

Leg Finance-House & Senate Fin Comte Files (1985-1986) 2453.01

**HOUSE
COMMITTEE REPORT**

(11)

Date referred: 4/9/86

FURTHER REFERRALS:

DATE: 4-24-86

The FINANCE Committee has considered HB 578

"An Act establishing fish and game resource management regions and regional fish and game advisory councils."

and recommends:

- do pass
- do not pass
- do pass with attached amendment(s)
- no recommendation
- replace with CS HB 578 (Res) same title
 new title

and recommends No Recommendation

further referral to the _____ Committee

and attaches: letter of intent
 first fiscal note
 new fiscal note
 zero fiscal note 4-8-86 - Same as Ovis (Res) version

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

[Signature]
[Signature]
[Signature]
[Signature] (NO PASS)
[Signature]

[Signature] No Rec.
[Signature] No Rec.
[Signature] No Recommendation
[Signature] No Rec.
[Signature] No Rec.

[Signature]
Chairman

Offered: 4/9/86
Referred: Finance

Original sponsor: Wallis

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 CS FOR HOUSE BILL NO. 578 (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 providing for the establishment of fish and
7 game resource management regions and the establish-
8 ment and operation of regional fish and game advisory
9 councils."

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

11 * Section 1. AS 16.05 is amended by adding a new section to read:

12 Sec. 16.05.261. REGIONAL ADVISORY COUNCIL REGULATIONS. (a) The
13 Board of Fisheries and the Board of Game, acting jointly, shall adopt
14 regulations under the Administrative Procedure Act (AS 44.62) for the
15 establishment of fish and game resource management regions and the
16 establishment and operation of regional fish and game advisory coun-
17 cils.

18 (b) Recommendations from the advisory councils shall be for-
19 warded to the appropriate board for consideration, but if the Board of
20 Fisheries or the Board of Game chooses not to follow the recommenda-
21 tions of a council, then the board shall inform the council of thi
22 action and state the reasons for not following the recommendations.

23 (c) Only a local advisory committee member may sit as a member
24 of a regional advisory council.

**STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE**

Revision Date : _____

REQUEST

Bill/Resolution No. SB 578 (Res)
 Title An Act providing for the es-
tablishment of fish and game re-
source management regions...
 Sponsor: Wallis
 Requestor: House Resources
 Date of Request: April 7, 1986

FISCAL DETAIL

Agency Affected: Fish and Game
 BRU: Division of Boards

 Components: _____

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						
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REVENUE						
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FUNDING : (Thousands of Dollars)

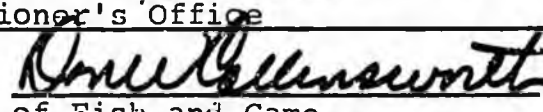
GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by: Roland Shanks  Phone: 465-4100
 Division: Commissioner's Office Date: April 3, 1986

Approved by Commissioner: Donnell Beleneworth  Date: 4.8.86
 Agency: Department of Fish and Game

Distribution (by Agency preparing fiscal note):

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

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF FISH AND GAME

OFFICE OF THE COMMISSIONER

P.O. BOX 3-2000
JUNEAU, ALASKA 99802
PHONE: (907) 465-4100

April 23, 1986

The Honorable Kay Wallis
Alaska State Legislature
P. O. Box V
Juneau, AK 99801

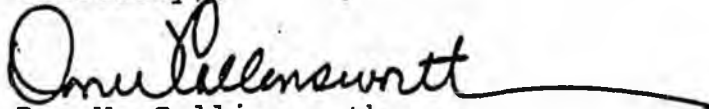
Dear Representative Wallis:

This is in response to your request for our position on HB 578. HB 578 would clarify the Joint Board of Fisheries' and Game's authority to establish Regional Fish and Game Councils. These Councils are required for the state to be in compliance with Sec. 805 of the Alaska National Interest Lands Conservation Act (ANILCA) and the board has already adopted regulations establishing six councils (Southeast, Southcentral, Interior, Southwest, Arctic, and Western). This legislation would formalize the state's commitment to the regional council system.

The regional councils consist of the chairpersons of each of the advisory committees within a single region. The Department of Fish and Game currently funds staff support and travel for committees and councils through the Division of Boards.

This bill would clearly provide the authority to establish and operate the regional councils. It would also ensure that the regulations continue to meet the requirements of ANILCA. The boards' current regulations appear to meet all the requirements of HB 578. No fiscal impact is expected.

Sincerely,



Don W. Collinsworth
Commissioner

Offered: 4/9/86
Referred: Finance

Original sponsor: Wallis

1 IN THE HOUSE BY THE RESOURCES COMMITTEE
2 CS FOR HOUSE BILL NO. 578 (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 providing for the establishment of fish and
7 game resource management regions and the establish-
8 ment and operation of regional fish and game advisory
9 councils."

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

11 * Section 1. AS 16.05 is amended by adding a new section to read:

12 Sec. 16.05.261. REGIONAL ADVISORY COUNCIL REGULATIONS. (a) The
13 Board of Fisheries and the Board of Game, acting jointly, shall adopt
14 regulations under the Administrative Procedure Act (AS 44.62) for the
15 establishment of fish and game resource management regions and the
16 establishment and operation of regional fish and game advisory coun-
17 cils.

18 (b) Recommendations from the advisory councils shall be for-
19 warded to the appropriate board for consideration, but if the Board of
20 Fisheries or the Board of Game chooses not to follow the recommenda-
21 tions of a council, then the board shall inform the council of this
22 action and state the reasons for not following the recommendations.

23 (c) Only a local advisory committee member may sit as a member
24 of a regional advisory council.

Introduced: 2/14/86
Referred: Resources and
Finance

1 IN THE HOUSE

BY WALLIS

2

HOUSE BILL NO. 578

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act establishing fish and game resource manage-
7 ment regions and regional fish and game advisory
8 councils."

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

10 * Section 1. AS 16.05 is amended by adding new sections to read:

11 Sec. 16.05.261. REGIONAL ADVISORY COUNCIL SYSTEM ESTABLISHED. A
12 system of regional fish and game councils is established to provide a
13 regional forum for the collection and expression of opinions and
14 recommendations on matters relating to fish and wildlife resources, to
15 assist the boards in deliberations concerning regulations, and to
16 provide for public participation in the regulatory process to help
17 adequately protect subsistence uses.

18 Sec. 16.05.262. FISH AND GAME RESOURCE MANAGEMENT REGIONS. (a)
19 For the purposes of conserving and managing the fish and wildlife
20 resources of the state, the following resource management regions are
21 created:

- 22 (1) Southeast Alaska;
23 (2) Southcentral Alaska;
24 (3) Southwest Alaska;
25 (4) Western Alaska;
26 (5) Arctic Alaska; and
27 (6) Interior Alaska.

28 (b) The Board of Fisheries and the Board of Game, acting joint-
29 ly, shall establish the boundaries of the resource management regions,

1 tence needs for use of fish and wildlife populations within the
2 region, and of other fish and wildlife needs that the council
3 identifies;

4 (C) a recommended strategy for the management of fish
5 stocks and wildlife populations within the region to accommodate
6 the identified fish and wildlife uses and needs; and

7 (D) recommendations concerning policies, standards,
8 guidelines, and regulations to implement the strategy.

9 (b) A regional fish and game advisory council shall provide a
10 forum for, and assist its local fish and game advisory committees in,
11 obtaining the opinions and recommendations of people interested in
12 fish and wildlife matters to achieve local participation in the deci-
13 sion-making process. If differences of opinion exist among the com-
14 mittees, the council shall attempt to reach a compromise and regional
15 consensus on matters of controversy.

16 (c) A regional fish and game advisory council may present to the
17 appropriate board recommendations concerning the conservation, regu-
18 lation, management, and use of fish and wildlife resources within the
19 council's region, along with the evidence upon which the recommenda-
20 tions are based. The appropriate board shall consider the advice and
21 recommendations of a regional advisory council concerning the taking
22 of fish stocks and wildlife populations in the council's region for
23 subsistence uses.

24 (d) A regional fish and game advisory council may make recommen-
25 dations to the boards on the creation, consolidation, distribution, or
26 operation of the local committee system.

27 Sec. 16.05.265. REGIONAL ADVISORY COUNCIL REGULATIONS. The
28 Board of Fisheries and the Board of Game, acting jointly, may adopt
29 regulations under the Administrative Procedure Act (AS 44.62) for the

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

Introduced: 2/14/86
Referred: Resources and
Finance

1 IN THE HOUSE

BY WALLIS

2

HOUSE BILL NO. 578

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act establishing fish and game resource manage-
ment regions and regional fish and game advisory
councils."

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

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* Section 1. AS 16.05 is amended by adding new sections to read:

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Sec. 16.05.261. REGIONAL ADVISORY COUNCIL SYSTEM ESTABLISHED. A

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provide for public participation in the regulatory process to help

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adequately protect subsistence uses.

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Sec. 16.05.262. FISH AND GAME RESOURCE MANAGEMENT REGIONS. (a)

19

For the purposes of conserving and managing the fish and wildlife

20

resources of the state, the following resource management regions are

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created:

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(1) Southeast Alaska;

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(2) Southcentral Alaska;

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(3) Southwest Alaska;

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(4) Western Alaska;

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(5) Arctic Alaska; and

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(6) Interior Alaska.

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(b) The Board of Fisheries and the Board of Game, acting joint-

29

ly, shall establish the boundaries of the resource management regions,

1 and may establish additional regions after consulting with existing
2 regional councils. Taken together, the regions must include all land
3 in the state.

4 Sec. 16.05.263. REGIONAL FISH AND GAME ADVISORY COUNCILS. The
5 Board of Fisheries and the Board of Game, acting jointly, shall estab-
6 lish an advisory council for each region established under AS 16.05.-
7 262. A council shall consist of the persons who chair the active
8 advisory committees established in the council's region under
9 AS 16.05.260, or the persons' designees. An advisory council member
10 who is also a member of an advisory committee must be a resident of
11 the council's region.

12 Sec. 16.05.264. POWERS AND DUTIES OF REGIONAL ADVISORY COUNCILS.

13 (a) A regional fish and game advisory council shall

14 (1) hold public meetings on fish and wildlife matters;

15 (2) elect officers;

16 (3) in consultation with the local fish and game advisory
17 committees in its region and with the department, review, evaluate,
18 and make recommendations to a board on existing and proposed regula-
19 tions, policies, and management plans, and other matters relating to
20 the uses of fish and wildlife resources within its region;

21 (4) perform other duties specified by a board; and

22 (5) submit to the boards, the department, and the Secretary
23 of the Interior, by November 15 of each year, an annual report, con-
24 taining

25 (A) an identification of current and anticipated
26 subsistence uses of fish stocks and wildlife populations within
27 the region, and other fish and wildlife uses that the council
28 identifies;

29 (B) an evaluation of current and anticipated subsis-

- 1 operation of regional fish and game advisory councils and to implement
- 2 and further the purposes of AS 16.05.261 - 16.05.264.

HOUSE
COMMITTEE REPORT

(11)

Date referred: 4/9/86

FURTHER REFERRALS:

DATE: 4-29-86

The FINANCE Committee has considered HB 579

"An Act relating to financing of fish processors by the Commercial Fishing and Agriculture Bank."

and recommends:

- do pass
- do not pass
- do pass with attached amendment(s)
- no recommendation
- replace with C.S HB 579 (LOANS) 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 sent 4-4-86

SIGNING DO PASS:

Albert H. Adams
John J. ...
Jim ...
Ronald J. ...
Pat ...
Kirk ...
...
...
...

SIGNING OTHER RECOMMENDATIONS:

Steve ... No Recommendation

Albert H. Adams
Chairman

Offered: 3/5/86
Referred: Resources and
Finance

Original sponsor: Herrmann

1 IN THE HOUSE
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BY THE HOUSE SPECIAL COMMITTEE
ON STATE LOANS

CS FOR HOUSE BILL NO. 579 (Loans)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to financing of fish processors and agricultural and timber processors and harvestors by the Commercial Fishing and Agriculture Bank."

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

* Section 1. FINDINGS. The legislature finds that

(1) shore-based fish processing and agricultural and timber processing and harvesting facilities, regardless of ownership, are an essential part of the state economy and provide for the development of a renewable resource tax base vital to many Alaska communities;

(2) shore-based fish processing and agricultural and timber processing and harvesting facilities in the state, regardless of ownership, significantly contribute to the economic development and stability of Alaska's communities; and

(3) shore-based fish processing and agricultural and timber processing and harvesting facilities in the state, regardless of ownership, employ a significant resident work force and contribute substantially to local community economies through the demand for goods and services.

* Sec. 2. AS 44.81.210 is amended by adding a new subsection to read:

(c) Notwithstanding (a)(1) of this section, the bank may make a variable or fixed rate loan to a shore-based fish processor, a timber processor or harvestor, or an agricultural processor or harvestor that does not meet the resident ownership requirements of (a)(1) of this section for capital investment or operating capital if the majority interest in the processor or harvestor is beneficially owned by

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No: CS HB 579 (Loans)
 Title: Financing of Fish, Agriculture
 and Timber Processors by CFAB

Sponsor: House Loans
 Requestor: House Resources
 Date of Request: April 2, 1986

FISCAL DETAIL

Agency Affected: Department of Revenue
 BRU: Treasury Management

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

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

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker MB
 Division: Treasury

Phone: 465-2350
 Date: April 3, 1986

Approved by Commissioner: [Signature]
 Agency: Department of Revenue

Date: 4/4/86

Distribution (by Agency preparing fiscal note):

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

or vehicular way or area, as defined under AS 28.40.100, to be used for a special purpose, the state is not subject to legal action or recovery of damages for injury arising out of, or in any manner connected with the special purpose use. (§ 1 ch 65 SLA 1965; am § 19 ch 241 SLA 1976; am § 24 ch 144 SLA 1977)

Part 8. Independent State Boards, Associations, Commissions, and Corporations.

Chapter

- 81. Commercial Fishing and Agriculture Bank (§§ 44.81.010 — 44.81.350)
- 82. Alaska Gas Pipeline Financing Authority (§§ 44.82.010 — 44.82.200)
- 83. Alaska Power Authority (§§ 44.83.010 — 44.83.425)
- 85. Alaska Municipal Bond Bank Authority (§§ 44.85.005 — 44.85.420)
- 88. Alaska Industrial Development Authority (§§ 44.88.010 — 44.88.220)

Chapter 81. Commercial Fishing and Agriculture Bank.

Section	Section
10. Alaska Commercial Fishing and Agriculture Bank	200. Reports and publications
20. Board of directors	210. Powers of the bank
30. Articles of incorporation	220. Transition
40. Bylaws	230. Loans for purchase of Alaska limited entry permits
50. Membership meetings	240. Default and foreclosure of loans for limited entry permits
60. Membership stock	250. Deficiencies and transfer of entry permits after foreclosure
70. President; officers and employees	260. Confidentiality of records; exceptions
90. Term of office	270. Audit of bank
100. Quorum	280. Prohibition on disclosure
110. Compensation of board members	300. Definitions
160. Pledge of the state	
190. Conflicts of interest	

Editor's notes. — As to legislative findings and the purposes of the enabling act, see §§ 1 and 2, ch. 159, SLA 1978, respectively, in the 1978 Temporary and Special Acts and Resolves.

Sec. 44.81.010. Alaska Commercial Fishing and Agriculture Bank. (a) There is established the Alaska Commercial Fishing and Agriculture Bank. The exercise by the bank of the powers conferred by

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§ 44.81.010
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§ 44.81.020 STATE GOVERNMENT § 44.81.020

this chapter is considered to be for a public purpose. Except as otherwise provided in this chapter, the bank is subject to the provisions of AS 10.15 (Alaska Cooperative Corporation Act). The bank is exempt from the provisions of AS 06.05 (Alaska Banking Code) in the exercise of powers granted by this chapter.

(b) For the purpose of the funding of the bank's operations, the board of directors may issue nonvoting, preferred shares of stock in the bank and determine the value of each share. The State of Alaska, through appropriate agencies, may purchase the nonvoting, preferred shares issued by the bank. Shares purchased by the state shall be repurchased by the bank within 20 years after their purchase. If the bank fails to repurchase the shares within 20 years, the commissioner of commerce and economic development may dissolve the bank.

(c) After the board of directors has completed the necessary organizational matters described in AS 44.81.030 — 44.81.040, the commissioner of revenue may purchase with funds from the general fund up to \$2,000,000 of preferred stock of the bank during fiscal year 1979 at such time and with terms agreed upon by the commissioner and the board. (§ 3 ch 159 SLA 1978; am § 1 ch 53 SLA 1979; am § 12 ch 122 SLA 1980; am § 1 ch 109 SLA 1981)

Revisor's notes. — Formerly AS 44.54.010. Renumbered in 1980.

Cross references. — As to legislative findings for amendments in 1981, see § 9, ch. 109, SLA 1981.

Effect of amendments. — The 1980 amendment deleted "initial" preceding "funding" near the beginning of subsection (b), substituted "may" for "shall" preceding "issue" near the beginning of subsection (b) and preceding "purchase" near the beginning of the second sentence of subsection (b), deleted "shall" preceding "determine" near the middle of the first sentence of subsection (b), and deleted "initially" following "preferred shares" near

the middle of the second sentence of subsection (b).

The 1981 amendment deleted the former second sentence of subsection (a) which read "The bank is a public corporation and government instrumentality in the Department of Commerce and Economic Development but has a legal existence independent of and separate from the state." The amendment also, in subsection (a), substituted "to be for a public purpose" for "an essential governmental function of the state" in the present second sentence and added the present fourth sentence of the subsection.

Sec. 44.81.020. Board of directors. (a) The bank shall be managed by a board of directors consisting of seven members. At least one member of the board shall be an Alaska farmer with at least 10 years of Alaskan farm experience. Initial appointments to the board shall be made by the governor. Two of the initial appointments shall be made at the time of the first annual membership meeting of the bank. Thereafter, five board members shall be elected by the members of the bank, with at least one of the elected board members being an Alaska farmer with at least 10 years of Alaskan farm experience, and two board members shall be appointed by the governor until the repurchase of all the nonvoting, preferred shares initially issued by the bank and purchased by agencies of the state. After repurchase is completed, all

board members shall be elected by the members of the bank. The board members shall annually elect a chairman from among themselves. The purpose of the board is to manage the assets of the bank.

(b) The governor shall designate the two members whose positions on the board will remain appointive for the period set out in (a) of this section. (§ 3 ch 159 SLA 1978; am § 2 ch 53 SLA 1979; am § 3 ch 51 SLA 1980)

Revisor's notes. — Formerly AS 44.54.020. Renumbered in 1980.

Effect of amendments. — The 1980 amendment substituted "members of the bank" for "shareholders" near the beginning and at the end of the fifth sentence in subsection (a).

Editor's notes. — Section 6, ch. 53, SLA

1979, provides: "For the purposes of AS 44.81.020 and 44.81.090, the five members of the board of directors of the Commercial Fishing and Agriculture Bank who were appointed before August 4, 1979 shall continue to serve on the board of directors until their terms expire as provided in AS 44.81.090."

Sec. 44.81.030. Articles of incorporation. Not later than November 1, 1978, the board of directors shall file with the commissioner of commerce and economic development articles of incorporation as provided in AS 10.15.340 — 10.15.355 except that any filing fees shall be waived. (§ 3 ch 159 SLA 1978)

Revisor's notes. — Formerly AS 44.54.030. Renumbered in 1980.

Sec. 44.81.040. Bylaws. The board of directors shall adopt the initial bylaws of the bank. The power to alter, amend or repeal the bylaws is vested in the board of directors. The bylaws may contain provisions for the regulation and management of the affairs of the bank not inconsistent with this chapter or other provisions of law. (§ 3 ch 159 SLA 1978)

Revisor's notes. — Formerly AS 44.54.040. Renumbered in 1980.

Sec. 44.81.050. Membership meetings. Upon filing the articles of incorporation, the board of directors, with the assistance of the commissioner of commerce and economic development or the commissioner's designee, may hold public meetings throughout the state for the purpose of explaining to members of the commercial fishing and farming industries the functions of the bank and to encourage membership in the bank. (§ 3 ch 159 SLA 1978)

Revisor's notes. — Formerly AS 44.54.050. Renumbered in 1980.

§ 44.81.050

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§ 44.81.060

STATE GOVERNMENT

§ 44.81.090

Sec. 44.81.060. Membership stock. (a) The board of directors shall issue shares of membership stock in the bank in the amounts and with the value determined by the board and stated in the articles of incorporation.

(b) Loans made to members of the bank under the provisions of this chapter shall be in accordance with a schedule of maximum amounts adopted by the board of directors based upon proportional ownership of shares of capital stock. (§ 3 ch 159 SLA 1978; am § 4 ch 51 SLA 1980)

Revisor's notes. — Formerly AS "shareholders" near the beginning of sub-
44.54.060. Renumbered in 1980. section (b), and added "of capital stock" at

Effect of amendments. — The 1980 the end of subsection (b).
amendment substituted "members" for

Sec. 44.81.070. President; officers and employees. (a) The board of directors shall employ a president. The president may not be a member of the board of directors. The president serves at the pleasure of the board of directors. The president is the chief executive officer of the bank.

(b) The board of directors shall appoint one or more vice-presidents, as prescribed in the bylaws of the bank, a secretary, a treasurer and other officers as the board of directors considers necessary. The board of directors may appoint one person to more than one of the positions described in this subsection. The officers described in this subsection are not required to be members of the board of directors.

(c) The president may hire employees of the bank reasonably necessary for the efficient performance of the functions of the bank. Subject to the approval of the board of directors, the president may also contract for and engage the services of professional and technical advisors. The board of directors shall prescribe the duties and compensation of employees of the bank. Employees of the bank are not employees of the state and are not considered to be employees of a public organization for the purposes of AS 39.30.150 — 39.30.180 or AS 39.35.010 — 39.35.690. (§ 3 ch 159 SLA 1978; am § 5 ch 51 SLA 1980; am § 2 ch 109 SLA 1981)

Revisor's notes. — Formerly AS The 1981 amendment added the present
44.54.070. Renumbered in 1980. third sentence of subsection (c).

Effect of amendments. — The 1980
amendment rewrote the section.

Sec. 44.81.080. Exempt status. [Repealed, § 10 ch 109 SLA 1981.
For current law see AS 44.81.070(c).]

Sec. 44.81.090. Term of office. The members of the board shall serve for terms of three years, and they may serve successive terms. Terms shall be staggered. Initial terms of the first five members appointed to the board shall be two members serving until the first

annual membership meeting of the bank, two members serving until the second annual membership meeting of the bank, and one member serving until the third annual membership meeting of the bank. Initial terms of the two members appointed at the time of the first annual membership meeting of the bank shall be one member serving until the second annual membership meeting of the bank and one member serving until the third annual membership meeting of the bank. (§ 3 ch 159 SLA 1978; am § 3 ch 53 SLA 1979)

Revisor's notes. — Formerly AS 44.54.090. Renumbered in 1980.

Sec. 44.81.100. Quorum. A majority of the members of the board constitutes a quorum for the transaction of business and the exercise of the powers and duties of the board. (§ 3 ch 159 SLA 1978)

Revisor's notes. — Formerly AS 44.54.100. Renumbered in 1980.

Sec. 44.81.110. Compensation of board members. Members of the board receive compensation not to exceed \$250 as determined by the board for each day the board meets if they attend the meeting. (§ 3 ch 159 SLA 1978; am § 3 ch 109 SLA 1981)

Revisor's notes. — Formerly AS 44.54.110. Renumbered in 1980.

Effect of amendments. — The 1981 amendment added "of the board" following "members," substituted "not to exceed \$250 as" for "at a rate" preceding "deter-

mined" and deleted "and are entitled to per diem and travel allowances as provided by law for members of state boards and commissions" following "if they attend the meeting."

Secs. 44.81.120 — 44.81.150. Bonds of the bank; trust indentures and trust agreements; validity of pledges; nonliability on bonds. [Repealed, § 10 ch 109 SLA 1981.]

Sec. 44.81.160. Pledge of the state. The state pledges to and agrees with any lender to the bank and with the federal agency or regional institution of the federal farm credit system that loans or contributes funds in respect of a project, that the state will not limit or alter the rights and powers vested in the bank by AS 44.81.010 — 44.81.350 to fulfill the terms of any contract made by the bank with the lender to the bank or federal agency or regional institution of the federal farm credit system, or in any way impair the rights and remedies of the lender to the bank or federal agency or regional institution of the federal farm credit system. The bank is authorized to include this pledge and agreement of the state, insofar as it refers to a lender to the bank in a contract with the maker of a loan, and insofar as it relates to a federal agency or regional institution of the federal farm

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credit system, in a contract with a federal agency or regional institu-
tion of the federal farm credit system. (§ 3 ch 159 SLA 1978; am § 4
ch 109 SLA 1981)

Revisor's notes. — Formerly AS
44.54.160. Renumbered in 1980.

Effect of amendments. — The 1981
amendment substituted "any lender to the
bank" for "the holders of the bonds issued
under this chapter" preceding "and with
the federal agency," substituted "lender to
the bank" for "holders" preceding "o.
federal agency or regional institution,"
and substituted "lender to the bank or
federal agency or regional institution of
the federal farm credit system" for
"holders until the bonds, together with

interest on them, with interest on unpaid
installments of interest, and all costs and
expenses in connection with any action or
proceeding by or on behalf of the holders.
are fully met and discharged" following
"rights and remedies of the" in the first
sentence. In the second sentence, the
amendment substituted "a lender to the
bank" for "holders of bonds of the bank"
preceding "in a contract" and substituted
"the maker of a loan" for "the holders"
preceding "and insofar as."

*Secs. 44.81.170 — 44.81.180. Exemption from taxation; bonds legal
investments for fiduciaries. [Repealed, § 10 ch 109 SLA 1981.]*

Sec. 44.81.190. Conflicts of interest. A member of the board of
directors may not vote on a transaction of the bank under this chapter
if the member is a party to the transaction. (§ 3 ch 159 SLA 1978)

Revisor's notes. — Formerly AS
44.54.190. Renumbered in 1980.

Sec. 44.81.200. Reports and publications. The board of directors
shall publish an annual report to the bank's members. The report shall
be made available to the public and shall include financial statements
audited by independent outside auditors, a statement of the bank's
investments, a description of the bank's loan activity during the period
covered by the report, an analysis of economic and other effects of loan
decisions on the state's commercial fishing and agriculture industries,
and any other information that the board believes would be of interest
to the governor, the legislature, and the public, or that the legislature
requests the board to include. The board may also publish other reports
it considers desirable to carry out its purposes. (§ 3 ch 159 SLA 1978;
am § 5 ch 109 SLA 1981)

Revisor's notes. — Formerly AS
44.54.200. Renumbered in 1980.

Effect of amendments. — The 1981
amendment substituted "members" for
"shareholders" at the end of the first sen-
tence and deleted "a statement of the
amount of money received by the bank
from each source during the period

covered" following "independent outside
auditors," substituted "loan" for "invest-
ment" twice, added "that" preceding "the
board believes" and added "or that the leg-
islature requests the board to include"
following "and the public" in the second
sentence.

Sec. 44.81.210. Powers of the bank. (a) The bank may

(1) make variable rate or fixed rate loans to individuals who are residents and who are engaged in commercial agriculture or fishing, including harvesters, processors, suppliers and marketers, or to corporations, partnerships or joint ventures engaged in commercial agriculture or fishing, the majority interest of which is beneficially owned by residents of the state and a majority of the owners of which are residents of the state, if the recipient of the loan is a member of the bank; however, the bank may make a loan under this paragraph to a corporation, partnership, or joint venture for the purchase of a new or existing fishing vessel or for the repair or renovation of an existing fishing vessel, the primary purpose of which is to commercially harvest fishery resources, only if the corporation, partnership, or joint venture is wholly owned and controlled by residents of the state and if the recipient of the loan is a member of the bank;

(2) make and alter bylaws necessary or desirable to carry out its corporate functions;

(3) establish amortization plans for repayment of loans, which may include extensions for poor fishing or farming seasons, or for adverse market conditions for Alaskan products;

(4) enter into agreements with regional institutions of the federal farm credit system, private lending institutions, and other state agencies or agencies of the federal government, to carry out the purposes of AS 44.81.010 — 44.81.350;

(5) adopt, alter, and use a corporate seal;

(6) sue and be sued in the name of the bank;

(7) issue bonds to carry out any of its corporate purposes and powers;

(8) sell, lease as lessor or lessee, exchange, donate, convey or encumber in any manner by mortgage or by creation of any other security interest, real or personal property owned by it, or in which it has an interest, when, in the judgment of the board of directors, the action is in furtherance of its corporate purposes;

(9) incur secondary liability by guaranty or endorsement of the obligations of another corporation or legal entity when, in the judgment of the board of directors, the action is in furtherance of its corporate purposes;

(10) make loans as provided in (1) of this section in participation with financial institutions, and establish and regulate the terms of the loans;

(11) make contracts and execute instruments necessary or convenient in the exercise of its corporate powers;

(12) acquire by purchase, lease, bequest, devise, gift, the satisfaction of debts, or the foreclosure of mortgages, and hold, maintain, use, operate, and convey real or personal property;

(13) borrow money and issue secured and unsecured evidence of indebtedness for a corporate purpose or to fund, refund, pay, or dis-

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charge outstanding obligations, and enter agreements and contracts concerning these obligations;

(14) secure the payment of its obligations by pledge or mortgage or other lien on its contracts, revenues, income, or property;

(15) appoint officers, employees, trustees for certificate holders, and agents, and prescribe their powers and duties;

(16) provide technical services to members of the bank; for the purpose of this paragraph, "technical services" includes services that will enhance the ability of the member to obtain financial assistance from the bank;

(17) make loans, as provided in (1) of this section, secured by liens subordinate to valid first liens and security agreements granted to a private lending institution;

(18) participate with state departments and agencies in formulating policy and in planning for the development of commercial fishing and agriculture in the state;

(19) do what is necessary or desirable to carry out the corporate purposes and powers expressed or implied in AS 44.81.010 — 44.81.350;

(20) make loans to individual commercial fishermen for limited entry permits; a loan under this paragraph may be made only to an individual commercial fisherman who has been a state resident for a continuous period of two years immediately preceding the date of application for the loan and who has had a crewmember or commercial fishing license under AS 16.05.480 or a permit under AS 16.43 for the year immediately preceding the date of application and any other two of the past five years, and who has actively participated in the fishery during that period; loans made under this paragraph are subject to the provisions of AS 44.81.230;

(21) indemnify directors, officers or employees of the bank and their heirs, executors and administrators against all liabilities and related expenses including, but not limited to, court costs and attorney fees, judgments, and the cost of reasonable settlements, incurred by them in connection with or arising out of an action or proceeding brought against them because of an act or omission in the performance of their official duties as directors, officers or employees of the bank regardless of whether they were directors, officers or employees at the time the expenses or liabilities are incurred;

(22) accept the pledge of a limited entry permit as security for a loan made under AS 44.81.010 — 44.81.350 for the repair, restoration, or improvement of a commercial fishing vessel or commercial fishing gear, or for the construction or purchase of a commercial fishing vessel, subject to the conditions set out in AS 44.81.230 — 44.81.250 on pledges of limited entry permits.

(b) The provisions of (a)(21) of this section do not authorize the bank to indemnify a director, officer or employee of the bank who is adjudged

liable for negligence or misconduct in the performance of official duties. (§ 3 ch 159 SLA 1978; am § 4 ch 53 SLA 1979; am §§ 7—10 ch 51 SLA 1980; am § 6 ch 109 SLA 1981; am § 52 ch 113 SLA 1982; am § 17 ch 67 SLA 1983)

Revisor's notes. — Formerly AS 44.54.210. Renumbered in 1980.

Effect of amendments. — The 1980 amendments in paragraph (1) of subsection (a), inserted "suppliers" following "harvesters, processors" and deleted "primarily" following "or joint ventures" near the beginning and substituted "member" for "shareholder" near the middle and near the end. The amendment also substituted "members of the bank" for "shareholders" and "member" for "shareholder" in paragraph (16) of subsection (a), added paragraph (21) of subsection (a), and added subsection (b).

The 1981 amendment added paragraph (22) of subsection (a).

The 1982 amendment, in subsection (a), added "or for adverse market conditions for Alaskan products" to the end of paragraph (3).

The 1983 amendment, in paragraph (20) of subsection (a) substituted "two years" for "five years" and substituted "the year immediately preceding the date of application and any other two" for "any one" preceding "of the past five years."

Sec. 44.81.220. Transition. Notwithstanding the provisions of AS 10.15.005, upon the repurchase of all the nonvoting, preferred shares initially issued by the bank and purchased by agencies of the state, the provisions of AS 44.81.010 — 44.81.350 lapse and the bank may proceed to operate solely as a private cooperative corporation under the terms of its bylaws and the provisions of AS 10.15.010 — 10.15.600. (§ 3 ch 159 SLA 1978; am § 7 ch 109 SLA 1981)

Revisor's notes. — Formerly AS 44.54.220. Renumbered in 1980.

Effect of amendments. — The 1981 amendment substituted "Notwithstanding the provisions of AS 10.15.005, upon" for "Upon" near the beginning of the section,

added "solely" preceding "as a private cooperative corporation," deleted "subject to" preceding "the provisions" and substituted "AS 10.15.010 — 10.15.600" for "AS 10.15.005 — 10.15.600" at the end of the section.

Sec. 44.81.230. Loans for purchase of Alaska limited entry permits. (a) A loan under AS 44.81.210(a)(20) for the purchase of a limited entry permit may be made only upon certification by the commission that the fisherman is a person who qualifies as a transferee for the permit under AS 16.43 and the regulations adopted by the commission.

(b) Upon approval by the bank, the permit to be purchased may be pledged as security for a loan under (a) of this section, if

(1) the certificate for the pledged permit lists the bank as the legal owner of the permit;

(2) the certificate for the pledged permit lists the debtor as the equitable owner of the permit;

(3) all annual permit cards issued under the pledged permit list the name of the debtor;

(4) all obligations and responsibilities of a permit owner are assumed by the debtor;

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(5) co-signers or other sureties for performance under the note are not vested with any rights in the pledged permit and their obligation is limited to satisfaction of the note and payment of costs directly incurred by the bank in administering the loan.

(c) Upon satisfaction of the note by the debtor, the bank shall certify to the commission that the note has been satisfied.

(d) Upon certification as provided in (c) of this section, the commission shall amend the permit certificate to list the debtor as the legal owner. (§ 5 ch 53 SLA 1979; am §§ 11—13 ch 51 SLA 1980)

Revisor's notes. — Formerly AS Commission (AS 16.43.020)" in subsection (a), deleted "the executive director of 44.54.230. Renumbered in 1980.

Effect of amendments. — The 1980 following "permit lists" in paragraph (1) of amendment substituted "commission" for subsection (b), and substituted "bank" for "Alaska Commercial Fisheries Entry" "executive director" in subsection (c).

Sec. 44.81.240. Default and foreclosure of loans for limited entry permits. (a) If the debtor defaults upon a note for which a limited entry permit has been pledged as security under AS 44.81.230, the bank shall provide the debtor, by registered or certified mail sent to the debtor's last known address on file with the bank, with a notice of default which includes

(1) a description of the security given for the note including the number assigned to the pledged permit by the commission;

(2) the date upon which the default occurred;

(3) the amount of arrearages as of the date of the notice, the total amount remaining on the note less unearned interest, and the amount of daily interest;

(4) a statement that the debtor may, within 15 days of the postmark date of the notice, request a hearing at which the debtor may submit evidence showing the debtor has not defaulted;

(5) a statement that the note may be reinstated if brought current within 60 days from the postmark date of the notice;

(6) a statement that the note may be paid in full less unearned interest within 90 days from the postmark date of the notice;

(7) the place where reinstatement or payment in full may be made; and

(8) a notice in at least 10-point bold type stating: "IMPORTANT: YOUR FAILURE TO REINSTATE OR PAY THIS NOTE IN FULL BY THE DATE SPECIFIED WILL RESULT IN A FORFEITURE OF ALL RIGHTS TO THE PERMIT AND THE POSSIBILITY OF LEGAL ACTION BEING INSTITUTED AGAINST YOU."

(b) Upon the debtor's failure to reinstate or satisfy the note within the time specified in (a) of this section, the debtor's equitable interest is terminated by operation of law without further notice. Any entry permit cards issued to the debtor under the permit shall be canceled immediately upon receipt by the commission of a certificate of termina-

tion containing a copy of the notice required by (a) of this section issued by the bank. (§ 5 ch 53 SLA 1979; am § 14 ch 51 SLA 1980)

Revisor's notes. — Formerly AS 44.54.240. Renumbered in 1980.

Effect of amendments. — The 1980 amendment deleted "the executive director of" preceding "the bank" near the middle of the introductory paragraph of

subsection (a) and near the end of subsection (b), and substituted "commission" for "Alaska Commercial Fisheries Entry Commission" at the end of paragraph (1) in subsection (a).

Sec. 44.81.250. Deficiencies and transfer of entry permits after foreclosure. (a) Upon a foreclosure on an entry permit as provided in AS 44.81.240, the bank shall offer the commission a right of first refusal if the permit is subject to a buy-back program under AS 16.43.290 — 16.43.330 at a price equal to the amount outstanding on the note plus any costs the bank directly incurred in administering the loan.

(b) If the commission does not exercise its right of first refusal within 30 days after it receives the offer, or if the permit is not subject to a buy-back program under AS 16.43.290 — 16.43.330, the bank shall promptly notify the debtor of this fact. The debtor has 30 days from the postmark date of the notice to nominate a person qualified to assume the note. The person nominated must qualify under the requirements of AS 44.81.230(a). If qualified, the person nominated may assume all rights and liabilities of the original debtor.

(c) If the debtor is unable to nominate a qualified person to assume the note under (b) of this section, the permit must be made available to a qualified person, chosen as provided in this section, who shall assume the note subject to all rights and liabilities of the original debtor. The commission shall provide the bank with a list of persons chosen by lottery who qualify as transferees of entry permits under AS 16.43 and regulations adopted by the commission and who have met the residency and commercial fishing participation requirements of AS 44.81.210(a)(20). The bank shall then determine, in order of presentation, any remaining qualifications. The bank shall allow the first applicant meeting all qualifications to assume the note.

(d) Nothing in this section affects the right of the bank to institute legal action for a deficiency resulting from a default on a note given under AS 44.81.230. In addition to any deficiency, the debtor is liable for the costs of administering the note and for costs and attorney fees. (§ 5 ch 53 SLA 1979; am §§ 15—17 ch 51 SLA 1980)

Revisor's notes. — Formerly AS 44.54.250. Renumbered in 1980.

Cross references. — As to the reassignment of entry permits taken as security for loans after such permits are revoked see AS 16.43.960(i).

Effect of amendments. — The 1980 amendment, in subsection (a), deleted "the executive director of" preceding "the bank" near the beginning of the subsection and substituted "commission" for "Alaska Commercial Fisheries Entry Commission" near the beginning of the subsection. The

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amendment also substituted "commission"
for "Alaska Commercial Fisheries Entry
Commission" in the second sentence in
subsection (c), deleted "executive director
of the" preceding "bank shall" in the third

sentence in subsection (c), substituted
"bank" for "executive director" in the last
sentence in subsection (c), and deleted "the
executive director of" preceding "the
bank" near the beginning of subsection (d).

Sec. 44.81.260. Confidentiality of records; exceptions. (a) Except as provided in (b) of this section, the directors, officers, and employees of the bank shall hold in strict confidence all information regarding the business records of the bank, including information as to the character, credit standing, and property of members and applicants for loans. They shall not exhibit or quote from the bank's business records, including documents regarding personnel of the bank or pertaining to members or applicants for loans.

(b) The requirements of (a) of this section are subject to the following exceptions:

(1) The legislative audit division has access to the records of the bank to perform an audit authorized under AS 44.81.270.

(2) The board of directors or the president of the bank shall supply statistical and other impersonal information pertaining to members, applicants, and loans in response to requests from the legislature or a state agency or members of the federal farm credit system and may provide similar information upon request to a responsible private organization.

(3) Information concerning members may be given for the confidential use of a member of the federal farm credit system or other financial institution in contemplation of the extension of credit or the collection of loans.

(4) Impersonal information based solely on transactions or experience with a member, such as amounts of loans, terms, and payment records may be given by the bank for the confidential use of a reliable organization in contemplation of the extension of credit.

(5) Credit information concerning a member may be given when the member consents to it in writing.

(6) In litigation between a member (or the member's successor in interest) and the bank, any competent evidence may be introduced with respect to relevant statements made orally or in writing by or to the member or the successor. (§ 8 ch 109 SLA 1981)

Sec. 44.81.270. Audit of bank. The legislative auditor may cause the bank to be audited in the manner and under the conditions prescribed by AS 24.20.271 for audits performed by the legislative audit division. The legislative audit division has free access to all books and papers of the bank that relate to its business and books and papers kept by a director, officer, or employee relating to or upon which a record of its business is kept, and may summon witnesses and administer oaths or affirmations in the examination of the directors, officers, or employees of the bank or any other person in relation to its affairs,

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transactions, and conditions, and may require and compel the production of records, books, papers, contracts, or other documents by court order if not voluntarily produced. (§ 8 ch 109 SLA 1981)

Sec. 44.81.280. Prohibition on disclosure. The legislative auditor and the auditor's employees may not disclose information acquired by them in the course of an audit of the bank concerning the particulars of the business or affairs of a borrower of the bank or another person, unless the information is required to be disclosed by law or under a court order. (§ 8 ch 109 SLA 1981)

Sec. 44.81.350. Definitions. In this chapter

(1) "bank" means the Alaska Commercial Fishing and Agriculture Bank;

(2) "commission" means the Alaska Commercial Fisheries Entry Commission (AS 16.43.020);

(3) "member of the bank" includes a holder of a share of membership stock of the bank or a patron of the bank with retained patronage earnings of \$2,500 or more to the patron's credit;

(4) "supplier" means a person whose main source of income is from providing goods or services that are directly related to commercial fishing or agriculture to individuals, corporations, partnerships or joint ventures engaged in commercial fishing or agriculture. (§ 18 ch 51 SLA 1980)

Revisor's notes. — Formerly AS 44.54.260. Renumbered in 1980.

Chapter 82. Alaska Gas Pipeline Financing Authority.

Section	Section
10. Creation of authority	115. Nomination of a member of the board
20. Membership	120. Trust indentures and trust agreements
30. Officers and quorum	130. Nonliability on bonds
40. Compensation	140. Pledge of the state
50. Staff	150. Exemption from taxation
60. Legal counsel	160. Bonds legal investments for fiduciaries
70. Purpose of authority	170. Regulations
80. General powers	180. Annual audit
90. Bonds of the authority	190. Annual report
100. Submission of financial and Alaska impact plan	200. Definitions
110. Legislative approval	

Cross references. — As to exemption of employees of the Alaska Gas Pipeline Financing Authority from the provisions of the State Personnel Act, see AS 39.25.110(11)(A).

Editor's notes. — As to legislative findings relating to the passage and amendment of AS 44.82, see § 1, ch. 90, SLA 1978, in the 1978 Temporary and Special Acts and Resolutions and § 4, ch. 31,

1. Alaska Commercial Fishing and Agriculture Bank (CFAB) was created in 1978 by the Alaska State Legislature. Its purpose is to provide a source of credit to the Alaska fishing and agriculture industries, with emphasis on the development and broadening of those industries.
2. CFAB is structured under its statute as a cooperative. A cooperative is a corporation whose stockholders and customers are the same individuals or entities. A cooperative is subject to the same business and financial considerations as any other corporation.
3. The State of Alaska provided an initial capital base to CFAB through the purchase of stock; the State presently owns \$31.8 million of such stock. CFAB's statute requires that the State stock be repurchased within 20 years from the original investment (1980).
4. CFAB has no organic, structural, operational, or financial relationship with the State except for the capital investment and that two of CFAB's seven directors are appointed by the Governor.
5. CFAB's lending ability is not limited to the amount of the State's investment. CFAB borrows additional funds at "market" rates and terms, pledging its loans and other assets as security. It re-lends those funds to its borrower/owners at rates sufficient to cover its own interest costs, its operating expenses, and to generate capital through earnings. CFAB's outstanding loans to Alaska fishermen and farmers reached a year-end peak of nearly \$104 million at December 31, 1983, and had other assets of about \$19 million; a total nearly \$91 million greater than the State's investment.
6. CFAB's borrowers become owners through a purchase of stock at the time of borrowing and through payment of interest at a level high enough to create retained earnings.
7. Under its statute, CFAB may lend money only to those individuals who are bona fide residents of Alaska. There appears to be no sound and reasonable argument against that limitation.
8. A vast majority of CFAB's loans are to individual fishermen (about 80 to 85 percent by number); most of them are to finance a vessel and/or are secured by a lien on a vessel. This appears to be CFAB's most "natural" market and the credit void which CFAB was most intended to fill.
9. Compared to almost any other type of commercial lending, financing fishing vessels is extremely cumbersome and costly. Alaska geography adds considerable costs. Those factors, in addition to the dangerous concentration of risk, make it extremely difficult for CFAB to maintain a focus on that market without charging interest rates which are unusually burdensome to its borrowers.
10. CFAB has attempted to balance its loan portfolio, and to moderate its total circumstances, through loans to corporations which process seafood and timber. Those loans tend to be relatively large, but do not require servicing costs to a comparable degree. They permit basic operating expenses to be spread over a larger volume of loan dollars, moderating the pressure on smaller individual borrowers.

11. CFAB's statute provides that it can only finance corporations of which the majority ownership and control rests with Alaska residents.
12. A recent survey disclosed that of 22 shorebased Alaska processors having annual sales in excess of \$10 million, 17 are ineligible to borrow from CFAB by reason of ownership identity. CFAB has, or has had, lending relationships with four of the five others.
13. Statutory denial of eligibility by reason of ownership is inconsistent with the facts that these processing corporations own facilities in Alaska, pay local taxes in Alaska, provide employment to Alaskans, purchase and add value to Alaska seafoods, pay fish taxes to the State of Alaska, provide a competitive marketing environment for Alaska fishermen, and purchase supplies and services in Alaska. Interest paid on funds borrowed from CFAB (or any other Alaska entity) would be an additional and beneficial increment of Alaska seafoods proceeds within the Alaska economy.
14. While it is clear that the 1978 State Legislature intended to create an institution to serve Alaska interests exclusively, the requirement that the state investment be repurchased evidences the intent that CFAB be operated, and grow, on sound business principles. Removal of the statutory limitation with regard to shorebased processing corporations is consistent with the first intent and greatly enhances the opportunity for fulfillment of the second.

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February 10, 1986

BACKGROUND - SPRING. 1985

In late March and throughout the month of April in 1985, CFAB officers and directors made numerous visits to Juneau to discuss the institution's circumstances with legislators and with administration officials. Those visits, and their substance, were precipitated by a number of factors:

1) Although CFAB's year-end audit by an independent accounting firm (Touche Ross & Company) was not yet complete, it was known with certainty that there had been a loss approaching \$10.0 million for 1984; that there was an impairment of stockholders' equity; that CFAB had become illiquid, with no cash or other unencumbered liquid assets available; and that a major portion of the loan portfolio - almost 34 percent (in dollars) of a \$94.8 million total - was in a serious default, or non-earning, status.

2) The critical imbalance between CFAB's projected 1985 income (based on the large volume of non-earning loans) and its projected 1985 cash interest expense, and basic operating expenses, foretold the likelihood of another significant loss.

3) CFAB and its staff and Board of Directors had been somewhat traumatized by the relative suddenness and severity of the circumstances (or the realization of them); its chief executive officer had resigned in late February; and it was being managed on an interim basis by an individual who, although familiar with the organization and its pressures, essentially was an unknown factor.

4) CFAB's lender, the Spokane Bank for Cooperatives, had taken increasingly aggressive and obtrusive positions with CFAB. SBC's representatives had expressed strong reservations about CFAB's ability to overcome its immediate difficulties and had indicated that SBC would accept no further deterioration in its position. CFAB's loan commitments from SBC had been reduced to 30-day increments, leaving CFAB constantly on the brink of a forced bankruptcy filing.

The basic thrust of CFAB's efforts in Juneau was to seek consideration of an early investment of an additional \$10.0 to \$12.0 million of State capital. This was essentially a "time-buying" strategy. The funds, if invested, would have been used to reduce CFAB's borrowings from SBC. This would have lowered CFAB's interest payment requirement to a level which could be met by the interest income from its own performing loans and would, it was intended, be accompanied by SBC agreement that the existing borrowing relationship would not be disturbed for at least two or three years. Relief from those pressures would in turn permit CFAB to address the liquidation

or conversion of non-performing loans on rational bases and would also allow the opportunity for internal restructuring and corrections.

CFAB was not successful in obtaining further State investment. This was undoubtedly due in part to the lateness (relative to the legislative session) of the effort and to the somewhat uncoordinated and unprofessional approach, coupled with the "tight money" atmosphere in Juneau. Another factor, at least within the administration, seemed to be that CFAB was an "orphan" with no agency or individual charged with responsibility. In addition, there appeared to be a widespread lack of understanding as to the origin, nature, structure, and constituency of CFAB. Yet another burden was the recollection of some of CFAB's early flamboyance and excesses and attendant unfavorable press exposure. Finally, there seemed to be a perception that the effort was a thinly-disguised attempt to "bail out" the Spokane Bank for Cooperatives; that was an understandable reaction, but it is not supported by the realities of the legal relationships between the State, SBC, and CFAB.

SUBSEQUENT EVENTS

Since the Spring of 1985 CFAB's directors, management, and staff have attempted to address each and all of the negative factors and pressures with all available resources. Although not all objectives have been met, there has been modest success. Some of the efforts have admittedly been augmented by fortuitous events and circumstances external to CFAB. The net effect is that CFAB's condition has today become stabilized to a degree that exceeds the March 1985 expectations of its interim (now permanent) management.

The corrective efforts and measures have fallen into several broad categories, as follows:

Liquidation/Conversion/Prevention of Non-Performing Loans and Other Assets - There has been a major and consistent effort to rationally and realistically deal with non-performing loans and other non-earning assets on an item-by-item, account-by-account, basis. This has required an extensive commitment to developing the analytical and communications skills of loan officers, to the control and direction of legal counsel, and to the education of borrowers. There has been a similar commitment to the creative and efficient marketing or other disposition of acquired assets. Finally, and again through the re-direction of loan officers' attention and energies, there was in 1985 a successful program of early attention to delinquencies on performing loans for the purpose of preventing them from evolving into serious problems.

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Reduction of Operating Expenses, and Increases in Effectiveness - Beginning in June 1985, there was a determined effort to identify and eliminate excessive operating expenses and other barriers to maximum efficiency. In the four years ending December 31, 1984, CFAB's operating expenses have averaged \$3,227,000 annually. 1984 operating expenses had totaled \$3,260,000; there was \$3,288,000 budgeted for 1985. As of May 31, 1985, actual operating expenses for the year to date had been slightly greater than those budgeted. Management's objective was to reduce those expenses to the necessary minimum for the remainder of 1985 and to position CFAB to enter 1986 with projected expenses of \$1.0 million less than the historical \$3.2 million level.

Financial Restructuring - While the cash flow deficit, the capital impairment, the excessive debt load, and the projected net income shortfall all represented immediate threats to CFAB's existence and required urgent attention, they also carried severe negative implications for the long term. CFAB has a statutory obligation to repurchase the State's \$31.8 million investment by the year 2000. CFAB has absolutely no sources of cash except (1) borrowings, (2) earnings, and (3) investment by owners. Its borrowing capacity had been virtually exhausted in early 1985; there were no bases on which to credibly project net cash earnings in the foreseeable future; and there had never been significant cash investment by owners (other than the State), nor was there any mechanism in place to provide for such investment. It seem imperative in early 1985 that, assuming CFAB's short-term survival, a foundation be laid that would over the long term enhance CFAB's ability to borrow, to earn, and to attract owner investment.

Business Development - The written record suggests clearly that a primary consideration in the conception and establishment of CFAB was to provide greater access to credit for "small" individual fishermen. While the performance over the ensuing five years tends to be obscured by the large dollar volumes associated with fish and timber processing accounts and by the dramatic impact of misadventures and imprudence, a close scrutiny of the number and sizes of loans results in a clear conclusion that it is the body of individual fishermen who have been best served by CFAB. It is they - existing individual borrowers and their non-borrowing peers - who have benefited most from CFAB's existence and who would suffer most severely were CFAB to be liquidated. Unfortunately, it is a costly market to serve, it is a market which represents unusual concentration of nearly uncontrollable risk, and it is a market of individuals whose ability to respond to financial pressures is limited. It is on that body of borrowers that the effect of CFAB's 1984/1985 circumstances fell most harshly (in the form of interest rates maintained at a burdensome level.) One of the

results of that was the flight of better, i.e., more creditworthy, borrowers to other lenders; this served only to exacerbate the pressure on remaining borrowers and to further threaten CFAB's stability. That trend continued through 1985, and it became critical to attempt to develop loan programs which would make CFAB more attractive to existing and potential borrowers, particularly those who represented stability and good performance.

1985 RESULTS AND YEAR-END CIRCUMSTANCES

At December 31, 1985, CFAB's fundamental financial circumstances were greatly improved over those of a year earlier or of the Spring of 1985. That improvement can be quantifiably expressed in a number and variety of ways:

1) At December 31, 1984, non-earning loans totaled \$31,979,000; at December 31, 1985, the total was \$15,653,000. While about \$3.5 million of the net reduction was due to charge-offs, the greater portion resulted from liquidations and from re-structurings.

2) At December 31, 1984, CFAB had 189 delinquent loans (including non-earning loans). A year later, the number was 115.

3) During 1985, the book value of acquired assets (which are also non-earning assets) was reduced from \$2,361,000 to \$1,606,000.

4) CFAB began 1985 with \$80,574,000 of interest-bearing debt and only \$69,110,000 of earning loans. At year-end those balances stood at \$48,268,000 and \$55,312,000 respectively.

5) In contrast to the 1984 loss of \$9,978,000, CFAB in 1985 had net income of \$114,000. Most of the \$10,092,000 difference can be attributed to the lack of major new credit losses in 1985. However, another major element was the effective reduction of operating expense. Although the reduction effort was not initiated until June, and although certain of the cost-containment actions involved relatively large one-time costs themselves, CFAB concluded 1985 with operating expenses exactly \$400,000 below those budgeted. CFAB has prepared and is committed to a 1986 operating expense budget approximately \$1.0 million below the historical \$3.2 million average.

6) The Spokane Bank for Cooperatives routinely examines and evaluates CFAB's loan portfolio, which is the basic collateral underlying CFAB's borrowings from SBC. At

April 30, 1985, SBC calculated that, by its (SBC's) standards, the collateral was worth \$13,400,000 less than the borrowings it secured. At year-end, CFAB had reduced that collateral deficit - measured by the same standards - to \$3,100,000, an improvement of over \$10.0 million.

7) The borrowing relationship with SBC has improved in other, less quantifiable, ways. After nearly a year of very limited commitments, CFAB was able in September 1985 to negotiate a six-month SBC loan commitment. Indications are that the next commitment, effective April 1, 1986, will also be for six months or possibly twelve months.

* * * * *

As indicated earlier, a critical long-term need for CFAB was to develop a mechanism and structure to attract owner investment. Such investment, over a period of time, would in turn positively influence CFAB's earning prospects and borrowing ability. During the last half of 1985, with the assistance of specialized legal counsel, CFAB developed a new member/borrower equity investment program. That program, which became effective January 1, 1986, requires that each new borrower (including "old" borrowers acquiring new loans) purchase a modest amount - 5 percent of the borrowing - of stock in CFAB. That stock represents a true equity investment, i.e., risk capital. While this new program will have an almost insignificant effect on CFAB's current condition, it does lay the foundation for genuine and long-term capital growth.

Two other significant but unglamorous programs were developed in 1985 and made effective at the beginning of 1986. Each of them is designed to make CFAB financing more attractive and/or more effective, especially to individual fishermen. One program in particular will permit CFAB to be more aggressive and more competitive in seeking and retaining more creditworthy borrowers.

* * * * *

It is not unreasonable to assert that CFAB has effectively moved itself back from the brink of imminent disaster and has diffused the air of crisis which influenced the day-to-day activities during much of 1985. However, its most difficult challenges lie ahead of it. The most obvious and most quantifiable is the statutory requirement that the \$31.8 million State investment be repurchased in, or by, the year 2000. Perhaps a good illustration of the magnitude of that requirement is to point out that if CFAB were to make 14 annual cash payments to a fund earning eight percent annually, those payments would need to be slightly more than \$1,313,000 in order to reach the \$31.8 million objective. CFAB does not have a

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current ability to generate \$1,313,000 of cash annually, nor can such an ability be credibly projected for the near future. If such a program were necessarily deferred until there were only ten years remaining, the annual payment amount would be slightly over \$2,195,000. Obviously, time is of the essence in the effort to build CFAB's ability to generate cash.

The second major challenge, somewhat more difficult to express than the first, lies in the fact that CFAB is clearly caught in a classic spiral, an "adverse selection" process, which has been the downfall of many lending institutions. The process is not necessarily irreversible but, as the "spiral" descriptor implies, does gain momentum with each passing day. Since, beginning back in late 1983 or early 1984, such a large volume of CFAB's loans have been in a non-earning status, CFAB has had to attempt to maximize its gross income on the remaining portion of its loan portfolio in order to meet its own interest and expense obligations. This has meant maintaining interest rates at a level perceived to be "high" by most borrowers and which, in fact, have generally been higher than those offered by other lenders to more attractive borrowers. Over the past 18 months, many of those attractive borrowers have elected to re-finance their CFAB loans with other lenders. It is not possible to ascribe motivation to every such re-financing, but CFAB's management estimates conservatively that \$12.0 to \$18.0 million of loan volume has been lost in this way through December 31, 1985, and the trend is continuing. This is alarming. CFAB's loan portfolio is gradually being peeled away to a core of "small" individual borrowers, individuals who have few, if any, alternative sources of financing and who are least able to bear the burdens of increased interest rates, insurance premiums, and other expenses. They are the borrowers who are most costly to serve, and each notch of interest rate (or other) pressure creates a certain number of new problem loan accounts, which cause additional servicing or collection costs for CFAB, which in turn cause a need for greater interest income. Despite the recent success at reducing CFAB operating expenses, it must be recognized that a certain large portion of those expenses are "fixed" and cannot be further reduced no matter how much CFAB's loan volume may shrink. In addition, it must be recognized as axiomatic that if and as CFAB's loan portfolio contains a greater percentage of marginal or problem loans, expenses will actually increase.

The foregoing discussion places emphasis on a context of marginal or problem credit situations. In reality, CFAB - if it is limited by circumstances, statute, or otherwise to financing only those who appear to have the greatest need for its services (the "small" individual fishermen) - may prove to be an economically unfeasible enterprise under the best of conditions. A somewhat oversimplified analysis of a few basic facts illustrate the point:

A. The average CFAB loan to an individual fisherman today has a balance of about \$45,000.

B. The average interest "spread" on such loans - that is, the difference between the interest rate CFAB charges and the rate it must pay on its own borrowings - is about 3 1/2 percent.

C. CFAB's annual net interest income on an average loan, then, is \$1,575 (3 1/2% X \$45,000).

D. In order to cover a basic operating expense budget of \$2.2 million (again, \$1.0 million below historical levels) CFAB needs the net interest income from 1,397 "average" loans (\$2,200,000 divided by \$1,575).

The above allows nothing to cover non-operating expenses, accumulation of a reserve for loan losses, capital expenditures, funding of the \$31.8 million obligation, etc. It assumes no credit losses, no significant delinquencies, no unusual difficulties of any kind. It is not realistic. CFAB has never had more than 700 "average" fisherman loans and could not make and service 1,397 such loans without a significant and costly increase in staff. The financing of a fisherman, particularly within the context of Alaska's geography, is an expensive, cumbersome, and risky venture. The romance of fishing may tend to obscure the financial implications, but it is a capital-intensive business which is also characterized by nearly uncontrollable major costs (insurance and fuel, for example); it is a business in which its members have no control of the basic resource. Its members at best have only the right to compete with each other for a share of resources controlled by other human, political, natural, and international forces. It is a business in which an unusual - and unpredictable - number of individual failures are inevitable.

The financing of fishermen - which, in most cases, involves vessel security - is cumbersome and therefore costly. The procedures for taking a lien on a vessel are unlike those for any other kind of personal or business asset (at least in the United States). They are the province of a virtually unregulated and unique agency. They are subject to a body of law rooted in centuries past and recognized by the legal profession as a specialty, which again translates into unusual costs. When the inevitable failures occur, the vessel lien foreclosure process represents an additional and inevitable creditor's nightmare. In the best of circumstances, a case in which the vessel owner/borrower is cooperative, the lender will spend about \$6,000 in Marshal's fees, court and attorney's costs, insurance, moorage, etc., before it has ownership and possession of the vessel. According to a major Anchorage law firm, a more typical vessel foreclosure cost would be \$12,000 to

\$16,000 (the annual net interest income on 8 to 10 average loans). When the foreclosure process is complete, the liquidation process becomes one more opportunity for almost certain loss. Again, the scenario is different than for almost any other form of foreclosed collateral. The market for fishing vessels is limited, close-knit, and highly subjective. Because of the unique procedural requirements related to vessel ownership, it is literally impossible to camouflage the nature and circumstances of such a sale. The bottom line is that, except in unusual cases, the proceeds realized from collateral liquidation will be significantly less than the loan balance involved, creating yet another loss which can only be charged against the interests of performing borrowers.

All of the above factors were almost certainly among the primary reasons that the need for "a CFAB" was perceived in the late 1970's; traditional, profit-oriented, and regulated commercial lenders abstained from widescale financing of individual fishermen because it was, and is, a market characterized by limited potential for profit but bearing inordinate risk of loss.

The creation of CFAB was a visionary response to a clear need. Implementation of the unique concept has been characterized by some dramatic errors and misjudgments, the effects of which have been exacerbated by major unforeseeable and uncontrollable external forces. The result, after nearly six years of actual credit operations, is that the institution has significant financial weaknesses which must be, and are being, addressed. The reality of those weaknesses and the appeal of criticizing their existence and causes, however, should not be allowed to overshadow the fact that CFAB has met the financing needs of hundreds of individual fishermen. It has served the interests of countless others simply by its existence in the market; CFAB's presence as an alternative lender has provided the financially stronger and more creditworthy fishermen with additional leverage in their negotiations with other credit sources. In short, that fundamental purpose is being served. While CFAB is in a position, albeit weakened, to continue that service today, a commitment to that purpose without addressing the long-term risks and effects is imprudent to an extreme.

CFAB has the theoretical ability to modify the financial and operational effects discussed in the foregoing through loans to the agriculture and timber industries and to the processing segment of the fishing industry. Ignoring for the moment the realities and other constraints which limit that ability to a theoretical one, and assuming creditworthiness among the processors in general, the potential benefits to CFAB and its individual borrower-members are great. For example, term loans of \$2.5 million each to five processors will yield net interest

income of \$437,500 (\$12.5 million X 3.5%) annually; and the servicing demands on CFAB are not significantly greater than those of an equal number of loans to individual fishermen. Numbers of that magnitude translate into increased net earnings and equity growth, which in turn translate into enhanced financial stability and lending capacity.

Of those additional markets cited, the greatest potential opportunity, in dollars, lies among the seafood processors. Under present circumstances, however, the existence of that opportunity is illusory; it must be referred to an "theoretical." This is due to the nature and origin of the capital investment in the Alaska seafood processing industry, coupled with the strictures of AS 44.81.210.(a)(1). That statute provides in part that CFAB may make loans only to those corporations (most major seafood processors are corporate entities) of which the majority ownership and control is vested in Alaska residents.

The statute effectively makes a large part of the industry ineligible to borrow from CFAB. It is not unrealistic to generalize that larger processors tend to be more financially stable and more creditworthy than smaller processors. In some instances, economies of scale are significant - more general positive characteristics, though, are multiple plants and diversified operations; highly developed levels of management, marketing, planning, and budgeting expertise; and broad product mixes.

During 1985, CFAB carried out a survey and analysis of the ownership of Alaska seafood processors. Complete ownership information is difficult to obtain in many cases; however, a variety of sources was consulted, and the findings are believed to be credible. A total of 78 shorebased processors entities (in addition to 43 "floater" processors) was identified, as follows:

<u>Annual Sales</u>	<u>Number</u>
\$10.0 million or more	22
\$ 1.0 million to \$10.0 million	33
Less than \$1.0 Million	<u>23</u>
Total	<u>78</u>

The distribution of ownership, in terms of statutory eligibility for CFAB financing, is interesting. Of the 18 processors, 45 of them - slightly over 57 percent - are eligible. Twenty of those 45, however, are in the group with annual sales of less than \$1.0 million. They represent limited financing opportunities and requirements. Many of them are privately financed and/or integrated harvesting/processing operations, or are highly specialized and limited operations financed by their market base.

Of the remaining 25 eligible processors, 20 are in the \$1.0 million to \$10.0 million sales group. It is difficult to generalize about those 20. CFAB has, or has had, credit relationships with 13 of them. Some of them have been extremely good loans; others are, or have been, among CFAB's most grievous credit problems. At best, the group does not appear to offer a broad base of financing opportunities.

The group of 22 larger (sales of \$10.0 million or more) processors clearly holds the greatest promise for major CFAB financing opportunities; however, only five of those processors are statutorily eligible. CFAB has, or has had, credit relationships with four of them; they have included some of CFAB's most reliable and highest quality loans. They are viewed as attractive and profitable borrowers by other lenders.

It is not known, and not asserted, that all of those 22 processors are creditworthy. Neither can it be asserted that if CFAB were given access to that group that competition would be readily or immediately overcome. However, the statutory barrier to that market represents a significant handicap to CFAB (within the context of its original and documented legislative intents and purposes); it magnifies the risks of financing concentrated in a very small market; it places strong upward pressure on the costs which must be borne by individual fishermen-borrowers; and it serves no useful purpose with regard to Alaskan interests. Ownership of a corporation - at least as expressed and implied by the statute - is not a valid credit factor.

That group of processors own extensive facilities in Alaska. They purchase, add value to, and market Alaska fish. They pay local taxes. They deal with Alaska fishermen. They purchase supplies in Alaska. They employ Alaska workers. They pay fish taxes to the State of Alaska. When they borrow money for capital investments or to finance operations, the money does not disappear - it is repaid, dollar for dollar, to the lender whether that lender is a Seattle commercial bank, a New York insurance company, or CFAB; and interest is paid to that lender also. That interest obviously can only be taken from the gross proceeds from the marketing of Alaska seafoods. If the interest is paid to CFAB it is a beneficial increment to CFAB and, therefore, its owners which consist of the State of Alaska and Alaska fishermen, farmers, and timber harvesters.

Offered: 3/5/86
Referred: Resources and
Finance

Original sponsor: Herrmann

1 IN THE HOUSE
2
3 CS FOR HOUSE BILL NO. 579 (Loans)
4 IN THE LEGISLATURE OF THE STATE OF ALASKA
5 FOURTEENTH LEGISLATURE - SECOND SESSION
6 A BILL
7 For an Act entitled: "An Act relating to financing of fish processors and
8 agricultural and timber processors and harvestors by
9 the Commercial Fishing and Agriculture Bank."
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
11 * Section 1. FINDINGS. The legislature finds that
12 (1) shore-based fish processing and agricultural and timber
13 processing and harvesting facilities, regardless of ownership, are an
14 essential part of the state economy and provide for the development of a
15 renewable resource tax base vital to many Alaska communities;
16 (2) shore-based fish processing and agricultural and timber
17 processing and harvesting facilities in the state, regardless of ownership,
18 significantly contribute to the economic development and stability of
19 Alaska's communities; and
20 (3) shore-based fish processing and agricultural and timber
21 processing and harvesting facilities in the state, regardless of ownership,
22 employ a significant resident work force and contribute substantially to
23 local community economies through the demand for goods and services.
24 * Sec. 2. AS 44.81.210 is amended by adding a new subsection to read:
25 (c) Notwithstanding (a)(1) of this section, the bank may make a
26 variable or fixed rate loan to a shore-based fish processor, a timber
27 processor or harvestor, or an agricultural processor or harvestor that
28 does not meet the resident ownership requirements of (a)(1) of this
29 section for capital investment or operating capital if the majority
interest in the processor or harvestor is beneficially owned by

1 residents of the United States.

Introduced: 2/14/86
Referred: House Special Committee on
State Loans, Resources and Finance

1 IN THE HOUSE

BY HERRMANN

2

HOUSE BILL NO. 579

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 financing of fish processors by
7 the Commercial Fishing and Agriculture Bank."

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

9 * Section 1. FINDINGS. The legislature finds that

10 (1) shore-based fish processing facilities, regardless of owner-
11 ship, are an essential part of the state fishing economy and provide for
12 the development of a renewable resource tax base vital to many Alaska
13 coastal communities;

14 (2) shore-based fish processing facilities in the state, regard-
15 less of ownership, significantly contribute to the economic development and
16 stability of Alaska's coastal communities; and

17 (3) shore-based fish processing facilities in the state, regard-
18 less of ownership, employ a significant resident work force and contribute
19 substantially to local coastal community economies through the demand for
20 goods and services.

21 * Sec. 2. AS 44.81.210 is amended by adding a new subsection to read:

22 (c) Notwithstanding (a)(1) of this section, the bank may make a
23 variable or fixed rate loan to a shore-based fish processor that does
24 not meet the resident ownership requirements of (a)(1) of this section
25 if at least 50 percent of the employees of the processor during the
26 calendar year immediately preceding application for the loan were
27 residents of the state and if, during the life of the loan, at least
28 50 percent of the employees of the processor during each calendar year
29 are residents of the state.

COMMITTEE REPORT
SENATE

FURTHER:

5/6/86

Date

5/9/86

Mr. President

The Committee on FINANCE considered CSHB 579(Loans)am relating to financing of fish processors and agricultural and timber processors and harvestors by the Commercial Fishing and Agriculture Bank.

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
*DOR
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

[Signature]
[Signature]
[Signature]
[Signature]

MEMBERS HAVING
OTHER RECOMMENDATIONS

Rich Halford N/R
Paul Fitch N/Rec

[Signature]
Chairman
[Signature]
Chairman recommendation

Offered: 3/5/86
Referred: Resources and
Finance

Original sponsor: Herrmann

1 IN THE HOUSE
2
3 CS FOR HOUSE BILL NO. 579 (Loans) am
4 IN THE LEGISLATURE OF THE STATE OF ALASKA
5 FOURTEENTH LEGISLATURE - SECOND SESSION
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14 essential part of the state economy and provide for the development of a
15 renewable resource tax base vital to many Alaska communities;
16 (2) shore-based fish processing and agricultural and timber
17 processing and harvesting facilities in the state, regardless of ownership,
18 significantly contribute to the economic development and stability of
19 Alaska's communities; and
20 (3) shore-based fish processing and agricultural and timber
21 processing and harvesting facilities in the state, regardless of ownership,
22 employ a significant resident work force and contribute substantially to
23 local community economies through the demand for goods and services.
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27 processor or harvestor, or an agricultural processor or harvestor
28 located in Alaska that does not meet the resident ownership require-
29 ments of (a)(1) of this section for capital investment or operating
capital if the majority interest in the processor or harvestor is

1 beneficially owned by residents of the United States.

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STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No: CS HB 579 (Loans)
Title: Financing of Fish, Agriculture
and Timber Processors by CFAB

Sponsor: House Loans
Requestor: House Resources
Date of Request: April 2, 1986

FISCAL DETAIL

Agency Affected: Department of Revenue
BRU: Treasury Management

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
<u>OPERATING</u>						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	-	-	-	-	-	-
<u>CAPITAL</u>	-	-	-	-	-	-
<u>REVENUE</u>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<u>TOTAL</u>	-	-	-	-	-	-

POSITIONS:

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

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker MB
Division: Treasury

Phone: 465-2350
Date: April 3, 1986

Approved by Commissioner: [Signature]
Agency: Department of Revenue

Date: 4/4/86

Distribution (by Agency preparing fiscal note):

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

TO: Representative Adelheid Herrmann
FROM: Eric F. Myers, Administrative Assistant
DATE: May 8, 1986
SUBJ: Sectional Analysis of CS HB 579 (Loans)

Section 1

This findings section describes the importance of Alaska shore-based fish processing and agricultural and timber processing and harvesting facilities to local communities.

Section 2

This section would allow the Commercial Fishing and Agriculture Bank (CFAB) to make loans to a shore-based fish processor, a timber processor or harvester, or an agricultural processor or harvester located in Alaska provided the majority interest of the processor/harvester is owned by residents of the United States.

Under current law, CFAB may only lend to Alaska residents or corporations of which the majority ownership and control rests with Alaska residents.

* * * *

Additional information on the need for the proposed statutory changes, prepared by CFAB, is attached.

1. Alaska Commercial Fishing and Agriculture Bank (CFAB) was created in 1978 by the Alaska State Legislature. Its purpose is to provide a source of credit to the Alaska fishing and agriculture industries, with emphasis on the development and broadening of those industries.
2. CFAB is structured under its statute as a cooperative. A cooperative is a corporation whose stockholders and customers are the same individuals or entities. A cooperative is subject to the same business and financial considerations as any other corporation.
3. The State of Alaska provided an initial capital base to CFAB through the purchase of stock; the State presently owns \$31.8 million of such stock. CFAB's statute requires that the State stock be repurchased within 20 years from the original investment (1980).
4. CFAB has no organic, structural, operational, or financial relationship with the State except for the capital investment and that two of CFAB's seven directors are appointed by the Governor.
5. CFAB's lending ability is not limited to the amount of the State's investment. CFAB borrows additional funds at "market" rates and terms, pledging its loans and other assets as security. It re-lends those funds to its borrower/owners at rates sufficient to cover its own interest costs, its operating expenses, and to generate capital through earnings. CFAB's outstanding loans to Alaska fishermen and farmers reached a year-end peak of nearly \$104 million at December 31, 1983, and had other assets of about \$19 million; a total nearly \$91 million greater than the State's investment.
6. CFAB's borrowers become owners through a purchase of stock at the time of borrowing and through payment of interest at a level high enough to create retained earnings.
7. Under its statute, CFAB may lend money only to those individuals who are bona fide residents of Alaska. There appears to be no sound and reasonable argument against that limitation.
8. A vast majority of CFAB's loans are to individual fishermen (about 80 to 85 percent by number); most of them are to finance a vessel and/or are secured by a lien on a vessel. This appears to be CFAB's most "natural" market and the credit void which CFAB was most intended to fill.
9. Compared to almost any other type of commercial lending, financing fishing vessels is extremely cumbersome and costly. Alaska geography adds considerable costs. Those factors, in addition to the dangerous concentration of risk, make it extremely difficult for CFAB to maintain a focus on that market without charging interest rates which are unusually burdensome to its borrowers.
10. CFAB has attempted to balance its loan portfolio, and to moderate its total circumstances, through loans to corporations which process seafood and timber. Those loans tend to be relatively large, but do not require servicing costs to a comparable degree. They permit basic operating expenses to be spread over a larger volume of loan dollars, moderating the pressure on smaller individual borrowers.

11. CFAB's statute provides that it can only finance corporations of which the majority ownership and control rests with Alaska residents.
12. A recent survey disclosed that of 22 shorebased Alaska processors having annual sales in excess of \$10 million, 17 are ineligible to borrow from CFAB by reason of ownership identity. CFAB has, or has had, lending relationships with four of the five others.
13. Statutory denial of eligibility by reason of ownership is inconsistent with the facts that these processing corporations own facilities in Alaska, pay local taxes in Alaska, provide employment to Alaskans, purchase and add value to Alaska seafoods, pay fish taxes to the State of Alaska, provide a competitive marketing environment for Alaska fishermen, and purchase supplies and services in Alaska. Interest paid on funds borrowed from CFAB (or any other Alaska entity) would be an additional and beneficial increment of Alaska seafoods proceeds within the Alaska economy.
14. While it is clear that the 1978 State Legislature intended to create an institution to serve Alaska interests exclusively, the requirement that the state investment be repurchased evidences the intent that CFAB be operated, and grow, on sound business principles. Removal of the statutory limitation with regard to shorebased processing corporations is consistent with the first intent and greatly enhances the opportunity for fulfillment of the second.

HOUSE
COMMITTEE REPORT

(11)

Date referred: 3/24/86

FURTHER REFERRALS:

DATE: 4-11-86

The FINANCE Committee has considered HB 587

"An Act relating to municipal land entitlements; and providing for an effective date."

and recommends:

- do pass
- do not pass
- do pass with attached amendment(s)
- no recommendation
- replace with CS HB 587 (Fin) ~~same title~~ new title

and recommends Individual Recommendations

further referral to the _____ Committee

- and attaches:
- letter of intent
 - first fiscal note
 - new fiscal note 4-10-86 49.6
 - zero fiscal note

SIGNING DO PASS:

Alberto Ades
Mike Szymanski
Ronald J. [unclear]

SIGNING OTHER RECOMMENDATIONS:

Steve Rizer
John [unclear] No REC
John [unclear] needs further amendment
John [unclear] no REC
Jim Cost none
Don [unclear]

Alberto Ades
Chairman

**STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE**

Revision Date : 4/10/86

REQUEST

Bill/Resolution No. : CSHB 587 (Fin)
Title : Municipal land entitlements

Sponsor : Adams
Requestor : House Finance Committee
Date of Request : 4/10/86

FISCAL DETAIL

Agency Affected : DNR
BRU : Land & Water Management

Components : _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES		34.6	---	---	---	---
TRAVEL		5.0	---	---	---	---
CONTRACTUAL		10.0	---	---	---	---
SUPPLIES		0	---	---	---	---
EQUIPMENT		0	---	---	---	---
LAND & STRUCTURES		0	---	---	---	---
GRANTS, CLAIMS		0	---	---	---	---
MISCELLANEOUS		0	---	---	---	---
TOTAL OPERATING		49.6	---	---	---	---

CAPITAL			---	---	---	---
---------	--	--	-----	-----	-----	-----

REVENUE			---	---	---	---
---------	--	--	-----	-----	-----	-----

FUNDING : (Thousands of Dollars)

GENERAL FUND		49.6	---	---	---	---
FEDERAL FUNDS			---	---	---	---
OTHER			---	---	---	---
TOTAL		49.6	---	---	---	---

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

See Attached Analysis

Prepared by : Al Adams, Chair ^{APA} Phone : 465-3706
Division : House Finance Committee Date : 4/10/86

Approved by Commissioner : _____ Date : _____
Agency : _____

Distribution (by Agency preparing fiscal note) :

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

ANALYSIS OF CS HB 587 (FIN) FISCAL NOTE

FY 87:

Personal Services

Natural Resources Technician I -- 12 months \$ 34.6
(To coordinate duties associated with
selecting and determining entitlements)

Travel

To meet with communities to facilitate \$ 5.0
determination and conveyance of entitlements

Contractual

To cover cost of notification process, maps, \$ 10.0
plats, etc. required to adjudicate land
selections and determine entitlements

TOTAL \$ 49.6

In addition to the \$50.6 provided here, adjustments may be made to the FY 87 DNR budget. Positions that currently do land conveyance only, may also participate in the entitlement process provided for in this bill.

FUTURE FISCAL YEARS:

There will be diminishing costs in future years. The actual amount needed each year will depend on the pace of selection, determination, conveyance, etc. These costs will be determined in the annual budget process.

Original sponsor: Adams

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 587 (Finance)

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 general grant land entitlements;
7 and providing for an effective date."

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

9 * Section 1. AS 29.65 is amended by adding a new section to read:

10 Sec. 29.65.015. DETERMINATION OF ENTITLEMENTS FOR MUNICIPAL-
11 ITIES. The general grant land entitlement of a municipality is 10
12 percent of the maximum total acreage of vacant, unappropriated, unre-
13 served land within its boundaries at any time between the date of its
14 incorporation and two years after the expiration of the state's right
15 to make selections under sec. 6(a) or (b) of the Alaska Statehood Act.
16 By December 31 of each year the director shall determine or update the
17 unfulfilled entitlement for each municipality under this section and
18 certify that entitlement to that municipality.

19 * Sec. 2. AS 29.65 is amended by adding a new section to read:

20 Sec. 29.65.025. LIMITATIONS ON ENTITLEMENTS. (a) A municipal-
21 ity is eligible for only one general grant land entitlement. A munic-
22 ipality that qualifies for an entitlement under AS 29.65.010 and
23 29.65.015 shall receive the larger of the two entitlements.

24 (b) A municipality may not receive a general grant land en-
25 titlement under AS 29.65.010 or 29.65.015 that exceeds 400,000 acres.

26 (c) The following shall be credited toward fulfillment of the
27 general grant land entitlement of a municipality:

28 (1) conveyances of legal title to land by the state to the
29 municipality before January 1, 1987, under a former law;

1 (2) payments for land before January 1, 1987, under former
2 AS 29.18.208;

3 (3) conveyances of legal title to land before January 1,
4 1987, and thereafter under AS 29.65.010;

5 (4) payments for land before January 1, 1987, and there-
6 after under AS 29.65.080;

7 (5) disposals of land to the municipality before January 1,
8 1987, and thereafter under AS 38.05.810 for which the state receives
9 no consideration.

10 (d) Land classified under AS 38.05.300 for wildlife habitat only
11 may not be selected or conveyed in fulfillment of a general grant land
12 entitlement.

13 (e) In each conveyance of land in fulfillment of a general grant
14 land entitlement, the state shall reserve the right to explore, enter,
15 develop, and occupy the surface as reasonably necessary for access to
16 the mineral estate in accordance with AS 38.05.125.

17 * Sec. 3. AS 29.65.040 is repealed and reenacted to read:

18 Sec. 29.65.040. STATUS OF ENTITLEMENTS. (a) A general grant
19 land entitlement under former AS 29.18.201 - 29.18.202 or AS 29.65.010
20 is a vested property right that must be fulfilled in accordance with
21 AS 29.65.025 and 29.65.080 and former AS 29.65.060.

22 (b) A general grant land entitlement under AS 29.65.015 is a
23 property right that vests on the date of incorporation of the munici-
24 pality. The entitlement must be fulfilled in accordance with AS 29.-
25 65.025.

26 * Sec. 4. AS 29.65.060 is repealed and reenacted to read:

27 Sec. 29.65.060. SCHOOL, UNIVERSITY, AND MENTAL HEALTH LAND. (a)
28 School land, university land, and mental health land within the bound-
29 aries of a municipality may not be included for purposes of

1 determining the general grant land entitlement of that municipality.

2 (b) A municipality may not receive school land, university land,
3 or mental health land in fulfillment of its general grant land en-
4 titlement.

5 * Sec. 5. AS 29.65.080(b) is amended to read:

6 (b) A municipality shall receive payment for its land deficiency
7 from the municipal land account. A municipality is eligible to re-
8 ceive payment for land deficiency if, after July 1, 1980, the amount
9 of land selected by a municipality that is physically suitable for
10 residential, commercial, or industrial purposes amounts to less than
11 one-third acre per capita. Any entitlement under AS 29.65.010 that is
12 less than one-third acre per capita will, for the purposes of this
13 subsection, be considered a land deficiency. An unselected remaining
14 entitlement will, for the purpose of deficiency payment under this
15 subsection, be considered as land physically suitable for residential,
16 commercial, or industrial purposes. A municipality eligible under
17 this subsection is entitled to receive a payment for land deficiency
18 equal to \$1,000 per acre for a number of acres equal to the difference
19 between one-third of the population of the municipality less the
20 number of acres physically suitable for residential, commercial or
21 industrial purposes that has been selected by the municipality. For
22 the purpose of this subsection, the population of the municipality
23 shall be the population determined by the commissioner under former
24 AS 43.18.010 for the program year beginning July 1, 1978, for a munic-
25 ipality whose entitlement was determined under former AS 29.18.201 [IN
26 ACCORDANCE WITH AS 29.65.060(f)]. No payment may be made to a munic-
27 ipality under this subsection in excess of \$9,000,000.

28 * Sec. 6. AS 29.65.080(g) is amended to read:

29 (g) Payments authorized by this section may only [NOT] be made

1 to a municipality [ELIGIBLE] for an entitlement under AS 29.65.010
2 [AS 29.65.020 OR 29.65.030].

3 * Sec. 7. AS 29.65.080 is amended by adding a new subsection to read:

4 (i) Payment under this section shall be made into a municipal
5 land bank or trust account created by ordinance with the purpose of
6 applying the payments toward the acquisition of land necessary for
7 public purposes that may be otherwise unavailable to the municipality.

8 * Sec. 8. AS 29.65.130(3) is amended to read:

9 (3) "general grant land"

10 (A) means land patented or tentatively approved to the
11 state from the United States under sec. 6(a) or (b) of the Alaska
12 Statehood Act;

13 (B) does not include mental health land, school land,
14 or university land;

15 * Sec. 9. AS 29.65.130(10) is amended to read:

16 (10) "vacant, unappropriated, unreserved land" means
17 general grant land as defined in (3) of this section, excluding miner-
18 als as required by sec. 6(i) of the Alaska Statehood Act, that

19 (A) has not been set aside by statute for one or more
20 particular uses or purposes;

21 (B) has not been approved for patent to a municipal-
22 ity under this chapter or former AS 29.18.190 and 29.18.200; or

23 (C) is unclassified or, if classified under AS 38.-
24 05.300, is classified for agricultural, grazing, material, public
25 recreation, resource management, settlement, transportation
26 corridor, forestry, or wildlife habitat [COMMERCIAL, INDUSTRIAL,
27 PRIVATE RECREATIONAL, RESIDENTIAL, UTILITY, OR OPEN-TO-ENTRY
28 PURPOSES,] or is classified in accordance with an agreement
29 between a municipality and the state providing for state

1 management of land of the municipality.

2 * Sec. 10. AS 38.05.321(b) is amended to read:

3 (b) State land classified as agricultural land that has been
4 selected by a municipality under former AS 29.18.190 - 29.18.200 or
5 former AS 29.18.205(e) may be approved by the director for patent
6 under AS 29.65 [AS 29.65.050(c)]; however, only rights in the land for
7 agricultural purposes may be transferred and all other interests in
8 the land will remain with the state. Agricultural land approved for
9 patent to a municipality shall be credited, acre for acre, toward
10 fulfillment of that municipality's entitlement under AS 29.65 [AS 29.-
11 65.010 - 29.65.030] or former AS 29.18.201 - 29.18.203. If the direc-
12 tor later determines it to be in the best interests of the state to
13 transfer some or all of the additional rights in that approved or
14 patented agricultural land, those rights shall pass without considera-
15 tion to the municipality in which the land is located. The notice and
16 review provisions of AS 38.05.945 are applicable to conveyance of
17 rights under this section.

18 * Sec. 11. AS 38.05.321(c) is amended to read:

19 (c) The provisions of this section do not apply to

20 (1) state land classified as agricultural land that has
21 been selected by a municipality under the provisions of former AS 29.-
22 18.190 - 29.18.200 if the selection is an approved selection before
23 April 1, 1978 and is otherwise valid under former AS 29.65.050(b) or
24 former AS 29.18.205(b); or

25 (2) a quitclaim of the interest of the state to the federal
26 government under AS 38.05.035(b)(9).

27 * Sec. 12. Before January 1, 1987, the Department of Natural Resources
28 shall consult with each municipality affected by this Act regarding classi-
29 fications of state land within its boundaries and may assist the

1 municipality in identifying land suitable for selection in fulfillment of
2 its general grant land entitlement.

3 * Sec. 13. The commissioner of natural resources may negotiate with and
4 enter into an agreement to convey state land to a borough or unified munic-
5 ipality whose entitlement under AS 29.65.010 in the commissioner's deter-
6 mination cannot be fulfilled on January 1, 1987, if the borough or unified
7 municipality elects in writing before January 1, 1987, to pursue a settle-
8 ment of that existing entitlement. The commissioner has authority under
9 this section to convey state land located within the municipality's bound-
10 aries without regard as to whether the land is vacant, unappropriated,
11 unreserved land as defined under AS 29.65.130(10) if the commissioner
12 determines, after public notice, that the land lies outside the smallest
13 practicable tract of land actually used in connection with the adminis-
14 tration of a state function on the effective date of this section. Land
15 conveyed to a borough or a unified municipality under an agreement entered
16 into under this section may constitute complete fulfillment of the
17 municipality's general grant land entitlement as specified in the agreement
18 and agreed to by both parties. Conveyances under an agreement entered into
19 under this section may contain no restrictions or conditions that are not
20 required to be imposed by law.

21 * Sec. 14. AS 29.65.010(b), 29.65.020, 29.65.030, 29.65.050, 29.65.090
22 and 29.65.110 are repealed.

23 * Sec. 15. Sections 4, 12, and 13 of this Act take effect immediately
24 in accordance with AS 01.10.070(c).

25 * Sec. 16. Sections 1 - 3, 5 - 11, and 14 of this Act take effect
26 January 1, 1987.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y. STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

April 11, 1986

SUBJECT: General Grant Land Entitlements
(CSHB 587(Fin))

TO: Representative Al Adams, Chair
House Finance Committee

FROM: Tamara Brandt Cook *TBC*
Director
Division of Legal Services

Section 1. The general grant land entitlement of a municipality, either city or borough, is 10 percent of the maximum acreage of vacant, unappropriated, unreserved land in its boundaries between the date of incorporation and two years after the expiration of the state's right to make selections under sec. 9(a) or (b) of the Alaska Statehood Act. Each year the entitlement for each municipality is determined or updated. Under existing law the entitlement for cities formerly eligible to receive general grant land under repealed laws is 10 percent of the vacant, unappropriated, unreserved land in its boundaries between the date of incorporation and July 1, 1978. The entitlement for newer municipalities is 10 percent of that land in its boundaries on the date of incorporation. Both these entitlement provisions are replaced by the entitlement provided in sec. 1.

Sec. 2. A municipality is eligible for only one general grant land entitlement. A municipality that qualifies for an entitlement under AS 29.65.010 (setting out the amount of acreage boroughs are entitled to) and under the sec. 1 10 percent formula receives the larger of the two entitlements. No municipality may receive more than 400,000 acres. Conveyances and payments for land deficiencies under existing or former laws as itemized are credited toward fulfillment of the general grant land entitlement. Land classified for wildlife habitat may not be selected or conveyed. The state shall reserve the right in each conveyance to explore, enter, develop and occupy the surface as reasonably necessary for access to the mineral estate.

Sec. 3. After the effective date of the Act a general grant land entitlement under AS 29.65.010 (setting out acreage amounts for boroughs) is a vested property right that must be fulfilled, through conveyance of land subject to the limitations under sec. 2, or through land deficiency payments. An entitlement under section 1 is a property right that vests on the date of incorporation and must be fulfilled, through grants of land subject to the limitations under sec. 2.

Sec. 4. School land, university land, and mental health land within the boundaries of a municipality may not be included for purposes of determining the general grant land entitlement of a municipality. This is not a change from existing law. (AS 29.65.060(b)) A municipality may not receive school land, university land, or mental health land in fulfillment of its entitlement. Existing law permits the selection of vacant school or mental health land in certain cases.

Sec. 5. The reference to AS 29.65.060(f), repealed in this Act, is deleted and the substantive material from that subsection is enacted in this section as a technical amendment.

Sec. 6. Payments for land deficiency may only be made to municipalities for entitlements under AS 29.65.010 (setting out acreage amounts for boroughs). Existing law permits land deficiency payment only to boroughs eligible for entitlements under that section.

Sec. 7. The definition of "general grant land" does not include mental health land or school land. The existing definition only mentions university land as being excluded.

Sec. 8. The definition of "vacant, unappropriated, unreserved land" is amended to add certain classifications under AS 38.05.300 and delete others. These classifications are established by the Department of Natural Resources.

Sec. 9. References to repealed sections are deleted and replaced with citations to the entire general grant land entitlement chapter.

Sec. 10. This is another technical amendment adding the word "former" before a reference to a section repealed by this Act.

Representative Al Adams
Page 3
April 11, 1986

Sec. 11. Before the effective date of most of this Act the Department of Natural Resources is required to consult with each municipality affected by the Act regarding classifications of land within its boundaries and may assist in identifying land suitable for selection.

Sec. 12. Certain provisions are repealed including the section on determination of entitlement for cities and that for determination of entitlements for newly formed municipalities. The entitlement in section 1 of the bill replaces these. The section on fulfillment of land entitlements is deleted and replaced with the provisions under section 2 of the bill. The sections authorizing land exchanges and the section on election of benefits (requiring municipalities engaged in litigation regarding a claim to state land under former laws to elect to obtain the benefits under the new general grant land chapter or pursue the litigation and waive benefits) have been repealed.

Sec. 13. The section dealing with mental health land, university land, and school land and the temporary law section requiring action before the effective date of the main portions of the Act take effect immediately.

Sec. 14. The rest of the Act takes effect January 1, 1987.

TBC:mkr
m4/098

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

BILL CHEFFIELD, GOVERNOR

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

March 17, 1986

The Honorable Edna B. DeVries, Chair
Community and Regional Affairs Committee
Alaska State Senate
P.O. Box V
Juneau, AK 99811

Dear Senator DeVries:

In response to questions posed last Tuesday by you and other members of the Community and Regional Affairs Committee regarding the Sponsor Substitute for Senate Bill 414, an act relating to municipal land entitlements, the department has assembled pertinent information.

First, attached for your review is a sectional analysis of SSSB 414. This analysis was prepared by the department in consultation with the Department of Community and Regional Affairs (DCRA).

Second, I have also attached several charts which should help explain the effect of this bill on existing and proposed municipalities. State land status records for the area within the existing and proposed boroughs were analyzed to determine which boroughs will likely be affected by the proposed legislation. This analysis involved the identification of the approximate acreage of vacant, unappropriated and unreserved general grant land within each existing borough which would be available for municipal entitlement calculations and selection.

As a result of this analysis, it appears that the Matanuska-Susitna, Fairbanks North Star, North Slope, Haines, Bristol Bay and proposed Northwest Arctic Boroughs would be the primary beneficiaries. The remaining boroughs would likely not be eligible for additional entitlement acreage because the existing entitlement under AS 29.65.010(a) exceeds the amount of available land pursuant to the proposed legislation. As a result, their entitlements will remain the same.

March 17, 1986

The effect of SSSB 414 on each of Alaska's 149 cities is much more difficult to determine. As you may be aware, by virtue of there being no available state land within their municipal boundaries, 125 cities received a zero entitlement as a result of the 1978 municipal entitlement legislation. Most of the zero entitlement municipalities will likely still not benefit under SSSB 414 because no state land exists, or will be conveyed, within their municipal boundaries. However, the bill will likely benefit several of the zero entitlement municipalities because the state has since been conveyed land, or will be conveyed land, within their municipal boundaries (i.e. Anderson). In addition, an undetermined number of municipalities may receive additional entitlement acreage by virtue of past and future annexation actions (i.e. Seward).

SSSB 414 will not affect existing land exchanges, settlements of litigation or other agreements. As proposed, the bill allows municipalities to select only vacant, unappropriated and unreserved (vul) general grant land. As presently defined in 29.65.030(10) and amended by the bill, vuul land includes general grant land (excluding minerals) which has been conveyed to the state under Section 6(a) and (b) of the Alaska Statehood Act and is appropriately classified (or unclassified). Thus, land acquired by the state or required to be transferred by the state, as a result of exchanges, settlements, agreements, etc. will be ineligible for municipal selection. This includes land acquired or to be transferred to the state or Cook Inlet Region, Inc. as a result of the 1976 Cook Inlet Land Trade.

I have also outlined briefly below the existing process used by the department to process municipal land selections. It should be noted that, to date, the department has not adopted regulations regarding the municipal entitlement program. However, policies and procedures have been adopted by the Division of Land and Water Management (DLWM) which serve to implement the existing law.

Selections made by municipalities are received and processed by the DLWM. This process initially involves land status checks, public notice and agency consultation. Thereafter, a proposed decision is prepared and sent to the affected municipality for review. The municipality then has 30 days to concur with, or appeal, the proposed decision. If the selection is approved, a final decision is then issued and the land is transferred to the municipality. The approved selection is followed by survey and patent. An approved selection thus constitutes a transfer of all right to title, including management responsibility.

The Honorable Edna B. DeVries -3-

March 17, 1986

The proposed decision identifies any associated rights-of-ways, easements or other reservations in the conveyance. The department may also reject a municipal selection, based upon a state or public purpose. However, for the most part, any potential conflicts are negotiated and resolved with affected municipalities prior to the issuance of the proposed decision.

The department is available and prepared to explain the department's municipal entitlement program to the committee in greater detail. It is my intention that appropriate department staff be present during committee hearings to help answer any associated questions and clarify matters.

Sincerely,



Esther C. Wunnicke
Commissioner

Attachments

ESTIMATED BOROUGH ENTITLEMENT ACREAGE UNDER SSSB 414
Based on March, 1986 Land Status

<u>BOROUGH</u>	<u>SSSB 414 ENTITLEMENT</u>	<u>1978 ENTITLEMENT</u>	<u>APPROXIMATE ADDITIONAL ENTITLEMENT</u>
Ketchikan Gateway	1,470	11,593	0
Sitka	490	10,500	0
Juneau	430	19,584	0
Haines	13,300	2,200	10,500
Bristol Bay	4,900	2,898	2,000
Kodiak Island	41,200	58,787	0
Kenai Peninsula	76,200	155,780	0
Anchorage	1,700	44,893	0
Matanuska-Susitna	400,000	355,210	44,800
Fairbanks-North Star	223,200	112,000	111,000
North Slope	400,000	89,850*	400,000
NW Arctic (Proposed)	230,000	n.a.	<u>230,000</u>
TOTAL			798,300

* Received zero entitlement pursuant to election
of benefits in AS 29.65.110.

DNR Division of Land and Water Management
Land Management Section
March 19, 1986

DEPARTMENT OF
NATURAL RESOURCES

MAR 21 1986

COMMISSIONER'S OFFICE
JUNEAU

ESTIMATED BIRTHRIGHT ENTITLEMENT ACRAGE UNDER SSSB 414
Based on March, 1986 Land Status

	<u>KETCHIKAN</u> <u>GATEWAY</u>	<u>SITKA</u>	<u>JUNEAU</u>	<u>WAINES</u>	<u>BRISTOL</u> <u>RAY</u>	<u>KODIAK</u> <u>ISLAND</u>	<u>KENAI</u> <u>PENINSULA</u>	<u>ANCHORAGE</u>	<u>MATANUSKA</u> <u>SUSITNA</u>	<u>FAIRBANKS</u> <u>NORTH STAR</u>	<u>NORTH</u> <u>SLOPE</u>	<u>THE ARCTIC</u> <u>(PROPOSED)</u>
Total 6(a) and 6(b) Statehood Land Conveyed to State	26,900	15,600	25,000	165,000	51,500	482,000	2,019,000	521,000	9,334,000	3,231,000	7,513,000	2,300,000
Less: Legislatively Designated Units	0	0	800	27,500	0	11,200	580,000	483,000	2,603,600	614,600	0	0
Less: Non-Selectable Classifications	0	0	0	27	0	0	267,000	0	956,000	110,700	7,031	0
Less: Previous Conveyances												
- Borough	11,402	10,500	19,584	2,800	2,519	58,787	99,393	20,676	355,703	90,572	0	0
- City	0	0	0	0	0	1	806	0	406	15	0	0
- Disposals	750	200	300	2,000	0	415	17,000	200	262,800	175,000	0	0
- Land Ex/Agmt.	0	0	0	0	0	0	292,965	0	185,590	0	0	0
Total Land Unavailable	12,200	10,700	20,700	32,000	2,500	70,000	1,257,000	504,000	4,364,000	999,000	7,000	0
Available Selectable Land	14,700	4,900	4,300	133,000	49,000	412,000	762,000	17,000	4,970,000	2,232,000	7,506,000	2,300,000
SSSB 414 Entitlement (10% of WU)	1,470	490	430	13,300	4,900	41,200	76,200	1,700	400,000*	223,200	400,000*	230,000
1978 Entitlement	11,593	10,500	19,584	2,800	2,898	58,787	155,700	44,893	355,210	112,000	89,850**	n.a.

* Entitlement not to exceed 400,000 acres under SSSB 414.

** Received zero entitlement pursuant to election of benefits in AS 29.65.110.

DNR Division of Land and Water Management
Land Management Section
March 19, 1986

30-35 will get it
near forso much - plc

Region	Municipality	Muni- Type	Incorp. Date	Popu- lation	Source of Esti- mate Determination
E	Adiqtut	2	1975	0	Ltr 8/7/78
E	City & Borough of Juneau	M	1970	19,584	Statute
E	City & Borough of Sitka	M	1971	10,500	Statute
E	Craig	1	1922	0	Ltr 8/7/78
E	Haines	1	1910	0	Ltr 8/7/78
E	Haines Borough	B	1968	2,800	Statute
E	Hoonah	1	1946	15	Ltr 8/7/78
E	Hydaburg	1	1927	0	Ltr 8/7/78
E	Kake	1	1952	0	Ltr 8/7/78
E	Kasaan	2	1976	0	Ltr 8/7/78
E	Ketchikan	H	1900	0.5	Ltr 8/7/78
F	Ketchikan Gateway Borough	B	1963	11,593	Statute
E	Klawock	1	1929	0	Ltr 8/7/78
E	Kupreanof	2	1975	0	Ltr 8/7/78 120 ac.
E	Metlakatla	F	1944 (Federal)		
E	Pelican	1	1943	0	Ltr 8/7/78 10 ac.
E	Petersburg	H	1910	0	Ltr 8/7/78 461 ac.
E	Port Alexander	2	1974	0	Ltr 8/7/78
E	Saxman	2	1930	0	Ltr 8/7/78
E	Skagway	1	1900	35	Ltr 8/7/78
E	Tenakee Springs	2	1971	0	8/7/78 2,958 ac.
E	Thorne Bay	2	1982	612	OTS revision
E	Trangell	H	1903	0	Ltr 8/7/78 310 ac.
E	Yakutat	1	1948	75	Ltr 8/7/78
N	Alakanuk	2	1969	0	Ltr 8/7/78
N	Allakaket	2	1975	0	Ltr 8/7/78
N	Ambler	2	1971	0	Ltr 8/7/78
N	Anaktuvuk Pass	2	1957	0	Ltr 8/7/78
N	Anderson	2	1962	0	Ltr 8/7/78
N	Atkasuk	2	1982	0	Ltr 8/7/78
N	Barrow	1	1959	0	Ltr 8/7/78
N	Brevig Mission	2	1969	40	Ltr 8/7/78
N	Buckland	2	1966	0	Ltr 8/7/78
N	Deering	2	1970	0	Ltr 8/7/78
N	Delta Junction	2	1960	400	Ltr 8/7/78
N	Dionede	2	1970	0	Ltr 8/7/78
N	Eagle	2	1901	0	Ltr 8/7/78
N	Elin	2	1970	0	Ltr 8/7/78
N	Fairbanks	H	1903	15	Ltr 8/7/78
N	Fairbanks North Star Boro	B	1964	112,000	Statute
N	Fort Yukon	2	1959	0	Ltr 8/7/78
N	Galena	1	1971	0	Ltr 8/7/78
N	Gamble	2	1963	0	Ltr 8/7/78
N	Golovin	2	1971	0	Ltr 8/7/78
N	Hughes	2	1973	0	Ltr 8/7/78
N	Huslia	2	1969	0	Ltr 8/7/78
N	Kaktovik	2	1971	0	Ltr 8/7/78
N	Kaltay	2	1969	0	Ltr 8/7/78
N	Kiana	2	1964	0	Ltr 8/7/78
N	Kivalina	2	1969	0	Ltr 8/7/78
N	Kobuk	2	1973	0	Ltr 8/7/78
N	Kotzebue	2	1958	0	Ltr 8/7/78
N	Koyuk	2	1970	0	Ltr 8/7/78
N	Koyukuk	2	1973	0	Ltr 8/7/78

Region	Municipality	Year Type	incor. Date	Acres Entitle- ment	Source of Entitle- ment Determination
N	Kenana		1921	0	Ltr 8/7/78
N	Kone		1901	0	Ltr 8/7/78
N	Noorvik		1964	0	Ltr 8/7/78
N	North Pole	H	1953	0.5	Ltr 8/7/78
N	North Slope Borough	B	1972	89,850	Statute Redet.
N	Nulato		1963	0	Ltr 8/7/78
N	Point Hope		1966	0	Ltr 8/7/78
N	Ruby		1973	0	Ltr 8/7/78
N	Saint Michael		1969	0	Ltr 8/7/78
N	Savoonga		1969	0	Ltr 8/7/78
N	Selawik		1977	0	Ltr 8/7/78
N	Shaktoolik		1969	0	Ltr 8/7/78
N	Shishmaref		1969	0	Ltr 8/7/78
N	Shungnak		1967	0	Ltr 8/7/78
N	Stebbins		1969	0	Ltr 8/7/78
N	Tanana		1982	0	Ltr 8/7/78
N	Teller		1963	0	Ltr 8/7/78
N	Unalakleet		1974	0	Ltr 8/7/78
N	Wainwright		1962	0	Ltr 8/7/78
N	Wales		1964	0	Ltr 8/7/78
N	White Mountain		1969	0	Ltr 8/7/78
N	Whittier		1969	0	600 ac. grant
S	Akhiok		1974	0	Ltr 8/7/78
S	Akiachak		1974	0	Ltr 8/7/78
S	Akiak		1970	0	Ltr 8/7/78
S	Akutan		1979	0	Rec. 5 ac under 810
S	Aleknagik		1973	0	Ltr 8/7/78
S	Angoon		1963	0	Ltr 8/7/78
S	Aniak		1972	0	Ltr 8/7/78
S	Anvik		1969	0	Ltr 8/7/78
S	Atnautluak		1976	0	Ltr 8/7/78
S	Bethel		1957	0	Ltr 8/7/78
S	Pristol Bay Borough	B	1962	2,898	Statute
S	Chefornak		1972	0	Ltr 8/7/78
S	Chevak		1967	0	Ltr 8/7/78
S	Chignik		1983	0	Ltr
S	Chuathbaluk		1975	0	Ltr 8/7/78
S	Clark's Point		1971	0	Ltr 8/7/78
S	Cold Bay		1981	0	DTS Decision
S	Cordova	H	1909	235	Ltr 8/7/78
S	Dillingham		1963	1.0	Ltr 8/7/78
S	Eek		1970	0	Ltr 8/7/78
S	Ekvok		1974	0	Ltr 8/7/78
S	Emmonak		1962	0	Ltr 8/7/78
S	Fortuna Ledge		1970	0	Ltr 8/7/78
S	Goodnews Bay		1970	0	Ltr 8/7/78
S	Grayling		1969	0	Ltr 8/7/78
S	Holy Cross		1968	0	Ltr 8/7/78
S	Honer		1964	16	Ltr 8/7/78
S	Hooper Bay		1966	0	Ltr 8/7/78
S	Houston		1966	405	Ltr 8/7/78
S	Kachemak		1961	0	Ltr 8/7/78
S	Kasigluk		1982	0	Ltr
S	Kenai	H	1960	30	Ltr 8/7/78

Re- gion	Municipality	Muni- Type	Incorp. Date	Acres Entitle- ment	Source of Entitle- ment Determination
S	Kenai Peninsula Borough	H	1964	155,780	Statute
S	King Cove	I	1947	0	Ltr 8/7/78
S	Kodiak	H	1940	20	Ltr 8/7/78
S	Kodiak Island Borough	B	1963	56,500	Statute
S	Kotlik	2	1970	0	Ltr 8/7/78
S	Kwethluk	2	1975	0	Ltr 8/7/78
S	Larsen Bay	2	1974	0	Ltr 8/7/78
S	Lower Kalskag	2	1969	0	Ltr 8/7/78
S	Manokotak	2	1970	0	Ltr 8/7/78
S	Katanuska-Susitna	B	1974	355,210	Statute
S	McGrath	2	1975	0	Ltr 8/7/78
S	Nekoryuk	2	1969	0	Ltr 8/7/78
S	Mountain Village	2	1967	0	Ltr 8/7/78
S	Municipality of Anch.	H	1975	44,893	Statute
S	Napakiaik	2	1970	0	Ltr 8/7/78
S	Napaskiak	2	1971	0	Ltr 8/7/78
S	New Stuyahok	2	1972	0	Ltr 8/7/78
S	Newhalen	2	1971	0	Ltr 8/7/78
S	Newtok	2	1976	0	Ltr 8/7/88
S	Nightmute	2	1974	0	Ltr 8/7/83
S	Nikolai	2	1970	0	Ltr 8/7/78
S	Nondalton	2	1971	0	Ltr 8/7/78
S	Nunapitchuk	2	1969	0	
S	Old Harbor	2	1966	0	Ltr 8/7/78
S	Ouzinkie	2	1967	240	Ltr 8/7/78
S	Palmer	H	1951	0	Ltr 8/7/78
S	Pilot Station	2	1969	0	Ltr 8/7/78
S	Platinum	2	1975	0	Ltr 8/7/78
S	Port Heiden	2	1972	0	Ltr 8/7/78
S	Port Lions	2	1966	35	Ltr 8/7/78
S	Quinhagak	2	1975	0	Ltr 8/7/78
S	Russian Mission	2	1970	0	Ltr 8/7/78
S	Saint George	2	1983	0	Ltr
S	Saint Mary's	1	1967	0	Ltr 8/7/78
S	Saint Paul	2	1971	0	Ltr 8/7/78
S	Sand Point	1	1973	0	Ltr 8/7/78
S	Scammon Bay	2	1967	0	Ltr 8/7/78
S	Seldovia	1	1945	0	Ltr 8/7/78
S	Seward	H	1912	240	Ltr 8/7/78
S	Shageluk	2	1970	0	Ltr 8/7/78
S	Sheldon Point	2	1974	0	Ltr 8/7/78
S	Soldotna	1	1967	10	Ltr 8/7/78
S	Togiak	2	1969	0	Ltr 8/7/78
S	Toksook Bay	2	1972	0	Ltr 8/7/78
S	Tuluksak	2	1970	0	Ltr 8/7/78
S	Tununak	2	1975	0	Ltr 8/7/78
S	Unalaska	1	1942	0	DTS
S	Upper Kalskag	2	1975	0	Ltr 8/7/78
S	Valdez	H	1901	4,805	Ltr 8/7/78
S	Wasilla	2	1974	0	Ltr 8/7/78

**STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE**

Revision Date: 3/13/86

REQUEST

Bill/Resolution No. HB 587 (FIA)
 Title: An Act..Municipal land entitlements & effective date
 Sponsor: Rep. Adams
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Community & Regional Affairs
 BRU: Local Government Assistance
 Components: Training & Development

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	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS :

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by: Doug Griffin, Deputy Director
 Division: Municipal & Regional Assistance

Phone: 465-4750
 Date: 3/13/86

Approved by Commissioner: [Signature]
 Agency: Community & Regional Affairs

Date: 3/13/86

Distribution (by Agency preparing fiscal note):

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

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

March 13, 1986

POSITION PAPER

RE: HB 587

SPONSOR: Representative Adams

Program Effects of Bill

The bill would, by broadening the definition to "municipalities", extend to boroughs the right to select 10% of vacant unappropriated and unreserved State land within their boundaries.

The bill would also extend the determination of land selection date from "within six months of July 1, 1978" (or "six months from date of incorporation" for municipalities incorporated after July 1, 1978) to "two years after the expiration of the State's right to make selections". This revision would allow municipalities the right to make selections from all State land, rather than just the land available at a particular time. It would also allow municipalities to select State land in newly annexed areas.

In addition, Section 4 of the bill would change the definition of "vacant, unappropriated and unreserved land" to include land categories currently utilized by the State. Land extensive categories such as "resource management, forestry, wildlife habitat and water resources" would be specifically included.

Comments

The Department of Community and Regional Affairs supports the proposed legislation because of its beneficial effect on municipalities. The political subdivisions of the State should be entitled to share the benefits of increased State land within their boundaries whenever the increase occurs. The proposed legislation allows municipalities to share the good fortunes of the State whenever the State receives additional land within the municipal boundaries. Beneficiaries of the proposed legislation would include the proposed Northwest Arctic Borough, the Matanuska-Susitna Borough, the City of Anderson, the North Slope Borough, and cities such as Yakutat that may be annexing State land in the future.

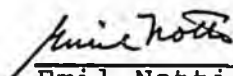
POUCH B
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949 E. 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508
PHONE: (907) 563-1073

HB 587
March 13, 1986
Page Two

One of the Department's goals is to support the formation of local governments when it is desired by residents of the area. Under current laws, the municipal land entitlement is based on the amount of State land within the municipal boundaries at the time of incorporation. Thus, the decision to incorporate a local government at a particular time may be significantly influenced by whether or not the State has received land in the area being considered for incorporation. Because the proposed legislation allows the municipal land entitlement to be determined as the State receives land, the amount of State land in the area proposed for incorporation becomes less of a factor in the decision to incorporate. Local residents can concentrate more debate on the need for and desirability of local government rather than on the timing of State land selections. Moreover, the proposed legislation would allow municipalities to increase their entitlements when annexing areas containing State land, consistent with the overall intent of the entitlement program. It would also serve to institute a consistent framework for entitlements, rather than continue the piecemeal approach that had been followed in the past when the Legislature addressed the issue of entitlements for the cities of Pelican and Whittier.

The Department urges that the Legislature adopt the amendments to AS 29.65.130(10)(C) contained in Section 4 of the bill as introduced. The municipal land entitlement is based on the amount of land considered to be "vacant, unappropriated and unreserved". Under AS 29.65.130(10)(C) the State land classifications, which are considered "vacant, unappropriated and unreserved" for purposes of determining municipal land entitlements, are listed. Many future boroughs, and to some extent future cities, are expected to contain significant amounts of State land classified as forestry or wildlife habitat. Therefore it is of particular importance that the State land classifications of forestry and wildlife habitat remain in the list of classifications considered "vacant, unappropriated and unreserved" for purposes of determining municipal land entitlements.



Emil Notti, Commissioner

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

POUCH M
JUNEAU, ALASKA 99811
PHONE: 907-485-2400

March 11, 1986

The Honorable Edna DeVries
Chair, Community and Regional
Affairs Committee
Alaska State Senate
P.O. Box V
Juneau, AK 99811

Dear Senator DeVries:

I am writing with regard to SB 414, relating to municipal entitlements. The Department supports the concept of this bill and approves of changes made in the sponsor substitute. The bill now serves the interests of both increasing municipal entitlement opportunities in Alaska and cleaning up language in the existing statute.

Municipal land entitlements serve a variety of public policy goals. They increase the ability of local government to advance local purposes such as economic development or land conservation. They reduce the state's management responsibilities and role within organized areas, shifting some of the costs, difficulties, and benefits of land management from the state to local governments. They also can serve as an incentive for the organization or new boroughs and cities, to the long-term benefit of Alaska's citizens.

The proposed bill is expected to provide state lands to between ten and twenty communities which received a zero entitlement under the last municipal entitlement rewrite in 1978. Another ten to twenty communities will receive state land before 1996. A few communities which have already received land will see their existing entitlements increase. Our staff are not able to quantify the amount of state acreage that would be conveyed under SB 414, nor have we been able to identify conclusively the communities which will benefit; these tasks would require some very detailed and expensive work on the status plats. However, I am attaching some general information on the amount of state land in classifications which might be available for selection under SB 414, and a summary of municipal entitlement conveyances made to date.

The Hon. Edna Devries

- 2 -

March 11, 1986

As you can see from the enclosures, about 67.8 million acres of state land are classified in categories that would be open for selection. We do not know how much of this land is within city or borough boundaries, nor do we know how much of it is within the boundaries of communities which have already received all or most of their entitlement under previous entitlement programs.

Please contact me if you have questions or comments on the department's position on the bill. Thank you.

Sincerely,

Esther C. Wunnicke
f. Esther C. Wunnicke
Commissioner

Attachments

cc: Senator Ferguson