

HOUSE FINANCE COMMITTEE
February 2, 2009
1:33 p.m.

CALL TO ORDER

Co-Chair Stoltz called the House Finance Committee meeting to order at [1:33:11 PM](#).

MEMBERS PRESENT

Representative Mike Hawker, Co-Chair
Representative Bill Stoltze, Co-Chair
Representative Bill Thomas, Jr., Vice-Chair
Representative Allan Austerman
Representative Harry Crawford
Representative Anna Fairclough
Representative Richard Foster
Representative Les Gara
Representative Reggie Joule
Representative Mike Kelly
Representative Woodie Salmon

MEMBERS ABSENT

None

ALSO PRESENT

Senator Bill Wielechowski; Representative Nancy Dahlstrom, Chair, Joint Armed Services Committee; McHugh Pierre, Liaison, Department of Military and Veterans Affairs; Larry Hartig, Commissioner, Department of Environmental Conservation; Tom Irwin, Commissioner, Department of Natural Resources; Marty Rutherford, Deputy Commissioner, Department of Natural Resources; Leta Simons, Director, Division of Support Services, Department of Natural Resources; Denby Lloyd, Commissioner, Department of Fish and Game

PRESENT VIA TELECONFERENCE

None

SUMMARY

CSSB 77(STA)

"An Act relating to the Joint Armed Services Committee; and providing for an effective date."

CSSB 77(STA) was REPORTED out of Committee with a "do pass" recommendation and with fiscal note #1 by the Legislature.

HB 81 "An Act making appropriations for the operating and loan program expenses of state government, for certain programs, and to capitalize funds; making supplemental appropriations; and making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska; and providing for an effective date."

HB 81 was heard and HELD in Committee for further consideration.

HB 83 "An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

HB 83 was heard and HELD in Committee for further consideration.

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CS FOR SENATE BILL NO. 77(STA)

"An Act relating to the Joint Armed Services Committee; and providing for an effective date."

SENATOR BILL WIELECHOWSKI, read the sponsor statement for CSSB 77. He explained that the CS for SB 77 reauthorizes the Joint Armed Services Committee (JASC) which was created in 1999. At that time Alaska was being considered the site for deployment of the National Missal Defense System. In addition, the Base Realignment and Closure Commission (BRACC) was considering closing vital military installations in Alaska. JASC was created for a ten-year period to give the legislature a voice in the national debate over these issues. JASC, which has sixteen members that are appointed by the House and Senate, has been successful in representing Alaska's interests. The committee was active in advocating for the establishment of the Missal Defense Site at Fort Greeley and in protecting Alaska's bases during the BRACC deliberations in 2005. The committee continues to play an important role in monitoring developments that might affect the military in Alaska. It also seeks to protect the interests of Alaskans serving their country. In May, the committee will host a ceremony honoring Alaskans who, since statehood, have lost their lives in combat.

Senator Wielechowski reported that on January 1, 2009, JASC sunsets after ten years. This bill reauthorizes the committee and makes it permanent. The sponsors believe that a permanent committee is warranted because of the strategic role that Alaska will continue to play in monitoring and maintaining the security of the nation. The original version of the bill sought to reauthorize both the committee

and its homeland security and emergency management subcommittee. After further discussion it was decided that the subcommittee did not need to be reauthorized. He requested that the CS be moved out of Committee as quickly as possible.

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REPRESENTATIVE NANCY DAHLSTROM, CHAIR, JOINT ARMED SERVICES COMMITTEE, listed the members of the original Joint Armed Services Committee. She emphasized the importance of JASC because of BRACC coming up in two years and a major change in Washington. It is unknown how the bases will be handled. She maintained that their continuance is critical to Alaska's safety and economics.

Co-Chair Stoltze stated intent to act in a timely manner on the bill. He thought the fiscal note would not prove to be a problem.

MCHUGH PIERRE, LIAISON, DEPARTMENT OF MILITARY AND VETERANS AFFAIRS, emphasized that the Department supports JASC because it is a vehicle to move information on the economic impact of the military bases in Alaska. He explained that DMVA works with all commands when briefing the legislature. He thanked the Committee for their support.

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Representative Kelly recalled that unused funds are held and not sent back to the general fund. He wondered if that would change in CSSB 77.

Co-Chair Hawker related how, in the past, the operating budget did not lapse. Currently, the Governor's budget carries over, but the legislature's budget now lapses appropriations.

Co-Chair Stoltze stated that there was no public testimony.

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Co-Chair Hawker MOVED to REPORT CSSB 77 out of Committee with individual recommendations and the accompanying fiscal note.

CSSB 77(STA) was REPORTED out of Committee with a "do pass" recommendation and with fiscal note #1 by the Legislature.

There being NO OBJECTION, it was so ordered.

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HOUSE BILL NO. 81

"An Act making appropriations for the operating and loan program expenses of state government, for certain programs, and to capitalize funds; making supplemental appropriations; and making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska; and providing for an effective date."

HOUSE BILL NO. 83

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

Co-Chair Hawker assumed the gavel and began the discussion of budget overviews.

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LARRY HARTIG, COMMISSIONER, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, provided a brief overview of the Department. He listed the goals of the Department, emphasizing the assistance provided to small communities around the state. He outlined the five divisions within the Department.

Commissioner Hartig reported that there were about 541 FTE's. The main offices are in Anchorage, Juneau, and Fairbanks. There are 10 small offices scattered around the state.

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Commissioner Hartig related that the operating budget is around \$73 million for FY09. A large portion of that is from federal and other funds. The federal funds come with strings attached. He noted that the primary portion of the capital budget goes toward funding the Village Safe Water (VSW) Program and the Municipal Matching Grants Program. He discussed a 37 percent decline in federal revenues for VSW over the last four years. In the FY10 budget there is a \$25 million request to help supplant those declining federal revenues. The problem in rural Alaska with less federal funding is meeting sanitation needs.

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Vice-Chair Thomas asked if the \$25 million was general fund dollars and what the role of the legislature would be. Commissioner Hartig explained that there were two different grant programs: VSW, which is primarily federal funds, and the Municipal Matching Grant, which is for larger communities. The \$25 million request is for the VSW

program. A large number of projects have been identified in rural Alaska. The target is to provide primary service of running water and adequate sanitation. About 87 percent of households in rural Alaska now have running water and good sanitation. He spoke of difficulties accomplishing the goal of serving all households. The sites that do not have those services are priorities.

Co-Chair Stoltze wondered what would happen to the funding mechanism if a waste system was out of compliance. Commissioner Hartig explained that municipal projects are prioritized and that example would have to be examined as to how far down the list it was. Anchorage is different from other municipalities because it has more capacity for bonding. Co-Chair Stoltze thought that was a scary proposition and thought his example would qualify for emergency funding.

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Representative Fairclough asked if different communities have differing water quality standards. Commissioner Hartig clarified that the standards are the same statewide. The standards are broken into marine water and fresh water categories. There are site-specific criteria for some sites outside the normal process.

Representative Fairclough referred to the Ocean Ranger program and wondered if the output requirements are the same for a cruise ship as for drinking water. Commissioner Hartig explained that the criteria for marine and fresh water standards are different. He said that for the cruise ships, under DEC's interpretation of the Citizens Initiative, DEC is precluded from authorizing a mixing zone. He detailed how a mixing zone works. Representative Fairclough wondered if the standards for salt water discharge for cruise ships are stricter than drinking water standards in Anchorage. Commissioner Hartig said that the mixing zone standard holds cruise ships to a higher treatment standard.

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Representative Kelly asked if a change in the law is required and if the Commissioner's hands are tied. Commissioner Hartig said that was correct. The Department of Law and DEC interpret the Initiative to state that it precludes DEC from authorizing mixing zones from discharges from cruise ships.

Commissioner Hartig related that DEC must find \$390,000 in cost savings this year and is working to identify those areas. They will most likely be found in vacancies and in travel and not in program cuts. Co-Chair Hawker asked if

the cost savings would be from general funds. Commissioner Hartig said yes and thought those costs could be found by March. Co-Chair Hawker spoke of a February 3 deadline of the supplemental budget. Commissioner Hartig said the \$390,000 would appear in the supplemental as a decrement.

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Commissioner Hartig spoke of a net zero supplemental request to the FY09 budget.

Commissioner Hartig detailed the FY10 budget which will be for \$74,135,000 and have a slight increase in the operating budget due to one additional PFT for a mining engineer. There is an on-going effort, following up on the Governor's directive, to establish a climate change subcabinet chaired by DEC's Commissioner. In order to build a strategy as to how Alaska will fit into national regulations on climate change, \$184,000 in the Commissioner's budget will be shifted to the Air Quality budget. There are also standard increases from the bargaining units for negotiations.

Co-Chair Hawker noted an additional request for \$247,000 in general funds, with \$78,300 going to replace lost federal funding. In the 10-year plan there is a significant increase in general funds due to the decline in federal funds. Commissioner Hartig agreed with Co-Chair Hawker's analysis. He explained that most of the loss of funds will be from the VSW fund. There was a 37 percent decline in federal funding over the last four years. The projection is for a continuing drop of about \$10 million a year, zeroing out in about 2016.

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Representative Austerman asked about the 4 cent surcharge in the Revenue to Prevention account of the Response Fund. He wondered if within the 10-year plan there is evidence of planning for declining oil revenue. Commissioner Hartig made an assumption that within the 10-year plan something not yet identified would fill that gap. Representative Austerman opined that it is an issue that should be addressed today. Commissioner Hartig spoke of projections about the effect of the rate of decline in production on the surcharge.

Representative Austerman requested information about cost recovery as it relates to the Response Fund account. Commissioner Hartig described the two pieces of the response fund; \$50 million in the Response Account, and cost recovery to replenish those funds, as well as preventive measures.

Co-Chair Hawker spoke of LB&A's auditing efforts and the Department's response. Commissioner Hartig offered to provide more information on that subject.

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Representative Gara recalled requests for projections from DEC last year. He wondered if there was a shortfall in the Response Fund. Commissioner Hartig projected that there will be a shortfall. He referred to a handout entitled "DEC Response Fund" (copy on file) that demonstrates a projected shortfall. Representative Gara asked if DEC has a proposal yet to adjust the 4 cent surcharge. Commissioner Hartig replied that DEC does not have a plan at this time, but will imminently. Representative Gara related the history of the surcharge as it related to ACES legislation. Co-Chair Hawker added that the management of those funds should be part of the discussion. Commissioner Hartig reported that the response fund monies are based on crude oil. There is concern among industry that the monies are being used for all prevention and all response.

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Representative Kelly referred to the Baseline Budget Growth on page 4 of the "Overview of 10 Year Plan" (copy on file). He questioned the drastic increase in general funds from FY10 to FY11 and in other state funds from FY09 to FY10, as well as the continuing loss of federal funds. He wondered what will happen if oil stays at a low price. Commissioner Hartig reiterated that the main reason for an increase in general funds and decrease in federal funds is due to changes in funding for the VSW program. Solutions are being examined. DEC needs to look how those services can be more effectively delivered or how a lower level of service could be provided. Systems that are easier to maintain will need to be provided and communities may need provide more maintenance. Additional legislation may be required.

Representative Kelly suggested having no backfill of federal funding. He wondered if a comparison had been done between the minimum federal requirements and state responsibilities. Commissioner Hartig could not think of an example where a state standard was higher than a federal standard. Representative Kelly said his question pertains to law as well as to regulation.

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Representative Joule asked about increased costs to install sanitation systems and whether communities can afford them. He wondered if alternative systems would be cheaper. Commissioner Hartig said that the capacity of a community to pay for the system is considered. If the community can't

pay for it, another method is considered. He noted that in the past, systems were installed that were not affordable.

Commissioner Hartig reported on lower cost alternative systems.

Representative Joule requested a climate change report. Commissioner Hartig spoke of a good relationship with the legislative committee on the Climate Impact Assessment Report.

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Representative Austerman said a plan to deal with the loss of federal funding should be made.

Representative Kelly shared a story about a DEC inspection that did not make sense. He requested data on inspections. Commissioner Hartig estimated a \$2 million increase in inspection funding. He restated the Department's mission to protect the public's health. At this time, the Department is not fulfilling a statutory duty regarding restaurant inspections. He explained the process of inspection.

Co-Chair Hawker favored the merits of revisiting the regulations.

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Representative Gara shared a story of inspection excesses. Commissioner Hartig thought there was a way to approach the issue and at the same time protect the public.

Representative Gara wondered if new utility services in some villages cost over \$100 a month and if some people were declining those services due to the expense. Commissioner Hartig agreed that there were people who were opting not to make use of utilities due to high costs. Different approaches need to be looked at to solve that problem. Representative Gara asked for a grid on utility costs. Commissioner Hartig said it was possible that there are \$100 utility bills per household in some areas. He related that some communities are over optimistic and find out actual costs when they try to provide utilities themselves. He offered to provide a utility expense grid.

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Representative Joule wondered how the development of the Outer Continental Shelf intersects with the Department. Commissioner Hartig explained that development within 3 miles falls under state water discharge regulations. Activity outside of 3 miles falls under the EPA jurisdiction.

Vice-Chair Thomas asked for information about sanitation standards at fish cleaning stations. He was concerned about the disposal of carcasses.

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TOM IRWIN, COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES, referred to the Department of Natural Resources (DNR) organization chart (copy on file). He stated the Department's mission to "develop, conserve, and maximize the use of Alaska's natural resources consistent with the public interest". He considered DNR the state's business department, accountable to the public. He listed the areas the Department supports and its main functions. DNR currently employs over 900 people with offices in Anchorage, Juneau, and Fairbanks.

Commissioner Irwin reported that the FY09 operating budget is at \$142 million, which includes funding for the AGIA increments. He highlighted the Divisions of Oil and Gas, Mining, Land, & Water, and Geological & Geophysical Surveys.

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Commissioner Irwin described the responsibilities of the Divisions of Forestry, Coastal Management, Parks & Outdoor Recreation, State Pipeline Coordinator's Office, Project Management & Permitting, and the Mental Health Trust Land Office.

Commissioner Irwin reported that in 2008 there was \$3.37 billion in state revenue from oil and gas royalties and non-petroleum sources. He highlighted the progress in several areas. There were 1700 oil and gas leases. He indicated that DNR is pro-development and 97 percent of the leases are proceeding according to the lease conditions. Current issues being addressed are in Cook Inlet and Point Thomson. There were 5.5 million acres under lease in 2008. A recent hire to the Department was Dr. Mark Myers.

Commissioner Irwin referred to an interim decision on two leases regarding Point Thomson, which are currently in default. He talked about oil and gas development on the North Slope and royalty issues.

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Commissioner Irwin referred to expansions by Conoco and BP which will be great for the state. BP will begin drilling development wells with the Liberty Unit, and Chevron is exploring in White Hills. He listed new oil and gas exploration by Anadarko, Chandler, and ConocoPhillips. He highlighted new activity in the Cook Inlet area. He was

happy to announce the first geothermal lease sale since the 80's. He highlighted drilling projects in the Nenana Basin. He noted that DNR continues to hold area-wide lease sales.

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Commissioner Irwin talked about the Division of Oil and Gas's (DOG) ongoing commercial activities. He shared that there were 209 approvals issued by DOG in 2008. He expected those to continue even with the economic downturn. He shared statistics regarding new explorations, exploration wells and seismic programs, and new development approvals. Petroleum Systems Integrity Office (PSIO) held Alaska's first quality management symposium.

Commissioner Irwin spoke of preliminary field work by TransCanada Alaska's on the AGIA pipeline. DOG is on track to complete the AGIA royalty inducement regulations for gas valuation and royalty-in-kind/royalty-in-value (RIK/RIV) switching. PSIO continues to move forward on the gap analysis.

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Commissioner Irwin spoke about the future of Flint Hills' facility operations, which he considered critical. The amount of fuel hauled on the railroad from Fairbanks to Anchorage is the backbone of the railroad. This fuel is competitive in the world of keeping the Anchorage Airport with supplies for the 747 traffic. It is important for the backhaul work which affects tourism, supplies to the interior, and fuel for military bases. He said the bottom line is that it is important to keep the facility running, and yet respect other in-state competition.

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Commissioner Irwin pointed out that DNR is working hard with Flint Hills on the economics of the facility. The railroad is participating. The contentious issue was purchasing the facility, which DNR has not recommended, but has only looked at as an option.

Co-Chair Hawker voiced appreciation for hearing that the private sector has been involved and respected. He thought there was a lot at risk in bankrupting an Alaska Native owned investment for the sake of the state's railroad.

Commissioner Irwin agreed.

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Co-Chair Stoltze requested that any proposal be brought before the legislature. Commissioner Irwin said that DNR

must go through a royalty board and then through the legislature. He was comfortable with Co-Chair Stoltze's statement. Co-Chair Stoltze said he would pursue a commitment from the administration.

Co-Chair Hawker said he was troubled with Alaska Railroad's proposal that the state buy Flint Hills. Commissioner Irwin said that was out of his control. Co-Chair Stoltze said it is all based on trust.

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MARTY RUTHERFORD, DEPUTY COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES, explained about the need for oversight by the legislature.

Commissioner Irwin offered to provide updates. Co-Chair Hawker commented on the appropriateness of that offer.

Representative Austerman asked for a time frame on the Flint Hills issue. Commissioner Irwin thought that at one point Flint Hills was at foreclosure. He opined that now, with the low oil prices, DNR has probably "bought six months" to study this issue. Co-Chair Hawker requested a public dialogue in front of the Committee.

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Representative Crawford said it was hard to understand how Flint Hills could be losing money at today's prices. He requested more information about their financial status.

Representative Gara suggested that as a part of the state's review, an investigation of Flint Hill's high gas prices should be done. Commissioner Irwin explained that DNR is focused on the economic issues of the plant. He said that plants like Flint Hills have been shut down in the Lower 48 due to lack of flexibility. He speculated the direction that Flint Hills is going. He pointed out that there are two other entities, Petro Star and Tesoro. He explained how companies invest in Alaska. He emphasized that it is a free market and there are two sides to the issue.

Representative Gara thought a private enterprise might do a better job with fuel pricing. Commissioner Irwin said the object is to balance the interests. Co-Chair Hawker clarified that Flint Hills deals predominantly with jet fuel and heating fuel, not gasoline.

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Representative Joule wanted more information about the Department's capital budget, specifically, the Coastal Impact Assessment Program.

Representative Kelly said Flint Hills is in his district. DNR is looking at Flint Hills in order to examine the premium on the royalty and a Regulatory Commission of Alaska decision regarding distance sensitive mileage for the tariff, which expires in 2010. He explained that the question Flint Hills had was whether it could get relief from the high royalty payment. Commissioner Irwin agreed that DNR was approached by Flint Hills to renegotiate the contract and then DNR requested more data. Representative Kelly pointed out that the price of oil in the high \$30's has provided some relief, but the topic still needs examination. He maintained that a natural gas pipeline into Fairbanks would solve the problem. He opined that the issue would not be dealt with during this session. Commissioner Irwin agreed.

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Representative Fairclough asked who is involved with the land transfer from the federal government to the state under the Statehood Act. Commissioner Irvin said that DNR is. Representative Fairclough asked how many acres remain to be transferred. Commissioner Irvin read the numbers: for state entitlements, all state land grants, including territorial grants from the Statehood Act - 105 million acres. Conveyed, tentative approval, and patented - 95.8 million acres. Remaining entitlement - 9.9 million acres. That entitlement includes statehood, mental health, university, and school grants. Alaska Native Claims Settlement Act entitlements, as of December 2007 - 46 million acres. Interim, conveyed, and patented - almost 39 million. There is a remaining entitlement of almost 7 million. BLM management and DNR staff were able to keep pace with the statehood entitlement conveyances. He thought that the loss of federal funds will be a problem for the state.

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Representative Fairclough asked if the 95.8 million acres had already been surveyed. She requested the "real number" of untransferred properties to Alaska, as well as the plan that this administration is continuing to push forward or modify so that land can be utilized. Commissioner Irvin replied that most of the land has not been surveyed. He explained how it was made available to the public.

Ms. Rutherford offered to provide data on what lands have been surveyed and which had been tentatively approved. The federal government is responsible for the surveying. The surveying has been stalled because of a need for resolution to over selections by Native Corporations. She termed it an incremental process. Representative Fairclough asked if the

properties had to be surveyed to become public. Ms. Rutherford said that after the land has been tentatively approved, there could be a third party interest that would allow the state and Native Corporations to use the land until the survey is complete.

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Representative Fairclough wondered what pressure could be put on the federal government to make that land available to the state, in light of the current economy. She stressed the importance of the state having all of it "allotment available". Ms. Rutherford agreed that it was time to focus on the survey. Senator Stevens put a lot of pressure on the BLM for conveyance. Now is the time for the surveying to speed up.

Co-Chair Hawker referred to the 10-Year Plan and wondered if the Park Division's plan had been incorporated. Commissioner Irwin discussed the problem of the cost of parks maintenance - a \$64-\$65 million backlog.

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LETA SIMONS, DIRECTOR, DIVISION OF SUPPORT SERVICES, DEPARTMENT OF NATURAL RESOURCES, explained that the Park's strategic plan was considered in the 10-year plan. Co-Chair Hawker asked how much of it was adopted. Ms. Simons said the 10-Year Plan was looked at in conjunction with the capital improvement request. Co-Chair Hawker commented that it is a challenge.

Representative Salmon asked for an update on the natural gas pipeline. Ms. Rutherford reported that TransCanada did have a field season. They did not sign the AGIA license until the first week in December. The fall field season will not be reimbursable. This winter a 126 borehole program is being started. Alaska contractors are in place. Dr. Mark Myers was hired to work as the AGIA coordinator and will probably work with the Denali group. TransCanada was required to relinquish their federal and state Alaska Natural Gas Transportation System (ANGTS) authorities and permits, including some of their wetlands work. They will be restarting all of their right of way work.

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Representative Fairclough spoke of issues regarding drainage in the Eagle River Valley. James King had advocated for more money for parks maintenance. She asked why there was no state parks foundation to help with that request. She thought it would be a perfect opportunity to allow businesses to provide matching money to move parks forward.

She requested a follow up on that topic. Commissioner Irwin agreed to do so.

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DENBY LLOYD, COMMISSIONER, DEPARTMENT OF FISH AND GAME, referred to a handout labeled "Overview of the Alaska Department of Fish and Game" (copy on file). He commented about the goals, mandates, and missions of the Department of Fish and Game. He highlighted the phrase "utilization, development, and conservation of natural resources" undertaking for the maximum benefit of Alaskans and maintained on the "sustained yield principle". He quoted the mission of the Department. He highlighted Department goals.

Commissioner Lloyd highlighted the core services provided by the Department: harvest management, stock assessment, customer service, public involvement, state sovereignty, habitat conservation, and workforce development.

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Commissioner Lloyd shared the activities the Department conducts in support of core services.

Representative Gara mentioned that the Alaska Energy Authority (AEA) was reviewing applications for renewable energy projects throughout the state, many of which have potential fisheries impacts. He wondered how Fish and Game was involved in the review of those applications and how they would affect the Department's work load.

Commissioner Lloyd said that there would be substantial increases in the Habitat Division in order to provide timely and effective permitting process. He did not see it as a large burden on the staffing level. He emphasized that the permitting demands were a priority. He hoped they would have sufficient staff to keep up.

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Representative Gara said he came upon the problem of a fishery impact by accident. He mentioned three projects on the Kenai Peninsula.

Commissioner Lloyd said he is familiar with a number of such projects. He did not currently have an indication that more staff would be needed for permitting review of fishery impacts.

Co-Chair Hawker asked if Fish and Game had been contacted by AEA prior to fund recommendations. Commissioner Lloyd said he would provide those the numbers.

Commissioner Lloyd described "Structure and Budget" on page three of the handout. He reviewed the six divisions, the boards and commissions, and management of the Department.

Commissioner Lloyd reported that the FY09 operating budget is \$180 million, from sixteen funding sources, including \$55 million in federal funds, \$58.1 in state general funds, and \$26.1 million in fish and game funds.

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Commissioner Lloyd said the Department has 910 permanent full-time positions, 767 permanent part-time positions, and 62 non-permanent positions, totaling 1,739 positions.

Commissioner Lloyd described the FY10 budget request as totaling \$180 million. There will be a slight reduction of personnel within the Department.

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Commissioner Lloyd turned to the "Other Designated Responsibilities for the Commissioner". Most of the Department's responsibilities occur in waters from zero to three miles and in inland waters. The federal counterparts are the National Marine Fisheries Service and the North Pacific Marine Fishery Management Council. He described the Department's role on management boards.

Co-Chair Hawker opened the meeting up to questions.

Representative Austerman wondered if Commissioner Lloyd had asked for enough money to get the job done. He referred to a problem with stock assessment. Commissioner Lloyd said that there is enough money to "do the job we're doing", but there is always room for improvement. He thought stock assessment could be improved. Alaska's resources are currently being managed on the sustained yield principle. More benefit could be extracted if more resources were available. He maintained that the FY10 budget request was reasonable.

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Representative Austerman followed up asking about flat federal funding for the next year. He remembered that last year the Department had lost federal money. In light of that fact he was curious why the sum being asked for wasn't larger.

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Commissioner Lloyd reported that while the overall budget remains at \$180 million, there are some internal shifts. Last year the Department lost about \$7 million in federal funds. He pointed out that many of the services were moved to state funds. Two large projects for \$1 million each, Marine Mammal Research and Bering Sea Crab Research, were funded for only one year, and the FY10 budget contains those requests again. He reported that there is not an expectation of drastic cuts in federal funds this year or in future years, so that has not been planned for in future budgets.

Representative Austerman said that made him nervous. Co-Chair Hawker agreed.

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Commissioner Lloyd offered to revisit the numbers. Co-Chair Hawker reminded the Commissioner that the 10-Year Plan is just a planning tool.

Representative Salmon voiced concern about the management of fish in the Yukon River. He wanted to know what kinds of protections are in place to preserve fish populations there. Commissioner Lloyd said he wasn't sure why the numbers of fish were so low. He said the specific problems Representative Salmon mentioned were being looked at within various programs.

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Representative Salmon asked if a hatchery system could be established in the Yukon River. Commissioner Lloyd said he did not have specific answers to that concern.

Co-Chair Stoltze thought that there was a common interest in fish management among various user groups. He asked about planned increases in hunting licenses and game tag fees. Commissioner Lloyd said the Department is discussing that issue at this time.

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Co-Chair Stoltze questioned the economic impact of genetic stock studies on sport fisheries. He wondered if those studies had influenced the Department's allocation recommendations for the Cook Inlet region. Commissioner Lloyd said that the Department would not be making any allocation recommendations to the Board of Fish. The genetic information will be completed soon. He mentioned studies involving Susitna River Sockeye, which he hoped would be completed soon. He said the stock assessments over the next few years would be intensive.

Co-Chair Stoltze asked where the money came from to hire a new assistant commissioner. Commissioner Lloyd reported that the money came from the intensive management increment in the operating budget. Co-Chair Stoltze thought that was capital budget money. Commissioner Lloyd stated that it was an operating budget component. Co-Chair Stoltze asked if any capital budget money was used. Commissioner Lloyd said no.

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Representative Gara asked if there was an adequate program to measure out migration of smolt on the Yukon River. Commissioner Lloyd said there was not a program on the Yukon River for that purpose. He said he was referring to adult escapement counts. Representative Gara asked why it was not feasible to do. Commissioner Lloyd said he wasn't sure the technology was available for such a study.

Representative Gara said it was the state's largest river system and he felt it was important to find out what was going on with the fish populations there. Commissioner Lloyd offered to discuss that issue further.

Representative Austerman brought up the issue of disease in fish populations. Commissioner Lloyd recalled that there was an unresolved problem with freshwater occurring fungus in the Yukon. He said he was not an expert and could not provide much more information.

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Representative Kelly asked if headway was being made concerning the declining fish population in the Yukon. Commissioner Lloyd believed the return was cyclical. He said the Department was developing a better understanding of the Yukon fisheries.

Representative Kelly spoke of the net sizes and how they impact different-sized fish. He wondered if that was an issue.

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Commissioner Lloyd replied that net size selectivity is the subject of several studies. He said information on the topic would be available in the spring of 2010.

Co-Chair Hawker asked about the "great bison controversy". Commissioner Lloyd answered that the Department has an opportunity to reintroduce the wood bison. He felt that the provisions that allow for reintroduction of animals into experimental population were already in place.

Co-Chair Hawker specifically mentioned the Nenana Basin natural gas development. Commissioner Lloyd summarized the advantages of areas being considered as choice habitat for the wood bison.

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Commissioner Lloyd said conversations about the Nenana area were occurring. He hoped to respond to the concern about reintroducing the animals and to keep the dialogue alive with the federal government.

[4:06:13 PM](#)

Representative Crawford shared an experience in Kodiak involving bison, and said he did not understand what the problem was. Commissioner Lloyd voiced appreciation for Representative Crawford's comment.

Co-Chair Hawker noted a concern with the ability of environmental groups to intervene. Representative Kelly agreed that the issue needs to be clearly solved.

ADJOURNMENT

The meeting was adjourned at 4:08 PM.