

ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE

February 8, 2014
8:59 a.m.

MEMBERS PRESENT

Senator Cathy Giessel, Chair
Senator Fred Dyson, Vice Chair
Senator Peter Micciche
Senator Click Bishop
Senator Anna Fairclough

MEMBERS ABSENT

Senator Lesil McGuire
Senator Hollis French

COMMITTEE CALENDAR

SENATE BILL NO. 146

"An Act approving and ratifying the sale of royalty oil by the State of Alaska to Tesoro Corporation and Tesoro Refining and Marketing Company LLC; and providing for an effective date."

- MOVED SB 146 OUT OF COMMITTEE

SENATE BILL NO. 109

"An Act extending the termination date of the Citizens' Advisory Commission on Federal Management Areas in Alaska; and providing for an effective date."

- MOVED SB 109 OUT OF COMMITTEE

SENATE JOINT RESOLUTION NO. 15

Opposing any international designation of Alaska land or water as an international park, world heritage site, biosphere reserve, Ramsar site, or other classification of land or water that affects the use of land or water by the state or an Alaska Native corporation without approval by the United States Congress and the Alaska State Legislature; requesting the United States Department of State and the United States Department of the Interior to cease all further action related to an international designation for land and water in the state until the action is approved by the United States Congress and the Alaska State Legislature; requesting that the United States

Congress pass legislation requiring Congressional approval of any international designation that affects the use of land or water by the state or the United States; requesting that the governor be involved in the process and development of any joint action plan; requesting that the state, including the departments responsible for the management of fish and wildlife and other natural resources, be an integral part of any discussion, agreement, understanding, or other process that affects the use or development of fish and wildlife and other natural resources in the state; and urging the governor and the attorney general to reserve all legal remedies for a taking of the natural resources of the state by an international designation of land and water in the state.

- MOVED SJR 15 OUT OF COMMITTEE

SENATE JOINT RESOLUTION NO. 16

Urging the federal government to stop providing funding, through federal agencies, to nongovernmental organizations that oppose the development of Alaska's resources.

- MOVED CSSJR 16(RES) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 146

SHORT TITLE: APPROVE TESORO ROYALTY OIL SALE

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

01/29/14 (S) READ THE FIRST TIME - REFERRALS
01/29/14 (S) RES, FIN
02/08/14 (S) RES AT 9:00 AM BUTROVICH 205

BILL: SB 109

SHORT TITLE: ADVISORY COMMISSION ON FEDERAL MGT AREAS

SPONSOR(s): COGHILL

01/22/14 (S) PREFILE RELEASED 1/10/14
01/22/14 (S) READ THE FIRST TIME - REFERRALS
01/22/14 (S) RES, FIN
02/08/14 (S) RES AT 9:00 AM BUTROVICH 205

BILL: SJR 16

SHORT TITLE: OPPOSE FEDERAL AID TO CERTAIN NONPROFITS

SPONSOR(s): GIESSEL

01/29/14 (S) READ THE FIRST TIME - REFERRALS

01/29/14 (S) RES
02/08/14 (S) RES AT 9:00 AM BUTROVICH 205

BILL: SJR 15

SHORT TITLE: OPPOSE INTERNATIONAL DESIGNATING OF LAND
SPONSOR(S): GIESSEL

01/22/14 (S) READ THE FIRST TIME - REFERRALS
01/22/14 (S) RES
02/08/14 (S) RES AT 9:00 AM BUTROVICH 205

WITNESS REGISTER

JOE BALASH, Commissioner-designee
Department of Natural Resources (DNR)
Juneau, Alaska

POSITION STATEMENT: Explained provisions in SB 146.

MATT GILL, Senior Manager
External Affairs
Tesoro Corporation
Operations in Alaska and the Pacific Northwest
Anchorage, Alaska

POSITION STATEMENT: Supported SB 146.

JAMES TANGARO, Vice President and Manager
Tesoro's Kenai Refinery
Tesoro Corporation
Kenai, Alaska

POSITION STATEMENT: Answered questions on SB 146.

SENATOR JOHN COGHILL
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor of SB 109.

CHAD HUTCHISON
Staff to Senator Coghill
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Commented on SB 109 for the sponsor.

STAN LEAPHART, Executive Director
Citizen's Advisory Commission on Federal Areas (CACFA)
Fairbanks, Alaska

POSITION STATEMENT: Supported SB 109, SJR 15, and SJR 16.

RON SOMERVILLE, CACFA member
Juneau, Alaska
POSITION STATEMENT: Supported SB 109.

CHAIR GIESSEL
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Sponsor of SJR 15 and SJR 16.

JANE CONWAY
Staff to Senator Giessel
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Presented SJR 15 and SJR 16 for the sponsor.

STEVE BORELL, representing himself
Anchorage, Alaska
POSITION STATEMENT: Supported SJR 15.

MARLEANNA HALL, Project Coordinator
Resource Development Council (RDC)
Anchorage, Alaska
POSITION STATEMENT: Supported SJR 15.

MIKE COONS, representing himself
Palmer, Alaska
POSITION STATEMENT: Supported SJR 15.

MIKE COONS, representing himself
Palmer, Alaska
POSITION STATEMENT: Supported SJR 16.

MARLEANNA HALL, Project Coordinator
Resource Development Council (RDC)
Anchorage, Alaska
POSITION STATEMENT: Supported SJR 16.

LISA WEISSLER, representing herself
Juneau, Alaska
POSITION STATEMENT: She did not support SJR 16.

ACTION NARRATIVE

[8:59:43 AM](#)

CHAIR CATHY GIESSEL called the Senate Resources Standing Committee meeting to order at 8:59 a.m. Present at the call to

order were Senators Micciche, Dyson, Bishop, Fairclough, and Chair Giessel.

SB 146-APPROVE TESORO ROYALTY OIL SALE

9:01:08 AM

CHAIR GIESSEL announced SB 146 to be up for discussion.

JOE BALASH, Commissioner-designee, Department of Natural Resources (DNR), said SB 146 intends to seek the legislature's approval of a royalty sale with Tesoro that is lasting more than one year. He explained that in 2013, the DNR entered into a royalty sale contract with Tesoro that was for less than one year and now they want to extend the terms beyond one year and that requires legislative approval.

As owner of the oil and gas on state land, the state gets a royalty interest in the production of the hydro carbon and has a choice of taking it in kind (RIK) or in value (RIV). Statutes direct the department to take royalty in kind unless the state's interest is better served to take it in value, but the state is then restricted on how to go about disposing of or selling that royalty to achieve value.

COMMISSIONER BALASH said the state tends to stay in value for the most part, benefiting from the lessee's expertise in being able to manage the disposition and custody transfers. When taking in kind they do it at the unit or lease boundary, and in the case of oil, typically, that custody is immediately transferred to the buyer of oil right there.

9:04:13 AM

The sale process is governed by a few interwoven statutes, the first one being AS 38.05; and AS 38.05.182 directs the department to take it in kind if they are able to determine it is in the state's best interest to sell to folks in state for refining purposes, hopefully, and to accomplish that through a competitive process (with some exceptions).

Keeping that in mind, in 2012, he sent out an informal letter to a variety of parties when it became apparent that Flint Hills, in particular, was interested in additional volume for sale. Those letters went out to producers, refiners, both in state and out of state and generally went out through media and trade publications. They received expressions of interest from Tesoro and Flint Hills, and instead of continuing down the competitive

auction process, they negotiated non-competitive contracts with each party to serve their respective needs or interests.

[9:05:42 AM](#)

SENATOR FAIRCLOUGH asked if other places would have competed.

COMMISSIONER BALASH answered their effort to test the waters with this expression of interest and solicitation was intended to see whether or not an auction process or competitive bid system would generate enough interest to generate additional revenue over and above what he would receive in an RIV context, and based on the responses they received, they determined that a large number of parties would not be interested in bidding for royalty sales.

[9:07:11 AM](#)

SENATOR FAIRCLOUGH asked if the department had ever done a full-blown RFP or search for a competitive bid.

COMMISSIONER BALASH answered yes, and showing a graph of RIK sales history explained that the department did some nominations and auctions back in the early 80s when it had a lot more royalty and was in the throes of litigation over its value.

SENATOR FAIRCLOUGH noted that it looked like that stopped in 2004.

COMMISSIONER BALASH said specific terms in this contract were taken from a contract that originally was for less than one year, and those deliveries had begun earlier in the month. The current contract doesn't directly reference the RIV versus RIK calculations, rather it relies on a pricing formula that averages together an ANS spot price and reported prices with a \$1.95 deduction and a tariff allowance (intended to capture not only the cost of moving the hydrocarbon oil from the Valdez marine terminal to the refinery, but also to reflect the difference in the location depending on which destination it's going to) for a marine differential. It also has adjustments for the pipeline tariff, the quality bank, and a line loss factor. Ultimately that kicks out a price that Tesoro will pay the state for the value of its royalty.

[9:09:05 AM](#)

SENATOR DYSON asked him to explain "quality price adjustment."

COMMISSIONER BALASH relied that the quality bank adjustment is a mechanism intended to keep all parties whole when various

qualities of crude are co-mingled in the pipeline. He explained that the North Slope has fields that produce different grades of petroleum and when it all comes into the TransAlaska Pipeline System (TAPS) it mixes up and at the other end you get a barrel of crude that is different than what was put in.

In the case of some Interior refineries, because they are pulling TAPS quality crude off and recovering some of the higher value products and returning the residual, they actually have to pay into the quality bank. That is not a big factor for Tesoro, because they don't put anything into the pipe, but for reporting purposes they have to make sure the quality bank differential is getting tracked from top to bottom.

COMMISSIONER BALASH said the quantity for this particular contract is dependent upon the nomination made by the buyer with a certain amount of notice so that the department can nominate in turn through its lease prerogatives the taking of the volume. It ranges from 5,000-15,000 barrels/day and may be adjusted so long as that is done through the commissioner's office. The contract can be terminated by the refinery or if they fail to nominate for three consecutive months it terminates automatically. He said there is an allowance for refinery turnaround, so in the event they do need to do major maintenance or an upgrade it doesn't count against them in that three-month period. And similar to the Flint Hills contract, reserves are included in the event of some sort of default so that the state is not stuck as a distressed seller of crude that it has taken in kind.

[9:13:04 AM](#)

When the commissioner makes a decision to sell the state's royalty, he said that AS 38.05.183(e) guides the process and it interconnects with the Royalty Board's contract evaluation process, especially when it is one that goes for more than one year.

COMMISSIONER BALASH said generally speaking they are guided by the principal of ensuring that the state is going to receive at least the same value it would have had the royalty been taken in value. Because this contract is going beyond the one year term, the state's Royalty Board met and reviewed it and the findings. It then considers a list of eight things that try to take into account the various opportunities that in-state refining, in particular, or any other in-state use might have on the broader community, so that more than just the cash value can be considered. Their economists work very closely with applicants

from this year and prior years, relying on Department of Labor and Workforce Development (DOLWD) statistics to understand the jobs impact and try to get a handle on impacts in the market pricing for the products that come out. Some of that is difficult because of the unregulated nature of refined products like diesel, gasoline, and home heating fuel. It's not like natural gas that has a fairly transparent system to track value from a producing field to a consumer.

[9:15:32 AM](#)

SENATOR FAIRCLOUGH asked in consideration of the projects' additional costs and responsibilities, which could be imposed on the state and affect political subdivisions by the developments related to this transaction, how Tesoro is gaining access to the crude and if they are responsible for the transportation costs.

COMMISSIONER BALASH replied that when the state makes these sales, they do so at the lease boundary; in this case that means Tesoro is responsible for gaining and managing the capacity in whatever lines are needed to the oil from the field all the way down to the end of TAPS. An allowance for those costs is provided in the pricing formula.

The state position in negotiations with this buyer, as well as others, is to not take custody risk or the obligation to secure capacity in any of the lines. He explained that if the sales point would be at the Valdez Marine Terminal (VMT), then there would be a much higher burden on the division's staff to take on the task of obtaining and managing capacity in those lines to get from the field all the way to the VMT.

SENATOR FAIRCLOUGH asked if the point the state chooses to sell from would affect the tariff.

[9:17:47 AM](#)

COMMISSIONER BALASH replied if the point of sale were moved further south, it wouldn't necessarily affect the tariffs but it would have to be included in the price formula a different way.

CHAIR GIESSEL asked if Tesoro gets the oil in Valdez and puts it in one of their vessels and transports it to Nikiski where it gets refined, and the oil that they can't process because of their refinery configuration is then put on another ship and gets sent down to the Lower 48, does that mean they have a zero liability in the quality bank allowance.

COMMISSIONER BALASH replied in their case, that was correct, but the quality bank differential varies over time depending on what is going in at the top, what is going on midstream in the Interior, and what is going on with the quality bank in the North Pole. It probably has more of an impact on the competition between refineries in the state, he thought, but then said someone from Tesoro could answer that specifically.

[9:19:44 AM](#)

He said slide 10 showed the history of the state's royalty sales program. Historically, there have not been a tremendous number of sales to industries or buyers other than the state's Interior refineries. Some sales have happened to Tesoro in the past and hopefully, they will become a long term customer. He said that Tesoro is also in the process of running the regulatory process to construct a pipeline from the west side of Cook Inlet to their location on the east side in Nikiski, and they hope to see some good developments on the west side that helps keep them supplied with Alaskan crude as opposed to imports.

SENATOR MICCICHE asked if the RIK contract price on page 5 was similar to all of the other prior purchases beginning soon after construction of the pipeline.

COMMISSIONER BALASH replied that the methods the state uses to value its oil have evolved over time since the startup of TAPS. He explained that in the course of the litigation during the 1980s the state sought to sell much more of its royalty, in part, because we weren't certain we were getting the full value from the lessees. As the settlements around those valuation disputes occurred, beginning in the early 90s, the state felt less of a need to sell its royalty in order to get full value for it. And as time moved on, there were also changes in the way the TAPS tariffs were calculated and the marine differentials were accounted for.

He explained that TAPS tariffs were governed by a settlement until the early mid-2000s when FERC was asked to adjudicate them and then there was a fully adjudicated tax tariff value. So, in some ways things have gotten to be much more transparent for the state and for potential buyers.

[9:23:50 AM](#)

COMMISSIONER BALASH explained there is about a 20 cent difference in the price per barrel for the volumes it is selling to Tesoro. Part of the difference has to do with the considerations that were included in that other contract. In

that case, they agreed to do certain things that the state determined were valuable to the local population and market, the big deal being price parity for gasoline that the Interior gets relative to sales in the Anchorage market. But in this case, the state is not receiving the benefit of any special commitments from Tesoro and so the price is a little higher than the one with Flint Hills last year.

CHAIR GIESSEL said Flint Hills had recently announced their closure and that means that the royalty oil sold to them will now become available and asked if that would affect this agreement.

COMMISSIONER BALASH answered that as someone who grew up in North Pole he was shocked at the Tuesday announcement and didn't think the last shoe had dropped. He said that Flint Hills initially had approached the state about a second ten-year contract and looking at projections for declining production on the North Slope, he wasn't certain of having sufficient royalty volumes. But if Flint Hills shuts down and another buyer doesn't reopen the refinery, the state will have a larger volume of royalty available to sell. A combination of the Flint Hills and Tesoro volumes in the next couple of years gets to be a pretty high percentage of the state's royalty overall. In fact, both contracts contain pro-ration clauses in the event the state is short.

[9:27:42 AM](#)

COMMISSIONER BALASH said in some ways those issues become less of a concern in the Tesoro case if Flint Hills is not taking royalty. He said they will talk to the Royalty Board about disposition of royalty volumes. Their first interest is to see whether or not there is an opportunity to supply an Interior refinery so that the one remaining with Petro Star continues to operate.

[9:28:12 AM](#)

SENATOR FAIRCLOUGH asked if the loss of Flint Hills is going to affect the ability to reheat the crude that is moving through the pipe.

COMMISSIONER BALASH answered that he asked that question of Alyeska immediately through the State Pipeline Coordinator's Office and Admiral Barrett assured him that they will have the ability to get heat into the system but it will cost more and that Flint Hills received some value for the heat they were putting back into the line.

COMMISSIONER BALASH said maintaining the stability of the Nikiski facility and supporting jobs in the Kenai should have a positive effect on the state overall. The Nikiski facility began operations in 1969 and it is the most sophisticated refinery in Alaska making ultralow sulphur diesel including a significant piece of the overall market for jet fuel and a large role in gasoline production, heating oil to a lesser extent. They make a variety of products and employ 200 Alaskans in high paying positions; they have a variety of retail outlets and filling stations. Petro Star's facility in Valdez either does or will manufacture low sulfur road diesel.

[9:31:36 AM](#)

SENATOR MICCICHE asked why the fiscal note is not negative.

COMMISSIONER BALASH answered that the fiscal note reflects a zero cost to the agency for this contract. The revenue line is indeterminate because they think this will ultimately return more value to the state than staying RIV. Assuming maximum volumes, it's about a 20 cent/barrel benefit to the treasury or \$1 million per year.

[9:32:44 AM](#)

SENATOR DYSON asked why the state doesn't give a discount to refineries that are producing fuel for instate use, because Alaskans have to pay more at the pump than people in the Lower 48.

COMMISSIONER BALASH replied that the refining and motor fuels industries are unregulated and have very little transparency and it would be hard to rely on the fact that a discount would flow through to the benefit of the purchasing public. Because the price realized at the fuel pump is a function of competition, supply and demand, and a variety of factors, if the state would consider selling its royalty oil to instate refineries at a discounted price, the first question he would be asked is "Why?" because a \$5 difference in the state's royalty value would add up to tens if not hundreds of millions of dollars depending on the volumes sold in less revenue to the treasury. If one can demonstrate that it is being passed on to the consumer ultimately, that calculation could be evaluated and answered, but some of the buyers of crude oil in the state have zero appetite to provide transparent accounting for a price break flowing through to the consumer.

SENATOR DYSON added that they would also be giving a benefit to only a portion of the state's citizen to the detriment of others and impacting deposits to the Permanent Fund.

COMMISSIONER BALASH said he was correct on both points.

9:36:29 AM

CHAIR GIESSEL noted that the Royalty Oil and Gas Development Advisory Board is comprised of citizens that are volunteering their services to the state of Alaska and are often invisible and asked who they are.

COMMISSIONER BALASH said the Chair is Bob Roses (intending to resign); Steven Menard, Chuck Wieggers, Dana Pruhs, and Steve Selvaggio are public members; the cabinet members include himself at the DNR, the commissioner of the DOR whose designee is Bruce Tangeman, and the commissioner of the Department of Commerce, Community and Economic Development (DCCED) Susan Bell's designee (vacant).

He said when the board reviewed the Flint Hills contract last year they expressed a desire to meet more frequently than just to review a contract, so they had many meetings educating them on royalty management history, including disputes that lead to practices they use today. The board's history suggests that it can hire its own staff to be a check against the Division of Oil and Gas and the department generally, although it's been over 20 years since they had staff.

CHAIR GIESSEL thanked them for volunteering their services to the state.

9:39:14 AM

MATT GILL Senior Manager, External Affairs, Tesoro Corporation Operations in Alaska and the Pacific Northwest, Anchorage, Alaska, supported SB 146. He said Tesoro Corporation is an independent refiner and marketer of petroleum products. They started refining in Alaska in 1969; the Kenai refinery has capacity to produce up to 72,000 barrels per day and is primarily focused on jet diesel production followed by gasoline and gasoline blend stocks, heating oil, heavy fuel oils, propane, and asphalt. They operate a 68-mile common carrier products pipeline that transports jet fuel, gasoline, and diesel to the Port of Anchorage and the Anchorage International Airport. The wholesale delivery of their products occurs through their terminals at Kenai, Anchorage, the Nikiski dock, and the Port of Anchorage.

In addition to being the largest tax payer in the Kenai Peninsula Borough, Mr. Gill said the refinery provides about 210 family wage jobs along with about 30 full time contractors who are working in and around the refinery year round. They are able to employ another 200-plus employees around the state at their 31 company-owned Tesoro-To-Go retail outlets, as well as the operators that work at their terminals at the Port of Anchorage and Nikiski.

He said Tesoro is a major supporter of the Cook Inlet Regional Citizens Advisory Council (CIRCAC) and the largest member of the Cook Inlet Spill Prevention and Response Team (CISPRES). They actively support a wide range of local events and programs from employee contributions and fund raising efforts for the United Way to local youth sports programs. Each year they sponsor all the 5th and 6th grade classes on the Kenai Peninsula to conduct a mission at the Kenai Challenger Learning Center and they are now the signature sponsor of the Caring for the Kenai Program.

MR. GILL said he supported SB 146 and said it is a result of constructive dialogue and productive negotiations between the Department of Natural Resources (DNR) and the Tesoro Corporation as described in the presentation. Their original negotiations resulted in a one-year contract beginning this month and ending in January 2015. The original contract received best interest findings, was approved unanimously by the State Royalty Board, and was signed by both parties in October 2013. On further analysis of their future needs, they sought this amendment to the contract to add one more year using identical terms that would deliver royalty oil until January 2016. A new final best interest finding was produced by DNR, and the State's Royalty Board again voted unanimously for approval.

MR. GILL said the state understands their issues and they arrived at a mutually beneficial agreement that is a win/win for both parties. The state will continue to receive a price for its RIK oil that exceeds the price it would have received if it elected to keep its royalty oil in value and this contract will provide Tesoro with a stable supply of ANS crude while also giving them the volumetric flexibility to help accommodate seasonal fluctuations in demand for refined products. The availability, flexibility, and stability this contract offers will have a positive impact on Tesoro's ability to maintain its ongoing operations at the Kenai refinery.

[9:44:06 AM](#)

JAMES TANGARO* Vice President, Tesoro Corporation* Manager, Tesoro Refinery* Kenai, Alaska* said he was available to answer questions on SB 146.

SENATOR BISHOP asked how much asphalt the refinery can produce and what that would do to Department of Transportation and Public Facilities (DOTPF) pricing on building lane miles in the state and if Tesoro would be able to meet the demand.

MR. TANGARO said they usually make asphalt as needed and had not maxed capacity and they will do everything they can to make sure the supply is there.

SENATOR FAIRCLOUGH asked if they have sufficient resources to pick up Flint Hill's shortfall in jet fuel supply at the Anchorage International Airport.

MR. GILL answered yes; between their Kenai refinery and their West Coast operations they would be able to supply the jet fuel needs for the state.

CHAIR GIESSEL asked him where his supply of crude comes from.

MR. GILL replied that it comes from TAPS and everything that is being produced in Cook Inlet, and they were excited about the uptick in production there. On occasion foreign crudes from the spot market have been brought in.

MR. TANGARO said ANS and Cook Inlet make up 90 percent on an annual basis of what they run in the refinery but they shop on a world market looking for opportunities.

SENATOR MICCICHE commended Tesoro for keeping unit costs as low as possible and if some of that is supplemented with foreign product that is just the way the business works. The reality is that too many jobs and too many community benefits depend on their success and he hoped to see some expansion considerations in the future.

[9:48:18 AM](#)

MR. GILL added that they take possession of the ANS crude at the top of the TAPS and buy a quality 10; if it goes through the Flint Hills refinery they process it and put back in a lesser product, which means that the product coming out of the pipeline at Valdez is a lesser quality than what they bought, and that is where the quality bank adjustment comes in to make sure they are getting the value for what they bought at the top of the pipe.

Answering another question he said that Petro Star produces ultra-low sulphur diesel at their Valdez refinery.

CHAIR GIESSEL opened public comment; hearing none, she closed it.

SENATOR FAIRCLOUGH moved to report SB 146, version A, from committee to the next committee of referral with attached fiscal note and individual recommendations. There were no objections and it was so ordered.

[9:50:16 AM](#)

At ease from 9:50 to 9:51 a.m.

SB 109-ADVISORY COMMISSION ON FEDERAL MGT AREAS

[9:51:40 AM](#)

CHAIR GIESSEL announced SB 109 to be up for consideration.

SENATOR JOHN COGHILL, Alaska State Legislature, sponsor of SB 109, said this measure is an extension of the sunset date for the Citizen's Advisory Commission on Federal Areas (CACFA). He said the federal government owns 60 percent of Alaska's lands going from productive land to wilderness and preserves; Alaska shares the remaining 40 percent with Alaska Native Corporations.

He explained that the focus of federal lands generally goes from conservation to preservation and the land in Alaska goes from the need for production to the need for conservation, which travel in different directions. So, there must be a way for Alaskans to speak up on how they want to work with the federal government in both areas. The Statehood Compact, the Alaska Native Claims Settlement Act (ANCSA), and the Alaska National Interest Lands Conservation Act (ANILCA) provide the rules to play by.

SENATOR COGHILL said there is always a need for ongoing education and Alaska has to speak up for itself. Another issue is that the personnel turnover in the federal management areas that are generally conservation units to wilderness areas is very high and the Bureau of Land Management (BLM) is often operated from Seattle and is often overruled in D.C., which is why Alaska often resorts to the courts. Citizens who have to navigate through the complex set of rules and regulations and their modifications need to be alert and this citizen's advisory commission is one way to bring these issues into the light and provide an avenue to our delegation in Congress. When ANILCA was

first instituted it had a high level commission made up of both federal and state officials who could make policy calls, but that went away. This is one way to get input from people at the community who just navigate on a river.

He said the federal government can take people to court and they have unlimited access to legal instruments that quite often the citizen who is just trying to guide on a river doesn't have. He said the Senate Majority felt so strongly that they hired someone to help them work with the Citizen's Advisory Commission and Congress on things like the Izembek Road.

CHAIR GIESSEL thanked him for his work adding that he is a great asset on CACFA.

[9:59:45 AM](#)

CHAD HUTCHISON, staff to Senator Coghill, sponsor of SB 109, said CACFA does very important work holding hearings regarding land management, resource development, and access issues, and it makes recommendations for public policy to the State of Alaska; he said members should have received its annual report.

CACFA's intent is to protect the state's interests relating to resource development and land management. It provides the Alaska Land Update that allows them to focus on particular resource development issues related to the Pebble Mine, Izembek, the proposed Beringia National Park, and the Wrangell St. Elias National Park. It is an entity that allows them to articulate issues to the general public and allows them to make comments as necessary. Most folks have little understanding as to what the federal government is continually doing around the State of Alaska and that is why CACFA is so important.

[10:02:44 AM](#)

CHAIR GIESSEL said she appreciated the annual report as she would be bringing up topics in committee about some of them.

[10:03:18 AM](#)

STAN LEAPHART, Executive Director, Citizen's Advisory Commission on Federal Areas (CACFA), supported SB 109. He said the commission has a lot of work to do in the next few years and that Senator Bettye Fahrenkamp from Fairbanks was the initial sponsor of the commission in 1981, shortly after passage of ANILCA. Now 30 years later we are still fighting to make sure it's implemented in the way Congress intended and that the federal agencies live up to the promises and compromises that are in that bill.

He said review of some major management plans was coming into focus and that the BLM is undertaking two: the Central Yukon Plan and the Bering Sea Western Interior Plan. The Tongass National Forest is considering revising its management plan with issues ranging from the roadless rule to transitioning from old growth harvested timber to second growth harvested timber and a lot of other wildlife and fisheries management issues. The Chugach National Forest is also revising its management plan and has issues related to access and public use.

MR. LEAPHART said he had been asked to be a member of a subcommittee put together by the BLM to look at their new placer mining policy. It's of considerable concern to the mining industry, in particular the small miners. The policy will probably impose some pretty significant and regulatory burdens on them. The subcommittee is a good approach, because it will involve people from the industry, state and federal agency people, other regulatory people, the Alaska Miners Association and people from the Forty-mile mining district.

He said they have had similar experience working with the BLM's subcommittee through the Resource Advisory Council on a trapping cabin policy, which turned out quite well and that included people from the trapping community.

[10:07:15 AM](#)

MR. LEAPHART said the annual report didn't clarify that the recommendations in the main report are not all the recommendations they heard at the August 2013 Summit. Those are listed in the summary that is attached to the annual report and weren't all necessarily endorsed by the commission.

He said the next step is for a group of commissioners to meet next week in Anchorage to refine the list of recommendations and develop strategies on how to implement them. Those will be forwarded to the legislature, the governor's office and the delegation.

CHAIR GIESSEL said the Anchorage summit was amazing; it was highly attended and had great input. She said the commission is made up largely of public citizens who remain mostly invisible and asked him to identify them.

MR. LEAPHART said they are a 12-member commission with two legislative members: Senator Coghill and Representative Keller, who is currently the chairman; Rod Arno (also the executive

director of the Alaska Outdoor Council), Teresa Hanson from Fairbanks (her family operates a small placer mine), Kathleen Liska from Anchorage (she has great interest in federal land issues), Susan Smith (an in-holder in Wrangell St. Elias National Park living a subsistence lifestyle with her husband), Mike Meekin from Palmer (an air taxi operator), Ron Somerville from Juneau (retired ADF&G biologist and an early warrior in the ANILCA battles), Mark Fish from Big Lake (maker of Black Powder Rifles), Charley Lean from Nome (has worked in many places in Alaska), Warren Olsen from Anchorage (active in fish and game issues for his whole career), and Frank Woods from Dillingham (commercial fisherman and sits on several boards related to subsistence and trail use). He said it is a very active group and they almost always have a full slate of members in attendance at their meetings.

CHAIR GIESSEL thanked them for their volunteer labor on behalf of the state; she then opened public testimony.

[10:13:34 AM](#)

RON SOMERVILLE, CACFA member, Juneau, Alaska, said he was a commercial fisherman with his father in Craig and got a Master's degree in wildlife management from the University of Montana and came back to work for Alaska Department of Fish and Game (ADF&G) for 24 years. A lot of his career was spent on these types of issues, as well as tagging bears. He had lived 74 years in Alaska and watched as the entitlements Alaska was supposed to get at statehood have been compromised in Washington.

Because of his travels around the state for ADF&G Mr. Somerville said he was interested in what was happening to the small communities that get inundated with bureaucratic paperwork. Plans are constantly being redone and things are snuck into them that violate a lot of agreements that were made in ANILCA and the Statehood Act. Things happening in the Interior could affect Southeastern and groups can hardly keep up with forest planning efforts in Glacier Bay National Park and some of the other conflicts that occur. This has a significant detrimental impact on land issues in Alaska and CACFA fills that role.

MR. SOMERVILLE said for example that for 40 years the Territorial Sportsmen built cabins on Admiralty Island, provided boats and chopped wood, and maintained the cabins, not only for people to enjoy but because they were important for providing shelter and safety to people in the wilderness.

He was in the committee room when ANILCA was passed and the Forest Service promised that Admiralty Island would be a wilderness area, but they wouldn't treat it like the Bob Marshall Wilderness Area in Montana. Thirteen exceptions were made to wilderness management in Alaska and yet the Forest Service today is trying to make Admiralty Island exactly like the Bob Marshall Wilderness Area. They no longer allow the Territorial Sportsmen to use chains saws in order to cut wood for the cabins or to use power equipment in the spring to maintain and improve them.

He agreed to serve on the Commission because its work is so important in helping people to fully understand what the overreach of the federal government is like. "You would not believe it!"

MR. SOMERVILLE related that Alaska has about 22,000 rivers and about 1 million lakes that could qualify under any definition of navigability, yet the navigability issue has been resolved on less than 25 rivers. The state has to prove in court the river was navigable at the time of statehood and the federal government is forcing adjudication of every river in the state. The unfortunate part is that at statehood Alaska received title to 60 million acres of submerged and tidelands and at this rate, we will lose that entitlement, because everybody who used them for that purpose is dead. It will have a phenomenal negative impact on this state.

He said that one of major reasons we got statehood was to manage our fish and wildlife and now it's a mess. Something needs to be done to improve the fish and wildlife management problems. If we don't take care of them the federal government will preempt us.

CHAIR GIESSEL thanked him for his service.

[10:22:11 AM](#)

SENATOR MICCICHE thanked him for service and for remaining active.

SENATOR BISHOP echoed those sentiments and added that he would like to break bread with him before leaving Juneau.

MR. SOMERVILLE said it would be a pleasure.

[10:23:01 AM](#)

CHAIR GIESSEL finding no further questions or comments and closed public testimony.

SENATOR DYSON moved to report SB 109, version A, from committee to the next committee of referral with attached fiscal notes and individual recommendations. There were no objections and it was so ordered.

[10:23:50 AM](#)

At ease from 10:23 to 10:32 a.m.

SJR 15-OPPOSE INTERNATIONAL DESIGNATING OF LAND

[10:32:46 AM](#)

CHAIR GIESSEL announced SJR 15 to be up for consideration and as the sponsor, related that it is a resolution related to an international transboundary area in the Bering Straits region. She said that Beringia is a designated area that recognizes the cultural connections between areas in Russia and areas on the west coast of Alaska around Nome and Kotzebue. The intent that has been going forward for the past approximately 25 or 30 years is to declare this area an international park, the definition of which would designate a protected area in two countries that would result in sharing information, joint studies, and promoting joint activities.

Other designations are related to international parks: Ramsar sites in the Izembek National Wildlife Refuge, biosphere reserves in Denali National Park, and World Heritage Sites in Glacier Bay and Wrangell St. Elias National Parks. Around these areas often the National Park Service and federal government wish to designate buffer zones, an ongoing effort in Denali National Park.

CHAIR GIESSEL said the concern about designating Beringia as an international park is how it will affect resource development and subsistence use on in the area. One of the recommendations coming from the Citizen's Advisory Commission on Federal Areas (CACFA) is to avoid spending scarce federal funds and resources on special non designated areas such as Beringia International Park.

[10:34:09 AM](#)

JANE CONWAY, staff to Senator Giessel, explained that SJR 15 urges the federal government to cease pursuing the creation of the Beringia International Park. This idea has been floating around since the 80s where it has languished, gained momentum and then languished again. It gained momentum recently and a

Memorandum of Understanding (MOU) came about in October 28, 2013.

She said the MOU doesn't actually create the park; however it symbolically links national parks in Alaska and Russia with a focus on environmental protection. While it sounds harmless enough, those phrases can take on entirely different meanings when used in a campaign opposing building of resource development projects. They are leery of any formal agreement regarding these related areas in the Bering Strait region that could affect Alaskan's ability to develop its resources in that economically challenged region (which encompasses the Red Dog Mine).

MS. CONWAY said the resolution is a violation of Section 101 of ANILCA and the MOU between the U.S. Department of State and Russia is proceeding with zero input from the state government. These international designations come through United Nations Educational Scientific and Cultural Organizations (UNESCO). The Ramsar site in the Izembek Lagoon National Wildlife Refuge was cited as one of the reasons Secretary Jewell made the decision she did to deny the Izembek Road.

[10:37:13 AM](#)

MS. CONWAY said besides Glacier Bay and Wrangell St. Elias National Park and Preserve seven others are on the tentative list to be considered as World Heritage Sites in Alaska. While Alaska does not have an official designation of a buffer zone now, one has been discussed around Denali National Park having to do with restricting wolf hunting and trapping since 2000.

These international designations have affected multiple projects around the world: the New World Mine in Montana, the uranium mine in Australia, the Aginskoya Mine in Russia and the list goes on.

SENATOR MICCICHE asked if the list of Alaskan sites was in their packets.

MS. CONWAY read them: Glacier Bay in 1992, Wrangell St. Elias in 1979, Aleutian Islands Unit of Alaska Maritime National Wildlife Refuge, Arctic National Wildlife Refuge, Cape Krusenstern Archaeological District, Denali National Park, Gates of the Arctic National Park, and Katmai National Park.

[10:39:52 AM](#)

CHAIR GIESSEL opened public testimony.

STEVE BORELL, representing himself, Anchorage, Alaska, supported SJR 15. He related that he first learned about something called Beringia and the concept of an international park between parts of western Alaska and the Russian side in the early 90s. Then he heard later that it was actually supposed to go from the Mackenzie River all the way over to the Kolyma River, in the Magadan Region. When he was preparing for testimony at the federal overreach CACFA summit he learned that it actually goes from the Mackenzie River as far as the Elena River, another 1,000 kilometers further west in Russia; he also learned that it goes from 70 N latitude (above Barrow) down to the southern tip of Kamchatka, which he guess was about the latitude of Juneau: nearly all of Alaska is included in what they have defined as Beringia. He had not recently checked to see if it had been drawn further.

He said when in the early 1990s an Alaskan geologist Joe Dressler was working in the Russian Far East first learned about Beringia International Park, he went on a radio call-in program in Magadan; several callers complained that the U.S. and Canadian companies would come over and just take the metals and leave a big mess and nothing to benefit the Russian people. At that time just a few U.S. and Canadian companies were exploring there and none of them had an operating mine. Joe finally asked one of the callers who told him that and the answer he received was that the National Park Service and the Audubon Society had visited many of the villages and were saying that they needed this national park to protect their land.

Part of the purpose of the shared Beringia Program is to reconnect the peoples and that is a great goal, however, they are using reconnection of the peoples as a way to build financial support to save the National Park Service from paying for their traveling back and forth.

He learned that three things are being proposed for Western Alaska: 1. the International Park, 2. a World Heritage Site, and 3. a Marine Biosphere Reserve. The International Park is just step one of the plan and if one had been in place when the Red Dog was being proposed, the Rainbow Warrior and every other kind of environmental group would have been attacking and trying to stop it.

[10:44:53 AM](#)

MARLEANNA HALL, Project Coordinator, Resource Development Council (RDC), said it is their policy to advocate for access to

and across lands in Alaska for resource and community development and they supported SJR 15. The MOU for the creation of Beringia International Park will create another level of bureaucracy limiting access to areas in Alaska. This bill is timely, because the MOU has not been signed by the president yet.

Past federal government promises assured access to allow resource development in this area and others not set aside through the ANILCA Act which withdrew 106 million acres of federal lands in Alaska into conservation system units. Today Alaska accounts for 70 percent of all national park lands in the U.S. as well as 54 percent in the federally designated wilderness.

[10:47:01 AM](#)

STAN LEAPHART, Executive Director, Citizen's Advisory Commission on Federal Areas (CACFA), said a letter in their packets supported SJR 15. A similar designation is the Ramsar designation for the Izembek National Wildlife Refuge. No one would dispute the importance of that area and no one wants to jeopardize it. But everyone is aware of the need for a road between King Cove and Cold Bay for medical evacuation purposes, which is the subject of a proposed land exchange in the legislature. The King Cove Native Corporation made a number of acres available for it and the purpose was to allow the construction of the road, but during the analysis of it conducted by U.S. Fish and Wildlife Service they decided to not approve the land exchange or the road. One of the reasons cited in both the Environmental Impact Statement (EIS) and Secretary of Interior's decision was the designation of Izembek as a Wetlands of International Importance under the Ramsar convention. While it is not supposed to be binding, it had a major effect on that decision.

He thought that similar decisions had been made in designating Glacier Bay a World Heritage Site and Biosphere Reserve that affected the ultimate elimination of commercial fishing there in the 1990s. These types of designations heighten the profile of any activity around them and concerns have been expressed about the future of the state's ability to manage its own resources on its land as well as those of the Native corporations.

[10:50:17 AM](#)

MIKE COONS, representing himself, Palmer, Alaska, supported SJR 15. He said he had sent a PDF with suggested additions to it as follows: On page 4, line 2, add a further resolve that:

The Alaska State Legislature request that the U.S. Department of the State or the U.S. Department of the Interior nevertheless pursues or proposes the designation of land or water as an international park, world heritage site or biosphere reserve, Ramsar site or classification of land or water than affects the proper use of the land or water by the state of Alaska or Alaska Native Corporation, the Congress of the United States vote against this violation of U.S. and state sovereignty....

Second, he suggested on page 4, line 7, to delete "and" between "process and development" and to add "after the development, oversight, and disapproval" and on line 10 delete "if not primary". He said this language strengthens an already strong resolution and he didn't think that Russia would enforce this it anyhow.

CHAIR GIESSEL, finding no further comments on SJR 15, closed public testimony. She added that the Ambler Mining district could potentially be affected by the international park designation. Since the MOU was constructed as late as October 2013, there seems to be more active movement forward on this designation. Letter from Representative Don Young and Senator Lisa Murkowski supported it.

SENATOR FAIRCLOUGH asked the committee if it would entertain sending a letter to National Conference of State Legislatures (NCSL), specifically the Labor and Economic Development Committee that she is vice chair of, asking the U.S. Trade representative to communicate with states, because they are feeling left out of these agreements as they negotiate state law and allow foreign entities better leverage inside of their business environment without the states' concurrence.

SENATOR MICCICHE thanked her for bringing the issue forward. ANILCA clearly says we will not add additional acreage to our state to remove it from potential development and that has not been followed through. He thought the federal government was struggling to maintain the park land they already have and they should be asked why they should keep adding to it.

[10:56:27 AM](#)

SENATOR FAIRCLOUGH clarified that we want good international relationships and this is not a reflection of anything that Russia or its delegation may have done. The criticism, if there

is one, lies directly at the foot of the U.S. side of this conversation.

[10:57:17 AM](#)

SENATOR DYSON stated that he has three wilderness properties south of Denali National Park along with scores of other folks and the federal government might remove property rights for what could be considered inholdings and extend federal wildlife management into those areas. However, he didn't think that would bias him on this issue.

[10:58:19 AM](#)

At ease from 10:58:19 to 10:58:55 a.m.

[10:58:55 AM](#)

CHAIR GIESSEL said she appreciated Mr. Coons' comments and suggested amendments, but adopting them at this time it would slow down the process. She thought the important parts had already been captured in the resolution.

SENATOR MICCICHE said because many oppose increasing federal control over our lands in Alaska doesn't mean we aren't fascinated by the cultural aspects of Beringia and the other lands. Most of our genetic code can be traced to people as they walked across the land bridge many thousands of years ago. What it means is when portions of these lands are developed for projects that employ potentially thousands of Alaskans, the impact is on a few acres, a tiny dot, among millions of acres. That is an important point to remember when they want to lock up millions of acres and things like ANWR.

[11:00:30 AM](#)

CHAIR GIESSEL drew attention to the map in their packets noting that we already have a Bering Land Bridge National Preserve and Cape Krusenstern National Monument and Russia has several parks designated, as well, where cultural preservation and heritage are addressed. The concern is the increasing take of our lands which contain resources which help these communities support themselves. The villages of Norvik, Kiana, Ambler, and Kobuk are close to resources where energy will be developed along with the mineral resources there. Extending these international transboundary areas jeopardizes the economic potential and thus the sustainability of these communities and the cultures they represent.

[11:01:58 AM](#)

SENATOR DYSON moved to report SJR 15, version 28-LS1192\U, from committee to the next committee of referral with attached zero fiscal note and individual recommendations. There were no objections and it was so ordered.

[11:02:23 AM](#)

At ease from 11:02 to 11:03 a.m.

SJR 16-OPPOSE FEDERAL AID TO CERTAIN NONPROFITS

[11:03:46 AM](#)

CHAIR GIESSEL, announced SJR 16 to be up for consideration. She said this issue was brought to her attention by constituents who noted the U.S. Fish and Wildlife Service (USFWS) as a major donor to environmentally based nonprofits that are working against resource development in our state. The purpose of the resolution is to highlight this and ask the federal government to stop using tax funds to work against Alaskans.

JANE CONWAY, staff to Senator Giessel, sponsor of SJR 16, explained it asks that environmental nonprofit organizations not receive federal funds to use in campaigns against resource development in Alaska. This is an abuse of federal funds and runs afoul of the Alaska Statehood Act and the Alaska Constitution.

At statehood, she said, Congress recognized that Alaska's small population would not be able to pay for government services with taxes alone and promised the state 90 percent of revenues earned from resource development on Alaska federal lands, although that percentage has been reduced to around 40 percent.

MS. CONWAY said the U.S. Department of Justice, Environment and Natural Resource Division, has the responsibility for the conduct and oversight of litigation conducted directly and indirectly on behalf of the USFWS. In 1982, an MOU was signed by USFWS and the Alaska Department of Fish and Game (ADF&G), which allows the department to have primary responsibility to manage fish and wildlife in the State of Alaska. Despite the promises in the Statehood Compact the USFWS awards a variety of natural resource assistance grants and contracts to nongovernmental organizations, some of which aggressively oppose the express promise to Alaskans at statehood and oppose the intent behind Section 101(D) of ANILCA known as "the no more clause."

Thus Congress believes that the need for future legislation designating new conservation system units, new national conservation areas, or new national recreation areas has been obviated.

[11:07:19 AM](#)

She listed some of the organizations receiving federal money to oppose development of the state's resources:

1. \$10-50,000 to the Alaska Conservation Foundation in 2010 and 2011
2. Advocacy groups such as the Chuitna Citizen's Coalition whose sole purpose is opposing proposed Chuitna coal mine.
3. Bristol Bay Protection Campaign and Cook Inlet Keeper, groups opposed to the Pebble Mine project.

MS. CONWAY said the Alaska Conservation Foundation had provided numerous grants to the Trustees for Alaska that provides advocacy and legal representation to groups that oppose a variety of resource development projects around the state including filing lawsuits against the State of Alaska and the Department of Natural Resources (DNR).

The Trustees' website says that Alaska is poised to make an outsized and self-destructive contribution to global warming in the form of massive coal developments. It also says that Alaska's environment has intrinsic value that defies measurement in economic terms.

She said the Alaska Conservation Foundation funded 111 grants in 2012; 50 percent of them were grants for oppositional campaigns. It has awarded over \$3 million annually to over 200 Alaskan nongovernmental organizations and other entities that advocate against resource development. It has solicited support for their efforts to "Keep Alaska's Coal in the Ground," and has made a total of \$1,000,371 in numerous grants to organizations opposing responsible development of coal related projects throughout the state.

[11:10:27 AM](#)

MS. CONWAY said she also noticed the website says the Alaska Center for the Environment, the Alaska Conservation Alliance, and the Alaska Youth for Environmental Action are merging, and one of their mission statements is to have a direct lobbying impact in Juneau.

This resolution shines a light on these types of activities. It suggests that perhaps the Office of Management and Budget pay

closer attention to the activities of its agency's grant program considering that Alaska is a resource state.

The Alaska Mental Health Trust Lands Program receives substantial benefits from Fort Knox and it stands to receive royalties and payments from the Chuitna Coal and the Wishbone Hill mines; that money is used solely to provide services to the mentally ill, disabled, those with brain trauma, substance abuse, dementia and more.

[11:11:43 AM](#)

SENATOR DYSON asked on page 5, line 15, if there is anything in federal law or regulations that talks about public funds being used for litigation in these situations.

MS. CONWAY didn't know specifically, but the U.S. Department of Justice's website says a substantial portion of the division's work includes litigation under a plethora of statutes related to the management of public lands such as the nation's most significant subtropical wetlands, the Everglades, and the nation's largest rain forest, the Tongass, to individual range lands or wildlife refuges. It specifically represents all land management agencies in the U.S., and the USFWS is among the listings.

SENATOR DYSON suggested inserting language urging the USFWS to not finance any litigation.

[11:15:18 AM](#)

SENATOR DYSON moved conceptual Amendment 1 to insert the words "environmentally responsible development" where appropriate. There were no objections and it was so ordered.

SENATOR BISHOP said he made the distinction that there might be some good use of these dollars in the conservation funding efforts.

MS. CONWAY said the 2011/12 grants were listed in their packets and not all of them looked like they all had that type of anti-campaign activity.

SENATOR BISHOP said he keyed in on one of the Alaska Native Fund awards because it was to the Yukon Fisheries Association to study the Chum salmon and King salmon decline on the Yukon River.

SENATOR DYSON said many citizens' groups do good work and he was impressed with what the Matsu group is doing on analyzing game/sport fish issues. A grand example is the Prince William Sound Advisory Group that came out of the Exxon Valdez settlement that has become a model for many similar groups.

[11:19:54 AM](#)

SENATOR MICCICHE said three groups are contributed to by the Alaska Conservation Foundation and asked if she had been able to track funding for litigation related activities by these groups or had most of funding been related to data collection.

MS. CONWAY answered that much of the litigation dollars would go to the Trustees of Alaska, which is the advocacy legal group, but she couldn't link it to any project.

SENATOR MICCICHE said typically federal funding has a very specific purpose and he hated to paint them all with a broad brush. Some of it is used for pro-development projects and sport/commercial fishing related processes, one being Cook Inlet Keeper that monitors in-stream water flows and temperatures on ADF&G professional sport fishing projects. The Kachemak Conservation Society, Cook Inlet Keepers, the Center for Alaska Coastal Studies were listed and he valued their opinion on different things although he didn't agree with all of them. He would have pulled the names below the Alaska Conservation Commission out of the resolution, because they do have mixed roles. They don't want to eliminate Alaskans' right to comment on things, and he hoped the resolution would stay tied to litigation-related dollars, because he agreed with the chair that public funding should not go to litigation against Alaska projects.

[11:23:05 AM](#)

CHAIR GIESSEL said the U.S. Constitution's First Amendment is freedom of speech, but this resolution doesn't have anything to do with that. This resolution brings out the fact that federal money is being distributed through grants to these organizations that turn around and use them to oppose development in Alaska. These are transparent funds they can see, but a letter from Mr. Leaphart would talk about the funding that is not seen and that is the issue the resolution addresses.

[11:24:23 AM](#)

CHAIR GIESSEL opened public testimony.

[11:24:30 AM](#)

STAN LEAPHART, Executive Director, Citizens Advisory Commission on Federal Areas (CACFA), Fairbanks, Alaska, supported SJR 16. He offered that the USFWS supports the 220 friends groups (volunteers around the country) that do bird banding, habitat conservation, and things like that. A group in Alaska is called Friends of the Alaska Wildlife Refuges; they do great work, but his concern lies with a policy that was proposed several years ago and hadn't been finalized that deals with how the agency interacts with these volunteer groups.

He explained that federal agencies cannot use appropriated funds to lobby Congress, state or local governments, but friends groups are able to do that. The policy didn't provide enough guidance for the agency on how they would interact with these groups. They provide training, office space and allow use of office equipment, they provide transport out to do the volunteer work, but sometimes they have lobbied Congress in opposition to the land exchange in Izembek and the road, testified at Mineral Management Service hearings against possible oil and gas leases offshore of Alaska, and lobbied against the proposed land exchange in the Yukon Flats National Wildlife Refuge between Doyon and the USFWS. It's unclear where the line is drawn for the volunteer group and the responsibilities of the staff for these agencies. It's not a direct grant, but it is still support that probably comes very close to violating federal law, which does not allow the use of appropriated funds for lobbying or advocacy.

[11:28:20 AM](#)

MIKE COONS, representing himself, Palmer, Alaska, supported SJR 16. He wondered if USFWS could be sued for spending U.S. dollars in violation of their charter. It sounds like they are picking and choosing their attacks on conservative groups like the IRS is doing. He agreed with Senator Dyson that environmental groups generally use bad science and emotions where conservation groups have a long history of using good science and facts and getting the education out. Lastly, he asked if Congress acts on resolutions or just ignore them.

[11:30:03 AM](#)

MARLEANNA HALL, Project Coordinator, Resource Development Council (RDC), Anchorage, Alaska, supported SJR 16. Their concern is that the federal government is discouraging investment in Alaska by donating funding through federal agencies to nongovernment organizations (NGOs) to opposed development of Alaska's natural resources. The funding of these

groups contradicts RDC's mission to grow Alaska through responsible resource development.

She said in recent years lawsuits by NGOs have caused delays and other issues for projects in Alaska, often with little or no added benefits to the environment. Many lawsuits have threatened Alaskan jobs, businesses, and communities, for example exploration and development on the Outer Continental Shelf (OCS). Lawsuits can cost the state hundreds of thousands of dollars and even when these projects are not ultimately stopped the uncertainty of the litigation can effectively stop progress on them.

Additionally, NGOs involved in litigation often collect large attorney fees from the federal government in lawsuits that are aimed at systematically stopping development in mining, oil, timber, and other industries. She said Alaska's Constitution says to develop our natural resources for the benefit of all Alaskans and the state has the responsibility to achieve fiscal certainty. That can't be done if the projects continue to be halted by outside interests.

11:32:04 AM

LISA WEISSLER, representing herself, Juneau, Alaska, described herself as an attorney with expertise in natural resource law. She did not support SJR 16. She related that language on page 2, line 4, says it's the policy of the state "to encourage settlement of its lands and development of its resources by making them available for maximum use consistent with the public interest." In this case, "public interest" means what everyone benefits from: the land, the air, the water, community social structures, cultural values and its economic interests. And language on page 2, line 22, talks about how the Department of Natural Resources (DNR) and Department of Environmental Conservation (DEC) have comprehensive and stringent regulations to ensure the responsible development of the state's resource. However, there is no statutory requirement for a coordination function that will account for the public interest relative to the agencies, and without that, sometimes public interest groups have to step in.

MS. WEISSLER said it's hard for the public to participate in the review process, because they have to go from agency to agency and figure out what is happening and how to effectively comment on it. NGOs also step in to deal with general public interest issues that the state is not fully addressing right now.

MS. WEISLER said it would be better to have comprehensive legislation that would provide for the coordinated review of projects as a whole in which the state's and the public's interests are identified.

[11:35:23 AM](#)

SENATOR DYSON said he appreciated her testimony and that he had seen similar problems with other state statutes and asked if she knew of other states that had done this successfully.

MS. WEISLER said Alaska's Coastal Zone Management Program had done exactly what she had just described: it coordinated state permitting and identified state and local interests, and it had the added advantage of the federal government having to listen, something we won't get back any time soon. "The Coastal Zone Management Program was our public interest statutes." That is why the reviews are so fragmented and the public interest is not being fully accounted for.

CHAIR GIESSEL, finding no further questions or comments, thanked Ms. Weisler and closed public testimony. She clarified that they are referring to federal funds being used in the grant programs to folks that are working in the opposite direction to the benefit of Alaska. She stated that comments were made that our permitting agencies lack coordination and the consideration of the total impact of development, and she wanted to raise the committee's awareness that Alaska had been including a health impact assessment (HIA) in all project applications for 15 or 20 years and was the first state to do that. Alaska has lead the way in permitting processes; we also lead the way in agency coordination: Alaska Department of Fish and Game (ADF&G), Department of Environmental Conservation (DEC), and the Department of Natural Resources (DNR) get together weekly to deliberate, express concerns, and get further data on large project applications.

As the Resources Committee, she said, they need to know how these applications are processed and that is not relevant to this resolution, which only addresses the use of federal funds against our resource development opportunities.

[11:39:41 AM](#)

SENATOR MICCICHE agreed with her on the litigation piece but added that some of the contracts are unbiased and just collect data. They are all about science and some of these folks are the lowest bidding contractor to provide that data and the

resolution seemed to say that they shouldn't support those contracts. He struggled with that and asked her to help him.

MS. CONWAY asked him to be more specific.

CHAIR GIESSEL said she thought he was looking at the Further resolved clause on page 5, line 10-13 that says: the Alaska State Legislature urge the U.S. Office of Management and Budget to investigate those expenditures and perform a comprehensive audit of all grants and contracts that may have been issued from taxpayer funds through the U.S. Fish and Wildlife Service. It doesn't prohibit grants or contracts; it requests an audit.

SENATOR MICCICHE said he was looking at "to hire unbiased independent firms of credible scientists to collect data and compile peer-reviewed scientific reports and documents;" on page 5, lines 3-5. He assumed the state's goal was not to go with the lowest qualified bidder among firms doing data collection.

CHAIR GIESSEL said it doesn't do that.

[11:42:37 AM](#)

SENATOR DYSON moved to report SJR 16, version 28-LS1211\N, as amended from committee with attached zero fiscal note and individual recommendations. There were no objections and it was so ordered; therefore CSSJR 16(RES) moved from the Senate Resources Standing Committee.

[11:43:26 AM](#)

CHAIR GIESSEL adjourned the Senate Resources Standing Committee meeting at 11:44 a.m.