RESOURCE *review*

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Alaska elected officials urged to craft sustainable fiscal plan

The Rasmuson Foundation is calling on Alaska's elected officials to craft a fiscal plan through strategic cuts to the general operating budget, wise use of excess Permanent Fund earnings, a broad-based tax, and "fine-tuning" oil production tax credits.

Diane Kaplan, the foundation's president, distributed a position paper to members of Governor Bill Walker's transition team and other Alaskans gathered in Fairbanks last month to discuss the state's fiscal future.

"These decisions will be hard, but it's time to protect Alaska's quality of life," said Kaplan.

"My family has been in Alaska for 100 years," said Ed Rasmuson, Rasmuson Foundation chair. "For Alaska to maintain the quality of life we all desire, the state must adopt a rational, achievable fiscal plan. Rasmuson Foundation is ready to help," Rasmuson said.

Low throughput in the Trans-Alaska Pipeline System, sharply lower oil prices, and unsustainable spending are to blame for the state's multi-billion deficit.

With the collapse in oil prices over the past year, the state is facing multi-billion dollar deficits. Oil funds about 90 percent of the state's general fund unrestricted revenue in most years.

The Rasmuson paper warned that Alaska is three years away from a financial cliff that will threaten the standard of living for Alaskans if the state doesn't act now. Even if oil prices move back toward $100 a barrel, which many experts think is too optimistic, by the end of 2019 the state's reserve accounts will be exhausted outside the Permanent Fund Earnings Reserve, and there will not be enough money to fund all public services currently provided by the state.

Between fiscal years 2013 and 2016, the state has relied on reserve accounts totaling more than $13 billion to cover spending.

"Doing nothing to fix the situation is irresponsible," the foundation warned in its report. "After almost 40 years of prosperity from the North Slope, it's time for Alaska to realistically plan for the next 40 years."

Rasmuson recently convened a small group of Alaskans from the private sector, the Native community, the University, municipal, legislative, and executive branches of government to review options for addressing Alaskan's fiscal deficit. The group agreed on further cuts to the general operating budget, use of Permanent Fund earnings, a broad tax on all Alaska workers and visitors, and tweaking oil production tax credit programs. The foundation noted all measures must be considered as "it is impossible to fix the fiscal gap with spending cuts alone without closing numerous schools, university campuses, and eliminating life and safety services."

A broad tax on Alaskans was defined by the foundation as a "modest income tax, a modest sales tax, or a combination of the two."

With regard to use of excess Permanent Fund earnings, even after dividends and inflation proofing are covered, several billion dollars remain available, the foundation noted. It said capping the dividend is an option that needs to be considered, along with using some of the earnings to pay for

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State will soon propose new fiscal plan and campaign

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public services.

The components above could produce significantly more than $2 billion a year in savings and new deposits to the state general fund. "With decent oil prices, achievable success in new exploration and development of our state's abundant oil and gas resources, a more diversified economy, and a cushion in our savings accounts, we would be well within striking distance of a real, long-term balanced budget," the foundation said.

The foundation is preparing to launch a statewide campaign at its own expense to inform, talk to Alaskans, share facts and options, and to explain the urgency, with a goal of presenting to the governor and legislators a detailed long-term fiscal plan for the state.

Governor Walker is expected to propose a package of new taxes and a mechanism for using Permanent Fund earnings. It is not clear whether the governor's plan will be presented in the regular 2016 legislative session or at a special session this fall. The revenue measures are likely to be contentious.

Low oil prices and a long-term decline in North Slope oil production are to blame for the deficit, not the More Alaska Production Act (SB 21) which is now drawing billions of dollars in new investment back to Alaska. The state is projecting an increase in production over the next two years, but in today's low oil price environment, it will not be enough to make a meaningful dent in the deficit. However, at current prices, producers will pay almost $1 billion more in taxes over the next two years than they would have under the old tax system.

In a recent statewide opinion piece, Walker said that for a healthy economy, Alaskans must continue the conversation that was started at the Fairbanks fiscal summit in June. "While my administration will continue to make budget reductions by looking for efficiencies and opportunities to streamline services, we must also talk about diversifying our revenue," Walker said. "We cannot hope and wait for oil prices to go back up."

The governor signed the FY 2016 state budget on June 30. The operating budget totals $5.02 billion, down from $5.4 billion in FY 2015. Capital spending is $118 million, down from $608 million in FY 2015. The deficit is about $3.7 billion, but legislators tapped a $1 billion education fund, reducing the draw on the Constitutional Budget Reserve to $2.7 billion, leaving $7.4 billion in the reserve account.

The oil production tax debate that was resolved through the adoption of SB 21 and its survival in last summer's referendum is reemerging after the governor deferred $200 million in funds appropriated for oil exploration and small producer tax credits. The governor said the state can no longer afford the program as now structured and fine-tuning is in the works.

The tax credits are working to attract new investment and will result in new production, mitigating the long-term production decline. Investments have resulted in increased private sector economic activity and jobs.

Speculation on upcoming discussions on the petroleum tax credit system overhaul are creating a lot of uncertainty across the private sector and the investment community.

The Walker administration has acknowledged potential risks and unintended consequences of changing the tax credits program, which were both a part of the tax equation in the new and old oil production tax systems.

RDC was fully engaged in the governor's fiscal summit in Fairbanks earlier this summer and will be active this fall when the administration reaches out to Alaska communities with its own fiscal plan.

RDC's top legislative priority for 2015 is to "support efforts to limit unrestricted general fund spending to a sustainable level. Since the mid-1990s, RDC has been advocating for implementation of a comprehensive, responsible, and long-range state fiscal plan. The organization has also endorsed wise use of Permanent Fund earnings as part of a plan.

For more than 20 years, RDC has also advocated for tax policy and incentives that enhance the State of Alaska's competitiveness for all industries, encouraging and supporting foreign and domestic investments in Alaska's resource industries and manufacturing, which will grow the revenue pie for Alaska.

Marleanna Hall, RDC's Executive Director, warned "businesses will be reluctant to invest in an undisciplined state that continually returns to taxation to fund unsustainable spending. Something needs to be done now as we can't just keep kicking the can down the road."

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The Resource Review is the official periodic publication of the Resource Development Council (RDC), Alaska's largest privately funded nonprofit economic development organization working to develop Alaska's natural resources in a responsible manner and to create a broad-based, diversified economy.

Past issues of the Resource Review (1978-2015) are available at akrdc.org.

Message from the Executive Director – Marleanna Hall

The more things change, the more they stay the same

My predecessors have eloquently discussed the need for a long-range state fiscal plan for decades. As the organization's newest executive director, I want to pay homage to those that came before me while at the same reminding our membership, and Alaskans in general, that this issue is not new. We must take responsible, and timely action to ensure our state's economic future.

First, I want to thank Governor Bill Walker for recognizing the budget dilemma we are faced with by bringing Alaskans together in Fairbanks last month. I also want to thank the many RDC members, board members, and Alaskans who participated, giving up a beautiful Alaskan weekend to help guide the discussion toward a long-term solution. Each participant realized the growing budget deficit is posing a threat to Alaska's economy and came forward to be part of the solution.

All previous issues of the Resource Review are available at akrdc.org/resource-review-newsletters.

It is a policy of RDC to support efforts to limit unrestricted general fund spending to a sustainable level and to advocate for a comprehensive, responsible, and long-range state fiscal plan. We also support some use of the Permanent Fund earnings as part of a fiscal plan, and tax policy and incentives that encourage future investment in Alaska's resource industries.

In addition, Alaska continues to be "the only state in the union that doesn't have either a state income tax or state sales tax," a point former executive director Jason Brune made in a similar fiscal message in August 2007. We haven't had a state income tax since 1981, when it was abolished thanks to the prospects of oil royalties going to the state's coffers for years to come.

When the state income tax was abolished, it was expected the day of "reckoning" (when Prudhoe Bay was predicted to be depleted) would be in the 1990s. Fortunately, technological advancements extended the life of the giant oil field, and thanks to the recent run of high oil prices, that day has been put off multiple times. But, with low throughput AND low oil prices, that day is now here.

Don't get me wrong, Alaska isn't broke. But we will be soon if we don't take actions. Right now, our elected officials and leaders have an opportunity to make the necessary changes in our state's fiscal structure to close the fiscal gap and work toward a long-term fiscal plan. We must work with them to ensure they take appropriate actions to promote a positive business climate, growing the economic pie rather than government taking a bigger slice of the current pie.

There are three important factors we must consider, and I would contend they should be contemplated in this order: spending restraint, some use of the Permanent Fund Earnings Reserve, and as a last resort, new revenues through a broad-based tax.

The state's operating budget is on an unsustainable path. Unrestricted General Fund spending has increased 230 percent in 10 years while revenues have fallen. This is not a good trend and we must learn to do more with less.

To deal with an anticipated $4 billion deficit, Alaskans will also need to recall the original intent of the Permanent Fund earnings – to help fund essential state services when there is less oil. That said, this must only be done in a responsible, sustainable manner.

"Any new taxes on Alaska industries, while politically easier, risk shrinking our economy, making the long-term revenue picture darker," said immediate past Executive Director Rick Rogers. We need to incentivize economic growth and business investment for Alaska – more mines, oil wells, and responsible resource development projects means more royalties and jobs for the State and Alaskans.

By increasing taxes on Alaska's resource industries to offset unsustainable spending, the state risks driving new investment and jobs away from Alaska. Alaska must be competitive to grow the economy, rather than a larger slice from a smaller pie.

Alaska's oil and gas industry already accounts for more than 90 percent of Alaska's General Fund revenues. The oil industry is the largest property tax payer in the North Slope Borough.

In addition, the mining industry is the largest revenue producer for the Northwest Arctic Borough, and the largest payer of property taxes in the Fairbanks North Star Borough, and the City and Borough of Juneau. These impacts allow these communities to be less reliant on the State for necessary services.

Stability and certainty are another concern.

"The state's rising fiscal gap creates an image of fiscal instability which in turn generates uncertainty among potential and existing industry investors," said former Executive Director Ken Freeman in July 1999.

In 2004, former Executive Director Tadd Owens made an incredibly important point to punctuate the issue, "One thing is clear: This is no time for politics. If every interested participant in this debate pursues the most self-centered, politically advantageous course of action, the problem will not be solved and all Alaskans will suffer. Rhetoric must be cast aside in favor of action. Poll-watching must be supplanted by leadership. Political calculation must be replaced with statesmanship."

The time is now to act, doing nothing is not an option.

Report highlights big economic impact of seafood industry in Southcentral Alaska

A new report by the McDowell Group commissioned by the Alaska Salmon Alliance (ASA) has found that commercial fishing in Southcentral Alaska has an economic impact of $1.2 billion.

The report provides a detailed analysis of city-by-city economic impacts and dives into secondary impacts, which include transportation, retail, fuel services, storage, boat building, materials, and fisheries management.

"Southcentral is a well-known hub for oil, gas, and tourism. The region also plays a critical role in maximizing the value of commercial fishery resources," said Paul Dale, ASA Board of Directors president. "This report clearly documents the importance of the seafood industry in Southcentral Alaska's regional and local economies."

Of the $1.2 billion in impact, $252 million came from ex-vessel value, which is the amount paid to the fishermen at the dock for unprocessed fish. First wholesale value, which is what processors sell their final seafood product for, came in at $432 million, and economic output generated in Southcentral by secondary impacts totaled $501 million.

As far as Southcentral employment numbers go, the seafood industry accounted for 8,130 direct and indirect full-time equivalent jobs during 2013, accounting for three percent of total private sector employment. The jobs included in this tally are resident commercial fishermen and processing workers, hatchery employees, and commercial fisheries management-related staff. More commercial fishermen live in Southcentral than anywhere else in the state.

Commercial fishing in Southcentral Alaska generates $1.2 billion annually in economic activity, including 8,100 direct and indirect full-time equivalent jobs.

(Photo courtesy of United Fishermen of Alaska)

While the report collects data from all Southcentral communities, it highlights the effects to the Anchorage and Mat-Su areas, which most don't think of as a "fishing village." However, a total of 2,223 resident fishermen live in Anchorage or Mat-Su, generating $149 million in labor income from direct and secondary seafood jobs.

Anchorage also serves as a vital transportation hub, moving seafood freight via barge and air cargo. In 2013, Anchorage port facilities shipped a whopping 168 million pounds of seafood out of state and Alaska Airlines carried 24.5 million pounds of seafood to U.S. markets.

The McDowell report estimated that Port of Anchorage seafood "backhaul," or moving something valuable back south on the container ships rather than sending them empty, cuts shipping costs enough to save each Alaska household $70 annually.

A full copy of the report may be found at alaskasalmonalliance.org.

RDC urges BLM to withdraw proposed management plan

RDC recently sent a letter to the Bureau of Land Management (BLM) to express serious concerns over the Bering Sea – Western Interior Resource Management Plan (RMP) and to urge the federal agency to withdraw the proposal and engage Alaskans in developing an RMP that encourages multiple use and access.

RDC is concerned the preliminary alternatives are overreaching and exclusive of information needed to make decisions on lands covered by the RMP. "The preliminary alternatives selected by BLM create more restrictions for resource development, as virtually no BLM land in the planning area will be made available for resource development or access," said RDC Executive Director Marleanna Hall.

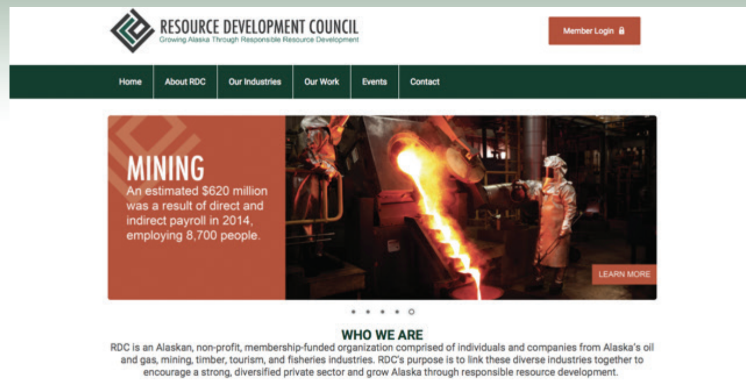
RDC encouraged the BLM to incorporate multiple-use management, increased access for exploration, mineral leasing, mining, and oil and gas development. Much of Alaska's federally managed lands are closed to resource development, and the RMP should include provisions to open more areas to development activity.

RDC strongly opposed the designation of lands in the planning area as Areas of Critical Environmental Concern (ACEC). RDC pointed out that the ACECs are unwarranted as existing state and federal regulations provide protection for the resources that were used to initially justify the designations. For example, many of the existing ACECs were established to protect fish habitat, despite numerous existing state and federal laws and regulations that protect the habitat.

Hall said, "ACEC appears to be a blanket closure to mineral entry, and lacks justification and explanation for the closure."

akrdc.org – same name, fresh new look

As part of our 40th anniversary celebration, RDC has launched a new website that features your trusted resource content in a contemporary platform. All Resource Review's dating back to 1978 are still available, as well as comment letters, testimony, past presentations and much more. We welcome you to explore the site and get to know our new digital home.



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Alaskans rally for Arctic drilling at Seattle port hearing

Tanned from whale hunting on the Chukchi Sea, Mayor John Hopson Jr., of the Native village of Wainwright flew to Seattle in early May to testify at a Port of Seattle commission hearing to explain how vital Arctic oil drilling is to his community and the economy of Alaska.

Hopson was one of more than a dozen Alaskans at the hearing to urge the commissioners to allow Shell to use the port for its Arctic drilling fleet. "We left our homes at a critical time," Hopson told the commissioners. "We have come off the ice from whaling to speak to you."

Noting that oil development in the Arctic has brought modern conveniences and vital public services to Alaska Native communities and the state's urban areas, Hopson said "we want to impress on you that the Arctic isn't just a place of polar bears. It's our home."

Hugh Patkotak, CEO of the Olgoonik Corporation, agreed, noting "the environmental community doesn't have a plan for our people. They don't want Arctic exploration to move forward, but they have no idea what our needs are. It seems like we Inupiats are in their way because we are the people of the Arctic. We live it day to day. It seems they would like to place us in a diorama in a museum."

The Port of Seattle hearing was one of several flash points of tension between Alaska and Washington state over offshore oil exploration in the Alaska Arctic this year. Shell contracted with Foss Maritime for a two-year lease so the port could serve as the company's home base for its Arctic fleet.

As local activists rose up against Arctic drilling, Seattle Mayor Ed Murray and the Seattle City Council demanded the commission cancel its lease with Foss. Earlier, Washington Governor Jay Inslee sent a letter to Interior Secretary Sally Jewell opposing Arctic drilling, claiming more oil development in Alaska would accelerate climate change.

Reacting to the letter, Alaska Senator Cathy Giessel said, "If Washington state is truly concerned about carbon dioxide emissions and environmental impacts in our nation, then it ought to look within its own borders. Giessel noted the Boeing plant produces an average of 650 aircraft per year that discharge more than 500,000 tons of carbon dioxide in their lifetimes.

The Polar Pioneer arrived in Dutch Harbor July 11th in advance of Shell's drilling efforts later this summer in the Chukchi Sea.

(Photo courtesy of Shell)

The commission voted to appeal a ruling by Murray that Foss' land use permits do not cover Shell's operations in basing its fleet at the port. A Superior Court hearing will be held on the issue soon.

Alaskans attending the port hearing emphasized the dangerous precedent the City of Seattle would set by excluding Shell from an industrial port. They reminded the commission that business ties between Alaska and Seattle go back more than 100 years when Seattle was a staging point for Alaska gold rushes.

In 2013, Alaska commerce accounted for 113,000 jobs and generated $6.2 billion in wages for the Seattle area, according to the Seattle Chamber of Commerce.

RDC testified at the hearing and encouraged other Alaskans and Washington business leaders to weigh in on the issue.

Chris Hladick, Commissioner of the Alaska Department of Commerce, Community and Economic Development, warned that efforts to block Shell from using the port could damage Seattle's reputation as a friendly region for business.

"Make no mistake, it would cast an unprecedented strain on the partnership between Puget Sound and Alaska," Hladick said. "Before throwing away over a century of economic partnership, I strongly urge you to honor the lease."

RDC's Rick Rogers pointed out that Puget Sound literally runs on oil from the Alaska Arctic. He noted Alaska supplies nearly half of all crude oil refined in Puget Sound. An estimated 12,000 jobs in the region and $780 million in labor earnings are connected with refining Alaska oil. One quarter of all Puget Sound maritime industrial support activity is connected with Alaska producing 5,300 jobs and a $390 million annual payroll.

"If populist politicians and extreme environmental activists can dictate who can use the essential port infrastructure under your charge, then no industrial and commercial activity in the port is immune," said Rogers. "If offshore exploration is offensive to the environmental sensibilities of Seattle, who is next? The aerospace industry with its carbon footprint? Will the port be asked to review every decision of the North Pacific Fishery Management Council to determine if Alaska fisheries are green enough to curry favorable treatment of the 1,000 Puget Sound fossil-fuel propelled vessels that fish in our Alaska waters and contribute to over 10,000 Puget Sound jobs? What other commercial activities might not be deemed politically correct by this populist sentiment?" Rogers asked.

The Port of Seattle has an important mission to create jobs by advancing trade and commerce, promoting economic growth, and stimulating economic development.

"Sadly the lease is being used as an ill-thought publicity stunt by environmental activities, and a political springboard by short-sighted politicians," Rogers added. "Cancelling the lease is unlikely to thwart the exploration of the vast oil and gas potential of Alaska's offshore, but it would risk long-term economic damage to the Port, and to the Puget Sound and Alaska economies."

Guest Opinion – Greg Wolf

Export industries turn in strong performance

Alaska's export industries turned in a strong performance in 2014, reaching the second highest level in the state's history. Last year, exports from Alaska to overseas markets totaled $5.2 billion, just shy of the all-time record of $5.3 billion achieved in 2011. These record high export levels, having more than doubled in the past two decades, reflect the increasingly important role that exports play within the Alaska economy as a driver of natural resource exploration and development.

Alaska is predominantly a resource exporter. The markets for these resources are primarily found around the Pacific Rim, especially in Northeast Asia. As the late Governor Walter J. Hickel said many times, "While Alaska's political ties are with the United States, her economic ties are with Asia." That was true when he said it then, it is true now, and it will remain true for the foreseeable future.

There are several reasons for this concentration of Alaskan exports to Asian markets. First, many Asian countries are resource poor while Alaska is resource rich. Secondly, Alaska is nearby; there are well established shipping lanes by sea and air that connect the state to these markets. A third, and often overlooked reason, is that as part of the United States, Alaska offers political stability and the rule of law, important considerations for countries who rely heavily on imports for such vital resources.

While these countries are dependent on the import of these commodities to fuel their expanding economies and growing populations, so to Alaska depends on the development and export of these commodities to support the vitality of its own economy. These circumstances make for natural, mutually beneficial trading partnerships between the state and its neighbors across the Pacific.

Alaska's top three trading partners are, indeed, Asian nations. At $1. 4 billion, China is the state's largest export market and they have become the largest single buyer of a number of our major export categories. Japan ranks second at just over $1 billion, followed by Korea at $670 million. The state's fourth largest export market is Canada at $515 million. In addition to the Pacific Rim customers, there are several European countries among the state's top ten markets, including Germany, Spain and the Netherlands.

Seafood has been and remains the state's top export category. In 2014, shipments of seafood to overseas markets reached $2.2 billion and accounted for 44% of the state's total exports. Totaling $1.7 billion, minerals and metals is the second largest category at 34% of total exports. This category includes zinc and lead concentrates as well as precious metals such as gold and silver. At 11%, energy is the third major export category and consists primarily of LNG and coal. Last year, energy exports totaled some $551 million. Other significant exports categories are forest products, ranked fourth at $128 million, followed by fishmeal at just over $100 million.

In explaining Alaska's strong, ongoing export growth trajectory, the state is benefitting from what we've dubbed as "The Three Rights." The right place, geographically. Located as it is on the Pacific Rim, Alaska is a neighbor to the countries with the fastest growing economies and populations. The right time, with economic liberalization and modernization in the world's largest emerging markets, like China and India, creating enormous new demand. And, with the right stuff. Alaska has world-class reserves of natural resources to export. These are, essentially, the building blocks of economic development and, importantly, are what people need versus what they want. In other words, Alaska is selling the "must haves" to a world that increasingly requires and can afford them.

Greg Wolf is Executive Director of World Trade Center Alaska.

Arctic regulations miss the mark

A draft federal rule regulating oil exploration in the Chukchi and Beaufort seas could stifle industry's ability to develop new and safer drilling technologies, RDC warned in comments to federal authorities last month.

The new drilling standards include a requirement for a second rig to be on site to sink a relief well in case of a blowout. RDC noted all troubled wells over the past 40-plus years have been brought under control by other means such as capping stacks to halt the flow. Blowout preventers and capping stacks are preferable to industry because they are effective and much more timely in controlling a problematic well. Relief wells have been deployed later to perform a final plug and abandon the well.

Given advances in technology, industry no longer considers a same season relief well approach to be the best available and safest technology in response to a loss of well control.

In its comments, RDC said the new regulations must be clear and well-reasoned, they should eliminate redundant standards, promote performance-based standards as opposed to antiquated and overly prescriptive regulations, and reflect the practicalities of drilling in the Arctic. RDC's extensive comments on the rule are at akrdc.org.

Forest plan revision draws fire

In comments to the U.S. Forest Service on the Chugach National Forest land management plan revision process, RDC expressed concern that the decision process is predisposed to non-development, pro-wilderness designations.

The Forest Service is considering additional Wild and Scenic River designations and expanding wilderness study areas where existing mining claims, approved mining activities, and legal access routes to mining claims currently exist. The Forest Service has also included existing motorized recreation areas in Turnagain Pass as suitable for Wilderness.

RDC opposes new Wild and Scenic River designations, as well as Wilderness designations in the nation's second largest national forest. "The Alaska National Interest Lands Conservation Act was intended to resolve the issue of what lands in Alaska should be designated Wilderness," RDC said. "Additional wilderness suitability studies and recommendations are not allowed in Alaska under ANILCA."

RDC said that all forest lands that are open to motorized recreation and mineral location and entry should not be considered suitable for Wilderness nor proposed for designation. To read RDC's comments on this issue, please visit akrdc.org.

Jewell's statement on Alaska mining activity draws response

The Alaska Miners Association (AMA) sent a letter last month to U.S. Department of the Interior Secretary Sally Jewell, regarding statements she made to a reporter following a speech she delivered this spring to the Center for American Progress, a liberal think tank that strongly favors preserving federal land from development.

Jewell defended the federal government's land management and brushed off calls from western states to acquire some federal lands outside parks and refuges.

After her speech, Jewell bristled at the suggestion that the Obama administration is blocking development on federal lands in Alaska and claimed that much of the mining in the state is occurring on federal lands.

AMA's letter to Jewell pointed out that only two of Alaska's six large operating mines are on federal lands – both are on Forest Service land and also include acreage under private and State of Alaska ownership. No lands at these two operations are managed by agencies administered by the Department of the Interior.

The Red Dog Mine in Northwest Alaska, located on NANA Regional Corporation land and operated by Teck Alaska, is one of the largest zinc mines in the world. Only two of Alaska's six large operating mines are on federal lands.

Other large scale-mining operations are located on State of Alaska and Alaska Mental Health Trust lands, as well as NANA Regional Corporation land. Further, of Alaska's 400 small-scale placer mining operations, 82 are on federal lands, as opposed to 306 located on State of Alaska lands and 36 privately owned operations.

"For Secretary Jewell to say much of Alaska's mining activity is on federal lands is an overstatement at best," said Jason Brune, President of the AMA Statewide Board of Directors. Brune is also a board member of RDC.

In addition to clarifying mining activity on federal lands, AMA noted it is not optimistic for a future increase of this activity. Half of Alaska's lands are, while extensively mineralized, closed to mineral entry by statutory and regulatory requirements.

A recent policy from the Bureau of Land Management (BLM) designated the 685,000 acres within the Fortymile Mining District as an "Area of Critical Environmental Concern (ACEC)," closing it to mineral entry.

In separate comments to the BLM, both AMA and RDC noted land withdrawals of this size are in direct conflict with the Alaska National Interest Lands Conservation Act (ANILCA). The largest commitment to conservation in the nation's history, ANILCA included a "no more" clause, promising Alaskans that lands outside of the conservation areas would be available for multiple-use. AMA and RDC are both discouraged by the designation of the Fortymile ACEC, and the proposal of others in the western and northern regions of the state.

In her comments to the reporter following her speech, Jewell suggested the State of Alaska diversify its revenue streams. The Secretary also said the federal government conservation actions are not to blame for Alaska's current fiscal situation.

Decisions by the Obama administration to permanently block development in the Coastal Plain of the Arctic National Wildlife Refuge, prohibit oil leasing in the North Aleutian Basin, significantly delay drilling plans in the Chukchi and Beaufort seas, and closing off resource-rich areas of the National Petroleum Reserve (which is entirely closed to mineral entry), are the most recent federal decisions that will prevent new oil from flowing through Alaska's pipeline and diminish state revenues.

These sorts of actions are also occurring in Southeast Alaska, sharply reducing timber harvests in the nation's largest national forest; in Southwest Alaska, obstructing a mining project from entering the permitting process; and in Interior Alaska, preventing small family-run placer mines from continuing their operations.

"Alaskans would love to diversify its revenue streams," said Brune, "if the federal government would only allow us to do so."

AMA's letter to the Secretary expressed that existing regulations and bureaucratic delays deter new operations from developing federal lands. "We are gravely concerned at the message sent when, what are effectively land withdrawals, occur after Alaskans were assured 'no more' by law," said AMA Executive Director Deantha Crockett. "Land users rely on the law's promise when making decisions to invest in Alaska," Crockett added.

"Mining on 'much' of Alaska's federal lands will occur only when a stable and predictable permitting process is in place and land is managed in a way that incentivizes business investment," Crockett continued. "AMA looks forward to that day and stands ready to help Secretary Jewell make her statements a reality."

Rick Rogers retires; will serve on RDC Board

After nearly four years as serving as RDC's Executive Director, Rick Rogers has retired but will remain active as a member of the organization's statewide Board of Directors.

Rogers has more than 30 years of experience in Alaska working in both the private and public sectors on a wide range of resource development projects, public policy, and permitting issues. His career included 12 years with Chugach Alaska Corporation where he oversaw the Native corporation's lands and natural resources.

Rogers settled in Alaska in 1981, cutting his teeth in arguably the most remote logging camp in Alaska, preparing timber sales and overseeing harvest operations at Icy Bay on Alaska's gulf coast. Rogers is a former President of the RDC Board and past director of the Alaska Forest Association.

RDC President Ralph Samuels acknowledged Rogers for his hard work, dedication, and passion at RDC's Annual Meeting in June. "Rick, thank you for your excellent work at RDC and we look forward to you returning to the Board where we know you will remain active in our work to grow Alaska through the responsible development of our natural resources," Samuels said. The crowd of 900 gave him a well-deserved and extended standing ovation.

Alaska joins other states in challenging recently finalized federal wetlands rule

The State of Alaska is joining North Dakota and ten other states in challenging the recently finalized "Waters of the U.S." rule adopted by the Environmental Protection Agency (EPA) and the U.S. Army Corps of Engineers (Corps). The new rule attempts to define what waters are covered by the Clean Water Act (CWA), resulting in the need for a federal permit. However, instead of clarifying federal law, the rule has left states with more questions.

"This final rule will likely have detrimental impacts on development in Alaska," said Governor Bill Walker. "In addition to being incredibly expansive, the rule is also unclear. It will only lead to more expensive permitting and legal fights over 'what is in' and 'what is out' under the federal law."

The new rule expands what falls under federal jurisdiction by automatically sweeping up "adjacent" or "neighboring" waters and wetlands within a certain geographic limit to downstream waters already covered by federal law. Additionally, if "adjacent" or "neighboring" water extends into the set geographic limit by even a few feet, the entire water body or wetland is subject to federal jurisdiction and permitting. By virtue of Alaska's unique and abundant water and wetlands area, many adjacent or neighboring waters will fall within the rule, regardless of their connection to downstream waters.

"Alaska has over 174 million acres of wetlands and more coastline than all of the Lower 48 combined," said Walker. "While not all of these waters are covered by the CWA, we have long protected these important resources under statutory and regulatory authorities. This new rule just creates confusion and unnecessary bureaucracy for our state."

According to the state's complaint, problems with the new rule not only include the substance of the rule, but also the way it came about. Under the CWA, Congress recognizes the primary responsibility of the state to prevent pollution and plan the development and use of water resources within its borders. However, despite the significant effects this rule has on state authority, the EPA and the Corps failed to meaningfully consult with the states in the development of the rule.

"This rule came under a muddled process which failed to consider information specific to Alaska," said Walker. "By overlooking our state's unique circumstances, the rulemaking fails to disclose the regulatory and economic impacts it will have on Alaska, which is required by law."

The U.S. House has passed bills to retract the rule, and a similar bill has passed out of the Senate Environment and Public Works Committee, but has not been voted upon by the whole body.

Alaska Senator Dan Sullivan who is on that committee, has said that opposition to the rule is "huge and growing."

Senator Lisa Murkowski's Interior and Environment Appropriations bill, which passed out of its committee in recent weeks, also included a provision that would forbid the agency from spending any money implementing the rule.

On the Senate floor last week, Murkowski said the rule "will subject countless new projects to permitting requirements that will be difficult to satisfy, increasing both costs and certainly increasing project delays."

More than 43 percent of Alaska's surface area is composed of wetlands — which accounts for 65 percent of the all the wetlands in the nation. Already, a huge percentage of Alaskans' waters are under federal control – 63 percent of the nation's jurisdictional waters are in Alaska. RDC's comments on the rule are available at akrdc.org.

RDC appoints new executive director, elects board members

At its 40th Annual Meeting Luncheon in Anchorage June 30th, the Resource Development Council proudly announced the appointment of Marleanna Hall as the new executive director.

"Marleanna brings eight years of RDC member issue work and experience to the helm," said Ralph Samuels, RDC board president and Vice President, Government and Community Relations for Holland America Line. "Her passion to grow Alaska through responsible resource development has been key to the success of RDC and I look forward to her continued leadership in this new role."

Marleanna Hall

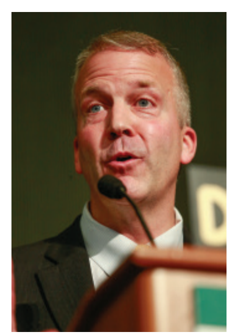
Prior to this appointment, Hall was a Projects Coordinator for RDC, and formerly the Development Director for the Alaska Mineral and Energy Resource Education Fund (now Alaska Resource Education). She previously worked at Tesoro Alaska Company and the Arc of Anchorage.

Hall holds a Bachelor's in Business Management – Administration from the University of Alaska Anchorage. In 2010 she completed the Leadership Anchorage program through the Alaska Humanities Forum, as well as the Anchorage Chamber of Commerce's Leadership and Executive Advancement Program in 2012.

Hall and her husband Dan have one son, Alex, and three Labradors. They enjoy spending time between their home in Anchorage and their cabin in Willow.

In addition, RDC announced the appointment of its new 2015-2016 Board of Directors. New members to the board are Monica James, Calista Corporation; Joey Merrick, Laborers Local 341; Christy Resler, Schlumberger; Rick Rogers, and Doug Vincent-Lang, all of Anchorage. To view the full RDC board of directors, please visit akrdc.org.

Pictured above are members of the 2015-16 RDC Board of Directors attending the 40th Annual Meeting in Anchorage June 30th. In front row are Len Horst, Treasurer; Ralph Samuels, President; Lorna Shaw, Vice President, and Ethan Schutt, Secretary.



Keynote speaker U.S. Senator Lisa Murkowski, Chair of the Senate Energy and Natural Resources Committee, is working to move a comprehensive energy bill through the Senate, the first such bill since 2007. She told a crowd of 900 at RDC's Annual Meeting Luncheon that it's easy to find reasons not to do things, but the state has "riches and resources and wealth that other states can only imagine, and rallying together, working together, dreaming big – that's what we do in Alaska." In center photo, former RDC Executive Director Rick Rogers is congratulated on his retirement by U.S. Senator Dan Sullivan, Murkowski, and RDC President Ralph Samuels. At top right, Sullivan also spoke at the luncheon, urging Alaskans to make the argument for responsible resource development and then win that argument. At right, Representative Dan Saddler presents a citation from the Alaska Legislature recognizing the efforts of Alaska Resource Education (ARE). Receiving the citation are Ella Ede, ARE President, and Michelle Brunner, Executive Director.

Thank You!

The Resource Development Council would like to acknowledge the many fine sponsors of our 40th Annual Meeting Luncheon on June 30 featuring Senators Lisa Murkowski and Dan Sullivan. Thank you for helping grow Alaska through responsible resource development.

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