

HOUSE FINANCE COMMITTEE
January 26, 2011
1:32 p.m.

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CALL TO ORDER

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

MEMBERS PRESENT

Representative Bill Stoltze, Co-Chair
Representative Bill Thomas Jr., Co-Chair
Representative Anna Fairclough, Vice-Chair
Representative Mia Costello
Representative Mike Doogan
Representative Bryce Edgmon
Representative David Guttenberg
Representative Reggie Joule
Representative Mark Neuman
Representative Tammie Wilson

MEMBERS ABSENT

Representative Les Gara

ALSO PRESENT

Susan Bell, Commissioner, Department of Commerce, Community and Economic Development; Jo Ellen Hanrahan, Director of Administrative Services, Department of Commerce, Community and Economic Development; Representative Dan Saddler; John J. Burns, Attorney General, Department of Law; Dave Blaisdell, Director, Administrative Services Division, Department of Law; Richard Svobodny, Deputy Attorney General, Criminal Division, Department of Law.

SUMMARY

BUDGET OVERVIEWS:

Department of Commerce, Community and Economic
Development
Department of Law

^BUDGET OVERVIEW: DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

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SUSAN BELL, COMMISSIONER, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, (DCCED) introduced a PowerPoint, "Alaska Department of Commerce, Community and Economic Development: Promoting a Healthy Economy and Strong Communities" (copy on file).

Commissioner Bell described DCCED as very broad, with six corporate agencies and six core agencies. She shared the collective mission statement of DCCED agencies: "Promote a healthy economy, strong communities and protect consumers in Alaska." She noted the organizational chart (Slide 2) depicting the department's relationships with the various associated corporations (connected to the department with dotted lines), including the Alaska Aerospace Corporation, the Alaska Energy Authority, the Alaska Industrial Development Export Authority, the Alaska Seafood Marketing Institute, the Regulatory Commission of Alaska, and Serve Alaska. She explained that DCCED has varying degrees of involvement with the corporate agencies, ranging from providing administrative services, serving on boards, and working corroboratively with them.

Commissioner Bell listed the core state agencies of DCCED:

- Division of Banking and Securities
- Division of Corporations, Business and Professional Licensing
- Division of Community and Regional Affairs
- Division of Insurance
- Office of Economic Development

Commissioner Bell noted a number of ways that the various agencies worked collectively to achieve the department's mission, from providing access to capital, providing state grants and loans, providing programs targeting a number of industries, marketing Alaska as an entity overall as well as Alaska products and services, regulation of a number of aspects of the business community (including banking, securities, corporations, insurance, occupations, public utilities), and providing assistance to local governments.

She hoped to provide the committee with a better understanding of DCCED's activities and challenges at the division level.

Commissioner Bell indicated a map of Alaska on Slide 3 showing the locations of the department's 538 employees in Anchorage, Bethel, Dillingham, Fairbanks, Juneau, Kodiak, Kotzebue, Nome, Tok, and Seattle (the location of the Alaska Seafood Marketing Institute office).

Commissioner Bell directed attention to the department's four priority program areas, with the entities involved listed underneath each (Slide 4):

- Economic Development
 - Economic Development; Alaska Aerospace; AIDEA, ASMI
- Sustainable Energy
 - Alaska Energy Authority
- Strong Communities
 - Community and Regional Affairs; Serve Alaska
- Consumer Protection
 - Banking and Securities; Insurance; Corporations, Business and Professional Licensing; Regulatory Commission of Alaska

Commissioner Bell noted that the individual budgets would be discussed in more detail at the subcommittee level. She noted overall that the priority area economic development had a FY 12 reduction over the FY 11 budget of \$459,000. The energy programs achieved by the Alaska Energy Authority (AEA) had a reduction over the FY 11 budget of \$1.5 million, predominantly from a reduction in power cost equalization.

Co-Chair Stoltze opined that the Division of Corporations, Business and Professional Licensing should be listed under the priority heading "economic development" and not "consumer protection." He pointed out that the division's focus was commerce and that most Alaskans interfaced with it. He commended the current leadership in the division. He noted that small business people in his district were paralyzed when slowed down by a license renewal. He thought more improvements could be made to support economic development in the state. He did not want to see government slowing things down, whether the operation was large or small.

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Commissioner Bell noted some of the staff changes that had been made in the department. She recognized employees for work done. She detailed that the department interacted with over 115 businesses. She stressed that the presentation was organized in priority areas.

Commissioner Bell directed attention to a pie chart on Slide 5, "Budget by Priority Program" indicating the comparable portions of the total proposed budget for FY 12 of \$204,178,400, which was a 4 percent decrease from the FY 11 budget. The colored slices detailed the budget by priority areas:

- Economic Growth (red): \$79,806,000; 39 percent of the total budget
- Sustainable Energy (green): \$53,315,800; 26 percent of the total budget
- Strong Communities (yellow): \$38,927,500; 19 percent of the total budget
- Consumer Protection (blue): \$32,129,100; 16 percent of the total budget

Commissioner Bell turned to the first priority area, "Economic Development Programs" (Slide 6):

- Division of Economic Development
 - Strengthening/realigning: finance, marketing, research, business/technical assistance, outreach/coordination
- Financing
 - 268 loans, totaling \$20.3 million
 - Legislation proposing several targeted loan programs
- Made in Alaska
 - 2010 Showcase: 48 vendors and 19 Alaska/national buyers
- Alaska Film Office
 - 29 film productions prequalified for tax credits
 - Marketing and logistical support for productions

Commissioner Bell detailed that the Division of Economic Development had been created the previous fall. She stressed the importance of strengthening and realigning

Alaska's economic development programs in the areas listed on the slide, including within state, federal, and community governments, as well as with the private sector. She reported that DCCED had been engaging with many key organizations.

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Representative Costello queried the merging of the Division of Investments with the new division. She asked whether there had been fund-tracking problems. Commissioner Bell responded that there had previously been concerns about a fragmented approach in state activities and that the focus was on a narrowly defined number of industries. The department felt that bringing together the two divisions (the Office of Economic Development and the Division of Investments) would provide a framework for more effectively servicing businesses statewide, particularly related to financing. She pointed to programs that had not been fully utilized, including the Alaska Small Business Development Center, the Rural Development Investment Fund (RDIF), and Capstone Aviation. There was currently more outreach and the department was better able to incorporate industry and community feedback.

Co-Chair Stoltze queried the amount of the pre-qualified tax credits under the Alaska Film Office.

JO ELLEN HANRAHAN, DIRECTOR OF ADMINISTRATIVE SERVICES, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, replied that there had been \$244,000 in tax credits through FY 10.

Commissioner Bell added that DCCED reviewed the production for the 29 pre-qualified films. In order to be approved, the production had to be audited by an Alaskan firm. There were presently four productions that have been approved, with \$244,000 in tax credits.

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Co-Chair Thomas asked which shows had qualified for the tax credits. Commissioner Bell replied that the list was posted on the department website. She pointed out that the production firm names were often different than the name of the show.

Co-Chair Stoltze asked for the information to be provided to the co-chairs.

Co-Chair Thomas thought the public would like to know which shows were using the tax credits. He thought shows that were given the credits should be marketing Alaska. He referred to an Alaskan business was expecting more trade because of a show; even before the season started, bookings were up 25 percent for the year.

Representative Neuman believed the available credits amounted to between 30 and 40 percent of production costs; he requested the actual numbers. He thought the projection of Alaska in the shows was positive.

Commissioner Bell detailed that the base for the tax credits was 30 percent of production cost; there were two additional step increases up to 44 percent, depending on seasonality, rural location, and Alaska hire.

Vice-chair Fairclough noted that she had voted in opposition to the film credits provision and thought the reasons would become clear in a few years. She had concerns about film credits being used for projects that could result in closing down resource development in Alaska. She believed Alaskan businesses had been trying extract resources in a responsible manner and she was concerned that the film credits had drawn people to Alaska that would highlight the state in a way that would not be beneficial to Alaskans.

Co-Chair Stoltze noted that he also had voted against the film tax credits. He opined that tax credits were like general funds; when used, the legislature lost the power to make decisions about the money.

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Representative Wilson queried the process of getting the tax credits related to how a project would benefit the state or not. Commissioner Bell responded that the pre-approval process included a review of the script. In addition, an Alaskan firm would audit the financials of the project. She offered to get more information about what would happen if the production changed significantly from its initial review.

Commissioner Bell continued with the first priority area, "Economic Development Programs" (Slide 6).

- Division of Economic Development
 - Strengthening/realigning: finance, marketing, research, business/technical assistance, outreach/coordination
- Financing
 - 268 loans, totaling \$20.3 million
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 - 2010 Showcase: 48 vendors and 19 Alaska/national buyers
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Commissioner Bell detailed that the "Made in Alaska" program certified the use of the "Made in Alaska" logo; there had been a showcase in Anchorage that had resulted in new business relationships as well as sales for nearly 15 vendors. She commended the program staff for bring together buyers and sellers.

Commissioner Bell reported that she had asked the Alaska Film Office staff to ensure that the state was presented in the most effective way possible when selecting shows. She wanted to be broad and strategic regarding the industry.

Commissioner Bell mentioned challenges. She referred to a third-party certification ranking Alaska's business environment for competitiveness at number 50 out of 50 states in the country. She stated that the department's economic development programs had been reviewing how Alaska was marketed. The department wanted to figure out how to best serve the business community and get businesses to come to the state.

Commissioner Bell added that another challenge was working within state government and with other organizations such as the Resource Development Council. She noted that the department had been complimented for its outreach and collaboration.

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Vice-chair Fairclough stated that the 50 out of 50 ranking was based on one poll that was based heavily on the criteria of transportation costs, which had put Alaska at a disadvantage. She agreed that Alaska was not as "open for business" as she wanted it to be. However, she believed the state was not at the bottom but was in the lower 10 percent of states.

Commissioner Bell continued with economic development (Slide 7):

- Tourism Development
 - o Increased market demand for Alaska travel
 - o Created product development and training
 - o Engaged industry and conducted economic impact analysis

Commissioner Bell referred to a presentation by the Alaska Travel Industry Association (ATIA) [House Finance Committee, January 26, 2011, noon meeting]. She highlighted that the state was in year three of a three-year decline; in 2009, Alaska lost approximately 125,000 independent visitors, and a significant reduction in cruise passengers was expected for the summer of 2011. She pointed out that it was very difficult to sustain a two- or three-year loss. The department provided support in the form of data to the visitor industry to show where visitors went, what they spent, and their satisfaction ratings. An economic impact analysis was done and a contractor projected an estimated loss of 5,000 jobs resulting from the decline. The department also had a number of programs researching product development and customer-service training, and had worked with a federally-funded program developing rural tourism in Alaska.

Co-Chair Stoltze referred to changes that had been made in statute related to cruise ships. He stated concerns that a decline could become a permanent economic adjustment. He wondered where the state was at in the decline and whether the decline had been stopped or slowed. Commissioner Bell replied that the annual direct or indirect employment associated with the visitor industry was a little over 36,000, with peak employment of 40,000. In terms of restoring the demand, small cruise ships would be returning to Alaska in 2011; approximately 50,000 cruise-ship passengers were expected to return on the Princess Cruises in the summer of 2012. She acknowledged that the numbers

did not make up for the full approximately 150,000 visitors lost. She noted an increase in independent travelers, predominantly visitors traveling by air. She reported information given by ATIA regarding a \$6 million television marketing program (from one-time funding); based on inquiries and surveys, ATIA anticipated the result of the marketing would be about 70,000 new visitors and \$72 million in new spending. The increase would not get the state back to the 2008 peak.

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Representative Doogan referenced the 5,000 lost Alaskan jobs and asked whether the jobs were in Alaska or were jobs Alaskans would have held if they had not gone away. Commissioner Bell responded that the number referred to direct and indirect employment associated from the spending generated by visitors coming to the state. The analysis began by looking at how many people came to Alaska and what they spent on goods and services within the state. An input/output model was then used to determine direct and indirect spending and the associated employment. She stressed that a key piece was that the jobs were "onshore Alaskan employment," as distinct from tourism-related employment on cruise ships. Therefore, the jobs lost were in Alaska.

Representative Doogan clarified that there were many people who come to the state to work during the tourist season and then leave the state. He asked whether they were discussing those kinds of jobs or jobs that belong to [year-round] Alaskans. Commissioner Bell answered that the quantification did not differentiate residency or seasonality.

Representative Wilson asked how the numbers distinguished between the effects of the overall economy and the effects of advertising. She opined that people could not afford to travel as far as Alaska. Commissioner Bell replied that in 2009, the significant drop in independent visitors was attributable to the economy. She stated that there was a high degree of confidence in the methodology behind the quantification of visitors and their actual spending. To measure what was driving the numbers, other things could be considered: the number of inquiries, the number of visitors, and surveys about travel attitudes, barriers, and images. She explained that there was a considerable amount

of market research aimed at understanding how to be as effective as possible.

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Commissioner Bell reviewed the remaining items on Slide 7:

- Increased outreach and effectiveness
 - Leverage external/internal partners
 - Minerals, forestry, seafood, agriculture, transportation
 - Multi-year international trade strategy
 - Business retention and expansion strategy
 - Expanded presence at key trade shows and forums
 - Council of Economic Advisors
 - Connect Alaska broadband strategy

Commissioner Bell detailed that DCCED was trying to interact with the private sector, other state agencies, and to conduct market research and analysis in order to advance employment and economic opportunity. She reported that the department had formed an economic advisory council and had asked the group (including geographically diverse industry representatives, ANCSA [Alaska Native Claims Settlement Act] Corporations, bankers, the Resource Development Council for Alaska, AOGA [Alaska Oil and Gas Association], and others) to meet with the department on a quarterly basis in order to increase contact with the private sector.

Representative Costello referred to the position that was being created in the commissioner's office and asked whether the position would take on the functions of outreach and effectiveness. Commissioner Bell responded that the engagement was at all levels and not just limited to the economic staff. She stated that she as commissioner, the deputy commissioner, the directors, and the economic development staff were involved. Some of the changes had already been evolving before her arrival in the department. There was also a communications director; the position had previously been solely funded and housed in the Office of Economic Development, but had been moved into the commissioner's office with the goal of serving the full department.

Commissioner Bell continued with economic development (Slide 8):

- Alaska Aerospace Corporation
 - o Supported Air Force SPT-26 launch in November
 - o Planning next launch in May 2011

Commissioner Bell described a successful launch by the Alaska Aerospace Corporation in November 2010 and referenced another launch planned for the spring of 2011. She highlighted the corporation's on-going need for sustainability funding. She spoke of the governor's announcement to move the aerospace operation from DCCED to the Department of Veterans and Military Affairs, which DCCED supported. She referred to studies commissioned through the Anchorage Economic Development Corporation, Northern Economics, and the McDowell Group recognizing the employment and economic impacts of the aerospace corporation. She stated that DCCED wanted the entity to grow and thrive, wherever it was housed. She thought the corporation had important business impacts on the state and that it could grow. For example, the agency had partnered with Lockheed Martin Corporation on a military contract at Fort Greely. The department had assisted in bringing together some of the departments involved, including the Department of Labor and Workforce Development, DCCED, the Alaska Housing Finance Authority in the Department of Revenue, and others to help the aerospace corporation with bidding and successful implementation.

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Co-Chair Thomas queried an increment for \$4 million for the Alaska Aerospace Corporation. He believed \$10 million would actually be needed and asked whether she anticipated an future increment to \$10 million. Commissioner Bell responded that the \$4 million request was in the capital budget. She stated that part of the goal was a closer alignment with a military entity, which would provide better access and better opportunity to pursue contracts like Air Force launches and the Fort Greely missile defense project. She acknowledged an on-going need for sustainment funding from the federal government and from commercial and government launches.

Co-Chair Thomas pointed out that he had been told the agency would need \$10 million in the operating budget over the next four years.

Co-Chair Stoltze added that he had heard larger numbers.

Commissioner Bell responded that there had been discussion about looking at \$10 million for each of the years from FY 13 through FY 15, which she believed was referenced in the budget language. She also noted discussion about the "third launch complex," which would be a significant capital investment. Currently, the corporation was working on the rocket motor storage, which was being utilized by the spring launch. She suggested the price tag could approach \$100 million.

Commissioner Bell continued with the last two items on Slide 8:

- AIDEA
 - Revolving loan fund assets increase by \$37.1 million
 - FY12 dividend \$29.4 million
 - Expanding development projects and economic development tools
- Alaska Seafood Marketing Institute
 - Increasing exposure for Alaska seafood in U.S. and international markets

Commissioner Bell detailed that AIDEA had been implementing its strategic plan to be more focused on economic development and more aggressive. She added that the agency had been criticized in the past for being more conservative than private lending institutions. Creative new approaches in tools included a bill recently introduced in the legislature related to new market tax credits and a bill from the previous session that provided the flexibility for AIDEA to partially own projects. She noted the December 2010 announcement of AIDEA's \$29.4 million dividend, bringing the total dividends to the state to approximately \$300 million. She also underlined increased involvement by the private sector, both on the board and at the committee level.

Commissioner Bell turned to the Alaska Seafood Marketing Institute (ASMI), which had become aggressive with retail and food service programs both domestically and internationally. She maintained that the audiences communicated to by ASMI were broad, and included grocers, food distributors, restaurants, culinary schools, food-service operators, media, and direct-to-consumer. The institute had been trying to increase awareness, support,

consumption, and purchasing of Alaska seafood. The international programs were largely federally funded through the U.S. Department of Agriculture (USDA). Target markets included Japan, China, and the European Union. She noted that ASMI had been impacted by the world recession. In addition, there was competition from farmed seafood. Research had been conducted regarding the market; the entire range of the seafood market had been affected by the economy, the credit crunch, and fuel prices. She asserted that overall ASMI was still strong throughout the world.

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REPRESENTATIVE DAN SADDLER queried the structural change in the budget related to the ASMI funding. Commissioner Bell likened the shift to changing from a credit card to a debit card. The institute got most of its receipts from fishermen late in the year and was previously able to draw on the general fund and then replenish it as the industry receipts came in. However, a new accounting standard had been required; ASMI was set up with its own fund and would be operating on a cash basis.

Co-Chair Thomas stated that the organization's receipts came from a self-assessed tax by Alaska fishermen, which made its income different from the income other entities received. The income was based on fish prices; the year had been a record one for high salmon prices. He pointed out that half of one percent of the fishermen's gross went to ASMI for marketing. He mentioned another industry that paid little for its marketing. He queried what the department would do to help the halibut fishermen, who had recently lost 75 or 80 percent of their guarantee income. He stressed the seriousness of the impact in many communities. The raw-fish tax would be lower and affect the income of both the state and the fishing communities.

Co-Chair Stoltze pointed out that charter operators would be similarly affected by the lower halibut quotas. He thought the situation presented an opportunity for groups that normally compete over the same resources to cooperate with one another.

Co-Chair Thomas commented that ASMI could have to come back to the legislature for funds because the loss of halibut quotas would impact ASMI income.

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Commissioner Bell agreed that there could be far-reaching implications resulting from the lower fish tax receipts and that communities could be significantly impacted. She thought the situation warranted looking for additional marketing and financing tools, as existing tools might not be sufficient. The current year was a banner year for salmon, but prices for Pacific cod and other fish were not so strong.

Commissioner Bell turned to "Sustainable Energy" (Slide 9):

- Completed Alaska Energy Pathway, July 2010
- Program Overview
 - Renewable energy development
 - Technical assistance
 - Bulk fuel facility upgrade and loan program
 - Rural power system upgrades
- Renewable Energy Fund grants
 - \$150 million, 133 projects
- Pursuing new projects to meet statewide energy
- efficiency goals

Commissioner Bell recognized AEA for completing the "Alaska Energy Pathway" report in 2010. She stressed the importance of considering both large and small things that could be done throughout the state, given that the legislature had designated aggressive statewide goals that needed to be met by 2020. She reviewed the progress of AEA programs over the past year:

- Bulk fuel upgrades: 68 of 97 projects completed
- Power-system upgrades: 3 projects completed
- Bulk fuel revolving loans: 52 communities had loans
- Power project fund: recapitalized to provide loans to both government and privately-owned utilities
- Renewable energy fund grants: \$150 million and 133 projects, about one-third in the hands of communities
- Power Cost Equalization: over \$31 million distributed
- Training and technical assistance: 54 rural residents trained to manage or operate rural infrastructure
- Emerging energy technical fund: applications due March 2 for \$2.4 million state funding and \$2.4 million in Denali Commission funding

Commissioner Bell stated that there were a number of ways AEA was engaged with communities and private-sector entities throughout the state. She believed AEA would grow in visibility and importance as the department worked towards achieving goals and recognized the urgency in addressing the state's energy needs.

Vice-chair Fairclough referenced the renewable energy grant funds and the emerging technology grant. She wondered whether there were criteria to avoid the duplication of grants for projects that have failed in other regions.

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Commissioner Bell thought AEA would have more information and offered to get the information.

Representative Joule referred to the potential of developing gas and geothermal resources in some locations in the state. He noted the challenge of getting large equipment to distant locations to do the exploratory work. He questioned using small-bore drilling to determine whether further exploration and development was warranted. He hoped to diversify energy sources in the outlying parts of the state. He pointed out that Kotzebue had the potential to develop geothermal energy, but the expense of getting the necessary equipment there was prohibitive. The cost of looking for gas was also high. Commissioner Bell offered to follow up, find out whom to talk to, and get more information.

Commissioner Bell informed the committee that the AEA executive director search process was continuing; resumes had been requested and interviews would be conducted in the near future.

Co-Chair Stoltze queried energy costs that were automatically billed as state costs, such as transportation costs and heating for schools and state buildings.

Representative Edgmon thought there were many challenges to discuss related to energy. He questioned the position of AEA in the hierarchy of the department. Commissioner Bell responded that there could be much more opportunity for AEA to collaborate with other staff throughout the department. She referred to opportunities for cross-training and

collaboration. She noted that formally, within the structure, she sat on the AEA board and that that there were monthly board meetings. She thought the organization needed to connect more throughout the department.

Representative Edgmon surmised that the situation was still evolving. He thought the Susitna project would require a tremendous amount of time and resource.

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Commissioner Bell explained that AEA was a separate corporate entity that was housed in the department. She served on the board and DCCED provided administrative support, but she believed that there more opportunity to collaborate could be created.

Representative Doogan recalled that \$50 million for renewable energy grants had been passed the previous session, and \$25 million of that was vetoed by the governor.

Co-Chair Stoltze detailed that the actual amount was \$25,250,000.

Representative Doogan asked what the governor's plans were for the fund. Commissioner Bell answered that \$25 million had been placed in the proposed [capital] budget for FY 12 for the specific project. She surmised from the governor's speeches that he recognized that his budget proposal was a starting place for the legislature.

Representative Doogan noted that unfortunately the governor's budget was also the ending point for such things. He asked for more information on the appropriation. Commissioner Bell stated that she was only aware of the current request.

Co-Chair Stoltze commented that the legislature made the appropriations; he guessed \$25 million had been the number historically.

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Commissioner Bell moved on to discuss strong communities (Slide 10):

- Community and Regional Affairs Overview
 - o Local government assistance
 - o Rural Utility Business Advisory program (167 communities)
 - o Administered \$1.2 Billion in grants in FY11
 - o \$34 million to communities (PILT, National Forest Receipts, Fisheries Business Tax, Fisheries Landing Tax) plus Community Revenue Sharing (\$60 million)
 - o Land management and planning
 - o State assessor, community publications, Local Boundary Commission
 - o Bulk Fuel Bridge Loan (21 communities in 2010)

Commissioner Bell detailed that the staff of the Division of Community and Regional Affairs was engaged with communities throughout the state through the listed core programs. She noted that the state assessor had done full-value determinations for 40 municipalities in the past year. Communications such as "Lien Watch" had been produced and used by state, federal, and local governments. The department supported the Local Boundary Commission, the National Flood Insurance Program, and provided technical assistance to a number of communities. She underlined that the emphasis was on serving communities with populations of 2,500 or less, although services were available statewide. She added that the Division of Community and Regional Affairs operated the Bulk Fuel Bridge Loan for communities that were not eligible for the more traditional Bulk Fuel Loan Program; the goal was to get communities sustainable enough to qualify for the more traditional loan.

Representative Joule thanked Commissioner Bell for the weekly updates provided by the department. He thought they were concise and broad enough to provide a snapshot of what the department was doing in communities across the state. He thought the updates could be a model for communication in other agencies.

Commissioner Bell continued that the division ran other programs, such as Fuel Watch. She listed some of the challenges faced by the division (Slide 11):

- Community viability and capacity building are a continuing challenge

- o Increased operating costs, staff turnover, and potential for reduced federal funding
- o Lack of infrastructure and the high cost of doing business in rural Alaska
- o Water, electric, fuel utilities vulnerable - may need more regional strategies
- o Disparity in the ability to attract and evaluate diverse economic development projects
- o High energy costs negatively impact community viability and economic development efforts

Commissioner Bell emphasized the vulnerability of the utility system, as utilities were funded by state, federal, and local community and municipal funds. Regulatory agencies such as the Regulatory Commission of Alaska (RCA) were engaged in the issues, but DCCED staff dealt with issues on a daily basis.

Representative Guttenberg directed attention to the bullet point "Disparity in the ability to attract and evaluate diverse economic development projects." He queried examples of what the department was doing to level the playing field and make the process easier. He wondered what could be put in place that could be self-sustaining and have on-going effect. Commissioner Bell responded that the department tried to partner with other entities for training, such as training for planning commissioners and other elected officials. Some of the issues that needed to be addressed fell within the purview of DCCED, but others fell under the purview of other departments (such as the Department of Labor and Workforce Development). She opined that transportation, energy, and labor were economic foundations that Alaska needed to continually work at. She thought the need was broad; the division tried to be accessible and point people in the right direction to help build local capacity and enable communities to function on-going.

In response to a question from Representative Guttenberg, Commissioner Bell offered two aspects. Some of the department's training was offered in collaboration with other entities. She stressed that the department was also working towards more extensive use of broadband and offering services and online training through telecommuting.

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Representative Wilson wondered whether the department reviewed regulations that could be slowing small Alaskan businesses down, such as their ability to sell cheese from home or participate in farmer's markets. Commissioner Bell answered in the affirmative and added that the department could do more. She stated that she was interested in hearing more stories from around the state like the specific examples provided.

Representative Edgmon asked the about the rural subcabinet [Alaska Rural Action Subcabinet] and how its objectives could relate to the overall mission of DCCED. Commissioner Bell responded that she was chair the rural subcabinet and had been working on an action plan. She referred to commissioners who had traveled to rural communities that had never seen state commissioners. The officials conducted hearings and meetings to listen to people. The subcabinet action plan was focused on making recommendations and understanding the budgetary impact of prospective actions.

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Commissioner Bell moved on to discuss consumer protection (Slide 13):

- Banking and Securities
 - License, charter and examine banks
 - Consumer education and protection
 - ANCSA proxies
- Insurance
 - Ensure financial solvency
 - License, ensure compliance
 - Criminal investigations
 - Consumer education and protection
 - Challenges include increased number and complexity of insurance products and associated increase in investigations
- Corporations, Business and Professional Licensing
 - Administer 40 professional licensing programs
 - Business licenses
 - Register corporations and trademarks
 - Consumer outreach and complaint investigation
- Regulatory Commission of Alaska
 - Regulate public utilities and pipeline carriers
 - Tariff filings, dispute resolution, regulations
 - Establish PCE rates

- o Significant challenges include emerging energy issues, changing regulatory environment, and viability of rural utilities
- FY12 concurrent hearings with FERC on TAPS

Commissioner Bell noted that there were four department entities related to consumer protection: the Division of Banking and Securities, the Division of Insurance, the Division of Corporations, Business and Professional Licensing, and the Regulatory Commission of Alaska. She noted that all the entities were supported by fees and that each interfaced with businesses and consumers.

Commissioner Bell detailed that the Division of Banking and Securities was engaged with mortgage lenders and payday lenders; in the past year, it had issued 205 new mortgage licenses, 35 money-transmitter licenses, and conducted 38 examinations of depository and non-depository institutions. In addition, ANCSA corporations filed proxies with the division.

Commissioner Bell informed the committee that the Division of Insurance focused on licensing insurance providers in the state and ensuring compliance. The division also oversaw consumer education and protection programs, and conducted criminal investigations. She noted that insurance products were increasingly complex and took progressively more time to investigate. There had been seven criminal convictions in the last year, two of which resulted in jail sentences; 306 consumer complaints were investigated, which resulted in a total of \$230,000 being returned to Alaskan consumers. Twenty purchasing groups were registered, 28 new insurance companies were admitted, along with 14 new surplus-line insurers and five risk-retention groups. She noted that Director Linda Hall had been involved with other agencies in understanding the federal healthcare law and its implications for Alaska.

Vice-chair Fairclough stated concerns about reversible mortgages for senior citizens. She wondered whether consumer complaints were being received on the issue and whether the state was regulating the practice. She specified concerns about people being forced out of their homes and the interest rates collected by banks.

Vice-chair Fairclough also voiced concerns about bankcards and debit card distribution systems used for payroll. She

was worried about costs being inappropriately passed to consumers, such as service charges or the transference of payroll costs to employees that employers should be responsible for.

Commissioner Bell responded that she would follow up on the issues.

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Representative Neuman thought ASMI did a good job of selling Alaska's seafood. He queried direction given by the department for selling minerals and other Alaskan natural resources to the world. Commissioner Bell referred to smaller-scale efforts for marketing minerals and film. She thought one of the core economic development functions of the department related to marketing, financing, research, and technical assistance. She noted that department staff would be joining staff from DNR, the governor's office, AIDEA, and others at the Mineral Exploration Roundup, an international mining conference in Vancouver, British Columbia [January 24 to 27, 2011]. She referred to other trade shows and marketing events. She acknowledged that the efforts were on a much smaller scale than marketing efforts by ASMI.

Commissioner Bell concluded the presentation and assured the committee that the department took its mission seriously.

Co-Chair Thomas commended AEA's professionalism related to applications. He wanted the programs to be fair and not motivated by politics.

Co-Chair Stoltze requested a summary of the previous year's increments for DCCED. He remembered the past work of Representative Richard Foster.

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^BUDGET OVERVIEW: DEPARTMENT OF LAW

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JOHN J. BURNS, ATTORNEY GENERAL, DEPARTMENT OF LAW, introduced himself and reviewed his background. He stated his commitment to Alaska and his desire to meaningfully contribute to the state's betterment. He reported his experience growing up in Nome and Fairbanks and practicing law in the state. He reviewed recent travels around the state to meet and talk to citizens, including rural leaders, judges, and law enforcement officers. He had visited women's shelters and youth facilities with the intention of better understanding the needs of rural communities and to identify how the Department of Law (DOL) could best meet those needs. He stated that his objective as Attorney General was upholding the state constitution and enforcing the laws of Alaska, and to do so with dignity, integrity, and consistent with his ethical obligations as an attorney.

Attorney General Burns introduced his staff.

Attorney General Burns provided the committee with a PowerPoint presentation, "Department of Law FY 12 Budget Overview for the House Finance Committee of the 27th Alaska Legislature." He read the mission statement of DOL:

The mission of the Alaska Department of Law is to prosecute crime and provide legal services to state government for the protection and benefit of Alaska's citizens.

Attorney General Burns summarized "Key Statistics" (Slide 3):

Attorneys	FY12	FY11	Change
Civil	163	162	1*
Criminal	122	121	1**
Admin Svcs	1	1	0
Total	286	284	2

Department offices: *Anchorage, Barrow, Bethel, Dillingham, Fairbanks, Juneau, Kenai, Ketchikan, Kodiak, **Kotzebue, Nome, Palmer, and Sitka

Attorney General Burns detailed that DOL accomplished the objectives through three departments: civil, criminal, and administrative services. He noted that the budgetary request for FY 12 included increasing the number of

attorneys by two: one civil attorney to handle growing public records requests, and another criminal attorney to be the district attorney for Kotzebue. Additional support staff was also being requested to handle collections and to provide paralegal support.

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Representative Guttenberg queried the relationship between attorneys and support staff. He asked whether the ratios in Alaska were consistent with those around the country. Attorney General Burns replied that he did not know and would get the information.

Attorney General Burns pointed out that the operating budget proposal showed a decrease of \$2.6 million from FY 11 (Slide 4). He admitted that the decrease was a "misnomer" and that the next slide would show that approximately \$7 million associated with litigation expenses, experts, outside counsel, and other expenses was included in the capital budget. He stated that the reason was to provide flexibility to avoid a lapse in funding due to delays in litigation. He referred to a proposal by the Legislative Finance Division to move the oil and gas funds back into the operating budget with extended lapse dates. He thought that would provide the flexibility necessary related to litigation.

Mr. Budget turned to the capital budget (Slide 5) and reminded the committee that \$7 million in FY 12 represented a transfer from FY 11 for the reasons already stated. He noted that the administrative services category represented the most substantive change in the capital budget, and was associated with software purchases, development, and implementation, including an upgrade to the server room, a pro-law development program, an e-discovery solution, and search engines.

Attorney General Burns explained that DOL accomplishes its mission through four "Core Services" (Slide 6):

- Protecting the Safety and Financial Well Being of Alaskans
- Fostering Conditions for Responsible Development of Our Natural Resources
- Protecting the Fiscal Integrity of the State
- Promoting Good Governance

Attorney General Burns detailed that protecting the safety and financial well-being of Alaskans was done predominantly through the criminal and child protection divisions and the consumer and fair business division.

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Attorney General Burns turned to a chart detailing the "FY12 Budget by Core Service" (Slide 7) and noted that 62 percent of the budget was focused on achieving the first primary objective of safety and protecting Alaskans.

Attorney General Burns directed attention to Slide 8, "FY 10 Return on Investments." The chart shows that the budget for FY 10 was \$85.4 million; the department recovered \$576 million in rewards and collections, resulting in a return of \$6.75 for every dollar spent. Looking at the civil division alone (the section through which most collections were achieved), the budget for FY 10 was \$48.9 million; the department recovered \$576 million in rewards and collections, resulting in a return of \$11.77 for every dollar spent.

Attorney General Burns stressed that Slide 8 did not reflect cost savings. For example, the tort division had defended over 200 lawsuits in the past year, with no significant cost to the state.

Co-Chair Stoltze directed attention the Constitution of the State of Alaska (Article II, Section 17). He noted that the funds received by DOL went into the Constitutional Budget Reserve (CBR), not to unrestricted general funds.

DAVE BLAISDELL, DIRECTOR, ADMINISTRATIVE SERVICES DIVISION, DEPARTMENT OF LAW, answered that a large portion of the funds would go into the retirement and benefits account to pay for the Mercer settlement. He added that other returned funds would not necessarily go directly into the general fund.

Co-Chair Stoltze pointed out that the additional funds were not necessarily available to be spent. He wanted to lower expectations about how much money was available. Attorney General Burns agreed that there were no guarantees on future returns.

Attorney General Burns addressed results in achieving the department's first core objective of protecting public safety (Slides 10 through 12):

- Aggressive but fair prosecutions
 - Screened 7,727 felony cases
 - Prosecuted 5,072 felony cases
 - Screened 23,229 misdemeanor cases
 - 19,622 misdemeanor cases
- Assisted in drafting new laws
 - reformed the bail statute
 - enhanced penalties for sex assault and domestic violence
 - procedures for evidence retention
 - procedures for post-conviction DNA testing
- Played a key role in developing the 10-year Sexual Assault/Domestic Violence Initiative
- Collaborated with agencies and non profits to support the SA/DV Initiative
- Coordinated PSA's for the "Choose Respect" campaign

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Attorney General Burns reviewed results related to protecting citizen's financial well-being through the consumer protection and environmental enforcement branches of the department (Slides 13 through 14):

- Collected \$5.5 million in civil penalties, attorneys fees and costs, and restitution in consumer protection actions
- Collected \$3.9 million in environmental penalties
- Negotiated an Identity Theft settlement protecting Alaskan retirees and public employees from potential financial harm after PricewaterhouseCoopers, a state contractor, lost employees' personal information

Attorney General Burns detailed that notable cases related to consumer protection included the Publisher's Clearing House for deceptive marketing and Direct TV for misleading advertising.

Representative Guttenberg asked how successful DOL was in dealing with internet crimes. He queried international agreements. Attorney General Burns responded that the office was regularly flooded with consumer complaints; DOL

tried to deal with the complaints as they could. He offered to get more information.

Attorney General Burns provided details on the identity theft settlement after the PricewaterhouseCoopers data breach. The financial and personal information of 77,000 current and former state employees was lost; a settlement was negotiated that included free credit monitoring and guarantees of reimbursement in the event of financial loss resulting from the misappropriation of the information.

Attorney General Burns turned to the issue of "Protecting Alaska Children" (Slide 15):

- Prevailed in all ten Alaska Supreme Court appeals where children had to be removed from unsafe homes
- Participated in 2,376 child welfare cases where children were at risk
- Department of Law's child protection attorney case load is 113 per attorney—exceeding the recommended national average of 100 cases

Attorney General Burns detailed that the attorney child protection case load was 13 percent greater than the national average.

Co-Chair Stoltze referred to the passage of statutes related to internet crime and sexual predators during the previous legislative session. He queried the status of the American Civil Liberties Union (ACLU) litigation related to the issue.

RICHARD SVOBODNY, DEPUTY ATTORNEY GENERAL, CRIMINAL DIVISION, DEPARTMENT OF LAW, replied that the ACLU had sued the state and asked for injunctive relief in federal court, which had been granted on one provision of the bill passed. He did not think the ACLU was right; the case was still being litigated. He referred to a governor's bill dealing with the sexual exploitation of children that had an easy solution to the situation.

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Attorney General Burns directed attention to the department's second core function, "Fostering Economic Development" (Slide 16):

- Defended offshore oil and gas (OCS) exploration in court challenges
- Court agreed a pending OCS lawsuit on Lease Sale 193 does not prevent seismic exploration
- Defended Shell's Beaufort and Chukchi Sea OCS exploration plans in lawsuits in federal courts
- Filed an amicus brief challenging the OCS 5-year plan

Attorney General Burns continued with the subject of fostering economic development (Slide 17):

- Developed with ADF & G and the Administration a comprehensive Endangered Species Act strategy
 - Fought unwarranted listings
 - Cook Inlet Beluga whales as "endangered"
 - Ribbon seal
 - Fought unwarranted critical habitat designations
 - Polar bear critical habitat

Attorney General Burns opined that the federal Endangered Species Act (ESA) was being "flagrantly misused" and that the number of species listed as threatened or endangered was continuing to increase. He referred to recent press about walruses and noted that the ringed seal and bearded seal were being added to the list. He thought the issue was an example of federal regulatory overreach.

Representative Neuman queried strategies developed with the Department of Fish and Game (DFG) regarding the ESA. He wondered whether DOL was considering [marine] spatial planning and ocean zoning issues. Attorney General Burns agreed that the issue was a significant one. He thought the department needed to be proactive and develop a comprehensive interdepartmental strategy on the ESA and many other issues, including those related to the Environmental Protection Agency (EPA), the U.S. Fish and Wildlife Service, the Bureau of Land Management (BLM), and others that have significant impact on multiple departments and areas.

Attorney General Burns emphasized his philosophy that litigation should be used only as a last resort. He preferred to be as proactive as possible, to get involved as early as possible in the process in order to promote dialogue and to educate people and agencies. However, the proactive strategy was not always successful; in those

times, he thought it was critical that the state was willing to aggressively defend its rights. The focus of DOL has been increasingly to be proactive in the early stages of the process, and trying to interface with the agencies, even in the development of the discussions.

Representative Neuman asked whether DOL was planning to address the marine spatial planning issue. Attorney General Burns replied in the affirmative.

Representative Joule believed that there should be a longer discussion about ESA issues and about the Alaska Coastal Management Plan (ACMP) and whether or not the use of the plan would help the state. He referred to debate connected to the issue and queried the view of the department.

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Attorney General Burns answered that a thorough discussion of the issue would take some time. He agreed the issue was important. He referred to a meeting he had had with Mayor Edward S. Itta from the North Slope Borough. He stated that the importance of dialogue during the development of a comprehensive strategy had become clear to him during his visits to Nome, Bethel, and particularly Barrow. He acknowledged that he had been remiss in sending a letter in response to the critical habitat designation for the polar bear without first checking with the people in the communities affected.

Representative Joule believed that there could be a unified response; there were many in rural Alaska who could be collaborated with on addressing resource development, if certain issues were cleared up. Rural Alaskans were acutely aware of the importance of resolving the issues in order to sustain economic development into the future. He thought the tough issues had to be dealt with, that closure had to be brought to the issues, and then a unified voice had to be presented to the U.S. Congress and to the administration. Attorney General Burns agreed. He did not think dialogue necessarily meant agreement, but opined that there must be an agreement to disagree, in order to find common ground. He reported that he had been encouraged by discussions with Mayor Itta and his staff, as well as with the Arctic Slope Regional Corporation and others. He assured Representative Joule that from DOL's perspective, the ability to succeed in the discussed arena was

critically and vitally dependent on establishing the relationships. He stated that he would make every concerted effort that he could on behalf of DOL to engage.

Attorney General Burns continued with steps taken by DOL to address issues related to fostering economic development (Slide 18 through 19):

- Sued the Environmental Protection Agency on its finding that greenhouse gas emissions endanger human health and welfare
- Opposed last-ditch efforts by extremist environmental groups to block a federally authorized Southeast (Logjam) timber sale
- Prevailed in the United States Supreme Court, allowing Kensington Mine to open
- Assisted DEC in promulgating new pollution discharge regulations for Red Dog Mine
- Worked with Legislature and Governor to settle the cruise ship industry challenge to the head tax
- These actions created and preserved hundreds of jobs

Attorney General Burns detailed that 300 Kensington Mine workers had their jobs as a result of DOL actions and that 85 percent of the workers were Alaskan employees. He added that the Red Dog Mine operation supported 560 indirect jobs, and 2,800 direct and indirect jobs.

Attorney General Burns moved to the third core function of DOL, "Protecting Fiscal Integrity" (Slide 20):

- Recovered \$500 million from Mercer, actuary for the state pension plan
- Recovered \$54.7 million in oil and gas tax and royalties
- Defended the State Assessment Review Board's 2006 TAPS property tax valuation
- Defended over 200 tort claims with no adverse judgments against the state
- Collected over \$7.3 million in PFD and other garnishments

Attorney General Burns detailed that the successful defense of tort claims with no adverse judgments against the state underscored DOL's abilities and was an acknowledgement of

the fact that other state agencies were also doing their jobs very well.

Attorney General Burns moved to the fourth core function of the department, "Promoting Good Governance" (Slides 21 and 22):

- Sued the federal government over the constitutionality of the federal Affordable Care Act
- Joined other states in litigating Second Amendment issues
- Issued Executive Branch Ethics Act regulations
- Led the Rural Action Subcabinet on outreach trips to rural Alaska

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Attorney General Burns finished reflections on "Where We've Been" related to FY 10 and turned to the "Where We Are Now" portion of the presentation, related to FY 11. He noted that Slide 24 ("FY 2011 Increment") reflected the main increments received by the department and what was done with them:

- Added two new assistant district attorneys in Kenai (\$300.0)
- Added a child protection assistant attorney general in Kenai (\$200.0)
- Funded a natural resources assistant attorney general (\$200.0) and \$800.0 for outside counsel in ESA cases
- \$200.0 for fast ferry lawsuit
- \$2.5 million for issues related to gasline activity

Attorney General Burns discussed the on-going goals for the achievement of core objectives in FY 11, beginning with protecting public safety (Slides 25 and 26):

- Continue to aggressively but fairly prosecute criminals
- On January 26, 2011, statewide DA's offices are in trial on 12 felony cases, including five felony sexual or DV assaults and two homicides, including
 - State v. Waterman (Ketchikan woman accused of murdering her mother)

- o State v. Rollins (APD officer accused of sexual assault of young women he met on duty)
- Continue to support major aspects of the SA/DV initiative
 - o Hosting pro bono legal summits to increase legal representation of SA/DV victims
 - o Partnering with the Domestic Violence Sexual Assault Coordinator to assist victims
 - o Advising agencies of available federal funds, e.g., to train rural law enforcement officers

Attorney General Burns turned to activities related to fostering economic development for FY 11 (Slides 27 through 29):

- Continue to pursue resolution of the Point Thomson litigation with ExxonMobil
- Oppose roadblocks to petroleum exploration in the National Petroleum Reserve-Alaska(NPR-A)
- Implementing a comprehensive ESA strategy
 - o Petitioning the federal government to de-list the Eastern population of Stellar sea lions
 - o Successful defense on de-list of ribbon seal
 - o Litigating numerous cases involving polar bears
 - o Collaborating with Alaska Legislature and congressional delegation
- Fighting lawsuits by extremist groups to shut down OCS oil and gas exploration
- Defending DNR's land and water use permits

Attorney General Burns detailed that the second bullet-point related to the NPR-A involved a request by ConocoPhillips for an oil and gas permit in the area, which was remanded recently by the U.S. Army Corps of Engineers based on a determination by the court that the proposed drilling techniques were not appropriate. The corps felt that horizontal drilling was needed. The department was optimistic that the case would be decided quickly.

Attorney General Burns spoke to department strategy related to the ESA, which involved efforts to de-list certain species that had been listed. He acknowledged that there were circumstances in which the relationship between the state and federal government was working. He maintained that the state cooperated when it could and that litigation was the "path of last resort."

Attorney General Burns continued with FY 11 activities related to protecting fiscal integrity (Slides 30 through 32):

- Pursuing civil penalties, costs and restitution in consumer protection actions
- Pursuing penalties related to violations of state environmental laws
- Challenging TAPS Owners' attempt to include imprudent Strategic Reconfiguration expenses in the TAPS tariff rate base
- Defending SARB's 2007-2009 property tax assessments for TAPS
- Recovering fines and cleanup costs and economic damages from BP for negligent maintenance of the pipeline
- Sued the boat builder and the manufacturer of the state's two fast ferries for engine defects
 - Fairweather still out of service
 - Chenegain inspection
- These engine defects have cost the state hundreds of thousands of dollars in repairs

Attorney General Burns detailed that the Trans Alaska Pipeline System (TAPS) issue involved on-going litigation related to prudent practices and how much was appropriate to allocate in the tariff rate base.

Representative Guttenberg referenced the TAPS reconfiguration and asked whether the argument was about the methodology of the agreement. Attorney General Burns responded that at the time the project was originally sanctioned, it was for electrification; the estimated cost was about \$250,000. Seven years later, the project was still not complete and the cost was \$750 million. He noted that TAPS was seeking to roll the entire amount into the tariff base. He thought the question was whether the efforts reflected prudent operating practices, which was the justification for applying the costs to the tariff base.

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Attorney General Burns continued to discuss the protection of fiscal integrity (Slide 32). He emphasized that

litigation involving the state's fast ferries was the last resort; the statute of limitations had to be preserved, and dialogue had been unsuccessful.

Attorney General Burns reviewed the department's work to promote good governance in FY 11 (Slide 33):

- Defended the Division of Elections in challenges to Alaska's election laws in last year's general election
- Challenging the federal health care "individual mandate" requiring that all Alaskans purchase health insurance
- Challenging National Park Service regulations that infringe state sovereignty on navigable waters

Attorney General Burns moved on to highlight challenges and opportunities for DOL in FY 12 and beyond. He began with challenges and opportunities in the criminal division related to child protection (Slide 35):

- Criminal Division and Child Protection
 - Expedite felony cases from intake to trial
 - Steady focus on the SA/DV Initiative
 - More crime may be reported
 - Greater demand for prosecution and child protection interventions

Attorney General Burns detailed that statistics related to child protection cases were "staggering." In Anchorage, the lapsed time to disposition has nearly quadrupled from 173 days in 1987 to 669 days in 2007. The delay has a compounding effect. He maintained that the department was working with the criminal justice working group to take steps to address the problem.

Co-Chair Stoltze commented that 669 days was a big fraction of a child's life.

Attorney General Burns reviewed challenges and opportunities for the civil division (Slides 36 to 37):

- Civil Division
 - Continue to aggressively defend state sovereignty against federal regulatory overreach
 - Federal health care legislation

- EPA attempts to regulate greenhouse gas emissions
- National Park Service incursions
- BLM "Wild Lands" designation
- o Support--as legally appropriate--the state's long-term commitment to responsible resource development
- o Develop a comprehensive long term strategy
 - Endangered Species Act challenges
 - Unwarranted listings
 - Unwarranted designations of critical habitat
 - Mitigation when justified
 - Outer Continental Shelf exploration challenges

Attorney General Burns stressed that the emphasis was always on responsible resource development. He stated that the department was not anti-environmentalist. He thought all Alaskans understood the value of the outdoors, but he felt there was a clear nexus between jobs and healthy families, both of which were critically dependent on responsible resource development. He maintained that the development of the comprehensive long-term strategy was in the furtherance of those values.

Attorney General Burns referred to the department's five-year plan (Slide 38):

- Develop a 5-year interdepartmental plan
 - o Coordinate and cooperate
 - Legislative and executive branches of state government
 - All executive agencies
 - Department of Natural Resources
 - Department of Environmental Conservation
 - Department of Commerce Community and Economic Development
 - Department of Law
 - Department of Fish and Game

Attorney General Burns hoped that the five-year plan would be presented to the legislature and that it would receive engagement with the legislature and the various agencies listed. He thought agencies that were isolated did not work

well. He argued that the players must come together and develop a comprehensive strategy.

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Attorney General Burns listed the challenges and opportunities involved in collaboration between stakeholders (Slide 39):

- Cooperate and coordinate with stakeholders outside and inside state government
 - o Municipalities
 - o Boroughs
 - o Native corporations and tribes
 - o Other states
 - Washington and Oregon joined to de-list the Stellar sea lions
 - o Allies like National Association of Attorneys General and Association of Fish and Wildlife Agencies

Attorney General Burns concluded the presentation.

Co-Chair Stoltze informed the committee that the ESA and development issues would be addressed at a future meeting with representatives from several departments and from the North Slope Borough.

Representative Neuman requested an update on what the state was doing to defend commercial fisheries, especially halibut in Southeast, sport and guide fishermen in Southcentral, and Alaskan citizens.

Co-Chair Thomas pointed to the sea otter issue in Southeast and wondered how to control the otters and how to work with the federal government so that the state would be able to take care of the issue. He noted that since the Department of Fish and Game had put the 400 otter in the region, the population had expanded to 10,000.

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Representative Doogan reported that he was one of the guys who put the sea otters in the waters off Amchitka Island that came down to Southeast. He apologized for the ensuing troubles.

Representative Doogan referred to a quote on Slide 29 about "fighting lawsuits by extremist groups to shut down OCS oil and gas exploration." He did not think the state should characterize groups as "extremists," whether or not they were. He was concerned that a government group as official as DOL would characterize people in that manner. He opined that the use of the word was a kind of extremism itself, unless the accusation could be defended. Attorney General Burns acknowledged his input.

Representative Joule concurred with Representative Doogan. He thought the label might be true of out-of-state organizations, but he had concerns about referring to Alaskans as extremists, especially when people were trying to work with the groups and find areas of compromise. He thought the language could become counterproductive.

Representative Joule pointed to Attorney General Burns' reference to working with Native corporations and tribes. He stated that all the groups—whether municipalities, boroughs, corporations, or tribes—could be challenging to work with, given timing, issue, and place. However, in that challenge, he believed all groups presented an opportunity at the same time. He was glad to see tribes being looked at in that light. He stated that he himself sat at the table as a citizen of Alaska and as a state Representative, but he was also a shareholder in more than one corporation and a tribal member as well. He told the committee he was "by no means a boogeyman, in any capacity."

#

ADJOURNMENT

The meeting was adjourned at 3:48 PM.