

**ALASKA STATE LEGISLATURE**  
**SENATE LABOR AND COMMERCE STANDING COMMITTEE**

March 21, 2006

1:38 p.m.

**MEMBERS PRESENT**

Senator Con Bunde, Chair  
Senator Ralph Seekins, Vice Chair  
Senator Johnny Ellis  
Senator Bettye Davis

**MEMBERS ABSENT**

Senator Ben Stevens

**OTHER MEMBERS PRESENT**

Representative Peggy Wilson  
Representative David Guttenberg

**COMMITTEE CALENDAR**

OVERVIEW: Net Return to the State of Alaska from Timber, Tourism, Minerals and Commercial Fisheries.

**PREVIOUS COMMITTEE ACTION**

None to be recorded

**WITNESS REGISTER**

BILL NOLL, Commissioner  
Department of Commerce, Community & Economic Development  
PO Box 110800  
Juneau, AK 99811-0800

**POSITION STATEMENT:** Presented overview.

AL CLOUGH, Deputy Commissioner  
Department of Commerce, Community & Economic Development  
PO Box 110800  
Juneau, AK 99811-0800

**POSITION STATEMENT:** Presented overview.

GLENN HAIGHT, Fisheries Development Specialist  
Office of Economic Development  
Department of Commerce, Community & Economic Development

PO Box 110800

Juneau, AK 99811-0800

**POSITION STATEMENT:** Answered questions.

CARYL McCONKIE, Tourism Program Manager

Office of Economic Development

Department of Commerce, Community & Economic Development

PO Box 110800

Juneau, AK 99811-0800

**POSITION STATEMENT:** Answered questions.

### **ACTION NARRATIVE**

**CHAIR CON BUNDE** called the Senate Labor and Commerce Standing Committee meeting to order at [1:38:56 PM](#). Present were Senators Davis, Ellis, Seekins and Chair Bunde.

BILL NOLL, Commissioner, Department of Commerce, Community & Economic Development (DCCED), said the question he was asked to answer is: does the state make any money back on the investments it makes in its resources. He related that the DCCED, the Department of Revenue (DOR) and the Department of Fish and Game (ADF&G) would lead them through the results. He then introduced Al Clough, Deputy Commissioner, DCCED, who presented the overview. [A copy of the power point is available through the Senate Labor and Commerce Committee at 465-4843 and at the Legislative Library at 465-3808 at the end of the legislative session.]

AL CLOUGH, Deputy Commissioner, DCCED, presented a power point saying the review would cover net return to State of Alaska investments in timber, tourism, minerals and commercial fisheries - essential money into the State of Alaska's coffers versus money out. He said his slides aggregated the data and then provided detail of the various funding sources for both.

Total gross revenues for those categories in 2005 were \$156 million; total operating expenditures were \$110,381 million - resulting in a net to the state of a little more than \$44 million. The timber industry made a modest return; minerals returned a little over \$12 million; fisheries returned \$11 million; and tourism returned \$20 million.

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MR. CLOUGH explained that the majority of the timber revenues are from corporate income tax and timber sale receipts on state lands and a modest amount of national forest receipts. The Department of Commerce, Community & Economic Development has a small effort in promoting the forest products industry that is GF supported. The DNR Division of Forestry took in \$2.2 million and had \$1.6 million budget. Corporate income tax, timber sales and National Forest receipts were sources of revenue. Predominant state expenditure happened in the DCCED and DNR (His figures excluded what DNR spends on fire suppression).

MR. CLOUGH said that Tourism revenues come from portions of the vehicle rental tax, corporate income tax, hunting licenses, the Marine Highway System and a modest amount from federal funds totaling about \$50 million with expenditures going towards marketing and the Alaska Travel Industry Association.

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The Division of Commercial Fisheries has a breadth of programs that bring about \$90 million into the state.

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CHAIR BUNDE asked him to explain the minus figures in his preliminary report.

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GLENN HAIGHT, Fisheries Development Specialist, Office of Economic Development, DCCED, responded that the preliminary report indicated that \$20 million in the fisheries business tax category was supposed to go to communities, but it was pointed out that managing the seafood industry was not really an expense. So, that portion was taken out and that is reflected in the later part of the report.

CHAIR BUNDE asked him to explain the \$20 million that is shared with communities.

MR. HAIGHT explained that the fisheries business tax brings in \$28 million and the fisheries resource landing tax brings in \$9 million - half of which is appropriated by the Legislature to communities through the shared business tax program. It is not a real commercial fisheries expense.

CHAIR BUNDE asked what the communities use it for.

MR. HAIGHT replied that he didn't know exactly.

CHAIR BUNDE commented that sounded like a form of revenue sharing and he wanted to know why that money was being sent to those communities.

REPRESENTATIVE PEGGY WILSON explained that that money comes from the raw fish tax that is collected in communities where the fish are landed. Part of the tax goes back to the community in which it was collected.

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MR. CLOUGH also explained that those dollars were indicated as an expense in an earlier version of this presentation, but they are actually being collected in trust and then given back to the communities. He reported that the seafood industry had "turned a hard corner" and has been quite successful in recent times.

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He went on to explain the mining and tourism numbers and mentioned that the study was not exhaustive. The minerals industry gross value had gone from \$1 billion to \$2 billion and it contributes over 3,000 direct jobs to the economy. However, he did mention that Pogo Mine was just pouring its first gold and significant returns to the state treasury would start coming in from that in FY 2008 or 2009. He offered to answer questions at this point.

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CHAIR BUNDE said he had been very helpful in answering his question of what these various expenditures return to the state and that he had received a more positive picture than he had anticipated.

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SENATOR SEEKINS asked if all the non-resident hunting, fishing and trapping licenses included in the tourism category included any federal matching funds.

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CARYL McCONKIE, Tourism Program Manager, Office of Economic Development, DCCED, indicated that those figures didn't include matching funds.

[2:01:47 PM](#)

SENATOR SEEKINS asked if there is a threat in the short term that any of those federal funds might not become available for commercial fisheries.

MR. HAIGHT said he couldn't answer that, but the federal sources seemed to be pretty standard so far.

COMMISSIONER NOLL said while the state has done very well in terms of exporting fish because of its heavy marketing effort, he was still very concerned about the marketing of our commercial fisheries. He reported that the Alaska Seafood Marketing Institute (ASMI) has about \$2 million left in the bank and another \$7 million coming in from the federal government, which is some comfort.

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CHAIR BUNDE asked if the fishing industry has cycles and is it gradually trending up.

COMMISSIONER NOLL replied that Alaskans are very concerned after 9/11 about the impact on this industry. There was a slight dip, but things have moved back in a positive direction. He had some concern about how the cost of fuel and passport control at border crossings would impact marketing efforts. But, he had contacted Alaska's congressmen who are helping on the federal level and the trend is up in this area.

The biggest trend in the fisheries market has been the devastating effects of acceptance of farmed salmon out of Chile and Norway. "It just cavitated our salmon industry here. Values dropped about 80 percent." However, the industry has seen a very strong comeback through support of its communities and just plain good luck associated with the growing concern that farmed fish is not good for you. He reported that the state's fish exports in 1998-99 were \$700 million, but in 2005, exports were up to about \$2 billion.

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COMMISSIONER NOLL said that the forestry industry has a different story. "We have shot ourselves in the foot - as I think everyone in this room is probably well aware." On this front, he along with the state's team would be meeting with the U.S. Forest Service and hoped to formulate a plan that would reestablish the availability of the resource, itself.

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MR. CLOUGH interjected that a joint effort was under way between the DCCED, DNR, U.S. Forest Service and the Fairbanks Economic Development Corporation on trying to advance the interior forest industry.

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CHAIR BUNDE encouraged him to hold on to the base line and come back to the legislature next year.

COMMISSIONER NOLL highlighted that the state has another commodity - money. He said, "Our Permanent Fund makes more money than anything else."

CHAIR BUNDE acknowledged that and added that Alaska has also advanced its trust industry, which has generated some income for the state.

COMMISSIONER NOLL added that around the country those trusts are named "Alaska trusts." He thought that concept could be exploited more.

CHAIR BUNDE extended his sincere thanks to the department for this presentation and said that he would also entertain a meeting regarding funds returned to the state via the Permanent Fund Corporation. There being no further business to come before the committee, he adjourned the meeting at [2:12:53 PM](#).