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1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 720 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to state land; and providing for an  
7 effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. It is the purpose of this Act to encourage the orderly  
10 settlement of state land and the development of state resources by making  
11 available state land for the private use of citizens of the state.

12 \* Sec. 2. (a) The director of the division of lands in the Department of  
13 Natural Resources shall, no later than November 1, 1978, designate 20,000  
14 acres of state land for homesite entry in accordance with the procedures  
15 established in AS 38.08.

16 (b) The director of the division of lands in the Department of Natural  
17 Resources shall, no later than November 1, 1978, designate for sale by  
18 lottery under the provisions of AS 38.05.042 enacted in sec. 4 of this Act a  
19 minimum of 10,000 acres of state land for residential use which is otherwise  
20 vacant, unappropriated and unreserved. The land shall be sold in parcels not  
21 to exceed five acres in reasonably compact form, with boundaries conforming  
22 as nearly as practicable to natural geologic and topographic features.

23 (c) The director of the division of lands in the Department of Natural  
24 Resources shall to the greatest extent possible, before November 1, 1978,  
25 dispose of land that is surveyed or platted and classified as agricultural,  
26 commercial, industrial, private recreation, residential, utility, or open-to-  
27 entry.

28 (d) The provisions of AS 38.05.035(a)(14), 38.05.300, 38.05.310, AS  
29 46.03.090 and administrative regulations adopted to implement those provi-

1 slons are inapplicable to the land disposals required in (a) - (c) of this  
2 section. The director of the division of lands in the Department of Natural  
3 Resources shall give public notice of the land disposals required in (a) -  
4 (c) of this section in accordance with AS 38.05.345(b).

5 \* Sec. 3. REDESIGNATION AND DISPOSAL OF MENTAL HEALTH LAND. (a) Land  
6 granted to the state under the Mental Health Enabling Act of 1956, 70 Stat.  
7 709, and patented to or approved for patent to the state on July 1, 1978 and  
8 land designated as mental health land which was received in exchange for land  
9 granted under that federal land grant is redesignated as general grant land  
10 and shall be managed and disposed of by the Department of Natural Resources  
11 under applicable provisions of law.

12 (b) A municipality may select land redesignated under (a) of this sec-  
13 tion to satisfy its entitlement to land under AS 29.18.190 - 29.18.200 if the  
14 governing body of the municipality certifies to the director of the division  
15 of lands in the Department of Natural Resources that not less than 30 per  
16 cent of the land selected will be committed to disposal for private use or  
17 ownership.

18 (c) The redesignation of mental health land in (a) of this section does  
19 not affect the validity of a deed, contract for sale, lease, easement, right-  
20 of-way, permit, mineral lease disposal, or other conveyance of that land  
21 executed before July 1, 1978.

22 \* Sec. 4. AS 38.05 is amended by adding new sections to read:

23 Sec. 38.05.041. AVAILABILITY OF LAND. (a) During fiscal year  
24 1980, the director shall make available a minimum of 70,000 acres of  
25 state land suitable for disposal for private use. Annually thereafter,  
26 the governor shall at the time of submitting the administration's budget  
27 also submit to the legislature the following three options for the  
28 disposal of state land: an increased-level program, a current-level  
29 program, and a reduced-level program. The acreage made available in a

1 fiscal year shall include at least 10,000 acres in each of the following  
2 land disposal programs:

3 (1) land for sale for residential use under AS 38.05.042 -  
4 38.05.069; and

5 (2) land available for homesite entry under ch. 8 of this  
6 title.

7 (b) Land offered for disposal under (a) of this section that is  
8 not sold or otherwise disposed of during a fiscal year may be included  
9 in required offerings during the next fiscal year.

10 Sec. 38.05.042. LOTTERY SALES. (a) The director of the division  
11 shall, during each fiscal year, make available for sale by lottery a  
12 minimum of 10,000 acres of state land offered under sec. 41(a)(1) of  
13 this chapter. Land for sale under this section shall, to the extent  
14 possible, be located in various locations across the state so that  
15 eligible state residents will have the opportunity to purchase con-  
16 veniently located land.

17 (b) The purchase price of land sold by lottery may not be more  
18 than the appraised value of the land. The lottery shall be conducted in  
19 public by the director or his representative, and at the time of sale a  
20 purchaser shall deposit with the person conducting the lottery an amount  
21 equal to five per cent of the purchase price.

22 (c) To qualify for participation in a sale of land by lottery  
23 under (a) of this section, a potential purchaser shall

24 (1) at the time of application have attained the age of 18;

25 (2) submit proof acceptable to the commissioner that he has  
26 been a resident of the state for not less than three years immediately  
27 before the date his application was submitted;

28 (3) certify that he has not purchased land at a sale by  
29 lottery in the state within five years immediately preceding the sale

1 date.

2 (d) To apply for participation in a lottery under this section an  
3 applicant shall

4 (1) submit appropriate evidence as required by regulation  
5 that he is eligible under (c) of this section; and

6 (2) pay a nonrefundable application fee of not more than \$10  
7 for each application.

8 (e) The director shall accept applications to purchase particular  
9 parcels under the following procedures and conditions:

10 (1) the application period may not be less than 30 days;

11 (2) no application may be accepted less than 15 days before  
12 each lottery;

13 (3) notice of the application period and the date of the  
14 lottery shall be given in accordance with sec. 345(b) of this chapter;  
15 and

16 (4) the application shall be made on a form provided by the  
17 department.

18 (f) Parcels of land available for sale by lottery under this sec-  
19 tion shall be awarded by lot. The commissioner shall adopt regulations  
20 under the Administrative Procedure Act (AS 44.62) which permit appli-  
21 cants to designate the parcel or alternative parcels they wish to pur-  
22 chase if they are selected by lottery.

23 (g) An aggrieved lottery participant may appeal to the commis-  
24 sioner not later than five days after the lottery is conducted for a  
25 review of the lottery procedures.

26 (h) The director may include in contracts for sale of land under  
27 this section terms which

28 (1) require purchasers to use or occupy, or both, the land  
29 purchased for a reasonable period of time after a sale;

1 (2) prohibit the resale of land purchased by the initial  
2 purchaser until the requirements imposed under (1) of this subsection,  
3 if any, are satisfied.

4 Sec. 38.05.043. LAND DISCOUNT PROGRAM. (a) The director shall  
5 grant to eligible persons a discount on the purchase price of land  
6 offered under sec. 41 of this chapter at the rate of five per cent of  
7 the purchase price of the land purchased for each full year that the  
8 purchaser is a resident of the state. A discount granted under this  
9 section may not exceed 50 per cent of the total purchase price of the  
10 land or a value of \$25,000, whichever amount is less.

11 (b) To be eligible for a discounted purchase price under (a) of  
12 this section, a person shall

13 (1) have been physically present in the state for the 12-  
14 month period before the sale, except for brief intervals, military  
15 service, attendance at an educational or training institution or for  
16 absence for good cause;

17 (2) maintain a place of residence in the state;

18 (3) be registered to vote in the state;

19 (4) not have claimed residence in any other state for any  
20 purpose during the 12-month period immediately before the sale;

21 (5) show by all attending circumstance that his intent is to  
22 make Alaska his continuous residence; and

23 (6) have attained the age of 18 at the date of sale.

24 (c) A person seeking to establish eligibility for a discount under  
25 this section shall present proof meeting the criteria set out in (b) of  
26 this section to the director. A person who submits information to the  
27 director under this section knowing it to be false is guilty of a felony  
28 and, upon conviction, is punishable by imprisonment for not more than  
29 five years, or by a fine of not more than \$50,000, or by both.

1 (d) A person is entitled to not more than one discount on the pur-  
2 chase price of land under this section in his lifetime. A discount  
3 granted under this section may be applied only to the acquisition of  
4 surface rights to state land. A discount may not be applied to mineral  
5 rights disposals or to costs such as survey costs, road development  
6 costs, utility assessments, or other costs as determined by the director  
7 which are reimbursable to the state. In all cases, a cash down payment  
8 of at least five per cent of the price of the land shall be made at the  
9 time of acquisition.

10 (e) The commissioner may adopt regulations to implement the pro-  
11 visions of this section.

12 \* Sec. 5. AS 37 is amended by adding a new chapter to read:

13 CHAPTER 14. MENTAL HEALTH FUND.

14 Sec. 37.14.010. MENTAL HEALTH FUND ADVISORY BOARD CREATED. (a)

15 There is created in the Department of Revenue the Mental Health Fund  
16 Advisory Board composed of the director of the division of mental  
17 health, the chairman of the Mental Health Advisory Council, and the  
18 commissioner of the Department of Revenue.

19 (b) The board shall elect a chairman from the membership of the  
20 board. Members serve without compensation but are entitled to per diem  
21 and travel expenses authorized by law for other boards.

22 Sec. 37.14.020. POWERS AND DUTIES OF BOARD. The board has the  
23 following powers and duties:

24 (1) to hold regular meetings and special meetings considered  
25 necessary;

26 (2) to have prepared an annual accounting of the total prin-  
27 cipal and income of the mental health fund established in sec. 30 of  
28 this chapter;

29 (3) to prepare long-range investment plans for the fund

1 established in sec. 30 of this chapter.

2 Sec. 37.14.030. MENTAL HEALTH FUND ESTABLISHED. (a) There is  
3 established as a separate fund within the general fund the mental health  
4 fund.

5 (b) The principal of the fund consists of sums transferred under  
6 sec. 70 of this chapter.

7 (c) The income of the fund consists of the interest and dividends  
8 earned from investments of the fund under sec. 60 of this chapter.

9 Sec. 37.14.040. DUTIES OF COMMISSIONER OF REVENUE. The commis-  
10 sioner of revenue is the treasurer of the fund and shall

11 (1) act as official custodian of the cash and securities  
12 belonging to the fund and provide adequate safe deposit facilities for  
13 them;

14 (2) receive cash belonging to the fund;

15 (3) collect the principal on securities acquired for the fund  
16 and deposit it in the fund;

17 (4) collect interest and dividends earned on investments of  
18 the fund and credit the income account of the fund;

19 (5) invest and reinvest the principal of the fund in accor-  
20 dance with sec. 60 of this chapter.

21 Sec. 37.14.050. FUND UTILIZATION. The principal of the fund shall  
22 be retained in the fund for investment as specified in sec. 60 of this  
23 chapter. The income of the fund may not be appropriated for a purpose  
24 other than the support of the state mental health program.

25 Sec. 37.14.060. INVESTMENTS. (a) Subject to (b) of this section  
26 and with the approval of the board, the commissioner of revenue may  
27 invest the principal of the fund in

28 (1) bonds or other interest-bearing obligations and securi-  
29 ties of (A) the United States or an agency of the United States, (B) a

1 state of the United States, or (C) a political subdivision of a state of  
2 the United States, if the political subdivision has a population as  
3 shown by the last federal census preceding the investment of not less  
4 than 30,000 inhabitants; with respect to political subdivisions of this  
5 state, no population limitation applies;

6 (2) first lien real estate mortgage securities insured by the  
7 Federal Housing Administration under the National Housing Act of the  
8 United States or held by the division of veterans' affairs under AS  
9 26.15, or loans guaranteed by the division of veterans' affairs under AS  
10 26.15.040(b);

11 (3) corporation bonds and preferred and common stocks as the  
12 commissioner of revenue considers proper investments for the fund;

13 (4) first lien real estate mortgage securities held by the  
14 Department of Natural Resources under AS 03.10;

15 (5) shares of federally chartered savings and loan associa-  
16 tions in Alaska, to the extent that the investment is insured by the  
17 federal government or an agency of it;

18 (6) deposits with mutual savings banks in Alaska, to the  
19 extent that the investment is insured by the federal government or an  
20 agency of it;

21 (7) deposits with state and national banks in Alaska to the  
22 extent that the investment is insured by the federal government or an  
23 agency of it;

24 (8) mutual funds;

25 (9) the guaranteed portion of Small Business Administration  
26 loans;

27 (10) first lien real estate mortgages guaranteed by the feder-  
28 al Veterans Administration;

29 (11) notes secured by mortgages of commercial or residential

1 real estate or other security if the mortgages are insured by a private  
2 mortgage insurance corporation which is authorized to do business in  
3 Alaska and has combined capital, surplus and reserves aggregating at  
4 least \$20,000,000; however, (A) no mortgage insurance is necessary for  
5 commercial loans having loan-to-value ratios of less than 50 per cent  
6 and the minimum coverage of other commercial loans shall be 10 per cent  
7 for those having a loan-to-value ratio of 50-60 per cent and 15 per cent  
8 for those having a loan-to-value ratio greater than 60 per cent but no  
9 more than 75 per cent, and (B) no mortgage insurance is necessary for  
10 residential loans having a loan-to-value ratio of less than 70 per cent  
11 and the minimum coverage of other residential loans shall be 10 per cent  
12 for those having a loan-to-value ratio greater than 70 per cent but less  
13 than 90 per cent and 20 per cent for those having a loan-to-value ratio  
14 of 90 per cent;

15 (12) conventional residential mortgages if the originating  
16 financial institution retains at least 25 per cent of the mortgage for a  
17 minimum of two years;

18 (13) notes secured by mortgages of commercial real estate if  
19 the originating financial institution retains at least 25 per cent of  
20 the mortgage;

21 (14) FHA guaranteed portion of business and industrial loans  
22 made under the Rural Development Act of 1972;

23 (15) guaranteed portion of loans made under the Federal Ship  
24 Financing Act of 1972;

25 (16) bonds, debentures, notes, or other obligations issued,  
26 guaranteed, or assumed as to both principal and interest by the govern-  
27 ment of the Dominion of Canada, or by any province of Canada, or by any  
28 municipality of Canada which has a population of not less than 150,000,  
29 if (A) the full faith and credit of the issuer, guarantor, or assumer of

1 the bonds, debentures, notes, or other obligations is pledged for the  
2 payment of principal and interest on them, (B) the principal and inter-  
3 est on them is payable in United States currency, either unconditionally  
4 or at the option of the holder, and (C) these obligations are rated A or  
5 an equivalent quality by a nationally recognized rating organization;

6 (17) bankers' acceptances which are eligible for discount at  
7 the Federal Reserve Bank and negotiable time certificates of deposit  
8 issued by commercial banks.

9 (b) In making investments the commissioner of revenue shall exer-  
10 cise the judgment and care under the circumstances then prevailing which  
11 a man of ordinary prudence, discretion, and intelligence exercises in  
12 the management of his own affairs not in regard to speculation but in  
13 regard to the permanent disposition of his funds, considering the pro-  
14 bable income from them as well as the probable safety of his capital.  
15 However, no more than 50 per cent of the fund may be invested at a given  
16 time in mutual funds and corporate stocks and bonds, nor may any more  
17 than five per cent of the voting stock of one corporation be owned.  
18 Stocks eligible for purchase are restricted to stocks which, except for  
19 bank stocks, insurance stocks, and shares in mutual funds, are listed  
20 upon an exchange registered with the Federal Securities and Exchange  
21 Commission.

22 (c) Except as provided in this section, the commissioner of reve-  
23 nue may

24 (1) invest and reinvest the principal of the fund;

25 (2) sell, exchange, convey, transfer, or otherwise dispose of  
26 an investment of the fund by private contract or at public auction;

27 (3) vote upon a stock, bond, or other security; give a gener-  
28 al or special proxy or power of attorney with or without power of sub-  
29 stitution; exercise a conversion privilege, subscription right, or other

1 option and make payments incidental to it; consent to or participate in  
2 a corporate reorganization or other change affecting corporate securi-  
3 ties, delegate discretionary power, pay an assessment or charge in con-  
4 nection with the delegation; and generally exercise any of the powers of  
5 an owner with respect to stocks, bonds, securities, or other investments  
6 held in the fund;

7 (4) make, execute, acknowledge, and deliver documents of  
8 transfer and conveyance and instruments necessary or appropriate to  
9 carry out the powers granted;

10 (5) register investments held in the fund in the name of the  
11 board;

12 (6) do all acts whether or not expressly authorized which are  
13 considered proper for the protection of the investments held in the  
14 fund.

15 (d) To qualify as a mortgage which may be purchased under (a)(12)  
16 and (13) of this section, it shall

17 (1) have as a mortgagor an Alaska resident;

18 (2) be certified by the originating financial institution  
19 that the loan being sold has been made in compliance with the law and  
20 that liens supporting the loan have been perfected;

21 (3) have been closed after July 1, 1978, and no loan may be  
22 eligible for purchase that is held by the originating institution for a  
23 period greater than 90 days.

24 (e) When more than one-half of one per cent of the aggregate of  
25 all loans purchased from a financial institution becomes delinquent for  
26 60 days, the fund shall discontinue purchasing loans from that financial  
27 institution until the delinquency is reduced to less than one-half of  
28 one per cent.

29 Sec. 37.14.070. CONTRIBUTIONS. During each fiscal year the com-

1 commissioner of the Department of Revenue shall transfer to the fund a sum  
2 equal to one and one-half per cent of the total receipts derived from  
3 the management of state land and paid to the state as proceeds of sale  
4 or annual rent of surface rights, mineral lease rentals, royalties, roy-  
5 alty sale proceeds, federal mineral revenue sharing payments or bonuses.

6 Sec. 37.14.080. DEFINITIONS. In this chapter,

7 (1) "board" means the Mental Health Fund Advisory Board;

8 (2) "fund" means the mental health fund established in sec.  
9 30 of this chapter.

10 \* Sec. 6. AS 38.05.055 is amended to read:

11 Sec. 38.05.055. SALE PROCEDURES. Except as provided in secs. 42  
12 and [SEC.] 315(d) of this chapter, the sale shall be made at public  
13 auction to the highest qualified bidder as determined by the director.  
14 An aggrieved bidder may appeal to the commissioner within five days  
15 after the sale for a review of the director's determination. The sale  
16 shall be conducted by the director or his representative, and at the  
17 time of sale the successful bidder shall deposit an amount equal to  
18 five per cent [ONE-TENTH] of the purchase price. The director or his  
19 representative shall immediately issue a receipt containing a descrip-  
20 tion of the land or property purchased, the price bid, and the terms of  
21 sale, which receipt shall be acknowledged in writing by the bidder. A  
22 contract of sale on a form approved by the attorney general shall be  
23 signed by the purchaser and, after approval of the commissioner, the  
24 contract shall also be signed by the director on behalf of the state.

25 \* Sec. 7. AS 38.05.065 is amended to read:

26 Sec. 38.05.065. TERMS OF CONTRACT OF SALE. The contract of sale  
27 shall require the remainder of the purchase price to be paid over a  
28 period of not more than 20 years. Installment payments plus interest  
29 shall be set on the level-payment basis. The interest rate to be

1 charged on installment payments is the prevailing rate on similar land  
2 transactions at the time the contract is signed, as determined by the  
3 director, but in no case may it be below five per cent a year or above  
4 the current usury rate as set by AS 45.45.010(b) and (d) [IN ANNUAL  
5 INSTALLMENTS OF NOT LESS THAN 10 PER CENT OF THE PURCHASE PRICE, WITH  
6 INTEREST AT THE RATE OF NOT LESS THAN FIVE PER CENT A YEAR]. The  
7 director, with the consent of the commissioner, may also impose condi-  
8 tions, limitations and terms which he considers necessary and proper to  
9 protect the interest of the state. Violations of any provision of this  
10 chapter or the terms of the contract of sale subject the purchaser to  
11 appropriate legal action, including a foreclosure action in accordance  
12 with applicable state law.

13 \* Sec. 8. AS 38.05.102 is amended by adding a new subsection to read:

14 (b) A lessee may request the director to offer land for sale which  
15 is included within his leasehold. The director shall review the request  
16 and determine whether retention of the land in state ownership is in the  
17 best interests of the state. The director may hold public hearings in  
18 the general area of the leasehold to inform the public of the request  
19 and to determine what action, if any, to take in response to the  
20 request. Within 90 days after receiving a request for sale of leased  
21 land the director shall notify the requester of the action he intends to  
22 take in response to the request. The lessee has five days after notifi-  
23 cation to request a review by the commissioner of the director's action.

24 \* Sec. 9. AS 38.05.180(a) is amended to read:

25 (a) All tide and submerged lands, [MENTAL HEALTH LANDS,] school  
26 lands, and university lands shall be leased by competitive bidding, and  
27 whenever oil or gas is [IN] discovered in commercial quantities, the  
28 commissioner shall determine the extent of the area of lands in addition  
29 to tide, submerged, [MENTAL HEALTH LANDS,] school, or university lands

1 in the same general area of the discovery well which, by reason of the  
2 discovery, the commissioner reasonably believes to be capable of pro-  
3 ducing oil or gas, and the additional lands shall be leased to the  
4 highest responsible qualified bidder by competitive bidding under  
5 general regulations, in units of not exceeding 2,560 acres (except that  
6 tide and submerged lands shall be leased in units of not exceeding 5,760  
7 acres), which shall be as nearly compact in form as possible, upon the  
8 payment by the lessee of such bonus as may be accepted by the commis-  
9 sioner and of such royalty as may be fixed in the lease which shall not  
10 be less than 12 1/2 per cent in amount or value of the production re-  
11 moved or sold from the lease. All lands other than those above provided  
12 to be leased by competitive bidding may be leased competitively or  
13 noncompetitively as determined by the commissioner to be in the best  
14 interests of the state. Noncompetitive leases shall be issued in units  
15 of not exceeding 2,560 acres in any one lease. Noncompetitive leases  
16 shall be conditioned upon the payment by the lessee of a royalty of 12  
17 1/2 per cent in amount or value of the production removed or sold from  
18 the lease. Competitive leases issued under this subsection shall be for  
19 10 years except that in the Cook Inlet sedimentary basin, leases shall  
20 be for a primary term of not more than 10 years and not less than five  
21 years at the discretion of the commissioner, and shall continue so long  
22 thereafter as oil or gas is produced in paying quantities. Noncompeti-  
23 tive leases issued under this subsection shall be for a primary term of  
24 five years and shall continue so long thereafter as oil or gas is pro-  
25 duced in paying quantities. If drilling has commenced on the expiration  
26 date of the primary term of the lease and is continued with reasonable  
27 diligence, such operations to include re-drilling, sidetracking or other  
28 means necessary to reach the originally proposed bottom hole location,  
29 the lease shall continue in effect until 90 days after drilling has

1 ceased and for so long thereafter as oil or gas is produced in paying  
2 quantities. If all or part of the lands covered by the lease are lands  
3 that have been selected by the state under laws of the United States  
4 granting lands to the state and a patent has not been issued on them, a  
5 conditional lease may be issued. However, no term extension may be  
6 granted for the period during which the lease was conditional.

7 \* Sec. 10. AS 38.08.010(a) is repealed and re-enacted to read:

8 (a) The director shall designate and make available for homesite  
9 entry state land in amounts and at times as required in AS 38.05.041 or  
10 as may otherwise be required by law.

11 \* Sec. 11. AS 38.08.010 is amended by adding a new subsection to read:

12 (d) The director shall, to as great an extent as possible, classi-  
13 fy land for homesite entry based upon the distribution of population in  
14 the state.

15 \* Sec. 12. AS 38.08.020 is amended to read:

16 Sec. 38.08.020. OFFERING OF LAND FOR HOMESITE ENTRY. [FOLLOWING  
17 CLASSIFICATION OF LAND FOR HOMESITE ENTRY, OFFERINGS OF HOMESITE ENTRY  
18 LAND SHALL BE MADE ON A ROTATING BASIS FROM AMONG THE FOUR JUDICIAL DIS-  
19 TRICTS OF THE STATE.] The director shall publish notice of the avail-  
20 ability of the land for at least three consecutive weeks through the  
21 electronic media and in at least three newspapers of general circulation  
22 in the state, at least one of which, if possible, shall be a newspaper  
23 of general circulation in the vicinity of the available land.

24 \* Sec. 13. AS 38.08.030(a)(2) is amended to read:

25 (2) submit proof acceptable to the commissioner that he is a  
26 resident of the state at the time of application, and that he has been a  
27 resident of the state for not less than three [SIX] years immediately  
28 preceding the date his application was submitted, or that he has been a  
29 resident for 20 years cumulatively;

1 \* Sec. 14. AS 38.08.060(a)(2) is amended to read:

2 (2) erects a habitable, permanent, single-family dwelling on  
3 the homesite, which meets all applicable state and local regulations,  
4 within five [THREE] years of the date of issuance of the homesite entry  
5 permit; for the purposes of this paragraph, mobile homes are not con-  
6 sidered to be permanent dwellings unless they are placed on a permanent  
7 foundation;

8 \* Sec. 15. AS 38.08.070 is repealed and re-enacted to read:

9 Sec. 38.08.070. LAND LOCATED WITHIN MUNICIPALITIES. The director,  
10 in consultation with the local planning authority of an organized  
11 borough or city, may designate or classify state land located within the  
12 city or borough for homesite entry consistent with established land use  
13 policies of the borough or city. Nothing in this section or other  
14 provisions of law which entitle an organized borough or city to select  
15 state land located within its boundaries prevents the director from  
16 selecting, designating, or classifying for homesite entry land which  
17 would otherwise be available for borough or city selection. If desig-  
18 nated or classified for homesite entry, the land is not available for  
19 city or borough selection.

20 \* Sec. 16. AS 38.08.080 is amended by adding a new subsection to read:

21 (b) If the director classifies for homesite entry state land which  
22 is located within the boundaries of a municipality which exercises  
23 planning and zoning authority under AS 29 but which has not been zoned  
24 for residential use only, the governing body of the municipality shall,  
25 within a reasonable amount of time following the classification, decide  
26 whether to zone the land for residential use only and notify the direc-  
27 tor of its decision.

28 \* Sec. 17. AS 38.08.110 is amended to read:

29 Sec. 38.08.110. REGULATIONS. The commissioner may [SHALL] adopt

1 regulations in accordance with AS 44.62.180 - 44.62.290 to carry out the  
2 purposes of this chapter, including, but not limited to, regulations  
3 relating to easements and access routes.

4 \* Sec. 18. AS 38.50.040 is amended to read:

5 Sec. 38.50.040. LAND SUBJECT TO EXCHANGE. Except as otherwise  
6 provided in this chapter, the director is authorized to convey for  
7 purposes of exchange any state land or interest in land regardless of  
8 the authority under which the land or interest was obtained by the  
9 state. The conveyance of university land and school land shall be  
10 approved in the manner prescribed in AS 38.05.030 [, AND THE CONVEYANCE  
11 OF MENTAL HEALTH LAND SHALL BE APPROVED BY A BOARD COMPOSED OF THE  
12 DIRECTOR OF THE DIVISION OF MENTAL HEALTH, THE CHAIRMAN OF THE MENTAL  
13 HEALTH ADVISORY COUNCIL, AND THE COMMISSIONER OF REVENUE].

14 \* Sec. 19. AS 38.50.110(a)(6) is amended to read:

15 (6) mail the notice to the appropriate board or other entity or  
16 person with approval authority as indicated in sec. 40 of this chapter  
17 and AS 38.05.030, when university land or [,] school land [, OR MENTAL  
18 HEALTH LAND] is involved in the proposed exchange;

19 \* Sec. 20. AS 38.05.035(a)(13), 38.05.365(8) and AS 38.08.010(c)(1), (2),  
20 (3), (5) and (6) are repealed.

21 \* Sec. 21. This Act takes effect July 1, 1978.