

**ALASKA STATE LEGISLATURE  
HOUSE RESOURCES STANDING COMMITTEE**

March 23, 2016

1:07 p.m.

**MEMBERS PRESENT**

Representative Benjamin Nageak, Co-Chair  
Representative David Talerico, Co-Chair  
Representative Bob Herron  
Representative Craig Johnson  
Representative Kurt Olson  
Representative Paul Seaton  
Representative Andy Josephson  
Representative Geran Tarr  
Representative Mike Chenault (alternate)

**MEMBERS ABSENT**

Representative Mike Hawker, Vice Chair

**COMMITTEE CALENDAR**

HOUSE BILL NO. 254

"An Act extending the termination date of the Big Game Commercial Services Board; and providing for an effective date."

- MOVED HB 254 OUT OF COMMITTEE

HOUSE BILL NO. 177

"An Act relating to king salmon tags and king salmon tag designs."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 254

SHORT TITLE: EXTEND BIG GAME COMMERCIAL SERVICES BOARD

SPONSOR(S): REPRESENTATIVE(S) STUTES

01/19/16	(H)	READ THE FIRST TIME - REFERRALS
01/19/16	(H)	RES, FIN
03/23/16	(H)	RES AT 1:00 PM BARNES 124

BILL: HB 177

SHORT TITLE: KING SALMON TAGS AND DESIGNS

SPONSOR(s): REPRESENTATIVE(s) KELLER

04/01/15	(H)	READ THE FIRST TIME - REFERRALS
04/01/15	(H)	FSH, RES
01/26/16	(H)	FSH AT 10:00 AM CAPITOL 120
01/26/16	(H)	Moved HB 177 Out of Committee
01/26/16	(H)	MINUTE (FSH)
01/27/16	(H)	FSH RPT 2DP 3NR
01/27/16	(H)	DP: FOSTER, MILLETT
01/27/16	(H)	NR: HERRON, KREISS-TOMKINS, STUTES
01/27/16	(H)	FIN REFERRAL ADDED AFTER RES
02/12/16	(H)	RES AT 1:00 PM BARNES 124
02/12/16	(H)	<Bill Hearing Canceled>
03/23/16	(H)	RES AT 1:00 PM BARNES 124

#### WITNESS REGISTER

REPRESENTATIVE LOUISE STUTES  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Presented HB 254 as prime sponsor.

STEVE HANDY, Staff  
Representative Louise Stutes  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Introduced HB 254 on behalf of Representative Stutes, prime sponsor.

DICK ROHRER  
Kodiak, Alaska

**POSITION STATEMENT:** During the hearing of HB 254, testified and answered questions.

JANEY HOVENDEN, Director  
Division of Corporations, Business, and Professional Licensing  
Department of Commerce, Community & Economic Development (DCCED)  
Juneau, Alaska

**POSITION STATEMENT:** During the hearing of HB 254, testified regarding fiscal notes.

THOR STACEY, Lobbyist  
Alaska Professional Hunters Association  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of HB 254.

JOE KLUTSCH

King Salmon, Alaska

**POSITION STATEMENT:** Testified in support of HB 254.

JASON BUNCH

Kodiak, Alaska

**POSITION STATEMENT:** Testified in support of HB 254.

FRANK BISHOP

Kodiak, Alaska

**POSITION STATEMENT:** Testified in support of HB 254.

PAUL CHERVENAK

Kodiak, Alaska

**POSITION STATEMENT:** Testified in support of HB 254.

KAREN POLLEY, Vice Chair

Big Game Commercial Services Board

Juneau, Alaska

**POSITION STATEMENT:** During the hearing of HB 254, explained the workings of the Big Game Commercial Services Board.

FRED PARADY, Deputy Commissioner

Department of Commerce, Community & Economic Development (DCCED)

Juneau, Alaska

**POSITION STATEMENT:** Offered DCCED's support for HB 254 and provided audit information regarding the Big Game Commercial Services Board.

MARK RICHARDS, Executive Director

Resident Hunters of Alaska

Fairbanks, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 254.

EDDIE GRASSER, Lobbyist

Safari International

Palmer, Alaska

**POSITION STATEMENT:** Testified in support of HB 254.

ROD ARNO, Executive Director

Alaska Outdoor Council

Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 254.

KRIS CURTIS, Legislative Auditor

Legislative Budget and Audit

Alaska State Legislature

Juneau, Alaska

**POSITION STATEMENT:** During the hearing of HB 254, testified regarding the audit.

JIM POUND, Staff  
Representative Wes Keller  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Introduced HB 177 on behalf of Representative Keller, prime sponsor.

STEPHANIE WHEELER, Communications Officer  
Alaska Railroad  
Anchorage, Alaska

**POSITION STATEMENT:** Answered questions related to HB 177.

KEVIN BROOKS, Deputy Commissioner  
Office of the Commissioner  
Alaska Department of Fish & Game (ADF&G)  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions related to HB 177.

#### **ACTION NARRATIVE**

[1:07:05 PM](#)

**CO-CHAIR DAVID TALERICO** called the House Resources Standing Committee meeting to order at 1:07 p.m. Representatives Olson, Seaton, Josephson, Tarr, Nageak, and Talerico were present at the call to order. Representatives Chenault (alternate), Herron, and Johnson arrived as the meeting was in progress.

#### **HB 254-EXTEND BIG GAME COMMERCIAL SERVICES BOARD**

[1:08:00 PM](#)

CO-CHAIR TALERICO announced that the first order of business is HOUSE BILL NO. 254, "An Act extending the termination date of the Big Game Commercial Services Board; and providing for an effective date."

[1:08:17 PM](#)

REPRESENTATIVE LOUISE STUTES, Alaska State Legislature, introduced her staff member, Mr. Steve Handy, and advised that he would walk the committee through the bill.

1:09:01 PM

STEVE HANDY, Staff, Representative Louise Stutes, Alaska State Legislature, explained that HB 254 would extend the termination date of the Big Game Commercial Services Board by three years, from June 30, 2016 to June 30, 2019. The board is staffed by the Division of Corporations, Business, and Professional Licensing, and consists of two licensed and registered guide outfitters, two licensed transporters, two private land owners, two public members, and one member of the Board of Game. The board provides a legislative command to assist in resource conservation and consumer protection, it develops professional and ethical standards, administers exams, makes final licensing decisions, and takes civil action against persons who violate regulations. He advised that the board members are appointed by the governor, confirmed by the legislature, and its regulated professions include: assistant guides, Class-A assistant guides, master guide outfitters, registered guide outfitters, retired guide outfitters, and transporters. According to the report entitled, "Economic Impacts of Guided Hunting in Alaska," for the Alaska Professional Hunters Association prepared by the McDowell Group, the 2012 research "Guided Hunting in Alaska" accounted for a total of 2,210 jobs and \$35 million in total labor income, including all direct, indirect, and induced impacts. Guided hunting generated a total of \$78 million in economic activity in Alaska in 2012, and guided hunters purchased approximately \$2 million in hunting licenses and game tags. Due to an oversight by the legislature, the board was allowed to sunset which caused catastrophic effects and the sunset contributed to the financial difficulties reflected in the legislative audit before the committee; however, in December 2015 the board was reinstated by the legislature. He related that the Big Game Commercial Services Board is essential to the safety of hunters, guides, and transporters coming to Alaska to harvest its natural resources and for the management of the resource itself. He asked that the committee pass HB 254, and secure the Big Game Commercial Services Board.

1:12:01 PM

REPRESENTATIVE JOSEPHSON noted that the board was sunset for approximately ten years, although he doubted the board wanted to sunset, and inquired as to why the costs incurred while the board was dissolved to do what would have been the board's activities are now the board's problem.

REPRESENTATIVE STUTES deferred to Mr. Dick Rohrer.

DICK ROHRER replied that the easy answer is that the costs associated with the guide industry licensing, with or without a board, through the Department of Commerce, Community & Economic Development (DCCED), become the responsibility of the licensees. Not everyone believes that is exactly fair, he noted, but that is his understanding of how it has worked in the past.

[1:14:34 PM](#)

JANEY HOVENDEN, Director, Division of Corporations, Business, and Professional Licensing, Department of Commerce, Community & Economic Development (DCCED), noted the fiscal note is \$22,300, which breaks down to costs to advertise for board meetings. These costs are directly associated with administering the board, which includes travel for face-to-face meetings, room rental, and other fees associated with booking travel. Other costs of the program would still be borne by the licensees that are not associated directly with board meetings, she explained.

[1:15:47 PM](#)

REPRESENTATIVE TARR pointed to the presentation Ms. Hovenden gave to the Senate Labor and Commerce Standing Committee, which she described as more of an overview of the Division of Corporations, Business and Professional Licensing and which included program deficits. She asked whether it was included within this particular presentation in order to give the committee an overview of the division's current status and challenges, because it appears fees will overcome the deficit here in the near term.

MS. HOVENDEN responded that she used the Big Game Commercial Services Board as an example of the [division's] new tool for fee analysis. The tool projected out based on costs and revenues received in the past, and how by adjusting the fees a determination could be made as to how much revenue will come in and whether it will not only cover term expenses but the carry forward deficit. The tool projects out for three more bienniums, she explained.

[1:17:02 PM](#)

REPRESENTATIVE TARR observed that by 2020 that deficit is eliminated and from that point forward there would not be a deficit associated with activities.

MS. HOVENDEN requested Representative Tarr repeat her question.

REPRESENTATIVE TARR pointed to the chart entitled, "Projected Programs and Surplus," and asked whether it reflects the entire division, or the Big Game Commercial Services Board. She said that in the House Health, Education and Social Services Standing Committee Ms. Hovenden sounded like the division is stressed with the number of responsibilities and staff.

MS. HOVENDEN replied that the presentation in the House Health, Education and Social Services Standing Committee was a picture of the entire division and all of the different balances of all of the different programs. In the event everything stays the same, the division anticipates that all programs would be out [of deficit] by 2020. The anticipation is that the Big Game Commercial Services Board will be out of deficit by 2019 at the latest if the division stays as aggressively on these fees as it has put into place, she explained.

CO-CHAIR TALERICO opened public testimony on HB 254.

[1:19:07 PM](#)

THOR STACEY, Lobbyist, Alaska Professional Hunters Association, stated that the Alaska Professional Hunters Association is in strong, unanimous support of HB 254 because the Big Game Commercial Services Board is an essential institution for the industry. The Alaska Professional Hunters Association represents hunting guides in Alaska, it is the only professional association representing hunting guides and, he pointed out, the general public owns the wildlife resources. He put forth that the general public decided that hunting guides should be licensed. Having a board to assist and operate as an intermediary between the division, the general public, and the industry as a whole, is essential. He advised that he works with the association at board and legislative meetings on hunting guide issues.

REPRESENTATIVE TARR pointed to the potential licensing fee increases and asked whether there was no opposition because folks understand the need to keep up with the overall costs for the programs.

MR. STACEY related that it would be irresponsible of him to say there is no opposition, but he could say that the industry as a whole and the Alaska Professional Hunters Association recognizes

the responsibility they have in this relationship and are willing to pull their own weight.

[1:21:30 PM](#)

JOE KLUTSCH testified in support of HB 254. He related that he has lived in King Salmon for over 45 years, worked in commercial fishing, sport fishing, and guiding, and is deeply involved in this process. This [board] serves a vital public function in protecting the resources and, he pointed out, statutes drive regulations and regulations are what it takes to enforce activities in the field. The board provides the vehicle for designing proper regulations and taking disciplinary actions when necessary. He offered that there is some resistance to the fee increases because many guides are unaware of the investigative costs incurred by the Department of Commerce, Community & Economic Development with the resultant doubling general license fees and the additional fees related to hunt records. However, he continued, the people who care about the profession and the conservation dimension in this are willing to foot the bill because the board is a vital instrument for the future of good game management and all members of the public, not just the guiding industry.

[1:24:29 PM](#)

JASON BUNCH said he supports HB 254 because the Big Game Commercial Services Board enhances Alaska's guide industry with consistent regulation of licenses and helps to provide educated professionals representing Alaska. In addition, he related, when the board convenes it becomes an invaluable opportunity for the division, agency personnel, and licensees to meet and discuss real time concerns. Regarding the budget, he said he supports the most recent increase of fees and looks to those changes to result in a balanced budget.

[1:25:15 PM](#)

FRANK BISHOP offered his support for HB 254, and advised he is a master guide and has been a guide for over 30 years in Kodiak. He said he agrees with the previous testifiers in that the Big Game Commercial Services Board is a vital asset to the guide industry and it is not something to take lightly, and few guides do. He asked that the committee to let the bill move forward.

[1:26:14 PM](#)

PAUL CHERVENAK stated he fully supports HB 254, and that he is a 25 year Alaska master guide. He pointed out that the guides are some of the best stewards of the resource, they know the industry and give a lot of their time, and believe in helping develop standards to manage the industry and make it one of the most professional around. The Big Game Commercial Services Board enables this, he remarked.

1:27:01 PM

MR. ROHRER testified that he has lived in Kodiak approximately 46 years. He urged the committee to support and pass HB 254 out of committee today. He said he was a board member when the board was reinstated in 2005, and during that time he paid close attention to the budget. During the time periods 2005-2007 the budget looked good, but under Governor Sean Parnell's administration there was a new more professional look at the budget. Suddenly \$100,000 of revenue disappeared, he continued, but he does not know where the money went. That was in the past and now the industry has a good professional handle on the budget, budget reporting, and understands its status. It is anticipated the board will be out of its deficit position within the next three years before it comes up for sunset again.

1:29:06 PM

KAREN POLLEY, Vice Chair, Big Game Commercial Services Board, related she has been the Vice Chair and Public Representative of the Big Game Commercial Services Board for approximately five years. She said the guides are concerned about the continuation of that resource which is a public resource, and the board strives to be offer the guides and people an educational opportunity each time they attend the meetings. The guides and transporters participate in committee meetings that help develop the regulations that govern their actions. The board staff is paid by the Department of Commerce, Community & Economic Development. The board has many cases, including approximately 49 people on probation; the board recently closed 51 cases, which are primarily by consent agendas - people who agree there was a violation and are willing to accept the results of that violation; plus there are open cases. The budget has been a concern and she followed Mr. Rohrer in the process of studying the budget to understand how the indirect costs and direct costs for operations were impacting the board and the deficit. She related that the board has been aware it needed to raise fees and as a result of the audit the board is doubling fees to close the deficit and move forward, which will cost the people who use

the resource. The board itself is made up of a variety of people representing different organizations, and she expressed that she is proud to be a public member of that organization.

[1:31:44 PM](#)

REPRESENTATIVE TARR advised there is another piece of legislation related to restitution and asked Ms. Polley to generally comment on what the type of open cases the board has, and whether there are trends in the cases.

MS. POLLEY replied that there are a variety of violations, a significant number being sub-legal animals and paperwork violations. The board tries to handle the disciplinary actions according to the intensity and impact of what is happening, such that sub-legal animals directly affect the resource, and with paperwork violations the board tends to ask the violator to not do it again, to have an understanding of their responsibilities, and that they handle the paperwork obligations. When the board actually removes licenses, they are often criminal cases that have been prosecuted and the board performs the final action of removing the license.

[1:33:35 PM](#)

FRED PARADY, Deputy Commissioner, Department of Commerce, Community & Economic Development (DCCED), explained that in his role as deputy commissioner he supervises the Division of Corporations, Business, and Professional Licensing. He said the department supports the extension of the sunset included in HB 254 and appreciates the quality of the 2015 audit by Legislative Budget and Audit. He paraphrased from the conclusion section of the audit, which states:

Overall, the audit concludes the board has provided reasonable assurance that individuals licensed to guide and/or outfit hunts, as well as transport hunters to and from hunt locations, in Alaska are qualified to do so. Additionally, the board's regulation and licensing of qualified guides, guide-outfitters and transporter benefited the public's safety and safeguarded the state's wildlife resources. In recognition that the board reported an operating deficit of over \$1 million as of April 30, 2015, we recommend extending the board only three years under the condition that the board demonstrate the ability to address its deficit during the legislative sunset

review process. The board believes proposed regulations that increase licensing fees and create new record processing fees will address its deficit by the end of FY17. If the board fails to demonstrate the ability to address its operating deficit, we recommend it be considered for termination.

[1:34:51 PM](#)

MR. PARADY turned to the four recommendations. He noted that the first recommendation concerned public notice. Those policies have now been rewritten and those activities have been consolidated to a single person to ensure the division's accountability to notify the public.

MR. PARADY said the second recommendation concerned investigations. Chief Angela Birt has been the division's lead investigator since 2014 and tightened the division's accountability in the investigation processes. Chief Birt, after identifying the length of time a file might sit, instituted a tickler system to give notice to the investigators they have a gap, which is often due to a file being referred to the Alaska State Troopers or somewhere else and the division is awaiting action. The division then made the gap period a core element in its performance evaluation of its investigators, and also included it in the quarterly meetings where case files are reviewed to be certain the division is keeping up.

MR. PARADY turned to the third recommendation of the audit regarding fees and advised that fees have been substantially increased. At the close of fiscal year, June 30, 2015, there was a \$1.1 million deficit. In December, mid-year of fiscal year 2016, that deficit is just under \$900,000, so the profession has closed the deficit by \$235,000. He explained that these licenses are on a two year renewal cycle, and the division is anticipating closing the gap by \$535,000 in this two year cycle, and the other \$535,000 in the next two year cycle, thereby erasing the deficit by the close of FY 2019. He related that it is worth noting that the board is operating in the black today. That deficit grew because it was not being closed and all the while it was being added to because of being in the red. By operating in the black the division is reducing the deficit and the board is to be commended for its action in that area.

MR. PARADY said the fourth recommendation concerned transporter licensing and updating the form which is now complete. In closing, he stated the board is necessary to guide the

profession and division in the regulation of the profession. Whether the board is in existence or not, the licensing requirements are still on the books and are required. He stressed that this is a complex specialized area and the division appreciates the board's services to the profession, division, and citizens of Alaska.

[1:37:50 PM](#)

MARK RICHARDS, Executive Director, Resident Hunters of Alaska, stated that his organization opposes HB 254 and believes the Big Game Commercial Services Board should be sunset. He said his organization is concerned with issues that affect resident hunters. He said the Big Game Commercial Services Board was originally the guide board intended to regulate guides, it was never intended to regulate private landowners, small business, or resident hunters. At the last Big Game Commercial Services Board meeting he said he testified to federal aviation case law and that the entire transporter system is unconstitutional. Subsequently, the board reviewed the case law and voted to send a review to the Department of Law. That review has not started yet, but if case law is correct that would throw the entire transporter system out the window. In an effort to relieve some of the board's debt, without public notice and without a quorum it added a \$50 fee to every air taxi that had chosen to be a transporter - for every mandated hunt activity report turned in the transporters then received a retroactive notice that they owed this fee. He remarked that many transporters testified that they will no longer be a transporter if they have to have the fee, they will add it on to their charters and charge residents for this fee. Resident Hunters of Alaska believes that many transporters will get out and then those fees will not be involved. Guides have tried to regulate hunters such that if a person owned a cabin on a lagoon in Kodiak and rented out skiffs, the board passed regulations where that person had to be a big game guide outfitter in order to rent those skiffs or rent tents, he said. The board decided that this person could not do that if "quote, in the field, unquote"; the person would have to go to the nearest airport in Kodiak to be able to rent that skiff out. He opined that this board should stick to regulating guides, not do things that affect resident hunters. He posited that the debt will never be paid off because the transporter issue will go out the window and the \$50 fee will disappear.

[1:40:47 PM](#)

EDDIE GRASSER, Lobbyist, Safari International, advised that for the most part he is representing Safari International, and testified in support of HB 254. He explained that Safari International has over 3,000 members in Alaska, plus worldwide membership. He opined that in order to have safe reputable hunting opportunities for people choosing to hire a guide, there must be an avenue to ensure those people are professionally vetted. Mr. Grasser said he has been involved in hunting for over 60 years, with 35 years as a professional, although he has not guided since 2001. He remarked that he is a resident hunter who believes that a well regulated industry is beneficial to resident hunters. Mr. Grasser said he has hunted in areas of the state where transporters were dumping so many people in the field that it was like a zoo, and there should be some mechanism for regulating or ascertaining that there are professional levels within that industry. He commented that this is an industry where many things are at stake, including potential risk of life and limb by being out there in the elements and many times away from being rescued if something goes wrong. He asked the committee whether it prefers an unregulated industry with dangerous aspects to it, or a board regulating professional standards. Pointing to the Board of Barbers & Hairdressers, he noted that no life or limb is in jeopardy in those professions.

[1:43:07 PM](#)

ROD ARNO, Executive Director, Alaska Outdoor Council, offered the Alaska Outdoor Council's (AOC) support for HB 254 and extension of the termination of the Big Game Commercial Services Board. He said AOC supported the board during its original creation and creation after the sunset. Federal land managers are putting more pressure on the guiding industry on federal lands and it is causing more conflict on the available state lands for all Alaska residents to hunt as well as having a regulated industry. He [disagreed] with the idea of terminating this board which has been trying to come to grips with regulating the guide, air taxi, and charter industry. He reiterated that the federal land managers are trying to exclude the use of the industry as well as personal use and it will only be compounded in the future.

[1:45:00 PM](#)

KRIS CURTIS, Legislative Auditor, Legislative Budget and Audit, Alaska State Legislature, advised that Legislative Budget and Audit performed the sunset audit and reviewed whether the board was serving the public's interest and whether it should be

extended. It was found that the board was serving the public's interest and therefore a conditional extension was recommended. It was conditional upon the board demonstrating during this legislative review process that it had the capacity and ability to address its \$1 million deficit. At the point of the audit last August, there were proposed regulations to institute new fees, and specifically new fees on hunt records and activity reports, which is a new type of fee for the board. Because the fees were proposed, her office had no assurance at the time that they would be adopted, so her office made this conditional recommendation because she envisioned that those regulations may be adopted by this point. She noted she has not yet heard testimony to that effect and a good question to ask would be whether those fees are officially in place. Her office reviewed the proposed fees last summer, did some number crunching, and concluded t it was reasonable that if the fees were instituted they would address the deficit within the next few years. Because Mr. Parady addressed the four recommendations, she said she would not go into detail unless there were questions.

[1:46:47 PM](#)

REPRESENTATIVE TARR referred to the recommendation to improve the timeliness of investigations and asked for Ms. Curtis's thoughts on that component because it had been mentioned as something making it more costly.

MS. CURTIS replied that handling the cost of investigations is a problem for all of the boards because it is hard to budget prospectively on how much those investigations will cost and to incorporate those costs as far as the fees. It creates highs and lows, and the occupations have a hard time understanding when those fee increases happen, she explained, and this board is no different as it does have a high case load. Her office tested 25 cases and found that 17 of the 25 had periods of inactivity, ranging from five months to five years, which were extensive and resulted in the recommendation. During the 2011 audit, her office noted there were numerous problems with the investigative process, and this time around they found improvements and only identified timeliness as an issue for correction, she remarked.

[1:48:08 PM](#)

REPRESENTATIVE SEATON asked whether the transporter issue was reviewed as part of the audit.

MS. CURTIS asked Representative Seaton to zero in on the transporter issue.

REPRESENTATIVE SEATON referred to previous testimony wherein the transporter fees were enacted at a board meeting without a quorum and public notice, and he noted that the testifier had statutory questions. He asked whether that issue was part of the audit.

MS. CURTIS answered that the fees would have been part of regulation changes and she would expect those to go through the standard process, and her office has had no problem in looking at any changes the board made during the audit period. The board complied with the regulatory public notices and comments, but those fee changes would have happened after the audit period so she said she couldn't address those specifically.

[1:49:20 PM](#)

CO-CHAIR TALERICO requested Mr. Parady to comment with regard to the fees.

MR. PARADY stated the fees were properly noticed and were adopted after completion of the audit by Ms. Curtis's office. So, they were adopted this fall and are in place for this renewal cycle. Given the transporter fee is new and as it settles in and people become adapted to it, it may be necessary to come back before the board and consider further regulatory change to address the concerns expressed earlier; those kind of concerns happen with anything that is new. He then echoed an earlier testifier that it is a well regulated industry that serves resident hunters as well as non-resident hunters. Mr. Parady noted that the proposed conditional extension of three years instead of five puts it on the path to erasing the deficit and also provides the opportunity for legislative oversight in moving forward. He reiterated that the regulations were adopted and pointed out that this industry provides 2,000 jobs and is a vital part of the tourism sector of Alaska's economy, which is one of the brighter spots in the dismal news that the legislature is currently coping with.

CO-CHAIR TALERICO closed public testimony after ascertaining that no one else wished to testify.

[1:51:44 PM](#)

REPRESENTATIVE JOSEPHSON referred to the entire board process and related that he was struck by a system that requires boards and commissions to self-finance. Although, this process is good in the abstract, except when there is a small membership and a "bad apple," then the fees spike and the others have to pay for that investigation and litigation. In addition, he said he identified a number of times in the legislative budget and audit process where there was a greater public interest served by a good investigation without making fees escalate in some unfair manner. In other words, this is a comment for the committee members and he opined that there are many governmental things the government doesn't recoup, and for some reason with boards and commissions the legislature deems they must fund all of their activities, and these people are volunteering their time. He acknowledged that this is not the right year to have a fund cover overages but he has seen this happen repeatedly and it appears illogical at some level. He added that this was his first lesson in learning how departments jealously guard their time. He related the phenomenon wherein a member of the board calls the department, the department notes the call lasted ten minutes and then, because "clerk one" responded to the question, the department bills the board for its time. Even though it gives the legislature a good accounting mechanism to determine who is costing what, he said his question is that this is the State of Alaska and isn't everyone in this together.

[1:54:20 PM](#)

REPRESENTATIVE TARR thanked the witnesses who supported the fees and their willingness to pay an increased fee to help support the board's activities. She said she admires those people and groups for standing up and helping the legislature find solutions. This is important to tourism and good management, she said, and she appreciates people's willingness to help out.

[1:54:53 PM](#)

REPRESENTATIVE HERRON noted that he hunts within his home region and not in other states, and remembers the days when Alaska did not have the oversight and how it became a rather wild place with people coming into the state. He opined that not only for big game outfitters and transporters, there has to be a legitimate and strong oversight because it's too easy to do too many things. He reminded the committee that recently there have been high profile news articles about how people have taken advantage of Alaska. The financial fees are going to be

addressed, this is an oversight process that is important to Alaska, and he supports the legislation, he said.

[1:56:16 PM](#)

CO-CHAIR NAGEAK moved to report HB 254 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HB 254 was reported from the House Resources Standing Committee.

[1:56:39 PM](#)

The committee took an at-ease from 1:56 p.m. to 2:02 p.m.

### **HB 177-KING SALMON TAGS AND DESIGNS**

[2:02:09 PM](#)

CO-CHAIR TALERICO announced that the final order of business is HOUSE BILL NO. 177, "An Act relating to king salmon tags and king salmon tag designs."

[2:02:21 PM](#)

JIM POUND, Staff, Representative Wes Keller, Alaska State Legislature, described HB 177 as a small step in looking at Alaska's economy, in particular fishing. The legislature is looking for increased funding and this bill would provide an opportunity to help fish enhancement, an area some people may eventually start looking at to make cuts to. The bill deals with the Alaska King Salmon stamps, which are already in existence, and it would convert today's stamp into an artist's rendition as a way for artists and collectors to start maintaining and keeping them in their collections. In addition to the stamps, he advised, posters and prints are envisioned for sale and the selling of these items could be handled through the Alaska Department of Fish & Game (ADF&G), local art stores, and charter boat captains, the same way as they sell the stamps. He said that the artist's intellectual property rights would be two years for the original art, the original art would then go back to the artist and he/she could sell that art in addition to whatever the artist was paid by the state. There would be potential for increasing some funds for fish enhancement in the state, he noted.

[2:04:20 PM](#)

REPRESENTATIVE SEATON requested further information with regard to the artist being paid by the state.

MR. POUND replied that it would be a contractual agreement, similar to the Alaska Railroad, almost like going out to bid. He deferred to Stephanie Wheeler who she handles the Alaska Railroad, but added that there would be a payment from the state for the rights to the art.

[2:05:02 PM](#)

STEPHANIE WHEELER, Communications Officer, Alaska Railroad, explained that the Alaska Railroad has an annual art program whereby it solicits artists, Alaskan artists in particular, to submit sketches for a piece of artwork featuring the railroad. Based upon those sketches the Alaska Railroad personnel selects an artist and that artist is paid \$3,000 to provide the artwork. The Alaska Railroad does retain ownership of the artwork which is used to create merchandise in addition to posters and prints and a matching lapel pin. The costs include paying the artist and printing costs of approximately \$10,000. After advertising, production costs, and artist payment, about \$15,000-\$20,000 goes into it each year. The railroad does recoup most of that cost in the sale of prints, posters, and merchandise through its gift shop, she said.

REPRESENTATIVE SEATON referred the statement that the railroad recoups "most" of the cost and asked whether it is a net loss.

MS. WHEELER answered it is not a money maker as it is more of a public relations benefit and the railroad basically breaks even.

[2:07:17 PM](#)

REPRESENTATIVE TARR asked whether the Alaska Railroad has ever considered doing this as a contest rather than a financial relationship.

MS. WHEELER replied that artists are typically not wealthy individuals and therefore paying them some type of stipend for their artwork seemed to be the right thing to do. The railroad also gives the artist a few prints and posters for the artist's use, but the Alaska Railroad owns the artwork so the only value the artist receives is the \$3,000, including the prestige in creating the Alaska Railroad's annual artwork. She described it as a show piece that people collect and noted that the Alaska Railroad's artwork is seen in offices around the state and in

the Lower 48. There is the value of being recognized as an annual art winner, there is a contest element to it, and the Alaska Railroad has been at \$3,000 for over a decade so it's a pretty low payment, she related.

REPRESENTATIVE TARR referred to the fiscal note and anticipated the prints would be sold at \$100 each. She asked if amount is comparable to the price the railroad charges per print.

MS. WHEELER reported that the Alaska Railroad makes 750 prints, which are signed and numbered, and has sold the prints for \$50-\$55 for the last ten years. Posters are typically printed on smaller less expensive paper and are sold for \$25-\$30, which captures a different market such as children. The matching pins are \$5, and merchandise such as mugs and ornaments are sold by the gift shop for \$10-\$20.

[2:10:20 PM](#)

REPRESENTATIVE SEATON asked whether it would make any difference in the way the Alaska Railroad conducts its business if it didn't retain ownership of the artwork and the licensing agreement did not exceed two years.

MS. WHEELER answered that the Alaska Railroad retains ownership of the artwork so that it can create merchandise well into the future. She reiterated that the artist receives \$3,000 in compensation and the Alaska Railroad keeps the artwork. The railroad does not license the artwork for two years like what is being proposed under HB 177.

REPRESENTATIVE SEATON questioned that if the Alaska Railroad were to agree to a license not to exceed two years, whether that would make a difference in its potential revenue stream.

MS. WHEELER replied that the Alaska Railroad has found value in the manner in which it has been doing things because it does have gift shops. The railroad is free to use that artwork in other ways from year to year, as opposed to going back to the artist and paying more if it wants to use the artwork. She said she is unsure whether it would make a difference but suspects that the railroad came to do it in this manner because this way has the most benefit to the Alaska Railroad.

REPRESENTATIVE SEATON noted he is trying to balance the version [proposed by HB 177].

2:13:05 PM

REPRESENTATIVE HERRON asked why the state wouldn't want to keep the art design such that in the future the fish and game fund could have anniversary prints and collections.

MR. POUND replied he went with two years because he estimated that was the shelf life for prints and posters and, after speaking with local artists they are used to that type of timeframe. He opined that it was a way that the actual bid could be much lower than \$3,000, initially.

REPRESENTATIVE HERRON asked why the state would want to let go of property that could be valuable in a few years for collections. He asked whether the state wants to create an archive that could be valuable years in the future.

MR. POUND answered he is not married to the two-year clause.

2:15:09 PM

REPRESENTATIVE CHENAULT asked whether the discussion is about an actual salmon stamp or a postage stamp.

MR. POUND responded that it is a stamp attached to the fishing license.

REPRESENTATIVE CHENAULT noted it does say U.S. postage stamp.

MR. POUND explained that it was an example of what the stamp might look like without the U.S. postal reference to it as it may read the State of Alaska King Fishing Stamp.

REPRESENTATIVE CHENAULT noted he likes the first example, but cannot see where the other two examples have anything to do with salmon. He then addressed the fiscal note and asked whether there is an estimate as to what the income might be.

MR. POUND replied he does not have an estimate but posited it would be higher than that of the Alaska Railroad primarily because there are tourists from the tour ships getting on the charter boats, as well as tourists fishing on the Kenai River with charter boats with an opportunity to sell the posters. Unlike the Alaska Railroad, the state would not be confined to a gift shop.

2:17:03 PM

REPRESENTATIVE TARR observed from the fiscal note that it is a breakeven proposition and surmised that the state would have to sell at least 500 prints to get to the cost. She offered concern as to whether that number would be sold and surmised the railroad has other smaller items in addition to the prints. She asked whether that would be an option and whether the legislature needs to specifically give that option. In the event there is a good design but it is not necessarily selling many prints, she said she would want the ability to make it into something such as a greeting card or magnet or other gifts to be certain it is not a money loser.

MR. POUND agreed and said it is something that is negotiated between the artist and the department. Once the department owns the art, he explained, it can do with it as it pleases for the next two years, as the bill is currently written.

REPRESENTATIVE CHENAULT observed the costs for services in the fiscal note would include a contract with an artist receiving between [\$2,500 and \$5,000] per year, and surmised that that is a guess by not having the program in place and not knowing the actual costs. He pointed out that that is more than the \$3,000 the Alaska Railroad usually pays its artists.

[2:19:22 PM](#)

REPRESENTATIVE JOHNSON asked whether the discussion is the actual stamp that goes on the back of a license.

MR. POUND answered correct.

REPRESENTATIVE JOHNSON surmised it is similar to a duck stamp.

MR. POUND agreed.

REPRESENTATIVE JOHNSON opined that "the federal wildlife" makes more by selling duck stamps as posters and where the actual stamp is below the poster itself. "They make more money off of that," he said, "than they do off the actual people hunting."

MR. POUND agreed that that potential is there and people who will never come to Alaska will actually purchase the posters in an online scenario.

REPRESENTATIVE JOHNSON expressed his concern for the two year limit because if the department does not own the art work it

will miss out because down the road the artwork will become more valuable and can be reprinted in the form of a poster. In the event the department buys the artwork it should own the rights to it, although, the artist can retain certain rights but he would hate to see the department pay for it and have someone go out and create these posters, buy the stamps, and the big money is on the backend. He said he would like the department to own the artwork, have a contest like with the duck stamp, the winner receives \$3,000, and the department owns it in perpetuity.

MR. POUND said he has no objection to that amendment coming forth.

[2:21:41 PM](#)

REPRESENTATIVE TARR referred to HB 177, page 1, lines 6-8, which read: "The department shall make stamps available for the creation of king salmon limited edition prints and provide for the sale of stamps and prints to the public." She suggested that the language limits the opportunity to only a print and inquired as to whether it might be appropriate to read "or other products" or something similar that would provide flexibility. For example, she pointed out that Director Ben Ellis, Division of Parks and Outdoor Recreation, advised there is a strong interest in T-shirts, hats, and sweatshirts with the state park emblem, which is a popular design.

MR. POUND replied that his goal on this legislation is to come up with funds for fish enhancement and he appreciates that this is a commercial type enterprise making money.

[2:23:12 PM](#)

REPRESENTATIVE SEATON referred to HB 177, page 1, lines 14-15, "A contract under this subsection is governed by AS 36.30 (State Procurement Code)," and asked whether there is anything in the State Procurement Code on art that will make it a difficult process.

MR. POUND replied he doesn't believe there is, but that he hadn't considered that aspect of the State Procurement Code.

[2:24:18 PM](#)

KEVIN BROOKS, Deputy Commissioner, Office of the Commissioner, Alaska Department of Fish & Game (ADF&G), referred to the fiscal

note and clarified that the number for a contract is \$2,500-\$5,000, a range that would encompass \$3,000.

REPRESENTATIVE CHENAULT responded that if he said a larger amount, he certainly didn't mean it.

[2:25:02 PM](#)

MR. BROOKS advised that the department based the fiscal note on the assumption of selling 500 prints and 1,000 posters. The department expects there would be some standup costs given it employs biologists and does not have a marketing department. The fiscal note reflects it would be a general fund cost with the program subsequently generating revenue that would pay for itself. He noted that the department ran a duck stamp program from the mid-1980s to 2009, when it was discontinued for lack of a market. This program used to be a real big deal, but over time that market dried up and there are only a handful of printing firms that will take on this type of thing. The expectation would be that a new program would probably see a surge of sales in the event it could be marketed. He recalled for the duck stamp program in 1985 there was a big build up with a lot of advertising. All 50 states were doing it, with a lot of sales early on, but in the last years of it there was \$5,000-\$10,000 in sales on the various items. The department appreciates the intent and effort because it has been cutting its budget with programs going away, and anything that could generate revenue the department is certainly open to. However, he said, the department is not as optimistic about the level of revenue that might be generated from the program on a sustained basis going into the future.

[2:27:08 PM](#)

REPRESENTATIVE SEATON reminded the committee that he had asked about the State Procurement Code. He referred to page 2, lines 1-2, "All costs incurred under this section may be paid from the fish and game fund." He said he wants to be sure that is an allowable use of the fund.

MR. BROOKS responded that the state procurement is typically when the department is buying something and it provides for competition wherein the department would put a bid out and accept those bids. He said he doesn't see anything that would restrict the department's ability to do that by reference of the State Procurement Code in Title 36.30.

REPRESENTATIVE SEATON noted his understanding of the bidding procedure wherein people bid for the amount of money they want to sell something to the state. In this case, essentially, the department will say the winner would receive \$3,000 or \$5,000, and then the department would choose from among the applicants based on an artist's selection or the commissioner's selection. He asked whether that is the way it would work.

MR. BROOKS answered he envisions it to be something along those lines.

REPRESENTATIVE SEATON, regarding that the costs incurred under this section may be paid from the fish and game fund, asked whether that is an allowable use of the fund.

MR. BROOKS replied that typically the department uses the fish and game fund to benefit sport anglers. The department matches Dingell-Johnson Sport Fish Restoration funding, which has its own requirements and has to benefit the resources and provide opportunity. There is a relationship there, but if the legislature appropriated it for that purpose he thinks it could legally be done. But, he continued, the department does not currently have an art program using fish and game funds.

[2:29:23 PM](#)

REPRESENTATIVE TARR referred to page 1, lines 11-12, which read: "The department may only consider designs submitted by state residents," and asked whether there are issues with limiting who the department accepts designs from.

MR. BROOKS answered that the department can set its requirements in a bid document to limit it to Alaska residents.

REPRESENTATIVE TARR referred to page 1, lines 6-8, [text provided previously] and reiterated that adding the language, "or other products" might be important given the demise of the duck stamp program. The state wouldn't have to become a retail distributor, but, in a more real time analysis, it could determine whether money is being recouped and coffee mugs could be easily made. She asked whether the department would be interested in that type of flexibility or whether it is beyond the scope of what it wants to take on.

MR. BROOKS pointed out that the department's personnel are not marketers, they are biologists by trade and the department manages fisheries and game populations, although, currently many

of those programs are being cut through different efforts in trying to live within its means. The department would assign marketing duties to staff, and not add staff, but it could add months to a seasonal employee. In the event the sum total of mugs, cards, stamps, and prints could generate money to help the resources of the state and help the department manage the fisheries it would be open to doing it, not wanting to limit itself.

CO-CHAIR TALERICO opened public testimony, but closed it after ascertaining no one wished to testify.

[2:32:10 PM](#)

CO-CHAIR TALERICO stated he would hold the bill given there was a question about the terms and the two year wording.

[2:32:29 PM](#)

REPRESENTATIVE JOHNSON related that prior to being a legislator he was a marketing person and advised that the opportunity here is not with creating the state's own division to do this marketing, but creating an ability to generate the artwork and license it to someone and generate the money off the license as opposed to actually doing the products. He suggested that several places come to mind such as the people that make the gold coins; there could be a salmon coin and the state would receive a certain percentage off of everything sold. He said he does not want ADF&G getting into the marketing business and agreed ADF&G doesn't have the people. The licensing aspect could be done through the Department of Commerce, Community & Economic Development, he suggested. He added that he is unsure about the way it is currently outlined and offered to work with the sponsor's office.

[2:34:08 PM](#)

REPRESENTATIVE TARR reiterated Mr. Ellis's comments regarding requests for Alaska State Park designs in different formats, and noted her support for opportunities to raise money in addition to this bill.

[HB 177 was held over.]

[2:34:52 PM](#)

**ADJOURNMENT**

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 2:34 p.m.