

ALASKA LEGISLATURE COMMITTEE BILL FILES - 1987 - 1988 8879

CSSB 9 - SB 11 L. F. 6

CSSB 9

Original sponsors: Zharoff, Eliason  
and Jones

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 9 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to financing of fish processors and  
7 agricultural and timber processors and harvesters by  
8 the Commercial Fishing and Agriculture Bank; and  
9 providing for an effective date."

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 facilities, regardless of ownership, are an essential part of  
14 the state economy and provide for the development of a renewable resource  
15 tax base vital to many Alaska communities;

16 (2) shore-based fish processing and agricultural and timber  
17 processing facilities in the state, regardless of ownership, significantly  
18 contribute to the economic development and stability of Alaska's commu-  
19 nities; and

20 (3) shore-based fish processing and agricultural and timber  
21 processing facilities in the state, regardless of ownership, employ a  
22 significant resident work force and contribute substantially to local  
23 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 an agricultural processor or harvester that does not  
28 meet the resident ownership requirements of (a)(1) of this section for  
29 capital investment or operating capital if a facility of the processor

1 or harvester is located in the state and the majority interest in the  
2 processor or harvester is beneficially owned by residents of the  
3 United States.

4 \* Sec. 3. This Act takes effect immediately under AS 01.10.070(c).  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

# HOUSE COMMITTEE REPORT

(11)

Date referred: 5/1/87

FURTHER REFERRALS:

DATE: 5-14-87

The Finance Committee has considered CSSB 9 (Res)

"An Act relating to financing of fish processors and agricultural and timber processors and harvesters by the Commercial Fishing and Agriculture Bank; and providing for an effective date."

**RECOMMENDS:**

- replace with HCS CSSB 9 (FIN)  the same title
- attached amendment(s)  a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the \_\_\_\_\_ Committee

**ADOPTS:**  \_\_\_\_\_ letter of intent

**ATTACHES NEW FISCAL NOTE(S):**

- fiscal impact  same as previous fiscal note published \_\_\_\_\_
- zero fiscal note  same as previous zero fiscal note published \_\_\_\_\_
- zero with analysis

**SIGNING DO PASS:**

\_\_\_\_\_  
*Ronald J. Farn*  
 \_\_\_\_\_  
*Steve Kucin*  
 \_\_\_\_\_  
*Mike Deen*  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**SIGNING OTHER RECOMMENDATIONS:**

\_\_\_\_\_  
*Al Adams - NO Rec.*  
 \_\_\_\_\_  
*John Bunker NO REC*  
 \_\_\_\_\_  
*Pete Pace N.R.*  
 \_\_\_\_\_  
*Kay Wallin n.r.*  
 \_\_\_\_\_  
*Tam Brown - No Rec*  
 \_\_\_\_\_  
*Mark Boyan. no rec*  
 \_\_\_\_\_  
 \_\_\_\_\_

\_\_\_\_\_  
*Robert L. Lee*  
 Chairman's signature

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

Bill Version: MCS CSSB 9 (FIN)  
Publish Date: \_\_\_\_\_

REQUEST: \_\_\_\_\_

Revision Date: \_\_\_\_\_  
Title: Financing Fish, Agriculture & Timber Processors by CFAB  
Sponsor: Zharoff, Eliason, Jones  
Requestor: Senate Labor & Commerce

Agency Affected: Department of Revenue  
BRU: Treasury  
Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
<b>OPERATING</b>						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
<b>TOTAL OPERATING</b>	-	-	-	-	-	-
<b>CAPITAL</b>	-	-	-	-	-	-
<b>REVENUE</b>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Milt Barker MB  
Division: Treasury

Phone: 465-2350  
Date: January 26, 1987

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

Date: 1/29/87

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



**SENATOR FRED F. ZHAROFF**  
**ALASKA STATE LEGISLATURE**

P.O. BOX 405, KODIAK, ALASKA 99615 (907) 486-5259

DURING SESSION:

P.O. BOX V, JUNEAU, ALASKA 99811 • (907) 465-3473 • 465-3474

**DISTRICT N**

ALASKA PENINSULA • ALEUTIAN CHAIN • BRISTOL BAY • KODIAK ISLAND • LAKE CLARK/LAKE ILIAMNA • PRIBILOF ISLANDS • SHUMAGIN ISLANDS

TO: Rep. Al Adams  
Chairman  
House Finance Committee

FROM: Senator Fred F. Zharoff

DATE: May 1, 1987

RE: CS For SB 9 (Resources) -- "An Act relating to financing of fish processors and agricultural and timber processors and harvestors by the Commercial Fishing and Agriculture Bank; and providing for an effective date."

I respectfully request you to schedule CSSB 9 for a hearing before the House Finance Committee at the committee's earliest convenience. The bill passed the Senate on April 30 by a 15-0 vote.

CSSB 9 would help CFAB diversify its loan portfolio by allowing the institution to have access to a larger market in the seafood processing industry. The way the industry currently is structured, most of the large shorebased processing companies in Alaska are owned by nonresidents.

CSSB 9 is a companion bill to HB 105, which is now before your committee. This same bill was introduced last year as HB 579, which passed the House and died in the Senate Rules Committee when the legislature adjourned.

The following background materials are attached:

1. Sectional Analysis.
2. Fiscal Note.
3. Letter from Mr. Ed Crane, CFAB president, regarding fiscal impact on Alaska.
4. United Fishermen of Alaska resolution regarding SB 9.
5. Letter from Sitka processor T.E. Thompson in support of last year's bill.
6. Anchorage Daily News article, April 8, 1987.
7. CFAB analysis of Alaska processor ownership.
8. CFAB fact sheet in support of legislation.



1.

# SENATOR FRED F. ZHAROFF

## ALASKA STATE LEGISLATURE

P.O. BOX 405, KODIAK, ALASKA 99615 (907) 486-5259

DURING SESSION:

P.O. BOX V, JUNEAU, ALASKA 99811 • (907) 465-3473 • 465-3474

---

### DISTRICT N

ALASKA PENINSULA • ALEUTIAN CHAIN • BRISTOL BAY • KODIAK ISLAND • LAKE CLARK/LAKE ILIAMNA • PRIBILOF ISLANDS • SHUMAGIN ISLANDS

### SECTIONAL ANALYSIS

#### CS FOR SENATE BILL NO. 9 (Resources)

"An Act relating to financing of fish processors and agricultural and timber processors and harvestors by the Commercial Fishing and Agriculture Bank; and providing for an effective date."

#### SECTION 1

##### LEGISLATIVE FINDINGS.

- (1) Fish processing, agricultural and timber facilities, regardless of ownership, are important to Alaska.
- (2) Regardless of ownership, they contribute to Alaska's economy.
- (3) Regardless of ownership, they provide jobs for Alaska residents.

#### SECTION 2

44.81.210(c): New subsection. Allows CFAB to make loans to businesses engaged in shorebased fish processing, timber processing or harvesting, or agricultural processing and harvesting that are not majority owned by Alaskan residents. CFAB would have access to a broader market in which to make loans. The companies, however, must be majority owned by U.S. residents, not foreign interests.

#### SECTION 3

Effective date.



2550 Denali Street, Suite 1201  
P.O. Box 4-2070  
Anchorage, Alaska 99509-2070  
(907) 276-2007

January 26, 1987

Mr. Mark Johnson  
Counsel, Senate Labor & Commerce Committee  
Box V (M.S. 3100)  
Juneau, Alaska 99811

Dear Mr. Johnson,

Thank you for your letter of January 21, received today. I assume the Committee is interested in the financial impact on the State.

The financial impact of SB 8 and SB 9 can be addressed fairly definitely from a cost standpoint; a discussion of the potential financial benefits requires speculation.

With regard to SB 8, only Section 7(c) bears cost implications for the State. This paragraph subjects CFAB to an annual examination by the state bank examiners, and provides for CFAB to pay for that examination at the statutorily established rate (currently \$7,500) for other State-chartered financial institutions. To the extent that the cost of such an examination might exceed \$7,500, the State would be under-reimbursed by CFAB. The scope and nature of CFAB's activities are narrow, and much more limited than those of other institutions, so I would expect any net cost implications to be minimal (compared to those for other examinations). We believe strongly that it is in the State's interest to have the benefit of this regular professional and qualitative evaluation of the assets which represent CFAB's application of the funds invested by the State.

SB 9 bears no cost implications for the State. It should be noted that SB 9 is identical to two bills (HB 579 and SB 410) which were considered by the 1986 legislature with \$0 fiscal notes.

I hesitate to claim, and could not support, projection of specific amounts of financial benefits; they can only be addressed as "opportunities." Sections 1, 2, and 3 of SB 8 are "housekeeping" matters only, with significance internal to CFAB. Sections 4, 5, and 6 (all interrelated) of SB 8, and SB 9 in its entirety, broaden the circumstances and the market in which CFAB may make loans. CFAB's lending activities produce net income which, through various mechanisms, ultimately increases the value of the State's investment and incrementally enhances the liquidity which must be achieved for that investment to be retired. Furthermore, diversification or

Mark K. Johnson  
January 26, 1987  
Page 2

broadening of any kind tends to stabilize and strengthen CFAB, which in turn diminishes the threat of loss of that investment. Also, of course, to the extent that any CFAB loan made under SB 9 permits or encourages the maintenance of shorebased processing facilities which might otherwise be closed, there would be a variety of indirect financial benefits to the State. Finally, having said all that, I must acknowledge that CFAB operates in a competitive environment and that even though SB 8 and SB 9 may create new business opportunities, we cannot assert that we will achieve any particular level of success in making new loans.

It is our understanding that SB 8 and SB 9 will be heard in the Senate Labor and Commerce Committee on January 28; I plan to attend that session and will be pleased to respond to additional questions.

Very truly yours,



Edward E. Crane  
President

EEC:1444V



# UNITED FISHERMEN OF ALASKA

4.  
Jack Cadigan  
Executive Director  
907-586-2820  
1-800-478-FISH

## UNITED FISHERMEN OF ALASKA

### RESOLUTION 87-8

WHEREAS the Commercial Fishing and Agriculture Bank (CFAB) was created by the Alaska Legislature for the purposes of providing sources of credit for Alaskan fishing businesses and encouraging the harvesting, processing and marketing of underutilized fish species as well as the technological development necessary to accomplish this; and

WHEREAS CFAB, a private sector lending cooperative, has its cost of doing business shared by all of its member-borrowers by the interest and loan fees they pay; and

WHEREAS the ability of CFAB to have access to the broadest market of potential borrowers within the fishing industry is necessary for it to have the greatest earnings potential, which translates into lower interest rates for its members; and

WHEREAS CFAB is restricted by statute from lending to seafood processors that are not beneficially owned by a majority interest of Alaska residents; and

WHEREAS the majority of long established, financially strong Alaska seafood processors do not meet this criterion; and

WHEREAS this category of seafood processors represents a potential market for CFAB that offers the possibility of lower losses and greater earnings; and

WHEREAS the Alaska seafood industry is in great need of capital investments in modern processing and marketing facilities that will serve to enhance the quality and value of its seafood products; and

WHEREAS all segments of the Alaska seafood industry will benefit from increased investment in the seafood processing industry that will provide more jobs for Alaskan workers and more market opportunities for Alaskan fishermen;

NOW THEREFORE BE IT RESOLVED that the United Fishermen of Alaska requests the Alaska Legislature to consider favorably Senate Bill 9 and House Bill 105, either of which will amend the statutes defining CFAB's lending authority so as to permit it to make loans to corporations

Resolution 87-8

beneficially owned by a majority interest of United States residents engaged in the processing and marketing of seafood products for the purpose of constructing or operating shore-side facilities within Alaska; and

BE IT FURTHER RESOLVED that Senate Bill 8 also be favorably considered as a necessary act to eliminate unnecessary restrictions that prevent CFAB from properly serving the fishermen of Alaska.

*Robert M. Blake*

Robert M. Blake  
President

*2/6/87*

Date

FRANK 5.

329-333 Katlian Street

Sitka, Alaska 99835



March 9, 1986

Senator Arliss Sturgulewski  
Chairman, Resources Committee  
Room 508, Capitol Building  
Juneau, Alaska 99811

Re: Senate Bill 410 (By Sharoff) (Same as SB 9)

Dear Senator Sturgulewski:

I am writing in support of the above-mentioned Senate Bill 410, for I believe it is important for the Alaska Commercial Fishing and Agriculture Bank to expand its base, and be allowed to take part in financing of shorebased plants other than those who meet the present eligibility requirements.

My company is 100% owned by Alaskan residents at present and I do not feel that this proposed expansion of the Bank's lending base would cause any hardship whatsoever. I feel that this legislation will enable the Bank to broaden its base and do a better job for all fishing industry in Alaska.

I wish to thank you for any consideration you may give on the above,

Sincerely,

T. E. Thompson  
President

Copy: Senator Richard Eliason

(907) 747-6662

Telex 090-45-391 SSSEAFOOD SIK

FRESH AND FROZEN SALMON, COD, BLACK COD, HALIBUT, ROCK FISH, CRAB, HERRING

# State fishing loan bank makes recovery

Anchorage Daily News

By JIM ERICKSON  
Daily News reporter

1/8/87

The Alaska Commercial Fishing and Agriculture Bank, its decks awash in red ink and in danger of being scuttled two years ago, has manned the pumps.

Rebounding from a near-fatal \$10 million loss in 1984, the lending cooperative posted a \$535,780 profit last year, according to figures released Wednesday. The organization's financial picture had brightened enough to justify the April 1 mailing of dividend checks to CFAB's 577 members, most of them Alaska fishermen.

The company made \$114,187 in 1985.

Ed Crane, president of CFAB, attributed the recovery to several factors. The most significant was a 31 percent reduction in overhead compared to the previous year. Operating expenses totaled \$1.9 million last year, the lowest annual outlay in the cooperative's six-year history.

Crane said much of the savings resulted from the closing of four regional offices in late 1985.

Larger fish harvests and higher prices in the Alaska fishing industry had little ef-

fect on CFAB's bottom line last year, Crane said. Interest income from loans, CFAB's main source of income, declined to \$6.1 million in 1986 from \$10.1 million in 1985. Total loans dropped to \$41.1 million last year from \$62.4 million.

"We've shrunk in (loan) volume really more than we're comfortable with," Crane said. Industry growth has been centered in areas that CFAB cannot participate in, such as joint ventures between Alaska fishermen and Outside companies, he said.

The cooperative, which the Alaska Legislature established with a \$32 million capital infusion in 1981, can make loans only to Alaskans or Alaska companies.

"We've had numerous deals, particularly recently, where people have approached us for a loan to refurbish a processing plant, and we had to say no" because the company was not Alaska-based, Crane said. Despite efforts last year and this year to get law changed to allow CFAB to make out-of-state loans, lawmakers have shown little interest, he said.

CFAB is owned by members and by the state.

"The biggest frustration I feel personally is the lack of

flexibility and the orphan-like existence we live."

Commercial banks, which in the past have shown little interest in lending money to fishermen, now are competing on a small scale with CFAB, he said.

Crane said CFAB has "turned around" runaway loan losses and delinquencies that threatened to ruin the organization two years ago.

CFAB's non-earning loans increased slightly last year to \$17 million. But that amount was still far less than the \$32 million in delinquent loans CFAB carried in 1984.

Ten delinquent borrowers accounted for more than \$13 million of CFAB's current delinquencies.

Continuing problems with bad loans mean the organization must charge higher interest rates on new loans, Crane said.

Partly to provide a "rate rebate," CFAB's board of directors decided to pay members a 1986 dividend. The total amount paid was \$214,309, or 40 percent of CFAB's net income last year. The average check was for \$371, although the amounts varied from \$1.18 to \$29,282.

Despite CFAB's return to modest profitability, it remains unclear whether the

cooperative will be able to repay all of the state's \$32 million investment when it comes due at the turn of the century, Crane said.

"Somehow, we've got to get \$32 million in liquidity built in there" in the next 13 years, he said. "I'm skeptical we can do that."

CFAB now has \$17 million in "solid assets," Crane said. Two years ago, if CFAB had been liquidated, "the state would have lost the whole \$32 million."

The cooperative also faces another threat. CFAB borrows money to lend to members from the Spokane Bank for Cooperatives, and has \$5.4 million invested in that organization. The Spokane bank is one of 37 banks in the troubled Farm Credit System, which holds nearly one-third of the nation's farm debt.

If the condition of the system worsens or if proposed federal help does not come, CFAB could have trouble borrowing what it needs for members, and borrowing costs could remain "at a relatively high level," CFAB's annual report states.

CFAB ultimately could suffer a paper loss of \$8.4 million if the system collapses, Crane said.

# MEMORANDUM

TO: Ed Crane

FROM: Larry Linegar

DATE: October 21, 1985

SUBJ: SUMMARY/ANALYSIS OF SEAFOOD PROCESSOR OWNERSHIP

At your request, I have compiled the attached breakdown of seafood processors licensed to do business in the State of Alaska. From our discussions, it is my understanding that the motivation for initiating this project was to establish an understanding for the market potential of seafood processors that are not presently eligible to do business with CFAB. The reason why these companies would not be eligible would be because their ownership is greater than 50% non-Alaskan.

The primary source for the information necessary to perform the analysis was the State of Alaska. Several state agencies declared the information requested confidential. However, the Department of Commerce and Economic Development provided a complete list of all processors licensed to do business in the state for the years 1984 and 1985. From this list, copies of corporate bi-annual reports, which provided limited information on stock ownership, was requested. However, many processors do business as d/b/a's, partnerships or as individuals for which bi-annual reports were not available. Information on the ownership of these operations were identified through interviews with knowledgeable individuals and direct contacts.

The Department of Fish and Game provided a report categorizing processors both by sales in dollars and by pounds purchased. They were not able to provide exact figures but were willing to provide a list that grouped processors into broad categories.

The attached compilation was assembled from these two lists. While the ownership of shorebased operations stays relatively constant, floater processors tend to change significantly from year to year. The information presented is based upon year-end 1984 information.

In general, the report indicates that Alaskan owned shorebased processing operations (those with greater than 50% ownership being Alaskan residents) are primarily concentrated in the smaller, single plant operations.

Of the processors with \$10,000,000 or more in sales, only 5 out of a total of 22 companies were controlled by Alaskans. This was less than 23% by number and an even smaller percentage by total sales. Comparatively, Alaskans controlled 20 or 61% of the total of 33 companies with sales of \$1,000,000 to \$10,000,000. Of companies with sales less than \$1,000,000, only 3 out of the total of 23 were controlled by non-Alaskan residents.

Memo/Ed Crane  
October 21, 1985  
Page 2 of 2

To date, CFAB has done business at one time or another with four out five of the companies noted eligible in the \$10,000,000 or more sales category. Of the 20 companies noted eligible in the \$1,000,000 to \$10,000,000 sales category, CFAB has provided financial services to 13.

For the floater processors, Alaskan residents had only a minor presence in the total category. Of the 14 floater processor operations with \$10,000,000 or more in sales, only 3 or 21% could be considered controlled by Alaskans. When considering the total number of vessels in this category, Alaskans had less than 10%.

Certainly from the numbers presented, one could assume that there does exist significant market potential for CFAB should its legislation be amended to allow for financing of non-Alaskan residents. However, beyond market potential, the inclusion of the larger processors could have a stabilizing effect on the bank's loan portfolio both from a volume and a risk standpoint.

Companies in the \$10,000,000 or more sales categories tend to be more financially stable. They have multiple plant operations in diverse locations throughout the state. If one area has a low production, another plant in a different area can generally make up the difference. The companies also tend to have developed a diversified product mix, not just focusing on crab, salmon or bottom fish but on a number of different species and product types such as both canned and frozen. The larger companies also tend to be more sophisticated in the planning, budgeting and marketing processes all of which adds to their financial stability.

CFAB's current market is essentially the smaller companies which do not have the market and production diversity of the larger companies nor the management sophistication which has put the Bank at greater risks.

LLL:0730V

SUMMARY

<u>SALES</u>	<u>NUMBER</u>	<u>INELIGIBLE BY STATUTE</u>	<u>PER- CENT</u>	<u>ELIGIBLE</u>	<u>PER- CENT</u>
<u>Shorebased</u>					
10,000,000 or More	22	17	77	5	23
\$1.0 to \$10.0 Million	33	<del>8</del> 13	<del>24</del>	<del>25</del> 26	<del>76</del>
\$.25 to \$1.0 Million	<u>23</u>	<u>3</u>	13	<u>20</u>	87
Total	<u>78</u>	<u><del>28</del> 33</u>	<del>36</del>	<u><del>50</del> 45</u>	<del>64</del>
<u>Floater</u>					
\$10,000,000 or More	14	11	78	3	22
\$1.0 to \$10.0 Million	24	20	83	4	17
\$.25 to \$1.0 Million	<u>5</u>	<u>4</u>	80	<u>1</u>	20
Total	<u>43</u>	<u>35</u>	81	<u>8</u>	19
Grand Total	<u>121</u>	<u>63</u>	52	<u>58</u>	48

0759V

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.

Original sponsors: Zharoff, Eliason  
and Jones

1 IN THE SENATE BY THE RESOURCES COMMITTEE  
2 CS FOR SENATE BILL NO. 9 (Resources)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 FIFTEENTH LEGISLATURE - FIRST SESSION  
5 A BILL  
6 For an Act entitled: "An Act relating to financing of fish processors and  
7 agricultural and timber processors and harvesters by  
8 the Commercial Fishing and Agriculture Bank; and  
9 providing for an effective date."  
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 harvester, or an agricultural processor or harvester that  
28 does not meet the resident ownership requirements of (a)(1) of this  
29 section for capital investment or operating capital if a facility of

1       the processor or harvester is located in the state and the majority  
2       interest in the processor or harvester is beneficially owned by resi-  
3       dents of the United States.

4       \* Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

1 IN THE SENATE

BY ZHAROFF, ELIASON  
AND JONES

2

SENATE BILL NO. 9

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

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

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

10 \* Section 1. FINDINGS. The legislature finds that

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

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

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

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

24 (c) Notwithstanding (a)(1) of this section, the bank may make a  
25 variable or fixed rate loan to a shore-based fish processor, a timber  
26 processor or harvester, or an agricultural processor or harvester that  
27 does not meet the resident ownership requirements of (a)(1) of this  
28 section for capital investment or operating capital if a facility of  
29 the processor or harvester is located in the state and the majority

1 interest in the processor or harvester is beneficially owned by resi-  
2 dents of the United States.

SB 9

Original sponsors: Zharoff, Eliason  
and Jones

1 IN THE SENATE BY THE RESOURCES COMMITTEE

2 CS FOR SENATE BILL NO. 9 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to financing of fish processors and  
7 agricultural and timber processors and harvesters by  
8 the Commercial Fishing and Agriculture Bank; and  
9 providing for an effective date."

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 harvester, or an agricultural processor or harvester that  
28 does not meet the resident ownership requirements of (a)(1) of this  
29 section for capital investment or operating capital if a facility of

1       the processor or harvester is located in the state and the majority  
2       interest in the processor or harvester is beneficially owned by resi-  
3       dents of the United States.

4       \* Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

SENATE COMMITTEE REPORT

FURTHER:

DATE TURNED INTO OFFICE 4/29/87

Mr. President:

FINANCE Committee considered SB 9

financing of fish processors and agricultural and timber processors and harvesters by the Commercial Fishing and Agriculture Bank.

and recommended:

replace with CS FOR \_\_\_\_\_ )  same title  
 or adopt \_\_\_\_\_ CS FOR SB 9 (Rev) )  new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to \_\_\_\_\_

letter of intent adopted \_\_\_\_\_

Committee  attached or  adopted fiscal note(s)

new  updated or  previous  
 zero  fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

*[Handwritten signatures: Paul G. ...]*

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*[Handwritten signature]*  
Chairman signature and recommendation

Committee Backup Attached

A/B

# STATE OF ALASKA 1987 LEGISLATIVE SESSION FISCAL NOTE

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

### REQUEST

Bill/Resolution No. : SB 9  
 Title : Financing of fish processors & agricultural & timber processors & harvestors by the Commercial Fishing & Agriculture Bank.  
 Sponsor : Sen. Zharoff  
 Requestor : Senate Labor & Commerce  
 Date of Request : \_\_\_\_\_

### FISCAL DETAIL

Agency Affected : Department of Commerce & ED  
 BRU : CFAB  
 Components : \_\_\_\_\_

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

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
---------	-----	-----	-----	-----	-----	-----

REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
---------	-----	-----	-----	-----	-----	-----

### FUNDING : (Thousands of Dollars)

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

### POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

### ANALYSIS :

CFAB is not a state agency nor subject to the Executive Budget Act (AS 37.07).

Prepared by : Mark K. Johnson, Counsel Phone : 465-3822  
 Division : Senate Labor & Commerce Committee Date : 3-9-87

Approved by Commissioner : \_\_\_\_\_ Date : \_\_\_\_\_  
 Agency : \_\_\_\_\_

### Distribution (by Agency preparing fiscal note) :

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



**SENATOR FRED F. ZHAROFF**  
**ALASKA STATE LEGISLATURE**

P.O. BOX 405, KODIAK, ALASKA 99615 (907) 486-5259

DURING SESSION:

P.O. BOX V, JUNEAU, ALASKA 99811 • (907) 465-3473 • 465-3474

DISTRICT N

ALASKA PENINSULA • ALEUTIAN CHAIN • BRISTOL BAY • KODIAK ISLAND • LAKE CLARK/LAKE ILIAMNA • PRIBILOF ISLANDS • SHUMAGIN ISLANDS

SECTIONAL ANALYSIS

Senate Bill No. 9 -- "An Act relating to financing of fish processors and agricultural and timber processors and harvestors by the Commercial Fishing and Agriculture Bank."

SECTION 1

LEGISLATIVE FINDINGS.

- (1) Fish processing, agricultural and timber facilities, regardless of ownership, are important to Alaska.
- (2) Regardless of ownership, they contribute to Alaska's economy.
- (3) Regardless of ownership, they provide jobs for Alaska residents.

SECTION 2

44.81.210(c): New subsection. Allows CFAB to make loans to businesses engaged in shorebased fish processing, timber processing or harvesting, or agricultural processing and harvesting that are not majority owned by Alaskan residents. CFAB would have access to a broader market in which to make loans. The companies, however, must be majority owned by U.S. residents, not foreign interests.

# State fishing loan bank makes recovery

Anchorage Daily News

By JIM ERICKSON  
Daily News reporter

4/12/87

The Alaska Commercial Fishing and Agriculture Bank, its decks awash in red ink and in danger of being scuttled two years ago, has manned the pumps.

Rebounding from a near-fatal \$10 million loss in 1984, the lending cooperative posted a \$535,780 profit last year, according to figures released Wednesday. The organization's financial picture had brightened enough to justify the April 1 mailing of dividend checks to CFAB's 577 members, most of them Alaska fishermen.

The company made \$114,187 in 1985.

Ed Crane, president of CFAB, attributed the recovery to several factors. The most significant was a 31 percent reduction in overhead compared to the previous year. Operating expenses totaled \$1.9 million last year, the lowest annual outlay in the cooperative's six-year history.

Crane said much of the savings resulted from the closing of four regional offices in late 1985.

Larger fish harvests and higher prices in the Alaska fishing industry had little ef-

fect on CFAB's bottom line last year, Crane said. Interest income from loans, CFAB's main source of income, declined to \$6.1 million in 1986 from \$10.1 million in 1985. Total loans dropped to \$41.1 million last year from \$62.4 million.

"We've shrunk in (loan) volume really more than we're comfortable with," Crane said. Industry growth has been centered in areas that CFAB cannot participate in, such as joint ventures between Alaska fishermen and Outside companies, he said.

The cooperative, which the Alaska Legislature established with a \$32 million capital infusion in 1981, can make loans only to Alaskans or Alaska companies.

"We've had numerous deals, particularly recently, where people have approached us for a loan to refurbish a processing plant, and we had to say no" because the company was not Alaska-based, Crane said. Despite efforts last year and this year to get law changed to allow CFAB to make out-of-state loans, lawmakers have shown little interest, he said.

CFAB is owned by members and by the state.

"The biggest frustration I feel personally is the lack of

flexibility and the orphan-like existence we live."

Commercial banks, which in the past have shown little interest in lending money to fishermen, now are competing on a small scale with CFAB, he said.

Crane said CFAB has "turned around" runaway loan losses and delinquencies that threatened to ruin the organization two years ago.

CFAB's non-earning loans increased slightly last year to \$17 million. But that amount was still far less than the \$32 million in delinquent loans CFAB carried in 1984.

Ten delinquent borrowers accounted for more than \$13 million of CFAB's current delinquencies.

Continuing problems with bad loans mean the organization must charge higher interest rates on new loans, Crane said.

Partly to provide a "rate rebate," CFAB's board of directors decided to pay members a 1986 dividend. The total amount paid was \$214,309, or 40 percent of CFAB's net income last year. The average check was for \$371, although the amounts varied from \$1.16 to \$29,282.

Despite CFAB's return to modest profitability, it remains unclear whether the

cooperative will be able to repay all of the state's \$32 million investment when it comes due at the turn of the century, Crane said.

"Somehow, we've got to get \$32 million in liquidity built in there" in the next 13 years, he said. "I'm skeptical we can do that."

CFAB now has \$17 million in "solid assets," Crane said. Two years ago, if CFAB had been liquidated, "the state would have lost the whole \$32 million."

The cooperative also faces another threat. CFAB borrows money to lend to members from the Spokane Bank for Cooperatives, and has \$5.4 million invested in that organization. The Spokane bank is one of 37 banks in the troubled Farm Credit System, which holds nearly one-third of the nation's farm debt.

If the condition of the system worsens or if proposed federal help does not come, CFAB could have trouble borrowing what it needs for members, and borrowing costs could remain "at a relatively high level," CFAB's annual report states.

CFAB ultimately could suffer a paper loss of \$5.4 million if the system collapses, Crane said.



# UNITED FISHERMEN OF ALASKA

Jack Cadigan  
Executive Director  
907-586-2820  
1-800-478-FISH

## UNITED FISHERMEN OF ALASKA

### RESOLUTION 87-8

WHEREAS the Commercial Fishing and Agriculture Bank (CFAB) was created by the Alaska Legislature for the purposes of providing sources of credit for Alaskan fishing businesses and encouraging the harvesting, processing and marketing of underutilized fish species as well as the technological development necessary to accomplish this; and

WHEREAS CFAB, a private sector lending cooperative, has its cost of doing business shared by all of its member-borrowers by the interest and loan fees they pay; and

WHEREAS the ability of CFAB to have access to the broadest market of potential borrowers within the fishing industry is necessary for it to have the greatest earnings potential, which translates into lower interest rates for its members; and

WHEREAS CFAB is restricted by statute from lending to seafood processors that are not beneficially owned by a majority interest of Alaska residents; and

WHEREAS the majority of long established, financially strong Alaska seafood processors do not meet this criterion; and

WHEREAS this category of seafood processors represents a potential market for CFAB that offers the possibility of lower losses and greater earnings; and

WHEREAS the Alaska seafood industry is in great need of capital investments in modern processing and marketing facilities that will serve to enhance the quality and value of its seafood products; and

WHEREAS all segments of the Alaska seafood industry will benefit from increased investment in the seafood processing industry that will provide more jobs for Alaskan workers and more market opportunities for Alaskan fishermen;

NOW THEREFORE BE IT RESOLVED that the United Fishermen of Alaska requests the Alaska Legislature to consider favorably Senate Bill 9 and House Bill 105, either of which will amend the statutes defining CFAB's lending authority so as to permit it to make loans to corporations

beneficially owned by a majority interest of United States residents engaged in the processing and marketing of seafood products for the purpose of constructing or operating shore-side facilities within Alaska; and

BE IT FURTHER RESOLVED that Senate Bill 8 also be favorably considered as a necessary act to eliminate unnecessary restrictions that prevent CFAB from properly serving the fishermen of Alaska.

*Robert H. Blake*

Robert M. Blake  
President

*2/6/87*

Date

SENATE COMMITTEE REPORT

FURTHER:

FINANCE

3/10/87

DATE TURNED INTO OFFICE \_\_\_\_\_

Mr. President:

RESOURCES \_\_\_\_\_ Committee considered SB 9

financing of fish processors and agricultural and timber processors and harvesters by the Commercial Fishing and Agriculture Bank.

and recommended:

[x] replace with CS FOR SB9 Resources [ ] same title  
[ ] or adopt \_\_\_\_\_ CS FOR [x] new title

[ ] attached amendment(s) and

[x] do pass

[ ] do not pass

[ ] no recommendation

[ ] individual recommendations

[ ] further referral to \_\_\_\_\_

[ ] letter of intent adopted \_\_\_\_\_

Committee [x] attached or [ ] adopted fiscal note(s)

[ ] new [ ] updated or [x] previous  
[x] zero [ ] fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

*McElean*  
*Julius Sturgulerkin*  
*J. J. ...*  
*Lydia Jones*

*[Signature]*  
Chairman signature and recommendation

[ ] Committee Backup Attached

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 1-22-87 5-DAY NOTICE  
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: RESOURCES  
FINANCE

\*\*FISCAL NOTE(S) ATTACHED X \*\*  
IN ACCORDANCE WITH AS 24.08.035  
(see below)

1/19/87

DATE TURNED INTO OFFICE 3/9/87

Mr. President:

LABOR & COMMERCE

Committee considered SB 9

relating to financing of fish processors and agricultural and timber processors and harvesters by the Commercial Fishing and Agricultural Bank.

and recommended:

[ ] replace with CS \_\_\_\_\_ [ ] same title  
[ ] new title

[ ] attached amendment(s) and

max  
 do pass

[ ] do not pass

[ ] no recommendation

individual recommendations

[ ] further referral to \_\_\_\_\_

[ ] letter of intent adopted and attached

\*\* Committee  attached or [ ] adopted fiscal note(s)  
 zero [ ] fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Jim Uehling - Do Pass  
Mike [unclear] - Do Pass  
Fabian [unclear]

[unclear signature]

Tim Kelly - Do Pass  
Chairman signature and recommendation

Committee Backup Attached

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

Bill Version: SB 9  
Publish Date: \_\_\_\_\_

REQUEST: \_\_\_\_\_

Revision Date: \_\_\_\_\_  
Title: Financing Fish, Agriculture & Timber Processors by CFAB  
Sponsor: Zharoff, Eliason, Jones  
Requestor: Senate Labor & Commerce

Agency Affected: Department of Revenue  
BRU: Treasury

Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
<b>OPERATING</b>						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
<b>TOTAL OPERATING</b>	-	-	-	-	-	-
<b>CAPITAL</b>	-	-	-	-	-	-
<b>REVENUE</b>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Milt Barker MB  
Division: Treasury

Phone: 465-2350  
Date: January 26, 1987

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

Date: 1/29/87

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

1 IN THE SENATE

BY ZHAROFF, ELIASON  
AND JONES

2

SENATE BILL NO. 9

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to financing of fish processors and

7

agricultural and timber processors and harvesters by

8

the Commercial Fishing and Agriculture Bank."

9

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

10

\* Section 1. FINDINGS. The legislature finds that

11

(1) shore-based fish processing and agricultural and timber

12

processing and harvesting facilities, regardless of ownership, are an

13

essential part of the state economy and provide for the development of a

14

renewable resource tax base vital to many Alaska communities;

15

(2) shore-based fish processing and agricultural and timber

16

processing and harvesting facilities in the state, regardless of ownership,

17

significantly contribute to the economic development and stability of

18

Alaska's communities; and

19

(3) shore-based fish processing and agricultural and timber

20

processing and harvesting facilities in the state, regardless of ownership,

21

employ a significant resident work force and contribute substantially to

22

local community economies through the demand for goods and services.

23

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

24

(c) Notwithstanding (a)(1) of this section, the bank may make a

25

variable or fixed rate loan to a shore-based fish processor, a timber

26

processor or harvester, or an agricultural processor or harvester that

27

does not meet the resident ownership requirements of (a)(1) of this

28

section for capital investment or operating capital if a facility of

29

the processor or harvester is located in the state and the majority

1 interest in the processor or harvester is beneficially owned by resi-  
2 dents of the United States.

SB 10

# SENATE COMMITTEE REPORT

FURTHER:

3/4/37

DATE TURNED INTO OFFICE \_\_\_\_\_

Mr. President:

FINANCE

Committee considered

SB 10

removing a limitation on the power of the Alaska railroad to apply for a right-of-way or exercise eminent domains.

and recommended:

replace with CS FOR \_\_\_\_\_ )  same title  
 or adopt \_\_\_\_\_ CS FOR \_\_\_\_\_ )  new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to \_\_\_\_\_

letter of intent adopted \_\_\_\_\_

Committee  attached or  adopted fiscal note(s)

new  updated or  previous

zero  fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Chairman signature and recommendation

Committee Backup Attached

SENATE COMMITTEE REPORT

FURTHER:

*Letter  
inserted*

2/19/87

DATE TURNED INTO OFFICE March 3, 1987

Mr. President:

TRANSPORTATION Committee considered SB 10

removing a limitation on the power of the Alaska railroad to apply for a right-of-way or exercise eminent domain.

and recommended:

replace with \_\_\_\_\_ CS FOR \_\_\_\_\_ )  same title  
 or adopt \_\_\_\_\_ CS FOR \_\_\_\_\_ )  new title

attached amendment(s) and

*majority*  
 do pass

do not pass

no recommendation

individual recommendations

further referral to \_\_\_\_\_

letter of intent adopted \_\_\_\_\_

Committee  attached or  adopted fiscal note(s)

new  updated or  previous  
 zero  fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

*[Handwritten signatures]*

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*[Handwritten signature]*  
Chairman signature and recommendation

Committee Backup Attached

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 2-12-87 5-DAY NOTICE  
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: TRANSPORTATION

\*\*FISCAL NOTE(S) ATTACHED  \*\*  
IN ACCORDANCE WITH AS 24.08.035  
(see below)

1/19/87

DATE TURNED INTO OFFICE \_\_\_\_\_

Mr. President:

LABOR & COMMERCE

Committee considered SB 10

removing a limitation on the power of the Alaska Railroad to apply  
for a right-of-way or exercise eminent domain.

and recommended:

replace with CS \_\_\_\_\_  same title  
 attached amendment(s) and  new title

do pass

do not pass

no recommendation

individual recommendations

further referral to \_\_\_\_\_

letter of intent adopted and attached

\*\* Committee  attached or  adopted fiscal note(s)  
 zero  fiscal impact

MEMBERS SIGNING DO PASS

*John...*  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

OTHER RECOMMENDATIONS

*Mike...* *no rec.*  
*Mike...* *NO REC.*  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*Tim Kelly - Do Pass*  
Chairman signature and recommendation

Committee Backup Attached

Introduced: 1/19/87  
Referred: Labor and Commerce and  
Transportation

5-0102A

1 IN THE SENATE

BY COGHILL AND JONES

2 SENATE BILL NO. 10

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act removing a limitation on the power of the  
7 Alaska Railroad to apply for a right-of-way or exer-  
8 cise eminent domain."

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

10 \* Section 1. AS 42.40.355 is repealed.

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

S

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

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

**REQUEST**

Bill/Resolution No. : SB 10  
 Title: Removing a limitation on the Alaska Railroad to apply for a right of way or exercise eminent domain  
 Sponsor: Coghill  
 Requestor: Senate Labor & Commerce  
 Date of Request: \_\_\_\_\_

**FISCAL DETAIL**

Agency Affected: Alaska Railroad  
 BRU: \_\_\_\_\_  
 \_\_\_\_\_  
 Components : \_\_\_\_\_  
 \_\_\_\_\_

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

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

<b>CAPITAL</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
----------------	------------	------------	------------	------------	------------	------------

<b>REVENUE</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
----------------	------------	------------	------------	------------	------------	------------

**FUNDING : (Thousands of Dollars)**

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

**POSITIONS :**

FULL-TIME						
PART-TIME						
TEMPORARY						

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

Alaska Railroad not subject to Executive Executive Budget Act.

Prepared by: Mark K. Johnson, Counsel Phone: 465-3822  
 Division: Senate Labor & Commerce Committee Date: 2-18-87

Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
 Agency: \_\_\_\_\_

Distribution (by Agency preparing fiscal note):

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

Senator John W. Marsh Coghill



Box 35026  
North Pole, Alaska 99705  
(907) 488-0862

TO: TRANSPORTATION COMMITTEE  
FROM: SENATOR JACK COGHILL  
DATE: MARCH 2, 1987  
RE: SB 10 ALASKA RAILROAD RIGHT-OF-WAY

SB 10 repeals Section 42.40.355 of the Alaska Railroad Act. This sub-section prohibits the railroad from applying for rights-of-way in the western unit of the Gates of the Arctic National Preserve under 16 U.S.C. 410hh(4)(b)-(e). 16 U.S.C., etc., refers to Chapter 11 of the ANILCA Act. Chapter 11 allows the State of Alaska to apply for access across or into national parks and preserves if the appropriate requirements are met.

This bill would provide the Alaska Railroad Corporation with the flexibility to study and plan for future railroad extension into an important mineral and resource rich area of the state.

Frank Turpin, President and CEO of the Alaska Railroad Corporation, favors repeal of A.S. 42.40.355. He states in a letter to me: "The legislature has previously found that the Corporation must function as a viable economic entity, which will also provide a level of transportation service that best satisfies the needs of the people of the State. Although any proposed extension of the rail system calls for careful scrutiny consistent with such Legislative purposes, by promoting flexibility, SB 10 meshes well with our desire to responsibly plan for the future."

I urge you to pass this bill as one step toward future resource development.

*Back-up SB10*

ARRC CORPORATION



P.O. Box 7-2111 • Anchorage, Alaska 99510-7069

Via Telecopier

March 2, 1987

Honorable Jack Coghill, Senator  
P.O. Box V, Room 30  
Juneau, Alaska 99811

Dear Senator Coghill:

I understand that Senate Bill 10 which you sponsored is scheduled for a hearing before the Senate Transportation Committee on March 3, 1987.

SB 10 repeals AS 42.40.355 which prohibits ARRC from applying for a right-of-way across or exercising its rights of eminent domain in the western unit of the Gates of the Arctic National Preserve. Although the Alaska Railroad Corporation does not have any present plans to extend the railroad into the western unit of the Gates of the Arctic National Preserve, we certainly do not oppose the bill. We support this and all other efforts which will meaningfully serve Alaska's developmental needs, present or future.

Sincerely,

Frank G. Turpin  
President and CEO

cc: Honorable Senator Lloyd Jones, Chairman  
Senate Transportation Committee  
James O. Campbell, Chairman  
Alaska Railroad Corporation

3875L

- ARC Position -

RAILROAD CORPORATION



Pouch 7-2111 • Anchorage, Alaska 99510-7069

April 30, 1985

The Honorable John B. "Jack" Coghill  
Alaska State Legislature  
Pouch V  
Juneau, AK 99811

Subject: SB 303

Dear Senator Coghill:

Thank you for inviting our response to Senate Bill 303, which proposes repeal of A.S. 42.40.355.

As you know, A.S. 42.40.355 provides that the Corporation may not apply for a right-of-way across, or exercise eminent domain in, the western unit of the Gates of the Arctic National Preserve.

Among the many powers assigned to it, the Corporation is authorized to plan for and undertake expansion of the railroad and railroad activities, including extension of the rail system. We support Senate Bill 303, because it creates a flexibility to plan for extensions in an important part of our State.

The Legislature has previously found that the Corporation must function as a viable economic entity, which will also provide a level of transportation service that best satisfies the needs of the people of the State. Although any proposed extension of the rail system calls for careful scrutiny consistent with such Legislative purposes, by promoting flexibility, SB 303 meshes well with our desire to responsibly plan for the future.

Sincerely,

F. G. Turpin  
President and Chief Executive Officer

- ARC Position

SENT

§ 42.40.350

ion may defend  
d. employec, or  
udgments, and  
osed upon that  
hich the person  
erson acted in  
cope of official

ect and hold  
nbers from an  
ce, purported  
duties for, or  
rmless from  
etary judg-  
se of insur-  
onsidered to  
984)

nd  
nt property  
icides

rom the  
property  
transfer  
oration

ect on  
unless  
low a  
ed by  
y its  
in AS  
may  
ents  
ility  
oses  
ner-  
not

§ 42.40.355

PUBLIC UTILITIES AND CARRIERS

§ 42.40.370

(c) The corporation may lease, subject to AS 42.40.285 and (d) of this section, grant easements in or permits for, or otherwise authorize use of portions of rail land. However, the corporation may not convey its entire interest in rail land except as provided in AS 42.40.285, 42.40.370(d) and 42.40.400.

(d) A lease or disposal of land approved by the legislature under AS 42.40.285 by the corporation to a party other than the state shall be made at fair market value as determined by a qualified appraiser or by competitive bid. (§ 2 ch 153 SLA 1984)

Sec. 42.40.355. Prohibition. Notwithstanding any other provision in AS 42.40, the state-owned railroad as defined under 45 U.S.C. 1202(14) may not apply for a right-of-way across, or exercise eminent domain in, the western (Kobuk River) unit of the Gates of the Arctic National Preserve under 16 U.S.C. 410hh(4)(b)-(e). (§ 2 ch 153 SLA 1984)

Sec. 42.40.360. Request for land. (a) The board may nominate federal land it determines may be useful for present or future railroad purposes for selection under the Alaska Statehood Act (P.L. 85 — 508, 72 Stat. 339), as amended, and request the commissioner of natural resources to select the land for the state through the federal land selection process.

(b) The board may identify and request the commissioner of natural resources to convey land necessary or useful for present or future railroad purposes owned by or tentatively approved for transfer to the state, including land not contiguous with a railroad utility corridor or rail land. The request must include a statement of aud justification for the present or future railroad use. Upon receipt of a request, the commissioner shall temporarily reserve the land identified in the request for railroad purposes and defer disposal or lease of that land under other laws to a party other than the corporation. The temporary reservation of land is subject to valid existing rights and remains in effect for 180 days. (§ 2 ch 153 SLA 1984)

Sec. 42.40.370. Conveyance of land. (a) Within 90 days after receiving a request under AS 42.40.360(b) the commissioner of natural resources shall by written decision

(1) designate the identified land for railroad purposes and, subject to valid existing rights, convey the state's interests in the land to the corporation;

(2) notify the corporation of reasons for refusal to designate the identified land for railroad purposes; or

(3) approve the request in part and deny it in part and convey as appropriate.

(b) A conveyance of land under this section may be for less than its appraised value as determined by the commissioner of natural resources.



- AS 42.40.355 -

ALASKA STATE LEGISLATURE

15th Legislature 1st Session

SENATE BILL ..... NO. 10.....

By COGHILL, HONES .....

"An Act removing a limitation on the power of the Alaska Railroad to apply for a right-of-way or exercise eminent domain."

Introduced in the Senate ... 1/19, 19.86

HISTORY IN THE SENATE

19 87

1 19 Read first time and referred to Committee on LABOR & COMMERCE AND TRANSPORTATION  
 2 19 Reported back with L&C recommendation that *2 do pass, 2 no rec, zero fiscal to Transp. etc.*  
 3 3 *Transp. 4 do pass, to Rules. Rules: Fin refused add. of*

Read second time and

Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed  
 Signed by President  
 Sent to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

Read first time and referred to Committee on

Reported back with recommendation that

Read second time and

Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed  
 Signed by Speaker  
 Returned to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19

Received from House

To enrolling

Reported correctly enrolled

Sent to Governor

..... by Governor

Filed with Lt. Governor

Chapter No. ....

SB

11

SENATE COMMITTEE REPORT

FURTHER:

2/23/87

DATE TURNED INTO OFFICE

4/2/87

Mr. President:

FINANCE

Committee considered

SB 11

relating to the conveyance of a five-acre homesite on agricultural land; efd.

and recommended:

replace with

CS FOR

SB 11 (Fin)

)  same title

or adopt \_\_\_\_\_

CS FOR \_\_\_\_\_

)  new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to \_\_\_\_\_

letter of intent adopted \_\_\_\_\_

Committee  attached or  adopted fiscal note(s)

new

updated or

previous

zero

fiscal impact \$79.0

MEMBERS SIGNING DO PASS

Paul Clark  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

OTHER RECOMMENDATIONS

Jack McRa  
Tom Rye  
Willie  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

John Rye DO PASS  
Chairman signature and recommendation

Committee Backup Attached

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

REQUEST: \_\_\_\_\_

Bill Version : CSSB 11 (Finance)

Publish Date : \_\_\_\_\_

Revision Date: 4/1/87

Title: Homesites on agricultural land

Agency Affected: Natural Resources  
BRU: Land and Water Management

Sponsor: Senator Coghill

Requestor: Senator Coghill

Components : \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		72.0	72.0			
TRAVEL		2.0	2.0			
CONTRACTUAL		4.0	4.0			
SUPPLIES		1.0	1.0			
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		79.0	79.0			

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

REVENUE		*	*			
---------	--	---	---	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME		1	1			
PART-TIME		1	1			
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

\*Purchase of the remaining available land rights would generate an estimated \$800 per acre.

Prepared by: Carol Wilson  
Division: Commissioner's Office

Phone: 465-2400  
Date: 4/2/87

Approved by Commissioner Jennie Boston Gonsky  
Agency: Natural Resources

Date: 4-2-87

Distribution (by preparer):

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

FISCAL ANALYSIS CSSB 11  
continued

With all costs of the homesite purchase to be borne by the applicant, including survey and appraisal, the department's responsibility would be limited to receiving and processing purchase applications and negotiating the homesite sale.

The full-time Natural Resource Officer II would be responsible for receiving applications; making necessary findings under AS 38.05.035; adjudicating applications against the information supplied in the completed survey (including the location of buildings); developing and administering contracts; and pursuing contract defaults and foreclosures, if necessary.

The half-time review surveyor would issue survey instructions and review and approve the completed surveys.

If a limited homesite purchase application period is established for the existing 500 agricultural parcels, the 1 1/2 staff persons would need to be funded for two to four years to complete the project.

If homesite applications can be made at any time, from 50-100 purchase requests could be expected each year. If staff to process these applications is not funded, purchase requests would be filed in the order received and processed as staff assigned to other projects can be made available.

If a \$50 filing fee is assessed, it would help defray processing costs.

100 -	1 Range 16 (Contract Administration)	42.0
	1/2 Range 19 (Survey Review)	30.0
200 -	Travel to spot check surveys	2.0
300 -	Postage, telephone, copy fees	4.0
400 -	Office supplies	1.0



From The

# SENATE FINANCE COMMITTEE

---

DATE: April 2, 1987

TO: Lynn  
Legal Services

FROM: Vicki (4935)  
Cap Bldg, Rm 413

RE: CS SB 11 (Finance)

Please prepare a Senate Finance Committee Substitute for SB 11, per attached. The bill was reported out of Committee and read across at the 11 am floor session.

Please return the final CS SB 11 (Finance) to me asap.

THANK!

Original sponsor: Coghill

1 IN THE SENATE

BY THE ~~FINANCE~~ RESOURCES COMMITTEE

2

CS FOR SENATE BILL NO. 11 (~~Resources~~)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to the conveyance of a five-acre  
7 homesite on agricultural land; and providing for an  
8 effective date."

9

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

10

\* Section 1. AS 38.05.065 is amended by adding a new subsection to  
11 read:

12

(i) The commissioner may negotiate with the owner of land sub-  
13 ject to agricultural rights the purchase by that owner of a five acre  
14 fee simple homesite. The commissioner may not negotiate the sale of  
15 more than one five-acre homesite on each original tract purchased from  
16 the state. ~~[If a survey is required under this subsection, the pur-~~  
17 ~~chaser shall pay the cost of the survey.]~~ The purchase price of the  
18 homesite shall be the fair market value of the land at the time of the  
19 application for the purchase. In this subsection, "homesite" means  
20 land used for residential and other related purposes, including barns,  
21 corrals, garages, workshops, and storage facilities.

22

\* Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

\* {

\* ~~INSEK~~: ~~The purchaser shall pay the costs of any survey, appraisal,~~  
~~and notice requirements.~~

Original sponsor: Coghill

1 IN THE SENATE  
2 CS FOR SENATE BILL NO. 11 (<sup>Finance</sup>~~Resources~~)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 FIFTEENTH LEGISLATURE - FIRST SESSION

<sup>FINANCE</sup>  
BY THE ~~RESOURCES~~ COMMITTEE

5 A BILL  
6 For an Act entitled: "An Act relating to the conveyance of a five-acre  
7 homesite on agricultural land; and providing for an  
8 effective date."

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

10 \* Section 1. AS 38.05.065 is amended by adding a new subsection to  
11 read:

12 (i) The commissioner may negotiate with the owner of land sub-  
13 ject to agricultural rights the purchase by that owner of a five acre  
14 fee simple homesite. The commissioner may not negotiate the sale of  
15 more than one five-acre homesite on each original tract purchased from  
16 the state. [~~If a survey is required under this subsection, the pur-~~  
17 <sup>DELETE</sup>~~chaser shall pay the costs of the survey.] The purchase price of the  
18 homesite shall be the fair market value of the land at the time of the  
19 application for the purchase. In this subsection, "homesite" means  
20 land used for residential and other related purposes, including barns,  
21 corrals, garages, workshops, and storage facilities.~~

22 \* Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

\* INSERT: All costs to be borne by the purchaser, including survey,  
appraisal, and notice.

3/31/87 Coghill proposed + reduction in FN  
Bennett moved & suggested - FN  
Binkley held - rescheduled 4/2/87

**STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE**

Bill Version : CS SB 11 (Fin)  
Publish Date : \_\_\_\_\_

**REQUEST:** \_\_\_\_\_  
Revision Date: \_\_\_\_\_  
Title: Conveyance of five-acre  
homesite on agricultural land  
Sponsor: Senator Coghill  
Requester: \_\_\_\_\_

Agency Affected: Dept of Natural Resources  
BRU: Land & Water Management  
Components: \_\_\_\_\_

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

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0	0	0	0	0	0

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

<b>REVENUE</b>		1,400.0	1,400.0	1,400.0	1,400.0	1,400.0
----------------	--	---------	---------	---------	---------	---------

**FUNDING: (Thousands of Dollars)**

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

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

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

Prepared by: \_\_\_\_\_ Phone: 465-4985  
Division: Senator John Binkley, Co-chairman Date: 4/2/87  
Senate Finance Committee

Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
Agency: \_\_\_\_\_

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

Senator John B. (Jack) Coghill  
Alaska State Legislature

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



Box 55028  
North Pole, Alaska 99705  
(907) 488-0862

MEMORANDUM

To: All Senate Finance Committee Members  
From: Senator Coghill  
Re: SB 11, Five Acre Homesite on Ag Lands

I have been concerned about the status of agricultural land titles for quite a while. Financial lenders are reluctant to loan farmers funds for homes and farm buildings because they perceive the title as less than a fee simple conditional.

I believe it is good state policy to enable our farmers to borrow funds from private lenders instead of the state agricultural revolving loan fund. We all know that this fund will be depleted in the next few years. Farmers, who are living in substandard housing, will have no where to turn for loan funds. Tied to lands, without a chance of upgrading their living situation, many will sell off the farm instead.

I believe a just way of encouraging our farmers to stay on the land and meet the needs of their families is to allow a five-acre fee simple homesite on each agricultural parcel. This bill would allow this.

One five-acre fee simple homesite would be allowed on each parcel originally purchased from the state. This change in the current law would go far to assist many farmers across the state with lending problems.

# STATE OF ALASKA

STEVE COWPER, GOVERNOR

## DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

400 WILLOUGHBY AVE.  
JUNEAU, ALASKA 99801  
PHONE: (907) 465-2400

February 4, 1987

The Honorable Jack Coghill, Chair  
Senate Resources Committee  
Alaska State Legislature  
P.O. Box V  
Juneau, AK 99811

Dear Senator Coghill:

Subject: Senate Bill 11, which would allow the Commissioner of Natural Resources to sell the holder of an agricultural parcel a five acre fee simple homesite on the parcel.

Position: The Department of Natural Resources would not object to this bill if language ensuring that the homesite would be used for the purchaser's personal domicile is included, if virtually all costs related to the purchase of the homesite would be borne by the buyer, and if sufficient funding for administration of the program is appropriated for the department.

Background: The department is currently directed by statute (AS 38.05.321) to transfer only agricultural rights to the purchaser of state land classified for agriculture. The land patent document for agricultural parcels grants the purchaser title to the surface estate in fee simple, subject to the condition subsequent and related covenants which require use of the property for agricultural purposes only.

The department currently allows farmstead buildings and improvements on up to 20 acres of an agricultural parcel. The five acre homesite should be contained within an approved farmstead site. To grant full fee simple title to a homesite parcel would require the removal of the agricultural use only covenant for the five acre homesite. Since only agricultural support functions are currently required on the farmstead (rather than actual clearing and planting of crops), removing the agricultural use restrictions for a five acre homesite would not be inconsistent with current settlement practices.

Senator Jack Coghill

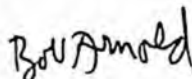
-2-

February 4, 1987

We estimate that approximately 500 purchasers of state agricultural parcels would be eligible for this home-site program. The bill would require the purchaser to pay the costs of survey, but would result in additional costs to the department for land appraisals, survey directions, public notice and other administrative requirements. Since our land disposal program and staff is eliminated in the proposed FY 88 budget request, new funding would be needed to perform these tasks.

Please let me know if I may provide additional information.

Sincerely,



Judith M. Brady  
Commissioner

cc: Members of Committee

Senator John B. (Jack) Coghill  
Alaska State Legislature

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

Box 55028  
North Pole, Alaska 99705  
(907) 488-0362



April 2, 1987

To: Members of the Senate Finance Committee

From: Senator Coghill

Re: CSSB 11 (Res)

I have spoken with Carol Wilson of the Department of Natural Resources. She informed me that the fiscal note they are working on would indicate that costs to the state would be \$79,000 for 1½ part-time positions over two years.

This bill would possibly generate \$1.4 million in revenues on the sale of the five-acre homesites.

*Elizabeth  
Coghill's aide*

Senator John B. (Jack) Coghill  
Alaska State Legislature

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

---

Box 55028  
North Pole, Alaska 99705  
(907) 488-0862



AMENDMENT  
CS SB 11 (Res)

PAGE 1, LINE 16: DELETE "IF A SURVEY IS REQUIRED UNDER THIS SUBSECTION,  
THE PURCHASER SHALL PAY THE COSTS OF THE SURVEY"

PAGE 1, LINE 16: ADD "THE PURCHASER SHALL PAY THE COSTS OF ANY SURVEY,  
APPRAISAL AND NOTICE REQUIREMENTS."

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of two weeks 5-DAY NOTICE  
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: FINANCE

\*\*FISCAL NOTE(S) ATTACHED  \*\*  
IN ACCORDANCE WITH AS 24.08.035  
(see below)  
1/19/87

DATE TURNED INTO OFFICE 2-23-87

Mr. President:

RESOURCES \_\_\_\_\_ Committee considered SB 11

relating to the conveyance of a five-acre homesite on agricultural land; efd.

and recommended:

replace with CS ~~SB~~ CS SB 11 (Res)  same title  
 attached amendment(s) and  new title

do pass

do not pass

no recommendation

individual recommendations

further referral to \_\_\_\_\_

letter of intent adopted and attached

\*\* Committee  attached or  adopted fiscal note(s)  
 zero  fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[Signature]  
[Signature]  
[Signature]  
[Signature]  
[Signature]  
Paul Froile

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

[Signature] - B Pass  
Chairman signature and recommendation

Committee Backup Attached

1 IN THE SENATE

BY COGHILL

2

SENATE BILL NO. 11

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to the conveyance of a five-acre

7

homesite on agricultural land; and providing for an

8

effective date."

9

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

10

\* Section 1. AS 38.05.065 is amended by adding a new subsection to

11

read:

12

(i) The commissioner may negotiate with the owner of land sub-

13

ject to agricultural rights the purchase by that owner of a five acre

14

fee simple home site. The commissioner may not negotiate the sale of

15

more than one five-acre homesite on each original tract purchased from

16

the state. [If a survey is required under this subsection, the pur-

17

chaser shall pay the costs of the survey.] The purchase price of the

18

homesite shall be the fair market value of the land at the time of the

19

application for the purchase.

20

\* Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

1/3

**STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE**

**REQUEST:** \_\_\_\_\_

Bill Version: SB 11

Publish Date: \_\_\_\_\_

Revision Date: February 3, 1984

Title: Homesite on Agricultural Land

Agency Affected: Natural Resources

BRU: Land and Water Management

Sponsor: Sen. Coqhill

Requestor: Senate Resources Committee

Components: \_\_\_\_\_

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

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		261.5	261.5	98.1		
TRAVEL		20.5	25.0	10.0		
CONTRACTUAL		8.0	6.0	1.0		
SUPPLIES		2.0	2.0	0		
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>		291.5	294.5	109.1		

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

REVENUE		1,400.0	1,400.0	1,400.0	1,400.0	1,400.0
---------	--	---------	---------	---------	---------	---------

**FUNDING: (Thousands of Dollars)**

GENERAL FUND		291.5	294.5	109.1		
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>		291.5	294.5	109.1		

**POSITIONS:**

FULL-TIME		4	4	2		
PART-TIME		3	3			
TEMPORARY						

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

See Attached Explanation

Prepared by: Tom Hawkins *Tom Hawkins*

Phone: 465-2400

Division: Land and Water Management

Date: February 3, 1987

Approved by Commissioner: Wm D. Bunnell, Deputy

Date: 2/4/87

Agency: Natural Resources

**Distribution (by preparer):**

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

# CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. SB 11

If the program is presented as a one-time offer (as opposed to being available anytime at the purchaser's discretion), it would require three years to complete. It is estimated that there are 500 parcels eligible for homesite purchase. A full-time adjudicator would be required in the Southcentral Region, for three years, and a half-time adjudicator would be required in the Northern Region for two years. The few Southeast homesites could be completed by the Southcentral adjudicator. A full-time appraiser would be required for two years, and would be located in Anchorage. Two surveyors would be required to review the plats, one for two years and one for three years. Title Administration would require a half-time position over two years to resolve title problems and issue patents. Contract Administration would also need a half-time position to prepare and administer the sale contracts.

As the bill is written, the State would bear the costs of public notice and appraisal. This increases the travel and contractual costs considerably. If the bill were amended to require the purchaser to pay for notice and appraisal, the fiscal note could be reduced 15.0 in travel and 8.0 in contractual (over three years). The remaining contractual costs are postage and telephone. If a filing fee were charged, it would be possible to return a portion of this cost to the general fund.

It is anticipated that most of the 500 eligible purchasers will be interested in purchasing their homesite. The revenue generated from the sale of 450 homesites, at an average cost of \$5,000 per acre would be \$11 million. With interest and spread over a twenty year period, this might generate revenues of \$1.4 million each year. (Not all 450 purchasers would have contracts in the first two years, but this reduction would be offset by receipt of downpayments during those years.)

## Line Item Explanation

- 100- 1 Adjudicator for 3 years (Range 16)
  - ½ Adjudicator for 2 years (Range 16)
  - ½ Contract Administrator for 2 years (Range 14)
  - ½ Title Administrator for 2 years (Range 16)
  - 1 Appraiser for 2 years (Range 18)
  - 2 Review Surveyors, 1 for 2 years, 1 for 3 years.Total: 695.1
  
- 200- Travel for the adjudicators and the appraiser.  
Total over 3 years: 55.0
  
- 300- Public notice, postage, and telephone.  
Total over 3 years: 15.0
  
- 400- Paper, mylar, other supplies.  
Total: 4.0