

**ALASKA STATE LEGISLATURE  
HOUSE RESOURCES STANDING COMMITTEE**

February 9, 2015

1:06 p.m.

**MEMBERS PRESENT**

Representative David Talerico, Co-Chair  
Representative Mike Hawker, Vice Chair  
Representative Bob Herron  
Representative Paul Seaton  
Representative Andy Josephson  
Representative Geran Tarr

**MEMBERS ABSENT**

Representative Benjamin Nageak, Co-Chair  
Representative Craig Johnson  
Representative Kurt Olson

**OTHER LEGISLATORS PRESENT**

Representative Jim Colver

**COMMITTEE CALENDAR**

OVERVIEW(S):

DEPARTMENT OF NATURAL RESOURCES, DIVISION OF AGRICULTURE

- HEARD

DEPARTMENT OF NATURAL RESOURCES, DIVISION OF PARKS & OUTDOOR  
RECREATION

- HEARD

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

FRANCI HAVEMEISTER, Director  
Division of Agriculture  
Department of Natural Resources (DNR)  
Palmer, Alaska

**POSITION STATEMENT:** Provided a PowerPoint overview of the Division of Agriculture.

BEN ELLIS, Director  
Division of Parks & Outdoor Recreation  
Department of Natural Resources (DNR)  
Anchorage, Alaska

**POSITION STATEMENT:** Provided a PowerPoint overview of the Division of Parks & Outdoor Recreation.

## **ACTION NARRATIVE**

[1:06:34 PM](#)

**CO-CHAIR DAVID TALERICO** called the House Resources Standing Committee meeting to order at 1:06 p.m. Representatives Seaton, Josephson, Tarr, Hawker, and Talerico were present at the call to order. Representative Herron arrived as the meeting was in progress. Representative Colver was also in attendance.

### **OVERVIEW(S):**

#### **Department of Natural Resources, Division of Agriculture**

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**CO-CHAIR TALERICO** announced that the first order of business is an overview of the Department of Natural Resources, Division of Agriculture.

[1:07:59 PM](#)

**FRANCI HAVEMEISTER**, Director, Division of Agriculture, Department of Natural Resources, related that the 2012 census (slide 2) reports an 11 percent increase in the number of farms since 2007; a 3.3 percent increase in agriculture cash receipts since 2007; and the average age of an Alaska farmer as being 57.1 years, indicating the need for getting young people involved in the agriculture community. There are 641 farms considered a family farm for tax purposes. According to the census, 833,000 acres are involved in farming, with a majority of that acreage involved in reindeer herding. Production takes place throughout the state, the primary areas being Fairbanks, Delta Junction, the Matanuska-Susitna Valley, and the Kenai Peninsula. The number of farms dipped in 1992, but there has been a steady rise of agriculture production since then. Over the last seven years cash receipts have remained steady at \$31

million, but the face of agriculture has changed - small scale agriculture has increased dramatically and large scale agriculture has decreased.

MS. HAVEMEISTER reported that peonies and rhodiola are new agriculture areas. The division is excited about the peony market. Approximately 150 peony producers have plants in the ground throughout the state. Peony growers are looking at exports because Alaska can produce peony when no other place in the nation or the world can, which is from June 15 through September, the prime bridal season. Rhodiola producers have worked together to form a cooperative and are looking at processing equipment to dry their roots and move it into commerce. Rhodiola is used as a supplement touted for increasing energy, stamina, strength, and mental capacity. Alaska producers continue to look for new markets and explore production opportunities. A flour mill for Alaska grown barley is in operation in Delta Junction and product is being moved throughout the state and an export market to the Lower 48 is being looked at. Producers have taken advantage of the \$3 million nutritional Alaska foods in schools funding and have sold products to school districts small and large.

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MS. HAVEMEISTER outlined the division's organizational structure [slide 3], noting the division has 44 employees with a variety of job classes, such as agronomists with range management, soils, and plant pathology experience; maintenance generalists who help run the Plant Materials Center (PMC) farm; natural resource specialist; agriculture inspectors; loan officer; production managers; and development specialists who run the marketing and inspection sections.

MS. HAVEMEISTER said the division's fiscal year operating budget was \$7.7 million [slide 4]. The division has 35 full-time and 9 seasonal employees. Three full-time employees are located in the division's Fairbanks office, 18 full-time employees are located in Palmer, and the Plant Materials Center has [15 full-time employees and 9 seasonal farm laborers]. The division has three funding components: agriculture development, the Agricultural Revolving Loan Fund (ARLF), and the Plant Materials Center. The division has a variety of funding sources, including federal funding that is used to promote the marketing services done through the Division of Agriculture and the Specialty Crop Block Grant Program that provides about \$181,000 to supplement the marketing budget.

MS. HAVEMEISTER explained that the Plant Materials Center (PMC) is a 405 acre production farm located in Palmer [slide 5]. Established by the legislature in 1972, the PMC's purpose is to evaluate crops for potential use in Alaska. The plant materials are made available in small quantities to commercial growers who subsequently increase the crop and sell commercially for food production, ornaments, and conservation purposes. She drew attention to the programs at the Plant Materials Center listed on slide 5: [the Certified Seed Potato Program, Horticulture Program, Foundation Seed Program, Certified Seed Laboratory, Native Plant Evaluation, Invasive Species Program, Revegetation Technology/ Design, Conservation Plant Technology, Seed Cleaning and Conditioning, and Ethnobotany Teaching Garden].

1:13:06 PM

MS. HAVEMEISTER said the Certified Seed Potato Program [slide 6] began in 1984 in response to the industry need for assistance in managing on-farm potato diseases. At that time the potato industry was in trouble because of diseases found on the farms. Bacterial ring rot, a disease often found on a farm without proper management, causes the potato to literally melt once it is put into the barn. The PMC developed a tissue culture program that provides clean seed to Alaskan seed growers. This has allowed the certified seed growers to enter into a limited generation certification program: growers are allowed to plant back their seed for eight years into certification, after that eighth year it is moved out into table stock. This also eliminates many of the disease issues that are carried over from year to year in the tuber. Responding to Representative Seaton, Ms. Havemeister reiterated that the division's limited generation certification program allows a certified seed grower to sell his product as certified seed for eight years. Table stock is what is moved out into the retail market, and certified seed can be sold at any time as table stock. In further response, she clarified that certified seed is sold for seed purposes and table stock is what is consumed; seed sold at a shop/greenhouse should be certified seed. Continuing her presentation on slide 6, Ms. Havemeister noted that the PMC has screened over 600 varieties for adaptation to Alaska climates. Addressing the Horticulture Program, she said it was established in 2012 and conducts variety trials by partnering with growers to conduct trials throughout the state to see the suitability in the different areas of the state. The PMC provides assistance with crop selection, plant hardiness, cultivation, and harvest techniques based on region. Additionally, pesticide evaluation

for commercial production is also performed so that the PMC can give recommendations to the industry. Variety trials have been conducted on raspberries, blackberries, onions, apple root stock, asparagus, and garlic.

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MS. HAVEMEISTER reviewed the Foundation Seed Program [slide 7]. Located within the Plant Materials Center, this program produces high quality seed that is well suited for Alaska's climate and is made available to growers. Foundation seed is purchased and increased as depicted by the chart on slide 7: three pounds of breeder seed is planted and then harvested as eighty pounds of foundation seed and so on. As that plant is propagated out it is sold at less of a cost to the end user and it is also increased. The PMC holds a spring and fall foundation seed sale. The Seed Analysis Laboratory provides services including viability testing, germination testing, tetrazolium testing, and purity, noxious weed, and grain moisture testing. All grass and grain seed sold in Alaska must have a germination test and a noxious weed test prior to sale.

MS. HAVEMEISTER discussed Native Plant Evaluation Program [slide 8], noting that native plant species are used to support public infrastructure projects, such as roads and airports, as well as private industry, including exploration activities for mining and petrochemical sections. The PMC's Native Plant Source Directory is a comprehensive directory of in-state producers. The PMC also partners with the U.S. Bureau of Land Management (BLM) in the Seeds of Success Program, a national native seed collection program that collects wild native seed for research, development, germplasm construction, and ecosystem restoration. This program's mission is to increase the quality and quantity of native plant materials available for restoring and supporting resilient ecosystems. Under the Revegetation Technology and Design Program, staff provides seed mixture recommendations, application rates, and application methods on restoration projects. The PMC has established reclamation projects around the state; it reviews reclamation projects for agencies and private sectors and provides recommendations. The PMC assists companies and agencies with on-site species identifications, seed collection, processing, and cleaning for future use. The PMC also conducts baseline vegetation surveys prior to site disturbance so that during restoration it is known what species to use for replacement.

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MS. HAVEMEISTER explained that the PMC houses both a large-scale and a small-scale seed house [slide 9], which are operated primarily in the winter months. Seed is cleaned for Alaska seed growers, as well as the cleaning of product produced at the Plant Materials Center and for states and agencies. Seed cleaning is the separation of physical characteristics of seeds, such as size, length, width, thickness, weight, surface, and texture. This is done as a service for fee to the industry. Cleaning ultimately removes the contaminants that are found in that seed when harvested. In the 2013 cleaning season the PMC cleaned 89,258 pounds of seed, ending up with 31,529 pounds of clean seed; thus, a substantial amount of chafe is removed to come up with a clean seed product. Addressing the Ethnobotany Teaching Garden, Ms. Havemeister said the garden came into effect from federal funding in the early 2000s. A popular program at the Plant Materials Center, it includes the study of culture groups in Alaska on the use of plants as food, medicine, and technology. Many schools have come through to learn about the native food and the value of those crops. Signage in the garden allows people to take self-guided tours during business hours. Maintenance of the garden is performed by PMC laborers during the summer months. She pointed out that this program is included in the governor's cut to the budget.

[1:20:19 PM](#)

MS. HAVEMEISTER said the Invasive Species Program [slide 10] was established by the legislature in late 2008. Staff continues to work diligently to increase awareness through education and outreach, as well as through partnerships with community groups, agencies, and private sector. For example, Anchorage had an advertisement for several years on some of its buses that said "stop invasive weeds". There is also a lot of radio outreach. Staff provides presentations to organizations; for example, staff provided a presentation to the Float Plane Association on how to prevent the spread of Elodea. Canada thistle management was done in Anchorage and the Matanuska-Susitna Valley in which infestation sites totaling about 30 acres were surveyed, quantified, and managed. Work is also being done on forage and gravel certification programs which allow revegetation projects to seek out those entities that are certified weed free to stop the spread of invasives. To increase presence, staff is going into box stores and retail outlets to ensure Canada thistle and other invasives are not being seen. Work is also being done on invasive freshwater aquatic plants in management efforts. Elodea surveys have been done in Sand Lake and in Alexander

Lake. In an effort to stop the spread of Elodea the Division of Agriculture has quarantined five aquatic species that are considered to be of risk and related to the Elodea family.

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MS. HAVEMEISTER stated that the Agricultural Revolving Loan Fund [slide 11] is housed within the Division of Agriculture. The fund provides moderate interest rate loans to the agriculture community. The fiscal year 2014 year-end financial report shows the fund equity at \$22.6 million, an increase of \$203,000 over fiscal year 2013. At year end the fund had \$7.5 million available for cash for loans. In fiscal year 2014 fifteen loans were approved worth \$1.5 million. The current default rate is 2.98 percent, with 83 borrowers located throughout the state. The fund has celebrated 61 years of continued service. In fiscal year 2014 the Mt. McKinley Meat & Sausage Company, an asset of the Agricultural Revolving Loan Fund, reported its first profit, which was \$42,488. She noted that this facility is the only U.S. Department of Agriculture (USDA) slaughter facility located in Southcentral Alaska. In calendar year 2013 the facility slaughtered just over 950 animals. She pointed out that a USDA stamp is required to move any product into commerce.

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REPRESENTATIVE HAWKER understood the division's numbers are not audited, but said they are the only numbers he has to work with. Noting that the revolving loan reported a fiscal year, June 30, 2014, profit of \$42,488 [for the Mt. McKinley Meat & Sausage Company], he said he has concern because the month of June alone was \$43,000 of the \$42,000 profit. He asked what happened in June to suddenly go from a break-even year to a profit.

MS. HAVEMEISTER replied that that was the year-end fiscal report and she would have to look at the report to see if that \$43,000 cash profit was made in that year.

REPRESENTATIVE HAWKER noted Ms. Havemeister's use of the word "cash" and asked whether these statements are prepared on a cash basis or on an accrual basis that matches revenue and expenses.

MS. HAVEMEISTER apologized and offered her belief that the statements are done on an accrual basis.

REPRESENTATIVE HAWKER said he has concerns about these because in October 2014 there is a loss of \$36,000. Earnings reported

through the first four months of fiscal year 2015 show a \$19,000 profit. The making of all the profit in one month, he said, makes him want to understand what is behind those numbers. He further noted that June's revenue for sale of products was \$230,000 which is \$90,000 for that month over what the average was of the entire year, which seems like unusual numbers. In June alone the total reported revenues were at 121 percent of cost; all of the last fiscal year revenues exceeded expenditures by only 102 percent, so it is a move from 2 percent to 21 percent in one month. He requested a better explanation on whether the Mt. McKinley Meat & Sausage Company has really turned the corner and whether solid profits can be expected into the future.

MS. HAVEMEISTER agreed to provide the requested information and noted that all of this revenue was run through financial services at the Department of Natural Resources.

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MS. HAVEMEISTER resumed her presentation, noting that the Alaska Grown Program [slide 12], launched in 1985, has one of the most recognized logos in the state; for example, the Alaska Grown logo can be found on apparel in airports as well as places in the Lower 48. Currently, 650 farms are participating in the Alaska Grown Program. The Restaurant Rewards Program was set up using the Specialty Crop Block Grant Program and offers a percent of reimbursement to restaurants that utilize and source Alaska Grown products. Over this past year 29 restaurants participated in the program in Anchorage, Fairbanks, Denali, Homer, Palmer, and Valdez. Under the Chef at the Market Program the division offers, through a grant, the opportunity for chefs to go to local markets and use local products sold at the markets to show how that product can be prepared. Six chefs were involved in that program and they hosted thirty-seven events that year in Anchorage, Palmer, Fairbanks, Kenai, and Glennallen. Farmers Markets have increased substantially over the last 7 years - in 2007 there were 7 markets throughout the state and now there are 41. Farmers Markets are a great opportunity for both large-scale and small-scale producers to move their products and are also a great way to connect the consumer with the producers. The division has worked through a cooperative agreement with the Department of Health and Social Services to promote the acceptance of Supplemental Nutrition Assistance Program (SNAP) benefits and of the 41 markets, 11 now accept SNAP benefits. This is an excellent way to get low-income families to healthy wholesome food.

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MS. HAVEMEISTER said the division publishes the Alaska Grown Source Book every other year through Specialty Crop Block Grant Program money. The 2015 source book includes 250 farms. Farms must re-apply every other year to be included in that program, so just because a farm is in the Alaska Grown Program does not mean an automatic re-entry. The division has effectively used social media, with a very strong following of over 30,000 likes, and one single post that had a reach of 199,000. She said the Farm To School Program was recognized for its contribution to the public's health and health education. In January 2014 this program received the Alaska Community Service Award for Health. Outreach and communication to schools has been stepped up and there is close work with school nutrition directors and schools as a whole to educate the state's youth on the benefit of eating healthy food as well as sourcing local food. School gardens have increased 11 percent over the past year, and 75 percent of the state's schools report involvement with the Farm To School Program. One-hundred percent of schools have received Farm To School Program education material. One-hundred percent of school districts have indicated that they have served a form of local food; a local food does not have to be necessarily an Alaska Grown product - it can be something like fish or anything that is grown in the community. The Alaska Grown Produce Availability Chart was created; it focuses on the school year to educate schools on what may be available in each school's area or within the state that could be sourced through the schools. Multiple school kitchen tours have been hosted for farmers to meet the school kitchen staff. The division also hosted the Farm To School Conference in January [2015], connecting nutritional service directors with farmers. That conference was attended by 129 people representing nearly 40 communities. In the conference evaluation responses, 80 percent of the schools said they will be starting or expanding Farm To School efforts, 95 percent of producers who responded said they planned to sell more products to the schools, 95 percent of school food service staff plan on buying more local product, and 99 percent said they will be integrating more Farm To School concepts into their curriculum. Thus, this program has done an exceptional job in its outreach and education.

MS. HAVEMEISTER, responding to Co-Chair Talerico, stated that the division has had some involvement with the greenhouse project at the Tok school. She said the division is currently partnering with the Alaska Energy Authority (AEA) on a grant

application for funding to write a manual on biofuel greenhouse production.

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MS. HAVEMEISTER reviewed the multiple inspection services provided by the Division of Agriculture [slide 13]. Export certification is required for products entering into foreign markets, she said. For example, to meet China's restrictions on seed potatoes coming into that country, a phytosanitary certificate must be written assuring that all of those requirements have been met. Phytosanitary certificates are also issued to export timber into Korea and China, which involves extensive inspection as well as oversight fumigation efforts. Phytosanitary certificates were issued for over \$118 million of [exported Alaska timber and agriculture products]. The division is working with the peony producers to address any disease or pests, although they are just small-scale exports at this time. Potato seed certification is done on a voluntary basis by those interested in growing certified seed. Division inspectors are in the field twice a year looking for diseases of concern and assuring that stock in the ground meets the disease tolerances allowed in the certification program. The division also conducts bin and storage inspections and issues certified seed tags to those producers whose crops have met the tolerance levels. All seed for sale in the state of Alaska must be certified. In response to Representative Tarr, Ms. Havemeister confirmed that growers pay a fee for the certification service they receive.

MS. HAVEMEISTER noted the division has conducted food safety audits. The division is working closely with the agriculture community in getting their product sourced into the schools. This is a voluntary program as well. The Farm To School Program created the School Garden Food Safety Guidelines and conducted nine on-farm food safety audits. The Cooperative Agricultural Pest Survey (CAPS) is a program where the division implements USDA plant protection projects and conducts surveys for pests of concern to the USDA. Much of this is negative data, she said, but negative data is very important when exporting. Negative data means not finding a pest.

[1:35:12 PM](#)

REPRESENTATIVE JOSEPHSON requested further breakdown of the \$118 million as to how much of the export certification is timber versus other agricultural products. He said he is curious about whether it is coming from state forest or private inholdings.

MS. HAVEMEISTER agreed to get this information to the committee.

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MS. HAVEMEISTER returned to her presentation, explaining that many times a USDA grade inspection and certification is done on a quality issue. For example, if a store or wholesaler calls with a quality issue, the division's inspectors go inspect that product. If that product is not up to USDA standards a paper will be issued that will stand up in court. This provides the store with further assurance that it will be getting product that meets the quality standards.

MS. HAVEMEISTER said the division's Agriculture Land Program [slide 14] works cooperatively with the Division of Mining, Land and Water on area plans designating areas with suitable soil for agriculture. In 2014 the division sold 100 acres of agriculture land and interest in agriculture land sales continues. A bridge across the Nenana River is being built, so progress is being made in accessing agriculture land there, which the division is looking forward to. Responding to Representative Talerico, she offered her belief that about 130,000 acres of agriculture land would be accessible once the bridge was built.

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REPRESENTATIVE JOSEPHSON recalled that in the early 1980s during the Hammond Administration there were aggressive efforts to create a farming industry which resulted in notorious problems and litigation. He asked whether the division's focus is that pro-active or is less assertive - waiting to see how the industry develops but lending a helping hand.

MS. HAVEMEISTER replied that in the 1980s the Alaska Agricultural Action Council helped develop the Delta agriculture project as well as Point McKenzie. The division is very much taking a look at this cautiously, she continued, and she personally has no desire to see more producers move forward and fail at their endeavors. Responding further, she concurred that the division is being more incremental than having lofty goals.

1:38:42 PM

MS. HAVEMEISTER resumed her presentation, saying the Agriculture Land Program includes agriculture land management in which the division provides technical assistance to producers with a state

farm conservation plan and assisting with grazing management plans. The division conducts clearing requirements which are required on an agriculture land sale. For example, the 100 acres sold in 2014 has 40 acres determined to be agriculture land and, of that, 10 acres is required to be cleared within 5 years. Division staff verifies that those clearing requirements have been made prior to it going to patent. The division also provides assistance to agriculture land owners on a variety of issues and the division continues to research potential areas for agriculture permits.

REPRESENTATIVE TARR offered her appreciation and support for the Alaska Farmland Trust Corporation that is working to preserve some of these valuable lands, particularly with the residential growth that is occurring in the Matanuska-Susitna Valley. She inquired whether the division is working with the trust to preserve some of those lands and further inquired whether any of the lands are prioritized as more valuable by the division.

MS. HAVEMEISTER responded the division is in communication with the trust. While division staff provides mapping on soils of interest and concern to the trust, the division's programs are separate. It is important to know, she explained, that when the division sells land for agriculture purposes, that agriculture covenant is in perpetuity; whereas the Farmland Trust is putting on covenants after the fact that are fee simple.

[1:40:27 PM](#)

MS. HAVEMEISTER turned to slide 15, stating that the division's industry support includes education and outreach to youth. Because the average age of Alaska farmers is 57.1 years, the division is trying to increase interest in the state's youth to come back to the farm or to introduce them to what farming is. The division partners with Agriculture in the Classroom, Future Farmers of America (FFA), 4-H, Teacher Education, and youth education events. She pointed out that children are now two or three generations removed from the farm, so it is important they understand where their food comes from. For example, she has children visit her farm and some of them have not known that a carrot comes from the ground or that a cow gives milk.

[1:41:30 PM](#)

REPRESENTATIVE COLVER commented that he did not hear mention that the mantra for the Division of Agriculture is food security. Without ships going back and forth to western

Washington, he said, Alaskan stores would be empty. During his recent visit to Hawaii there was a tidal wave warning and the line for gas was a mile long and the stores were cleaned out of food and water in about two hours. Food security is important if Alaska has a natural disaster and until then Alaska will not know just how important it is. Additionally, [agriculture] is also a very important private sector industry that is thriving and growing. A number of small markets in Anchorage encourage entrepreneurs to market their Alaska grown produce or other things that they make or manufacture. Thousand-acre farms are not what is working in Alaska, although there are a few. Five to ten acres of high-value produce, such as strawberries, zucchini, target specific markets and provide a good living, so this is happening. A certified USDA slaughterhouse is important, he continued. An audit that was performed called into question that [the slaughterhouse] is competing with the private sector. However, no private sector partner is stepping up to take over that role and without that blue USDA stamp on livestock there is no industry. While [the slaughterhouse] is a corrections industry, it is part and parcel of the state's agriculture industry. He requested Ms. Havemeister to address the importance of that facility to the industry and why it needs to be supported until another entity steps up to take over that service.

MS. HAVEMEISTER answered Mount McKinley Meat & Sausage Company is the only USDA certified slaughter facility in Southcentral Alaska. It provides the USDA stamp that is necessary to move any product into commerce. That facility serves the industry from as far away as Kenny Lake, Delta Junction, Kenai Peninsula, Talkeetna, and further. The Board of Agriculture has struggled with this issue for many, many years. However, the private sector has not stepped up at this point, nor has private sector come forward and made an offer to the board to move it in that direction. She said she is aware that the Kenai Peninsula is looking at options for starting mobile slaughter facilities and the division has provided information in this regard. So, while there is a little bit of private sector interest, no one has stepped up at this point to fill that need.

[1:46:19 PM](#)

REPRESENTATIVE COLVER inquired whether the facility broke even this year.

REPRESENTATIVE HAWKER explained that the financial statement showed a profit of \$42,000 for the year end of June 30, 2014.

However, \$43,000 of that profit was reported for the single month of June. The proportions of the revenues year-to-date and the proportions of the revenues and expenses for the month of June were very disproportionate to those reported for the entire year. He said he has therefore requested the division to provide answers to his questions so he can be comfortable as to whether those statements are reliable given they are not subject to a true financial audit.

[1:47:37 PM](#)

MS. HAVEMEISTER, in response to Representative Seaton, confirmed that the division's [fiscal year 2015 operating] budget is \$7.7 million, of which \$2.5 million is the Agricultural Revolving Loan Fund (slide 4).

REPRESENTATIVE SEATON observed from slide 11 that the revolving loan fund approved 15 loans totaling \$1.5 million or \$100,000 per loan. He asked what the diversity of those loans is and whether, over time, an increasing or decreasing percentage of the loan fund is being loaned out.

MS. HAVEMEISTER responded the majority was farm development loans, second was operating loans, and third was chattel loans. There continues to be sufficient cash available and there has never been an instance where a loan couldn't be approved due to a lack of cash.

[1:48:54 PM](#)

REPRESENTATIVE TARR understood that if Alaskans spent just \$5 every week for Alaska Grown products it would bring hundreds of millions of dollars of economic development to the state. She requested further information in this regard.

MS. HAVEMEISTER recalled reading that information, but said she does not have the number in her head. The division is always promoting people to purchase Alaska Grown. Regarding food security, she said it must be understood that if there is not a market for that product, [the state] may be food secure for a year. But, a farmer is not going to grow product just for the sole purposes of making the state food secure, there has to be a market for that product. She recalled that [the \$5] was a Facebook post that went viral. People were hoping to educate people on the value of even spending \$5 a week more on Alaska Grown products and the overall return that that would be to the state, including increasing food security.

1:50:14 PM

REPRESENTATIVE SEATON drew attention to slide 8 and noted that on the Kenai Peninsula the Department of Transportation & Public Facilities is clearing roadways pretty far back, but there is contention that this attracts moose for foraging. He asked whether the Division of Agriculture is working with the Department of Transportation & Public Facilities to determine which grasses are not preferred by moose and could be used along road rights-of-way so as not to attract moose.

MS. HAVEMEISTER answered that her staff does work closely with the Department of Transportation & Public Facilities, but she has not been brought into the conversation about grasses not preferred by moose. She said she will follow up in this regard.

1:51:35 PM

REPRESENTATIVE SEATON thanked Ms. Havemeister for the division's quarantine on Elodea and said the rehabilitation of lakes on the Kenai Peninsula is looking good. He inquired what people should do if they see Elodea for sale in a pet store. He further noted that there are no notices anywhere about disallowed species or where to report them.

MS. HAVEMEISTER confirmed the division's issuing of a quarantine and said the division has sent notices to all the pet stores within the state. She said division staff frequent some of the pet stores, although she cannot say every pet store has been visited. As well, the division works with other interested private sector, quasi-state, agencies that have people on the ground. The Plant Materials Center web site has a notice where people can report sightings or they can call in any sightings. The division tries to get someone there to take a look within 48 hours of receiving a report.

REPRESENTATIVE SEATON asked whether people could take a picture and send that in.

MS. HAVEMEISTER replied that the division does frequently get photos, not so much taken at pet stores but more from box stores where people find invasive species in plants. A substantial amount of photos are received from people who have taken pictures with their "smart" phones and are requesting identification of a plant. People can also call the division. She said her staff is very responsive in getting back to people.

She offered to look at whether the division has a link to which a photo can be sent that then goes to staff.

[1:54:32 PM](#)

REPRESENTATIVE SEATON asked whether agricultural loans for marijuana have been received.

MS. HAVEMEISTER responded that none have been received at this time, but internal discussions have been started as to whether the Division of Agriculture will be doing marijuana loans.

REPRESENTATIVE SEATON inquired whether it would be the Division of Agriculture, Department of Environmental Conservation (DEC), or another agency that would do the monitoring and testing of [marijuana] concentrations in a food source.

MS. HAVEMEISTER answered that currently the division does not have any oversight of food; the division deals with agriculture USDA quality inspections. She said her assumption is that it would fall under DEC. While she has talked to her staff about seed, she does not yet have an answer about how the Division of Agriculture would be involved if there is a certified seed.

REPRESENTATIVE HERRON asked whether marijuana is going to be inventoried in the Plant Materials Center.

MS. HAVEMEISTER replied it currently is not, and is a topic that will have to be discussed further.

[1:57:08 PM](#)

REPRESENTATIVE HAWKER queried whether the Agricultural Revolving Loan Fund's current default rate of 2.9 percent is number of loans or principle balance.

MS. HAVEMEISTER offered her belief that it is principle balance and said she will get back to the committee in this regard.

REPRESENTATIVE HAWKER said that would be inconsistent with the June 30 annual reporting graph he saw on the division's web site, which shows something between 10 and 15 percent in delinquent and default as far as principle balance.

MS. HAVEMEISTER reiterated she will get back to the committee.

CO-CHAIR TALERICO offered his appreciation for the information about Nenana, saying it will be great to have access to this enormous amount of property. He further remarked about how good it is to be educating kids.

The committee took an at-ease from 1:58 p.m. to 2:00 p.m.

**Department of Natural Resources, Division of Parks & Outdoor  
Recreation**

[2:00:18 PM](#)

CO-CHAIR TALERICO announced that the next order of business is an overview by the Department of Natural Resources, Division of Parks & Outdoor Recreation ("Alaska State Parks").

[2:00:24 PM](#)

BEN ELLIS, Director, Division of Parks & Outdoor Recreation, Department of Natural Resources (DNR), first pointed out that the photograph on the cover slide of his Power Point presentation is of the new Americans With Disabilities Act (ADA) accessible trail in the K'esugi Ken Campground, located in the South Denali Visitor Center Complex. Turning to slide 2, he noted that Alaska's state park system is the largest in the nation and is vast, diverse, unique, and popular. Wood-Tikchik State Park, at 1.6 million acres, is the nation's largest state park and Chugach State Park is just one or two acres shy of half a million acres. One of the smallest parks is the House of Wickersham State Historical Site on about one-half acre. So, he said, there is a diverse challenge as far as management.

MR. ELLIS noted that slide 3 is the centerfold of the Alaska State Parks brochure. The brochure depicts seven park units, but now there are six units, he pointed out. This is because Wood-Tikchik State Park and Chugach State Park have been combined into one unit for purposes of ensuring that division staff is addressing issues in various areas as needed. Most of [Wood-Tikchik's] bookkeeping and administrative work is being done out of Anchorage, which frees of up the rangers to provide service. In winter the division brings back one Wood-Tikchik ranger to focus on the Chugach area because the use in Wood-Tikchik drops drastically during the winter months.

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MR. ELLIS turned to slide 4, stating that 75-80 percent of the division's operating budget falls into the category of Field Operations, and is supported by the general fund, program receipts, and vehicle rental tax funds. The Administration and Grants Section provides support for all of the areas within the division, and is primarily funded through federal funds, with a small amount of general fund and program receipts. The Office of Boating Safety does outstanding work in providing information and saving lives, especially children. The other sections are the Office of History & Archaeology, the Alaska Trails Office, and the Design & Construction crew.

MR. ELLIS said the parks management and access budget of just over \$14.1 million, shown on slide 5, is everything except for the Office of History & Archaeology, which has its own budget component. Of the \$14.1 million, \$7.6 million is focused on field operations, the area that most people think of as Alaska State Parks, such as campgrounds and trails. He explained that the Design & Construction element shown on slide 5 is more of an enterprise organization - of the 16 or 17 people in this area, only about 1.5 personnel are funded by the general fund. From the various contracts had with parks and other agencies, this element may be working on about \$31 million-worth of projects throughout the state over about a three-year period of time. This element is a huge enterprise action within Alaska State Parks, but it is used by a number of agencies.

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MR. ELLIS reviewed the Field Operations Section [slide 6], reporting there are 81 permanent staff members and 13 non-permanent staff. However, he pointed out, for every one Alaska State Parks worker, there are eight volunteers who make up the service component, and the division could not provide the level of service that it does without its volunteer corps. These volunteers are key to the campgrounds, restrooms, trails, and 17 advisory boards around the state. Alaska State Parks deals with many things, including 124 park units, 71 campgrounds, and 900 miles of maintained trail. He drew attention to the pie charts depicting the Field Operations budget [of \$7.6 million] and the program receipt revenue [of \$2.6 million], which are the fees charged. Those fees are paid into the general fund and then reimbursed to Alaska State Parks through an agreement that comes from the legislature for general program receipts, he explained.

MR. ELLIS reminded members of last year's discussion about park fees [slide 7]. Fees had not been raised in 10 years and there

had never been a systematic analysis of the fees and where they were in relation to other fees or to other state parks. Last year the legislature sent a very clear message that it would like to see those fees increased to pay more for the operational part of Alaska State Parks, and lawmakers replaced \$250,000 of general fund money with \$250,000 of program receipts. In May 2014 the division increased its public use cabin fees. The old fee structure had a prime time and an off-season time for cabin fees. It was determined that this did not make sense because some cabins received the most use during the winter, a time considered off-season. So, the division just set fees and raised these fees by an average of \$10 [per night] per cabin. The only thing not raised was the \$5 per day fee for car parking in parking lots that have enhanced facilities such as restrooms and trails. The division wanted to keep access to the parks available and not have a price-point cutoff so as to ensure that anyone wanting to get out and use those facilities could use those facilities.

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MR. ELLIS explained that the bar chart on slide 8 depicts last year's fees in blue, the current fees in red, and in green is the amount to which he has the authority to raise those fees. The figures shown for boat launch, day pass, camping pass, and public use cabins are averages because some locations are more expensive than others.

MR. ELLIS reviewed the revenue generated by park fees [slide 9], noting that the blue bars on the chart depict the revenue received in [fiscal year 2014]. He said state park attendance has been fairly steady at about 5 million visits [per year] for the last four or five years, and each year usually has an anomaly such as a fire or flooding that closes campgrounds or trails. To project revenues for fiscal year 2015 [red bars], the division used a steady attendance and found that about \$500,000 more would be generated in fiscal year 2015. Pointing out the column labeled "carry forward", he explained that Alaska State Parks is one of the few divisions allowed to carry over the money that it has in its pocket from one year to the next. The legislature gave the division this opportunity because July 1 is right in the middle of the division's season. To be able to have the funds, especially dealing with program receipts, the division needs them earlier in the year than July 1. The projected carry forward of about \$500,000 for fiscal year 2015, as compared to about \$300,000 for fiscal year 2014, may seem like a lot. However, it must be remembered that the division is

already using \$250,000 of that money from last year in program receipts to fill in. The division feels comfortable carrying over somewhere between \$150,000 and \$250,000 a year, since this has been the division's historic average. It is the division's bank account in case there is a summer that is rainy, or has fires, or something else that tanks the revenues.

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MR. ELLIS turned to slide 10 to discuss field operational expenses versus the revenue collected. In [fiscal year] 2005, the revenue was 41 percent of the operating expenses for parks, campgrounds, and so forth. In [fiscal year] 2013, revenue dropped to 35 percent of the operating expenses. In [fiscal year] 2014, revenue was 33 percent of the operating expenses. This is because revenue was remaining flat while operating expenses were climbing. A stringent management process on expenses is being implemented by the division because it doesn't help to raise fees if more money keeps being spent. While the division cannot control the cost of services such as pumping outhouses, it can control what it spends itself. Those decisions used to be in the area office, but now they are in the director's office, and expenses will likely become flat-lined. For [fiscal year] 2015, the division projects that revenue will cover 44 percent of the operating expenses, and for [fiscal year] 2016 that revenue will cover 50 percent of the operating expenses. The division hopes to do even better and is therefore looking at other options as well.

REPRESENTATIVE TARR shared that she included information about the fee increases in her newsletters so the public would not be surprised and her office did not receive any negative responses. She asked whether the division heard any complaints and whether there was any drop in visitor numbers.

MR. ELLIS replied that when increasing fees the division was very sensitive to not over-price itself out of business and to consider that the division is a service to the people of the state to access their own land. He reported that the division has not received any negative comment. People understand that these fees and increases are going back into the facilities and their management, and people support that.

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MR. ELLIS stated that Design & Construction is more of an enterprise project [slide 11], with only 1.5 of the staff, the

chief and the administrative assistant, paid out of the general fund. He explained that this section works the state parks and the deferred maintenance and capital programs, as well as works a myriad of state and federal offices in designing and executing oversight of projects. For example, if the Department of Transportation & Public Facilities wants to do a small road, it calls the Alaska State Parks' contractors. A rifle range created this past year in the southcentral area was designed by Design & Construction. Additionally, Design & Construction works with the U.S. Fish and Wildlife Service, the Alaska Department of Fish & Game, and boat ramps. Money is generated by Design & Construction; for example, 25 contracts worth \$2.48 million were awarded to outside private contractors in fiscal year 2014.

REPRESENTATIVE JOSEPHSON remarked that this seems like a business enterprise. He asked whether the division is charging these services at cost and whether this is designed to keep consistency to the designs of cabins and landscaping plans.

MR. ELLIS replied that, by statute, a profit cannot be charged. Time and effort are charged, which is how staff is funded. He posed an example of a campground upgrade in which a contract is awarded to Contractor X. A Design & Construction engineer or engineer in training would be on site to confer with the contractor to ensure that the state's investment is carried out. The time the engineer is on site or working on the design is paid for by the particular contract to that campground. Design & Construction also provides interpretive information, such as signage and brochures, for the U.S. Fish and Wildlife Service and the Alaska Department of Fish & Game. So, consistency is provided for within whatever agency is being dealt with.

REPRESENTATIVE JOSEPHSON remarked it surprises him that the National Park Service (NPS) wouldn't have a sense of what it wants to do.

MR. ELLIS responded it isn't that NPS doesn't know what it wants to do. For example, there might be a scenic byways grant that goes through NPS as the agency. The NPS would contract the division's interpretive group to go along and do workshops beside, say, the Parks Highway, and create a report or document that would be used by the NPS to justify the Parks Highway as a scenic byway.

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MR. ELLIS moved to slide 12, noting that the Alaska Trails Office has two full-time and two part-time staff and currently has two grant programs. The federally funded Recreational Trails Grant Program is a grant program of \$1.5 million. He reminded members that in last year's capital budget, \$200,000 was added to the Alaska State Parks program so it could continue this. So, basically, the state leveraged \$200,000 to get \$1.5 million from the federal government. Half of this goes to local trail organizations through grants and the other half goes to Alaska State Parks for rehabilitating trails. Funding for the second program, the SnowTRAC program, has been removed from the current [state] budget. SnowTRAC provides mostly grooming for trails in Southcentral, Northern, and some in Southeast. A snow machine registration fee is collected by the Division of Motor Vehicles (DMV). There is no statute that says DMV should turn that money over to Alaska State Parks for this program, it has always been gentlemen's agreement since its creation 12 years ago. Unless redirected to another agency, he anticipates that SnowTRAC will go away after this winter. The Alaska Trails Office participates in the First Day Hikes program that is across the nation, getting people outdoors on January 1. There is also Trails Celebration Day and getting people outdoors and on trails to improve their health.

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MR. ELLIS addressed the Office of Boating Safety program [slide 13], noting that this outstanding program is recognized throughout the U.S. The [life jacket] loaner boards provided for the Kids Don't Float education program has been unbelievably successful. There has been a campaign to focus on those that are above the teenage years to wear float coats or jackets, and increased compliance rates for adults are being seen.

MR. ELLIS turned to slide 14, pointing out that the budget of \$2.5 million for the Office of History & Archaeology is mostly federal money, so this office is not included as a component of the division's budget. This office annually reviews about 2,600 projects for impacts on cultural properties, and it is the reservoir for the Alaska Heritage Resource Survey, a statewide inventory of historic, archaeological, and paleontological sites.

MR. ELLIS reminded members that [fiscal year 2015] funding was provided for a pilot Artist-in-Residence program [slide 15], which follows on the very successful Arts in the Parks Initiative. The pilot project will be kicked off this summer.

It will be very modest with four to six Alaskan artists chosen to spend about two weeks at the Gruening cabin. Each artist will then hold a workshop for the public and will donate one piece of art to the division for use in promoting Alaska's beautiful areas.

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MR. ELLIS addressed the South Denali Visitor Center Complex Initiative [slide 16], drawing attention to a briefing paper included in the committee packet. Originally, he explained, the focus was to build the visitor center first and let everything else shake out as it can. In 2012 the division flipped its focus and made Phase One be the K'esugi Ken Campground that is located about 1.5 miles into Denali State Park in the South Denali Visitor Center Complex. This campground will have RV camping with electrical hookups, a walk in campsite area, a day use area, hiking trails, a ranger contact station, and two public use cabins. The RV campground is about 90 percent done. Three-phase power was run about 20 miles up the Parks Highway, electrifying mostly borough land along the highway for potential economic development from Trapper Creek on up. Phase Two is currently on hold. The funding used so far has been a "35,000-foot view" to look at a visitor center at some point in the future. If it becomes a priority and economical, nothing will be lost from what has been done so far, but for now it is shelved, along with the road going to the top.

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MR. ELLIS pointed out that challenges facing the division include increased public demand [slide 17]. The division is constantly assessing its staff and moving its resources around to ensure that the best service possible is being provided without having to knock on the legislature's door asking for more people. Alaska State Parks has \$62 million in deferred maintenance and it accrues at about \$3 million a year. Without the capital projects those deferred maintenance needs will grow. For its construction work, the division looks at about a three-year timespan from the time the legislature appropriates the money to when the project is done. This means that for this summer the division will have a capital improvement project in the pipeline, and the same for next year. He said he thinks that the enterprise unit is pretty safe for the time being because he anticipates that the other agencies the division uses will pick up the slack because those agencies want the division to do more than it can do now.

MR. ELLIS highlighted the division's areas of excellence [slide 18]. He said Design & Construction averages \$7-\$10 million worth of projects per year; volunteers are recruited, hired, and trained; and the Facebook page for Alaska State Parks has 1,998 likes. The division is working with the Department of Commerce, Community & Economic Development to get out the message of parks through advertising given the division has no advertising or marketing budget.

MR. ELLIS displayed a photo of fighting bull moose [slide 19] and of a camper in her tent [slide 20] while urging members to remember to come visit Alaska's state parks.

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REPRESENTATIVE TARR inquired whether the division has a list of what the \$62 million in deferred maintenance represents. She surmised the division has prioritized that list. She further inquired whether any parks will have to be closed due to not enough maintenance dollars.

MR. ELLIS answered that he currently does not anticipate closing any facilities. He said the division has a book that lists every deferred maintenance project and the book is updated every six months. The book goes out to the region and the region has the ability to re-prioritize what that list is and to add any new things that have come on line. Emergency maintenance for something like a roof collapse would definitely rise to the very top of the list and become emergency funds and the division would cherry pick off the things that had already been approved in the budget in order to fix the emergency. While estimates for all projects are included in the book, a new estimate would need to be done for those that have been on the list for a long while and then rise to the top. He pointed out that when a campground is rehabbed, attendance will increase the next year because now the facility is nice.

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REPRESENTATIVE HAWKER thanked Mr. Ellis for a job well done and for listening and working with the people in his community which includes Chugach State Park. Saying that deferred maintenance is a big issue, he offered his hope that when submitting its budget the division will focus on that deferred maintenance.

REPRESENTATIVE SEATON requested Mr. Ellis to provide a comparison of the economics of cabins and yurts in the parks, the surveys of participants about how cabins and yurts compared, and what the division's future plans might be in this regard.

MR. ELLIS agreed to provide the committee with that information. He said the division has not added any new yurts, but new public use cabins have been added, primarily on the road system in areas that already have a campground. The cabins are filling up faster and faster. A change in the demographics using public use cabins is being seen. It was thought that the more cabins built, the more the division would catch up with demand. However, demand has increased because cabins on the road system are being used more and more by the disabled since the cabins are accessible. There is also increased use by young families, especially military families that have no clue about camping but are being introduced to it. Additionally, yurts in remote areas have been successful.

REPRESENTATIVE TARR, in regard to the division having no money for marketing, suggested that members could help by including that marketing information in their constituent newsletters.

MR. ELLIS thanked Representative Tarr for the offer. He said he has seen information that was included in the division's newsletters to members be subsequently included in constituent newsletters, which he appreciates. He agreed to provide members with any information that comes up in this regard.

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#### **ADJOURNMENT**

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 2:42 p.m.