

**ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE**

April 14, 2014

3:23 p.m.

MEMBERS PRESENT

Representative Kurt Olson, Chair
Representative Lora Reinbold, Vice Chair
Representative Mike Chenault
Representative Bob Herron
Representative Dan Saddler
Representative Andy Josephson

MEMBERS ABSENT

Representative Charisse Millett
Representative Craig Johnson

COMMITTEE CALENDAR

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 99(L&C)

"An Act relating to the Alaska Industrial Development and Export Authority revolving fund; limiting the use of the Alaska Industrial Development and Export Authority sustainable energy transmission and supply development fund for certain loans and loan guarantees and allowing the development fund to be used as security for a bond guarantee; amending the definition of 'qualified energy development'; and authorizing the Alaska Industrial Development and Export Authority to issue bonds to finance the infrastructure and construction costs of the Bokan-Dotson Ridge rare earth element project and the Niblack project."

- MOVED CSSB 99(L&C) OUT OF COMMITTEE

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 140(FIN)

"An Act creating the Arctic infrastructure development program and fund in the Alaska Industrial Development and Export Authority; and relating to dividends from the Alaska Industrial Development and Export Authority."

- MOVED CSSB 140(FIN) OUT OF COMMITTEE

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 194(FIN)

"An Act creating the Alaska Tourism Marketing Board; and relating to tourism marketing."

- MOVED HCS CSSB 194(L&C) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 99

SHORT TITLE: AIDEA: DEVELOPMENT LOANS

SPONSOR(s): SENATOR(s) MCGUIRE

04/05/13	(S)	READ THE FIRST TIME - REFERRALS
04/05/13	(S)	L&C
02/18/14	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/18/14	(S)	Heard & Held
02/18/14	(S)	MINUTE(L&C)
02/27/14	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/27/14	(S)	-- MEETING CANCELED --
03/13/14	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/13/14	(S)	Scheduled But Not Heard
03/18/14	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/18/14	(S)	-- MEETING CANCELED --
03/20/14	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/20/14	(S)	Moved CSSB 99(L&C) Out of Committee
03/20/14	(S)	MINUTE(L&C)
03/21/14	(S)	L&C RPT CS 2DP 1NR NEW TITLE
03/21/14	(S)	DP: MICCICHE, STEDMAN
03/21/14	(S)	NR: OLSON
03/28/14	(S)	TRANSMITTED TO (H)
03/28/14	(S)	VERSION: CSSB 99(L&C)
03/31/14	(H)	READ THE FIRST TIME - REFERRALS
03/31/14	(H)	L&C
04/14/14	(H)	L&C AT 3:15 PM BARNES 124

BILL: SB 140

SHORT TITLE: AIDEA: ARCTIC DEVELOPMENT PROGRAM/FUND

SPONSOR(s): SENATOR(s) MCGUIRE

01/27/14	(S)	READ THE FIRST TIME - REFERRALS
01/27/14	(S)	L&C, FIN
02/18/14	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/18/14	(S)	Heard & Held
02/18/14	(S)	MINUTE(L&C)
02/25/14	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/25/14	(S)	-- MEETING CANCELED --
02/27/14	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/27/14	(S)	-- MEETING CANCELED --
03/11/14	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/11/14	(S)	-- MEETING CANCELED --

03/13/14 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
 03/13/14 (S) Moved CSSB 140(L&C) Out of Committee
 03/13/14 (S) MINUTE(L&C)
 03/14/14 (S) L&C RPT CS 4DP 1NR NEW TITLE
 03/14/14 (S) DP: DUNLEAVY, STEDMAN, MICCICHE, OLSON
 03/14/14 (S) NR: ELLIS
 03/27/14 (S) FIN AT 9:00 AM SENATE FINANCE 532
 03/27/14 (S) Heard & Held
 03/27/14 (S) MINUTE(FIN)
 03/31/14 (S) FIN RPT CS 4DP 1NR NEW TITLE
 03/31/14 (S) DP: KELLY, MEYER, HOFFMAN, BISHOP
 03/31/14 (S) NR: OLSON
 03/31/14 (S) FIN AT 9:00 AM SENATE FINANCE 532
 03/31/14 (S) Moved CSSB 140(FIN) Out of Committee
 03/31/14 (S) MINUTE(FIN)
 04/02/14 (S) TRANSMITTED TO (H)
 04/02/14 (S) VERSION: CSSB 140(FIN)
 04/03/14 (H) READ THE FIRST TIME - REFERRALS
 04/03/14 (H) L&C, FIN
 04/13/14 (H) FIN AT 1:00 PM HOUSE FINANCE 519
 04/13/14 (H) <Pending Referral>
 04/14/14 (H) L&C AT 3:15 PM BARNES 124

BILL: SB 194

SHORT TITLE: TOURISM MARKETING BOARD

SPONSOR(s): SENATOR(s) MCGUIRE

02/21/14 (S) READ THE FIRST TIME - REFERRALS
 02/21/14 (S) FIN
 03/13/14 (S) FIN AT 9:00 AM SENATE FINANCE 532
 03/13/14 (S) Heard & Held
 03/13/14 (S) MINUTE(FIN)
 03/24/14 (S) FIN RPT CS 4DP 1NR TECHNICAL TITLE
 CHANGE
 03/24/14 (S) DP: MEYER, DUNLEAVY, BISHOP, FAIRCLOUGH
 03/24/14 (S) NR: OLSON
 03/24/14 (S) FIN AT 9:00 AM SENATE FINANCE 532
 03/24/14 (S) Moved CSSB 194(FIN) Out of Committee
 03/24/14 (S) MINUTE(FIN)
 03/26/14 (S) TRANSMITTED TO (H)
 03/26/14 (S) VERSION: CSSB 194(FIN)
 03/27/14 (H) READ THE FIRST TIME - REFERRALS
 03/27/14 (H) L&C, FIN
 04/12/14 (H) FIN AT 8:00 AM HOUSE FINANCE 519
 04/12/14 (H) <Bill Hearing Postponed to 2:00 p.m.>
 04/12/14 (H) FIN AT 2:00 PM HOUSE FINANCE 519
 04/12/14 (H) Scheduled But Not Heard

04/14/14

(H)

L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

JESSE LOGAN, Staff
Representative Lesil McGuire
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified on behalf of the sponsor of SB 99, Senate Labor & Commerce Committee, chaired by Senator Lesil McGuire.

JAMES SULLIVAN, Director
Southeast Alaska Conservation Council (SEACC)
Juneau, Alaska

POSITION STATEMENT: Testified in opposition to SB 99.

KEN COLLISON, Chief Executive Officer
Ucore Rare Metals, Inc.
Halifax, Nova Scotia, Canada

POSITION STATEMENT: Testified during the discussion of SB 99.

PATRICK SMITH, President and Chief Executive Officer
Heatherdale Resources, Ltd.
Vancouver, Canada

POSITION STATEMENT: Testified during the discussion of SB 99.

TED LEONARD, Executive Director
Alaska Industrial Development & Export Authority (AIDEA)
Department of Commerce, Community, & Economic Development
Anchorage, Alaska

POSITION STATEMENT: Testified during the discussion of SB 99.

DAN BOCKHORST, Manager
Ketchikan Gateway Borough (KGB)
Ketchikan, Alaska

POSITION STATEMENT: Testified in support of SB 99.

JESSE LOGAN, Staff
Senator Lesil McGuire
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified on behalf of the prime sponsor of SB 140.

TED LEONARD, Executive Director
Alaska Industrial Development & Export Authority (AIDEA)

Department of Commerce, Community, & Economic Development
Anchorage, Alaska

POSITION STATEMENT: Testified during the discussion of SB 140.

MARK DAVIS, Deputy Director

Alaska Industrial Development and Export Authority (AIDEA)
Department of Commerce, Community, & Economic Development
Anchorage, Alaska

POSITION STATEMENT: Answered questions regarding SB 140.

RON LONG, Deputy City Manager

City of Seward
Seward, Alaska

POSITION STATEMENT: Testified during the discussion of SB 140.

SARA LUKIN, Chief Operating Officer

Pt Public Policy, LLC
Anchorage, Alaska

POSITION STATEMENT: Testified in support of SB 140.

GENEIVIEVE WOJTUSIK, Staff

Senator Lesil McGuire
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified on behalf of the prime sponsor of SB 194, Senator Lesil McGuire.

BILL PEDLAR, Government Relations

Alaska Travel Industry Association (ATIA)
Seattle, Washington

POSITION STATEMENT: Testified during the discussion of SB 194.

JOSEPH JACOBSON, Director

Division of Economic Development
Department of Commerce, Community & Economic Development
Juneau, Alaska

POSITION STATEMENT: Testified in support of SB 194.

ACTION NARRATIVE

[3:23:32 PM](#)

CHAIR KURT OLSON called the House Labor and Commerce Standing Committee meeting to order at 3:23 p.m. Representatives Reinbold, Herron, Josephson, Saddler, and Olson and were present at the call to order. Representative Chenault arrived as the meeting was in progress.

SB 99-AIDEA: DEVELOPMENT LOANS

[3:23:59 PM](#)

CHAIR OLSON announced that the first order of business would be CS FOR SENATE BILL NO. 99(L&C), "An Act relating to the Alaska Industrial Development and Export Authority revolving fund; limiting the use of the Alaska Industrial Development and Export Authority sustainable energy transmission and supply development fund for certain loans and loan guarantees and allowing the development fund to be used as security for a bond guarantee; amending the definition of 'qualified energy development'; and authorizing the Alaska Industrial Development and Export Authority to issue bonds to finance the infrastructure and construction costs of the Bokan-Dotson Ridge rare earth element project and the Niblack project."

[3:24:07 PM](#)

JESSE LOGAN, Staff, Representative Lesil McGuire, Alaska State Legislature, stated that SB 99 corrects a few ambiguities in the existing statutes for the sustainable energy transmission and supply development program (SETS) within the Alaska Industrial Development & Export Authority (AIDEA). Primarily, the bill would clarify a few technical aspects of the SETS program which was created by the 27th Legislature. He explained that some ambiguity arises with the one-third capital cost limitation as it relates to loans, loan guarantees, and bond guarantees. He referred to page 2, lines 18-36 [Section 2], which relates to whether the loan guarantee limitation works in conjunction as a one-third limitation on the loans or was independent of that limitation. Additionally, the statutes were vague pertaining to AIDEA's authority to use the fund as security for a bond guarantee. He said AIDEA has received requests from project components and banks to utilize the fund in which AIDEA needed the authority to issue a bond guarantee for more than one-third of the capital project cost. This bill would clarify those ambiguities, he explained. Additionally, referring to the bottom of the bill, AIDEA is granted bonding authority on two projects, the rare earth elements at the Bokan Dotson Ridge site for \$145 million and the Niblack mine site for \$125 million.

CHAIR OLSON commented that the fiscal note is zero.

[3:25:47 PM](#)

REPRESENTATIVE JOSEPHSON referred to [page 3], Section 5-6, of SB 99. He asked for a description of the location of the rare earth mines. He said that the sites are both located on the southeastern corner of Prince of Wales Island, including a description of tailings moved to Gravina Island.

MR. LOGAN deferred to representatives of the projects.

[3:26:41 PM](#)

JAMES SULLIVAN, Director, Southeast Alaska Conservation Council (SEACC), expressed concern about the two projects being added, although SEACC does not have any issue with the original bill. Overall, SB 99 is a good bill; however, the way the proposed committee substitute [(CS) for SB 99 (L&C)] is worded to include the two mining projects and to allow AIDEA to either own or finance these creates a huge conflict of interest for the state. He explained that the state will be regulating the projects - the watchdog of the group - but will also be the owner. This conflict of interest has not been addressed by any of the committees thus far, he said. These projects also put the state "on the hook" for a combined \$300 million, yet the bill does not have a referral to the House or Senate Finance Committees. He said SEACC finds this troubling. He cautioned that this does not suggest that AIDEA doesn't perform its "due diligence" since AIDEA has created a wonderful track record over the years. He reported the financing range could be anywhere from zero to \$270 million. He said this as an unfortunate step since it places the state in ownership of an operation that should be regulated.

[3:29:19 PM](#)

REPRESENTATIVE JOSEPHSON related his understanding that AIDEA loans money.

MR. SULLIVAN agreed.

REPRESENTATIVE JOSEPHSON asked for further clarification on the concern. He asked whether his concern stemmed from the state loaning money to itself.

MR. SULLIVAN said that the conflict arises because the state could potentially own a project it must regulate. He noted that many mining operations in the state have done well and have been profitable; however, other examples in mining have not gone so well and the state has been "left with the bag" for the cleanup. He pointed out the Tulsequah Chief Mine near the Taku River [in

British Columbia]. He reported that this mine is draining acid right now, has been for years, and will continue to do so for years to come. In response to a question, he acknowledged that the Tulsequah Chief mine was not an AIDEA project; however, he noted it is a mining project. He offered his belief that it puts the state in a difficult position. He would like the state to avoid possible problems in the years to come, which is why he is speaking out against it.

3:30:59 PM

REPRESENTATIVE JOSEPHSON asked to set aside the issue of the conflict. He said that his cursory review of Bokan Dotson Ridge rare earth element project and the Niblack mine project is that these mines are underground mines, and one has a small footprint and, in the other, tailings would be moved to Gravina Island for processing. He asked whether SEACC has any concerns about the health of Prince of Wales Island from this or if the project is relatively benign.

MR. SULLIVAN responded that he does not have a "crystal ball" and he does not know what situations will arise. He said that SEACC believes any type of mining in Alaska should undergo a rigorous permitting process, which should be constantly reviewed to ensure that it is operating in the way it is supposed to operate. In the event that problems do arise and the state has invested millions in the project, but another agency within the state has the regulatory responsibility to fine them or stop them, it creates troubling conflicts. He acknowledged he's raising hypothetical circumstances, but he asked how the Department of Natural Resources or the Department of Environmental Conservation [would regulate the activity]. He further acknowledged that he was unsure the mines will be financed so, again, this is hypothetical and could be years away from any decision. Still, it would be very troubling if problems did arise, noting that the Bokan-Dotson mine has uranium, and many issues potentially exist and should be constantly monitored. This isn't about being pro-mining or anti-mining but about taking care of the land appropriately that the state is entrusted to care for, he said.

3:33:28 PM

REPRESENTATIVE SADDLER asked whether Tulsequah Chief Mine near the Taku River is in the U.S.

MR. SULLIVAN answered no.

REPRESENTATIVE SADDLER noted his comment that Alaska mining should go through a rigorous permitting process. He asked whether the Pebble Project should go through a rigorous state permitting process.

MR. SULLIVAN answered yes, if it ever gets that far.

[3:34:16 PM](#)

REPRESENTATIVE JOSEPHSON asked for a sense of what the project would look like. He said he has been to Ketchikan and has been all over Revillagigedo Island, but he does not have a sense of what this project will look like when it's done.

KEN COLLISON, Chief Executive Officer, Ucore Rare Metals, Inc., explained that the Bokan-Dotson Ridge mine will be an underground mine with a small footprint and all the tailings will be put back underground. He reiterated that the tailings will not be on the surface at closure. He explained that the rare earth mine ore is acid consuming and the waste is acid consuming so acid-rock drainage issues don't exist. He said that basically what a person would see at the site would be a decline that goes into the ground with a 15-foot square opening, and several openings will also rise vertically for ventilation. Additionally, some buildings will be built, including a relatively small mill, an office building, and a camp. He pointed out a waste rock storage area for the mine would exist for the approximately 2.5 inch rock, which may make good aggregate; however, this is not yet known. In further response to a question, he agreed the mine would be in Alaska on the south end of Prince of Wales Island.

[3:35:47 PM](#)

REPRESENTATIVE SADDLER asked for the impact of the financial prospects of the development of the Bokan-Dotson Ridge mine if the lending authority is authorized under the bill.

MR. COLLISON answered that the mine would create approximately 200 fulltime jobs, most of which would come from Prince of Wales Island or Ketchikan. The typical mining job in the state pays approximately \$80,000-\$100,000 per year. These are good jobs that can support families. Additionally, the mine will create some indirect jobs in the area.

[3:36:23 PM](#)

REPRESENTATIVE SADDLER asked whether he could identify where the product would be used.

MR. COLLISON said that this project will put in a separation plant, which is new technology used to recover platinum and pluatium from catalysts. The mine is proposed to produce 16 rare-earth elements, including dysprosium, terbium, and europium. He said key uses of these elements are through a contract with the U.S. Department of Defense since high-technology weaponry requires rare earth minerals. Further, rare earth minerals are used for electric cars, hybrid cars, wind turbines, and solar panels. Currently, over 95 percent of the heavy rare earth minerals consumed on the earth are produced in China. He quantified that the Bokan-Dotson Ridge mine is anticipated to produce over 50 percent of the U.S. needs for dysproseum and about 10 times what the DOD will need. He characterized these minerals as unique and the advantage of the small size needed is why these minerals are used in motors, generators, and electric or hybrid cars.

[3:37:44 PM](#)

REPRESENTATIVE CHENAULT asked for the life expectancy of the mine.

MR. COLLISON answered that the mine expectancy is currently 11 years, but he thinks that once the mining operation reaches 10 years, it will stop drilling since adding five more years wouldn't justify the mine. He said, "Miners like to mine. The trick is to get it going." He pointed out that Red Dog and Greens Creek mines have lasted two or three times what they were originally planned, yet they each have ore bodies that have not yet been mined.

[3:38:19 PM](#)

REPRESENTATIVE JOSEPHSON asked whether he had any sense whether processing minerals on Gravina Island is good for the environment.

MR. COLLISON suggested that the Gravina Island is what the Niblack mine is proposing. The Bokan-Dotson Ridge mine project will process the tailings onsite.

REPRESENTATIVE JOSEPHSON asked whether he could describe any local hire efforts for the 200 anticipated jobs.

MR. COLLISON answered that the mine has begun efforts in Juneau at the University of Alaska Southeast and with the vocational training in Ketchikan and Craig. He said, "Local hire is one of my pets. It's the right thing to do for the area, but it's also the right thing to do for the mine." He related that he has built three mines thus far so this mine will be his fourth. He said that one mine, a small open pit mine in Nova Scotia, ran with two people in the pit who were not local, the blaster and the shovel operator, since the pit shovel was worth \$5 million. He said two people were "from away" since they hadn't lived there for three generations. He said the rest were local people and the mine had very low turnover with a really good safety record. Additionally, he said, it is cheaper and better to run the mine for the community [to use local hire].

[3:40:28 PM](#)

PATRICK SMITH, President & Chief Executive Officer, Heatherdale Resources, Ltd. stated that his company has ownership of the Niblack [copper-gold-zinc-silver] project in Southeast Alaska.

[3:41:16 PM](#)

REPRESENTATIVE JOSEPHSON asked for clarification on the processing at Gravina Island and why the decision was made to move the minerals across the water.

MR. SMITH explained the Niblack Mine is a similar underground mine for the Niblack as for the Ucore project. The Niblack Mine would produce similar production rates as with 1,500 to 2,000 tons per day, similar to Greens Creek. He explained that when the mine investigated ways to improve the overall operation, the Niblack considered barging the material to an offsite location for the milling. He related that they looked at quite a few options in Alaska. The mine needs power capacity since the Niblack site mine would need to generate its own power through diesel or other means. The hydroelectric power capacity in Ketchikan was a very big "plus" with the infrastructure located at the Gravina Island industrial complex with an existing cable across the Tongass Narrows. Additionally, the workforce can live there, commute, and their children can go to school in Ketchikan. A third advantage would be the hydroelectric power usage so it would also provide cleaner energy for the mill site, which consumes a lot more energy than the mine itself. The Gravina Island processing location is a "win-win-win" situation

since it provides local jobs and the tradeoff for barging materials looks good, he said.

[3:43:30 PM](#)

REPRESENTATIVE JOSEPHSON asked whether the mine would be using chemicals on Prince of Wales Island.

MR. SMITH said he couldn't say chemicals wouldn't be used on Prince of Wales Island, which is where the mining would take place; however, a stockpile would go on a pad, be loaded on a barge, and then offloaded at Gravina Island where the processing would take place. In the case with the Niblack mine, a large percentage of the material would be back-loaded to Niblack and put back underground.

[3:44:25 PM](#)

REPRESENTATIVE SADDLER asked how the AIDEA funding fit into the mining project financing.

MR. SMITH reported that the Bokan-Dotson Ridge mine is in the advanced stage of exploration. The company has conducted substantial engineering scoping work, and based on the production schedule, anticipates capital expenditures of approximately \$200 million for mine, mill, and infrastructure. The project has been considering different scenarios so he characterized the figures as "ball park" figures.

[3:45:15 PM](#)

CHAIR OLSON asked whether the original business model is similar to what is happening in Skagway in which the ore is being brought down from Whitehorse.

MR. SMITH answered yes; the Skagway terminal project is another AIDEA project.

[3:45:35 PM](#)

REPRESENTATIVE SADDLER asked for further clarification on the rest of the financing.

MR. SMITH answered that the [Bokan-Dotson Ridge] project must still undergo pre-feasibility and a feasibility studies, and it must meet all the objectives internally. At that point, the financing becomes part of a larger group of potential financing,

including AIDEA, or equity and debt financing elsewhere. He commented that AIDEA would be part of this process. One of the advantages of SB 99 is that the mining project wouldn't get caught up in a timeframe in which the mine is ready for production but must wait for legislative approval for AIDEA financing. This bill would remove that delay, he said.

[3:46:35 PM](#)

REPRESENTATIVE SADDLER asked how critical the AIDEA financing is to the project.

MR. SMITH answered that the AIDEA financing shows tremendous state support. He related that the project has a Memorandum of Understanding (MOU) with AIDEA, a MOU with the Ketchikan Gateway Borough, and will work over the next 14-18 months on how to collaborate with AIDEA and the Gravina Island Industrial site to make it a workable situation.

[3:47:15 PM](#)

REPRESENTATIVE JOSEPHSON asked whether Heatherdale Resources Ltd. would take a similar position as Mr. Collison with Ucore's Bokan-Dotson project that it is beneficial to hire Alaskans and if it is something Ucore would plan to do.

MR. SMITH said absolutely. Ucore has been very successful thus far over the exploration part of this project. He reported that since 2009, Ucore has spent \$37 million on the project and have engaged with over 60 vendors in Southeast Alaska in the Ketchikan area and Prince of Wales Island. It has a partnership with the Prince of Wales Tribal Enterprise Consortium, LLC (POWTEC) that provides hiring and substantial logistical support, which he characterized as being "extremely good."

[3:48:18 PM](#)

CHAIR OLSON asked if the lifetime of the Ucore mine project is projected at 10 years.

MR. SMITH answered that it will depend on the production rate. Currently, Ucore has been projecting a 10 to 14-year mine life. He said he has every confidence that this mine will continue once it is up and running.

[3:48:42 PM](#)

TED LEONARD, Executive Director, Alaska Industrial Development & Export Authority (AIDEA), Department of Commerce, Community, & Economic Development, in response to Chair Olson, agreed that AIDEA has approximately 29 years of a relationship with the mining industry through funding infrastructure for ports and facilities. For example, AIDEA funded the tailings facility for Fort Knox through a conduit revenue bond in the late 1990s.

[3:49:47 PM](#)

REPRESENTATIVE JOSEPHSON asked whether he could respond to the concern about the conflict of the state being an owner and a regulator.

MR. LEONARD answered that AIDEA is a political subdivision of the state as an independent corporation so it is not a department. Thus, he considered that a major firewall exists between AIDEA and its investments and any of the regulatory agencies. He reported that AIDEA's balance sheet rolls up into the state, but it is AIDEA's balance sheet. He recalled instances in which AIDEA has entered into agreements with the Department of Environmental Conservation for regulation of the Skagway Ore Terminal. Additionally, regulatory decisions have been made on the Red Dog Mine that affected AIDEA, but AIDEA would never attempt to influence a regulatory agency, which is not acceptable or probably legal.

[3:51:16 PM](#)

CHAIR OLSON asked whether AIDEA also has financed roads to mines.

MR. LEONARD answered that yes; AIDEA owns the port and road to the Red Dog mine.

[3:51:29 PM](#)

REPRESENTATIVE CHENAULT asked for the balance in the [Sustainable Energy Transmission and Supply Development Fund (SETS)].

MR. LEONARD answered that the SETS fund balance is approximately \$67.5 million, and AIDEA just requested transfer of the \$125 million appropriated from passage of SB 23, but AIDEA has not yet received those funds.

REPRESENTATIVE CHENAULT recalled the legislature is also considering a bill that would remove all the funding from the SETS fund.

MR. LEONARD answered yes; he acknowledged that it would wipe out original SETS funding.

[3:52:15 PM](#)

REPRESENTATIVE CHENAULT noted that AIDEA has loaned two amounts to natural gas entities in Fairbanks: \$15 million to Fairbanks Natural Gas (FNG) for the initial build-out for pipes for the Fairbanks distribution system and \$18.1 million to Interior Natural Gas utility to fund initial development work on the distribution system that surrounds the FNG. He said he realized 20-year negotiated loans. He asked for clarification on the effect of the potential \$67 million transfer from the SETS fund to fulfill either of these projects.

MR. LEONARD answered that the bill would not affect the loan obligations for these two loans since they would be derived from the second \$125 million. He acknowledged two loans, one to the FNG for \$15 million for the initial build out in 2014 for pipes for its system. The other loan would start the development of the second service area that somewhat surrounds the FNG area.

MR. LEONARD related his understanding that the potential capital project [that would deplete the SETS fund] would stop AIDEA's ability to fund other projects for renewable energy, such as wind farm and other projects. He summarized that the SETS fund would become a holding fund for funding the [Interior Energy Project] IEP and any future projects that the legislature will fund, but it would not be an ongoing fund, per se.

[3:54:36 PM](#)

REPRESENTATIVE CHENAULT referred to current SETS projects, including the FNG's proposed liquefaction plant in Port McKenzie. He asked for an update on the project with respect to other natural gas projects.

MR. LEONARD explained that AIDEA is in preliminary pre-feasibility to see if the project will be feasible and whether the project would be using Cook Inlet gas. He said that thus far there hasn't been any true work on that, although AIDEA is in the process of considering a reimbursement agreement. He pointed out that would be in conjunction with working with the

Alaska Gas Development Corporation (AGDC) and any other activities. In response to a question, he clarified that IEP refers to the Interior Energy Project funded from SB 23 for trucking natural gas to Fairbanks and to build out the distribution center.

[3:56:25 PM](#)

DAN BOCKHORST, Manager, Ketchikan Gateway Borough (KGB), explained that the Ketchikan Gateway Borough assembly has endorsed SB 99. He thinks Mr. Leonard, Mr. Collison, and Mr. Smith have effectively addressed the issues raised by Mr. Sullivan. He reiterated that the KGB endorses SB 99. He urged committee members to support the bill.

[3:57:19 PM](#)

CHAIR OLSON, after first determining no one else wished to testify, closed public testimony on SB 99.

REPRESENTATIVE CHENAULT offered his belief that this would provide legislative intent to approve two of the projects. He asked whether the Niblack project is on Gravina Island.

MR. SMITH said that the Niblack project is located on southern Prince of Wales Island. The Gravina Island industrial complex would be the site for the milling.

REPRESENTATIVE CHENAULT related his understanding that there would be two sites for the project.

REPRESENTATIVE REINBOLD moved to report CSSB 99(L&C) out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSSB 99(L&C) was reported from the House Labor and Commerce Standing Committee.

The committee took an at-ease from 3:59 p.m. to 4:01 p.m.

SB 140-AIDEA: ARCTIC DEVELOPMENT PROGRAM/FUND

[4:01:15 PM](#)

CHAIR OLSON announced that the next order of business would be CS FOR SENATE BILL NO. 140(FIN), "An Act creating the Arctic infrastructure development program and fund in the Alaska Industrial Development and Export Authority; and relating to

dividends from the Alaska Industrial Development and Export Authority."

[4:01:20 PM](#)

JESSE LOGAN, Staff, Senator Lesil McGuire, Alaska State Legislature, stated that SB 140 represents one of the principal elements of the Alaska Arctic Policy Commission's legislative packet. The AAPC was created by the legislature to prepare an Arctic policy and implementation plan for Alaska and to return the plan to the full body for consideration. The purpose of this bill would be to attract investment in Arctic infrastructure to pair with private investment from Alaska's AIDEA. Although AIDEA has the authority to invest in many areas, it does not have a specific program to attract private investment for infrastructure.

CHAIR OLSON reported that the House Labor and Commerce Standing Committee heard the companion bill, HB 288, but SB 140 will be the vehicle.

[4:02:28 PM](#)

MR. LOGAN provided a section-by-section analysis of the bill. Section 1 would establish AIDEA's ability to adopt a policy for payment of a dividend. He characterized Sections 1-3 as "boilerplate" provisions that would establish definitions for "net income" and "unrestricted net income" as well as establishing a means for this fund to return dividends back to the general fund. Sections 4-8 would make conforming changes to include loans from the Arctic Infrastructure Development Fund (AIDF) regarding interest rates and other requirements for loans from funds managed by AIDEA, such as the SETS fund. Section 9 would add the AIDF to the types of programs to pay borrowers of loan participation that the authority can establish. Section 10 would establish the Arctic Infrastructure Development Program fund to promote and provide financing for Arctic infrastructure development.

[4:03:27 PM](#)

MR. LOGAN referred to page 6 lines 2-16, which lists what the fund consists of, including direct appropriation made by the legislature, money or assets transferred to the fund by AIDEA, unrestricted loan repayments, interest, and other income earned. It would also make certain that this account is separate from other accounts and accounts can be established within this fund.

He referred to page 6, lines 17-19, which clarify that the fund will be used for Arctic infrastructure development. He referred to page 6, lines 20 through page 7, line 21, which would establish the powers and duties of the authority regarding the AIDF. This section would mirror the powers and duties of the SETS fund. It would allow AIDEA to use this fund for Arctic infrastructure development, insure project obligations, guarantee loans or bonds, establish reserves, and acquire real or personal property by purchase, transfer, or foreclosure. It would also defer principal payments on capitalized interest on Arctic infrastructure development, as well as to enter into lease agreements, sales-lease-back agreements, build-operate-transfer and operate-transfer agreements or similar financing agreements. It would also allow AIDEA to enter into agreements with government entities for the transfer and control of infrastructure facilities, rights-of-way, and studies. It would allow for services to be contracted and bonds to be issued. This section would also allow for loan guarantees to be provided for purchase and repair of vessels in federally managed fisheries or purchase of quota shares or individual fishing quota used in federally managed fisheries in the Arctic. He said the loan guarantees would be \$7 million and the cap would be no more than one-third of the capital cost of the projects.

[4:04:56 PM](#)

MR. LOGAN referred to page 7, line 22 to page 8, line 2, which would establish limitations on the financing for infrastructure development. It would consist of loans for not more than one-third of the capital cost of the development, limiting the loan guarantee to not exceed \$20 million. It would also allow financing for up to 40 years and establish that the fund can be used as security for a bond guarantee. He referred to page 8, lines 2-19, Section 11, which defines the "Arctic" in a geographical boundary and page 8, lines 7-19, defines "Arctic infrastructure development."

[4:05:39 PM](#)

REPRESENTATIVE JOSEPHSON asked what exactly is being envisioned. He has seen the map that extends to Kamchatka and the Mackenzie River. He asked for an example of projects would be developed with these loans.

MR. LOGAN answered that he couldn't give any examples but the purpose is to attract projects from private investment in the state or outside the state. For example, one project could be a

deep water draft port the United States Army Corps of Engineers (USACE) has currently been working on. Several sites have been identified, with Port Clarence often discussed. This fund would allow the U.S. Department of Defense or the U.S. Department of the Interior to partner with the state on financing options. He recalled that this has previously happened to establish the U.S. Coast Guard's permanent presence in Anchorage. Using AIDEA saved the U.S. Coast Guard considerable money and was part of their decision-making, he said.

[4:07:11 PM](#)

REPRESENTATIVE JOSEPHSON recalled SB 99 would give specific authority to issue new bonds in substantial amounts, but he asked whether projects would compete with other projects for the \$67 million corpus of the fund under this bill.

MR. LOGAN answered that this fund would not be capitalized. He explained that under SB 99, the issuance of bonds would be outside the SETS fund, and would fall under the general AIDEA authority. This bill would allow the fund to be created and allow other assets that AIDEA controls to be transferred to this fund if the board of directors deemed it. Additionally it could be used in the future as a repository for earmarked projects.

[4:08:01 PM](#)

REPRESENTATIVE JOSEPHSON recalled an earlier question asked how all of these things can be done if the other body plans to use some of the SETS funds to pay for the power plant for the University of Alaska Fairbanks (UAF). He asked for the viability of this or if it would rely on a separate appropriation at a later date.

MR. LOGAN answered that this would rely on a separate appropriation or a transfer from other funds within AIDEA.

CHAIR OLSON suggested that this one is lagging about a year or two behind the other bill.

[4:08:48 PM](#)

REPRESENTATIVE SADDLER referred to page 8 lines 16-18, and asked what is envisioned in terms of the construction, improvement, rehabilitation, or expansion of a shore-based plant, facility or equipment used in support of a fishery in the Arctic. He suggested the language is fairly broad. He asked how closely

affiliated the project would need to be to Arctic fisheries for it to qualify.

MR. LOGAN answered it may be that a dock needed to be built to house vessels that fish primarily in the federally-managed fisheries. He said it might not be located in the Arctic. He offered his belief that these provisions are designed to allow projects in the state to be eligible for these funds if they support development in the Arctic.

[4:09:53 PM](#)

REPRESENTATIVE SADDLER said, "There was discussion about the community development quota corporation that home ports outside, and they could use a port in Seward if we're available." He asked whether this bill is aimed at that.

MR. LOGAN answered that the fisheries provisions in the bill are designed to repatriate some of the vessels and quotas that currently reside outside Alaska. He emphasized that there isn't any specific mention of eligibility of any specific group, but AIDEA has authority to operate only in Alaska, so if a vessel wanted to participate, it would need to relocate to Alaska.

[4:10:32 PM](#)

REPRESENTATIVE SADDLER pointed out he did not see any specific restriction limiting it to Alaska-based businesses.

CHAIR OLSON clarified that projects were eligible if engaged in business in Alaska.

[4:10:58 PM](#)

REPRESENTATIVE REINBOLD asked who the responsible agency within the federal area would be if a conflict arose between mining and fishing.

MR. LOGAN asked for further clarification on the question.

REPRESENTATIVE REINBOLD asked who would be the governing body to resolve any disputes if multiple resources were in the area.

MR. LOGAN answered it would be the same agencies that currently resolve those disputes. In further response to a question, he said he didn't know, possibly the National Marine Fisheries

Service, Alaska Department of Fish & Game, or any agency that resolves disputes in federal and state managed fishery areas.

REPRESENTATIVE HERRON said that Mr. Logan has done a good job.

[4:12:30 PM](#)

REPRESENTATIVE CHENAULT recalled comments about the City of Seward. He explained that Seward is also a major marine repair terminal so it is possible some ships could be in port that have been involved in oil exploration in the Arctic. He suggested this could be why this bill could affect Seward.

TED LEONARD, Executive Director, Alaska Industrial Development & Export Authority (AIDEA), Department of Commerce, Community, & Economic Development, deferred to Mark Davis.

[4:14:04 PM](#)

MARK DAVIS, Deputy Director, Alaska Industrial Development and Export Authority, Department of Commerce, Community, & Economic Development, stated that funding would work within Alaska as per AIDEA's statutes. He anticipated that would be further refined by regulation. Secondly, with respect to the funding, he pointed out that the AIDF is an unfunded fund, unlike the current SETS fund that is funded.

[4:14:58 PM](#)

CHAIR OLSON asked whether he anticipated that it would be funded in the future.

MR. DAVIS said that the funding would be in a manner similar to the Interior Energy Project and anticipated that the legislature would focus on a specific port project and it would use this AIDF as a vehicle to provide AIDEA with some of the funding if it was using a public-private partnership funding mechanism.

[4:15:22 PM](#)

RON LONG, Deputy City Manager, City of Seward, stated a variety of industries would be in support of development within the Arctic, including the oil and gas industry port development, in which the city would provide a staging area for goods and services that need to do business in the Arctic but must stage outside the strictest geographic definition as developed by the Alaska Arctic Policy Council. He emphasized that this should

take place in Alaska, and the City of Seward would want to be competitive with other ports in Alaska. He said that the state will want to tilt the development towards Alaska from development currently being staged outside Alaska. He noted that the Alaska Arctic Policy Council has identified a number of needs and opportunities as well as significant private capital ready to support the development effort, which the state and municipalities want to attract to Alaska. He compared it to how other states attract Nike and Boeing corporate industries to their states. He identified the fisheries as ones conducted in the Bering Sea, which are large offshore federally managed fisheries that are not against the coast or in conflict with state-managed fisheries. He acknowledged that not any one port could do everything to support development in the Arctic. He stressed that response agencies must be close to the area, but moving goods and services might be located at Dutch Harbor or in Kodiak. He offered his belief that Seward is the right place for operations that need rail and road access.

4:18:09 PM

REPRESENTATIVE SADDLER asked how he envisioned this financing tool being used in his community.

MR. LONG suggested that the public-private partnerships have worked successfully at Red Dog and the North Slope. In terms of fisheries, such as the Bering Sea fleet, the CDQ groups have allocated 10 percent of the resource to Alaskans and the remaining 90 percent is largely being capitalized outside the state. He suggested that the state could create a new, or augment an existing, fisheries processing plant. He commented that if the shoulder seasons could be expanded to bring in new product by leveraging state guarantees on private capital loans using this program, it makes that process more viable for the offshore fisheries and for the state fisheries it also supports. He suggested that in port development, piles, dock materials, staging and logistics, and assembly for construction in the Arctic could be done. He offered his belief that the City of Seward can be competitive for these projects through this program and private capital. He envisioned that the pieces could be assembled in Seward and barged when needed.

4:20:07 PM

REPRESENTATIVE SADDLER asked whether he would have some advantage over other food processing plants due to the proximity to the ocean. He asked whether there is anything a port

facility would offer that other Cook Inlet or Gulf of Alaska fisheries could not access. He further asked if there would be any limitations on it.

MR. LONG answered no. He related that as Mr. Davis suggested, it would be done through AIDEA's due diligence process. He said that each proposal would need to be a good business case and he anticipated that AIDEA would be doing its due diligence and measuring the financial aspects to ensure that it is a good and viable project before "they sign on the bottom line."

[4:20:53 PM](#)

SARA LUKIN, Chief Operating Officer, Pt Public Policy, LLC, stated briefly Pt Public Policy's support of this bill as a whole, and, more specifically, for the fisheries provision. Speaking as the only private equity firm in Alaska, headquartered in Anchorage, and focused exclusively on building private equity and investment in Arctic Alaska, she said that Pt is supportive of the bill and the company is "hugely" supportive of the fisheries provision. In response to a comment, she said that Pt Public Policy has worked in partnership with the City of Seward, the Association of Village Council Presidents, and [Aleutian Pribilof Island Community Development Association) (APICDA) with the fisheries portion of this bill. In response to a question, she clarified that APICDA is the Aleutian Pribilof Island Community Development Association, which is a community development quota (CDQ) group.

[4:22:53 PM](#)

REPRESENTATIVE SADDLER asked whether APICDA would be the CDQ organization that would envision taking advantage of these opportunities to "plus up" the facilities in Seward.

MS. LUKIN answered that the organization doesn't have a project in mind, but if she would envision a project for this committee she would suggest it might be a partnership between AVPC as a majority owner and APICDA as a minority owner, using a loan guarantee from AIDEA to purchase vessels and quota that are currently housed in Washington State. The partnership would bring the quota and vessels back to Alaska, specifically to fish the Bering Sea fishery. They would be required to house the boats in a port in Alaska, perhaps in Seward.

[4:24:01 PM](#)

REPRESENTATIVE HERRON commented that Pt Public Policy is an important partner for a lot of western and northern Alaska, but the issue is that when the Arctic opens up, a lot of resources will need to be developed. He envisioned that these would be world class projects, not just "mom and pop" organizations. He emphasized the importance of sustainable communities and offered his belief that Seward can help the Arctic by having fleets stationed there, as well as in Unalaska and some smaller ports in the Bering Sea. He said it is not just about development of fisheries, but to have the ability to respond to accidents and to provide a safe refuge for vessels operating in Alaska's waters. The communities of Unalaska and Seward are examples of established ports that will expand due to Arctic development.

CHAIR OLSON remarked that Seward has also been a railhead and an export facility for coal. He suggested that it could be activated again pretty easily.

[4:25:36 PM](#)

CHAIR OLSON, after first determining no one else wished to testify, closed public testimony on SB 140.

REPRESENTATIVE SADDLER asked whether the sponsor considered placing limitations on where funds could be used. He understood this bill relates to things that will service the Arctic but not be located in the Arctic. He asked whether the sponsor has considered any geographical limitation on where facilities would need to be built.

MR. LOGAN referred to page 8, lines 4-7, that describe the geographical boundary of the Arctic. He pointed out that other provisions that will allow Seward to provide support for Arctic development.

[4:26:53 PM](#)

REPRESENTATIVE SADDLER read the definition, in part, which read:

- (19) "Arctic infrastructure development" means
- (A) the construction, improvement, rehabilitation, or expansion of a facility
 - (i) in the Arctic to aid in development or meet emergency response needs; or
 - (ii) in the state if the construction, improvement,

rehabilitation, or expansion supports or furthers the development of a facility in the Arctic; or
(B) the purchase, construction, improvement, rehabilitation, or expansion of a shore-based plant, facility, equipment, or assets used in support of a fishery in the Arctic.

[4:27:04 PM](#)

REPRESENTATIVE SADDLER asked where financing for quota share or vessel purchasing envisioned in this bill fit in the financial opportunities of fishing loans, boat loans, and quotas. He asked whether this was the only financing or if other financing was available.

MR. LOGAN prefaced his response noting he is not expert on fisheries financing, but the floor of \$7 million and the cap of one-third was specifically designed to not conflict with other state or federal programs that provide financing for fisheries. He referred to page 7, lines 8-15, which provides for loan guarantee only, but does not provide any direct loans.

[4:28:08 PM](#)

REPRESENTATIVE REINBOLD moved to report CSSB 140(FIN) out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, the CSSB 140(FIN) was reported from the House Labor and Commerce Standing Committee.

The committee took an at-ease from 4:28 p.m. to 4:31 p.m.

SB 194-TOURISM MARKETING BOARD

[4:31:41 PM](#)

CHAIR OLSON announced that the final order of business would be CS FOR SENATE BILL NO. 194(FIN), "An Act creating the Alaska Tourism Marketing Board; and relating to tourism marketing."

[4:31:51 PM](#)

REPRESENTATIVE REINBOLD moved to adopt the proposed committee substitute (CS) for HB 194 labeled 28-LS1497\R, Martin, 4/9/14 as the working document.

CHAIR OLSON objected for discussion purposes.

[4:32:07 PM](#)

GENEIVIEVE WOJTUSIK, Staff, Senator Lesil McGuire, Alaska State Legislature, explained this bill would create the Alaska Tourism Marketing Board within the Department of Commerce, Community & Economic Development consisting of 21 members, including one member appointed by the House and Senate and one DCCED member. She stated that 18 members will represent Southeast, Southcentral, Southwest, Interior Alaska, and the far north. The categories would include accommodations, activities, attractions, transportation, cruise travel, tour operators, and destination management organizations (DMOs). She explained that SB 194 would require the department and the board to work together to plan and execute a destination tourism marketing plan for Alaska. The public members on the board serve at no cost to the state and the board will sunset in 2018. The quorum to conduct business would require nine members but must include one representative from each part of the state.

[4:33:16 PM](#)

MS. WOJTUSIK explained the changes in the proposed committee substitute, Version R. She referred to page 3, line 16, changing "governor shall" to "governor may." It also changes the number of appointees from a "list of three" to a "list of nominees." It also clarifies on page 3, line 31 and page 4, line 1, that the state does not pay for the per diem or travel expenses for the 18 remaining board members to attend meetings.

[4:33:53 PM](#)

REPRESENTATIVE JOSEPHSON referred to the sponsor statement noting that the bill is an important step in continuing the growth of one of Alaska's most important industries. He asked how this bill would do that beyond what is currently happening.

MS. WOJTUSIK answered that it formalizes the Alaska Tourism Marketing Board as a process, and she hoped the 18 members plus the legislative and department members can create [the additional industry growth.]

[4:34:34 PM](#)

REPRESENTATIVE JOSEPHSON referred to page 2, line 30, which reads, "(1) the 18 members appointed by the governor who are members of the leading statewide nonprofit tourism association

...." He offered his belief the Alaska Travel Industry Association is the leading tourism association

MS. WOJTUSIK agreed.

REPRESENTATIVE JOSEPHSON referred to page 3, line 16, "(C), which allows the governor to appoint the members from a list of nominees for each seat submitted by the leading statewide nonprofit tourism marketing association and asked for clarification on "shall" and "may." He said it is mandated on page 2, but the governor "might" pick from there on page 3.

MS. WOJTUSIK referred to page 3, which clarifies the number of nominees since it had previously read "three" nominees, but is now a list of nominees.

[4:35:44 PM](#)

REPRESENTATIVE CHENAULT expressed concern that regions of the state are represented, but he did not see the Kenai Peninsula represented. He suggested that the Kenai Peninsula is as much a destination of the Far North. He wondered if anyone has raised this issue when the bill was considered by other committees.

MS. WOJTUSIK said it has not been brought up. She deferred to the Alaska Travel Industry Association.

[4:37:32 PM](#)

REPRESENTATIVE JOSEPHSON referred to page 3 of the bill and said it seemed as though if the governor selected someone not on the statewide nonprofit tourism marketing association, the person would need to join the association.

MS. WOJTUSIK agreed with that assessment.

[4:37:57 PM](#)

REPRESENTATIVE JOSEPHSON asked whether the bill has another committee of referral.

MS. WOJTUSIK said it would go to the House Finance Committee next.

REPRESENTATIVE JOSEPHSON suggested the requirement to join an association may come up.

[4:38:18 PM](#)

REPRESENTATIVE REINBOLD asked if this bill is for the tourism industry or if the sponsor would like to create the vision of what Alaska looks like in the future.

MS. WOJTUSIK offered her belief that this is limited to the current tourism industry. She recalled some preliminary discussions about doing something with other divisions, but at this point, SB 194 is limited to tourism.

[4:39:13 PM](#)

REPRESENTATIVE REINBOLD remarked that if the state knows what it wants to look like in the future, it would make it easier to manage where tourism, roads, and infrastructure is placed.

REPRESENTATIVE CHENAULT noted the proposed board was a 21-member board, but only 9 members would be needed to establish a quorum. He was not aware of any instance in which a minority of membership could establish a quorum since the quorum typically requires half or more of the board membership to be present.

MS. WOJTUSIK answered that initially the quorum was 11 members, but Senator Fairclough pointed out that it can be hard to get a quorum. Thus the figure was changed, but it requires one member from each region.

[4:40:50 PM](#)

REPRESENTATIVE CHENAULT commented it can be hard to hold meetings that work with everyone's schedule so sometimes it is easier to get a smaller group together. He acknowledged that meeting during the tourism timeframe could be difficult.

REPRESENTATIVE HERRON acknowledged that a lot of tourists don't want infrastructure and seek a lack of infrastructure. He suggested it could be an important quality.

REPRESENTATIVE JOSEPHSON commented that the Kenai Peninsula is a unique, stand-alone place and arguably is the most remarkable place in the state. He also agreed some people want to be "off the grid." He hoped that if the board is created it will consider some opportunities for non-consumptive use. He said, "That's what tourists want as well. They want to see wildlife, and we've got to make sure that happens."

REPRESENTATIVE REINBOLD agreed. She wondered what locations should be identified as natural locations and where accommodations should be located. She further asked what the state would like to see in 10, 20, 50, or 100 years.

[4:43:26 PM](#)

REPRESENTATIVE SADDLER referred to page 3, line 16-19, [subsection (d)], which allows the governor to reject a list. He asked whether it is the sponsor's intent that there isn't any duplication.

MS. WOJTUSIK answered that she was unsure. She suggested that this language was used for other boards.

REPRESENTATIVE SADDLER could understand the request to consider non-consumptive use, but he thought it was equally important to have "consumptive" use represented so all aspects of tourism are on the proposed ATMB.

[4:44:56 PM](#)

BILL PEDLAR, Government Relations, Alaska Travel Industry Association (ATIA), related he is also president of Knightly Tours, which is a small tour company that specializes in in-bound vacation travel to Alaska. He said Knightly Tours has been in business for over 45 years. He said, most notably, the ATIA recognizes the Kenai as a hugely important area in tourism; the definitions of the areas represent the areas the state uses to market Alaska in the state's Alaska Travel Planner. Thus, this is where the five regions were derived from and it was thought it would be easier to use the regional definitions the travel industry currently uses.

[4:46:07 PM](#)

CHAIR OLSON answered that the visitor guide will link up.

MR. PEDLAR agreed.

[4:46:18 PM](#)

MR. PEDLAR explained that the ATIA has often discussed the "rings of tourism" including high, mid, and low density. In fact, over the years, the travel industry has come forward with several plans that mirror the way agencies manage state and federal lands. From that point the ATIA believes there is

pretty good synergy. He said that this board's function is to renormalize a relationship between the industry and the DCCED that went awry several years ago. However, the statute has been in effect since 1988. Further, the industry would like a broad representation to have small to large businesses. He characterized it as bringing the best marketing talent to the table to help the state efficiently market the money. He suggested that thus far it has worked out well.

[4:47:46 PM](#)

REPRESENTATIVE HERRON remarked that he recalled the conversation on tourism and the board. He offered his belief that this "reset" is a good way to move forward. He suggested that this group of people decide together on sustainable and practical approaches to tourism because the state wants people to visit.

MR. PEDLAR commented on the quorum. He recalled that Senator Fairclough pointed out she didn't want a quorum not to occur if the three government employees serving on the board could not attend. Thus the quorum was reduced to nine, he said.

[4:49:23 PM](#)

JOSEPH JACOBSON, Director, Division of Economic Development, Department of Commerce, Community & Economic Development, stated that this this essentially formalizes the relationship that the department currently has with the Alaska Travel Industry. He said the department supports SB 194.

[4:50:31 PM](#)

REPRESENTATIVE CHENAULT asked for clarification on how the members would be picked to serve on the board. He further asked whether the seats would be dedicated.

MR. PEDLAR answered the ATIA has found that the broadest representation, such as three members from each region and three "at large" appointments, always tends to work the best. The industry has found that if it does not have broad based representation that the industry can miss part of the market. He emphasized the importance of the ATIA to make sure the membership represents very balanced representation throughout the state. He said the ATIA doesn't want people complaining they have not been listened to. He acknowledged that it was left "a little loose" intentionally so it wasn't too highly defined to get best marketing talent available to the state.

[4:52:32 PM](#)

REPRESENTATIVE SADDLER said sometimes there are informal allocations of seats and asked him to identify three representatives, and whether it would be for categories of big boats and aviation. He asked for the "understood" division.

MR. PEDLAR responded that currently there are about six different classes of tourism operators defined at the state level. The ATIA's goal would be to have a balance, that it would not be a board of big cruise, big airlines, helicopter operators, or fishing operators. He said people volunteer to serve from the big Westmark chain of hotels to bed and breakfasts and emphasized the importance of achieving diversity.

[4:53:52 PM](#)

REPRESENTATIVE SADDLER asked for the six general areas.

MR. PEDLAR listed the six areas as being accommodations, activities, attractions, transportation, cruise travel, tour operators and destination marketing organizations, predominately the convention and visitor bureaus.

[4:54:42 PM](#)

REPRESENTATIVE SADDLER referred to page 2, line 30, which read, "(1) 18 members appointed by the governor who are members of the leading statewide nonprofit tourism association" He asked him to identify the organization that is the leading statewide nonprofit tourism association.

MR. PEDLAR answered the ATIA is the only organization that currently fills that role. He clarified that the language is general so if the association changes its name, or the ATIA is no longer the leading association, that it would still apply.

[4:55:10 PM](#)

REPRESENTATIVE SADDLER asked whether anyone would feel that they are "aced out" of serving on the board.

MR. PEDLAR acknowledged there is always someone who wants to serve. He stated that the goal is to have people bring ideas to the table. In the past, ATIA has had a significant subcommittee structure that allows interested parties to serve. He said that

for the key 18 members, the industry tried to narrow it down from a larger board to one that is still representative of all the facets of the industry as well as the geographical distribution of the industry.

[4:56:16 PM](#)

REPRESENTATIVE HERRON asked for further clarification, that the definition of Southcentral and Interior is understood. He wondered about the Southwest and the Far North. He asked whether a loose geographical description would be the area west of the Alaska Range to the end of the chain, up to the Yukon and that the Far North would be north of the Yukon, wrapping around the coast to Barrow and Kaktovik.

MR. PEDLAR answered yes.

[4:56:57 PM](#)

REPRESENTATIVE JOSEPHSON asked whether segments of the tourism economy feel unappreciated by the ATIA, such as eco-tourism or subsistence tours on the North Slope.

MR. PEDLAR acknowledged that many years ago it was probably true. He said that there was some general animosity, but the industry has "grown up" and that "all inclusive" tends for better ideas and decisions. He noted that members and segments may not always agree, but everyone's ideas are allowed to come to the table and be heard. He did not believe that there is any group left out of the current way the state is marketed.

[4:58:24 PM](#)

REPRESENTATIVE CHENAULT acknowledged the intent is to ensure that all industry and all user groups are "under the tent." He said he does not have any amendment at this point, but he just wants to be sure the Kenai Peninsula is represented. He expressed confidence that the ATMB will ensure all Alaskans are represented.

[4:59:05 PM](#)

CHAIR OLSON, after first determining no one else wished to testify, closed public testimony on SB 194.

REPRESENTATIVE HERRON moved a conceptual amendment that can be dealt with at a later time to add Kenai as an area of the state

that could be added to the five areas represented by the ATMB. In response to a question, he agreed that some committee members could further discuss this with the sponsor.

REPRESENTATIVE REINBOLD noted that Eagle River wants to be remembered, too.

[5:00:17 PM](#)

REPRESENTATIVE REINBOLD moved to the proposed committee substitute (CS) for SB 194 labeled 28-LS1497\R, Martin, 4/9/14, with individual recommendations and the accompanying fiscal notes. There being no objection, the HSC CSSB 194(L&C) was reported from the House Labor and Commerce Standing Committee.

[5:00:44 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 5:00 p.m.