ALASKA STATE LEGISLATURE
HOUSE RESOURCES STANDING COMMITTEE
March 23, 2009
1:07 p.m.

MEMBERS PRESENT

Representative Craig Johnson, Co-Chair
Representative Kurt Olson
Representative Paul Seaton
Representative Peggy Wilson
Representative David Guttenberg
Representative Scott Kawasaki
Representative Chris Tuck

MEMBERS ABSENT

Representative Mark Neuman, Co-Chair
Representative Bryce Edgmon

COMMITTEE CALENDAR

HOUSE BILL NO. 70
"An Act establishing the farm-to-school program in the Department of Natural Resources, the Alaska grown fresh fruit and vegetable grant program in the Department of Education and Early Development, the farmers' market technology improvement pilot program in the Department of Environmental Conservation, and the farmers to food banks pilot program in the Department of Commerce, Community, and Economic Development."

- MOVED CSHB 70(RES) OUT OF COMMITTEE

HOUSE BILL NO. 43
"An Act relating to aquatic farm permitting involving geoducks and to geoduck seed transfers between certified hatcheries and aquatic farms."

- MOVED HB 43 OUT OF COMMITTEE

HOUSE CONCURRENT RESOLUTION NO. 12
Requesting that the governor and the attorney general review and reevaluate the license issued to TransCanada Alaska Company, LLC, and Foothills Pipe Lines Ltd., jointly as licensee, under the Alaska Gasline Inducement Act to determine whether the project proposed by the licensee sufficiently maximizes the benefits to the people of the state and merits continuing the

license, taking into consideration economic changes affecting project financing, the availability of liquefied natural gas and natural gas from nonconventional sources, the state's risk of paying treble damages associated with an in- state gas pipeline, and the expected budget deficit; and requesting that the governor and the attorney general report the outcome of the review and reevaluation within six months.

- BILL HEARING CANCELED

PREVIOUS COMMITTEE ACTION

BILL: HB 70
SHORT TITLE: ALASKA GROWN AGRICULTURAL PRODUCTS
SPONSOR(s): REPRESENTATIVE(s) GATTO

01/20/09	(H)	PREFILE RELEASED 1/16/09
01/20/09	(H)	READ THE FIRST TIME - REFERRALS
01/20/09	(H)	RES, FIN
03/18/09	(H)	RES AT 1:00 PM BARNES 124
03/18/09	(H)	Heard & Held
03/18/09	(H)	MINUTE(RES)
03/23/09	(H)	RES AT 1:00 PM BARNES 124

BILL: HB 43
SHORT TITLE: GEODUCK AQUATIC FARMING/SEED TRANSFER
SPONSOR(s): REPRESENTATIVE(s) SEATON

01/20/09	(H)	PREFILE RELEASED 1/9/09
01/20/09	(H)	READ THE FIRST TIME - REFERRALS
01/20/09	(H)	FSH, RES
02/24/09	(H)	FSH AT 10:15 AM BARNES 124
02/24/09	(H)	Heard & Held
02/24/09	(H)	MINUTE(FSH)
02/26/09	(H)	FSH AT 10:15 AM BARNES 124
02/26/09	(H)	Moved Out of Committee
02/26/09	(H)	MINUTE(FSH)
02/27/09	(H)	FSH RPT 6NR 1AM
02/27/09	(H)	NR: MILLETT, JOHNSON, KELLER, BUCH, MUNOZ, EDGMON
02/27/09	(H)	AM: KAWASAKI
03/18/09	(H)	RES AT 1:00 PM BARNES 124
03/18/09	(H)	Scheduled But Not Heard
03/23/09	(H)	RES AT 1:00 PM BARNES 124

WITNESS REGISTER

REPRESENTATIVE CARL GATTO
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Testified as the sponsor of HB 70.

SANDRA WILSON, Staff
Representative Carl Gatto
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Reviewed the proposed committee substitute for HB 70.

FRANCI HAVEMEISTER, Director
Central Office
Division of Agriculture
Department of Natural Resources
Palmer, Alaska
POSITION STATEMENT: Answered questions during hearing on HB 70.

JEFF HETRICK, Director
Alutiiq Pride Shellfish Hatchery
Seward, Alaska
POSITION STATEMENT: Answered questions during hearing on HB 43.

RODGER PAINTER, President
Alaskan Shellfish Growers Association
Juneau, Alaska
POSITION STATEMENT: Supported HB 43.

DAVE OTNESS
Cordova, Alaska
POSITION STATEMENT: Supported HB 43.

PAUL FUHS, Co-owner
PACAlaska
Anchorage, Alaska
POSITION STATEMENT: Supported HB 43.

ACTION NARRATIVE

1:07:33 PM

CO-CHAIR CRAIG JOHNSON called the House Resources Standing Committee meeting to order at 1:07 p.m. Representatives Seaton, Johnson, Olson, Guttenberg, and Wilson were present at the call

to order. Representatives Kawasaki and Tuck arrived as the meeting was in progress.

HB 70-ALASKA GROWN AGRICULTURAL PRODUCTS

1:07:36 PM

CO-CHAIR JOHNSON announced that the first order of business would be HOUSE BILL NO. 70, "An Act establishing the farm-to-school program in the Department of Natural Resources, the Alaska grown fresh fruit and vegetable grant program in the Department of Education and Early Development, the farmers' market technology improvement pilot program in the Department of Environmental Conservation, and the farmers to food banks pilot program in the Department of Commerce, Community, and Economic Development."

CO-CHAIR JOHNSON closed public testimony on HB 70 after ascertaining that no one wished to testify.

1:09:36 PM

REPRESENTATIVE CARL GATTO, Alaska State Legislature, sponsor, stated that HB 70 is a way to get Alaska farm products into the classroom and enable schools to have small plots of ground or an entire farm where students can ally with local farmers.

SANDRA WILSON, Staff, Representative Carl Gatto, Alaska State Legislature, said the proposed committee substitute, version 26-LS0284\R, Bannister, 2/12/09, adopted as the work draft on 3/18/09, changes the original bill by removing Sections 4, 6, and 7. Section 6 was removed at the request of the Department of Health & Social Services because the department is already working internally on the directives that were included there. Sections 4 and 7 were removed because they are not fiscally responsible to do right now.

REPRESENTATIVE GATTO added that Version R essentially takes a lot of the money out of the bill.

CO-CHAIR JOHNSON stated that taking a lot of money out of HB 70 was important. The House Resources Standing Committee will deal with the policy aspects of the bill, he continued, and the House Finance Committee can deal with the financial decisions.

1:11:32 PM

REPRESENTATIVE GUTTENBERG asked what Sections 4, 6, and 7 would have done.

CO-CHAIR JOHNSON reminded members that Version R was adopted at the previous hearing and is before the committee.

MS. WILSON replied that Section 4 was the Alaska grown fresh fruit and vegetables grant program, a program aimed more toward low income, farmers' markets, and food banks. Section 6 was related to allowing food stamps at farmers' markets, which is the program that the Department of Health & Social Services is already working on internally. Section 7 was related to getting fresh fruits, vegetables, and home grown products into the food banks through a pilot program.

1:12:59 PM

REPRESENTATIVE GUTTENBERG inquired whether the program at Calypso Farm & Ecology Center, located near Fairbanks, is already doing what HB 70 would do.

FRANCI HAVEMEISTER, Director, Central Office, Division of Agriculture, Department of Natural Resources, said young people do work within Calypso Farm and some of the food does go back into the school program. She understood, however, that HB 70 would oversee the entire state and not just one community. In further response, she agreed that Calypso Farm's gardening and farming program is done at three or four schools in the Fairbanks area. The farm also hires youth to come in and work the program for six week slots, she added.

REPRESENTATIVE GUTTENBERG asked whether HB 70 would preclude Calypso Farm from the program or create another state agency that is doing what the farm is doing.

MS. HAVEMEISTER said she does not know. The program under HB 70 does not talk about hiring youth to come in and work during the summer, it only puts agriculture into the classroom as far as education and possibly summer gardens. However, she allowed, there is a possibility of an overlap.

1:14:54 PM

REPRESENTATIVE SEATON inquired whether adding the word greenhouse after garden throughout the bill would be beneficial to the sponsor.

REPRESENTATIVE GATTO agreed that this is a great idea because the omission was an oversight.

REPRESENTATIVE SEATON said schools in this program would likely have a greenhouse, so he wants to ensure there is no distinction between having the farm in a garden or a greenhouse.

CO-CHAIR JOHNSON interjected that this would also address the concerns of some of the students who testified.

REPRESENTATIVE GATTO added that some things can only be grown in greenhouses and those would be excluded if the bill is not amended as is being suggested by Representative Seaton.

REPRESENTATIVE SEATON asked whether adding greenhouses to HB 70 would create any problems for the Division of Agriculture.

MS. HAVEMEISTER answered no.

1:17:02 PM

REPRESENTATIVE GUTTENBERG inquired whether anything in HB 70 would prevent Calypso Farm or any other farm entity from taking a grant and becoming the agent to administer this program in Fairbanks or other communities.

MS. HAVEMEISTER replied there is nothing she is aware of, but there is no fiscal note in HB 70 for pass-through grants, so a fiscal note would have to be addressed somewhere.

REPRESENTATIVE SEATON referenced page 6, lines 11-13, which state that the school garden or farm must be used for educational purposes and growing produce that will be served in the school district's meal program. He asked whether any excess produce could be sold if the revenues are used to support the program and make it more self sufficient.

REPRESENTATIVE GATTO said he thinks turning any revenues back to the state would be applauded by most people.

MS. HAVEMEISTER agreed that it would be a possibility.

CO-CHAIR JOHNSON cautioned against the schools getting into competition with private growers and urged that any revenues only go toward supporting the program.

1:20:06 PM

REPRESENTATIVE SEATON moved that the committee adopt Conceptual Amendment 1 as follows:

Page 6, line 10, following "gardens":
Insert ", greenhouses"

Page 6, line 11, following "school garden":
Insert ", greenhouse"

Page 6, line 11, following "The garden":
Insert ", greenhouse"

Page 6, line 14, following "garden":
Insert ", greenhouse"

Page 6, line 17, following "garden":
Insert ", greenhouse"

Page 6, line 20":
Insert a new subsection to read:
"(d) When a school garden, greenhouse, or farm is used the excess fruits or vegetables may be sold, if the revenues are used to support the program."

REPRESENTATIVE WILSON objected.

CO-CHAIR JOHNSON objected for discussion purposes.

REPRESENTATIVE SEATON reiterated that he wants to ensure this applies to school farms and gardens as well as greenhouses. Therefore, greenhouse or greenhouses needs to be inserted in a number of places in the bill, and probably in the title as well, which is why the amendment is conceptual. Regarding the proposed addition of subsection (d), he said he does not want this to compete with raising money for other school activities, so this directs that any revenues must go back to support the program, which will help to make the program more sustainable.

REPRESENTATIVE WILSON removed her objection. [Co-Chair Johnson's objection was treated at removed.] There being no further objections, Conceptual Amendment 1 was passed.

1:22:33 PM

CO-CHAIR JOHNSON returned discussion to the bill.

REPRESENTATIVE GUTTENBERG remarked that encouraging student understanding of where produce comes from is exactly what should be done. He said he thinks farmers are more concerned about economy of scale and developing a larger market than competition from a school program. He offered his support for HB 70.

REPRESENTATIVE SEATON moved to report the work draft, labeled 26-LS0284\R, Bannister, 2/12/09, as amended, out of committee with individual recommendations and forthcoming fiscal notes. There being no objections, CSHB 70(RES) was reported from the House Resources Standing Committee.

HB 43-GEODUCK AQUATIC FARMING/SEED TRANSFER

1:24:27 PM

CO-CHAIR JOHNSON announced that the next order of business would be HOUSE BILL NO. 43, "An Act relating to aquatic farm permitting involving geoducks and to geoduck seed transfers between certified hatcheries and aquatic farms."

REPRESENTATIVE SEATON, speaking as the sponsor of HB 43, first showed committee members a live geoduck. Geoducks are a valuable species that is farmed in Southeast Alaska, he said. They are sold live and the current farm price is $3.75-$4.00 per pound and the retail market price in Asia can be up to $30 per pound.

REPRESENTATIVE SEATON, in response to Representative Wilson, said the geoduck shown to the committee weighs three pounds. Harvestable size for farmed geoducks is one-and-a-half pounds to three pounds, he explained, but for wild-caught geoducks any size is taken as long as it meets the minimum. It takes six to seven years for a [farmed] geoduck to reach three pounds.

1:28:45 PM

REPRESENTATIVE SEATON, in further response to Representative Wilson, specified that HB 43 relates to farmed, not wild, geoducks. He explained that a few adult geoducks are raised in Alaska's only mariculture hatchery which is located in Seward. These adults are spawned by raising the water temperature to trigger the release of eggs and sperm into the water which then unite to form larvae. The larvae feed on a particular kind of plankton that is raised by the hatchery, he continued. When they reach a quarter-inch in size they are called seed, at which point the seed is sold to farmers who will plant them. Most

farms are about 5 acres and in Southeast Alaska they are generally subtidal, so the geoducks are raised underwater and divers are used. Geoducks require a muddy sea bottom with little turbulence or wave action. Once settled in, the geoduck starts growing in that place and never moves because it is immobile. The harvest cycle is about 6 years.

1:31:07 PM

REPRESENTATIVE SEATON said there is also a wild stock geoduck fishery in Southeast Alaska. The Alaska Department of Fish & Game (ADF&G) conducts population surveys and establishes harvest areas. Divers with permits for the fishery harvest the geoducks by injecting water beside the clam which forces them out of the mud without breakage.

REPRESENTATIVE SEATON noted there is one geoduck farm north of Juneau that is permitted to grow geoducks intertidally. However, he said, HB 43 provides that farming north of Southeast Alaska can only be done subtidally in order to prevent conflicts with subsistence clam harvesters, recreationists, and others. The only reason HB 43 is necessary is because of ADF&G's policy that non-native species cannot be brought in and farmed. He acknowledged that having an invasive species is undesirable, but he pointed out that there is a long history of geoducks being farmed along side wild stock in Puget Sound, Canada, and Southeast Alaska. Geoducks can live 140-160 years, he added, which indicates they are not prone to diseases.

1:34:34 PM

REPRESENTATIVE WILSON asked whether HB 43 is being done because of the hatchery in Seward.

REPRESENTATIVE SEATON replied that he is proposing HB 43 because Alaska has many rural communities that are having a hard time establishing an economic base. Geoducks are the most valuable clam species in Alaska and farming them would allow rural communities to have an economic base. In addition, geoduck farming would not be dependent on a wild stock coming in like with salmon runs. Geoducks can be harvested when it is convenient and allow people to participate in various other fisheries that occur at specific times. Thus, HB 43 would provide an economic opportunity throughout the rest of Alaska that is currently available in Southeast. He said this will not compete with Southeast Alaska because the market is so large. Rather, the problem is that Alaska has so few geoducks that the

state is not seen as a major player and therefore cannot get the highest price. If Alaska were to have a more consistent supply throughout the year, the price for the state's geoducks would go up due to a consistency in supply. He noted that the importation of geoduck seed is not allowed, only native Alaskan stocks can be used. The business plan for the hatchery in Seward revolves around being able to sell enough product to become self-sustaining.

1:37:41 PM

REPRESENTATIVE GUTTENBERG pointed out that ADF&G has had concerns about viability and other things, and there is no fiscal note for the bill. He asked whether ADF&G will conduct research before there is an introduction or whether someone will just put them into the water and, if this is so, would a permit be needed.

REPRESENTATIVE SEATON first returned to Representative Wilson's question, stating that the hatchery in Seward must be able to sell enough product to be self-sustaining. The areas where farms would be established in Southeast Alaska are the same areas where divers are harvesting wild stocks, he explained, so there has been a slowdown in the development of farms in Southeast due to this competition. This problem disappears, however, if farming is done in areas that have no native stocks of geoducks.

REPRESENTATIVE SEATON addressed Representative Guttenberg's question, saying that permits would be required just like any other type of clam permit. A permit for geoducks would require testing for disease, giving notice before any moving of the geoducks, testing for paralytic shellfish poisoning (PSP) before selling, and so forth. The only thing HB 43 does is disallow ADF&G from denying geoduck farming in those parts of the state where geoducks do not occur naturally, which the department is currently doing. He pointed out that ADF&G does allow oyster farming and oysters are not native to Alaska. The reason oysters work in Alaska is because the water is too cold for them to reproduce. Oysters become bitter when they are reproducing, so the cold water is a boon for oyster farmers at it makes the oysters edible all year round.

1:42:03 PM

REPRESENTATIVE GUTTENBERG stated that from the science perspective, not knowing does not mean there is not an adverse reaction. He asked what local biologists think about this.

CO-CHAIR JOHNSON said ADF&G is on record as being neutral to HB 43 in the last committee, and that there is no department representative at today's hearing.

1:42:59 PM

REPRESENTATIVE WILSON inquired how many larvae are produced by one pair of geoducks.

REPRESENTATIVE SEATON responded that all clams reproduce the same way. Females produce hundreds of thousands of eggs and males send out hundreds of thousands of millions of sperm into the water column. This happens all at the same time for each individual within each particular species. When the eggs and sperm find each other they form into larvae. After a certain amount of time that is specific for each species, the larvae settle in the substrate that is appropriate for that species; for example, razor clams will only settle in gravel of a certain size and geoducks only settle in mud. In further response, Representative Seaton said he is sure the Seward hatchery conducts studies to determine the number of sperm and eggs that each clam releases and how many zygotes are produced per pair.

1:47:15 PM

REPRESENTATIVE WILSON surmised that right now it is unknown whether geoducks will actually grow in the areas of Alaska where there are no native stocks.

REPRESENTATIVE SEATON answered that he does not see any problems with growth farther north because the hatchery in Seward is raising adults, spawning them, and then raising and selling the seed. Therefore, the chance for rearing farther north is extremely high, but what is questionable is whether geoducks will be able to spawn in that water. Studies have shown that other mud dwelling species, such as polychaetes, tunicates, and sea worms, actually increase in number when geoducks are introduced, thus geoducks do not displace them.

REPRESENTATIVE WILSON presumed that even though it is unknown whether geoducks can live in the northern waters outside of the hatchery, the reason for HB 43 is to provide another income for communities in that area.

REPRESENTATIVE SEATON replied correct. He reiterated that he does not think there is a problem with raising planted seed, and the question is whether the geoducks will reach sexual maturity and reproduce in the colder northern waters. The farmers would likely hope they do not because then the geoducks can be sold all year round. Should they become sexually mature, there must be certain kinds of upwelling and plankton for the larvae in addition to a muddy substrate. No state money will need to be committed for doing research, he added, because private parties in villages where this farming might work will be the ones looking for muddy-bottomed areas to put the farms.

1:52:21 PM

CO-CHAIR JOHNSON interjected that he does not anticipate lots of people running out to start farms if HB 43 passes. They will have to go to bankers for financing and to ADF&G for permits, he said. This is just the first step for giving ADF&G the opportunity to start looking at it.

REPRESENTATIVE SEATON agreed. To get a farm a person must apply to the Department of Natural Resources (DNR). A permit would be issued if DNR finds there would be no conflicting uses. Permits for the moving of seed and adults are granted by ADF&G. All permits for health and safety would also remain in place. He reiterated that HB 43 only deals with requiring ADF&G to allow the farming in areas other than Southeast Alaska.

1:53:52 PM

REPRESENTATIVE WILSON asked whether a geoduck permit can be obtained for areas in Southeast Alaska where there are no native stocks.

REPRESENTATIVE SEATON responded that the problem in Southeast Alaska is that it is hard to get a permit in areas where there are wild stocks. Since the wild stock is a public resource it causes numerous problems in separating what belongs to the public for harvest and what belongs to the farmer. However, this would not be a problem outside of Southeast Alaska. The big contention is the larval drift zones and the reason for these is to ensure there is no contamination of the natural stocks. This is why introduced stock is prohibited in Southeast Alaska. Since there are no native stocks outside of Southeast Alaska, there is no problem of contamination, he maintained.

1:56:11 PM

REPRESENTATIVE WILSON pointed out that there have been introductions of species where it was thought there would be no problems and then it is discovered that there is a problem. What would be the ramifications if this were to become the case here, she asked, such as an unexpected crossing of the larval drift zones depicted on the map in the committee packets.

REPRESENTATIVE SEATON answered that the ramification of the larval drift zones is to maintain the genetic integrity of the natural stock in an area. There is no native stock in Larval Drift Zones One and Two, so there is no native stock that can be contaminated by other genetic stocks.

REPRESENTATIVE WILSON surmised that it will not be a problem because the native stock of Southeast Alaska is the only stock that would be introduced elsewhere in the state.

REPRESENTATIVE SEATON said exactly.

1:58:08 PM

REPRESENTATIVE TUCK inquired what the spawning temperature is.

REPRESENTATIVE SEATON deferred to Jeff Hetrick.

JEFF HETRICK, Director, Alutiiq Pride Shellfish Hatchery, explained that the hatchery holds its geoducks at water temperatures between 7 and 10 degrees Celsius, which is 45-50 degrees Fahrenheit. To initiate spawning, the geoducks are fed heavily and the temperature is raised to 12 degrees Celsius, or 54 degrees Fahrenheit, for a period of about one week.

REPRESENTATIVE TUCK asked whether geoducks might be able to reproduce in areas of Alaska where they are not native.

MR. HETRICK replied that he believes it is possible. However, the right food source needs to be there and the temperature must be elevated to 55 or 60 degrees Fahrenheit for a long period of time, which typically does not happen in Southcentral, but perhaps could with the currents in the Aleutians and the Kodiak region.

CO-CHAIR JOHNSON inquired whether there are wild stocks of geoducks in the Aleutians.

MR. HETRICK responded no, but the temperatures in the Aleutians during the warmer summer months might exceed those of Southcentral Alaska.

2:00:55 PM

REPRESENTATIVE TUCK clarified that his question related to whether farmed geoducks in the Aleutians could start reproducing on their own because of the higher temperatures. He asked whether the geoducks could be harvested should they start to go into a reproductive state, and how could it be ensured that all of them are harvested.

REPRESENTATIVE SEATON responded that it generally takes about 7 years to reach the size for sexual maturity, so a farmer would harvest them before they reached that size. The animal uses a lot of energy and body mass to reproduce and a farmer would not want this to happen. Also, he continued, should the farmed geoducks spawn, there are few areas in the Aleutians that would be proper habitat, which would include a muddy bottom free of wave impact and the right plankton for them to feed on. People will have to search long and hard to find the right spot for a farm and will have to use satellite photos to determine the upwellings and plankton blooms. No one is currently doing this research because a permit cannot be issued at this time.

2:04:01 PM

REPRESENTATIVE TUCK surmised that Kodiak might be able to sustain this type of mariculture. Once the aforementioned research is done, he asked, would ADF&G be able to apply limitations based on reproduction concerns, and does ADF&G have other concerns in addition to farmed geoducks becoming an invasive species.

CO-CHAIR JOHNSON stated that he has a note from ADF&G which says that the department does not have anyone to testify and that the department's official position is neutral, but it does have concerns. He offered his belief that [reproduction] is the department's concern.

REPRESENTATIVE TUCK said he likes the idea of HB 43, but that he wants to ensure existing habitats are safe.

2:05:44 PM

CO-CHAIR JOHNSON, in response to Representative Wilson, said this is the first time this year that HB 43 has been heard in the House Resources Standing Committee, but that it was heard in the House Special Committee on Fisheries. Both committees may have heard the bill last year, he added.

REPRESENTATIVE WILSON commented that she would like to hear ADF&G's concerns because she cannot remember what the department said last year. She asked whether the co-chair planned to move the bill.

CO-CHAIR JOHNSON answered that he wants to move HB 43 out of committee today. He said he has a note from ADF&G which states, "Official position is neutral with concerns." Those concerns are the potential of the reproductive plumes, he added.

2:07:32 PM

REPRESENTATIVE WILSON said she wants to ensure that nothing bad will happen because there are geoducks in her district and it is a wonderful industry. She inquired whether the demand for geoducks is being met 90 percent, 50 percent, or some other number, and could overproduction result in dropping the price.

REPRESENTATIVE SEATON related that farmers supported the previous bill because Alaska's problem is its limited supply which makes the state an inconsistent supplier. If Alaska had a larger percentage of the supply and was a more consistent supplier, the farmers believe they would be able to get a higher price. Currently, Alaska is a peripheral player with very small production compared to Canada or Puget Sound, so it cannot command a higher price.

REPRESENTATIVE WILSON urged witnesses to feel comfortable in addressing her questions.

CO-CHAIR JOHNSON opened public testimony.

2:11:08 PM

RODGER PAINTER, President, Alaskan Shellfish Growers Association, thanked Trident Seafoods for providing the geoduck that was shown to members. Geoduck farming on the West Coast will be worth $80 million this year, he said. The market demand for geoducks is large and growing, the growth mostly associated with the expansion of the Chinese economy, and Alaska could share in and profit from this growth. Aquaculture production of

geoducks will likely increase regardless of what happens with the wild stocks.

MR. PAINTER maintained that geoducks are not an invasive species because they are indigenous to Alaska. They are resistant to disease and there is no concern about genetics. The question comes down to what is the definition of the natural range of this species. Range is very fleeting because water temperatures change and sea ice retreats, with subsequent changes in the ranges of species. The oceans are very dynamic and predicting a species range over a period of time is difficult to do, he continued. For example, it was originally thought that the only natural stocks of purple hench rock scallops were in Southeast Alaska, but now oyster farmers in Kachemak Bay have captured tiny scallops in their oyster gear and these scallops have been growing to maturity.

MR. PAINTER said this is really about economic development. If ADF&G truly had concerns about HB 43, representatives would be at the table. He said species have been moved all around Alaska and sometimes the results have been good and sometimes the animals have died out, but that he cannot remember any examples of serious problems.

2:18:23 PM

DAVE OTNESS stated that he is a third generation Alaskan and commercial fisherman who has been involved in mariculture for 12 years. There is a huge void in Alaska's coastal economies, he said, and there is nothing like having a species that will grow cost-free in the state's waters, which is why he is a strong advocate for this.

MR. OTNESS said a benefit of farming geoducks in Prince William Sound is that paralytic shellfish poisoning (PSP) is not an issue like it is in Southeast Alaska. Geoducks from Southeast Alaska have to be tested for PSP at the Department of Environmental Conservation laboratory, so they cannot be shipped live because the quarantine period is too long and this is a factor in the price. He related that Cordova was the largest razor clam source in the world before the 1964 earthquake, but the clams have not come back due to predation by sea otters. The muddy substrates and nutrient-rich waters near Cordova would be perfect for providing a substantial geoduck industry and Cordova could use that economic help. In addition, geoducks are an excellent protein source and would help with providing state food security.

2:22:57 PM

MR. OTNESS maintained that there is no issue with flooding the markets and with the world's population growing there is the potential to expand. He said that once committee members taste the geoduck chowder tomorrow, the question will by why geoducks cannot be purchased in local stores. Local sales is another level of development of this industry, he added.

MR. OTNESS understood that geoduck spat does not get out of Southeast Alaska because it gets hung up in Yakutat and the spat does not live long enough to get out of the gyre in that area. In regard to the temperature of Bering Sea waters, he said it is not as warm as might be expected due to cold water upwelling on both sides of the [Aleutian Peninsula]. He said HB 43 would help coastal communities and would have little environmental effect.

REPRESENTATIVE TUCK commented that he commercially fishes in south Naknek and has seen times when the water did get warm.

MR. OTNESS said he has also works out of Naknek quite a bit and has seen the Naknek River at 75 degrees and the bay at 65 degrees. However, he continued, the deeper water on both sides of the Aleutians is quite cold.

2:26:56 PM

PAUL FUHS, Co-owner, PACAlaska, noted that PACAlaska is the largest farm holding company in Southeast Alaska and has the longest experience in farming geoducks. He said his company supports HB 43 because of economies of scale. One economy of scale is the more spat the hatchery can produce, the cheaper it is. For example, the cost right now is $.25 per animal, which is pretty high, and there is not 100 percent survival when the seeds are planted. The hatchery has been marginal from the start because of the lack of economies of scale. The other economy of scale is the market, he continued. The market is expanding along with the middle class in China, but the biggest issue is to be able to supply on a year round basis and have enough production to be able to do this sequentially. Having this ability would allow for the signing of long-term contracts to provide the product year round, he said. This means a lot to a distributor and restaurants and this is where the increase in price comes from.

MR. FUHS doubted there would be any spawning, but offered his opinion that even if there was it would just increase the overall productivity of the area. If the spawn went off the farm site, people could publicly harvest the geoducks and there could be a commercial fishery on them if there were enough. He said it is necessary for the legislature to step into a situation like this because the Alaska Department of Fish & Game will be naturally cautious, as the department was when salmon hatcheries were first proposed many years ago. He urged that the legislature step in and make this policy call.

2:29:43 PM

REPRESENTATIVE TUCK inquired whether hatchery expansion means expanding the Seward hatchery or adding hatcheries elsewhere.

MR. FUHS answered that it is much more efficient to have one large hatchery. Another variant could be to buy the seed from the hatchery at a much smaller size and hold them in a tank at the farm until they are large enough to plant.

REPRESENTATIVE TUCK asked how geoducks are transported to Asia.

MR. FUHS replied that they are generally shipped out through Seattle or Vancouver, but they must be held for a period of time while the Department of Environmental Conservation tests them for PSP. It is always a race because if there are any delays there will be substantial dead loss of the animals before they reach the Asian market.

REPRESENTATIVE TUCK explained that he is asking this question because he recently learned that almost every plane returning to Asia is returning empty. He said he would like to see those empty planes being filled with Alaska products going to Asia.

CO-CHAIR JOHNSON closed public testimony.

2:32:01 PM

REPRESENTATIVE SEATON pointed out that if there are other restrictions on an area, HB 43 would not override them. For example, there is a critical habitat area in Kachemak Bay that allows suspended mariculture like with oysters, but does not allow bottom aquaculture, and HB 43 would not override that.

CO-CHAIR JOHNSON added that HB 43 does not mandate a farm or instruct ADF&G to do anything, it just gives a green light if the economics and biology are there.

REPRESENTATIVE GUTTENBERG pointed out that when this bill was heard by the committee last year, ADF&G opposed it not because the department did not support it, but because biologists said they do not know. Studies should have been started long ago, he maintained, yet there is no money for studies with HB 43. Under this bill ADF&G cannot stop a farm for the reason that no [wild] geoducks are present. The scientists are being responsible but the legislature is not, he said. If problems happen down the road, people will be asking why it was not studied. Scientists previously testified that they do not know and therefore they cannot say, which he would not paraphrase as being neutral, he said. The success of this bill is because there is no fiscal note. Legislators owe it to the people of Alaska and the mariculture industry to be able to tell them exactly what is going on and a grant to study this would do that.

2:36:29 PM

CO-CHAIR JOHNSON stated that he thinks studies will be funded by the private sector rather than the government. He said he thinks ADF&G has within its statutory and regulatory authorities the ability to see that that information is delivered or else the permit will be denied. If private industry cannot do the studies, it can be brought back to the legislature. He said he supports HB 43 because it clears the way to get started.

REPRESENTATIVE GUTTENBERG pointed out that there needs to be a baseline for how things are before geoducks are introduced, and there have been no comments indicating that anyone is stepping up with research funding to do this.

REPRESENTATIVE SEATON said the mission of different departments must be looked at, and the problem is that mariculture is a misfit within ADF&G because the department's mission is to manage wild stocks, not promote economic development. Moving mariculture from ADF&G to the Division of Agriculture or elsewhere has been considered, in which case the Division of Habitat would review the permits when they come from the other agency. He maintained there has been research because of the geoduck farms in Canada, Washington, and Southeast Alaska. It is a "Catch 22" because no research can be done without transporting the animals to Southcentral to conduct a study. As

with oyster farming, the legislature has to step in to allow geoduck farming.

2:41:47 PM

REPRESENTATIVE SEATON moved to report HB 43 out of committee with individual recommendations and zero fiscal note. There being no objection, HB 43 was reported out of the House Resources Standing Committee.

2:43:22 PM

ADJOURNMENT

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 2:43 p.m.