

HB

467

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. HB 467

Revision Date: _____

Department Affected: Department of Law

Title: "...the definition of 'economic benefit' in relation to a subsistence economy..."

BRU: Exxon Valdez Litigation

Sponsor: Representative Kubina

Component: Exxon Valdez Litigation

Requestor: Representative Kubina

COMPONENT SERIAL

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
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REVENUE FUND SOURCE:						
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FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER FUND SOURCE:						
TOTAL						

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)

Please see the attached analysis.

Prepared by: Richard I. Pegues, Director
Division: Administrative Services

Phone: 465-3672
Date: February 28, 1992

Approved by Commissioner: Charles E. Cole, Attorney General
Agency: Department of Law

Date: February 28, 1992

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Ofc., & Impacted Agency(ies).

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. HB 467

This bill amends AS 46.03.826(a), retroactive to March 24, 1989, to include within the meaning of "economic benefit," the value of a subsistence economy to the physical, economic, traditional, and cultural existence of persons participating in the subsistence economy. As it is used under current law in AS 46.03.822 - 46.03.828, "economic benefit" is defined to mean a benefit measurable in economic terms, including but not limited to the gathering, catching, or killing of food or other items utilized in a subsistence economy and their replacement cost.

It is our view that the bill clarifies existing law by defining the term subsistence economy as it is used in the current statute. Consequently, the bill should not impact the Department of Law.

Alaska State Legislature



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Committee

Legislative Council

Transportation
Committee

Representative Eugene Kubina

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SPONSOR STATEMENT

Sponsor: Representative Gene Kubina

Subject: House Bill 467; An Act amending the definition of 'economic benefit' in relation to a subsistence economy; and providing for an effective date."

Date: 26 February 1992

Subject: compensability of Native subsistence claims within the context of the Exxon Valdez claims of the Trans-Alaska Pipeline Liability Fund.

The Alaska Environmental Conservation Act of 1972 represents a broad effort by the Alaska Legislature to require polluters, including oil spillers, to compensate victims of spill for their full measure of "damages," including all damages measurable in terms of an economic loss. The term "damages" is broadly defined in AS 46.03.824, and refers to "the loss of an economic benefit." The term "economic benefit" is in turn defined in AS 46.03.826(2) to mean any "benefit measurable in economic terms." Included within the scope of such damages are damages to "a subsistence economy," and that term is also defined in the statute at AS 46.03.826. The Legislature's purpose in enacting these provisions was to assure that oil spillers would have to pay all of the economic damages caused by their actions.

In the wake of the Exxon Valdez Oil Spill the subsistence-dependent villages of Prince William Sound and elsewhere have been pressing claims under the Alaska Environmental Conservation Act against Exxon to recover the full measure of economic damages brought about as a result of the immediate and continuing severe impact of the spill on their subsistence way of life. Because the value of subsistence involves considerably more than the bare dollar value of a duck not taken or a fish not caught, computing the damages requires extensive

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and sophisticated economic analyses which in many ways are similar to the analyses applied in determining the dollar value of natural resource damages.

While the villages have been pursuing their claims under the Alaska Environmental Conservation Act in state court, they have simultaneously been required under a Federal court order to present their claims to a federally created body known as the Trans-Alaska Pipeline Liability Fund. The Fund is a more limited avenue of relief for oil spill victims than the Alaska Environmental Conservation Act, because it only contains \$86 million for all of the victims of any one spill, while the Alaska Environmental Conservation Act carries no dollar limit. Recently, the Fund rejected the bulk of the subsistence claims on the ground that governing federal law did not authorize the Fund to pay any economic damages suffered by subsistence-dependent people other than the bare dollar value of subsistence foods not consumed. The decision was made by retired Federal Judge John Gibbons, who was hired by the Fund to dispose of all claims.

The decisions by Judge Gibbons, while unfortunate, would be of little consequence to the Alaska Legislature were it not for the fact that, in the course of a lengthy November 12, 1992 memorandum, Judge Gibbons expresses his view that the subsistence damage claims presented to and rejected by the Fund would similarly not be compensable under the Alaska Environmental Conservation Act.

Retired Federal Judge Gibbons is simply wrong in his assessment of our State's laws and of the Legislature's broad intent in making special provision to assure that polluters will pay the full measure of damage to our subsistence-dependent people. My view of the scope of the current law is shared by the Attorney General's office, which, I am informed, agrees that the Alaska Environmental Conservation Act authorizes the application of contingent valuation methodologies and other economic damage assessment models to compute the full measure of damages required to be paid under the Act. Nonetheless, Judge Gibbons' remarks are disturbing, and if they are accepted by the courts, would represent a severe undermining of the Legislature's intent.

For this reason, I have introduced House Bill 467 to remove any possible doubt regarding the Legislature's intent in 1972, and as reinforced by more recent amendments in 1986 and 1991. If the oil companies can hold their liability for the devastation caused to the village citizens of this State down to the mere food dollar value of their subsistence catches, a grave injustice will have been done to our citizens. I believe the Legislature has a duty to assure that this does not occur, and to remove even the most remote doubts that may have been raised as a result of the unfortunate rulings by the Trans-Alaska Pipeline Liability Fund.