

ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE

April 9, 2012

3:36 p.m.

MEMBERS PRESENT

Senator Joe Paskvan, Co-Chair
Senator Thomas Wagoner, Co-Chair
Senator Bill Wielechowski, Vice Chair
Senator Hollis French
Senator Gary Stevens

MEMBERS ABSENT

Senator Bert Stedman
Senator Lesil McGuire

OTHER LEGISLATORS PRESENT

Senator Cathy Giessel

COMMITTEE CALENDAR

CONFIRMATION HEARINGS

Board of Fisheries

Karl Johnstone - Anchorage, AK
Orville Huntington - Huslia, AK

- CONFIRMATIONS ADVANCED

CS FOR HOUSE JOINT RESOLUTION NO. 26(RES) AM

Urging federal agencies to work with the Alaska Department of Fish and Game, Southeast Alaska Native leaders, and other interested parties to establish strategies and plans for the sustainable management of the reintroduced sea otter population of Southeast Alaska.

- MOVED CSHJR 26(RES) AM OUT OF COMMITTEE

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 118(FIN)

"An Act relating to a tax credit for qualified research and development expenditures; and providing for an effective date."

- HEARD & HELD

SENATE BILL NO. 207

"An Act relating to exemptions for a resident hunting and sport fishing license and to taking fish and game by proxy for a person with mental or physical disabilities."

- SCHEDULED BUT NOT HEARD

SENATE BILL NO. 209

"An Act relating to oil and gas or gas only leasing; requiring that a minimum work commitment be included in each oil and gas and gas only lease and that a proposed plan of development be included in an application for an oil and gas or gas only lease; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: HJR 26

SHORT TITLE: SEA OTTER MANAGEMENT

SPONSOR(S): REPRESENTATIVE(S) P.WILSON

03/31/11	(H)	READ THE FIRST TIME - REFERRALS
03/31/11	(H)	RES
02/03/12	(H)	RES AT 1:00 PM BARNES 124
02/03/12	(H)	Heard & Held
02/03/12	(H)	MINUTE(RES)
02/13/12	(H)	RES AT 1:00 PM BARNES 124
02/13/12	(H)	Moved CSHJR 26(RES) Out of Committee
02/13/12	(H)	MINUTE(RES)
02/15/12	(H)	RES RPT CS(RES) 6DP 2NR 1AM
02/15/12	(H)	DP: MUNOZ, FOSTER, P.WILSON, DICK, SEATON, FEIGE
02/15/12	(H)	NR: GARDNER, HERRON
02/15/12	(H)	AM: KAWASAKI
03/19/12	(H)	DIVIDE THE AMENDMENT UC
03/19/12	(H)	DIVIDE AM NO 1A WITHDRAWN
03/19/12	(H)	TRANSMITTED TO (S)
03/19/12	(H)	VERSION: CSHJR 26(RES) AM
03/21/12	(S)	READ THE FIRST TIME - REFERRALS
03/21/12	(S)	RES
04/04/12	(S)	RES AT 3:30 PM BUTROVICH 205
04/04/12	(S)	Heard & Held
04/04/12	(S)	MINUTE(RES)
04/09/12	(S)	RES AT 3:30 PM BUTROVICH 205

BILL: HB 118

SHORT TITLE: RESEARCH AND DEVELOPMENT TAX CREDIT

SPONSOR(s) : RULES BY REQUEST OF THE GOVERNOR

01/24/11 (H) READ THE FIRST TIME - REFERRALS
 01/24/11 (H) L&C, FIN
 02/18/11 (H) L&C AT 3:15 PM CAPITOL 106
 02/18/11 (H) Heard & Held
 02/18/11 (H) MINUTE(L&C)
 02/25/11 (H) L&C AT 3:15 PM BARNES 124
 02/25/11 (H) Scheduled But Not Heard
 03/11/11 (H) L&C AT 3:15 PM BARNES 124
 03/11/11 (H) Moved CSHB 118(L&C) Out of Committee
 03/11/11 (H) MINUTE(L&C)
 03/14/11 (H) L&C RPT CS(L&C) 5DP 1NR
 03/14/11 (H) DP: THOMPSON, SADDLER, JOHNSON, MILLER,
 OLSON
 03/14/11 (H) NR: CHENAULT
 03/14/11 (H) L&C AT 3:15 PM BARNES 124
 03/14/11 (H) <Bill Hearing Canceled>
 04/07/11 (H) FIN AT 8:30 AM HOUSE FINANCE 519
 04/07/11 (H) Heard & Held
 04/07/11 (H) MINUTE(FIN)
 04/08/11 (H) FIN AT 9:00 AM HOUSE FINANCE 519
 04/08/11 (H) -- MEETING CANCELED --
 02/06/12 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 02/06/12 (H) Heard & Held
 02/06/12 (H) MINUTE(FIN)
 02/13/12 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 02/13/12 (H) Moved CSHB 118(FIN) Out of Committee
 02/13/12 (H) MINUTE(FIN)
 02/15/12 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 02/15/12 (H) Moved CSHB 118(FIN) Out of Committee
 02/15/12 (H) MINUTE(FIN)
 02/17/12 (H) FIN RPT CS(FIN) NT 2DP 4NR 3AM
 02/17/12 (H) DP: NEUMAN, COSTELLO
 02/17/12 (H) NR: T.WILSON, EDGMON, STOLTZE, THOMAS
 02/17/12 (H) AM: GARA, GUTTENBERG, DOOGAN
 02/29/12 (H) BEFORE THE HOUSE WITH AM NO 1 PENDING
 03/02/12 (H) TRANSMITTED TO (S)
 03/02/12 (H) VERSION: CSHB 118(FIN)
 03/05/12 (S) READ THE FIRST TIME - REFERRALS
 03/05/12 (S) RES, FIN
 04/04/12 (S) RES AT 3:30 PM BUTROVICH 205
 04/04/12 (S) Scheduled But Not Heard
 04/06/12 (S) RES AT 4:30 PM BUTROVICH 205
 04/06/12 (S) Scheduled But Not Heard
 04/09/12 (S) RES AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

REPRESENTATIVE PEGGY WILSON
Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Sponsor of HJR 26.

KARL JOHNSTONE, Nominee
Board of Fisheries
Anchorage, AK

POSITION STATEMENT: Testified as nominee for reappointment to the Board of Fisheries.

ORVILLE HUNTINGTON, Nominee
Board of Fisheries
Huslia, AK

POSITION STATEMENT: Testified as nominee for reappointment to the Board of Fisheries.

BRIAN KRAFT, representing himself
Anchorage, AK
supported

POSITION STATEMENT: Supported the reappointment of Mr. Johnstone to the Board of Fisheries.

HEATH HILYARD, Executive Director
Southeast Alaska Guides Organization
Juneau, AK

POSITION STATEMENT: Supported the reappointment of Mr. Johnstone to the Board of Fisheries.

RON PORTER, representing himself
Sitka, AK

POSITION STATEMENT: Opposed the reappointment of Mr. Johnstone to the Board of Fisheries.

STAN MALCOM, President
Petersburg Charter Boat Association

POSITION STATEMENT: Supported the reappointment of Mr. Johnstone to the Board of Fisheries.

DAN ERNHART, Executive Director
Tsiu River Coalition
Cordova, AK

POSITION STATEMENT: Supported the reappointment of Mr. Johnstone to the Board of Fisheries.

GREG ROCZICKA, representing himself
Bethel, AK

POSITION STATEMENT: Supported the reappointment of both Mr. Johnstone and Mr. Huntington to the Board of Fisheries.

LARRY ENGEL, representing himself
Palmer, AK

POSITION STATEMENT: Supported the reappointment of Mr. Johnstone to the Board of Fisheries.

TERRY ELLIS, representing himself and family
Wasilla, AK

POSITION STATEMENT: Supported the reappointment of Mr. Johnstone to the Board of Fisheries.

AL BARRETTE, representing himself
Fairbanks, AK

POSITION STATEMENT: Did not oppose the reappointment of Mr. Johnstone to the Board of Fisheries.

ANDY SZCZESNY, representing himself
Soldotna, AK

POSITION STATEMENT: Supported the reappointment of Mr. Johnstone to the Board of Fisheries.

STEVEN MCCLURE, representing himself
Soldotna, AK

POSITION STATEMENT: Supported the reappointment of Mr. Johnstone to the Board of Fisheries.

JOE CONNORS, representing himself
Sterling, AK

POSITION STATEMENT: Supported the reappointment of Mr. Johnstone to the Board of Fisheries.

GARY CHAMBERLIN, representing himself
Sterling, AK

POSITION STATEMENT: Supported the reappointment of Mr. Johnstone to the Board of Fisheries.

MONTE ROBERTS, representing himself
Soldotna, AK

POSITION STATEMENT: Supported the reappointment of Mr. Johnstone to the Board of Fisheries.

MURRAY FENTON, representing himself
Sterling, AK

POSITION STATEMENT: Supported the reappointment of Mr. Johnstone to the Board of Fisheries.

MIKE CRAWFORD, representing himself
Soldotna, AK

POSITION STATEMENT: Supported the reappointment of both Mr. Huntington and Mr. Johnstone to the Board of Fisheries

STEVEN RUNYAN, Chair
Susitna Valley Advisory Committee
Palmer, AK

POSITION STATEMENT: Supported the reappointment of Mr. Johnstone to the Board of Fisheries.

BRUCE KNOWLES, member
Susitna Valley Fish and Game Advisory Committee and
MatSu Borough Game and Fish Commission
Willow, AK

POSITION STATEMENT: Supported the reappointment of Mr. Johnstone to the Board of Fisheries.

LORETTA BULLARD
Kawerak, Inc.
Nome, AK

POSITION STATEMENT: Supported the reappointment of Mr. Johnstone to the Board of Fisheries.

RICHARD YAMADA, President
Juneau Charter Boat Operators Association
Juneau, AK

POSITION STATEMENT: Supported the reappointment of Mr. Johnstone to the Board of Fisheries.

GEORGE PIERCE, representing himself
Kasilof, AK

POSITION STATEMENT: Did not support the reappointment of Mr. Johnstone to the Board of Fisheries.

RON SOMERVILLE, board member
Territorial Sportsmen
Juneau, AK

POSITION STATEMENT: Supported the reappointment of Mr. Johnstone to the Board of Fisheries.

PAUL SHADURA, Executive Director
Kenai Peninsula Fishermen's Association (KPFA)
Soldotna, AK

POSITION STATEMENT: Was neutral on the reappointment of Mr. Johnstone to the Board of Fisheries.

RIKI GEESE, Executive Director
Kenai River Sportfishing Association
Soldotna, AK

POSITION STATEMENT: Supported the reappointment of Mr. Johnstone to the Board of Fisheries.

BILL BROWN, Vice Chair
Board of Fisheries
Juneau, AK

POSITION STATEMENT: Supported the reappointment of Mr. Johnstone to the Board of Fisheries.

REUBEN HANKE, representing himself
Soldotna, AK

POSITION STATEMENT: Supported the reappointment of Mr. Johnstone to the Board of Fisheries.

JIM STUBBS, Vice Chair
Anchorage Fish and Game Advisory Committee
Anchorage, AK

POSITION STATEMENT: Supported the reappointment of Mr. Johnstone to the Board of Fisheries.

WYNETTA AYERS, Director
Division of Economic Development
Department of Commerce, Community and Economic Development
(DCCED), Juneau, AK

POSITION STATEMENT: Provided information related to HB 118.

JOHANNA BALES, Deputy Director
Tax Division
Department of Revenue (DOR)
Anchorage, AK

POSITION STATEMENT: Provided information related to HB 118.

ACTION NARRATIVE

[3:36:44 PM](#)

CO-CHAIR THOMAS WAGONER called the Senate Resources Standing Committee meeting to order at 3:36 p.m. Present at the call to order were Senators Stevens, French, Wielechowski, Co-Chair Paskvan and Co-Chair Wagoner.

HJR 26-SEA OTTER MANAGEMENT

[3:37:44 PM](#)

CO-CHAIR WAGONER announced consideration of HJR 26 [CSHJR 26(RES)am was before the committee].

REPRESENTATIVE PEGGY WILSON, sponsor of HJR 26, said this resolution was presented last week and Co-chair Wagoner asked what had happened when it was heard in the House Committee. She said that out of 11 testimonies, 8 were in support and 3 animal activists didn't like it. Initially, Native leaders had some concerns about the third resolve clause regarding the use of sea otter pelts and she worked with Sealaska to rewrite that. Most of the testifiers agreed that a plan is needed to deal with increase in sea otter problem. That is what this resolution does.

REPRESENTATIVE P. WILSON said she was not advocating any particular solution, but rather encouraging stakeholders - state, federal, Native peoples and the public - to come to the table to find a solution.

[3:39:38 PM](#)

SENATOR FRENCH said he heard from some people that this is predator control for sea otters.

REPRESENTATIVE P. WILSON said she hadn't heard that at all and that was not the intent.

SENATOR FRENCH said subsistence use is the only direct reference he saw for harvesting on page 3, line 28.

REPRESENTATIVE P. WILSON added that now only Natives can harvest pelts and sell them and they want to change the definition only so they can have a niche market.

CO-CHAIR WAGONER asked if a person could legally harvest a certain number of sea otters.

REPRESENTATIVE P. WILSON replied there is no set number.

[3:42:04 PM](#)

CO-CHAIR PASKVAN moved to report CSHJR 26(RES)am, version D.A, from committee to the next committee of referral with individual recommendations and attached fiscal note.

SENATOR WIELECHOWSKI remarked that he had also received a number of messages of concern about predator control.

REPRESENTATIVE P. WILSON said she hadn't heard an inkling of that thought; it was never mentioned.

CO-CHAIR WAGONER removed his objection and finding no further objection announced that CSHJR 26(RES)am moved from Senate Resources Standing Committee.

[3:43:53 PM](#)

At ease from 3:43 to 3:44 p.m.

Confirmation hearings

[3:44:45 PM](#)

CO-CHAIR WAGONER announced consideration of the Governor's appointees for the Board of Fisheries: Karl Johnstone and Orville Huntington.

[3:45:21 PM](#)

KARL JOHNSTONE, nominee for reappointment to the Board of Fisheries, Anchorage, AK, said that he came to Alaska directly out of law school in March 1967 when he received a job offer. He quickly discovered Alaska was the place for him for many reasons connected to outdoor opportunities. He has been here ever since and intends on staying for the foreseeable future.

MR. JOHNSTONE said that he practiced law from 1967 until 1979 when he was appointed to the Supreme Court where he served until the late 90s. The last four of those years he served as a presiding judge for the Third Judicial District. After retiring he had a very limited law practice as a mediator. He did that until he was appointed to the Board of Fisheries in December 2008 to serve out Jeremiah Campbell's term of one year. Then he was appointed to a full three-year term where he has been serving since. In October 2011 he was elected chair.

When he first was appointed he thought he knew a lot about the fisheries resource in the state having fished in Bristol Bay and Southeast and Prince William Sound, but experienced a steep learning curve. He said he was willing to serve for another term.

CO-CHAIR WAGONER thanked Mr. Johnstone and invited Mr. Huntington to testify.

[3:49:34 PM](#)

ORVILLE HUNTINGTON, nominee for the Board of Fisheries, Huslia, AK, said he had been around fishing all his life and had good teachers. They are not the kind of people who talk about themselves, but he got a wildlife degree and understands fisheries issues. He said they have to base their best decisions on science and take local concerns into consideration. However, conservation should always be the goal. He was honored that the governor nominated him.

[3:51:20 PM](#)

BRIAN KRAFT, representing himself, Anchorage, AK, said he owned three sportfishing lodges in Alaska and supported the reappointment of Mr. Johnstone to the Board of Fisheries. He had always been fair and willing to listen to his proposals and while he didn't always agree with him, he understood that the resource comes first. He understood the economic needs of the commercial fisheries and the sport fisheries keeping subsistence in the forefront and had a tremendous track history. Being a judge gives him a great vantage point in which to look through the facts and come to a fair and equitable determination.

[3:53:02 PM](#)

HEATH HILYARD, Executive Director, Southeast Alaska Guides Organization, Juneau, AK, supported the reappointment of Mr. Johnstone to the Board of Fisheries. He experienced the same honesty and directness as Mr. Kraft had when attending the March Ketchikan Board of Fisheries meeting. He puts the overall health of the resource first and made himself available to various stakeholder groups and members of the public throughout that 10-day meeting.

[3:55:08 PM](#)

RON PORTER, representing himself, Sitka, AK, opposed the reappointment of Mr. Johnstone to the board of Fisheries. He has a vendetta against Southeast commercial fisheries and was a poor choice for chair. He had been to two meetings and thought it was becoming non-functional.

[3:56:43 PM](#)

STAN MALCOM, President, Petersburg Charter Boat Association, supported the reappointment of Mr. Johnstone to the Board of Fisheries. Mr. Malcom said he owned charter boat business in Petersburg and was concerned about long-term sustainability of the resource. Mr. Johnstone's interest in how the department manages the resources is more than just an automatic endorsement of their recommendations. While he didn't agree with his every position, he saw no bias towards any particular user group. He

is readily available to the public and his professionalism is the best he had seen in over 20 years of attending board meetings.

3:58:24 PM

DAN ERNHART, Executive Director, Tsiu River Coalition, Cordova, AK, supported the reappointment of Mr. Johnstone to the Board of Fisheries. He was impressed with the way he handled meetings when he was chair. He has a good sense of timing and pacing; he is very knowledgeable about most of the fisheries around the state. He votes on what is fair and what is right and not what is expected, and his explanations of why he voted are very understandable to a layperson. Being a former judge has given him a thick skin and he is not easily intimidated or weak when special interests try to get to him. It's clear that experience on the board is critical to making informed long-term decisions; constant turnover is counterproductive.

4:00:31 PM

JIM STUBBS, Vice Chair, Anchorage Fish and Game Advisory Committee, Anchorage, AK, supported the reappointment of Mr. Johnstone to the Board of Fisheries. The first board meeting he attended was in 1983 and he hadn't missed one since, so he knew what it takes to be a good board member and productive for the state of Alaska. As he has seen board members come and go he has noticed several things are critical to doing a good job: one is they need to be a good listener. Mr. Johnstone is a very approachable and a good listener. Another thing he noticed was that the board needs a member that is well studied and well versed on the issues; the history on the proposals and how they go together is very complex.

4:02:59 PM

GREG ROCZICKA, representing himself, Bethel, AK, supported both the appointment of both Mr. Johnstone and Mr. Huntington to the Board of Fisheries. Mr. Roczicka said he had been involved in resource management issues at every level for the last 25 years including serving on the Board of Game for two terms in the 90s; he is currently co-chair of the Kuskokwim River Salmon Management Working Group, on the Lower Kuskokwim Fish and Game Advisory Committee and the Federal Subsistence Council, and he had the pleasure of working with them both. Even though you don't always get your way and don't agree with all the decisions, you are listened to, and if you have a good case, you have a chance of getting them on your side. Mr. Huntington, although new on the board, is a quick study, knows the issues and will make an effective board member.

[4:05:21 PM](#)

LARRY ENGEL, representing himself, Palmer, AK, supported the reappointment of Mr. Johnstone to the Board of Fisheries. He spent 30 years with ADF&G attending Board of Fisheries meetings; he served on the board for three terms. He had seen the good, the bad and the ugly of members' abilities through the years and one of the strengths of the board is that it is an open process and easy for the public to get involved and evaluate the performance of the board. This is where Mr. Johnstone stands out amongst board members. He has the ability to articulate his views and gather information from staff, testimony and various committee processes, and very importantly can discuss it with board members and explain the rationale clearly for his decisions.

[4:07:26 PM](#)

TERRY ELLIS, representing himself and family, Wasilla, AK, said they are simply users of the resource and supported Mr. Johnstone's reappointment to the Board of Fisheries.

[4:07:49 PM](#)

AL BARRETTE, representing himself, Fairbanks, AK, said he was not here to oppose Mr. Johnstone's confirmation, but to point out that for the most part he is well prepared for meetings and does listen to concerned persons, but he didn't hear all the issues all the time or fully research all the statutes and regulations, for the intent of proposals submitted to the board. He "struggles somewhat" with subsistence law, Alaska Supreme Court decisions in the five non-subsistence areas. The case in point was the Chuitna personal use fishery. In 1978, the state enacted rural priority; in 1982 the Board of Fisheries enacted personal use and subsistence use regulations commonly known as the "eight criteria" for finding a positive or a negative finding for customary and traditional uses. In 1986, the legislature enacted AS 16.05.258, subsistence uses for allocation of fish and game which after a positive finding of C&P, the board shall allocate by priority to who shall have opportunity to harvest fish or game in times of shortage.

In 1990, the McDowell Alaska Supreme Court case said all Alaskans are eligible to participate in subsistence. Thus, the joint boards met in 1992 and enacted the five non-subsistence areas. This was important because of Alaska Administrative Code 77.001 personal use regulations, clearly states that the present areas of the state with harvestable surplus of fish in excess of both spawning, escapement and present levels of subsistence,

commercial and sport uses, are the five non-subsistence areas from 1992. It is necessary to establish fisheries classified as personal use because since the sale of fish is not appropriate or permissible, this fish cannot be classified as commercial. Since the use is not customary and traditional use, this fishery cannot be classified as subsistence. Chuitna red salmon have a positive finding of C&P. They reside in the Chuitna areas outside any of the five non-subsistence areas and the Board of Fisheries and Mr. Johnstone continually struggle about making that a subsistence fishery.

CO-CHAIR WAGONER thanked him and asked for questions. Finding none, he went to the next speaker.

[4:10:31 PM](#)

ANDY SZCZESNY, representing himself, Soldotna, AK, supported the reappointment of Mr. Johnstone to the Board of Fisheries, because he is one of the brightest and most prepared board member he had seen in 20 years. MR. Szczesny said he had been a fly fishing guide for the last 27 years in Cooper Landing and was appointed to the Board of Fisheries by Governor Knowles.

[4:11:09 PM](#)

STEVEN MCCLURE, representing himself, Soldotna, AK, supported the reappointment of Mr. Johnstone to the Board of Fisheries. He had been going to Cook Inlet meetings for the last 15 years and he has had the opportunity to observe Mr. Johnstone at work. He was extremely impressed with his knowledge, his fairness and his resource first attitude.

[4:11:49 PM](#)

JOE CONNORS, representing himself, Sterling, AK, supported the reappointment of Mr. Johnstone to the Board of Fisheries. He supported all the previous comments about him and added that what he like most was that he is very analytical and can break through an argument. His leadership and expertise is just amazing.

[4:12:51 PM](#)

GARY CHAMBERLIN, representing himself, Sterling, AK supported the reappointment of Mr. Johnstone to the Board of Fisheries. He had observed him at several meetings and he is very knowledgeable about all the issues throughout the state and is very conservation-minded.

CO-CHAIR WAGONER passed the gavel to CO-CHAIR PASKVAN.

[4:13:44 PM](#)

MONTE ROBERTS, representing himself, Soldotna, AK, supported the reappointment of Mr. Johnstone to the Board of Fisheries. He had lived in Soldotna for 20 years and had been very active in the board for the last 15; he wanted to echo that Mr. Johnstone is "very prepared" and "very accessible." He doesn't always agree with you, but he will always listen to you and give you a chance to explain your viewpoint.

[4:14:17 PM](#)

MURRAY FENTON, representing himself, Sterling, AK, supported the reappointment of Mr. Johnstone to the Board of Fisheries, because of his preparedness, accessibility and willingness to listen.

[4:15:01 PM](#)

MIKE CRAWFORD, representing himself, Soldotna, AK, said he was Chair of Kenai Soldotna Fish and Game Advisory Committee, and supported Mr. Huntington and Mr. Johnstone's reappointment to the Board of Fisheries. He has been effective as a chairman and board member. He comes to meetings very well prepared and is available before during and after the board meetings. The fact that he is an attorney and a retired Superior Court judge brings a wealth of information and knowledge to the board. His experience as both a commercial and sport fisherman help him understand the important issues.

MR. CRAWFORD said at first he questioned Mr. Huntington's stance on aboriginal fishing rights, but after hearing in the House Resources Committee how he supported them, he ended up supporting him, too.

[4:16:11 PM](#)

STEVEN RUNYAN, Chair, Susitna Valley Advisory Committee, Palmer, AK, supported Mr. Johnstone's reappointment to the Board of Fisheries. He said the committee originally supported his appointment and have seen nothing to change their minds. They have been very pleased with his work on the board. He is serious about making new and existing regulations compliant with MSY principals, the Mason Stevens Act and Alaska Sustainable Management Policy, all of which are difficult to understand. Some past board members have treated them more as annoyances to be dealt with rather than serious compliance.

For instance, Mr. Runyan said, at the last Cook Inlet meeting in the interests of conservation he crafted a compromise that cut fishing time in both commercial and sport fishing camps

regarding northern district Chinook salmon which have drastically declined in recent years.

[4:18:09 PM](#)

BRUCE KNOWLES, member, Susitna Valley Fish and Game Advisory Committee and MatSu Borough Game and Fish Commission, Willow, AK, supported the reappointment of Mr. Johnstone to the Board of Fisheries. He has brought forth what everyone has talked about today; this new outlook is needed on the board.

[4:18:52 PM](#)

LORETTA BULLARD, Kawerak, Inc., Nome, AK, supported Mr. Huntington's reappointment to the Board of Fisheries. Mr. Huntington is a life-long Alaskan living mostly in the Interior of the state; he has a Bachelor of Science degree in Wildlife Biology and is very aware of the complicated fisheries, management systems and issues that affect Interior and Western Alaska, especial the Arctic/Yukon/Kuskokwim, which consists of the Bering Straits Region, the AVCP and the Interior portion of the state, the Doyon Region. They are very happy to see someone with his background be appointed to this board as well as an individual that is subsistence user who depends on the resources for subsistence, not necessarily commercial or sports fishing.

In addition to Mr. Huntington's educational background, he would bring many personal attributes to the board process; he is respectful, knowledgeable, a team player, engaged, does his homework and is dedicated to making the best management decisions so that the state's fisheries will support Alaskans for generations to come.

[4:20:20 PM](#)

RICHARD YAMADA, President, Juneau Charter Boat Operators Association, Juneau, AK, supported the reappointment of Mr. Johnstone to the Board of Fisheries. He could echo everything positive said about Mr. Johnstone so far; he's fair and knowledgeable about the fisheries.

[4:21:29 PM](#)

GEORGE PIERCE, representing himself, Kasilof, AK, did not support the reappointment of Mr. Johnstone to the Board of Fisheries. He asked if the committee noticed all the special interest groups that are supporting him. He hadn't heard one person say that he is qualified for the position. The board is swayed by special interest groups and it needs people who are biologists and scientists. Mr. Johnstone does not have any other qualification besides being a judge.

4:23:36 PM

RON SOMERVILLE, board member, Territorial Sportsmen, Juneau, AK, supported the reappointment of Mr. Johnstone to the Board of Fisheries. He didn't know him personally, but his record is of fairness. He does his homework and reads the information, which is voluminous. He asked the committee to look at balance on the board, not people who vote for sport fish or commercial fish; people who vote their conscience based on science.

PAUL SHADURA, Executive Director, Kenai Peninsula Fishermen's Association (KPFA), Soldotna, AK, was neutral on Mr. Johnstone's reappointment to the Board of Fisheries saying it was due to overemphasis in representation from one area of the state when in so many other areas the stakeholders lack a voice. It was their desire that they and the governor continue to strive for even representation for all stakeholders on the board. They strongly suggest that the board members state clearly their reason for denying or limiting the fair and reasonable opportunity of one group over another. The public has a right to know how each member decides how to weigh the interests of one user group over another.

At the March 2011 regulatory meeting, a decision was made that he personally found to be lacking on the board's duty to be fair and reasonable. He approached Mr. Johnstone and expressed his confusion about the lack of process saying to him, "But you are a judge." Mr. Johnstone turned and walked away, stopped and came back to say he wasn't a judge any more. He said he didn't know what that meant.

He said that KPFA supported Mr. Huntington's appointment to the Board of Fisheries and the Governor's attempt to balance the board and make it more responsive to different views within the state.

4:28:41 PM

RIKI GEESE, Executive Director, Kenai River Sportfishing Association, Soldotna, AK, supported the reappointment of Mr. Johnstone to the Board of Fisheries and was neutral on Mr. Huntington. Mr. Johnstone is extremely prepared at meetings and has done some things to improve transparency of the process. He instituted the "Committee of the Whole" where all board members hear testimony for the more controversial items on the agenda before going into deliberations and on more of the consent agenda items going through the traditional committee process and improved the procedures for the reconsideration process. His

experience as a judge facilitates questioning through public testimony, department reports and through the committee process of trying to get all the information on the table for board members to make appropriate decisions from.

He said KRSA had not yet had the opportunity to talk with Mr. Huntington, but he had talked to different people all were impressed with his testimony at the House Fisheries Committee about his approach of using science as the basis to make decisions - making sure that the resource comes first and then allocating any harvestable surplus to the user groups.

[4:31:09 PM](#)

BILL BROWN, Vice Chair, Board of Fisheries, strongly supported Mr. Johnstone's reappointment to the Board of Fisheries. He met Mr. Johnstone in 2008 and has served on the board with him for four years; he knows him well. He is extremely well prepared; he reads everything before the meeting - often as much as 2,000 pages of information before the meeting starts and another 1 or 2,000 pages once it starts. He is also extremely fair and considers all sides of an issue. His unique background of both commercial and sport fishing lets him see other points of view. Every night he meets with the different interest group and works out every morning before breakfast and then has breakfast with interest groups.

As chair, he runs meetings efficiently and does everything to get all the information. He is often on different sides of the issue, but he understands why because he is good at explaining his points of view.

MR. BROWN said it's vital for the board to have a broad perspective. Some members have decades of commercial fishing experience and members with history and knowledge of the subsistence issues, members engaged in the sport fishing and tourist industry. Members are from all over the state. Mr. Brown said he brings his scientific knowledge and Mr. Johnstone brings his legal expertise. Every year they get several lawsuits and they need Karl to help them through them. They can't do without him.

In the next year or two the board will have a big issue with the Kootznoowoo lawsuit and Mr. Johnstone is already on top of that.

[4:34:32 PM](#)

REUBEN HANKE, representing himself, Soldotna, AK, supported the reappointment of Mr. Johnstone to the Board of Fisheries. He re-

emphasized the fact that Chair Johnstone was making changes in way the board does business. They are good changes that make the meetings more open to the public.

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CO-CHAIR WAGONER closed the public hearing and took questions from the committee.

SENATOR FRENCH said he had never heard such positive testimony for a Board of Fisheries member before, but that a recent question had been raised about where he lives because of travel and hotel expenses during Anchorage meetings and he asked him to address that issue.

MR. JOHNSTONE answered that as a judge he heard a lot about residency issues and in his mind he has clearly been a resident of Alaska since 1967. He has always voted in the state and obtained a resident hunting and fishing license as well as registered his cars in the state. He has owned homes in Alaska, too, and has never done anything inconsistent with that. He has a home in Arizona where he spends a big part of the winter, because he has lost interest in the snow and coldness of Anchorage. But he hasn't taken advantage of residency benefits from the state of Arizona. His intent is to be a resident of Alaska for the foreseeable future. He added that you can't receive a Permanent Fund dividend unless you are a resident and he has applied for and successfully received those dividends for the last three years and has received them in the past as well. Just because he has a winter home doesn't change the fact that he is a resident; a lot of Alaskans have winter homes and retain their residency. He went on to say that you have to be a resident to serve on the board as well as being a registered voter, and he qualified on both counts.

MR. JOHNSTONE commented that after receiving some expenses from his first two board meetings in Petersburg and Sitka it became apparent that his job, similar to the Senators' jobs during session, doesn't start at 8 am and end at 5 pm; rather it starts as early as 5 am when he has breakfast with stakeholders and the public and continues meeting all day long. When he had his first meeting in Anchorage, he asked the executive director what he was supposed to do: stay in a hotel or go home. He answered that it's not unique for people stay in a hotel and receive per diem; and that is actually preferred, because they know his work wouldn't stop at 5 and that he was expected to meet with people to get information so he could make more informed decisions. Kevin Brooks, director, Division of Administrative Services,

Alaska Department of Fish and Game (ADF&G), is the one who issues these checks and authorizes a waiver for them. Mr. Johnstone said he agrees with the policy.

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CO-CHAIR WAGONER asked if he uses a state credit card.

MR. JOHNSTONE answered yes; all board members are given a state credit card and are authorized to charge certain things like a hotel room. They can't charge meals, because they get per diem. All he has ever used a state credit card for is the hotel.

CO-CHAIR WAGONER commented that not even legislators are given a state credit card and he was somewhat shocked.

MR. JOHNSTONE said he could understand that. He added that often in the middle of the winter he is in Arizona and when he attends meetings, he pays for the roundtrip fare to Southeast Alaska, and Anchorage; for meetings in Homer he pays the roundtrip fare to Anchorage and is provided transportation to Homer.

SENATOR WIELECHOWSKI said a few years ago some committee members were on the Cook Inlet Salmon Task Force and a big concern was about getting more salmon to return to the Mat-Su drainages and he wanted him to talk about how to do that.

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MR. JOHNSTONE replied that he wished he had a crystal ball. But back in 1967 when he started fishing in the Valley, they would close five or six of the Chinook streams because there was no escapement and declare them stocks of concern. Little did he think the sockeye fishery would be closed because the Yetna because a stock of concern. In the March meeting in upper Cook Inlet a year ago, they took some steps in terms of moving some of the Kenai drift fleet out of spots where there were some mixed stocks for a couple of periods, and moved them closer to the terminal areas for the Kenai Kasilof to allow the sockeye and some of the kings that might be co-mingled with the Kenai Kings and Sockeyes to move up north. He didn't know the current numbers and whether they achieved their goal, but the answer is that for the most part the fish have been intercepted over the historical periods of time. The board needs to make sure that whatever they do that the stocks go up north and protect the commercial fleets at the same time.

SENATOR WIELECHOWSKI said that the legislature doesn't get into allocation issues, but it is a huge concern in his area.

MR. JOHNSTONE said he fully understood that.

CO-CHAIR PASKVAN commented about his professional contact with Judge Johnstone many years ago saying that a committee was formed and there was a rewriting of the mandatory disclosure rules under the Civil Rules of Procedure. Secondarily, just through extended family he knew Mr. Huntington who knows the Yukon and Koyukuk river system.

[4:47:30 PM](#)

CO-CHAIR PASKVAN moved to forward names of the nominees, Karl Johnstone and Orville Huntington, in accordance with AS 39.05.080 to a joint session of the legislature for consideration. This does not reflect an intent by any of the members to vote for or against the individuals in any further sessions. There were no objections, and it was so ordered.

[4:48:00 PM](#)

Recess from 4:48 to 4:49 p.m.

HB 118-RESEARCH AND DEVELOPMENT TAX CREDIT

[4:49:23 PM](#)

CO-CHAIR WAGONER announced consideration of HB 118 [CSHB 118(FIN) was before the committee.

WYNETTA AYERS, director, Division of Economic Development, Department of Commerce, Community and Economic Development (DCCED), Juneau, AK, explained that HB 118 establishes a research and development tax credit to incentivize innovation and economic activity in the state. She said the DCCED and the Department of Revenue (DOR) have provided a full presentation on the bill in their packets. It includes letters of support and additional documentation from the University of Alaska, a number of seafood industry businesses and organizations, small businesses, the financial services sector, entrepreneurs, the aerospace industry and the minerals industry. These show wide spread support for the creation of the research and development (R&D) tax credit in Alaska.

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MS. AYERS said a tax credit can have far reaching benefits in not only the core industries but new industries that might be attracted to the state in the increasingly competitive global marketplace. It will also position Alaska for new business investment and take advantage of our climate, our global

position, our natural resources and human capital to bring this new economic activity to our state.

She said that 38 other states already have a R&D tax credit or some form of R&D incentive. By incentivizing the process and product innovation, the state can create a business climate that will help Alaska businesses grow and create well-paying jobs for Alaskans. HB 118 seeks to position Alaska's economy and business climate for diversification, growth and opportunity.

4:52:10 PM

JOHANNA BALES, Deputy Director, Tax Division, Department of Revenue (DOR), explained the HB 118 allows each Alaska corporation a tax credit of 20 percent of qualified R&D expenses incurred in Alaska. It is only on an increased amount of R&D activity in the state. For instance, if a taxpayer had conducted research in Alaska in the past, the research activity they incur going forward they would be allowed a credit on would be above the average of the last three years. If they spent \$1 million a year in the last three years, the average would be \$1 million a year. If they spent only \$900,000 in the next year, they wouldn't be allowed a credit, but if they spent \$1.1 million, the credit would be 20 percent of the increased amount of \$100,000. Any unused portion of the credit could be carried forward for seven years if they didn't have enough tax liability to write it off in a particular year. production from last year.

MS. BALES said the research activities that would be allowed would be those in the federal code, so all of the federal tax structure would be in place allowing the state to "piggyback on" to ensure that taxpayers are conducting qualified R&D. The purpose would be discovering information that is technological in nature, the application of which is intended to be useful in the development of a new or improved component of the taxpayer, and substantially all of the activities constitute a process of experimentation.

CO-CHAIR WAGONER asked about a company with less than three years of history.

MS. BALES answered that the period is three years, because they are trying to entice companies to come up here. If they spent \$100,000 in the preceding year, it would be divided by three (years).

SENATOR FRENCH stated that you can get it after your first year, but it's based on a very small amount of money.

MS. BALES agreed.

SENATOR FRENCH said his packet has an amendment.

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SENATOR WIELECHOWSKI said he had the amendment drafted relating to reporting and analysis of tax credits. This is an opportunity to get more information about where credit money is being spent.

CO-CHAIR WAGONER held HB 118 in committee.

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Finding no further business to come before the committee Co-Chair Wagoner adjourned the Senate Resources Standing Committee meeting at 4:57 p.m.