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ALASKA STATE LEGISLATURE
HOUSE RESOURCES STANDING COMMITTEE
January 18, 2017
1:00 p.m.

MEMBERS PRESENT

Representative Andy Josephson, Co-Chair
Representative Geran Tarr, Co-Chair
Representative Dean Westlake, Vice Chair
Representative Harriet Drummond
Representative Justin Parish
Representative Chris Birch
Representative DeLena Johnson
Representative George Rauscher
Representative David Talerico

MEMBERS ABSENT

Representative Chris Tuck (alternate)

COMMITTEE CALENDAR

OVERVIEW: DEPARTMENT OF NATURAL RESOURCES

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

ANDREW MACK, Commissioner
Department of Natural Resources
Anchorage, Alaska
POSITION STATEMENT: Provided a PowerPoint presentation entitled, "Department of Natural Resources Overview for House Resources Committee, January 18, 2017."

ED FOGELS, Deputy Commissioner
Office of the Commissioner
Department of Natural Resources
Anchorage, Alaska
POSITION STATEMENT: Provided background information on directors Mr. Keyes, Mr. Maisch, and Mr. Ellis of the Department of Natural Resources, and answered questions during the PowerPoint presentation entitled, "Department of Natural Resources Overview for House Resources Committee January 18, 2017."

ARTHUR KEYES, Director
Division of Agriculture
Department of Natural Resources
Palmer, Alaska

POSITION STATEMENT: Provided information on the Division of Agriculture during a PowerPoint presentation entitled, "Department of Natural Resources Overview for House Resources Committee January 18, 2017."

JOHN "CHRIS" MAISCH, State Forester and Director
Division of Forestry
Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Provided information on the Division of Forestry during a PowerPoint presentation entitled, "Department of Natural Resources Overview for House Resources Committee January 18, 2017."

BEN ELLIS, Director
Central Office
Division of Parks & Outdoor Recreation
Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Provided information on the Division of Parks & Outdoor Recreation during a PowerPoint presentation entitled "Department of Natural Resources Overview for House Resources Committee January 18, 2017."

ACTION NARRATIVE

1:00:30 PM

CO-CHAIR GERAN TARR called the House Resources Standing Committee meeting to order at 1:00 p.m. Representatives Tarr, Birch, Parish, Talerico, Rauscher, Drummond, Johnson, Westlake, and Josephson were present at the call to order.

[Committee members described various natural resources activities and issues related to each of their districts. Co-Chairs Tarr and Josephson provided members with organizational information on the structure of the committee.]

^OVERVIEW: DEPARTMENT OF NATURAL RESOURCES
OVERVIEW: DEPARTMENT OF NATURAL RESOURCES

1:17:45 PM

CO-CHAIR TARR announced that the only order of business would be a PowerPoint presentation provided by the Department of Natural Resources (DNR).

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ANDREW MACK, Commissioner, Department of Natural Resources, provided detailed background information on key staff members. He then directed attention to a PowerPoint presentation entitled, "Department of Natural Resources Overview for House Resources Committee January 18, 2017," and noted that the presentation would include four parts: Part I would be a broad overview on Alaska's resource base such as the resources that are available and the state's obligation thereto; Part II would be an introduction of the divisions within DNR and information on their recent activities; Part III would provide an update on the Alaska LNG Project (AKLNG); Part IV would be the department's 2017 priorities and activities (slide 2). Commissioner Mack pointed out that not included in the presentation is DNR's responsibility to maintain the state's position relative to the federal government and federal agencies on issues such as land management, public land orders, the National Petroleum Reserve-Alaska (NPRA), and the proposed road through the Izembek National Wildlife Refuge. He recommended that another full presentation is warranted to discuss the topics of land issues and large resource development projects.

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The committee took a brief at-ease.

1:31:19 PM

COMMISSSIONER MACK informed the committee that a fundamental principal of Alaska is its responsibility to manage its land base; in fact, the state encompasses 586,412 square miles, is larger than all but eighteen sovereign nations, and has an extensive coastline, three million lakes, and approximately 40 percent of the nation's freshwater. At statehood, Alaska was granted approximately 105 million acres of land along with tidelands, shore lands, and submerged lands, which add an additional 60 million acres. He compared the total land managed - in excess of 160 million acres - to an area approximately three times the size of Oregon, which creates exciting opportunities, along with obligations, responsibilities, and questions that are fifteen times greater than those of any other state (slide 3). Turning to the vast resource potential of oil and gas, Commissioner Mack said on the North Slope there is an estimated 40 billion barrels of undiscovered conventional oil - 16 billion barrels of that is onshore in state and federal land - an estimated 24 billion barrels offshore, and an estimated over 200 trillion cubic feet of undiscovered conventional natural gas. He pointed out the premise for the natural gas estimate is based on estimates for Prudhoe Bay and Point Thomson.

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REPRESENTATIVE BIRCH asked whether the state is due any further entitlements of land.

COMMISSIONER MACK responded that the state selected about 100 million [acres], with about 5 million more [acres] to be selected, and has patented title to about 60 million [acres]. He explained that although there are federal barriers to the state's plans in many areas, the state holds title to 60 million acres, 40 million acres have been tentatively approved, and 5 million acres are left for selection.

REPRESENTATIVE BIRCH asked whether the state formally objected to the "offshore designation ... [that] took a lot of our offshore potential away."

COMMISSIONER MACK said yes, the state asserted its interest and legally nominated both the Beaufort Sea and the Chukchi Sea for development under the Outer Continental Shelf Lands Act [of 1952]. He characterized the recent decisions affecting that area as "very disappointing." He concluded his discussion on resource development on the North Slope, observing that there are also companies that are interested in unconventional plays. In Cook Inlet, significant undiscovered resources include 19 trillion cubic feet of natural gas, 600 million barrels of oil, and 46 million barrels of natural gas liquids. Furthermore, there are companies such as Doyon, Limited and Ahtna, Incorporated who are looking for oil and gas in Middle Earth [areas of the state not on the North Slope or in Cook Inlet] (slide 4). Commissioner Mack continued, noting that the state ranks in the top ten in the world for important minerals including coal, copper, lead, and gold. He said DNR believes that mining in Alaska has untapped potential and the department works to ensure mining operations have a clear path, and opined that the state has a good relationship with mining regarding safety. Alaska was ranked second for mineral potential in the 2015 Fraser Institute Survey of Mining Companies and has the potential to lead the nation in mineral production (slide 5).

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COMMISSIONER MACK presented an organizational chart showing the DNR commissioner, deputy commissioners, and division directors, and which indicated that Deputy Commissioner Mark Wiggin presides over the Division of Geological & Geophysical Surveys, the Division of Oil & Gas, and the Mental Health Trust Land Office. Deputy Commissioner Ed Fogels presides over the Division of Agriculture, the Division of Mining, Land & Water, the Office of Project Management & Permitting, the Division of Forestry, the Division of Parks & Outdoor Recreation, and the Division of Support Services (slide 6).

CO-CHAIR JOSEPHSON related that the Office of Project Management & Permitting is now fully funded by developers, explorers, and producers. For a later discussion, he expressed his interest in learning how this saves general fund (GF) dollars.

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ED FOGELS, Deputy Commissioner, Office of the Commissioner, DNR, provided background information on Arthur Keyes, director, Division of Agriculture.

1:45:01 PM

ARTHUR KEYES, Director, Division of Agriculture ("DoAG"), DNR, informed the committee that the division provides land sales, loans, and inspections, manages the Alaska Grown program, and oversees other programs related to the agricultural industry. One of the sections of the division is the Plant Materials Center (PMC), which is the sole source of native seed for the state (slide 7). In 2016, PMC treated 657 surface acres of Elodea-infested waterways in Anchorage and in the Matanuska Susitna valley (Mat-Su). He clarified that Elodea is an aquatic invasive plant that causes problems for float planes, fish species, and natural habitat. In addition, PMC produced 1,837 pounds of certified seed potatoes sold to producers in Southcentral, Interior, Kodiak and Southeast Alaska, which equals approximately \$3 million in retail sales of mature potatoes. Finally, PMC processed over 177,000 pounds of grass seed to revegetate and reclaim 3,900 acres of land. Mr. Keyes said over the past three years, the division educated fourteen communities and one hundred and seventy-five producers about farm food safety practices, and opined farm food safety is one of the largest challenges facing Alaska's farmers.

MR. KEYES continued, noting that the division conducted 350 field inspections of the timber industry, seed potatoes, seed grass, federal country-of-origin (COO) audits, farmer's markets, retail [sales], and farms. Also in 2016, the division facilitated the transition of Mt. McKinley Meat & Sausage to the private sector. Mr. Keyes explained that Mt. McKinley Meat & Sausage is located in Palmer, is an asset of the Agricultural Revolving Loan Fund (ARLF), and is the only U.S. Department of Agriculture (USDA) approved slaughter facility in Southcentral. The facility is used by farmers statewide and is a vital piece of infrastructure to the agricultural industry. Mr. Keyes said that millions of dollars in agricultural loans are dependent upon the aforementioned facility [for repayment] because the plant provides the USDA stamp so that farmers' products can be sold as a final cut of meat. He stressed the plant's importance to the agriculture community and for food security in Alaska; however, ARLF took possession of the plant in 1986 and it traditionally operates at a loss. He pointed out that the facility is a "holdover" from Alaska Correctional Industries and serves as a prisoner training business. The plant's annual losses of \$100,000 to \$150,000 are paid from interest payments farmers make to ARLF, thus no losses are paid from unrestricted general funds (UGF). In 2002 and 2006, the state issued a request for proposal (RFP) for purchase of the plant, without success. As director, Mr. Keyes released a new RFP in July 2016

and there were no valid applicants, but the RFP was amended in response to the agricultural community, a qualified applicant emerged, and the applicant's proposal was accepted by the Board of Agriculture & Conservation on December 9, 2016. Currently, the RFP is available for public comment, and Mr. Keyes expressed his confidence in the pending sales agreement.

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REPRESENTATIVE RAUSCHER asked about the public response to the RFP.

MR. KEYES answered that the Board of Agriculture & Conservation considered the plant a real estate asset but the public viewed the RFP issued in July 2016 as "one-sided." After review, a few new ideas were incorporated.

REPRESENTATIVE RAUSCHER noted his district includes agricultural land.

REPRESENTATIVE PARISH asked whether there are any protections in place for the pricing of products, considering the fact that a private owner may need to raise prices to meat producers to make the business profitable.

MR. KEYES agreed that prices could be raised; however, he related that there has been "massive" growth in the livestock industry and another way to make a profit is to increase volume. Speaking from his experience as a business owner, he posited that the facility under private ownership would increase its volume. He said, "I would expect it would be competitive and remain competitive for the producers."

REPRESENTATIVE DRUMMOND recalled touring the plant and seeing its products and prisoners processing meat. During the tour she learned that if the plant under discussion were to shut down, protein production in Southcentral would be destroyed due to the distances from other plants that can certify USDA, and also conflicts with hunting seasons at the other two plants.

MR. KEYES said the other two aforementioned plants include wild game processing in their business plans. In fact, the other two plants stop processing livestock for two months during wild game season because livestock and wild game cannot be processed at the same time. Were it not for Mt. McKinley Meat & Sausage, this period of closure would be devastating for the producers [of livestock] due to the distance needed to travel to another plant while one is shut down. He restated that recently the volume of livestock processed through Mt. McKinley Meat & Sausage has set a record, and a shutdown would force all of the livestock to be processed in Fairbanks or Delta Junction, adding, "I don't view it as feasible, [Mt.] McKinley Meats [& Sausage] is vital."

REPRESENTATIVE DRUMMOND asked what percentage of meat sold commercially in Alaska is processed at the Mt. McKinley plant. She estimated the amount would be comparable to locally grown food, which is about 5 percent.

MR. KEYES said he would provide that information.

REPRESENTATIVE RAUSCHER asked whether the reliance of 4-H [youth organizations] on Mt. McKinley Meat & Sausage was taken under consideration.

MR. KEYES expressed his belief that the potential new owner is supportive of 4-H.

MR. FOGELS added that two years ago a legislative audit of ARLF said the state cannot hold and manage assets.

CO-CHAIR TARR offered to provide members further information on the related legislative audit. Returning attention to the terms of the RFP, she asked whether farmers would retain access to the facility throughout the transition to new ownership.

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MR. KEYES stated that one of the biggest problems with the RFP issued in July 2016, was that it dictated certain policies to a potential new owner. Interested parties informed the state that it could not "[tie] someone's hand" for the new owner to succeed, therefore the restrictions were reduced. He pointed out that a new owner will have to invest a lot of money in the facility, and to be profitable, must provide service to everyone. Mr. Keyes redirected attention to DoAG activities in 2016, noting that ARLF - which was established in 1953 - managed sixty-six loans for agriculture equipment, property, and activities, with a principal loan balance of \$7.69 million and six new loans in 2016. In addition, the division leveraged \$1.3 million in federal grant funding for state and industry projects, including the Elodea program. Another division program inspected more than 116 million board feet of timber, thus enabling exports of Southeast timber to Asian markets and generating \$93 million in timber industry revenue (slide 8).

CO-CHAIR JOSEPHSON inquired as to the amount of state revenue that is derived from \$93 million in timber industry revenue, and questioned why DoAG, and not the Division of Forestry, provides timber inspections.

MR. KEYES explained that DoAG historically provides inspections because its staff includes the State Plant Regulatory Officer (SPRO). Inspections and certifications made by the SPRO are recognized at the federal level. He advised that in some states, forestry and agriculture are "one and the same."

MR. FOGELS added that most state timber in Southeast is sold for

local mills; however, the aforementioned program certifies round logs harvested from private land and going to markets in Asia.

REPRESENTATIVE JOHNSON asked for further information regarding timber inspection.

MR. KEYES said the division sends an inspector to Asia where the logs are fumigated, and the inspector certifies the fumigation. The logs are then accepted into port to be further processed.

MR. FOGELS further explained that Asian countries will not accept logs from the U.S. unless they have been fumigated to prevent the entry of invasive "bugs or critters." As per international trade protocols, a bio-sanitary inspector must certify the fumigation; most logs are fumigated in the U.S. but Alaska has an exception from USDA that allows the fumigation and certification to occur in Asia.

CO-CHAIR TARR asked for further information on the certification of seed potatoes.

MR. KEYES observed that Alaska has a pristine environment for agriculture due to its long distance from other agricultural areas; inspecting and certifying seed potatoes ensures that Alaska potatoes will not have the diseases seen in the Lower 48. Providing protection is not expensive but results in over \$3 million in economic activity and a measure of food security.

REPRESENTATIVE TALERICO asked whether Elodea [eradication] projects are planned for the Fairbanks area.

MR. KEYES affirmed that the division is in the process of permitting a project in the Fairbanks North Star Borough that will be finalized in February [2017], and treatment will begin the following summer. He offered to provide further details.

REPRESENTATIVE TALERICO asked for confirmation when the meat facility transition is completed.

MR. FOGELS provided background information on Mr. Maisch, director of the Division of Forestry.

2:15:22 PM

JOHN "CHRIS" MAISCH, Director, Division of Forestry (DOF), DNR, informed the committee DOF's mission is to serve Alaskans through sustainable forest management and wildland fire protection. The DOF fiscal year 2017 (FY 17) operating budget was approximately \$47 million, of which approximately \$24.2 million were UGF. The division supports 239 positions and is one of the larger divisions within DNR. Mr. Maisch said DOF is the lead state agency for wildland fire management of 150 million acres with the primary goal of protecting life and property. Further, DOF manages 47 million acres of forest land

considered commercial. Alaska also has three state forests that are managed by DOF. During the last fire season, there were 354 fires in state protection areas that burned 104,482 acres, one of the least amounts of area burned in recent years (slide 9). Calendar year 2016 was the second worst year and 5.1 million acres were burned during 766 fires. The contrast between the past two fire seasons demonstrates the range of fire seasons possible in Alaska from the number of acres burned, to the corresponding budget expenses; for example, in FY 17 fire suppression activities cost \$26.2 million UGF and in FY 15 fire suppression activities cost \$103.4 million [UGF].

MR. MAISCH, turning to timber and forest management, said DOF sold 8.2 million board feet of logs in 34 timber sales - from the Railbelt to Southeast - to 27 Alaska-based companies. He pointed out that timber sales were about one-half of normal due mostly to a 42 percent budget reduction in forest management, and to environmental challenges to the Southeast timber program. Mr. Maisch projected that more sales will occur because DOF has cleared legal challenges related to the Tongass National Forest transition plan (slide 9). He then directed attention to activities in [FY 16] beginning with the Tetlin River Fire and the McHugh Fire near Anchorage. He said 93 percent of the firefighting workforce were Alaskans, which generated about \$5.5 million in payroll, but last season only about 50 percent of firefighters were Alaskans. In addition, Lower 48 fire assignments of Emergency Firefighter crew generated \$5.6 million in wages to Alaskans fighting fires in the southern U.S. The division received four competitive grants for hazard fuel reduction for facilities in Caswell, McGrath, and Delta Junction amounting to \$800,000. He noted that federal grants are the only source of funds for this type of mitigation, such as the fuel break which saved a portion of Soldotna during the Funny River Fire (slide 10). In response to Representative Parish, he returned attention to staff reductions, and said from FY 15 to FY 17 there was a 39 percent reduction in staff and a 42 percent reduction in the budget of the forest management side of the division.

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REPRESENTATIVE PARISH asked about the effect of the reduction in timber sales on lost state revenue and economic activity.

MR. MAISCH advised that DOF annually generates about \$980,000 in revenue from timber sales, mostly from the southern Southeast timber program targeted for domestic processing; logs sold on the export market are more valuable, but the state historically sells timber locally to protect jobs. He restated that last year was the lowest volume for Southeast, and he estimated revenue will be about one-half of average.

REPRESENTATIVE JOHNSON recalled there was a forestry office in Palmer during an extremely bad fire year and an appropriation

was needed to continue firefighting activities. She inquired as to the source of the extra funds.

MR. MAISCH cautioned that budget questions are not easy to answer because the fire season is split by two fiscal years. The division spends funds from an activity code for firefighting, and from a preparedness code to be ready. Further, the activity code is divided for fire suppression on federal land, which is reimbursed. He said at the end of a fire season it "takes actually two years to balance those books with our federal partners and other states" However, all of the funds for state protected lands are GF money, and all of the funds for federal lands are federal money. The state also protects private and municipal lands.

MR. MAISCH returned to the presentation, noting that DOF continues work on the Tongass National Forest (Tongass) transition from old growth to young growth together with the U.S. Forest Service (USFS), U.S. Department of Agriculture; the state is a major partner in forest management and recently signed the Good Neighbor Authority (GNA) agreement that allows states management authority for timber sales on federal lands, after the federal government completes the National Environmental Policy Act (NEPA) statement. At this time, DOF is in the process of negotiating a supplemental project agreement for a large timber sale. Also, DOF is participating in a federally funded USDA Forest Inventory & Analysis Program in the Interior that will measure forest productivity and create sustained yield calculations to support biomass projects in rural communities. He estimated the program will bring about \$1.1 million to \$2 million into the division annually (slide 10).

CO-CHAIR JOSEPHSON referred to slide 10, which showed that DOF was involved in issues of water quality and fish habitat. He asked whether the indicated inspections are reimbursable service agreements between DNR and the Department of Environmental Conservation (DEC) and the Alaska Department of Fish & Game (ADFG).

MR. MAISCH explained that the inspections occur under the auspices of the Alaska Forest Resources and Practices Act (FRPA); DNR is the lead agency and works with ADFG and DEC to follow the regulations of the Act which are designed to protect fish habitat and water quality. The statutes and regulations of the Act require private landowners to observe certain best management practices. Fifty-four inspections were on private land, mostly on Alaska Native corporation land in Kodiak and Southeast, and eighty-two inspections were on state land. In further response to Co-Chair Josephson, he said DOF gives deference to its sister agencies in areas of fisheries and water quality, but each of the three departments "support their own efforts in that so no money exchanges hands between the three agencies."

COMMISSIONER MACK added that there are concerns about the most recent plan by USFS to manage the Tongass, and the state formally objected and lodged complaints through comments during the development of the plan. However, the state can take advantage of the work being done by the Tongass young growth forest inventory and through the Good Neighbor Authority agreement. He stated his hope that additional federal funds identified for fire suppression in the Tongass can be redirected into a planning process, and complete the inventory quickly, to facilitate more federal timber sales in Southeast.

REPRESENTATIVE BIRCH inquired as to the status of the "roadless rule."

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MR. MAISCH said there is one piece of litigation pending in district court between the state and USFS on this topic. The state's challenge to the [2001 Roadless Area Conservation Rule] was argued over one year ago and a decision is expected at any time.

REPRESENTATIVE PARISH inquired as to how much of the 60 million acres of state land and the 40 million acres of tentatively-approved land is likely to increase fire danger in the future, and how many are "forestry lands."

MR. MAISCH cautioned that most of Alaska can burn whether forested or not; he noted that all of the 105 million acres of entitlement land are provided fire protection by either the Alaska Fire Service, Bureau of Land Management (BLM), U.S. Department of the Interior, or the Division of Forestry, depending on the service area affected. He offered to provide further details of the fire management plan to the committee.

MR. FOGELS added that there are few state land selections in Southeast. In further response to Representative Parish, he clarified that the state has received 100 million acres of land from the federal government, and of the 100 million acres received, 60 million [acres] have been patented, and 40 million [acres] have been tentatively approved, thus the state has legal management authority over 100 million acres of state land and is due 5 million more acres.

REPRESENTATIVE TALERICO asked whether the director has any concerns about BLM's Eastern Interior Resource Management Plan (RMP), or the Central Yukon RMP, related to designated areas of "critical environmental concern."

MR. MAISCH said he does not anticipate any difficulties managing the state forest due to either of the aforementioned federal plans.

COMMISSIONER MACK informed the committee that both the Eastern Interior RMP - approved by BLM in 2016 - and the Central Yukon RMP, affect land in the [Trans-Alaska Pipeline System (TAPS)] corridor and the entire North Slope. This is a very significant concern to the state; in fact, DNR has objected to the Eastern Interior RMP, and BLM has acknowledged receipt of the state's objection. Impacts to the Fortymile Mining District and other issues are substantive, although a litigation decision has not been made. In addition, the Central Yukon RMP is of immense concern to the state because it is a BLM plan over Alaska's North Slope. He added that the Central Yukon RMP covers 53 million acres, 13 [million] of which are federally owned, and 40 million [acres] are state-owned.

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BEN ELLIS, Director, Central Office, Division of Parks & Outdoor Recreation, DNR, informed the committee Alaska is blessed with the largest state parks system in the nation. The largest state park, Wood-Tikchik, is 1.6 acres, and the third largest, Chugach, is 0.5 million acres. The division manages the parks with 177 fulltime positions, administers federal recreation grants, and oversees state programs such as boating safety, the Alaska Office of History and Archaeology, and the State Historic Preservation Office (slide 17). Mr. Ellis invited the committee to attend the opening of the K'esugi Ken campground in the South Denali Visitor's Center Complex, which is the first new campground in 20 years. Turning to budget issues, he said the division continues its initiative to reduce reliance on general funds for state park operation. In FY 13, program receipts from fees covered 33 percent of the division's operational cost; by 2016, fees covered 37 percent, and last year fees covered 49 percent of the division's operational cost. He projected that in FY 18, fees will cover over 50 percent of operational cost. The division's goal is to bring operational costs close to self-sufficiency. One of the division's stellar programs is the boating safety program, and through the Kids Don't Float and life jacket loan board programs, 28 lives were saved in Alaska. In addition, the division reviewed over 1,600 projects for their impact to historical properties. These reviews assist in exploration and development and are federally funded, as is the boating safety program. The division also awarded \$360,000 in historical grants and over \$1,400,000 in recreational grants for trails funded by the Recreational Trails Program (RTP), Federal Highway Administration. The recreational grants are used for grooming trails and for safety and education (slide 18). Mr. Ellis expressed his pride in the division.

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CO-CHAIR JOSEPHSON inquired as to the funding source for snow machine trail grooming and snowpack work.

MR. ELLIS explained that a program for snow machine grooming and

safety comes from snow machine registration fees collected by the Division of Motor Vehicles, Department of Administration, and a "pass-through in the budget." The budget amount was eliminated last year; however, the program is funded one year and enacted the following year, thus the division is using "2016 money." He understood the amount has been returned in the governor's proposed budget.

CO-CHAIR TARR recalled the division received increased state receipt authority from the legislature to allow for merchandising.

MR. ELLIS advised that many state parks sell park-themed merchandise for revenue; at least six states earn millions of dollars through wholesale retail, online, and campsite sales. After receiving permission from the legislature, the division developed merchandise and a web site for sales. So far, the division has generated about \$20,000 in revenue from sales in the late fall and early winter, and he expressed hope sales of merchandise will decrease the division's need for UGF.

REPRESENTATIVE PARISH asked how the committee can help promote growth in sales.

MR. ELLIS said funding would help the division put out more products for sale, and pointed out states that invest \$500,000 in products sell that merchandise for \$1,000,000. Furthermore, other programs, such as more public use cabins and new campgrounds, will also increase revenue and advance the division toward self-sufficiency. In further response to Representative Parish, he said Alaska will primarily rely on the Internet for selling merchandise, which is an area of sales that is "slowest to grow."

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ADJOURNMENT

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 2:59 p.m.