

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

May 1, 2007
5:42 p.m.

MEMBERS PRESENT

Representative Mark Neuman, Chair
Representative Carl Gatto
Representative Kyle Johansen
Representative Vic Kohring
Representative Bob Lynn
Representative Andrea Doll
Representative Mike Doogan

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

PRESENTATION BY NANA REGIONAL CORPORATION INC.

- HEARD

FOR SENATE BILL NO. 97(JUD)

"An Act relating to identification seals for certain articles created or crafted in the state by Alaska Native persons; relating to the Alaska State Council on the Arts; and making certain identification seal violations unfair trade practices."

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 97

SHORT TITLE: ALASKA NATIVE ART IDENTIFICATION SEALS

SPONSOR(s): SENATOR(s) STEVENS

02/26/07	(S)	READ THE FIRST TIME - REFERRALS
02/26/07	(S)	L&C, FIN
03/08/07	(S)	L&C AT 1:30 PM BELTZ 211
03/08/07	(S)	Heard & Held
03/08/07	(S)	MINUTE(L&C)
03/13/07	(S)	L&C AT 1:30 PM BELTZ 211
03/13/07	(S)	Moved SB 97 Out of Committee

03/13/07 (S) MINUTE(L&C)
 03/14/07 (S) L&C RPT 4DP
 03/14/07 (S) DP: ELLIS, BUNDE, DAVIS, STEVENS
 03/21/07 (S) FIN RPT 7DP
 03/21/07 (S) DP: HOFFMAN, STEDMAN, ELTON, THOMAS,
 DYSON, HUGGINS, OLSON
 03/21/07 (S) FIN AT 9:00 AM SENATE FINANCE 532
 03/21/07 (S) Moved SB 97 Out of Committee
 03/21/07 (S) MINUTE(FIN)
 03/26/07 (S) JUD REFERRAL ADDED
 04/02/07 (S) JUD AT 1:30 PM BELTZ 211
 04/02/07 (S) Moved CSSB 97(JUD) Out of Committee
 04/02/07 (S) MINUTE(JUD)
 04/04/07 (S) JUD RPT CS 1DP 4NR SAME TITLE
 04/04/07 (S) DP: FRENCH
 04/04/07 (S) NR: MCGUIRE, HUGGINS, WIELECHOWSKI,
 THERRIAULT
 04/11/07 (S) TRANSMITTED TO (H)
 04/11/07 (S) VERSION: CSSB 97(JUD)
 04/13/07 (H) READ THE FIRST TIME - REFERRALS
 04/13/07 (H) EDT, HES, JUD
 05/01/07 (H) EDT AT 5:15 PM CAPITOL 106

WITNESS REGISTER

WALTER SAMPSON, Vice President
 Land and Natural Resources
 NANA Regional Corporation, Inc.
 Kotzebue, Alaska

POSITION STATEMENT: Provided the presentation on NANA Regional
 Corporation Inc., and testified during the hearing on CSSB
 97(JUD).

REPRESENTATIVE REGGIE JOULE, Member
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: Testified during the presentation by NANA
 Regional Corporation, and answered a question during the hearing
 on CSSB 97(JUD).

TIM LAMKIN, Staff
 to Senator Gary Stevens
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: Presented CSSB 97(JUD) on behalf of Senator
 Stevens, sponsor.

BENJAMIN BROWN, Attorney at Law;
Vice Chair
Alaska State Council on the Arts (ASCA)
Douglas, Alaska

POSITION STATEMENT: Testified during the hearing on CSSB 97.

L. SAUNDERS MCNEILL, Director
Community and Native Arts Program
Alaska State Council on the Arts (ASCA)
Anchorage, Alaska

POSITION STATEMENT: Testified during the hearing on CSSB 97.

ACTION NARRATIVE

CHAIR MARK NEUMAN called the House Special Committee on Economic Development, International Trade and Tourism meeting to order at [5:42:00 PM](#). Representatives Gatto, Doll, Doogan, Kohring, and Neuman were present at the call to order. Representatives Lynn and Johansen arrived as the meeting was in progress.

PRESENTATION BY NANA REGIONAL CORPORATION INC.

[5:42:12 PM](#)

CHAIR NEUMAN announced that the first order of business would be a presentation by Walter Sampson of NANA.

[5:43:20 PM](#)

WALTER SAMPSON, Vice President, Land and Natural Resources, NANA Regional Corporation (NANA), presented a brief history of NANA after the passage of the Alaska National Interest Lands Conservation Act (ANILCA) in December, 1971. He informed the committee that the 11 villages of the NANA region directed that the management of their selected land was to be based on a subsistence use pattern; therefore, no development was planned within this region. Mr. Sampson explained that the tribes are strong governing bodies in the rural villages of this region. Eventually, ten of the villages decided to adopt first class or second class city government status and, thereby, sources of revenue and services were established. The city governments provided water, sewer, electricity, and other services. Mr. Sampson said that when services began to be cut back, due to the reduction of state funds to municipalities, the villages and NANA shareholders began to search for other sources of revenue.

[5:51:44 PM](#)

MR. SAMPSON relayed that the NANA board of directors was instructed to look for a business opportunity. At the same time, NANA was finalizing its land selection and began to research land north of Kotzebue. The rocks in this area were stained by minerals which indicated a potential for successful resource development. The NANA board of directors hired a geologist and reviewed documents from the U.S. Department of the Interior Geological Survey. After choosing a site, NANA applied for 77,000 acres of land that eventually became the Red Dog Mine. Mr. Sampson stressed that NANA proceeded with development plans only after receiving the support of all of the village residents. During a period of fourteen years plans were developed and a road easement was acquired.

[5:54:33 PM](#)

REPRESENTATIVE GATTO asked about the stain on the land.

[5:54:45 PM](#)

MR. SAMPSON explained that the land was stained by rocks, and the mine was named after the geologist's red dog. In 1980, NANA began a search for a business partner with experience in mining. Teck Cominco Ltd. (Teck Cominco), was chosen for the partnership due to its prior arctic experience. He pointed out that the villagers began a transformation from a rural and subsistence lifestyle to one that also incorporates the operations of the mining industry.

[5:59:09 PM](#)

CHAIR NEUMAN asked Mr. Sampson to speak of the balance between subsistence and development.

[5:59:31 PM](#)

MR. SAMPSON relayed that the agreement with Teck Cominco included provisions to protect the land around the mine, the road system, and the port facility. In addition, a subsistence committee comprised of elders from Kivalina and Noatak was created. The subsistence committee meets quarterly and notifies NANA of any potential environmental problems. NANA and Teck Cominco also work closely with federal and state agencies to monitor wildlife and water quality in the region.

[6:05:49 PM](#)

MR. SAMPSON described the mine's economic impact to the region by noting that NANA and Teck Cominco have formed an employment committee that seeks to bring shareholders into supervisory, technical, professional, and managerial positions at the Red Dog Mine. Through the process of education and training opportunities, students from all of the villages tour the mine and job-shadow employees.

[6:06:01 PM](#)

REPRESENTATIVE GATTO asked whether students from the Kivalina school district participate in the training opportunities.

[6:06:44 PM](#)

MR. SAMPSON said yes. He then continued to say that the job-shadow, career awareness, pre-apprentice millwrights, and on-the-job training programs are available for interested youth from all of the villages. In addition, the Red Dog Mine employs six trainers for students, and NANA provides post secondary scholarships in the amount of \$250 million per year. Higher degrees in engineering are especially encouraged.

[6:10:28 PM](#)

MR. SAMPSON called the committee's attention to NANA's efforts to maximize shareholder employment at the mine. The percentage of shareholder employment has ranged from 51 percent in 1996, to 58 percent in 2005, and one of the goals for the next ten years is to increase that percentage. He said that the Red Dog Mine is a drug and alcohol free operation. Mr. Sampson informed the committee that the total work force at the mine is 464 workers, and total annual wages paid are \$42 million. He said that wages paid by the mine from 1982 and through 2006, totaled \$475 million. Almost 70 percent of the mine's employees live in Anchorage due to the lower cost of living and a shortage of housing and other employment opportunities in the villages.

[6:17:15 PM](#)

CHAIR NEUMAN asked whether villagers are concerned about the number of young adults who are moving to bigger cities.

[6:17:48 PM](#)

MR. SAMPSON opined that the majority will return to their communities.

6:18:30 PM

REPRESENTATIVE DOOGAN asked whether there were Native employees at the mine, who are not listed as shareholders because they were born after December, 1971.

6:19:08 PM

MR. SAMPSON explained that NANA is one of two Native corporations that have enrolled children born after December 18, 1971; however, stock held by the afterborn is not transferable.

6:20:19 PM

MR. SAMPSON pointed out that NANA received Teck Cominco royalty payments from 1982 through 2005, that totaled \$126 million. Seventy percent of the royalty payment is shared with other regional corporations as mandated by ANILCA. The Northwest Arctic Borough was created in 1986 from the region surrounding the mine in order to support education and improve employment opportunities for the residents. As a borough, Northwest Borough is empowered to collect from the Red Dog Mine payment in lieu of taxes (PILT). Teck Cominco has paid PILT in the amount of \$56 million from 1990 through 2005, and residents of the borough are not obligated to pay taxes. The present Northwest Arctic Borough budget is \$6 million and is sufficient to bond \$100 million for the construction of seven new schools.

6:25:13 PM

MR. SAMPSON stated that the cost of living and transportation costs have risen for the Northwest Arctic Borough residents, and residents hope for state assistance in the future. Presently 85 percent of the borough's budget is dedicated to education. During construction of the mine, financing was needed for the port facility. The Alaska Industrial Development and Export Authority (AIDEA) invested \$265 million in construction of the port site. Teck Cominco has repaid \$288 million toward the balance, interest, and excess tonnage charges for the road system. Mr. Sampson said that the Northwest Arctic Borough is investigating, with AIDEA, the possibility of purchasing the port site as a source of additional revenue. He said that purchase of the port site will provide income and employment for

the region, and that the Northwest Arctic Borough would appreciate the committee member's support of this project.

6:32:27 PM

CHAIR NEUMAN observed that AIDEA should be invited to present a report to the committee.

6:32:56 PM

MR. SAMPSON continued to note that the future of the port is contingent on AIDEA, and the Department of Transportation (DOT), completing the environmental impact study of the deep water port. If approved, the port will be dredged three miles to allow the ships to load at the conveyor and eliminate the need for barges.

6:35:00 PM

CHAIR NEUMAN asked whether storage is provided at the port site.

6:35:17 PM

MR. SAMPSON answered that, north of the port, there are tanks for fuel storage. There is also a storage facility for the that has the capacity to hold nine months of concentrate from the mine. Also, storage is provided for the mine supplies and equipment. The Red Dog Mine burns 33,000 gallons of fuel per day for operations and mine owners are considering a partnership with NANA to explore for natural gas.

6:37:41 PM

MR. SAMPSON turned the committee's attention to the subject of the Sulanich Arts Center. He said that the Northwest Arctic Borough is interested in supporting Native arts and crafts and its offices purchase art work or display artwork to sell on consignment. The borough and Chukchi College received a \$395,000 grant to build an arts center in Kotzebue. The renovated facility for artists is scheduled to open in June, 2007, with additional funding from the Rasmussen Foundation.

6:41:37 PM

CHAIR NEUMAN recalled that the land is a resource for subsistence and a source of income.

[6:42:42 PM](#)

MR. SAMPSON stated that the future of the region depends on development of the resources north of the Red Dog Mine, and of the coal deposits in the Artic slope. In the Ambler mining district, transportation issues are vital; particularly the need for a railroad, or road, from the west to the port facility.

[6:43:40 PM](#)

REPRESENTATIVE REGGIE JOULE, Alaska State Legislature, added that the deep water port project must keep moving forward. He noted that there is an important need to eliminate the lightering of mine products by barges, and to bring other customers in to use the port. Development in the north is challenging, he said, but can protect the environment and continue the subsistence livelihood for residents.

[6:46:08 PM](#)

CHAIR NEUMAN asked for advice for Northern Dynasty Mines Inc., regarding the development of the Pebble Mine.

[6:46:22 PM](#)

MR. SAMPSON replied that development must include consultation with affected residents and interested environmental groups. Communities must be asked to partner with the mine developers for mutual benefits.

[6:48:15 PM](#)

REPRESENTATIVE DOLL asked about the estimated production life of the mine and the location of its markets.

[6:48:33 PM](#)

MR. SAMPSON answered that the mine will be in production for 35 to 40 years. Its markets include, but are not limited to, China, Japan, and Korea. Transportation of over a million tons of ore is provided by a variety of shippers.

SB 97-ALASKA NATIVE ART IDENTIFICATION SEALS

[6:49:50 PM](#)

CHAIR NEUMAN announced that the next order of business would be CS FOR SENATE BILL NO. 97(JUD), "An Act relating to identification seals for certain articles created or crafted in the state by Alaska Native persons; relating to the Alaska State Council on the Arts; and making certain identification seal violations unfair trade practices."

[6:50:31 PM](#)

TIM LAMKIN, staff to Senator Gary Stevens, Alaska State Legislature, presented the sponsor statement for SB 97 on behalf of Senator Stevens, sponsor, and the Alaska State Council on the Arts (ASCA). Mr. Lamkin informed the committee that the Silver Hand seals are a marketing tool that is used to represent that an article of art has been authentically made in Alaska by an Alaska Native. Originally begun in the 1930s, at the beginning of the worldwide interest in Native art, the emblem has often become a victim of fraud. He said that SB 97 is a measure to modernize the statute, strengthen the program, and protect the artists.

[6:53:52 PM](#)

CHAIR NEUMAN asked whether SB 97 will change the bloodline requirements to quality for a permit to use Silver Hand seals.

[6:54:20 PM](#)

MR. LAMKIN responded that SB 97 will strike references to blood quantum and bring the qualifications for permit holders equal to those at the federal level.

BENJAMIN BROWN, attorney at law, and vice chair of the Alaska State Council of the Arts, informed the committee that the bill was the result of work by an ASCA task force that consisted of Alaska Native artists. He assured the committee that the bill was unanimously supported by the council. The task force studied the existing statute and made housekeeping changes that are not controversial.

[6:56:09 PM](#)

CHAIR NEUMAN noted that on page 4, line 13, there is a new state residency requirement.

[6:56:55 PM](#)

MR. BROWN indicated that an artist can retain residency by stating his/her intent to return to the state permanently.

[6:57:23 PM](#)

REPRESENTATIVE GATTO asked for the source of the steel used to craft an ulu.

[6:57:43 PM](#)

MR. BROWN responded that SB 97 allows for use of imported materials.

[6:58:19 PM](#)

MR. LAMKIN added that this bill will also put more emphasis on the artist and his/her creation, rather than the materials used.

[6:58:32 PM](#)

WALTER SAMPSON, Vice President, Land and Natural Resources, NANA Regional Corporation, Inc., opined that this bill will narrow the statewide issue regarding Native status down to a tribal issue. Blood quantum, he advised, is a divisive issue, as is the residency requirement.

[7:00:36 PM](#)

MR. LAMKIN clarified that an out of state Native artist would not be prevented from the sale of his/her art, but he/she would not qualify to use the Silver Hand seal.

[7:01:32 PM](#)

CHAIR NEUMAN stated that the committee will probably hold SB 97 due to the negative comments he has received.

[7:02:02 PM](#)

L. SAUNDERS MCNEILL, Director, Community and Native Arts Program, Alaska State Council on the Arts (ASCA), informed the committee that the use of the Silver Hand seal is limited to state residents due to the lack of ASCA jurisdiction outside of state boundaries. She noted that ASCA maintains partnerships for enforcement of the Silver Hand program with the attorney general's office, the Federal Trade Commission, and the Indian

Arts and Crafts Board; however, enforcement must be within state boundaries.

[7:03:12 PM](#)

CHAIR NEUMAN asked whether there are circumstances under which a non-resident artist could use the seal.

[7:03:39 PM](#)

MS. MCNEILL said that the intent of the program has always been to designate Native art that is produced in the state. Exceptions are made for artists stationed in the military outside of the state.

[7:04:24 PM](#)

REPRESENTATIVE LYNN asked whether the Silver Hand seal differs from the "Made in Alaska" bear symbol.

[7:04:55 PM](#)

MR. LAMKIN answered that the Made in Alaska tag is used for manufactured, mass-produced goods, although artists sometimes use both symbols. He explained that the Made in Alaska symbol is owned by the Department of Commerce, Community, & Economic Development (DCCED).

[7:05:50 PM](#)

REPRESENTATIVE DOOGAN confirmed that there is no enforcement to prevent misuse of the Silver Hand seal outside of Alaska.

[7:06:37 PM](#)

MS. MCNEILL affirmed that nationwide, regulation of Native arts is a problem. She noted that the ASCA is tasked to administer the Silver Hand program and not to determine who qualifies. Tribes designate individuals as members, and the ASCA would simply require a permit holder to prove the artist's registration in a tribe.

[7:08:17 PM](#)

REPRESENTATIVE DOLL remarked:

I just need to have something clarified. ... On page 5, [line 3], where you said, original, meaning new, unique, not a reproduction, or without the use of a mechanized duplication instruments. ... Were you mentioning, Mr. Brown, that, for example, we could import the steel that's already fashioned, and then the wood would be already there, and you just have to put it together. Is that the idea?

[7:09:03 PM](#)

MR. BROWN said no. He relayed that he was trying to explain the diversity of media and materials that are used in the creation of art. The program does not try to micro manage the determination of handicraft versus art, and the bill seeks to streamline the statute that refers to artwork. Mr. Brown added that the changes in the bill were to identify Alaska Native artists and their work that is being sold in Alaska.

[7:10:04 PM](#)

CHAIR NEUMAN opined that there is some confusion about the Silver Hand seal program.

[7:10:24 PM](#)

REPRESENTATIVE DOOGAN observed that an original painting would qualify for a Silver Hand seal, but the resulting prints would not.

[7:11:02 PM](#)

MS. MCNEILL explained that there are different types of printing processes and the intent of the legislation is to issues permits to print artists that maintain a direct relationship with their artwork. When an artist is the printmaker, the art work will qualify for a Silver Hand seal. However, multiple reproductions of original art may not. She expressed her hope that the changes in statute will make the program more inclusive for all Alaska Native artists.

[7:12:37 PM](#)

REPRESENTATIVE GATTO stated that "Alaska Grown" has been patented to protect its use.

[7:13:26 PM](#)

MS. MCNEILL responded that the Silver Hand seal is a registered trademark in Alaska, and ASCA is in the process of obtaining a federal trademark for the seal.

[7:14:34 PM](#)

CHAIR NEUMAN stated the committee's intent to garner, from artisans, additional testimony on SB 97.

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Economic Development, International Trade and Tourism meeting was adjourned at 7:15 p.m.