

ALASKA LEGISLATURE

1336

HOUSE and SENATE FINANCE COMMITTEE FILES, 1995-1996

1 that purpose under the procedures required by AS 38.05.300 and 38.05.945. Sales
2 under this section shall be at fair market value and the purchaser shall reimburse the
3 state for the appraisal, survey, and platting costs for the recreational cabin site.

4 (b) The annual fee for a remote recreational cabin site lease shall be set by the
5 commissioner so as to ensure that the state receives a fair return for the use granted
6 by the lease for the term of the lease. The commissioner shall establish regulations
7 that specify the application procedures for and the terms and conditions of a remote
8 recreational cabin site lease. A lease must be for a term of not more than five years,
9 and may be renewed for one additional five-year period. At any time during the lease,
10 the lessee may purchase the remote recreational cabin site by having the site appraised
11 and surveyed in a manner acceptable to the department and by paying to the state the
12 fair market value for the site. The lease may not be assigned by the original lessee
13 during the term of the lease.

14 (c) A remote recreational cabin site lease may be terminated by the
15 commissioner before the expiration of the term of the lease if a permittee fails to use
16 the land under lease in the manner required by the terms of the lease. After
17 termination of a remote recreational cabin site lease, improvements or personal
18 property on the land subject to the lease shall be managed in the same manner as
19 required by AS 38.05.090.

20 * Sec. 38. AS 38.05.810(a) is amended to read:

21 (a) Except as otherwise provided in AS 38.05.183(h), the (1) lease, sale, or
22 other disposal of state land or resources may be made to a state or federal agency or
23 political subdivision, (2) [THE] lease, sale, or disposal of coal deposits suitable for
24 mining may be made to a utility owned and operated by a government agency or
25 nonprofit cooperative association organized to participate under the Federal Rural
26 Electrification Act for the purpose of generating electric power and energy or the
27 production of process steam, or both, (3) [OR THE] sale or other disposal of state land
28 may be made to a tax-exempt, nonprofit corporation, association, club, or society
29 organized and operated exclusively for the management of a cemetery or a solid waste
30 facility, (4) sale or other disposal of land within a state subdivision may be
31 made to that subdivision's nonprofit, tax-exempt homeowners' association, for less

1 than the appraised value as determined by the director and approved by the
2 commissioner to be fair and proper and in the best interests of the public, with due
3 consideration given to the nature of the public services or function rendered by the
4 applicant [AGENCY, SUBDIVISION, TAX-EXEMPT, NONPROFIT
5 CORPORATION, ASSOCIATION, CLUB, OR SOCIETY, OR UTILITY MAKING
6 APPLICATION], and of the terms of the grant under which the land was acquired by
7 the state. The commissioner shall ensure, by regulation, deed restriction, covenant,
8 or otherwise, that disposals of land under this subsection serve a public purpose
9 and are in the public interest.

10 * Sec. 39. AS 38.05.850(a) is amended to read:

11 (a) The director, without the prior approval of the commissioner, may issue
12 permits, rights-of-way or easements on state land for roads, trails, ditches, field
13 gathering lines or transmission and distribution pipelines not subject to AS 38.35,
14 telephone or electric transmission and distribution lines, log storage, oil well drilling
15 sites and production facilities for the purposes of recovering minerals from adjacent
16 land under valid lease, and other similar uses or improvements, or revocable,
17 nonexclusive permits for the [LIMITED] personal or commercial use or removal of
18 resources that the director has determined to be of limited value [OF TIMBER OR
19 MATERIALS]. The commissioner, upon recommendation of the director, shall
20 establish a reasonable rate or fee schedule to be charged for these uses, subject to the
21 exception for nonprofit cooperative associations specified in (b) of this section. In the
22 granting, suspension or revocation of a permit or easement of land, the director shall
23 give preference to that use of the land which will be of greatest economic benefit to
24 the state and the development of its resources. However, first preference shall be
25 granted to the upland owner for the use of a tract of tideland, or tideland and
26 contiguous submerged land, which is seaward of the upland property of the upland
27 owner and which is needed by the upland owner for any of the purposes for which the
28 use may be granted.

29 * Sec. 40. AS 38.05.945(a) is amended to read:

30 (a) This section establishes the requirements for notice given by the department
31 for the following actions:

1 (1) classification or reclassification of state land under AS 38.05.300
2 and the closing of land to mineral leasing or entry under AS 38.05.185;

3 (2) zoning of land under applicable law;

4 (3) issuance of a

5 (A) preliminary written finding under AS 38.05.035(e)(5)(A)
6 regarding the sale, lease, or disposal of an interest in state land or resources for
7 oil and gas subject to AS 38.05.180(b);

8 (B) final written finding under AS 38.05.035(e)(5)(B) regarding
9 the sale, lease, or disposal of an interest in state land or resources for oil and
10 gas subject to AS 38.05 180(b);

11 (C) written finding for the sale, lease, or disposal of an interest
12 in state land or resources under AS 38.05.035(e)(6);

13 (4) a competitive disposal of an interest in state land or resources after
14 final decision under AS 38.05.035(e);

15 (5) [A PUBLIC HEARING UNDER AS 38.05.856(b);

16 (6)] a preliminary finding under AS 38.05.035(e) [AND 38.05.855(c)]
17 concerning sites for aquatic farms and related hatcheries;

18 (6) [(7)] a decision under AS 38.05.132 - 38.05.134 regarding the sale,
19 lease, or disposal of an interest in state land or resources.

20 * Sec. 41. AS 38.08.030(b) is amended to read:

21 (b) Fees for filing an application may not exceed \$25 [\$10].

22 * Sec. 42. AS 38.08.040(a) is amended to read:

23 (a) An applicant meeting the qualifications for homesite entry under
24 AS 38.08.030 and selected under (f) of this section shall be issued a revocable permit
25 to occupy and improve the homesite in order to qualify for issuance of patent as
26 provided in this chapter. The holder of a homesite entry permit shall pay, in
27 advance, an annual rental fee of \$100. [THE APPLICATION FEE IS THE SOLE
28 RENT CHARGEABLE ON THE PERMIT FOR ITS DURATION.]

29 * Sec. 43. AS 38.08.040 is amended by adding a new subsection to read:

30 (f) If only one application for a homesite parcel is received, the commissioner
31 shall offer an entry permit for the parcel to the applicant provided the applicant is

1 otherwise qualified. If more than one application is received for a parcel, the
2 commissioner shall select by lottery the applicant who is entitled to receive the permit
3 for the parcel. The lottery shall be conducted under regulations adopted by the
4 commissioner that are to the maximum extent practicable consistent with the provisions
5 of AS 38.05.057 and the regulations adopted under that section.

6 * Sec. 44. AS 38.09.010(g) is amended to read:

7 (g) The commissioner may limit the number of persons permitted to obtain
8 [STAKE] homestead entries within an area designated under (a) of this section by a
9 lottery of qualified applicants. [THE COMMISSIONER MAY CONDUCT A
10 LOTTERY HELD UNDER THIS SUBSECTION IN THE COMMUNITY THAT IS
11 CLOSEST TO THE AREA DESIGNATED FOR HOMESTEAD ENTRY. THE
12 COMMISSIONER MAY REQUIRE THAT EACH PARTICIPANT IN THE
13 LOTTERY BE PRESENT UNLESS ATTENDANCE AT THE LOTTERY IS
14 PREVENTED BY

15 (1) MEDICAL REASONS, ATTENDANCE AT SCHOOL, OR
16 MILITARY SERVICE OUTSIDE THE STATE; OR

17 (2) A MANDATORY, UNAVOIDABLE EMPLOYMENT
18 COMMITMENT DETERMINED VALID BY THE COMMISSIONER BEFORE THE
19 SALE.]

20 * Sec. 45. AS 38.09.030(a) is amended to read:

21 (a) An applicant for a homestead entry permit shall

22 (1) submit proof acceptable to the commissioner that the applicant is
23 at least 18 years of age and has been a resident of the state for not less than one year
24 immediately before the date of application; and

25 (2) pay a fee of \$5 per acre according to the description provided by
26 the applicant if the entry is on land classified agricultural, or \$20 per acre if the
27 entry is on land not classified agricultural;

28 (3) agree to comply with the requirements of AS 38.09.050 [;

29 (4) CERTIFY THAT THE CORNERS OF THE LAND ENTERED
30 HAVE BEEN STAKED AND THE BOUNDARIES HAVE BEEN FLAGGED; OR

31 (5) ASSUME FULL RESPONSIBILITY FOR THE ACCURACY OF

1 THE DESCRIPTION OF THE LAND FILED WITH THE COMMISSIONER UNDER
2 AS 38.09.020(b)].

3 * Sec. 46. AS 38.09.050(a) is amended to read:

4 (a) The commissioner shall issue a patent to homestead entry land if the permit
5 holder

6 (1) either

7 (A) resides and lives on the homestead entry land for not less
8 than 25 months within five years after the issuance of the homestead entry
9 permit and reimburses the state for the survey and platting of the
10 homestead parcel:

11 (B) within five years pays the state the fair market value of
12 the homestead parcel at the time of patent and reimburses the state for the
13 survey and platting of the homestead parcel; or

14 (C) pays to the state the fair market value of the homestead
15 parcel under the terms of a contract under AS 38.05.065 to purchase the
16 parcel, entered into within five years of the issuance of the permit, and
17 reimburses the state for the survey and platting of the parcel; under this
18 subparagraph, the fair market value of the homestead parcel shall be
19 determined as of the date of the contract; and

20 (2) [SUBMITS AN ALIQUOT PARTS DESCRIPTION OR
21 COMPLETES AN APPROVED SURVEY OF THE LAND IN AN AREA WHERE
22 THE COMMISSIONER WAIVES THE RECTANGULAR SURVEY GRID WITHIN
23 FIVE YEARS AFTER THE ISSUANCE OF THE PERMIT;

24 (3) ERECTS A HABITABLE, PERMANENT DWELLING ON THE
25 HOMESTEAD WITHIN THREE YEARS AFTER THE ISSUANCE OF THE
26 HOMESTEAD ENTRY PERMIT;

27 (4) BRUSHES THE BOUNDARIES OF THE LAND NOT
28 DESCRIBED BY ALIQUOT PARTS OR AS A LOT OF RECORD WITHIN 90
29 DAYS AFTER THE ISSUANCE OF THE PERMIT;

30 (5)] clears and either puts into production or prepares for cultivation
31 either 25 percent of the land classified for agricultural use or 50 percent of the

1 cropland soils, whichever is less, within five years after issuance of the permit.

2 * Sec. 47. AS 38.09.050(b) is amended to read:

3 (b) Nothing in this chapter prohibits a homestead entry permit holder from
4 residing in a temporary dwelling on the homestead [BEFORE ERECTION OF THE
5 PERMANENT DWELLING].

6 * Sec. 48. AS 38.09 is amended by adding a new section to read:

7 Sec. 38.09.105. REMOVAL OF CONDITIONS ON REMOTE PARCEL AND
8 HOMESTEAD ENTRY LAND. (a) The commissioner may not include the
9 conditions of former AS 38.05.078(d) in a remote parcel purchase contract issued on
10 or after the effective date of this section.

11 (b) The commissioner shall amend a remote parcel or homestead entry land
12 purchase contract or patent issued before the effective date of this section to remove
13 the conditions of former AS 38.05.078(d) or former AS 38.09.050(e) if the holder of
14 the purchase contract or patent

15 (1) requests the amendment;

16 (2) pays the reasonable administrative costs of the amendment as
17 determined by the commissioner; and

18 (3) pays the difference, as established by the commissioner, between
19 the land's fair market value before the amendment and the estimated fair market value
20 after the amendment.

21 * Sec. 49. AS 38.95 is amended by adding a new section to read:

22 ARTICLE 7. NO OBLIGATION TO PROVIDE SERVICES TO DISPOSALS
23 OF STATE LAND; NO LIMITATION ON FURTHER DISPOSALS.

24 Sec. 38.95.300. DISCLAIMER APPLICABLE TO STATE DISPOSALS.

25 Except as otherwise specifically provided, nothing in this title

26 (1) obligates the state to provide services to land that is disposed of by
27 the state, or any grantee of the state, or is the subject of any disposal program;

28 (2) limits the authority of the state to dispose of land or any interest
29 in land or resources in the area of the current disposal, provides any exclusive right
30 or interest in the area of the disposal, or implies or requires that any disposals made
31 will be limited in type or any other manner.

1 * Sec. 50. AS 38.04.020(c), 38.04.020(f), 38.04.020(j), 38.04.020(k);
2 AS 38.05.035(e)(6)(F), 38.05.040, 38.05.057(g), 38.05.057(j), 38.05.079, 38.05.207, 38.05.855,
3 38.05.856, 38.05.945(g), 38.05.946(b); AS 38.08.090; AS 38.09.010(e), 38.09.020,
4 38.09.040(a)(2), 38.09.040(a)(3), 38.09.040(a)(4), 38.09.050(d), 38.09.050(e), 38.09.060,
5 38.09.070, 38.09.090, 38.09.900(1), 38.09.900(3), and 38.09.900(4) are repealed.

6 * Sec. 51. Notwithstanding AS 41.21.120 - 41.21.125, within Township 10 North, Range
7 1 East, Seward Meridian, the commissioner of natural resources may

8 (1) convey a property interest in land to the Alaska Railroad Corporation for
9 the purpose of realigning the railroad in conjunction with the relocation of the Seward
10 Highway, provided that the property interest conveyed must be equivalent to that conveyed
11 to the state-owned railroad under 45 U.S.C. 1201 - 1214 (Alaska Railroad Transfer Act of
12 1982) and shall be held and managed by the Alaska Railroad Corporation under AS 42.40;

13 (2) grant a 300 foot wide highway easement to the Department of
14 Transportation and Public Facilities for the relocated Seward Highway;

15 (3) grant a 100 foot wide utility easement to Chugach Electric Association,
16 Inc., for the relocation of the 115 kilovolt electric transmission line (Federal Power
17 Commission project no. 2170, AA-39417, and ADL 32417) and the electric distribution line
18 (A-029885) located within the Chugach State Park.

19 * Sec. 52. A disposal by the Department of Natural Resources of a homesite under
20 AS 38.08 by lottery, on or after July 6, 1984, and before the effective date of this section, is
21 valid and effective, notwithstanding the fact that the disposal was by lottery, if the disposal
22 otherwise complied with the requirements of AS 38.08.

23 * Sec. 53. APPLICABILITY. The change to the interest rate to be charged on contracts
24 for the sale of land under AS 38.05.065, made by secs. 17 - 19 of this Act, applies to all
25 contracts under AS 38.05.065 sent by the Department of Natural Resources to purchasers for
26 signature on or after the effective date of secs. 17 - 19 of this Act.

27 * Sec. 54. REVISOR'S INSTRUCTION. The amendments to AS 38.05.082(b), made by
28 sec. 24 of this Act, do not affect the amendments made to that subsection by sec. 3, ch. 27,
29 SLA 1991, effective January 1, 1997. Unless amended or repealed by Act of the legislature
30 after the effective date of this section, the amendments to AS 38.05.082(b), made by sec. 24
31 of this Act, continue in effect after the amendments made by sec. 3, ch. 27, SLA 1991, take

1 effect January 1, 1997.

2 * Sec. 55. TRANSITIONAL PROVISIONS: REGULATIONS. (a) Notwithstanding
3 sec. 56 of this Act, the Department of Natural Resources may proceed to adopt regulations
4 necessary to implement the changes made by this Act. The regulations take effect under
5 AS 44.62 (Administrative Procedure Act), but not before July 1, 1995.

6 (b) To the extent they are consistent with AS 38.08, regulations governing the
7 selection of applicants for homesite parcels under AS 38.08 in effect on the effective date of
8 secs. 42 - 43 of this Act remain in effect notwithstanding the amendment to AS 38.08.040,
9 made by secs. 42 - 43 of this Act, until the regulations are amended, repealed, or superseded.

10 * Sec. 56. Except for sec. 55 of this Act, this Act takes effect July 1, 1995.

11 * Sec. 57. Section 55 of this Act takes effect immediately under AS 01.10.070(c).

HB

191

SFIN

FILE

HENRY J. CAMAROT
12490 N. Madison Ave. N.E.
Bainbridge Island, WA 98110
206-842-1441
FAX: 206-842-1502

TO: Senator Steve Frank
FAX NO.: (907) 465-4714 NUMBER OF PAGES 5
(INCLUDING COVER PAGE)
FROM: Henry J. Camarot
DATE: April 30, 1996
RE: H.B. 191
MESSAGE: Dear Senator Frank:

I have been told the above
Bill has been amended to require
a bond before a miner may stake
a claim on property conveyed
to a third party by the State,
(with a reservation of the mineral
rights) this would adversely
affect hundreds of claims. (See
attached Affidavits of Kerwin Krause.)
A bond should not be required for
the mere staking of claims. Would
you please distribute this Fax to
all of the Senate Finance Committee
Members. Thank you.

Henry J. Camarot.

HB 191 DNR Land Management Reorganization Bill

This 26-page "housekeeping" bill updates and clarifies Title 38 statutes on management of state land and other resources. Though not intended as a revenue measure, HB 191 will raise between \$65.0 - \$70.0 per year with new and updated administrative service and lease fees.

Attempting to reduce department costs with increased efficiency, the bill eliminates outdated sections of law and combines management activities. It merges the defunct "land disposal bank" into the current state land disposal program. That program gains equal footing with other natural resource sales, allowing, but not mandating, the Division of Land to prepare and seek funding for an annual schedule of sales, including remote recreation site leases and sales.

By regulation, DNR can also create new land disposal programs as long as it provides for competitive fair market value sales. An annual land demand study mandated in current law is abolished. In response to a court decision that found it was unconstitutional to make purchaser appear in person at a state land sale, the bill gives the commissioner discretion on the location for sales and deletes personal-appearance requirements.

The current state land sale contract system is changed beginning with termination of its reliance on the old Federal Land Bank's "prevailing" rate for determining interest rates, which no longer exists. The new system sets interest rates at 4 % above the prime rate up to a 9% cap for agricultural land and 13.5 % cap for all other land sales.

Correcting what we term a 1984 "error" in the veterans' preference auction law, the bill clarifies that such a sale must be held before restricted residential lots can be sold at a general public auction. It also makes it clear that the preference does not apply to the lottery, homesite or homestead programs.

The bill also simplifies the process for leasing setnets and aquatic farm sites, allowing more standard state leasing laws to apply. It eliminates the provision that requires the department to determine who is the most qualified applicant. If the department cannot determine who is the most qualified, the lessee will be determined by lot. It also sets an annual lease rate of \$300.00 and makes it clear that an existing lease holder has a preference to renew over any other applicant.

For aquatic farms it eliminates the annual renewal of a permit process and replaces it with a 10 year lease and, like other land disposals and leases, public hearings on leasing decisions would be held as necessary, but not mandated as under current law.

The bill gives the state protection against liability and clean-up costs with provisions requiring restoration of surface lease sites.

The process for adjustment of annual rentals on mining claims and leases is simplified to require DNR to check the consumer price index each year and adjust the rate, only in \$5 increments, if the index had moved \$5 or more.

New language also clarifies that mining developer's surface leases are not subject to competitive bidding law. The department will be required to adopt regulations setting out the lease procedure and annual rental rates.

Henry J. Camarot, Esq.
12490 N. Madison Ave. N.E.
Bainbridge Island, WA 98110

Attorney for Plaintiffs
(206) 842-1441

IN: THE SUPERIOR COURT FOR THE STATE OF ALASKA

FIRST JUDICIAL DISTRICT AT JUNEAU

ALASKA JUNEAU ASSOCIATES,)
)
Plaintiff,)

vs.)

MICHAEL HAYES, et al.,)
)
Defendants.)

Case No. 1JU-82-2048 Civ.

AFFIDAVIT OF KERWIN KRAUSE

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

COMES NOW Kerwin Krause, being first duly sworn upon oath,
deposes and states as follows:

1. I am employed by the State of Alaska ("State"),
Department of Natural Resources, Division of Mining, as the
Property Management Geologist. I have held this position since
approximately January, 1988.

2. Upon the request of Henry Camarot, counsel for
defendants in the above captioned case, I caused to be conducted
a computer records search of the Division of Mining records to
determine the number of state mining claims on lands wherein the
State has reserved the mineral estate and the surface estate is
owned by a party other than the State.

andberg, Smith,
esenfeld & Corey
WEST 7TH AVENUE
SUITE 200
ANCHORAGE, AK 99501
(907) 276-4343

3. Based upon the computer records search carried out under my supervision on December 29, 1993, there appear to be approximately 1,441 state mining claims on lands wherein the State has reserved the mineral estate and the surface estate is owned by a party other than the State. I cannot guarantee the accuracy of this number and I make no representations as to the validity of any of the mining claims included within this number.

FURTHER YOUR AFFIANT SAYETH NAUGHT.

Kerwin Krause
Kerwin Krause

SUBSCRIBED AND SWORN TO before me this 6th day of January, 1994.

John W. Helmore
Notary Public in and for Alaska
My Commission Expires: 10/31/95

I hereby certify that a true and correct copy of the foregoing was served by () mail () fax () hand this 6th day of January, 1994, to:

James N. Reeves, Esq.
Bogle & Gates
1031 W. 4th Ave., Suite 600
Anchorage, Alaska 99501

Henry J. Camarot

Berg, Smith,
Infield & Corey
477TH AVENUE
SUITE 200
DRAKE, AK 99501
907.276.6363

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SECOND AFFIDAVIT OF KERWIN KRAUSE

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

COMES NOW Kerwin Krause, being first duly sworn upon oath, deposes and states as follows:

1. I am employed by the State of Alaska ("State"), Department of Natural Resources, Division of Mining, as the Property Management Geologist. I have held this position since approximately January, 1988.

2. This affidavit is offered for the sole purpose of clarifying the computer search parameters and results described in my previous affidavit dated January 6, 1994, and filed with the court in the above-captioned case.

3. The Department of Natural Resources computer programs available to me are capable of defining land ownership and status down to the level of a section (640 acres). Any finer delineation must be determined by manual inspection of plats (maps) of each section, which plats are available for public inspection at the Department of Natural Resources offices.

4. In the computer search of December 29, 1993, the results of which are given in my previous affidavit, the computer records available were searched to determine which sections in the state contain (a) lands wherein the State of Alaska owns or has reserved the mineral estate but where the surface estate has been conveyed to a party other than the State of Alaska ("split estate lands"); and (b) state mining claims.

5. The computer search showed that approximately 1,441

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state mining claims are shown as existing within sections containing split estate lands. No determination was made as to whether the state mining claims were located on or overlapped onto the split estate lands. No manual search of plats was carried out nor is one planned as this is a very time-consuming and labor-intensive search for information not currently required for a Department of Natural Resource purpose that is most appropriately carried out by the inquiring party.

Kerwin Krause
Kerwin Krause

Subscribed and sworn to before me this 31st day of January, 1994.

Rene J. Lingo
Notary public in and for Alaska.
My commission expires: Oct 10, 1997

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FISCAL NOTE

No. 5

Bill Version: SCS SS HB191 (Res)

(S) Publish Date: 5/1/96

STATE OF ALASKA 1996 LEGISLATIVE SESSION

Revision Date: Original Dept Affected Natural Resources
 Title: "An Act relating to the management and disposal of state land and resources; ..." BRU: Management and Administration
 Sponsor: Reps. Therriault, James and Brice Component: Information Resource Management
 Requestor: Senate Resources Finance Component Serial No. 427

Expenditures/Revenues		(Thousands of Dollars)					
	FY97	FY98	FY99	FY00	FY01	FY02	
OPERATING EXPENDITURES							
PERSONAL SERVICES	18.0						
TRAVEL							
CONTRACTUAL							
SUPPLIES							
EQUIPMENT							
LAND & STRUCTURES							
GRANTS, CLAIMS							
MISCELLANEOUS							
TOTAL OPERATING	18.0	0.0	0.0	0.0	0.0	0.0	
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0	
CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0	

FUND SOURCE		(Thousands of Dollars)					
	FY97	FY98	FY99	FY00	FY01	FY02	
1002 Federal Receipts							
1003 GF Match							
1004 GF	18.0						
1005 GF/Program Receipts							
1006 GF/MHTIA							
Other							
TOTAL	18.0	0.0	0.0	0.0	0.0	0.0	

Estimate of any current year (FY96) cost: \$ 0.0

POSITIONS		FY97	FY98	FY99	FY00	FY01	FY02
FULL-TIME		0	0	0	0	0	0
PART-TIME		0	0	0	0	0	0
TEMPORARY		1	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

HB191 revises the current land disposal program and adds a new Remote Cabin Site/Lease program. The Department of Natural Resources is responsible for tracking all resource activity on state land. The programs introduced in this bill require the department's current land record systems to be modified to track this new information. Modifications must be made in the Revenue and Billing System to track new lease rentals, homesite permit fees, and remote cabin site revenue. Modifications must be made in the Land Administration System to track the new programs, which requires setting up case types and transactions. And, modifications must be made in the Land Status GIS system to map the new activities on state status plats, the state's graphic land record maps of land ownership and resource activity. The costs for these modifications is \$18.0.

Prepared by: Nico Bus, Acting Director Phone: 465-2406
 Division: Support Services Date: 30-Apr-96
 Approved by Commissioner: Nico Bus Date: 30-Apr-96
 Agency: Natural Resources

FISCAL NOTE

No. 4

Bill Version: SCS 55 HB 191 (RES)
 (S) Publish Date: 5/1/96

STATE OF ALASKA 1996 LEGISLATIVE SESSION

Revision Date: Original Dept Affected: Natural Resources
 Title: An Act relating to the management and disposal of state land and resources... BRU: Resource Development
 Sponsor: Representative Theriault Component: Land Development
 Requestor: Senate Finance Component Serial No. #431

Expenditures/Revenues		(Thousands of Dollars)					
	FY97	FY98	FY99	FY00	FY01	FY02	
OPERATING EXPENDITURES							
PERSONAL SERVICES	140.0	140.0	140.0	140.0	140.0	140.0	
TRAVEL	5.0	5.0	5.0	5.0	5.0	5.0	
CONTRACTUAL	5.0	5.0	5.0	5.0	5.0	5.0	
SUPPLIES							
EQUIPMENT							
LAND & STRUCTURES							
GRANTS, CLAIMS							
MISCELLANEOUS							
TOTAL OPERATING	150.0	150.0	150.0	150.0	150.0	150.0	
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0	
CHANGE IN REVENUES (1005)	66.3	70.0	53.7	29.5	29.5	29.5	

FUND SOURCE		(Thousands of Dollars)					
	FY97	FY98	FY99	FY00	FY01	FY02	
1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts	150.0	150.0	150.0	150.0	150.0	150.0	
1006 GF/MHTIA							
Other							
TOTAL	150.0	150.0	150.0	150.0	150.0	150.0	

Estimate of any current year (FY96) cost: \$ none

POSITIONS		FY97	FY98	FY99	FY00	FY01	FY02
FULL-TIME		2	2	2	2	2	2
PART-TIME		0	0	0	0	0	0
TEMPORARY		0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)
 The operating expenditures are necessary to offset the elimination of the positions in the FY97 proposed budget. The program was reduced based on the current law that says that shore fishery leases are non-mandatory and that only reasonable administrative costs to cover the expenses of the program can be charged. With passage of HB 191, closer to fair market value for the leases may be charged when they come up for renewal. The two positions that administer the program need to be funded so that the additional revenue to the state can be realized.
 The changes proposed in this bill will generate more revenues for the state based on increased revenues for aquatic farm and shore fishery leases; increased applications and service fees for land disposals; and a requirement that all land disposals be for at least fair-market value.
 Attached table shows increased revenue estimates.

Prepared by: Ron Swanson Phone: 269-8503
 Division: Land Date: 30-Apr-96
 Approved by Commissioner: [Signature] Date: 30-Apr-96
 Agency: Natural Resources

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Page 2 - SCSSSH6191(RES) - Fiscal Revenue Analysis

	FY97	FY98	FY99	FY00	FY01	FY02
Shore Fish	27.9	31.3	15.5	.	.	.
Aquatic Farm	8.9	8.7	9.7
Homestead Application Fees	1.5	1.5	1.5	1.5	1.5	1.5
Homestead Entry Permits	28.0	28.0	28.0	28.0	28.0	28.0
NEW REVENUE	66.3	70.0	53.7	29.5	29.5	29.5
EXISTING REVENUE	390.2	456.5	526.5	580.2	580.2	580.2
TOTAL EST. REVENUE	456.5	526.5	580.2	609.7	609.7	609.7

* All Shore Fish leases will be converted to the new lease rate after FY99. There will be no more "new" revenues to report in the out years. The estimated annual revenue for Shore Fish leases will increase from \$350.0 in FY96 to \$425.0 by the year FY00.

** All Aquatic Farming leases will be converted to the new lease rate after FY99. There will be no more "new" revenues to report in the out years. The estimated annual revenue for Aquatic Farm leases will increase from \$31.5 in FY96 to \$57.8 by the year FY00.

FISCAL NOTE

No. 3
 Bill Version: CSHB 191 (FIN)
 (H) Publish Date: 4/28/95

STATE OF ALASKA
 1995 LEGISLATIVE SESSION

Revision Date: 24-Apr-95 Dept Affected: Natural Resources
 Title: An Act relating to the management and disposal of BRU: Resource Development
state and and resources; relating to certain remote parcels and ... Component: Land Development
 Sponsor: Representative Theraut
 Recastor: _____ Component Serial No. 431

Expenditures/Revenues	(Thousands of Dollars)					
OPERATING EXPENDITURES	FY96	FY97	FY98	FY99	FY00	FY01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.01	0.01	0.01	0.01	0.01	0.01
CAPITAL EXPENDITURES	0.01	0.01	0.01	0.01	0.01	0.01
CHANGE IN REVENUES (1005)	213.31	213.31	213.31	213.31	213.31	213.31

FUND SOURCE	(Thousands of Dollars)					
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.01	0.01	0.01	0.01	0.01	0.01

Estimate of any current year (FY95) cost: \$ None

POSITIONS						
FULL-TIME	01	01	01	01	01	01
PART-TIME	01	01	01	01	01	01
TEMPORARY	01	01	01	01	01	01

ANALYSIS: (Attach a separate page if necessary)

The changes proposed in this bill will generate more revenues for the State, with the current estimate at approximately \$213.8 more annually than budgeted restricted revenues.

Prepared by: Ron Swanson, Director Phone: 762-2692
 Division: Land Date: 24-Apr-95
 Approved by Commissioner: *[Signature]* Date: 4-25-95
 Agency: Natural Resources

FISCAL NOTE

No. 2

Bill Version: CSSSHB 191 (RES)

(H) Publish Date: 4/10/95

STATE OF ALASKA
1995 LEGISLATIVE SESSION

Revision Date:	Dept. Affected: <u>Fish and Game</u>
Title: <u>Management of State Land and Resources</u>	BRU: <u>Habitat and Restoration</u>
Sponsor: <u>Representative Thernault</u>	Component: <u>Habitat</u>
Requester: <u>Resources, Finance</u>	COMPONENT SERIAL NO. <u>486</u>

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
------------------------	-----	-----	-----	-----	-----	-----

FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY95) cost: \$ _____

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

This bill is anticipated to have little or no affect on the department's programs. It may have a long-term positive fiscal impact by reducing land use conflicts and thereby reducing the department's workload pertaining to review and response to the Department of Natural Resources' actions.

Prepared by: Ellen Fritts, Acting Director
 Division: Habitat and Restoration
 Approved by Commissioner: *Frank...*
 Agency: *ADF&G*

Phone: 465-4105
 Date: _____
 Date: 3.15.95

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FISCAL NOTE

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STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. SCSSSHB191(Res)

Revision Date: Original Dept Affected Natural Resources
 Title: An Act relating to the management and disposal of state land and resources... BRU: Resource Development
 Sponsor: Representative Therriault Component: Land Development
 Requestor: Senate Finance Component Serial No. #431

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY97	FY98	FY99	FY00	FY01	FY02
PERSONAL SERVICES	140.0	140.0	140.0	140.0	140.0	140.0
TRAVEL	5.0	5.0	5.0	5.0	5.0	5.0
CONTRACTUAL	5.0	5.0	5.0	5.0	5.0	5.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	150.0	150.0	150.0	150.0	150.0	150.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES (1005)	66.3	70.0	53.7	29.5	29.5	29.5

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts	150.0	150.0	150.0	150.0	150.0	150.0
1006 GF/MHTIA						
Other						
TOTAL	150.0	150.0	150.0	150.0	150.0	150.0

Estimate of any current year (FY96) cost: \$ none

POSITIONS

FULL-TIME	2	2	2	2	2	2
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

The operating expenditures are necessary to offset the elimination of the positions in the FY97 proposed budget. The program was reduced based on the current law that says that shore fishery leases are non-mandatory and that only reasonable administrative costs to cover the expenses of the program can be charged. With passage of HB 191, closer to fair market value for the leases may be charged when they come up for renewal. The two positions that administer the program need to be funded so that the additional revenue to the state can be realized.

The changes proposed in this bill will generate more revenues for the state based on increased revenues for aquatic farm and shore fishery leases; increased applications and service fees for land disposals; and a requirement that all land disposals be for at least fair-market value.

Attached table shows increased revenue estimates.

Prepared by: Ron Swanson *[Signature]* Phone: 269-8503
 Division: Land Date: 30-Apr-96
 Approved by Commissioner: *[Signature]* Date: 30-Apr-96
 Agency: Natural Resources

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	FY97	FY98	FY99	FY00	FY01	FY02
Shore Fish	27.9	31.8	15.5	*	*	*
Aquatic Farm	8.9	8.7	8.7	**	**	**
Homestead Application Fees	1.5	1.5	1.5	1.5	1.5	1.5
Homestead Entry Perrmits	28.0	28.0	28.0	28.0	28.0	28.0
NEW REVENUE	66.3	70.0	53.7	29.5	29.5	29.5
EXISTING REVENUE	390.2	456.5	526.5	580.2	580.2	580.2
TOTAL EST. REVENUE	456.5	526.5	580.2	609.7	609.7	609.7

* All Shore Fish leases will be converted to the new lease rate after FY99. There will be no more "new" revenues to report in the out years. The estimated annual revenue for Shore Fish leases will increase from \$350.0 in FY96 to \$425.0 by the year FY00.

** All Aquatic Farming leases will be converted to the new lease rate after FY99. There will be no more "new" revenues to report in the out years. The estimated annual revenue for Aquatic Farm leases will increase from \$31.5 in FY96 to \$57.8 by the year FY00.

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. SCSSSHB191(RES)

Revision Date: Original Dept Affected Natural Resources
 Title: "An Act relating to the management and disposal of state land and resources; ..." BRU: Management and Administration
 Sponsor: Reps. Therriault, James and Brice Component: Information Resource Management
 Requestor: Senate Resources-Finance Component Serial No. 427

Expenditures/Revenues	(Thousands of Dollars)					
OPERATING EXPENDITURES	FY97	FY98	FY99	FY00	FY01	FY02
PERSONAL SERVICES	18.0					
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	18.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE	(Thousands of Dollars)					
1002 Federal Receipts						
1003 GF Match						
1004 GF	18.0					
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	18.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY96) cost: \$ 0.0

POSITIONS	FY97	FY98	FY99	FY00	FY01	FY02
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	1	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

HB191 revises the current land disposal program and adds a new Remote Cabin Site/Lease program. The Department of Natural Resources is responsible for tracking all resource activity on state land. The programs introduced in this bill require the department's current land record systems to be modified to track this new information. Modifications must be made in the Revenue and Billing System to track new lease rentals, homesite permit fees, and remote cabin site revenue. Modifications must be made in the Land Administration System to track the new programs, which requires setting up case types and transactions. And, modifications must be made in the Land Status GIS system to map the new activities on state status plats, the state's graphic land record maps of land ownership and resource activity. The costs for these modifications is \$18.0.

Prepared by: Nico Bus, Acting Director Phone: 465-2406
 Division: Support Services Date: 30-Apr-96
 Approved by Commissioner: Nico Bus to John King Date: 30-Apr-96
 Agency: Natural Resources

BILL: HB 191 SHORT TITLE: MANAGEMENT OF STATE LAND AND RESOURCES
BILL VERSION: CSSH 191(FIN)
SPONSOR(S): REPRESENTATIVE(S) THERRIAULT, JAMES, BRICE

CURRENT STATUS: (S) FIN

STATUS DATE: 04/30/96

TITLE: "AN ACT RELATING TO THE MANAGEMENT AND DISPOSAL OF STATE LAND AND RESOURCES; RELATING TO CERTAIN REMOTE PARCEL AND HOMESTEAD ENTRY LAND PURCHASE CONTRACTS AND PATENTS; AND PROVIDING FOR AN EFFECTIVE DATE."

02/22/95	448	(H)	READ THE FIRST TIME - REFERRAL(S)
02/22/95	448	(H)	RESOURCES, FINANCE
03/15/95	741	(H)	SPONSOR SUBSTITUTE INTRODUCED-REFERRALS
03/15/95	741	(H)	READ THE FIRST TIME - REFERRAL(S)
03/15/95	741	(H)	RESOURCES, FINANCE
04/10/95	1212	(H)	RES RPT CS(RES) 2DP 4NR
04/10/95	1213	(H)	DP: WILLIAMS, GREEN
04/10/95	1213	(H)	NR: DAVIES, KOTT, AUSTERMAN, OGAN
04/10/95	1213	(H)	2 ZERO FISCAL NOTES (DNR, F&G)
04/12/95	1302	(H)	COSPONSOR(S): JAMES
04/28/95	1618	(H)	FIN RPT CS(FIN) 5DP 3NR 1AM
04/28/95	1618	(H)	DP: FOSTER, PARNELL, KOHRING, BROWN
04/28/95	1618	(H)	DP: THERRIAULT
04/28/95	1618	(H)	NR: MULDER, GRUSSENDORF, NAVARRE
04/28/95	1618	(H)	AM: KELLY
04/28/95	1618	(H)	FISCAL NOTE (DNR)
04/28/95	1618	(H)	ZERO FISCAL NOTE (F&G) 4/10/95
05/03/95	1819	(H)	RULES TO CALENDAR 5/03/95
05/03/95	1819	(H)	READ THE SECOND TIME
05/03/95	1820	(H)	FIN CS ADOPTED UNAN CONSENT
05/03/95	1820	(H)	ADVANCED TO THIRD READING 5/04 CALENDAR
05/03/95	1839	(H)	COSPONSOR(S): BRICE
05/04/95	1872	(H)	READ THE THIRD TIME CSSH 191(FIN)
05/04/95	1872	(H)	PASSED Y34 A6
05/04/95	1873	(H)	EFFECTIVE DATE(S) SAME AS PASSAGE
05/04/95	1879	(H)	TRANSMITTED TO (S)
05/05/95	1523	(S)	READ THE FIRST TIME - REFERRAL(S)
05/05/95	1523	(S)	FINANCE
01/11/96	2103	(S)	RES REFERRAL ADDED
01/11/96	2103	(S)	WITHDRAWN FROM FIN, REFERRED TO RES, FIN
04/30/96	3720	(S)	RES RPT SCS 3DP 2NR
05/01/96	3745	(S)	FNS TO SCS (DNR-2)
04/30/96	3721	(S)	REFERRED TO FINANCE

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FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. CSSSHB 191(FIN)

Revision Date: <u>1/11/96</u>	Dept. Affected: <u>Fish and Game</u>
Title: <u>Management of State Land</u>	BRU: <u>Habitat and Restoration</u>
and Resources	Component: <u>Habitat</u>
Sponsor: <u>Representative Therriault</u>	
Requester: <u>House Finance</u>	COMPONENT SERIAL NO. <u>486</u>

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0	0	0	0	0	0
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CHANGE IN REVENUES ()	0	0	0	0	0	0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL						

Estimate of any current year (FY96) cost: \$ 0

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Janet Kowalski
Division: Habitat and Restoration

Phone: 465-3065
Date: 1/11/96

Approved by Commissioner: Frank Rue
Agency: Fish and Game

Date: 1/11/96

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FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. CSSS HB 191 (FIN)

Revision Date: _____ Dept. Affected: Department of Law
 Title: "An Act relating to the management and disposal
of state land and resources . . ." BRU: Civil Division
 Sponsor: Representative Therriault Component: General Legal Services
 Requester: House Resources Committee COMPONENT SERIAL NO. 2087

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY95) cost: \$ 0.0

POSITIONS

FULL-TIME	0.0	0.0	0.0	0.0	0.0	0.0
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

This bill substantially revises Title 38, relating to the disposal of state land and resources, particularly remote parcel and homestead entry land purchase transactions. Most of the revisions have the effect of clarifying existing law and make the disposal process more efficient and up-to-date. Consequently, the bill will not have a fiscal impact for the Department of Law.

Prepared by: Richard I. Pegues, Director
 Division: Administrative Services Division
 Approved by Commissioner: Bruce M. Botelho, Attorney General
 Agency: Department of Law

Phone: 465-3672
 Date: 1/12/96
 Date: 1/12/96

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FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. CSSSHB 191 (Fin)

Revision Date: 16-Jan-96 Dept Affected Natural Resources
 Title: An Act relating to the management and disposal of state land and resources... BRU: Resource Development
 Component: Land Development
 Sponsor: Representative Therriault
 Requestor: Senate Resources Component Serial No. 431

Expenditures/Revenues (Thousands of Dollars)

	FY97	FY98	FY99	FY00	FY01	FY02
OPERATING EXPENDITURES						
PERSONAL SERVICES	125.0	125.0	125.0	125.0	125.0	125.0
TRAVEL	5.0	5.0	5.0	5.0	5.0	5.0
CONTRACTUAL	20.0	20.0	20.0	20.0	20.0	20.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	150.0	150.0	150.0	150.0	150.0	150.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES (1005)	213.8	289.0	383.0	486.0	552.0	610.0

FUND SOURCE (Thousands of Dollars)

	FY97	FY98	FY99	FY00	FY01	FY02
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts	150.0	150.0	150.0	150.0	150.0	150.0
1006 GF/MHTIA						
Other						
TOTAL	150.0	150.0	150.0	150.0	150.0	150.0

Estimate of any current year (FY96) cost: \$ none anticipated

POSITIONS

	FY97	FY98	FY99	FY00	FY01	FY02
FULL-TIME	2	2	2	2	2	2
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

The operating expenditures are necessary to offset the elimination of the positions in the FY 97 proposed budget. The program was reduced based on the current law that says that shore fishery leases are non-mandatory and that only reasonable administrative costs to cover the expenses of the program can be charged. With passage of HB 191 fair market value for the leases may be charged when they come up for renewal. The two positions that administer the program need to be funded so that the additional revenue to the state can be realized.

The changes proposed in this bill will generate more revenues for the state based on increased revenues for aquatic farm and shore fishery leases; increased applications and service fees for land disposals; and a requirement that all land disposals be for at least fair-market value.

Prepared by: Ron Swanson Phone: 269-8503
 Division: Land Date: 16-Jan-96
 Approved by Commissioner: [Signature] Date: _____
 Agency: Natural Resources

Alaska State Legislature

REPRESENTATIVE
GENE THERRIAULT
P O Box 55326
North Pole, Alaska 99705
(907) 488-0862

House District 33



Write in Juneau
State Capitol
Juneau, Alaska
99801-1182
(907) 465-4797

House Of Representatives

MEMORANDUM

TO: Representative Rick Halford, Co-Chair
Senate Finance Committee

FROM: Representative Gene Therriault *Gene*

DATE: May 5, 1995

SUBJECT: Scheduling of HB 191

I respectfully request House Bill 191, "An Act relating to the management and disposal of state land and resources" be scheduled for a hearing in Senate Finance.

CS SSHB 191 (Fin) is a basic housekeeping bill intended to streamline DNR's land use and land disposal programs. CS SSHB 191 (FIN) revises the "remote cabin permit program" to a program that would allow for either the sale or lease of land for a remote cabin site. The permit program was never put into action because of the associated administrative costs with a minimal return to the state. The committee substitute also includes a section clarifying that the sale of state land does not obligate the state to provide additional services. HB 191 also makes some substantive changes to the Shore Fisheries program to allow a reasonable return to the state for the use of state land for set net sites. With the passage of this bill, DNR expects an increase in revenue to the state well over \$200,000 annually.

The following information is attached:

1. CS SSHB 191 (FIN)
2. Sectional analysis
3. Sponsor statement

On May 4, 1995 CS SSHB 191(FIN) passed the House with no opposition.

I appreciate your consideration of my request.

Attachments (3)

Alaska State Legislature

REPRESENTATIVE
GENE THERRIAULT
P O Box 55326
North Pole, Alaska 99705
(907) 488-0862

House District 33



Wrote in Juneau
State Capitol
Juneau, Alaska
99801-1182
(907) 465-4797

House Of Representatives

CS SSHB 191 (FIN) "An Act relating to the management and disposal of state land and resources; relating to certain remote parcel and homestead entry land purchase contracts and patents; and providing and effective date."

SPONSOR: Rep. Gene Therriault

SPONSOR STATEMENT:

This bill is a housekeeping measure intended to clarify certain Title 38 statutes governing DNR's management of state land and resources. CSSS HB 191(FIN) is intended to bring greater efficiency to the management of state lands without sacrificing public involvement in land use decisions.

As the House finance subcommittee chairman for the DNR budget, I have worked with the Department to come up with changes to Title 38 that would simplify programs and reduce costs to DNR. The passage of this bill will result in a more administratively efficient agency. CS SSHB 191 (FIN) revises the "remote cabin permit program" to a program that would allow for either the sale or lease of land for a remote cabin site. The permit program was never put into action because of the associated administrative costs with a minimal return to the state. This program is just one example of proposed changes intended to give DNR the tools necessary to dispose of state land more efficiently. The committee substitute also includes a section clarifying that the sale of state land does not obligate the state to provide additional services. Furthermore, HB 191 makes some changes to the Shore Fisheries program to allow a reasonable return to the state for the use of state land for set net sites.

Although this bill is not intended to be a complete rewrite of Title 38, I believe it is a positive effort, supported by the administration to streamline state government.

Sectional Analysis of CSSSHB 191(Fin)

April 27, 1995

Secs. 1-30, 33-34, and 36-54 affect the Division of Land. Secs. 30-35 affect the Division of Mining and Water Management. Sec. 29 affects the Division of Oil and Gas. Sec. 50 affects the Division of Parks and Outdoor Recreation.

Sec. 1 would clarify that the department's consideration of timber, firewood, and water supplies before offering land for disposal does not imply that any person has exclusive use of those resources or constitute a limitation on future state disposals. (AS 38.04.010(b).)

Secs. 2-10 are basic housekeeping:

- Secs. 2 and 3 would merge the old "land disposal bank" into the existing state land disposal program. Under laws passed in the last decade, regional land use plans are used to identify land that will be offered for private ownership. More than 2,000,000 acres have been classified through this process, making the land bank obsolete. Related references to the land disposal bank are repealed in Sec. 49. (AS 38.04.020(a)-(b), plus repealers of (c), (f), (j), and (k).)
- Sec. 4 would rewrite AS 38.04.020(d) to retain its substance--a biennial report to the legislature on the current inventory of state land available for disposal--without requiring a separate "land disposal bank." For efficiency, the report would be tailored to the way that inventory is catalogued: by its classification. Land suitable for most commercial, industrial, residential, and private recreational use is grouped together in the "settlement" classification, but is separate from the "agricultural" and "grazing" classifications. (AS 38.04.020(d).)
- Sec. 5 would put the state land disposal program on the same footing as other natural resource sale programs: whether to submit a budget request each year would be discretionary, not mandatory. But each budget proposal would be complete. It would request the full funding needed to get the land disposal projects ready for sale, including any access roads or other capital improvements that might be required. (AS 38.04.020(e).)
- Sec. 6 would make technical corrections, dropping an out-of-order classification reference (land must already be planned and classified for disposal before it is surveyed and platted), an erroneous reference to a homestead "lease," and a reference to homestead staking that would be made obsolete by Secs. 43-44 of this bill. (AS 38.04.020(g).)
- Sec. 7 would make clear that the five-acre limit on subdivision lots applies to land sold for residential and recreational uses, not agricultural parcels, commercial parcels, etc.

This clarification is needed because under current law, any division of a tract for purposes of sale constitutes a subdivision. The amendment would also allow larger lots if that would be a better marketing decision for the state. (AS 38.04.020(h).)

- Sec. 8 would update a list of state land disposal programs by adding the homestead law and the remote recreational cabin site lease/sale program enacted by Sec. 36 of the bill. (AS 38.04.020(i).)
- Sec. 9 would correct a missing item in the budget appropriation process, clarifying that the commissioner's disposal funding request must go to the governor first, not be sent straight to the legislature. (AS 38.04.021(a).)
- Sec. 10 would delete a cross-reference to an annual land demand study, repealed by this bill. (AS 38.04.021(b).)

Sec. 11 would let the Department of Natural Resources create new land disposal programs by regulation, so long as they provide for competition and produce at least fair market value for the land. (AS 38.04.030.)

Sec. 12 clarifies the legislature's policy that sales of public land to private individuals should be at fair market value unless specifically exempted, and removes a reference to remote cabin permits (repealed by Sec. 49 of this bill). (AS 38.04.035.)

Sec. 13 deletes language exempting random-staked homesteads and remote parcels from cadastral survey requirements. The remote parcel program was repealed in 1983, effective 1984, and the homestead program was changed in 1988 to preclude random staking. (Remote recreational cabin site leases, as enacted by Sec. 36 of the bill, would be exempt from this statute because they are short-term leases. The statute would not apply until the remote recreational cabin site was ready to sell.) (AS 38.04.045(b).)

Secs. 14-16 and 43 respond to a Superior Court decision that it is unconstitutional to make state land purchasers appear in person at a state land sale.

- Sec. 14 would make it discretionary where to hold land auctions and lotteries. (AS 38.05.050.)
- Sec. 15 would delete the personal-appearance requirement for land auctions, allowing bidders to be represented by an agent. (AS 38.05.055.)
- Sec. 16, and a related repealer in Sec. 49, would delete the requirement that purchasers appear in person at land lotteries and pay the down payment on the spot. Instead, they would have 30 days to make the payment. It also drops language about consulting with the local assessor to determine land values, which is unnecessary because AS

38.05.840 requires a formal appraisal before the land can be offered for sale. (AS 38.05.057(a), plus repeal of (g).)

- Sec. 43 deletes the authority to make applicants appear in person at a homestead lottery. (AS 38.09.010(g).)

Secs. 17-19 would change how interest rates are computed for state land sale contracts.

- Secs. 17-18 would repeal the current system that relies on the old Federal Land Bank's "prevailing" rate. (The Federal Land Bank's successor now uses many different rate systems with multiple variables, rather than a single prevailing rate.) It would also change the point at which the rate is determined, solving the problem of the rate changing after the contract is mailed out for signature but before both parties have signed. (State land sale contracts are not signed in a face-to-face closing ceremony.) Sec. 17 would also let contracts for auction parcels be issued for less than 20 years, as already allowed for lottery parcels. (AS 38.05.065(a)-(b).)
- Sec. 19 would replace the old Federal Land Bank interest rate with a new system for state land sale contracts. Interest would be based on the prime rate, the widely quoted market rate used for a bank's most credit-worthy corporate loan customers. A four percent add-on would adjust for the unique circumstances of state land sale contracts, which do not involve any credit check. The total would be capped at 13.5 percent. The rate would be computed monthly and would apply to all contracts prepared that month. (AS 38.05.065(i).)

Sec. 20 corrects a 1984 error, restoring the original intent of the veterans' preference auction law. It clarifies that although that law does not apply to the lottery, homesite, or homestead programs, a veterans' preference auction must be held before restricted residential lots can be sold at auction to the general public. A combination of amendments in 1984 had made veterans' preference sales inapplicable to all subdivision sales. (AS 38.05.067(d).)

Sec. 21 would allow agricultural land to be sold at true market value by making it discretionary whether to grant a preference right to adjacent agricultural landowners. A mandatory preference right tends to depress competition or eliminate it altogether, while unaffected parcels are bid up beyond their appraised value. (AS 38.05.069(a).)

Sec. 22 updates the agricultural preference right law (see Sec. 21) by defining the term "adjacent," instead of "approximate vicinity." The latter was removed from the body of the law in 1984. (AS 38.05.069(e)(2).)

Sec. 23 updates programs exempt from the general standard that state land leases must be offered at auction. It removes a reference to remote cabin permits (repealed by Sec. 49 of this bill), and substitutes a reference to remote cabin site recreational leases (enacted by Sec. 36 of this bill).

Secs. 24-27 and 39, along with certain repealers in Sec. 49, would simplify the process of leasing "shore fishery" (set-net) sites and aquatic farmsites (shellfish and sea vegetable farms). They would repeal requirements that increase administrative costs or keep the state from obtaining a fair return for the use of tidelands and submerged lands.

- Sec. 24 would eliminate a unique leasing process for set-net sites, allowing standard state leasing laws to apply. Negotiated leases could be used up to the standard rental ceiling of \$5,000. Higher-value or contested leases could be awarded at auction, rather than making the director decide who is the "most qualified" applicant. (AS 38.05.082(b).)
- Sec. 25 would eliminate special provisions that prevent the state from obtaining fair market value rental for shore fishery leases. (AS 38.05.082(c).)
- Sec. 26 would amend AS 38.05.082(d), which currently lets the director offer existing lessees a preference right to a renewal lease when it is in the state's best interests. The new language specifies that the commissioner may renew existing leases under terms and conditions prescribed by the commissioner. (AS 38.05.082(d).)
- Sec. 27 would rewrite the aquatic farmsite law to let standard state leasing laws be used. Sites could be offered directly at auction or by negotiated lease, rather than first being developed under a three-year permit process. As with other types of land disposals and leases, public hearings on the leasing decision would be held as needed, but would not be mandatory. (AS 38.05.083, plus repealers of AS 38.05.855, AS 38.05.856, AS 38.05.946(b).)
- Sec. 39 would delete references in the public notice law to special aquatic farmsite permit procedures repealed by Sec. 49 of the bill: mandatory public hearings and preliminary findings before issuing permits. (AS 38.05.945(a)(5)-(6).)

Sec. 28 would modernize requirements to restore surface lease sites after lease termination, protecting the state against liability and high cleanup costs. Because other provisions of AS 38 apply this leasing statute to terminated homesites, homesteads, remote cabin sites, etc., special measures of the existing AS 38.05.090 would be retained to compensate individuals for authorized private residential improvements that are not removed from the site and are worth more than \$10,000 net value. (AS 38.05.090.)

Sec. 29 is a technical amendment narrowing a reference to the "Administration" article of AS 38.05, whose last section (a bonding requirement for the director of the statutory Alaska Division of Lands) would be repealed by Sec. 49 of this bill. (AS 38.05.131(a).)

Sec. 30 would eliminate overly broad language that theoretically allows the department to close state land to "mining," not just to "mineral location" (the act of staking new mining locations). A

valid mining claim includes the "exclusive right of ...extraction," i.e. mining rights. The department could not close off already-acquired mining rights without effecting a "taking" of valid existing rights, which would run afoul of Art. I, Sec. 18, and Art. VIII, Sec. 16, of the Alaska Constitution. This amendment would eliminate a potential pitfall. (AS 38.05.185(a).)

Sec. 31 would amend AS 38.05.190(a) to clarify the qualifications for ownership of mining rights by aliens and foreign corporations. Under the existing statute, an alien at least 18 years old from a country that grants "like privileges" to United States citizens may acquire or hold exploration and mining rights. A corporation in which more than 50 percent of the stock is owned or controlled by aliens whose country does not grant reciprocal rights to United States citizens may not acquire or hold exploration and mining rights. However, determinations of which countries grant "like privileges" to United States citizens have never been made or enforced in any consistent manner due to the number and complexity of mining laws worldwide. U.S. mining laws, upon which Alaska laws were initially based, allow an alien to form a domestic corporation that would be qualified to obtain mining rights, without inquiry into "like privileges." Amending AS 38.05.190(a) to delete these requirements would be consistent with modern business practices, similar federal laws, and state laws affecting other types of mineral rights. (AS 38.05.190(a).)

Sec. 32 would repeal and reenact AS 38.05.211(d) to simplify the adjustments to be made in the annual rental amounts due on mining claims and leases. The existing statute requires the rental amounts to be adjusted every 10 years based on changes in the consumer price index for Anchorage. This statutory adjustment is likely to yield odd rental amounts that would make calculating, accounting, and collection more difficult. Additionally, adjusting rental amounts only at 10-year intervals could result in large changes at one time, possibly causing hardships to mining locators and lessees. The amendment would require the department to check the consumer price index each year and adjust the rate if the adjustment is \$5 or more. Changes could only be made in \$5 increments. The amendment also more clearly identifies the consumer price index on which changes are to be based. (AS 38.05.211(d).)

Sec. 33 would authorize surface leases for certain mineral development uses. Surface use needs for small mines are generally modest enough to meet with a simple land use permit, protected by the underlying "exclusive right of possession and extraction of the [locatable] minerals" acquired by a valid mining location. However, most major mines require large-scale, costly surface improvements such as dams, mills, and tailings impoundments. The mineral developer needs long-term security of tenure to protect this investment, something that cannot be provided by a revocable permit. Surface leases for millsites, tailings disposal sites, and similar purposes would require reasonable annual rental. (AS 38.05.255.)

Sec. 34 would add a new subsection to clarify that mining developers' surface leases are not subject to competitive bidding statutes. Requiring the department to hold a lease auction would serve no purpose, as the mineral developer would be the only party in a position to bid for and use the lease. The department would be required to adopt regulations setting leasing procedures and annual rentals. (AS 38.05.255(b).)

Sec. 35 would eliminate the failure to file a lease application on time as grounds for abandonment of a mining location. In areas open to mining only under lease, a locator must apply for and obtain a lease before gaining the right to mine. AS 38.05.205(a). After the department gives public notice of the proposed mining lease, it must promptly mail an application to the leasehold locator, who then has 90 days to file the application. But under the existing AS 38.05.265, failing to file on time automatically causes "abandonment" (voiding) of the leasehold locations involved, too harsh a penalty for a late application. (AS 38.05.265.)

Sec. 36 would create a remote recreational cabin site lease/sale program for land disposals in remote, lightly populated areas. At any time during a total term of ten years, the lessee could purchase the site after getting it appraised and surveyed, just as in the former "open-to-entry" and "remote parcel" programs (repealed in 1979 and 1993 respectively). (AS 38.05.600.)

Sec. 37 would allow the department to convey "common areas" in state subdivisions to the subdivision's homeowners' association for retention and management. Many state subdivisions were platted with certain lots reserved from disposal to provide open space and recreation for subdivision residents. The intention was eventually to transfer these reserved lots to local government. But where there is no local government or it does not want to assume management responsibility, conveyance to the homeowners' association is a logical substitute. The department would be required to ensure that the conveyance serves a public purpose. (AS 38.05.810(a).)

Sec. 38 would clarify that the division can allow livestock grazing, commercial berry picking or mushroom harvesting, and similar minimal-value consumptive uses by issuing permits, an authority the Department of Law recently questioned. (AS 38.05.850(a).)

Sec. 39: See under Secs. 24-27.

Sec. 40 would raise the application fee for homesites from the current \$10 to a maximum of \$25, the same as for lottery parcels. (AS 38.08.030(b).)

Sec. 41 would add a cross-reference to the lottery process used to select the winner of a homesite entry permit (see Sec. 42). It would also require a token annual rental of \$100 until the permit holder "proves up" or purchases the lot. Because a homesite entry permit is a contract, the rental requirement would not apply to existing entry permits. (AS 38.08.040(a).)

Sec. 42 would add a new subsection directing that homesite entry permits be offered at lottery. Using the lottery procedures of AS 38.05.057 was formerly a statutory requirement, but a 1984 amendment left the connection unclear. The department would be required to adopt regulations as consistent as possible with AS 38.05.057. (AS 38.08.040(f).)

Sec. 43: See under Sec. 14-16.

Sec. 44 would raise the fee to receive a non-agricultural homestead entry permit to \$20 per acre. This is a one-time rental fee, lasting for the entry permit's five-year term. The rental fee for agricultural homesteads would remain at the current \$5 per acre. In addition, combined with repealers in Sec. 49 of the bill, it would eliminate staking and legal-description requirements that became obsolete in 1988. In that year, the homestead law was changed to require the department to do a cadastral survey before offering the parcels, instead of making the homesteader survey it five years later. (AS 38.09.030(a), plus repealers of AS 38.09.010(e), 38.09.020, 38.09.040(a)(2), 38.09.040(a)(4), AS 38.09.060, AS 38.09.070, and 38.09.900(1).)

Secs. 45-46, along with repealers in Sec. 49 of the bill, reduce and simplify the ways to get title to a homestead parcel. (Currently there are three methods. A homesteader can obtain the land for free by living on it and building a house, plus meeting clearing requirements applicable to agricultural homesteads only. Or he can buy the parcel at almost-current fair market value without building a house and living on it, if he applies within two years. Or he can buy the parcel at current fair market value without living on the parcel, if he builds a house and applies to purchase within five years.) The revised language in Sec. 45 eliminates the house-building requirement and the distinction between two-year and five-year purchase. Within five years the homesteader either "proves up" by living on the parcel for 25 months, or purchases the parcel at fair market value. (As with all state land sales, the purchaser may pay cash for the homestead, or enter into an installment contract under AS 38.05.065.) With either method, the homesteader must reimburse the state for survey and platting costs, and must meet agricultural clearing requirements if the land is classified agricultural. Sec. 46 is a conforming amendment eliminating a reference to a permanent dwelling. (AS 38.09.050(a)-(b), plus repealers of AS 38.09.040(a)(3), 38.09.090, 38.09.900(3), and 38.09.900(4).)

Sec. 47, along with repealers in Sec. 49 of the bill, affects both the remote parcel program and the homestead program. (The remote parcel law was repealed in 1983, effective in 1984, but the program will be alive until at least the year 2016. The last parcels were staked in 1984, and the last leases issued in 1985-1986. The lessees will have until 1996 or later to survey their parcels, and can then enter into 20-year purchase contracts.) This section would prohibit the department from imposing the conditions of the former AS 38.05.078(d) in new remote parcel purchase contracts. These conditions restricted the sale or subdivision of remote parcel land after it was conveyed into private ownership. It would also allow the department to amend existing remote parcel or homestead purchase contracts or patents to remove these restrictions if the holder consents and reimburses the state for the difference in value. (Each parcel's purchase price was cut by 50% to account for the resale restrictions.) (AS 38.09.105, plus repealers of AS 38.09.050(d)-(e).)

Sec. 48 transfers the homesite disclaimer language of AS 38.08.090 (to be repealed by Sec. 49 of this bill) to a general location applicable to all state land disposals: unless specifically provided, the state is not obligated to provide services to the grantee of a state land disposal. An additional disclaimer would make clear that the state is free to dispose of other land or resources in the future, without restrictions as to type, parcel density, etc.

Sec. 49:

- Repealers affecting the land disposal bank (AS 38.04.020) and down payments at land lotteries (AS 38.05.057(g)) are discussed under Secs. 2 and 16.
- Repealing AS 38.05.057(j) eliminates special lottery procedures for an agricultural project statute that was repealed in 1979.
- Repealing AS 38.05.035(e)(6)(F), AS 38.05.207, and AS 38.05.945(g) would eliminate the mining production license program, an early attempt to solve the "6(i) problem" (the Statehood Act's mineral leasing requirement) that became moot when AS 38.05.211-.212 were enacted in 1989.
- Repealing AS 38.05.040 would eliminate the requirement for a \$150,000 bond for the director of the statutory Division of Lands, which was subsequently reorganized and subdivided into several different divisions.
- Repealing AS 38.05.079 eliminates the remote cabin permit program, which provided for 25-year leases for cabin sites.
- Repealing AS 38.05.855, AS 38.05.856, and AS 38.05.946(b) eliminates requirements associated with aquatic farmsite permits; see Secs. 28 and 39.
- AS 38.08.090 is made unnecessary by Sec. 48, which broadens its language and expands it to other land disposals.
- Repealing 38.09.010(e), 38.09.020, 38.09.040(a)(2), 38.09.040(a)(4), AS 38.09.060, AS 38.09.070, and 38.09.900(1) eliminates requirements related to staking, flagging, brushing, and filing a legal description on a homestead; see Sec. 44. Repealing AS 38.09.040(a)(3), 38.09.090, 38.09.900(3), and 38.09.900(4) eliminates homestead dwelling requirements and the distinction between two- and five-year purchase; see Sec. 45. Repealing AS 38.09.050(d) and (e) would remove restrictions on selling or subdividing land after it has been conveyed to a homesteader; see related changes under Sec. 47.

Sec. 50 would authorize railroad, highway, and utility line rights-of-way within Chugach State Park necessitated by a Seward Highway relocation project at Bird Point (between Anchorage and Girdwood).

Sec. 51 would add a savings clause protecting homesite entry permits (and subsequent patents) granted by lottery after July 6, 1984. That was the effective date of an amendment that dropped a reference to the lottery statute, leaving no statutory guidance on how to issue homesite entry permits. See Sec. 42, which corrects the problem.

Sec. 52 would specify that the interest rate changes made by Secs. 17-19 of the bill apply to all contracts sent out to be signed after the bill's effective date.

Sec. 53 would ensure that changes made to AS 38.05.082 by Sec. 24 of the bill will continue in effect after 1997, when unrelated changes enacted in 1991 take effect.

Sec. 54 would allow the department to adopt regulations in advance of the bill's effective date, and includes a savings clause for the existing homesite disposal regulations until they can be changed.

Secs. 55-56 are effective date clauses; the regulation clause would take effect immediately, with the remainder of the bill effective July 1, 1995.

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. CSSSHB 191(FIN)

Revision Date: Original Dept Affected Natural Resources
 Title: "An Act relating to the management and BRU: Management and Administration
disposal of state land and resources; ..." Component: Information Resource Management
 Sponsor: Reps. Theriault, James and Brice
 Requestor: Senate Resources Component Serial No. 427

Expenditures/Revenues	(Thousands of Dollars)					
OPERATING EXPENDITURES	FY97	FY98	FY99	FY00	FY01	FY02
PERSONAL SERVICES	65.0					
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	65.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE	(Thousands of Dollars)					
1002 Federal Receipts						
1003 GF Match						
1004 GF	65.0					
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	65.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY96) cost: \$ 0.0

POSITIONS	FY97	FY98	FY99	FY00	FY01	FY02
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	1	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

HB191 revises the current land disposal program and adds a new Remote Cabin Site/Lease program. The Department of Natural Resources is responsible for tracking all resource activity on state land. The programs introduced in this bill require the department's current land record systems to be modified to track this new information. Modifications must be made in the Revenue and Billing System to track new lease rentals, homesite permit fees, and remote cabin site revenue. Modifications must be made in the Land Administration System to track the new programs, which requires setting up case types and transactions. And, modifications must be made in the Land Status GIS system to map the new activities on state status plats, the state's graphic land record maps of land ownership and resource activity. The costs for these modifications is \$18.0.

Section 4 changes the department's classification reporting requirement to the legislature. To accurately report total acres in selected classification categories, the department must enter all outstanding classification

Prepared by: Nico Bus, Acting Director Phone: 465-2406
 Division: Support Services Date: 28-Feb-96
 Approved by Commissioner: Nico Bus, Acting Director Date: 28-Feb-96
 Agency: Natural Resources

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Fiscal Note for CSSSHB 191 (FIN)

orders on the department's computer database, the Land Administration System, then develop a report that can be generated every other year. Once all the classifications have been entered, the department will maintain that information and the report will be automatically generated without additional labor costs. The one time cost to bring the department's records up to date and develop the report is \$47.0. Without this funding, the report must continue to be manually created by staff researching two years of classification orders, tallying the acres by classification, determining which classifications supersede previous classifications, and estimating the remaining acreage in each classification category. This information is then compiled with the historic classification report, which may or may not accurately account for the total acres in each classification category being requested. By using the computer to track the classification acres, the department will be able to report this information at a fraction of the cost it takes to do it manually.

FISCAL NOTE

STATE OF ALASKA

BILL NO. CSSSHB191(FIN)

1995 LEGISLATIVE SESSION

Revision Date: 2-May-95 Dept Affected: Natural Resources
 Title: An Act relating to the management and disposal of BRU: Resource Development
state land and resources; relating to certain remote parcels and ... Component: Land Development
 Sponsor: Representative Therriault
 Requestor: _____ Component Serial No. 431

Expenditures/Revenues	(Thousands of Dollars)					
OPERATING EXPENDITURES	FY96	FY97	FY98	FY99	FY00	FY01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES (1005)	213.8	213.8	213.8	213.8	213.8	213.8

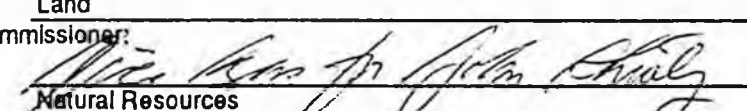
FUND SOURCE	(Thousands of Dollars)					
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY95) cost: \$ None

POSITIONS	FY96	FY97	FY98	FY99	FY00	FY01
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

The changes proposed in this bill will generate more revenues for the State, with the current estimate at approximately \$213.8.

Prepared by: Ron Swanson, Director Phone: 762-2692
 Division: Land Date: 2-May-95
 Approved by Commissioner:  Date: May 2, 1995
 Agency: Natural Resources

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FISCAL NOTE

BILL NO. SSHB191

STATE OF ALASKA

1995 LEGISLATIVE SESSION

Revision Date: 22-Mar-95 Dept Affected: Natural Resources
 Title: An Act relating to the management and disposal of BRU: Resource Development
state land and resources; relating to certain remote parcels and ... Component: Land Development
 Sponsor: Representative Therriault
 Requestor: _____ Component Serial No. 431

Expenditures/Revenues		(Thousands of Dollars)				
OPERATING EXPENDITURES	FY96	FY97	FY98	FY99	FY00	FY01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES ()	25.0	25.0	25.0	25.0	25.0	25.0

FUND SOURCE		(Thousands of Dollars)				
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY95) cost: \$ None

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary)

The changes proposed in this bill will generate more revenues for the State. The conservative estimate is \$25.0, but the expectation is that the actual will be higher. See sectional analysis.

Prepared by: Ron Swanson, Director Phone: 762-2692
 Division: Land Date: 22-Mar-95
 Approved by Commissioner: [Signature] Date: 3-23-95
 Agency: Natural Resources

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Sectional Analysis of SSHB 191
(9-LS0766\C 3/15/95)

Secs. 1-25, 28-29, and 31-44 affect the Division of Land. Secs. 23 and 25-30 affect the Division of Mining and Water Management. Sec. 24 affects the Division of Oil and Gas. Sec. 41 affects the Division of Parks and Outdoor Recreation.

Secs. 1-9 are basic housekeeping:

- Secs. 1 and 2 would merge the old "land disposal bank" into the existing state land disposal program. Under laws passed in the last decade, regional land use plans are used to identify land that will be offered for private ownership. More than 2,000,000 acres have been classified through this process, making the land bank obsolete. Related references to the land disposal bank are repealed in Sec. 40. (AS 38.04.020(a)-(b), plus repealers of (c), (f), (j), and (k).)
- Sec. 3 would rewrite AS 38.04.020(d) to retain its substance--a biennial report to the legislature on the current inventory of state land available for disposal--without requiring a separate "land disposal bank." For efficiency, the report would be tailored to the way that inventory is catalogued: by its classification. Land suitable for most commercial, industrial, residential, and private recreational use is grouped together in the "settlement" classification, but is separate from the "agricultural" and "grazing" classifications. (AS 38.04.020(d).)
- Sec. 4 would put the state land disposal program on the same footing as other natural resource sale programs: whether to submit a budget request each year would be discretionary, not mandatory. But each budget proposal would be complete. It would request the full funding needed to get the land disposal projects ready for sale, including any access roads or other capital improvements that might be required. (AS 38.04.020(e).)
- Sec. 5 would make technical corrections, dropping an out-of-order classification reference: land must already be planned and classified for disposal before the surveying and platting process begins. (AS 38.04.020(g).)
- Sec. 6 would make clear that the five-acre limit on subdivision lots applies to land sold for residential and recreational uses, not agricultural parcels, commercial parcels, etc. This clarification is needed because under current law, any division of a tract for purposes of sale constitutes a subdivision. The amendment would also allow

larger lots if that would be a better marketing decision for the state. (AS 38.04.020(h).)

- Sec. 7 would update a list of state land disposal programs by adding the homestead law. (AS 38.04.020(i).)
- Sec. 8 would correct a missing item in the budget appropriation process, clarifying that the commissioner's disposal funding request must go to the governor first, not be sent straight to the legislature. (AS 38.04.021(a).)
- Sec. 9 would delete a cross-reference to an annual land demand study, repealed by this bill. (AS 38.04.021(b).)

Sec. 10 would let the Department of Natural Resources create new land disposal programs by regulation, so long as they provide for competition and produce at least fair market value for the land. (AS 38.04.030.)

Sec. 11 clarifies the legislature's policy that sales of public land to private individuals should be at fair market value unless specifically exempted, and gives further guidance on the remote cabin program. (AS 38.04.035.)

Secs. 12-14 and 37 respond to a Superior Court decision that it is unconstitutional to make state land purchasers appear in person at a state land sale.

- Sec. 12 would make it discretionary where to hold land auctions and lotteries. (AS 38.05.050.)
- Sec. 13 would delete the personal-appearance requirement for land auctions, allowing bidders to be represented by an agent. (AS 38.05.055.)
- Sec. 14, and a related repealer in Sec. 40, would delete the requirement that purchasers appear in person at land lotteries and pay the down payment on the spot. Instead, they would have 30 days to make the payment. It also drops language about consulting with the local assessor to determine land values, which is unnecessary because AS 38.05.840 requires a formal appraisal before the land can be offered for sale. (AS 38.05.057(a), plus repeal of (g).)
- Sec. 37 deletes the authority to make applicants appear in person at a homestead lottery. (AS 38.09.010(g).)

Secs. 15-17 would change how interest rates are computed for state land sale contracts.

- Secs. 15-16 would repeal the current system that relies on the old Federal Land Bank's "prevailing" rate. (The Federal Land Bank's successor now uses many different rate systems with multiple variables, rather than a single prevailing rate.) It would also change the point at which the rate is determined, solving the problem of the rate changing after the contract is mailed out for signature but before both parties have signed. (State land sale contracts are not signed in a face-to-face closing ceremony.) Sec. 15 would also let contracts for auction parcels be issued for less than 20 years. This is already allowed for lottery parcels. (AS 38.05.065(a)-(b).)
- Sec. 17 would replace the old Federal Land Bank interest rate with a new system for state land sale contracts. Interest would be based on the prime rate, the widely quoted market rate used for a bank's most credit-worthy corporate loan customers. A four percent add-on would adjust for the unique circumstances of state land sale contracts, which do not involve any credit check. The total would be capped at 13.5 percent. The rate would be computed monthly and would apply to all contracts prepared that month. (AS 38.05.065(i).)

Sec. 18 updates a law that allows a preference right to purchase "adjacent" agricultural land. It defines the term "adjacent" instead of "approximate vicinity," a term that was removed from the body of the law in 1984. (AS 38.05.069(e)(2).)

Secs. 19-21 and 33, along with certain repealers in Sec. 40, would simplify the process of leasing "shore fishery" (set-net) sites and aquatic farmsites (shellfish and sea vegetable farms). They would repeal requirements that increase administrative costs or keep the state from obtaining a fair return for the use of tidelands and submerged lands.

- Sec. 19 would eliminate a unique leasing process for set-net sites, allowing standard state leasing laws to apply. Negotiated leases could be used up to the standard rental ceiling of \$5,000. Higher-value or contested leases could be awarded at auction, rather than making the director decide who is the "most qualified" applicant. AS 38.05.082(d), which allows existing lessees to be given a preference to a renewal lease, would be left intact. (AS 38.05.082(b).)
- Sec. 20 would eliminate special provisions that prevent the state from obtaining fair market value rental for shore fishery leases. (AS 38.05.082(e).)
- Sec. 21 would rewrite the aquatic farmsite law to let standard state leasing laws be used. Sites could be

offered directly at auction or by negotiated lease, rather than first being developed under a three-year permit process. As with other types of land disposals and leases, public hearings on the leasing decision would be held as needed, but would not be mandatory. (AS 38.05.083, plus repealers of AS 38.05.855, AS 38.05.856, AS 38.05.946(b).)

- Sec. 33 would delete references in the public notice law to special aquatic farmsite permit procedures repealed by Sec. 40 of the bill: mandatory public hearings and preliminary findings before issuing permits.

Sec. 22 would modernize requirements to restore surface lease sites after lease termination, protecting the state against liability and high cleanup costs. Because other provisions of AS 38 apply this leasing statute to terminated homesites, homesteads, remote cabin permits, etc., special measures of the existing AS 38.05.090 would be retained to compensate individuals for authorized private residential improvements that are not removed from the site and are worth more than \$10,000 net value. (AS 38.05.090.)

Sec. 23 would amend a statute that requires mineral developers to make arrangements with the surface owner, before entering onto the land, to pay for any surface damages that might result. The exception would allow entry to stake the corners of a mining claim, leasehold location, or prospecting site location, an activity that has little or no potential to cause any surface damage. (AS 38.05.130.)

Sec. 24 is a technical amendment narrowing a reference to the "Administration" article of AS 38.05, whose last section (a bonding requirement for the director of the statutory Alaska Division of Lands) would be repealed by Sec. 40 of this bill. (AS 38.05.131(a).)

Sec. 25 would eliminate overly broad language that theoretically allows the department to close state land to "mining," not just to "mineral location" (the act of staking new mining locations). A valid mining claim includes the "exclusive right of ...extraction," i.e. mining rights. The department could not close off already-acquired mining rights without effecting a "taking" of valid existing rights, which would run afoul of Art. I, Sec. 18, and Art. VIII, Sec. 16, of the Alaska Constitution. This amendment would eliminate a potential pitfall. (AS 38.05.185(a).)

Sec. 26 would amend AS 38.05.190(a) to clarify the qualifications for ownership of mining rights by aliens and foreign corporations. Under the existing statute, an alien at least 18 years old from a country that grants "like privileges" to United

CORRECTION

THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION



Rev. 6/98

Central Microfilm Services
Department of Education
State of Alaska

offered directly at auction or by negotiated lease, rather than first being developed under a three-year permit process. As with other types of land disposals and leases, public hearings on the leasing decision would be held as needed, but would not be mandatory. (AS 38.05.083, plus repealers of AS 38.05.855, AS 38.05.856, AS 38.05.946(b).)

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Sec. 26 would amend AS 38.05.190(a) to clarify the qualifications for ownership of mining rights by aliens and foreign corporations. Under the existing statute, an alien at least 18 years old from a country that grants "like privileges" to United

States citizens may acquire or hold exploration and mining rights. A corporation in which more than 50 percent of the stock is owned or controlled by aliens whose country does not grant reciprocal rights to United States citizens may not acquire or hold exploration and mining rights. However, determinations of which countries grant "like privileges" to United States citizens have never been made or enforced in any consistent manner due to the number and complexity of mining laws worldwide. U.S. mining laws, upon which Alaska laws were initially based, allow an alien to form a domestic corporation that would be qualified to obtain mining rights, without inquiry into "like privileges." Amending AS 38.05.190(a) to delete these requirements would be consistent with modern business practices, similar federal laws, and state laws affecting other types of mineral rights. (AS 38.05.190(a).)

Sec. 27 would repeal and reenact AS 38.05.211(d) to simplify the adjustments to be made in the annual rental amounts due on mining claims and leases. The existing statute requires the rental amounts to be adjusted every 10 years based on changes in the consumer price index for Anchorage. This statutory adjustment is likely to yield odd rental amounts that would make calculating, accounting, and collection more difficult. Additionally, adjusting rental amounts only at 10-year intervals could result in large changes at one time, possibly causing hardships to mining locators and lessees. The amendment would require the department to check the consumer price index each year and adjust the rate if the adjustment is \$5 or more. Changes could only be made in \$5 increments. The amendment also more clearly identifies the consumer price index on which changes are to be based. (AS 38.05.211(d).)

Sec. 28 would authorize surface leases for certain mineral development uses. Surface use needs for small mines are generally modest enough to meet with a simple land use permit, protected by the underlying "exclusive right of possession and extraction of the [locatable] minerals" acquired by a valid mining location. However, most major mines require large-scale, costly surface improvements such as dams, mills, and tailings impoundments. The mineral developer needs long-term security of tenure to protect this investment, something that cannot be provided by a revocable permit. Surface leases for millsites, tailings disposal sites, and similar purposes would require reasonable annual rental. (AS 38.05.255.)

Sec. 29 would add a new subsection to clarify that mining developers' surface leases are not subject to competitive bidding statutes. Requiring the department to hold a lease auction would serve no purpose, as the mineral developer would be the only party in a position to bid for and use the lease. The department would be required to adopt regulations setting leasing procedures and annual rentals. (AS 38.05.255(b).)

Sec. 30 would eliminate the failure to file a lease application on time as grounds for abandonment of a mining location. In areas open to mining only under lease, a locator must apply for and obtain a lease before gaining the right to mine. AS 38.05.205(a). After the department gives public notice of the proposed mining lease, it must promptly mail an application to the leasehold locator, who then has 90 days to file the application. But under the existing AS 38.05.265, failing to file on time automatically causes "abandonment" (voiding) of the leasehold locations involved, too harsh a penalty for a late application. (AS 38.05.265.)

Sec. 31 would allow the department to convey "common areas" in state subdivisions to the subdivision's homeowners' association for retention and management. Many state subdivisions were platted with certain lots reserved from disposal to provide open space and recreation for subdivision residents. The intention was eventually to transfer these reserved lots to local government. But where there is no local government or it does not want to assume management responsibility, conveyance to the homeowners' association is a logical substitute. The department would be required to ensure that the conveyance serves a public purpose. (AS 38.05.810(a).)

Sec. 32 would clarify that the division can allow livestock grazing, commercial berry picking or mushroom harvesting, and similar minimal-value consumptive uses by issuing permits, an authority the Department of Law recently questioned. (AS 38.05.850(a).)

Sec. 33: See under Sec. 21.

Sec. 34 would raise the application fee for homesites from the current \$10 to a maximum of \$25, the same as for lottery parcels. (AS 38.08.030(b).)

Sec. 35 would add a cross-reference to the lottery process used to select the winner of a homesite entry permit. It would also require a token annual rental of \$100 until the permit holder "proves up" or purchases the lot. Because a homesite entry permit is a contract, the rental requirement would not apply to existing entry permits. (AS 38.08.040(a).)

Sec. 36 would add a new subsection directing that homesite entry permits be offered at lottery. Using the lottery procedures of AS 38.05.057 was formerly a statutory requirement, but a 1984 amendment left the connection unclear. The department would be required to adopt regulations as consistent as possible with AS 38.05.057.

Sec. 37: See under Sec. 12.

Sec. 38 would raise the fee to receive a non-agricultural homestead entry permit to \$20 per acre. This is a one-time rental fee, lasting for the entry permit's five-year term. The rental fee for agricultural homesteads would remain at the current \$5 per acre. (AS 38.09.030(a).)

Sec. 39 affects both the remote parcel program and the homestead program. (The remote parcel law was repealed in 1983, effective in 1984, but the program will be alive until at least the year 2016. The last parcels were staked in 1984, and the last leases issued in 1985-1986. The lessees will have until 1996 or later to survey their parcels, and can then enter into 20-year purchase contracts.) This section would prohibit the department from imposing the conditions of the former AS 38.05.078(d) in new remote parcel purchase contracts. These conditions restricted the sale or subdivision of remote parcel land after it was conveyed into private ownership. It would also allow the department to amend existing remote parcel or homestead purchase contracts or patents to remove these restrictions if the holder consents and reimburses the state for the difference in value. (Each parcel's purchase price was cut by 50% to account for the resale restrictions.) (AS 38.09.105.)

Sec. 40's repealers affecting the land disposal bank (AS 38.04.020) and down payments at land lotteries (AS 38.05.057(g)) are discussed under Secs. 1 and 14. Repealing AS 38.05.057(j) eliminates special lottery procedures for an agricultural project statute that was repealed in 1979. Repealing AS 38.05.035(e)(6)(F), AS 38.05.207, and AS 38.05.945(g) would eliminate the mining production license program, an early attempt to solve the "6(i) problem" that became moot when AS 38.05.211-.212 were enacted in 1989. Repealing AS 38.05.040 would eliminate the requirement for a \$150,000 bond for the director of the statutory Division of Lands, which was subsequently reorganized and subdivided into several different divisions. Repealing AS 38.05.855, AS 38.05.856, and AS 38.05.946(b) eliminates requirements associated with aquatic farmsite permits; see Secs. 21 and 33. Repealing AS 38.09.050(d) and (e) would remove restrictions on selling or subdividing land after it has been conveyed to a homesteader; see related changes under Sec. 39.

Sec. 41 would authorize railroad, highway, and utility line rights-of-way within Chugach State Park necessitated by a Seward Highway relocation project at Bird Point (between Anchorage and Girdwood).

Sec. 42 would specify that the interest rate changes made by Secs. 15-17 of the bill apply to all contracts sent out to be signed after the bill's effective date.

Sec. 43 would ensure that changes made to AS 38.05.082 by Sec. 19 of the bill will continue in effect after 1997, when unrelated changes enacted in 1991 take effect.

Sec. 44 would allow the department to adopt regulations in advance of the bill's effective date, and includes a savings clause for the existing homesite disposal regulations until they can be changed.

Secs. 45-46 are effective date clauses; the regulation clause would take effect immediately, with the remainder of the bill effective July 1, 1995.

**SENATE COMMITTEE REF RT
First Committee of Referral**

DATE: 1/11/96

FURTHER Finance

DATE TURNED INTO OFFICE: 1-30-96

The Resources Committee considered CS SSHB 191(FIN)

Management and disposal of state land and resources relating to certain remote parcel and homestead entry land purchase contracts and patents; etc.

and recommends:

- be replaced with SEN CS CSSHB 191 (RES)
- adopt previous CS _____
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

- Senate Bill:**
- same title
 - new title
- House Bill:**
- same title
 - technical title
 - new: SCR# _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>[Signature]</i>	<input checked="" type="checkbox"/>				
<i>Admin Taylor</i>	<input checked="" type="checkbox"/>	<i>Rick Halford</i>	<input checked="" type="checkbox"/>		
		<i>Keane</i>	<input checked="" type="checkbox"/>		
CHAIR: <i>Loren D. Lehman</i>	<input checked="" type="checkbox"/>				

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

HB

192

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred: March 17, 1995

FURTHER REFERRALS:

Date of Committee Action: 3/13/96

The FINANCE Committee considered:

HB 192

HOUSE BILL NO. 192

AHFC HOUSING LOANS

"An Act relating to housing programs of the Alaska Housing Finance Corporation, the corporation's supplemental housing development grants to regional housing authorities, and to housing programs of regional housing authorities, and permitting regional housing authorities to make, originate, and service loans for the purchase and development of residential housing."

recommends it be replaced with the following committee substitute (S HB 192 (FIN)) the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____ APPROVES PREVIOUS: (Dept/Date) _____

fiscal note(s) _____ fiscal note(s) _____

zero fiscal note(s) AHFC zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Richard Foster</i> FOSTER	X			
<i>Mark Hanley</i> Hanley			X	
<i>Ed Mulder</i> Mulder	X			
<i>Terry Martin</i> Martin			X	
<i>Vic Kohnig</i> Kohnig	X			
<i>Bar Gussundot</i> Gussundot			X	
<i>Har Brown</i> Brown	X			
<i>Dene Therrault</i> Therrault			X	

CHAIR'S SIGNATURE *Mark Hanley* *Richard Foster*

Revision Date: _____ Dept. Affected: Revenue
 Title: AHFC Housing Loans BRU: AHFC
 Component: AHFC Operations, AHFC Rural Housing
 Sponsor: Rep. Foster
 Requestor: (H) FIN COMPONENT SERIAL NO. 110, 1937

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1022 State Corporation Receipts	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY96) cost \$ 0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

AHFC Operations: No affect on operating costs - language change only.

Prepared by: John Blinney Phone: 561-1900
 Division: Alaska Housing Finance Corporation Date: March 15, 1996
 Approved by Commissioner: Wilson L. Condon *Wilson L. Condon* Date: March 15, 1996
 Agency: Department of Revenue

maintain - OBJ.
passed 6-2

Attachment # 2

3/13/96

9-LS0463\M.1
Chenoweth
3/13/96

AMENDMENT (

OFFERED IN THE HOUSE
TO: CSHB 192(CRA)

1 Page 6, following line 6:

2 Insert new bill sections to read:

3 **** Sec. 11.** AS 18.56.799(2) is amended to read:

4 (2) "senior housing"

5 (A) means construction or improvement undertaken primarily
6 to provide dwelling accommodations for persons 55 [60] years of age or older,
7 including conventional housing, housing for frail elderly, group homes,
8 congregate housing, residential horizontal property regimes organized under
9 AS 34.07, residential cooperatives organized under AS 10.15 or AS 34.08,
10 residential condominiums organized under AS 34.08, and other housing that
11 meets special needs of the elderly;

12 (B) includes acquisition, construction, or rehabilitation of land,
13 buildings, improvements, and other nonhousing facilities that are incidental or
14 appurtenant to the housing described in (A) of this paragraph.

15 *** Sec. 12.** AS 18.56.800 is amended to read:

16 Sec. 18.56.800. DECLARATION OF PURPOSE. There exists in the state a
17 serious shortage of decent, safe, and sanitary residential housing available at low or
18 moderate prices or rentals to persons 55 [60] years of age or older. There also exists
19 in the state organizations whose purposes are to provide the kinds of housing needed
20 to alleviate this shortage. Development work to provide such housing involves
21 substantial expense that is often beyond the resources of the organizations."

9-LS0463\U
Chenoweth
3/8/96

CS FOR HOUSE BILL NO. 192()
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES FOSTER, Ivan, MacLean

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to housing assistance provided by the Alaska Housing Finance
2 Corporation and to its rural housing programs, to the corporation's supplemental
3 housing development grants to regional housing authorities, and to housing
4 programs of regional housing authorities; permitting regional housing authorities
5 to make, originate, and service loans for the purchase and development of
6 residential housing; and amending the definitions of 'rural' and 'small community'
7 as applied in various housing programs."

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

9 * Section 1. AS 18.55.997(a) is amended to read:

10 (a) In addition to the powers authorized to a regional housing authority under
11 AS 18.55.996, a regional housing authority may, in accordance with procedures and
12 policies adopted and approved by the Alaska Housing Finance Corporation, make,
13 originate, and service loans for the purchase or development of residential housing [IN

1 RURAL AREAS OF THE STATE, OTHER THAN IN AN AREA WHERE THE
2 CORPORATION HAS A LOAN OFFICE]. A loan shall be secured by collateral in an
3 amount acceptable to the corporation. The rate of interest on a loan authorized by this
4 subsection

5 (1) in a rural area of the state [SECTION] may not exceed the interest
6 rate on a loan originated or purchased under AS 18.56.400 - 18.56.600; and

7 (2) outside a rural area of the state may not exceed the rate
8 established by the corporation under the provisions of AS 18.56 that are
9 appropriate for the mortgage loan.

10 * Sec. 2. AS 18.55.998(a) is amended to read:

11 (a) There is created in the Alaska Housing Finance Corporation a supplemental
12 housing development grant fund. Using corporate earnings or other available funds, the
13 corporation shall make grants to regional housing authorities established under
14 AS 18.55.996 for

15 (1) the cost of [ON-SITE] sewer and water facilities, whether on-site or
16 off-site;

17 (2) road construction to project sites;

18 (3) [,] energy efficient design features in homes; [,] and

19 (4) extension of electrical distribution facilities to individual residences.

20 * Sec. 3. AS 18.55.998(c) is amended to read:

21 (c) A grant made by the corporation to a regional housing authority under
22 this section

23 (1) [GRANT MONEY] may be used by the regional housing authority
24 only for the purpose and the permissible use for which the grant was made;

25 (2) may not [PURPOSES SPECIFIED IN (a) OF THIS SECTION. NO
26 PART OF THE GRANT MONEY MAY] be used for administrative or other costs of
27 a regional housing authority, whether the costs are directly associated with the
28 construction or general costs of the authority.

29 * Sec. 4. AS 18.55.998(d) is amended to read:

30 (d) The Alaska Housing Finance Corporation shall

31 (1) adopt regulations to carry out the purposes of this section; the [.
32 THE] provisions of AS 18.56.088(a) and (b) apply to regulations adopted under this

1 section; and

2 (2) establish a priority system for the allocation of money for grants
 3 to pay for off-site sewer and water facility improvements authorized by
 4 AS 18.55.998(a)(1).

5 * Sec. 5. AS 18.56.096 is amended by adding a new subsection to read:

6 (d) The prohibitions of (c) of this section do not apply to a loan made under
 7 AS 18.56.420(a)(2)(C) to renovate or improve small community housing if the amount
 8 of the loan does not exceed \$20,000.

9 * Sec. 6. AS 18.56.300(d) is amended to read:

10 (d) This section does not apply

11 (1) to a nonconforming housing loan made or purchased by the
 12 corporation; or

13 (2) to a loan made under AS 18.56.420(a)(2)(B) or (C) to renovate or
 14 improve small community housing if the amount of the loan does not exceed
 15 \$20,000.

16 * Sec. 7. AS 18.56.420(a) is amended to read:

17 (a) There is created in the corporation, as a revolving loan fund, the housing
 18 assistance loan fund consisting of money appropriated to it by the legislature and
 19 deposited in it by the corporation, and repayments of principal and interest on loans
 20 made or purchased from the assets of the fund. The corporation shall

21 (1) adopt regulations to administer the housing assistance loan fund
 22 under AS 18.56.400 - 18.56.600; and

23 (2) subject to appropriation, provide money for a rural assistance loan
 24 program to originate, purchase, [OR] participate in the purchase of, or refinance

25 (A) small community housing mortgage loans;

26 (B) loans made

27 (i) for building materials for small community housing;

28 or

29 (ii) to pay for the labor of third-party contractors for
 30 the installation of building materials in small community housing
 31 units;

32 (C) loans made for renovations or improvements to small

1 community housing:

2 (D) loans made for the construction of owner-occupied small
3 community housing other than loans to builders or contractors or loans that
4 compensate an owner for the owner's labor or services in constructing the
5 owner's own housing.

6 * Sec. 8. AS 18.56.440 is amended to read:

7 Sec. 18.56.440. LIMITATIONS ON USE OF HOUSING ASSISTANCE LOAN
8 FUND. The corporation may not use the money in the housing assistance loan fund to

9 (1) originate a direct loan or purchase or participate in the purchase of
10 a small community housing mortgage loan that exceeds the limitations on mortgage loans
11 purchased by the Federal National Mortgage Association as to principal amount or
12 loan-to-value ratio;

13 (2) originate a direct loan or purchase or participate in the purchase of
14 a loan made for building materials for small community housing

15 (A) that exceeds \$45,000 or exceeds

16 (i) 80 percent of the appraised value of the work
17 completed on the small community housing for which the loan is made
18 if the small community housing is pledged as collateral for the loan; or

19 (ii) 90 percent of the value of other property that is
20 pledged as security for the loan and that is satisfactory to the corporation
21 as collateral;

22 (B) unless the terms of the loan agreement require inspections
23 and certifications, as required by regulations of the corporation, at the expense
24 of the borrower; and

25 (C) unless the period of time allowed for repayment of the loan
26 is equal to or less than 15 years;

27 (3) originate direct loans or purchase or participate in the purchase of a
28 small community housing mortgage loan that is secured by real property the marketable
29 title to which is shown under AS 18.56.480(b)(2) if the total amount of outstanding small
30 community housing mortgage loans held by the corporation exceeds 10 times the amount
31 of money in the restricted title loss reserve account established by AS 18.56.490;

32 (4) originate a direct loan for small community housing; or purchase or

1 participate in the purchase of a small community housing mortgage loan, other than a
2 loan for the repair, remodeling, rehabilitation, or expansion of an existing
3 owner-occupied residence, if the borrower has an outstanding housing loan made under
4 a state loan program, other than a loan for [NONOWNER-OCCUPIED] housing under
5 AS 18.56.580 or for nonowner occupied housing under former AS 44.47.520, that bears
6 interest at a rate that was less than the prevailing market interest rate for similar housing
7 loans at the time the loan was made;

8 (5) originate a direct mortgage loan or purchase or participate in the
9 purchase of a mortgage loan for rental housing unless the borrower agrees not to
10 discriminate against tenants or prospective tenants because of sex, marital status, changes
11 in marital status, pregnancy, parenthood, race, religion, color, national origin, or status
12 as a student;

13 (6) originate, purchase, or participate in a loan to a person who has a past
14 due child support obligation established by court order or by the child support
15 enforcement division under AS 25.27.160 - 25.27.220 at the time of application.

16 * Sec. 9. AS 18.56.460 is amended by adding a new subsection to read:

17 (c) For a loan originated or purchased in whole or in part from the housing
18 assistance loan fund under AS 18.56.420, the corporation may make an unsecured loan.
19 The authority of the corporation to make an unsecured loan under this subsection is
20 limited to a loan made

21 (1) under AS 18.56.420(a)(2)(B) or (C) to renovate or improve small
22 community housing that does not exceed \$20,000; and

23 (2) for real property if the housing unit for which the unsecured loan is
24 sought

25 (A) is occupied by the borrower under an occupancy certificate
26 or similar instrument granting the borrower an exclusive right of possession of
27 a specific dwelling unit in a cooperative housing development, mutual aid
28 housing program, or similar program; or

29 (B) is located on land the title to which is held by the borrower
30 under a restricted deed issued by the Secretary of the Interior or the secretary's
31 designee, either as a Native restricted deed or as a restricted deed for property in
32 a trustee townsite.

1 * Sec. 10. AS 18.56.580(a) is amended to read:

2 (a) In addition to the powers authorized by AS 18.56.400, the corporation may
3 adopt regulations under AS 18.56.088 allowing the use of money in the housing
4 assistance loan fund to make loans for the purchase or development of rental
5 [NONOWNER OCCUPIED] housing in small communities.

6 * Sec. 11. AS 18.56.580(c) is amended to read:

7 (c) The principal amount of loans made for rental [NONOWNER OCCUPIED]
8 housing under this section may not exceed 20 percent of the total principal amount of
9 loans made for small community housing under AS 18.56.400 - 18.56.600.

10 * Sec. 12. AS 18.56.580(d) is amended to read:

11 (d) In this section,

12 (1) "development" means the construction of a new residence or the
13 repair, remodeling, rehabilitation, or expansion of an existing residence;

14 (2) "rental [NONOWNER OCCUPIED] housing" means a single-family
15 residence that is not occupied by the owner or a multi-family residence having up to
16 16 [EIGHT] dwelling units, one of which may be [AND THAT IS NOT] occupied by
17 the owner; the corporation may modify this definition if it determines that there is a
18 special need for rental [NONOWNER OCCUPIED] housing in small communities and
19 that a change in the definition is necessary to enable the corporation to meet that need.

20 * Sec. 13. AS 18.56.600 is amended to read:

21 Sec. 18.56.600. DEFINITIONS. In AS 18.56.400 - 18.56.600,

22 (1) "housing"

23 (A) means owner-occupied housing having four or fewer
24 dwelling units [, SINGLE-FAMILY HOUSING AND OWNER-OCCUPIED
25 DUPLEXES] in which not more than 25 percent of the gross floor area is or will
26 be devoted to commercial use;

27 (B) does not include a multi-family residence that constitutes
28 housing for which a loan is made under the rental housing loan program of
29 AS 18.56.580 when one of the dwelling units in the multi-family residence is
30 occupied by the residence owner;

31 (2) "small community" means a community with a population of 6,500
32 [5,500] or less that is not connected by road or rail to Anchorage or Fairbanks, or with

1 a population of 1,600 [1,400] or less that is connected by road or rail to Anchorage or
2 Fairbanks; in this paragraph, "connected by road" does not include a connection by the
3 Alaska marine highway system.

Attachment #1
3/13/96



520 East 34th Avenue
Anchorage, AK 99503-4199
(907) 561-1900

P.O. Box 101020
Anchorage, AK 99510-1020

March 12, 1996

The Honorable Richard Foster
Alaska House of Representatives
State Capitol Building, Rm. 410
Juneau, Alaska 99801

Dear Representative Foster:

The following is a sectional analysis and discussion for CS for House Bill No. 192 (Work Draft 9-LS0463\U, Chenoweth, 3/8/96), an Act relating to housing assistance provided by the Alaska Housing Finance Corporation and to its rural housing programs. et. al.

Section 1

This section would allow regional housing authorities to originate and service mortgage loans. Current statute allows the housing authorities to only make loans. The change in section 1 would also allow them to be a servicing agent in communities for Alaska Housing Finance Corporation mortgage programs.

Additionally, section 1 allows a housing authority to provide these services in areas outside of rural communities (page 2, lines 7 - 9). However, the rate of interest on the loans would remain the same for communities based upon their population size. For example, the housing authority for the community of Valdez recently was turned down for originating a loan for a housing project simply because the community fell outside the statutory limitation of rural community.

Section 2

Under the allowable uses of the supplemental housing development grant fund, infrastructure development for water and sewer could include both on-site and off-site facilities. For example, if a regional housing authority is constructing a water or sewer line to the site of a project, the cost of providing hook-ups for other homes located along the line could be included as part of the project cost paid by these grant funds.

Section 3

This language simply attempts to clarify the existing statute. It does not make any substantive change.

"Housing For All Alaskans"

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Section 4

The Alaska Housing Finance Corporation is required to establish a priority system for the allocation of supplemental housing development grant funds used to pay for off-site water and sewer facilities established by section 2.

Section 5

This section exempts projects constructed under the Building Material Loan Program from energy standards provided under AS 18.56.096(c).

While the Alaska Housing Finance Corporation will support and encourage all projects to adhere to energy standards, the costs of the inspections for these standards can represent an extraordinary percentage of the small loans envisioned for this program. These small loans are intended and designed to help people in rural Alaska finish or improve their homes, use local logs to build a home, or install wells or septic systems.

Section 6

This section exempts projects constructed under the Building Material Loan Program from construction standards provided under AS 18.56.300.

Again, AHFC will support and encourage all projects to adhere to solid building standards. However, the inspections that would be required to insure these standards are met would represent an extraordinary percentage of the small loans envisioned for this program.

Section 7

Section 7 amends the statute regarding the rural assistance loan program to allow for the refinancing (page 3, line 24) of rural mortgages in the same manner as AHFC's mortgage programs allow for refinancing of urban loans. Current statute simply does not provide for refinancing as an option under rural loans. Rural residents of Alaska have not had the opportunity to benefit from the lower interest rates by refinancing their loans, as have most other individuals in Alaska and elsewhere in the United States. Under the Housing Assistance Loan Fund a borrower would be required to do substantial improvements to their home to receive a new loan at a lower interest rate. This provision would allow for a refinance in which the borrower would not have to increase his loan amount to benefit from current low interest rates provided the borrower's refinance loan meets established eligibility criteria.

Additionally, section 7 allows a rural assistance loan to be used to pay for the cost of third-party labor for a building materials loan (page 3, lines 29 - 31). In other words, the loan could be taken out to not only cover the cost of the material for the improvements, but could also be used to cover the labor costs for the improvements. To restrict loan proceeds to materials only may serve to promote unqualified borrower's installation of materials, equipment, utilities, or appliances rather than installation by qualified professionals.

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March 12, 1996
page 3

Section 8

The change made by section 8 is located on page 5, line 5. This would allow AHFC to make loans for rural non-owner occupied housing, to the extent feasible, to someone who already has an AHFC loan for an existing owner-occupied residence.

The language in section 8 would not change any current practice since AHFC already interprets this statute to allow a qualified borrower to have more than one non-owner occupied loan.

Section 8 would clarify the statute to more clearly make this type of loan allowable.

Section 9

This expands the existing Building Materials Loan Program to allow for small (\$20,000 or less) unsecured loans for borrowers who have either restrictive deed lands or have no title to their HUD Mutual Help home. These borrowers have financing needs for repairs and/or improvements to their homes, but are unable to pledge their home as collateral or have native restricted deed land that is cost prohibitive in obtaining required BIA approval for encumbering the property.

Section 10

This is a conforming change to coordinate this statute with the change being made in the first part of section 12.

Section 11

This is a conforming change to coordinate this statute with the change being made in the first part of section 12.

Section 12

Beginning on page 6, lines 14 and 15, the definition of non-owner occupied housing would be clarified as rental housing. On line 16, the definition of a multi-family rental house is changed from an eight to a 16 dwelling unit. Please note that the existing statute (shown on lines 17 - 19) allows AHFC to modify this definition if AHFC determines there is special needs and qualified tenants that shows going beyond an eight unit project is warranted. Borrowers can save costs on projects with up to 16 units by avoiding having to do a special determinations as required by the current statute.

Section 13

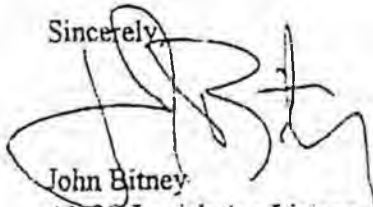
The current definition in statute limits the term "housing" to either single-family and owner-occupied duplexes. Section 13 would bring this term into compliance with industry standards that view the term "housing" as owner-occupied housing with up to four units. This is the standard that is used by the VA, FHA, Fannie Mae, Freddie Mac, and AHFC conventional urban loans.

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This section would also increase the population base for communities eligible to participate in the rural loan program from 5,500 to 6,500 for communities not connected to Anchorage or Fairbanks by road or rail OR from 1,400 to 1,600 for communities on the road system. Currently the population of Bethel is approaching 5,200 with a continuing pattern of growth. Haines' population exceeded 1,400 a year ago, and then dropped down to less than 1,400 this year. By increasing the population to 1,600, communities like Haines have an opportunity for growth and are still eligible to participate in our rural loan program. Alternative financing is generally not available from national secondary market sources.

Representative Foster -- thank you for your sponsorship of this legislation. I look forward to working with you and your staff toward the passage of this bill. Staff from the Alaska Housing Finance Corporation's mortgage office will be on hand to brief legislators at the House Finance Committee hearing scheduled for Wednesday, March 13. If anyone has any questions in the meantime, please do not hesitate to give me a call.

Sincerely,



John Bitney
AHFC Legislative Liaison



ALASKA STATE LEGISLATURE
REPRESENTATIVE RICHARD FOSTER

Session STATE CAPITOL, ROOM 410, JUNEAU, ALASKA 99811 • 907-465-3789 • FAX 907-465-3242
Interim PO BOX 1630 NOME ALASKA 99762 • 907-443-5030 • FAX 907-443-2162

SPONSOR STATEMENT

CSHB 192

"An act relating to housing assistance provided by the Alaska Housing Finance Corporation and to its rural housing programs, to the corporation's supplemental housing development grants to regional housing authorities, and to housing programs of regional housing authorities; permitting regional housing authorities to make, originate, and service loans for the purchase and development of residential housing; and amending the definitions of 'rural' and 'small community' as applied in various housing programs."

Although AHFC is statutorily mandated to serve low and moderate-income and rural Alaskans, AHFC loan originations are not readily available to all communities because regional housing authorities technically do not have local origination authority. "Origination" is the process of accepting loan applications, processing loans, packaging loans to ship for underwriting (AHFC approval), and closing or assisting with closing. CSHB 192 will give regional housing authorities the ability to make, originate, and service loans within their jurisdictions and should make home mortgages more promptly available to rural Alaskans. CSHB 192 will not impact AHFC's status as the loan underwriter.

CSHB 192 also addresses loan mortgage rates in rural areas of the state and enables supplemental housing grants to be made to water and sewer facilities on off-site locations. Other changes include amending rural housing statutes to change the definitions of housing and small communities. Additional technical changes in the legislation will be addressed by representatives of AHFC and the Regional Housing Authorities.

HB 192 was introduced last session and passed out of the Community & Regional Affairs Committee. The section increasing the supplemental housing grant match from 20 to 30 percent was removed from the C&RA version due to constitutionality questions. The title of HB 192 has been changed to reflect this change as well as the definitions added to the bill. HB 192 has a zero fiscal note from the Department of Revenue.

Program Background Relating to HB192

In 1991, AHFC did a housing study and determined that 16,867 housing units were needed for the natives in rural areas. So, they went to Washington DC. with information in hand and said we need more money in rural Alaska.

HUD agreed and said they would promise to provide more funding for constructing some houses in rural areas if AHFC would provide some of the funds too. They worked out an 80/20 arrangement meaning HUD would pay for 80% of project and AHFC would pay 20%. AHFC was mandated by the legislature to use their 20% contribution **only** for infrastructure i.e. sewer/water systems, electrical distribution, roads and energy design features. And I was told that the HUD money can only be used for the construction of the houses.

Over time, the Regional Housing Authorities have discovered that while the 20% may be adequate in many cases, there are areas of the state where it is more costly to put these services in. In those cases the promoters must scramble for money elsewhere or their project doesn't fly.

According to Kay Graham of AHFC, the average cost statewide to put in a house (exclusive of the land cost) is between \$185,000 and \$200,000 for about a 1200 sq. ft. house.

AHFC and the Regionals want the legislature to increase the Supplemental Housing Development Grants from 20 - 30%. This is necessary in order to put in these 16,000 plus homes because otherwise, many of these homes would not be able to be built. The Regionals work heavily with HUD to put in Mutual Help Housing. "Mutual Help" means that the borrower, or someone on his/her behalf must contribute \$1500 toward the cost of the house to be built. The minimum payment made on these houses is \$125.00 but is based on the income of the borrowers. Most do not have a very high income. These people live in their house for a certain length of time, after which HUD deeds the house over to them.

AHFC has a "Loans to Sponsor" program which the Regionals are very interested in. Basically, AHFC loans arbitrage money to the Regional Housing Authorities at zero interest and the Regionals loan money to their clients at whatever interest rate they determine. This is one loan program that will be gaining in popularity as HUD funds dry up.

But the Regionals need more "infrastructure money" (Supplemental Development Grants) to achieve their objective - which is to put in 16,867 new units.

The Regionals would also like to have the statutes relaxed so they can loan to their clients in urban areas as well as rural. Kay Murphy states that yes, this could compete with local banks but she didn't think that would happen since the clients feel more comfortable working with their Regional Housing Authorities. Urban areas include Anchorage and Juneau.

Another aspect of this Bill would lift the restriction that the Supplemental Development Grant monies only apply to on-site sewer/water systems. The Regionals want this **expanded** to include off-site systems as well. The example given was that if 10 houses were built and hooked up to an existing system, that the money could be used to upgrade that system.

RUFFY ABOUT THIS LOT



STEFAN ROUSSEAU / The Associated Press

Elizabeth II sit Friday with noncommissioned officers of the Irish Mother presented her annual St. Patrick's Day gift of shamrocks at Chelsea Barracks.

Housing agency under fire

Feds says Alaskans mismanaging funds

By DAVID HULEN
Daily News reporter

The federal government is investigating allegations of widespread mismanagement in interior Alaska's low-income housing agency, including improper use of cash accounts, unaccounted-for materials, questionable buying practices and recent cost overruns on village housing projects totaling nearly \$3 million.

In a harshly worded report this month, the Department of Housing and Urban Development said officials from the Fairbanks-based Interior Regional Housing Authority falsified documents and maintained a series of shoddy accounting practices that have placed the agency's finances in jeopardy.

HUD told the housing authority it was investigating allegations that housing authority staff members used cocaine in the agency's Fairbanks office and on village housing sites.

The housing authority is one of several regional agencies that spend tens of millions of dollars each year building low-income housing and administering federal rent-subsidy programs to Natives. The Fairbanks agency serves more than 40 villages in the Interior, as well as Fairbanks, and most of its money comes from HUD. The agency employed more than 400 people last year, many of them villagers.

HUD officials in the Anchorage-based Alaska Office of Native American Programs early this month classified the agency as "high-risk" and in a March 3 letter ordered all purchases, contracts, personnel actions and travel approved in advance, and any ongoing construction projects stopped.

"Our review has not been completed in all areas of operations," said the letter, signed by HUD administrator Marlin Knight. "However, we have confirmed that serious deficiencies exist. . . . Moreover we are not satisfied with the current management's ability and/or actions in

Please see Back Page. HOUSING

THE BACI

HOUSING: Feds say Alaska

Continued from Page A-1

dealing with these serious problems."

Auditors, who have been reviewing the housing authority's books since January, still aren't sure how bad the problems are, the letter said.

"The full extent of the financial crisis is unknown due to the housing authority's failure to maintain a workable accounting system capable of providing current information," the report said.

Officials with the housing authority did not return telephone calls on Friday. The agency is run by a five-member board of commissioners appointed by the Tanana Chiefs Conference, the Interior Native non-profit health and social service agency.

The HUD report has been the object of closed-door meetings this week at the

Tanana Chiefs' annual convention in Fairbanks. Tanana Chiefs President Will Mayo told the Fairbanks Daily News-Miner his agency would have no comment until an ongoing audit by HUD was completed.

"My reaction to the allegations is let's get the facts," Mayo said. "These, as far as I'm concerned at this point, are allegations. We want to get to the bottom of all of it."

The allegations are outlined in a two-page letter and an eight-page accompanying report sent to the agency and obtained by the Anchorage Daily News. The documents said:

- There are "virtually no internal budget controls in place" at the housing authority, and this led to overruns of nearly \$3 million on housing projects last year in Tok, Nikolai and Northway. To

K PAGE

agency mismanaged funds

cover the overruns, the report said, officials improperly diverted almost \$2 million from housing projects earmarked for the villages of Chalkyitsik, Huslia, Birch Creek, Rampart and Ruby.

- About \$500,000 in cash from homebuyer equity accounts was improperly spent covering the construction cost overruns.

- The lack of internal financial controls "has resulted in numerous violations of (federal) procurement regulations as well as massive cost overruns. . . ."

- HUD is investigating "several allegations . . . concerning certain staff members using cocaine during office hours in the office and on village housing sites."

- One of the agency's board members, and a board member's spouse, were hired to work on housing authority jobs, in violation of federal conflict-of-interest rules.

- The agency "lacks training and competent staff at key management positions." The former executive director of the agency, Spud Williams, resigned in December. But the report says other housing authority officials, including acting executive director Velma Carroll, share responsibility for the problems.

The agency's financial condition "has deteriorated to the point that the overall financial condition is in jeopardy," the report said. The agency could not provide HUD auditors with basic financial information, the report says. Auditors later determined the authority owes more than \$430,000 to creditors.

Carroll did not return phone calls on Friday, nor did HUD officials in Anchorage. It was unclear what led to the HUD investigation.



Alaska Office of Native American Programs
University Plaza Building
949 East 36th Avenue, Suite 401
Anchorage, AK 99508-4399

MAR 3 1995

Clarence Alexander, Chairman
Board of Commissioners
Interior Regional Housing Authority
General Delivery
Ft. Yukon, Alaska 99740

Dear Mr. Alexander:

Subject: Corrective Action Order

On January 20, 1995, you were notified of our concern of reported "gross" mismanagement practices at Interior Regional Housing Authority (IRHA) which resulted in cost overruns of at least \$2,700,000, unaccounted materials inventory of substantial value, numerous questionable procurement practices, and negligence in IRHA's fiduciary responsibility with its homebuyers equity accounts estimated at \$500,000. Additionally, we have reviewed documents provided us which reveal IRHA's management with falsely certifying documents.

Due to the seriousness of what has been reported and allegations of other improper conduct, staff members from our office have been conducting on-site reviews at IRHA. Our review has not been completed in all areas of operations. However, we have confirmed that serious deficiencies exist at IRHA. Moreover we are not satisfied with the current management's ability and/or actions in dealing with these serious problems.

Under authority of 24 CFR 905.135 (d), a Corrective Action Order is imposed designating IRHA as "High Risk". Accordingly, previous authorization to certify or proceed without HUD approval is hereby rescinded. Additionally, the following restrictions are hereby effective as of the date of this Order.

1. Procurement and contracting authority is withdrawn and requires prior approval of the Alaska Office of Native American Programs (AONAP).
2. Authority to proceed with Development, Comprehensive Improvement Program or Comprehensive Grant Program activities is suspended.
3. Authority to proceed with Development, CIAP or Comprehensive Grant Program projects using Force Account is rescinded.
4. Authority to proceed with in-house architectural services is rescinded.

5. All recruiting, re-assignments, termination or other personnel actions retroactive to our January 23, 1995 on-site monitoring visit, requires prior concurrence of the AONAP.
6. All out-of-region travel requires prior approval of the AONAP.

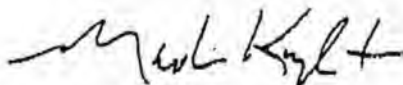
IRHA is required to respond in writing with a Management Improvement Plan which describes in detail actions to correct the existing deficiencies as described herein. The plan must be responsive to the deficiencies, corrective actions and timeframes noted. The plan must be approved and monitored by the Board of Commissioners and is subject to HUD approval.

You may request reconsideration of the above actions by submitting to our office by March 20, 1995, written evidence that the conditions cited in the deficiency have been remedied.

In any case, an approved MIP, which adequately addresses each of the corrective actions by the required timeframes shall be prepared by IRHA and submitted to this office within 45 days. Additionally, the Board is required to execute an amendment to the Annual Contributions Contract (ACC) No. S-63 to make the corrective actions identified in this Order a condition of the ACC. A copy of the amendment is enclosed for your execution.

If you have any questions regarding the content of this Corrective Action Order, you may call me at 271-4633.

Sincerely,



Marlin Knight
Administrator

Attachment

CC:

Board of Commissioners

Velma Carroll, Acting Executive Director

Will Mayo, Executive Director, Tanana Chiefs Conference

DEFICIENCIES

DEFICIENCY #1: IRHA IS FINANCIALLY UNSTABLE

Federal Regulations at 24 CFR 905.135 require financial stability as a necessary element of administrative capability and requires the IHA to meet the standards set forth in 24 CFR, Part 85. In addition, the Mutual Help Annual Contributions Contract (ACC) requires an IHA to administer its operations in such a manner "as to promote serviceability, efficiency, economy, and stability...".

The full extent of the financial crisis at IRHA is unknown due to the housing authority's failure to maintain a workable accounting system capable of providing current information and the lack of internal controls to safeguard housing authority assets.

There are virtually no internal budget controls in place at IRHA. All revenues enter a revolving account which earns interest. The majority of revenues deposited in this account come from HUD Development, CIAP, Comprehensive Grant programs as well as Operating Subsidy, Administration Fees, Security Deposits and homebuyer MEPA funds. IRHA currently has no internal controls in place to track project specific expenditures from the revolving account.

This lack of internal budget controls has led to reported cost overruns of \$1.6 million and \$380,000 in the Tok and Nikolai force account developments, respectively. To offset these cost overruns, IRHA has inappropriately requisitioned approximately \$1.95 million in Development funds from the Chalkyitsik, Huslia, Birch Creek, Rampart and Ruby force account developments. **THE DIVERSION OF DEVELOPMENT FUNDS TO COVER COST OVERRUNS HAS ENDANGERED IRHA'S ABILITY TO COMPLETE THESE DEVELOPMENTS.**

There is also approximately \$500,000 in cash MEPA that was diverted to cover overruns. IRHA has not reconciled the Tenant Accounts Receivable to determine the exact amount of cash MEPA that should be invested on behalf of the homebuyers or interest that should have been earned on MEPA funds.

IRHA currently has insufficient non-HUD funds available to cover their development cost overruns and shortages in their homebuyer MEPA accounts.

Corrective Actions:

1. Expedite the procurement and completion of an expanded scope audit for FY 1994, incorporating the scope of work outlined in our February 7, 1995 letter, with an accelerated completion date for a draft report to be submitted to the AONAP on or before May 1, 1995.
2. Submit to the AONAP by March 31, 1995, the following information for the month of February 1995. Thereafter, submit the information by the 30th of the following month, until otherwise notified:
 - a. Reconciled bank statements for all bank accounts including investments.
 - b. Monthly check register.
 - c. Monthly general ledger/trial balances.
 - d. Monthly aged accounts payable listings reflecting outstanding vendor invoices by program and project.
 - e. Monthly aged Tenant/Homebuyer reconciled Accounts Receivable logs including delinquent amounts due.
3. Develop and submit to the AONAP a financial action plan which addresses the ongoing operating expenses of the IHA, overages of budget expenditures, replacement of MEPA, replacement of an adequate reserve and payment of outstanding vendors by May 15, 1995.

DEFICIENCY #2: IRHA LACKS MANAGEMENT SYSTEMS REQUIRED TO CONTROL ITS ASSETS RESULTING IN THE MISMANAGEMENT AND MISUSE OF FEDERAL FUNDS AND NON-COMPLIANCE WITH THE TERMS AND CONDITIONS OF PREVIOUS AWARDS.

Federal Regulations at 24 CFR 905.160 (b) (a) state: "Each IHA shall adopt, promulgate, and comply with, rules or regulations for the procurement and administration of supplies, materials, services, and equipment in connection with the development and operation of projects..."

Further, Federal Regulations at 24 CFR 905.215 (a) (6) (ii) state the use of the Force Account method can only be authorized if an IHA provides justification that demonstrates it has the technical and administrative capabilities to complete the project within the projected time and budget.

The lack of internal financial and management controls at IRHA has resulted in numerous violations of 24 CFR 85 procurement regulations as well as massive cost overruns to IRHA's force

account developments in Tok and Nikolai, and the AK94B007701-93 Comprehensive Grant Program (CGP) project in Northway.

IRHA had provided written certification stating their procurement practices were in compliance with the housing authority's procurement policy and the requirements of 24 CFR Part 95. The submission of false certifications is a violation of 24 CFR 905.160 (2).

A review of IRHA's procurement files identified a number of serious procurement violations including the purchase of a \$43,500 river barge with no record indicating the required procurement process had been followed. IRHA apparently awarded a sole-source materials contract for the procurement of windows after initially awarding a contract to the apparent low bidder in a sealed bid procurement. Numerous complaints, including Congressional inquiries, have also been received from vendors regarding IRHA's questionable practices.

The lack of an effective contract management system has resulted in a myriad of unaddressed construction issues including cost overruns in excess of \$1.9 million for the Tok and Mikolai force account developments and \$600,000 for the AK-701 CGP project in Northway.

These cost overruns have apparently been offset, in part, using \$1.95 million in development funds obligated to the Chalkyitsik, Huslia, Birch Creek, Rampart and Ruby developments as well as the charging of Tok (Northway) development costs to the AK-701 Northway CGP project.

These actions are in direct violation of IRHA's Annual Contributions Contract Amendments for these developments. Further, the diversion of funds from these developments to cover cost overruns has seriously impaired IRHA's ability to complete the Chalkyitsik, Huslia, Birch Creek, Rampart and Ruby developments.

A lack of inventory control, quality control, and maintenance of critical records has further exposed IRHA to the loss of property and misuse/waste of development and modernization funds under force account construction.

Corrective Actions:

1. Provide an itemized inventory; on a project specific basis, of all materials, supplies, expendable and nonexpendable equipment, for all active Development, CIAP and Comprehensive Grant projects. Identify the location and provisions for secure storage of all identified inventory. Itemized inventories must be submitted to the AONAP on or

before May 1, 1995.

2. Complete an on-site, unit by unit assessment of the construction status for all active Development, CIAP and Comprehensive Grant projects. Project specific status reports must be submitted to the AONAP on or before May 15, 1995.
3. Develop and implement quality control, inventory control, and procurement control procedures for Development and Comprehensive Grant Program projects. Written procedures must be submitted to the AONAP for review and approval on or before June 1, 1995.
4. Develop a Force Account Management Plan which details the process for the implementation and administration of a force account program to complete Development and CGP projects. The management plan must be submitted for AONAP approval on or before June 1, 1995.

Approval of any Force Account activities will be further contingent upon the following monthly reporting requirements:

- a. Project specific development cost control statements.
- b. Project construction schedule update. Actual project progress should be tracked and recorded for review against original Project Construction Schedule.
- c. Itemized Schedule of Amounts for the project which allows for the comparison of the project budget to costs incurred/obligated and number of units in place. (HUD Form 51000 is recommended for use)
- d. Copies of inspection reports for all inspections completed.
- e. Project Procurement Register/Log which identifies formal procurement activities completed.
- f. Project specific Change Order registers.
- g. Project specific Check Registers.

DEFICIENCY #3: IRHA LACKS TRAINED AND COMPETENT STAFF AT KEY MANAGEMENT POSITIONS

IRHA is deficient in administrative capability under the regulations at 24 CFR 905.135(b)(1)(v) in that it lacks properly trained and competent personnel at key management positions. The magnitude of the financial crisis requires competent, professional, and skilled leadership to resolve the identified deficiencies and to achieve administrative and financial capability. Although the previous Executive Director has resigned, other key management staff, specifically the Staff

Accountant and the current Acting Executive Director shares responsibility in the current condition of IRHA. Neither has exhibited the capability or the leadership to make progress toward resolving identified management and financial deficiencies.

IRHA financial operations have deteriorated to the point that the overall financial condition is in jeopardy. During HUD's onsite visits between January 23 and February 2, 1994, the Staff Accountant could not provide reliable financial data to support many basic financial functions. During the January 17, 1995 meeting, the Staff Accountant reported that there were no past due accounts payable; yet HUD's subsequent on-site visit two weeks later disclosed an excess of \$430,000 of accounts payable.

Other unethical actions by the Staff Accountant include the altering of her own timesheets. In one specific instance, this office obtained an original timesheet which reflected sick leave taken for over a month's absence around Thanksgiving 1994; yet another timesheet was attached to payroll check which indicated that no leave was taken during this time period of absence.

Professional and competent leadership is critical immediately in order to implement actions required to achieve financial stability and to remove restrictions for proceeding with development and modernization.

Corrective Actions:

1. Immediately issue a Request for Proposals (RFP) to recruit an executive director by an outside professional firm. A list of best qualified applicants should be provided to the Board to interview. The AONAP will be provided with the list and the Board's choice for review. The procurement of services and recruitment of a qualified executive director must be completed on or before April 30, 1995.

Deficiency #4: Noncompliance with Terms and Conditions of the Federal Regulations and Annual Contributions Contract

A. Force Account Wages not included as Homebuyer Income

IRHA employed over 400 force account employees in their modernization and development budgets in fiscal year 1994. Several of these employees were also IRHA homebuyers.

In accordance with 24 CFR 905.102. Annual income is the anticipated total income from all sources...it is the "full amount, before any payroll deductions, of wages and salaries, overtime pay.." Section G. of the IRHA Admissions and Occupancy

Policy, states:

"Failure to report all income will result in retroactive required monthly payment charges. Homebuyers are required to report immediately any changes in income or household composition."

In reviewing several homebuyer files, it was disclosed that force account wages have generally not been included in homebuyers' annual income and in calculation of their monthly homebuyer payments. It is the responsibility of the homebuyer to report increases in income, as well as the IRHA.

Of serious note is that two of these employees were a IRHA Board Commissioner and a Commissioner's spouse. According to their FY 1994 W-2 Wage and Tax Statements for 1994, the Commissioner's salary was \$21,410.95 and the Commissioner's spouse's income was \$34,223.68.

In managing a force account program, IRHA should have established internal coordination procedures between departments. Upon hire, homebuyers must be made aware of their responsibility to report income increases. Accounting staff should notify housing services staff of homebuyer hires to schedule interim recertifications and to complete payroll deductions for any delinquencies owing.

B. Unauthorized IRHA Employment and Conflict of Interest for Two Commissioners

In accordance Federal regulations 24 CFR 905.130, "A member of the IHA's Board of Commissioners shall not be eligible for employment by the IHA, except under extremely unusual circumstances where it is documented that no one except the commissioner is qualified for the position and where the HUD field office approves in advance of the hiring." As noted above one of the Commissioners was employed on a force account crew, although written HUD approval was not obtained.

In accordance with the Annual Contributions Contract, Article 7.4. requires Board members to disclose any interest, direct or indirect, in any project of the IHA in writing to the IHA, and shall immediately disclose their interest upon the minutes of the IHA. Employment of a spouse, which resulted in an family income increase of \$36,223 should have been disclosed.

C. Noncompliance with Mutual Help Program Conveyance Requirements

Federal regulations 24 CFR 950.440(e)(5) states that, regarding the conveyance of a Mutual Help home, "The required documents shall be approved by the Attorneys representing the

IHA". Of the ten conveyance files selected for review, none were approved by an attorney.

Part (e)(6) states that "After conveyance, all homebuyer funds held or received by the IHA from the sale of a unit in a project financed with grants shall be held separate from other project funds, and shall be used for purposes related to low income housing use, as approved by HUD". IRHA has deposited proceeds from conveyances of homes in its General Fund Bank account, where it is intermingled with funds deposited for operations, development and modernization projects. This action is in direct opposition to HUD requirements.

Corrective Actions:

1. Develop internal coordination procedures to ensure that IHA salaries of homebuyer/tenant families are included in their total family income. Ensure these procedures are included in your Force Account Management Plan.
2. Review Commissioners' actions to determine appropriate actions regarding repayment and disclosure. Include your actions in your MIP response.
3. Obtain legal approval of all conveyances to determine whether documents are in compliance with the terms of the MHOA and applicable laws and regulations. Provide copies of the IHA's Attorney letter approving each conveyance. Develop written conveyance policies to ensure IHA attorney approval of future conveyances.
4. Instruct your Independent Auditor to verify that all conveyance proceeds, are identified and deposited into a separate bank account especially established for this purpose, record the amount to Account 2854, Replacement Reserves. Provide this office with a copy of the deposit slips and journal vouchers showing accounting distribution. Ensure required accounting transactions are included in your conveyance procedures.

OBSERVATION:

For each operating, development and modernization budget submitted to this office, an Indian Housing Authority is required to submit a "Certification of a Drug-Free Workplace". In addition, Section 6 (e) of the IRHA Personnel Policy addresses the "Drug Free Workplace" as follows:

"The unlawful manufacture, distribution, dispensation, possession or use of a controlled substance is prohibited on the premises of Interior Regional Housing Authority, or while acting as a representative of the Housing Authority, on or off the premises. Appropriate disciplinary actions which may include termination, will be taken against Interior Regional Housing Authority employees for violations of the prohibition."

Several allegations were made concerning certain staff members using cocaine during office hours in the office and on village housing sites. These allegations are in direct conflict with your Personnel Policy requirements and the Certification.

Recommendation:

Due to the seriousness of these allegations, it is recommended that the Board take immediate action, which could include drug testing. It is recommended that your Drug-Free Workplace Program be reviewed to ensure implementation and drug awareness for all employees.

B

HOUSE COMMITTEE REPORT

3/17/95

(7)

Date Referred: February 22, 1995

FURTHER REFERRALS:

Finance

Date of Committee Action: 3-16-95

The COMMUNITY AND REGIONAL AFFAIRS Committee considered:

HB 192

HOUSE BILL NO. 192

AHFC HOUSING LOANS

"An Act relating to housing programs of the Alaska Housing Finance Corporation, the corporation's supplemental housing development grants to regional housing authorities, and to housing programs of regional housing authorities, and permitting regional housing authorities to make, originate, and service loans for the purchase and development of residential housing."

recommends it be replaced with the following committee substitute CS for HB 192 (CRA) [] the same title [X] a new title

[] additional referral to _____ Committee
[] attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) APPROVES PREVIOUS: (Dept/Date)
[X] fiscal note(s) Rev [] fiscal note(s)

[] zero fiscal note(s) [] zero fiscal note(s)

Table with 5 columns: SIGNING WITH RECOMMENDATIONS, DP, DNP, NR, AM. Rows include signatures and names: ELTON, AUSTERMAN, VEZEY, IVAN, KOTT. Includes circled numbers (2) and (3).

CO-CHAIR'S SIGNATURE [Signature] IVAN

[Signature] AUSTERMAN