

HB

720

COMMITTEE REPORT
SENATE

6/2/78

FURTHER: FINANCE

Date: 6-14-78

Mr. President:

The Committee on RESOURCES has had CSHB 720 (Fin)
State Land

under consideration and (a majority of the committee) (the committee reports it back as follows)

() recommends it do pass () recommends it do not pass

() recommends it do pass with attached amendment(s)

() recommends it be replaced with CS for _____

and _____ () new title () same title

() AND attaches a Letter of Intent () New Fiscal Note

() reports it back without recommendation

() and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

Murray

No Rec. when returned
DO NOT PASS

R. Poland

Chairman

STATE OF ALASKA

DEPARTMENT OF FISH AND GAME

OFFICE OF THE COMMISSIONER

SUPPORT BUILDING
JUNEAU 99801

JAY S. HAMMOND, GOVERNOR

June 10, 1978

The Honorable Kay Poland
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Senator Poland:

Yesterday you requested the Department to poll the Board of Game to determine their views regarding CSHB 960 (Finance) as written regarding the "subsistence issue" and the establishment of a "Division of Subsistence" in the Department by legislative mandate. Insofar as was possible we contacted the Board members yesterday afternoon and evening with the results as indicated below. Six of the seven members were reached--Jim Rearden, Clint Buckmaster, Charles Evans, Darrell Farman, Pete Nelson, and Sam Harbo; Sidney Huntington was not available.

- (1) All six were opposed to the legislation as written; I feel confident in saying that I believe Sidney Huntington also would be opposed.
- (2) Four, and to that I would add Huntington to make five, were opposed to any such legislation being passed regardless of language; two--Chuck Evans and Clint Buckmaster--felt they could support CSHB 960 if the Department's suggested amendments were adopted.

In addition, we attempted to poll the Board of Fisheries as well, but were less successful. Only four of the seven were reached--Nick Szabo, Gordon Jensen, Herman Schroeder, and Calvin Fair. All were opposed to CSHB 960 as written. Szabo was opposed to any legislation being passed. Jensen, Schroeder, and Fair felt they could support the bill if the Department's suggested amendments were adopted.

I will stick my neck out and say that I think all members of the two Boards believe that there is little need for this kind of legislation and that the subsistence question can be handled quite adequately under a modified

regulatory system (which we are working on now). I believe too that all would object to the Legislature establishing any organizational unit within the Department by State law, as has been done already with regard to the Fisheries Rehabilitation, Enhancement and Development Division.

The Department would like to propose two additional amendments to CSHB 960. Again, both were overlooked in our previous review and, again, I apologize for that lack. Our proposals are as follows:

- (1) p.5 Sec. 11 (Sec. 10 as per Dept.'s earlier recommendations)
AS 16.05.257(h)(2) lines 26-29.

We suggest the elimination of this section, and instead leave the existing language presently in the Statutes. Present language reads as follows:

(2) "subsistence hunting area" means an area designated by the board as primarily important for subsistence use and in which it is unlikely that subsistence needs will be met if recreational hunting, including hunting for trophy purposes, is permitted or if certain methods and means are continued. (s 1 ch 199 SLA 1975; am s 2 ch 269 SLA 1976)

The language stated in CSHB 960 would be too narrow and I believe not in compliance with the State Constitution because of discrimination in permitting only subsistence hunting in a "subsistence hunting area." The existing Statute language is more flexible in that control of hunting also could be handled via "methods and means," as well as by other regulatory constraints.

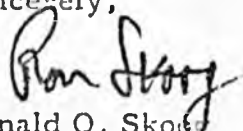
- (2) p.6 Sec. 14. AS 16.05.930(e), lines 17-18.

Language here needs to recognize the responsibility of the Boards to set regulations. I suggest that it be amended to the following:

Line 17-18 "...except that the appropriate Board or the Commissioner by delegation of the appropriate Board may prohibit...."

Thanks again for allowing us to state our views regarding this important piece of legislation.

Sincerely,



Ronald O. Skoog
Commissioner

FEDERAL - STATE
LAND USE PLANNING COMMISSION
FOR ALASKA

Office of the Co-Chairman

Kory -

here are some
other ideas I
gave the Governor
on land credits.

Walt

Federal-State
Land Use Planning Commission
For Alaska

March 9, 1978

Honorable Jay S. Hammond
Governor of Alaska
Pouch A
Juneau, Alaska 99811

Dear Governor Hammond:

In reviewing the concept of land credits, one of the major problems as we defined it to you in our letter of March 3 was to mitigate the effects of those persons who would acquire land with no object other than for resale. After reviewing other land distribution programs, including past State programs, it seems to us that combining your concept of land credits with some use requirements on land might be a most attractive system for placing land in private hands and insuring an orderly development of the State.

Under this proposal, land credits would be acquired by residency in the manner in which you have proposed. However, in order to validate his land credits the individual would have to place improvements upon the land he secured. The value of the improvements would then validate his land credits up to the total amount which the individual has credited.

For example, a person with 15 years residence would have \$15,000 in credits. If he purchased land from the State to the value of \$20,000 and then placed \$20,000 in improvements upon that land, he would validate all of his credits and in essence acquire the land for only \$5,000, the difference between his credits and the total purchase price.

Cash could always be substituted for land credits, thus, individuals who did not want to make improvements now are not foreclosed from either land purchase or the later use of their credits.

In this system, the individual with long residency will still, in essence, acquire free land or almost free land, but he must use it thereby contributing to the total development of the State. This would insure that lands would not be taken out of production to be held for long periods

purely for speculative purposes as has happened to so much of the land sold under earlier State sales and acquired under Federal homestead programs. This system could be applied on any State land disposal program including commercial lands if desirable. The residency requirement will largely insure that it will be used primarily for residences, farms, and other individual type uses, rather than corporate uses.

I believe a large segment of the public would find this a most attractive addition to land credits because it would benefit that segment of society which was contributing the most to the State overall. It would also allow the substitution of "sweat equity" for cash, thus allowing persons to contribute up to 60 or 70 percent of the total value in their own labor.

I do not believe that the problems of assessing improvements would be insurmountable. I also believe that a system of conveying interim title could be worked out which would satisfy the financial institutions which would be involved in financing these improvements.

Sincerely,

/s/ Walter B. Parker

Walter B. Parker
State Co-Chairman

WBP:go

Federal-State
Land Use Planning Commission
For Alaska

March 2, 1978

Honorable Jay S. Hammond
Governor of Alaska
Pouch A
Juneau, AK 99811

RE: Proposed Alaska Homestead Land Credit Act

Dear Governor Hammond:

We have reviewed the proposed Alaska Land Credit Act as incorporated in the draft of February 24, and we ask you to consider the following points:

1. Generation of Purchasing Power: On the basis of rough estimates, it is clear that the Act would generate an immense amount of potential purchasing power which can be applied to State lands. Current population levels, \$200,000,000 worth of credits would be added each year (400,000 x \$500). In addition, as soon as the Act takes effect, there will be a backlog of purchasing power held by people who have resided in Alaska for more than a year. Time does not allow for a complete estimate of this backlog, but it is fairly safe to assume that there is a core of at least 100,000 long-term Alaskan residents who have been in the State for 20 years. Their accumulated purchasing power alone amounts to \$1,000,000,000 (100,000 x 20 years x \$500).

Only a fraction of this purchasing power will be exercised immediately. Census data indicates that roughly 40 percent of the recipients of credits will be below the 18-year-old age limit and many people will choose to accrue several credits before using them. Instead of immediate spending of credits, there will be a gradual build up of purchasing potential as people store their credits, as \$200,000,000 or more worth of credits is added each year, and as new citizens reach the age of 18. From the preceding estimates, it is reasonable to assume that by 1985 there will be at least \$1,000,000,000 worth of land credits held by people over 18.

1. The attached memo to Michael C.T. Smith supports these estimates. Average residency of the total Anchorage population is 9.4 years.

2. Land Demand: The credit system will make potential purchasers of State land out of people who have never entertained the idea of acquiring State property before. People will strive to buy land whether or not they need it for use purposes, simply to cash in on their credits. Credits will give every citizen a vested interest in rapid State land disposal and the Administration will be subjected to enormous pressures to put land on the market as rapidly as possible regardless of the supply of available land on the private market and regardless of whether State land is actually needed for use purposes. Some lands may be used, but turning credits into cash would inevitably be the overwhelming objective of most people.

3. Land Supply: The question then becomes whether the Administration can make lands available in quantities that will match the purchasing power generated by the land credit system and, more basically, whether this is desirable in terms of public and private costs and benefits. In answering the first question, it is important to recognize the real requirements in terms of time and money for making State lands available for conveyance to private citizens. To give private citizens marketable title and reasonably useable and accessible land, lands must be surveyed and rights-of-way or easements fitting the topography must be reserved to and through lands which are conveyed. Otherwise, public and private lands beyond will be land-locked and rendered useless and valueless. These requirements--survey and access reservation--are minimal. Lands should also be inventoried so that suitable lands are made available. There should be a process of consultation with local government. Under the State Constitution, public notice is required before any land may be disposed.

All these components of a responsible land offering require time and people. Between 1964 and 1974, during the most intense era of State land disposal, when land was disposed in 20- and 40-acre tracts, with nothing more than paper section line access, the State was only able to sell 138,000 acres and to lease 323,000 acres, an average of about 46,000 acres per year over a period of about 10 years.

If the State were to try again to make about 50,000 acres available each year--which, as under the previous program, would also necessitate selling land without useable access in tracts far larger than required for individual use--it still would not be able to satisfy the purchasing power generated by land credit build up. At an average value of \$1,000 per acre, 50,000 acres per year would only provide \$50,000,000 worth of available land. This amounts to only one-quarter of the amount of credit value added each year and one-twentieth the build up in credits anticipated by 1985.

4. Impact on Other Uses: This lag between the build up of spendable credits and the supply of available State land will generate intense pressures to put land on the market, simply so people can cash in their credits. In relation to this pressure, actual land needs for individual use will cease to be a significant consideration. It will be argued that by granting credits, the State assumes an obligation to make lands with a commensurate amount of real estate value available for private acquisition. Since real estate values diminish rapidly as one moves to inaccessible lands far from communities and road and water access, the pressure will be to dispose much of the State lands near road access, waters, and communities. But these are also the lands that often have conflicting values for other purposes. Under the demand/supply ratios that we have projected, it will be extremely difficult to maintain an appropriate balance between lands for private use and accessible public lands that can be used for resource development and for hunting, fishing, snowmobiling, skiing, and other public purposes.

5. Impact of the Bill on Land Prices: Two possible outcomes may result, depending upon disposal procedures followed. Assuming the State lands are made available at a fixed price at or below "fair market value," then the effect of the program will lead to an overall decrease in land prices or result in a lower growth rate for land prices than would occur in the absence of such a program. The reasoning is as follows: Creation of land credits, applicable only to State land disposals, will shift land demands from the private sector to State lands, resulting in decrease in demand for land in the private sector. Secondly, after initial disposal of State lands, these lands become part of the aggregate supply of private sector lands. In other words, there will have been an increase in the supply of private sector lands. The effect of both the demand and supply schedule shifts will be to reduce overall land prices, either in absolute terms or with respect to the rate of growth.

It is worth noting that this program would be concurrent with transfer of lands to the Natives under ANCSA. This increase in the supply of private sector lands will also exert downward pressures on overall land prices. At the same time, the land credit program, also creating downward pressure on land prices, tends to reduce the value of Native lands.

The second possible outcome occurs if State lands are disposed of under a competitive bidding process. In this case, the individual can be expected to pay, as a maximum, an amount equal to that which would have prevailed in the private sector. However, to this maximum "out of pocket" figure may be added the value of land credits (since they are "free" and cannot be

used otherwise) thus resulting in a dollar transaction figure greater than that which would have occurred in the private sector. The result in this case is an artificial inflation of land prices. While such inflation may not be sustained by the private sector (the private sector will not pay more for a parcel acquired in such a manner than the parcel would have traded for in the private sector) the State may help perpetuate such prices if future State land value appraisals reflect these transactions.

6. Impact of "Re-disposal": A situation may develop in which individuals attempt to "cash in" their land credits. Since these credits are not transferable or assignable, the only way to convert them to cash is to acquire land and dispose of the land in the private sector. Since the land was acquired using free land credits, an individual may be willing to dispose of his land for substantially less than the initial transaction price. In this case, the overall effect on land prices would be downward.

An alternative scenario of some importance is one in which a major land acquiring corporation offers to "cash out" land credits. This might result in the corporation acquiring a large number of scattered tracts, or alternatively might provide a means for acquiring large contiguous tracts. In short, the land credits proposal may provide a device for concentrating land ownership.

7. Constitutionality: While our staff has not yet had an opportunity to do detailed research, we have reservations about the constitutionality of Section AS 38.05.057(d). Even though the residency period for initial qualification to participate in the program is relatively short, this subsection is suspect because it provides for the accrual of benefits on the basis of durational residency. This preference for long-term residents over short-term residents may abrogate provisions of the Constitution which were adopted to foreclose states from providing special benefits to their own citizens, a situation which occurred frequently under the Articles of Confederation, the precursor of the Constitution. In examining the constitutionality of subsection (d), this central tenet must be viewed within the context of a few cases which have permitted states to provide limited preferences to local residents in the allocation of natural resources. Because subsection (d) is so integral to the conceptual foundation upon which the land credit act is premised, we believe that the type of research which we are suggesting must be undertaken before this draft legislation is finalized.

8. Difficulty in Administering Residency Requirement: Beyond the legal considerations just mentioned, we believe that subsection (d) would be extremely difficult to administer. The enactment of this subsection would necessitate the creation of a large and costly bureaucracy to determine the validity of hundreds of thousands of residency claims, each of which would involve different sets of facts. Even if such a bureaucracy were established, the difficulties inherent in disproving a claim of residency and the great monetary benefits involved could well generate widespread abuse of the program. This possibility is increased in the situation under discussion here, because the draft legislation does not mandate objective criteria for proof of residency. In our opinion, the likelihood of future administrative and pragmatic problems associated with the implementation of subsection (d) should weigh heavily in any decision to propose the land credit act.
9. Leasing: We note that Section 2(a) of the bill refers to leases, whereas Section 2(e) says that credits cannot be used for lease payments. We expect that the practical effect of such a prohibition would be to virtually eliminate leasing as a tool for State land availability, since any State land program to which credits cannot be applied would be very unpopular. That outcome would be unfortunate, since leasing is well suited as a means of protecting long run public interests while allowing current use. Because trust land transactions must be at market value, trust lands must be exempted from any credit program. If this is done, there is no reason to exempt leased lands in general.
10. Growth Inducement: Essentially, the program pays people \$500 per year to live in Alaska. Such a program is bound to generate considerable national publicity. The program's potential to attract people to Alaska should be considered.

In summary, we think that the land credit program will generate additional pressures for very rapid disposal of State lands that may jeopardize sound land administration. Although similar pressures would occur under a homestead program, the pressure generated by the land credit approach would be more pervasive, since benefits would accrue to each citizen automatically without any significant initiative. Moreover, since land credits could be applied to most State land disposal programs, the effects described above would affect State land administration on an across the board basis. Clearly, we want to make lands available for private use, but this can be done effectively under an array of well suited programs without a credit system. The land policy bill, developed in cooperation with members of your Administration, embodies this concept.

We appreciate the complexity of current circumstances surrounding State land issues, and complement you on the consideration that is being devoted to this extremely important matter. The Commission and its

staff stand ready to help in anyway that we can as your deliberations continue.

Sincerely,

Walter B. Parker

Walter B. Parker
State Co-Chairman

Sincerely,

Esther C. Wunnicke

Esther C. Wunnicke
Federal Co-Chairman

Enclosure (1)

1. Memo dtd. 2/28/78 to Michael C.T. Smith from George Gee, re. Population and Residency in Ga

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF LANDS
PLANNING & CLASSIFICATION SECTION

MICHAEL C. T. SMITH
Assistant Commissioner

February 28, 1978

THRU: STEPHEN REEVE, Chief *SM*
Planning & Classification

GG
GEORGE GSE, Senior Planner
Planning & Classification

Population and
Residency in
Alaska

This memorandum is in response to your request for background data on Alaska's population and average length of residence within the state. Specifically, it is addressed to three questions:

1. How many persons in Alaska's population are 18 years or older? How many are younger than 18?
2. What are the average years of residence for persons 18 years and over and for persons under 18 years of age?
3. Are there distinctive patterns of change in the age distribution of Alaska's population and in the average length of residency?

As you know, we have reached the late intercensal years and accurate population information has become extremely scarce. Even estimates of total state population from different credible sources show significant divergence. Detailed data on demographic characteristics such as age and residency are practically nonexistent. Notions for these will have to be distilled from other types of information found to be available and pertinent. Thus, the best we have at hand is an assortment of rule-of-thumb indicators which, despite built-in limitations, provide a basis for making some reasonable conjectures.

1. How many persons are 18 years or older? The Alaska Department of Labor estimated the July 1976 state population to be 413,289 persons. The U.S. Census Bureau's conservative estimate of 382,000 people generally is considered less reliable. However, the Bureau develops its population total with an age profile component:

	<u>Percentage</u>
	9.7
5-17	27.5
18-44	46.3
45-64	14.1
65 and over	2.4

Applying these results to Labor's estimate of 413,289 people, approximately 63 percent, or 259,000 persons, would be 18 years of age or over, while 153,780 persons would be under 18.

2. What are the average years of residence for these groups?

First, only three sources of information were found to shed light on this issue. A 1977 survey in the Anchorage area gave the following years of residency distribution for about 1200 households:

<u>Years of Residence in Anchorage</u>	<u>Percentage of Households</u>
0-1.9	19.8
2-3.9	17.6
4-7.9	21.0
8-14.9	18.0
15-24.9	15.5
25+	8.0
Mean years of residence	= 9.4 years
Median years of residence	= 6.0 years.

A similar 1976 survey of 408 households in the North Star Borough yielded these findings:

<u>Years of Residence in North Star Borough</u>	<u>Percentage of Households</u>
0-1	26
2-3	18
4-10	23
11-20	17
20+	16

Median years of residence = 6.4 years

Although these results are for households instead of individuals, they can probably be taken as indicative for the latter. Only about 15 percent of the respondents in both surveys indicated they had lived somewhere else in Alaska prior to moving to their respective municipality. Thus, something like 6 to 10 years would probably provide a fair range for average length of residence for people in these two major population centers of Alaska.

There is very little basis for determining how residency differs for people under and over 18 years of age. The 1970 census for Alaska does suggest some basis for guessing derived from the responses to the question: Where did you live in 1965?

- a. one-third of the children between 0 and 9 years of age were 5 year residents;
- b. 40 percent of the children ages 10 to 19 were 5 year residents;
- c. only about 14 percent of people 20 to 29 were 5 year residents;
- d. between 25 and 30 percent of the people between 30 and 44 years were 5 year residents;
- e. over half of the people 45 years and older were 5 year residents.

... considered repro...
 ... If the ...
 ... rates of residency for those who
 ... would mean that there were some 2
 ... accumulated by people 18 years and
 ... estimated .8 million for the remain...

3. No longstanding trends were
 quick review of changes in t
 of Alaska's population since

	1960	1970
Under 18:	*39.8%	39.9%
Over 18:	*60.2%	60.1%

No data at all was useful for determining changes
 patterns.

* estimated from data
 years rather than 18 ye