

LEG. FINANCE - BILLS 1985 - 1986 2240

SB 348 - CSSB 349 2240

COMMITTEE REPORT

SENATE

FURTHER:

1/20/86

Date 2/4/86

Mr. President

The Committee on FINANCE considered SB 348
special appropriation for the 1986 Iditarod sled dog race; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt - CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

Rich Halford
Jensen
Gaul Strick
McLagan
John Decker

MEMBERS HAVING
OTHER RECOMMENDATIONS

John Fink
Chairman
do pass
Chairman recommendation

Introduced: 1/20/86
Referred: Finance

Funding Information
General Fund \$90,000
Other Funds -0-
\$90,000

1 IN THE SENATE

BY FAIKS

2

SENATE BILL NO. 348

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act making a special appropriation for the 1986
7 Iditarod sled dog race; and providing for an
8 effective date."

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

10 * Section 1. The sum of \$90,000 is appropriated from the general fund
11 to the Department of Commerce and Economic Development for payment as a
12 grant to the Iditarod Trail Committee, Inc., for expenses of conducting the
13 1986 Iditarod sled dog race.

14 * Sec. 2. The appropriation made by this Act shall be disbursed in
15 accordance with AS 37.05.316.

16 * Sec. 3. This Act takes effect immediately in accordance with AS 01.-
17 10.070(c).

SECTIONAL ANALYSIS FOR SENATE BILL 348

An Act making a special appropriation for the 1986 Iditarod sled dog race and providing for an effective date

Section 1

Appropriates \$90,000 to the Department of Commerce and Economic Development for payment as a grant to the Iditarod Trail Committee for 1986 race expenses.

Section 2

Provides that the grant shall be made in accordance with Named Recipient Grants.

Section 3

Immediate effective date.

IDITAROD



The Last Great Race. Anchorage to Nome. 1049 Miles



IDITAROD TRAIL COMMITTEE, INC

The Honorable Jan Faiks
Pouch V
Juneau, Alaska 99811

December 27, 1985

Dear Senator Faiks:

The members of the Iditarod Trail Committee ask that the state of Alaska again support the running of The Last Great Race, this time in the amount of \$100,000.

As we look toward a period of declining oil revenues, it is more important than ever that alternative industries be developed to as great an extent as possible. The impact of the Iditarod Trail Sled Dog Race on tourism as well as its positive effect on a multitude of businesses within Alaska, make support of the race far more productive than if it were just another sporting event put on for the benefit of a few dog mushers.

Television coverage of last year's race was viewed on CBS Sports Saturday in more than 4,650,000 homes across America. It is estimated that the same number of people around the world, outside of America, also viewed this same coverage. Other media coverage of the event and this year's sensational champion, Libby Riddles, has made the Iditarod truly a showcase for our State and our people. The impact that this has on tourism alone is immense.

A detailed evaluation of the economic impact of the Iditarod Trail Sled Dog Race is included in the attached report by Gilmore Research Group, dated September, 1985. It should be pointed out that the funds which we ask from the State cover a very small portion, but a very important portion, of the event. Of our \$750,000 budget, we garner more than \$100,000 from private sponsors and a half a million dollars from our own retail sales efforts. In addition, our mushers spend an estimated \$1,500,000 within the State. And finally, the go power of 2000 volunteers is provided at no monetary cost. With all of this, the people of the state of Alaska derive a tremendous benefit from the State's investment of \$100,000.

We earnestly ask your support of this very important appropriation.

Yours very truly,

Burt Bomhoff
President

Pouch X • Wasilla, Alaska 99687 • (907)376-5155



ALASKA VISITORS ASSOCIATION

P.O. BOX 10-2220
ANCHORAGE, AK 99510
(907) 276-6663

Telex:
Within Alaska 25-147
Lower U.S. 090-25-147
Canada 0305-25-147
International 314-25-147

1984-85 EXECUTIVE OFFICERS

President
DENNIS BRANDON
Sheffield Enterprises
Anchorage, Alaska

**Vice President/
Administration**
DEAN WEIDNER
The Weidner Co.
Marcer Island, Washington

**Vice President/
Government Relations**
CHRIS VON IMHOF
Alaska Resort
Girdwood, Alaska

**Vice President/
Marketing**
GARY CDLE
Alaska Airlines
Seattle, Washington

Secretary
RAL T. WEST
Alaska West Associates
Anchorage, Alaska

Treasurer
A. K. "KIRK" LANTERMAN
Holland America Westours
Seattle, Washington

Executive Director
DALE FOX

A RESOLUTION IN SUPPORT OF THE IDITAROD TRAIL COMMITTEE

WHEREAS, Alaska's image as "the last frontier" is one of her foremost visitor attractions,

WHEREAS, this image is projected across America and around the world through media coverage of the Iditarod Trail Sled Dog Race,

WHEREAS, the race creates \$103,000 in state tax revenues and \$276,800 in local taxes,

WHEREAS, the race creates 240 primary and 119 secondary paid jobs within Alaska,

WHEREAS, 250,000 persons in Alaska and millions around the world participate in the race each year as fans and spectators,

WHEREAS, the Iditarod organization provides \$650,000 in private funds and nearly 2,000 volunteers to produce this magnificent event,

NOW, THEREFORE BE IT RESOLVED, that the Alaska Visitors Association supports the Iditarod Trail Committee in producing the 1986 Last Great Race.

PAST PRESIDENTS

GEORGE SUNDBORG
1950

ROBERT E. ELLIS
1951-1952

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1952-1955

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1955-1956

BEN CRAWFORD
1956-1957

EVERETT PATTON
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RONALD LATIMORE
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LEN LAURANCE
1972-1973

E. AL PARRISH
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A.E. "BUD" HAGBERG
1974-1975

CHUCK WEST
1975-1977

CHARLES CONWAY
1977-1978

JIM BINKLEY
1978-1979

MARTHA EDWARDS
1979-1980

ROLF KLUG
1980-1981

DAVE PALMER
1981-1982

CHRIS VON IMHOF
1982-1983

ROBERT H. BRENNAN
1983-1984

GILMORE RESEARCH GROUP

METROPOLITAN PARK BUILDING 1100 OLIVE WAY, SUITE 250 SEATTLE, WASHINGTON 98101 (206) 547-5555

IDITAROD ECONOMIC IMPACT REPORT

for
The Iditarod Trail Committee

by
Gilmore Research Group

September, 1985

INTRODUCTION

The Iditarod Race is an important event to the State of Alaska for two fundamental reasons. The first reason stems from the historical and objective conditions of the state as a whole: Alaska is the last frontier, the apex of the American image of itself as a land of rugged and free individuals who are hardy and tough, independent. The Iditarod Race is one of the last representations of that dominant spirit and behavior. The Iditarod Race lends character and flavor to the image of Alaska as a place for visitors to recapture the pioneer spirit that is perceived by most Americans as the backbone of our country. This, then, is the first reason for supporting and promoting the Iditarod Race, the cultural and historical heritage, a continuity with our past.

The second reason that the Iditarod is important to the State of Alaska is because it provides revenue. It does this by generating jobs and taxable income resulting from expenditures by participants and observers involved with the Race. Participants in the Race represent both Alaskans and non-Alaskans as well as their dogs, while on the observer side there are journalists, photographers, tourists, Race officials and Alaskan spectators. In addition, there are over 50 other affiliated events and activities which center around the Iditarod Race. These activities and events also produce revenue for the State through expenditures of income by groups and by individuals. Unquestionably, the Iditarod Races and the activities stemming from them make an important contribution to the State of Alaska, both from a social and cultural perspective as well as from the economic side.

Tables 1, 2 and 3 enumerate each of the economic impact model components identified for the Iditarod Races, as well as the allocation of monies spent by all parties involved. As can be noted, there are an estimated 256.9 thousand people who are either directly or indirectly involved with the Iditarod as spectators, participants or officials -- all in Alaska. It is also estimated by CBS Television that as many as 4.6 million American households across the country saw the finish of the race as it was telecast in 1985.* To this can be added, the international coverage and telecasts which are estimated to reach an equal number of households outside the U.S.

The resulting expenditures from people involved with the Race or affiliated events was well over \$20.9 million which generated an estimated \$4.63 million in wages, salaries and employee benefits. The total number of jobs created from this activity is approximately 359 with another 811 dependent in some way on the continued existence of the Race and its supporting events. Taken all together the Race and the affiliated events creates about \$276.8 thousand in local taxes and \$103.1 thousand in state taxes.

These figures are rather impressive for a single sporting event which occurs but once a year during a period which has traditionally been low in visitors (tourists) from outside the State of Alaska. In figures taken from the Anchorage Convention and Visitors Bureau Winter Reports for 1984 and 1985 an estimated 5% of those coming from Anchorage reported seeing the Iditarod (this translates into 3900 people each year). Many of these people indicated that the purpose of their trip to Alaska was to see the Iditarod Sled Dog Race.

*This figure is supported by the March-April 1985 Arbitron Ratings published in May 1985.

From the perspective of the total impact generated by tourism to the State of Alaska, the Iditarod is not the largest contributor in either money or people. However, the total impact of the Iditarod Race must be seen as a combination of social, cultural and economic factors. As stated earlier, the Race is an image maker, supporting the spirit of the last frontier. The Race is a social event within the State bringing people (especially in the smaller communities) closer together, reminding them of their strong heritage, while reinforcing the perception of Alaska as a land with unique geographic conditions as well as immense wild beauty. From the perspective of someone outside the state, a potential visitor, the Iditarod is a reminder of the size, beauty and unspoiled nature of Alaska. The Race consequently produces interest in visiting Alaska as a final destination and this is, of course, a very desirable impact from an economic standpoint.

TABLE 1
IDITAROD ECONOMIC IMPACT MODEL*

| | |
|--|-------|
| Total number spectators/participants (thousands) | 256.9 |
| Total resulting spending (in millions of \$)** | 20.9 |
| Generated payroll (in millions of \$) | 4.63 |
| Total jobs | 359 |
| Actual primary jobs | 240 |
| Estimated secondary jobs | 119 |
| People who depend on these jobs for their livelihood | 811 |
| Purchasing power (in millions of \$) | 31.3 |
| Activity generated state and local tax revenue (in thousands of \$): | |
| State tax revenue | 103.1 |
| Local tax revenue | 276.8 |

* Includes supportive events and activities during the "Month of Iditarod" as well as the Race itself (see attached sheet of events).

**Uses Multiplier Effect estimated to be 1.5 for the State of Alaska. The multiplier effect is in essence a "trickle down" phenomenon, whereby a dollar spent directly as a result of an event produces availability of funds (by those receiving them) for further purchases. Thus, an observer of the race who buys \$10.00 worth of native arts in Nome or Anchorage from a shop represents the end of a chain of purchases, shipping, and production, the total value of which is \$15.00.

TABLE 2

ESTIMATED EXPENDITURE BREAKDOWN
DIRECTLY RESULTING FROM IDITAROD

| | <u>Expenditures</u> | <u>Payroll</u> | <u>Jobs*</u> |
|---------------------------|---------------------|----------------|--------------|
| Food | \$ 696,558 | \$ 218,022 | 19 |
| General retail & gasoline | 531,600 | 74,105 | 5 |
| Lodging | 292,871 | 94,890 | 9 |
| Transportation | 692,600 | 173,150 | 5 |
| Entertainment | <u>120,161</u> | <u>33,032</u> | <u>3</u> |
| TOTALS | \$ 2,333,790 | \$ 593,199 | 41 |

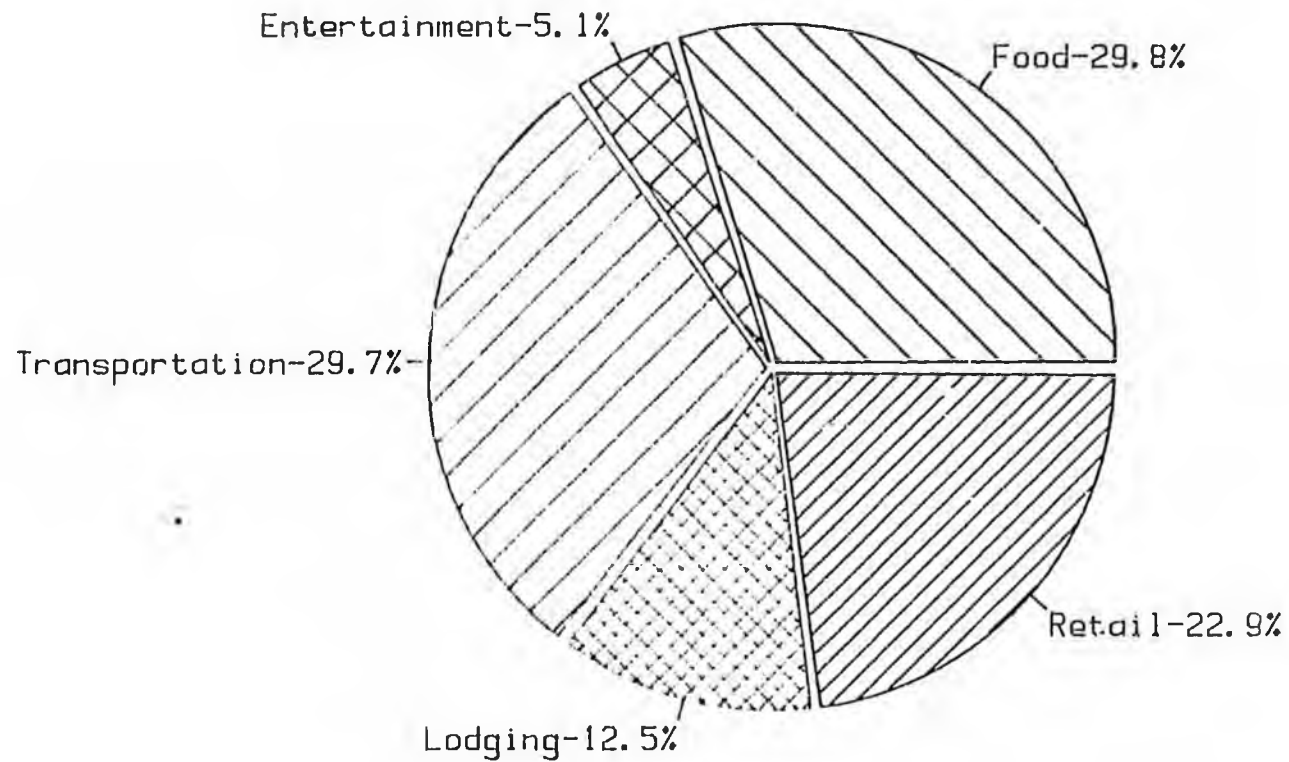
TABLE 3

EXPENDITURE BREAKDOWN FOR IDITAROD
AND SUPPORTING EVENTS/ACTIVITIES

| | <u>Expenditures</u> | <u>Payroll</u> | <u>Jobs*</u> |
|---------------------------|---------------------|----------------|--------------|
| Food | \$ 4,446,558 | \$1,391,772 | 118 |
| General retail & gasoline | 6,781,600 | 945,355 | 66 |
| Lodging | 567,871 | 183,990 | 16 |
| Transportation | 817,600 | 204,400 | 5 |
| Entertainment | <u>1,370,161</u> | <u>376,657</u> | <u>35</u> |
| TOTALS | \$13,983,790 | \$3,102,174 | 240 |

*This figure is based on the "man years" generated over a 2080 hour year.

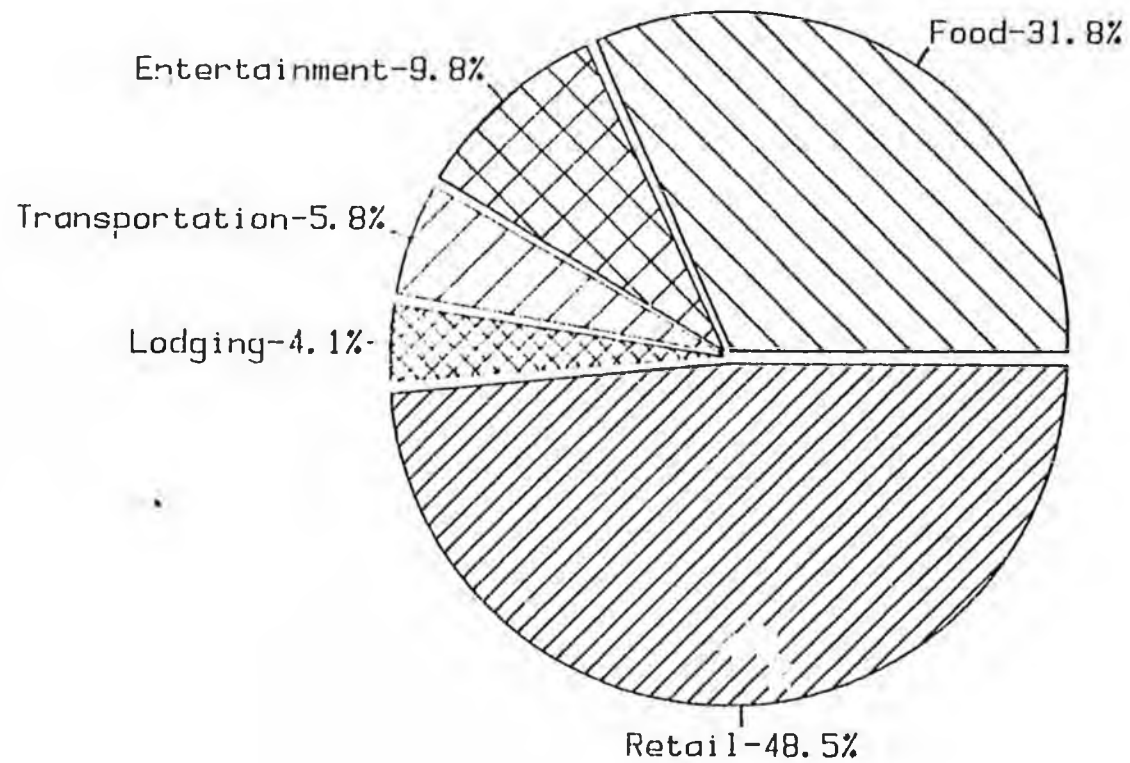
REVENUE BREAKDOWN IDITAROD ONLY*



TOTAL = \$2,333,790.00

*Proportions based on a per dollar expenditure.
Iditarod Economic Impact Report
Produced by Gilmore Research Group, 1985

REVENUE BREAKDOWN IDITAROD PLUS AFFILIATED EVENTS*



TOTAL = \$13,983,790.00

*Proportions based on a per dollar expenditure.
Iditarod Economic Impact Report
Produced by Gilmore Research Group, 1985

IDITAROD SUPPORTING ACTIVITIES & EVENTS: STATEWIDE

Anchorage/Wasilla

Race Start & Winter Carnival (over 40 events)

Check Point City/Locations (26 locations on the Race Route)

Fund Raisers Sponsoring Resident Alaska Musers (estimated at 25)

"Nome" Month of Iditarod (includes 10-11 events)

1986 Iditarod Sled Dog Race Request

1. Trail

Each year the Iditarod Committee breaks and marks the Iditarod Trail from Settler's Bay to Shageluk or Ruby. We must find colunteers to complete, at cost, this project. Many different groups use the trail when it is opened, including skiers, snowmobilers and recreational dog mushers. We need monies for machine rentals, expenses, gas, food, labor and markings. This year we will also be doing some major restoration work, brushing and clearing overgrown sections, plus installing \$6,000 worth of permanent markers.

\$ 30,000.00

2. Dog Care and Treatment

Our organization and our mushers insist on excellence in dog care. Last year over one thousand (1,000) dogs left Fourth Avenue in Anchorage heading for Nome. At every checkpoint along the trail we have veterinarians stationed to care for the dogs. Each veterinarian has medication and equipment to monitor the dogs condition and to perform emergency treatment if necessary. They also help the mushers keep their teams in top health by administering vitamins and foot salve. Veterinarians also check for the use of illegal drugs by having blood samples drawn and then sent off to be analyzed at Cornell University. Veterinary expenses include food, lodging, transportation, medical supplies and sample analysis.

\$ 18,000.00

3. Iditarod Air Force

Each year aviation insurance costs rise. The Iditarod Trail Committee must be protected, so we purchase this policy for a month and a half. We purchase gas and oil for our planes flying the trail, which adds to the local economy. Additionally this year we will be hiring local air charter services to facilitate getting the 130,000 pounds of dog food into the checkpoints in a timely fashion. Air Force expenses include food, lodging, gas, oil, insurance and charter costs.

\$ 30,000.00

4. Liability Insurance

We must have protection for spectators, municipalities, Bureau of Land Management, our volunteers and the Iditarod Trail Committee. Our dog truck is also insured.

\$ 6,000.00

5. Communications

An informed public is a knowledgeable public and each year we expand our communications technology all along the trail. Volunteer amateur radio operations are stationed at all remote checkpoints feeding hourly reports to base units and then via phone line to central headquarters in Anchorage. This year we are trying to involve the school children in the villages we pass through by experimenting with the use of computers to replace the radios in these villages, providing "hands on" learning experiences for the students. This data is then fed into a computer which converts it into human sounding speech and "speaks" this information over the phone to anyone who calls the computer hotline number. Over 25,000 calls were received throughout last year's race, many from news services in the lower 48 and around the world.

\$ 11,000.00

6. Office Equipment and Expenses

The cost of operating our office year round is great. We would like to include general office supplies in this request.

\$ 5,000.00

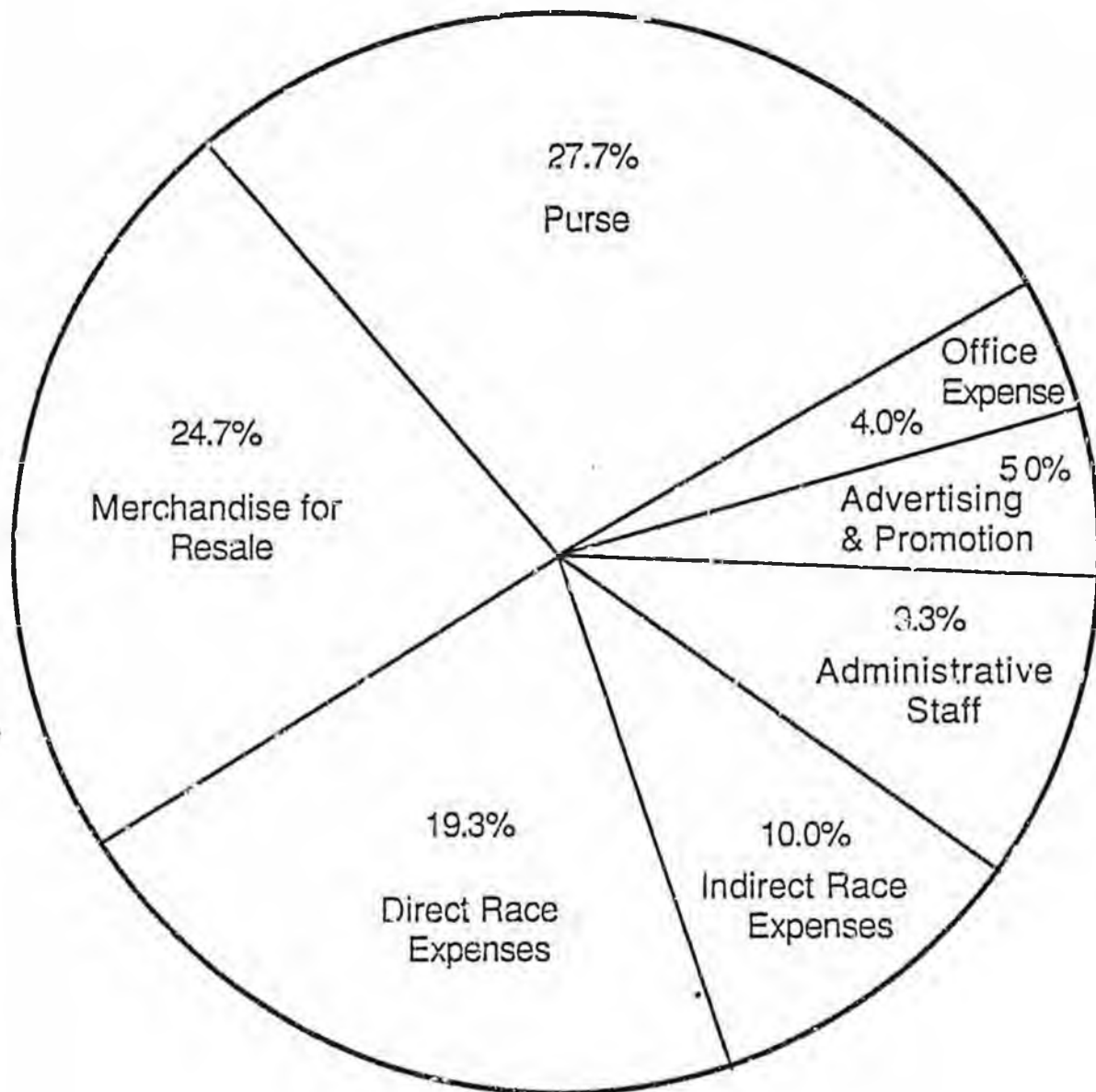
TOTAL REQUEST

\$ 100,000.00

Iditarod 1985

Total Expenses

Fiscal '84/85'



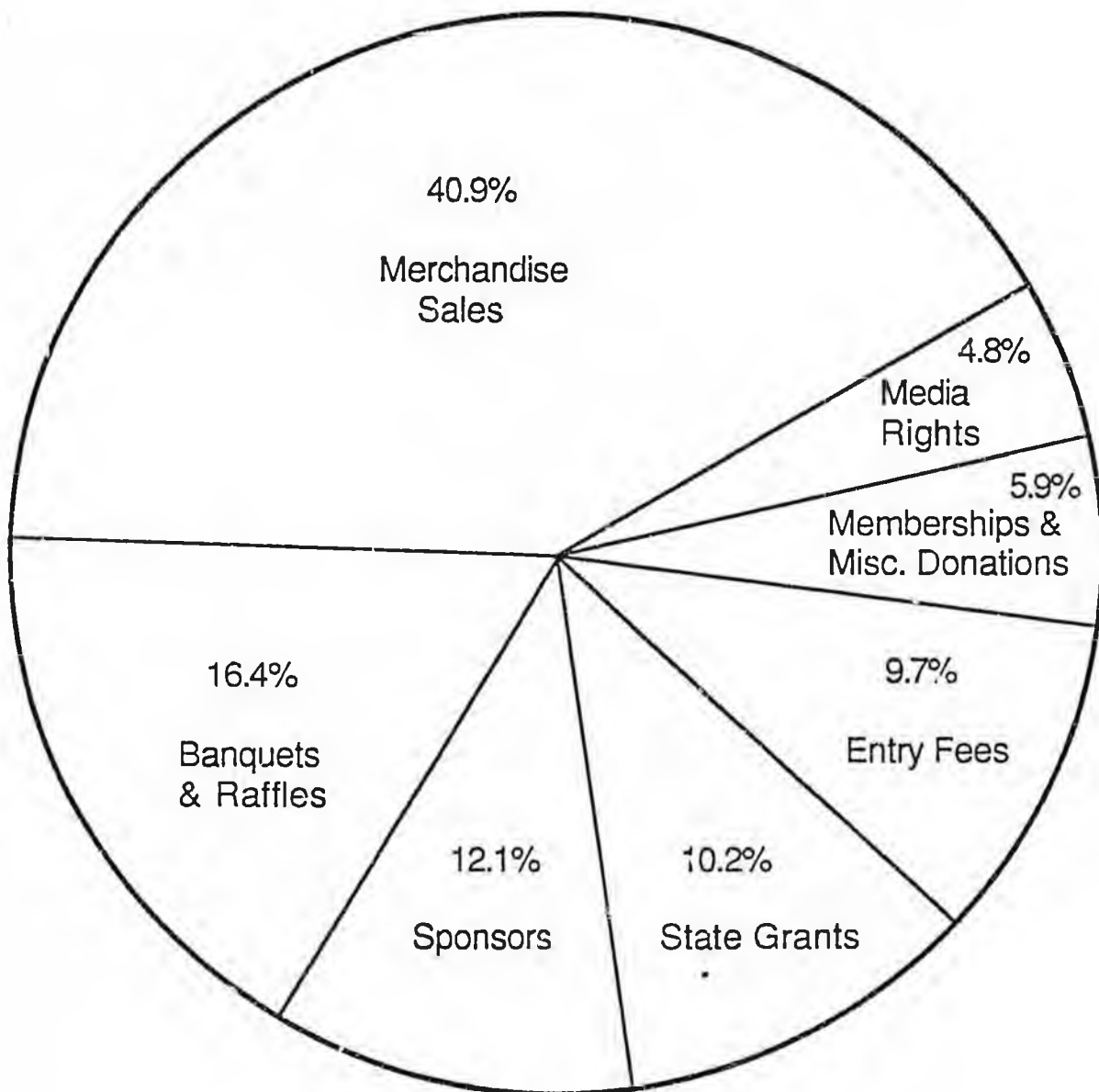
\$787,493.00

May 1, 1984 to April 30, 1985

Iditarod 1985

Total Income

Fiscal '84/85'



\$787,493.00

May 1, 1984 to April 30, 1985

**HOUSE
COMMITTEE REPORT**

(11)

Date referred: 3/12/86

FURTHER REFERRALS:

DATE: 3/24/86

The FINANCE Committee has considered SB 348

"An Act making a special appropriation for the 1986 Iditarod sled dog race; and providing for an effective date."

and recommends:

- do pass
- do not pass
- do pass with attached amendment(s)
- no recommendation
- replace with H CS SB 348 (fin) same title
- new title

and recommends DO PASS

further referral to the _____ Committee

- and attaches:
- letter of intent
 - first fiscal note
 - new fiscal note
 - zero fiscal note

SIGNING DO PASS:

Albert G. Edas
John Conital
Mike Symonelli
Jim [unclear]
Ronald L. Larson
Fat Fournier
Steve [unclear]
[unclear]
[unclear]

SIGNING OTHER RECOMMENDATIONS:

Rick Uehli (NO REC)
Sen Costello (NO REC)

Albert G. Edas
Chairman

Original sponsor: Faika

Funding Information

| | |
|--------------|-----------------|
| General Fund | \$40,000 |
| Other Funds | -0- |
| | <u>\$40,000</u> |

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR SENATE BILL NO. 348 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

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15 accordance with AS 37.05.316.

16 * Sec. 3. This Act takes effect immediately in accordance with AS 01.-
17 10.070(c).

Alaska State Legislature

CO-CHAIRMAN
FINANCE COMMITTEE

907-465-3740



JAN FAIKS
FOUCH V
CAPITOL BUILDING
JUNEAU, ALASKA 99811

Senate

March 11, 1986

MEMORANDUM

TO: Representative Al Adams, Chairman
House Finance Committee.

FROM: Senator Jan Faiks *Jan Faiks*

SUBJECT: Background on Senate Bill 348, an Act making a special appropriation to the 1986 Iditarod sled dog race.

Senate Bill 348 appropriates \$90,000 to the Department of Commerce and Economic Development for a grant to the Iditarod Trail Committee, Inc. The Committee will apply this grant toward the expenses of conducting the 1986 Iditarod Sled Dog Race.

As the longest sled dog race in the world, the Iditarod has become a major international challenge. This year, eighty teams have entered the race.

Not only does the race commemorate an historic event, but it also promotes tourism by portraying a positive image of Alaska throughout the world. It furnishes Alaska with media exposure which could not be purchased for an equivalent price. An estimated 4.65 million homes viewed the 1985 race. Its winner, Libby Riddles, appeared on "Good Morning America" and was featured in articles in Vogue, Time, and Newsweek.

The Race also has a unique ability to unify the state during the long winter months. It is one of the few events that draws urban and rural residents together in a common interest and focus. An estimated 250,000 Alaskans follow the progress of the Race.

During recent years, the Legislature had made the following appropriations to support the Race:

OUT OF SESSION

| <u>FY</u> | <u>AMOUNT</u> | <u>USE</u> |
|-----------|---------------|-----------------------------|
| 81 | \$25,000 | race expenses |
| 82 | \$16,700 | race expenses |
| 83 | \$100,000 | trail improvements |
| 84 | \$300,000 | race committee headquarters |
| | \$250,000 | right-of-way acquisition |
| | \$65,050 | race expenses |
| 85 | \$72,000 | race expenses |

This year's appropriation will provide only a portion of the estimated \$1,000,000 needed to run the 1986 Race. This figure is more than double last year's cost to operate the Iditarod.

The Trail Committee has proposed the following expenditures for this \$90,000 grant:

1. Trail Restoration, Breaking and Marking (snow machine rentals, expenses, gas, food, labor, and markers) - \$27,000
2. Dog Care and Treatment (veterinarian costs, medical supplies, food, lodging, transportation, and blood sample analysis) - \$16,200
3. Iditarod Air Force: flies the trails and delivers 130,000 pounds of dog food to check points. (chartering local air services, fuel, oil, & insurance for the planes, food & lodging for the crews) - \$27,000
4. Liability Insurance: (covers spectators, municipalities, BLM, volunteers, Trail Committee, & its vehicle) - \$5400
5. Communications (operating the new computer race tracking system, communications with the media) - \$9900
6. Office Equipment and Expenses - \$4500

For the first time, we are able to quantify the Iditarod's economic impact on Alaska. The attached packet contains the results of a study by the Gilmore Research Group. This study shows that the race generates \$103,000 in state taxes

and \$276,000 in local taxes. It creates 240 primary and 119 secondary paid jobs within the state.

Thank you for your anticipated support of this great event.

IDITAROD



The Last Great Race • Anchorage to Nome • 1049 Miles



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ALASKA VISITORS ASSOCIATION

P.O. BOX 10-2220
ANCHORAGE, AK 99510
(907) 276-6663

Telex:
Within Alaska 25-147
Lower U.S. 090-25-147
Canada 0305-25-147
International 314-25-147

1984-85 EXECUTIVE OFFICERS

President
DENNIS BRANDON
Sheffield Enterprises
Anchorage, Alaska

Vice President/
Administration
DEAN WEIDNER
The Weidner Co.
Marcer Island, Washington

Vice-President/
Government Relations
CHRIS VON IMHOF
Alveska Resort
Girwood, Alaska

Vice-President/
Marketing
GARY ODLE
Alaska Airlines
Seattle, Washington

Secretary
RAL T. WEST
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ROBERT H. BRENNAN
1983-1984

GILMORE RESEARCH GROUP

METROPOLITAN PARK BUILDING 1100 OLIVE WAY, SUITE 250 SEATTLE, WASHINGTON 98101 (206) 547-5555

IDITAROD ECONOMIC IMPACT REPORT

for
The Iditarod Trail Committee

by
Gilmore Research Group

September, 1985

INTRODUCTION

The Iditarod Race is an important event to the State of Alaska for two fundamental reasons. The first reason stems from the historical and objective conditions of the state as a whole: Alaska is the last frontier, the apex of the American image of itself as a land of rugged and free individuals who are hardy and tough, independent. The Iditarod Race is one of the last representations of that dominant spirit and behavior. The Iditarod Race lends character and flavor to the image of Alaska as a place for visitors to recapture the pioneer spirit that is perceived by most Americans as the backbone of our country. This, then, is the first reason for supporting and promoting the Iditarod Race, the cultural and historical heritage, a continuity with our past.

The second reason that the Iditarod is important to the State of Alaska is because it provides revenue. It does this by generating jobs and taxable income resulting from expenditures by participants and observers involved with the Race. Participants in the Race represent both Alaskans and non-Alaskans as well as their dogs, while on the observer side there are journalists, photographers, tourists, Race officials and Alaskan spectators. In addition, there are over 50 other affiliated events and activities which center around the Iditarod Race. These activities and events also produce revenue for the State through expenditures of income by groups and by individuals.

Unquestionably, the Iditarod Races and the activities stemming from them make an important contribution to the State of Alaska, both from a social and cultural perspective as well as from the economic side.

Tables 1, 2 and 3 enumerate each of the economic impact model components identified for the Iditarod Races, as well as the allocation of monies spent by all parties involved. As can be noted, there are an estimated 256.9 thousand people who are either directly or indirectly involved with the Iditarod as spectators, participants or officials -- all in Alaska. It is also estimated by CBS Television that as many as 4.6 million American households across the country saw the finish of the race as it was telecast in 1985.* To this can be added, the international coverage and telecasts which are estimated to reach an equal number of households outside the U.S.

The resulting expenditures from people involved with the Race or affiliated events was well over \$20.9 million which generated an estimated \$4.63 million in wages, salaries and employee benefits. The total number of jobs created from this activity is approximately 359 with another 811 dependent in some way on the continued existence of the Race and its supporting events. Taken all together the Race and the affiliated events creates about \$276.8 thousand in local taxes and \$103.1 thousand in state taxes.

These figures are rather impressive for a single sporting event which occurs but once a year during a period which has traditionally been low in visitors (tourists) from outside the State of Alaska. In figures taken from the Anchorage Convention and Visitors Bureau Winter Reports for 1984 and 1985 an estimated 5% of those coming from Anchorage reported seeing the Iditarod (this translates into 3900 people each year). Many of these people indicated that the purpose of their trip to Alaska was to see the Iditarod Sled Dog Race.

*This figure is supported by the March-April 1985 Arbitron Ratings published in May 1985.

From the perspective of the total impact generated by tourism to the State of Alaska, the Iditarod is not the largest contributor in either money or people. However, the total impact of the Iditarod Race must be seen as a combination of social, cultural and economic factors. As stated earlier, the Race is an image maker, supporting the spirit of the last frontier. The Race is a social event within the State bringing people (especially in the smaller communities) closer together, reminding them of their strong heritage, while reinforcing the perception of Alaska as a land with unique geographic conditions as well as immense wild beauty. From the perspective of someone outside the state, a potential visitor, the Iditarod is a reminder of the size, beauty and unspoiled nature of Alaska. The Race consequently produces interest in visiting Alaska as a final destination and this is, of course, a very desirable impact from an economic standpoint.

TABLE 1
IDITAROD ECONOMIC IMPACT MODEL*

| | |
|--|-------|
| Total number spectators/participants (thousands) | 256.9 |
| Total resulting spending (in millions of \$)** | 20.9 |
| Generated payroll (in millions of \$) | 4.63 |
| Total jobs | 359 |
| Actual primary jobs | 240 |
| Estimated secondary jobs | 119 |
| People who depend on these jobs for their livelihood | 811 |
| Purchasing power (in millions of \$) | 31.3 |
| Activity generated state and local tax revenue (in thousands of \$): | |
| State tax revenue | 103.1 |
| Local tax revenue | 276.8 |

* Includes supportive events and activities during the "Month of Iditarod" as well as the Race itself (see attached sheet of events).

**Uses Multiplier Effect estimated to be 1.5 for the State of Alaska. The multiplier effect is in essence a "trickle down" phenomenon, whereby a dollar spent directly as a result of an event produces availability of funds (by those receiving them) for further purchases. Thus, an observer of the race who buys \$10.00 worth of native arts in Nome or Anchorage from a shop represents the end of a chain of purchases, shipping, and production, the total value of which is \$15.00.

TABLE 2

ESTIMATED EXPENDITURE BREAKDOWN
DIRECTLY RESULTING FROM IDITAROD

| | <u>Expenditures</u> | <u>Payroll</u> | <u>Jobs*</u> |
|---------------------------|---------------------|----------------|--------------|
| Food | \$ 696,558 | \$ 218,022 | 19 |
| General retail & gasoline | 531,600 | 74,105 | 5 |
| Lodging | 292,871 | 94,890 | 9 |
| Transportation | 692,600 | 173,150 | 5 |
| Entertainment | <u>120,161</u> | <u>33,032</u> | <u>3</u> |
| TOTALS | \$ 2,333,790 | \$ 593,199 | 41 |

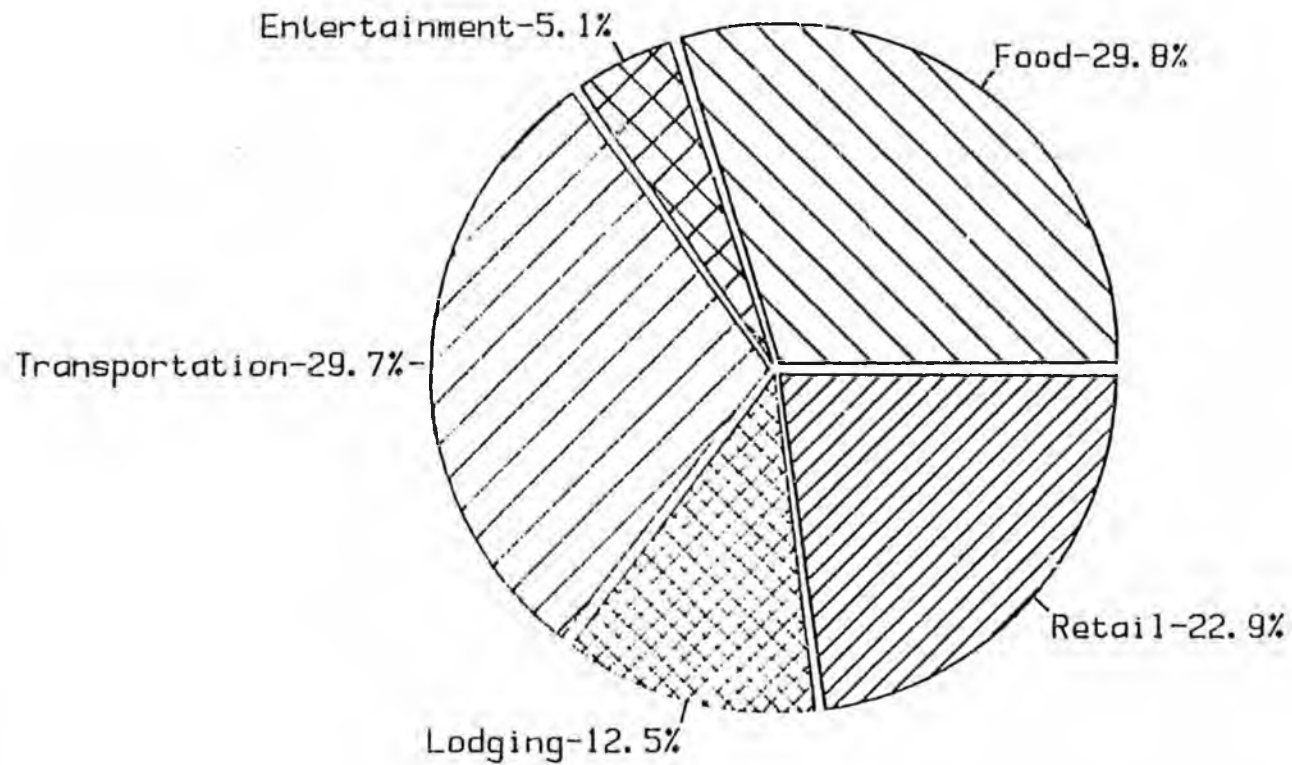
TABLE 3

EXPENDITURE BREAKDOWN FOR IDITAROD
AND SUPPORTING EVENTS/ACTIVITIES

| | <u>Expenditures</u> | <u>Payroll</u> | <u>Jobs*</u> |
|---------------------------|---------------------|----------------|--------------|
| Food | \$ 4,446,558 | \$1,391,772 | 118 |
| General retail & gasoline | 6,781,600 | 945,355 | 66 |
| Lodging | 567,871 | 183,990 | 16 |
| Transportation | 817,600 | 204,400 | 5 |
| Entertainment | <u>1,370,161</u> | <u>376,657</u> | <u>35</u> |
| TOTALS | \$13,983,790 | \$3,102,174 | 240 |

*This figure is based on the "man years" generated over a 2080 hour year.

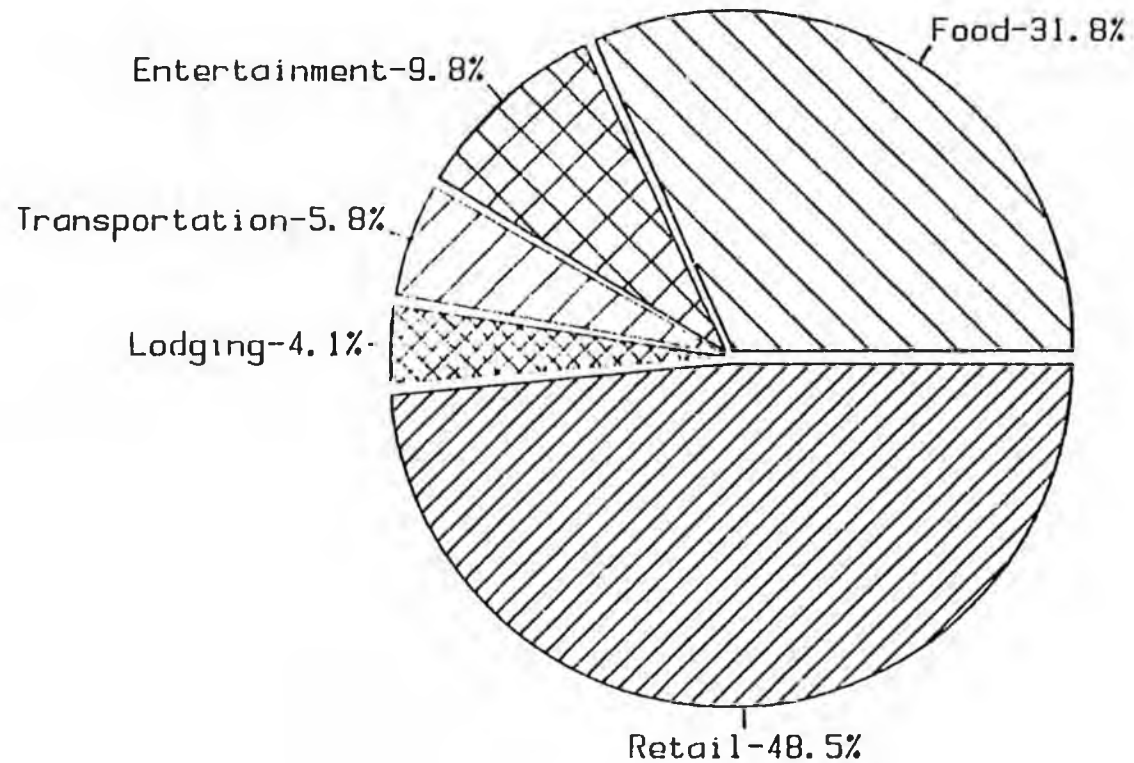
REVENUE BREAKDOWN IDITAROD ONLY*



TOTAL = \$2,333,790.00

*Proportions based on a per dollar expenditure.
Iditarod Economic Impact Report
Produced by Gilmore Research Group, 1985

REVENUE BREAKDOWN IDITAROD PLUS AFFILIATED EVENTS*



TOTAL = \$13,983,790.00

*Proportions based on a per dollar expenditure.
Iditarod Economic Impact Report
Produced by Gilmore Research Group, 1985

IDITAROD SUPPORTING ACTIVITIES & EVENTS: STATEWIDE

Anchorage/Wasilla

Race Start & Winter Carnival (over 40 events)

Check Point City/Locations (26 locations on the Race Route)

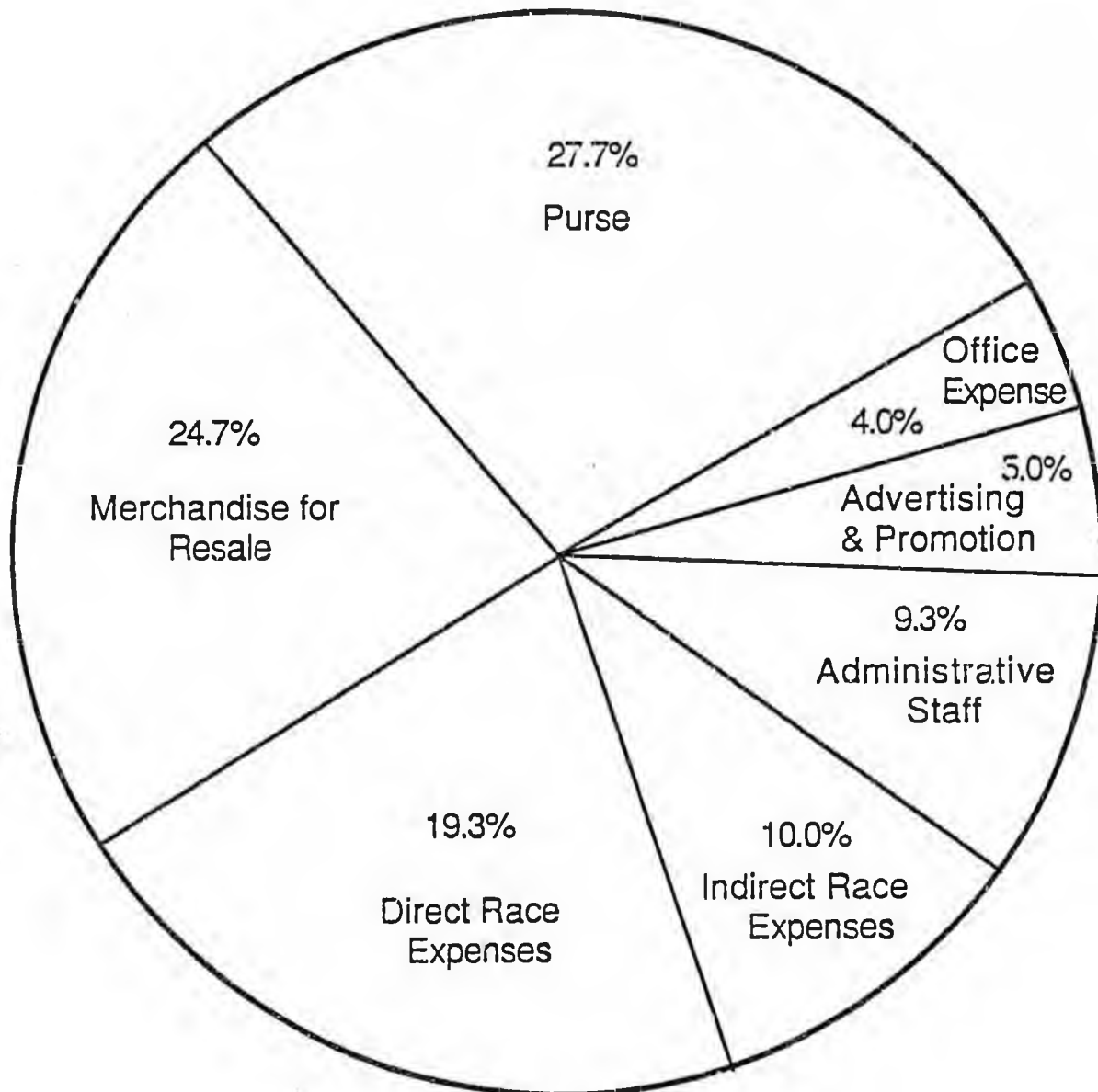
Fund Raisers Sponsoring Resident Alaska Musers (estimated at 25)

"Nome" Month of Iditarod (includes 10-11 events)

Iditarod 1985

Total Expenses

Fiscal '84/85'



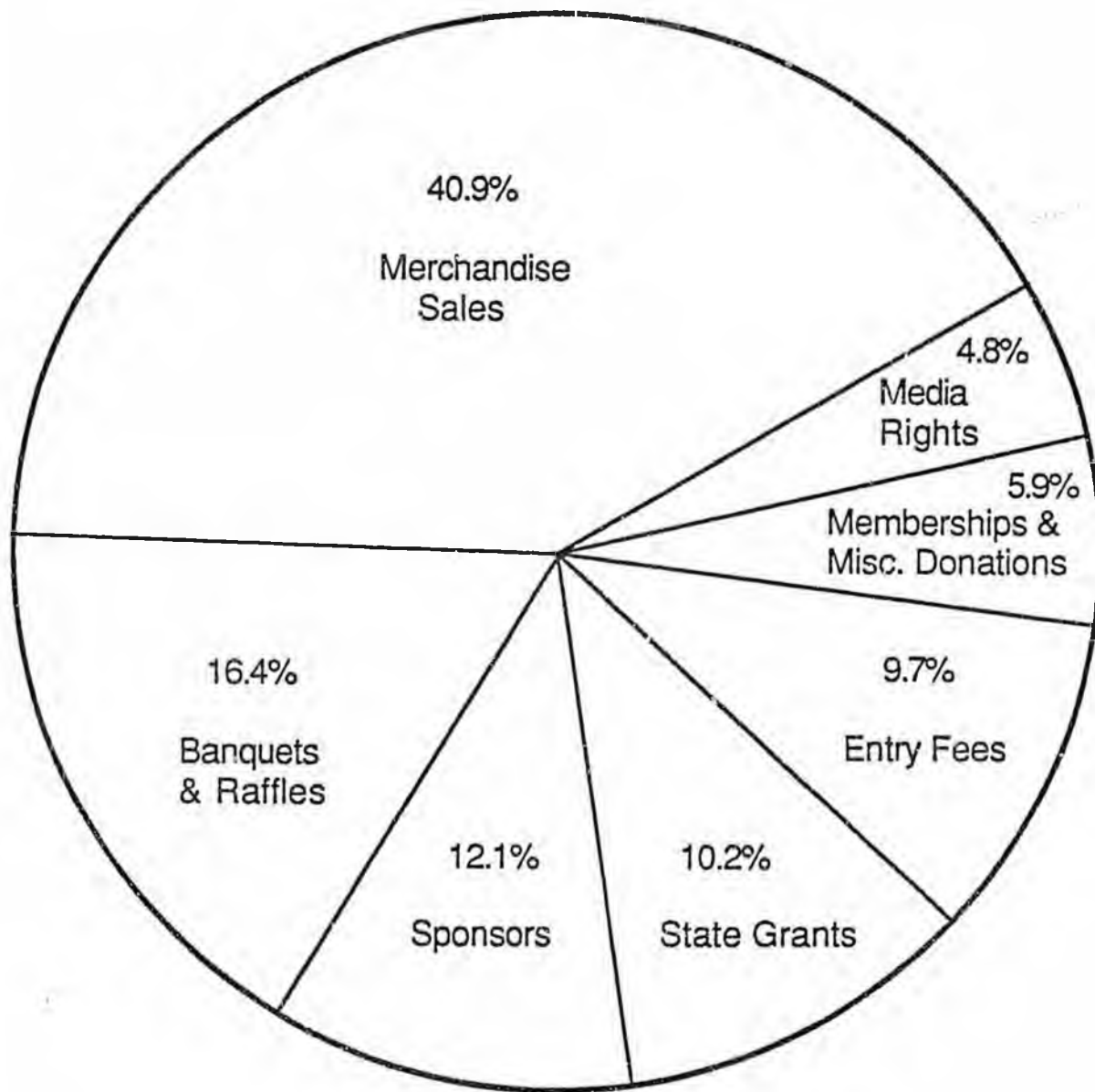
\$787,493.00

May 1, 1984 to April 30, 1985

Iditarod 1985

Total Income

Fiscal '84/85'



\$787,493.00

May 1, 1984 to April 30, 1985

1986 Iditarod Sled Dog Race Request

1. Trail

Each year the Iditarod Committee breaks and marks the Iditarod Trail from Settler's Bay to Shageluk or Ruby. We must find colunteers to complete, at cost, this project. Many different groups use the trail when it is opened, including skiers, snowmobilers and recreational dog mushers. We need monies for machine rentals, expenses, gas, food, labor and markings. This year we will also be doing some major restoration work, brushing and clearing overgrown sections, plus installing \$6,000 worth of permanent markers.

\$ 30,000.00

2. Dog Care and Treatment

Our organization and our mushers insist on excellence in dog care. Last year over one thousand (1,000) dogs left Fourth Avenue in Anchorage heading for Nome. At every checkpoint along the trail we have veterinarians stationed to care for the dogs. Each veterinarian has medication and equipment to monitor the dogs condition and to perform emergency treatment if necessary. They also help the mushers keep their teams in top health by administering vitamins and foot salve. Veterinarians also check for the use of illegal drugs by having blood samples drawn and then sent off to be analyzed at Cornell University. Veterinary expenses include food, lodging, transportation, medical supplies and sample analysis.

\$ 18,000.00

3. Iditarod Air Force

Each year aviation insurance costs rise. The Iditarod Trail Committee must be protected, so we purchase this policy for a month and a half. We purchase gas and oil for our planes flying the trail, which adds to the local economy. Additionally this year we will be hiring local air charter services to facilitate getting the 130,000 pounds of dog food into the checkpoints in a timely fashion. Air Force expenses include food, lodging, gas, oil, insurance and charter costs.

\$ 30,000.00

4. Liability Insurance

We must have protection for spectators, municipalities, Bureau of Land Management, our volunteers and the Iditarod Trail Committee. Our dog truck is also insured.

\$ 6,000.00

ANALYSIS FOR SENATE BILL 52

An Act making a special appropriation for the 1985 Iditarod sled dog race

Senate Bill 52 appropriates \$72,000 to the Department of Commerce and Economic Development for a grant to the Iditarod Trail Committee. The Committee will apply this grant toward the expenses of conducting the 1985 Iditarod sled dog race.

As the longest sled dog race in the world, the Iditarod has become a major international challenge. Not only does the race commemorate an historic event, it also promotes tourism by portraying a positive image of Alaska throughout the world.

The Iditarod race furnishes Alaska with media exposure which could not be purchased for an equivalent sum. In 1983, the CBS Television Network broadcast the start of the race nationwide and last year a Japanese company produced an hour long film on the race which was shown on the Tokyo Broadcasting System. The Iditarod has been the focus of articles in National Geographic, GEO Magazine, Newsweek, People Magazine, and a recent book, The Last Great Race. This year's race will be featured on CBS's "Sports Saturday".

During recent years, the Legislature has made the following appropriations to support the race:

| <u>FY</u> | <u>AMOUNT</u> | <u>USE</u> |
|-----------|---------------|--------------------|
| 81 | \$ 25,000 | race expenses |
| 82 | \$ 16,700 | race expenses |
| 83 | \$100,000 | trail improvements |

For FY 84, the Legislature appropriated \$300,000 for a race committee headquarters, \$250,000 for right-of-way acquisition and \$65,050 toward operating last year's race.

This bill's appropriation would provide only a portion of the estimated \$468,000 needed to conduct the 1985 race. Enclosed in your packet is a breakdown of this \$72,000 request that was submitted by the Trail Committee.

5. Communications

An informed public is a knowledgeable public and each year we expand our communications technology all along the trail. Volunteer amateur radio operations are stationed at all remote checkpoints feeding hourly reports to base units and then via phone line to central headquarters in Anchorage. This year we are trying to involve the school children in the villages we pass through by experimenting with the use of computers to replace the radios in these villages, providing "hands on" learning experiences for the students. This data is then fed into a computer which converts it into human sounding speech and "speaks" this information over the phone to anyone who calls the computer hotline number. Over 25,000 calls were received throughout last year's race, many from news services in the lower 48 and around the world.

\$ 11,000.00

6. Office Equipment and Expenses

The cost of operating our office year round is great. We would like to include general office supplies in this request.

\$ 5,000.00

TOTAL REQUEST

\$ 100,000.00

2/10/86 AB
= (R13)

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date: 2-4-86

REQUEST

Bill/Resolution No.: CSSB 349 (Fin)
 Title: Reorganization of Delta Debt
 Sponsor: Sen. Coghill, Sen. Kerttula
 Requestor: Senate Resources Committee
 Date of Request: February 4, 1986

FISCAL DETAIL

Agency Affected: Natural Resources
 BRU: Land and Water Management
Agricultural Management
 Components: Public Use
AKLP

EXPENDITURES/REVENUES : (Thousands of Dollars)

| OPERATING | FY 86 | FY 87 | FY 88 | FY 89 | FY 90 | FY 91 |
|------------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | -0- | -0- | -0- | -0- | -0- | -0- |
| CAPITAL | | | | | | |
| REVENUE | ** | | | | | |

FUNDING : (Thousands of Dollars)

| | | | | | | |
|---------------|-----|-----|-----|-----|-----|-----|
| GENERAL FUND | | | | | | |
| FEDERAL FUNDS | | | | | | |
| OTHER | | | | | | |
| TOTAL | -0- | -0- | -0- | -0- | -0- | -0- |

POSITIONS :

| | | | | | | |
|-----------|--|--|--|--|--|--|
| FULL-TIME | | | | | | |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

ANALYSIS : Attach a separate page if necessary
 **See attached explanation.

Prepared by: Carol Wilson *[Signature]* Phone: 465-2400
 Division: Commissioner's Office Date: 2-4-86
 Approved by Commissioner: Thomas D. Spingarn, Deputy Date: 2/4/86
 Agency: Natural Resources

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

6/8/86

Analysis for Fiscal Note, Senate Bill 349
Reorganization of Delta Agricultural Project Debt

Revenue

A paper loss of as much as \$14,800,000 could be realized if 37 parcels of 2000 acres each are relinquished to the State.

37 parcels x 2,000 acres per parcel x \$200 per acre =
\$14,800,000.

However, since the clearing loans and land contract payments may not be collectable under current Delta financial conditions, and because the State would receive cleared land in lieu of land and loan payments under this bill, it could also be argued that no revenue loss would occur.

In addition, renegotiating ARLF chattel and farm improvement loans could result in reductions in loan principal and interest due the State. However, since foreclosure and resale of farm chattel and improvements could generate less income than could be realized from loan renegotiations, it could be argued that no revenue loss would occur.

SENATE FINANCE COMMITTEE

LETTER OF INTENT

TO ACCOMPANY CSSB 349 (*Finance*)

It is the intent of the legislature that farmers effected under this legislation be limited solely to those individuals and entities not participating in any federal program which has the effect of keeping agricultural land out of production. It is further the intent of the legislature that contracts, leases, development plans or other state documents amended under this law prohibit joint participation in the provisions of this bill and federal non-production subsidies for the term of the lease, plan, contract or other agreement.

Amendment to CSSB 349 (Finance)

Page 2, Line 15 Insert new Section 3

"The provisions of this Act are not available to any individual participating in any federal farm program which provides monetary or other incentives for keeping agricultural land in Delta Projects out of production".

Renumber remaining sections accordingly.

Bradley
2/28/86 ✓

Original sponsors: Coghill and
Kerttula

1 IN THE SENATE

2 CS FOR SENATE BILL NO. 349 ()

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the reorganization of private
7 debt at (a) Delta Project."

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

9 * Section 1. LEGISLATIVE FINDINGS. The legislature finds that the
10 large grain farms that were developed on state agricultural land in the
11 Delta Projects are subject to a personal debt load that is unmanageable
12 because of a coincidence of unique and unforeseen circumstances:

13 (1) the unforeseen difficulties with the limited growing seasons
14 including the extremely short period in which the crops may be planted;

15 (2) conflicts with the herds of bison located in the area;

16 (3) the inadequate agricultural infrastructure in the area of
17 the Delta Projects and in the state;

18 (4) the depressed grain prices nationwide;

19 (5) the unexpected problems with economic farm size.

20 * Sec. 2. (a) The commissioner of natural resources shall, at the re-
21 quest of an individual who holds agricultural rights to land purchased from
22 the state in a Delta Project,

23 (1) accept the relinquishment of agricultural land purchased
24 from the state in a Delta Project and credit the percentage of the debt
25 owed to the state on land purchased and land clearing loans that equals the
26 percentage of land relinquished under this section, either by acreage or by
27 value, as determined by the commissioner;

28 (2) enter into an agreement with the individual for the lease
29 for agricultural purposes only of a portion of or all of the land

1 relinquished for a term of 20 years at the full fair market value of the
2 land; a survey under this paragraph, if required, shall be at the expense
3 of the individual.

4 (b) If an individual who has relinquished land under this section
5 applies before July 1, 1987 for a lease on all or part of the land relin-
6 quished, the lease shall provide the lessee an option to purchase the land
7 leased under sec. 2(a)(2) of this Act at full fair market value at the time
8 of purchase without reduction to reflect the remaining lease term.

9 (c) The commissioner of natural resources in consultation with the
10 Agricultural Revolving Loan Board may renegotiate with the individual loans
11 for chattels or farm improvements located on the agricultural land in a
12 Delta Project if the commissioner determines that renegotiation is neces-
13 sary to minimize financial losses to the state and that it is in the best
14 interest of the state.

15 * Sec. 3. This Act is repealed July 1, 1988.
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Senate Finance Committee

Senator Jan Faiks, Co-Chairman Senator John Sackett, Co-Chairman

DATE: March 4, 1986

TO: Lynn Barnes

FROM: Vicki Wilson (4935)
Cap Bldg Rm 413

RE: CSSB 349 (Finance)

Please have a Senate Finance Committee Substitute for SB 349 prepared incorporating a new Section 3 (per attached).

The bill was reported out of Finance this morning and was read across during the Senate floor session at 11 am.

Please return to me asap.

THANX!

BILL SHEFFIELD, GOVERNOR

REPLY TO:

1031 W 4th AVENUE
SUITE 200
ANCHORAGE, ALASKA 99501
PHONE: (907) 276-3550

1st NATIONAL CENTER
100 CUSHMAN ST.
SUITE 400
FAIRBANKS, ALASKA 99701
PHONE: (907) 452-1568

POUCH K - STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3600

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

March 4, 1986

The Honorable Jan Faiks
Senate Finance Committee
Alaska State Legislature
P. O. Box V
Juneau, AK 99811

Re: CSSB 349(Res)

Dear Senator Faiks:

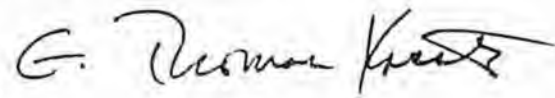
I have reviewed the February 27, 1986 memorandum from Senators Coghill and Halford to you regarding CSSB 349(Res), and the proposed Finance Committee Substitute which would add a new Section 1 containing Legislative Findings regarding problems encountered in the Delta Area. After reviewing the transcript of testimony before the Committee on February 20, 1986 and the additional material contained in the February 27, 1986 memorandum, it is my opinion that there is sufficient evidence in the record to support a determination by the legislature that legislation addressing the unique circumstances facing farmers in the Delta Area would not violate the prohibition against local and special legislation contained in article II, section 19 of the Alaska Constitution.

If I can be of further assistance, I am available at your convenience.

Sincerely,

HAROLD M. BROWN
ATTORNEY GENERAL

By:



G. Thomas Koester
Assistant Attorney General

GTK:dllm

cc: Senator John B. Coghill
Senator Rick Halford
Senator Jalmar M. Kerttula
Commissioner Esther C. Wunnicke
Jim Ayers, Office of the Governor
Tamara Cook, Legislative Affairs Agency



Official Business

Alaska State Legislature

Pouch V
State Capitol
Juneau, Alaska 99811

February 27, 1986

MEMORANDUM

TO: Senator Faiks, Senate Finance Committee

FROM: Senators Coghill and Halford

RE: Findings on "uniqueness" of the Delta Agricultural Projects

On February 25, 1986 testimonies were taken from four individuals on the question of a unique situation in the large agricultural projects in the Delta area. The four individuals were; Mike Carlson, President of the Alaska Soil and Water Conservation Association; Mike Schultz, Board Member of the Alaska Stockgrowers and Farmers Association; Barney Hollembaek, farmer; and Sid Nelson, farmer. There was also written testimony accepted from the Department of Natural Resources.

The findings were that the large grain farms developed on state agricultural land prior to the precipitous decline in oil prices and state revenues are subject to a debt load which is unmanageable. This situation is the result of a number of unique and unforeseen circumstances including but not limited to:

- 1) The Delta Project was originally intended to provide grain for the export market. That market never materialized.
- 2) Proposed marketing infrastructures were never completed. Examples: the Seward grain facility, the North Pole grain terminal, and utilization of the railroad grain cars purchased by the Division of Agriculture.
- 3) The decision on the size of the plots was made with little or no data available on subarctic grain production. It has now been determined after several years of experience that the parcels and subsequent debt load were too large.

- 4) The growing season in Delta, although hot, has proven to be short. The planting window last year was from May 25 to June 1. This was not enough time to plant a large parcel since on a good day only approximately 200 acres can be planted.
- 5) Farmers in Delta geared up to provide grain to Point Mackenzie dairy farms but Point Mackenzie was delayed because of court challenges and only now are the dairy farmers starting to use the grain from the Delta area.
- 6) The Delta grain farms are 345 miles or \$35.00 per ton away from the major market within the state.
- 7) The development of the project was severely hampered by habitat conflicts with bison.
- 8) There was a three year delay in electrification of Delta I and there is no electrification in Delta II; there are no phones in either project.

Attached is a Committee Substitute for SB 349 which deals with the findings of this hearing.

cc Tom Koester, Department of Law
Beth Kerttula
Commissioner Wunnicke, Department of Natural Resources

Senator John B. (Jack) Coghill
Alaska State Legislature

Pouch V
Juneau, Alaska 99811
(907) 465-1715

Box 158
Nenana, Alaska 99700
(907) 852-5471



MEMORANDUM

TO: SENATE FINANCE COMMITTEE
FROM: SENATOR COGHILL
DATE: February 19, 1986
RE: SB 349

A handwritten signature in dark ink, appearing to read "J. Coghill", written over the "FROM" line of the memorandum.

Today some farmers at Delta One and Delta Two have an annual debt load of over \$200,000 per year. Their income in a good year only approaches \$100,000 per year. SB 349 is intended to address this drastic situation and help correct the problems Delta farmers are having.

SB 349 gives the Department of Natural Resources the flexibility to help restructure the debt load in Delta.

The farmer can relinquish land to the state and receive credit either on a percentage basis or on a value basis on the purchase and clearing loans. In addition to this the chattel and farm development (farm improvements) loans could be written down if it will minimize dollar loss to the state and is in the best interest of the state.

An example would be that a farmer could return one half of his land to the state. Then one half of clearing and land purchase loans would be forgiven if the land returned is representative of the farm as a whole. The notes on chattel and farm development could be written down to a level that the farmer could service and would insure that the state will come out in a better position than it would have if the loans wouldn't have been rewritten.

We need to do this because the farmers in Delta assumed this debt load on the premise that the state would be supporting an export market infrastructure. This did not occur, but their debt remained. The in-state grain market will take time to develop, and before it's developed, these farmers will go under. SB 349 enables those who want to farm to do so with a manageable payment structure.

Bankruptcy is not the answer to the farmer's situation. Bankruptcy proceedings will take years and many of the farmers will just walk away from the land. We can not lose all the effort that's been put into this land.

I believe in this solution and hope that the committee will help me fix this desperate situation.



United States
Department of
Agriculture

1986 Conservation Reserve Program

Farm Program
Fact Sheet

February, 1986

AUTHORITY

The Food Security Act of 1985, enacted December 23, 1985.

PURPOSE

The Conservation Reserve Program encourages farmers to stop growing crops on highly erodible cropland and plant it to grass or trees through 10 year contracts with USDA.

SIGN-UP PERIOD

The Agricultural Stabilization and Conservation Service will administer the program. The sign-up period is March 3 through March 14, 1986.

RENTAL PAYMENTS

Producers must submit bids for annual rental payments at the time of application. Annual rental payments of up to \$50,000 per year will be made to farm owners or operators who enter a contract to convert eligible land to permanent vegetative cover. Payment will be made in cash or negotiable payment-in-kind certificates. Rental payments will not affect the total amount of payments a farmer is eligible to receive through other programs. Applicants will submit bids stating the rental payment they would accept to convert their highly erodible cropland to permanent vegetative cover.

**COST-SHARING FOR
CONVERSION**

The Commodity Credit Corporation will pay up to 50% of the cost of establishing permanent vegetative cover. The cover must be established by the end of the next growing season following contract approval. Eligible practices are Permanent Tame Specie Cover Establishment, Permanent Native Specie Cover Establishment, Forest Tree Plantations, Permanent Wildlife Habitat, and Field Windbreak Establishment, and Shallow Water Areas for Wildlife.

ELIGIBLE LAND

Eligibility is limited to highly erodible cropland in land capability class II-V eroding at three times the soil loss tolerance or higher, or land capability class VI-VIII (highly erodible soils not generally well suited for use as cropland, even after application of conservation practices). Cropland is defined as land that has been tilled to produce an agricultural commodity other than orchards, vineyards, or ornamental planting or has been set aside in a production adjustment program in two of the crop years from 1981-1985 and is suitable for crop production. Set-aside or diverted acres are not eligible.

CONSERVATION PLAN

A conservation plan must be approved by the local conservation district for the offered acreage. The plan will set forth the conservation measures and maintenance to be carried out by the owner or operator during the term of the contract.

BASE REDUCTION

Bases, quotas, and allotments will be reduced by the ratio of cropland on the farm to the acreage put into the program. The producer will choose which bases, quotas, or allotments will be reduced over the life of the contract, and this history will be preserved over the life of the contract.

HAYING AND GRAZING

Haying and grazing are not permitted during the contract period.

**OWNERSHIP
CONSIDERATIONS**

Tenants and sharecroppers will share payments with owners on a fair and equitable basis. Farms which have had an ownership change since January 1, 1986, are generally NOT eligible. Participants who lose control of reserve land must refund payments unless the new owner or operator continues the contract.

**COOPERATING
AGENCIES**

Agencies involved in the Conservation Reserve Program are: Agricultural Stabilization and Conservation Service, Soil Conservation Service, Extension Service, State forestry agencies and local soil and water conservation districts. A landowner may obtain further information from any of these agencies.

2/3/86
5 (10)

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: SB 349

Title: Reorganization of Delta Debt

Sponsor: Sen. Cochill, Sen. Kerttula

Requestor: Senate Resources Committee

Date of Request: January 24, 1986

FISCAL DETAIL

Agency Affected: Natural Resources

BRU: Land and Water Management

Components: _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

| OPERATING | FY 86 | FY 87 | FY 88 | FY 89 | FY 90 | FY 91 |
|------------------------|--------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | \$52.5 | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | \$52.5 | -0- | -0- | -0- | -0- | -0- |
| CAPITAL | | | | | | |
| REVENUE | ** | | | | | |

SB 349

FUNDING : (Thousands of Dollars)

| | | | | | | |
|---------------|-----|-----|-----|-----|-----|-----|
| GENERAL FUND | | | | | | |
| FEDERAL FUNDS | | | | | | |
| OTHER | | | | | | |
| TOTAL | -0- | -0- | -0- | -0- | -0- | -0- |

POSITIONS :

| | | | | | | |
|-----------|--|--|--|--|--|--|
| FULL-TIME | | | | | | |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

ANALYSIS : Attach a separate page if necessary

** See attached explanation

Prepared by: Carol Wilson *RW* Phone: 465-2400

Division: Commissioner's Office Date: Jan. 28, 1986

Approved by Commissioner: *Mms D Zmnd Deputy* Date: 1/29/86

Agency: Natural Resources

- Distribution (by Agency preparing fiscal note):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)

Analysis for Fiscal Note, Senate Bill 349
Reorganization of Delta Agricultural Project Debt

Contractual Funds

Appraisal of eligible parcels

25 parcels x \$300 per parcel = \$ 7,500

Survey of 5 acre fee simple homesites

25 parcels x \$1800 per parcel = \$45,000

Total \$52,500

Revenue

A paper loss of as much as \$10,000,000 could be realized if 25 parcels of 2000 acres each are relinquished to the State.

25 parcels x 2,000 acres per parcel x \$200 per acre =
\$10,000,000.

However, since the clearing loans and land contract payments may not be collectable under current Delta financial conditions, and because the State would receive cleared land in lieu of land and loan payments under this bill, it could also be argued that no revenue loss would occur.

Offered: 2/7/86
Referred: Finance

Original sponsors: Coghill and
Kerttula

1 IN THE SENATE BY THE RESOURCES COMMITTEE

2 CS FOR SENATE BILL NO. 349 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the reorganization of private
7 debt at a Delta Project."

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

9 * Section 1. (a) The commissioner of natural resources shall, at the
10 request of an individual who holds agricultural rights to land purchased
11 from the state in a Delta Project,

12 (1) accept the relinquishment of agricultural land purchased
13 from the state in a Delta Project and credit the percentage of the debt
14 owed to the state on land purchased and land clearing loans that equals the
15 percentage of land relinquished under this section, either by acreage or by
16 value, as determined by the commissioner;

17 (2) enter into an agreement with the individual for the lease
18 for agricultural purposes only of a portion of or all of the land relin-
19 quished for a term of 20 years at the full fair market value of the land; a
20 survey under this paragraph, if required, shall be at the expense of the
21 individual.

22 (b) If an individual who has relinquished land under this section
23 applies before July 1, 1987 for a lease on all or part of the land relin-
24 quished, the lease shall provide the lessee an option to purchase the land
25 leased under sec. 1(a)(2) of this Act at full fair market value at the time
26 of purchase without reduction to reflect the remaining lease term.

27 (c) The commissioner of natural resources in consultation with the
28 Agricultural Revolving Loan Board may renegotiate with the individual loans
29 for chattels or farm improvements located on the agricultural land in a

1 Delta Project if the commissioner determines that renegotiation is neces-
2 sary to minimize financial losses to the state and that it is in the best
3 interest of the state.

4 * Sec. 2. This Act is repealed July 1, 1988.

Introduced: 1/20/86
Referred: Resources and
Finance

1 IN THE SENATE

BY COGHILL AND KERTTULA

2

SENATE BILL NO. 349

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to the reorganization of private
7 debt at the Delta Project."

7

8

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

9

* Section 1. The commissioner of natural resources shall, at the re-
10 quest of an individual who purchased land from the state in the Delta
11 Project,

12

(1) accept the relinquishment of the land purchased from the
13 state;

14

(2) appraise the relinquished land at fair market value;

15

(3) credit the value of the land to the total agricultural debt
16 owed to the state on a per acre basis;

17

(4) renegotiate a loan with that individual for the purchase of
18 fee simple title to not more than five acres of the land on which residen-
19 tial and farm improvements exist;

20

(5) enter into an agreement with the individual for the lease
21 for agricultural purposes only of a portion of or all of the land relin-
22 quished at the fair market value of the land;

23

(6) grant the individual a 20-year lease with a preference right
24 to repurchase after the lease expires.

25

* Sec. 2. This Act is repealed July 1, 1988.

COMMITTEE REPORT

SENATE

FURTHER:

FINANCE

1/20/86

Date

2/6/86

Mr. President

The Committee on RESOURCES considered SB 349

relating to the reorganization of private debt at the Delta Project.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

do pass

do pass with attached amendment(s)

replace with/or adopt CS for SB 349 (Res)

new title

same title and recommends

and attached a "LETTER OF INTENT"

reports it back without recommendation

recommends referral to _____ Committee

NEW FISCAL NOTE

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

[Handwritten signatures]

Curtis Stungel
Chairman
Do Pass
Chairman recommendation

Offered: 3/4/86
Referred: Rules

Original sponsors: Coghill and
Kerttula

1 IN THE SENATE BY THE FINANCE COMMITTEE
2 CS FOR SENATE BILL NO. 349 (Finance)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - SECOND SESSION

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7 debt at a Delta Project."

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

9 * Section 1. LEGISLATIVE FINDINGS. The legislature finds that the
10 large grain farms that were developed on state agricultural land in the
11 Delta Projects are subject to a personal debt load that is unmanageable
12 because of a coincidence of unique and unforeseen circumstances:

13 (1) the unforeseen difficulties with the limited growing seasons
14 including the extremely short period in which the crops may be planted;

15 (2) conflicts with the herds of bison located in the area;

16 (3) the inadequate agricultural infrastructure in the area of
17 the Delta Projects and in the state;

18 (4) the depressed grain prices nationwide;

19 (5) the unexpected problems with economic farm size.

20 * Sec. 2. (a) The commissioner of natural resources shall, at the re-
21 quest of an individual who holds agricultural rights to land purchased from
22 the state in a Delta Project,

23 (1) accept the relinquishment of agricultural land purchased
24 from the state in a Delta Project and credit the percentage of the debt
25 owed to the state on land purchased and land clearing loans that equals the
26 percentage of land relinquished under this section, either by acreage or by
27 value, as determined by the commissioner;

28 (2) enter into an agreement with the individual for the lease
29 for agricultural purposes only of a portion of or all of the land

1 relinquished for a term of 20 years at the full fair market value of the
2 land; a survey under this paragraph, if required, shall be at the expense
3 of the individual.

4 (b) If an individual who has relinquished land under this section
5 applies before July 1, 1987 for a lease on all or part of the land relin-
6 quished, the lease shall provide the lessee an option to purchase the land
7 leased under sec. 2(a)(2) of this Act at full fair market value at the time
8 of purchase without reduction to reflect the remaining lease term.

9 (c) The commissioner of natural resources in consultation with the
10 Agricultural Revolving Loan Board may renegotiate with the individual loans
11 for chattels or farm improvements located on the agricultural land in a
12 Delta Project if the commissioner determines that renegotiation is neces-
13 sary to minimize financial losses to the state and that it is in the best
14 interest of the state.

15 * Sec. 3. The provisions of this Act are not available to an individual
16 participating in a federal farm program that provides monetary or other
17 incentives for keeping agricultural land in a Delta Project out of produc-
18 tion.

19 * Sec. 4. This Act is repealed July 1, 1988.

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: 2-4-86

REQUEST

Bill/Resolution No.: CSSB 349 (Fin)
Title: Reorganization of Delta Debt

Sponsor: Sen. Cognill, Sen. Kerttula
Requestor: Senate Resources Committee
Date of Request: February 4, 1986

FISCAL DETAIL

Agency Affected: Natural Resources
BRU: Land and Water Management
Agricultural Management

Components: Public Use
ARLF

EXPENDITURES/REVENUES : (Thousands of Dollars)

| OPERATING | FY 86 | FY 87 | FY 88 | FY 89 | FY 90 | FY 91 |
|-------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | -0- | -0- | -0- | -0- | -0- | -0- |

| | | | | | | |
|---------|--|--|--|--|--|--|
| CAPITAL | | | | | | |
|---------|--|--|--|--|--|--|

| | | | | | | |
|---------|----|--|--|--|--|--|
| REVENUE | ** | | | | | |
|---------|----|--|--|--|--|--|

FUNDING : (Thousands of Dollars)

| | | | | | | |
|---------------|-----|-----|-----|-----|-----|-----|
| GENERAL FUND | | | | | | |
| FEDERAL FUNDS | | | | | | |
| OTHER | | | | | | |
| TOTAL | -0- | -0- | -0- | -0- | -0- | -0- |

POSITIONS :

| | | | | | | |
|-----------|--|--|--|--|--|--|
| FULL-TIME | | | | | | |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

ANALYSIS : Attach a separate page if necessary

**See attached explanation.

Prepared by: Carol Wilson
Division: Commissioner's Office

Phone: 465-2400
Date: 2-4-86

Approved by Commissioner: Thomas D. Amundson, Deputy
Agency: Natural Resources

Date: 2/4/86

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget

Analysis for Fiscal Note, Senate Bill 349
Reorganization of Delta Agricultural Project Debt

Revenue

A paper loss of as much as \$14,800,000 could be realized if 37 parcels of 2000 acres each are relinquished to the State.

37 parcels x 2,000 acres per parcel x \$200 per acre =
\$14,800,000.

However, since the clearing loans and land contract payments may not be collectable under current Delta financial conditions, and because the State would receive cleared land in lieu of land and loan payments under this bill, it could also be argued that no revenue loss would occur.

In addition, renegotiating ARLF chattel and farm improvement loans could result in reductions in loan principal and interest due the State. However, since foreclosure and resale of farm chattel and improvements could generate less income than could be realized from loan renegotiations, it could be argued that no revenue loss would occur.

SENATE LETTER OF INTENT ON
CSSB 349(FIN)

"It is the intent of the legislature that farmers affected under this legislation be limited solely to those individuals and entities not participating in any federal program which has the effect of keeping agricultural land out of production. It is further the intent of the legislature that contracts, leases, development plans or other state documents amended under this law prohibit joint participation in the provisions of this bill and federal non-production subsidies for the term of the lease, plan, contract or other agreement."

Adopted by the Senate 3/7/86.

Senator John B. (Jack) Coghill
Alaska State Legislature

Pouch V
Juneau, Alaska 99811
(907) 465-4921

Box 55028
North Pole, Alaska 99705
(907) 488-7332



M E M O R A N D U M

TO: Representative Al Adams
FROM: Senator Coghill
RE: Background information SB 349
DATE: April 29, 1986

A handwritten signature in dark ink, appearing to be "J. Coghill", written over the "RE:" line of the memorandum.

Attached you will find a set of figures that show what typical farmers debt load consists of. These figures are representative of Delta I and Delta II farms. I am also including a packet of pertinent information.

Senate Bill 349 will give the State an opportunity to start divesting itself from the Delta project. One thing that all parties will agree with is that the project should stand or fall on its own merits. There are two alternatives to a solution for the woes of the Delta project: one is to restructure the debt load in realistic terms of what can be produced considering the present in State market; the other is to devise a plan to dismantle the project. The years of toll that the farmers have put into the project cannot be disregarded by our lack of action.

When we talk about dismantling the Delta project, the amount of investment that has been made in infrastructures (about 26 million dollars) would be lost. The loss would be magnified because we are not likely to ever see the time again when the State can make those kinds of investments. Re-growth will mean that the time and money put into clearing vast amounts of land will all go to waste. This bill will put into motion a plan to salvage investment and minimize loss.

Rather than arguing about who is responsible for the problems of the past, this is a way for the State to recover investments made into the agriculture industry. This bill doesn't forgive debt but it does restructure the debt to reflect a manageable debt load that a "good" farmer could service.

Representative Adams
Page 2
April 29, 1986

Dealing with this dilemma in realistic terms will mean that as the market increases the farmers will be able to expand on their own. The State market presently is between 13,000 and 17,000 tons per year. As this grows, grain production can expand spurred on by the law of supply and demand in the private sector, not by State involvement or direction. The whole picture of the Delta project can be brought into perspective in an analogy with any other business. You don't start out big and hope to create market with a minimal cash flow; you start out small and expand as you are able to.

The concept of how the reorganizational bill will work is that a farmer who has an unmanageable debt load will relinquish a percentage of his land back to the State and the State would then credit the land clearing loans the same percentage. Using an example of what a typical farmer can expect to gross between \$125,000 and \$150,000. After paying back operating loans at \$110,000, the farmer has \$15,000 to \$40,000 to service debt with. At the present time a farmer would need roughly \$96,000. By turning back 50% of his land and re-negotiating the chattel and farm development loans, the farmer would need \$49,000. This is close to what he could expect to service. The figures that I just mentioned don't reflect that the farmer and his family still have to eat. With a lower operating cost, a per acre production increase and production credits, the farmer could make it.

The Committee Substitute to SB 349 is intended to spell out how this restructuring process will work. A zero fiscal note would accompany this bill since there are no survey costs and no appraisals of land to be made.

Section 3 of SB 349 prohibits farmers from participating in federal programs that would provide monetary incentives for keeping agricultural land out of production. This just doesn't make sense. As I mentioned before the intent of this bill should be to get farmers out on their own. Being able to participate in a federal program that farmers across the country are taking advantage of puts these farmers closer to becoming self sufficient instead of being just components of a state agricultural project. The additional money that could be generated from participation in these programs could also help insure the return on the states investment in the project.

Representative Adams
page 3
April 29, 1986

Also attached is a description of federal programs that farmers in the state could participate in. The Commodity Price Support Program addresses the problems in a depressed market that have caused the price of grain to go down. The average number of acres that would be taken out of production would be 66. Because of the short planting window most farmers now can't plant their whole farm so this won't take land out of production but it will help to stabilize the situation. The Conservation Acreage Reserve Program only removes land that is highly erodible or poses an off-farm environmental hazard. This program at the most will only effect two farms in the Delta area and by the very nature of the program only takes land out of production for sound reasons.

I urge you to remove this section from the bill in the best interest of farming and the state.

ACTUAL DELTA I FARMER

| <u>Loan Type</u> | <u>Total Loan</u> | <u>Annual Loan Payment</u> | <u>Principal Payment</u> | <u>Interest Payment</u> |
|------------------|-------------------|--------------------------------|------------------------------|-----------------------------|
| Land Purchase | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Land Clearing | 370,600 | 24,590 | 3,018 | 21,572 |
| Chattel | 300,000 | 57,621 | 45,741 | 11,879 |
| Farm Development | 154,000 | 15,685 | 4,578 | 11,106 |
| Operating | <u>101,000</u> | <u>109,080</u> | <u>101,000</u> | <u>8,080</u> |
| TOTAL | \$925,600 | \$206,976 | \$154,337 | \$52,637 |

ACTUAL DELTA II FARMER

| | | | | |
|------------------|----------------|----------------|----------------|--------------|
| Land Purchase | \$324,000 | \$ 43,376 | \$ 4,496 | \$38,880 |
| Land Clearing | 307,000 | 25,745 | 1,612 | 24,132 |
| Chattel | 181,000 | 34,765 | 27,597 | 7,167 |
| Farm Development | 95,000 | 9,675 | 2,824 | 6,851 |
| Operating | <u>117,000</u> | <u>125,360</u> | <u>117,000</u> | <u>9,360</u> |
| TOTAL | \$1,024,000 | \$239,921 | \$153,529 | \$36,390 |

FEDERAL AGRICULTURAL PROGRAMS IN ALASKA

1. Commodity Price Support Programs

Administration of farm commodity programs is the responsibility of the Agricultural Stabilization and Conservation Service (ASCS), a part of the USDA. These farm commodity programs are generally price support programs that allow farmers to receive payments equal to the difference between current commodity prices and federally established target prices. These payments are called deficiency payments. In order to participate in deficiency payment programs, a farmer must have a history of farm production. Farmers do not receive payments for land that is not planted, although this is often the public's perception of deficiency payment programs. Participation in a particular program may, however, require the farmer to limit the total number of acres planted in order to reduce the amount of the commodity that is marketed.

Alaska farmers could participate in barley, oat, and wheat deficiency payment programs. In 1985, the only Alaska participation was in the barley program and twelve Delta farmers received approximately \$180,000 in deficiency payments. On a per bushel basis, the deficiency payment equaled 52¢ per bushel. The 12 farmers planted a total of 7,179 acres of barley in 1985, an average of 598 acres per

farm. In order to participate, these farmers had to reduce production from their previous two-year average by an average of 66 acres per farm.

The new federal farm bill has made some changes in the deficiency payment program for the period 1986-90. The acreage base for eligible farmers, (the maximum acres for which deficiency payments could be made), now equals the average of planted acres during the preceding five years. Previously, the base acreage average was determined by the preceding two years. The number of farmers from Delta participating in the program will now be reduced because most have not produced crops for the required five years. The yield for which a farmer can now receive deficiency payments is the average of the 1981-85 program yield minus the high and low years.

2. Conservation Acreage Reserve Program

The Conservation Acreage Reserve (CAS) program is new and was created by the 1985 farm bill. Its purpose is to remove from production land that is highly erodible, land that poses an off-farm environmental hazard, or land that should not be continually used because of soil salinity.

The CAS program allows the Secretary of Agriculture to contract with farmers to place highly erodible land in the

reserve for ten years. To be eligible for the reserve, the land must meet certain criteria. Farmers must submit bids for land eligible for the reserve and the Secretary accepts or rejects the bid. Generally, the lowest bids will be accepted first.

Land in the CAS must be planted with a vegetative cover, which can consist of permanent grasses, legumes, shrubs, trees, windbreaks, or shelterbelts. Land in the CAS cannot be used for grazing or harvested without approval of the Secretary, and approval will be granted only if a drought or similar emergency exists. There is a \$50,000 limit per year per person on CAS rental payments.

Only 25% of the cropland in a county may be in the CAS. The State of Alaska has been divided into two counties. Delta Junction is considered one county and the remainder of the state the other. Eleven farmers from Delta Junction have recently submitted bids for approximately 5,000 acres to be included in the CAS. However, only one bid has been accepted by the Secretary. One additional bid, that was rejected because it failed to meet land qualification criteria, has been appealed. If the appeal is successful, the land may be accepted into the CAS. At most, land from two Delta farms will be included in the CAS in 1986.

3. Marketing and Inspection Programs

A. Animal and Plant Health Inspection Services (APHIS) - This agency is primarily concerned with animal and plant disease, pest control, and animal welfare issues. APHIS is also responsible for plant and animal quarantines. In Alaska, APHIS has cooperated in the development of a plant quarantine station in southcentral Alaska. A federal APHIS veterinarian is stationed in Alaska to prevent importation of diseased animals.

B. Food Safety and Inspection Services (FSIS) - Under the 1967 U.S. Wholesome Meat Act, the federal government establishes minimum standards for meat that is processed for interstate and intrastate trade and also inspects the meat. State governments are permitted to maintain a state inspection service for meat that remains in the state, and the federal government pays part of the cost of the program. Alaska maintains a state meat inspection service.

-----C.-----Agricultural Marketing Service (AMS) - The AMS provides crop and livestock market news service to all states. The Alaska Division of Agriculture obtains information from this service. The AMS also has a state marketing grant program and the Division of Agriculture has been a recipient of its grants. The AMS provides terminal market inspections for fruits and vegetables. The Division of Agriculture has a

federally licensed inspector to provide this service in Alaska. Farms requesting an inspection are charged a fee for the service. The Division of Agriculture also conducts shell egg surveillance. This is a federal program for which the state is reimbursed.

4. Small Community and Rural Development Program

A. Farmers Home Administration (FmHA) - Farmers who cannot obtain credit from other organizations can be successful loan applicants with FmHA. Unfortunately, the FmHA has been reluctant to accept land as collateral if the land title is limited to only the agricultural interest. FmHA loans in Alaska currently total \$1,000,000. About 15 farmers have loans from the FmHA.

B. Federal Crop Insurance Corporation (FCIC) - Farmers may purchase crop insurance from the FCIC for their barley crops. Although the state pays a portion of the insurance premium, the insurance is expensive in Alaska and few, if any, farmers were covered in 1985.

5. Natural Resources, Research, and Education Programs

A. Agricultural Research Service (ARS) - This is the chief research agency of the USDA. In Alaska, it conducts research

on conservation tillage. There are two ARS staff in Alaska. Both are researchers and are stationed in Fairbanks.

B. Statistical Reporting Service (SRS) - SRS is responsible for providing data on U.S. agriculture. The SRS provides information on Alaska agriculture through the Alaska Crop and Livestock Reporting Service.

C. Cooperative State Research Service (CSRS) - Formula research funds are provided to state agricultural experiment stations from the CSRS. The Agricultural and Forestry Experiment Station, University of Alaska, administers these funds in Alaska.

D. Extension Service (ES) - This is the federal arm of the Cooperative Extension Service, University of Alaska (CES). The ES provides formula funding and technical support to CES.

E. Soil Conservation Service (SCS) - Nationwide, SCS
_____ conducts soil surveys and provides technical help for soil erosion problems. The SCS is the major source for technical services and soils information.

Offered: 3/4/86
Referred: Rules

Original sponsors: Coghill and
Kerttula

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2

CS FOR SENATE BILL NO. 349 (Finance)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

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FOURTEENTH LEGISLATURE - SECOND SESSION

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29 for agricultural purposes only of a portion of or all of the land

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2 land; a survey under this paragraph, if required, shall be at the expense
3 of the individual.

4 (b) If an individual who has relinquished land under this section
5 applies before July 1, 1987 for a lease on all or part of the land relin-
6 quished, the lease shall provide the lessee an option to purchase the land
7 leased under sec. 2(a)(2) of this Act at full fair market value at the time
8 of purchase without reduction to reflect the remaining lease term.

9 (c) The commissioner of natural resources in consultation with the
10 Agricultural Revolving Loan Board may renegotiate with the individual loans
11 for chattels or farm improvements located on the agricultural land in a
12 Delta Project if the commissioner determines that renegotiation is neces-
13 sary to minimize financial losses to the state and that it is in the best
14 interest of the state.

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16 participating in a federal farm program that provides monetary or other
17 incentives for keeping agricultural land in a Delta Project out of produc-
18 tion.

19 * Sec. 4. This Act is repealed July 1, 1988.

Offered: 2/7/86
Referred: Finance

Original sponsors: Coghill and
Kerttula

1 IN THE SENATE BY THE RESOURCES COMMITTEE
2 CS FOR SENATE BILL NO. 349 (Resources)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
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