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SB 392

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

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OFFICE OF THE COMMISSIONER

February 15, 1990

The Honorable Lloyd Jones
Chair
Senate Transportation Committee
P.O. Box V
Juneau, AK 99811

Dear Senator Jones:

Subject: SB 392, An Act Relating to Credit for Development or Improvement of Access to Land.

Position: The Department of Natural Resources does not oppose the concept of this bill; however, we recommend that a new section be added to AS 19.30.095 which would read:

"AS 19.30.095, Credit Against Lease or Purchase Payments. The Commissioner of Natural Resources may grant a credit against lease or purchase payments for state land to the lessee or purchaser of state land who develops or improves access on state land to the land being leased or developed.

The department shall develop regulations for the process; the credits shall be approved prior to construction, not subsequent to construction."

The department recommends the above change because of concerns about the present version of the bill. The state may be in a position of granting credit for a road that is not usable or maintained.

The bill requires the amount of credit be equal to the increased value of state land resulting from the development or improvement of access. Such a determination of value would be done by appraisal each time or for each segment or improvement resulting in multiple credit determinations and awarding credit more than once. The appraisal process is often time consuming and costly. The state must be careful in this area because such a credit must be reported to the IRS for federal income tax purposes.

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There are no guarantees that construction would be completed; no contracts are entered into. If a contract to build a road is let, it must be awarded under State Procurement Code AS 36.30 prior to construction of the road. The procurement code requires competitive bidding and identification of construction standards before the road is built.

The bill appears to provide only for the width of the right-of-way but not for access construction standards, inspection, acceptance or even any prior approval before development or improvement would occur. Wetlands, critical habitat, etc., are considered prior to a disposal; however, alternative road access may affect these areas if the access is outside the planned disposal area.

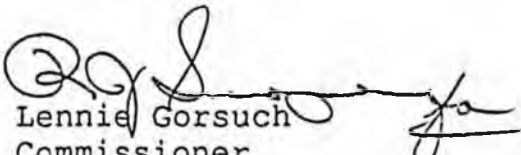
The bill creates considerable administrative impact to implement and operate.

Development or improvement of access to state land and other state resources is difficult and expensive. There are land sales and leases of state land to which access roads do not exist although legal access may have been established. Additionally, there have been some agricultural sales for which road access did not exist, and development of the parcel was not required until physical access was constructed. AS 38.05.020(7) allows the Commissioner to waive specific development requirements for such agricultural land sale contracts if the land is inaccessible by road and transportation, marketing and development costs render the required development uneconomical.

A further alternative to the current approach would be to fund access roads pursuant to the existing authority in AS 19.30.111 - 19.30.241. This will not only provide needed access to disposal areas but provide jobs in the private economy through the procurement process.

Please contact me if you have any questions regarding this matter.

Sincerely,


Lennie Gorsuch
Commissioner

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: An act relating to credit for development on improvement of access to land
 Sponsor: Sen. Coghill
 Requestor: _____

Agency Affected: Natural Resources
 BRU: Land and Water Management
 Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	201.1	207.7	215.7	222.9		
TRAVEL	10.0	10.0	10.0	10.0		
CONTRACTUAL	4.0	4.0	4.0	5.0		
SUPPLIES	5.0	5.0	5.0	5.0		
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	220.1	226.7	234.7	242.9		

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND	220.1	226.7	234.7	242.9		
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME	4	4	4	4		
PART-TIME	1	1	1	1		
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Carol Shobe Phone: 762-2326
 Division: DLWM Date: 2/15/90

Approved by Commissioner: _____ Date: _____
 Agency: _____

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

Fiscal Note SB 392

<u>Positions</u>		<u>FY 91</u>	<u>FY 92</u>
NRM I Appraiser (18) NRM I Appraiser to appraise roads for land credit and give value to Regional Offices and Contract Administration.	1 PFT	50,543	52,209
NRO II (16) - NRO, SCRO SERO NRO II positions will be located within the regional offices and will conduct field inspections, coordinate with Boroughs, DF & G, DEC, Div. of Ag, DOTPF, etc., to ensure that constructed roads are built to prevailing standards, environmentally proper, and that the road benefits the State of Alaska	2 PFT 1/2 PPT	88,966 22,242	91,972 22,993
NRO I (14) Contract Admin. NRO I Contract Administration - to amend contracts, review payments, approve land credits related to land sale contracts affected by this bill. Additionally, write regulations and develop procedures	1 PFT	<u>39,936</u>	<u>40,516</u>
TOTAL		201,087	207,690

Travel	10.0
Contractual	4.0.
Supplies	5.0