

ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE

March 28, 2025

3:30 p.m.

MEMBERS PRESENT

Senator Cathy Giessel, Chair
Senator Bill Wielechowski, Vice Chair
Senator Matt Claman
Senator Forrest Dunbar
Senator Scott Kawasaki
Senator Shelley Hughes (via teleconference)
Senator Robert Myers

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Representative Andrew Gray

COMMITTEE CALENDAR

SENATE BILL NO. 92

"An Act establishing an income tax on certain entities producing or transporting oil or gas in the state; and providing for an effective date."

- HEARD & HELD

SENATE BILL NO. 128

"An Act establishing the Department of Agriculture; relating to the establishment of the Department of Agriculture; transferring functions of the Department of Natural Resources related to agriculture to the Department of Agriculture; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 92

SHORT TITLE: CORP. INCOME TAX; OIL & GAS ENTITIES

SPONSOR(s): RESOURCES

02/10/25 (S) READ THE FIRST TIME - REFERRALS
02/10/25 (S) RES, FIN
02/19/25 (S) RES AT 3:30 PM BUTROVICH 205
02/19/25 (S) Heard & Held
02/19/25 (S) MINUTE (RES)
03/03/25 (S) RES AT 3:30 PM BUTROVICH 205
03/03/25 (S) Heard & Held
03/03/25 (S) MINUTE (RES)
03/14/25 (S) PRIME SPONSOR CHANGED - SENATE
RESOURCES COMMITTEE REPLACED SENATOR
YUNDT
03/14/25 (S) RES AT 3:30 PM BUTROVICH 205
03/14/25 (S) Heard & Held
03/14/25 (S) MINUTE (RES)
03/28/25 (S) RES AT 3:30 PM BUTROVICH 205

BILL: SB 128

SHORT TITLE: CREATE DEPARTMENT OF AGRICULTURE

SPONSOR(s): RULES

03/12/25 (S) READ THE FIRST TIME - REFERRALS
03/12/25 (S) RES, FIN
03/28/25 (S) RES AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

INTIMAYO HARBISON, Staff
Senator Cathy Giessel
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented the explanation of changes from version N to version L of SB 92.

SONJA KAWASAKI, Legal Council
Senate Majority Caucus
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided an explanation of significant changes from version N to version L of SB 92.

MICHAEL WILLIAMS, Corporate Tax Manager
Tax Division
Department of Revenue (DOR)
Anchorage, Alaska

POSITION STATEMENT: Answered questions on SB 92.

WILLIAM HERMAN, representing self
Anchorage, Alaska

POSITION STATEMENT: Testified in support of SB 92.

DOUG WOODBY, representing self
Juneau, Alaska

POSITION STATEMENT: Testified in support of SB 92.

PHILIP WIGHT, representing self
Ester, Alaska

POSITION STATEMENT: Testified in support of SB 92.

AURORA ROPH, representing self
Anchorage, Alaska

POSITION STATEMENT: Testified in support of SB 92.

DENNIS HULL, State Affairs Manager
Americans for Tax Reform
Arlington, Virginia

POSITION STATEMENT: Testified in opposition to SB 92.

REBECCA SIEGEL, representing self
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of SB 92.

CATHERINE ROCCHI, Energy Fellow
Alaska Public Interest Research Group (AKPIRG)
Anchorage, Alaska

POSITION STATEMENT: Testified in support of SB 92.

KEN GRIFFIN, representing self
Wasilla, Alaska

POSITION STATEMENT: Testified in opposition to SB 92.

HUNTER LOTTSFELDT, Staff
Senator Bill Wielechowski
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Gave an overview of SB 128 on behalf of the Senate Rules Committee, Senator Wielechowski, Chair.

AMY SEITZ, Policy Director
Alaska Farm Bureau
Soldotna, Alaska

POSITION STATEMENT: Gave a presentation in support of SB 128.

ACTION NARRATIVE

[3:30:51 PM](#)

CHAIR GIESSEL called the Senate Resources Standing Committee meeting to order at 3:30 p.m. Present at the call to order were Senators Myers, Dunbar, Wielechowski, Hughes (via teleconference) and Chair Giessel. Senators Claman and Kawasaki arrived thereafter.

SB 92-CORP. INCOME TAX; OIL & GAS ENTITIES

[3:31:47 PM](#)

CHAIR GIESSEL announced the consideration of SENATE BILL NO. 92 "An Act establishing an income tax on certain entities producing or transporting oil or gas in the state; and providing for an effective date."

[3:31:59 PM](#)

CHAIR GIESSEL solicited a motion.

[3:32:05 PM](#)

SENATOR WIELECHOWSKI moved to adopt the committee substitute (CS) for SB 92, work order 34-LS0540\L, as the working document.

[3:32:15 PM](#)

CHAIR GIESSEL objected for purposes of discussion.

[3:32:30 PM](#)

INTIMAYO HARBISON, Staff, Senator Cathy Giessel, Alaska State Legislature, Juneau, Alaska, presented the summary of changes from version N to version L of SB 92:

[Original punctuation provided.]

SB 92
Explanation of Changes
version N to version L

Page 1, Lines 5-6: Strikes fund usage requirement of "energy and electrical grid projects or upgrades fund".

Page 1, Lines 6-8: Conforming language related to qualified entities.

Page 1, Lines 9-10: Adds new section for calculating taxable income.

Page 1, Line 11: Creates new section (c) which clarifies aggregation language under this section.

Page 1, Lines 11-14: Conforming changes related to taxable income.

Page 2, Lines 1-4: Strikes the creation of the energy and electrical grid projects or upgrades fund.

Page 2, Lines 5-9: Conforming changes related to qualified entities and adding limited liability company to the list of qualified entities.

Page 2, Lines 11-16: Clarifies the definition of taxable income before deductions.

Page 3, Lines 1-31: Strikes non-relevant tax sections from bill.

Page 3, Lines 11-12: Adds new section (j) clarifying deductions that may be taken when calculating income under this chapter. Further clarifies deductions listed in under AS 43.20.031 (j).

Page 4, Lines 1-27: Strikes non-relevant tax sections from bill.

Page 4, Lines 30-31: Conforming language related to qualified entities.

[3:34:31 PM](#)

CHAIR GIESSEL clarified that CSSB 92, work order 34-LS0540\L is before the committee. She pointed out that the explanation of changes is written to version N and is therefore inaccurate. She indicated that a corrected explanation of changes would be provided.

MR. HARBISON clarified that the explanation of changes is written to version N to indicate the changes that were made from version N to version L. He suggested that considering the explanation of changes alongside version N would clear up any confusion regarding page numbers and line sections.

[3:35:27 PM](#)

SENATOR DUNBAR asked whether representatives from the Department of Revenue (DOR) Tax Division were available for questions.

CHAIR GIESSEL replied yes. She indicated that upcoming invited testimony may also provide answers to any questions committee members have.

[3:36:19 PM](#)

SONJA KAWASAKI, Legal Counsel, Senate Majority Caucus, Alaska State Legislature, Juneau, Alaska, said she would provide a brief overview of the changes from SB 92 version N to L and would provide the reasons for significant changes. She said she would also answer any questions.

MS. KAWASAKI directed attention to CSSB 92, Section 1. She explained that the deletion of "energy and electrical grid projects or upgrades fund" would allow the taxes collected as a result of SB 92 to flow into the general fund. Several technical and conforming changes follow. She directed attention to CSSB 92, page 1, lines 5-12 and explained that in SB 92 version N, "qualified" modified "taxable income." In CSSB 92 Version L, "qualified" modifies "entity." This change aligns with common vernacular and was recommended by the Department of Revenue (DOR).

[3:37:30 PM](#)

MS. KAWASAKI directed attention to CSSB 92, Section 1, subsection b. She explained that this subsection adds a method for determining taxable income, which was not included in SB 92, version N. This change was made with the assistance of DOR and is modeled after current corporate income tax structure for oil and gas producing and pipeline transportation entities. She said that, when researching qualifying entities subject to SB 92, they discovered an existing federal deduction (passed under the Tax Cuts and Jobs Act of 2017 (TCJA)) would allow a 20 percent deduction from qualified business income. She explained that this is problematic, as state law incorporates (by reference) Internal Revenue Service (IRS) code. This would have automatically applied those credits and deductions to the tax under SB 92. She stated that CSSB 92, version L eliminates that possibility.

MS. KAWASAKI said there is a potential concern related to the current operation of corporate income tax law for corporations in the oil and gas production industry and/or oil and gas transportation through pipeline industry. Those corporations will potentially have subsidiaries that are limited liability corporations (LLC) and/or S corporations (S Corp). Under current application of the law, DOR would consider those corporations unitary businesses and this income is already included in the corporate income tax. She explained that CSSB 92 (version L) contains language to ensure that - for those subsidiaries that may potentially meet the definition of entities subject to the new tax in SB 92 - the taxation remains connected to the associated corporation.

[3:40:44 PM](#)

CHAIR GIESSEL asked where that is found in CSSB 92.

MS. KAWASAKI clarified that this is found in CSSB 92 (version L), page 2, lines 3-4. She explained that this section initially referred only to AS 43.0.011, which applies to oil and gas corporations. The additional clause ensures that this would also apply to any entity that is a part of a unitary business with a corporation that pays tax under those provisions. She suggested checking with DOR to ensure the provision works as intended. She explained that this provides clarification regarding which area of tax code applies to those subsidiary entities.

[3:41:47 PM](#)

SENATOR CLAMAN directed attention to CSSB 92, page 2, Section 1(c), and asked whether the practical effect is that these are C corporations rather than S corporations.

[3:42:03 PM](#)

MS. KAWASAKI replied yes. She explained that this subsection excludes those corporations and their subsidiaries from taxation.

[3:42:29 PM](#)

SENATOR CLAMAN asked for confirmation of his understanding that this is because C corporations are already paying the tax.

[3:42:34 PM](#)

MS. KAWASAKI confirmed this understanding.

[3:42:42 PM](#)

SENATOR HUGHES asked for confirmation of her understanding that the intention is to eliminate double taxation of C corporations. She also asked whether the tax would apply to S corporations before or after the 20 percent federal deduction.

[3:43:45 PM](#)

MS. KAWASAKI confirmed that CSSB 92, Section 1(c) addresses the issue of double taxation. She said that there is an additional provision later in CSSB 92 that more explicitly prevents double taxation. She emphasized that double taxation was not intended. She asked Senator Hughes to repeat her second question.

[3:44:29 PM](#)

SENATOR HUGHES recalled that federal law allows S corporations a 20 percent deduction. She asked whether the 9.4 percent corporate tax in CSSB 92 would be applied before or after that deduction.

[3:44:50 PM](#)

MS. KAWASAKI clarified that the federal deduction for qualified business income (which was part of TCJA and was inadvertently incorporated, by reference, into SB 92, version N) was removed from CSSB 92, version L. She further clarified that the entities subject to CSSB 92 would not receive that 20 percent federal deduction. She shared her understanding that Congress is deliberating whether to extend that deduction beyond 2025.

[3:45:34 PM](#)

SENATOR HUGHES asked for confirmation of her understanding that the 9.4 percent tax would be multiplied by the S corporation's income without the application of the 20 percent federal tax deduction.

[3:45:57 PM](#)

MS. KAWASAKI explained that taxable income is determined using the same calculation that is used to determine corporate income tax. This change was suggested by DOR. She said she could not speak to the specifics of taxation but reiterated that CSSB 92 prevents the federal credits and deductions for these entities from also applying at the state level. She reiterated that she cannot speak to specifics of the taxation function.

[3:47:05 PM](#)

MS. KAWASAKI continued to discuss the changes in CSSB 92, version L. She directed attention to CSSB 92, Section 1, subsection e. She explained that limited liability companies (LLC) were unintentionally omitted from the list of entities subject to the tax in SB 92. She briefly explained why the omission occurred and explained that subsequent discussions - along with DOR recommendations - revealed that LLCs needed to be explicitly included.

[3:48:00 PM](#)

SENATOR KAWASAKI joined the meeting.

MS. KAWASAKI said the next change involved the deletion of taxable income stipulations. She explained that SB 92, version N, included taxable income qualifiers intended to ensure that entities would not be able to give out gifts or bonuses and exclude them from taxable income. Discussions with DOR determined that the provision addressing the corporate income tax taxable income calculations allayed those concerns and the associated sections were deleted from version L. She directed attention to CSSB 92, page 3, Section 4(j). She said that this subsection addresses the potential for double taxation and offered a brief explanation of how this would function. In

addition, SB 92, version N, Sections 4-8 were meant to inform specific areas of tax code; however, those sections were unrelated to the policy included in SB 92 and were therefore removed from the CS.

[3:51:04 PM](#)

SENATOR DUNBAR asked how much revenue version L is estimated to raise in comparison to version N.

[3:51:28 PM](#)

MS. KAWASAKI deferred the question. She said the changes from version N to L do not intentionally impact the level of tax revenue.

[3:52:04 PM](#)

MICHAEL WILLIAMS, Corporate Tax Manager, Tax Division, Department of Revenue (DOR), Anchorage, Alaska, replied that [when drafting version L] DOR considered the original policy intent (in version N), which was to place a tax on entities performing the same type of work as corporations producing oil and gas in the state. He said that the revenue estimate remains the same for both versions.

[3:52:48 PM](#)

SENATOR DUNBAR asked for confirmation of his understanding that the changes from version N to L, some of which are substantive, are not intended to change the estimated revenue raised by SB 92.

[3:53:07 PM](#)

MS. WILKERSON replied that this is correct.

[3:53:23 PM](#)

CHAIR GIESSEL removed her objection. She found no further objection and CSSB 92, work order work order 34-LS0540\L, was adopted.

[3:53:37 PM](#)

CHAIR GIESSEL opened public testimony on SB 92.

[3:54:12 PM](#)

WILLIAM HERMAN, representing self, Anchorage, Alaska, testified in support of SB 92. He said he supports taxing S corporations such as Hilcorp. He shared his understanding that Alaska is the only state that does not tax S corporations. He shared his understanding that DOR estimates that, if enacted, SB 92 would generate \$200 million per year. He expressed frustration that

the state provides subsidies for oil and gas corporations. He opined that if oil and gas corporations cannot become economically viable without subsidies, the State of Alaska needs to decrease its dependence on the oil and gas industry. He offered examples of potential solutions.

[3:55:47 PM](#)

DOUG WOODBY, representing self, Juneau, Alaska, testified in support of SB 92. He said that SB 92 honors the Constitution of the State of Alaska, which tasks the legislature with ensuring Alaskans receive the maximum benefit from the state's natural resources. SB 92 does this by closing the tax loophole for S corporations. He opined that closing the loophole is fair and said that S corporations pay income taxes in every other state. He further opined that changing Alaska's tax code to reflect what is done in other states is common sense. He pointed out that S corporations can deduct state income taxes when filing federal tax returns.

[3:56:50 PM](#)

PHILIP WIGHT, representing self, Ester, Alaska, testified in support of SB 92. He recalled the first meeting of Alaska's Constitutional Convention, in which E.L. "Bob" Bartlett expressed concerns about how the State of Alaska was managing the state's resources. He briefly quoted from Mr. Bartlett's keynote address and shared his belief that this challenge is one Alaska continues to face. He asserted that the political project of the State of Alaska was focused on ensuring that outside actors could not extract wealth without supporting the governmental services required for healthy, permanent communities. He said that Alaska is the only state that does not tax S corporations.

[3:59:07 PM](#)

AURORA ROPH, representing self, Anchorage, Alaska, testified in support of SB 92. She stated that, during her lifetime, Alaska has struggled to pay for necessary services while corporations have made millions of dollars from Alaska's resources. She opined that closing the tax loophole for S corporations makes sense. She said that all other states have a similar income tax for S corporations. She added that she also supports using the tax revenue for energy infrastructure upgrades. She commented that SB 92 has bipartisan support and noted that this is rare.

[4:00:10 PM](#)

DENNIS HULL, State Affairs Manager, Americans for Tax Reform, Arlington, Virginia, testified in opposition to SB 92. He sought

to correct the misconception that all other states tax S corporations. He explained that several other states (e.g. Florida, Wyoming, and South Dakota) do not tax S corporations. Other states levy a very small tax (e.g. Nevada). Some states that levy a personal income tax exclude S corporations and other small businesses (e.g. Kansas). He said Americans for Tax Reform is finalizing data on this topic and intends to make it available in the coming week. He pointed out that Alaska's corporate tax rate is the fourth highest in the nation. In addition, Alaska has ten tax brackets, which is significantly more than other states.

MR. HULL contrasted this with California, which has a high, flat tax rate for all corporations. He briefly discussed how the proposed tax in SB 92 compares to other states. He asserted that any progressive tax system punishes successful companies and opined that this phenomenon is especially pronounced in Alaska. He stated that SB 92 would place a burden on any relatively successful business in Alaska and added that, since statehood, corporations in Alaska have been on an uneven playing field when compared to other states. He briefly discussed the potential negative impact that overhauling the S corporation tax structure would have on future investments in the state.

[4:02:42 PM](#)

REBECCA SIEGEL, representing self, Fairbanks, Alaska, testified in support of SB 92. She said she is a teacher in Fairbanks and briefly discussed how the State of Alaska's budget crisis impacts education. She opined that it is irresponsible not to close the S corporation tax loophole. She stated that the money generated by SB 92 could be used to fund education. She opined that this is a commonsense solution. She noted that the Constitution of the State of Alaska requires that the state's resources be used to benefit all Alaskans and opined that this requires taxing S corporations. She shared her understanding that the oil and gas industry is creating fewer jobs than in years past and opined that job creation is no longer a reasonable argument for limiting the taxes on the oil and gas industry.

[4:04:52 PM](#)

CATHERINE ROCCHI, Energy Fellow, Alaska Public Interest Research Group (AKPIRG), Anchorage, Alaska, testified in support of SB 92. She stated that creating a tax break for S corporations was not a deliberate policy decision; rather, it was an accidental byproduct of eliminating Alaska's personal income tax in 1980. She briefly discussed how, in 2020, affiliated S corporations

acquired all of BP's Alaska assets - resulting in the loss of millions of dollars of annual corporate income tax revenue for the State of Alaska. She encouraged committee members to consider closing the loophole as a way to recoup income tax revenues that the State of Alaska depended on for decades prior to 2020 (rather than considering it as a source of new revenue). Speaking on behalf of herself, she shared that she has discussed SB 92 with many people (including some Hilcorp employees). Each person has expressed shock that Hilcorp is not subject to a corporate income tax.

[4:07:11 PM](#)

KEN GRIFFIN, representing self, Wasilla, Alaska, testified in opposition to SB 92. He asserted that SB 92 would effectively create a 9.4 percent state income tax, as corporations pass the cost to consumers. He briefly discussed how a state income tax would compare to the State of Alaska's budget deficit, which is estimated to increase in the coming years. He said that levying a state income tax and taking a portion of each Alaskan's Permanent Fund Dividend (PFD) would not cover the current budget deficit. He briefly discussed how the market functions and emphasized the high cost of renewable energy. He opined that the problem is not that the state cannot make money but how the state spends its money (namely, on increasing the size of government). He opined that if the state had focused on building a more efficient private sector, there would not be a budget deficit. He briefly discussed the legislature's budget process and implied that this process is ineffective. He asserted that increasing taxes would create a larger issue by driving Alaskans to relocate to other states.

[4:09:35 PM](#)

CHAIR GIESSEL held public testimony on SB 92 open.

[4:09:47 PM](#)

CHAIR GIESSEL held SB 92 in committee.

SB 128-CREATE DEPARTMENT OF AGRICULTURE

[4:10:06 PM](#)

CHAIR GIESSEL announced the consideration of SENATE BILL NO. 128 "An Act establishing the Department of Agriculture; relating to the establishment of the Department of Agriculture; transferring functions of the Department of Natural Resources related to agriculture to the Department of Agriculture; and providing for an effective date."

[4:10:38 PM](#)

SENATOR WIELECHOWSKI, speaking as Chair of the Senate Rules Committee, sponsor of SB 128, said that the governor recently pursued Executive Order (EO) 136, which would create a Department of Agriculture. At that time, there were concerns related to the cost of the new department, what it would include, its mission, and its focus. He opined that one overriding issue was that the legislature should have a say in the creation of a new department. He stated that SB 128 allows the legislature to have discussions and to hear input from Alaskans on this topic (which would not be possible with an executive order).

[4:11:38 PM](#)

CHAIR GIESSEL asked for an overview of SB 128.

[4:11:57 PM](#)

HUNTER LOTTSFELDT, Staff, Senator Bill Wielechowski, Alaska State Legislature, Juneau, Alaska, explained that SB 128 was modeled after EO 136. SB 128 would take the Division of Agriculture from the Department of Natural Resources (DNR) and create a Department of Agriculture. He noted that the sectional analysis would be considered at a future meeting. He stated that SB 128 includes conforming changes that provide clarification (e.g. distinguishing between the Alaska Department of Agriculture and the US Department of Agriculture). He said that the conforming changes also ensure that the commissioner is the head of the department and the point of contact for interdepartmental interactions. He noted concerns that SB 128 would eliminate the Board of Agriculture. He clarified that SB 128 does not eliminate the board. He stated that the commissioner would be the executive of the Board of Agriculture. He explained that agricultural issues would be brought to the commissioner, who would then report to the board.

[4:13:50 PM](#)

CHAIR GIESSEL noted upcoming invited testimony from the Alaska Farm Bureau. She confirmed that the sectional analysis and any questions would be considered at a future meeting.

[4:14:25 PM](#)

AMY SEITZ, Policy Director, Alaska Farm Bureau, Soldotna, Alaska, expressed appreciation for the discussions and hearings on this topic. She noted positive feedback from the farming industry. She noted that much of the structure is already in place, which can help guide the discussion of SB 128.

[4:15:48 PM](#)

MS. SEITZ advanced to slide 2 and discussed the mission and vision of the proposed Department of Agriculture:

[Original punctuation provided.]

Mission and Vision

Support, promote and encourage development of an agriculture (and mariculture) industry in Alaska that is viable, profitable and sustainable.

Promote an economically stable agriculture (and mariculture) industry for Alaska that can enhance the quality of life for its people, create sustainability of its communities and environment, and encourages new business development opportunities for all Alaskans.

MS. SEITZ said this mission and vision is essentially the same as the current mission of the Division of Agriculture. She noted that she included "mariculture" as this could be included in the Department of Agriculture. She opined that, ultimately, the mission of the department should be to build a strong agriculture (and perhaps also mariculture) industry for the benefit of Alaskans.

[4:16:39 PM](#)

MS. SEITZ advanced to slide 3 and provided an overview of some of the goals a Department of Agriculture should have. She noted that these are goals of the current Division of Agriculture:

[Original punctuation provided.]

Goals

- Increase production
- Market development - promote buying local at all market levels
- Increase economic viability in all types and sizes of farm and food businesses
- Improve transportation system
- Improve food security
- Assist with expanding infrastructure
- Increase access to capital
- Expand support programs statewide

- Improve access to and protect lands and waters suitable for farming

MS. SEITZ stated that the Division of Agriculture does not have the capacity or funding required to meet these goals. In addition to the high-level goals, there are resources for more specific goals. She referred to reports from the Alaska Food Security and Independence Task Force and the Alaska Food Strategy Task Force (AFSTF), which include goals and steps that can focus and guide the new department. She noted that, if mariculture is added to the department, there is also a Mariculture Task Force report. She added that there is a significant amount of feedback from industry organizations that can help guide the department.

CHAIR GIESSEL commented that it sounds as though an additional task force is not needed.

[4:18:09 PM](#)

MS. SEITZ agreed and added that AFSTF developed a Department of Agriculture white paper, with goals for expanding programs. She suggested that a working group may be unnecessary, as the work is already done. She opined that the decision simply needs to be made.

[4:18:36 PM](#)

SENATOR CLAMAN said that he did not support EO 136. He asked whether the Division of Agriculture with its current budget - or a Department of Agriculture with half of the funding - would be more effective at accomplishing the goals on slide 3.

[4:19:02 PM](#)

MS. SEITZ said the division currently receives \$5 million. She indicated that, with its current funding level, the division does not have the capacity to do the work required to meet those goals. She clarified that she does not support cutting the current budget. She emphasized that the division needs the voice [of a commissioner] to bring Alaska's agriculture industry to a new level. She said an upcoming slide would discuss the history of the division and why the voice of a commissioner is needed. She acknowledged that it is always possible to reduce the budget, but emphasized that a lower budget would be ineffective, as the current budget is not adequate.

[4:20:03 PM](#)

SENATOR CLAMAN clarified that he is not suggesting that the department should start with a smaller budget than the division

currently has. However, he expressed concern that splitting the division into its own department might overextend limited resources. He recalled instances when large departments were split into smaller departments and suggested that the first step should be to grow the division and make these changes within the existing structure before spending the time, effort, and money to create a new department. He surmised that the division would likely get the same amount done with the same amount of money [as a Department of Agriculture would]. He expressed skepticism and opined that, without the necessary resources, it does not matter whether the title is "division" or "department."

[4:20:55 PM](#)

MS. SEITZ indicated that the Alaska Farm Bureau has repeatedly requested a strong division; however, those efforts have been unsuccessful. She expressed skepticism that providing additional funding now would build a strong division that would continue, as the level of future support is unknown. She emphasized that it would be difficult to rely on increased funding knowing that there is the potential to lose legislative support and funding in the future.

[4:21:53 PM](#)

SENATOR WIELECHOWSKI posed a hypothetical example and asked if creating a department with the same amount of funding - but with a need for additional employees - would create a better situation than the current Division of Agriculture.

[4:22:18 PM](#)

MS. SEITZ replied that it would not immediately create an improved situation; however, it could create the structure needed for improvements over time. She suggested that if SB 92 passes, it may be possible to find additional funding. She pointed out that it would take \$300,000 from each department to double the budget for the Division of Agriculture. She clarified that she is not recommending this; however, this would double the division's capacity.

[4:23:10 PM](#)

SENATOR WIELECHOWSKI indicated that if unlimited financial resources were available, it would be an easy decision to support the increase. He pointed out that the growing budget deficit increases competition for available financial resources. He asked how much funding is needed to make the proposed Department of Agriculture effective.

[4:23:41 PM](#)

MS. SEITZ replied that she does not know the ideal number. She referred to the AFSTF Department of Agriculture white paper, which includes steps for moving forward, additional staffing requirements, and recommended funding amounts. She noted that there are also recommendations for agricultural development. She recalled \$1 million in program funding, \$3 million for forgivable loans, and an additional \$1 million for mariculture program development. She acknowledged the current budget deficit and suggested taking incremental steps toward the goals presented in the white paper. She suggested creating the department now and building the programs out more in the future when funding is available.

MS. SEITZ emphasized that she is aware that a large amount of funding is needed and expressed confidence that agriculture has much to offer Alaska in terms of economic development and food security. She listed several opportunities for economic development, including in-state fertilizer development (via mariculture). This would support both the mariculture farmers and land-based farmers, create new agriculture enterprises, and keep money in-state.

4:26:10 PM

SENATOR MYERS briefly commented on the budget approval process and opined that it will always be acrimonious. He asked what a Department of Agriculture would offer and how that differs from what the Division of Agriculture offers.

4:26:47 PM

MS. SEITZ replied that agricultural land leasing is one issue that a department could more easily address. She briefly explained that the Division of Agriculture (which is a part of the Department of Natural Resources (DNR)) must seek approval from the DNR commissioner in order for issues to receive legislative attention. She acknowledged that the current DNR commissioner is friendly to agricultural issues and shared her understanding that upcoming legislation may resolve the aforementioned leasing issues. She stated that the Alaska Farm Bureau has pushed for years to make these changes; however, the request never rises above the Division of Agriculture. She stated that a commissioner of agriculture would be able to bring those needs directly to the legislature. In addition, a commissioner would be able to work directly with executives at large-scale retail outlets and to work with in-state procurement across multiple departments. She emphasized that discussions between department commissioners flow more smoothly than those between a commissioner and a division director. She indicated

that there are additional ways a department would better serve agriculture in the state.

[4:28:43 PM](#)

CHAIR GIESSEL observed that slide 6 contains an organizational chart.

[4:29:00 PM](#)

MS. SEITZ advanced to slide 6, containing a flow chart illustrating the proposed organization of the Department of Agriculture. She explained that AFSTF produced the Department of Agriculture white paper over time and with industry feedback. She stated that this is a starting point to illustrate what is possible and could be done over time. She opined that a commissioner of agriculture would be more successful at carrying out some of the necessary conversations and offered examples. She said that the organizational chart provides some structure and opined that it makes sense to take small steps to start. She noted the interest in combining agriculture and mariculture and said that some program expansion would be beneficial, particularly with respect to development. She suggested that the commissioner could focus on priority areas. She briefly discussed expanding grant capacity and evaluating external funding sources. She reiterated that it would be possible to begin with a limited capacity and focus on growth over time.

[4:31:33 PM](#)

CHAIR GIESSEL commented on the high price of poultry and shell eggs. She opined that expanding local production would increase food security. She shared her understanding that Alaska's seed potatoes - and other varieties of seed - are sought after.

[4:32:01 PM](#)

MS. SEITZ confirmed that Alaska's seed potatoes are sought internationally because of the high quality. She said a commissioner would be better positioned to communicate with other countries and navigate the export market. In addition to seed potatoes, there may be a potential export market for raw canola seeds and peonies. She emphasized the need for someone who can coordinate and expand those markets. She said poultry and eggs is an area that could quickly expand with the right support.

[4:33:24 PM](#)

MS. SEITZ returned to slide 5 and discussed the department focus. Slide 5 indicates that the Department of Agriculture should neither include fisheries nor be renamed the Department

of Food Security. She emphasized that the Department of Agriculture should focus on the industries that are cultivating agricultural products. She expressed confusion about the suggestion to include fisheries in the Department of Agriculture, although recent conversations have helped to clarify the reasoning. She explained that from farming standpoint, there are concerns that including fisheries in the department would push agriculture issues aside in favor of fisheries issues.

MS. SEITZ emphasized that the intention behind creating a Department of Agriculture is to make agriculture a priority, whereas fisheries is already a high priority for the State of Alaska. She opined that fisheries and agriculture should not be placed in the same department; however, she expressed interest in continuing conversations around the reasoning behind the suggestion. With respect to renaming the department to reflect a focus on food security, she acknowledged that that food security is important. However, food security is a broad topic that reaches well beyond the scope of agriculture. She indicated that renaming the proposed Department of Agriculture the Department of Food Security would reduce the department's intended agricultural focus. It would also leave out farms that do not produce food (e.g. peony farms). She reiterated that it is important to ensure that the department name reflects its focus.

[4:36:27 PM](#)

SENATOR DUNBAR agreed that a Department of Food Security would focus on Electronic Benefit Transfer (EBT) and Supplemental Nutrition Assistance Program (SNAP) funding and the Port of Alaska, which is not what the Farm Bureau is requesting. He recalled from discussions of EO 136 that cannabis is the largest cash crop grown in Alaska. He asked what role the Department of Agriculture would have in promoting or regulating the growth of cannabis products.

[4:36:58 PM](#)

MS. SEITZ emphasized that she is speaking for the Alaska Farm Bureau, not for the state. She stated that cannabis is not federally approved and is therefore not a federal agricultural product. She surmised that the current division protocols would continue to apply and shared her understanding that this requires the reporting of any hemp that does not meet the tetrahydrocannabinol (THC) threshold. She noted that SB 128 would move cannabis over to the department. She surmised that it is not the goal to have the Department of Agriculture regulate cannabis. She reiterated her understanding that the current

protocol is for hemp growers to report any THC that is above the legal limit.

[4:38:05 PM](#)

SENATOR DUNBAR asked whether a change to federal law would change the Department of Agriculture's role. He also asked if, in the event of federal legalization of cannabis, cannabis growers would have access to Alaska Farm Bureau's services.

[4:38:27 PM](#)

MS. SEITZ said the Alaska Farm Bureau has not discussed this. She surmised that cannabis growers would meet the definition of a farmer (i.e. someone who is cultivating a crop) and would therefore qualify as a potential member of Alaska Farm Bureau. She emphasized that this is conjecture, and the issue would ultimately be determined by the department and would likely include input from the legislature.

[4:39:14 PM](#)

MS. SEITZ advanced to slide 7:

[Original punctuation provided.]

Program Expansion

- Market Development
- Grants and Loans
- Lands and waters
- Inspection Services
- Alaska FFA
- Mariculture

Increased staff capacity and program funding =
increased reach, resources and ability to build
industry

Details in Department of Agriculture White Paper

MS. SEITZ stated that there are many years' worth of input from organizations and industry available regarding areas for program expansion. She suggested beginning with program development.

CHAIR GIESSEL noted that the Department of Agriculture white paper is available online and in committee members' packets.

MS SEITZ stated that there is opportunity for the department to work with the University of Alaska and with the mariculture industry. She said there is a great deal of opportunity for industry growth.

[4:40:22 PM](#)

MS. SEITZ advanced to slide 8 and discussed the need for a Department of Agriculture. She opined that Alaska needs a Department of Agriculture to see growth in the agriculture industry. She emphasized the need for an organization that can focus on and prioritize agriculture in the state. She said that the Division of Agriculture has been a low priority for the state since statehood in 1959. She acknowledged that some projects have received funding; however, the division has not consistently operated at a capacity that would allow for industry growth. She added that the focus has been on starting - rather than building - agriculture. She opined that creating a Department of Agriculture would provide the focus needed for industry growth.

[4:41:15 PM](#)

CHAIR GIESSEL shared her perspective that the agriculture industry in Alaska has shrunk since statehood.

[4:41:30 PM](#)

MS. SEITZ advanced to slide 9, containing agriculture data from the United States Department of Agriculture (USDA) National Agricultural Statistics Service (NASS) census for the years 1982, 2002, and 2022, and discussed the positive impacts of momentum and support. She acknowledged that the data is limited to the farmers responding and indicated that Alaska has good response numbers. She stated that agriculture in Alaska has experienced growth over the years, though the production percentage has decreased. She noted that Alaska's population has also expanded. She directed attention to the data on slide 9 and said that the growth of Alaska's agricultural industry is increasing momentum.

[4:42:57 PM](#)

SENATOR DUNBAR asked the average size of farms. He acknowledged that crops often determine farm size and wondered if the new farms tend to be small or large.

[4:43:20 PM](#)

MS. SEITZ said there are many small-acreage farms, with half being 9 acres or under. She emphasized that small acreage does not mean a farm is unsuccessful and added that a lot can be done

with a small parcel that is diversified. She noted that Alaska is unique in that small farms have been very successful.

[4:44:04 PM](#)

SENATOR MYERS observed that the interest in Alaska's agricultural sector has waxed and waned over the years, which may have had the impact of beginning projects without the long-term focus needed for continued growth. He asked if this is a fair characterization of the industry over time.

[4:44:29 PM](#)

MS. SEITZ agreed with this observation. She offered an example to illustrate how the State of Alaska has offered financial support for projects in the past and then later pulled project funding. This has been a challenge for growers.

[4:45:04 PM](#)

SENATOR CLAMAN directed attention to the data on slide 9 and said this suggests that the agriculture industry has been successful and is making significant progress under the Division of Agriculture.

[4:45:34 PM](#)

MS. SEITZ said that, despite recent growth, the agriculture industry in Alaska remains relatively small. She suggested that a Department of Agriculture would significantly increase the number of farms in the state. She explained that the past decade has seen an increase in interest from organizations such as the Alaska Food Policy Council; however, this support may not be enough to sustain the level of growth that would be possible under a Department of Agriculture. She emphasized that the division has not had significant success entering larger markets. In cases (such as with Alaska Range Dairy) that have seen success, it has required additional support (such as the governor's involvement in the process). She clarified that slide 9 illustrates that the momentum is there; however, support is necessary for additional expansion.

[4:46:32 PM](#)

SENATOR WIELECHOWSKI asked whether the fundamental argument for creating a Department of Agriculture is that the free market is insufficient and thus government intervention is required.

[4:46:47 PM](#)

MS. SEITZ suggested that one way to look at the issue is to consider what industries the State of Alaska has not supported.

[4:47:02 PM](#)

SENATOR WIELECHOWSKI asked what type of help the Alaska Farm Bureau is looking for.

[4:47:09 PM](#)

MS. SEITZ replied that the AFSTF Department of Agriculture white paper proposes help in building markets. She pointed out that the fisheries industry has help from the Alaska Seafood Marketing Institute (ASMI). The agriculture industry does not have this type of help.

[4:47:27 PM](#)

SENATOR WIELECHOWSKI repeated his earlier question about the fundamental argument. He asked if the argument is that the free market is insufficient.

[4:47:39 PM](#)

MS. SEITZ asked for suggestions. She expressed uncertainty about who to turn to for market development, including state procurement and larger retail markets. She questioned whether Alaska has the free market necessary to build the industry.

[4:48:04 PM](#)

SENATOR WIELECHOWSKI asked whether cooperatives and farmer-funded inspectors could perform those tasks.

[4:48:11 PM](#)

MS. SEITZ asked who would guide that process and emphasized the need for state support. She asked for an example of where this process has been successful without government support. She asked who would perform the inspections and pointed out the need for USDA slaughter facilities. She reiterated the need for government agencies.

[4:48:42 PM](#)

SENATOR WIELECHOWSKI recalled that a government-owned slaughter facility that was sold to private industry. He asked the status of that facility.

[4:48:51 PM](#)

MS. SEITZ replied that the slaughter facility is still in operation. She said there are currently two slaughter facilities in Alaska. She acknowledged that the State of Alaska provided some support for those facilities; however, she emphasized that the State of Alaska did not help build the livestock industry. She explained that the slaughter facilities continue to struggle due to a lack of assistance. She reiterated that the State of

Alaska has not helped build the necessary large-scale agricultural markets. She acknowledged that the Division of Agriculture helped to create the Alaska Farmers Market Association (AMFA) and assisted with the peony industry. She said Alaska is the only state that does not provide dedicated assistance to the agriculture industry. She pointed out that the State of Alaska helps the fishing and oil and gas industries. She questioned the perception that the State of Alaska is not supposed to help the state's agriculture industry.

[4:49:55 PM](#)

SENATOR DUNBAR agreed that the government should provide industries with the necessary infrastructure and support. He disagreed that the fishing industry is analogous to the agriculture industry and offered examples to illustrate the differences. He opined that the administration has not adequately funded ASMI and asserted that the State of Alaska has not done a good job promoting the fishing industry. He agreed that the State of Alaska has done a good job providing support to the oil and gas industry. He asked to return to slide 9 and pointed out that in 2022, the agriculture industry sold close to \$40 million in crops and had 1,173 farms. He estimated that this is around \$40,000 per farm.

[4:50:54 PM](#)

MS. SEITZ clarified that slide 9 contains the total crop value and does not include livestock. She said the total (including livestock) is \$90 million.

[4:51:09 PM](#)

SENATOR DUNBAR said this is roughly \$90,000 per farm. He surmised that, considering the acreage and the cost of farming, many farms are not the family's primary income source. He asked if this is accurate. He asked for information on the number of farms that are the primary source of income versus those that are a side project or secondary income source.

[4:51:44 PM](#)

MS. SEITZ said she would provide that census data to the committee. She said this data would indicate that many farms do require additional, off-farm income. She indicated that health insurance is one reason for this. She noted an increase in the number farmers for whom the farm is the primary income source. She estimated the total to be roughly 900 farmers. She clarified that there are around 2000 farmers for the 1,173 farms.

[4:52:49 PM](#)

SENATOR DUNBAR shared his understanding that Grow North Farm is the only large-scale, industrial farm in Anchorage. He said there are multiple farmers (including refugees) with different plots on the farm. He asked if this counts as a single farm or if it is considered multiple farms, as there are multiple units (with separate farmers) within that location.

4:53:20 PM

MS. SEITZ said she does not know. She expressed uncertainty about the criteria used to make that determination. She said she would research how the USDA census of agriculture determines this and provide the answer.

SENATOR DUNBAR expressed support for Grow North Farm, which is in his district.

4:54:06 PM

SENATOR HUGHES said she worked with Ms. Seitz on the Alaska Food Strategy Task Force and expressed support for her work. She noted that the task force provided a letter of support for SB 128, which included several points related to the inadequacy of the Division of Agriculture. This includes a lack of a robust agriculture industry; a lack of food security; overdependence on outside sources; and a lack of in-state food processing facilities. She shared that she chaired the subcommittee that created the white paper. During that process, it became clear that the primary issue was not related to employees or funding, but to leadership. She explained that there is a need to have a seat at the cabinet table, in order to move projects forward.

SENATOR HUGHES then addressed Senator Wielechowski's question about free markets. She offered an analogy to illustrate that the government is responsible for creating infrastructure that farmers cannot create by themselves. She said that across the country, departments of agriculture support the agriculture industry. Departments of agriculture provide the infrastructure needed to build and navigate markets, coordinate transportation, address production issues, conduct research, and provide education. She emphasized that the departments coordinate many things that farmers cannot do on their own. She expressed excitement about the growing trend of small acreage farms, as newer technologies allow farmers to produce more on smaller parcels of land. She offered an example to illustrate this. She stated that the goal is for the free-market principles to thrive in the agriculture industry; however, she opined that it makes sense for state government to take on certain roles.

[4:57:26 PM](#)

SENATOR KAWASAKI asked about other ways the state can support the agriculture industry, particularly in light of recent discussions of federal farm subsidies and the debt ceiling. He offered several examples, including crop insurance, agriculture risk coverage, conservation programs, among others. He asked what other things a department and/or a division could do to support the industry.

[4:58:27 PM](#)

MS. SEITZ indicated that the list Senator Kawasaki provided includes many good suggestions. She said that providing technical assistance - whether for navigating the federal government in order to obtain crop insurance or assistance for beginning farmers. She briefly discussed the challenges faced by new farmers in Alaska and the various areas where a Department of Agriculture could work with the University of Alaska Cooperative Extension to provide assistance.

[5:00:04 PM](#)

MS. SEITZ advanced to slide 10, containing a chart with budget data from fiscal year (FY) 06 through FY 26 (proposed), and emphasized the need for additional funding and support. She recalled Senator Dunbar's earlier comments related to state funding and support for ASMI and indicated that the Division of Agriculture's funding has likewise been insufficient. She said it would be helpful to have a marketing arm to provide additional support. She emphasized that the agriculture industry in Alaska could be much larger with the appropriate support. She acknowledged that the fisheries industry is larger and inferred that this is partly due to the level of support that industry has received from the State of Alaska. She suggested that agriculture could be in-line with fisheries with an equal amount of support.

[5:01:16 PM](#)

CHAIR GIESSEL thanked Ms. Seitz for her presentation. She highlighted past calls from the governor that successfully placed local milk and tomatoes in stores. She noted that fewer local stores are carrying those products and suggested that an additional call from the governor - or a commissioner - could be helpful. She expressed hope that Alaskans will utilize the upcoming farmers markets.

[5:02:09 PM](#)

[CHAIR GIESSEL held SB 128 in committee.]

[5:02:40 PM](#)

There being no further business to come before the committee,
Chair Giessel adjourned the Senate Resources Standing Committee
meeting at 5:02 p.m.