

HOUSE FINANCE COMMITTEE
January 25, 2010
1:32 p.m.

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CALL TO ORDER

Co-Chair Hawker called the House Finance Committee meeting to order at 1:32 p.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

None

ALSO PRESENT

Larry Hartig, Commissioner, Department of Environmental Conservation; Mike Maher, Director, Division of Administrative Services, Department of Revenue; Denby Lloyd, Commissioner, Department of Fish and Game

PRESENT VIA TELECONFERENCE

None

SUMMARY

HB 300 APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 300 was HEARD and HELD in Committee for further consideration. The following departments presented overviews:

The Department of Environmental Conservation
The Department of Fish and Game

HB 302 APPROP: MENTAL HEALTH BUDGET

HB 302 was HEARD and HELD in Committee for further consideration.

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#hb302

HOUSE BILL NO. 300

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

HOUSE BILL NO. 302

"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 presented the overviews for today.

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DEPARTMENT OF ENVIRONMENTAL CONSERVATION

LARRY HARTIG, COMMISSIONER, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, introduced his staff in Administrative services. He stated the department mission to protect human health and the environment. He explained that the Department of Environmental Conservation (DEC) is primary a regulatory agency. He added that one of the most important functions in the water division is the village safe water and matching grant programs. This division helps small and large communities with water and sanitation systems. Commissioner Hartig listed the department's five divisions: Administrative Services (budget, financial, information, leasing, procurement, and environmental crimes), Air Quality (set federal clean air act standards and issue compliance permits), Environmental Health (laboratory services, state veterinarian, food safety and sanitation, drinking water, solid waste and pesticide management), Water Quality and Spill Prevention and Response.

Co-Chair Stoltze asked how invasive species are handled between the Department of Natural Resources (DNR) and the

Department of Environmental Conservation (DEC). He wondered if there was duplication or cooperation between the departments.

Commissioner Hartig replied that the primary role of DEC was issuing permits in dealing with invasive species through pesticides.

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Commissioner Hartig continued with the Division of Spill and Response which deals with preventing and responding to spills and cleaning up spills. There is also an industrial prevention and pipeline program.

Representative Gara questioned if the ongoing five cents per barrel oil surcharge adequately covers spill response and prevention work. Commissioner Hartig acknowledged he would be discussing that later in his presentation.

Commissioner Hartig remarked that the Division of Water sets water quality standards, facilities programs, the village and safe water municipal matching grants program, and issues the cruise ship program permits for wastewater discharge.

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Commissioner Hartig reported that the total operating budget proposed for FY2011 is \$75,546,000 with the general fund component at \$19.7 million, federal money at \$22.1 million and \$14 million in "Other". It also includes commercial vessel funds, Ocean Ranger funds, clean air funds and other smaller funds.

Co-Chair Hawker believed that Commissioner Hartig was presenting his information using the old categorization methods, therefore an immediate connection cannot be made on the totals shown on the legislature's short form books. He stressed that the fund sources are the same but cannot be compared.

Commissioner Hartig announced that there is a large component of federal funds in the DEC budget, but the funds are in decline. He highlighted an increase in funding for the drinking water program. The proposed budget increase in general funds of \$300,000 and the addition of five permanent full time positions. He explained the reason for the request was that in 2006 the Environmental Protection Agency (EPA) put forward three new drinking water rules or programs that the department needs to handle. These new programs would increase the workload and oversight in the department. He also foresaw more future regulations.

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Representative Austerman requested more detailed information about the new EPA rules. He wondered how long the federal government will be matching 50/50 funds with the state government. Commissioner Hartig reported that the three added rules were number 17 through 19 on the list issued by the EPA. The new rules cover disinfectants, disinfection byproducts, long term enhanced service work treatment, and ground water. Commissioner Hartig stated he would provide the details on these rules to the committee. He noted that as the federal government adds more complex rules, especially for rural communities, his department is required to oversee the training and outreach in these communities. He noted that the new positions would be added to the base budget as permanent positions.

Representative Austerman inquired how long the 50 percent matching federal money would be available.

Commissioner Hartig anticipated that the 50 percent federal money would continue for several years for the drinking water program. The program is nationwide, so if EPA backed off funding all the other states would be arguing for money. Commissioner Hartig reported that the three new rules were implemented in 2006 and the state had until 2010 to take primacy on them. If not implemented, the state could lose primacy of this program. He added that an anticipated four new rules will be rolled out by the EPA in the next few years; therefore, in the long term plan in FY2013 there is another \$500,000 in additional general fund match request with \$500,000 in federal.

Representative Austerman asked out of 19 rules how long have they been in primacy.

Commissioner Hartig replied that primacy is taken in each of these rules. If the department elects not to take primacy then the EPA could take the drinking water program over. Representative Austerman reiterated that three new rules were being implemented that was costing the state \$300,000 in general funds and \$300,000 in federal money with five new positions created. He asked for further information on how many new employees have been added with each new EPA rule. Commissioner Hartig answered that new positions have been added as certain rules are implemented. He remarked that his department would send the finance committee a summary of new positions.

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Representative Gara asked for a general fund cost for taking over primacy in the drinking water area versus if primacy is not taken. Commissioner Hartig said that would be done. Representative Gara questioned if the department also had

primacy in wastewater and asked for a comparison of primacy versus not taking primacy. Commissioner Hartig replied that one of concerns is that EPA is not set up to take programs back; therefore the question would be theoretical. Representative Gara responded that the federal law says this program must be implemented even if the state does not take primacy. Commissioner Hartig replied that it would take a lot of preparation for the federal government to take over the program.

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Representative Kelly asked that with the decline in federal funds combined with the added new federal requirements and the federal government's inability to take primacy; he wondered if this was good or bad news for Alaska. Commissioner Hartig responded that it would be bad for Alaska and hard for someone outside of Alaska to run this program.

Representative Kelly restated that Alaska might choose not to have the EPA programs or be willing to pay for them. If the federal government could not take primacy back or be able to force Alaska to take primacy, then he believed this might be good news for Alaska to be able to choose what is necessary. He added that with federal funds declining, the state will have to keep contributing more to keep these programs working.

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Co-Chair Hawker interjected that one of the next rule/programs anticipated is called the Radon rule which could cost the state a lot of money. He added that another major revision would involve lead and copper programs. He noted that federal rules are causing financial problems for Alaska. He announced that just within all the agencies' budgets, there is a 5.7 percent aggregate growth that needs to be cut to 3 percent, which translates to cutting \$130 million out of the governor's requested general funds budget.

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Commissioner Hartig pointed out that the federal drinking rules are not a take it or leave it option. These programs are federal requirements and if the state government did not take it over then someone else would. He questioned if Alaska would rather have the federal or state government enforcing these programs. He added that it was also important to point out that the state would lose federal funds attached to these programs. Commissioner Hartig continued with highlights from the FY2011 operating budget, noting there is a \$260,000 general fund increment for

equipment maintenance agreements. He informed that equipment warranties were expiring at the Environmental Health Lab. He stated that \$153,000 was for contractual services for pesticide programs. This money would provide expert consultation for the program and would be totally funded out of the yearly registration fees charged to those who register pesticides to sell in Alaska.

Commissioner Hartig continued that \$150,000 in general funds would be used for a full time position for consistency determination in the Air Quality division and help with the Outer Continental Shelf (OCS) and Alaska Gasline Inducement Act (AGIA) work.

Co-Chair Hawker asked if there was work within the division that was not necessary or required. Commissioner Hartig responded that the Air Quality division has a lot of new work and needs the greatest lead time on any oil and gas projects before there is any development.

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Representative Kelly asked if CO2 was a regulated substance. Commissioner Hartig responded that it was regulated not at this time, but there is a requirement to monitor reporting of greenhouse emissions over 25 tons per year. Representative Kelly expressed concern that there was heavy pressure to regulate emissions. He noted that if there is a backlash against cap and trade that could cost Alaskans electricity and fuel, he believed the carbon situation may not have played out completely. He emphasized that as some of the expenditures continue to accelerate; there might be a different result than anticipated. He told the commissioner to be suspicious of anything adding cost to the DEC heading in that direction.

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Representative Austerman asked if there were any existing environmental programs not required by law. Commissioner Hartig responded no. He informed the committee that Supreme Court case, *Massachusetts vs. EPA*, held that if the EPA finds that CO2 emissions were endangering the health of the public, then it must be regulated as a pollutant under the Clean Air Act. The EPA made this endangerment finding and will proceed to regulate CO2 and other greenhouse gas emissions under the Clean Air Act. He reported that Senator Lisa Murkowski introduced a resolution that would preclude EPA from going forward with this plan, pending congressional action. He warned that there is a risk for Alaska if the state does not evaluate the impact of a cap and trade program or understand how it might impact a gas line or other economic development programs critical to Alaska's

economy. He cautioned that the discussions would go forward without Alaska's input.

Representative Austerman asked what would be the duties of this new full time position. Commissioner Hartig responded that this position would look at OCS, AGIA and the baseline information needed and also look at the impact of a federal program and how to represent Alaska in these discussions.

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Co-Chair Stoltze asked if the various departments would be willing to help the legislature send a strong message to the federal government expressing concern regarding cap and trade issues.

Commissioner Hartig replied that the governor has taken a position on cap and trade and its possible impact on a gas line project and has sent letters to Alaska's delegation in Washington. Co-Chair Stoltze asked if it would be harmful to the state if the legislature expresses their concern regarding federal policies. Commissioner Hartig believed it would be best to leave it with the governor's office.

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Representative Salmon referred to the pollution problems in Fairbanks and asked how the state deals with it. Commissioner Hartig remarked that the EPA set a standard for particulate matter, the particles that go into the air when burning hydrocarbons, at 2.5 micron particles. These particles get imbedded deep in the lungs causing health concerns. If communities do not meet the required levels then the consequences, besides the harm to human health, could be a cut in federal highway funds. When a community, such as Fairbanks, does not meet this federal law, then DEC works with the community to develop a plan to come into compliance. Once the plan is in place and the community starts operating under the plan, the EPA just monitors the situation. If the community does not adopt a plan then EPA will implement their own plan. He reminded the community that failure to comply may ultimately end with a cut in highway funds.

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Representative Salmon asked if anything was being done about the smoke problem in Fairbanks and the Yukon flats. Commissioner Hartig answered that the department works closely with DNR and other federal agencies to monitor the metrological conditions and warn people with health advisories. Representative Salmon questioned what the difference was between summer and winter conditions. Commissioner Hartig stated that inversions in the winter

traps the smoke, but it does not rise to the same levels as the large summer fires around Fairbanks in recent years.

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Co-Chair Hawker remarked that he wanted to get the longer range goal for the department.

Representative Kelly quoted that "this investment would allow the state to further its objectives to address climate change and efficiently move forward the construction of a natural gas pipeline." (Department of Environmental Conservation, Operating Budget Presentation to House Finance Committee-Jan.25, 2120, page 2, under Air Quality, copy on file). He asked what the objectives of the state were.

Commissioner Hartig remarked that the objectives would be to make sure that if there is a federal program to control greenhouse emissions, it would not hinder going forward with coal and the natural gas pipeline. He added that to commercialize natural gas on the North Slope there will be a huge energy need and that cost along with federal rules could make the gas line unprofitable; therefore it was very important for DEC to know how the carbon could be managed. Representative Kelly suggested that the DEC help the state find ways to fight the federal government rules. Commissioner Hartig said they were trying to move in a rational way toward what is best for Alaska and its communities.

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Commissioner Hartig moved on to the capital budget review. He noted the capital budget proposal is \$75 million for FY2010. The safe water program is \$48,500,000, 75 percent federal with a 25 percent state match. He noted there continues to be a 40 percent decline in federal funding over the last six years. The FY2011 budget is approximately \$18 million less just because of the drop in federal funding. Eventually the federal funds will end so the question arises on what to do for funding the village safe water situation. Co-Chair Hawker voiced his concern regarding deferred maintenance issues in the villages and wondered about the accumulated exposure for the state regarding maintenance.

Commissioner Hartig remarked that not maintaining facilities may require them to be replaced earlier resulting in a huge expense to the state. He added that lack of maintenance might also affect the reliability of the facilities. He understood that the high cost of energy in communities may be putting pressure not to fund maintenance issues. He remarked that the legislature might consider working with the federal government to provide some incentives for communities to develop sound maintenance plans.

Co-Chair Hawker asked if the DEC can use the village safe-water earmark for maintenance or only for new construction.

Commissioner Hartig answered that the earmark is used for new construction and to replace facilities and upgrades, but not for maintenance. He pointed out that remote maintenance workers are on call to travel to a community to train how to fix problems, but the remote workers do not do the work themselves. He indicated that the DEC was exploring different ideas on how deal with maintenance issues.

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Co-Chair Hawker asked about the prevention account balance.

Commissioner Hartig referred to the handout on the "nickel a barrel" tax on crude oil from the North Slope and Cook Inlet (Department of Environmental Conservation Response Fund, Prevention Account-Balance Projection, copy on file). He mentioned this tax is split in the Response Fund into two accounts; the Prevention account receives four cents and the Response Account receives one cent. The Prevention account handles the spill prevention response division. The one cent goes into the Response Account for emergency spills. He elaborated that the \$50 million response fund is available for emergencies. If this account drops below \$50 million, then the one cent tax is implemented until the \$50 million is restored. He added that with declining oil production, the surcharge will go down over time. The Prevention Account Balance graph shows the fund decline. Commissioner Lloyd noted that in FY2014, the account will go into the red. The only thing that has kept the account from going into the red earlier is the surplus established years ago. In order to avoid cutting back on services, the options after FY2014 would be to increase production, increase the surcharge, or supplement the fund with general funds.

Co-Chair Hawker asked what the department planned to do about the bankrupt fund in FY2014. Commissioner Hartig repeated that there could be a proposal next year to increase the surcharge or supplement it with general fund money. He added that this situation has been brought to the attention of the legislature each year. Co-Chair Hawker asked if it was possible to reduce costs. Commissioner Hartig agreed that cost savings was an option.

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Representative Austerman requested a ten year history of what the fund has generated and any growth in expenditures. Commissioner Hartig agreed to provide the information to the committee and subcommittee.

Representative Doogan wondered why the administration intended to spend \$7.5 million more than the fund's revenue. Commissioner Hartig repeated that there was a surplus in the fund at present. Representative Doogan asked why it was the policy of the department to spend down the surplus money at this rate.

Commissioner Hartig responded that the amount in the fund was not designed to be the amount the Division of Spill, Prevention, and Response (SPAR) needed for their operations. He added that because of the amount that existed when the fund split between the prevention and response accounts, a surplus was created. He added that there was never an agreed budget for SPAR. There was the belief that the surcharge on crude oil production would support SPAR. Unfortunately this has gone down. The division is at a point of filling the gap with the surplus, but that is also declining. He emphasized that a new way of funding will have to fill the gap.

MIKE MAHER, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF REVENUE, explained that the two expenditures for capital or contaminated sites cleanup are based on risk. For three years the division has not asked for any capital funds for many contaminated sites throughout the state, but some sites have reached a critical point where the use of this fund or the general fund is necessary. In the past the legislature has helped by adding some general funds to the account.

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Representative Doogan asked for a plan to solve the problem. Commissioner Hartig responded that the department would be putting proposals together for a long term plan. The fund problem is all triggered by the decline in production; therefore additional revenue will be needed. Co-Chair Hawker voiced past concern about the use of the fund to clean up sites that may not have been appropriate, such as bailing out other state agencies. He wondered if this was still happening. Commissioner Hartig noted this year's proposed budget of \$1 million general fund money to clean up of some state's contaminated sites.

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Representative Gara asked if there will be further discussion on the five cents a barrel issue in the House Finance committee or subcommittee. Co-Chair Hawker interjected that the discussion would certainly be in the subcommittee. Commissioner Hartig indicated his willingness to meet with any individual legislator to discuss the matter further. Representative Gara stated that the DEC was put on a goal to economize and wondered if this had happened. He also asked where the \$50 million response fund was today.

Commissioner Hartig responded that the one cent surcharge was presently in effect to bring the fund back up to \$50 million. Mr. Maher responded that the response fund was presently at \$45 million. Representative Gara asked how long it would take to reach \$50 million. Mr. Maher answered that one cent is roughly \$2.3 million a year; therefore it would take about 2 1/2 to 3 years. Co-Chair Hawker added that increasing production might solve the problem.

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Representative Austerman asked for information on how the four cents is being used. Commissioner Hartig noted that there is cost recovery on third parties, but not for state agencies.

Representative Kelly responded that the commissioner needs to put pressure on policymakers to make this sustainable.

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Co-Chair Hawker remarked that a review of legislative intent was needed.

Representative Salmon questioned if the one cent was capped at \$50 million. Commissioner Hartig replied that was correct. Representative Salmon inquired what turns the one cent on and off. Commissioner Hartig answered that if money is drawn from the response fund then the one cent surcharge turns on until \$50 million is reached. Representative Salmon asked where the one cent money goes after \$50 million is reached. Commissioner Hartig said that the surcharge is turned off once the \$50 million is reached. He explained that when the DEC draws from the fund, the governor, finance chairs and the Department of Revenue are notified. The Department of Revenue sends a bill for the oil surcharge until the \$50 million is reached, then the billing stops.

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Co-Chair Stoltze wondered if the commissioner had gone back to the original intent of the bill. Commissioner Hartig concluded that in the long term plan, the key issues were declining federal and response funds.

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DEPARTMENT OF FISH AND GAME

DENBY LLOYD, COMMISSIONER, DEPARTMENT OF FISH AND GAME (DFG), provided a broad overview of the department. He referred to Article 8 in the Alaska Constitution stating that the legislature will provide for utilization, development and conservation of all natural resources

belonging to the state for the maximum benefit of its people. He read the department missions statement, "To protect, maintain, and improve the fish, game, and aquatic plant resources of the state, and manage their use and development in the best interest of the economy and well-being of the people of the state, consistent with the sustained yield principle." He stressed that sustained yield means obtaining ongoing production and use of the resources. The department deals with fisheries, hunting, and conservation of fish and wildlife primarily within state boundaries. The DFG must also work with federal agency authorities, such as the National Marine Fisheries Service, the U.S. Forest Service, Bureau of Land Management, and others. The department must also comply with the Endangered Species Act and Marine Mammal protection Act which he believed to be an encroachment on some of the state's authority. He also remarked on some international agencies that affect the department's work. Commissioner Lloyd stressed that the people of Alaska are passionate about hunting, trapping, and fishing resources.

Commissioner Lloyd listed the department's core services: Harvest Management, Stock Assessment, Customer Service, Public Involvement, State Sovereignty, and Habitat Protection. (Alaska Department of Fish and Game, FY11 Governor's Operating Budget Request Overview, copy on file). In order to accomplish the core services, the department internally takes workforce development seriously. He mentioned the difficulty in retention and recruitment of employees along with hunters and anglers who provide much of the department's revenues.

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Commissioner Lloyd referred to the three budget tables (page 3). The Current Capacity table is the FY2010 authorized budget which is broken out by the six core service programs. The next table deals with transactions of increments proposed for FY2011 operating budget. The last table is the FY2011 Governor's Budget. Commissioner Lloyd noted that the two main programs are harvest management and stock assessment. He added that harvest management is the most fundamental service provided to determine the population and biological productive parameters.

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Vice-Chair Thomas inquired how the stock assessment monies have gone up or down in the past ten years. Mr. Lloyd responded that he would send the information to the committee.

Representative Doogan asked about the numbers under the "other funds" category.

Mr. Lloyd listed state general funds, federal funds, licensing revenues, fines and forfeitures, interagency receipts, and test fisheries. Co-Chair Hawker noted that the information was located under numeral "V" in the short form book.

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Commissioner Lloyd referred to the Key Performance Indicators of each core program (page 4-5).

Co-Chair Hawker noted the received increment request money was for Western Region Fisheries Management and wondered if there might be additional federal funds now that the federal government has declared the western region fisheries a disaster. Mr. Lloyd hoped there would be additional federal funds available. There have been additional projects added over the last several years that will provide better management of those runs. He added there is an ongoing federal grant process through the Pacific Coastal Salmon Recovery Fund program, but it will be shared with other western states.

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Representative Austerman asked how much money is left over from the sustainable salmon funds. Mr. Lloyd said it depends on which year of the grant fund. Vice-Chair Thomas asked where the funds for Crystal Lake Hatchery would come from. Commissioner Lloyd reported he did not know, but would look into the matter. He added there are ongoing discussions among many constituent groups for the Southeast Mitigation Fund. This is money appropriated by the federal government to the state of Alaska in recognition of some detriments in Southeast due to the Pacific Salmon agreement.

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Representative Salmon wondered what the money in the budget would do for the Yukon River. Commissioner Lloyd remarked that in the operating budget, there was a request for \$130,000 to help continue the Chinook salmon stock identification program to determine their movements. Commissioner Lloyd noted a number of items in the capital budget that could be used for fishery research; such as \$750,000 for an ongoing effort in the Western Alaska Salmon Identification program. He shared that when completed the study will be the largest and most intensive salmon stock genetic identification study anywhere. In addition there is a request for \$200,000 to enhance aerial survey of Chum salmon and \$250,000 to refine the pilot station sonar program.

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Representative Joule asked the department's plans regarding subsistence issues.

Commissioner Lloyd responded that the department would continue to work with the federal government substance review process. He noted that Alaska would like the federal government to recognize the state's sovereignty on fish and wildlife management. The federal subsistence management program occurred when Alaska failed to comply with the federal rural position under the Alaska National Interest Lands Conservation Act (ANILCA). The department is not contesting the federal preference on federal lands for federally eligible subsistence users. Commissioner Lloyd added that the department is responsible for the conservation of the fish and wildlife stocks upon which the federally eligible users are dependent.

Representative Joule asked how the dual management process is working. Commissioner Lloyd alleged it would be preferable not to have dual management, but it has been getting operationally better over the years.

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Representative Gara asked if there was any compensation for those who were unable to fish King [Chinook] salmon on the Yukon River after it had been wrongly closed due to miscounting. Commissioner Lloyd declared that the Yukon River is a difficult area to manage. He noted that the closing has been characterized as an error or miscount, but in actuality, given the total run size of the Chinook run, the statistics were within 15 to 20 percent of the estimate of the total run. He agreed that for a region suffering economic problems, but it is a dramatic problem. In prior years there had been too much harvesting hindering the conservation goals. Commissioner Lloyd said that people or communities were not paid back, but DEC tried to design the opening and closing of the summer Chum fishers and, later in the year, the Coho fisheries to allow more harvesting to occur. Representative Gara contended that in more economically depressed areas, reliant on one industry, it seems to call for a more financial response.

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Co-Chair Stoltze asserted that subsistence issues are the state's highest priority. Commissioner Lloyd agreed that the department operates under the mandate that subsistence has a priority. Co-Chair Stoltze asked if management decisions were being made before or after the fish enter the Alaska river systems. Commissioner Lloyd answered that fisheries

looked at both before and after they enter the river systems.

Co-Chair Stoltze noted that in 2008 the number of anglers purchasing fishing licenses was 8 percent over of the target goal, but the days the anglers spent fishing was under target. He wondered if this would change in 2009 and how this would affect department policy. Commissioner Lloyd responded that the department did not know the 2009 numbers, but he did not believe that policy affected the 2008 numbers. He believed economic conditions affected the numbers more.

Co-Chair Stoltze maintained that when there are more closures and less angler days, that could affect the numbers.

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Vice-Chair Thomas believed that the once the Anchorage Hatchery opens some of these problems might be solved. He noted that Fairbanks does not have a hatchery. Commissioner Lloyd warned that more fish is not always the best way to address all management issues.

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Representative Salmon asked if there were two sonar near mouth of the Yukon River and one at the border. Commissioner Lloyd answered that there is one sonar site near the mouth at Pilot Station; there are two sonar aiming from different banks counted as one. There is also sonar at Eagle near the Canadian border.

Representative Salmon asked who decides when to shut the salmon flow into the Yukon River.

Commissioner Lloyd responded that it was impossible to know how many salmon would be returning each year. The department only issues projections or forecasts. He added that salmon management deals with escapement; targeting the number of fish that need to escape through the fishery to end up on the spawning grounds. He reminded that it is not an exact science. Representative Salmon asked if another sonar site after the Tanana River would give a better estimate of how many salmon were heading toward the Canadian border. Commissioner Lloyd commented that additional sonar is not always the answer. He noted the department operates aerial surveys in the spawning grounds and would put into place other projects, but often not enough money for additional programs.

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Representative Austerman indicated that prior to the state having the oil money there were other systems in place. He wondered why the department doesn't request more money to run the department in the manner it needs to manage the fishery stocks. Commissioner Lloyd replied that different departments would ask for different amounts of money. He added that the DFG has enjoyed some good growth and focused on some problem areas, but there were good opportunities for additional investment to do a better job of getting more from sustained yield.

Representative Austerman believed the Administration needs to ask for what they need, and then the legislature needs to fund it. He asked how many systems around the state are having ongoing problems.

Mr. Lloyd responded that he does not have a count. He noted that Alaska is known as a leader in salmon management, but problem cycles in productivity tend to move around the state. There are some chronic areas of difficulty such as the Susitna Valley, Norton Sound and Yukon River. He mentioned eight salmon stocks of concern around the state of Alaska.

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Representative Gara agreed that counting fish on every river system is not the same, but he contended that it seemed like a lot less effort and equipment goes into counting on the Yukon River.

Commissioner Lloyd stated that was not the case. He asserted that the Yukon River was getting a lot of attention factoring in the logistical difficulties, but agreed there was a lot of room for growth. Representative Gara reiterated that the perception is a lot more money is given to counting on the Kenai River versus the Yukon River.

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Commissioner Lloyd shared that he did not have the budgets for the two rivers before him, but he believed that assumption was wrong. Co-Chair Hawker mentioned the Commercial Fisheries Revolving Loan Fund is a successful and important program within the agency. He stressed his concern of taking money from this fund to support other government or department activities.

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Representative Kelly asked about some thoughts on the guides use variance.

Commissioner Lloyd maintained that the reason the DFG and DNR were going through this exercise deals with identified problems of crowding and too many guides in too small an area. It may be necessary to limited the number of guides per area and improve the quality of service. The tradeoff is that if you restrict the number of guides, the revenue might increase, but also reduce someone's opportunity to engage in the guiding business.

Co-Chair Hawker voiced his concern about the objectivity of the board members.

Commissioner Lloyd asked if Co-Chair Hawker believed there were too many vested guiding interests on the board. Co-Chair Hawker remarked that one group of professionals feels that another established group controls the board and is excluding, injuring and damaging them. He emphasized the desire for these boards to be as fair and objective as possible.

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Representative Kelly declared the outcome could be the disenfranchisement of a large group of people who earn their living as guides. Often when rules are changed unilaterally is causes dislocation in the bush communities and he believed this has elements of the same problem.

Commissioner Lloyd stated that the review has been ongoing for at least three years. Representative Kelly reiterated that there was a belief that it was driven by the "good old boys."

Representative Salmon inquire about the chain of command for stopping the fish on the Yukon River. Commissioner Lloyd stated that the state's management system for fish and game is unique, but there is an emergency order authority granted to the department by the Alaska statute which provides for the opening and closing of fishing and hunting seasons based of the assessment of harvest goals and biological productivity. The department has delegated this power to as local a level as possible. The strength of the system is that people in the field with real time access to the information and direct interaction with local users are making the decisions.

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ADJOURNMENT

The meeting was adjourned at 3:50 PM