

SB

105

# Alaska State Legislature

ARLISS STURGULEWSKI, Chairman  
BETTYE FAHRENKAMP, Vice Chairman  
JACK COGHILL  
DICK ELIASON  
VIC FISCHER  
RICK HALFORD  
FRED ZHAROFF



POUCH V  
JUNEAU, ALASKA. 99811  
(907) 485-4907

## Senate Committee on Resources

MEMORANDUM

February 26, 1985

TO: All Members  
Senate Resources Committee

FROM: Staff *7*  
Senate Resources Committee

RE: SB 105 " . relating to the Palmer Hay Flats State Game  
Refuge; an oviding for an effective date."

SB 105 provides for additional land to be added to the Palmer Hay Flats State Game Refuge established under AS 16.20.032.

The bill does not allow for taking private land by eminent domain but does allow for land exchange or purchase by the commissioner of the Department of Natural Resources for inclusion in the Palmer Hay Flats State Game Refuge. The bill does not restrict the use of private land pending an exchange or purchase.

The specific land which is addressed in this bill includes about 900 acres on either side of the Glenn Highway. Some of the land, approximately 130 acres, is owned by the Matanuska Susitna Borough and they have agreed to discuss an exchange for state land in other areas. The remainder is privately owned and presently has minimal development. The Draft Susitna Area Plan recommends that the land use designations in this area be for wildlife habitat, water resources and public recreation.

The Department of Fish and Game has suggested the bill be amended to include additional lands in the Palmer Hay Flats. The Department of Transportation and Public Facilities may wish to acquire some of this land for highway expansion at some future date. Both departments will present testimony at the hearing.

This bill has a zero fiscal note since it only allows for purchase at some future time. The total cost to the state is unknown at this time because the bill provides for land exchange as well as purchase. The number of acres that might require purchase would be determined by the Department of Natural Resources after discussion with the property owners.

fh:bh

*FISH & GAME will be getting funds from  
SALE OF DUCK STAMPS TO PURCHASE WETLANDS.*

# Alaska State Legislature

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## Senate Committee on Resources

MEMORANDUM

February 26, 1985

TO: All Members  
Senate Resources Committee

FROM: S. [Signature]  
Senate Resources Committee

RE: SB 105 "An Act relating to the Palmer Hay Flats State Game Refuge; and providing for an effective date."

SB 105 provides for additional land to be added to the Palmer Hay Flats State Game Refuge established under AS 16.20.032.

The bill does not allow for taking private land by eminent domain but does allow for land exchange or purchase by the commissioner of the Department of Natural Resources for inclusion in the Palmer Hay Flats State Game Refuge. The bill does not restrict the use of private land pending an exchange or purchase.

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STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
BILL ANALYSIS

DEPARTMENT Fish and Game	DIVISION Habitat	BILL NUMBER SB 105	RESOLUTION None
DEPARTMENT POSITION Support - with amendments.			
PREPARED BY Habitat Div. - Debra Clausen		DATE 2/4/85	COMMISSIONER'S SIGNATURE <i>[Signature]</i>
			DATE 2/13/85

SUMMARY

OTHER AGENCIES AFFECTED BY BILL DNR Matanuska Susitna Borough	CONSTITUENT GROUP(S) AFFECTED BY BILL
ORGANIZATIONAL SUPPORT FOR BILL Matanuska Susitna Borough (see attached resolution 85-12)	ORGANIZATIONAL OPPOSITION TO BILL None known

FISCAL IMPACT:  NONE  FISCAL NOTE ATTACHED

BACKGROUND/LEGISLATIVE INTENT

The purpose of this bill is to provide protection for highly productive wetlands habitat in the Spring Creek area by adding it to the Palmer Hay Flats State Game Refuge. The wetlands proposed for addition provide important habitat for waterfowl, salmon, and moose populations. Addition of these lands will result in acquisition of key refuge access points.

ANALYSIS OF BILL/PROGRAM EFFECTS

The bill will provide protection to highly productive wetlands habitat by:

1. Expanding the boundary description of Palmer Hay Flats State Game Refuge to include the Spring Creek area.
2. Allowing for the addition of municipal lands within the Spring Creek area to Palmer Hay Flats State Game Refuge.
3. Allowing the Department of Natural Resources to acquire, through purchase or trade, private land determined desirable for inclusion in Palmer Hay Flats State Game Refuge.

The bill will enhance public access to the Refuge by directing the acquisition of key access points now in private ownership.

AMENDMENTS PROPOSED

Change AS 16.20.032(a)(2) Section 36: All [STATE TIDE AND SUBMERGED LAND]  
(see attached continuation sheet)

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS.

BILL ANALYSIS  
(Supplemental Sheet)  
Page 2 of 2

Department  
Fish and Game

Sponsor  
Kerttuia

Bill Number  
SB 105

Amendments continued.

- Add (a)(5) Township 16 North Range 1 East Seward Meridian  
Section 2: Portion lying west of the Alaska Railroad  
Section 3: Lot 1, excluding portions lying east of the Alaska Railroad centerline,  
Lots 2, 3, 4, 5, 6, NW $\frac{1}{4}$ , NW $\frac{1}{4}$  NE $\frac{1}{4}$   
Section 10: Lots 1, 2, 3, 4, 6, and portions lying west of the Alaska Railroad  
Section 15: All state lands lying north of the south bank of the Knik River and west  
of the Alaska Railroad.  
Section 16: All state lands lying north of the south bank of the Knik River.
- Add Sec. 2(b): The State shall attempt to acquire all lands described in (a) of this  
section for inclusion in the Palmer Hay Flats State Game Refuge.
- Add Sec. 6. The Department of Fish and Game may purchase privately owned lands determined  
desirable for inclusion in the Palmer Hay Flats State Game Refuge.

PALMER HAY PLATS  
A PROPOSAL TO EXTEND THE GAME REFUGE

BY  
MICHAEL BRONSON  
FOR  
SEN. J. KERTTULA

NOVEMBER 30, 1984

# PALMER HAY FLATS

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## ABSTRACT

THE LEGISLATURE IS REQUESTED TO EXTEND THE PALMER HAY FLATS STATE GAME REFUGE TO TAKE IN 916 ACRES OF WETLANDS ALONG THE GLENN HIGHWAY BY PURCHASE FROM WILLING SELLERS.

PARTS OF THIS OPEN AREA NEAR THE JUNCTION OF THE PARKS AND GLENN HIGHWAY ARE SCHEDULED FOR PRIVATE COMMERCIAL DEVELOPMENT. CURRENTLY, SEVERAL LAND OWNERS ARE CONSIDERING FILLING THE MARSHES FOR A TRUCK CARGO TRANSFER YARD, A RETAIL STORE BUILDING, A GRAVEL AIRSTRIP AND A 30-ACRE CAMPER PARK. SUCH USES, HOWEVER, WOULD REDUCE FISH AND GAME POPULATIONS AND PUBLIC ACCESS IN AS PRODUCTIVE AN AREA AS PARTS OF THE ADJACENT STATE GAME REFUGE.

THE WETLANDS OF THE PROPOSED EXTENSION ARE MOST VALUABLE TO THE PEOPLE OF ANCHORAGE AND THE MAT-SU BOROUGH JUST AS THEY ARE. THE CREEKS THROUGHOUT THE AREA ARE MAJOR FRY REARING GROUNDS FOR SILVER SALMON. RABBIT SLOUGH NEAR WASILLA CREEK GETS UP TO 6,000 FISHERMANS OF USE PER YEAR. HUNTERS GAIN ACCESS TO THE REFUGE ACROSS PRIVATE LAND THERE AT THE RATE OF ABOUT 2,000 USER-DAYS PER YEAR. SMALL GAME IS HARVESTED BY HUNTERS AND TRAPPERS. MOOSE WINTER AND CALVE IN THE AREA, AND LARGE BIRDS OF PREY ARE COMMON YEAR ROUND.

VARIOUS GROUPS HAVE EXPRESSED INTEREST IN KEEPING THE HAY FLATS OPEN FOR ESTABLISHED OUTDOOR USES. AMONG THEM ARE THE AD HOC COMMITTEE FOR THE PALMER HAY FLATS, MAT-SU CHAPTER OF DUCKS UNLIMITED, MAT-SU CHAPTER OF ALASKA FUR TRAPPERS ASSOCIATION, ANCHORAGE AUDUBON SOCIETY, AND THE ALASKA CENTER FOR THE ENVIRONMENT. THE MAT-SU BOROUGH, ALASKA STATE DEPARTMENT OF NATURAL RESOURCES, AND DEPARTMENT OF FISH AND GAME HAVE ALSO SHOWN SUPPORT OF STATE ACQUISITION OF THE AREA FROM WILLING SELLERS.

THE MINIMUM COSTS OF THE EXTENSION WOULD EQUAL \$535,000 (I.E. 1984 ASSESSED VALUATION) PLUS APPRAISAL FEES AND STAFF TIME. PRIVATE OWNERS IN THE AREA HOLD 786 ACRES ASSESSED AT \$470,300. THE MAT-SU BOROUGH OWNS 130 ACRES VALUED AT \$65,000. MANY OF THE 13 PRIVATE OWNERS ARE INTERESTED IN SELLING OR TRADING THEIR LAND. CURRENTLY, NO HOMES OR BUSINESSES EXIST IN THE PROPOSED EXTENSION.

## PROPOSED LEGISLATION

THIS LEGISLATION WOULD EXTEND THE PALMER HAY FLATS STATE GAME REFUGE ALONG THE GLENN HIGHWAY TO TAKE IN AN ADDITIONAL 916 ACRES OF WETLANDS.

THE LEGISLATION WOULD BE IMPLEMENTED BY THE FOLLOWING MEANS:

- DIRECT THE DEPARTMENT OF NATURAL RESOURCES TO OFFER FAIR MARKET VALUE TO WILLING SELLERS AMONG THIRTEEN OWNERS OF 786 ACRES. OFFERS UNACCEPTED TWO YEARS AFTER THEY ARE TENDERED WILL BE WITHDRAWN. (TABLES 1 AND 2)
- DIRECT THE DEPARTMENT OF NATURAL RESOURCES TO OFFER STATE LAND IN TRADE FOR 130 ACRES OWNED BY THE MAT-SU BOROUGH. TRADES WOULD BE ON A DOLLAR-FOR-DOLLAR BASIS AND INVOLVE STATE LAND WITHIN THE MAT-SU BOROUGH.
- APPROPRIATE AT LEAST \$500,000 TO DEPARTMENT OF NATURAL RESOURCES FOR PURCHASES, APPRAISALS, AND SURVEYS. PARCELS SHOWN IN FIG. 1.
- TO PROTECT RESIDENTS ON THE BLUFF OVERLOOKING THE AREA, DISCHARGE OF FIREARMS NORTH OF THE RAILROAD TRACK IN THE PROPOSED EXTENSION WOULD BE DISALLOWED.
- THE ACQUIRED LAND WOULD BE MANAGED BY THE DEPARTMENT OF FISH AND GAME AS PART OF THE PALMER HAY FLATS STATE GAME REFUGE. SEE FIG. 2.

TABLE 1. LAND PARCELS IN PROPOSED GAME REFUGE EXTENSION

<u>R1ET17N</u> <u>PARCEL</u>	<u>OWNER</u>	<u>ACRES</u>		<u>ASSESSED</u>
		<u>ON HAY FLATS</u>	<u>ON BLUFF</u>	
22 A2	Stanley Pleninger	16		\$ 8,100
22 A3	Lucille Martin	20	7	90,000
22 A4	c/o Bonnie McGee	38		19,000
22 B1	Jay Russell	100	8	54,000*
22 C1	Saxon Land Invest.	9		37,000
22 D1	Yvonne Cassity	151		75,500
27 A5	Painter's Local	34		17,000
27 A6	Ray Farrar	33.4		16,700
27 A9	Don Lyon	3		1,400
27 A10	KLH, Inc.	65		33,000
27 A11	Don Benson	86		42,000
27 B1	Glen Cope Estate	160		48,000
27 D2	Georgine Case	17.3		8,600
27 D3		0.3		100
27 D4	Tom Price	2		500
27 D5		51		18,400
	Subtotal	786		\$470,300
22 C2	Mat-Su Borough	82		
		48		
	Subtotal	130		\$65,000
	TOTAL	916 ACRES		\$535,300

\* Assessed value is land only; does not include SFD improvements on bluff portion of parcel

TABLE 2. PROPERTY OWNERS IN PROPOSED EXTENSION

<u>NAME AND ADDRESS</u>	<u>NOTES ON PROPERTY</u>
DONALD BENSON PO BOX 1330 PALMER AK 99645	HAS PERMIT FOR AIRSTRIP
GEORGINE CASE 2153 MANTZ STREET ASHLAND KENTUCKY 41101	UNDEVELOPED
YVONNE CASSITY 211 WEST COOK ANCHORAGE AK 99501	WAS INTERESTED IN DISCUSSING LAND TRADE WITH BOROUGH; TALKED TO MSB LAND MANAGER
GLEN COPE ESTATE C/O PO BOX 582 PALMER AK 99645	IN PROBATE; PUBLIC ACCESS FOR 8,000 ANNUAL USER-DAYS; ORAL EXPRESSION OF TRADE INTEREST BY HEIRS
RAY FARRAR 2508 STANLEY DRIVE ANCHORAGE AK 99502	ILLEGAL FILL FOR DEFUNCT SUBDIVISION
KLH, INC. PO BOX 858 PALMER AK 99645	UNDEVELOPED
DON LYON PO BOX 1525 EAGLE RIVER AK 99577	NEAR HIGHWAY PULL-OUT; ORAL EXPRESSION OF INTEREST IN BOROUGH TRADE
LUCILLE MARTIN C/O BONNIE MCGEE 4812 SUNDI DRIVE ANCHORAGE AK 99502	SWAMP AND CREEK AT JUNCT'ON OF PARKS AND GLENN HIGHWAY. PURCHASE WOULD REQUIRE LOT SPLIT
MATANUSKA-SUSITNA BOROUGH BOX B PALMER AK 99645	UNDEVELOPED; ROAD AND RAILROAD FRONTAGE
PAINTER'S LOCAL 1818 W. NORTHERN LIGHTS ANCHORAGE AK 99503	UNDEVELOPED
STANLEY PLENINGER 4159 HOOD STREET ANCHORAGE AK 99503	POSSIBLE TRUCK YARD ON SPRING CREEK AT HIGHWAY

NAME AND ADDRESSNOTES ON PROPERTY

TOM PRICE  
SRA 375-C  
ANCHORAGE AK

APPLIED TO ARMY CORPS ENGINEERS  
TO FILL FOR 30-ACRE CAMPER  
PARK; CONTACTED BOROUGH ABOUT  
INTEREST IN LAND TRADE

JAY RUSSELL  
BOX 870792  
WASI' LA AK 99687

NORTHERN CORNER OF PARCEL ON  
BLUFF CONTAINS RESIDENCE;  
MOST OF PARCEL IS ON SPRING CR.;  
PURCHASE WOULD REQUIRE LOT SPLIT

SAXON LAND INVESTMENTS, LTD.  
106 SOUTH MENTOR  
PASADENA CALIF 91106

PLAN TO FILL SEVERAL "NON-WETLANDS"  
ACRES NEAR HIGHWAY FOR RETAIL  
BLDGS

## BACKGROUND INFORMATION

HISTORY COLLECTION

- 1967 BOROUGH ZONES MOST OF PALMER HAY FLATS AS "RECREATIONAL."
- 1974 BOROUGH DENIES CHUGACH ELECTRIC ASSOCIATION TRANSMISSION LINE ACROSS FLATS FOLLOWING PUBLIC OBJECTIONS TO LINE.
- 1975 PALMER HAY FLATS STATE GAME REFUGE CREATED ON 26 SQUARE MILES OF STATE LAND (FIG. 2)
- 1983 PUBLICITY BEGINS OVER PLANS TO FILL IN PRIVATE WETLANDS.
- 1984
- JANUARY BOROUGH NOMINATES PALMER HAY FLATS AS "AREA MERITING SPECIAL ATTENTION" UNDER NEW COASTAL ZONE MANAGEMENT PLAN.
- MARCH PLANNING COMMISSION REFUSES TO ZONE MORE PRIVATE LAND ON PALMER HAY FLATS TO HALT COMMERCIAL USES.
- APRIL BOROUGH OFFERS TO TRADE FOR LAND ON HAY FLATS. MOST OWNERS EXPRESS INTEREST AT MEETING.
- APRIL TO SEPT. EIGHT OWNERS OF LAND ON HAY FLATS INQUIRE WITH BOROUGH ABOUT TRADES (TABLE 3); NO TRADES COMPLETED.
- JULY REX TURNER WITHDRAWS APPLICATION FOR FLOAT PLANE BASIN ON HAY FLATS IN FACE OF OPPOSITION IN BOROUGH.
- SEPT. 14 SENATOR KERTTULA SUGGESTS STATE ACQUIRE "PRIORITY" WETLANDS FROM WILLING SELLERS DURING MEETING WITH CITIZENS GROUP.
- SEPT. 17 DNR STAFF SUPPORTS PUBLIC ACQUISITION FROM WILLING SELLERS.
- SEPT. 18 BOROUGH ASSEMBLY WITHDRAWS OFFER TO TRADE.

TABLE 3. OWNERS INQUIRING WITH MAT-SU BOROUGH ABOUT  
LAND EXCHANGES ON PALMER HAY FLATS

TERRY BEAL FOR F. BEAL

JERRY BROWN

YVONNE CASSITY

DON MCGEE FOR L. MARTIN

TOM PRICE

KAREN ROUSEY

CAROL STRAUN

JANET STOUT

## VALUE OF PROPOSED EXTENSION TO PUBLIC

THE PRIVATE WETLANDS NEAR SPRING CREEK AND RABBIT SLOUGH ARE PRODUCTIVE IN FISH AND GAME, AND SUSTAIN HIGH LEVELS OF USES INCOMPATIBLE WITH COMMERCIAL DEVELOPMENT.

### HUNTING AND FISHING

RABBIT SLOUGH GETS UP TO 6,000 FISHERMAN-DAYS PER YEAR (FIG. 3, TABLE 3). MOST OF THIS USE IS ANGLERS FROM ANCHORAGE AND VALLEY FISHING WITH PERMISSION ON PRIVATE LAND FOR SILVER SALMON AND DOLLY VARDEN TROUT (ADF&G ANNUAL REPORT, 1977-1983). IN ADDITION, RABBIT SLOUGH IS AN ACCESS ROUTE TO THE GAME REFUGE FOR DUCK HUNTERS AT THE RATE OF ABOUT 2,000 USER-DAYS PER YEAR (JACK DIDRICKSON, PALMER AREA GAME BIOLOGIST, ADF&G, PERSONAL COMMUNICATION).

THE PROPOSED EXTENSION AND ADJACENT PRIVATE LANDS ALSO CONTAIN PRODUCTIVE SMALL GAME HABITAT. WHEN SNOWSHOE HARES ARE ABUNDANT, AS IN 1983 AND 1984, THE AREA IS INTENSIVELY HUNTED (PERSONAL OBSERVATION). MOREOVER, SOME 50 PEOPLE TRAP FURBEARERS ON THE PALMER HAY FLATS (JIM RIESE, PRES., MAT-SU CHAPTER, ALASKA FUR TRAPPERS ASSOC.). AN UNKNOWN NUMBER OF THESE PERSONS TRAP PARTS OF THE PROPOSED GAME REFUGE EXTENSION. MOST OF THEM ARE TRESPASSING.

### SALMON REARING

SPRING CREEK AND RABBIT SLOUGH ARE MAJOR REARING AREAS FOR SILVER SALMON FRY. TRAPPING DATA INDICATE LARGE NUMBERS OF YOUNG SALMON THROUGHOUT THE PROPOSED EXTENSION (TABLE 4 AND UNPUBLISHED DATA ADF&G, PALMER). SOME EGGS ARE SPAWNED THERE, BUT MOST FRY PROBABLY MIGRATE TO THE AREA FROM WASILLA CREEK AND THE MATANUSKA RIVER (LARRY ENGELS, PALMER AREA FISHERIES BIOLOGIST, PERSONAL COMMUNICATION). FRESHWATER SLOUGHS AND MARSHES ARE CRITICAL TO SILVER SALMON POPULATIONS BECAUSE THE FISH SPEND ABOUT HALF THEIR LIVES IN SUCH HABITAT.

### AESTHETICS

NON-CONSUMPTIVE PUBLIC USE IS ALSO SIGNIFICANT ON THESE PRIVATE WETLANDS NORTH OF THE REFUGE. SEVERAL DOZEN BIRD WATCHERS FREQUENT THE SPRING CREEK AREA ANNUALLY (THEDE TOBISH, PRES., ANCHORAGE AUDUBON SOCIETY, PERSONAL COMMUNICATION). LARGE HAWKS AND OWLS ARE COMMON THERE YEAR ROUND, AND WATERBIRDS ARE NUMEROUS DURING MIGRATION.

TRAVELERS APPRECIATE THE AREA'S OPEN SPACE AS WELL. ON AN AVERAGE DAY, 10,000 VEHICLES CROSS THE PALMER HAY FLATS ON THE GLENN HIGHWAY. NO HOMES OR BUSINESSES EXIST ON THE PRIVATE LANDS AND THE AREA IS INDISTINGUISHABLE FROM THE ADJOINING GAME REFUGE. AS TWO MEMBERS OF THE BOROUGH ASSEMBLY NOTED, THE HAY FLATS IS THE "GATEWAY TO THE MATANUSKA VALLEY" AND THE LAST REMAINING BUFFER ZONE BETWEEN THE VALLEY AND ANCHORAGE.

TABLE 4. FISHING ON RABBIT SLOUGH (ADF&amp;G ANNUAL REPORTS)

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
FISHING-DAYS	2805	3446	4024	5726	4019	6261	3239
NO. SILVER SALMON	472	2112	1211	3555	814	1624	345
NO. DOLLY VARDEN	328	325	364	189	690	1289	1290

## PLANS TO FILL WETLANDS

DURING THE PAST YEAR, FOUR LAND OWNERS EXPRESSED PLANS TO FILL IN AREAS ALONG THE GLENN HIGHWAY ON THE PALMER HAY FLATS. SEE FIG. 4.

THOMAS PRICE OF ANCHORAGE APPLIED TO THE U. S. ARMY CORPS OF ENGINEERS TO FILL IN 30 ACRES OF WETLANDS ALONG RABBIT SLOUGH FOR A CAMPER PARK.

DONALD BENSON OF PALMER HAS AN ARMY CORPS OF ENGINEERS PERMIT TO CONSTRUCT A HALF-MILE LONG GRAVEL AIRSTRIP EXTENDING WESTWARD FROM THE GLENN HIGHWAY. THE FILL WOULD SUPPORT SHOP BUILDINGS AND A PARKING LOT NEAR THE HIGHWAY.

SAXON LAND INVESTMENTS, LTD., A HOLDING COMPANY ASSOCIATED WITH TURNER CONSTRUCTION CO. OF EAGLE RIVER, HAS PUBLICIZED PLANS TO FILL PARTS OF A NINE-ACRE PARCEL ADJACENT TO THE HIGHWAY FOR RETAIL BUILDING. THE ARMY CORPS OF ENGINEERS EARLIER DENIED PERMISSION TO FILL IN THE WETLANDS PORTION OF THIS SITE.

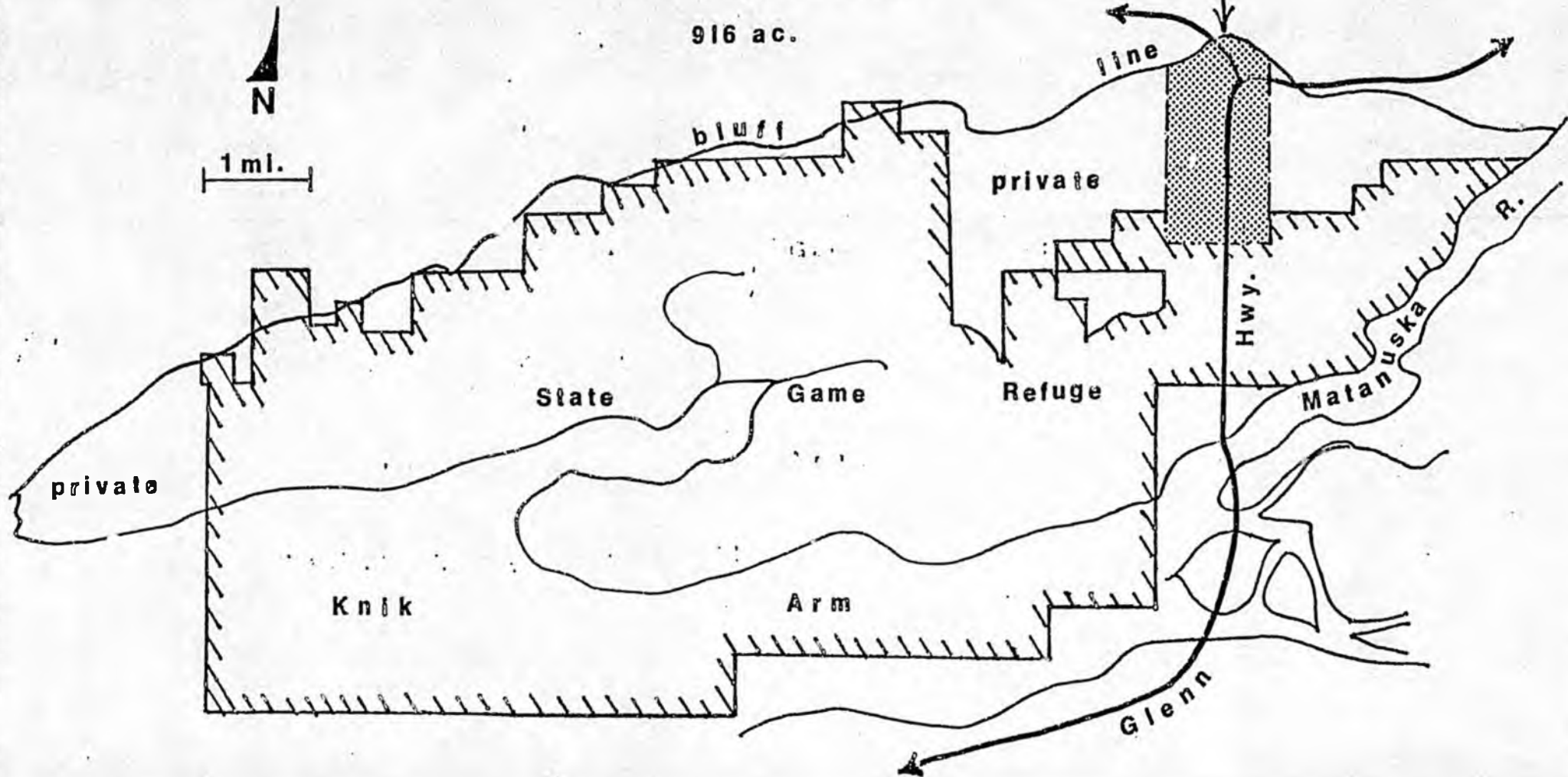
THE MAT-SU BOROUGH PLANNING STAFF SAYS IT WAS APPROACHED REGARDING THE PROPERTY OF STANLEY PLENINGER ON SPRING CREEK. AN AGENT WAS INVESTIGATING THE FEASIBILITY OF A CARGO TRANSFER YARD THERE. NO APPLICATIONS FOR WETLANDS FILL HAVE BEEN SUBMITTED SO FAR, HOWEVER.

Fig. 2 Palmer Hay Flats

*Siskiyou Area Plan  
Glenn Highway Section  
Map area 2b*

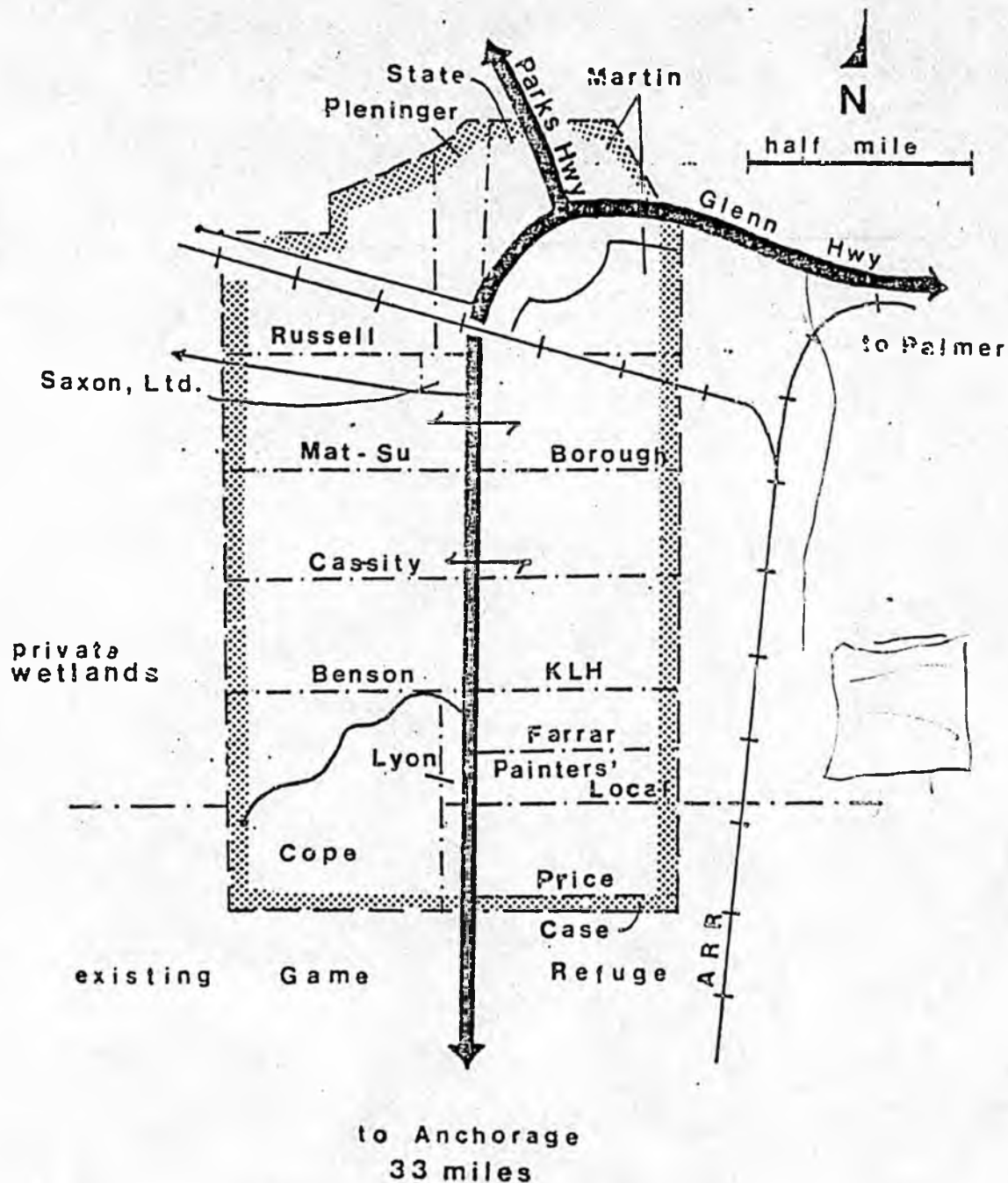
Proposed extension of  
State Game Refuge

916 ac.



# Proposed extension of Palmer Hay Flats State Game Refuge

Fig.1 Land owners

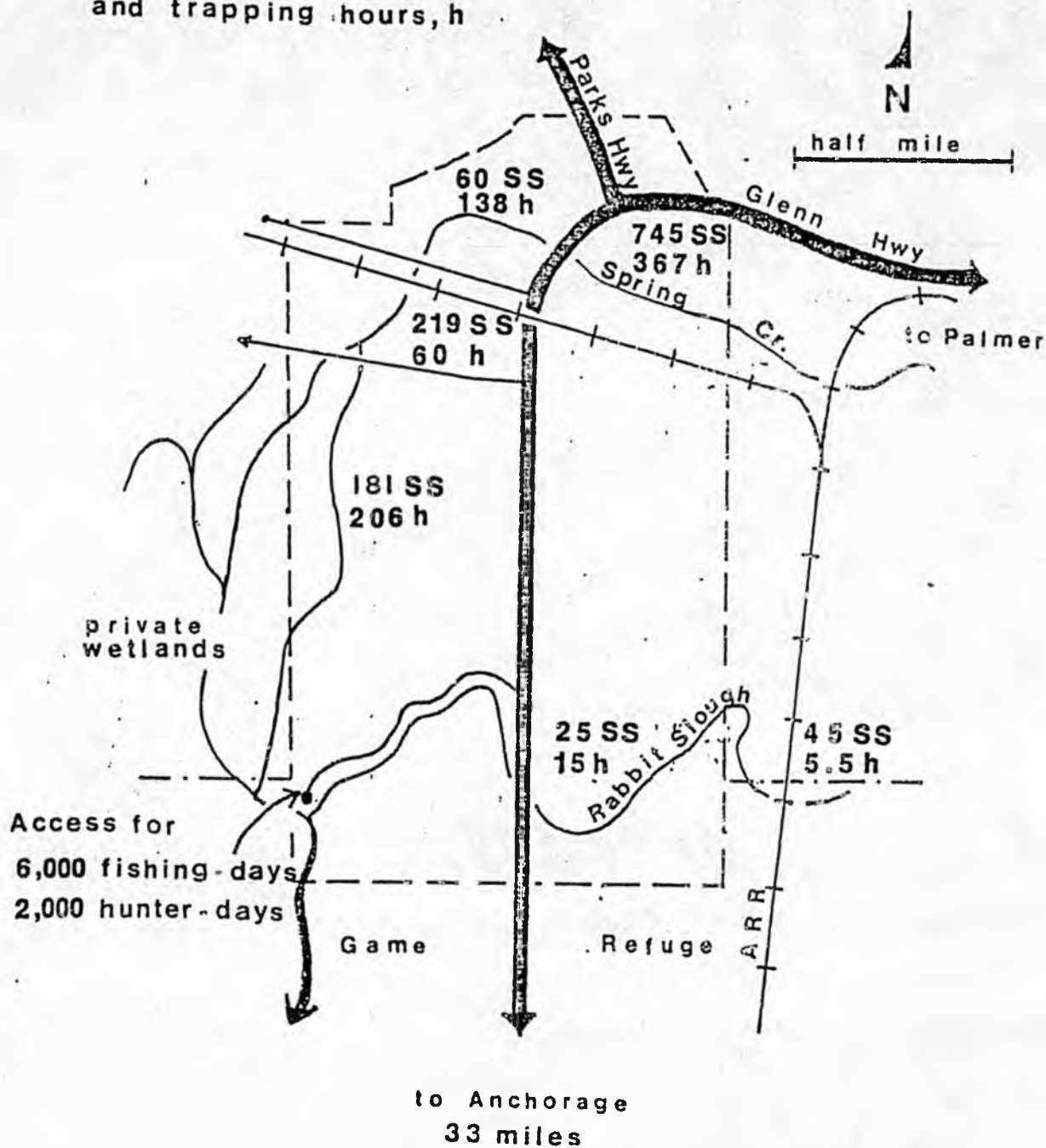


# Proposed extension of Palmer

## Hay Flats State Game Refuge

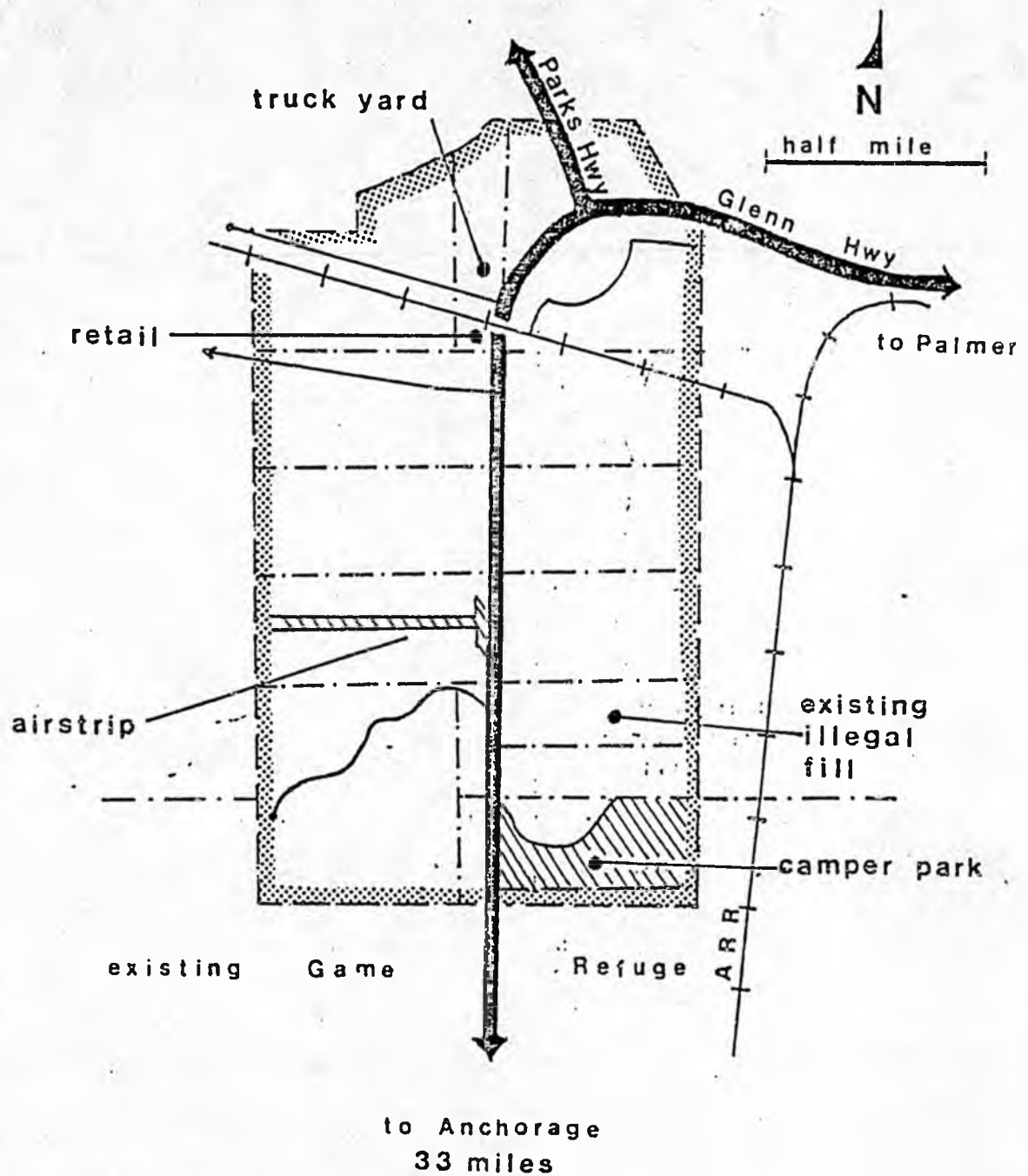
### LIVE-TRAPPING DATA FROM STREAMS

FIG. 3 Silver salmon fry, SS,  
and trapping hours, h



# Proposed extension of Palmer Hay Flats State Game Refuge

Fig.4. Fill proposals



February 6, 1985

FEB 12 1985

Senator Arliss Sturgulewski  
Chairman Resources Committee  
Alaska State Senate  
Pouch V  
Juneau, Alaska 99811

Dear Senator Sturgulewski:

It is with a deep sense of urgency that I request your full support for passage of Senate Bill No. 105, introduced by Senator Keritula.

I have lived in the Matanuska Valley for seven years and have grown to deeply appreciate the many values associated with the Palmer Hay Flats area. As a daily commuter to Anchorage, the "flats" provides an oasis of aesthetic quality in what otherwise has become a 45 mile strip development. Coincidentally, it is the safest part of the trip due to the lack of development. Any development along this single lane stretch of the Glenn Highway would create a horrendous safety hazard.


As a consumptive user of the fish and wildlife resources of this great state, I have become intimately familiar with those resources in the "flats" area. I have also seen the number of other users increase tremendously the past few years. Not only hunters, fishermen and trappers, but general recreationists as well. A great number of these users are Anchorage residents and non-residents. As you are well aware, the degree of access is a key factor to recreational use in any area. The location of the "flats" is ideal for serving well over 50% of the recreational users in the state. I, as well as others, especially enjoy the area as a place to share these experiences with our children without making a major expedition. It is also an ideal educational area and is used as such by local educators. Concurrent, with the rapid development in the valley, I have seen fish and wildlife resource habitats dwindle, thereby enhancing the importance of remaining areas, such as the Palmer Hay Flats.

As a business owner in Palmer, I have enjoyed watching the valley grow and have shared in some of the associated benefits. I have also experienced a growing concern that we are destroying many of the qualities which make the valley so attractive. This is due to a large extent by our failure to recognize these qualities and place them in a proper perspective, equal to strictly economic interests.

In view of declining state revenues, the relatively small cost associated with protecting a natural resource of this importance and magnitude is a bargain that should not be ignored.

Your support for this bill will help assure preservation of this beautiful natural area for the enjoyment of untold numbers of future Alaskans.

Sincerely,



Gary Stackhouse

cc: all Resources Committee members

# STATE OF ALASKA THE LEGISLATURE

## LEGISLATIVE AFFAIRS AGENCY

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May, 1986

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS date base CM 14. In order to save space copies of minutes have not been left in the files.

Jeanie Henry

SENATE RESOURCES COMMITTEE,

2/27/85, 1:35

" "

3/1/85, 1:40

# Alaska State Legislature

ARLISS STURGULEWSKI, Chairman  
BETTYE FAHRENKAMP, Vice Chairman  
JACK COGHILL  
DICK ELIASON  
VIC FISCHER  
RICK HALFORD  
FRED ZHAROFF



POUCH V  
JUNEAU, ALASKA. 99811  
(907) 465-4907

## Senate Committee on Resources

June 24, 1985

Esther Wunnicke, Commissioner  
Department of Natural Resources  
Pouch M, Mail Stop 1000  
Juneau, AK 99811

Dear Commissioner Wunnicke:

Enclosed is a letter I have received from a Palmer resident regarding the Palmer Hay Flats (SB 105). Could you please provide me with the necessary information to answer his questions.

Thank you.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Arliss".

Senator Arliss Sturgulewski  
Chairman, Senate Resources Committee

Inclosure

reid  
6-12-85

Senator Arliss Strugulewski  
Pouch V  
Juneau, Alaska 99811

RE: SB 105

Dear Senator Sturgulewski:

I appreciated your May 28th letter announcing the passage of SB 105, authorizing the Commissioner of DNR, through purchase or land exchange, to expand the Palmer Hayflats State Game Refuge by approximately 2,000 acres.

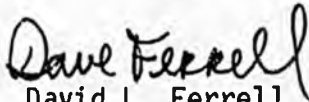
Now that the bill has become law, I am interested in knowing how it will be implemented. Specifically, is DNR actively contacting affected property owners regarding the purchase or exchange of these lands? Has a time-frame been established and potential exchange lands identified? I assume that if a property owner does not wish to participate in the program, then his land would not be incorporated into the State Refuge System.

I am also interested in the "special provisions" written into the law for future highway expansion. For example, would highway right-of-way lands be managed by the refuge as wildlife habitat?

Please provide me with a copy of SB 105 and accompanying maps identifying the affected area.

Again, thank you for your support and responsiveness to the concerned public.

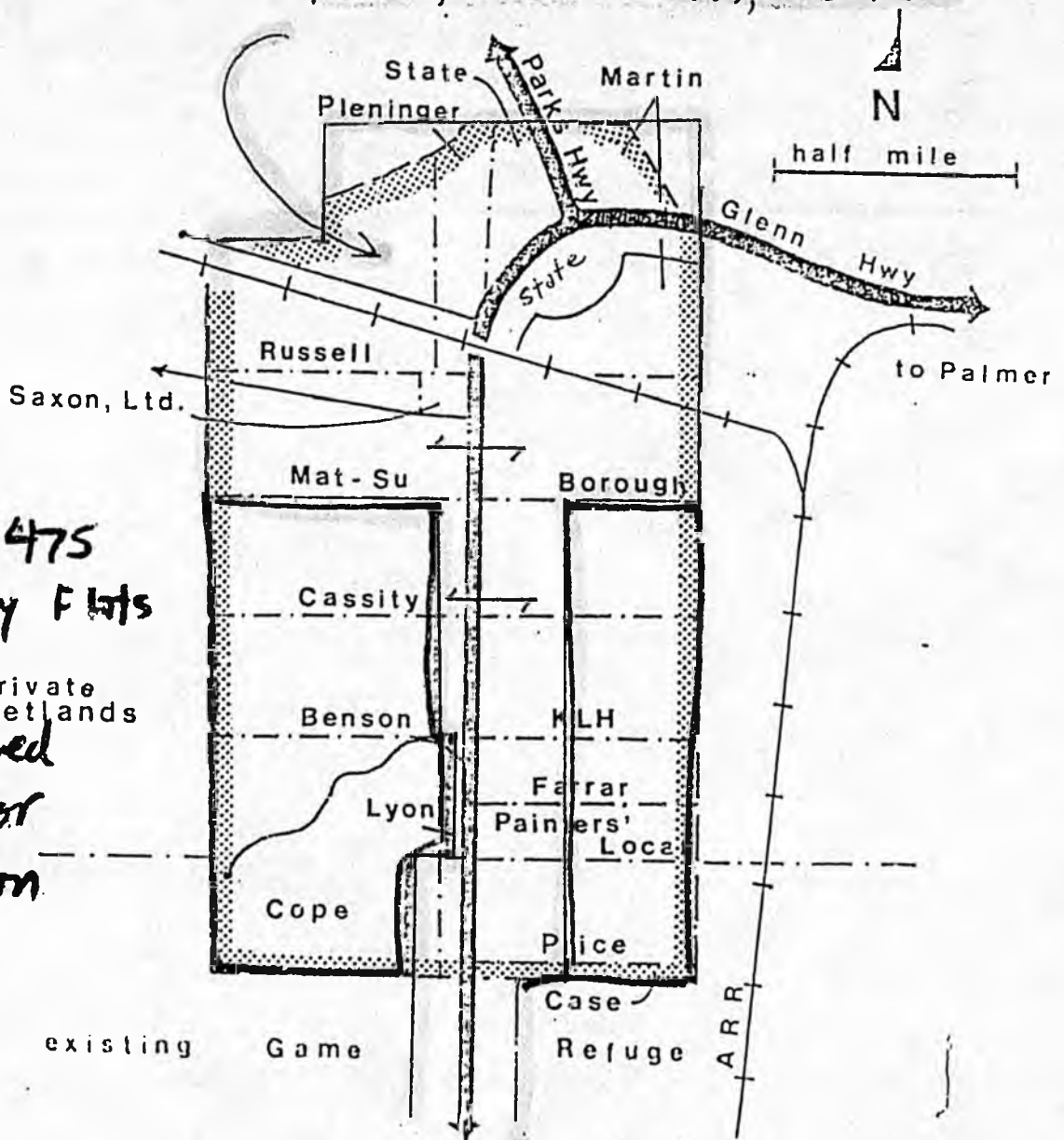
Sincerely,

  
David L. Ferrell  
SRA 6105  
Palmer, AK 99645

cc: Commissioner, DNR

# Proposed extension of Palmer Hay Flats State Game Refuge

Fig. 1 Land owners Transportation corridor requested by DOT, Section 2 (S), in BR 105.



Blue shows 475  
acres in Hay Flats  
bill after  
DOT's proposed  
withdrawal for  
transportation  
corridor.

\*\*\*\*\*  
\*  
\* DELIVER TO: KARLYN BLACK \*  
\* \*  
\* \*  
\* ORIGINAL \*  
\* SENT: 02/27/85 TIME: 13:52 \*  
\* FROM: TCMAT \*  
\* SUBJECT: SEN. RESOURCES-SB 11, SB105 \*  
\* PRINT DATE: 02/27/85 TIME: 13:53 \*  
\* \*  
\*\*\*\*\*

*SB105*

MATSU MESSAGE NO. 2

TO TESTIFY ON SB 105  
6. TOM SHANKSTER *NP*

TO OBSERVE  
3. SUSAN SHANKSTER

\*\*\*\*\*  
\*  
\* DELIVER TO: KARLYN BLACK \*  
\* \*  
\* ORIGINAL \*  
\* SENT: 02/27/85 TIME: 14:16 \*  
\* FROM: TCANC \*  
\* SUBJECT: PART LIST (S)RESOURCES \*  
\* PRINT DATE: 02/27/85 TIME: 14:19 \*  
\*  
\*\*\*\*\*

ANCH. PARTICIPANT LIST #2  
TO TESTIFY:

ANCHORAGE

✓ 1. MICHAEL PERYAM - SB 105 O/K

\*\*\*\*\*  
\*  
\* DELIVER TO: KARLYN BLACK \*  
\* \*  
\* ORIGINAL \*  
\* SENT 02/27/85 TIME: 13:36 \*  
\* FROM: TCMAT \*  
\* SUBJECT: SEN. RESOURCES, SB 105 \*  
\* PRINT DATE: 02/27/85 TIME: 13:49 \*  
\* \*  
\*\*\*\*\*

MESSAGE NO. 1, MATSU

TO TESTIFY ON SB 105 .

1. JAMES REISS *OK*
2. DAVE CHURCHILL *no*
3. DWIGHT BATT (MUST LEAVE BY 2:00) *OK*
3. WAYNE WOODS *OK*

TO OBSERVE

1. DEBRA REISS
2. LINDA CHURCHILL

\*\*\*\*\*  
\*  
\* DELIVER TO: KARLYN BLACK \*  
\*  
\* ORIGINAL \*  
\* SENT: 02/27/85 TIME: 13:57 \*  
\* FROM: TCMAT \*  
\* SUBJECT: SEN. RESOURCES, SB 11, SB 105 \*  
\* PRINT DATE: 02/27/85 TIME: 13:57 \*  
\*  
\*\*\*\*\*

MATSU MESSAGE NO. 3

TO TESTIFY ON SB 105

- ✓ 6. SARA HORNER *o/c*
- ✓ 7. JOE LAWTON *o/c*
- ✓ 8. TERRY BEAL *o/c*

# Alaska State Legislature

SB 105

ARLISS STURGULEWSKI, Chairman  
BETTYE FAHRENKAMP, Vice Chairman  
JACK COGHILL  
DICK ELIASON  
VIC FISCHER  
RICK HALFORD  
FRED ZHAROFF



POUCH V  
JUNEAU, ALASKA 99811  
(907) 465-4907

## Senate Committee on Resources

July 23, 1985

David L. Ferrell  
SRA 6105  
Palmer, Alaska 99645

Dear Mr. Ferrell:

Enclosed is the information on the Palmer Hay Flats, Senate Bill 105, that you requested. I have also enclosed a letter from Commissioner Wunnicke of the Department of Natural Resources that explains their present position.

I hope the material will prove useful. I want to thank you for your interest in this legislation.

Sincerely yours,

Senator Arliss Sturgulewski  
Chairman, Senate Resources Committee

Enclosures

fh:cp

Offered: 5/9/85  
Referred: Rules

Original sponsor: Kerttula

1 IN THE SENATE BY THE RESOURCES COMMITTEE-  
2 HOUSE CS FOR CS FOR SENATE BILL NO. 105 (Resources)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 FOURTEENTH LEGISLATURE - FIRST SESSION  
5 A BILL

6 For an Act entitled: "An Act relating to the Palmer Hay Flats State Game  
7 Refuge; and providing for an effective date."

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

9 \* Section 1. The legislature determines that wetlands important to the  
10 protection of waterfowl and salmon in the Spring Creek area lie outside of  
11 the boundaries of the Palmer Hay Flats State Game Refuge. The Spring Creek  
12 area also provides one of the major public access points to the hay flats  
13 although the land is privately owned. The legislature therefore determines  
14 that it is in the public interest to protect the Spring Creek wetlands  
15 through extension of the Palmer Hay Flats State Game Refuge under this Act.

16 \* Sec. 2. AS 16.20.032(a) is amended to read:

17 (a) The following state-owned land and water is established as  
18 the Palmer Hay Flats State Game Refuge:

19 (1) Township 16 North, Range 1 West, Seward Meridian

20 Sections 1 - 12 [INCLUSIVE]

21 Section 13: N1/2

22 Sections 14 - 18 [INCLUSIVE]

23 (2) Township 17 North, Range 1 West, Seward Meridian

24 Section 25. [: ALL]

25 \*Section 26: S1/2, S1/2N1/2, N1/2NE1/4, NE1/4NW1/4

26 Section 27: S1/2, SE1/4NE1/4

27 Section 31: Lot 4, SE1/4, E1/2SW1/4, SE1/4NE1/4,

28 S1/2SW1/4NE1/4

29 Section 32: S1/2, S1/2NE1/4, NE1/4NE1/4,

1 SE1/4NW1/4

2 Sections 33 - 36

3 [SECTION 33: ALL

4 SECTION 34: ALL

5 SECTION 35: ALL

6 SECTION 36: ALL]

7 (3) Township 17 North, Range 1 East, Seward Meridian

8 Section 19: Lots 3 and 4, E1/2SW1/4, S1/2SE1/4

9 Section 22:

10 excluding NW1/4NW1/4

11 excluding N1/2NE1/4NW1/4

12 excluding NE1/4NE1/4NE1/4

13 Section 25: Lots 1 - 6, NW1/4, N1/2NE1/4, N1/2-

14 SW1/4, SW1/4SW1/4

15 Section 26: SE1/4NE1/4, S1/2

16 Section 27: Lot 1, N1/2, N1/2S1/2, SE1/4SW1/4,

17 S1/2SE1/4

18 Section 28: Lots 1 - 2, N1/2SE1/4, SW1/4SE1/4,

19 S1/2SW1/4

20 Section 30: Lots 1 - 4, E1/2, E1/2W1/2

21 Section 31: Lots 1 - 10, NE1/4NW1/4, SW1/4NE1/4,

22 N1/2NE1/4 [LOTS 5, 7, 8, 9, 10]

23 Section 32: Lots 3 - 7, NE1/4, SW1/4SW1/4, NE1/4-

24 SE1/4

25 Section 33: Lots 5 - 9, S1/2SE1/4, SW1/4NW1/4,

26 including all state tide and submerged land

27 Section 34: Lots 1 - 3, E1/2NW1/4, SW1/4, E1/2

28 Section 35: Lots 1 - 5, NW1/4, N1/2SW1/4, SW1/4-

29 SW1/4, N1/2NE1/4, SW1/4NE1/4, NW1/4SE1/4



1 Palmer Hay Flats State Game Refuge. The commissioner of transporta-  
2 tion and public facilities is directed to provide access to the Palmer  
3 Hay Flats State Game Refuge during future development of state  
4 highways in the area. The land that is excluded from the Palmer Hay  
5 Flats State Game Refuge under this subsection is described as

6 Township 17 North, Range 1 East, Seward Meridian

7 Section 22: SE1/4NW1/4, W1/2NE1/4, SE1/4NE1/4, S1/2-  
8 NE1/4NE1/4, NW1/4NE1/4NE1/4, NE1/4SW1/4, W1/2SE1/4

9 Sections 27 and 34: a corridor 300 feet on either side  
10 of the existing highway centerline

11 \* Sec. 4. The commissioner of natural resources shall include land  
12 acquired from the Matanuska-Susitna Borough in the Palmer Hay Flats State  
13 Game Refuge established under AS 16.20.032.

14 \* Sec. 5. (a) The commissioner of natural resources may exchange  
15 state land located within the Matanuska-Susitna borough for privately owned  
16 land determined desirable for inclusion in the Palmer Hay Flats State Game  
17 Refuge. The commissioner of natural resources may also offer to purchase  
18 at fair market value from willing sellers privately owned land determined  
19 desirable for inclusion in the Palmer Hay Flats State Game Refuge.

20 (b) An offer made by the commissioner of natural resources under this  
21 section for a purchase or exchange that remains unaccepted for two years  
22 after tender is withdrawn.

23 (c) An exchange or purchase authorized under (a) of this section  
24 shall be accomplished under AS 38.05 or AS 38.50.

25 (d) The commissioner of natural resources shall include land acquired  
26 under this section in the Palmer Hay Flats State Game Refuge established  
27 under AS 16.20.032.

28 \* Sec. 6. The addition of land to the Palmer Hay Flats State Game  
29 Refuge under secs. 2 and 4 - 5 of this Act may not be an occasion for the

1 delay in or prohibition of the expansion or improvement of the Glenn  
2 Highway, the Parks Highway, or the Wasilla Bypass, or the construction of  
3 the interchange at the Parks and the Glenn Highways, nor may it restrict  
4 the present or future use of land retained by an owner of land under sec. 5  
5 of this Act.

6 \* Sec. 7. This Act takes effect immediately in accordance with AS 01.-  
7 10.070(c).

# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

POUCH M  
JUNEAU, ALASKA 99811  
PHONE: 907-465-2400

July 17, 1985

The Honorable Arliss Sturgulewski  
Chairman, Senate Resources Committee  
Alaska State Senate  
Pouch V  
Juneau, Alaska 99811

Dear Senator *Arliss Sturgulewski* Sturgulewski:

Thank you for your letter concerning the additions to Palmer Hay Flats, SB 105. Your constituent, Mr. Ferrell, has asked whether this department is actively pursuing acquisition of private lands within the Hay Flats and if so, when such acquisitions would take place.

This year's budget reductions have resulted in very limited funding in our land exchange project, thus requiring careful consideration of priorities. For lands within the refuge, the department is relying upon the Department of Fish and Game to identify those parcels considered to be of highest importance to the refuge. These priorities must then be weighed against all other exchange priorities statewide, to determine a ranking that provides for the greatest public benefit. As a result, this department is not making any attempt to contact the property holders within the refuge, nor have we developed any schedule for such acquisition.

Perhaps the most important parcel to acquire in the refuge is the Williams property, which is now in progress. The Department of Fish and Game recommended that we obtain this site for improved access and it has contributed the funding necessary to process the exchange (e.g. survey and appraisal costs). I expect that each acquisition within the refuge will depend upon that department's support, both from a refuge management standpoint and through funding. Clearly, future exchanges will be dependent upon funds available.

Mr. Ferrell is correct in his assumption that only willing traders will be considered for a land exchange. SB 105 clearly provides that each private landowner be agreeable to an exchange of their property.

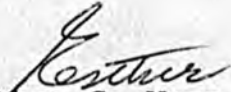
Finally, Mr. Ferrell has asked about the highway right-of-way lands. These lands have been excluded from the refuge for the establishment of a transportation and utility corridor and will continue to be managed as wildlife habitat

July 17, 1985

under terms described in the Susitna Area Plan. Land within this corridor that is found to be unnecessary for transportation purposes by the Commissioner of Transportation and Public Facilities becomes a part of the refuge.

Please let me know if you need further information.

Sincerely,

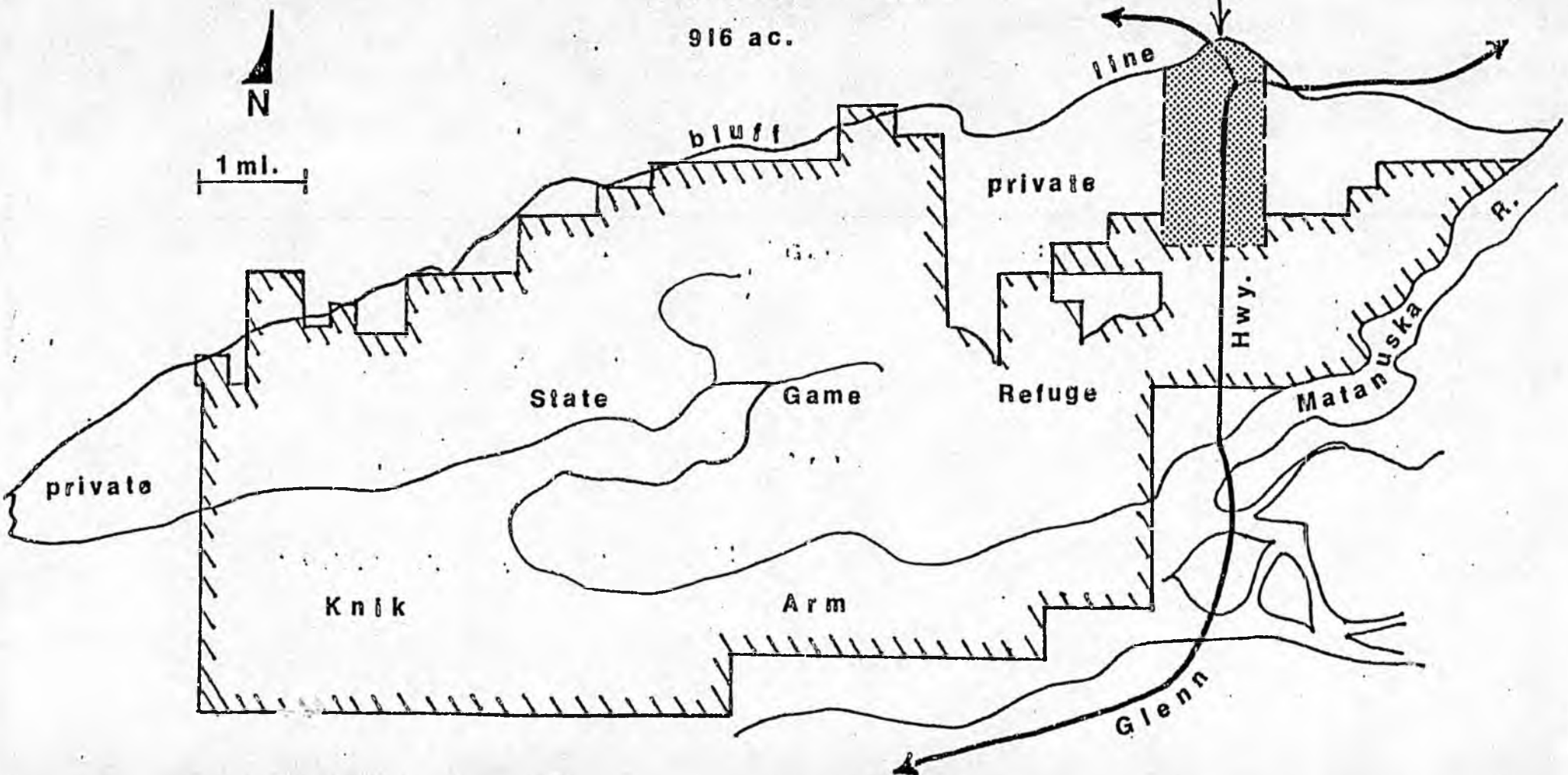
  
Esther C. Wunnicke  
Commissioner

cc: Tom Hawkins, Director, Division of  
Land and Water Management  
Arlan DeYoung, Southcentral Regional Office

Fig. 2 Palmer Hay Flats

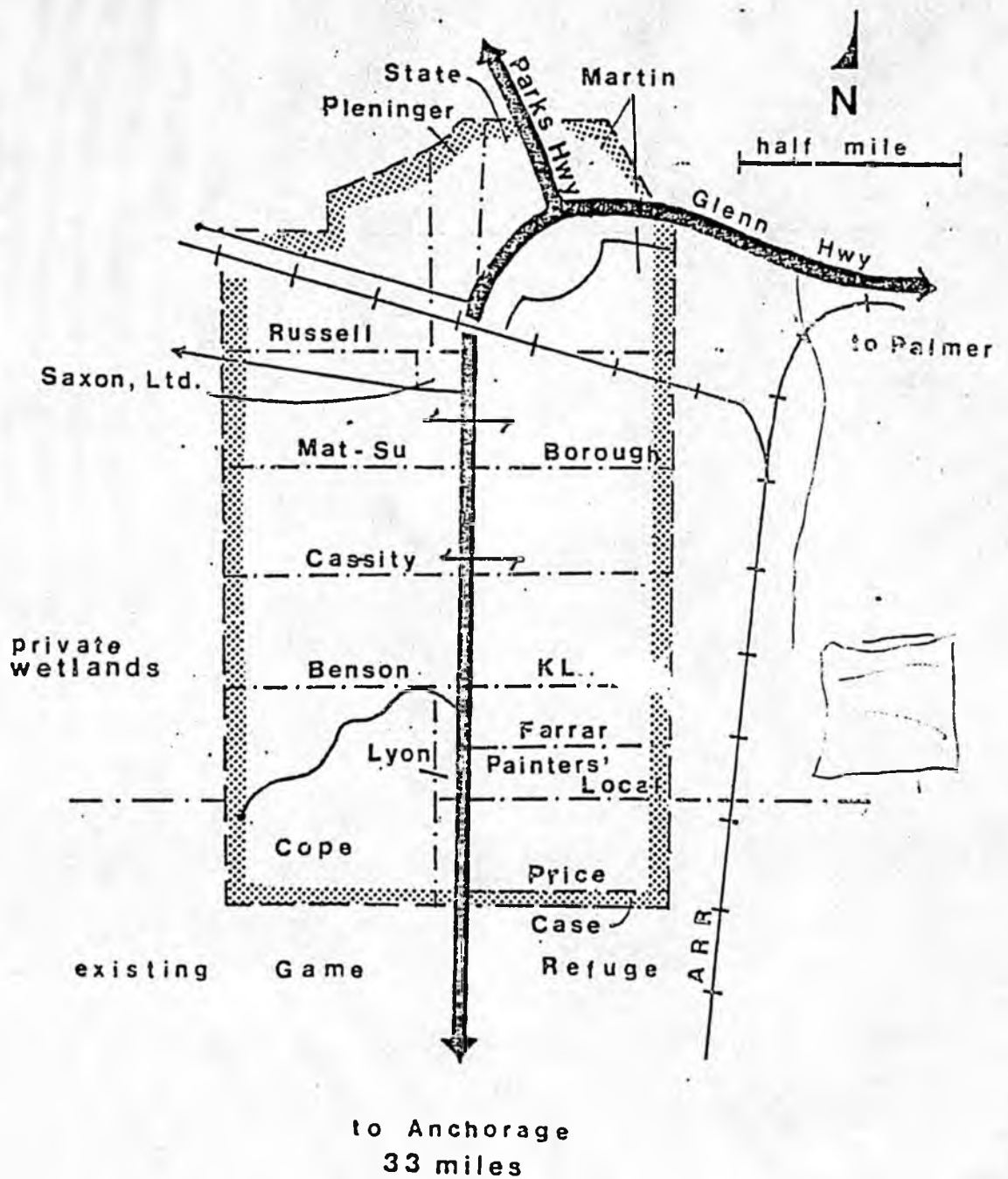
*Seward Area Plan  
Glenn Highway Section  
Map area 2b*

Proposed extension of  
State Game Refuge  
916 ac.



# Proposed extension of Palmer Hay Flats State Game Refuge

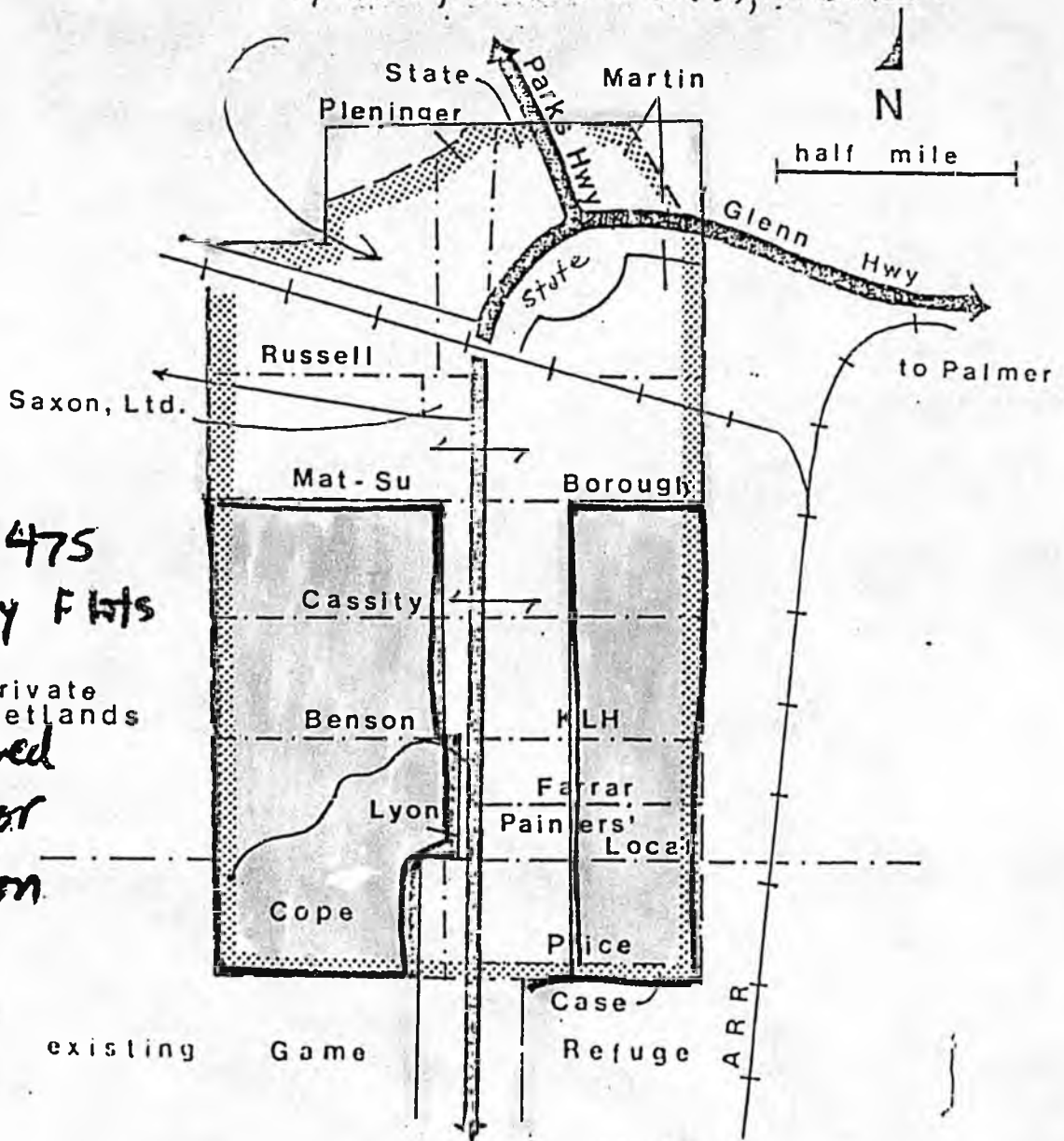
Fig.1 Land owners



Benson to Keitt 1/4

# Proposed extension of Palmer Hay Flats State Game Refuge

Fig. 1 Land owners Transportation corridor requested  
by DOT, Section 2 (5), in 3B105.



Blue shows 475  
acres in Hay Flats  
bill after  
DOT's proposed  
withdrawal for  
transportation  
corridor.

private  
wetlands

existing Game

Refuge

# The Palmer Hayflats

## State begins developing management plan for vast, waterfowl-rich marshland

By CHRIS GEIGER  
Daily News reporter

WASILLA — To the casual driver on the Glenn Highway between Eklutna and Matanuska, Palmer Hayflats State Game Refuge appears true to its name. Vast fields of deep gold, pancake-flat grasslands stretch on either side of the highway, punctuated by river channels and an occasional moose.

To other Alaska residents, Palmer Hayflats is more than a pretty picture. The 45-square-mile refuge provides some of the finest waterfowl hunting in the state, along

with moose hunting, salmon fishing, bird watching and off-road adventuring.

The state Division of Fish and Game is beginning to develop a management plan for the refuge, and has scheduled public hearings next week to gauge residents' concerns.

The issues of providing more public access to Palmer Hayflats — and limiting off-road vehicle use in the area — promise to spur debate at the hearings, officials say.

The Wasilla hearing will take place from 7 p.m. to 9 p.m. Monday at Cottonwood

Creek Elementary School. The Anchorage hearing is set for 7 p.m. to 9 p.m. Tuesday, Dec. 3, at Spring Hill Elementary School.

The Palmer Hayflats really were hayflats not so long ago. As farmers settled in the area earlier in the century, cattle grazed the rich grasslands and fences sprang up on the flats.

Much of the area sank during the 1964 earthquake, and tidal flooding turned the flats into salt marshes — an ideal waterfowl habitat. Occasional dilapidated buildings are the only reminders of the flats' former use.

Currently, there are few restrictions on off-road vehicle use, or practically anything else, in Palmer Hayflats. At least one group, the Alaska Waterfowl Association, plans to call for a ban on the vehicles, according to group president John Hendrickson.

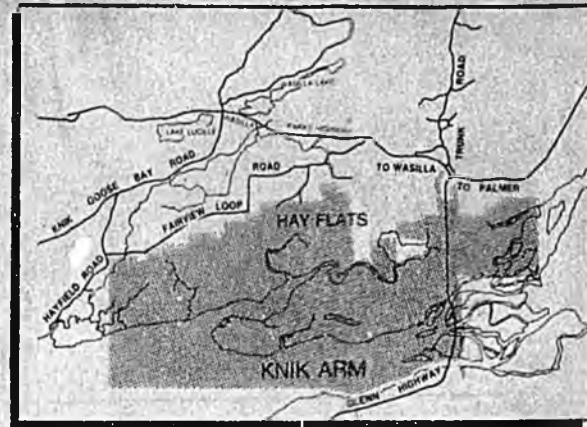
"There are uses compatible with wildlife management," Hendrickson said. "One of them is not three-wheelers and four-wheelers. They tear up the swamp and change drainage patterns."

When the drainage changes, marshy areas and ponds dry

up, destroying waterfowl habitat, Hendrickson said. He'd like to see the vehicles banned from the refuge.

According to Tony Gatts, owner of Honda of Anchorage, all-terrain vehicle tires cause less damage than people walking across the swamp. An ATV's weight is spread over a larger area, he said.

ATVs have been stigmatized by the media, Gatts said. As a result, most people think ATV drivers are a "wanton, vandalous, wild segment of the population,"



# Hearings set on plan for management of Palmer Hayflats

Continued from Page B-1

he said.

Palmer resident Craig Puddicombe has hunted in the refuge for 28 years, and has mixed feelings about restricting off-road vehicles without restricting all motorized vehicles. Airplanes can disrupt waterfowl as much as ATVs, he said, and it's unfair that only people who can afford to fly should have access.

Puddicombe and another Palmer resident, Chuck Felzien, sued the state last year over its restriction of airboat use by waterfowl hunters in the hayflats. The Alaska Board of Game changed the regulation to allow duck hunters to use motorized vehicles on major waterways.

"It's tough country to hunt," Puddicombe said. "You've got a 30-foot tide — the second biggest in the world — and you've got a lot of mud to get stuck in. People die all the time out there.

"But I'd like to see it stay just the way it is."

The access problem is aggravated by the lack of public easements into the refuge. All three public accesses run over private land, according to Dan Timm, acting regional supervisor of the state Game Division.

The state is considering another access off Fairview Loop Road, near Reedy Lake, Timm said.

"You can bet that access is going to be one of the big issues," said state game biolo-

gist John Matthews. "You can't carry a shotgun and decoys into most of those areas."

Leonard Haire, owner of Mac's Airboats and Skiffs in Anchorage, said more roads would make the area too accessible.

"It kind of restricts itself because of the way it is," Haire said.

Alaska State Troopers complained of the target shooting that often goes on at the Knik River access point, according to state habitat biologist Debra Clausen. The management plan may also address that issue, she said.

Ducks Unlimited has proposed a project to provide more prime waterfowl habitat in a 100-acre area near the

highway. Backhoes would make shallow excavations in the marsh to create more pond areas, according to state Waterfowl Coordinator Tom Rothe. The mud would then be piled into small islands, to provide more dry nesting sites.

Ducks Unlimited has offered to pay for the project, and the state Department of Fish and Game would monitor its success, Rothe said.

Next week's hearings are the first step in the plan development process. Afterwards, the state will develop a draft plan, put it up for more public review and prepare a final plan.

The whole process should take about a year, Clausen said.

Offered: 4/24/85  
Referred: Rules

Original sponsor: Kerttula

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2

CS FOR SENATE BILL NO. 105 (Finance)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to the Palmer Hay Flats State Game  
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13 although the land is privately owned. The legislature therefore determines  
14 that it is in the public interest to protect the Spring Creek wetlands  
15 through extension of the Palmer Hay Flats State Game Refuge under this Act.

16

\* Sec. 2. AS 16.20.032(a) is amended to read:

17

(a) The following state-owned land and water is established as  
18 the Palmer Hay Flats State Game Refuge:

19

(1) Township 16 North, Range 1 West, Seward Meridian

20

Sections 1 - 12 inclusive

21

Section 13: N1/2

22

Sections 14 - 18 inclusive

23

(2) Township 17 North, Range 1 West, Seward Meridian

24

Section 25: All

25

Section 26: S1/2, S1/2N1/2, N1/2NE1/4, NE1/4NW1/4

26

Section 27: S1/2, SE1/4NE1/4

27

Section 31: Lot 4, SE1/4, E1/2SW1/4, SE1/4NE1/4,

28

S1/2SW1/4NE1/4

29

Section 32: S1/2, S1/2NE1/4, NE1/4NE1/4,

1 SE1/4NW1/4  
2 Section 33: All  
3 Section 34: All  
4 Section 35: All  
5 Section 36: All  
6 (3) Township 17 North, Range 1 East, Seward Meridian  
7 Section 22:  
8 excluding NW1/4NW1/4  
9 excluding NE1/4NE1/4NE1/4  
10 excluding N1/2NE1/4NW1/4  
11 Section 27:  
12 excluding S1/2S1/2  
13 Section 28: N1/2SE1/4  
14 Section 31: Lots 5, 7, 8, 9, 10  
15 Section 32: NE1/4  
16 Section 33: SW1/4NW1/4, including all state tide  
17 and submerged land  
18 (4) Township 16 North, Range 1 East, Seward Meridian  
19 Section 4, 5, 6, 7, 8, 9: All  
20 Section 17: N1/2  
21 Section 18: N1/2  
22 All state tide and submerged land  
23 (5) Township 16 North, Range 1 East, Seward Meridian  
24 Section 2: Portion lying west of the Alaska  
25 Railroad  
26 Section 3: Lot 1, excluding portions lying east  
27 of the Alaska Railroad centerline, Lots, 2, 3,  
28 4, 5, 6, NW1/4, NW1/4, NE1/4  
29 Section 10: Lots 1, 2, 3, 4, 6, and portions

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lying west of the Alaska Railroad

Section 15: All state land lying north of the south bank of the Knik River and west of the Alaska Railroad

Section 16: All state land lying north of the south bank of the Knik River

\* Sec. 3. AS 16.20.032 is amended by adding a new subsection to read:

(e) Notwithstanding the provisions of (a) of this section, the land described in this subsection is excluded from the Palmer Hay Flats State Game Refuge established under (a) of this section for the establishment of a transportation and utility corridor. Land within the transportation and utility corridor that is determined by the commissioner of transportation and public facilities to be unnecessary for future transportation or utility corridors becomes a part of the Palmer Hay Flats State Game Refuge. The commissioner of transportation and public facilities is directed to develop access points to the Palmer Hay Flats State Game Refuge at the Knik River Bridge and to Rabbit Slough during future development of state highways in the area.

The land that is excluded from the Palmer Hay Flats State Game Refuge under this subsection is described as

Township 17 North, Range 1 East, Seward Meridian

Section 22: SE1/4NW1/4, NE1/4, NE1/4SW1/4, W1/2SE1/4

Section 27: a corridor 300 feet on either side of the existing highway centerline

\* Sec. 4. The commissioner of natural resources shall include land acquired from the Matanuska-Susitna Borough in the Palmer Hay Flats State Game Refuge established under AS 16.20.032.

\* Sec. 5. (a) The commissioner of natural resources may dispose of state land located within the Matanuska-Susitna borough in exchange for

1 privately owned land determined desirable for inclusion in the Palmer Hay  
2 Flats State Game Refuge. The commissioner of natural resources may also  
3 offer to purchase at fair market value from willing sellers privately owned  
4 land determined desirable for inclusion in the Palmer Hay Flats State Game  
5 Refuge.

6 (b) An offer made by the commissioner of natural resources under this  
7 section for a purchase or exchange that remains unaccepted for two years  
8 after tender is withdrawn.

9 (c) An exchange or purchase authorized under (a) of this section  
10 shall be accomplished under AS 38.50.

11 (d) The commissioner of natural resources shall include land acquired  
12 under this section in the Palmer Hay Flats State Game Refuge established  
13 under AS 16.20.032.

14 \* Sec. 6. The addition of land to the Palmer Hay Flats State Game  
15 Refuge under secs. 2 and 4 - 5 of this Act may not be an occasion for the  
16 delay in or prohibition of the expansion or improvement of the Glenn High-  
17 way, the Parks Highway, or the Wasilla Bypass, or the construction of the  
18 interchange at the Parks and the Glenn Highways, nor may it restrict the  
19 present or future use of land retained by an owner of land under sec. 5 of  
20 this Act.

21 \* Sec. 7. This Act takes effect immediately in accordance with AS 01.-  
22 10.070(c).

Offered: 3/4/85  
Referred: Finance

Original sponsor: Kerttula

1 IN THE SENATE BY THE RESOURCES COMMITTEE  
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3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
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20 Sections 1 - 12 inclusive

21 Section 13: N1/2

22 Sections 14 - 18 inclusive

23 (2) Township 17 North, Range 1 West, Seward Meridian

24 Section 25: All

25 Section 26: S1/2, S1/2N1/2, N1/2NE1/4, NE1/4NW1/4

26 Section 27: S1/2, SE1/4NE1/4

27 Section 31: Lot 4, SE1/4, E1/2SW1/4, SE1/4NE1/4,

28 S1/2SW1/4NE1/4

29 Section 32: S1/2, S1/2NE1/4, NE1/4NE1/4,

1 SE1/4NW1/4

2 Section 33: All

3 Section 34: All

4 Section 35: All

5 Section 36: All

6 (3) Township 17 North, Range 1 East, Seward Meridian

7 Section 22:

8 excluding NW1/4NW1/4

9 excluding NE1/4NE1/4NE1/4

10 excluding N1/2NE1/4NW1/4

11 Section 27:

12 excluding S1/2S1/2

13 Section 28: N1/2SE1/4

14 Section 31: Lots 5, 7, 8, 9, 10

15 Section 32: NE1/4

16 Section 33: SW1/4NW1/4, including all state tide

17 and submerged land

18 (4) Township 16 North, Range 1 East, Seward Meridian

19 Section 4, 5, 6, 7, 8, 9: All

20 Section 17: N1/2

21 Section 18: N1/2

22 All state tide and submerged land

23 (5) Township 16 North, Range 1 East, Seward Meridian

24 Section 2: Portion lying west of the Alaska

25 Railroad

26 Section 3: Lot 1, excluding portions lying east

27 of the Alaska Railroad centerline, Lots, 2, 3,

28 4, 5, 6, NW1/4, NW1/4, NE1/4

29 Section 10: Lots 1, 2, 3, 4, 6, and portions

1                    lying west of the Alaska Railroad  
2                    Section 15: All state land lying north of the  
3                    south bank of the Knik River and west of the  
4                    Alaska Railroad

5                    Section 16: All state land lying north of the  
6                    south bank of the Knik River

7            \* Sec. 3. The commissioner of natural resources shall include land  
8 acquired from the Matanuska-Susitna Borough in the Palmer Hay Flats State  
9 Game Refuge established under AS 16.20.032.

10          \* Sec. 4. (a) The commissioner of natural resources may dispose of  
11 state land located within the Matanuska-Susitna borough in exchange for  
12 privately owned land determined desirable for inclusion in the Palmer Hay  
13 Flats State Game Refuge. The commissioner of natural resources may also  
14 offer to purchase at fair market value from willing sellers privately owned  
15 land determined desirable for inclusion in the Palmer Hay Flats State Game  
16 Refuge.

17            (b) An offer made by the commissioner of natural resources under this  
18 section for a purchase or exchange that remains unaccepted for two years  
19 after tender is withdrawn.

20            (c) An exchange or purchase authorized under (a) of this section  
21 shall be accomplished under AS 38.50.

22            (d) The commissioner of natural resources shall include land acquired  
23 under this section in the Palmer Hay Flats State Game Refuge established  
24 under AS 16.20.032.

25          \* Sec. 5. This Act does not prohibit expansion or improvement to the  
26 Glenn Highway or the Parks Highway, the potential Wasilla Bypass, or the  
27 construction of the interchange at the Parks and Glenn Highways.

28          \* Sec. 6. This Act takes effect immediately in accordance with AS 01.-  
29 10.070(c).

## MATANUSKA-SUSITNA BOROUGH

FEB 8 1985

## BILL ANALYSIS

Bill No. <u>SB 105</u>	Sponsor <u>Kerttula</u>
Borough Position <u>Support</u>	Borough Contact Person <u>Rob Stickles</u>

Similar Bills <u>None</u>	Conflicting Bills <u>None</u>
Organizational Support <u>ADF&amp;G</u> <u>Local Groups</u>	Organizational Opposition <u>Unknown</u>

Fiscal Impact On Borough		<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Operating _____	Capital _____		

Proposed Amendments:
NONE

## Comments:

The Assembly passed a resolution that will allow for the donation of 135 acres of Borough land to the expanded Palmer Hay Flats State Game Refuge if this legislation passes. Copy of resolution attached.

MATANUSKA-SUSITNA BOROUGH

RESOLUTION SERIAL NO. 85- 12

A RESOLUTION OF THE ASSEMBLY OF THE MATANUSKA-SUSITNA BOROUGH SUPPORTING THE EXTENSION OF THE PALMER HAY FLATS STATE GAME REFUGE AND THE INCLUSION WITHIN THE EXTENSION OF APPROXIMATELY 130 ACRES OF BOROUGH LAND

---

WHEREAS, the Palmer Hay Flats is the gateway to the Matanuska-Susitna Borough; and

WHEREAS, the Hay Flats is currently the home of many species of wildlife and is important to the fishery resources; and

WHEREAS, most of the land proposed for the extension of the Palmer Hay Flats Game Refuge is wet and unsuitable for development; and

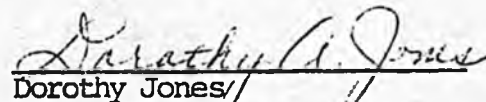
WHEREAS, this area receives intense recreational use throughout the year; and

WHEREAS, the State is in the process of trying to obtain funds to buy private property adjacent to the Flats in order to extend the refuge; and

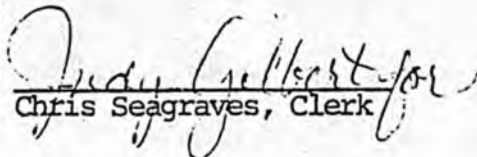
WHEREAS, the Assembly supports the extension of the refuge to ensure the open natural character of the land will remain as the gateway to the Borough.

NOW, THEREFORE, BE IT RESOLVED that if the State can obtain funds to buy private properties to extend the Palmer Hay Flats Game Refuge, the Borough will include, under State management, the 130 acres that

have been selected and conveyed to the Borough lying adjacent to the  
Palmer Hay Flats Game Refuge.

  
Dorothy Jones/  
Deputy Mayor

ATTEST:

  
Chris Seagraves, Clerk

REVIEWED AND APPROVED:

  
Gary Thurlow, Manager

February 6, 1985

FEB 12 1985

Senator Arliss Sturgulewski  
Chairman Resources Committee  
Alaska State Senate  
Pouch V  
Juneau, Alaska 99811

Dear Senator Sturgulewski:

It is with a deep sense of urgency that I request your full support for passage of Senate Bill No. 105, introduced by Senator Kerttula.

I have lived in the Matanuska Valley for seven years and have grown to deeply appreciate the many values associated with the Palmer Hay Flats area. As a daily commuter to Anchorage, the "flats" provides an oasis of aesthetic quality in what otherwise has become a 45 mile strip development. Coincidentally, it is the safest part of the trip due to the lack of development. Any development along this single lane stretch of the Glenn Highway would create a horrendous safety hazard.

As a consumptive user of the fish and wildlife resources of this great state, I have become intimately familiar with those resources in the "flats" area. I have also seen the number of other users increase tremendously the past few years. Not only hunters, fishermen and trappers, but general recreationists as well. A great number of these users are Anchorage residents and non-residents. As you are well aware, the degree of access is a key factor to recreational use in any area. The location of the "flats" is ideal for serving well over 50% of the recreational users in the state. I, as well as others, especially enjoy the area as a place to share these experiences with our children without making a major expedition. It is also an ideal educational area and is used as such by local educators. Concurrent, with the rapid development in the valley, I have seen fish and wildlife resource habitats dwindle, thereby enhancing the importance of remaining areas, such as the Palmer Hay Flats.

As a business owner in Palmer, I have enjoyed watching the valley grow and have shared in some of the associated benefits. I have also experienced a growing concern that we are destroying many of the qualities which make the valley so attractive. This is due to a large extent by our failure to recognize these qualities and place them in a proper perspective, equal to strictly economic interests.

in view of declining state revenues, the relatively small cost associated with protecting a natural resource of this importance and magnitude is a bargain that should not be ignored.

Your support for this bill will help assure preservation of this beautiful natural area for the enjoyment of untold numbers of future Alaskans.

Sincerely,

  
Gary Stackhouse

cc: all Resources Committee members

FEB 14 1985

P.O. Box 873496  
Wasilla, AK 99687  
Feb. 7, 1985

Senator Arliss Sturgulewski  
State Capitol  
Pouch V  
Juneau, AK 99811

Dear Senator Sturgulewski:

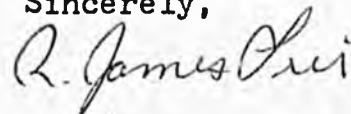
Senate Bill 105, an important first step in allowing for expansion of the Palmer Hay Flats State Game Refuge, will come before your committee for consideration. I urge you to support this bill.

As you may know, SB 105 would authorize land trades and buyouts of privately held land within a 910-acre strip running south along the Glenn Highway from the Parks Highway intersection. As an amateur ornithologist, I am a frequent visitor to the Hay Flats. It is what we call in the trade a "birding hot spot." Waterfowl and shorebirds by the thousands use this area as both a breeding and feeding grounds.

I feel that commercial development in the area covered by SB 105 would adversely affect the potential recreational birding opportunities both within the 910-acre site and in adjacent land. I, for one, would not look forward to viewing the backs of supermarkets and gas stations during my treks through the wetlands. Likewise, my friends who hunt and fish in this area assure me that shopping mall parking lots are most unproductive.

Considering the number of user days in the refuge last year (2,000 hunting days and 8,000 fishing days according to the Alaska Department of Fish and Game) there is demonstrated public interest in expanding the refuge. The Mat-Su Borough Assembly has recognized this and has passed a resolution in support of SB 105. I hope that you also can give it your support.

Sincerely,



R. James Frei

cc. Sen. Fahrenkamp  
Sen. Eliason  
Sen. Zharoff  
Sen. Coghill  
Sen. V. Fischer  
Sen. DeVries  
Rep. Hurley  
Rep. Larson

FEB 19 1985

Feb. 13, 1985  
PO Box 2176  
Palmer, Alaska  
99645

Senator Arliss Sturgulewski  
Resources Committee  
Pouch V  
Juneau, Alaska 99811

Dear Senator,

I urge your support of SB105, the Palmer Hay Flats bill. This legislation is a fair solution to the problem of commercial development in a regionally popular hunting and fishing area. It would offer land or money to the land owners along part of the Glenn Highway in order to extend the boundary of the Palmer Hay Flats State Game Refuge. The extension would cover 910 acres of wetlands and salmon streams, if owners were willing to accept state offers at market value.

Parts of the Palmer Hay Flats near the junction of the Parks and Glenn Highway are scheduled for private commercial development and land fill. Currently, several owners are considering a truck cargo yard, a retail building, a gravel airstrip, and a 30-acre trailer park. Such uses, however, would reduce salmon and furbearer populations and public access in "the gateway to the Matanuska Valley."

The wetlands of the proposed game refuge extension are most valuable to the residents of southcentral Alaska just as they are now. The creeks are a major fry rearing area for the silver salmon of Knik Arm, according to data from ADF&G and USFWS. Rabbit Slough gets up to 6,000 fisherman-days of use per year, and yields a harvest of about 1,500 fish annually, mainly silvers and Dolly Varden.. Rabbits and furbearers are numerous and are hunted and trapped to capacity.

About 12,000 people per day drive across these wetlands. Many are commuters homebound from Anchorage, and are happy to encounter real Alaskan wide-open spaces after their long drive. The proposed extension currently holds no homes or businesses. It is indistinguishable from the adjoining 26 square-mile game refuge, and is perhaps the most visible wetland area in the state.

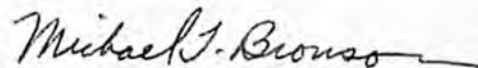
Support for SB105 comes from several sources. Among them is the ad hoc Committee for the Palmer Hay Flats, an informal citizens' group originally concerned with disappearing resources on the Hay Flats. Also in support is the Mat-Su chapter of Ducks Unlimited, a hunting group, the Alaska Frontier Trappers Association, the Northern District Setnetters Association of Upper Cook Inlet, Anchorage Audubon Society, and Alaska Center for the Environment with members in Anchorage and the Mat Valley.

Governmental groups also back the measure. The Matanuska-Susitna Borough Assembly resolved on January 22, 1985, to allow the state to manage its 136 acres in the area as part of the game refuge, providing the legislation passes. The Mat-Su Borough Planning Commission has more recently concurred. Commissioner Collingsworth has written a letter of support for ADF&G. Finally, Mr. Jim Barnett of DNR writes that the final Susitna Area Plan will have new language stating that public acquisition of private lands from willing sellers in this part of the Hay Flats is appropriate.

The attitude of the thirteen land owners has been cautious, but encouraging, in my opinion. I have written each of them a letter accompanied by a copy of SB105 to keep them abreast of the situation. Some are anxious to talk to the state about trades or purchases. One or two are suspicious of the move. Most, however, hold a "wait and see" position.

As Alaska's population grows, accessible recreational and scenic areas will become fewer and more valuable. Now is the best time for the state to acknowledge its responsibility to maintain traditional uses of such areas as the Palmer Hay Flats.

Sincerely,



Michael T. Bronson

cc: Senate Resources Committee

FEB 22 1985

February 20, 1985

Re: SB 105, Palmer Hay Flats

Dear Senator Sturgulewski:

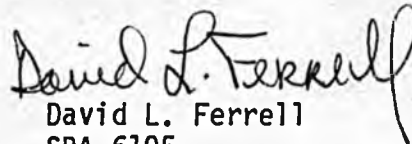
As a resident of the Mat-Su Valley, I would like to express my support for Senate Bill 105 to extend the Palmer Hayflats State Game Refuge. A number of concerned citizens are troubled about a series of proposed developments in the wetlands and salmon streams on the Hayflats along the Glenn Highway. There is a strong sentiment that it is the responsibility of the State of Alaska to protect these resources for all Alaskans. The most permanent form of protection is to place these lands in the public domain. Incorporation of these lands into the Palmer Hayflats Game Refuge is the most expedient and logical manner in which to accomplish this.

Recently the Mat-Su Assembly passed a unanimous Resolution to add 130 acres of Borough land if the State would purchase 786 acres of private land from willing sellers. I have followed events in the Hayflats over the past several years and have come to realize that Local, State and Federal agencies have consistently recommended that development in this area not be permitted. It appears that private property owners would be more than willing to sell their land to the State, as the land is unsuitable to build on and permits are difficult, if not impossible, to obtain.

I would like to inform you that Spring Creek, a salmon stream which flows through these lands, provides some of the best silver salmon habitat in the Valley. The stream provides "nursery grounds" for large numbers of juvenile silver salmon. The dollar value of this stream to sport and commercial fishermen may very likely exceed the dollar cost of purchasing these lands. The Mat-Su Borough is so intent on protecting this area that it has a program to swap uplands for wetlands. All of this leads me to conclude that the public wants this area maintained in its present natural condition. The passage of SB 105 is obviously in the Public Interest.

I would like to be kept advised of the progress of SB 105 and would like to receive copies of the minutes of the discussions that take place when this bill reaches the Resources Committee.

Sincerely



David L. Ferrell  
SRA 6105  
Palmer, AK 99645  
(745-6575)

cc: Fahrenkamp  
Eliason  
Zharoff  
Halford  
Coghill  
V. Fischer  
Devries  
Hurley  
Bronson

# Alaska State Legislature

ARLISS STURGULEWSKI, Chairman  
BETTYE FAHRENKAMP, Vice Chairman  
JACK COGHILL  
DICK ELIASON  
VIC FISCHER  
RICK HALFORD  
FRED ZHAROFF



POUCH V  
JUNEAU, ALASKA. 99811  
(907) 485-4907

## Senate Committee on Resources

May 28, 1985

Rick Turner  
Matanuska Boat Company  
P.O. Box 3196  
Palmer, AK 99645

Dear Rick:

I am pleased to advise you that SB 105 making additions to the Palmer Hay Flats State Game Refuge has passed the legislature.

This bill allows the commissioner of the Department of Natural Resources (DNR) to expand the Palmer Hay Flats either through land purchase or land exchange. More than 2,000 acres are authorized to be added by this bill. The Matanuska-Susitna Borough has also agreed to provide about 130 acres to the refuge. The commissioner of DNR may make an offer to purchase private land within the refuge but may not exercise eminent domain.

Special provisions have been included for expansion or improvement to the Glenn Highway, the Parks Highway or the Wasilla bypass or related construction since these existing transportation routes run through parts of the area.

I was pleased to support this bill in the Senate Resources Committee and again on the floor of the Senate. The local effort generated in support of this bill was exceptional and I want to thank all those who worked for its passage. The protection of this valuable wetland area for wildlife habitat and recreation is important now but will be more important in the future as population and development pressures increase.

Please continue to keep me informed on issues of importance to you.

Sincerely yours,

A handwritten signature in cursive script that reads "Arliss".

Senator Arliss Sturgulewski  
Chairman, Senate Resources Committee

\*\*\*\*\*  
\*  
\* DELIVER TO: JPOM \*  
\* \*  
\* ORIGINAL \*  
\* SENT: 02/04/85 TIME: 09:59 \*  
\* FROM: TERESA SALAZAR \*  
\* SUBJECT: POM MAT-SI \*  
\* PRINT DATE: 02/04/85 TIME: 09:59 \*  
\*  
\*\*\*\*\*

TO: REP. LARSON  
REP. HURLEY  
SEN. KERTTULA  
SEN. DEVRIES  
SEN. FAIKS  
SEN. SACKETT  
SEN. ELIASON  
SEN. FISCHER (PAUL)  
SEN. HALFORD  
SEN. FERGUSON  
SEN. STURGULEWSKI  
SEN. FAHRENKAMP  
SEN. ZHAROFF  
SEN. COGHILL  
SEN. V. FISHER

FROM: PAT MAURIN  
SR BOX 3189  
WASILLA 99687

PHONE: 376-5992

RE: SB 105

I SUPPORT SB 105 TO SAVE THE PALMER HAY FLATS FROM  
COMMERCIAL DEVELOPMENT. THE PLAN IS FAIR TO THE LANDOWNERS.

FEB 8 1985

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*****
*
* DELIVER TO: LTOJ
*
* ORIGINAL
* SENT: 02/07/85 TIME: 17:15
* FROM: VERNITA VESTAL
* SUBJECT: POM
* PRINT DATE: 02/07/85 TIME: 17:15
*
*****

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23

TO: SENATE FINANCE COMMITTEE: SEN. FAIKS, SACKETT, KERTTULA, ELIASON, P. FISCHER, HALFORD, FERGUSON

RESOURCES: SEN. STURGULEWSKI, FAHRENKAMP, ELIASON, ZHAROFF, HALFORD, COGHILL, V. FISCHER

SEN. DEVRIES, V. FISCHER, JOSEPHSON, KERTTULA  
REP. CLOCKSIN, MURLEY, LARSON, UEHLING

FROM: MARY CORE  
503 W 9TH  
ANCHORAGE, AK. 99501 (H) 274-3382 (W) 274-3621

RE: SB 105

ACQUISITION OF PALMER HAY FLATS NOW WILL AVOID WATER POLLUTION  
 PROBLEMS PRESENTLY OCCURING IN THE ANCHORAGE BOWL. THE FILTERING  
 FUNCTION OF THE WETLANDS, THE ABUNDANT FISH AND WILDLIFE  
 POPULATIONS AND THE FINE AESTHETIC VALUES FOR TOURISM JUSTIFY A  
 TRADE OUT.

FEB 6 1985

\*\*\*\*\*  
 \*  
 \* DELIVER TO: LIQJ \*  
 \* \*  
 \* ORIGINAL \*  
 \* SENT: 02/05/85 TIME: 17:11 \*  
 \* FROM: VERNITA VESTAL \*  
 \* SUBJECT: PDM \*  
 \* PRINT DATE: 02/05/85 TIME: 17:11 \*  
 \* \*  
 \*\*\*\*\*

TO: SENATE FINANCE COMMITTEE: SEN. FAIKS, SACKETT, KERTTULA,  
 ELIASON, P. FISCHER, HALFORD, FERGUSON

SENATE RESOURCES COMMITTEE: SEN. STURGOLEWSKI, FAHRENKAMP,  
 ELIASON, ZH AROFF, HALFORD, COGHILL, V. FISCHER

SEN. DEVRIES, V. FISCHER, JOSEPHSON

REP. HURLEY, LARSON, MARTIN, AND POURCHOT

FROM: CLIFF EAMES  
 3725 MOUNTAIN VIEW DR.  
 ANCHORAGE, AK. 99508 (H) 279-3939 (W) 274-3624

RE: SB 105

PLEASE VOTE YES ON SB 105, ADDING VALUABLE WETLANDS TO PALMER  
 HAY FLATS STATE GAME REFUGE. PROVIDES FOR VOLUNTARY ONLY  
 EXCHANGE OR SALE OF PRIVATE LANDS OTHERWISE APT TO BE DEVELOPED.  
 PRESERVES NOT ONLY WATERFOWL HABITAT BUT IMPORTANT SCENIC VALUES  
 ALONG GLENN HIGHWAY, AND BENEFITS BOTH NAT-SU AND ANCHORAGE  
 RESIDENTS AND TOURISTS.

\*\*\*\*\*  
\*  
\* DELIVER TO: JPOM \*  
\* \*  
\* ORIGINAL \*  
\* SENT: 02/04/85 TIME: 13:15 \*  
\* FROM: MICKI HENSON \*  
\* SUBJECT: POM \*  
\* PRINT DATE: 02/04/85 TIME: 13:15 \*  
\* \* 15 \*  
\*\*\*\*\*

TO: ALL MEMBERS / SENATE FINANCE  
SENATORS FAIKS AND SACKETT (CO-CHAIRS)  
SENATOR KERTTULA (VICE-CHAIR)  
SENATORS ELIASON, P. FISCHER, HALFORD, FERGUSON

ALL MEMBERS/ SENATE RESOURCES  
SENATOR STURGULEWSKI (CHAIR), FAHRENKAMP (VICE-CHAIR)  
SENATORS ELIASON, ZHAROFF, HALFORD, COGHILL, V. FISCHER

FROM: CATHY REZABECK  
14500 FERNHILL CIRCLE  
ANCHORAGE, AK. 99516  
PHONE: 345-2363 (HM) 274-8440 (WK)

RE: SB 105

I STRONGLY ENCOURAGE PASSAGE OF SB 105 FOR STATE PURCHASE OF PRIVATE LANDS IN THE POTTER FLATS NEAR THE INTERSECTION OF ROUTES 1 AND 2. THIS LAND MUST NOT EXPERIENCE STRIP DEVELOPMENT WHICH WOULD NOT ALLOW FOR THE STATE GAME REFUGE ON ADJACENT LANDS TO FURTHER ITS PURPOSE OF GAME PRESERVATION AND MANAGEMENT.

TO: SENATORS SACKETT, FAIKS, HALFORD, KERTTULA, FERGUSON, P.  
FISCHER, ELIASON, STURGULEWSKI, FAHRENKAMP, ELIASON,  
ZHAROFF, HALFORD, COGHILL, V. FISCHER

FR: MIKE BRONSON  
P O BOX 2176  
PALMER 99645  
PHONE: 376-3642

RE: SB 105 - PALMER HAY FLATS LEGISLATION

PLEASE SUPPORT SB 105 SPONSORED BY KERTTULA. THIS IS A  
GRASSROOTS EFFORT FOR A FAIR SOLUTION TO THE POTENTIAL PROBLEM OF  
COMMERCIAL DEVELOPMENT OF WETLANDS IMPORTANT TO THE PUBLIC.  
PURCHASE OF THE HAY FLATS FROM WILLING SELLERS WILL KEEP THE  
GATEWAY TO THE MATANUSKA-SUSITNA BOROUGH OPEN FOR FISHERMEN AND  
HUNTERS.

\*\*\*\*\*POMK 104 - 1/31/85

TO: SENATORS SACKETT, FAIKS, HALFORD, KERTTULA, FERGUSON, P.  
FISHCER, ELIASON, STURGULEWSKI, FAHRENKAMP, ELIASON,  
ZHAROFF, HALFORD, COGHILL, V. FISCHER

FR: K. ANNELY GERMAINE  
SR B 7460  
PALMER 99645  
PHONE: 745-6511

RE: SB 105 - PALMER HAY FLATS LEGISLATION

PLEASE SUPPORT SB 105 ACTIVELY. MAT-SU IS ALREADY TOO EXPLOITED  
AND COMMERCIAL. THE HAY FLATS BILL CAN BE AN IMPORTANT FIRST  
STEP IN SAVING THE VALLEY FROM PERMANENT UGLY DAMAGE. AN  
INNOVATIVE BILL LIKE THIS DOES MUCH TO SLOW THE PROGRESS OF THE  
MARCH TO STRIP DEVELOPMENT.

\*\*\*\*\*POMK104-1/31/85

FEB 22 1985

549 E. Caribou  
Palmer, AK 99645  
17 February 1985

Senator Arliss Sturgulewski  
Chairman, Resources Committee  
Alaska State Senate  
Pouch V  
Juneau, Alaska 99811

Dear Senator Sturgulewski:

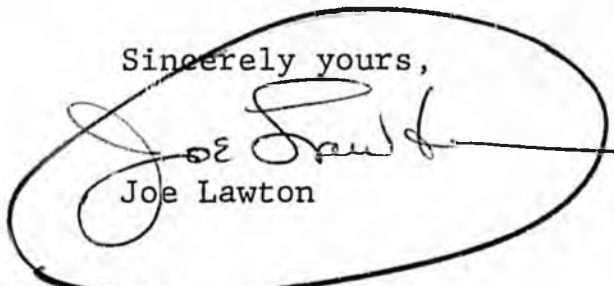
I am writing about SB105 relating to the Palmer Hayflats,  
which I understand is in your committee.

Please count me among those who favor that bill.

The Palmer Hayflats is bottomland formed by the great estuary of the Knik and Matanuska rivers flowing into the northern-most point of the Pacific Ocean, in Knik Arm. This area is a favorite local hotspot for rabbit hunting, trapping, birding, salmon fishing, and a host of other recreational and wildlife activities. While it is unfortunate that it was necessary to bisect it when a shortcut was desired to Anchorage twenty years ago, there is no cogent reason to allow development in the area. To forestall this, however, the few landowners on the Flats and their great expectations must be appeased. Quite a bit is being done locally to protect the area, but State help is needed, too.

Your approval of the bill is unquestioningly a move in the direction of maximum public good at a minimum expenditure, which will protect the time-honored rights and harvests of speculators. I beseech you to recommend its passage, and let us locals retain some of our precious little recreational and educational land of value.

Sincerely yours,

  
Joe Lawton

cc:

Senators:  
Fahrenkamp  
Eliason  
Zharoff  
Halford  
Coghill  
Fischer

February 18, 1985  
SR-A-6145  
Palmer, Alaska, 99645

FEB 22 1985

Chairperson Sturgulewski  
Resources Committee  
Alaska State Senate  
Pouch V  
Juneau, Alaska, 99811

Ms. Sturgulewski,

We are writing this letter in support of Senate Bill 105, proposing procurement of 910 acres to extend the existing Palmer Hay Flats State Game Refuge.

The wetlands of the proposed extension are most valuable to the people of Anchorage and the Matanuska-Susitna Borough just as they are. We feel the highest and best use of this wetlands area is as a refuge and reproductive area for silver salmon, moose, and waterfowl. Hunting and fishing for these species is high in season, as is year-round recreation use, since the area is close and readily accessible to the populations of Anchorage and the Matanuska Valley.

These wetlands have high scenic value as well. Travelers along the Glenn Highway appreciate this natural buffer between the two population areas.

We urge you to vote in favor of Senate Bill 105 to help insure these values are preserved.

Sincerely,

*Beth Estelle*

*Bob Estelle*

Beth and Bob Estelle

cc: Finance  
Sackett  
Faiks  
Halford  
Kerttula  
Ferguson  
P. Fischer  
Eliason

Resources  
Fahrenkamp  
Eliason  
Zharoff  
Halford  
Coghill  
V. Fischer

DeVries

P.O. Box 1241

Palmer, Alaska

2-10-85

99645  
FEB 25 1985

SENATOR Arliss Sturgulewski  
STATE Capitol  
Pouch V  
TERRACE, Ak 99811

Dear Senator Sturgulewski:

I URGE YOUR support for SENATE Bill 105. This bill is A VERY important first step in allowing for the EXPANSION of the PALMER HAY FLATS STATE GAME REFUGE. I would APPRECIATE ANY help in supporting this Bill.

SB 105 would AUTHORIZE land trades and buyouts of PRIVATE land within a 910 ACRE STRIP running south along the Glenn Highway from the intersection of the Parks Highway. I am a hunter, fisherman and an ornithologist; the PALMER HAY FLATS is a TREMENDOUS bird ROOKERY, with thousands of MIGRANT birds BREEDING there; A RECENT Fish and GAME REPORT has shown that the 910 ACRES under consideration provide vital habitat for SILVER Salmon smolt; The HAY FLATS ARE ALSO a calving ground for MOOSE; Finally, the FLATS ARE a BEAUTIFUL AREA, with the Chugick Mountains CREATING a BREATH taking back drop, I would APPRECIATE NOT ENCUMBERING this BEAUTY with development in this AREA. I FEEL that these RESOURCES should be PROTECTED, and I AM ASKING for your support.

The MATANUSKA Borough Assembly has PASSED a RESOLUTION in support of SB 105. The ALASKA DEPARTMENT of Fish & GAME has shown that OVER 2000 hunting days, and OVER 8,000 fishing days OCCURRED in the PALMER HAY FLATS last year. I FEEL that this bill is in the PUBLICS BEST INTEREST.

Sincerely Yours

Stephen W. Johnson  
Stephen W. Johnson

MAR 4 1985

Box 1401  
Palmer, Alaska 99645  
February 22, 1985

Senator Sturgulewski  
P. uch V  
Juneau, Alaska 99801

Dear Senator:

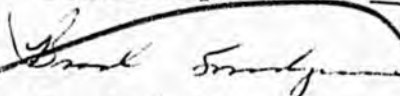
As President for the past five years of the Mat-Su chapter of Ducks Unlimited I have developed a great deal of concern for the status of the Palmer Hay Flats and their uniqueness as a salt-water estuary and a buffer between the urbanized areas of Anchorage and the rapidly growing communities of the Valley. It is my hope that they can remain relatively free of private and commercial development and if they are developed at all, that said development would be directed towards the enhancement of their natural recreational potential and their potential as a producer of wildlife.

As you may know, Ducks Unlimited National in conjunction with the Alaska Department of Fish and Game has proposed the enhancement of the area as a waterfowl factory. It is their feeling that some stabilization of the water table along with dredging, diking and the creation of nesting islands will result in a tremendous increase of the productive capacity of the marsh. This type of development will have a concurrent benefit for forms of wildlife that frequent the marsh in addition to waterfowl, such as moose and shorebirds. This will also greatly benefit human user groups, from school children on field trips, to photographers, to hunters. While I cannot speak to the present status of this project, or to the feeling of Ducks Unlimited National with regard to S.B. 105, I can speak as a person intimately acquainted with the area in question and who strongly supports the Hay Flats Bill. I can also state that the vast majority of our local membership, some 300 Valley residents, also strongly support this measure.

Although Ducks Unlimited National understandably goes to great lengths to avoid political controversy as their stated goal is to have 80¢ of every dollar go into habitat enhancement, I am sure that Alaska's Regional Director, Larry Van Ray of Soldotna, would be willing to give you the most current information regarding the status of their proposal for enhancement of the Hay Flats.

Please lend your support to your constituency who stand strongly behind S.B. 105. Thank you.

Sincerely,



Brad Snodgrass  
President, Mat-Su Ducks Unlimited

\*\*\*\*\*  
\* DELIVER TO: JFOM \*  
\* ORIGINAL \*  
\* SENT: 02/27/85 TIME: 14:27 \*  
\* FROM: MARTIE ROZKYDAL \*  
\* SUBJECT: POM - MATR-0059 \*  
\* PRINT DATE: 02/27/85 TIME: 14:27 \*  
\*\*\*\*\*

TO: SENATORS STURGULEWSKI, FAHRENKAMP, COGHILL, ELIASON, V.  
FISCHER, HALFORD, ZHAROFF AND KERTTULA  
REPRESENTATIVE HURLEY AND LARSON

FROM: TOM SHANKSTER  
PO BOX 3225  
PALMER 99645  
745-5280

RE: SB 105

I AM FOR SB 105 FOR THE MANAGEMENT, USE, AND PROTECTION OF  
THE WET LANDS CLOSE TO POPULATED AREAS THAT WE ARE GETTING HERE IN  
ALASKA.

\*\*\*\*\*  
\* DELIVER TO: JFOM \*  
\* \* \* \* \*  
\* ORIGINAL \*  
\* SENT: 02/27/85 TIME: 14:25 \*  
\* FROM: MARTIE ROZKYDAL \*  
\* SUBJECT: POM - MATR-0058 \*  
\* PRINT DATE: 02/27/85 TIME: 14:25 \*  
\* \* \* \* \*

TO: SENATORS STURGOLEWSKI, FAHRENKAMP, COGHILL, ELIASON, V.  
FISCHER, HALFORD, ZHAROFF AND KERTTULA  
REPRESENTATIVES HURLEY AND LARSON.

FROM: DAVID CHURCHILL  
PO BOX 871646  
WASILLA 99687  
H 376-5758  
W 659- 4442

RE: SB 105

THIS REFUGE IS THE GATEWAY TO THE MAT-SU BOROUGH, AN  
IMPORTANT BOUNDARY BETWEEN ANCHORAGE, IT IS A CRITICAL WILDLIFE  
HABITAT AREA, WILDLIFE VIEWING AREA, A MAJOR HUNTING/TRAPPING AREA,  
WINTER AND SPRING. RABBIT CREEKS ARE IMPORTANT SALMON FRY REARING  
STREAMS. THE AREA COVERED UNDER THE BILL PRESENTLY UNDEVELOPED,  
URGE YOU TAKE IMMEDIATE ACTION.

FROM: DEWIGHT BATT  
PO BOX 874472  
WASILLA 99687  
H 376-2097  
W-265- 6551

RE: SB 105

I AM SUPPORTING SB 105 FOR THE STATED REASONS IN THE BILL.  
WE SHOULD MAKE EVERY EFFORT TO PROTECT ALL OUR WETLANDS AND TO EN  
SURE FUTURE ACCESS FOR PUBLIC USE OF THIS TYPE OF AREA. EVENTUALLY  
PUBLIC USE AREAS COULD BECOME SURROUNDED BY PRIVATE LAND AND WILL  
ELIMINATE PUBLIC ACCESS.

111  
Core Business Forms, Inc.

FEB 22 1985

February 20, 1985

Re: SB 105, Palmer Hay Flats

Dear Senator Sturgulewski:

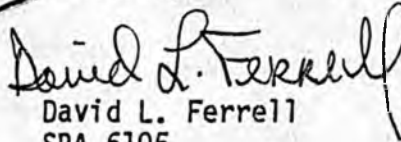
As a resident of the Mat-Su Valley, I would like to express my support for Senate Bill 105 to extend the Palmer Hayflats State Game Refuge. A number of concerned citizens are troubled about a series of proposed developments in the wetlands and salmon streams on the Hayflats along the Glenn Highway. There is a strong sentiment that it is the responsibility of the State of Alaska to protect these resources for all Alaskans. The most permanent form of protection is to place these lands in the public domain. Incorporation of these lands into the Palmer Hayflats Game Refuge is the most expedient and logical manner in which to accomplish this.

Recently the Mat-Su Assembly passed a unanimous Resolution to add 130 acres of Borough land if the State would purchase 786 acres of private land from willing sellers. I have followed events in the Hayflats over the past several years and have come to realize that Local, State and Federal agencies have consistently recommended that development in this area not be permitted. It appears that private property owners would be more than willing to sell their land to the State, as the land is unsuitable to build on and permits are difficult, if not impossible, to obtain.

I would like to inform you that Spring Creek, a salmon stream which flows through these lands, provides some of the best silver salmon habitat in the Valley. The stream provides "nursery grounds" for large numbers of juvenile silver salmon. The dollar value of this stream to sport and commercial fishermen may very likely exceed the dollar cost of purchasing these lands. The Mat-Su Borough is so intent on protecting this area that it has a program to swap uplands for wetlands. All of this leads me to conclude that the public wants this area maintained in its present natural condition. The passage of SB 105 is obviously in the Public Interest.

I would like to be kept advised of the progress of SB 105 and would like to receive copies of the minutes of the discussions that take place when this bill reaches the Resources Committee.

Sincerely

A handwritten signature in cursive script, reading "David L. Ferrell". The signature is enclosed within a hand-drawn oval.

David L. Ferrell  
SRA 6105  
Palmer, AK 99645  
(745-6575)

cc: Fahrenkamp  
Eliason  
Zharoff  
Halford  
Coghill  
V. Fischer  
Devries  
Hurley  
Bronson

FEB 14 1985

P.O. Box 873496  
Wasilla, AK 99687  
Feb. 7, 1985

Senator Arliss Sturgulewski  
State Capitol  
Pouch V  
Juneau, AK 99811

Dear Senator Sturgulewski:

Senate Bill 105, an important first step in allowing for expansion of the Palmer Hay Flats State Game Refuge, will come before your committee for consideration. I urge you to support this bill.

As you may know, SB 105 would authorize land trades and buyouts of privately held land within a 910-acre strip running south along the Glenn Highway from the Parks Highway intersection. As an amateur ornithologist, I am a frequent visitor to the Hay Flats. It is what we call in the trade a "birding hot spot." Waterfowl and shorebirds by the thousands use this area as both a breeding and feeding grounds. I feel that commercial development in the area covered by SB 105 would adversely affect the potential recreational birding opportunities both within the 910-acre site and in adjacent land. I, for one, would not look forward to viewing the backs of supermarkets and gas stations during my treks through the wetlands. Likewise, my friends who hunt and fish in this area assure me that shopping mall parking lots are most unproductive.

Considering the number of user days in the refuge last year (2,000 hunting days and 8,000 fishing days according to the Alaska Department of Fish and Game) there is demonstrated public interest in expanding the refuge. The Mat-Su Borough Assembly has recognized this and has passed a resolution in support of SB 105. I hope that you also can give it your support.

Sincerely,  
*R. James Frei*  
R. James Frei

- cc. Sen. Fahrenkamp
- Sen. Eliason
- Sen. Zharoff
- Sen. Coghill
- Sen. V. Fischer
- Sen. DeVries
- Rep. Hurley
- Rep. Larson

MAR 7 1985  
7136 Terry Place  
Anchorage, Alaska 99502  
February 26, 1985

Arliss Sturgulewski, Chair  
Resources Committee  
State Capitol  
Pouch V  
Juneau, Alaska 99811

Dear Ms. Sturgulewski:

I am writing to urge your support of Senate Bill No. 105 for "an Act relating to the Palmer Hay Flats State Game Refuge, and providing for an effective date." The Spring Creek wetlands which are addressed by this bill are an integral component of the Palmer Hay Flats. Because these wetlands are privately owned, there is increasing pressure to develop them. I believe these wetlands are so important that they should be given public protection and included in the Palmer Hay Flats State Game Refuge.

I have hunted and fished, hiked and canoed in the Palmer Hay Flats wetlands at the head of Knik Arm, which are traversed by the Glenn Highway. I'm not aware of fish and wildlife population figures specifically for the Spring Creek area. However, the Hay Flats area receives heavy recreational fishing pressure and the Rabbit Slough-Spring Creek-Wasilla Creek complex are open only to single-hook fishing during a weekend-only season. According to the Alaska Department of Fish and Game, every spring some 100,000 ducks, 50,000 geese and 5,000 swans use the Palmer Hay Flats during migration. The Anchorage Audubon Society estimates that some 10,000 people are drawn to view and photograph this migratory spectacle. The Palmer Hay Flats is the most accessible waterfowl hunting area in the Cook Inlet region, and it annually ranks among the top three areas state-wide in number of hunter-days and duck harvest. In winter the Hay Flats provide important moose winter range.

The Palmer Hay Flats State Game Refuge is a valuable public asset; especially so because of its proximity to about half of Alaska's population. I hope to see areas such as the Spring Creek wetlands included in the Refuge and given the protection required to protect the public resources and recreational opportunities they provide.

Thank you for your support.

Sincerely,

*Jon R. Nickles*

Jon R. Nickles

cc: Resources Committee members

MAR 25 1985

March 15, 1985

Senator Sturgulewski  
Resource Committee Chairman  
Pouch V  
Juneau, Alaska 99811

Re: SB 105

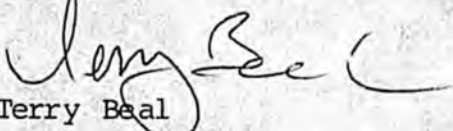
Dear Senator:

Your support of the Palmer Hay Flats Extension is greatly appreciated.

The needs are strong for Southcentral to do this. Without your support, this bill goes nowhere.

Thanks again.

Glad you're in Juneau

  
Terry Beal

SR 2 Box 249  
EAGLE RIVER 99577



COOK INLET  
AQUACULTURE ASSOCIATION

P.O. BOX 3819  
SOLDOTNA, AK 99669-3819  
(907) 262-9419

FER 27 1985

February 25, 1985

Senator Arliss Sturgulewski  
Pouch V  
Juneau, Alaska 99811

Dear Senator:

The Cook Inlet Aquaculture Association supports SB 105 which allows for the extension of the Palmer Hay Flats State Game Refuge. It is clear that the entire area is valuable for recreational fishing and hunting activities. The extension is essential to "legalize" public access to much of the Refuge.

It is probably more important to realize that the sloughs and marshes throughout the area are excellent rearing or "nursery" areas for large numbers of coho salmon fry. Dredging, filling, diking and draining, the very expensive things which can be done to marshlands to make them usable for commercial or residential purposes, all destroy the fitness of the area to harbor and nourish young salmon. We encourage the State to preserve these wetland habitats.

Sincerely,

*Thomas E. Mears*

Thomas E. Mears,  
Executive Director

cc: Suzanne Haines  
Steve Braund

FEB 27 1985

February 22, 1985

Senator A. Sturgulewski  
Senate Resources Committee  
Pouch V  
Juneau, AK 99811

RE: SB 105

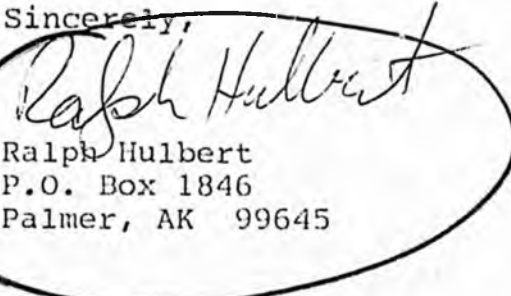
I support this bill. I have used the Spring Creek area and Hay Flats for over thirty years for recreation and hope to continue. Up to this time there has been very little pressure to develop this ground primarily due to the extreme cost of site preparation. With the current boom and subsequent escalation in commercial real estate prices, there is real economic pressure to develop the road frontage.

Currently, zoning/subdivision restrictions such as Army Corps of Engineers, EPA, and Mat-Su borough regulations restrict development. These regulations were implemented under the premise that the long term economic/social interest must be protected, and I feel they are generally well applied. Commercial development in the Spring Creek area would be disruptive not only to the environment of the entire downstream drainage, but would also disrupt the traffic flow. The area is in the flood plain of the Matanuska River. The town of Matanuska (near subject properties) was moved to Palmer because of the extreme cost of fighting high water. Any facilities placed in the area covered by SB 105 are likely to experience this problem, with the burden eventually resting with the State. This irregular flooding also makes it extremely difficult to comply with EPA regulations should any development occur.

Preservation interests must be weighed against vested property interests. Many of the owners have held the property for several years, often predating wetland regulations. Only one owner has a permit to fill in a portion of the wetlands.

Although the proposed enabling legislation has a two year expiration for selling or exchange, hopefully after the offer is specifically tendered, the intent should be perpetual. Perhaps certain provisions could be enacted to allow continuation of the exchange provision beyond this time frame. Finally, all offers to exchange or sell property should be strictly voluntary.

Sincerely,

  
Ralph Hulbert  
P.O. Box 1846  
Palmer, AK 99645

cc: Sen. Fahrenkamp  
Eliason  
Zharoff  
Halford  
Coghill  
V. Fischer



FEB 27 1985

ALASKA FRONTIER TRAPPERS ASSN.  
P.O. BOX 2856  
PALMER, ALASKA 99645 □ (907)745-4660

February 18, 1985

Senator Arliss Sturgulewski  
Resources Chairman  
Pouch V  
Juneau, Alaska 99811

Dear Senator Sturgulewski:

I am writing in regard to S.B. 105 introduced into the senate by Senator Kerttula. This bill is a very important piece of legislation to our organization and to outdoor-minded people of all pursuits. Senator Kerttula, in introducing this bill, is trying to preserve one of the most highly used and highly valued pieces of wildlife habitat in Alaska. Anyone who has crossed the flats on the Glenn Highway at any time of the year has surely seen the large numbers of ducks, geese, muskrat, beaver and other numerous species that inhabit this area.

The Mat-Su Borough has indicated its desire to see this area preserved by offering to let the Fish and Game Department include its 130 acres in the refuge to be managed as the rest of the area. With the population expanding as rapidly as it is in the Matanuska Valley, it is imperative that we preserve areas for our citizens to use and enjoy.

I would like to thank Senator Kerttula for introducing this legislation, as I believe it shows his desire to protect the outdoor lifestyle of many of his constituents.

Your support of S.B. 105 would be greatly appreciated.

Thank you,

*James Reiss*

James Reiss, President  
ALASKA FRONTIER TRAPPERS ASSOC.

cc: Fahrenkamp  
Eliason  
Zharoff  
Halford  
Coghill  
V. Fischer

FEB 27 1985  
P.O. Box 3196  
Palmer, Alaska 99645  
February 21

Senator Sturgulewski  
State Capital  
Pouch V  
Juneau, Alaska 99811

Dear Senator Sturgulewski,

An issue of interest to me will be coming before the Senate this session. That issue is the Palmer Hay Flats Bill. As you already know, this bill would acquire private land for inclusion into an existing special use area.

I strongly support passage of this bill in this session of the legislature. I believe this action is warranted in view of the long-range state interest to promote economic developments through economic diversification of the private sector. As a local boatbuilder, I feel the area should be protected for wildlife, sport fishing and scenic values. These ends support my personal business interests.

On a larger level, I feel the passage of the Hay Flats Bill will recognize the area as a national and international landmark. The area has already been selected by Ducks Unlimited, an international organization, as a special feeding and breeding ground along the Pacific Flyway for many species of wildfowl. In enacting this bill, the State of Alaska identifies itself among the few forward-looking nations and regions of the world seeking to keep land uses diverse and healthy.

Finally, as an educator, I strongly believe the state must take a leadership role in promoting the continuence of 'as is' landscape for the enjoyment and education of our state's youth. If regional planners are correct, the area surrounding the Hay Flats may soon approach the population density of the Anchorage bowl. By protecting the Hay Flats for young people to hunt, fish and recreate in, we teach good stewardship of Alaska's land resources.

Again, let me strongly state my support of this critical piece of state-wide legislation. It appears we have much more to gain than lose in this proposal.

Sincerely,

Rick Turner  
Matanuska Boat Company  
Palmer, Alaska

CC:Sens. Fahrenkamp  
Eliason  
Zharoff  
Halford  
Coghill  
V. Fischer

MATANUSKA-SUSITNA BOROUGH

RESOLUTION SERIAL NO. 85- 12

A RESOLUTION OF THE ASSEMBLY OF THE MATANUSKA-SUSITNA BOROUGH SUPPORTING THE EXTENSION OF THE PALMER HAY FLATS STATE GAME REFUGE AND THE INCLUSION WITHIN THE EXTENSION OF APPROXIMATELY 130 ACRES OF BOROUGH LAND

---

WHEREAS, the Palmer Hay Flats is the gateway to the Matanuska-Susitna Borough; and

WHEREAS, the Hay Flats is currently the home of many species of wildlife and is important to the fishery resources; and

WHEREAS, most of the land proposed for the extension of the Palmer Hay Flats Game Refuge is wet and unsuitable for development; and

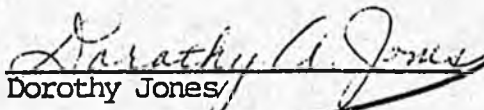
WHEREAS, this area receives intense recreational use throughout the year; and

WHEREAS, the State is in the process of trying to obtain funds to buy private property adjacent to the Flats in order to extend the refuge; and

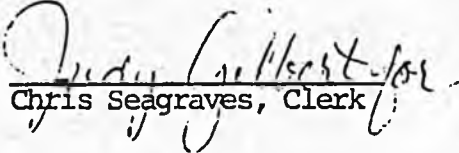
WHEREAS, the Assembly supports the extension of the refuge to ensure the open natural character of the land will remain as the gateway to the Borough.

NOW, THEREFORE, BE IT RESOLVED that if the State can obtain funds to buy private properties to extend the Palmer Hay Flats Game Refuge, the Borough will include, under State management, the 130 acres that


have been selected and conveyed to the Borough lying adjacent to the Palmer Hay Flats Game Refuge.

  
Dorothy Jones/  
Deputy Mayor

ATTEST:

  
Chris Seagraves, Clerk

REVIEWED AND APPROVED:

  
Gary Thurlow, Manager

Five policy scenarios are compared to the base 1982 condition: milk price equal to 65 and 70 percent of parity and a flat (no classified pricing under federal milk orders) milk price equal to 70 percent of parity. A fourth scenario evaluates the rate of return on investment for managers that achieve a milk production per cow equal to the average of the top 20 percent of producers using the Dairy Herd Improvement Association testing program in their respective states. The base 1982 prices are assumed for this scenario. A fifth scenario increased feed prices so that the milk/feed price ratio is equal to 1.38, the usual long-term relationship between feed and milk prices. The milk price in this scenario is set equal to 70 percent of parity.

The flat milk price at 70 percent of parity affects prices differently in different regions. It assumes that the farm price for milk used as a fluid beverage would fall to the manufacturing milk in all states where milk production exceed fluid consumption by at least 25 percent.<sup>6/</sup> Florida is the only state of the ten considered in this report where milk production does not exceed fluid consumption by more than 25 percent. Therefore, the farm milk price in Florida is assumed to reflect transportation cost of \$1.40 cwt to haul milk from surplus areas. Florida producers would be expected to receive this transportation difference because of their favorable location.

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<sup>6/</sup> Fallert, Richard F. and Boyd M. Buxton. Alternative Pricing Policies for Class I Milk Under Federal Marketing Orders - Their Economic Impact. U.S. Department of Agriculture, Economics, Statistics and Cooperatives Service. Ag Econ Report No. 401. May 1978.

Results of Long-Term Analysis

Relative rate of return

Given the conditions under the base scenario, costs and returns for the twenty-two dairy operations are reported in Appendix B. The rate of return ranged from -2.15 percent on the 52-cow New York dairy to about 15.72 percent on the 1,436-cow Florida and 900-cow New Mexico dairies (Table 6). The differences are due mostly to herd size as illustrated in Figure 3. The differences between New Mexico, Arizona and Florida (relatively high return), and California (relatively low return) in part reflect differences in milk prices.

The rate of return for the 600-cow New York dairy was favorable compared to herds of similar sizes in other states. The differences between the 600-cow Florida, 600-cow New York, 550-cow California and the 550-cow Idaho dairies are in part related to differences in milk price.

Given a long-term market clearing price of 70 percent of parity, the expected rate of return on all dairies would improve. However, the rate of return on the 125-cow Minnesota dairy would only increase from 2.05 to 2.63 percent while on the 900-cow New Mexico dairy it would increase from 15.63 to 17.99 percent. Generally the larger the dairies the greater the absolute increase in the rate of return for a 70 percent of milk parity price level than for the 1982 base milk price.

Eliminating classified pricing under federal milk orders (not eliminating orders themselves) likely would tend to equalize the price received by producers in all states (Scenario II). The economic implications of this policy has a differential impact depending on region. The rate of return would be about five per-

Table 6. Comparison of selected policy scenarios on the expected rate of return to investment for alternative size dairy farms in five regions.<sup>1/</sup>

Region/State	Herd Size	Alternative Scenarios					IV	V
		Base	I	II	III	percent		
<u>Midwest States</u>								
Minnesota	52	-1.49	-0.89	-1.25	-1.77	0.66	-0.89	
Minnesota	125	2.05	2.63	2.20	1.58	4.51	2.63	
<u>Northeast</u>								
Pennsylvania	52	-1.72	-0.66	-2.21	-1.69	1.13	-0.07	
Pennsylvania	125	2.57	3.25	1.39	2.01	5.39	3.94	
Pennsylvania	200	4.26	5.02	2.94	3.63	7.42	5.80	
New York	52	-2.15	-1.58	-2.82	-2.63	-0.22	-2.17	
New York	200	3.18	3.95	2.29	2.54	5.79	3.15	
New York	600	7.43	8.37	6.34	6.66	10.62	7.40	
<u>South</u>								
Georgia	200	3.01	3.64	0.88	2.31	6.62	2.19	
Georgia	350	5.04	5.99	2.62	4.25	9.15	4.10	
Florida	350	7.46	9.14	1.89	6.08	16.08	3.18	
Florida	600	9.57	11.36	3.63	8.09	18.75	5.01	
Florida	1,436	15.72	17.70	9.13	14.08	25.91	10.66	
<u>Southwest</u>								
New Mexico	900	15.63	17.99	10.82	13.69	21.87	13.54	
Arizona	359	8.36	10.04	5.77	6.99	12.73	6.70	
Arizona	834	11.79	13.62	8.96	10.28	16.56	9.97	
Arizona	1,436	14.28	16.22	11.26	12.67	19.35	12.34	
California	550	6.58	8.32	6.54	5.14	12.33	4.86	
California	1,436	10.94	12.90	10.91	9.33	17.35	9.02	
<u>Northwest</u>								
Idaho	200	4.08	5.03	4.84	3.30	7.54	3.88	
Idaho	550	5.08	7.29	6.85	3.26	13.15	3.75	
Washington	140	4.01	5.25	3.55	2.99	6.92	3.19	

Policy scenarios are:

Base - 1982 prices and construction costs.

I - Long-term milk price of 70 percent of parity, 1982.

II - Long-term milk price of 70 percent of parity, but flat pricing in all regions.

III - Long-term milk price of 65 percent of parity.

IV - Milk production per cow equal to top 20 percent of Dairy Herd Improvement Association Producers, 1982.

V - Long-term milk price of 70 percent of parity but with higher feed prices to reflect a milk/feed price ratio of 1.38.

Percent

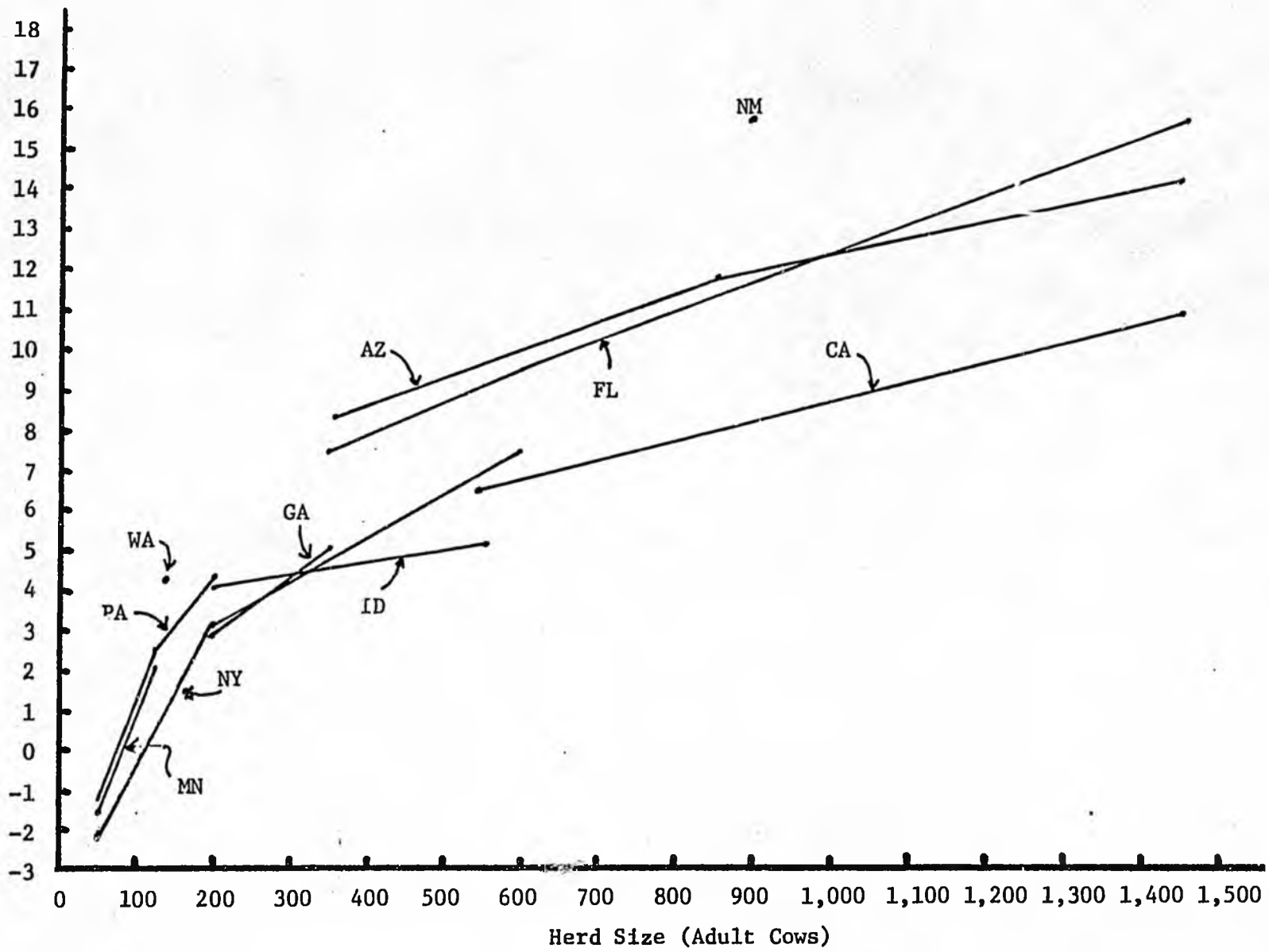


Figure 3. Long-term rate of return to investment by herd size and state.

centage points lower on the 900-cow New Mexico dairy and the 1,436 Florida dairy and three percentage points lower on the 1,436-cow Arizona dairy. These are areas where the decrease in milk price would be relatively large. The rate of return would be reduced about one percentage point in the Northeast and Northwest regions but basically unaffected in the Lake States.

A sixty-five percent of parity long-term milk price would be somewhat less favorable than existed in 1982 (Scenario III). The rate of return would be less favorable than under the base 1982 conditions.

Dairy producers who are able to achieve a level of milk production per cow equal to the top 20 percent of the producers using the Dairy Herd Improvement Association testing program would greatly improve their expected rate-of-return (Scenario IV). The rate of return would increase as much as 10 percentage points for a 1,436-cow Florida dairy (Table 6). The level of milk production per cow and concentrates fed per cow are shown in Table 7.

Using the long-term 70 percent of parity milkprice and a corresponding level of feed prices that reflect the long term milk/feed price ratio of 1.38 (Scenario V), reduces the rate of return in the Southeast, Southwest and Northwest regions relative to the Lake States and Northeast regions (Table 6). The rate of return is lower by about 7 percentage points for the 1,436-cow Florida dairy, 4 percentage points for the 1,436-cow Arizona and California dairies but nearly unaffected for the Lake States and Northeast dairies. The biggest impacts are for those dairies that purchase a large part of the feed requirement.

Table 7. Concentrates fed and milk production per cow for top 20 percent of DHIA producers, 198<sup>a/</sup>

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State	Concentrates Fed	Milk Per Cow
Minnesota	5,563	17,726
Pennsylvania	5,979	18,322
New York	5,012	18,144
Washington	6,450	19,000
Idaho	5,945	18,177
Georgia	6,779	15,897
Florida	11,019	15,897
New Mexico	6,927	18,169
Arizona	7,501	18,659
California	7,506	19,145

---

a/ Forage fed is the same as in base (see Table 3).

Adjusted cost per cwt

A cost per cwt of milk (adjusted for sales other than milk) tended to be lower on large than on small dairies in all states (Figure 4). Also costs were lower on the very large dairies in California, New Mexico, Arizona, and Idaho than on smaller dairies in Minnesota, Pennsylvania, and New York. However, the 600-cow New York dairy had comparable costs to herds of about that size in other states.

The major exception was the relatively high cost for Florida dairies. Floridas' high costs are in part offset by relatively high milk prices resulting in the competitive rate of return on investment discussed in the previous section and illustrated in Figure 3.

The cost per cwt of milk is nearly the same for alternative price support or federal order policy scenarios. However, costs per cwt drop dramatically for producers achieving milk production per cow equal to the top 20 percent of producers using DHIA tests compared to a producer achieving the average of all producers using DHIA tests (Table 8).

#### Conclusions of long-term analysis

A rate of return to investment is calculated for twenty-two dairy farms after all operating costs are paid and sufficient money withheld to maintain the long-term viability by replacing worn out equipment and facilities. The major findings of the analysis include the following:

1. Investment per cow in dairy buildings and equipment is less on larger than on smaller dairies.

2. For the herd sizes that characterizes dairy farming in each region, investment per cow is less for the large dairy operations in the Southwest, Northwest and Southeast than for the Lake State and Northeast regions.

Cost/cwt./Milk

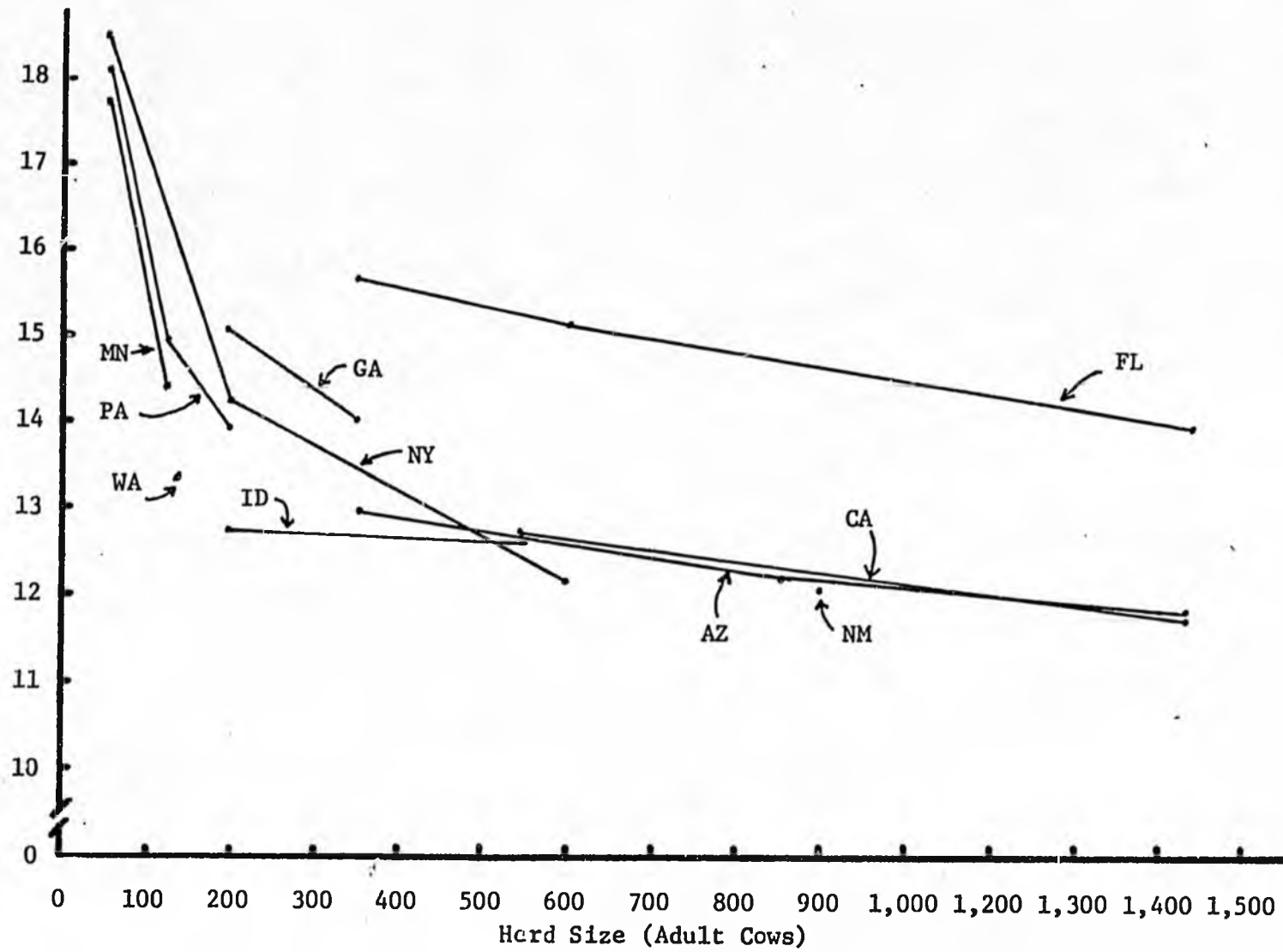


Figure 4. Total cost per cwt. of milk by herd size and state, 1982.

3. Based on whole farm budgets, the larger dairies with 500 cows or more are more profitable than smaller dairies. Considering the long-term, effeciently operated dairies in New Mexico, Arizona and Florida are more profitable than their counterparts in California, Idaho, Minnesota and the Northeast. This result is the bottom line after reflecting regional difference in costs and milk prices received.

4. Although costs per cwt of milk are highest in Florida, the relative high price received for milk provides a competitive return. The profitability of California and Idaho dairies is adversely affected by lower milk prices compared to New Mexico, Arizona and Florida dairies.

5. Strong economic pressure exists for herds to get larger in all regions. This will continue the trend to fewer and larger dairies.

6. The relatively favorable profit potential (rate of return) of large scale dairy farming in the Southwest, Southeast and Northwest regions will likely result, over the long term, in a continued shift in milk production to those areas. Those areas will likely increase their relative share of total U.S. milk production, placing increased competitive pressure on the traditional Lake States and Northeast dairy areas.

7. The profitability of dairy farming is greatly improved in all regions when management achieves production per cow levels equal to the top 20 percent of the farmers using Dairy Herd Improvement Testing programs (Scenario V). Achieving these performance levels tends to improve the profitability of large more than small dairies, adding more economic incentive for large scale dairying.

Table 8. Impact of higher milk production per cow on adjusted cost per cwt.

Region/State	: Herd : Size (cows)	: Base	: Top : 20%
		- - - - - dollars	- - - - -
<u>Lake States</u>			
Minnesota	52	17.71	15.46
Minnesota	125	14.43	12.66
<u>Northeast</u>			
Pennsylvania	52	18.09	15.89
Pennsylvania	125	14.97	13.24
Pennsylvania	200	13.92	12.35
New York	52	18.46	16.54
New York	200	14.25	12.86
New York	600	12.20	11.06
<u>Southeast</u>			
Georgia	200	15.04	13.30
Georgia	350	14.06	12.48
Florida	350	15.65	13.80
Florida	600	15.19	13.41
Florida	1,436	13.93	12.35
<u>Southwest</u>			
New Mexico	900	12.06	11.19
Arizona	359	12.98	12.02
Arizona	834	12.26	11.37
Arizona	1,436	11.81	10.96
California	550	12.68	11.46
California	1,436	11.77	10.68
<u>Northwest</u>			
Washington	140	13.38	12.42
Idaho	200	12.75	11.35
Idaho	550	12.63	12.25

8. Retaining milk marketing orders but realigning the level of class I fluid milk prices (Scenario II) to be the same (flat) in all areas with surplus fluid milk, would adversely effect profitability in the Southeast, Southwest, Northwest and Northeast relative to the Lake States.

#### TEN YEAR IMPACT OF ALTERNATIVE POLICIES

The preceding section considered the long-term relative rates of returns of different size dairies in five regions. Implicit in the analysis is that the support price cannot be permanently above or below the price level that will balance supply and demand. Under the present purchase type price support program, decisions to set support prices above the long-term market clearing level would, in the long-run, have to be modified. Otherwise the government expenditures would grow to a level unacceptable to policymakers. This means that alternative support levels are only relevant to a relatively short period of time and must, in the longer-run, be adjusted to reflect market conditions.

This section considers the economic impacts of selected short-run policy decisions on dairy operations over a ten year period. It is short-run in the sense that it focuses on the impact of alternative policies on specific dairy operations without fully recognizing the long-term market and industry adjustments that the alternative policies would cause. However, some insights about likely industry adjustments can be obtained by considering the impact of policies on specific dairies. Eight of the twenty-two dairy operations analyzed in the previous section were selected to analyze the impact of alternative policies. Only three of the five regions are represented.

The likelihood of a particular dairy remaining solvent under alternative policies is directly affected by its financial characteristics. The characteristics of most importance include the value of assets, cash reserves, debt, net worth, equity and family consumption needs. A policy change can have quite different implications for the operator of a dairy with a high level of debt than one with a low level of debt.

The average financial situation that exists on the eight dairies of the size and location selected are shown in Table 9. The averages were approximated from a U.S. Department of Agriculture farm financial survey.<sup>7/</sup> Equity ranged from 69 to 76 percent of total assets. In contrast to replacement values used in the previous section, the value of buildings and machinery are market values and assumes each asset is about half depreciated).

#### Dairy Simulation

A Firm Level Income Tax and Farm Policy Simulation was used to simulate the eight dairy operations for selected policy and technology scenarios. A detail description of the simulator is contained in Appendix C. Each dairy operation was simulated recursively over a 10-year planning horizon beginning in 1983. The entire planning horizon was simulated 50 times (iterations) using a different set of random milk, cull cow and replacement cow prices, feed costs and milk production per cow for each iteration. At the end of each iteration, values for present value of net returns (revenue minus cost over ten year period) and ending net worth, long-term and intermediate-term debt, equity to asset ratio, internal rate of return

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<sup>7/</sup> Summary of financial characteristics of dairy farms provided by ERS, USDA.

Table 9. Financial characteristics assumed for eight dairy operations in four states.

Financial Characteristics	Minnesota		AZ	California		Florida		
	52	125	359	550	1,436	350	600	1,436
Value of								
Cropland and Farmstead (\$1,000)	293.4	679.1	39.4	160.0	312.0	262.5	450.0	1,074.0
Buildings (\$1,000)	92.7	176.7	192.8	284.4	512.6	87.9	108.9	211.7
Farm Machinery (\$1,000)	104.1	159.0	120.3	183.1	303.0	114.6	180.0	260.7
All Livestock (\$1,000)	77.9	181.4	599.6	960.7	2,505.0	525.5	981.4	2,344.3
Off Farm Investments (\$1,000)	5.5	13.1	0	0	0	0	0	0
Beginning Cash Reserves (\$1,000)	12.0	62.5	89.8	137.5	35.9	70.0	212.0	505.5
Debt								
Long-Term (\$1,000)	111.2	213.9	67.3	155.5	288.6	143.7	218.0	475.7
Intermediate-Term (\$1,000)	57.1	88.5	230.4	308.8	842.4	160.0	243.9	468.9
Initial Networth (\$1,000)	417.1	969.4	744.2	1,261.3	2,537.5	756.9	1,464.7	3,343.0
Equity Ratio (Fraction)	.71	.76	.71	.73	.69	.71	.76	.76
Family Living								
Minimum (\$1,000)	20.0	25.0	25	27	30	25	27	30
Maximum (\$1,000)	32.0	35.0	30	38	40	30	38	40
Marginal Propensity (Fraction)	.3	.4	.3	.4	.4	.35	.4	.4
Off Farm Income (\$1,000)	0	0	0	0	0	0	0	0

and net farm income were calculated. The 50 iterations provided empirical probability distributions associated with these calculated variables.

variables, discussed later, were used as the criterion for comparing the economic impact of alternative policy and technology scenarios. In addition a probability that the dairy will remain solvent for 10 years (probability of survival) and the probability that the dairy will have a positive after-tax net present value are calculated.

All prices for the ten year simulation are in constant 1983 dollars. The base scenario assumes the support price specified in the Dairy and Tobacco Production and Stabilization Act of 1983. The 1984 price likely will be 32 cents lower than 1983 reflecting a 50 cent reduction in the support price on December 1 of 1983. The government purchases of surplus dairy products are assumed to be high enough through 1985 and 1986 to trigger a 50 cent drop in support price on April 1, 1985, and again on July 1, 1985, as specified in the above mentioned Act of 1983.

All features of the Act of 1983 are scheduled to expire on September 30, 1985. It is assumed in the base scenario that the support price will remain at the 1985 level through 1986 then reflect a long-term market clearing level of \$13.11 for manufacturing milk (70 percent of parity) through 1992, the end of the ten year period. The prices in Table 5 are "all" milk prices by states corresponding to the assumed support price for manufacturing grade milk.

The base prices are supported by the support price. Therefore, they have zero probability of being lower. To evaluate a no dairy price support scenario, the prices used in the base are retained (reflecting the long-

term market clearing price).<sup>8/</sup> However, with no price support program, the actual price may be either above or below the base price. The simulator randomly selects milk prices from may be as much as 20 percent above or 25 percent below the mean price. Therefore, the difference between the base and no dairy program scenarios is in the differences in milk price variability expected and not in differences in the overall level of milk prices.

Stochastic Variables - In addition to the milk price, the prices of cull cows, replacement heifers, and feed, and production per cow are assumed to be stochastic over the ten year period. Random values for these variables are drawn from an estimated multivariate empirical probability distribution. The correlation matrix on which the multivariate distribution is based is shown in Table 10.

The base prices used were \$488.80 per cull cow and \$1210 per replacement heifer. Milk production per cow followed the 1973 to 1982 trend which varies some by states (Table 11).

Non-Stochastic Variables - Interest rates used in the simulation model were:

Old long-term loans -----	8.5	percent
Old intermediate loans -----	13.0	percent
New long-term loans -----	11.5	percent
New intermediate loans -----	13.26	percent
Refinance long-term loans ----	13.00	percent
Refinance intermediate loans -	13.26	percent
Operating loans -----	10.0	percent
Received for cash reserves ---	10.0	percent

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<sup>8/</sup> The variation of milk prices without a dairy price support program was developed from the following study: Thraen, Cameron S. and Jerome W. Hammond. Price Supports, Risk Aversion and U.S. Dairy: An Alternative Perspective of the Long-Term Impacts. Economic Report ER83-9, Department of Agricultural and Applied Economics, University of Minnesota. June 1983.

Table 10. Correlation between stochastic variables used in the dairy simulations.

Region/Variable	Milk Price	Cull Cow Price	Replacement Cow Price	Milk/Cow	Feed Cost
<u>Lake States</u>					
Milk price	1.000	.887	.594	.403	-.435
Cull cow price		1.000	.777	.277	-.302
Replacement cow price			1.000	.3137	.234
Milk/cow				1.000	-.464
Feed price					1.000
<u>Southeast</u>					
Milk price	1.000	.202	.461	.401	.836
Cull cow price		1.000	-.807	-.040	-.221
Replacement cow price			1.000	-.197	.222
Milk/cow				1.000	.068
Feed price					1.000
<u>Southwest</u>					
Milk price	1.000	-.162	-.067	-.549	.004
Cull cow price		1.000	.963	.407	-.206
Replacement cow			1.000	.187	-.169
Milk/cow				1.000	-.328
Feed price					1.000

Table 11. Milk prices and milk production per cow used in ten year base scenario simulation.

Item/Year	State			
	:Minn.	: Arizona	: Calif.	: Florida
<u>Milk price</u>	- - - - - dollars per cwt - - - - -			
1983	12.94	13.90	13.06	16.50
1984	12.62	13.54	12.98	16.14
1985	12.38	13.30	12.74	15.90
1986	12.38	13.30	12.74	15.90
1987	13.38	14.30	13.74	16.90
1988	13.38	14.30	13.74	16.90
1989	13.38	14.30	13.74	16.90
1990	13.38	14.30	13.74	16.90
1991	13.38	14.30	13.74	16.90
1992	13.38	14.30	13.74	16.90
<u>Milk production per cow</u>	- - - - - hundred weights - - - - -			
1983	147.6	165.7	163.7	131.5
1984	149.3	168.2	166.2	133.4
1985	151.0	170.7	168.7	135.3
1986	152.7	173.2	171.2	137.2
1987	154.4	175.7	173.7	139.1
1988	156.1	178.2	176.2	141.0
1989	157.8	180.7	178.7	142.9
1990	159.5	183.2	181.2	144.9
1991	161.2	185.7	183.7	146.9
1992	162.9	188.2	186.2	148.6

Zero inflation rate was also assumed over the ten year planning horizon (all prices in 1983 dollars).

The dairies are not allowed to increase herd size over the ten year period. The crop mix on dairies producing some or all the feed is assumed to be constant.

### Policy and Technology Scenarios

The eight dairy operations in three regions were simulated for 10 years under the alternative scenarios described below. Seven policy scenarios (excluding the 1983 base described in a previous section) and two technology scenarios were simulated for each dairy. The assumptions and policy values associated with each scenario were held constant across all dairies to allow direct comparison of their impacts on different size dairies in different regions.

Two financial bailout scenarios (interest subsidy and debt restructuring) were evaluated for the Minnesota 52-cow and 125-cow, Arizona 359-cow and Florida 350-cow dairies assuming an initial high debt position and assuming a new entrant with high debt position. Each scenario is described in this section.

#### Policy Scenario

Base--The base scenario assumes the continuation of the Dairy and Tobacco Production Stabilization Act of 1983 followed, after expiration on September 30, 1985, with a 70 percent of parity milk price.

The following options for depreciating machinery and calculating income taxes are used for the base scenario.

\* Machinery, livestock, and buildings placed in use prior to 1981 are depreciated using the double declining balance method.

- \* Machinery, livestock, and buildings placed in use after 1980 are depreciated using an accelerated cost recovery method.
- \* The operator elects to claim first year expensing for all depreciable items placed into use after 1980.
- \* The operator elects to take maximum investment tax credit (ITC) and thus reduce the basis for all depreciable assets placed into service after 1980.
- \* The operator may use either the regular income tax computation or income averaging to calculate federal income tax liabilities.
- \* There is no maximum interest deduction under the federal income tax codes.
- \* The actual self employment tax rates and maximum income levels subject to this tax for 1983 and 1984 are used. Announced values for these variables in 1985-1986 were used and the 1986 values were held constant through 1992.
- \* The operator elects to trade obsolete machinery in on new replacements.

A 20% acreage reduction--The present feed grain program was assumed through 1985. From 1986 to 1992 a 15% set aside with a 5% diversion for corn, cotton, rice, sorghum, and wheat was assumed. Normal slippage (30% for corn and 70% for all other crops) and program participation rates were used to estimate the resulting real increase in mean prices for these crops from 1986 to 1992. This program results in dairy feed prices being 9 percent higher than under the base scenario.

An effective 20% acreage reduction--This is the same as above except slippage was set equal to zero for 1986 to 1992. And program participation

rates were assumed to be 80 percent of normal calculating the real increase in mean prices for these crops from 1986 to 1992. This program results in dairy feed prices being 11 percent higher than under the base scenario.

No crop program--The CCC loan, farmer owned reserve, and target price provisions were eliminated for all years in the planning horizon (1983-1992). This increased the variability in feed costs facing dairy operations. The impact of this increased variability is evaluated.

Fifty cents lower price--All the assumptions of the base scenario are retained except the mean milk prices are reduced 50 cents per cwt and the variability of milk price increased.

No dairy program--All assumptions of the base scenario are retained except milk price variability was increased. Milk prices have a ten percent chance of being 20 percent higher or 25 percent lower than the base mean price. The mean prices are kept the same as in the base scenario. The simulation results show the impact of increased variability in milk prices.

Income tax changes--All assumptions of the base scenario are retained except for more restrictive federal income tax provisions including:

- \* Machinery, livestock, and buildings were depreciated using the straight line cost recovery method.
- \* First year expensing provisions were eliminated for all depreciable items.
- \* Maximum Investment Tax Credit provisions were eliminated.
- \* The maximum annual interest expense which could be used to reduce taxable income was \$15,600.

\* The operator must sell obsolete machinery upon disposition rather than trading it in on new replacements, thus forcing recapture of excess depreciation deductions.

Supply control--All assumptions of the base scenario are retained except mandatory quotas are imposed on dairies. Quotas equal to 96.5 percent of a producers normal production would, over time, be expected to maintain milk prices \$1 above those in the base scenario. Cow numbers would be reduced about 4 percent in order to reduce milk production 3.5 percent assuming poorer than average cows would be culled in complying with the quota.

#### Technology scenarios

Computer feeding--A technology now available but not widely adopted is individual cow feeding by using computer controlled feed stalls. Concentrates fed to individual cows can be controlled in total and over time. One experiment suggests that average daily milk production per cow can be increased two pounds with a .1 percent higher butterfat content without increasing total feed fed to the herd.<sup>9/</sup> The estimated added investment cost for computer feeding for the eight dairies are:

Minnesota 52-cow herd	\$11,960
Minnesota 125-cow herd	\$18,750
Florida 350-cow herd	\$43,400
Florida 600-cow herd	\$71,400
Florida 1,436-cow herd	\$157,960
Arizona 359-cow herd	\$44,516
California 550-cow herd	\$66,000
California 1,436-cow herd	\$157,900

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<sup>9/</sup> Wildhaber, Greg, Gayle Willet, and Joe Hillers. Can You Justify A Computerized Grain Feeder? Hoards Dairyman Magazine. March 25, 1984. p. 389.

Investment includes a neck responder for each cow, feeder stall with storage and auger feeder, and a computer.

All assumptions of the base are retained except the 17 cent per cwt higher milk price (butterfat differential payment for 0.1 percent higher fat content), added investment and operating costs, and higher average milk production per cow.

Growth hormone--A technology not yet in commercial use but demonstrated in experimental work is bovine growth hormone. Milk cows are injected with the hormone every other day resulting in increased milk production. Preliminary results are that milk production per cow during the last two-thirds of the lactation is increased 30 to 40 percent without additional feed (about 23 percent annually). The cost for the hormone can be expected to decline as it probably can be relatively cheaply produced. Every other day injections costing \$1 each are assumed in this analysis. Combining this cost with increased hauling and other costs of added milk results in about \$185 increase in cost per cow per year. All other assumptions in the base are retained.

#### Financial stress scenarios

Base financial stress scenario--The assumed beginning financial conditions for four of the eight dairies were changed to reflect high debt operators and new entrants with high debt operators (Table 12). Debt load was about doubled to reflect high debt situations. For new entrants all equipment is assumed to be new which increases both the initial value of machinery and the total debt load.

Two policies are considered for high debt dairies. One is to subsidize interest rates on all debt so the effective rate for all

loans paid would be 8 percent rather than the higher rates used in the base. The second is to convert a portion of intermediate debt into long-term loans and/or to extend the length of intermediate-term loans. In the second case, interest rates, total debt loads, and other assumptions of the high debt dairies remain the same as in the base.

The impact of changes in crop programs (20 percent acreage reduction) resulting in nine percent higher feed prices and eliminating the dairy price support program is evaluated for new entrants with high debt position.

#### Evaluation Criteria

The FLIPSIM V model provides considerable detail as to the viability of a representative farm at the end of each iteration, e.g., leverage ratio, net worth, total assets, total debt, net present value, and whether the dairy remained solvent for 10 years. By repeating each scenario for 50 iterations, the model generates the information necessary to estimate the probability distributions for key output variables. The means of these key output distributions are used to compare the economic impacts of selected policy and technology scenarios on specific dairies. The following output variables for the model were selected to compare the impacts of the scenarios described in the previous section.

- \* Probability of survival is defined as the probability that the representative farm will remain solvent for 10 years. In other words, it is the probability that the farm operator would maintain at least the minimum financial ratios required by bankers in the local area for all years of the 10 year planning horizon.

Table 12. Percentage change in initial financial position to reflect dairies in initial high debt and for new entrants with high debt positions.

Financial Characteristic	Herd Size							
	High Debt				New Entrant			
	MN	MN	AZ	FLA	MN	MN	AZ	FLA
	52	125	359	350	52	125	359	350
	----- percent change <sup>a/</sup> -----							
<b>Value</b>								
Cropland & Farmstead (\$1,000)	0	0	0	0	0	0	0	0
Buildings (\$1,000)	0	0	0	0	0	0	0	0
Farm Machinery (\$1,000)	0	0	0	0	138	168	167	209
All Livestock (\$1,000)	0	0	0	0	0	0	0	0
Off Farm Investments (\$1,000)	0	0	0	0	0	0	0	0
Beginning Cash Reserves (\$1,000)	0	0	0	0	0	0	0	0
<b>Debt</b>								
Long-Term (\$1,000)	108	148	107	46	143	180	141	71
Intermediate-Term (\$1,000)	91	131	88	140	242	311	139	230
Initial Worth (\$1,000)	-41	-43	-42	-38	-37	-41	-29	-30
Equity Ratio (Fraction)	1	-42	-37	8	-49	-51	-41	-42
<b>Family Living</b>								
Minimum (\$1,000)	0	0	0	0	0	0	0	0
Maximum (\$1,000)	0	0	0	0	0	0	0	0
Marginal Propensity (Fraction)	0	0	0	0	0	0	0	0
<b>Off Farm Income</b>	0	0	0	0	0	0	0	0

<sup>a/</sup> Change from initial values shown in Table 9.

- \* Probability of a positive after-tax net present value. An after-tax, real discount rate of 3% was used to calculate the farm's net present value. Thus this statistic indicates the probability of the representative farm providing at least a 3% real rate of return on the initial investment.
- \* After-tax net present value is the net present value of the operator's annual cash withdrawals plus the present value of the change in net worth for the total operation minus the present value of annual off-farm income. A 3% after-tax, real discount rate was used to calculate net present value for all representative dairies.
- \* Present value of ending net worth measures the present value of the financial growth for a dairy over the 10 year planning horizon. Net worth is affected by increases or decreases in asset (land, machinery, and livestock) value and retained earnings. This value can be compared directly to each dairy's initial net worth (Table 9) to indicate the relative magnitude of financial growth.
- \* Total long- and intermediate-term debts at the end of the planning horizon are recorded for each iteration. These values provide an insight into the financial stress of the dairy over the planning horizon. Increases in average ending debt from one scenario to another can be due to the dairy operator being forced to refinance large cash flow deficits. When surplus cash is available, the operator is permitted to prepay intermediate-term debts. Therefore, large ending intermediate-term debts are an

indication that there were insufficient cash reserves to reduce intermediate-term debt through prepayment of principal.

- \* Ending equity ratio is the ratio of ending net worth to ending assets for each iteration. This ratio provides a measure for comparing the representative dairies ending financial position across scenarios.
- \* Internal rate of return for the representative dairy is calculated at the end of each iteration. The internal rate of return is the real discount rate which makes the present value of the operator's annual cash withdrawals and change in net worth equal zero.

#### Results for Alternative Policy and Technology Scenarios

##### 52-cow Minnesota dairy

Given the base policy scenario, the 52-cow Minnesota dairy had a 98 percent chance for survival after ten years but only a 46 percent chance of having an after tax, net present value (Table 13). The after tax net present value averaged \$29,000 with a standard deviation of \$133,000. Average present value of ending net worth decreased from the initial \$417,000 to \$320,000 after ten years. Although intermediate-term debt declined \$19,000, long-term debt increase \$115,000 or more than doubled. The equity to asset ratio declined from 0.71 to 0.60 over the ten year period. Average annual net farm income was a negative \$13,000.

All three policy alternatives involving crop programs that increase feed prices (Scenarios I and II) and the no crop program that increases feed price variability (Scenario III) have little impact on the 52-cow Minnesota dairy because most of the feed is raised rather than purchased

Table 13. Comparison of selected policy scenarios on a 52-cow Minnesota dairy.

Criteria	: Initial : Situation :	: Base :	Alternative Scenarios								
			: I	: II	: III	: IV	: V	: VI	: VII	: VIII	: IX
Probability of Survival (percent)	NA	98	98	98	98	94	90	98	100	98	100
Probability of positive after tax net present value (percent)	NA	46	46	46	46	38	38	46	76	50	94
After-tax net present value mean (\$1,000)	NA	29	28	28	30	5	6	24	91	39	159
std. dev. (\$1,000)	NA	133	133	133	133	136	158	132	131	136	138
Present value of ending net worth (\$1,000)	417	320	319	319	320	296	298	312	376	336	438
Total long-term debts after 10-years (\$1,000)	111	226	227	227	226	241	234	232	172	220	111
Total intermediate-term debt after 10 years (\$1,000)	57	36	40	37	37	44	52	36	22	35	9
Total equity to assets after 10-years (fraction)	.71	.60	.60	.60	.60	.56	.55	.59	.71	.62	.82
Internal rate of return after 10-years (fraction)	NA	.017	.017	.017	.017	.009	.004	.016	.033	.019	.046
Average annual net farm income (\$1,000)	NA	-13	-14	-14	-14	-16	-17	-14	-5	-13	1

a/ Scenarios are:

- Base - continuation of present policy through 1985 then milk price equal to 70 percent
- I - a 20% acreage reduction crop program - 9% higher feed costs
- II - an effective 20% acreage reduction crop program - 11% higher feed costs
- III - no crop program
- IV - fifty cent per cent lower milk price
- V - no dairy price support program
- VI - reduce income tax benefit program
- VII - milk supply control program
- VIII - computer feeding technology
- IX - bovine growth hormone technology

NA = not applicable.

on the Minnesota dairy. Crop yields were fixed and not variable from year-to-year. However, simulations where crop yields were stochastic did not significantly change the results.

A support price 50 cents below the price in the base scenario reduces the probability of survival from 98 percent to 94 percent (Scenario IV). The decline in the present value of ending net worth is more adversely affected and debt is higher compared to the base.

Eliminating the price stabilizing aspects of the dairy price support program (Scenario V) would result in a probability of survival of 90 percent for the 52-cow Minnesota dairy compared to 98 percent under the base scenario. The equality to asset ratio would be .55 after ten years compared to .60 after ten years under the base scenario.

Eliminating income tax benefits (Scenario VI) does not change the probability of survival but does adversely affect the present value of ending net worth and total debt when compared to the base.

A supply control program (Scenario VII) would increase the probability of survival to 100 percent and the equity to asset after ten years to remain equal to the initial .71. Present value of ending net worth declines from an initial value of \$117,000 to \$376,000 after ten years. Total debt increases. The supply control scenario generally is more favorable than base scenario for the 52-cow Minnesota dairy.

The computer feeding technology (Scenario VIII) has a positive impact on the 52-cow Minnesota dairy. Compared to the base scenario, the probability of a positive after-tax net present value increased from 46 to 50 percent. The present value of ending net worth is improved \$16,000 and the equity to asset ratio is .62 compared to .60 for the base.

Given the preliminary information about this technology, the bovine growth hormone technology would substantially improve the financial position of the 52-cow Minnesota dairy (Scenario IX). The probability of a positive after-tax net present value increased from 46 percent under the base scenario to 94 percent if the bovine growth hormone technology were adopted. The present value of ending net worth after ten years is about \$21,000 higher than the initial \$417,000. Total equity to assets ratio increases from an initial .71 to .82 after the ten year period.

#### 125-cow Minnesota dairy

Given the base policy scenario, the 125-cow Minnesota dairy had a 100 percent chance of surviving ten years and a 96 percent chance of having a positive after-tax net present value (Table 14). The present value of ending net worth increased slightly from an initial \$969,000 to \$1,051,000 at the end of the ten year period. Both long-term and intermediate-term debt were reduced and the equity ratio increased from an initial 0.76 to 0.87 by the end of the ten years.

Like the 52-cow Minnesota dairy, policies that increase the level or variability of feed prices have little impact on the financial performance (Scenarios I, II, and III) which insulates it from short-run variation in feed cost. The 125-cow Minnesota dairy also produces most of its own feed requirement.

A 50 cents per cwt lower support price would reduce the present value of ending net worth from \$1,051,000 under the base scenario to \$1,010,000 (Scenario IV). The total equity ratio would be 0.83 rather than 0.87 under the base. However, a ratio of 0.83 at the end of the ten year period still represents an improvement from the initial 0.76 ratio.

Table 14. Comparison of Selected Policy Scenarios on a 125-Cow Minnesota Dairy

Criteria	Initial Situation	Base	Alternative Scenario <sup>a/</sup>								
			I	II	III	IV	V	VI	VII	VIII	IX
Probability of Survival (Percent)	NA	100	100	100	100	100	100	100	100	100	100
Probability of Positive After-tax Net Present Value (Percent)	NA	94	94	94	94	90	82	92	98	98	100
After-tax Net Present Value Mean (\$1,000)	NA	315	313	313	314	266	276	295	416	343	626
Std. dev. (\$1,000)	NA	306	306	306	306	305	347	306	295	304	314
Present Value of Ending Net Worth (\$1,000)	969	1,051	1,050	1,049	1,050	1,010	1,003	995	1,136	1,096	1,277
Total Long-term Debts After 10-years (\$1,000)	214	175	176	177	175	215	227	225	88	148	15
Total Intermediate-term Debt After 10-years (\$1,000)	89	23	22	22	23	30	28	40	10	15	1
Total Equity to Assets After 10-years (fraction)	.76	.87	.86	.86	.86	.83	.82	.82	.93	.89	.97
Internal Rate of Return After 10-years (fraction)	NA	.042	.042	.042	.042	.038	.038	.041	.051	.044	.066
Average Annual Net Farm Income (\$1,000)	NA	7	7	7	7	1	2	0	20	11	47

<sup>a/</sup> Scenarios are:

- Base - continuation of present policy through 1985 then milk price equal to 70 percent
- I - a 20% acreage reduction crop program - 9% higher feed costs
- II - an effective 20% acreage reduction crop program - 11% higher feed costs
- III - no crop program
- IV - fifty cent per cent lower milk price
- V - no dairy price support program
- VI - reduce income tax benefit program
- VII - milk supply control program
- VIII - computer feeding technology
- IX - bovine growth hormone technology

NA = not applicable.

No dairy support program (Scenario V) would reduce the probability of a positive after-tax present value to 82 percent compared to 94 percent under the base scenario. Both long-term and intermediate-term debt would be higher after ten years than after ten years under the base scenario. The dairy would be able to improve the equity to asset ratio compared to the initial 0.76 but the improvement would be less than 0.87 ratio under the base scenario.

Eliminating the income tax benefits (Scenario VI) for the 125-cow Minnesota dairy would result in higher debts, lower present value of ending net worth, equity ratio and average annual net farm income than after ten years under the base scenario.

A supply control program (Scenario VII) would increase the probability of a positive after-tax net present value to 98 percent compared to 94 percent under the base scenario. Under both the base and supply control scenarios, the 125-cow dairy had a 100 percent chance of surviving the ten year period. The dairy showed good financial progress under the supply control program as the present value of ending net worth was \$1,136,000 compared to an initial net worth of \$969,000. The total equity ratio was .93 at the end of the ten year period compared to the .76 ratio at the beginning of the period. Average annual net farm income for the 10 year period was \$20,000.

Both the computer feeding and growth hormone technologies showed substantial improvement compared to the base scenario (Scenario VIII and IX). Present value of ending net worth was \$1,096,000 for computer feeding and \$1,278,000 for growth hormone compared to an initial \$969,000 at the beginning of the ten year period. Total equity to asset ratio for the

growth hormone technology was 0.97 after ten years compared to 0.76 at the beginning of the period and average annual net farm income was \$47,000.

#### 359-cow Arizona dairy

Given the base policy scenario, the 359-cow Arizona dairy had a 98 percent chance of survival and a 98 percent change of a positive after-tax net present value for the ten year period (Table 15). The dairy showed good financial improvement over the ten years as present value of ending net worth was \$1,628,000 compared to \$744,000 at the beginning of the period, most debt was paid and total equity ratio increased from 0.71 to 0.94. Average annual net farm income was \$78,000.

All feed is purchased by the 359-cow Arizona dairy and the 9 percent increase in feed cost (Scenario I) reduced the probability of survival to 88 percent and the 11 percent increase in feed costs (Scenario II) reduced the probability of survival to 84 percent compared to 98 percent under the base scenario. However, the dairy still made good financial progress with 11 percent higher feed costs as debts were more than cut in half and the present value of ending net worth was \$1,162,000 compared to the initial \$744,000 at the beginning of the period. No crop programs (Scenario III) increased the variability of feed prices but reduce the financial progress of the dairy relatively little compared to the base.

A support price 50 cents below the base scenario (Scenario IV) prices did not change the probability of survival compared to the base but did result in a lower present value of ending net worth and lower average annual net farm income. Total equity to asset ratio still increased to 0.94, the same as under the base scenario.

Table 15. Comparison of Selected Policy Scenarios on a 359-Cow Arizona Dairy Farm

Criteria	Initial	Base	Alternative Scenario <sup>a/</sup>								
			I	II	III	IV	V	VI	VII	VIII	IX
Probability of Survival (Percent)	NA	98	88	84	98	98	96	98	100	98	100
Probability of Positive After tax Net Present Value (Percent)	NA	98	88	84	98	98	96	98	100	98	100
After-tax Net Present Value											
Mean (\$1,000)	NA	1,402	828	715	1,397	1,250	1,196	1,377	1,676	1,499	2,742
Std. dev. (\$1,000)		489	647	658	498	453	558	490	416	504	491
Present Value of Ending Net Worth (\$1,000)	744	1,628	1,235	1,162	1,624	1,543	1,506	1,533	1,754	1,708	2,320
Total Long-term debts											
After 10-years (\$1,000)	67	3	24	24	3	3	6	3	0	3	0
Total Intermediate-Term Debt											
After 10-years (\$1,000)	230	9	65	75	10	9	23	9	0	10	0
Total Equity to Assets											
After 10-years (fraction)	.71	.94	.85	.82	.94	.94	.91	.94	.94	.93	.93
Internal Rate of Return											
After 10-years (fraction)	NA	.15	.083	.054	.137	.134	.092	.143	.163	.142	.208
Average Annual Net Farm Income (\$1,000)	NA	78	12	-3	77	61	52	81	109	90	220

- <sup>a/</sup> Scenarios are:
- Base - continuation of present policy through 1985 then milk price equal to 70 percent
  - I - a 20% acreage reduction crop program - 9% higher feed costs
  - II - an effective 20% acreage reduction crop program - 11% higher feed costs
  - III - no crop program
  - IV - fifty cent per cent lower milk price
  - V - no dairy price support program
  - VI - reduce income tax benefit program
  - VII - milk supply control program
  - VIII - computer feeding technology
  - IX - bovine growth hormone technology

NA = not applicable.

Eliminating the dairy support program (Scenario V) reduced the probability of survival to 96 percent compared to 98 percent under the base scenario. The after-tax net present value was \$1,196,000, \$206,000 less than under the base scenario, but its standard deviation increased from \$489,000 to \$558,000. The present value of ending net worth was \$122,000 less than under the base but still more than doubled from \$744,000 at the beginning of the period. Most debt was retired and the total equity to asset ratio increased from 0.71 at the beginning of the period to 0.91 at the end of the 10 years. Average annual net farm income was \$52,000 compared to \$78,000 under the base.

Eliminating income tax advantages (Scenario VI) slightly reduced the present value of ending net worth compared to the base scenario but had no affect on the probability of survival, remaining debt and ending total equity to asset ratio.

With supply control (Scenario VII) the probability of a positive after tax net present value was 100 percent compared to 98 percent under the base scenario. Present value of ending net worth was \$126,000 higher at the end of the ten year period compared to the base scenario. Average annual net farm income was \$109,000.

The computer feeding and bovine growth hormone technology scenarios had a favorable impact on the financial success of the 359-cow Arizona dairy (Scenarios VII and IX). Compared to the base the present value of ending net worth was \$80,000 higher with the computer feeding technology and \$692,000 higher with the growth hormone technology.

550-cow California dairy

Given the base policy scenario, the 550-cow California dairy had a 98 percent probability of a positive after-tax net present value (Table 16). The dairy showed good financial improvement over the 10 year period under the base scenario. Present value of ending net worth increased from \$1,261,000 at the beginning to \$2,278,000 at the end of the ten year period. Total debts were mostly paid off and total equity to asset ratio increased from 0.73 to 0.93 over the ten year period.

The acreage reduction policies (Scenarios I and II), resulting in increased feed costs, reduced the probability of survival from 98 percent under the base to 78 percent and the probability of positive after-tax net present value from 98 percent to 78 percent with 9 percent higher feed costs (Scenario I) and 76 percent with 11 percent higher feed costs (Scenario II).

No crop programs (Scenario III) had relatively little impact on the 550-cow California compared to the base scenario.

A milk support price 50 cents lower (Scenario IV) than under the base reduced the probability of survival from 98 percent to 94 percent and the present value of ending net worth from \$2,287,000 to \$2,72,000. The total equity to asset ratio after ten years was .90 compared to .93 under the base scenario indicating the extent of the adverse impact of a reduction in the support price on the dairies financial performance.

No dairy price support program (Scenario V) reduced the probability of survival from 98 percent under the base scenario to 94 percent. The present value of ending net worth still improved over the ten year period but was 9 percent less compared to the base scenario. The total equity to asset ratio was 0.89 compared to 0.93 under the base scenario after ten years.

Table 16. Comparison of Selected Policy Scenarios on a 550-Cow California Dairy

Criteria	Initial Situation	Base	Alternative Scenario <sup>a/</sup>								
			I	II	III	IV	V	VI	VII	VIII	IX
Probability of Survival (Percent)	NA	98	78	78	98	94	94	98	98	98	100
Probability of Positive After tax Net Present Value (Percent)	NA	98	78	76	96	92	94	98	98	98	100
After-tax Net Present Value											
Mean (\$1,000)	NA	1,617	655	505	1,612	1,324	1,288	1,593	2,052	1,773	3,622
Std. dev. (\$1,000)	NA	688	972	947	698	789	840	683	727	706	742
Present Value of Ending Net Worth (\$1,000)	1,261	2,278	1,612	1,501	2,271	2,083	2,072	2,170	2,487	2,414	3,508
Total Long-term Debt											
After 10-years (\$1,000)	156	61	106	111	62	76	70	61	57	57	51
Total Intermediate-Term Debt											
After 10-years (\$1,000)	309	13	157	172	14	40	44	13	12	13	0
Total Equity to Assets											
After 10-years (fraction)	.71	.93	.78	.76	.93	.90	.89	.93	.92	.93	.94
Internal Rate of Return											
After 10-years (fraction)	NA	.115	.007	.000	.115	.091	.056	.118	.133	.118	.186
Average Annual Net Farm Income (\$1,000)	NA	65	-60	-79	64	28	19	64	114	83	276

a/ Scenarios are:

- Base - continuation of present policy through 1985 then milk price equal to 70 percent
- I - a 20% acreage reduction crop program - 9% higher feed costs
- II - an effective 20% acreage reduction crop program - 11% higher feed costs
- III - no crop program
- IV - fifty cent per cent lower milk price
- V - no dairy price support program
- VI - reduce income tax benefit program
- VII - milk supply control program
- VIII - computer feeding technology
- IX - bovine growth hormone technology

NA = not applicable.

Eliminating income tax advantage (Scenario VI) had little impact on the financial performance of the 550-cow California dairy relative to the base scenario. The total debt and total equity to asset ratio was the same as under the base scenario but the present value of ending net worth was about 5 percent less.

A mandatory supply control program (Scenario III) resulting in a milk price \$1.00 per cwt higher than in the base scenario had a favorable impact on the 550-cow California dairy. Compared to the base scenario the present value of ending net worth was \$2,487,000 or 9 percent higher, and the after-tax net present value was \$2,052,000 or 27 percent higher than under the base scenario. The average annual net farm income increased to \$114,000 or 75 percent.

The computer feeding technology (Scenario VIII) increased the present value of ending net worth about 6 percent above the base scenario. Total debt was about 5 percent lower but average annual net farm income was \$18,000 (or 28 percent) higher than with the base scenario.

Given the preliminary assumptions of bovine growth hormone technology (Scenario IX) the financial position of the 550-cow California dairy is greatly improved compared to both the initial position at the beginning of the 10 year period and compared to the base scenario. The present value of ending net worth would be \$3,622,000, almost three times as much as the beginning of the period and twice as what it would be under the base scenario. The probability of survival increases to 100 percent.

#### 1,436-cow California dairy

Given the base policy scenario, the 1,436-cow California dairy had a 98 percent probability of survival and showed good financial progress

from the beginning to the end of the 10 year period (Table 17). The present value of ending net worth was \$6,846,000 compared to \$2,538,000 at the beginning of the ten-year period. The total equity to asset ratio increase from 0.69 at the beginning of the period to 0.93 at the end. Total debt was cut by 85 percent from the beginning to the end of the period.

The acreage reduction scenarios resulting in higher feed prices reduced the probability of survival from 98 percent under the base scenario to 88 percent with 9 percent higher feed costs (Scenario I) and to 82 percent with 11 percent higher feed prices (Scenario II). Total equity to asset ratio was 0.80 under Scenario II compared to 0.93 under the base scenario.

Eliminating the crop program (Scenario III) had little impact on the financial position of the 1,436-cow California dairy compared to the base scenario. Debt, equity to asset ratio and present value of ending net worth are all about the same as under the base scenario.

A milk support price 50 cents lower (Scenario IV) than under the base resulted in a 6 percent lower present value of ending net worth after ten years. Total debt and the total equity to asset ratio were about the same under the two scenarios.

Eliminating the dairy price support program (Scenario V) reduced the probability of survival from 98 percent under the base to 94 percent. The present value of ending net worth was \$6,163,000 or 10 percent lower than under the base scenario.

Eliminating the income tax advantages (Scenario VI) did not impact the probability of survival, total debt or equity to asset ratio compared to the base scenario. However, the present value of ending net worth was decreased 3 percent from the base scenario.

Table 17. Comparison of Selected Policy Scenarios on a 1,436-Cow California Dairy

Criteria	Initial Situation	Base	Alternative Scenario <sup>a/</sup>								
			I	II	III	IV	V	VI	VII	VIII	IX
Probability of Survival (Percent)	NA	98	88	98	98	98	94	98	100	100	100
Probability of Positive After Tax Net Present Value (Percent)	NA	98	88	98	98	98	94	98	100	100	100
After-tax Net Present Value											
Mean (\$1,000)	NA	6,000	3,588	2,946	5,983	5,407	5,085	5,931	7,372	8,540	11,534
Std. dev. (\$1,000)	NA	2,007	2,574	2,764	2,044	1,868	2,521	2,000	1,717	1,644	1,999
Present Value of Ending Net Worth (\$1,000)	2,538	6,846	5,024	4,537	6,838	6,429	6,163	6,629	7,786	7,405	10,992
Total Long-term Debts											
After 10-years (\$1,000)	289	105	155	187	105	105	123	105	96	96	96
Total Intermediate-Term Debt											
After 10-years (\$1,000)	842	36	225	325	35	35	118	36	0	0	0
Total Equity to Assets											
After 10-years (fraction)	.69	.93	.85	.80	.93	.94	.89	.93	.95	.95	.95
Internal Rate of Return											
After 10-years (fraction)	NA	.155	.099	.041	.132	.149	.088	.159	.183	.168	.216
Average Annual Net Farm Income (\$1,000)	NA	436	162	68	434	373	313	432	579	463	982

<sup>a/</sup> Scenarios are:

- Base - continuation of present policy through 1985 then milk price equal to 70 percent
- I - a 20% acreage reduction crop program - 9% higher feed costs
- II - an effective 20% acreage reduction crop program - 11% higher feed costs
- III - no crop program
- IV - fifty cent per cent lower milk price
- V - no dairy price support program
- VI - reduce income tax benefit program
- VII - milk supply control program
- VIII - computer feeding technology
- IX - bovine growth hormone technology

NA = not applicable.

With supply control (Scenario VII), the probability of survival of the 1,436-cow California dairy increased to 100 percent. The present value of ending net worth was \$7,786,000 or about 14 percent higher under the supply control than under the base scenario. All intermediate-term debt was paid off and only \$96,000 of long-term debt remained after ten years under the supply control program. Average annual net farm income increased to \$579,000 or 33 percent higher than under the base scenario.

The computer feeding technology (Scenario VIII) improved the financial position of the 1,436-cow dairy compared to the base scenario. The present value of ending net worth was \$7,405,000 or 8 percent higher and average annual net farm income was 463,000 or 6 percent higher with a computer feeding technology compared to the base scenario.

Given the preliminary data on bovine growth hormone (Scenario IX), the financial position of the 1,436-cow dairy increase substantially compared to the base scenario. Present value of ending net worth was \$10,992,000 or over 60 percent higher than under the base scenario.

#### Florida dairies

Given the base policy scenario a probability of survival was 100 percent for the 350-cow, 600-cow, and 1,436-cow Florida dairies (Tables 18, 19, and 20). All intermediate-term debt was paid off over the ten year period on all three size dairies. The total equity to asset ratio after ten years was at least 0.92. The present value of ending net worth increased about 80 percent on the 350-cow and 600-cow dairies but over 160 percent on the 1,436-cow dairy.

The acreage reduction policies (Scenario I and II) reduced the probability of the 350-cow dairy surviving the ten year period. The

Table 18. Comparison of Selected Policy Scenarios on a 350-Cow Florida Dairy

Criteria	Initial Situation	Base	Alternative Scenario <sup>a/</sup>								
			I	II	III	IV	V	VI	VII	VIII	IX
Probability of Survival (percent)	NA	100	94	90	100	100	98	100	100	NS	100
Probability of Positive After-tax Net Present Value (percent)	NA	100	92	90	100	100	98	100	100	NS	100
After-tax Net Present Value											
Mean (\$1,000)	NA	968	503	390	965	841	947	945	1,143	NS	2,106
Std. dev.	NA	278	348	380	278	290	500	281	280	NS	325
Present Value of Ending Net Worth (\$1,000)	757	1,360	1,036	946	1,357	1,271	1,312	1,250	1,447	NS	1,932
Total long-term debts											
After 10-years (\$1,000)	144	83	98	109	83	87	89	84	83	NS	83
Total Intermediate-term Debt											
After 10-years (\$1,000)	160	0	29	49	0	0	10	0	0	NS	0
Total Equity to Assets											
After 10-years (fraction)	.71	.92	.88	.85	.92	.92	.91	.92	.92	NS	.90
Internal Rate of Return											
After 10-years (fraction)	NA	.125	.083	.064	.125	.117	.120	.126	.137	NS	.185
Average Annual Net Farm Income (\$1,000)	NA	52	1	-14	52	38	48	59	71	NS	173

<sup>a/</sup> Scenarios are:

- Base - continuation of present policy through 1985 then milk price equal to 70 percent
- I - a 20% acreage reduction crop program - 9% higher feed costs
- II - an effective 20% acreage reduction crop program - 11% higher feed costs
- III - no crop program
- IV - fifty cent per cent lower milk price
- V - no dairy price support program
- VI - reduce income tax benefit program
- VII - milk supply control program
- VIII - computer feeding technology
- IX - bovine growth hormone technology

NA = not applicable.

NS = not simulated.

Table 19. Comparison of Selected Policy Seminars on a 600-Cow Florida Dairy

Criteria	Initial Situation	Base	Alternative Scenario <sup>a/</sup>									
			I	II	III	IV	V	VI	VII	VIII	IX	
Probability of Survival (Percent)	NA											
Probability of Positive After tax Net Present Value (Percent)	NA	100	100	98	100	100	100	100	100	100	100	100
After-tax Net Present Value												
Mean (\$1,000)	NA	1,965	1,240	1,077	1,959	1,754	1,981	1,918	2,262	2,137	3,946	
Std. dev. (\$1,000)	NA	458	470	478	460	480	784	456	472	471	583	
Present Value of Ending Net Worth (\$1,000)	1,465	2,606	2,221	2,120	2,603	2,506	2,624	2,410	2,708	2,746	3,771	
Total Long-term debts												
After 10-years (\$1,000)	218	116	116	124	116	116	116	116	116	116	116	
Total Intermediate-Term Debt												
After 10-years (\$1,000)	244	0	0	2	0	0	0	0	0	0	0	
Total Equity to Assets												
After 10-years (fraction)	.76	.92	.93	.	.92	.92	.93	.92	.92	.92	.92	
Internal Rate of Return												
After 10-years (fraction)	NA	.120	.093	.087	.120	.113	.122	.122	.131	.123	.179	
Average Annual Net Farm Income (\$1,000)	NA	126	49	32	125	104	123	126	156	146	329	

<sup>a/</sup> Scenarios are:

- Base - continuation of present policy through 1985 then milk price equal to 70 percent
- I - a 20% acreage reduction crop program - 9% higher feed costs
- II - an effective 20% acreage reduction crop program - 11% higher feed costs
- III - no crop program
- IV - fifty cent per cent lower milk price
- V - no dairy price support program
- VI - reduce income tax benefit program
- VII - milk supply control program
- VIII - computer feeding technology
- IX - bovine growth hormone technology

NA = not applicable.

Table 20. Comparison of Selected Policy Scenarios on a 1,436-Cow Florida Dairy

Criteria	Initial Situation	Base	Alternative Scenario <sup>a/</sup>									
			I	II	III	IV	V	VI	VII	VIII	IX	
Probability of Survival (Percent)	NA	100	100	100	100	100	100	100	100	100	100	100
Probability of Positive After tax Net Present Value (Percent)	NA	100	100	100	100	100	100	100	100	100	100	100
After-tax Net Present Value												
Mean (\$1,000)	NA	7,749	5,931	5,530	7,733	7,230	7,772	7,505	8,474	8,214	12,720	
Std. dev. (\$1,000)	NA	1,169	1,171	1,168	1,171	1,202	1,957	1,172	1,201	1,189	1,466	
Present Value of Ending Net Worth (\$1,000)	3,343	8,697	7,385	7,087	8,687	8,324	8,753	8,313	9,150	9,150	12,366	
Total Long-term debts												
After 10-years (\$1,000)	476	195	195	195	195	195	195	195	195	195	195	
Total Intermediate-Term Debt												
After 10-years (\$1,000)	469	0	0	0	0	0	0	0	0	0	0	
Total Equity to Assets												
After 10-years (fraction)	.76	.95	.95	.95	.95	.95	.95	.95	.95	.95	.95	
Internal Rate of Return												
After 10-years (fraction)	NA	.158	.137	.132	.113	.152	.158	.163	.167	.161	.201	
Average Annual Net Farm Income (\$1,000)	NA	591	418	380	590	540	588	588	662	617	1,072	

<sup>a/</sup> Scenarios are:

- Base - continuation of present policy through 1985 then milk price equal to 70 percent
- I - a 20% acreage reduction crop program - 9% higher feed costs
- II - an effective 20% acreage reduction crop program - 11% higher feed costs
- III - no crop program
- IV - fifty cent per cent lower milk price
- V - no dairy price support program
- VI - reduce income tax benefit program
- VII - milk supply control program
- VIII - computer feeding technology
- IX - bovine growth hormone technology

NA = not applicable.

probability of survival remained at 100 percent on the large 600-cow and 1,436-cow Florida dairies.

Eliminating the crop program (Scenario III) had relatively little impact on all three size Florida dairies as the probability of survival remained unchanged at 100 percent.

A milk support price 50 cents below the base (Scenario IV) did not affect the probability of survival that remained at 100 percent for all three size Florida dairies. The present value of ending net worth was about 6 percent lower for the 350-cow dairy and 4 percent lower for the 600- and 1,436-cow dairies with the 50 cent lower support price compared to the base scenario.

No dairy program (Scenario V) reduced the probability of survival for the 350-cow dairy from 100 to 98 percent but the probability of survival remained at 100 percent for the larger 600- and 1,436-cow dairies. The present value of ending net worth and total equity to asset ratio were both slightly less under the no dairy program scenario than under the base scenario.

Eliminating income tax advantages (Scenario VI) would have relatively little impact on all three size dairies in Florida. The present value of ending net worth was about 5 percent less than under the base scenario. Total debt and total equity to asset ratios would remain about the same as under the base scenario.

A supply control policy (Scenario VII) would improve the financial position of each of the three Florida dairies. The present value of ending net worth would increase about 6 percent for the 350-cow dairy, 4 percent for the 600-cow dairy, and 5 percent for the 1,436-cow dairy.

Like dairies in other regions, both computer feeding (Scenario VIII) and especially bovine growth hormone (Scenario IX) improved the financial position of the three Florida dairies after 10 years compared to the base scenario.

#### Results for Financial Stress Scenarios

##### Minnesota dairies

Given the High Debt Base Scenario, the 52-cow Minnesota dairy had only a 4 percent probability of survival over the 10 year period (Table 21). The financial position of the dairies deteriorated from the beginning to the end of the 10 year period. The present value of ending net worth declined from \$245,000 to \$220,000, long-term debt increased from \$231,000 to \$599,000, and intermediate-term debt increased from \$109,000 to \$280,000 after 10 years. The equity to asset ratio declined from .42 to .23.

An interest subsidy (Scenario XI) would increase the probability of survival to 20 percent, slightly reduce total debt, increase the present value of ending net worth from \$220,000 to \$273,000 compared to the high debt base scenario (X).

Restructuring debt would not improve the probability of survival (actually reduced it from 4 to 2 percent). The present value of ending net worth would be \$248,000 by restructuring debt compared to \$220,000 under the high debt base scenario.

The high debt new entrant (Scenario XIII) had a zero probability of survival which of course was not changed under higher feed prices (Scenarios XIV and XV).

The 125-cow Minnesota dairy in an initial high debt position had zero probability of survival (Scenario X) which did not change under either the

Table 21. Comparison of selected policy scenarios on 52-cow Minnesota assuming high debt and new entrant with high debt.<sup>a/</sup>

Criteria	High Debt				New Entrants			
	Initial	Scenarios			Initial	Scenarios		
	Situation	X	XI	XII	Situation	XIII	XIV	XV
Probability of Survival (percent)	NA	4	20	2	NA	0	0	0
Probability of positive after-tax net present value (percent)	NA	4	16	2	NA	0	0	0
After-tax net present value								
mean (\$1,000)	NA	-227	-132	-199	NA	-231	-232	-246
std. dev. (\$1,000)	NA	784	186	65	NA	99	989	107
Present value of ending net worth (\$1,000)	245	220	273	248	264	297	296	281
Total long-term debts after 10-years (\$1,000)	232	599	608	604	270	599	599	599
Total intermediate-term debt after 10-years (\$1,000)	109	280	239	239	195	450	451	455
Total equity to assets after 10-years (fraction)	.42	.23	.27	.25	.36	.23	.23	.22
Internal rate of return after 10-years (fraction)	NA	-.145	-.078	-.141	NA	-.165	-.165	-.151
Average annual net farm income (\$1,000)	NA	-77	-56	-27	NA	-146	-146	-151

<sup>a/</sup> Scenarios are:

- X Base - continuation of present dairy policy through 1985 then milk price equal to 70 percent of parity from 1986-1992 and assuming high debt.
- XI Subsidize interest rate so effective rate on all loans is 8 percent.
- XII Restructure debt.
- XIII Base - continuation of present dairy policy through 1985 then milk price equal to 70 percent of parity from 1986-1992 and assuming a new entrant with high debt.
- XIV A 20 percent acreage reduction crop program - 9 percent higher feed price.
- XV An effective 20 percent acreage reduction in crop program - 11 percent higher feed price.

NA = not applicable.

interest subsidy scenario (XI) or the debt restructure scenario (XII) (Table 22). A new entrant with high debt also had a zero probability of survival (Scenario XIII). Therefore, there was a zero probability of survival under both higher feed cost scenarios (XIV and XV).

#### 359-cow Arizona dairy

Given the high debt base scenario (X), the 359-cow Arizona dairy had a 70 percent probability of survival and improved its financial position from the beginning to the end of the 10 year period. The present value of ending net worth was \$966,000 or about double the beginning net worth. Long-term debt remained about the same over the 10-year period but more than half the intermediate-term debt was paid off. The total equity to asset ratio increased from 0.45 at the beginning of the period to 0.65 at the end.

Restructuring debt (Scenario XII) did not increase the probability and only slightly improved the present value of ending net worth and equity to asset ratio compared to the high debt base scenario (X).

A new entrant with high debt had a 64 percent probability to survive over the 10 year period (Scenario XIII).

#### 350-cow Florida dairy

Given the high debt base scenario (X), the 350-cow Florida dairy had a 62 percent probability of survival but, like the 359-cow Arizona dairy, was able to improve its financial position over the 10-year period (Table 24). Present value of ending net worth was \$678,000 compared to a beginning net worth of \$466,000. The total equity to asset ratio increased from 0.45 at the beginning to 0.62 at the end of the 10-year period.

Criteria	High Debt				New Entrants			
	Initial	Scenarios			Initial	Scenarios		
	Situation	X	XI	XII	Situation	XIII	XIV	XV
Probability of Survival (percent)	NA	0	0	0	NA	0	0	0
Probability of positive after-tax net present value (percent)	NA	0	0	0	NA	0	0	0
After-tax net present value mean (\$1,000)	NA	-108	-99	-103	NA	-103	-104	-109
After-tax net present value std. dev. (\$1,000)	NA	314	30	31	NA	425	425	46
Present value of ending net worth (\$1,000)	5549	99	1	144	575	151	151	135
Total long-term debts after 10-years (\$1,000)	532	265	269	271	599	269	269	269
Total intermediate-term debt after 10-years (\$1,000)	204	146	134	138	364	241	241	244
Total equity to assets after 10-years (fraction)	.44	.20	.21	.22	.37	.22	.22	.21
Internal rate of return after 10-years (fraction)	NA	-.190	-.176	-.182	NA	-.069	-.069	-.074
Average annual net farm income (\$1,000)	NA	-47	-37	-46	NA	-97	-97	-99

a/ Scenarios are:

- X Base - continuation of present dairy policy through 1985 then milk price equal to 70 percent of parity from 1986-1992 and assuming high debt.
- XI Subsidize interest rate so effective rate on all loans is 8 percent.
- XII Restructure debt.
- XIII Base - continuation of present dairy policy through 1985 then milk price equal to 70 percent of parity from 1986-1992 and assuming a new entrant with high debt.
- XIV A 20 percent acreage reduction crop program - 9 percent higher feed price.
- XV An effective 20 percent acreage reduction in crop program - 11 percent higher feed price.

NA = not applicable.

Table 23. Comparison of selected policy scenarios on a 359-cow Arizona dairy assuming high debt and new entrant with high debt.<sup>a/</sup>

Criteria	High Debt				New Entrants			
	Initial	Scenarios			Initial	Scenarios		
	Situation	X	XI	XII	Situation	XIII	XIV	XV
Probability of Survival (percent)	NA	70	NS	70	NA	64	44	62
Probability of positive after-tax net present value (percent)	NA	70	NS	70	NA	64	44	62
After-tax net present value mean (\$1,000)	NA	828	NS	832	NA	696	184	484
std. dev. (\$1,000)	NA	816	NS	811	NA	784	646	775
Present value of ending net worth (\$1,000)	471	966	NS	970	528	946	547	797
Total long-term debts after 10-years (\$1,000)	139	132	NS	153	163	164	156	154
Total intermediate-term debt after 10-years (\$1,000)	432	146	NS	142	553	212	349	227
Total equity to assets after 10-years (fraction)	.45	.65	NS	.66	.42	.64	.47	.61
Internal rate of return after 10-years (fraction)	NA	.059	NS	.040	NA	.087	-.024	.068
Average annual net farm income (\$1,000)	NA	-13	NS	-14	NA	-66	-147	-95

<sup>a/</sup> Scenarios are:

- X Base - continuation of present dairy policy through 1985 then milk price equal to 70 percent of parity from 1986-1992 and assuming high debt.
- XI Subsidize interest rate so effective rate on all loans is 8 percent.
- XII Restructure debt.
- XIII Base - continuation of present dairy policy through 1985 then milk price equal to 70 percent of parity from 1986-1992 and assuming a new entrant with high debt.
- XIV A 20 percent acreage reduction crop program - 9 percent higher feed price.
- XV An effective 20 percent acreage reduction in crop program - 11 percent higher feed price.

NA = not applicable.  
NS = not simulated.

Table 24. Comparison of selected policy scenarios on a 350-cow Florida dairy assuming high debt and new entrant with high debt.<sup>a/</sup>

Criteria	High Debt				New Entrants			
	Initial Situation	Scenarios			Initial Situation	Scenarios		
		X	XI	XII		XIII	XIV	XV
Probability of Survival (percent)	NA	62	82	64	NA	32	10	28
Probability of positive after-tax net present value (percent)	NA	62	82	64	NA	32	10	28
After-tax net present value mean (\$1,000)	NA	410	843	431	NA	53	-204	310
std. dev. (\$1,000)	NA	525	477	516	NA	450	195	617
Prevent value of ending net worth	466	678	852	697	527	848	279	435
Total long-term debts after 10-years (\$1,000)	210	200	189	232	245	238	243	239
Total intermediate-term debt after 10-years (\$1,000)	384	166	83	149	528	401	568	447
Total equity to assets after 10-years (fraction)	.44	.62	.74	.63	.41	.43	.26	.34
Internal rate of return after 10-years (fraction)	NA	.055	.089	.063	NA	-.019	-.053	-.073
Average annual net farm income (\$1,000)	NA	-30	15	-29	NA	-132	-191	-160

<sup>a/</sup> Scenarios are:

- X Base - continuation of present dairy policy through 1985 then milk price equal to 70 percent of parity from 1986-1992 and assuming high debt.
- XI Subsidize interest rate so effective rate on all loans is 8 percent.
- XII Restructure debt.
- XIII Base - continuation of present dairy policy through 1985 then milk price equal to 70 percent of parity from 1986-1992 and assuming a new entrant with high debt.
- XIV A 20 percent acreage reduction crop program - 9 percent higher feed price.
- XV An effective 20 percent acreage reduction in crop program - 11 percent higher feed price.

NA = not applicable.

The interest subsidy (Scenario XI) increased the probability of survival from 62 percent to 82 percent and increased the present value of ending net worth from \$678,000 to \$852,000 compared to the high debt base scenario (X). The debt restructuring policy (scenario XII) improved the financial position of the 350-cow Florida dairy compared to the high debt base (Scenario X). However, the improvement was considerably less than under the interest subsidy.

A new entrant with high debt had only a 32 percent probability of survival (Scenario XII). The probability of survival declined to 28 percent with 9 percent higher feed costs (Scenario XIV) and 11 percent higher feed costs (Scenario XV).

#### Summary-of ten-year simulations

Financial data were combined with the whole farm budgets to provide a beginning 1983 financial situation for eight of the twenty-two dairies analyzed in this report. The ten-year economic viability and performance of each dairy was then simulated under selected policy and technology scenarios. The major findings of this analysis include the following:

1. All dairies except the 52-cow Minnesota operation were able to increase the present value of ending net worth after ten years, assuming a continuation of present price support policy through 1985 followed by a support price equal to 70 percent of parity.
2. The larger the dairy the greater its financial success over the ten-year simulation period.
3. Under the base scenario, dairies in Florida showed greater financial success than their counter parts in Arizona, California and Minnesota.

This reflects low investment requirements, and high milk prices relative to other states.

4. Acreage reduction policies for crops and the associated higher feed prices had greatest financial impact on dairies that purchase most of the feed from off the farm. These policies had relatively little impact on Minnesota dairies where most feed is raised on the dairies.

5. Eliminating all crop programs, thereby, increasing the variability of feed prices, had little financial impact on all dairies compared to the base scenario. Most dairies did well enough under the base scenario to absorb the added shocks of more variable feed prices.

6. Lowering the milk price support 50 cents per hundredweight had the greatest adverse impact on smaller dairies whose financial situation was tighter than on larger dairies. However, the financial condition of all dairies was adversely affected compared to the base scenario.

7. The increased variability of milk prices that would be expected to occur with no dairy price support program did not greatly affect the financial performance of any of the eight dairy operations.

8. Eliminating selected advantages in calculating income tax liabilities had relatively little impact on the probability of survival for any dairy and the present value of ending net worth and the average net farm income were only slightly impacted.

9. A mandatory quota program to control milk supply and provide a milk price \$1.00 per cwt above the basic scenario prices, enabled most dairies to significantly increase net worth over the ten-year simulation period. The greatest advantage went to larger rather than smaller dairies.

10. Computerized feeding technology can potentially improve the financial situation for all dairies based on initial research on this technology.

11. Preliminary research results for the bovine growth hormone indicates that this technology can greatly increase the financial viability of all dairies that adopt it. However, major questions regarding this technology still remain before the long-term impact can be reliably evaluated.

12. The probability of survival over ten years for any dairy depends greatly on the initial financial position. Dairies with high debt and new entrants with high debt had significantly lower probabilities of surviving for ten years than dairies with initial financial situations assumed in the base. Neither interest subsidies nor opportunities for debt restructuring greatly improved the chances of high debt farms remaining solvent.

13. Alternative policies and technologies that are favorable for dairy provide greater financial opportunities for large than for small dairies. The reverse is true for policies that adversely affect dairy such as higher feed costs, fewer tax benefits and no dairy price support program.

14. The major advantage enjoyed by larger rather than small dairies is more related to size of operation than to specific dairy policies. This suggests a continued trend to fewer and larger dairies in all regions and especially regions where climate is more favorable to large scale dairy farming.

Appendix A

Investment and ownership cost assumptions for twenty-two dairy operations.

TABLE A1--INVESTMENT AND OWNERSHIP COST ASSUMPTIONS FOR MINNESOTA 52 COW DAIRY, 1982

ITEM	: COST	: USEFUL LIFE	: SALVAGE VALUE	: PROPERTY TAX2/	: INSURANCE2/	: REPAIRS1/
	DOLLARS	YEARS	PERCENT	---	DOLLARS---	PERCENT
BARN - MILK COWS	: 100,097	20	.00	1.50	.60	.010
CALF HUTCHES	: 1,250	15	.00	1.50	.60	.020
EXCAVATION - BARN AREA	: 1,000	20	.00	1.50	.00	.000
MILKING UNITS	: 1,474	8	.00	.00	.60	.060
VACUUM PACKAGE	: 2,898	8	.00	.00	.60	.048
RECEIVER PACKAGE	: 2,553	8	.00	.00	.60	.048
PIPELINE WASHER	: 763	8	.00	.00	.60	.048
MILK LINE	: 2,200	15	.10	.00	.60	.020
INSTALLATION-MILKING SYSTE	: 1,575	15	.00	.00	.60	.000
BULK TANK	: 7,500	15	.10	.00	.60	.048
CONDENSING UNITS	: 2,045	7	.00	.00	.60	.048
STAINLESS WASH TANK	: 300	20	.10	.00	.60	.000
HOT WATER HEATER	: 550	10	.10	.00	.01	.048
CORRALS & GATES	: 1,530	20	.00	1.50	.05	.010
LOADING CHUTE	: 2,000	20	.00	1.50	.60	.010
WELL AND WATER SYSTEM	: 6,150	20	.00	1.50	.60	.042
WASTE HANDLING SYSTEM	: 16,703	20	.00	.00	.60	.048
EXCAVATION - WASTE SYSTEM	: 200	20	.00	.00	.60	.000
DIESEL FUEL TANK	: 550	20	.20	.00	.60	.000
GAS FUEL TANK	: 550	20	.20	.00	.60	.000
BACK-UP GENERATOR	: 6,500	15	.20	.00	.60	.048
FEED BUNKS	: 12,825	15	.00	1.50	.60	.030
UPRIGHT SILO(S)	: 39,692	20	.00	1.50	.60	.010
SHOP AND TOOLS	: 8,000	20	.10	1.50	.60	.020
ELEVATOR (POWER TAKE OFF)	: 2,000	15	.10	.00	.60	.013
SILAGE WAGON(S)	: 12,056	10	.10	.00	.60	.050
HAY WAGON(S)	: 3,420	20	.10	.00	.60	.010
SOLID MANURE SPREADER	: 4,216	12	.10	.00	.60	.030
FRONT END LOADER	: 3,500	15	.10	.00	.60	.048
SCRAPER BLADE	: 1,200	15	.10	.00	.60	.048
SKID STEER LOADER	: 8,000	8	.10	.00	.60	.048
TRACTOR-125 HORSEPOWER	: 42,000	10	.10	.00	.60	.048
TRACTOR-60 HORSEPOWER	: 20,022	12	.10	.00	.60	.048
TRACTOR-40 HORSEPOWER	: 15,117	10	.10	.00	.60	.048
PICK-UP(S) 3/4 TON	: 10,786	5	.20	.00	5.20	.048
GOOSENECK TRAILER	: 3,800	15	.10	.00	.60	.020
ONEWAY PLOW (4-BOTTOM)	: 1,425	12	.10	.00	.60	.040
DISK (12 FOOT)	: 5,080	15	.10	.00	.60	.038
HARROW	: 4,665	15	.10	.00	.60	.030
CORN PLANTER (4-ROW)	: 8,657	10	.10	.00	.60	.048
CULTIVATOR (4-ROW)	: 2,824	12	.10	.00	.60	.050
CHOPPER	: 12,615	9	.10	.00	.60	.050
BLOWER	: 2,882	9	.10	.00	.60	.050
SWATHER (SELF PROP)	: 18,136	10	.10	.00	.60	.048
RAKE	: 2,593	10	.10	.00	.60	.048
BALER	: 8,658	6	.10	.00	.60	.050
GRAIN DRILL (10 FOOT)	: 6,238	12	.10	.00	.60	.048
SPRAYER	: 4,375	12	.10	.00	.60	.048

1/ PERCENT OF ORIGINAL COST

2/ PROPERTY TAX AND INSURANCE VALUED PER \$100

TABLE A2--INVESTMENT AND OWNERSHIP COST ASSUMPTIONS FOR MINNESOTA 125 COW DAIRY, 1982

ITEM	: USEFUL: SALVAGE: PROPERTY: INSUR-:		: COST : LIFE : VALUE : TAX2/ :		: ANCE2/: REPAIRS1/	
	DOLLARS	YEARS	PERCENT	---	DOLLARS---	PERCENT
BARN - MILK COWS	: 135,625	20	.00	1.50	.60	.010
CALF HUTCHES	: 2,750	15	.00	1.50	.60	.020
PARLOR AND HOLDING AREA	: 65,900	20	.00	1.50	.60	.020
EXCAVATION - BARN AREA	: 1,500	20	.00	1.50	.00	.000
MILKING STALLS-GRATES	: 13,888	14	.00	.00	.60	.048
MILKING UNITS	: 5,166	10	.00	.00	.60	.060
VACUUM PACKAGE	: 4,727	10	.00	.00	.60	.048
RECEIVER PACKAGE	: 2,983	10	.00	.00	.60	.048
PIPELINE WASHER	: 1,122	10	.00	.00	.60	.048
MILK LINE	: 4,800	15	.10	.00	.60	.020
AUTO DETACH/BACKFLUSH	: 33,352	8	.00	.00	.30	.080
CROWD GATE (ELE)	: 2,091	14	.00	.00	.60	.048
AUTO PARLOR FEEDERS	: 4,669	15	2.00	.00	.60	.048
INSTALLATION-MILKING SYSTE	: 4,690	10	.00	.00	.60	.000
PLATE COOLERS	: 1,968	15	.00	.00	.60	.060
BULK TANK	: 14,045	15	.10	.00	.60	.048
CONDENSING UNITS	: 5,426	7	.00	.00	.60	.048
STAINLESS WASH TANK	: 300	20	.10	.00	.60	.000
HOT WATER HEATER	: 550	7	.10	.00	.01	.048
CORRALS & GATES	: 1,226	20	.00	1.50	.05	.010
LOADING CHUTE	: 2,000	20	.00	1.50	.60	.010
WELL AND WATER SYSTEM	: 6,150	20	.00	1.50	.60	.042
WASTE HANDLING SYSTEM	: 23,946	20	.00	.00	.60	.048
EXCAVATION - WASTE SYSTEM	: 250	20	.00	.00	.60	.000
DIESEL FUEL TANK	: 1,100	20	.20	.00	.60	.000
GAS FUEL TANK	: 1,100	20	.20	.00	.60	.000
BACK-UP GENERATOR	: 6,500	15	.20	.00	.60	.048
FEED BUNKS	: 22,280	15	.00	1.50	.60	.030
UPRIGHT SILO(S)	: 69,922	20	.00	1.50	.60	.010
HAY BARN	: 12,000	20	.10	1.50	.60	.020
SHOP AND TOOLS	: 10,079	20	.00	1.50	.60	.020
FEED MIXER WAGON	: 12,000	8	.10	.00	.60	.050
SILAGE WAGON(S)	: 24,112	8	.10	.00	.60	.050
HAY WAGON(S)	: 3,420	20	.10	.00	.60	.010
SOLID MANURE SPREADER	: 7,183	10	.10	.00	.60	.030
FRONT END LOADER	: 3,500	15	.10	.00	.60	.048
SCRAPER BLADE	: 1,200	15	.10	.00	.60	.048
SKID STEER LOADER	: 8,000	8	.10	.00	.60	.048
TRACTOR-125 HORSEPOWER	: 42,000	8	.10	.00	.60	.048
TRACTOR-60 HORSEPOWER	: 40,044	8	.10	.00	.60	.048
TRACTOR-40 HORSEPOWER	: 30,234	10	.10	.00	.60	.048
PICK-UP(S) 3/4 TON	: 10,786	5	.20	.00	5.20	.048
GOOSENECK TRAILER	: 3,800	15	.10	.00	.60	.020
ONEWAY PLOW (4-BOTTOM)	: 2,756	10	.10	.00	.60	.040
DISK (12 FOOT)	: 5,080	12	.10	.00	.60	.038
HARROW	: 4,665	14	.10	.00	.60	.030
CORN PLANTER (4-ROW)	: 8,657	8	.10	.00	.60	.048
CULTIVATOR (4-ROW)	: 2,823	11	.10	.00	.60	.050
CHOPPER	: 1,215	6	.10	.00	.60	.050
BLOWER	: 2,882	6	.10	.00	.60	.050
SWATHER (SELF PROP)	: 21,872	8	.10	.00	.60	.048
RAKE	: 2,593	8	.10	.00	.60	.048
BALER	: 8,658	7	.10	.00	.60	.050
GRAIN DRILL (10 FOOT)	: 6,238	10	.10	.00	.60	.048
SPRAYER	: 4,375	10	.10	.00	.60	.048

1/ PERCENT OF ORIGINAL COST

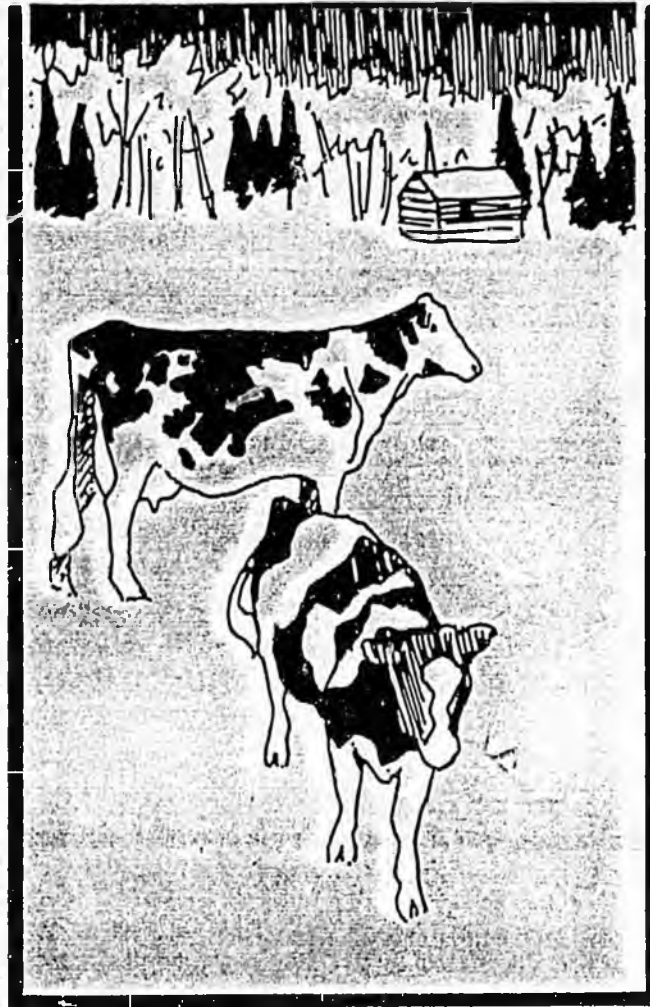
2/ PROPERTY TAX AND INSURANCE VALUED PER \$100

EXHIBIT D

# Point MacKenzie

## Agricultural Project

### SALE BROCHURE



*LAST COPY*

Department of Natural Resources  
Alaska Agricultural Action Council  
September 11, 1982



STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF LAND AND WATER MANAGEMENT  
323 East Fourth Avenue  
Anchorage, Alaska

POINT MACKENZIE AGRICULTURAL INTEREST SALE

Lottery #10

Lottery Filing Period: 8:00 a.m., Wednesday, July 7, 1982 through  
4:30 p.m., Friday, August 20, 1982.

Place of Lottery: Palmer High School  
Little Theater  
West Arctic Avenue  
Palmer, Alaska

Date of Lottery: September 11, 1982

Time of Lottery: 10:00 a.m. (local time). Information Briefing and  
Lottery Drawing.

INTRODUCTION

In an effort to develop agricultural land as a renewable resource of the State, the Alaska Department of Natural Resources in cooperation with the Alaska Agricultural Action Council is disposing of approximately 13,940 acres of agricultural land in the vicinity of Pt. MacKenzie, Alaska. The major objectives are to stimulate in-state milk production, to provide milk to Alaska consumers at a competitive market price, and to assist in gaining agricultural self-sufficiency for the State of Alaska. Therefore, subject to the provisions of AS 38.04 and AS 38.05 and pursuant to the regulations promulgated thereunder, the Director of the Division of Land and Water Management, or his authorized representative, will sell (the agricultural interest) by lottery in the following described real property located within the Palmer Recording District.

PARCELS FOR SALE

The agricultural interest in twenty-nine (29) parcels ranging in size from 301.75 acres to 632.24 acres and totaling 13,940 acres will be offered for sale. The sale of all parcels will be under the terms and conditions set forth in this brochure and in the sale contract. Sample sales contracts are available for inspection through the Southcentral District Office. Land discounts pursuant to AS 38.05.058 and 11 AAC 67.900-915 are available to eligible Alaskans.

EXHIBIT E

JOSEPH PATRICK CANGE  
CERTIFIED PUBLIC ACCOUNTANT  
BOX 4-647  
ANCHORAGE, ALASKA 99509  
TELEPHONE (907) 344-9887

January 1, 1984

Mr. Jalmar M. Kerttula  
President, Alaska State Senate  
Pouch V  
Juneau, Alaska 99811

Subject: Point MacKenzie Agricultural Project

Dear Jalmar,

Let me first express my sincere thanks and appreciation for taking the time to hear my thoughts and concerns regarding the Point MacKenzie dairy project.

I would like to restate my primary viewpoint: if this project is to be successful, then everything has to be done to create the best economic units possible, not just on one parcel, but on all parcels.

The milk provided at Point MacKenzie is going to compete in the market place with Outside milk. If we create units that are not the most economically efficient possible, then the project cannot compete, and Point MacKenzie will be a failure.

The "Point MacKenzie Agricultural Project Sale Brochure" (which is probably your own words) states: "The major objectives are to stimulate in-state milk production, to provide milk to Alaska consumers at a competitive market price...". This, I believe, should be everyone's goal -- to guarantee a successful project.

There should be no question in anyone's mind that if the project fails, then everyone loses: YOU as its creator, the STATE as its financial backer, the ALASKAN CITIZEN through loss of potential jobs, and the POINT MACKENZIE FARMER in lost investment. In addition, a failure here will also create a negative impact on other potential agricultural projects.

I feel that the project can be economically viable. However, only through your assistance and guidance will it become a successful project.

Mr. Jalmar M. Kerttula  
January 1, 1984  
Page 2

I believe that the following items, if done, will further our common goals related to Point MacKenzie.

### I. ELECTRICITY TO EACH PARCEL

Initial cost of electrical generation facilities per farm is approximately \$50,000. KWH costs are nearly five times higher than MEA power. In short, to be competitive, power must be accessible to each parcel.

"Dairy farmers who generate their own electricity at present do so at a cost of up to \$100 a day for each farm".  
(Anchorage Daily News, December 18, 1983).

Governor Sheffield stated at the 6th Annual University of Alaska Symposium on Agriculture that he would "support an appropriation of \$3,000,000 to extend electricity to Point MacKenzie." We should make sure that this is included in the budget.

### II. NATURAL GAS TO EACH PARCEL

Natural gas, as with electricity, provides an economic benefit to the dairies. Natural gas is the cheapest form of energy that we have in Alaska. This advantage should be utilized.

### III. RELAXATION OF DEVELOPMENT SCHEDULE

The farm development schedule, as it now exists, provides for a two-part stocking rate of approximately 1/2 by November 1, 1985, and the other 1/2 by November 1, 1988. This provision should be relaxed to permit the entire stocking rate by November 1, 1988. There are a number of reasons for this.

First, more time is needed to get the infrastructure established -- such as electric, gas, telephone and processing plant.

Second, there are not enough qualified people available to complete all the things necessary to get all 17 dairies on line by November 1, 1985.

Third, if the dairies come on line over a longer period of time, the first dairies can provide cows to the later dairies. This would provide additional income for the early dairies and reduced cow costs for later dairies.

Fourth, there are going to be mistakes made by the early dairies. The later dairies can learn from their predecessors, and this should result in better units.

Fifth, because the operation of a dairy requires such substantial capital and labor costs initially, it is not feasible to have a dairy come on line in two phases.

To be economically viable it has to come on line with nearly 200 cows -- not with 37 cows in 1985 and 65 cows in 1988 as it is now proposed, for example, on Dairy 101. The high front-in cost of the milking parlor, waste facility, and other fixed costs, do not permit this phasing concept.

Sixth, it will require more time to get the field in condition to provide necessary forage crops and grain for food base. It will take two or three more years to burn berm piles and condition soil for effective planting and harvest of crops. Nothing could be worse than having the cows on line prior to having food base on line. The food base should come first.

#### IV. COMBINING TWO PARCELS INTO ONE FARM

The current interpretation of the regulations requires that two parcels cannot be combined into one farm. This should be changed to permit the combining of two parcels into one farm with the following limitations:

- (a) The parcels must be contiguous (separation by streets and easements permitted).
- (b) The minimum number of cows on combined farms must be 1 1/2 times the total required on the two separate farms. The added total milk production should help justify this change.
- (c) The lending regulations must be changed to increase loan limits to \$1,500,000 per farm. The existing limit is not high enough and is making it hard on current operators.

Mr. Jalmar M. Kerttula  
January 1, 1984  
Page 4

Combining of farms will encourage more economical units. At the same time it will guarantee a minimum of 10 separate dairies so that no one large dairy is formed. I believe it is better to make this change NOW, not after inefficient dairies have gone broke.

A 200-cow dairy is going to require 750-800 acres of land for food base. The combining of dairies will permit this. Dairy 116, for example, has only about 270 acres of usable Class II/III soils. This would only permit a dairy based upon food base requirements of 68 cows. This size farm is not economically feasible. A combining of 116 with 117, for example, will permit a 200-cow facility on 117, which makes 116 and 117 a good economic unit.

I think that capital invested should be invested to maximize the efficiency of the industry. It would be far better to have a 150-200 cow facility rather than two 75-100 cow facilities.

The savings created by a consolidation of dairies could go to developing an efficient processing plant. This modern plant should be at Point MacKenzie, and be owned by all Point MacKenzie dairy farmers. If dairying is to be viable in the marketplace, we cannot depend upon Matanuska Maid to process and market milk. Matanuska Maid loses money on every gallon it sells. It is becoming more and more uneconomical. It cannot compete with Outside milk because its costs of operation are too high..

The worst thing that could happen is to have the 17 Point MacKenzie farms, plus the existing eight farms, ready to sell milk to Matanuska Maid -- only to discover that they could not sell it in the marketplace because of Matanuska Maid's inefficiency. Unfortunately I fear this is the direction in which we are now headed.

The data that I have indicates that the processing plant is the most profitable part of the whole industry. If the farmers owned their own processing plant, profits from the plant could be returned to them.

My calculations show that Point MacKenzie, plus existing dairies, could produce 50% of 1987 projected Railbelt milk consumption. The industry could not, with Matanuska Maid processing the milk, market the projected milk production because Matanuska Maid would not be competitive with Outside milk. The producing industry would probably have to lower its price to make the end product competitive. Therefore, a processing plant is a necessary investment if Alaskan milk is to be competitive with Outside milk.

Mr. Jalmar M. Kerttula  
January 1, 1984  
Page 5

V. SUMMARY

I am asking that you assist us to:

- (a) provide the basic infrastructure;
- (b) allow more time for orderly development;
- (c) allow for more efficient dairy units, and
- (d) help insure that we invest capital in those things that bring the greatest return to make Alaska milk competitive.

The changes that I am requesting are necessary because the State did not follow your initial idea of pre-qualification conditions. If that would have been done, then you would have probably had existing dairy farmers expanding into Point MacKenzie who would have had experience, herds, and food base. As it is now, only the Lees have this sort of qualifications.

I hope we can all work cooperatively and in unison on this project. I know that the program was not intended to be a corporate operation as I envision on our parcels, but I think there is room for both. I believe that the paramount concern should be to make the project successful, and our suggested changes will help accomplish this.

Sincerely yours,

Joseph Patrick Cange

J:p

EXHIBIT R

JOSEPH PATRICK CANGE  
CERTIFIED PUBLIC ACCOUNTANT  
BOX 4-647  
ANCHORAGE, ALASKA 99509  
TELEPHONE (907) 344-8887

June 22, 1984

Mr. Bob Heath  
6441 South Air Park Place  
Anchorage, Alaska

SUBJECT: DAIRY INDUSTRY

Dear Mr. Heath:

I would first like to thank you for taking the time to see me today. All involved in the dairy industry owe a special thanks to Senator Kerttula for asking Governor Sheffield to appoint you as the person responsible for assessing the Matanuska Maid situation. I believe you will find a solution to the current morass that exists in the dairy industry.

I will briefly restate the situation and the resolution as I see it.

The solution to Matanuska Maid's problem is not increased debt, but rather less debt. Increased debt will only add to the problems and delay the solutions.

The first step is to immediately initiate a viable plan to reorganize and get out of Chapter 11. This plan of reorganization must require all parties to make economic sacrifices, namely:

- 1) the producers shall receive only as much for their milk as the dairy can pay and break even;
- 2) the state shall write off all accrued interest on existing debts and give the dairy a moratorium on future interest and principal payments;
- 3) the unsecured creditors shall only receive about 60% of their total claims, and
- 4) the prior producers shall receive no money for 2% certificates.

A piecemeal approach to solving the problems will not work. All groups must make the hereinabove sacrifices; otherwise, the dairy cannot compete in the competitive market that currently exists.

A consulting report is currently being prepared by Ed Owens, State Director, Washington State University, Small Business Development Center. This \$40,000 study was requested by bank cooperatives to evaluate Matanuska Maid. The study is a detailed analysis of the feasibility of reorganizing Matanuska Maid. Among other things the report will include an in-depth review of Matanuska Maid's financial systems and procedures, management and marketing procedures, and strategy. In my discussions with Ed Owens he feels that with proper management Matanuska Maid can be very successful and profitable. It is imperative, in my opinion, that the recommendations made in this report be evaluated and implemented immediately by the Board of Directors.

I further believe the state must address the problems NOW that exist in the producer area. As we all know, the producer cannot survive without an efficient dairy -- and the dairy cannot survive without efficient producers. If we only resolve the problems of the dairy, and don't address both producer and dairy, then the time will come when we will have the same emergency situation at the producer level. What good is one without the other?

The dairy has been paying the producer a price higher than what it could afford to pay and still break even. This overpayment has been absorbed by an increase in debt and continual erosion of prior years' equity. The producer was receiving approximately \$3.00 CWT more for his milk than the dairy could afford to pay. Since the producer was getting his check, he wasn't concerned about the processor -- and "no one was watching the store".

In 1980 when the Point MacKenzie project was initiated, the idea was to create a number of small family dairies. In reality, however, this concept does not work, nor is it what has actually happened. For example, of the farms actually under construction, or in production, the situation is as follows:

Lees	-	Subsidized by other business ventures
James	-	Subsidized by medical practice
Rodgers	-	Backed by Anchorage restaurant
Tucker	-	Backed by cooperative effort of 4 separate dairies
Johnson	-	Backed by his contracting business
Basken	-	Possible family dairy

The cash equity requirement of nearly \$200,000 to build even the smallest farm is a prohibitive sum for most family farms. Therefore, many families cannot even get started.

Currently at Point MacKenzie there are two dairies on line and four more under construction. The two operating dairies are in serious financial trouble, and the remaining 16 need help desperately.

If the producer is going to survive, immediate changes must be made. These are as follows.

1. Combining of up to four parcels into one farm.

Both the initial cost and the operating costs of larger facilities create lower per-unit prices. Based upon recent cost data it costs \$15,000 per cow for a 100-cow dairy compared to \$8,000 per cow for a 360-cow dairy. In addition, the operating costs of a 100-cow dairy are 25% higher than a 360-cow dairy.

As in any business, economy of scale produces lower per unit costs. The Department of Agriculture must allow consolidations of parcels to allow more efficient and competitive units while at the same time enforcing the total stocking requirements.

2. Increase lending limits to \$7,500 per cow, or up to \$2,000,000 per farm.

The industry needs additional financing to be efficient. The costs of even a 120-cow dairy are upwards of \$1,600,000. The current loan limit of \$1,000,000 is not enough. The current operators cannot bridge the gap between costs and available loan limits. The savings created for the state loan program by having fewer dairies should be allocated to existing and future dairies so they can build efficient units rather than under-funding them as is now the case. The state is much better off to have \$1,500,000 lent to one 200-cow facility than \$3,000,000 lent to three 70-cow facilities. The total cost to the state is less under this scenario than the one currently being pursued.

3. Funds to promote in-state products.

Because of the controlled retail environment that our milk products are competing in, we must promote our local milk products to the consumer. The state has a large financial investment, as well as a long-term responsibility, to see that the industry survives. The state should allocate upwards of \$200,000 to promote local products. Because of the current financial problems of the processing plant, these funds must come from the state. This is a small investment compared to the future returns.

4. The state must adopt a law that establishes a maximum 10-day shelf life from the date of process.

The state of Hawaii has recently adopted such legislation to enhance its local dairy industry.

5. Moratorium on interest and principal for 4 years.

The current reduction in milk prices of \$3.00 CWT cannot be absorbed by the producer at this time. The industry will need time to adjust to this reduction in revenues. All existing and proposed farms use the current \$21.40 CWT price, not the new \$18.35 CWT price.

I believe the situation for the producer is just as precarious as the dairy, but not yet as obvious. If the dairy industry is to survive, we must have a change of policies at the Department of Agriculture. A dairy industry failure will have long-range damaging implications to all other areas of agriculture. I believe it is not too late to make necessary changes. Changes are needed in policies and directions by the state to save the dairy industry.

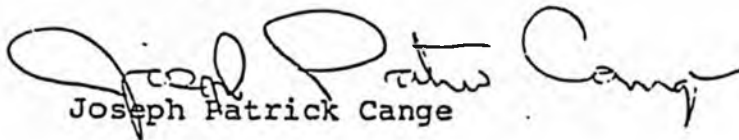
We must go forward, we cannot turn back. Too much is at stake here -- we cannot stop the flow of milk from the existing 900 dairy cows currently in production.

The state has invested significant tax-payer capital in the development of several agriculture-based industries -- such as the barley and red meat industry. Should the dairy industry fail, the other agricultural industries will be seriously impacted.

Although the situation seems bleak -- it is not hopeless. I believe with proper assistance and directional change from the state we can create a successful dairy industry in Alaska.

Thank you for your time and consideration in this matter. I am presently doing a cost analysis of various sized dairies and I will forward a copy to you as soon as it is completed. If I can be of any further assistance, please give me a call.

Sincerely,

  
Joseph Patrick Cange

cc: Governor Bill Sheffield  
Richard A. Lyon  
Bill L. Heins  
Jalmar M. Kerttula  
Esther C. Wunnicke  
Pappy Moss  
Mike Szymanski

EXHIBIT G

JOSEPH PATRICK CANGE  
CERTIFIED PUBLIC ACCOUNTANT  
BOX 4-847  
ANCHORAGE, ALASKA 99509  
TELEPHONE (907) 344-5800

September 14, 1984

Ms. Dean Brown  
Deputy Director  
State of Alaska  
Department of Natural Resources  
Division of Agriculture  
P.O. Box 949  
Palmer, Alaska 99645-0949

SUBJECT: article in The Anchorage Times, September 14, 1984  
Brown disagrees with the premise that larger is more economical, saying that state statistics show the smaller, family-run dairy as the most economical farming unit. They require less sophisticated equipment and don't rely on hired labor, she said.

Dear Ms. Brown:

I certainly enjoyed your comments as reported in The Anchorage Times on this date. My brother and I own a parcel at Point Mackenzie and we would like to ask you a few questions, in your official capacity as Deputy Director, regarding the agriculture industry.

Regarding your statement "that state statistics show the smaller, family-run dairy as the most economical farming unit"

1. In your capacity as Deputy Director is this your personal philosophy?
2. Is this philosophy an official department philosophy, and if so, who else in the department subscribes to this theory?
3. Are there any written policy documents postulating this theory? If so, please send us a copy.

ADVIS.  
THIS LETTER  
ASKS MANY  
IMPORTANT  
QUESTIONS  
THAT  
SHOULD  
BE  
ANSWERED

Ms. Dean Brown  
September 14, 1984  
Page Two

4. What economic data is your statement based upon? Please provide us with your detailed economic data.

5. Does the fact that in 1960 there were 80 Grade A dairies whereas today there are only 9 Grade A dairies provide support for your position? How do you account for this decrease in "smaller, family-run dairies"?

6. Does your economic data supporting the "smaller, family-run dairies" include cost of housing? If not, where should the families live? How much would a minimum-sized family home cost?

7. On September 11, 1982 what price was the dairy farmer receiving for his milk? What is he receiving today? How would a reduction in the price of milk from \$22.60 per cwt to \$19.50 per cwt effect your economic data?

8. Does your economic data include any expenditure for agriculture equipment for planting and harvesting of crops? If so, how much? If not, what would it cost to acquire this equipment per farm?

9. What is the ideal size of a "smaller, family-run dairy" (a) based upon your economic data, and (b) based upon your personal economic data?

10. How many "smaller, family-run dairies" are currently producing milk at Point Mackenzie? What are the total number of cows currently producing milk as of this date from the "smaller, family-run dairies"?

11. Have you read the report dated July 10, 1984 prepared by Ed Owens, State Director, Washington State University, Small Business Development Center? If you have, do you feel that the report has any value or validity?

12. Please inform us as to your views on the economic theory related to economies of scale, particularly related to the dairy industry. Does this theory apply in the dairy industry? If not, explain why not.

Ms. Dean Brown  
September 14, 1984  
Page Three

13. Do you agree with the statement by Milburn Tucker (Anchorage Times, 9/14/84) that the larger dairy, because of its large capital requirements, will help encourage continued dairying at Point Mackenzie? If not, please explain how this could not be true.

14. Do you think that a successful and profitable dairy industry will insure that Point Mackenzie parcels remain agriculture? If you do not, please explain what will happen to the Point Mackenzie parcels if the dairy industry fails. Do you feel that there is any relationship between economically viable dairies at Point Mackenzie and the continued use of the 31 parcels as agriculture?

15. What have you done in your position as Deputy Director to insure a success at Point Mackenzie?

16. In your position as Deputy Director, what do you see as the primary problems existing at the Point Mackenzie dairies and what solutions have you proposed?

17. Which Point Mackenzie farmers have you communicated with since January 1, 1984, and what are the farmers main points of concern? What positive actions have you taken to resolve their problems and concerns?

18. Is it more important to keep the "smaller, family-run dairies" or to produce milk at the lowest price per cwt?

19. Based upon your economic data, how much initial capital would a "smaller, family-run dairy" require?

20. Do you think that the change in the Point Mackenzie project as initially set up (January 2, 1981) and the way the final lottery was done (September 11, 1982) has had any effects on your concept of the "smaller, family-run dairies"?

21. In your opinion, are there any advantages to the larger dairies?

Ms. Dean Brown  
September 14, 1984  
Page Four

22. If your theory of the "smaller, family-run dairies" being better than larger dairies is true, why wouldn't it make sense to have 20 smaller, family-run creameries rather than one large creamery?

23. How important is it to the dairy industry as a whole and to the state that Point Mackenzie succeed?

24. Do you believe that there is any interrelationship and/or interdependence between the Delta Barley project, Point Mackenzie project, and the Red Meat Industry? If so, please explain.

25. Do you believe that a failure at Point Mackenzie would have impacts on future planned agricultural projects such as Fish Creek, Moose Creek, Dushka Flats, Chulitna and Nenana?

26. How much has the state invested over the last ten years to agriculture in:

- a) loans
- b) loans written off
- c) value of land set aside for agriculture
- d) administrative costs for the Department of Agriculture.
- e) University of Alaska experimental work?

27. How important is the agriculture industry to the state?

28. How important is it that the dairy industry produce milk at costs that will make Alaskan milk products competitively priced with Lower-48 milk products?

29. Do you feel that the dairy industry is currently very financially strong? If not, please explain why.

30. How important is it to the long-term success of the dairy industry that state loan funds be used to generate the most revenue per dollar lent?

31. If the combining of parcels can create lower capital costs per cwt, would this help reduce fixed cost per cwt of milk produced?

Ms. Dean Brown  
September 14, 1984  
Page Five

32. On some loans the Alaska Revolving Loan Fund Board has required applicants to share management and use of facilities on adjoining parcels. If this results in lower capital outlays and lower operating costs, does this make sense to you?

33. Do you agree or disagree with the following statement "The major objectives (of the Point Mackenzie project) are to stimulate in-state milk production, to provide milk to Alaskan consumers at a competitive market price."

34. How important is natural gas to the Point Mackenzie project? What have you done as Deputy Director to help obtain natural gas?

35. What have you done as Deputy Director to guarantee that Point Mackenzie obtains the most out of the \$3,100,000 grant for electricity? How are you overseeing the administration of these funds?

36. Regarding your statement "they require less sophisticated equipment and don't rely on hired labor"

a) What particular pieces of sophisticated equipment do you dislike?

b) Do you dislike all sophisticated equipment, or just sophisticated equipment in the dairy industry?

c) Why do you dislike sophisticated equipment?

d) Why do you dislike hired labor?

e) Do you dislike all hired labor, or just in the dairy industry?

f) Do you believe that our modern trend to specialization of labor is undesirable? What are your thoughts regarding specialization within the dairy industry?

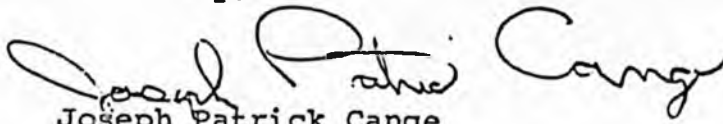
g) Do you see any long-term advantage to having professionally managed corporate dairies as compared to the "smaller, family-run dairies"?

Ms. Dean Brown  
September 14, 1984  
Page Six

h) . How many cows would the "smaller, family-run dairies" milk? What is their detailed personnel schedule?

We would appreciate your immediate response to these questions as we feel they are critical to our analysis of the long-term success or failure at Point Mackenzie.

Sincerely,

  
Joseph Patrick Cange

cc: Governor Bill Sheffield  
Richard A. Lyon  
Bill Heim  
Jalmar M. Kerttula  
Esther C. Wunnicke  
Pappy Moss  
Mike Szymanski

EXHIBIT H

P.O. Box 4-647  
Anchorage, Alaska 99509  
January 17, 1985

Mr. James K. Barnett  
Deputy Commissioner  
Alaska Department of Natural Resources  
555 Cordova Street  
Pouch 7-005  
Anchorage, Alaska 99510

Re: Consolidation of Parcels  
116, 117, 123, and 124 into one farm

Dear Mr. Barnett:

The four owners of the hereinabove described parcels are asking that the four parcels be permitted to consolidate into one farm. After a very thorough economic analysis we made the decision in late 1983 to work jointly to build one large efficient facility rather than build four separate smaller ones. Thus, we combined our capital, time, and management expertise to create one large and economically efficient dairy. The reasons for this decision are as follows:

1. Through consolidation the capital investment per cow was 32% lower for one dairy than for four separate dairies. By pooling our economic resources we capitalized the dairy with \$1,000,000 cash. The capital requirements are so great that if each person had attempted to build a separate, small dairy, none of us would be operational at this time. However, through this cooperative effort, we are currently producing 12,000 lbs. of milk per day.
2. The operating costs including interest expense per cwt of milk produced are 26% lower on the one large dairy when compared to four smaller dairies. The economies of scale of the larger dairy will, therefore, make us competitive with outside milk.
3. None of the four parcel owners had much experience in the dairy industry; therefore, it was imperative that we secure a competent dairy manager to insure a successful well-managed

Mr. James K. Barnett  
January 17, 1985  
Page 2

operation. By building one large dairy we were able to attract and hire one of the leading dairymen in the country. A single, small dairy could not have afforded the compensation necessary to attract a good dairy manager.

4. We recognized that Matanuska Maid's bankruptcy filing, and a reduction in milk prices (from \$22.60 per cwt to \$19.00 per cwt) would require that we be able to produce milk at a price lower than \$19.00 per cwt. We could only do this by combining our parcels.

The Point MacKenzie sale brochure dated September 11, 1982 states on Page 1 "The major objectives are to stimulate in-state milk production to provide milk to Alaska consumers at a competitive market price, and to assist in gaining agricultural self-sufficiency for the State of Alaska."

The required minimum stocking of these four parcels by November 1, 1985 is 173 cows. We currently have 367 cows, more producing cows than all the other Point MacKenzie producers combined.

Having experienced the complete process of getting a dairy on line, none of us (the four parcel owners) would ever consider building separate, smaller dairies. We are viable and in production now only because we have consolidated the parcels.

The benefits to the state and the industry are many. We have attached a letter from John Seawell (Exhibit A) that shows our 367 cows are earning the creamery \$12,845 per month. The consolidation will eliminate the duplication of capital and thus require less of ARLF funds. The existing funds available for agricultural lending are quite limited. In fact, the request for a separate loan on Parcel 116 has been postponed by the ARLF Board because of apparent lack of funds.

Lower capital requirements and lower operating costs create competitively priced agricultural products. To prove this point, we have also attached a letter and study from a leading authority on dairy farming (Exhibit B) which points to lower investment and lower operating costs on larger dairies versus smaller dairies.

Mr. James K. Barnett  
January 15, 1985  
Page 3

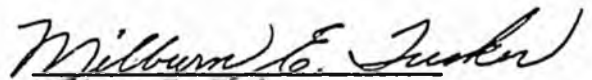
We are making an official request of the Director of the Division of Land and Water Management, with the consent and concurrence of the Commissioner of the Department of Natural Resources, to amend our CONTRACTS FOR THE SALE OF AGRICULTURAL INTEREST IN STATE LAND to permit a consolidation of Parcels 116, 117, 123, and 124 into one farm. With the November 1st contract date only nine months away, we would like to accomplish the consolidation as soon as possible.

It is imperative for the long-term success of the industry that the Department of Natural Resources demonstrate initiative and foresight in its policies to do those things that make the industry viable and competitive. Let's not live by yesterday's standards: let's be progressive. Now is the time to do the things that these competitive times demand.

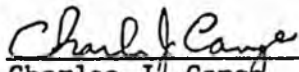
Sincerely,



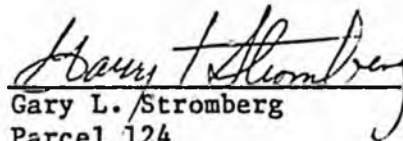
Evander C. Smith  
Parcel 116



Milburn E. Tucker  
Parcel 117



Charles J. Cange  
Parcel 123



Gary L. Stromberg  
Parcel 124

attachments

cc: Bill Heim  
Esther C. Wunnicke



# Matanuska Maid, Inc.

814 W. Northern Lights Blvd.  
Anchorage, Alaska 99503  
(907) 561-5223

December 4, 1984

Mr. Joseph P. Cange  
P.O. Box 4-647  
Anchorage, Ak. 99509

Dear Mr. Cange:

You asked us two questions. Your questions and our best judgment answers are:

1. The question: What is the economic value to the Matanuska Maid Creamery of each new producing cow brought on stream in the Palmer/Pt. MacKenzie Area?

Our Answer: Our projections indicate that an increase of 1075 producing cows (the number required to bring total production up to our single shift processing capacity) will generate a monthly operating cash flow increase of approx. \$37,500. Based on that, the value of each new local producing cow to the Creamery is \$35.00 per month.

2. The question: How much milk can Matanuska Maid sell without depressing the market?

Our Answer: We believe it would be unrealistic to think local milk could acquire over one half the rail belt market without depressing prices. At Mid-Summer 1984, Matanuska Maid was supplying about 27% of a 64,000 CWT monthly market.

We anticipate the market growing to about 71,000 CWT per month by Mid-1986 and believe up to 35-36,000 CWT can be processed locally without depressing prices. That quantity would require about 3,000 producing cows.

Very truly yours,

  
John L. Seawell

EXHIBIT A

A FARMER OWNED COOPERATIVE



United States  
Department of  
Agriculture

Economic  
Research  
Service

XED, University of Minnesota  
217 Cla Off Bldg, 1996 Buford Ave.  
St. Paul, Minnesota 55108

November 28, 1984

Mr. Joseph Patrick Cange  
Certified Public Accountant  
Box 4-647  
Anchorage, Alaska 99509

Dear Mr. Cange:

In response to your letter of October 31, 1984, I have enclosed a preliminary draft report recently completed. The capital costs estimated for twenty-two dairy operations in the lower 48 states are summarized in Table 4, page 15. The budget information is for "whole" farm situations and include some operations that produce most of the feed within the farm. By looking at alternative size herds within each state, some idea of how capital costs per cow change on alternative size farms can be evaluated. Table 4 breaks capital costs down into six categories such as dairy buidlings and equipment. This may help you pick the most relevant figures for your purposes.

The results do indicate lower investment on larger farms than on smaller farms especially up to the 500 or 600 cow herd sizes. Perhaps the New York farms would be most relevant to the Point MacKenzie project as those farms use free stall housing, produce most of the forage requirement and 52-, 200-, and 600-cow operations are considered.

I enjoyed meeting with the group representing the Point MacKenzie area and also wish we had had more time to discuss the farm issues.

Sincerely,

Boyd M. Buxton  
Agricultural Economist

BMB/dmm

Enclosure

EXHIBIT B

MATANUSKA-SUSITNA BOROUGH

FEB 8 1985

BILL ANALYSIS

Bill No. <u>SB 105</u>	Sponsor <u>Kerttula</u>
Borough Position <u>Support</u>	Borough Contact Person <u>Rob Stickles</u>

Similar Bills <u>None</u>	Conflicting Bills <u>None</u>
Organizational Support <u>ADF&amp;G</u> <u>Local Groups</u>	Organizational Opposition <u>Unknown</u>

Fiscal Impact On Borough		<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Operating _____	Capital _____		

Proposed Amendments:
NONE

Comments:

The Assembly passed a resolution that will allow for the donation of 135 acres of Borough land to the expanded Palmer Hay Flats State Game Refuge if this legislation passes. Copy of resolution attached.

# League of Women Voters of Alaska

HB 5  
SOME FUNDS  
IN BUDGET

9151 Skywood Lane  
Juneau, Alaska 99801  
February 26, 1985

The Honorable Arliss Sturgulewski, Chairman  
Senate Resources Committee  
Alaska Legislature  
Pouch V  
Juneau, Alaska 99811

Re: SB 105: Palmer Hay Flats State Game Refuge

Dear Senator Sturgulewski:

The League of Women Voters of Alaska supports, in principle, SB 105, which would expand the Palmer Hay Flats State Game Refuge to incorporate certain important wetlands. The League has always considered the protection of important wetland habitats as a high priority matter, and has supported the setting aside for future public use such areas as State forests and marine parks in Alaska. We also supported the bill which established the Kenai River Management Area.

We are in a quandary, however, because of the large fiscal note connected with the need to purchase private lands to implement SB 105. This is of special concern in a time of declining State revenues and competing health related demands such as asbestos removal from schools. If, because of budgetary constraints, we had to choose between the purchase of these wetlands and the removal of any existing asbestos hazards from schools, we would choose the asbestos removal. This is consistent with one of the amplification provisions of the League's new "capital budget process" position, which states that life, health, safety and educational needs should take priority over other less basic needs.

Perhaps another financing mechanism (such as inclusion of the project cost in a State bond issue) should be explored, possibly by your committee jointly with the Finance Committee.

If a way can be found to acquire the wetlands necessary to expand the Palmer Hay Flats State Game Refuge in accordance with SB 105, without adversely impacting high priority health and education related needs, we would like to see it happen.

The Honorable Arliss Sturgulewski, Chairman  
February 26, 1985  
Page Two

Thank you for considering our views.

Sincerely,



Elizabeth Cuadra, Board Member  
(Natural Resources Portfolio)

DEC:sd

cc: Committee Members (Fahrenkamp, Eliason, Zharoff, Halford,  
Coghill and V. Fischer)  
Sponsor (Kerttula)

TO: Senator Arliss Sturgulewski, Chair  
Senate Resources Committee

FROM: Senator Jay Kerttula

RE: SB 105; Palmer Hay Flats State Game Refuge

The committee is requested to include the following language in SB 105  
which would avoid concern by the owners of the private land that would be  
included in the refuge through passage of this bill:

Page 3, line 6 Sec 4.(a) "The commissioner of natural resources  
may also offer to purchase at fair market value from willing sellers  
privately owned land determined desirable for inclusion in the Palmer  
Hay Flats State Game Refuge."

Thank you for your consideration.

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

**REQUEST**

Bill/Resolution No.: SB 105  
Title: Palmer Hay Flats

Sponsor: Kerttula  
Requestor: \_\_\_\_\_  
Date of Request: \_\_\_\_\_

**FISCAL DETAIL**

Agency Affected: Natural Resources  
Program Category Affected: NRMEC

BRU, Program or Subprogram(s) Affected:  
Land and Water Management

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>		-0-	-0-	-0-	-0-	-0-

<b>CAPITAL</b>						
----------------	--	--	--	--	--	--

<b>REVENUE</b>						
----------------	--	--	--	--	--	--

**FUNDING: (Thousands of Dollars)**

<b>GENERAL FUND</b>						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>		-0-	-0-	-0-	-0-	-0-

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS:** Attach a separate page if necessary

No fiscal impact

Prepared By: Mike Vediner  
Division: Commissioner's Office

Phone: 465-2400  
Date: 2-27-85

Approved by Commissioner: Ned Fongiluan  
Agency: Natural Resources

Date: 2-27-85

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

7/1/84



Official Business

# Alaska State Legislature

Senate

*SB105*

Pouch V  
State Capitol  
Juneau, Alaska 99811

M E M O R A N D U M

TO: Senator Arliss Sturgulewski  
Chair, Resources Committee

FROM: Senator Jay Kerttula

DATE: February 16, 1985

SUBJECT: SB-105 *Jay*

I am forwarding a copy of a letter which discusses SB-105-The Hayflats Bill.

I hope it will be helpful in your deliberations.

FEB 12 1965

February 6, 1965

Senator John C. Sackett  
Co-chairman Finance Committee  
Alaska State Senate  
Pouch V  
Juneau, Alaska 99811

Dear Senator Sackett:

It is with a deep sense of urgency that I request your full support for passage of Senate Bill No. 105, introduced by Senator Kerttula.

I have lived in the Matanuska Valley for seven years and have grown to deeply appreciate the many values associated with the Palmer Hay Flats area. As a daily commuter to Anchorage, the "flats" provides an oasis of aesthetic quality in what otherwise has become a 45 mile strip development. Coincidentally, it is the safest part of the trip due to the lack of development. Any development along this single lane stretch of the Glenn Highway would create a horrendous safety hazard.

As a consumptive user of the fish and wildlife resources of this great state, I have become intimately familiar with those resources in the "flats" area. I have also seen the number of other users increase tremendously the past few years. Not only hunters, fishermen and trappers, but general recreationists as well. A great number of these users are Anchorage residents and non-residents. As you are well aware, the degree of access is a key factor to recreational use in any area. The location of the "flats" is ideal for serving well over 50% of the recreational users in the state. I, as well as others, especially enjoy the area as a place to share these experiences with our children without making a major expedition. It is also an ideal educational area and is used as such by local educators. Concurrent, with the rapid development in the valley, I have seen fish and wildlife resource habitats dwindle, thereby enhancing the importance of remaining areas, such as the Palmer Hay Flats.

As a business owner in Palmer, I have enjoyed watching the valley grow and have shared in some of the associated benefits. I have also experienced a growing concern that we are destroying many of the qualities which make the valley so attractive. This is due to a large extent by our failure to recognize these qualities and place them in a proper perspective, equal to strictly economic interests.

In view of declining state revenues, the relatively small cost associated with protecting a natural resource of this importance and magnitude is a bargain that should not be ignored.

Your support for this bill will help assure preservation of this beautiful natural area for the enjoyment of untold numbers of future Alaskans.

Sincerely,

  
Gary Stackhouse

cc: all Finance Committee members

A.S.

SB105 DOCUMENT= 1 OF 1 PAGE =

BILL = SB105

ROOT = SB0105

BILL ROOT:

SB0105

BILL NUMBER:

SB105

INTRODUCED:

1/28/85

REFERRED: Resources and

Finance

ORIG SPONSOR:

BY KERTTULA

BILL HEADING:

IN THE SENATE

CS SENATE BILL NO. 105 (Resources)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
FOURTEENTH LEGISLATURE - FIRST SESSION  
A BILL

TITLE: For an Act entitled:

"An Act relating to the Palmer Hay Flats State Game Refuge; and providing for an effective date."

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

\* Section 1. The legislature determines that wetlands important to the protection of waterfowl and salmon in the Spring Creek area lie outside of the boundaries of the Palmer Hay Flats State Game Refuge. The Spring Creek area also provides one of the major public access points to the hay flats although the land is privately owned. The legislature therefore determines that it is in the public interest to protect the Spring Creek wetlands through extension of the Palmer Hay Flats State Game Refuge under this Act.

\* Sec. 2. AS 16.20.032(a) is amended to read:

(a) The following state-owned land and water is established as the Palmer Hay Flats State Game Refuge:

(1) Township 16 North, Range 1 West, Seward Meridian  
Sections 1 - 12 inclusive

Section 13: N1/2

Sections 14 - 18 inclusive

(2) Township 17 North, Range 1 West, Seward Meridian

Section 25: All  
 Section 26: S1/2, S1/2N1/2, N1/2NE1/4,  
 NE1/4NW1/4  
 Section 27: S1/2, SE1/4NE1/4  
 Section 31: Lot 4, SE1/4, E1/2SW1/4,  
 SE1/4NE1/4, S1/2SW1/4NE1/4  
 Section 32: S1/2, S1/2NE1/4, NE1/4NE1/4,  
 SE1/4NW1/4  
 Section 33: All  
 Section 34: All  
 Section 35: All  
 Section 36: All [state tide and submerged  
 land]

(3) Township 17 North, Range 1 East, Seward Meridian

Section 22:  
 excluding NW1/4NW1/4  
 excluding NE1/4NE1/4NE1/4  
 excluding N1/2NE1/4NW1/4  
 Section 27:  
 excluding S1/2S1/2  
 Section 28: N1/2SE1/4  
 Section 31: Lots 5, 7, 8, 9, 10  
 Section 32: NE1/4  
 Section 33: SW1/4NW1/4, including all state  
 tide and submerged land

(4) Township 16 North, Range 1 East, Seward Meridian

Section 4, 5, 6, 7, 8, 9: All  
 Section 17: N1/2  
 Section 18: N1/2

All state tide and submerged land

(5) Township 16 North Range 1 East Seward Meridian

Section 2: Portion lying west of the Alaska Railroad

Section 3: Lot 1, excluding portions lying east of  
 the Alaska Railroad centerline, Lots 2, 3, 4, 5,  
 6, NW1/4, NW1/4, NE1/4

Section 10: Lots 1, 2, 3, 4, 6, and portions lying  
 west of the Alaska Railroad

Section 15: All state lands lying north of the south  
 bank of the Knik River and west of the Alaska  
 Railroad.

Section 16: All state lands lying north of the south  
 bank of the Knik River.

\* Sec. 3. The commissioner of natural resources shall  
 include the land acquired from the Matanuska-Susitna  
 Borough under this section in the Palmer Hay Flats

1200 Acres

Deleted  
 Sec 3 (a) + (b)

State Game Refuge established under AS 16.20.032.

\* Sec. 4. (a) The commissioner of natural resources may dispose of state land located within the Matanuska-Susitna borough in exchange for privately owned land determined desirable for inclusion in the Palmer Hay Flats State Game Refuge. The commissioner of natural resources may also offer to purchase at fair market value from willing sellers

privately owned land determined desirable for inclusion in the Palmer Hay Flats State Game Refuge.

(b) An exchange or purchase authorized under (a) of this section shall be accomplished under AS 38.50.

(c) The commissioner of natural resources shall include land acquired under this section in the Palmer Hay Flats State Game Refuge established under AS 16.20.032.

\* Sec. 5. An offer made by the commissioner of natural resources under this Act for a purchase or exchange that remains unaccepted for two years after tender is withdrawn.

\* Sec. 6. It is not the intent of this bill to prohibit expansion or improvement to the Glenn or Parks Highways, the potential Wasilla Bypass, or construction of the interchange at the Parks and Glenn Highways.

\* Sec. 7. This Act takes effect immediately in accordance with AS 01.10.070(c).

BILL ANALYSIS  
(Supplemental Sheet)  
Page 2 of 2

~~Department~~  
Fish and Game

Sponsor  
Kerttula

Bill Number  
SB 105

Amendments continued.

1200A

~~Add (a)(5) Township 16 North Range 1 East Seward Meridian~~

~~Section 2: Portion lying west of the Alaska Railroad~~

~~Section 3: Lot 1, excluding portions lying east of the Alaska Railroad centerline,  
Lots 2, 3, 4, 5, 6, NW $\frac{1}{4}$ , NW $\frac{1}{2}$  NE $\frac{1}{4}$~~

~~Section 10: Lots 1, 2, 3, 4, 6, and portions lying west of the Alaska Railroad~~

~~Section 15: All state lands lying north of the south bank of the Knik River and west  
of the Alaska Railroad.~~

~~Section 16: All state lands lying north of the south bank of the Knik River.~~

~~Add Sec. 2(b): The State shall attempt to acquire all lands described in (a) of this  
section for inclusion in the Palmer Hay Flats State Game Refuge.~~

~~Add Sec. 6. The Department of Fish and Game may purchase privately owned lands determined  
desirable for inclusion in the Palmer Hay Flats State Game Refuge. *with duck stamp + CrP.*~~

water  
fowl  
duck  
stamp

RIBL 2000

EXCHANGES  
NONE  
MANAGED

Delete  
AND



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
BILL ANALYSIS

DEPARTMENT Fish and Game	DIVISION Habitat	BILL NUMBER SB 105	RESOLUTION KRC 001a
DEPARTMENT POSITION Support - with amendments.			
PREPARED BY Habitat Div. - Debra Clausen		DATE 2/4/85	COMMISSIONER'S SIGNATURE <i>[Signature]</i>
			DATE 2/13/85

SUMMARY

OTHER AGENCIES AFFECTED BY BILL DNR Matanuska Susitna Borough	CONSTITUENT GROUP(S) AFFECTED BY BILL
ORGANIZATIONAL SUPPORT FOR BILL Matanuska Susitna Borough (see attached resolution 85-12)	ORGANIZATIONAL OPPOSITION TO BILL None known

FISCAL IMPACT:  NONE  FISCAL NOTE ATTACHED

BACKGROUND/LEGISLATIVE INTENT

The purpose of this bill is to provide protection for highly productive wetlands habitat in the Spring Creek area by adding it to the Palmer Hay Flats State Game Refuge. The wetlands proposed for addition provide important habitat for waterfowl, salmon, and moose populations. Addition of these lands will result in acquisition of key refuge access points.

ANALYSIS OF BILL/PROGRAM EFFECTS

The bill will provide protection to highly productive wetlands habitat by:

- Expanding the boundary description of Palmer Hay Flats State Game Refuge to include the Spring Creek area.
- Allowing for the addition of municipal lands within the Spring Creek area to Palmer Hay Flats State Game Refuge.
- Allowing the Department of Natural Resources to acquire, through purchase or trade, private land determined desirable for inclusion in Palmer Hay Flats State Game Refuge.

The bill will enhance public access to the Refuge by directing the acquisition of key access points now in private ownership.

AMENDMENTS PROPOSED

Change AS 16.20.032(a)(2) Section 36: All [STATE TIDE AND SUBMERGED LAND] ✓  
(see attached continuation sheet)

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS.

TO: Senator Arliss Sturgulewski, Chair  
Senate Resources Committee

FROM: Senator Jay Kerttula

RE: SB 105; Palmer Hay Flats State Game Refuge

The Committee is requested to include the following language in SB 105 that would avoid concern by the owners of the private land that would be included in the refuge through passage of this bill:

✓  
Page 3, line 6 Sec 4.(a) "The commissioner of natural resources may also offer to purchase at fair market value from willing sellers privately owned land determined desirable for inclusion in the Palmer Hay Flats State Game Refuge."

Thank you for your consideration.

MAR 2 1985

March 2, 1985  
PO Box 2176  
Palmer, Alaska 99645

Senator Arliss Sturgulewski  
Senate Resources Committee  
Capitol Bldg.  
Pouch v  
Juneau, Alaska

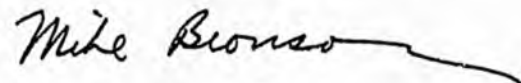
Dear Senator Sturgulewski,

Let me thank you and your aides for your efficiency in moving SB-105, the Palmer Hay Flats bill, through the Resources Committee recently. The excellent committee changes have given the legislation added momentum. I especially appreciate the personal interest you have shown in our popular "swamp" along the Glenn Highway.

Your aide, Frank Homan, should be particularly commended for his role in the bill's successful passage through the Resources Committee. Frank worked long hours under pressure to balance and fine-tune the requirements of three departments and the sponsor. The result is a well-crafted piece of legislation. It now fulfills the goals of DOT, DNR, and ADF&G and protects the area's resource users in a manner which is fair to the local landowners.

Thanks for your leadership in expediting the bill.

Sincerely,



Mike Bronson

FEB 25 1985

20 February 1985

Senator Sturgulewski  
Senator Fahrenkamp

Resource Committee  
Pouch V  
Juneau, Alaska 99811

RE: Senate Bill 105 Palmer Hay Flats State Game Refuge

Dear Senators

As a landowner in the flats area since the 1950's, we support public ownership of these lands.

The public uses our land and the neighboring private lands for hunting, fishing, trapping and wildlife viewing. Located between two major population centers, the numbers grow almost daily.

Yet, major objections and stumbling blocks are placed by State agencies and Mat-Su Borough for owners using or developing our lands.

We know there is strong public support for the Flats to stay as they are now. We are willing to work with the State in a sale or exchange. We and the neighboring land owners have expressed this at other public hearings.

We ask for your valuable support in solving this land conflict.

Sincerely,

*Floyd Beal*

Floyd Beal

FB/tb

cc: Senator Eliason  
Zharoff  
Halford  
Coghill  
V. Fischer

\*\*\*\*\*MATR-0050\*\*\*\*\*FEB. 25\*\*\*\*\*MARTIE/MATSU\*\*\*\*\*

TO: SENATORS FAIKS <sup>3</sup> AND STURGULEWSKI

FROM: BETH AND BOB ESTELLE  
SRA BOX 6145  
PALMER 99645  
745-4051

RE: SB 105, PALMER HAY FLATS

WE ARE IN SUPPORT OF THE PALMER HAY FLATS BILL, SB 105.

FEB 25 1985

MATANUSKA-SUSITNA BOROUGH

RESOLUTION SERIAL NO. 85- 12

A RESOLUTION OF THE ASSEMBLY OF THE MATANUSKA-SUSITNA BOROUGH SUPPORTING THE EXTENSION OF THE PALMER HAY FLATS STATE GAME REFUGE AND THE INCLUSION WITHIN THE EXTENSION OF APPROXIMATELY 130 ACRES OF BOROUGH LAND

---

WHEREAS, the Palmer Hay Flats is the gateway to the Matanuska-Susitna Borough; and

WHEREAS, the Hay Flats is currently the home of many species of wildlife and is important to the fishery resources; and

WHEREAS, most of the land proposed for the extension of the Palmer Hay Flats Game Refuge is wet and unsuitable for development; and

WHEREAS, this area receives intense recreational use throughout the year; and

WHEREAS, the State is in the process of trying to obtain funds to buy private property adjacent to the Flats in order to extend the refuge; and

WHEREAS, the Assembly supports the extension of the refuge to ensure the open natural character of the land will remain as the gateway to the Borough.

NOW, THEREFORE, BE IT RESOLVED that if the State can obtain funds to buy private properties to extend the Palmer Hay Flats Game Refuge, the Borough will include, under State management, the 130 acres that

have been selected and conveyed to the Borough lying adjacent to the  
Palmer Hay Flats Game Refuge.

*Dorothy A. Jones*  
Dorothy Jones  
Deputy Mayor

ATTEST:

*Judy Gilbert-Joe*  
Chris Seagraves, Clerk

REVIEWED AND APPROVED:

*Gary Thurlow*  
Gary Thurlow, Manager

MATANUSKA-SUSITNA BOROUGH

FEB 8 1985

BILL ANALYSIS

Bill No. <u>SB 105</u>	Sponsor <u>Kerttula</u>
Borough Position <u>Support</u>	Borough Contact Person <u>Rob Stickle</u>

Similar Bills <u>None</u>	Conflicting Bills <u>None</u>
Organizational Support <u>ADF&amp;G</u> <u>Local Groups</u>	Organizational Opposition <u>Unknown</u>

Fiscal Impact On Borough		<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Operating _____	Capital _____		

Proposed Amendments:
NONE

Comments:

The Assembly passed a resolution that will allow for the donation of 135 acres of Borough land to the expanded Palmer Hay Flats State Game Refuge if this legislation passes. Copy of resolution attached.

February 6, 1985

FEB 12 1985

Senator Arliss Sturgulewski  
Chairman Resources Committee  
Alaska State Senate  
Pouch V  
Juneau, Alaska 99811

Dear Senator Sturgulewski:

It is with a deep sense of urgency that I request your full support for passage of Senate Bill No. 105, introduced by Senator Kerttula.

I have lived in the Matanuska Valley for seven years and have grown to deeply appreciate the many values associated with the Palmer Hay Flats area. As a daily commuter to Anchorage, the "flats" provides an oasis of aesthetic quality in what otherwise has become a 45 mile strip development. Coincidentally, it is the safest part of the trip due to the lack of development. Any development along this single lane stretch of the Glenn Highway would create a horrendous safety hazard.

As a consumptive user of the fish and wildlife resources of this great state, I have become intimately familiar with those resources in the "flats" area. I have also seen the number of other users increase tremendously the past few years. Not only hunters, fishermen and trappers, but general recreationists as well. A great number of these users are Anchorage residents and non-residents. As you are well aware, the degree of access is a key factor to recreational use in any area. The location of the "flats" is ideal for serving well over 50% of the recreational users in the state. I, as well as others, especially enjoy the area as a place to share these experiences with our children without making a major expedition. It is also an ideal educational area and is used as such by local educators. Concurrent, with the rapid development in the valley, I have seen fish and wildlife resource habitats dwindle, thereby enhancing the importance of remaining areas, such as the Palmer Hay Flats.

As a business owner in Palmer, I have enjoyed watching the valley grow and have shared in some of the associated benefits. I have also experienced a growing concern that we are destroying many of the qualities which make the valley so attractive. This is due to a large extent by our failure to recognize these qualities and place them in a proper perspective, equal to strictly economic interests.

In view of declining state revenues, the relatively small cost associated with protecting a natural resource of this importance and magnitude is a bargain that should not be ignored.

Your support for this bill will help assure preservation of this beautiful natural area for the enjoyment of untold numbers of future Alaskans.

Sincerely,

  
Gary Stackhouse

cc: all Resources Committee members

FEB 14 1985

P.O. Box 873496  
Wasilla, AK 99687  
Feb. 7, 1985

Senator Arliss Sturgulewski  
State Capitol  
Pouch V  
Juneau, AK 99811

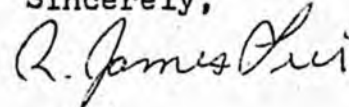
Dear Senator Sturgulewski:

Senate Bill 105, an important first step in allowing for expansion of the Palmer Hay Flats State Game Refuge, will come before your committee for consideration. I urge you to support this bill.

As you may know, SB 105 would authorize land trades and buyouts of privately held land within a 910-acre strip running south along the Glenn Highway from the Parks Highway intersection. As an amateur ornithologist, I am a frequent visitor to the Hay Flats. It is what we call in the trade a "birding hot spot." Waterfowl and shorebirds by the thousands use this area as both a breeding and feeding grounds. I feel that commercial development in the area covered by SB 105 would adversely affect the potential recreational birding opportunities both within the 910-acre site and in adjacent land. I, for one, would not look forward to viewing the backs of supermarkets and gas stations during my treks through the wetlands. Likewise, my friends who hunt and fish in this area assure me that shopping mall parking lots are most unproductive.

Considering the number of user days in the refuge last year (2,000 hunting days and 8,000 fishing days according to the Alaska Department of Fish and Game) there is demonstrated public interest in expanding the refuge. The Mat-Su Borough Assembly has recognized this and has passed a resolution in support of SB 105. I hope that you also can give it your support.

Sincerely,



R. James Frei

cc. Sen. Fahrenkamp  
Sen. Eliason  
Sen. Zharoff  
Sen. Coghill  
Sen. V. Fischer  
Sen. DeVries  
Rep. Hurley  
Rep. Larson

FEB 19 1985

Feb. 13, 1985  
PO Box 2176  
Palmer, Alaska  
99645

Senator Arliss Sturgulewski  
Resources Committee  
Pouch V  
Juneau, Alaska 99811

Dear Senator,

I urge your support of SB105, the Palmer Hay Flats bill. This legislation is a fair solution to the problem of commercial development in a regionally popular hunting and fishing area. It would offer land or money to the land owners along part of the Glenn Highway in order to extend the boundary of the Palmer Hay Flats State Game Refuge. The extension would cover 910 acres of wetlands and salmon streams, if owners were willing to accept state offers at market value.

Parts of the Palmer Hay Flats near the junction of the Parks and Glenn Highway are scheduled for private commercial development and land fill. Currently, several owners are considering a truck cargo yard, a retail building, a gravel airstrip, and a 30-acre trailer park. Such uses, however, would reduce salmon and furbearer populations and public access in "the gateway to the Matanuska Valley."

The wetlands of the proposed game refuge extension are most valuable to the residents of southcentral Alaska just as they are now. The creeks are a major fry rearing area for the silver salmon of Knik Arm, according to data from ADF&G and USFWS. Rabbit Slough gets up to 6,000 fisherman-days of use per year, and yields a harvest of about 1,500 fish annually, mainly silvers and Dolly Varden. Rabbits and furbearers are numerous and are hunted and trapped to capacity.

About 12,000 people per day drive across these wetlands. Many are commuters homebound from Anchorage, and are happy to encounter real Alaskan wide-open spaces after their long drive. The proposed extension currently holds no homes or businesses. It is indistinguishable from the adjoining 26 square-mile game refuge, and is perhaps the most visible wetland area in the state.

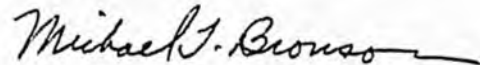
Support for SB105 comes from several sources. Among them is the ad hoc Committee for the Palmer Hay Flats, an informal citizens' group originally concerned with disappearing resources on the Hay Flats. Also in support is the Mat-Su chapter of Ducks Unlimited, a hunting group, the Alaska Frontier Trappers Association, the Northern District Setnetters Association of Upper Cook Inlet, Anchorage Audubon Society, and Alaska Center for the Environment with members in Anchorage and the Mat Valley.

Governmental groups also back the measure. The Matanuska-Susitna Borough Assembly resolved on January 22, 1985, to allow the state to manage its 136 acres in the area as part of the game refuge, providing the legislation passes. The Mat-Su Borough Planning Commission has more recently concurred. Commissioner Collingsworth has written a letter of support for ADF&G. Finally, Mr. Jim Barnett of DNR writes that the final Susitna Area Plan will have new language stating that public acquisition of private lands from willing sellers in this part of the Hay Flats is appropriate.

The attitude of the thirteen land owners has been cautious, but encouraging, in my opinion. I have written each of them a letter accompanied by a copy of SB105 to keep them abreast of the situation. Some are anxious to talk to the state about trades or purchases. One or two are suspicious of the move. Most, however, hold a "wait and see" position.

As Alaska's population grows, accessible recreational and scenic areas will become fewer and more valuable. Now is the best time for the state to acknowledge its responsibility to maintain traditional uses of such areas as the Palmer Hay Flats.

Sincerely,



Michael T. Bronson

cc: Senate Resources Committee

FEB 22 1985

February 20, 1985

Re: SB 105, Palmer Hay Flats

Dear Senator Sturgulewski:

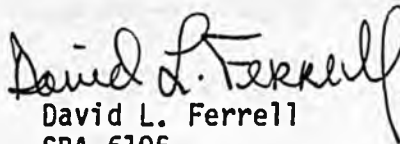
As a ~~resident of the~~ Mat-Su Valley, I would like to express my support for Senate Bill 105 to extend the Palmer Hayflats State Game Refuge. A number of concerned citizens are troubled about a series of proposed developments in the wetlands and salmon streams on the Hayflats along the Glenn Highway. There is a strong sentiment that it is the responsibility of the State of Alaska to protect these resources for all Alaskans. The most permanent form of protection is to place these lands in the public domain. Incorporation of these lands into the Palmer Hayflats Game Refuge is the most expedient and logical manner in which to accomplish this.

Recently the Mat-Su Assembly passed a unanimous Resolution to add 130 acres of Borough land if the State would purchase 786 acres of private land from willing sellers. I have followed events in the Hayflats over the past several years and have come to realize that Local, State and Federal agencies have consistently recommended that development in this area not be permitted. It appears that private property owners would be more than willing to sell their land to the State, as the land is unsuitable to build on and permits are difficult, if not impossible, to obtain.

I would like to inform you that Spring Creek, a salmon stream which flows through these lands, provides some of the best silver salmon habitat in the Valley. The stream provides "nursery grounds" for large numbers of juvenile silver salmon. The dollar value of this stream to sport and commercial fishermen may very likely exceed the dollar cost of purchasing these lands. The Mat-Su Borough is so intent on protecting this area that it has a program to swap uplands for wetlands. All of this leads me to conclude that the public wants this area maintained in its present natural condition. The passage of SB 105 is obviously in the Public Interest.

I would like to be kept advised of the progress of SB 105 and would like to receive copies of the minutes of the discussions that take place when this bill reaches the Resources Committee.

Sincerely



David L. Ferrell  
SRA 6105  
Palmer, AK 99645  
(745-6575)

cc: Fahrenkamp  
Eliason  
Zharoff  
Halford  
Coghill  
V. Fischer  
Devries  
Hurley  
Bronson



COOK INLET  
AQUACULTURE ASSOCIATION

FEB 27 1985

P.O. BOX 3819  
SOLDOTNA, AK 99669-3819  
(907) 262-9419

February 25, 1985

Senator Arliss Sturgulewski  
Pouch V  
Juneau, Alaska 99811

Dear Senator:

The Cook Inlet Aquaculture Association supports SB 105 which allows for the extension of the Palmer Hay Flats State Game Refuge. It is clear that the entire area is valuable for recreational fishing and hunting activities. The extension is essential to "legalize" public access to much of the Refuge.

It is probably more important to realize that the sloughs and marshes throughout the area are excellent rearing or "nursery" areas for large numbers of coho salmon fry. Dredging, filling, diking and draining, the very expensive things which can be done to marshlands to make them usable for commercial or residential purposes, all destroy the fitness of the area to harbor and nourish young salmon. We encourage the State to preserve these wetland habitats.

Sincerely,

*Thomas E. Mears*

Thomas E. Mears,  
Executive Director

cc: Suzanne Haines  
Steve Braund

FEB 27 1985

February 22, 1985

Senator A. Sturgulewski  
Senate Resorces Committee  
Pouch V  
Juneau, AK 99811

RE: SB 105

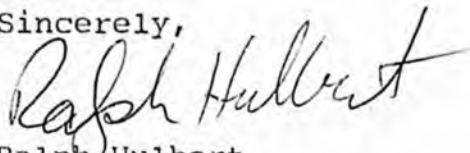
I suport this bill. I have used the Spring Creek area and Hay Flats for over thirty years for recreation and hope to continue. Up to this time there has been very little pressure to develop this ground, primarily due to the extreme cost of site preparation. With the current boom and subsequent escalation in commercial real estate prices, there is real economic pressure to develop the road frontage.

Currently, zoning/subdivision restrictions such as Army Corps of Engineers, EPA, and Mat-Su borough regulations restrict development. These regulations were implemented under the premise that the long term economic/social interest must be protected, and I feel they are generally well applied. Commercial development in the Spring Creek area would be disruptive not only to the environment of the entire downstream drainage, but would also disrupt the trafic flow. The area is in the flood plain of the Matanuska River. The town of Matanuska (near subject properties) was moved to Palmer because of the extreme cost of fighting high water. Any facilities placed in the area covered by SB 105 are likely to experience this problem, with the burden eventually resting with the State. This irregular flooding also makes it extremely dificult to comply with EPA regulations should any development occur.

Preservation interests must be weighed against vested property interests. Many of the owners have held the property for several years, often predating wetland regulations. Only one owner has a permit to fill in a portion of the wetlands.

Although the proposed enabling legislation has a two year expiration for selling or exchange, hopefully after the offer is specifically tendered, the intent should be perpetual. Perhaps certain provisions could be enacted to allow continuation of the exchange provision beyond this time frame. Finally, all offers to exchange or sell property should be strictly voluntary.

Sincerely,



Ralph Hulbert  
P.O. Box 1346  
Palmer, AK 99645

cc: Sen. Fahrenkamp  
Eliason  
Zharoff  
Halford  
Coghill  
V. Fischer



ALASKA FRONTIER TRAPPERS ASSN.  
P.O. BOX 2856  
PALMER, ALASKA 99645 □ (907)745-4660

FEB 27 1985

February 18, 1985

Senator Arliss Sturgulewski  
Resources Chairman  
Pouch V  
Juneau, Alaska 99811

Dear Senator Sturgulewski:

I am writing in regard to S.B. 105 introduced into the senate by Senator Kerttula. This bill is a very important piece of legislation to our organization and to outdoor-minded people of all pursuits. Senator Kerttula, in introducing this bill, is trying to preserve one of the most highly used and highly valued pieces of wildlife habitat in Alaska. Anyone who has crossed the flats on the Glenn Highway at any time of the year has surely seen the large numbers of ducks, geese, muskrat, beaver and other numerous species that inhabit this area.

The Mat-Su Borough has indicated its desire to see this area preserved by offering to let the Fish and Game Department include its 130 acres in the refuge to be managed as the rest of the area. With the population expanding as rapidly as it is in the Matanuska Valley, it is imperative that we preserve areas for our citizens to use and enjoy.

I would like to thank Senator Kerttula for introducing this legislation, as I believe it shows his desire to protect the outdoor lifestyle of many of his constituents.

Your support of S.B. 105 would be greatly appreciated.

Thank you,

James Reiss, President  
ALASKA FRONTIER TRAPPERS ASSOC.

cc: Fahrenkamp  
Eliason  
Zharoff  
Halford  
Coghill  
V. Fischer

FEB 27 1985

P.O. Box 3196  
Palmer, Alaska 99645  
February 21

Senator Sturgulewski  
State Capital  
Pouch V  
Juneau, Alaska 99811

Dear Senator Sturgulewski,

An issue of interest to me will be coming before the Senate this session. That issue is the Palmer Hay Flats Bill. As you already know, this bill would acquire private land for inclusion into an existing special use area.

I strongly support passage of this bill in this session of the legislature. I believe this action is warranted in view of the long-range state interest to promote economic developments through economic diversification of the private sector. As a local boatbuilder, I feel the area should be protected for wildlife, sport fishing and scenic values. These ends support my personal business interests.

On a larger level, I feel the passage of the Hay Flats Bill will recognize the area as a national and international landmark. The area has already been selected by Ducks Unlimited, an international organization, as a special feeding and breeding ground along the Pacific Flyway for many species of wildfowl. In enacting this bill, the State of Alaska identifies itself among the few forward-looking nations and regions of the world seeking to keep land uses diverse and healthy.

Finally, as an educator, I strongly believe the state must take a leadership role in promoting the continuance of 'as is' landscape for the enjoyment and education of our state's youth. If regional planners are correct, the area surrounding the Hay Flats may soon approach the population density of the Anchorage bowl. By protecting the Hay Flats for young people to hunt, fish and recreate in, we teach good stewardship of Alaska's land resources.

Again, let me strongly state my support of this critical piece of state-wide legislation. It appears we have much more to gain than lose in this proposal.

Sincerely,

Rick Turner  
Matanuska Boat Company  
Palmer, Alaska

CC:Sens. Fahrenkamp  
Eliason  
Zharoff  
Halford  
Coghill  
V. Fischer

FEB 19 1985

Feb. 13, 1985  
PO Box 2176  
Palmer, Alaska  
99645

Senator Arliss Sturgulewski  
Resources Committee  
Pouch V  
Juneau, Alaska 99811

Dear Senator,

I urge your support of SB105, the Palmer Hay Flats bill. This legislation is a fair solution to the problem of commercial development in a regionally popular hunting and fishing area. It would offer land or money to the land owners along part of the Glenn Highway in order to extend the boundary of the Palmer Hay Flats State Game Refuge. The extension would cover 910 acres of wetlands and salmon streams, if owners were willing to accept state offers at market value.

Parts of the Palmer Hay Flats near the junction of the Parks and Glenn Highway are scheduled for private commercial development and land fill. Currently, several owners are considering a truck cargo yard, a retail building, a gravel airstrip, and a 30-acre trailer park. Such uses, however, would reduce salmon and furbearer populations and public access in "the gateway to the Matanuska Valley."

The wetlands of the proposed game refuge extension are most valuable to the residents of southcentral Alaska just as they are now. The creeks are a major fry rearing area for the silver salmon of Knik Arm, according to data from ADF&G and USFWS. Rabbit Slough gets up to 6,000 fisherman-days of use per year, and yields a harvest of about 1,500 fish annually, mainly silvers and Dolly Varden. Rabbits and furbearers are numerous and are hunted and trapped to capacity.

About 12,000 people per day drive across these wetlands. Many are commuters homebound from Anchorage, and are happy to encounter real Alaskan wide-open spaces after their long drive. The proposed extension currently holds no homes or businesses. It is indistinguishable from the adjoining 26 square-mile game refuge, and is perhaps the most visible wetland area in the state.

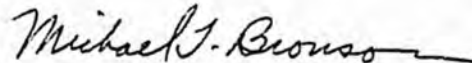
Support for SB105 comes from several sources. Among them is the ad hoc Committee for the Palmer Hay Flats, an informal citizens' group originally concerned with disappearing resources on the Hay Flats. Also in support is the Mat-Su chapter of Ducks Unlimited, a hunting group, the Alaska Frontier Trappers Association, the Northern District Setnetters Association of Upper Cook Inlet, Anchorage Audubon Society, and Alaska Center for the Environment with members in Anchorage and the Mat Valley.

Governmental groups also back the measure. The Matanuska-Susitna Borough Assembly resolved on January 22, 1985, to allow the state to manage its 136 acres in the area as part of the game refuge, providing the legislation passes. The Mat-Su Borough Planning Commission has more recently concurred. Commissioner Collingsworth has written a letter of support for ADF&G. Finally, Mr. Jim Barnett of DNR writes that the final Susitna Area Plan will have new language stating that public acquisition of private lands from willing sellers in this part of the Hay Flats is appropriate.

The attitude of the thirteen land owners has been cautious, but encouraging, in my opinion. I have written each of them a letter accompanied by a copy of SB105 to keep them abreast of the situation. Some are anxious to talk to the state about trades or purchases. One or two are suspicious of the move. Most, however, hold a "wait and see" position.

As Alaska's population grows, accessible recreational and scenic areas will become fewer and more valuable. Now is the best time for the state to acknowledge its responsibility to maintain traditional uses of such areas as the Palmer Hay Flats.

Sincerely,



Michael T. Bronson

cc: Senate Resources Committee

\*\*\*\*\*  
MAT-S1 1-4-85

TO: REP. LARSON  
REP. HURLEY  
SEN. KERTTULA  
SEN. DEVRIES  
SEN. FAIKS  
SEN. SACKEET  
SEN. ELIASON  
SEN. P. FICHER  
SEN. HALFORD  
SEN. FERGUSON  
SEN. STURGULEWSKI  
SEN. FAHRENKAMP  
SEN. ZHAROFF  
SEN. COGHILL  
SEN. V. FICHER

FROM: JUDITH BRONSON  
PO BOX 2176  
PALMER 99645

PHONE: 376-3642

RE: SB 105

WE NEED THE PALMER HAY FLATS BILL. IT WILL ENSURE SALMON AND FUR BEARER POPULATIONS FOR OUTDOOR RECREATIONISTS. THE 900 ACRES OF WETLANDS IS SCHEDULED FOR A TRAILR PARK, AIRSTRIP, TRUCK YARD, AND RETAIL CENTER IN THE NECT YEAR. SB 105 WILL BE A FAIR SOLUTION.

\*\*\*\*\*

FEB 19 1985

Feb. 12, 1985  
PO Box 2176  
Palmer, AK 99645

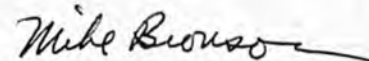
Arliss Sturgelewski  
Resources Chair  
State Senate  
Pouch V  
Juneau, Alaska

Dear Senator Sturgelewski,

Thank you for meeting me and allowing me to talk with your aides McKai and Frank about the Palmer Hay Flats.

I'll see you on February 27 when I return to testify before your committee on SB 105.

Sincerely,



Michael T. Bronson

SB 105

# Alaska State Legislature

ARLISS STURGULEWSKI, Chairman  
BETTYE FAHRENKAMP, Vice Chairman  
JACK COGHILL  
DICK ELIASON  
VIC FISCHER  
RICK HALFORD  
FRED ZHAROFF

POUCH V  
JUNEAU, ALASKA, 99811  
(907) 465-4907



## Senate Committee on Resources

June 24, 1985

Esther Wunnicke, Commissioner  
Department of Natural Resources  
Pouch M, Mail Stop 1000  
Juneau, AK 99811

Dear Commissioner Wunnicke:

Enclosed is a letter I have received from a Palmer resident regarding the Palmer Hay Flats (SB 105). Could you please provide me with the necessary information to answer his questions.

Thank you.

Sincerely yours,

Senator Arliss Sturgulewski  
Chairman, Senate Resources Committee

Enclosure

SB105

# Alaska State Legislature

ARLISS STURGULEWSKI, Chairman  
BETTYE FAHRENKAMP, Vice Chairman  
JACK COGHILL  
DICK ELIASON  
VIC FISCHER  
RICK HALFORD  
FRED ZHAROFF

POUCH V  
JUNEAU, ALASKA. 99811  
(907) 485-4907



## Senate Committee on Resources

May 28, 1985

Rick Turner  
Matanuska Boat Company  
P.O. Box 3196  
Palmer, AK 99645

Dear Rick:

I am pleased to advise you that SB 105 making additions to the Palmer Hay Flats State Game Refuge has passed the legislature.

This bill allows the commissioner of the Department of Natural Resources (DNR) to expand the Palmer Hay Flats either through land purchase or land exchange. More than 2,000 acres are authorized to be added by this bill. The Matanuska-Susitna Borough has also agreed to provide about 130 acres to the refuge. The commissioner of DNR may make an offer to purchase private land within the refuge but may not exercise eminent domain.

Special provisions have been included for expansion or improvement to the Glenn Highway, the Parks Highway or the Wasilla bypass or related construction since these existing transportation routes run through parts of the area.

I was pleased to support this bill in the Senate Resources Committee and again on the floor of the Senate. The local effort generated in support of this bill was exceptional and I want to thank all those who worked for its passage. The protection of this valuable wetland area for wildlife habitat and recreation is important now but will be more important in the future as population and development pressures increase.

Please continue to keep me informed on issues of importance to you.

Sincerely yours,

A handwritten signature in cursive script that reads "Arliss".

Senator Arliss Sturgulewski  
Chairman, Senate Resources Committee

MESSAGE TO THE SENATE

HOUSE

JUNEAU, ALASKA May 11, 85  
19

MR. PRESIDENT:

The House has passed CSSB 105(Fin) with the following amendment:

HCS CSSB 105(Res)  
Palmer Hay Flats State Game Refuge; eff. date

and it is transmitted for consideration.

*OK* *Concur - 7/1/85*

*19*

*Isabel Cohen*

CHIEF CLERK OF THE HOUSE

Offered: 5/9/85  
Referred: Rules

Original sponsor: Kerttula

1 IN THE SENATE BY THE RESOURCES COMMITTEE  
2 HOUSE CS FOR CS FOR SENATE BILL NO. 105 (Resources)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 FOURTEENTH LEGISLATURE - FIRST SESSION  
5 A BILL  
6 For an Act entitled: "An Act relating to the Palmer Hay Flats State Game  
7 Refuge; and providing for an effective date."  
8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:  
9 \* Section 1. The legislature determines that wetlands important to the  
10 protection of waterfowl and salmon in the Spring Creek area lie outside of  
11 the boundaries of the Palmer Hay Flats State Game Refuge. The Spring Creek  
12 area also provides one of the major public access points to the hay flats  
13 although the land is privately owned. The legislature therefore determines  
14 that it is in the public interest to protect the Spring Creek wetlands  
15 through extension of the Palmer Hay Flats State Game Refuge under this Act.  
16 \* Sec. 2. AS 16.20.032(a) is amended to read:  
17 (a) The following state-owned land and water is established as  
18 the Palmer Hay Flats State Game Refuge:  
19 (1) Township 16 North, Range 1 West, Seward Meridian  
20 Sections 1 - 12 [INCLUSIVE]  
21 Section 13: N1/2  
22 Sections 14 - 18 [INCLUSIVE]  
23 (2) Township 17 North, Range 1 West, Seward Meridian  
24 Section 25 [: ALL]  
25 Section 26: S1/2, S1/2N1/2, N1/2NE1/4, NE1/4NW1/4  
26 Section 27: S1/2, SE1/4NE1/4  
27 Section 31: Lot 4, SE1/4, E1/2SW1/4, SE1/4NE1/4,  
28 S1/2SW1/4NE1/4  
29 Section 32: S1/2, S1/2NE1/4, NE1/4NE1/4,

1 SE1/4NW1/4

2 Sections 33 - 36

3 [SECTION 33: ALL

4 SECTION 34: ALL

5 SECTION 35: ALL

6 SECTION 36: ALL]

7 (3) Township 17 North, Range 1 East, Seward Meridian

8 Section 19: Lots 3 and 4, E1/2SW1/4, S1/2SE1/4

9 Section 22:

10 excluding NW1/4NW1/4

11 excluding N1/2NE1/4NW1/4

12 excluding NE1/4NE1/4NE1/4

13 Section 25: Lots 1 - 6, NW1/4, N1/2NE1/4, N1/2-

14 SW1/4, SW1/4SW1/4

15 Section 26: SE1/4NE1/4, S1/2

16 Section 27: Lot 1, N1/2, N1/2S1/2, SE1/4SW1/4,

17 S1/2SE1/4

18 Section 28: Lots 1 - 2, N1/2SE1/4, SW1/4SE1/4,

19 S1/2SW1/4

20 Section 30: Lots 1 - 4, E1/2, E1/2W1/2

21 Section 31: Lots 1 - 10, NE1/4NW1/4, SW1/4NE1/4,

22 N1/2NE1/4 [LOTS 5, 7, 8, 9, 10]

23 Section 32: Lots 3 - 7, NE1/4, SW1/4SW1/4, NE1/4-

24 SE1/4

25 Section 33: Lots 5 - 9, S1/2SE1/4, SW1/4NW1/4,

26 including all state tide and submerged land

27 Section 34: Lots 1 - 3, E1/2NW1/4, SW1/4, E1/2

28 Section 35: Lots 1 - 5, NW1/4, N1/2SW1/4, SW1/4-

29 SW1/4, N1/2NE1/4, SW1/4NE1/4, NW1/4SE1/4

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Section 36: Lots 1 - 10, SE1/4SW1/4, S1/2SE1/4,  
NE1/4SE1/4

(4) Township 16 North, Range 1 East, Seward Meridian

Sections 4 - 9

[SECTION 4, 5, 6, 7, 8, 9: ALL]

Section 17: N1/2

Section 18: N1/2

All state tide and submerged land

(5) Township 16 North, Range 1 East, Seward Meridian

Section 2: Portion lying west of the Alaska  
Railroad

Section 3: Lot 1, excluding portions lying east  
of the Alaska Railroad centerline, Lots, 2, 3,  
4, 5, 6, NW1/4, NW1/4, NE1/4

Section 10: Lots 1, 2, 3, 4, 6, and portions  
lying west of the Alaska Railroad

Section 15: All state land lying north of the  
south bank of the Knik River and west of the  
Alaska Railroad

Section 16: All state land lying north of the  
south bank of the Knik River

\* Sec. 3. AS 16.20.032 is amended by adding a new subsection to read:

(e) Notwithstanding the provisions of (a) of this section, the land described in this subsection is excluded from the Palmer Hay Flats State Game Refuge established under (a) of this section for the establishment of a transportation and utility corridor. Land within the transportation and utility corridor that is determined by the commissioner of transportation and public facilities to be unnecessary for future transportation or utility corridors becomes a part of the

1 Palmer Hay Flats State Game Refuge. The commissioner of transporta-  
2 tion and public facilities is directed to provide access to the Palmer  
3 Hay Flats State Game Refuge during future development of state  
4 highways in the area. The land that is excluded from the Palmer Hay  
5 Flats State Game Refuge under this subsection is described as

6 Township 17 North, Range 1 East, Seward Meridian

7 Section 22: SE1/4NW1/4, W1/2NE1/4, SE1/4NE1/4, S1/2-  
8 NE1/4NE1/4, NW1/4NE1/4NE1/4, NE1/4SW1/4, W1/2SE1/4

9 Sections 27 and 34: a corridor 300 feet on either side  
10 of the existing highway centerline

11 \* Sec. 4. The commissioner of natural resources shall include land  
12 acquired from the Matanuska-Susitna Borough in the Palmer Hay Flats State  
13 Game Refuge established under AS 16.20.032.

14 \* Sec. 5. (a) The commissioner of natural resources may exchange  
15 state land located within the Matanuska-Susitna borough for privately owned  
16 land determined desirable for inclusion in the Palmer Hay Flats State Game  
17 Refuge. The commissioner of natural resources may also offer to purchase  
18 at fair market value from willing sellers privately owned land determined  
19 desirable for inclusion in the Palmer Hay Flats State Game Refuge.

20 (b) An offer made by the commissioner of natural resources under this  
21 section for a purchase or exchange that remains unaccepted for two years  
22 after tender is withdrawn.

23 (c) An exchange or purchase authorized under (a) of this section  
24 shall be accomplished under AS 38.05 or AS 38.50.

25 (d) The commissioner of natural resources shall include land acquired  
26 under this section in the Palmer Hay Flats State Game Refuge established  
27 under AS 16.20.032.

28 \* Sec. 6. The addition of land to the Palmer Hay Flats State Game  
29 Refuge under secs. 2 and 4 - 5 of this Act may not be an occasion for the

1 delay in or prohibition of the expansion or improvement of the Glenn  
2 Highway, the Parks Highway, or the Wasilla Bypass, or the construction of  
3 the interchange at the Parks and the Glenn Highways, nor may it restrict  
4 the present or future use of land retained by an owner of land under sec. 5  
5 of this Act.

6 \* Sec. 7. This Act takes effect immediately in accordance with AS 01.-  
7 10.070(c).

Offered: 4/24/85  
Referred: Rules

Original sponsor: Kerttula

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2

CS FOR SENATE BILL NO. 105 (Finance)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to the Palmer Hay Flats State Game  
Refuge; and providing for an effective date."

7

8

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

9

\* Section 1. The legislature determines that wetlands important to the  
protection of waterfowl and salmon in the Spring Creek area lie outside of  
the boundaries of the Palmer Hay Flats State Game Refuge. The Spring Creek  
area also provides one of the major public access points to the hay flats  
although the land is privately owned. The legislature therefore determines  
that it is in the public interest to protect the Spring Creek wetlands  
through extension of the Palmer Hay Flats State Game Refuge under this Act.

16

\* Sec. 2. AS 16.20.032(a) is amended to read:

17

(a) The following state-owned land and water is established as

18

the Palmer Hay Flats State Game Refuge:

19

(1) Township 16 North, Range 1 West, Seward Meridian

20

Sections 1 - 12 inclusive

21

Section 13: N1/2

22

Sections 14 - 18 inclusive

23

(2) Township 17 North, Range 1 West, Seward Meridian

24

Section 25: All

25

Section 26: S1/2, S1/2N1/2, N1/2NE1/4, NE1/4NW1/4

26

Section 27: S1/2, SE1/4NE1/4

27

Section 31: Lot 4, SE1/4, E1/2SW1/4, SE1/4NE1/4,

28

S1/2SW1/4NE1/4

29

Section 32: S1/2, S1/2NE1/4, NE1/4NE1/4,

1 SE1/4NW1/4

2 Section 33: All

3 Section 34: All

4 Section 35: All

5 Section 36: All

6 (3) Township 17 North, Range 1 East, Seward Meridian

7 Section 22:

8 excluding NW1/4NW1/4

9 excluding NE1/4NE1/4NE1/4

10 excluding N1/2NE1/4NW1/4

11 Section 27:

12 excluding S1/2S1/2

13 Section 28: N1/2SE1/4

14 Section 31: Lots 5, 7, 8, 9, 10

15 Section 32: NE1/4

16 Section 33: SW1/4NW1/4, including all state tide

17 and submerged land

18 (4) Township 16 North, Range 1 East, Seward Meridian

19 Section 4, 5, 6, 7, 8, 9: All

20 Section 17: N1/2

21 Section 18: N1/2

22 All state tide and submerged land

23 (5) Township 16 North, Range 1 East, Seward Meridian

24 Section 2: Portion lying west of the Alaska

25 Railroad

26 Section 3: Lot 1, excluding portions lying east

27 of the Alaska Railroad centerline, Lots. 2, 3,

28 4, 5, 6, NW1/4, NW1/4, NE1/4

29 Section 10: Lots 1, 2, 3, 4, 6, and portions

1 lying west of the Alaska Railroad  
2 Section 15: All state land lying north of the  
3 south bank of the Knik River and west of the  
4 Alaska Railroad

5 Section 16: All state land lying north of the  
6 south bank of the Knik River

7 \* Sec. 3. AS 16.20.032 is amended by adding a new subsection to read:

8 (e) Notwithstanding the provisions of (a) of this section, the  
9 land described in this subsection is excluded from the Palmer Hay  
10 Flats State Game Refuge established under (a) of this section for the  
11 establishment of a transportation and utility corridor. Land within  
12 the transportation and utility corridor that is determined by the  
13 commissioner of transportation and public facilities to be unnecessary  
14 for future transportation or utility corridors becomes a part of the  
15 Palmer Hay Flats State Game Refuge. The commissioner of transporta-  
16 tion and public facilities is directed to develop access points to the  
17 Palmer Hay Flats State Game Refuge at the Knik River Bridge and to  
18 Rabbit Slough during future development of state highways in the area.  
19 The land that is excluded from the Palmer Hay Flats State Game Refuge  
20 under this subsection is described as

21 Township 17 North, Range 1 East, Seward Meridian

22 Section 22: SE1/4NW1/4, NE1/4, NE1/4SW1/4, W1/2SE1/4

23 Section 27: a corridor 300 feet on either side of the  
24 existing highway centerline

25 \* Sec. 4. The commissioner of natural resources shall include land  
26 acquired from the Matanuska-Susitna Borough in the Palmer Hay Flats State  
27 Game Refuge established under AS 16.20.032.

28 \* Sec. 5. (a) The commissioner of natural resources may dispose of  
29 state land located within the Matanuska-Susitna borough in exchange for

1 privately owned land determined desirable for inclusion in the Palmer Hay  
2 Flats State Game Refuge. The commissioner of natural resources may also  
3 offer to purchase at fair market value from willing sellers privately owned  
4 land determined desirable for inclusion in the Palmer Hay Flats State Game  
5 Refuge.

6 (b) An offer made by the commissioner of natural resources under this  
7 section for a purchase or exchange that remains unaccepted for two years  
8 after tender is withdrawn.

9 (c) An exchange or purchase authorized under (a) of this section  
10 shall be accomplished under AS 38.50.

11 (d) The commissioner of natural resources shall include land acquired  
12 under this section in the Palmer Hay Flats State Game Refuge established  
13 under AS 16.20.032.

14 \* Sec. 6. The addition of land to the Palmer Hay Flats State Game  
15 Refuge under secs. 2 and 4 - 5 of this Act may not be an occasion for the  
16 delay in or prohibition of the expansion or improvement of the Glenn High-  
17 way, the Parks Highway, or the Wasilla Bypass, or the construction of the  
18 interchange at the Parks and the Glenn Highways, nor may it restrict the  
19 present or future use of land retained by an owner of land under sec. 5 of  
20 this Act.

21 \* Sec. 7. This Act takes effect immediately in accordance with AS 01.-  
22 10.070(c).

SB 105  
Hay Flats -

House Amendments -

Changed the DOT amendment  
NOW STATES ACCESS WILL BE PROVIDED  
BUT DOESN'T SPECIFY WHERE -

-  
Adds land relinquished by Mat-Su  
borough 8 years ago but was never  
included in the legal descriptions -

This does not add to the size  
of the refuge - it is a housekeeping  
measure -