

**HJR**

**13**

**SFIN**

**FILE**

# SENATE FINANCE COMMITTEE REPORT

DATE: 4/1/99

FURTHER: 4/27/99

DATE TURNED IN TO OFFICE: 27 April 99

Finance Committee considered CS FOR HOUSE JOINT RESOLUTION NO. 13(FIN)

Relating to using oil spill settlement funds to create a long-term research and monitoring endowment.

and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- adopt previous \_\_\_\_\_ CS HJR 13 (FIN)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

- Senate Bill:**
- same title
  - new title
- House Bill:**
- same title
  - technical title
  - new: SCR# \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>[Signature]</i>	✓	<i>[Signature]</i>	✓		
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
Co-Chair: <i>[Signature]</i>	✓	Co-Chair:			
Co-Chair: <i>[Signature]</i>		Co-Chair:			

**NEW FISCAL NOTE(S):**

Department                      Date      Zero      Fiscal


**PREVIOUS FISCAL NOTE(S):\***

Department                      Date      Zero      Fiscal

None	3/2/99	✓	

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

STATE OF ALASKA  
1999 LEGISLATIVE SESSION

427199

Bill Version: CSHJR 13 (HES)  
(H) Publish Date: 3/8/99

Revision Date: 3/2/99  
Title: UNIVERSITY ENDOWMENT FOR RESEARCH

Dept. Affected: None  
BRU  
Component

Sponsor: Rep. THERRIAULT  
Requester:

Component Serial No.

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ( )						
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1091 Designated Program Receipts						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY98) cost:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Prepared by

Rep. Fred Dyson  
Co-Chair  
House HESS

Phone \_\_\_\_\_

Phone \_\_\_\_\_

Date \_\_\_\_\_

# Alaska State Legislature

REPRESENTATIVE  
GENE THERRIAULT

Mailing Address:  
119 N. Cushman, Suite 101  
Fairbanks, Alaska 99701  
(907) 488-0857  
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## House Of Representatives

While in session  
State Capitol  
Juneau, Alaska  
99801-1182  
(907) 465-4797  
Fax: (907) 465-3884

House District 33

### CS HJR 13 (FIN)

**Sponsor: Representative Gene Therriault**

### Sponsor Statement

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House Joint Resolution 13, "Relating to using oil spill settlement funds to create a long-term research and monitoring endowment," supports the recent action of the Exxon Valdez Oil Spill Trustees to create a long-term research and monitoring endowment using \$115,000,000 of the expected reserve. The resolution also encourages the Trustee Council to endow chairs in the sciences at the University of Alaska and supports Trustee efforts to work with the Congressional delegation to obtain the necessary investment authority to increase the earnings on remaining settlement funds.

The EVOS Trustee Council allocates money obtained from settlement of the Exxon Valdez spill litigation. Over the years, EVOS funds have largely been used to purchase land for habitat preservation, and have been lacking in the area of research. I believe this has left a critical gap in our understanding of this spill and how to respond in the future. Endowing scientific chairs at the University will help increase available baseline data, enhance the biological resources of the northern Gulf of Alaska, and significantly improve spill-related technology, restoration methods and ecosystem preservation. For example, it is widely understood that many aspects of the Exxon Valdez oil spill response, such as high-pressure washing of beaches and rock washing, may have caused more long-term harm than benefit. We also need to know if types of marine ecosystems are extra sensitive to certain cleanup activities, and if so, how we should respond to a spill in those areas.

An endowment of this nature will fulfill the intent of the Exxon Valdez oil settlement and the mission of the Trustee Council, which is to restore, rehabilitate, replace, enhance, or acquire equivalent resources and services in the oil spill region.

# Alaska State Legislature

REPRESENTATIVE  
GENE THERRIALT

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## House Of Representatives

While in session  
State Capitol  
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Fax: (907) 465-3884  
House District 33

### MEMORANDUM

**DATE:** April 7, 1999  
**TO:** Members of the Senate Finance Committee  
**FROM:** Representative Gene Therriault  
**SUBJECT:** CSHJR 13 (FIN)

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This memorandum provides background on CS HJR 13 (FIN), **Page 4, Line 7**, "Be it further resolved that the Alaska State Legislature supports the Exxon Valdez Oil Spill Trustee Council's efforts to remove the trust funds from the United States Treasury in order to achieve efficiencies and maximize earnings as supported by recommendations from its internal auditors and the General Accounting Office auditors, and urges the Alaska Congressional delegation to work with the Exxon Valdez Oil Spill Trustee Council to achieve these goals."

The United States and the State of Alaska settled civil claims against Exxon in October 1991 for damages caused by the oil spill. Exxon agreed to pay \$900 million over ten years to the governments jointly. The United States required the trust funds, despite the fact that they were joint funds with Alaska, to be kept in accounts in the US Treasury. By order of the US District Court for the District of Alaska, all settlement funds have been paid into the Registry of the Court and deposited in the Court Registry Investment System (CRIS). CRIS is a cash management tool for handling court registry funds. It provides courts an easy and safe way to manage case-related funds that are periodically deposited with the court. CRIS was not designed to actively manage funds.

The federal law requiring EVOS funds to be deposited in CRIS causes two problems. First, all funds deposited in CRIS are assessed a fee of ten percent of interest earnings. Since 1991, the fund has been assessed more than \$2 million in fees. These fees are in addition to investment management fees. According to an independent auditor hired by the Trustee Council, the fees basically cover the services of one individual who determines what portion of funds are available for investment and directs a commercial bank to purchase government securities. The bank performs all record-keeping and

bookkeeping services. The auditors found that the "fees charged for this service are clearly disproportionate to the costs incurred by the Court Clerk for this service."

The second problem is the fund's low rate of return. By law, funds deposited in Court Registry accounts can only be invested in U.S. government Treasury securities. The twelve month average rate of return for the period ending June 30, 1997 for the CRIS Fund was 5.12%, before fees. In contrast, the twelve month average rate of return ending June 30, 1997 for the State of Alaska Employees Retirement Fund, which consists of multiple asset classes, was 18%.

In its March 1 resolution the Trustee Council is seeking flexibility to move the joint funds out of the Registry of the Court and invest funds in appropriate accounts to maximize the revenues while maintaining the safety of the investments. The CS for HJR 13 supports this effort and urges the Alaska Congressional delegation to work with the Trustee Council to achieve this.

Post-it® Fax Note	7671	Date	3/30	# of pages	7
To	Wilda Rodman	From	EVOS		
Co./Dept.		Co.			
Phone #		Phone #	278-8012		
Fax #	465-3884	Fax #	276-7178		

RESOLUTION  
of the  
Exxon Valdez Oil Spill Trustee Council  
concerning the  
Restoration Reserve and Long-term Restoration Needs

WHEREAS, in November 1994, following an extensive public process, the *Exxon Valdez* Oil Spill Trustee Council ("Trustee Council") adopted the *Restoration Plan* to guide a comprehensive and balanced program to restore resources and services injured by the oil spill;

WHEREAS, since that time the Trustee Council has used the *Restoration Plan* to guide development of the annual work plans as well as the acquisition and protection of large and small habitat parcels important to the long-term recovery of injured resources and services;

WHEREAS, the *Restoration Plan* identified a series of large parcel purchases and the Trustee Council has been successful in obtaining habitat protection agreements with willing-seller landowners to provide protection for approximately 635,000 acres;

WHEREAS, the *Restoration Plan* recognized that complete recovery from the oil spill would not occur for decades and that through long-term observation and, as needed, restoration actions, injured resources and services could be fully restored;

WHEREAS, the *Restoration Plan* specifically recognized establishment of the Restoration Reserve to provide a secure source of funding for restoration into the future beyond the last annual payment from the Exxon Corporation;

WHEREAS, the Trustee Council has sponsored an extensive public involvement process to provide opportunity for comment on possible future uses of the Restoration Reserve including public meetings in communities throughout the spill impact region and also in Anchorage, Fairbanks and Juneau;

WHEREAS, a large volume of public comment regarding the Restoration Reserve has been solicited and received urging a wide range of uses for remaining settlement funds including a strong showing of support for additional habitat protection efforts as well as research and other restoration efforts;

WHEREAS, numerous Native tribal members and other community residents from the spill area have indicated a strong interest in continued support for community-based efforts consistent with those that have been previously funded by the Trustee Council such as subsistence restoration, Traditional Ecological Knowledge, youth area watch, cooperative management, and local stewardship efforts;

WHEREAS, the Public Advisory Group (PAG) has reviewed and discussed long-term restoration needs and use of the Restoration Reserve at considerable length and the views of the PAG members have been communicated to the Trustee Council;

WHEREAS, upon consideration of the restoration mission as provided by the settlement and the *Restoration Plan*, past restoration program efforts and accomplishments, public comments received by the Trustee Council, the views of the Public Advisory Group members, and the most current information regarding the status of recovery of the resources and services injured by the oil spill, the Trustee Council has identified substantial and continuing long-term restoration needs;

WHEREAS, full recovery of many injured resources and services is not yet complete and long-term restoration, conservation and improved management of these resources and services will require a substantial on-going investment to improve our understanding of the biology and marine and coastal ecosystems that support the resources as well as the people of the spill region;

WHEREAS, prudent use of the natural resources of the spill area without unduly impacting their recovery requires increased knowledge of critical ecological information about the northern Gulf of Alaska that can only be provided through a long-term research and monitoring program;

WHEREAS, together with scientific research and monitoring, a continuing commitment to habitat protection and general restoration actions, where appropriate, will help ensure the full recovery of injured resources and services;

WHEREAS, consistent with the *Restoration Plan*, restoration needs identified by the Trustee Council require a long-term comprehensive and balanced approach that includes a complementary commitment to scientific research and monitoring; applied science to inform and improve the management of injured resources and services; continued general restoration activities where appropriate; support for community-based efforts to restore and enhance injured resources and services; and protection for additional key habitats.

WHEREAS, by October 2002, as a result of the past and anticipated future deposits into the Restoration Reserve, it is estimated that the principal and interest in the reserve, together with remaining unobligated settlement funds, will be approximately \$170 million unless, prior to that time, on-going negotiations concerning the Karluk and Sturgeon rivers and adjacent lands or other potential habitat transactions result in habitat acquisition agreements that obligates some of these funds;

WHEREAS, absent such additional acquisition agreements, \$170 million is the total of the funds estimated to be available to support long-term restoration based on projected investment returns allowable through the Court Registry under its existing authority and thus reasonably anticipated as available for restoration purposes by the Trustee Council starting with FY 2003 ("estimated funds remaining on October 1, 2002"); and

WHEREAS, the limits of the existing investment authority of the Trustee Council have resulted in the loss of millions of dollars in potential earnings that would have been available to effectively address restoration needs in the future and support a comprehensive program that maintains its value over time, and it is necessary that the limits on the investment authority for the joint settlement funds be amended by Congress if we are to optimize our potential restoration program;

THEREFORE BE IT RESOLVED, that the Trustee Council has determined that recovery from the *Exxon Valdez* oil spill remains incomplete and there is need for establishing at this time a continuing long-term, comprehensive and balanced restoration program consistent with the *Restoration Plan*;

BE IT FURTHER RESOLVED, that funds in the Restoration Reserve and other remaining unobligated settlement funds available on October 1, 2002 (for expenditure starting in FY 2003) be allocated in the following manner consistent with the "Outline of Action Under Existing Authority" dated 3/1/99 attached to this resolution:

- \$55 million of the estimated funds remaining on October 1, 2002 and the associated earnings thereafter will be managed as a long-term funding source with a significant proportion of these funds to be used for small parcel habitat protection and it is recognized that any funding that may be authorized for purchase of lands along or adjacent to the Karluk or Sturgeon rivers or other potential habitat acquisitions would be made from within this allocation; and
- the remaining balance of funds on October 1, 2002 will be managed so that the annual earnings, estimated at approximately 5% per year, will be used to fund annual work plans that include a combination of research, monitoring, and general restoration including those kinds of community-based restoration efforts consistent with efforts that have been previously funded by the Trustee Council, such as subsistence restoration, Traditional Ecological Knowledge, Youth Area Watch, cooperative management, and local stewardship efforts, as well as local community participation in ongoing research efforts;

BE IT FURTHER RESOLVED, that the Restoration Office and the Chief Scientist, under the direction of the Executive Director, shall begin to develop a long-term research and monitoring program for the spill region that will inform and promote the full recovery and restoration, conservation and improved management of spill-area resources; and

BE IT FURTHER RESOLVED, that it is the intent of the Trustee Council that this long-term reserve for research, monitoring and general restoration be designed to ensure the conservation and protection of marine and coastal resources, ecosystems, and habitats in order to aid in the overall recovery of those resources injured by the *Exxon Valdez* oil spill and the long-term health and viability of the spill area marine environment;

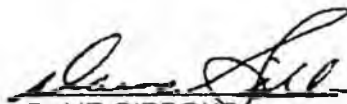
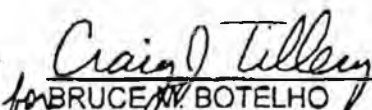
BE IT FURTHER RESOLVED, that in developing a long-term restoration research, monitoring and general restoration program for the spill region, the Executive Director shall solicit the views of the Public Advisory Group, community facilitators, resource management agencies, researchers and other public interests as well as coordinate restoration program efforts with other marine research initiatives including the North Pacific Research Board;

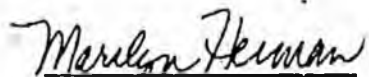

BE IT FURTHER RESOLVED, that the Executive Director shall work with the Alaska Congressional delegation and appropriate State and federal agencies to obtain the necessary investment authority to increase the earnings on remaining settlement funds, so that the Trustee Council will be able to conduct an effective restoration program that maintains its value over time; and

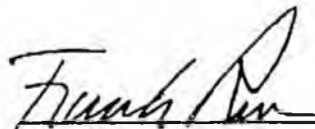
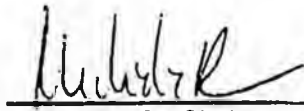
BE IT FURTHER RESOLVED, that in developing long-term implementation options for consideration by the Trustee Council, the Executive Director shall:

- investigate possible establishment of new or modified governance structures to implement long-term restoration efforts,
- explore alternative methods to ensure meaningful public participation in restoration decisions, and
- report back to the Trustee Council by September 1, 1999 regarding these efforts.

Adopted this 1<sup>st</sup> day of March, 1999, in Anchorage, Alaska.

	<u>3/15/99</u>	for		<u>3/9/99</u>
DAVE GIBBONS	Date		BRUCE BOTELHO	Date
Trustee Representative			Attorney General	
Alaska Region			State of Alaska	
USDA Forest Service				

	<u>3/11/99</u>			<u>3/15/99</u>
MARILYN HEIMAN	Date		STEVEN PENNOYER	Date
Special Assistant to the			Director, Alaska Region	
Secretary for Alaska			National Marine Fisheries Service	
U.S. Department of the Interior				

	<u>3/16/99</u>			<u>3/17/99</u>
FRANK RUE	Date		MICHELE BROWN	Date
Commissioner			Commissioner	
Alaska Department of			Alaska Department of	
Fish and Game			Environmental Conservation	

## OUTLINE OF ACTION UNDER EXISTING AUTHORITY

### Assumptions:

- Use of the Restoration Reserve funds will commence with FY 2003 (October 2002)
- The Trustee Council will allocate an additional \$36M to the Restoration Reserve (annual \$12M payments in FY 2000, 2001 and 2002)
- Additional restoration program authorizations from March 1999 to October 2002, exclusive of contractual land payments and other habitat commitments, will amount to not more than \$35M
- Remaining unobligated balance of restoration funds in October 2002 will be \$170M including funds that may be needed for a possible Koniag Karluk-Sturgeon acquisition
- Trustee Council receives no new investment authority and continues to invest settlement funds in treasury instruments that yield approximately 5%

### Elements of a Long-Term Restoration Program:

- Consistent with the *Restoration Plan*, the core elements of a long-term restoration effort would focus on research, monitoring, and general restoration including community-based restoration, and habitat protection
- Starting in FY 2003, and except as otherwise approved by the Council for habitat protection, restoration efforts would be funded from the earnings of remaining funds
- Earnings estimated at approximately 5% per year from treasury investments (nominal yield)
- The approximately \$170M in restoration funds remaining on October 1, 2002 will be allocated into two parts:
  - ✓ \$55M for habitat protection, including a possible Koniag Karluk-Sturgeon acquisition and any other additional acquisitions approved by the Council prior to that date
  - ✓ remainder (estimated at \$115M plus, under the current assumptions) for research-monitoring, general restoration and community-based projects (e.g., subsistence, TEK, stewardship)
- Absent changes in the investment authority and consequent increased yield on investments, there would be no inflation-proofing with the consequent loss of purchase power over time in proportion to prevailing inflation rates (in order to support an annual restoration program of effective size)
- Cost of program management apportioned according to relative expense (public involvement, agency participation, peer review, habitat acquisition support, administration, etc.) to either the habitat or research, monitoring and general restoration funds as appropriate

### Habitat Protection:

- \$55M of remaining funds on October 1, 2002 (FY 2003) for Habitat Protection would include any amounts needed to complete the Koniag Karluk-Sturgeon acquisition or other potential habitat protection purchases

- \$55M of the estimated funds remaining on October 1, 2002 and the associated earnings thereafter will be managed as a long-term funding source with a significant proportion of these funds to be used for small parcel habitat protection and it is recognized that any funding that may be authorized for purchase of lands along or adjacent to the Karluk or Sturgeon rivers or other potential habitat acquisitions would be made from within this allocation
- After December 2001 (the end of the current easement), the \$16.5M previously allocated for the Koniag Karluk-Sturgeon acquisition, if not obligated at that point, would be available for other habitat protection efforts
- Issues that require further consideration:
  - ✓ priority, criteria and decision-making process for specific parcel selection
  - ✓ possible role of non-governmental organization to implement program after October 2002
  - ✓ extent of public involvement in future program

Research, Monitoring and General Restoration:

- Remaining balance of funds (estimated at \$115M plus under the current assumptions) for Restoration Research, Monitoring, and General Restoration would be managed so that earnings-only would be used to support annual work plans starting with FY 2003
- Annual earnings currently estimated at 5% per year if within the U.S. Treasury (nominal yield, no inflation proofing)
- Annual work plan would support continuing restoration and enhancement of oil spill injured resources including long-term research-monitoring, development of improved management tools, synthesis of results, general restoration activities, and community-based restoration projects such as subsistence restoration, Traditional Ecological Knowledge, Youth Area Watch, cooperative management, and local stewardship efforts as well as local community participation in on-going research efforts
- Issues that require further consideration:
  - ✓ whether changes in the annual work plan process are appropriate in light of reduced scale
  - ✓ means and extent of scientific peer review
  - ✓ means and extent of public involvement in process
  - ✓ how and to what extent communities and tribes of the spill area would be involved in long-term research, monitoring, stewardship and cooperative management efforts
  - ✓ whether a new organization or governance structure is needed

3/1/99

Executive Director WORKING DRAFT Recommendation  
**SUMMARY OF PAST AND ESTIMATED FUTURE USES OF SETTLEMENT**  
(In \$ millions)

REIMBURSEMENTS FOR SPILL RESPONSE 213.1

<u>RESTORATION MANAGEMENT</u>	FFY 92-99	FFY 00-02	FFY 03+	
Science Management, Public Involvement & Administration	24.7	5.1	TBD	(a)

<u>RESTORATION IMPLEMENTATION</u>	FFY 92-99	FFY 00-02	Remaining Funds (b)	<u>TOTAL</u>	
Research, Monitoring, General Restoration	145.0	25.4	115.0	285.4	39.8%
Habitat Protection	372.1	4.5	55.0	431.6	60.2%
	<u>517.1</u>	<u>29.9</u>	<u>170.0</u>	<u>717.0</u>	<u>100.0%</u>

(a) To date, Restoration Office science management, public involvement and administration has cost approximately 5% of restoration program expenditures overall. Beyond FFY 02, science management, public involvement and administration costs will be allocated in proportion to program area costs.

(b) Estimate of remaining funds includes Restoration Reserve (with \$12 million per year to be placed into the reserve FFY 00 - FFY 02), interest accrued, the \$16.5 million committed to a Koniag purchase through 2001 plus additional funds currently unallocated.

03/30/99 10:30 907 276 7178

EY Restoration

007/007

# Wildlife still hurt by spill

2/10/99  
Recovery slow  
for many species

By MAUREEN CLARK  
The Associated Press

Ten years after the tanker Exxon Valdez spilled 11 million gallons of crude oil into Prince William Sound, only two of the nearly two dozen species hurt by the disastrous spill are fully recovered, according to the state-federal panel overseeing restoration of the spill area.

The Exxon Valdez Oil Spill Trustee Council on Tuesday updated the official status of the birds, fish and marine mammals hurt by the spill.

The council added river otters to its list of species considered recovered. They join bald eagles, which were declared recovered 2½ years ago.

The March 24, 1989, spill fouled 1,300 miles of shoreline and killed hundreds of thousands of seabirds and thousands of otters, seals and other animals. It also disrupted salmon and herring fisheries for several years.

Environmentalists used the trustees' update as an opportunity to call for Washington lawmakers to oppose Exxon Corp.'s \$77.2 billion takeover of Mobil Corp.

"We're having trouble holding Exxon accountable," said Rikki Ott, a biologist and activist from Cordova.

Exxon should be required to pay a \$5.2 billion jury verdict resulting from the spill before the company gets any bigger, Ott said. Exxon's appeal of the 1994 award is before the 9th U.S. Circuit Court of Appeals.

Exxon officials in Irving, Texas, had no comment Tuesday on the trustees' findings or on calls to halt the takeover, spokesman Ed Burwell said.

The trustee council had been considering adding pink salmon to the list of recovered species, but decided against that, said Stan Senner, science coordinator for the council.

"There is a great deal of concern about lingering effects of oil in subtidal areas," Senner said. Scientists study-

## SPILL: Species still recovering

Continued from Page B-1

ing the effects of the spill have found that even small quantities of oil can damage salmon eggs.

Along with pink salmon in the "recovering" category are mussels, red salmon, and the common murre, a small seabird. About 20,000 oiled murrets were found dead in the months after the spill — three-fourths of all the dead birds recovered in the period.

The trustees voted Tuesday to boost the status of several species from "not recovering" to "recovering." They include clams, Pacific herring, sea otters, black oyster catchers, and marbled murrelets. The marbled murrelet is listed as a threatened species in Washington, Oregon, California and British Columbia.

Several species continue to show little or no clear improvement since the spill, the council said. They include the common loon, cormorants, harbor seals, harlequin ducks, killer whales and pigeon guillemots.

Very little is known about some species hurt by the spill, so the status of their recovery is unknown, Senner said. Those include cutthroat trout, Dolly Varden, Kitlitz's murrelet and rockfish.

January 13, 1999

Voice of The Times  
Anchorage Daily News

## **"Public support needed for spill endowment"**

by Grant C. Baker

[ Up ]

The 10th anniversary of the 1989 Exxon Valdez Oil Spill (EVOS) is approaching soon. A spill symposium will be held from March 23-26 at the Egan Civic and Convention Center to commemorate the event.

Status of restoration programs will be presented. The programs are funded by the \$900 million settlement Alaska made with Exxon in 1991. Each year, a payment is made. The last settlement payment will be received from Exxon in 2001.

A portion of the settlement payments have been set aside each year to create a restoration reserve fund. The reserve is expected to be worth about \$140 million in 2002.

As the final payment grows near, the EVOS Trustee Council has the problem of deciding how to spend the reserve. Oil-damaged areas still need to be restored. Work is needed to fix sporadic and depressed fishery stocks, oiled seabed contamination and the lack of effective oil cleanup methods.

During the same time period since the spill, the financial woes of the University of Alaska have also been heard. The recent low price of oil worsens the problem for the University.

There seems to be a mutual solution to their problems. The needs of the EVOS Trustee Council mesh very well with the mission of the university. Thus, the reserve represents a rare opportunity for both to solve their problems by creating a university research endowment.

Universities across the country have recognized the importance of endowments for their future survival. An Internet search turns up hundreds of Web sites about university endowments.

In 1997, the top 300 university endowments ranged from about \$11 billion to a low of \$67 million. In comparison, the University of Alaska has an endowment worth about \$30 million.

How do university endowments work? First, an initial amount of money is placed into an account. The account earns interest or a rate of return from investments each year. Over the past four years, the average rate of return for 500 university endowments has been about 15 percent.

Part of the earnings is used each year to support things such as research and technology development. This is commonly about 5 percent of the endowment fund. Earnings that remain are left in the account. Each year the account grows and so does the annual amount that can be used. In many ways, an endowment for the University of Alaska would be like the Alaska Permanent Fund.

For example, suppose a \$100 million EVOS endowment is established today for the university. Assume for the sake of discussion that a 15 percent rate of return is used. Over the next 20 years, the endowment will increase nearly six-fold and be worth about \$600 million. An additional \$300 million would have been generated to conduct research.

However, the greatest benefit of an endowment may be the snowballing of opportunities it creates.

Earnings from a \$100 million endowment can fund about 25 permanent endowed research chairs. World-class experts are selected to do the work funded by the endowed chairs. Twenty-five experts in fields such as fisheries, biology, chemistry, and environmental engineering would create a very special university.

World-class experts attract funding from many sources including private industry, and state and federal agencies. Relationships with existing funding sources are enhanced and new funding sources are established. Additional income can be generated from patents and other intellectual properties. For example, Stanford University received about \$120 million from patents and special programs in 1997.

Thus, a broad funding base is generated with long lasting stability for the university and the community. An outstanding environment of teaching and learning is established. That is a natural attraction for students.

An endowment may be structured to do whatever the Trustee Council needs done. As a cooperative effort between the university and the Trustee Council, a customized endowment can be constructed to superbly fulfill the purpose of the EVOS settlement funds.

Public support for an endowment is growing. Resolutions of support have come from the Anchorage Assembly and the Greater Fairbanks Chamber of Commerce. Anchorage Mayor Rick Mystrom, Republican and Democratic legislators, students, and many others have submitted letters of support.

But, the Trustee Council is not yet convinced. It has not committed to the endowment idea.

An endowment can be the key to getting the University on track to become self-supporting. University officials and the Trustee Council need to be shown how well an endowment matches their needs. They need to be urged to get together and make an endowment happen.

Public comments of support are needed soon. The Trustee Council is scheduled to meet on January 21-22 to discuss how the Restoration Reserve will be spent.

The mailing address for the Trustee Council is 645 G St. Suite 401, Anchorage, AK 99501. Addresses and phone numbers for individual Trustee Council members, legislators, and university officials may be obtained from the Internet WEB site at:

<http://www.alaska.net/~baker/evos.htm>

As the 10th anniversary of the spill approaches, the Trustee Council would serve itself and Alaskans well by making sure a university endowment happens as part of the spill legacy.

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*Dr. Grant C. Baker is a faculty member of the University of Alaska Anchorage, an alumnus of the University of Alaska Fairbanks, and a Prince William Sound commercial fisherman.*  
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**University of Alaska President**  
**Mark R. Hamilton**  
**Support for Creating Endowed Chairs and Research Endowment**  
**with the EVOS Restoration Reserve**  
**[ Up ]**

September 28, 1998

Exxon Valdez Oil Spill Trustee Council  
645 "G" Street  
Anchorage, AK 99501

Dear Trustees:

Beginning in 1993, the University of Alaska, along with a significant portion of the Alaska public, has been requesting the Trustee Council maximize the long-term impact of the Exxon settlement through the establishment of a research endowment and the creation of University endowed chairs in appropriate disciplines. Now, in 1998, with over 85% of the EVOS Restoration Reserve expended, no research endowment in place, and no endowed chairs established, I urge you to seriously reconsider these proposals.

Although significant research projects have been supported by the Council, many important areas of inquiry remain that can only effectively be addressed over an extended period of time. Additionally, there are significant areas of applied endeavor relating to spill technology, restoration methods, and ecosystem preservation that have been learned from work thus far that now needs to be pursued and extended for maximum public benefit.

The establishment of an endowment with a major portion of the remaining Reserve will provide a modest annual flow of funds that will allow, through direct grants and leveraging of additional state, federal and private funds, the continuation of important basic and applied research on the coastal ecosystem of the EVOS impacted area. Additionally, the establishment of selected endowed chairs in relevant instructional, research and/or public service programs would further assure that the lessons learned from the Exxon tragedy will continue to be explored and discussed in classrooms, laboratories, public seminars, and community outreach programs.

Although, it seems most appropriate for the EVOS endowment to be established through the University of Alaska, it would be my recommendation that proposals for annual funding be accepted from all sources, including federal and state government. To secure the maximum benefit for the state and particularly the EVOS impacted area, the earnings of the endowment should support priorities established by the advisory group representing regional interests, including those of major industries, state and federal government, scientific representatives, and regional fisheries and aquaculture associations.

I have tremendous respect for the difficult and controversial task that you have performed on behalf of Alaska and the magnificent region that was impacted by the Exxon oil spill. I urge you now to give your support to the proposal for establishment of a permanent endowment to assure that the spill response technology, environmental restoration and monitoring programs, and public education projects that you have initiated and supported will continue long into the future.

Sincerely,

Mark R. Hamilton  
President

**Letter of Support from  
Alaska Senator Frank H. Murkowski  
for creating a University of Alaska endowment  
from the EVOS Restoration Reserve fund  
[ Up ]**

**United States Senate**  
Committee on Energy and Natural Resources  
Washington, DC

Senator Frank H. Murkowski  
Chairman

September 22, 1998

Ms. Molly McCammon  
Executive Director  
EVOS Trustee Council  
645 G. Street, Suite 401  
Anchorage, Alaska 99501

Dear Molly:

I strongly believe it is time to focus attention of the remaining Exxon Valdez Oil Spill (EVOS) funds toward a long term understanding of the Prince William Sound ecosystem and not on a short term goal of habitat acquisition. Therefore, I want to voice my strong support for creating an endowment for the University of Alaska from EVOS Restoration Reserve funds. The creation is an excellent way to combine the goals of the Trustee Council with the capabilities of the University.

In this regard, I am very proud of the efforts by Alaskans to create an endowment. Recent resolutions passed by the cities of Anchorage and Fairbanks show that Alaskans understand the value of their University in meeting the needs of Alaskan communities. Letters of support from UAA Chancellor Lee Gorsuch, UAF Chancellor Joan Wadlow, UAF Alumni, and University faculty and students show that the University wants to serve the public and has the capability to do so. The many of other letters of support from Mayor Mystrom, and the Voice of the Times provide further confirmation that creating a University endowment is the right thing to do.

I hope you will consider the growing numbers of Alaskans who are expressing their opinion in support of endowed chairs and centers within the University of Alaska at your earliest convenience.

Thank you for consideration of this request.

Sincerely,

Frank H. Murkowski  
Chairman

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**Anchorage Mayor Rick Mystrom**  
Letter of Support for establishing a University Endowment  
from EVOS funds.  
[ Cp ]

September 11, 1998

EVOS Trustee Council  
645 G Street, Suite 401  
Anchorage, Alaska 99501

Dear Trustees:

I concur with UAA Chancellor Lee Gorsuch and the Anchorage Assembly and wish to add my support for establishing a research endowment from the EVOS funds within the University of Alaska.

There are numerous benefits to be gained for both the Trustee Council and the City of Anchorage from such an endowment. Our mutual interests and needs mesh very well with the purpose and capability of UAA.

Anchorage is centrally located near two main areas damaged by the spill. Cook Inlet and Prince William Sound are known spill damaged areas continuing to recover. The road to Whittier will soon be completed and will make Prince William Sound much more accessible. Anchorage is a logical choice for spill-based operations since logistics and other costs associated with research and other spill related work could be minimized. Also, several Native Corporations have offices located in Anchorage that over-see spill damaged areas.

I am pleased to endorse the concept of the establishment of a University endowment. It promises numerous benefits for the people of Anchorage and all Alaskans and also serve the mission of the Trustee Council.

Sincerely,

Rick Mystrom  
Mayor

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**UAF Alumni Letter of Support for Establishing an Endowment  
at the University of Alaska with EVOS Funds**

**July 20, 1998**

[ Up ]

July 20, 1998

EVOS Trustee Council  
Restoration Office  
645 G Street, Suite 401  
Anchorage, AK 99501

On behalf of the University of Alaska Alumni Association, I want to express our support for using the funds from the Exxon Valdez Oil Spill (EVOS) civil claims settlement between the state and federal government and the Exxon Corporation to endow academic and research chairs at the University of Alaska.

The University of Alaska is the premier research institution in Alaska with facilities and researchers necessary for the future research on the effects, prevention and further clean up of oil spills and other environmental disasters such as the Exxon Valdez spill. The smart thing to do with these funds is to use them in Alaska, at the State's research university. This endowment would greatly assist the Council in accomplishing its mission to "effectively restore the environment injured by the spill to a healthy, productive ecosystem, while taking into account the importance of quality of life and need for viable opportunities to establish and sustain a reasonable standard of living."

--"Jake" Poole, UAF Alumni Association President, July 20, 1998

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**Board Passes Resolution to Endow Chairs from EVOS**

-by Chip Wagoner

--UAF Alumnus newsletter, January 1996.

What does the UAF Alumni Association Board, the American Ornithologists' Union, the Wildlife Society, the Pacific Seabird Group, the Alaska District of the American Institute of Fishery Research Biologists and the American Bald Eagle Foundation all have in common? All have endorsed using funds from the Exxon Valdez Oil Spill (EVOS) civil claims settlement between the state and federal governments and the Exxon Corporation to endow academic and research chairs at the University of Alaska.

The settlement funds are managed by the EVOS Trustee Council composed of six state and federal governmental officials. The Council's mission is to "efficiently restore the environment injured by the spill to a healthy, productive ecosystem, while taking into account the importance of quality of life and need for viable opportunities to establish and sustain a reasonable standard of living."

The Alumni Board joined University of Alaska President Jerome Komisar and James King '49, a member of the EVOS Trustee Council Public Advisory Group, in urging the Council to provide for the long term needs to monitor and study the impacted resources, communities and populations by endowing academic chairs at the University of Alaska. As a public at large member of the advisory group, Jim King is proposing that the Trustee Council ask the EVOS Restoration Office and the University of Alaska to prepare a detailed plan to use a portion of the restoration reserve to endow chairs designed to fulfill the

EVOS settlement obligation.

The UAF Alumni Board asks you to help both the university and the resources of Prince William Sound by writing to the EVOS Trustee Council at 645 G St., Suite 401, Anchorage AK 99501 and supporting this endowment."

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**UAA Chancellor Lee Gorsuch's Letter of Support  
for a University endowment with EVOS funds  
[ Up ]**

April 9, 1998

EVOS Trustee Council  
645 G Street, Suite 401  
Anchorage, Alaska 99501

Dear Trustees:

I would like to lend support for establishing a research endowment as well as endowed chairs within the University of Alaska system. This is an excellent opportunity for the university and the council to continue work together to accomplish our mutual objectives and goals.

For example, an endowed research chair at UAA provide a means top continue spill-related research in perpetuity. Additional income could be obtained from the patenting of processes for spill restoration and cleanup techniques. Development of educational courses for spill prevention, restoration, and preservation techniques would also serve the needs of our communities, including spill damaged areas, as well as generate additional income from other oil-damaged areas throughout the world also needing similar expertise.

There are numerous faculty on UA campuses prepared to continue to work with the council in advancing its long-term objectives. A research endowment as well as endowed chairs would generate significant long-term value, not only for Prince William Sound, but to our overall understanding of marine ecosystems and their potential response to oil spills. Numerous benefits exist for everyone and I will do all that I can to support this endeavor.

Sincerely,

Edward Lee Gorsuch  
Chancellor

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04/27/99  
09:48:25

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM  
PARTICIPANT LIST (TESTIFIERS ONLY)  
TCN:90652 SCHEDULED FOR:04/27/99 09:00 TO 11:00  
PUBLIC HEARING SENATE FINANCE

LTN1150  
BY:JNU  
FOR:ALL

LOCATION: ANCHORAGE

SB 95  
SB 95  
SB 123  
HJR 13 ✓

DEBBIE  
LARRY  
JENNIFER  
MOLLY

OSSIANDER  
WIGET  
RUDINGER  
MCCAMMON

ANCH SCHOOL DISTTESTIFY  
ANCH SCHOOL DISTTESTIFY  
AKCLU TESTIFY  
EV TRUSTEE CNCL TESTIFY

SENATE FINANCE COMMITTEE

SIGN - IN

HJR 13 - UNIVERSITY ENDOWMENT FOR RESEARCH

NAME: Wandy Redma Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: HJA Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

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Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions