

**ALASKA STATE LEGISLATURE**  
**SENATE RESOURCES STANDING COMMITTEE**

April 15, 2005

3:37 p.m.

**MEMBERS PRESENT**

Senator Thomas Wagoner, Chair  
Senator Ralph Seekins, Vice Chair  
Senator Ben Stevens  
Senator Fred Dyson  
Senator Bert Stedman  
Senator Kim Elton  
Senator Gretchen Guess

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

SENATE BILL NO. 164

"An Act relating to the salmon product development tax credit; providing for an effective date by amending an effective date in sec. 7, ch. 57, SLA 2003; and providing for an effective date."

MOVED SB 164 OUT OF COMMITTEE

CS FOR HOUSE BILL NO. 19(FIN)

"An Act relating to pesticides and broadcast chemicals; and providing for an effective date."

MOVED CSHB 19(FIN) OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: SB 164

SHORT TITLE: SALMON PRODUCT DEVELOPMENT TAX CREDIT

SPONSOR(s): SENATOR(s) STEDMAN

04/06/05	(S)	READ THE FIRST TIME - REFERRALS
04/06/05	(S)	RES, FIN
04/15/05	(S)	RES AT 3:30 PM BUTROVICH 205

BILL: HB 19

SHORT TITLE: PESTICIDE & BROADCAST CHEMICALS

SPONSOR(s): REPRESENTATIVE(s) MEYER

01/10/05	(H)	PREFILE RELEASED 12/30/04
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01/10/05	(H)	READ THE FIRST TIME - REFERRALS
01/10/05	(H)	RES, FIN
02/23/05	(H)	RES AT 1:00 PM CAPITOL 124
02/23/05	(H)	Heard & Held
02/23/05	(H)	MINUTE(RES)
02/28/05	(H)	RES AT 1:00 PM CAPITOL 124
02/28/05	(H)	Moved CSHB 19(RES) Out of Committee
02/28/05	(H)	MINUTE(RES)
03/01/05	(H)	RES RPT CS(RES) 5DP 4NR
03/01/05	(H)	DP: SEATON, ELKINS, LEDOUX, CRAWFORD, RAMRAS;
03/01/05	(H)	NR: OLSON, KAPSNER, GATTO, SAMUELS
03/15/05	(H)	FIN AT 1:30 PM HOUSE FINANCE 519
03/15/05	(H)	Heard & Held
03/15/05	(H)	MINUTE(FIN)
03/17/05	(H)	FIN AT 1:30 PM HOUSE FINANCE 519
03/17/05	(H)	Moved CSHB 19(FIN) Out of Committee
03/17/05	(H)	MINUTE(FIN)
03/18/05	(H)	FIN RPT CS(FIN) 4DP 1DNP 5NR
03/18/05	(H)	DP: FOSTER, WEYHRAUCH, CROFT, MEYER;
03/18/05	(H)	DNP: HOLM;
03/18/05	(H)	NR: HAWKER, STOLTZE, MOSES, KELLY, CHENAULT
03/23/05	(H)	TRANSMITTED TO (S)
03/23/05	(H)	VERSION: CSHB 19(FIN)
03/24/05	(S)	READ THE FIRST TIME - REFERRALS
03/24/05	(S)	RES, FIN
04/15/05	(S)	RES AT 3:30 PM BUTROVICH 205

**WITNESS REGISTER**

TIM BARRY

Staff to Senator Stedman  
Alaska State Capitol  
Juneau, AK 99801-1182

**POSITION STATEMENT:** Commented on SB 164 for sponsor.

SENATOR BERT STEDMAN

Alaska State Capitol  
Juneau, AK 99801-1182

**POSITION STATEMENT:** Sponsor of SB 164.

CHUCK HARLAMERT, Tax Division

Department of Revenue  
PO Box 110400  
Juneau, AK 99811-0400

**POSITION STATEMENT:** Commented on SB 164.

DUNCAN FIELDS, Vice President  
Kodiak Salmon Packers  
Kodiak AK

**POSITION STATEMENT:** Supported SB 164.

STEPHANIE MADSEN, Vice President  
Pacific Seafood Processors Association  
222 Seward Street, Ste. 200  
Juneau AK 99801

**POSITION STATEMENT:** Supported SB 164.

KRIS NORRIS  
Government Affairs  
Icicle Seafoods

**POSITION STATEMENT:** Supported SB 164.

REED STOOPS  
Ocean Beauty Seafoods  
Juneau AK

**POSITION STATEMENT:** Supported SB 164.

REPRESENTATIVE KEVIN MEYER  
Alaska State Capitol  
Juneau, AK 99801-1182

**POSITION STATEMENT:** Sponsor of HB 19.

MIKE PAWLOWSKI  
Staff to Representative Meyer  
Alaska State Capitol  
Juneau, AK 99801-1182

**POSITION STATEMENT:** Commented on HB 19.

KRISTIN RYAN, Director  
Division of Environmental Health  
Department of Environmental Conservation  
410 Willoughby  
Juneau, AK 99801-1795

**POSITION STATEMENT:** Commented on HB 19.

AL VEZEY  
Fairbanks AK

**POSITION STATEMENT:** Commented on HB 19.

KEN PERRY  
Perry Paratex Pied Piper  
Alaska Pesticide Applicators Group

National Pest Management Association  
Responsible Industry For A Sound Environment  
Anchorage AK

**POSITION STATEMENT:** Opposed HB 19.

VARSHA MATHRANI  
Environmental Health Coordinator  
Alaska's Community Action on Toxics  
**POSITION STATEMENT:** Supported HB 19.

ALAN COLTER  
Anchorage AK  
**POSITION STATEMENT:** Supported HB 19.

SHABA KURTS  
Alaska Pacific University  
Tok AK  
**POSITION STATEMENT:** Supported HB 19.

COLIN QUENHEARST  
Alaska Pacific University (APU) student  
Anchorage AK  
**POSITION STATEMENT:** Supported HB 19.

JILL DONALDSON  
Alaska Pacific University student  
Anchorage AK  
**POSITION STATEMENT:** Supported HB 19.

#### **ACTION NARRATIVE**

**CHAIR THOMAS WAGONER** called the Senate Resources Standing Committee meeting to order at [3:37:47 PM](#). Present were Senators Stedman, Seekins, Dyson, Guess, Elton and Chair Wagoner.

#### **SB 164-SALMON PRODUCT DEVELOPMENT TAX CREDIT**

CHAIR THOMAS WAGONER announced SB 164 to be up for consideration.

TIM BARRY, staff to Senator Stedman, read the sponsor statement.

SB 164 extends the deadline for salmon processors in Alaska to receive a salmon product development tax credit. Under the state's current law, processors can claim the credit only for property first placed into service by the end of this calendar

year. This bill would give processors three additional years, until December 31, 2008, to claim the credit.

This legislation also clarifies what types of items are eligible for the tax credit to more effectively achieve the legislature's goal of encouraging Alaska seafood processors to develop innovative value-added salmon products.

He recalled that the legislature passed legislation allowing processors to claim a tax credit on new equipment they purchased to add value to salmon-using innovative processing techniques. The bill, HB 90, that became this law had been proposed by the Joint Legislative Salmon Industry Task Force and was part of an effort by Alaska's elected leaders and the fishing industry to create incentives for the industry to take investment risks and produce new salmon products and it has worked. This legislation was drafted in consultation with the Tax Division of the Department of Revenue.

[3:40:45 PM](#)

SENATOR BERT STEDMAN, sponsor of SB 164, said the intent came from the Joint Legislative Salmon Industry Task Force and was intended to move industry away from the canned market and into other value-added markets.

[3:41:45 PM](#)

SENATOR BEN STEVENS joined the committee.

[3:42:16 PM](#)

SENATOR STEDMAN explained:

Again, we're trying to stimulate the industry for jobs and value creation.... It takes a while for the industry to respond and the tax credit being 50 percent to go against their fisheries tax - sometimes they may have a carry forward and the carry-forward will last up to three years.

[3:43:55 PM](#)

CHAIR WAGONER asked if insulated fish totes and ice machines were covered under the exemption.

SENATOR STEDMAN said he thought those were excluded.

[3:44:40 PM](#)

SENATOR RALPH SEEKINS asked how much the tax credits amount to each year.

SENATOR STEDMAN replied that credits totaled \$1.5 million in each of the three years 2006 through 2008.

[3:46:12 PM](#)

SENATOR GUESS asked when the task force first made this recommendation, was it their intent to revisit the issue in three-year extensions or was it just a one-time shot.

SENATOR STEDMAN replied that he didn't recall.

[3:47:52 PM](#)

SENATOR BEN STEVENS said recalled that the task force wanted to give the industry a period of time to make the decision to invest and wanted to give them an extended period of time to recoup the credit. It also did not want the credit to be open-ended and wanted to reassess it.

[3:50:16 PM](#)

SENATOR SEEKINS asked which fisheries were benefiting from the credit.

CHUCK HARLAMERT, Tax Division, Department of Revenue, said that this credit is limited to salmon processing.

[3:51:57 PM](#)

SENATOR STEDMAN said he thought it would be more concentrated in places where fish are delivered.

[3:52:50 PM](#)

CHAIR WAGONER asked if there is a pre-approval process.

MR. HARLAMERT replied that there is no pre-approval process. Processors file a claim form for this credit with their tax returns.

Part of the reason for the additional language in the bill is because of a lack of a pre-approval process and a 50 percent credit rate. Some taxpayers can easily read the statute too optimistically - perhaps a little too broadly... particularly if they have borrowed heavily to invest. Unknowingly, they may be accruing 11 percent interest.

He said the new element discussed by the Salmon Task Force was the exclusion of canneries, but the remainder of this bill adds clarifications to try to prevent the process of folks claiming

and not paying their tax and ending up with liabilities they weren't aware of.

CHAIR WAGONER said he would feel much more comfortable with pre-approval for the credit and asked if the department had a list of what is approvable.

MR. HARLAMERT replied that this statute doesn't have a list of qualifying equipment, but requires it to be processing equipment as opposed to supporting equipment for transportation or storage. It also requires that the predominant product of that equipment be a value-added salmon product. He said the more sophisticated taxpayers have called the department to validate whether their plans fell within the credit or not and, "Any taxpayer is welcome to do that."

3:57:00 PM

SENATOR ELTON asked if the net effect of the immediate effective date would be an immediate limitation to the kinds of equipment that could be used for the tax credit.

MR. HARLAMERT replied no. The additional language basically fleshes out and makes clearer what is meant. There is one new condition in the clarifying language - it prohibits a credit for canning equipment.

3:58:56 PM

DUNCAN FIELDS, Vice President, Kodiak Salmon Packers, liked the tax credit, but thought it needs to include onshore ice machines. He explained that his is a single-plant salmon processor and it is struggling to survive through the downturn in the salmon industry. He was able to take advantage of the tax credit and appreciated the legislature's support of the industry that is trying to rapidly move toward the value-added processes. As a small processor, he has to take smaller steps than the larger folks in the industry.

MR. FIELDS related that last year he borrowed a fillet line to see how it would work before actually investing in one and the first thing he realized is that it takes a huge amount of ice to move the fillets, because the salmon has to relax for 24 to 48 hours before running it through the line.

You have a whole series of totes and all the ice. I would say it takes probably twice as much ice to run fish through the filleter. So, ice machines, ice equipment, it seems would be an important component to

encouraging the industry, particularly the processors like us to move forward towards value-added. Perhaps it's included in the language - again I would defer to help from the Department of Revenue, but I would think something in that top line on page 2 on processing, packaging, cooling or product finishing function would make it explicit and give me a little higher comfort level.

[4:01:39 PM](#)

He supported the idea of not supporting old technology, but was concerned about losing opportunities if new technology like pop-tops and can-type containers were excluded as traditional processing equipment.

STEPHANIE MADSEN, Vice President, Pacific Seafood Processors Association, said she represents salmon and whitefish processors from around the state and supported SB 164. She related how the credit is working for her members saying one member invested about \$500,000 this year, which represents about two new fillet lines and two other members have fully utilized their 50 percent tax credit.

I believe that's a demonstration that the program is working. So, we would appreciate the extension. I think one of the reasons that the request for the extension is because it was difficult for the processors to get up to speed and to get those investments immediately....

[4:06:06 PM](#)

She recommended not completely eliminating canned salmon products from being available for the tax credit. While she understands their not wanting to replace the current equipment, canned salmon would always have role in many of the fisheries and there is a strong canned salmon market for sockeye and pink salmon.

It depends on the volume and when the timing of that run comes. That will kind of move you toward the importance of canned. We do support examination or possibility of use for these tax credits to move us towards value-added canned salmon and that is the pop-top.... Exactly what does that mean? Well, you have to get a new seamer, because it's a different top. And, as you know, the canned salmon and the seaming is very critical.... There would probably have to be

modifications to the tracking line that sends the tops down to the main machine as well as modification to the retort system. Because of the different top, you're going to have to insure that that retort system is compatible with the new can. So, that's the need for equipment as far as the use for pop-tops....

One other thought for consideration is the exclusion of used equipment. Certainly we don't want shenanigans as far as one company selling used equipment to another, but in the food business there are many opportunities to bring used equipment to the state that are used either by other food industries or by other non-salmon producers. For example, the fillet machines that are used in salmon are also the same Baader machines that are used in the whitefish industry. So, there is a possibility that getting used equipment will not only save the processor money, but it will save the state some money from the tax credit perspective. If you pay less for that equipment, your tax credit is going to be limited or less, but the benefit is the same.

[4:08:53 PM](#)

SENATOR STEDMAN said those two suggestion were explored with the Department of Revenue, but it was decided that the intent is to help the industry move beyond cans and used equipment and he did not think they were stimulating the status quo by doing that. If a company wants to stay there, that's okay.

MS. MADSEN reiterated and emphasized that canned salmon is becoming more consumer-friendly and is used globally and clarified that used equipment would be used for value-added business, not recycling.

[4:12:12 PM](#)

CHAIR WAGONER said the issue is that a business will lease a new machine and bring it to Alaska. If they like it, they might negotiate a purchase and he asked if that type of transaction would be disallowed under this legislation.

MR. HARLAMERT replied that technically it would be considered a used product and would not be able to be purchased under this statute. He suggested that the business could negotiate a lease-purchase contract and then back out of it as opposed to just leasing it first.

SENATOR SEEKINS agreed with Ms. Madsen that used equipment has its place with value-added businesses and asked if there was a mechanism to transfer credits to a downstream purchaser of equipment.

MR. HARLAMERT replied no.

SENATOR SEEKINS said that would make it difficult for him to take the risk and therefore he thought it would be counterproductive to their goal saying:

If there was a perfectly useable system or piece of equipment in the state that could bring some other processor toward the goal that you're trying to get to that you would preclude it from being allowed in the program.

He said that a lease purchase agreement is just a conditional sales agreement. Very few of them give someone the option to be able to determine later on whether or not they want to buy it and then for tax purposes call it a lease at the beginning and later on turn it in to a straight line depreciation.

MR. HARLAMERT responded that it was not his place to elaborate on legislative intent here. He clarified that the federal tax credit was at no time allowed for used property. He explained:

It is a fact with credits especially when you get in the range of 50 percent that they are highly subject to abuse. And, normally, if you have a credit, you're trying to stimulate something that does not have its own economic justification. You're trying to tip the scales to establish that economic justification, but recognizing that in doing that the economic justification of doing something else is always there. If the credit is written too loosely to allow the taxpayer to get the same credit for something just a little off your target, that's what's going to happen. And so, it's generally a good idea to err on the side of caution with credits and be more narrow than you'd like to be if you want to be the most effective in achieving your goal. That's just a general observation.

SENATOR SEEKINS still thought the credit was too restrictive and he thought it was an impediment to the goal of the bill.

[4:19:01 PM](#)

CHAIR WAGONER gave him an example of a guy who paid over \$80,000 for a pinball machine that wound up not working and another guy who bought a reconditioned one that worked three times better than the one that was brand new. "That's why I brought this up in the first place for discussion. These are some of the things you run into in processing equipment.

[4:19:41 PM](#)

SENATOR STEDMAN clarified if a person purchases a piece of equipment that does qualify, you don't have to file for the tax credit if you don't want to. He would entertain discussion about pop-tops, although he didn't want to stimulate the canned market.

SENATOR ELTON said it was something to think about, but he also didn't want to give tax credits to produce the same old product packaged in the same old way. Maybe the canned issue could be dealt with by using a term of art saying this tax credit is not available for the same old same old.

[4:23:08 PM](#)

KRIS NORRIS, Government Affairs, Icicle Seafoods, supported SB 164. She said Icicle Seafoods purchases and processes a wide variety of seafood throughout Alaska. She explained that in 2003 Icicle used the salmon product development tax credit to purchase equipment to make new products with salmon roe (Ikura) - that prevented oxidation and bacterial growth from happening prolonging shelf life. In 2004, it used the salmon utilization tax credit to install new equipment that was more technologically advanced in their salmon meal plant in Seward. As a direct result of that upgrade, Icicle has been able to run a lot more pounds of salmon through their facility and with few exceptions can utilize 100 percent of an entire salmon including the guts.

Icicle Seafoods made saleable products from salmon parts that normally would have been part of the waste stream - a huge improvement. They have also improved the quality of the products they are producing, most notably the oil. New technology allows them to extract a lot more of the water and grit. It is now being used as a supplement for cattle feed and animal treats.

The other thing it has allowed them to do is to be a lot more aggressive in purchasing of salmon. It's opened up opportunities that weren't there before.

"So, when we can be more aggressive, there's a lot of beneficiaries - our fleet, our employees are getting more work, we're buying more fish, so there's more taxes generated. That kicks back to the City of Seward and certainly to the state of Alaska.... I feel like the incentives that were provided to us from the State of Alaska really helped us with economic development that had some spin offs beyond just our own company.... I also want to say that the Department of Revenue has been good to work with.... We certainly run our ideas past Mr. Harlamert before we proceed with them to make sure that it is a project that is going to be eligible for a tax credit.... In our business the margins are pretty small and in some years there aren't any....

MS. NORRIS said Icicle Seafoods is very interested in having the opportunity to have some tax credits applied for additional meal and oil plants. Its new technology in the Seward plant has only operated one year and management is convinced it will have even better results this year because they know a lot more about the equipment and are considering investing more money into some of their other locations. She said, "If it hadn't of been for the tax incentive provided by the state, we probably wouldn't have made that investment...." and thought the spin offs would be very big.

[4:28:41 PM](#)

SENATOR SEEKINS asked how she felt about a tax credit pre-purchase approval system with the Department of Revenue.

MS. NORRIS replied that has been her practice - to call the Department of Revenue first to make sure their idea would fly with them. She was told no about her pop-top idea. "It kept us from doing the project."

[4:29:48 PM](#)

SENATOR SEEKINS asked if she had been able to get approval for a pop-top system, would it have meant incremental business or just a transfer in what they do.

MS. NORRIS replied that she thought it would bring in new customers.

[4:30:27 PM](#)

REED STOOPS, Ocean Beauty Seafoods, supported SB 164. Ocean Beauty is one of the larger salmon producers in Alaska and the

tax credit program was the determining factor in its purchasing new equipment for its Excursion Inlet (in Southeast) and Alatak plants (in Kodiak). It increased the number of employees in both plants, expanded the number of fish they purchased and extended the season at both ends. All this enabled them to find a market for lower-value fish products.

SENATOR STEDMAN asked under what circumstances Ocean Beauty purchased their plant at Excursion Inlet.

MR. STOOPS explained that Ward Cove decided to close all of its seafood plants in Southeast and Bristol Bay and at that point there was a risk of there being no major processor in this part of Southeast to buy salmon. The governor and some other business people who were dependent on that business looked for seafood processors who could take Ward Cove's place. Ocean Beauty agreed to buy the Excursion Inlet and Alatak plants. A lot of the employees were hired back and then Ocean Beauty focused on updating the equipment. Last year, because of the tax credit, they purchased some new equipment and now they want to purchase more equipment of the same nature or expand the number of plants that have the value-added capability.

[4:33:12 PM](#)

He said, "This legislation means the difference between doing more in Alaska rather than just doing the same thing on a continuing basis."

[4:35:23 PM](#)

SENATOR STEDMAN put forth a conceptual amendment to include conversion or installation of pop-tops in language that excludes all cans.

SENATOR ELTON thanked the sponsor for that amendment and said he is comfortable with him offering it in the Finance Committee where he has a seat.

[4:37:02 PM](#)

SENATOR BEN STEVENS asked Ms. Norris if Icicle Seafoods is going to invest in another plant.

MS. NORRIS replied affirmatively. While she understood there were abuses of that particular credit, she thought an argument could be made that including those kinds of operations directly helped Icicle add value to guts, viscera, frames, carcasses and skins that would normally not have been utilized.

SENATOR BEN STEVENS recalled that the evolution of the utilization actually came from trying to help a situation the Department of Environmental Conservation (DEC) had with discharge issues. He asked Mr. Stoops if that plant installed utilization equipment as well.

REED STOOPS replied yes that they put in new equipment for full utilization.

SENATOR BEN STEVENS asked the department how much money was used to purchase new utilization-of-waste equipment versus the other portion of the bill that caused them problems.

[4:41:06 PM](#)

MR. HARLAMERT said he couldn't disclose the exact amount of the credit, but a majority of the waste credit went for utilization-of-waste property. But, that was not true in 2003 when it was almost nil. In 2004, more than half of all the credit claimed for waste was investment in property to utilize salmon waste and to create products from it.

[4:42:49 PM](#)

SENATOR STEDMAN moved to pass SB 164 from committee with individual recommendations and attached fiscal notes. There were no objections and it was so ordered.

[4:43:19 PM](#) At ease [4:45:34 PM](#)

#### **CSHB 19(FIN)-PESTICIDE & BROADCAST CHEMICALS**

CHAIR THOMAS WAGONER announced CSHB 19(FIN) to be up for consideration.

REPRESENTATIVE KEVIN MEYER said he was looking for a way to eliminate the state general fund obligation to the State Pesticide Program, which is required by federal law. He also wanted to provide reasonable protections for public health for when pesticides are used throughout the state.

The way the program works, the Environmental Protection Agency (EPA) approves a pesticide for sale in the United States and then each state has to register the pesticide for sale within the state. The state agency in this case is the Department of Environmental Conservation (DEC). It is responsible for registering the pesticides and inspecting and enforcing the requirements that EPA puts on the handling and distribution of these chemicals. In Alaska, the program has been paid for with general funds, but in other states the program is paid for by

the chemical manufacturers in the form of a fee they pay to the state.

When he first contacted the chemical manufacturers, they were not surprised nor did they resist being charged a fee for chemicals that they sell in Alaska. The only thing they requested is that the state doesn't try to fill its fiscal gap on their backs. The department suggested a fee of \$85 that is set up on a sliding basis so that chemicals that are used infrequently would be charged less. This fee would make Alaska the 11<sup>th</sup> cheapest in the country.

REPRESENTATIVE MEYER explained that when pesticides are used in a public place this bill requires that they be applied by a certified applicator. The intent is to target areas where people go in masses and shouldn't have to worry about a recent spraying. The other requirement is that the spraying is noticed something like a "Wet Paint" sign.

[4:50:46 PM](#)

SENATOR GUESS asked if public schools were included in the definition of public place.

REPRESENTATIVE MEYER replied yes; it includes schools and universities.

SENATOR GUESS asked if it includes Alaska Native Hospital, but not Providence Hospital.

REPRESENTATIVE MEYER responded that he thought she was right.

MIKE PAWLOWSKI, staff to Representative Meyer, said he knew Providence and Alaska Regional Hospitals would not be included in this. He said they worked on the definition closely with the DEC.

KRISTIN RYAN, Director, Division of Environmental Health, Department of Environmental Conservation (DEC), said the definition is specific in the proposed legislation, but she would have to look at other statutes regarding a definition for "government office." She hadn't considered government hospitals and since even the Native hospitals are technically run by consortiums, she didn't know if they would be considered a state building. She thought they would be considered federal government buildings. "But, I think our intent here was to cover state government buildings."

[4:54:01 PM](#)

SENATOR GUESS said if the intent is state buildings, that wouldn't include schools.

MS. RYAN responded that schools are covered by existing regulations that already require public notice.

SENATOR GUESS asked if government-funded programs not in a government facility, like Headstart, are covered.

MS. RYAN interpreted that to not be included. She didn't think the department had the authority to require the federal government to post warnings in their buildings. She would check on that.

SENATOR GUESS asked her to check on requirements for municipalities and local government buildings as well.

[4:55:18 PM](#)

SENATOR SEEKINS asked if licensing of pesticide applicators included spray bottles or people on page 3, line 6.

MS. RYAN replied people.

SENATOR SEEKINS said he looked at AS 46.03.320(b) and it says the department may provide, by regulation, for the licensing of private applicators and asked about public applicators. "Would they have to have the same standards as a private applicator?"

MS. RYAN replied that is existing statute and she could do a temporary waiver for people who couldn't get to the course, but needed to do an emergency application. The department has interpreted the statutes to require commercial applicators to be certified. That means you have to take a test and go through a course that teaches you how to apply the chemicals safely.

It's against federal law to ever apply a chemical against the label. The label is the law with pesticides. So, a private applicator is held to that just as much as a commercial applicator. Everyone is supposed to follow the label.

[4:57:02 PM](#)

SENATOR SEEKINS asked if a Department of Transportation and Public Facilities (DOTPF) employee spraying down a highway would be subject to licensing and have to pass the same examination.

MS. RYAN replied:

There's a few things that impact state applications. For one thing, our regulations currently require them to get a permit. We don't require permits for every type of application; we only require a permit for aerial spraying - for spraying over lakes like a fish kill by Fish and Game or if you apply it to state lands. So, DOT and the Railroad have to come to us for permits and if you're familiar with the history at all, that's never been successful. They have applied and not been able to achieve the permit due to public reaction.

So, through the permit process, we would require them to make sure they use certified applicators otherwise they aren't using chemicals on state land without a permit.

[4:58:26 PM](#)

SENATOR SEEKINS said:

I've always thought that what was good for the goose was good for the gander and if we were protecting public health and safety and we felt that it was necessary to certify and license this group, then we ought to certify and license all people that do that, not as just a matter of fairness, but a matter of public safety. I'm just trying to see if there are any loopholes for people to jump through here if we pass this legislation based on their status or their employment.

MS. RYAN replied that a stipulation of getting permits would be certification. The department wants the pesticides applied correctly. Commercial applicators are defined in regulations as people who make money doing this.

[4:59:19 PM](#)

SENATOR SEEKINS asked how many fees would be in the \$120 range in reference to language about reasonable fees on page 3, line 4.

MS. RYAN replied that it's for simplification of accounting. She didn't expect to have a fee for different products. There would be a waiver from the fee if the product hadn't been used before

in Alaska, if research is being done on it or if it's experimental.

Based on the money we need to generate to support the program, the people left paying the fee would either pay \$85, assuming 40 percent don't pay the fee, or if 90 percent pay the fee, it would only be a \$55 fee across the board.

5:00:50 PM

AL VEZEY, Fairbanks, urged the committee to proceed with caution. Pesticides is an extremely complex subject. It includes wood preservatives, herbicides and numerous other specialty products that improve people's lives. He used the removal of brush from highways so drivers can see moose as an example. He said the state has never successfully permitted a pesticide application on state land as required by state law. "We need to be careful before we take these products away from the public."

5:04:50 PM

He said that a majority of registered applicators are public employees who are trying to do their jobs in a responsible manner. They currently pay a fee of \$25 to the federal Agricultural Cooperative Extension Service, a division of the Department of Agriculture. He encouraged the committee to develop that relationship further because he thought the federal government would be able to do more if the state showed more support for the program that they are already doing in the state of Alaska.

He said the people paying the fee would by and large be public employees and would probably be reimbursed for it by the agency they work for. Then the state would be put back in the position of being asked to fund additional expenses due to having to register with the state. He asked the committee to compare the cost to the public and the harms it would inadvertently cause.

MR. VEZEY asked if they are going to require the owner of a large public housing project to go through a registration and public notice process before they implement a program to control rats and mice.

Individual apartment owners don't have a chance in the world of managing a rodent problem in a multi-family building. It has to be done on a broad scope basis. Looking at the regulations, we don't really know what will come out of it. Is it going to encourage public

safety and public health or just simply discourage the use of pesticide in the consequent deterioration the quality of the environment that we all live in?

5:08:18 PM

KEN PERRY, Perry Paratex Pied Piper, said he also represents the Alaska Pesticide Applicators Group, the National Pest Management Association and a group called the Responsible Industry For A Sound Environment. He praised the DEC and its pesticide division, but said while it is sorely under-funded and severely criticized, it has shown remarkable ability in overseeing pesticide usage and the current registration program.

He said the bill is well-intentioned, but seriously flawed.

It holds no reasonable benefit to the people of our state. I urge you to consider carefully testimony you have and will be hearing sponsored by the tax-free outside supported special interest groups. Please do not forget that these are the same people who are holding not just our small Alaska businesses, but our major business interests, such as ANWR and the gas pipeline. It is, therefore, no surprise that they are now attacking chemical manufacturers whose billions of dollars of research have produced safe and effective products that tens of thousands of your constituents have chosen to purchase over the years - items such as mosquito repellent they put on their bodies or use around their homes and lodges, the flea and tic collars they put on their pets, disinfectants they use to clean their homes and keep their spas and hot tubs safe, the paints they use on their boats, the wood preservatives they use to protect their structures and the agricultural products that our farmers in Delta and the Mat-Su use to need to have available to eek out their livings....

MR. PERRY said this is an anti-business bill and not passing it would send a large message to a large number of major companies that Alaska is business friendly, not just a playground for extremists.

5:13:39 PM

VARSHA MATHRANI, Environmental Health Coordinator, Alaska's Community Action on Toxics, asked the committee to consider the long-term affects of their actions. Children are particularly sensitive to negative health effects from exposures to toxic

chemicals. Children play closer to the ground with lots of hand to mouth behavior; and their bodies and organs are growing and developing. Many pesticides are known to be associated with adverse effects on the developing brain and nervous system of children. She strongly supported HB 19.

ALAN COLTER, Anchorage resident, related how a good friend of his died two years ago due to pesticide use in landscaping. They worked together and used chemicals indiscriminately based on what their boss told them. She died a long slow painful death.

He said that many of the chemicals used by the public are very toxic, especially to children and older people. He supported HB 19 that would promote their responsible use.

[5:20:26 PM](#)

SHABA KURTS, Alaska Pacific University student, asked how the public is supposed to know what is dangerous and what is not. He trusts that the people who apply them will do it to the best of their knowledge, but he felt there should be more regulation, especially when it comes to something that could be dangerous to the public health.

[5:22:14 PM](#)

COLIN QUENHEARST, Anchorage, supported HB 19. It is valuable for all Alaska residents because it gives them the right to know when pesticides are sprayed so that they can choose to avoid dangerous substances. It is valuable particularly for children as it pertains to marking of playgrounds where pesticides are used.

[5:23:50 PM](#)

JILL DONALDSON, Alaska Pacific University student, supported HB 19. She has an Associates Degree in Environmental Technology, which includes 30 hours of training with pesticide application, regulation and uses under DEC and the New York State law. This has shown her how potentially dangerous pesticides and broadcast chemicals can be. The state of Alaska can learn what has worked well and what has not worked well in other states.

One main concern is that certified applicators hold the majority of responsibility and burdens that are associated with pesticide regulations. However, they agree that proper pesticide application and the necessary precautions associated with application go hand in hand with ideal business tactics. She supported the licensing of all pesticide applicators not only

for the safety of the individual, but for the safety of all Alaskan residents.

She said it is also important to realize that the average American may be exposed to more hazardous chemicals through household applications rather than industrial applications. "That's why public education is a key factor when controlling the use of pesticides and broadcast chemicals."

[5:26:10 PM](#)

MS. RYAN commented that the committee heard a mix of comments today and that her division receives complaints on pesticides frequently. It is probably the things she spends the most time on and yet it's probably the smallest program in her division.

The four staff in the pesticide program use federal funds; we have primacy for pesticides similar to what we're trying to do with NPDES and we use those federal funds to inspect places that sell pesticides or commercial applicators that use them and make sure they are doing them right. That's what we do.

This bill would add a few more responsibilities. We would be looking now at public notice in certain areas and we'd be expanding the certification requirements. And also, then, it gets rid of the general fund that's used to support the program. It's the match with the federal funds...I think, \$49,000 is just straight general fund to the program.

She didn't want people to be restricted from using new products and expected to waive many fees because of that.

Certification to me is the real key. People that know what they're doing is what's going to make the difference. With all toxins, the dose is the poison. Even salt and caffeine are toxic at certain levels.

[5:29:08 PM](#)

SENATOR SEEKINS asked what keeps someone from bringing in an unregistered pesticide.

MS. RYAN replied that that happens all the time and that's what the division's four inspectors look for when they are out in green houses or Fred Meyers. They are making sure that the chemicals for sale on the shelves are registered by EPA and the state. When unregistered chemicals are found, the store is told

they can't sell it here and they are issued a stop-sale order. Stores comply easily, because they can return the products to the manufacturer for a refund and there is no penalty at this time.

SENATOR SEEKINS asked if an applicator can bring a pesticide in from Washington and apply it with no penalty.

MS. RYAN replied that it would be illegal and the department can issue a notice of violation and while the pesticide program does not have administrative penalty or civil fine authority, she related that the Attorney General's office was able to do a sting a couple of years ago.

SENATOR GUESS asked who is responsible for the public notification for spraying in a public place under HB 19.

MS. RYAN replied that the statute leaves that up to the department to determine through regulation. She assumed that the responsibility for signage would be on the applicator.

[5:32:27 PM](#)

SENATOR GUESS asked if there is a penalty in regulation for not giving public notice.

MS. RYAN replied that it would be a violation of the regulation and the division issues a notice of violation.

[5:33:23 PM](#)

CHAIR WAGONER asked who does the training.

MS. RYAN replied that her staff has a good working relationship with the Cooperative Extension Service, but with this bill there would be an increased demand for training and she has proposed creating a training CD for use by remote communities and people who couldn't get to her office easily.

[5:34:37 PM](#)

SENATOR GUESS asked DEC and the sponsor to get back to her on the definitions of government office and public facility to clarify the record.

[5:35:00 PM](#)

SENATOR SEEKINS moved CSHB19 (FIN) from committee with individual recommendations and attached fiscal note. There were no objections and it was so ordered.

There being no further business to come before the committee,  
Chair Wagoner adjourned the meeting at [5:35:37 PM](#).