Number 2787

MR. BENTZ acknowledged that one hard-to-determine number is how many people the 2,700 licenses represent, as Mr. Williams had said, because some people make multiple trips and buy short-term licenses. For people coming to sport fish out of Haines and Skagway, however, Mr. Bentz said he thinks it's a good estimate that half buy king salmon tags. He explained:

We've got hatchery fish returning to those areas. We increased the bag limits. In some cases, in some places, the annual limit that is imposed on nonresidents is waived in these terminal areas. It's a very attractive fishery, not only for people coming

down out of Canada, but for the local residents [of] Southeast Alaska.

MR. BENTZ said he's not as familiar with the fishing patterns of Yukon anglers in the Interior, and surmised there would be more emphasis on resident species such as grayling or burbot, for example. He added, "But definitely in Southeast, from what we've seen, the people that do come down are after anadromous adult salmon and halibut and other bottomfish."

Number 2868

REPRESENTATIVE GUTTENBERG referred to the 2,700 figure for Yukon residents and asked whether there is another number for British Columbia, which has a much larger population.

MR. BENTZ said he didn't know that number but could have it generated by the department.

Number 2912

REPRESENTATIVE HEINZE suggested if these people spend \$20 to \$30 a day, that totals \$54,000 to \$81,000. Highlighting the estimated \$170,000 loss to the department, she said although this bill is a wonderful idea, she's trying to justify it fiscally. She requested Senator Dyson's input.

SENATOR DYSON replied:

My guess is, there will be an increase in the number of fishermen. My guess also, to be honest, is the net revenue from that fishery to the department will decrease a bit. And if the sales tax passes, I suspect that the communities there will more than make up for that, and we will more than make up for it in state revenue. And I'd be delighted to work with the department to make sure that ... we don't lose those "leverage federal funds" ... in some way; I don't know how to do that. But I've got to be honest: I think that these guys are right, and they're not enemies; they're just putting forth ... the department's real concern about the money. But I think [there'll] be a net gain for us, as a state, on it, and I think [there'll] be a net revenue loss of an undetermined amount to these folks.

**TAPE 03-45, SIDE B**

Number 2991

SENATOR DYSON reiterated that Yukoners are excited about this, and spoke about the gain in public relations, which isn't quantifiable. He characterized this as a small gesture that will help with a gas pipeline and extending the railroad, for example. He noted that Representative Gruenberg had gone with him to the Yukon on his last trip, and talked about continuing the bilateral partnership between Yukon and Alaska. He said it is intangible and cannot be put on a spreadsheet or in a fiscal note. He also mentioned the concept of "circle tourism" that includes both the Yukon and Alaska. He suggested the impact from this bill will be small but measurable.

CHAIR FATE offered that the fiscal note is negative but indeterminate.

Number 2864

REPRESENTATIVE WOLF asked how much is generated statewide through tags and license fees annually in Alaska.

MR. BENTZ said roughly \$11 million to \$12 million for sport fishing licenses and king salmon tags.

REPRESENTATIVE WOLF suggested \$42,000 is a small amount in the overall picture.

MR. BENTZ concurred.

Number 2819

REPRESENTATIVE GUTTENBERG surmised that a lot of funds go into management, maintenance, and salaries. He remarked, "A lot of times, when it comes down to what you can do with the last dollar into a project, that could be in any one of our communities." He said he'll make a speech on the House floor if the bill gets there about trying to make up those funds in the short term. He then asked whether Dingell-Johnson funds can only be matched with sport fishing funds or can be matched with general fund dollars.

MR. BENTZ replied that the only thing federal funds cannot be matched with is other federal funds or federally generated money. Therefore, it could be from the general fund or the fish and game fund.

REPRESENTATIVE GUTTENBERG suggested the legislature should ensure there isn't a net loss to the department at the end of the budget process.

Number 2770

CHAIR FATE asked whether there was any objection to the motion. There being no objection, CSSB 56(FIN) was reported from the House Resources Standing Committee.

**ADJOURNMENT**

The House Resources Standing Committee meeting was recessed until 1:00 p.m. or after the floor session. [The meeting was never reconvened.]