

ALASKA STATE LEGISLATURE
SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

April 6, 2010

3:35 p.m.

MEMBERS PRESENT

Senator Donald Olson, Chair
Senator Joe Thomas, Vice Chair
Senator Albert Kookesh
Senator Linda Menard

MEMBERS ABSENT

Senator Hollis French

COMMITTEE CALENDAR

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 273(FIN)

"An Act relating to general grant land entitlements for the City and Borough of Wrangell and for the Haines Borough; and providing for an effective date."

- MOVED CSHB 273(FIN) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 273

SHORT TITLE: MUNICIPAL GENERAL GRANT LAND

SPONSOR(S): REPRESENTATIVE(S) P.WILSON

01/08/10	(H)	PREFILE RELEASED 1/8/10
01/19/10	(H)	READ THE FIRST TIME - REFERRALS
01/19/10	(H)	CRA, FIN
02/11/10	(H)	CRA AT 8:00 AM BARNES 124
02/11/10	(H)	Heard & Held
02/11/10	(H)	MINUTE(CRA)
02/25/10	(H)	CRA AT 8:00 AM BARNES 124
02/25/10	(H)	Moved CSHB 273(CRA) Out of Committee
02/25/10	(H)	MINUTE(CRA)
02/26/10	(H)	CRA RPT CS(CRA) 5DP 1NR
02/26/10	(H)	DP: GARDNER, KELLER, HARRIS, CISSNA, MUNOZ
02/26/10	(H)	NR: HERRON
03/17/10	(H)	FIN AT 1:30 PM HOUSE FINANCE 519
03/17/10	(H)	Heard & Held
03/17/10	(H)	MINUTE(FIN)

03/18/10 (H) FIN AT 9:00 AM HOUSE FINANCE 519
03/18/10 (H) Moved CSHB 273(FIN) Out of Committee
03/18/10 (H) MINUTE(FIN)
03/19/10 (H) FIN RPT CS(FIN) NT 6DP 3NR
03/19/10 (H) DP: THOMAS, AUSTERMAN, JOULE, N.FOSTER,
FAIRCLOUGH, STOLTZE
03/19/10 (H) NR: GARA, DOOGAN, KELLY
03/24/10 (H) TRANSMITTED TO (S)
03/24/10 (H) VERSION: CSHB 273(FIN)
03/25/10 (S) READ THE FIRST TIME - REFERRALS
03/25/10 (S) CRA
04/06/10 (S) CRA AT 3:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

REPRESENTATIVE P. WILSON
Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Sponsor of HB 273.

KACI SCHROEDER-HOTCH
Staff to Representative Thomas
Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Provided information for HB 273.

ROBERT VENEABLES, planning commissioner
Haines Borough
Haines, AK

POSITION STATEMENT: Testified in support of HB 273.

CAROL RUSHMORE, director
Economic Development
City and Borough of Wrangell

POSITION STATEMENT: Testified in support of HB 273.

MARK EARNEST, manager
Haines Borough
Haines, AK

POSITION STATEMENT: Testified in support of HB 273.

DON MCCONACHIE, mayor
City and Borough of Wrangell
Wrangell, AK

POSITION STATEMENT: Testified in support of HB 273.

TIM ROONEY, manager

City and Borough of Wrangell
Wrangell, AK

POSITION STATEMENT: Testified in support of HB 273.

RICHARD MYLIUS, director
Division of Mining, Land and Water (MLW)
Department of Natural Resources (DNR)
Anchorage, AK

POSITION STATEMENT: Provided information for HB 273.

ACTION NARRATIVE

[3:35:04 PM](#)

CHAIR DONALD OLSON called the Senate Community and Regional Affairs Standing Committee meeting to order at 3:35 p.m. Present at the call to order were Senators Menard, Kookesh and Olson.

HB 273-MUNICIPAL GENERAL GRANT LAND

[3:35:14 PM](#)

CHAIR OLSON said the first order of business to come before the committee was HB 273 [CSHB 273(FIN)].

REPRESENTATIVE P. WILSON, sponsor of HB 273, said the bill corrects a deficit in the borough formation process, which resulted in minimal land entitlement for the city and borough of Wrangell and Haines. HB 273 increases their municipal land entitlement. When a new municipality forms, the Department of Natural Resources (DNR) grants the municipality 10 percent of the vacant, unappropriated and unreserved (VUU) state land within the borough. Because the borough of Wrangell is comprised of over 97 percent federal land, Wrangell's original entitlement from DNR was only 1,952 acres. Other Southeast communities, such as Haines, have had the same problem.

The City and Borough of Wrangell and DNR entered negotiations and agreed on an acreage that was suitable to both parties. HB 273 was amended in the house Community and Regional Affairs (CRA) committee based on these negotiations. The current version of HB 273 entitles the City and Borough of Wrangell to 6,506 acres. Wrangell later realized that the Sunny Bay area, a 2,500 acre section of the Cleveland Peninsula parcel was included in HB 295, the University Land Grant bill, and was slated to be handed over to the university.

REPRESENTATIVE PEGGY WILSON said she amended HB 295 in House Resources committee, giving the City and Borough of Wrangell

priority selection in this area. An amendment in House Finance increased Wrangell's entitlement by about 2500 acres to allow the city to select Sunny Bay in addition to their original selections. The city had originally asked for 19,000 acres and the selections still only equal 9,000 acres.

She noted that Sunny Bay is used by Alaska Crossings, a statewide wilderness youth program and the largest employer in Wrangell. It is also used by Wrangell-based guide and charter companies and is a subsistence and recreational use area for local residents. She asked that the committee consider passing HB 273 with the full allotment of the 9,600 acres for the City and Borough of Wrangell.

[3:39:26 PM](#)

CHAIR OLSON recognized Senator Thomas as joining the meeting.

CHAIR MENARD asked if HB 273 had any opposition.

REPRESENTATIVE P. WILSON replied that a little pushback came from DNR.

CHAIR OLSON asked what DNR's main objection was.

REPRESENTATIVE P. WILSON replied that DNR's main objection was that HB 273 will take 2,500 acres away from the university allotment.

CHAIR OLSON asked if the university has a problem with the acreage selected by the borough.

REPRESENTATIVE P. WILSON replied that the university testified and expressed a sentiment similar to, "Well there's not much we can do about it."

CHAIR OLSON said the university has resigned itself to this. He asked if HB 273 is displacing anyone from the area.

REPRESENTATIVE P. WILSON replied no.

CHAIR OLSON asked if any of the land selection in HB 273 is in the Southeast State Forest that is going to be established.

REPRESENTATIVE P. WILSON replied no.

CHAIR OLSON asked what kind of development could go on in the 9,600 acres.

REPRESENTATIVE P. WILSON replied that Carol Rushmore can answer that question.

[3:42:23 PM](#)

SENATOR MENARD asked if there was a land trade situation with the university.

REPRESENTATIVE P. WILSON replied no.

CHAIR OLSON asked Representative P. Wilson to address some of the issues that the amendment brought up on the Haines selection.

REPRESENTATIVE P. WILSON replied that Robert Venables, from Haines, can speak to that.

CHAIR OLSON asked how many acres Haines started out with initially.

ROBERT VENABLES, planning commissioner, Haines Borough, said he was speaking on behalf of Mark Ernest, Haines Borough Manager. He replied that the Haines Borough is about 2 million acres proper with about 80,000 acres considered VUU lands. The 10 percent entitlement would equal 8,000 acres. At the urging of the state, the 3rd class Haines Borough was dissolved and a new home borough was established. The entitlement then should have been extended. He noted that the grant is not just about the land but is an entitlement that to help subsidize the new cost of a new borough formation. The acreage is a compromise of what they saw as available and useable - there's many more acres of VUU land which are not accessible. These are areas that have promise for development and use for the municipality that are not seen as being useful to the state.

CHAIR OLSON asked if anyone is being displaced by the selections of these lands.

MR. VENABLES replied no.

CHAIR OLSON asked what the plans are for developing the extra acreage.

MR. VENABLES replied that the planning commission would start the classification process to find the best use. Subdivision is possible, with taxes then subsidizing the municipal, operational cost.

CHAIR OLSON asked what kind of services will be provided to people in that area.

MR. VENABLES replied that "sometimes the best service we can provide is no service". Areas like Excursion Inlet are happy to pay the minimal amounts for education and then be left alone. Other times, areas will form a service area and then the government delivers services the residents deem appropriate.

[3:47:12 PM](#)

SENATOR MENARD asked if Haines has been dropping in population.

MR. VENABLES replied that the economic situation is grim with the loss of mills and limited resource development. Haines' population has been one of the more stable in Southeast but is still declining. He noted a small influx of retirees.

SENATOR THOMAS asked for confirmation that the 1,809 acres indicated in the letter from Janice Hill, mayor of Haines, are included on in the 3,167 acres on page 2, line 7 of Version E.

KACI SCHROEDER HOTCH, staff to Representative Thomas, replied yes and noted that Mayor Hill's letter of support was written before DNR said other parcels are available.

SENATOR THOMAS clarified that in discussions with DNR, Haines picked up further acreage.

MS. SCHROEDER HOTCH replied yes.

[3:50:56 PM](#)

CHAIR OLSON opened public testimony.

CAROL RUSHMORE, director, economic development, City and Borough of Wrangell, said Wrangell became a borough in May, 2008. The city has worked with Representative Peggy Wilson on HB 273 and with DNR to identify the acreage. In 2005, when the University Land Grant bill was new, the city successfully lobbied for Wrangell to have first selection of three parcels of land in the bill should Wrangell become a borough by 2009. In 2005, the borough's boundaries did not include part the Sunny Bay parcel and Wrangell did not realized they would be able to select some of that land. In 2006, Meyers Chuck approached Wrangell to be part of the borough and the boundary was changed and ultimately included some of that parcel. Wrangell is extremely interested

in that parcel because of the jobs there now and potential for additional economic development and use by borough residents.

[3:53:42 PM](#)

Originally, some of the parcels the borough was looking at were part of the Southeast State Forest and so the borough backed off. As a timber community, Wrangell understands the need for certain types of timber land and feels that the state's development of timber land will benefit the borough and city. Wrangell has requested an amendment to the current University Land Grant bill so that Wrangell has first rights to the Sunny Bay parcel.

CHAIR OLSON asked what services the city and borough provides currently and plans to provide for newly acquired areas.

MS. RUSHMORE replied that a couple of settlement areas exist within the new borough area: Meyers Chuck, Thoms Place and Olive Cove. The city and borough has been working closely with Meyer's Cove to identify what services they need, such as a new dock or communication services. Sometimes they do not want anything.

CHAIR OLSON asked about public safety and schools.

[3:56:42 PM](#)

MS. RUSHMORE replied that the city and borough does provide search and rescue, police, planning and taxing.

CHAIR OLSON asked how the Haines borough came to 3,176 acres.

MARK ERNEST, manager, Haines Borough, responded that coordination with DNR found lands deemed VUU within the borough. Little land was VUU and could be developed. Three parcels were included in the university land selection bill but were dropped and then made available for selection. These, plus two more parcels, one identified in the letter, make up the acreage.

[3:59:19 PM](#)

DON MCCONACHIE, mayor, City and Borough of Wrangell, said Wrangell would like to be as responsible and self-sufficient as possible. He pointed out that Wrangell has kept in close contact with its outlying areas.

CHAIR OLSON asked about Wrangell's population now and in ten years.

MR. MCCONACHIE replied that Wrangell's population has declined over the last ten years because of the down turn in the forest industry and lack of job opportunities. Wrangell is trying to reinvent itself and expand on job opportunities. He foresees minimal growth over the next ten years but hopes it is slow and steady.

4:02:07 PM

TIM ROONEY, manager, City and Borough of Wrangell, emphasized the importance of the Sunny Bay area to the Wrangell economy. AICS/Crossings, Wrangell's largest employer, utilizes the area. He would like to see the area protected.

REPRESENTATIVE P. WILSON commented she would like to see HB 273 moved out of committee.

CHAIR OLSON asked what DNR's main objection to HB 273 is. He asked if DNR supports HB 273.

REPRESENTATIVE P. WILSON replied that "it is kind of hard to tell". She suggested that if DNR is against HB 273, they would be testifying. She noted that the original request was for 19,000 acres after looking at the average percent that all other boroughs received upon formation. Negotiations ended with 10,000 acres less than that, but Wrangell was still happy.

CHAIR OLSON asked if DNR negotiated the city and borough down from 19,000 acres to 9,000 acres. He asked what DNR's stance is on HB 273.

4:05:34 PM

RICHARD MYLIUS, director, Division of Mining, Land and Water (MLW), Department of Natural Resources (DNR), said his office administers the municipal entitlement program. DNR agrees that Haines and Wrangell should get a larger land settlement because the formula, in statute, resulted in a small amount of land. DNR agreed with Wrangell on a figure of 6,506 acres and with Haines for 1,809 acres. Both municipalities wanted one additional, specific parcel of land each that was committed to the university in HB 295. HB 295 was amended and the Haines parcel was withdrawn and Wrangell was to get priority on the parcel there. DNR still feels it is appropriate for those parcels to go to the university and prefers the smaller acreage figures. He noted that HB 273 does not specify the parcels of land, only the acreage. Later issues could arise during the conveyance process because of competing issues. DNR does not oppose HB 273.

SENATOR THOMAS asked what the other competing interests are and how much land entitlement is still left.

MR. MYLIUS replied that one parcel in Haines had been identified for a future park if it did not go to the university. No other problems exist with the other acreage in Haines. In Wrangell, the 19,000 acreage figure would have a significant negative impact on the state's timber program. The parcel at Sunny Bay was not identified for timber harvest but it was selected by the state for possible future development. HB 273 does not give the City and Borough of Wrangell that parcel; a subsequent decision-making process will take place to sort that out.

[4:09:56 PM](#)

SENATOR THOMAS referred to the date October 1, 2011 in HB 273 and asked if that is the deadline for land selection.

MR. MYLIUS replied that October 1, 2011, is the date by which the land selections must be filed and then DNR has to make a best interest finding and a public notice on those lands. If DNR rejects any of the selections, other land can be selected. DNR is obligated to fulfill an entitlement; if sufficient land is not available, cash can be used if the legislature will appropriate the money.

SENATOR THOMAS said he thought the land was classified VUU; he asked if the borough has the first right to that land.

MR. MYLIUS replied that DNR looks at the VUU classification and then at the land use plan. The land use plan for one parcel in Haines, even though it is VUU, specifically says it has potential for a state marine park. The borough is aware of that.

SENATOR THOMAS asked if designated VUU land can also have another designated use that the boroughs should be aware of in advance of their land selection.

[4:13:21 PM](#)

MR. MYLIUS said the information is known to the borough through the land use plan. The university land was different because it was separate legislation from 2005.

SENATOR THOMAS commented that the university or Mental Health Trust might have evaluated land for mineral use or another use.

CHAIR OLSON asked if Mr. Mylius would want to help the financial viability of a small, struggling community with more acreage, especially considering the state's incoming surplus this year.

[4:15:44 PM](#)

MR. MYLIUS replied that granting land to municipalities does not give them a lot of revenue. He said the land is more "an incentive to control their destiny" rather than a money maker. He said that Wrangell agreed that taking state land out of timber production has a negative impact on Southeast's economy.

CHAIR OLSON said Mr. Mylius' answer sounds like the sponsor would agree with him.

MR. MYLIUS replied that the borough agreed with DNR that timber harvest lands should stay with the state.

[4:18:49 PM](#)

CHAIR OLSON noted that giving a new borough half of their requested land does not encourage other boroughs to be formed.

MR. MYLIUS replied that the formula-driven entitlement for the Wrangell Borough was only 1,900 acres and DNR is increasing that five-fold. The borough came up with the formula that resulted in the 19,000 acres and DNR did not agree with that formula.

CHAIR OLSON said development is not encouraged unless more acreage is given to the local area.

MR. MYLIUS replied that the 19,000 acre figure gave Wrangell more than half of all the state land within the borough which would have negatively impacted the state timber program.

[4:20:23 PM](#)

CHAIR OLSON closed public testimony.

REPRESENTATIVE P. WILSON said that the formula [that Wrangell used] is based on how much state land is in borough boundaries. In Southeast, land is almost all National Forest, not state land. DNR did not want to give away land involved in the timber industry and Wrangell agreed. Wrangell then asked for some of the land that was going to the university. She said, "There should be some way that we can have parity with the other boroughs".

SENATOR THOMAS moved to report CSHB 273(FIN), referred to as Version E, from committee with individual recommendations and

accompanying fiscal notes. There being no objection, the motion carried.

4:22:24 PM

CHAIR OLSON, seeing no further business to come before the committee, adjourned the meeting at 4:22 p.m.