

HB

89

<TARGET><BILL>HB 89</BILL><SUBJECT>HB
89</SUBJECT><COMM>SFIN27</COMM></TARGET>

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

cost # codes

Bill Version HB 89
 Fiscal Note Number _____
 Publish Date _____

Identifier (file name) CSHB089(RES)-DNR-MLW-12-15-11 Dept. Affected Natural Resources
 Title EXTRACTION OF BEDLOAD MATERIAL Appropriation Land & Water Resources
 Allocation Mining, Land & Water
 Sponsor _____ Rep. Seaton _____
 Requester _____ (S) FIN _____ OMB Component Number 3002

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
			FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES	FY13	FY13	FY14	FY15	FY16	FY17	FY18
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	***	***	***	***	***	***	***

FUND SOURCE		(Thousands of Dollars)					
1002	Federal Receipts						
1003	GF Match						
1004	GF						
1005	GF/Prgm (DGF)						
1037	GF/MH (UGF)						
1178	temp code (UGF)						
TOTAL		***	***	***	***	***	***

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 (separate capital appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Fiscal note updated (1) to reflect changes made from the bill as introduced to the committee substitute (27-LS0334\B) adopted in House Resources and the conceptual amendment #1 made to that CS and (2) to reflect that certain erosion control projects that also contribute to flood mitigation could be included in the disposal of bedload material as it pertains to this bill. This is a new fiscal note form version for the second session of the 27th legislature. The appropriation and allocation have been changed to reflect the revised DNR structure.

Prepared by Brent Goodrum, Director
 Division Mining, Land & Water
 Approved by Daniel S. Sullivan
Department of Natural Resources

Phone (907) 269-8501
 Date/Time 12/13/11 1:00 PM
 Date 12/13/2011

SENATE FINANCE COMMITTEE REPORT

DATE: 4/15/11

FURTHER: Rules

DATE TURNED IN TO OFFICE: 4/15/12

Finance Committee considered CS FOR HOUSE BILL NO. 89(RES)

HB 89-EXTRACTION OF BEDLOAD MATERIAL

"An Act relating to the disposal of certain bedload material in conjunction with a flood mitigation plan."

and recommends:

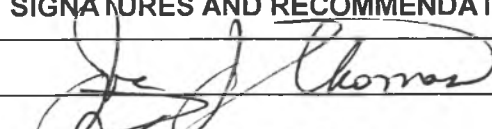
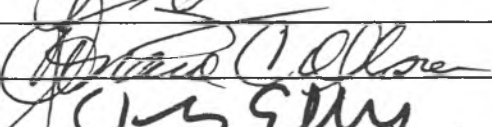
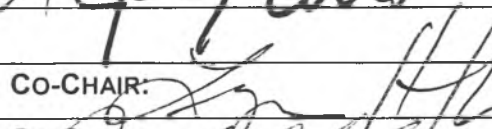
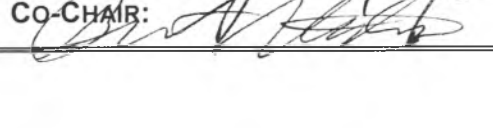


- be replaced with SCS _____ (_____) Same Title Technical Title Change
 New Title/SCR No. _____
- adopt previous SCS _____ (_____) Same Title Technical Title Change
 New Title/SCR No. _____
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
DNR		X		4
DOT		X		5

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	Do PASS	Do NOT PASS	No REC	AMEND
	THOMAS	✓			
	KEGAN	✗			
	OLSON			✓	
	ELLIS	✓			
CO-CHAIR: 	Hoffman	✓			
CO-CHAIR: 	Stedman	✓			

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. HB 89

Analysis

This bill allows the Commissioner of the Department of Natural Resources (DNR) to offer for disposal bedload material within a river, lake, stream or coastal water (gravel, rock and other material) at below fair market value if disposal of that material enhances the effectiveness of a flood control project.

The Department already routinely sells bedload material at fair market value through its authority under AS 38.05.120. This bill would change the current fixed-fee structure (\$/cubic yard) to a percent of profit royalty structure (not less than 12.5%) for the disposal of bedload material that enhances the effectiveness of a flood control project.

Reduction in revenue generated from the disposal of bedload material would be dependent upon the number of extraction sites approved under a site-specific flood mitigation plan and the volume of bedload material extracted from those sites. Additionally, the reduction in revenue from individual sales may be offset by the potential increase in the number of sales that would not have otherwise occurred without this legislation. In either case, because the number of sites and volume of bedload material that might be extracted is at this time is unknown, the revenue impact is indeterminate.

Additionally, DNR will incur new costs for the review of each site-specific flood mitigation plan and review of net profit reporting after extraction. While DNR does not anticipate the proposed legislation will result in a significant increase in cost for any one project, the number of plans and sale applications that will be received is also indeterminate. The cumulative costs of receiving many applications may result in future supplemental budget requests.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version CSHB89
Fiscal Note Number _____
Publish Date _____

Identifier (file name) HB89CS(RES)-DOT-SWDES-12-27-11 Dept. Affected DOT&PF
Title Bedload Material for Disposal for Flood Control Appropriation Design and Construction
Allocation SW Design & Engineering Svcs
Sponsor _____ Rep. Seaton _____
Requester _____ S FIN _____ OMB Component Number 2357

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
			FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES							
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	***	***	***	***	***	***	***

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Prgm (DGF)							
1037 GF/MH (UGF)							
1178 temp code (UGF)							
TOTAL	***	***	***	***	***	***	***

POSITIONS

Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES

--	--	--	--	--	--	--	--

Estimated SUPPLEMENTAL (FY12) operating costs _____ (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ (separate capital appropriation required)
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Updated first session fiscal note to 2012 form.

Prepared by Brenda Hewitt
Division Commissioner's Office
Approved by Pat Kemp
Deputy Commissioner

Phone (907) 465-4772
Date/Time 12/20/11 4:30 PM
Date 12/28/2011

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSHB89

Analysis

The fiscal impact of this legislation cannot be determined by the Department of Transportation and Public Facilities. This bill requests consultation with a professional engineer with relevant experience to review plans for bed load material extraction. The Department of Transportation and Public Facilities has professional engineers and hydrologists on staff that may be used for determining how a project near a roadway or bridge might be undertaken so as not damage state infrastructure. We cannot determine how often this will occur, thus DOT&PF submits an indeterminate fiscal note.

CS FOR HOUSE BILL NO. 89(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE RESOURCES COMMITTEE

Offered: 3/23/11
Referred: Finance

Sponsor(s): REPRESENTATIVE SEATON

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the disposal of certain bedload material in conjunction with a flood**
2 **mitigation plan."**

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 * **Section 1.** AS 38.05.872 is amended by adding new subsections to read:

5 (b) The commissioner may offer for disposal bedload material from an area
6 subject to a site-specific flood mitigation plan approved by the commissioner under
7 the terms in (d) of this section after making a finding that

8 (1) removal of the bedload gravel will offset future costs to the state
9 that are attributable to flood damage;

10 (2) the sale of the bedload gravel under (b) - (e) of this section at a cost
11 that may be below fair market value is in the best interests of the state; and

12 (3) removal of the bedload gravel will enhance the effectiveness of the
13 flood mitigation plan in preventing a flood or minimizing flood damage.

14 (c) The commissioner may request a professional engineer with relevant

1 experience to review the plans for bedload material extraction.

2 (d) A person, other than the state or federal government or a political
3 subdivision of the state, acquiring bedload material under a disposal authorized by the
4 commissioner under this section shall comply with the terms and conditions
5 established by the commissioner and pay to the department a royalty of not less than
6 12.5 percent of pretax profit calculated by subtracting from the value of the bedload
7 material the actual direct costs of extricating, loading, and transporting the material to
8 market, if applicable. The commissioner may adopt regulations that identify the
9 method and means for determining the value of the bedload material and the costs that
10 may be deducted for the purpose of calculating the amount to be paid to the state. In
11 this subsection, "value" means the sales price of the material in a bona fide arm's-
12 length transaction between unaffiliated parties or the sales price of the material had the
13 material been sold in a bona fide arm's-length transaction between unaffiliated parties.

14 (e) In this section, "bedload material" means gravel, rock, and other material
15 located below the plane of the ordinary high water mark or the mean high water mark
16 of a river, lake, stream, or other coastal water.

17 * **Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to
18 read:

19 REVISOR'S INSTRUCTION. The revisor of statutes shall change the catch line of
20 AS 38.05.872 from "Disposition of state land for flood control projects" to "Disposition of
21 state land and material for flood mitigation."

REPRESENTATIVE PAUL SEATON

SESSION ADDRESS

State Capitol Building
Juneau, Alaska 99801-1182
(907) 465-2689
Fax: (907) 465-3472
1-800-665-2689



INTERIM ADDRESS

345 W. Sterling Highway
Homer, Alaska 99603
(907) 235-2921
Fax: (907) 235-4008
1-800-665-2689

ALASKA STATE LEGISLATURE

House District 35

HB 89

Sponsor Statement

Weather related disasters have cost the State of Alaska \$106,474,936 over the past twenty years according to the Department of Military and Veterans Affairs. One of the most persistent and costly problems for Alaska communities is the regular flooding of rivers. In many regions this flooding is caused by an accumulation of gravel in the river bed, and the severity of the flooding could be decreased by removal of the gravel.

HB 89 provides commercial operators with a financially achievable way to remove gravel and other material in a riverbed prone to flooding. Statute currently requires that the state receive fair market value for sales of its gravel. The Department of Natural Resources assesses fair market value of gravel statewide and charges an up-front per yard fee for gravel removed from state land. This includes all gravel below a river that is determined to be navigable. The current pricing for gravel varies statewide from \$5.00 per yard in Cordova, to \$3.25 per yard on the Kenai Peninsula, \$3.00 in the Mat-Su Borough, and \$2.50 in the Aleutian Islands. This fee inhibits commercial removal of gravel from rivers with regular flooding issues.

HB 89 allows the Department of Natural Resources to consider mitigation of state disaster expenses as part of the fair market value calculation, and to receive a percent of the profit that a private contractor receives for the sale of the gravel they have extracted. HB 89 establishes this level at 12.5% of profits, mirroring the royalty share that the state receives for its oil and gas resources. The percent of profit paid to the state is calculated after the cost of extraction, loading and transportation are subtracted.

REPRESENTATIVE PAUL SEATON



SESSION ADDRESS
State Capitol Building
Juneau, Alaska 99801-1182
(907) 465-2689
Fax: (907) 465-3472
1-800-665-2689

INTERIM ADDRESS
345 W. Sterling Highway
Homer, Alaska 99603
(907) 235-2921
Fax: (907) 235-4008
1-800-665-2689

ALASKA STATE LEGISLATURE
House District 35

Summary of changes between HB 89 and CSHB 89 (RES)

- **Page 1, Line 6:** changed wording from "approved flood control project" to "site-specific flood mitigation plan" to distinguish these site-specific plans from federally funded projects involving the Army Corps of Engineers.
- **Page 1, Line 14:** added sub (c) allowing the Commissioner of DNR to request a professional engineer with relevant experience to review site specific flood mitigation plans.
- **Page 2, Line 2:** added "other than the state or federal government or political subdivision of the state" to make it clear that the percent of profit payment for bedload material does not apply to government entities.
- **Page 2, Line 3:** added "shall comply with the terms and conditions established by the commissioner" to make clear that the agency has oversight on the bedload material disposal process.

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

*DIVISION OF MINING, LAND AND WATER
SOUTHCENTRAL REGION LAND OFFICE*

FRANK H. MURKOWSKI
GOVERNOR

550 W. 7TH AVE., SUITE 900C
ANCHORAGE, ALASKA 99501-3577

August 1, 2006

Honored Customers

**Re: Unit Pricing Change for Purchase of Sand, Gravel and Rock Materials
Material Sale Contracts on State-owned Land – Southcentral Region**

Dear Customer:

The Department of Natural Resources, Division of Mining, Land and Water has conducted a telephone market survey of current prices for sand, gravel and rock materials in various geographic locations in Southcentral Alaska where the State offers materials for sale. The purpose was to determine current fair market value.

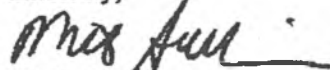
Per 11 AAC 71.090 (c), ADNR is expected to “periodically establish representative sales prices for materials that are an estimate of the material’s fair market value.” The new prices determined will be used as the fair market value unit price per cubic yard of materials in the material sale contracts issued for the right to extract sand, gravel or rock for all contracts and permits, per AS 38.05.110 through 38.05.120.

Fair Market Value – Fair market value is defined in 11 AAC 71.090 as the “highest price described in terms of money, which timber or material would bring if offered for sale for a reasonable time in the open market by a seller willing, but not forced, to sell to a buyer willing, but not forced, to buy, both being fully informed of the purposes for which the timber or material is best suited.”

We have determined the current unit price schedule for purchase of materials throughout the Southcentral Region. The price list is attached as “Cost per Cubic Yard of Sand, Gravel and Rock Information Sheet – 2007.” These prices will be effective beginning January 1, 2007.

These prices will remain in effect until updated through a similar price analysis. If you have any questions please contact Susan Browne at 907-269-8560 or Susan_G_Browne@dnr.state.ak.us.

Sincerely,



Michael Sullivan
Acting Regional Manager

Encl: Cost per Cubic Yard of Sand, Gravel and Rock Information Sheet - 2007

“Develop, Conserve and Enhance Natural Resources for Present and Future Alaskans”

Cost per Cubic Yard of Sand, Gravel and Rock Information Sheet – 2007
11 AAC 71.090

Parks Highway	\$3.00 MP 52 - Big Lake to MP 210 - Cantwell
Glenn Highway	\$3.00 MP 61 - Sutton to MP 189 - Glennallen
Mat-Su Borough	\$3.00 Areas Within the Political Boundary
Kenai Peninsula – South of Portage Creek (Except those listed below)	\$3.25 Entire Peninsula
Seldovia & English Bay	\$2.50 City Areas
Valdez	\$1.50 City Limits to Richardson Hwy MP 19
Richardson Highway	\$1.50 MP 19 - Valdez to MP 205 Gakona
Kodiak	\$3.00 Entire Island
Lake Clark Shorelands (Port Alsworth)	\$1.50 Lake Clark Area
Bristol Bay Area	\$1.50 Entire Bay Area to False Pass
Aleutians	\$2.50 Aleutian Islands beyond False Pass
Kuskokwin \ Yukon Area	\$1.50 All River Corridors
Cordova	\$5.00 Cordova Area
Rock – For All of the Southcentral Region	\$3.00 All Southcentral Region

Fact Sheet

Title: Material Sales in Alaska



Alaska Department of
**NATURAL
RESOURCES**

Division of Mining, Land & Water
February 2009

What is "Materials"?

Materials are sand, gravel, riprap, rock, limestone, slate, peat, and any other substances from the ground that are not applied for through the location system for mining claims (e.g. gold, silver, and other metals). Materials are measured and sold in cubic yards.

Where can I find materials on state land?

You can find information on material sites at the Department of Natural Resources (DNR) Public Information Center (PIC) offices listed at the end of this fact sheet. Often, sites that have already been used for extracting materials will be shown on state status plat maps. You may also do your own research to find new areas where you can extract materials. To get started, find the area in which you want to extract the materials. Use a USGS topographic map to determine what township, range and section your selected site is in. To determine if the site is on state-owned land, visit or contact the PIC.

How do I buy material on state land?

Determine the quantity of material you require from the site you have identified and request an application from the PIC.

Are there different types of state material sales?

Yes, there are three types of material sales.

- The first and smallest is a "limited" material sale which cannot be for more than 200 cubic yards per 12 month period per person. This is a revocable, nonexclusive contract for personal or commercial use.
- The second type is the "negotiated" sale, which generally cannot exceed 25,000 cubic yards per year per person or company. Material purchased under this type of sale can be sold or used for commercial purposes. The term of the sale is generally one year, but can be longer depending on circumstances.
- The third and largest is the "competitive" sale. The sale contract can be issued for an unlimited amount of material to be taken over many years. Award will be determined

by public auction if there are multiple bidders for the same location. If no competitive interest is expressed during the public notification period, no auction is necessary and the sale can proceed to contract upon completion of the decision making process. Material purchased through competitive sale can be sold or used for commercial purposes.

What are the procedures for material sales?

If the material is located in an approved site, a limited material sale (200 cubic yards or less) can usually be issued over-the-counter at the Public Information Center.

For a negotiated material contract at an approved material site, the applicant must submit the following:

- A negotiated material sale application, environmental risk questionnaire, development plan, reclamation plan and a \$100 application fee.
- Bonding deposit and insurance are requirements of a negotiated material sale contract. If approved the Division of Mining, Land & Water will then issue a contract to the applicant.

If a negotiated material or competitive contract is requested from a "new undeveloped site", a more involved public interest process must be followed. The process begins with agency review and a Coastal Zone Review if the project is within a coastal district.

Preliminary and final findings must be written and public notice given. The applicant is responsible for the cost of the public notice. These additional procedures take several months to process, depending on the complexity of issues and agency/public comments that must be addressed. Plan ahead; apply several months before you need to extract material.

What are the costs involved?

No filing or application fee is charged for a limited material permit, but negotiated and competitive sales contracts require a filing fee of \$100.

The price charged for "limited" and small "negotiated" sales is set by the DNR, typically based on the fair market sales price of material in the area.

The amount charged for larger "negotiated" and "competitive" material sales (sales of more than 25,000 cubic yards) is generally based on a site-specific appraisal or an abbreviated appraisal called an "opinion of value". A "competitive" sale price is initially set by an appraisal, but may be raised during an auction if more than one person or company competes for the material.

NOTE: State regulations require the DNR to set a minimum "base price" which covers the cost of processing the contract. In no event can the amount charged for materials be less than this "base price".

USEFUL FACTS

- A full size pickup bed can hold approximately one cubic yard.
- A standard dump truck has a capacity of 10-12 cubic yards.
- The standard capacity of a belly dump is approximately 18-20 cubic yards.
- One Cubic Yard = 1.5 Tons (approximate)

Most negotiated material sales and all competitive sales require a business license, proof of insurance and a performance/reclamation bond. The bond will be refunded if all the terms of the sale contract are observed.

What happens when the material sale expires?

If you have met all the terms of the material sale contract, any bond will be refunded. If terms of the contract have been violated, penalties may be assessed against you. If you need to purchase more material, a new application must be submitted and processed by DNR in order to issue a new material sale contract.

Authority:

The applicable State statute and regulations include, but are not limited to: AS 38.05.110-120 and 11 AAC 71.

Where do I apply?

Material sale applications are available from and may be submitted to any of the DNR offices listed below.

DNR Public Information Center
550 West 7th Avenue, Suite 1260
Anchorage, AK 99501-3557
Phone: 907-269-8400
Fax: 907-269-8901

DNR Public Information Center
3700 Airport Way
Fairbanks, AK 99709-4699
Phone: 907-451-2700
Fax: 907-451-2706

DNR Public Information Office
400 Willoughby Street, 4th Floor
Juneau, AK 99801
Phone: 907-465-3400
Fax: 907-586-2954

Helpful Hints to Speed Processing

- Plan ahead; apply several months before you need to extract your material.
- If you have selected an existing material site used by the Department of Transportation and Public Facilities, obtain a written letter of non-objection from them and attach it to your application.
- If you will be applying for an extraction site within a wetland, river or stream you will need to contact the U.S. Army Corps of Engineers and the Department of Fish & Game Office of Habitat Management & Permitting (OHMP)

U.S. Army Corps of Engineers

Anchorage – 907-753-2712
Outside Anchorage - 1-800-478-2712
Fairbanks – 907-474-2166
Juneau - 907-790-4490

DF&G – OHMP

<http://www.habitat.adfg.alaska.gov>

Anchorage - 907-267-2342
Fairbanks - 907-459-7289
Juneau - 907-465-4105



Municipality of Skagway

GATEWAY TO THE KLONDIKE

P.O. BOX 415 SKAGWAY, ALASKA 99840

(PHONE) 907-983-2297 – Fax 907-983-2151

WWW.SKAGWAY.ORG

March 14, 2011

The Municipality of Skagway is in support of House Bill 89. This legislation is of vital importance to the river and coastal communities throughout the state of Alaska. Flood control is a Municipal responsibility and this legislation will allow communities to protect their infrastructure and in turn save money for the State.

Sincerely,

Thomas D. Cochran
Mayor
Municipality of Skagway, Alaska

Introduced by: Mayor
Date: 02/15/11
Action: Adopted
Vote: 9 Yes, 0 No, 0 Absent

**KENAI PENINSULA BOROUGH
RESOLUTION 2011-010**

**A RESOLUTION SUPPORTING ENACTMENT OF HOUSE BILL 89 AUTHORIZING
THE DEPARTMENT OF NATURAL RESOURCES COMMISSIONER TO OFFER
BEDLOAD MATERIAL FOR FLOOD CONTROL PURPOSES IN EXCHANGE FOR A
PERCENTAGE OF THE PROFIT FROM THE SALE OF THAT MATERIAL**

- WHEREAS**, flooding is a serious problem in the Seward-Bear Creek area, where at least six major flooding events have occurred since 1986, causing millions of dollars in damage to private and public properties and infrastructure; and
- WHEREAS**, the Seward-Bear Creek area is subject to alluvial fan flooding hazards including high velocity floodwaters which can cause tremendous erosion, and carry large amounts of sediment and debris which fill stream beds and allow floodwaters to spread widely, threatening development over a broad area; and
- WHEREAS**, one problem encountered in mitigating losses from flooding that the borough, the City of Seward and the Seward-Bear Creek Flood Service Area ("SBCFSA") have attempted to address is the charge imposed by the State for gravel removed from stream beds under navigable water which rendered the level of removal needed infeasible due to the horrendous cost; and
- WHEREAS**, following the work of the flood plain task force established by the assembly in resolution 2009-005 a summit was held during October 2010 in Seward to bring the various involved parties together including the Department of Natural Resources ("DNR"), the City of Seward, the borough administration, the SBCFSA representatives, representatives from the Matanuska-Susitna Borough, the Corps of Engineers and other agencies; and
- WHEREAS**, one proposal presented at that summit was to support revisions to state statutes that would give the DNR commissioner the discretion to offer bedload material for disposal for flood control purposes in exchange for a percentage of profit from the sale of the material instead of a fixed permit fee; and
- WHEREAS**, Representative Seaton is sponsoring House Bill no. 89 which would amend AS 38.05.872 to grant such discretion to the commissioner; and
- WHEREAS**, support of House Bill 89 is consistent with the short term mitigation measures and goals of the SBCFSA Flood Hazard Mitigation Plan (May 2010); and

WHEREAS, support of House Bill 89 is consistent with section 2.12 Flood Mitigation Strategy 4 of Chapter 2.0 of the KPB All Hazard Mitigation Plan;

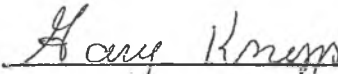
NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:

SECTION 1. That the assembly supports HB 89 in its current form, which would grant the Department of Natural Resources Commissioner the discretionary authority to sell bedload material for flood control purposes from state land in exchange for a royalty based on a percentage of the pretax profit derived from the sale of such material.

SECTION 2. That copies of this resolution shall be forwarded to the Borough's Legislative Delegation Senators Cathy Giessel, Al Kookesh, Thomas Wagoner, and Gary Stevens, and Representatives Alan Dick, Mike Hawker, Kurt Olson, Mike Chenault, and Paul Seaton.

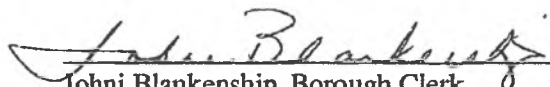
SECTION 3. That this resolution takes effect immediately upon its adoption.

ADOPTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS 15TH DAY OF FEBRUARY, 2011.



Gary Knopp, Assembly President

ATTEST:



Johni Blankenship, Borough Clerk



Yes: Haggerty, Johnson, McClure, Murphy, Pierce, Smalley, Smith, Tauriainen, Knopp
No: None
Absent: None



City of Seward

P.O. Box 167
Seward, Alaska 99664-0167

Main Office (907) 224-4050
Facsimile (907) 224-4038

City of Seward, Alaska
1963 1965 2005



February 7, 2011

The Honorable Paul Seaton
Alaska Legislature
State Capitol
Juneau, AK 99801-1182

Re: House Bill 89

Dear Representative Seaton,

This letter is written in support of House Bill 89, an Act authorizing the Commissioner of Natural Resources to offer bedload material for disposal for flood control purposes in exchange for a percentage of the profit from the sale of that material. On behalf of the City of Seward, please accept our thanks for your sponsorship of this important legislation.

As you are aware, removal of gravel from alluvial streams is essential for successful flood mitigation efforts. In many cases, however, the removal of bedload material does not occur because of the cost of removing gravel. This is a cost that increases when we remove bedload gravel from navigable streams. In those instances, our community pays twice; we pay a contractor to remove the gravel and then we also pay a royalty to the State for the gravel.

Your legislation makes it more affordable for a community to remove gravel from navigable streams for flood mitigation purposes. This is because contractors have an opportunity to profit from sale of the gravel thus reducing or eliminating the amount we would pay to the contractor. House Bill 89 also provides superior value to the State for its gravel resources. The value to the State is from better flood protection for its citizens and the receipt of 12.5% of the pretax profit when the gravel is sold or used by the local government or contractor. Arguably, this is greater value than that offered by the current policy of a set royalty for each cubic yard of gravel.

Please make our support of House Bill 89 a matter of the official record. Let us know if you need additional testimony to support this important legislation.

Sincerely,

Willard E. Dunham
Mayor
City of Seward

Phillip E. Oates, DBA
City Manager
City of Seward