

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

April 7, 2011
8:03 a.m.

MEMBERS PRESENT

Representative Bob Herron, Chair
Representative Kurt Olson, Vice Chair
Representative Neal Foster
Representative Cathy Engstrom Munoz
Representative Steve Thompson
Representative Berta Gardner
Representative Chris Tuck

MEMBERS ABSENT

Representative Reggie Joule
Representative Wes Keller

COMMITTEE CALENDAR

PRESENTATION: BIOMASS BOILER HEATING SYSTEMS

- HEARD

HOUSE JOINT RESOLUTION NO. 27

Supporting the relocation of the home port of the Coastal Villages Region Fund fishing fleet from Seattle to Alaska.

- MOVED HJR 27 OUT OF COMMITTEE

HOUSE BILL NO. 222

"An Act establishing and relating to the Alaska Promotion and Marketing Board and the Alaska promotion and marketing fund; relating to marketing tourism contracts and campaigns; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 191

"An Act establishing a state department of agriculture and food and relating to its powers and duties; relating to the powers and duties of the Department of Environmental Conservation and

the Department of Natural Resources; and providing for an effective date."

- MOVED HB 191 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HJR 27

SHORT TITLE: RELOCATE COASTAL VILLAGES REGION FUND

SPONSOR(S): REPRESENTATIVE(S) SEATON

04/04/11	(H)	READ THE FIRST TIME - REFERRALS
04/04/11	(H)	RES
04/05/11	(H)	RES REFERRAL REMOVED
04/05/11	(H)	EDT REFERRAL ADDED BEFORE RLS
04/07/11	(H)	EDT AT 8:00 AM BARNES 124

BILL: HB 222

SHORT TITLE: AK PROMOTION & MARKETING FUND/BOARD

SPONSOR(S): REPRESENTATIVE(S) AUSTERMAN

04/01/11	(H)	READ THE FIRST TIME - REFERRALS
04/01/11	(H)	EDT, FIN
04/07/11	(H)	EDT AT 8:00 AM BARNES 124

BILL: HB 191

SHORT TITLE: DEPARTMENT OF AGRICULTURE AND FOOD

SPONSOR(S): REPRESENTATIVE(S) THOMPSON BY REQUEST

03/11/11	(H)	READ THE FIRST TIME - REFERRALS
03/11/11	(H)	EDT, RES, FIN
03/15/11	(H)	EDT AT 10:15 AM BARNES 124
03/15/11	(H)	Heard & Held
03/15/11	(H)	MINUTE(EDT)
04/07/11	(H)	EDT AT 8:00 AM BARNES 124

WITNESS REGISTER

KATIE KOESTER, Staff
Representative Paul Seaton
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced HJR 27 on behalf of Representative Seaton, sponsor.

WILLARD DUNHAM, Mayor
City of Seward

Seward, Alaska

POSITION STATEMENT: Testified in support of HJR 27.

PHILLIP OATES, City Manager

City of Seward

Seward, Alaska

POSITION STATEMENT: Testified in support of HJR 27.

NEIL RODRIGUEZ, Regulatory Manager

Coastal Villages Region Fund

Anchorage, Alaska

POSITION STATEMENT: Testified in support of HJR 27.

REPRESENTATIVE ALAN AUSTERMAN

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Testified in support of HJR 27; introduced HB 222 as the prime sponsor.

ASTRID LIEVANO, Staff

Representative Alan Austerman

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Presented a sectional analysis of HB 222 on behalf of Representative Austerman, prime sponsor.

DEB HICKOK, Chair

Board of Directors

Alaska Travel Industry Association (ATIA)

Anchorage, Alaska

POSITION STATEMENT: Testified during the hearing on HB 222.

JANE PIERSON, Staff

Representative Steve Thompson

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Presented a sectional analysis of HB 191 on behalf of Representative Thompson, sponsor by request.

FRANCI HAVEMEISTER, Director

Central Office

Division of Agriculture

Department of Natural Resources (DNR)

Palmer, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 191.

SIG RESTAD, Master
Northland Pioneer Grange
Palmer, Alaska

POSITION STATEMENT: Testified in support of HB 191.

JOHN POIRRIER, President
Alaska State Grange
North Pole, Alaska

POSITION STATEMENT: Testified in support of HB 191.

BRYCE WRIGLEY, President
Alaska Farm Bureau, Inc.
Delta Junction, Alaska

POSITION STATEMENT: Testified in support of HB 191.

ACTION NARRATIVE

[8:03:22 AM](#)

CHAIR BOB HERRON called the House Special Committee on Economic Development, International Trade and Tourism meeting to order at 8:03 a.m. Representatives Herron, Tuck, Gardner, Thompson, and Olson were present at the call to order. Representatives Munoz and Foster arrived as the meeting was in progress. Representative Austerman was also present.

Presentation: Biomass Boiler Heating Systems

[8:04:03 AM](#)

CHAIR HERRON announced that the first order of business would be a presentation by Representative Thompson on biomass boiler heating systems.

[8:05:03 AM](#)

REPRESENTATIVE THOMPSON provided a PowerPoint presentation titled, "Biomass Boiler Heating Systems," and dated 9/16/10, featuring the Delta Greely Biomass project. Representative Thompson informed the committee the slide program was prepared by Coffman Engineers in Anchorage. He noted that there are several biomass boilers in Alaska, Montana, Oregon, and Idaho - one of the most successful is in Tok - and Coffman Engineers is dedicated to this and other alternative energy systems, such as wind farms and windmills. There are residential and commercial biomass boiler systems available that burn pellets, wood chips, or cordwood. Coffman Engineers' feasibility assessments of

proposed projects include: evaluation of payback; fuel cost comparison; sources of fuel; support from state and federal agencies; cost of construction. Representative Thompson relayed that one of the key components of a biomass boiler system is the fuel source, specifically wood chip quality and delivery. Wood chip quality is directly related to the efficiency of the boiler, and the availability of pellets in the future is vital to determining the worthiness of a project. Representative Thompson displayed a slide which showed wood chips delivered by truck to a storage facility, which in Alaska may need to be a warm and covered space. The delivery system continues to the boiler by different options, such as a belt or screw conveyor. The boiler system begins with gasification of the biomass by a fixed, conveyor, or step grate; the boiler itself consists of a fire tube and hot water under pressure to 30 pound-force per square inch gauge (psig). He noted that vendors are interested in supplying and delivering the biomass product to these systems. A slide titled, "Flue Gasses" displayed a diagram of a cyclone separator, and Representative Thompson explained that flue gasses run through a cyclone separator, or an electrostatic precipitator, which removes all of the "dirty air" and renders the system environmentally friendly. In large installations, the stack height is determined by the height of the building and the effect of wind. Finally, ash is collected and removed from the facility for use in concrete, farm soil, and garden soil, or to be disposed of in a landfill. He closed by saying that the preceding was a brief overview of the system, and that Coffman Engineers is interested in providing a complete description of its product.

[8:09:41 AM](#)

REPRESENTATIVE GARDNER asked whether the differences between cordwood, pellets, and wood chips are density, size, waste, or heat value.

[8:10:06 AM](#)

REPRESENTATIVE THOMPSON advised most systems use pellets because they are easier to deliver on a conveyor. The wood must be dry and free of pollutants.

REPRESENTATIVE GARDNER further asked whether there is a greater heat value from pellets.

REPRESENTATIVE THOMPSON said he was unsure.

REPRESENTATIVE TUCK requested that the House Special Committee on Energy also hear this presentation, as it was informed that barley is being grown in Alaska as a source of biofuel.

[8:11:52 AM](#)

REPRESENTATIVE THOMPSON pointed out that Fort Greely is installing a boiler system that will burn barley.

HJR 27-RELOCATE COASTAL VILLAGES REGION FUND

[8:13:05 AM](#)

CO-CHAIR HERRON announced that the next order of business would be HOUSE JOINT RESOLUTION NO. 27, Supporting the relocation of the home port of the Coastal Villages Region Fund fishing fleet from Seattle to Alaska.

[8:13:18 AM](#)

KATIE KOESTER, Staff, Representative Paul Seaton, Alaska State Legislature, stated HJR 27 is a resolution to support bringing the Alaska fishing fleet home. She reminded the committee of the 3/31/11 presentation by representatives of Seward detailing the merits of this initiative, and that several committee members have signed as co-sponsors. Ms. Koester said HJR 27 is an effort to bring about economic development in all of the state by encouraging the Coastal Villages Region Fund (CVRF) to homeport its fleet in Seward. Coastal Villages Region Fund is one of six Community Development Quota (CDQ) groups that were developed in the '90s and given "a stake in the Bering Sea fisheries." The CDQ groups represent 65 Bering Sea communities and are required to reinvest their profits, bringing economic development, jobs, and hope to coastal villages in the Bering Sea region. Coastal Villages Region Fund is the largest Alaskan-owned and Alaska-based fishery company, with expected seafood sales in the amount of \$75 million in 2011. In addition, CVRF has an impressive fleet of vessels that spend \$5-\$10 million on maintenance each year, \$20 million in moorage in Seattle, and \$10 million on crew annually. She relayed that CVRF wants to return its fleet, crews, and jobs to Alaska. A survey indicated that the requirements to homeport a fleet of this size are: a year around ice-free port; road, rail, and air access; space for harbor and uplands development; a maritime licensing facility. Nearby Seward is able to provide all of these services, in addition to a drydock and the Alaska Vocational Technical Center (AVTEC), which is an educational and

licensing facility. Ms. Koester restated the purpose of the resolution is about economic development, and she pointed out the letters of support from around the state and the Alaska Congressional delegation found in the committee packet. Furthermore, the City of Seward has funded a preliminary study in favor of this issue, the U.S. Corps of Engineers (USACE) has found that the relocation is economically feasible, and CVRF has determined that Seward is the best choice for an Alaska port.

[8:18:00 AM](#)

REPRESENTATIVE GARDNER has heard from a Seward resident questioning the city's public process prior to the engineering study on this issue. Also, she asked about any efforts on Seattle's part to keep the fleet there.

[8:19:23 AM](#)

MS. KOESTER said Seward did a small study at a cost of \$5,000, and has submitted a capital budget request for \$400,000 to complete an in-depth study that would incorporate public testimony. Regarding a response from the Port of Seattle, she opined it is the legislature's responsibility to advocate for Alaska.

CHAIR HERRON observed a fleet of this size is important to any economic region.

[8:20:43 AM](#)

CHAIR HERRON opened public testimony.

[8:21:55 AM](#)

WILLARD DUNHAM, Mayor, City of Seward, expressed his belief that this is a unique opportunity in that an industry is interested in moving its operation to Alaska. The City of Seward has passed two resolutions and has held public hearings regarding this issue; in fact, the property involved is a 476-acre tract zoned for industrial use. He advised the idea for the expansion of the port has been vetted in the community and is supported by most residents. Mr. Dunham agreed that there will be a reaction from the Port of Seattle; furthermore, if all six CDQs decide to move, that would entail a fleet of 200 vessels.

[8:25:30 AM](#)

PHILLIP OATES, City Manager, City of Seward, added that one of the resolutions passed by Seward was a comprehensive resolution outlining the merits of the proposed project. The first phase of the project will be built onto existing infrastructure in an area that already has been permitted. Dr. Oates assured the committee Seward will continue to address concerns from its residents. He advised that members of the Congressional delegation felt that the Port of Seattle may not have an impact on the CVRF phase of this project, because federal money is not involved. In fact, the ultimate funding for the project will be a combination of general obligation (GEO) bonds at the state level, revenue bonds at the local level, and public-private financing. He called attention to documents from the Congressional delegation and others in full support of HJR 27 that are found in the committee packet.

[8:29:01 AM](#)

CO-CHAIR HERRON stated his intent for the committee to visit the site during interim. He asked Dr. Oates to comment on the significance of the support from the Congressional delegation.

DR. OATES opined that the support from the Congressional delegation indicates that they see this as the fulfillment of the vision of the original purpose of the CDQ groups, which was to strengthen the American presence in the fishing fleets that were formally dominated by foreign vessels, and to provide quotas to the communities surrounding the fishing areas. Also, CDQ groups allow for the reinvestment of profits into education, and growth of the local fishing industry. Dr. Oates pointed out that support for HJR 27 extends from both political parties and urges other CDQ groups to move their homeports to Alaska.

[8:32:05 AM](#)

REPRESENTATIVE FOSTER asked how the resolution would help.

DR. OATES said the resolution indicates there is solid support at all levels for the project, which always helps with permitting. In addition, the resolution will indicate to the Senate and the governor that the House supports Seward's capital budget request to pay for the full engineering, geotechnical, and economic analysis of the project and its costs.

[8:33:49 AM](#)

MR. DUNHAM added that fishing organizations are supportive of the project.

NEIL RODRIGUEZ, Regulatory Manager, Coastal Villages Region Fund, affirmed that moving the fleet is a long-time goal for the CDQ program and a benefit to the fishing industry.

[8:35:52 AM](#)

REPRESENTATIVE ALAN AUSTERMAN, Alaska State Legislature, relayed his experience as a commercial fisherman in the '60s when he watched foreign fishing vessels interfere with and destroy his crab pots. Today, through the Congressional imposition of the three-mile limit, the fisheries are American, but are not Alaskan. The value of the fishery in the Bristol Bay region is between \$2.3 billion and \$2.5 billion, but 90 percent of the jobs and profits go to Seattle and Oregon. He opined the value of keeping fleet jobs and support services in Alaska is "mind boggling." Representative Austerman strongly supported HJR 27 and the idea of bringing all of the CDQ groups back to Alaska.

[8:39:04 AM](#)

CO-CHAIR HERRON closed public testimony.

[8:39:13 AM](#)

REPRESENTATIVE TUCK stated that HJR 27 represents a great vision and plan, and an opportunity to keep money in Alaska. In addition, the move would create new industries to support the fishing fleet. He expressed his support for the resolution and said he would like to participate as a co-sponsor.

REPRESENTATIVE FOSTER observed that the power and impact on Western Alaska of the CDQ program - which brings an influx of jobs and money to small villages - has been amazing.

[8:40:54 AM](#)

REPRESENTATIVE TUCK moved to report HJR 27, Version 27-LS0780\M, from committee with individual recommendations and the accompanying fiscal note. There being no objection, HJR 27 was reported from the House Special Committee on Economic Development, International Trade and Tourism.

[8:41:42 AM](#)

The committee took an at-ease from 8:41 a.m. to 8:42 a.m.

[8:42:40 AM](#)

HB 222-AK PROMOTION & MARKETING FUND/BOARD

[8:42:56 AM](#)

CO-CHAIR HERRON announced that the next order of business would be HOUSE BILL NO. 222," An Act establishing and relating to the Alaska Promotion and Marketing Board and the Alaska promotion and marketing fund; relating to marketing tourism contracts and campaigns; and providing for an effective date."

[8:43:08 AM](#)

REPRESENTATIVE ALAN AUSTERMAN, Alaska State Legislature, stated that his experience on the House Finance Committee led him to understand that Alaska is not marketed as a business destination; in fact, new businesses are not encouraged to come to the state and bring jobs and income. He opined a board or fund within the Department of Commerce, Community & Economic Development (DCCED) tasked to work on promoting Alaska would accomplish this by including all industries such as seafood, tourism, mining, and agriculture. However, because the legislature cannot "tell the department what to do," the initial concept of the bill will be addressed next year, thus HB 222 is a starting point for: A methodology to bring all of the industries to the table and determine how to fund a marketing effort for each individual industry. Representative Austerman anticipated that changes will be made to the proposed legislation, and he expressed his hope that testimony from the affected industries will be heard.

[8:46:27 AM](#)

ASTRID LIEVANO, Staff, Representative Alan Austerman, Alaska State Legislature, said HB 222, Section 1, adds the Alaska Promotion and Marketing Board to the list of boards and commissions that are subject to the public official financial disclosure chapter. Section 2 adds new sections to create the Alaska Promotion and Marketing Fund and the Alaska Promotion and Marketing Board. Section 44.33.950 creates the fund, and directs DCCED to administer the fund in consultation with the board. Section 44.33.955 identifies the money that is to be in the fund and states that the fund is not a dedicated fund. Section 44.33.960 states the purpose of the fund, which is to

promote and market industries that broaden the economic base of the state and provide jobs and business opportunities for Alaska residents. Section 44.33.965 states that the fund money shall be used, subject to appropriation, to make grants to private entities for projects that promote the fund purpose, and to pay administration costs for the new sections. Section 44.33.970 establishes certain requirements for grants from the fund, addresses the type of entity that may be a grant recipient, addresses the matching requirements of 50 percent of the grant amount, and sets a maximum amount of 75 percent per fiscal year for grants to entities in established industries. Section 44.33.975 establishes the board, including the number of members, and the appointment of members by the governor. Section 44.33.980 lists the board's duties including developing a methodology for prioritizing projects; identifying criteria for evaluation achievement of the fund purpose by proposed projects; determining grant applicant eligibility criteria. Section 44.33.985 authorizes the board and DCCED to adopt regulations for the new sections. Section 44.33.990 defines the terms for the new sections. Section 3 repeals certain sections relating to marketing tourism contracts and campaigns. Section 4 establishes a sunset date of 7/1/19. Section 5 provides for the appointment of the first members of the board within one month of the effective date and with staggered terms. Section 6 makes the Act effective 1/1/12, unless changed.

[8:52:32 AM](#)

REPRESENTATIVE GARDNER asked whether Section 3 repeals the funding structure for the Alaska Travel Industry Association (ATIA).

REPRESENTATIVE AUSTERMAN clarified that it does repeal the current funding methodology through ATIA and DCCED, and moves the qualified trade association concept over to a new board that is created by the bill. In further response to Representative Gardner, he explained that the change would apply to any trade association or group that wants to market Alaska, such as the Alaska Seafood Marketing Institute (ASMI). Details will be worked out during the interim by the committee, after hearing from industry.

[8:55:09 AM](#)

REPRESENTATIVE GARDNER recalled a meeting in Sitka of a group of rural communities interested in promoting tourism with a focus

different from that of ATIA. She asked whether this group could apply to the new board for a grant.

REPRESENTATIVE AUSTERMAN said yes, and added that there will be a lot of discussion about the scope of tourism that would be included. He opined all groups can come to the board after its criteria is established.

[8:56:21 AM](#)

REPRESENTATIVE MUNOZ asked for confirmation that ASMI would be eligible to compete for funds.

REPRESENTATIVE AUSTERMAN indicated yes; ASMI currently qualifies for marketing funding, although it is funded differently and at a lower percentage than ATIA. Marketing funds are an annual argument for the legislature, and this board would work with the industry to identify funding. The legislature would still fund the marketing fund each year, which could mean more money for marketing in the long-term, with the addition of new businesses.

[8:58:23 AM](#)

REPRESENTATIVE FOSTER pointed out the board will determine what constitutes an "emerging market," and inquired about that process.

REPRESENTATIVE AUSTERMAN said he did not know. He recalled how - during past troubled times for the seafood industry - matching funds and federal money was used to bring the fishing industry back from a period of low prices with incentives on new and developing products.

CO-CHAIR HERRON opened public testimony.

[9:00:21 AM](#)

DEB HICKOK, Chair, Board of Directors, Alaska Travel Industry Association (ATIA), said the ATIA board shares Representative Austerman's passion for growing and diversifying Alaska's economy. She relayed that the ATIA board of directors works with its 11,000 member businesses to develop and market Alaska as a travel destination; in fact, the board supports a marketing committee structure because it gives large and small businesses a direct voice in the marketing program. However, the ATIA board also seeks to scrutinize the proposed marketing process for possible improvements. Ms. Hickok offered that the board

will collaborate with the legislature and the administration, and suggested an independent audit of the marketing committee structure and programs during the interim discussions regarding the proposed legislation. Referring to the bill, she opined Section 3 - that repeals the qualified trade association (QTA) - is premature, and has negative consequences to the travel industry. Ms. Hickok urged for more collaboration with the travel industry during interim.

[9:04:43 AM](#)

REPRESENTATIVE AUSTERMAN recently heard that an audit of ATIA was under consideration; however, this bill does not have anything to do with ATIA and its ability to perform its task. He stressed that HB 222 does not relate to the operations of ATIA; in fact, this legislation creates a new structure for how marketing is funded by the state.

[HB 222 was heard and held.]

[9:06:11 AM](#)

Chair Herron turned the gavel over to Vice Chair Olson.

[9:06:21 AM](#)

HB 191-DEPARTMENT OF AGRICULTURE AND FOOD

[9:06:36 AM](#)

VICE CHAIR OLSON announced that the final order of business would be HOUSE BILL NO. 191," An Act establishing a state department of agriculture and food and relating to its powers and duties; relating to the powers and duties of the Department of Environmental Conservation and the Department of Natural Resources; and providing for an effective date."

[9:06:55 AM](#)

JANE PIERSON, Staff, Representative Steve Thompson, Alaska State Legislature, reminded the committee the purpose of HB 191 was to create a new department of agriculture and food. Although the bill had been previously introduced to the committee, she provided a sectional analysis. Sections 1-18 of the bill address AS Title 3 - AGRICULTURE AND ANIMALS, and specifically, Chapter 5, which is the duties of the commissioners, and puts the duties relating to agriculture and food under the purview of

the commissioner of the department of agriculture and food. The sections in Chapter 5 also address the powers and duties of the commissioner of the Department of Environmental Conservation (DEC) and puts retail food establishments and fish products establishments under the purview of DEC. The new department of agriculture will have duties overseeing animals and animal products, the state veterinarian, noxious weeds, invasive plants, agricultural pest management, the grading and classification of agricultural products, inspections, product violations, elk farming, and food security. In addition, under AS Title 17, the new department of agriculture and food will assume duties over federal crop insurance contributions, agricultural and industrial fairs, the Farm to School Program, the Plant Materials Center, controlled livestock districts, brand-marking, beekeeping, and organic food. Sections 19-20 direct the commissioner of the department of agriculture and food to appoint an employee of the department as the director of the board of agriculture and conservation; this board oversees the Agricultural Revolving Loan Fund (ARLF). Sections 39-75 deal with AS Title 17, which is Alaska Food and Drug; Chapter 20 is the Alaska Food, Drug, and Cosmetic Act and applies to the commissioner of the department of agriculture and food having the duty to set standards, regulate, label, inspect, embargo, condemn, re-label, enforce, and fine related food products with the exceptions of fish and fisheries products, and retail establishments, which remain under the purview of DEC. Sections 76-77 make conforming changes. Section 78 deals with the clearing and draining of agricultural land. Sections 79-82 also make conforming amendments. Section 83 adds a new chapter to establish the new department of agriculture and food. Section 84 adds the department of agriculture and food to the agencies enforcing AS 17.20. Section 85 repeals certain laws. Section 86 authorizes the department of agriculture and food, DEC, and DNR to begin adopting, amending, and repealing regulations as necessary to implement this Act. Sections 88-89 set forth the effective date. Ms. Pierson stated that Representative Thompson's office has been in contact with farmers, DEC, and the Department of Natural Resources (DNR), and the concerns from all of the interested parties are being addressed; for example, farmers were concerned about mandatory programs to inventory food supplies. Also, DEC requested a change in language regarding the processing of food, and the Alaska Department of Fish and Game (ADF&G) was concerned about language related to fish. In Section 18, the definition of retail food will be expanded and moved from Title 3 into Title 17. In Section 41, DEC will provide a definition of non-agricultural food. The definition of food establishment will be

moved to Section 49, and changes related to retail food and agricultural food processors are forthcoming. Ms. Pierson noted that DNR feels the Division of Agriculture belongs in its department; however, Representative Thompson believes the creation of a new department is sound policy.

[9:13:13 AM](#)

REPRESENTATIVE GARDNER referred to the letters of support and opposition that were provided in the committee packet and asked for the authors' contact information.

[9:14:04 AM](#)

REPRESENTATIVE TUCK asked for a copy of the most current sectional analysis.

MS. PIERSON will respond to both requests. In response to Vice Chair Olson, she deferred to the Division of Agriculture for information on ARLF.

[9:16:10 AM](#)

REPRESENTATIVE THOMPSON asked whether the Board of Agriculture & Conservation (BAC) is responsible for managing ARLF and its assets.

[9:16:33 AM](#)

FRANCI HAVEMEISTER, Director, Central Office, Division of Agriculture, Department of Natural Resources (DNR), said yes. In further response to Representative Thompson, she said she was unsure whether the BAC passed a resolution requesting that ARLF be recapitalized; however, the loan fund continues to revolve and BAC is "looking for future requests, ... currently we are able to meet the need of the Ag community."

[9:17:05 AM](#)

REPRESENTATIVE THOMPSON asked for an explanation of the sudden drop in projected loan activity from \$3,285,000 in fiscal year 2010 (FY 10), to \$2,400,000 in FY 11, and to \$1,500,000 FY 12.

[These figures were from an undated document titled, "Agricultural Revolving Loan Fund Cash Flow Projection," from an unknown source.]

MS. HAVEMEISTER opined the projections are based on historical information that does not reflect ARLF lower loan rates that led to refinances and "which shows activity but it's not actual cash out of the fund."

[9:17:48 AM](#)

VICE CHAIR OLSON asked whether there is a description of the "difference between the two sets of numbers."

[Included in the committee packet was an undated document titled, "Agricultural Revolving Loan Fund (ARLF), Financial Summary as of February 28, 2011, Fiscal Year July 1-June 30," from an unknown source.]

[9:18:08 AM](#)

MS. HAVEMEISTER said:

No, I have not. We just had an error that was submitted through this office that did not go through support services, so we requested support services do a new financial projection, and that, that is the one that is currently in the packet.

MS. HAVEMEISTER, in further response to Vice Chair Olson, said Cris Cowles-Brunton, Revenue Officer, Central Office, Division of Support Services, DNR, prepared the second document.

VICE CHAIR OLSON then asked whether the future sale of Matanuska Maid Dairy (Mat-Maid) was a variable included in the cash flow projections.

MS. HAVEMEISTER said she was unsure; however, the difference between the initial projection and the second projection was that revenue was not included in the initial projection. In further response to Vice Chair Olson, she said she did not believe any refinancing of bad debts was included.

[9:19:46 AM](#)

MS. PIERSON, in response to Representative Gardner, explained the original projection by DNR was corrected. She said she will provide the corrected document to the committee.

[9:21:20 AM](#)

VICE CHAIR OLSON opened public testimony.

[9:21:45 AM](#)

SIG RESTAD, Master, Northland Pioneer Grange, expressed the Grange's support of the bill at its present "stage of development." The bill improves communication between the agricultural community and local and national agencies, and there is ample time to work on further revisions; in fact, Northland Pioneer Grange has been involved in this issue since 1934. Speaking on his own behalf, he recalled his experience as the Director of Agriculture from 1962-1968, and said state agricultural programs with department-level status are more productive and cost efficient. In addition, farmers benefit from seeking answers from one department organized in a structure similar to that of the U.S. Department of Agriculture. Mr. Restad offered his experience.

[9:27:38 AM](#)

JOHN POIRRIER, President, Alaska State Grange, stated that the Alaska State Grange supports HB 191 based on two principles, the first of which is that the development of agriculture moved human society from a nomadic hunting and gathering lifestyle to a community lifestyle. Although Alaskans are dependent on natural resources and its regulatory approach to management, agriculture results from the efforts of people to produce food products to support a general population. He strongly urged further efforts in Alaska to provide its own food supply. Secondly, a department-level governmental agency should be involved in such an important element of the state's economy. The bill consolidates existing governmental functions into a single department in the best interests of the state.

[9:29:57 AM](#)

BRYCE WRIGLEY, President, Alaska Farm Bureau, Inc., stressed that HB 191 is not an "indictment" of DNR or the Division of Agriculture. He pointed out that all Alaskans can be affected by transportation breakdowns and there is a serious need to address food security in Alaska by raising more food in the state. The new department of agriculture should have the freedom to strive for this goal of food security, independent of influence from DNR; in fact, the key to reaching this goal is to develop a business climate to support small- and medium-sized farms to grow and process food. A more focused agency will be capable of working with farmers to develop a food source in

Alaska for its rural and urban populations. Mr. Wrigley endorsed the previous testimony of others.

[9:31:55 AM](#)

VICE CHAIR OLSON closed public testimony.

[9:32:05 AM](#)

REPRESENTATIVE THOMPSON questioned whether the FY 12 projected personnel expenditures in the amount of \$512,375 are really needed to administer a loan fund of \$1,500,000.

MS. PIERSON said she was also interested in looking into these and other "numbers" pertaining to ARLF.

VICE CHAIR OLSON, in response to Representative Foster, advised that the next committee of referral is the House Resources Standing Committee, which intends to work on the bill during interim.

[9:34:29 AM](#)

REPRESENTATIVE TUCK relayed that historically there was a surplus of food in the U.S., but now there is not. Because of the remote location of Alaska, it is important to have an agricultural base, especially since there is only a three to eight day supply of food in case of a catastrophe. Representative Tuck acknowledged that there is a lot of work to be done on the bill, but it emphasizes the importance of agriculture as the foundation of the economy, and he offered his assistance and support.

[9:36:48 AM](#)

REPRESENTATIVE FOSTER moved to report HB 191, Version 27-LS0458\M, out of committee with individual recommendations and the accompanying fiscal note. There being no objection, HB 191 was reported from the House Special Committee on Economic Development, International Trade and Tourism.

[9:37:19 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Economic Development, International Trade and Tourism meeting was adjourned at 9:37 a.m.