

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES  
1585 SCOMM 59: JNT. COMMITTEE ON ECONOMIC RECOVERY, 1988 8672

1382

closed units on the market. The prices shown on the vertical axis of the figure are for a particular kind of unit and are *not* intended to represent average prices of all condominiums on the Anchorage market. (We know that in recent months condominiums in Anchorage have sold for as little as \$25,000 and as much as \$100,000.) What we are showing here is how different rates of sale could affect the price of the same condominium. So it is more important to look at the difference in the prices at various rates of sale than at the dollar figures.

As the figure shows, if all foreclosed condominiums were kept off the market—a very unrealistic scenario—condominium prices could be nearly 50 percent higher than if the market were flooded with condominiums through large auctions. At more moderate rates of sale, prices would be about 25 percent higher than if large auctions were held.

Holding properties off the market is of course very expensive for lenders and insurers: they pay in the neighborhood of \$18 to \$30 a day for each unit, depending on the size of the outstanding mortgage and the interest rate. We are not suggesting that lenders and insurers should hold onto all their foreclosed units: that simply is not feasible. We are pointing out that lenders should consider the future costs they might face if their selling policies contribute to more defaults.

Sliding property values and rising defaults have already cost Alaska lenders, insurers, and borrowers tens of millions of dollars. The foreclosure process itself is expensive. Costs of judicial foreclosures—under which the lender goes to court to try to make borrowers liable for any losses when the property is re-sold—are particularly high. And falling property values also have other social costs. For example, some homeowners who could find better jobs elsewhere don't move because they can't sell their houses for what they owe on them, and they don't want to default.

#### What Can Be Done?

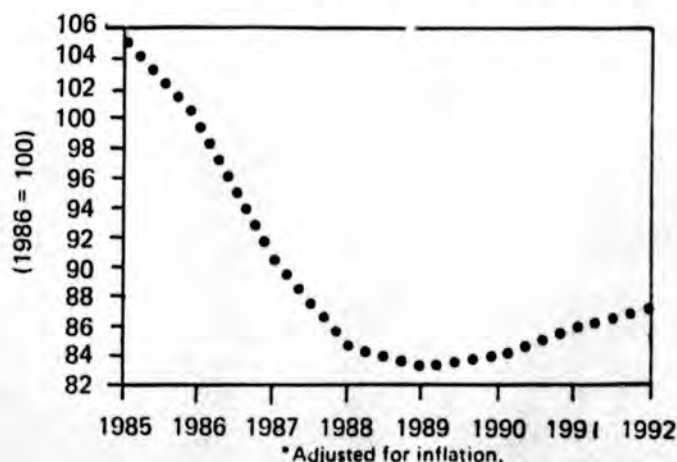
We examined a number of policies AHFC and other lenders might try to increase demand, reduce supply, stabilize prices, and reduce defaults. Those include loosening down payment and other loan requirements; easing restrictions on owner-occupancy in AHFC-financed condominium complexes; subsidizing interest rates; removing housing stock; and limiting or transferring mortgage liability in some circumstances.

We made our analysis with a complex computer model that simulates the Anchorage housing market and incorporates ISER's medium-case economic projections. Our findings about how various policies might affect the Anchorage housing market are de-

tailed in ISER's recent report, *Alaska's Economy and Housing Market*. Below we summarize our main findings:

- How the big lenders manage their large inventories of foreclosed properties will be far more important than anything else they do to try to stabilize the market. If they sell those properties very quickly—at the extreme, through big auctions without bid floors—and push prices further down, the housing market will continue to be unstable and defaults will persist.
- The market for single-family houses will recover more quickly than the market for condominiums. Most buyers prefer houses when they can afford them—and today's lower prices mean houses are within the reach of more buyers. Once the economy turns around, the market should be able to absorb the inventory of foreclosed single-family houses relatively quickly. And there will be some construction of single-family houses in Anchorage over the next several years—but the total number of new houses built between now and 1992 will likely be smaller than the number built during the peak construction year of 1983.
- Very few condominiums or apartments will be built in Anchorage between now and 1992, if our medium-case economic projections prove correct. The existing supply will be more than ample to meet demand. Under that same case, real rents—rents adjusted for inflation—in Anchorage in 1992 will still be below 1985 and 1986 levels (see Figure 8).
- Because such a large proportion of Anchorage condominiums are in foreclosure, it will likely take several years beyond 1992 to sell the inventory of

Figure 8. Projected Anchorage Real\* Rent Index



foreclosed condominiums without further depressing prices.

- For some Alaskans there is a silver lining in the real estate cloud: lower prices will mean that they can move into better-quality housing than they could afford before. But a big barrier for those who already own homes is that many now owe more on their houses than the houses will sell for. Lenders may want to consider a policy that allows those who want to buy better houses in Alaska to transfer a portion of their current mortgage liability to new homes.

#### Faster or Slower Economic Recovery

We consider our medium-case economic projections most likely, if oil prices stay in the range of \$16- to \$20- per barrel. The findings outlined above are based on those medium projections. But it's always possible that the economy could grow faster or slower than we expect: the Alaska economy is often surprising. If oil prices were significantly higher or lower than we assume in the medium case, the housing market would of course be affected. Figures 9 and 10 illustrate the possible range of change in two housing market variables under the low, medium, and high economic cases.

Figure 9. Real Prices, Anchorage Condominiums Under Three Cases, 1985-1992

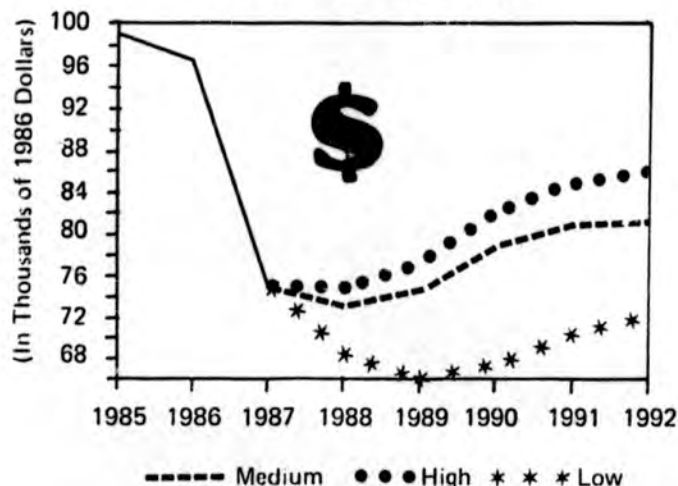
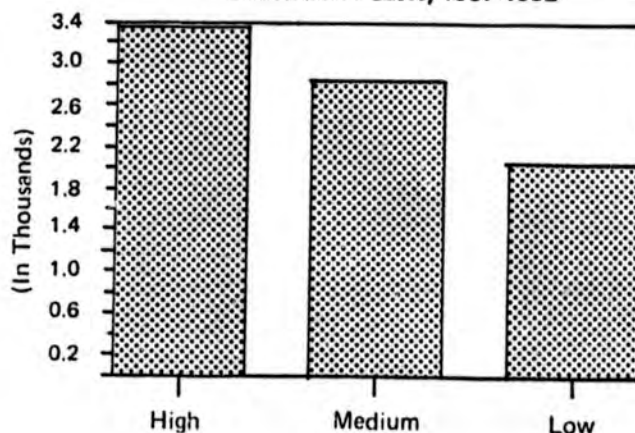


Figure 9 shows how real—adjusted for inflation—prices of Anchorage condominiums would be different under the high, medium, and low economic projections. All three cases assume the same moderate rate of sales of foreclosed properties. If more or fewer foreclosed properties were sold, the projections would change.

In the medium and the high cases, average real prices for a standard condominium would bottom out in 1988 and in the low case in 1989. Prices would then begin a very gradual recovery. But even under the most optimistic case, 1992 average condominium prices when adjusted for inflation would still be far below their 1985 peak of around \$100,000.

Real prices of single-family houses should rebound faster, and—unlike the case for condominiums—a number of new houses will likely be built in Anchorage in the next few years. Figure 10 shows projected cumulative numbers of building permits for new single-family houses in Anchorage from 1987 through 1992 under high, medium, and low economic projections. Under any of the cases total construction over the next few years would be modest as compared with the frenzied building of the early 1980s: under the medium case, a total of fewer than 3,000 new houses would be built in Anchorage between now and 1992. By contrast, in 1983 alone 3,500 new houses were built in Anchorage.

Figure 10. Projected Cumulative Building Permits for Anchorage Single-Family Houses, Under Three Cases, 1987-1992





Official Business

# Alaska State Legislature

## House of Representatives

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Juneau, Alaska 998

### EXECUTIVE SUMMARY OF LEGISLATIVE ACTIONS HOUSE JOINT COMMITTEE ON ECONOMIC RECOVERY

When the Joint Committee on Economic Recovery was established by resolution this past January, the House side of the committee adopted a subcommittee framework within which three phases of action would be undertaken. The first phase was to examine the overall Alaska economic picture and identify existing legislation that should be promoted or addressed by the legislature. The second phase was to determine what new legislative proposals might be implemented to address these problems. The final phase of the House effort was to promote long term solutions at the state, federal and local level which might better prepare Alaskans to deal with similar economic situations. At this time we present the attached reports addressing the first two phases of our efforts.

In these reports each subcommittee has endeavored to present, where necessary, those pieces of legislation they believe might contribute most to the economic recovery of the state. Though initially focused on short-term proposals, the final lists of legislation also represent a number of ideas that will have significant long-term implications if adopted by the legislature. Some examples of these latter proposals include HB 492 (the Alaska Bottomfish Development Plan), and HB 430 and HB 431 (Neighborhood Business Development Initiative).

The subjects covered by these reports range from resource development to the housing market and include both Senate and House legislative proposals. While the Resource Development, Transportation, Employment and Industry subcommittee report focuses mainly on specific legislative proposals, other reports, such as the Interior and Southeast subcommittees, address the broader economies encompassed within their purview. The remaining subcommittees, Small Business, Housing and Banking and Rural, discuss broad policy questions and legislative actions.

In identifying new proposals not already introduced, the main emphasis and effort fell upon the Housing and Banking subcommittee. The members of this subcommittee found themselves immersed in the economic problems foremost in the public eye: the collapse of the residential housing and commercial real estate markets and the apparent deterioration of Alaska's banking industry, all areas which few legislative proposals initially addressed.

Other subcommittees, notably Small Business, recommended enhancement of existing programs to fill gaps not covered by legislative proposals.

Following a brief description of the Full Committee's meetings a short review of the activities of each subcommittee shall be presented.

### The Full Committee

The Full House Committee has met consistently -- at times jointly with the Senate Committee -- since January 29 of this year. The initial meetings provided an overview of the Alaska Economy from a public, private and regional perspective. These meetings were followed by presentations generated outside of the legislature on plans and proposals to improve the economy. These were in turn followed by preliminary presentations of the subcommittee reports and actions which, after full committee review and amendment, were presented in final form. At present the House Committee is addressing legislative proposals passed from the Senate Committee and has submitted their reports and actions to that committee for review.

### Housing and Banking

The Housing and Banking subcommittee, Co-chaired by Representatives Kay Brown and Steve Rieger, held extensive hearings and identified two broad policy recommendations for the state to pursue. The first of these was the improvement of the residential housing market. The second was to maximize the ability of the market to solve commercial real estate and loan problems while minimizing State intervention. Within the first area, specific strategies proposed included directing state agencies with institutionally-owned properties (REO's) to cooperate in demolishing unsafe and substandard housing, providing funding support for the demolition of the Willow Park Apartments, exploring the use of surplus housing for public purposes, directing AHFC to exercise prudent judgement and take prompt action in the management of its REO portfolio (including multi-family and mobile homes), and providing aid to distressed homeowners in the form of workouts, potential trades of property and flexible policies, through AHFC and other state agencies involved in the residential housing market. Other strategies under consideration include the revision of state lending programs -- both commercial and residential -- and the clarification of rules regarding foreclosure.

Within the second area, the subcommittee recommended relaxing limitations on the Alaska Industrial Development Export Authority (AIDEA) enabling them to better respond to current economic conditions.

As legislation was introduced in both the House and the Senate on issues affecting their purview, the subcommittee also considered those bills and made recommendations on many of them, often incorporating them into their strategies.

At this time the Housing and Banking subcommittee still has issues and proposals before them, and will hear them in the near future. These issues may lead to further recommendations of policy or legislation.

#### Small Business

This subcommittee, chaired by Representative Red Boucher, held public hearings to determine and help develop the level of communication between small Alaskan businesses.

Specifically, the subcommittee recommended that the Small Business Development Center for Alaska, the Alaska Center for International Business the Alaska Business Assistance Center (for rural Alaska) and the Made in Alaska program coordinate their activities -- potentially through the University of Alaska -- to allow greater access by Alaska small businesses to information and assistance presently provided by the state.

Along with support of a number of existing bills, the subcommittee also recommended the State pursue the development of a regulatory clearing house, establish an Alaska Economic Index, and improve the competitiveness of Alaska products.

#### Resource Development, Transportation, Employment and Industry

Chaired by Representatives Mike Navarre and Mike Miller, this subcommittee report concentrated on the three topic areas in their title. Their task was particularly difficult as it carried over into a number of sensitive areas presently under consideration in standing committees.

In Part One of their report particular emphasis was given to the Alaska Bottomfish Development Plan, HB 492. This was also the subject of a specific hearing of the subcommittee. Other bills the subcommittee believed merited consideration included legislation relating to fishing, tourism and resource agency funding. The controversial mariculture and forest management issues were also dealt with in this section through general policy statements that recognized present legislative activities in regard to these issues.

Part two of the report discussed a number of issues relating to employment and industry. Continued support for the Alaska Center for International Business, the subject of another hearing of the committee, was one of these issues supported by the subcommittee. Other areas the subcommittee believed would encourage economic recovery included the development of port authorities, bidder preference for state goods and recycled products, and both legislation and a general policy statement regarding local hire.

The third part of the report provided a brief overview of transportation measures, and recommended support of one measure, HB 479, relating to an appropriation to the Alaska Marine Highways system.

### Interior

Through public hearings and solicited responses the Interior subcommittee, chaired by Representative Niilo Koponen, developed a report that merged legislative proposals with policy recommendations -- both long-term and short-term.

After a brief overall policy overview the report dealt extensively with the 11 pieces of legislation they recommend for passage. Among these were the Alaska Research Policy (HB 253), the Alaska Science and Technology Foundation (HB 390 and HB 391), the Neighborhood Business Development Initiative (HB 430 and HB 431), and the Alaska Energy Efficient Home Equity bill (HB 318 and SB 308). Specific emphasis was also devoted to HB 523, regarding recycled Alaska products, which would have direct impact on a local business within the Interior region. The subcommittee also referred to the activities of the non-regional subcommittees and supported proposals identified in those reports.

Besides legislation their report also addressed recommendations for administrative action, including information and market development services for Alaska manufacturers, centralized procurement practices, and the development of an import substitution strategy with State efforts to develop a resource export strategy.

The report concluded with a number of suggestions proposing broader long-term policy goals for the State and strategies to meet those goals.

### Rural

The Rural subcommittee, chaired by Representative Al Adams, submitted a short, comprehensive, and well-documented list of recommendations to the Full Committee. Taking into account the large geographical area encompassed within the subcommittee purview, the members recommended proposals that would apply in the broadest possible manner with the maximum beneficial effect.

The subcommittee supported the passage of HB 439, with the accompanying \$3.6 million fiscal note, an act which would raise the minimum entitlement under the state revenue sharing program from \$25,000 to \$50,000 per year -- a number that has not been increased since 1981. The subcommittee also supported greater funding in the operating budget for the village public safety officer program and public health nursing, and increased capital budget funding for village safe water facilities, educational facilities, and waste heat and other appropriate power projects. These and other programs described in the report were deemed important to the social and economic well being of rural Alaska.

### Southeast

The Southeast subcommittee report presented a generally optimistic overview of the economy of that region and specifically focused on topical issues affecting Southeast rather than on particular pieces of legislation.

Areas of importance stressed in this report included adequate funding of resource management in natural resource agencies, the development of export industries and markets for Southeast resources -- including tourism, support of the Alaska Marine Highways System at adequate levels, support for fisheries and mariculture development -- though excluding salmon and continuing the moratorium on pen reared salmon, and strong support for local hire and training initiatives.

The report concluded by stressing the need for stable public sector funding policies and emphasizing the interrelationship of the economy through each of the described subject areas.

Each of these reports is attached. It is the intent of the House members of the Joint Committee on Economic Recovery to include these in a final report addressing the need for long-term focus and direction for Alaska's economy.

BY:

Max F. Gruenberg, Jr. House Chair

Al Adams  
Al Adams

Red Boucher  
Red Boucher

Kay Brown  
Kay Brown

Mike Koponen  
Mike Koponen

Mike Miller  
Mike Miller

Mike Navarre  
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Steve Rieger  
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Fran Ulmer  
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# Alaska State Legislature

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## House of Representatives

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REPRESENTATIVE  
JIM ZAWACKI  
DISTRICT 7

MEMBER  
COMMUNITY & REGIONAL  
AFFAIRS COMMITTEE  
LEGISLATIVE BUDGET &  
AUDIT COMMITTEE  
FINANCE SUBCOMMITTEE

M E M O R A N D U M

February 22, 1988

TO: SENATE LEGISLATORS

FROM: Representative Jim Zawacki *Jim*  
Co-Chair, A.L.E.R.T.

SUBJ: ALERT's Final Report

Please find attached a report done by the Alaska Legislative Economic Recovery Team (A.L.E.R.T.) that was formed by the House Republicans to look at Alaska's economic recovery.

The report focuses on the natural resources, renewable and nonrenewable, in Alaska. The ALERT group is planning to do a sequel to the report on other issues that would further address economic recovery in Alaska.

The ALERT group only looked at pending legislation, we did not recommend new legislation. We felt it was important to deal with and use the information for the report that was available to us. We pulled together information from key organizations and individuals, such as you.

If you have any questions, please feel free to contact me at 465-2719.

Thank you.

Attachment

A.L.E.R.T.

ALASKA LEGISLATIVE ECONOMIC RECOVERY TEAM

REPUBLICAN  
HOUSE OF REPRESENTATIVES

REPORT  
FEBRUARY 1988

A.L.E.R.T.

ALASKA LEGISLATIVE ECONOMIC RECOVERY TEAM

REPUBLICAN

HOUSE OF REPRESENTATIVES

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Rep. Fritz Pettyjohn, Anchorage  
Rep. Randy Phillips, Eagle River  
Rep. Steve Rieger, Anchorage  
Rep. Dick Shultz, Tok

February 1988  
Alaska Legislative Economic Recovery Team  
A.L.E.R.T.

R E P O R T 1 9 8 8

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## INTRODUCTION

The complex problems of the state's economy over the last two years, made it imperative that Alaskans were given some sign that their input, recommendations, and concerns to help Alaska's economy were not being ignored.

To this end the House Republicans realized Alaskans needed to see and hear that the input, recommendations, and concerns "were" being heard and something was being done, or at least steps taken to implement these recommendations to help the economy.

The following report does not claim to have all the answers to every specific problem facing Alaska's economy. What it does cover are areas that can stimulate the economy and create employment immediately, as well as lay the groundwork for future economic stabilization.

We, the A.L.E.R.T. group, did not try to reinvent the wheel. This proposal and its recommended legislation was put together with the help of key individuals, associations, organizations, leaders of the Senate and House and as well as Governor Cowper and his administration. From the makeup of the groups and individuals involved, all geographical areas of the state were represented. We have referred to all of them in the acknowledgement section listed at the end of this report.

The inclusion of specific legislation in this report is meant to indicate support for the goals of the legislation, and should not be construed as a statement that no changes in the legislation should be made. In addition, if a bill which is listed were to be radically altered through amendments or committee substitutes, it might not warrant support by the A.L.E.R.T. group.

## PREAMBLE

The House Republicans of the Fifteenth House of Representatives support four fundamental freedoms to ensure the immediate and long-term success of Alaska's economy:

- 1.) The freedom for an individual to increase one's opportunity for employment.
- 2.) The freedom to enjoy the fruits of one's employment.
- 3.) The freedom of an individual to own and manage private land and property.
- 4.) The freedom to participate in a free market.

The legislature must evaluate where government services can be more effectively rendered in the private sector of the economic market.

The legislature must root out unnecessary restrictions on an individual's pursuit of a livelihood.

The legislature must protect Alaskans from the threat of excessive government spending that leads to new or increased taxation.

The legislature must protect Alaskan's rights to own and manage private lands and property. Placing more land into the hands of Alaska citizens is an important fundamental principle for a strong economy that will last for generations.

The legislature must reform Alaska's welfare system from one of dependency to one of encouraging independence of welfare as full participants in the Alaska economy.

The legislature should promote privatization of a number of functions now carried on by the state government, in order to be less vulnerable to political pressure and operate more efficiently.

The legislature should promote programs that prepare participation in our economy of today and into the future. We must promote programs that assist students with problems to complete their education and to encourage students who dropout to return to school.

The legislature must assist Alaskans and promote Alaska's businesses for full participation in the increasingly complex world of international marketing and trade. We must encourage and assist in training in technological fields appropriate to our natural resources.

The legislature should promote and encourage science and technology by increasing its support for basic research and development.

## NATURAL RESOURCES

### RENEWABLE

#### AGRICULTURE

The agricultural industry consists of two major activities: growing crops and raising livestock. Crop production includes several grains, forage, nursery plants and vegetables. Livestock mainly consists of cattle and dairy cows. Agriculture is a small but important sector of our economy. In 1984 Alaskan farm commodities cash receipts totaled \$25,411,084.0 and approximately 516 Alaskans were directly employed in the industry.

Costs are comparatively higher than those in other states with transportation of equipment and materials adding to the expense. The small number of operations results in limited demand and increased cost. The following recommendations and legislation are needed to maintain Alaska's present production and employment levels.

#### RECOMMENDATIONS

- \* The Department of Natural Resources, in decisions concerning size and location of agriculture parcels to be conveyed, must take into account economic efficiencies and the use of advanced technology.
- \* Farmers who acquired large agriculture parcels (when the state's emphasis was entering the export market) should be allowed to reduce the size of their agriculture tracts to assure economic viability. This could be accomplished through private sales or by returning portions of tracts to the state.
- \* The Department of Natural Resources should allow flexibility in agriculture land use to encourage farmers to diversify their productions for commodities to meet market opportunities.
- \* Agricultural Revolving Loan Fund restrictions on planting should be made more flexible to accommodate productive farming practices; loan applications should be processed to meet planting schedules.
- \* Legislation should be enacted establishing a production credit program to help relieve farmers' existing debt loads without requiring additional state funding. Farmers, stock growers and dairy farmers would be allowed to deduct a percentage of gross annual production from interest payments on state loans.

- \* Flexible policies are needed to restructure existing agriculture loans. Under conditions and standards established by the Agricultural Revolving Loan Fund Board, loan repayment should be rescheduled and repayment time increased. This action would enhance the economic viability of existing operations and stimulate expansion.
- \* All state agencies should assist with promoting Alaska products through its "Grown in Alaska" and the "Made in Alaska" programs.
- \* Pending legislation should be enacted mandating that state agencies purchase Alaska farm products when of comparable price and quality to imported products.
- \* State agencies responsible for agriculture development should coordinate establishment of an effective data base and positive marketing programs for the industry.
- \* University programs must be examined and measured for their adequacy. Information should be made available to encourage high school students to become knowledgeable in the field of agriculture and animal husbandry.
- \* The governor of Alaska should appoint a person to the University of Alaska Board of Regents to provide the leadership needed to fulfill the University's agriculture obligations as a Land Grant College. This person should serve as an advocate for and be familiar with the science and practices of agriculture and forestry research stations to provide scientific information to farmers, processors and consumers.

AGRICULTURE  
LEGISLATION

HB 26 "An Act relating to the sale of certain milk products."

HB 105 "An Act relating to the financing of fish processors and agricultural and timber processors and harvesters by the Commercial Fishing and Agriculture Bank."

HB 400 "An Act relating to the procurement preference for state agricultural and fisheries products."

HB 415 "An Act relating to agricultural industry production credits for dairy products; and providing for an effective date."

HB 456 "An Act relating to agricultural loans and extending the agricultural production credit law; and providing for an effective date."

SB 23 "An Act relating to agricultural rights to land."

SB 105 "An Act relating to the sale of certain milk products."

SB 192 "An Act relating to the membership of the agricultural revolving loan fund board."

SB 340 "An Act relating to moratoriums on agricultural loan payments."

SB 353 "An Act extending the agricultural production credit law."

SB 359 "An Act relating to reorganization of private debt at a Delta Project; and providing for an effective date."

SB 370 "An Act relating to rates and fees of the Alaska marine highway system and providing for preferential vehicle rates for the transportation of agricultural products grown in Alaska."

SB 472 "An Act authorizing the commissioner of natural resources to transfer certain assets formerly owned by Matanuska Maid, Inc."

SJR 5 Proposing amendments to the Constitution of the State of Alaska relating to agricultural rights in state lands.

## FISHERIES

Traditionally, Alaska's seafood industry has been one of the state's largest private sector employers, employing persons in the manufacturing, trade, services and transportation sectors. Alaska's seafood industry, based on a well managed renewable resource represents tremendous economic growth potential.

It is anticipated that the greatest gains in the fisheries industry by 1990 will occur in the domestic processing sector, aquaculture and product/market development. Actions which would encourage this growth are discussed herein.

Fisheries development, in addition to biological and technical handling issues, also concerns questions of commerce, taxation, finance, regulation, market enhancement and general business and economic aspects.

The state's vast and varied fisheries resources offer substantial development opportunities to Alaska. More fish and shellfish are harvested off Alaska's coast than in the rest of the United States combined, and management of this resource is vitally important to the long-range future of Alaska residents.

The following recommendations and legislation need to be addressed to maintain Alaska's present production and employment levels, as well as insuring the future success its Fisheries' objectives.

## RECOMMENDATIONS

Allocation of our fisheries resources between competing uses must be addressed in a manner that provides the greatest balanced growth to Alaska's fisheries industry. Since the present Board of Fisheries has not adequately addressed all the issues, the legislature should identify and facilitate changes to the present system which will provide for enhanced management and sustained yield of the resource.

Develop in-state fleets through favorable regulation.

- \* Set harvest quotas that encourage fresh market prices and local home ports.
  - \* Establish biologically based harvest management q<sub>r</sub> as to lengthen seasons where possible.
  - \* Rebuild the share of Alaskan Native and non-Native permit holders.
- Study modifications to fishery permit systems  
--Consider state buy back of some permits

Develop in-state, onshore processing through improved competitiveness.

- \* Identify factors for success that have resulted in processing growth outside Alaska.
- \* Give first priority to projects that reduce energy and cold storage costs.
- \* Follow the support-activity preference which is embodied in the Magnuson Act.

Develop adequate harbor and vessel service facilities.

- \* Use state lands for port development, staging area and bunker fuel storage to increase the capability of ports to fuel and supply vessels.
- \* Improve dry docks and haul-out rails for in-state vessel maintenance and repairs.

Incentives.

- \* The brood stock of state hatcheries should be managed to enhance lakes and streams throughout the state for recreational purposes and to provide fry to the aquaculture industry.
- \* The state should allow funding to qualified aquaculture associations to continue the enhancement of wild stocks, fertilizing lakes, removing barriers in streams and planting fish in sterile or near-sterile streams.
- \* The state should continue to address and assist in the development of a compatible mariculture/aquaculture/wild stock fisheries by the private sector through private or nonprofit associations.
- \* The Alaska Seafood Marketing Institute (ASMI) and the Cooperative Extension Service should emphasize and promote the safety, quality and nutritional value of Alaska's seafoods worldwide.

## Education and Employment.

- \* The Department of Education should work in concert with the University system and school districts to develop a comprehensive marine education curriculum for grades K through 12. The marine program should provide balanced coverage of the industry and should receive special focus during part of each school year.
- \* The state should continue to provide economic support for the Marine Advisory Program so that it can help enhance and continue its adult education program.
- \* The University of Alaska should develop strong marine programs at existing facilities throughout the state. Sheldon Jackson College should continue development of its fisheries program.
- \* Fishermen and processors should recognize that, to improve product quality they must avail themselves of the latest educational and technological resources.

FISHERIES  
LEGISLATION

HB 94 "An Act relating to boat numbering, accidents, and safety, and providing for an effective date."

HB 105 "An Act relating to financing of fish processors and agricultural and timber processors and harvesters by the Commercial Fishing and Agriculture Bank."

HB 226 "An Act relating to fisheries business tax refunds to local government; and providing for an effective date."

HB 314/SB 317 "An Act relating to the allocation of fisheries business taxes to municipalities by Department of Community and Regional Affairs; and providing for an effective date."

HB 316 "An Act relating to the leasing of limited entry permits by the elderly."

HB 324 "An Act specifying the circumstances for restricting the number of vessels on which a salmon limited entry permit may be used; and providing for an effective date."

HB 330 "An Act relating to the fisheries business tax revenue refunded to local governments; and providing for an effective date."

HB 364 "An Act relating to commercial fishing violations; and providing for an effective date."

HB 400/SB 356 "An Act relating to the procurement preference for state agricultural and fish products."

HJR 45/SJR 51 Requesting a support service priority for American carriers and bulk fuel suppliers servicing foreign processing vessels in the exclusive economic zone.

SB 14 "An Act relating to the interest rate on commercial fishing loans."

SB 267 "An Act relating to the transfer of limited entry permits upon the death of the permit holder."

SB 309 "An Act relating to the definition of commercial fisherman under statutes regulating commercial fishing."

SJR 14 Relating to the documentation and crews of United States-documented fish processing vessels.

## FORESTRY

In Southeast Alaska, stands of virgin western hemlock, Sitka spruce and cedar average 20,000-50,000 board feet to the acre. In Interior Alaska there is vast acreage of white spruce, paper birch, poplar, cottonwood and aspen.

Timber acreage is divided fairly equally among Federal, state, private, and Native land owners. In Southeast Alaska the vast Tongass National Forest is owned by the Federal Government. Federal policy regarding the Tongass mandates a goal of 450 MMBF available for sale each year. Timber from the Tongass is processed into cants to fulfill Federal requirements for primary processing. State forests are located near Fairbanks in the Interior and Haines in Southeast Alaska.

In the Southeast region, Native corporation lands produce round log exports. Timber holdings in the Interior region are largely undeveloped.

The timber industry in Southeast Alaska is vertically integrated with pulp mills, sawmills and a mix of round logs, cants and pulp products for sale. Interior Alaska is in early stages of timber development with no major processing facilities.

The output of Alaska's wood products industry should be more than doubled by 1990. Less than 50% of the state's yearly sustainable yield of timber harvest would be required to reach that goal. Harvesting of timber causes more rapid growth of seedlings, especially when tied to mandatory reforestation, which we recommend. This will accomplish one of the benefits called for by the governor in the State of the State Address, ". . . consider how much we would benefit if we discovered a way to make trees grow faster in Alaska."

By 1990 the federal government should offer at least 600 million board feet from its lands, the state should offer 150 million board feet from its lands and private landowners should be producing 400 million board feet. Offerings at the 1.1 billion board feet level could contribute over one billion dollars annually to the state's economy.

Sixteen percent of the forested lands in the United States are in Alaska. This encompasses more than 28 million acres of potentially economically productive woodlands, publicly and privately owned.

The following recommendations and legislation are needed to maintain Alaska's present production and employment levels as well as the future success of its Forestry Industry.

#### RECOMMENDATIONS

- \* Regulations should be based on the use of reasonable performance standards rather than design standards to encourage productivity increases and environmental protection.
- \* A means of improving and simplifying the process of obtaining permits and eliminating those which are duplicative and unnecessary should immediately be developed.
- \* Legislation should be enacted requiring an analysis of the economic impacts of proposed regulations and be made available to the public for review prior to adoption.
- \* The Alaska Legislature should authorize the executive branch to enter into long-term forest management agreements (FMAs) with qualified private parties on state owned land.
- \* By establishing binding performance standards, private parties would harvest timber, perform reforestation, site improvement and other resource needs.
- \* A statewide, privately financed forest products association should be established to address issues cooperatively, educate the public, promote the use of Alaska wood products, establish quality standards and lobby for sound, stable forest lands and industry policy.
- \* Alaska university programs and the Alaska Vocational Technical Training Center's Forestry Program must provide expanded education, research and extension services to meet industry needs.
- \* Alaskans need to become more familiar with the markets they serve or seek to serve in order to supply the most preferred product (niche marketing) and establish long-term relationships and commitments with those consumers.

FORESTRY  
LEGISLATION

HB 105 "An Act relating to financing of fish processors and agricultural and timber processors and harvesters the by Commercial Fishing and Agriculture Bank."

HB 141/SB 112 "An Act relating to forest management agreements."

SJR 35 Relating to maintaining timber industry employment, funding of U.S. Forest Service operations, and the allowable timber harvest level in Southeast Alaska and amendment of sections 703 and 705 of the Alaska National Interest Lands Conservation Act.

## LAND OWNERSHIP AND MANAGEMENT

Alaska contains 589,757 square miles or 375 million acres, an area the size of one fifth of the area of the contiguous 48 states. Alaska is the only state bounded by two oceans and three seas. Glaciers carved many large islands from the mainland and when they retreated, uncovered a shoreline with narrow fjords and craggy headlands. Volcanic activity also formed numerous islands. As a result of its vast convoluted coastline, Alaska has approximately 34,000 miles of marine shoreline and 560,000 square miles of Continental Shelf. This is about one third the total marine shoreline of the U.S. and its possessions combined.

The Statehood Act of 1959 granted 104 million acres (28 percent) to the State of Alaska and the Alaska Native Claims Settlement Act of 1971 granted 44 million acres (11.6 percent) of land to Alaska Native Corporations. The remainder of the state (59 percent) remains in federal ownership, with the exception of approximately five million privately owned acres (1.4 percent).

The Department of Natural Resources has the constitutionally mandated responsibility to encourage the settlement of state lands and the development of state resources by making them available for maximum use consistent with the public interest.

Private ownership of land is the basis of Alaska's free enterprise system and should therefore be encouraged. The Department of Natural Resources should accelerate its efforts in making lands available to every Alaskan. The homesteading concept or a similar program which encourages private ownership, while keeping limitations and restrictions at a minimum, should be renewed. To implement these requirements the following recommendations and legislation are needed.

### RECOMMENDATIONS

#### Land Management: Oil and Gas

- \* The state administration should evaluate its overall land use plans and exert its influence in a strong, positive manner on federal land management plans to assure multiple use and prevent unexplored lands being placed in wilderness classification.

- \* The state should support opening ANWR to oil and gas leasing, exploration and production. A legislative resolution should be passed and the Governor should convey to Congress the state's position supporting the opening of ANWR which would provide jobs, enhance state and federal revenues and help the nation achieve its goal of energy self-sufficiency.
- \* The state should permit access to state lands and use its influence to strongly support access to and development of OCS and federal lands which have petroleum potential.
- \* The Department of Natural Resources should permit utilization of more acreage to facilitate exploratory drilling, improve efficiency and create greater economic incentives.
- \* The state and federal governments should consult with industry and coordinate with each other on its five year lease schedules. Each should make available all onshore and offshore acreage in an orderly and expeditious manner.
- \* The legislature should amend the leasing statute (AS 38.05.180) to make it easier for the Commissioner of Natural Resources to add new areas to the five-year schedule.
- \* Department of Natural Resources should aggressively pursue a more liberal "exempt sale" leasing policy to encourage early and cost-effective exploration in areas where previous leasing has taken place and no further environmental and social studies are required by state law.
- \* The state should provide stable lease terms, bidding methods and stipulations which will encourage early exploration and development of state lands.

#### Land Management: Power Development

- \* State lands having power development resources should be protected from unnecessary or unreasonable classifications or legislative designations which would prevent development of these resources by the private sector.
- \* Utility corridors across public lands must be kept free of unreasonable statutory constraints to help with development.

- \* The state and federal government must ensure that long-term contract prices are utilized when valuing royalty oil and natural gas taken in-value from leaseholders.

#### Land Management: Minerals and Coal

- \* The Alaska Division of Mining or its proposed successor should provide mineral and geological information, and its staff should be an integral part of the land management process. The staff must work in conjunction with appropriate federal agencies to assure that mineral assessments are made before land withdrawals are approved that prohibit mineral exploration.
- \* Legislation should be enacted providing that lands in excess of 640 acres may not be closed to mineral entry without direct legislative approval.
- \* The state should adopt a policy stipulating that economic needs of the state be considered as a critical element of federal land plans. State administration review of land plans must emphasize the protection of economic opportunities for resource development.
- \* The state must assert its authority over the right-of-way granted under RS 2477.
- \* The state should work closely and aggressively with federal agencies to protect the mining industry from unreasonable legal and administrative challenges that are detrimental to resource development and production.
- \* State and federal agencies should encourage the use of land exchanges to facilitate minor boundary changes to address problems not foreseen by Congress.
- \* Legislative affirmation of coastal zone boundaries as originally defined in 1978 by the Alaska Department of Fish and Game should be required. Limited boundary extensions should be granted only where clear and convincing arguments can be made that activity in the uplands poses a serious impact on coastal resources. The state must identify all mineralized areas as "areas of state concern" in coastal zone districts.

- \* Public agencies should develop alternative methods such as polls for determining public attitudes to supplement the public hearing process which frequently fails to obtain input from the "silent majority."
- \* The state must retain the surface ownership of mineralized areas in order to allow access to minerals for appraisal and potential development.

#### Land Management: Forestry

- \* Federal, state and municipal land agencies must offer land for sale or lease to increase timber harvest. The desires of industry should be given great weight in these offerings.
- \* Land management plans being developed for federal, state and borough lands must address timber production goals, and opportunities and stress intensive timber management.
- \* To comply with the constitutional mandate to encourage settlement of Alaska land, a land disposal system should be initiated that would allow for private acquisition in fee simple forestry lands in acreages large enough to be economic.
- \* The legislature must fund and initiate a public/private congressional campaign to maintain the timber harvest from the Tongass National Forest and protect federal funding of \$40 million for the Tongass Timber Supply Fund, as required by the Alaska National Interest Lands Conservation Act.
- \* Public and private land managers should allow insect and disease infested timber to be cut promptly through salvage sales to reduce the threat of fire and utilize wood fiber that would otherwise be lost. Land managers should allow immediate harvest of over mature timber stands susceptible to fire, windthrow, and insect and disease epidemics.

### Land Management: Agriculture

- \* The most accessible lands for near-term agriculture development are controlled by the state. The state should maintain agriculture and timber land disposal programs.
- \* To enable farmers to efficiently and effectively bring their land into production, a 10-year development schedule should be established and applied to those disposals.

### Land Management: Fisheries

- \* Federal agencies should ensure compliance with ANILCA (the Alaska National Interest Lands Conservation Act) by allowing appropriate fisheries enhancement measures and fishery support facilities on all federal lands.
- \* Land managers should develop long-term leasing procedures for coastal land, and local communities should make available the land needed for docks, processing and storage facilities.
- \* The state should facilitate industry access to private venture capital for warehouses, refrigerator units, vessels, processing plants and support facilities.
- \* The state and industry should share the costs of upgrading facilities and maintaining ports and harbors.

### Land Management: Tourism

- \* Section 1301 of ANILCA mandates inclusion of professional studies of the socioeconomic effects of development of a park as a tourist destination point. Options for public use and enjoyment on public lands need to be expanded in the federal management plans now being considered. A complete inventory of statewide destination points should be undertaken and incorporated into the process of developing land management plans. No plan should be released until it is thus in compliance with the law.

- \* Federal agencies should comply with Section 1306 of ANILCA which encourages establishment of sites for visitor facilities in land planning. Care should be taken to provide a broad spectrum of visitor facilities. Construction of these facilities must be accelerated to keep pace with current demand and address future use.
- \* Development of lands within national and state parks should be encouraged by promoting cooperative projects on these lands between special use permittees and managing agencies. Such development should emphasize construction of winter recreation facilities.
- \* The forest service public recreational cabin system should be expanded to accommodate increasing demand for this unique recreational experience. Opportunities for private sector operation, maintenance and development of the system should be explored.
- \* User fees should be imposed to help fund construction and operation of more interpretive facilities that provide a diversity of visitor use options within national and state parks. Such facilities should include visitor centers, nature trails, exhibits, audiovisuals, guided tours by naturalists and would expand use and enjoyment of our parks.
- \* Lands adjacent to national or state parks are ideally situated for providing an economic base for tourism development. The state should make this land available for private ownership or, at least, provide complete information regarding site risk factors involved in developing cooperative projects on state lands.

LAND OWNERSHIP AND MANAGEMENT  
LEGISLATION

HB 141/SB 112 "An Act relating to forest management agreements."

HB 69/SB 71 "An Act relating to management of state sand and gravel."

HB 464/SB 373 "An Act extending the termination date of the Citizens' Advisory Commission on Federal Areas in Alaska; and providing for an effective date."

HCR 5/SCR 4 Relating to management of state sand and gravel resources.

SB 94 "An Act relating to a state mineral policy; and providing for an effective date."

SB 136 "An Act relating to multiple use of state land."

SB 137 "An Act relating to state land withdrawn from mineral location or mining.."

SJR 7 Relating to oil and gas exploration development, and production within the Arctic National Wildlife Refuge, Alaska, and declaring state policy.

## TOURISM

One of Alaska's greatest natural resources is unparalleled natural beauty. Hundreds of thousands of visitors are drawn to the Great Land each year by its promise of adventure, scenic splendor, magnificent wildlife and colorful history.

Tourism has been a part of Alaska's economy ever since the first hardy visitors sailed north aboard the steamships which served Alaska's coastal communities before the turn of the century. While sightseeing remains the single most popular activity, increasing number of visitors come to Alaska specifically to participate in sportsfishing and hunting, camping and backpacking, river rafting, skiing, local sports and cultural events. Opportunities abound for investors to develop facilities to accommodate a host of visitor activities.

Today's modern tourism industry, supported by the state's sophisticated marketing program, bears little resemblance to its early origins. Substantial advertising and promotion budgets in recent years, have placed Alaska among the top ten states for tourism promotion. Throughout the 1980's, visitor volume has grown by an annual rate of five to seven percent. In 1986, nearly 800,000 visitors traveled to Alaska, generating expenditures in excess of \$1 billion, of which more than one half was spent in Alaska. It is anticipated that one million visitor level will be reached by 1991.

The following recommendations and legislation are needed to maintain, as well as expand, Alaska's tourism markets statewide.

## RECOMMENDATIONS

- \* The Federal Customs and Immigrations law should be revised to allow stopovers in Alaska by international air travelers.
- \* At present 31% of vacationers in Alaska arrive with a package cruise and most of this business is in the Southeast. State and federal agencies should urge Congress to modify the Jones Act to grant foreign tour ships the opportunity of staying in an Alaskan port for

more than 24 hours. Many foreign built tour ships will not visit Alaska because they are limited to port-of-call of 24 hours or less. In modifying this stringent time limit -- perhaps extending it to 72 hour or longer -- ship passengers can connect with on-land tourist businesses and see the interior of Alaska.

- \* The state Division of Tourism should increase its marketing of year-round and foreign visitor promotion, and increase promotion of winter sports and off-season cultural events. One way to increase the effectiveness of budgeted dollars is to initiate joint efforts with private operators or local communities for off-season or special events advertising and marketing.
- \* If Anchorage is successful in being awarded the 1994 Winter Olympic Games, lending institutions should allow loans to people in the visitor industry to be repaid on a seasonal repayment schedule.
- \* The state Division of Tourism should use Alaska firms as primary contractors for the state's advertising and public relations efforts, allowing them to subcontract with Outside firms only as necessary.
- \* Road and rail improvements that would enhance recreational opportunities in Prince William Sound and Kenai Peninsula communities should be developed.
- \* The cooperative planning and development between the State Division of Parks, National Parks Service, and the private sector for the Curry Ridge Visitor Center and appropriate commercial facilities envisioned there should be supported and encouraged to proceed to completion. This complementary planning and development proposal will diversify the impacts on Denali National Park and its wildlife and provide the optimum viewing opportunities of Mt. McKinley from a state park location.
- \* The Division of Tourism must place more emphasis on points of interest along the road systems leading to Anchorage and Fairbanks. In conjunction with improved facilities, promotional materials should recognize in detail the Wrangell/St. Elias National Park. This area which is twice the size of its Mt. McKinley counterpart, has two access routes, each of which are over 35 miles long. The favorable weather patterns of the Copper River Basin allow unparalleled alpine viewing opportunities, even during the summer months.

- \* Since 10% of visitors to Alaska travel by car or RV and since road traffic has declined by approximately 23% during the 1986 and 1987 tourist season, it is imperative the Division of Tourism as pointed out by the governor put more emphasis in areas that will help the small businesses along our highway system. It is also imperative the Division of Tourism put more emphasis on promoting access to Alaska via the Alaska Marine Highway and road system. Furthermore, the Division of Tourism needs to emphasize the Alaska Highway is no longer a dusty army trail but a modern all weather highway and easy access to Alaska. It is essential that we develop more well equipped roadside facilities. Future state and federal highway construction projects should consider designs that contribute to scenic driving experiences. Rest areas, turnouts, and parking facilities should be provided.
- \* To encourage overseas tourists to travel in Alaska, all new and existing visitor facilities should have multilingual signs and interpretive tools.
- \* The Alaska Marine Highway System should strive for closer coordination with travel agencies and communities concerning reservations, cancellations and package deals for local events. This will increase the volume of passengers, resulting in more efficient operation of AMHS and an expanded visitor industry in local communities.
- \* Interpretative Visitors Centers must include adequate representation of all Alaska's resource sectors. Development interests such as the timber, fishing, mineral, oil and gas industries should provide interpretive facilities at key locations around the state to help visitors understand their pivotal role in the economy, history, and culture of Alaska.
- \* Gradually increase state support for Youth Conservation Corps to construct tourism facilities (trails, signs, etc.).
- \* The governor should create a standing tourism mini-cabinet, comprised of commissioners or designees of resource responsible departments, to develop a statewide tourism plan that returns maximum value added benefits to the state, and ensures sound management of Alaska's natural beauty and resources to achieve full potential for tourism, fisheries, minerals and other economic development.

TOURISM  
LEGISLATION

HB 173 "An Act relating to the international airports in Anchorage and Fairbanks and establishing the Alaska International Airport Authority; and providing for an effective date."

HB 423 "An Act making appropriations for tourism and recreation related capital projects, grants, and expenses of state government; and providing for an effective date."

HB 450 "An Act relating to out-of-state solicitation for state contracts and state employees."

HJR 49 Relating to the development of a visitors' center and facilities on the south size of the Alaska Range.

HCR 34 Relating to tourist-oriented directional signs.

## NATURAL RESOURCES

### NON-RENEWABLE

#### MINERALS

The minerals industry offers the greatest potential of any Alaska industry for expanding and diversifying the State's economic base; for increasing new wealth to create business and provide revenues for State and local governments.

However, Alaska has a complex pattern of land ownership and management; has overlapping and uncertain regulatory requirements; has unique geographic, geologic and climatic conditions; and has an underdeveloped transportation system.

To attract the capital necessary for the exploration and development of new mines; to ensure that mines can be developed feasibly and in a timely fashion; and to ensure that producing mines remain viable -- constraints on the industry must be mitigated.

The mining industry ranks fourth in the state and employs approximately 3600 Alaskans. Given a cooperative business climate and favorable market conditions, it is projected the industry's value could increase by 200 percent and employ 2,300 additional Alaskans by 1990.

The following recommendations and legislation will not only curb the downward spiral in employment but will help to attain Alaska's potential into the future.

#### RECOMMENDATIONS

- \* The Alaska legislature should change the statutory definition of multiple use to accommodate the greatest number of uses on state lands to maximize economic and social opportunities.
- \* Legislation should be enacted providing that no lands in excess of 640 acres may be closed to mineral entry without direct legislative approval.
- \* The state should adopt a policy stipulating that economic needs of the state be considered as a critical element of federal land plans. State administration review of land plans must emphasize the protection of economic opportunities for resource development.

- \* The state must assert its authority over the right-of-way granted under RS 2477.
- \* The state should work closely and aggressively with federal agencies to protect the mining industry from unreasonable legal and administrative challenges that are detrimental to resource development and production.
- \* Alaska's Congressional Delegation should be active in working with the state administration to urge federal agencies to institute permitting reform. We suggest an arbitration process along with imperative coordination between governmental agencies.
- \* Legislative affirmation of coastal zone boundaries as originally defined in 1978 by the Alaska Department of Fish and Game should be required. Limited boundary extensions should be granted only where clear and convincing arguments can be made that activity in the uplands poses a serious impact on coastal resources. The state must identify all mineralized areas as "areas of state concern" in coastal zone districts.
- \* The state must retain the surface ownership of mineralized areas in order to allow access to minerals for appraisal and potential development.
- \* The state should assume National Pollutant Discharge Elimination System (NPDES) permitting from the federal government under Section 402 of the Clean Water Act. Governments should adopt site-specific limits on turbidity and suspended solids where streams are naturally turbid or where downstream uses, if any, would not be unreasonably impacted. Mixing zones and start up variances should also be adopted to achieve more flexible water quality regulations.
- \* The state should reclassify Alaska's streams (those not used for fish hatcheries or community drinking water) to reflect a reasonable balance between environmental and industrial concerns, with priority given to those waters within active mining districts.
- \* Land reclamation programs must be consistent with mining plans for site-specific operations. Several years of mining may be required before a reclamation process is feasible.
- \* The Division of Mining within the Department of Natural Resources must serve as lead agency in exploration and development permitting.

- \* State regulatory agencies must be required to balance the needs of concurrent or competing users. Single-interest agency recommendations or stipulations should be carefully examined in this context.
- \* Regulation of mining should be based on cost-benefit analyses with economic considerations reflected in final regulations.
- \* The state should adopt tax, regulatory and land policies which are reasonable and stable to promote exploration and development in the mining industry.
- \* The state should adopt policies which will not cause increased costs to Alaska consumers or hinder product competitiveness in world markets.
- \* The state should continue efforts of providing tax incentives to companies that start new development projects and/or utilize new technology.
- \* Through its policies and powers, the state should actively support development of transportation and related systems which enhance economic competitiveness of Alaska's minerals in world markets.
- \* For maximum economic advantage, the state should allow future coal-fired power plants to be built close to the mine sites and in increments of size which benefit from economics of scale.
- \* The state must recognize its mineral resources as capital assets in its comprehensive resource development policy.
- \* The Alaska Department of Education and private industry should expand minerals educational programs (such as the "Alaska Resources Kit: Minerals") in the public school system. Educational programs designed to provide quality supplemental materials to students about the role of minerals and energy resources in society should be encouraged.
- \* State and private industry should undertake a joint effort to educate the public on the positive attributes of Alaska coal such as low pollution and combustion characteristics and size and availability of the resource.
- \* The state and federal governments should, in cooperation with state educational systems and private parties, increase their research capabilities regarding coal development in the Arctic and subarctic, specifically the use and possible enhancement of sub-bituminous coal.

- \* Public and private research institutions should focus attention on new technological approaches to comply with environmental standards.

MINERALS/MINING  
LEGISLATION

Other than SB 94 listed first, this list is not in any particular order of priority. We feel SB 94 is the most important element to encourage mineral development.

SB 94 "An Act adopting a mineral policy for the state."

This bill would spell out the minerals policy for the State of Alaska. It would require that mineral exploration and development be given fair and equitable consideration with other resource uses in the multiple use management of state land.

Such legislation will help to advance the minerals industry and will give a positive signal to encourage mining companies and investors that Alaska is a good place to do business.

HB 69/SB 71 "An Act relating to the management of sand and gravel resources."

These bills call for a systematic inventory of sand and gravel resources.

HB 109/SB 98 "An Act relating to the use of water."

These bills would not allow DEC to require a higher quality for discharge water than the quality of the water before use. It does allow DEC to require that discharge be compatible with immediate downstream use and would not allow state requirements for the discharge water to be more restrictive than federal standards.

These bills are an important step in protecting the placer mining industry from the arbitrary application of criteria.

HB 162 "An Act relating to work in underground mines and workings."

This bill would allow a work shift of 10 hours at the working face. The 10 hour shift provision is necessary for operation of remote mines in Alaska where the miners home residence is many miles away. Existing law limits the work shift to eight hours at the working face.

HB 212/SB 280 "An Act relating to the issuance of permits and consistency determinations."

These bills would designate DNR as a lead agency for resource development projects on state lands, it would require the coordination between departments on all permits and DNR administration of issued permits.

HB 524 "An Act relating to the application of water quality criteria."

SB 126 "An Act relating to payment of overtime."

This bill would allow work schedules to be adjusted on a site by site basis. This would allow more efficient work schedules and provide more desirable time-off patterns for the employees. This is particularly significant in Alaska where mines are in remote locations and the miners maintain a residence in a community far removed from the mining operation.

SB 136 "An Act relating to multiple use of state land and water."

This bill cleans up the statutes leaving only one good definition of multiple use and putting minerals on a par with other resources.

SB 137 "An Act relating to state land withdrawn from mineral location or mining."

This bill would require DNR to report to the Legislature and the Governor at the start of each legislative session detailing any state lands that were closed to mineral location and mining during the previous calendar year and specify for each closure: the known resource values of the area, reason for the closure, effective date, legal description of the area.

SB 186 "An Act limiting the scope and content of regulations adopted under the Administrative Procedure Act."

This bill will not allow state standards to set regulatory requirements more rigorous than federal standards, in areas where the activity is regulated by both.

SB 200 "An Act amending the mining loan fund law."

This bill allows the same type of extensions allowed for fishing and other types of loans, for the mining loans.

## NATURAL RESOURCES

### NON-RENEWABLE

#### OIL & GAS

#### PRESENT AND FUTURE POTENTIAL (Excluding ANWR)

Alaska, with a total crude oil production exceeding 1.9 million barrels a day, is a major supplier of oil and natural gas. Yet, with 30% of the proven reserves in the United States, there is still a huge petroleum potential to be tapped. Alaska's offshore potential is enormous. Surveys estimate that in Alaska's Outer Continental Shelf, undiscovered recoverable oil reserves are between 12.2 billion to 27.0 billion barrels. Gas reserves are estimated to be 90 trillion to 167 trillion cubic feet.

Between 1959 and 1987, the state conducted 50 lease sales, issuing a total of 4,022 leases covering nine million acres. 1,205 leases covering over four million acres are presently active. An additional 16 lease sales are planned through 1989.

The anticipated availability of gas liquids from the Prudhoe field bodes well for the development of a viable petrochemical industry in Alaska.

#### FUTURE (ANWR) POTENTIAL

Even by conservative estimates, ANWR'S coastal plain, situated between the oil and gas rich Canadian Beaufort Sea-McKenzie Delta province and the oil fields of Prudhoe Bay, Kuparuk and Point Thompson, is considered the most promising oil field in North America.

In fact, the ANWR coastal plain shows every indication that it could yield a giant oil field in the same class as those in the Persian Gulf. The region is on trend with the same kinds of regional, structural and stratigraphic elements as other giant oil and gas fields.

The Federal government estimates there is a 19 percent chance that economically recoverable oil is present beneath the ANWR coastal plain. That percentage represents a substantial success ratio for the industry, which routinely explores for oil in far less promising areas, and with much less favorable odds.

If oil is found, experts predict a 5 percent chance of finding between 26.5 and 29.4 billion barrels of oil in place, and a 95 percent chance of finding at least 4.8 billion barrels of oil.

To add perspective to this percentage, industry officials estimated, prior to drilling, there was only a 2 percent probability the Prudhoe Bay area contained 2 billion barrels of oil. Now it is estimated that the Prudhoe Bay complex originally contained 23.5 billion barrels of oil -- more than 10 times -- the highest pre-drilling estimates.

Because of the high potential for a significant oil find, and America's alarming dependence on foreign sources for oil, the State of Alaska must strongly support the exploration and development of oil and gas in the ANWR coastal plain.

To derive the greatest potential in existing and future oil exploration and production the following recommendations and legislation need to be implemented.

#### RECOMMENDATIONS

The threat to national security posed by greater reliance on imported oil can be mitigated through affirmative action by Congress on ANWR. Congress and the State of Alaska must act in concert to open areas onshore and offshore to explore for oil and gas potential if the future well-being of our state and our nation is to be assured.

The leaders of State government must enact the following:

- \* Approve a Joint Resolution calling on Congress to authorize exploration in the coastal plain of ANWR.
- \* The Governor must lead the State's efforts to open ANWR.
- \* The Legislature should approve additional appropriations and require a plan of action to implement a successful national ANWR educational program.
- \* An ANWR task force headed by the leaders of Alaska's state government and the private sector to work to achieve these objectives should be created.

The state should permit access to state lands and use its influence to strongly support access to, and development of, OCS and federal lands which have petroleum potential.

The Department of Natural Resources should permit utilization of more acreage to facilitate exploratory drilling, improve efficiency and create greater economic incentives.

The state and federal governments should consult with industry and coordinate with each other on their five-year lease schedules. Each should make available all onshore and offshore acreage in an orderly and expeditious manner.

Government personnel should be instructed, and those instructions enforced, to set clear, reasonable performance standards for industry instead of governments designing the operation through stipulations. Violators of the laws and regulations should be penalized.

Local, state and federal governments should positively commit to an effective regulatory reform program that eliminates duplication and multiple handling of permits, statutory authorities, and "networking." These entities should require their employees to adhere to and stringently enforce that commitment.

The state administration should assure that the resource agency responsible for issuing permits should be the lead agency and be responsible for all provisions of permits. The lead agency should have final authority for recommendations of any agency furnishing advice and should not include stipulations of other agencies not provided for under the law authorizing the permit. The lead agency should establish and enforce reasonable time limits by other agencies. Lead agencies should add stipulations only when there is a proven need, and then only if required by statute.

Regulations should be promulgated only in accordance with Alaska Statute 44.62.030. Prior to adopting any regulation, an agency must evaluate the economic cost of the regulation, both public and private, related to permit processing and administration and to hold hearings and take testimony on costs and benefits. We must revise the Alaska Constitution to streamline the ability of the Legislature to overturn regulations promulgated beyond original legislative intent.

To discourage frivolous lawsuits that delay or stop development, legislation should be enacted to eliminate the "public interest" exception with respect to award of attorney's fees.

Alaska's Congressional delegation should work to remove federal statutory and regulatory prohibitions on the export of crude oil and surplus gas liquids.

In cases of dual jurisdiction between the state and federal governments, the state should request the federal authority to relinquish controls so that the state can assume dominant authority. Otherwise, the state should develop standards consistent with federal regulations.

The state should reinstate the "discovery royalty" to provide incentives for first discovery of a new oil or gas field.

The state should provide for royalty "holidays" for a period of time until investment expenses are recaptured to encourage early exploration, rapid installation of projects and early production.

The legislature and administration should establish and make public a policy of maintaining a stable tax structure.

The state should develop, construct and maintain a public transportation system for the benefit of the public which would also help form a base for realistic resource development and support local economic development.

OIL & GAS  
LEGISLATION

HB 421 "An Act authorizing and extension of the exemption from the levy and collection of the tax imposed on oil and gas production and pipeline transportation property during the period of pipeline construction; and providing for an effective date."

HJR 13 Relating to export of Alaska oil.

HJR 40 Relating to petroleum research and development in the state.

SB 47 "An Act relating to the sale of royalty oil."

SB 48 "An Act relating to oil recovery and to royalty oil and gas storage and trading; and providing for an effective date."

SB 182 "An Act relating to the written findings required for certain state oil and gas lease sales.

\*SJR 7 Relating to oil and gas exploration development, and production within the Arctic National Wildlife Refuge, Alaska, and declaring state policy.

SJR 43 Relating to the shipping of state oil.

\* Key Legislation

## A C K N O W L E D G E M E N T S

The following individuals, organizations and associations provided the needed material for ALERT's report:

AIDA - Alaska Industrial Development & Export Authority

Alaska Bankers Association - Wes Coyner, Lobbyist; Jerry Weaver, Legislative Chairman, Alaska Bankers Association and Senior Vice-President Loan Administrator, B.M. Behrends Bank

Alaska Department of Fish & Game

Alaska Loggers Association - Jim Clark, Attorney and Jerry Reinwand, Lobbyist

Alaska Minerals Commission

Alaska Miners Association

Alaska Municipal League Policy Statement 1988

Alaska Oil & Gas Association - William Hopkins, Executive Director

Alaska State Building Authority - Bill Miles, Chairman

Alaska State Chamber of Commerce: 1988 Legislative Position Paper; Commission on Strategic Planning 1990

Alaska Support Industry Alliance: 1988 Public Policy Objectives

Alaska Trucking Association: 1988 Position Papers

Alaska Visitors Association

Anchorage Chamber of Commerce: Legislative Priorities 1988; Economic Recovery Task Force - Joseph Heintz

Anchorage Convention Visitor Bureau (ACVB) - Bill Elander, Executive Director

Anchorage School District - Bill Miles, Lobbyist; Mike Malone, Rick Arndt

ARCO, Alaska

Associated General Contractors (AGC) - Bill Schneider, President; Resa Jerrell, Lobbyist

Common Sense for Alaska, Report of the Task Force on the Dept.  
of Commerce and Economic Development of Alaska

Commonwealth North, Alaska's Budget Crisis Facing the Facts --  
Closing the Gaps

Department of Education - Bill Demmert, Commissioner

Department of Health and Social Services - Myra Munson,  
Commissioner

Department of Natural Resources

Department of Commerce & Economic Development, Division of  
Business Development: Alaska Focusing on Development and  
Investment

House Republicans: Economic Stabilization Program

Kenai Peninsula Caucus: 1988 Statement of Legislative  
Positions

Kenai Peninsula Borough: Legislative Priority List

Matanuska-Susitna Dairy Farmers - H. Ray Hendershot, Joe  
Cange, Harry Wassink, Karen Lee, and Tom Rogers

Mayor Tom Fink, Anchorage: Legislative Program

National Education Association (NEA), Alaska Chapter - Bob  
Manners

Office of the Governor: Directory of Projects and Proposals  
with Direct Economic Impact

Permanent Fund Corporation - Dave Rose, Director

Resource Development Council: New Strategies for Advancing  
Alaska's Economy 1986 - 1990

Senate, Office of the President: Economic Incentives

Standard Alaska

University of Alaska, Anchorage - Institute of Social and  
Economic Research

University of Alaska, Southeast - Pat Anderson, Economic Dept.

U.S. Coast Guard - Rear Admiral Ed Nelson, Jr., Commander 17th  
Coast Guard District

Usibelli Coal - John Sims

Yukon 2000 Report - The Things That Matter



MEMORANDUM

TO: ALL MEMBERS

FROM: REPRESENTATIVE MAX F. GRUENBERG, JR.  
HOUSE CHAIR, JOINT COMMITTEE ON ECONOMIC RECOVERY

RE: 1) CHANGES IN HCR 32, 2) SUBCOMMITTEES AND 3) SCHEDULE  
CHANGES

DATE: JANUARY 25, 1988

I. The Senate passed the Senate Finance committee substitute for HCR 31 today by a vote of 17 -0. Attached are highlighted copies showing the differences between the Senate CS and the House passed bill.

The first change strikes the provision limiting the number of committee members. The second provides that the senate and the house members may meet separately.

We will bring SCS HCR 32(Finance) out of the limbo file this Wednesday and recommend the members concurrence in the Senate amendments. Let me know if you have any problems with the senate bill.

II. Below is a list of subcommittees and chairs. If you have not already done so, please let the subcommittee chair and me know, in writing, on which subcommittees you would be interested to serve. Your requests must be in by noon Tuesday. We'll make the final appointments by the close of business Tuesday.

Housing and Banking: Rep. Brown and Rep. Rieger (co-chairs)

Resource Development, Employment and Industry: Rep. Navarre and Rep. Miller (co-chairs)

Small Business: Rep. Boucher  
Interior: Rep. Koponen  
Southeast: Rep. Ulmer  
Rural: Rep. Adams

III. Attached are some changes to the announced schedule for the House joint committee. The Wednesday meeting has been moved to Friday at 3:30 in the Senate Finance Committee room. Monday's meeting is unchanged.

Original sponsor: Rules Committee

1 IN THE HOUSE BY THE FINANCE COMMITTEE  
2 SENATE CS FOR HOUSE CONCURRENT RESOLUTION NO. 32 (Finance)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 FIFTEENTH LEGISLATURE - SECOND SESSION  
5 Relating to establishing a Joint Commit-  
6 tee on Economic Recovery.  
7 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:  
8 WHEREAS many areas of the state are experiencing a severe economic  
9 crisis that has led to bankruptcies, foreclosures, business failures, and  
10 the loss of homes, property, and millions of dollars to Alaskans; and  
11 WHEREAS citizens and municipalities from throughout the state have  
12 requested immediate legislative assistance to meet this crisis; and  
13 WHEREAS the legislature is determined to provide leadership in solving  
14 this problem;  
15 BE IT RESOLVED by the Alaska State Legislature that a Joint Committee  
16 on Economic Recovery is established, consisting of members of the Senate  
17 appointed by the President of the Senate and members of the House of Rep-  
18 resentatives appointed by the Speaker of the House, to develop legislative  
19 solutions to the current economic crisis; and be it  
20 FURTHER RESOLVED that the House members and the Senate members are  
21 authorized to meet separately and may meet jointly from time to time; and  
22 be it  
23 FURTHER RESOLVED that the joint committee is authorized to take action  
24 only upon majority approval of the Senate members and majority approval of  
25 the House members; and be it  
26 FURTHER RESOLVED that the committee is authorized to meet during the  
27 Second Regular Session of the Fifteenth Legislature and is terminated on  
28 the final day of that session.

# State of Alaska

House Majority Leader

COMMITTEES

HOUSE HEALTH, EDUCATION  
AND SOCIAL SERVICES  
HOUSE JUDICIARY  
HOUSE RULES



**Representative Max F. Gruenberg, Jr.**  
**District 11**  
**Spenard, Upper Midtown Anchorage**

P.O. BOX V  
JUNEAU, ALASKA 99811  
(907) 465-3718  
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(907) 276-6844

MEMORANDUM

**TO: REPRESENTATIVE BEN GRUSSENDORF, SPEAKER OF THE HOUSE**  
**ALL HOUSE MEMBERS**

**SENATOR ARLISS STURGULEWSKI, SENATE CO-CHAIR**  
**SENATOR LLOYD JONES, SENATE CO-CHAIR**  
**JOINT COMMITTEE ON ECONOMIC RECOVERY**

**FROM: REPRESENTATIVE MAX F. GRUENBERG, JR., HOUSE CHAIR**  
**JOINT COMMITTEE ON ECONOMIC RECOVERY**

A handwritten signature in dark ink, appearing to be "Max", written over the "FROM" line.

**DATE: MARCH 31, 1988**

**RE: REPORT OF ACTIONS TAKEN BY THE HOUSE MEMBERS OF THE JOINT**  
**COMMITTEE ON ECONOMIC RECOVERY**

Since the creation of the Joint Committee on Economic Recovery the House members have taken a number of actions. A summary of those actions follows.

The House Committee members have reviewed legislation recommended by its subcommittees and has introduced the following bills and resolutions through the House Rules Committee:

- 1.) HB 549 "An Act relating to notice requirements on the use of a deed of trust; and providing for an effective date."
- 2.) HB 550 "An Act authorizing the Department of Community and Regional Affairs to modify the terms of its mortgage loans; and providing for an effective date."
- 3.) HCR 52 Relating to state economic indices and reports.
- 4.) HCR 54 Relating to the management of mobile homes owned by the Alaska Housing Finance Corporation.
- 5.) HJR 72 Relating to the residential real estate market.
- 6.) HJR 73 Urging extension of the Federal Home Loan Bank Board's "Southwest Plan" to Alaska.

Also, through approval of interim reports of the Housing and Banking subcommittee, the members have endorsed state support of the demolition of the Willow Park Apartments and rejected a proposal by the Anchorage Economic Development Council (AEDC) for a \$250,000.00 appropriation to conduct an appraisal of Federal Deposit Insurance Corporation (FDIC) Alaskan held properties.

Other bills and resolutions are under consideration by subcommittees.

The House members of the Joint Committee have also considered four Senate bills and have offered the following recommendations:

- 1.) SCR 32 "Urging the state's financial institutions to adopt more flexible lending and collection policies."

The members of the House Committee conceptually endorse this resolution and recommend consideration by the standing committees.

- 2.) CS SB 333 "An Act relating to wage, salary, and benefit claims having priority in certain bank liquidations and to certain bank reports required by the Department of Commerce and Economic Development; and providing for an effective date."

The members of the House Committee conceptually endorse this legislation and recommend consideration by the standing committees.

- 3.) SB 471 "An Act establishing a program in the Alaska Industrial Development and Export Authority to guarantee business loans and to refinance debt; and providing for an effective date."

The members of the House Committee recognize there is interest in this issue and urge the standing committees to consider the concepts in this legislation.

- 4.) CS SB 392 (RULES) "An Act relating to the Alaska Industrial Development and Export Authority; and providing for an effective date."

The members of the House Committee conceptually endorse this legislation and recommend that both Houses consider the additional language included in HB 402, the House companion legislation.

Each of the six House subcommittees also completed the first two phases of their activities, the identification of existing and needed legislation to spur economic recovery, and produced

committee reports recommending support of various legislative proposals, budget increments and agency improvements. These, under cover of an executive summary, were adopted by the House members and submitted to the House and the Senate.

Through its oversight responsibility, the Committee, meeting jointly with the Senate and as a House body, reviewed economic recovery proposals offered by the Private sector, reports on the Anchorage and state economies, overviews of regional economic areas and overviews by public and private sector economists on Alaska long-term economic direction and short-term prospects. The committee also held special hearings with the F.D.I.C. to address the dual questions of surplus properties held by them and the impact of bank failures on the state's economy.

Future work of the House members of the Joint Committee will focus on Insurance issues and the development of long-term recommendations to improve Alaska's economic prospects. Also, the work of some of the subcommittees, in particular the Subcommittee on Housing and Banking, will continue and it is expected that a number of additional legislative proposals will be generated.

BY THE RULES COMMITTEE BY REQUEST  
OF THE HOUSE MEMBERS OF THE JOINT  
COMMITTEE ON ECONOMIC RECOVERY

1 IN THE HOUSE

2 HOUSE BILL NO. 549

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to notice requirements on the use of  
7 a deed of trust; and providing for an effective  
8 date."

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

10 \* Section 1. AS 34.20 is amended by adding a new section to read:

11 Sec. 34.20.132. NOTICE OF OTHER REMEDIES. When a lender uses a  
12 note as evidence of an obligation secured by a deed of trust, the note  
13 must affirmatively advise the trustor and any other party bound by the  
14 note, in writing within the note, of the security, recourse, and other  
15 remedies, if any, available to the beneficiary. If it is intended to  
16 permit the beneficiary to bring suit to collect an amount owing on the  
17 obligation without foreclosing the deed of trust, this intent must be  
18 stated in writing in the note. A beneficiary may not use a remedy not  
19 specifically and clearly stated on a note executed after the effective  
20 date of this Act. If a note executed after the effective date of this  
21 Act fails to contain the notice required by this section, the debt  
22 secured by the deed of trust may be foreclosed only under AS 34.20.-  
23 070 - 34.20.135, a deficiency judgment may not be entered, and no  
24 other action may be taken nor judgment entered against the trustor,  
25 surely, or guarantor on the obligation secured by the note.

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

BY THE RULES COMMITTEE BY REQUEST  
OF THE HOUSE MEMBERS OF THE JOINT  
COMMITTEE ON ECONOMIC RECOVERY

1 IN THE HOUSE

2

HOUSE BILL NO. 550

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act authorizing the Department of Community and  
7 Regional Affairs to modify the terms of its mortgage  
8 loans; and providing for an effective date."

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

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

11 (1) some residents of the state who have obtained mortgage loans  
12 from the Department of Community and Regional Affairs have mortgages with  
13 payment obligations that exceed their present ability to make the required  
14 payments;

15 (2) the Department of Community and Regional Affairs does not  
16 have statutory authority to reduce interest rates;

17 (3) the costs of foreclosure and resale, including legal ex-  
18 penses, publication costs, maintenance costs, repair and renovation costs,  
19 sales expenses, closing costs, and costs due to sale in a distressed mar-  
20 ket, may be very substantial;

21 (4) it may be in the department's and state's best direct finan-  
22 cial interest to avoid foreclosure by modifying loan terms including  
23 rescheduling principal payments, reducing interest rates and payment  
24 amounts, and adjusting maturity dates to induce existing owners to remain  
25 in title to the property and maintain active management of the property.

26 \* Sec. 2. AS 44.47 is amended by adding a new section to read:

27 Sec. 44.47.525. MODIFICATION OF LOANS. (a) Notwithstanding  
28 AS 44.47.410(a) and (b) and 44.47.520(b), on mortgages that it has  
29 financed under AS 44.47.360 - 44.47.560 the department may, by loan

1       modification, reschedule principal payments or reduce interest rates,  
2       or both, if the department finds that

3               (1) a loan modification would result in the likelihood that  
4       the loan would pay to maturity and induce the borrower to remain in  
5       active management and ownership of the property; and

6               (2) the loan modification would be

7                       (A) in the best financial interest of the department  
8       and the state; and

9                       (B) considered prudent by private lending standards  
10       taking into account the financial circumstances of the borrower  
11       and other costly alternatives such as foreclosure.

12               (b) Rescheduling of the borrower's repayment of principal under  
13       (a) of this section provides an interim payment adjustment and is not  
14       intended to affect the obligation of the borrower to repay the princi-  
15       pal amount on the mortgage loan.

16               (c) The department may reduce the interest rate payable on a  
17       mortgage under (a) of this section only if the modification contains  
18       an interest rate reopener clause. The interest rate reopener clause  
19       must

20                       (1) require that, if the interest rate is reduced, the  
21       borrower and the department shall renegotiate the rate of interest on  
22       the mortgage within five years of the date of an interest rate reduc-  
23       tion approved by the department under this section;

24                       (2) specify the date by which the borrower and the depart-  
25       ment are to renegotiate the rate of interest under (1) of this sub-  
26       section;

27                       (3) incorporate a call feature reserving to the department  
28       the right to demand repayment of the entire principal amount due if  
29       the borrower and the department are unable to conclude renegotiation

1 of the rate of interest under (1) of this subsection; the department  
2 may not use the call feature incorporated under this paragraph to  
3 demand repayment of the entire principal amount due before the date  
4 determined under (2) of this subsection.

5 (d) An interest rate reduction approved by the department under  
6 this section cancels the borrower's obligation to pay the amount due  
7 that is attributable to the difference between the original interest  
8 rate and the interest rate reduction for the period of the rate re-  
9 duction.

10 (e) When an interest rate is renegotiated under (c) of this  
11 section, the renegotiated rate may not exceed the interest rate orig-  
12 inally charged on the loan.

13 (f) The department shall adopt regulations prescribing the terms  
14 and conditions of and the procedures applicable to loan modifications  
15 made under this section.

16 \* Sec. 3. This Act takes effect July 1, 1988.

BY THE RULES COMMITTEE BY  
REQUEST OF THE HOUSE MEMBERS  
OF THE JOINT COMMITTEE ON  
ECONOMIC RECOVERY

1 IN THE HOUSE

2

HOUSE CONCURRENT RESOLUTION NO. 52

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

Relating to state economic indices and

6

reports.

7 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8

WHEREAS promoting the economic well-being of Alaska citizens is a

9

responsibility of the Alaska State Legislature; and

10

WHEREAS the state's economy is subject to periodic cycles of economic

11

growth and contraction; and

12

WHEREAS the current economic contraction has continued for a long time

13

and is harming the economic well-being of many Alaskans; and

14

WHEREAS state spending and saving decisions have a major effect on

15

both the short-term and long-term growth or contraction of the state's

16

economy; and

17

WHEREAS accurate and complete information on the condition of and

18

outlook for the state's economy is critical to legislative spending and

19

saving decisions; and

20

WHEREAS needed economic information and analysis are not now available

21

on a timely basis;

22

BE IT RESOLVED that the Alaska State Legislature respectfully requests

23

the Governor to direct the Department of Commerce and Economic Development

24

to arrange for the University of Alaska's Institute of Social and Economic

25

Research to

26

(1) prepare quarterly economic indices for the state and an

27

annual report on the condition of and outlook for the state's economy; and

28

(2) gather and analyze on a continuing basis the data needed to

29

produce the indices and reports; and be it

1        FURTHER RESOLVED that the Alaska State Legislature respectfully re-  
2        quests the Governor to direct the Department of Commerce and Economic  
3        Development to distribute to the Alaska State Legislature and to the public  
4        the state economic indices and reports prepared by the University of  
5        Alaska's Institute of Social and Economic Research under the first resolve  
6        of this resolution.

BY THE RULES COMMITTEE BY  
REQUEST OF THE HOUSE MEMBERS  
OF THE JOINT COMMITTEE ON  
ECONOMIC RECOVERY

1 IN THE HOUSE

2 HOUSE CONCURRENT RESOLUTION NO. 54

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 Relating to the management of mobile  
6 homes owned by the Alaska Housing Fi-  
7 nance Corporation.

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

9 WHEREAS the legislature finds that some portions of the state are  
10 undergoing a substantial financial crisis in the residential housing mar-  
11 ket; and

12 WHEREAS the financial crisis has resulted in financial institutions,  
13 various mortgage insurers, nonstate institutional lenders, and state  
14 agencies becoming owners of excess mobile homes; and

15 WHEREAS a portion of the vacant and unsaleable housing on the market  
16 is substandard and should, if possible, be removed from the market; and

17 WHEREAS it has been noted that to some extent the financial insti-  
18 tutions and state agencies have not yet developed a coherent policy that  
19 addresses this crisis; and

20 WHEREAS the state is currently paying in excess of \$373,000 a month in  
21 carrying costs for foreclosed-upon mobile homes; and

22 WHEREAS removing mobile homes from the market could save the state  
23 considerable money, as well as strengthen the housing market by eliminating  
24 some of the excess supply; and

25 WHEREAS attempts to sell excess properties can unreasonably depress  
26 the remainder of the housing market, endangering the strength of the re-  
27 mainder of the portfolio of properties; and

28 WHEREAS removing such excess properties will strengthen the remainder  
29 of the portfolio and would be in the best financial interest of the Alaska

1 Housing Finance Corporation; and

2 WHEREAS a program of removing excess housing can be best achieved if  
3 the various participants work cooperatively, each sharing in the effort and  
4 expense;

5 BE IT RESOLVED by the Alaska State Legislature that the Alaska Housing  
6 Finance Corporation should

7 (1) exercise prudent business judgment in managing its vacant  
8 and excess mobile homes;

9 (2) take immediate action to lower holding costs associated with  
10 its excess mobile homes;

11 (3) consider removing excess mobile homes from the market, if  
12 possible in concert with other institutional owners of foreclosed residen-  
13 tial properties; and

14 (4) analyze and implement alternative ways of managing its  
15 excess mobile homes, including demolition, sales, storage in storage lots  
16 and mobile home parks, and sales out of the market within and outside of  
17 the state.

18 COPIES of this resolution shall be sent to the Honorable Steve Cowper,  
19 Governor; and to Ron Lehr, executive director, and the members of the Board  
20 of Directors of the Alaska Housing Finance Corporation.

21

BY THE RULES COMMITTEE BY  
REQUEST OF THE HOUSE MEMBERS  
OF THE JOINT COMMITTEE ON  
ECONOMIC RECOVERY

1 IN THE HOUSE

2

HOUSE JOINT RESOLUTION NO. 72

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

Relating to the residential real estate

6

market.

7 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8

WHEREAS some areas of the state are experiencing a severe economic  
9 crisis as evidenced by bankruptcies, foreclosures, business failures, and  
10 the loss of homes and property values; and

11

WHEREAS the state is experiencing a difficult economic period, espe-  
12 cially in the residential real estate market, and many persons are finding  
13 it difficult to meet their financial obligations during these times; and

14

WHEREAS keeping people in their homes and facilitating the purchase  
15 and sale of homes serves an important public purpose and is financially  
16 beneficial to both the borrower and the lender; and

17

WHEREAS borrowers are anxious to continue to meet their financial  
18 obligations, but there is a significant number of individuals who are under  
19 severe risk of being unable to do so; and

20

WHEREAS many borrowers would be able to meet their financial obliga-  
21 tions if various forms of debt restructuring were made possible; and

22

WHEREAS debt restructuring requires the cooperation of the various  
23 parties to each real estate loan, including the borrower, the loan origina-  
24 tor, the Alaska Housing Finance Corporation or other loan packager, the  
25 secondary purchasers of the loans, and the various loan insurers; and

26

WHEREAS the state's economy would be greatly helped if the financial  
27 institutions of the state would adjust their lending and collection pol-  
28 icies to the present needs and abilities of their customers by using more  
29 flexible approaches to stabilize and improve the economy of the state; and

1 WHEREAS present financing packages available to residential real  
2 estate borrowers do not provide adequate market liquidity or ability to  
3 buy, sell, or trade properties in today's economic circumstances in which  
4 debt balances on the properties are nearly equal to or greater than the  
5 values of the property; and

6 WHEREAS, in order for residents of the state to meet their financial  
7 obligations, the parties to residential loans in the state must be willing  
8 to negotiate more creative financing terms and conditions for the benefit  
9 of all concerned; and

10 WHEREAS to some extent state agencies and the financial institutions  
11 in the state have not yet developed a coherent policy that addresses the  
12 current economic crises; and

13 WHEREAS the likelihood of loss or default is lessened if a market is  
14 made more liquid, something that will benefit all participants in real  
15 estate loans; and

16 WHEREAS the ability to buy, sell, and trade properties in a market  
17 that has very high loan-to-value ratios can only be accomplished through  
18 innovation and cooperation of the various parties to a real estate loan;  
19 and

20 WHEREAS the Alaska Housing Finance Corporation is presently working  
21 with the legislature, lending institutions, federal governmental agencies,  
22 and private mortgage insurers to find creative ways of refinancing existing  
23 mortgages and managing recent acquisitions in the residential real estate  
24 market;

25 BE IT RESOLVED by the Alaska State Legislature that the various finan-  
26 cial participants in the Alaska real estate market, including the Alaska  
27 Housing Finance Corporation, the Department of Commerce and Economic Devel-  
28 opment, the Department of Community and Regional Affairs, the Department of  
29 Revenue, the Alaska Permanent Fund Corporation, and the various loan

1 servicers, guarantors, and insurers are urged to cooperate in developing  
2 innovative ways to restructure debt and to buy, sell, and trade properties  
3 for their collective benefit; and be it

4 FURTHER RESOLVED that economic stabilization of the residential real  
5 estate market be accomplished with the joint cooperation of the Alaska  
6 Housing Finance Corporation, the Department of Commerce and Economic Devel-  
7 opment, the Department of Community and Regional Affairs, the Department of  
8 Revenue, and the Alaska Permanent Fund Corporation and other agencies of  
9 the state and of lending institutions in the state as well as the Federal  
10 Housing Administration, the U.S. Department of Housing and Urban Develop-  
11 ment, the Veterans Administration, the Federal National Mortgage Asso-  
12 ciation, the Government National Mortgage Association, the Federal Home  
13 Loan Mortgage Corporation, and private mortgage insurers; and be it

14 FURTHER RESOLVED that the legislature fully supports efforts on the  
15 part of the Alaska Housing Finance Corporation, the Department of Commerce  
16 and Economic Development, the Department of Community and Regional Affairs,  
17 the Department of Revenue, and the Alaska Permanent Fund Corporation to  
18 hold foreclosed-upon residential properties off the market in instances  
19 where such action makes long-term economic sense.

20 COPIES of this resolution shall be sent to the Honorable Steve Cowper,  
21 Governor; the Honorable J. Anthony Smith, commissioner of commerce and  
22 economic development; the Honorable David Hoffman, commissioner of com-  
23 munity and regional affairs; the Honorable Hugh Malone, commissioner of  
24 revenue; Ron Lehr, executive director, Alaska Housing Finance Corporation;  
25 Dave Rose, executive director, Alaska Permanent Fund Corporation; the  
26 Federal Housing Administration; the U.S. Department of Housing and Urban  
27 Development; the Veterans Administration; the Federal National Mortgage  
28 Administration; the Government National Mortgage Association; the Federal  
29 Home Loan Mortgage Corporation; and to the Honorable Ted Stevens and the

- 1 Honorable Frank Murkowski, U.S. Senators, and the Honorable Don Young, U.S.
- 2 Representative, members of the Alaska delegation in Congress.

BY THE RULES COMMITTEE BY REQUEST  
OF THE HOUSE MEMBERS OF THE JOINT  
COMMITTEE ON ECONOMIC RECOVERY

1 IN THE HOUSE

2 HOUSE JOINT RESOLUTION NO. 73

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 Urging the Federal Home Loan Bank Board  
6 to consider extension of assistance to  
7 Alaska financial institutions similar to  
8 the board's "Southwest Plan."

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

10 WHEREAS some areas of the state are experiencing a severe economic  
11 crisis, as evidenced by bankruptcies, foreclosures, business failures, and  
12 the loss of homes and property values; and

13 WHEREAS the state's financial system has been severely strained by the  
14 extraordinary economic events precipitated by the collapse of world oil  
15 prices; and

16 WHEREAS several banks have closed, to the disadvantage of the families  
17 and businesses that banked and borrowed at those banks; and

18 WHEREAS further erosion of the state's banking system is not in the  
19 best interests of the state's businesses, homeowners, and a competitive  
20 banking system; and

21 WHEREAS the economic distress because of the unprecedented economic  
22 contraction within the state is not unlike the economic distress that has  
23 been experienced by other petroleum-producing states, notably those in the  
24 South and Southwest; and

25 WHEREAS, among other responses to the economic downturn in the South  
26 and Southwest, the Federal Home Loan Bank Board, the federal agency that  
27 regulates and supervises the federal home loan banks that provide a flexi-  
28 ble credit reserve for member savings institutions as a principal financing  
29 source for lending institutions, has determined that the region, comprising

1 the states of Arkansas, Louisiana, Mississippi, New Mexico, and Texas,  
2 warrants special assistance due to its economic difficulties; and

3 WHEREAS the board has fashioned and implemented a "Southwest Plan"  
4 that has provided economic and noneconomic assistance to thrift insti-  
5 tutions in that region, partially offsetting the effects of the economic  
6 slump; and

7 WHEREAS one of the principal purposes of the "Southwest Plan" is to  
8 lower costs for both the Federal Home Loan Bank Board and the lending  
9 institutions through an infusion of capital, while preserving adequate  
10 services, competition, and basic structure; and

11 WHEREAS the reforms proposed within the "Southwest Plan" should assist  
12 thrift institutions in that region to reduce operating costs while main-  
13 taining a competitive environment, and improve public confidence in those  
14 institutions during a period of economic difficulty;

15 BE IT RESOLVED that the Alaska State Legislature respectfully requests  
16 the Alaska delegation in Congress to request the Federal Home Loan Bank  
17 Board to consider extension of assistance to financial institutions in  
18 Alaska similar to the "Southwest Plan."

19 COPIES of this resolution shall be sent to M. Danny Wall, chairman,  
20 and Roger F. Martin and Lawrence J. White, members, Federal Home Loan Bank  
21 Board; and to the Honorable Ted Stevens and the Honorable Frank Murkowski,  
22 U.S. Senators, and the Honorable Don Young, U.S. Representative, members of  
23 the Alaska delegation in Congress.

BY FISCHER, HALFORD, FAIKS, JONES,  
STURGULEWSKI, UEHLING, KERTTULA,  
KELLY

1 IN THE SENATE

2

SENATE CONCURRENT RESOLUTION NO. 32

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

Urging the state's financial insti-

6

tutions to adopt more flexible lending

7

and collection policies.

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

9

WHEREAS the state is experiencing a difficult economic period, and  
10 many persons are finding it difficult to meet their financial obligations  
11 and to improve their economic conditions; and

12 WHEREAS it would greatly help the state's economy if the state's  
13 financial institutions would adjust their lending and collection policies  
14 to the present abilities and needs of their customers by using more flexi-  
15 ble approaches, such as collection moratoriums and flexible payment sched-  
16 ules;

17 BE IT RESOLVED that the Alaska State Legislature urges the financial  
18 institutions of the state to adopt more flexible lending and collection  
19 policies in order to help improve the economy of the state.

Original sponsors: Halford, Kelly,  
Uehling, et al.

BY THE LABOR AND  
COMMERCE COMMITTEE

1 IN THE SENATE

2 CS FOR SENATE BILL NO. 333 (L&C)(efd add)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to wage, salary, and benefit claims  
7 having priority in certain bank liquidations and to  
8 certain bank reports required by the Department of  
9 Commerce and Economic Development; and providing for  
10 an effective date."

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

12 \* Section 1. AS 06.05.045(a) is amended to read:

13 (a) Each [EVERY] state bank shall make at least four reports of  
14 condition each year to the department on days designated by it, and on  
15 forms prescribed by it. The report shall be verified by an oath of  
16 the president, vice president, or cashier and by at least three direc-  
17 tors, certifying and subscribing under oath that they and each of them  
18 have personal knowledge of the facts stated in the report and that the  
19 facts are true. The reports shall exhibit in detail and under appro-  
20 priate heads the resources and liabilities of the bank, and each  
21 report shall be transmitted or mailed to the department no later than  
22 30 [WITHIN 10] days after the date designated for the report [OF THE  
23 RECEIPT OF THE REQUEST FROM THE DEPARTMENT].

24 \* Sec. 2. AS 06.05.470(t) is amended to read:

25 (t) The following claims have priority in liquidation proceed-  
26 ings, in the order listed:

27 (1) obligations incurred by the department;

28 (2) wages, [AND] salaries, and benefits of officers and  
29 employees earned during the 12-month [THREE-MONTH] period preceding

1 the department's possession in an amount not exceeding \$12,000  
2 [\$3,000] for each person;

3 (3) fees and assessments due to the department;

4 (4) deposits.

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

BY HALFORD, FAIKS, UEHLING,  
JOSEPHSON, STURGULEWSKI AND  
ABOOD

1 IN THE SENATE

2 SENATE BILL NO. 471

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing a program in the Alaska Indus-  
7 trial Development and Export Authority to guarantee  
8 business loans and to refinance debt; and providing  
9 for an effective date."

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

11 \* Section 1. AS 44.88 is amended by adding new sections to read:

12 ARTICLE 6A. BUSINESS ASSISTANCE PROGRAM.

13 Sec. 44.88.500. BUSINESS ASSISTANCE FUND. The business assis-  
14 tance fund is established in the authority from appropriations for the  
15 purpose. Subject to the requirements of AS 44.88.500 - 44.88.599, the  
16 authority may use money in the fund

17 (1) to guarantee loans to businesses that qualify under  
18 AS 44.88.510(a) and apply under AS 44.88.520(a); and

19 (2) to refinance the debt of businesses that qualify under  
20 AS 44.88.510(b) and apply under AS 44.88.520(b).

21 Sec. 44.88.510. APPLICANT QUALIFICATIONS. (a) A business  
22 enterprise may apply for a loan guarantee under AS 44.88.500 - 44.88.-  
23 599. The authority may establish additional applicant qualifications  
24 by regulation and these qualifications may vary depending upon the  
25 type of business the applicant is engaged in.

26 (b) A business enterprise may apply under AS 44.88.500 -  
27 44.88.599 to refinance existing debt. The authority may approve a  
28 refinancing of existing debt if the authority finds that

29 (1) the refinancing involves a viable project; and

1 (2) the refinancing will save existing jobs.

2 Sec. 44.88.520. APPLICATION. (a) An applicant for a loan  
3 guarantee shall provide an economic benefit analysis prepared by a  
4 person acceptable to the authority together with other information  
5 that the authority may require by regulation.

6 (b) An applicant for refinancing of existing debt shall provide  
7 the information that the authority may require by regulation.

8 Sec. 44.88.530. POWERS OF THE AUTHORITY. The authority may

9 (1) designate agents and delegate powers necessary to  
10 implement AS 44.88.500 - 44.88.599;

11 (2) adopt regulations to implement AS 44.88.500 - 44.88.-  
12 599;

13 (3) establish terms and conditions for loan guarantees and  
14 refinancing agreements subject to the requirements of AS 44.88.500 -  
15 44.88.599;

16 (4) make and execute contracts and other instruments to  
17 implement AS 44.88.500 - 44.88.599;

18 (5) acquire real or personal property by purchase, trans-  
19 fer, or foreclosure when the acquisition is necessary to protect an  
20 interest in the fund; and

21 (6) exercise any other power necessary to implement AS 44.-  
22 88.500 - 44.88.599.

23 Sec. 44.88.540. CONDITIONS OF LOAN GUARANTEES. (a) The author-  
24 ity may guarantee a loan under AS 44.88.500 - 44.88.599 if the

25 (1) loan is commercially reasonable, secured by adequate  
26 collateral, and the net cash flow from the borrower provides adequate  
27 coverage for the debt service on the loan;

28 (2) term of the loan does not exceed 20 years;

29 (3) loan is originated with and serviced by a state

1 chartered or federally chartered financial institution;

2 (4) portion of the loan not guaranteed by the authority is  
3 held by the originating financial institution or another financial  
4 institution approved by the authority; and

5 (5) loan is made to a business with a majority interest  
6 held by state residents.

7 (b) The authority may provide a guarantee from the fund for up  
8 to 90 percent of a loan that qualifies under AS 44.88.550 - 44.88.560.  
9 The ratio of the guarantee to the outstanding principal of the loan  
10 shall remain the same over the term of the loan.

11 (c) The authority may not guarantee

12 (1) the payment of interest on the guaranteed portion of a  
13 loan; or

14 (2) more than \$1,000,000 per loan.

15 Sec. 44.88.550. CONDITIONS OF DEBT REFINANCING. The authority  
16 may not refinance debt unless the refinancing

17 (1) is necessary to extend substantial debt payments over a  
18 longer period of time, thereby improving the applicant's net cash flow  
19 and working capital position consistent with the useful life of the  
20 assets being refinanced;

21 (2) assists with short-term debt or cash expenditures when  
22 lenders will not extend reasonable longer terms to the applicant; or

23 (3) is necessary to place a permanent loan subsequent to an  
24 interim loan for financing construction of the project.

25 Sec. 44.88.560. INTEREST. The maximum interest rate on a loan  
26 guaranteed by the authority is

27 (1) for a loan guarantee that equals or exceeds 80 percent  
28 of the loan, one and one-half percentage points above the prime rate  
29 on the day the loan guarantee is made; and

1           (2) for a loan guarantee that is less than 80 percent of  
2 the loan, two and three-quarters percentage points above the prime  
3 rate on the day the loan guarantee is made.

4           Sec. 44.88.570. DEFAULT OR FORECLOSURE. (a) Payments received  
5 toward satisfaction of a default on a loan guaranteed under AS 44.88.-  
6 500 - 44.88.599 shall be allocated between the lender and the fund  
7 according to the guaranteed percentage of the loan until the principal  
8 balance has been repaid.

9           (b) The authority shall dispose of property acquired through  
10 default or foreclosure of a loan guaranteed or refinanced under  
11 AS 44.88.500 - 44.88.599. Disposal shall be in a manner that serves  
12 the best interest of the state and may include the amortization of  
13 payments over a period of years.

14          Sec. 44.88.580. SPECIAL ACCOUNT ESTABLISHED. (a) There is  
15 established as a special account within the fund the foreclosure  
16 expense account. The account is established as a reserve from fund  
17 equity.

18          (b) The authority may expend money credited to the foreclosure  
19 expense account when necessary to protect the state's security inter-  
20 est in collateral on loans guaranteed or refinanced under AS 44.88.-  
21 500 - 44.88.599 or to defray expenses incurred during a foreclosure  
22 proceeding after a default.

23          Sec. 44.88.590. PREREQUISITE FOR OTHER LOANS. Notwithstanding  
24 other provisions of law, a business enterprise that qualifies under  
25 AS 44.88.510(a) to apply for a loan guarantee under AS 44.88.500 -  
26 44.88.599 shall apply for a loan guarantee before it may apply for a  
27 direct loan of state money under any other state loan program. Only  
28 after an application for the guarantee of a loan to be used for a  
29 particular purpose is rejected under AS 44.88.500 - 44.88.599 may a

1 business enterprise apply for a direct state loan for that purpose.

2 Sec. 44 88.599. DEFINITIONS. In AS 44.88.500 - 44.88.599,

3 (1) "fund" means the business assistance fund established  
4 under AS 44.88.500;

5 (2) "prime rate" means the lowest money center prime rate  
6 of interest that is published in the Wall Street Journal.

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

Original sponsors: Halford, Faiks,  
Kelly, et al.

1 IN THE SENATE BY THE RULES COMMITTEE  
2 CS FOR SENATE BILL NO. 392 (Rules)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 FIFTEENTH LEGISLATURE - SECOND SESSION  
5 A BILL  
6 For an Act entitled: "An Act relating to the Alaska Industrial Development  
7 and Export Authority; and providing for an effective  
8 date."  
9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:  
10 \* Section 1. AS 44.88.165 is repealed and reenacted to read:  
11 Sec. 44.88.165. DELINQUENT LOANS. (a) The authority shall  
12 adopt regulations to describe the circumstances under which it will  
13 discontinue purchasing loans from a financial institution because of  
14 excessive delinquencies among the loans previously purchased from the  
15 financial institution. In adopting the regulations, the authority  
16 shall take into consideration its delinquency experience with loans it  
17 has purchased from all financial institutions.  
18 (b) The authority may include in the regulations other remedies  
19 it considers appropriate as alternatives to the discontinuance of  
20 purchasing loans from the financial institution.  
21 \* Sec. 2. This Act takes effect immediately under AS 01.10.070(c).



Official Business

# Alaska State Legislature

## House

Pouch V  
State Capitol  
Juneau, Alaska 99811

TO: Members of the House State Affairs Committee

FROM: Representative Steve Rieger, Co-Chair *SR*  
Representative Kay Brown, Co-Chair *Kay*  
Subcommittee on Housing and Banking of the  
House Joint Economic Recovery Committee

DATE: April 18, 1988

RE: HB 555 - Authorizing AHFC to stabilize the market price  
of and the demand for residential housing in the state.

The following is an overview of the above referenced bill. Suggested amendments are noted below and comments to each section are included in boldfaced type for your review. These changes were recommended by Alaska Housing Finance Corporation after their April 11, 1988 board meeting, and most changes have also been discussed by the Subcommittee on Housing and Banking.

Sec. 1 AS 18.56 is amended by adding a new section to read:

*pg. 1  
line 13*

Sec. 18.56.210 MARKET STABILIZATION POWERS. (a) If the board of directors determines that it is in the [state's] corporation's best interest, the corporation may take appropriate action to stabilize the market price of and demand for residential housing in the state. To accomplish the purposes of this section, the corporation may:

(1) make and execute necessary agreements and conveyances under which a borrower may exchange residential housing securing a mortgage loan owned, held or sold by the corporation for other residential housing owned by the corporation;

(SPECIFICALLY AHFC LOANS ON LOW QUALITY TRADE UP TO HIGHER QUALITY AHFC HELD CONDOS: WOULD NOT PRE-EMPT CONDO TO HOUSE TRADE UNDER THIS LANGUAGE)

(2) repurchase a mortgage loan sold or pledged by the corporation for the purpose of exercising a power conferred by this section;

(I.E. TRADE UP/DOWN, REFINANCING ABE, EXISTING AHFC MORTGAGES)

(3) for the purpose of qualifying residential housing situated in a condominium project for the best available financing for mortgage loans, make and execute agreements, contracts and other agreements necessary to encourage all owners who occupy units in a condominium project that is not eligible for financing under this chapter to exchange their ownership interest for a condominium unit owned by the corporation in another project;

(ADDRESSES CURRENT "OWNER-OCCUPANCY" FINANCING PROBLEM IN CONDO PROJECTS AND MAY ALSO AFFECT TRADE-UP PROGRAM)

(4) make and execute appropriate agreements with insurers, investors, and guarantors concerning the temporary removal of residential housing owned by the corporation from the resale market;

(AS PER HJR 72 - HOLD FORECLOSED-UPON PROPERTIES OFF THE MARKET IN INSTANCES WHERE SUCH ACTION MAKES LONG-TERM ECONOMIC SENSE)

(5) demolish residential housing owned by the corporation if the corporation determines that the housing is substandard compared to housing available on the open market, cannot be converted to a public or charitable use, and for which there is a substantial oversupply of similar housing on the open market;

(DEMOLISH LOW QUALITY SUBSTANDARD CONDO UNITS)

(6) convert residential housing owned by the corporation which is designed and constructed for owner - occupancy to another beneficial use;

(INCLUDES MENTAL HEALTH HOUSING, SENIOR CITIZEN HOUSING, ASBA LOW INCOME HOUSING, UNIVERSITY DORM HOUSING, ETC.)

(7) make bulk sales of property owned by the corporation under procedures and terms the corporation determines are in the best interests of the corporation;

(ADDRESSES AHFC EXCESS MOBILE HOME PROBLEM (HCR 54); COULD ALSO ADDRESS OVERSUPPLY OF CONDOS)

(8) provide financing under terms established by the board, to promote the sale of residential housing owned by the corporation, if the board of directors determines that the terms of financing do not work an excessive hardship on competing individual sellers of residential housing;

(ALLOWS AHFC TO COMPETE WITH HUD, FNMA LOW FINANCING TERMS IN THE CURRENT MARKET) (NEW LANGUAGE ADDED WOULD ALSO ADDRESS CURRENT OWNER FINANCING PROBLEMS, I.E. THOSE INDIVIDUALS WHO ARE

pg. 2  
line 21

ATTEMPTING TO SELL THEIR PROPERTY BUT ARE COMPETING WITH AHFC LOWER FINANCING/OWNER-OCCUPANCY REQUIREMENTS)

(9) invest funds of the corporation in publicly-owned projects involving the destruction of substandard residential housing if the board of directors determines that the investment is prudent, properly secured, and in the long-term best interests of the corporation;

(COULD MEAN A SECURITY INTEREST IN THE LAND IF AHFC FUNDS ARE UTILIZED FOR THIS PURPOSE.)

(10) create subsidiary entities to implement a power conferred by this section and to provide insurance as provided in AS 18.56.093 and 18.56.095; and

(ALLOWS AHFC TO SET UP SUBSIDIARY MANAGEMENT OF AHFC OWNED PROPERTIES. ALSO ALLOWS AHFC TO ESTABLISH ITS OWN MORTGAGE INSURANCE ON CERTAIN PROPERTIES. THEY DO HAVE BROAD GENERAL POWERS IN THIS AREA; HOWEVER, AT THIS TIME, AHFC IS NOT PREPARED TO ESTABLISH IN-HOUSE MORTGAGE INSURANCE PROGRAM UNTIL THEY HAVE HAD A CHANCE TO REVIEW A SIMILAR ARRANGEMENT USED BY THE STATE OF CALIFORNIA. THIS WOULD WORK TO THE BENEFIT OF AHFC IN INSURING MORTGAGES THAT MGIC, FNMA AND OTHER PMI WILL NOT TOUCH IN ALASKA, I.E. CONDO UNITS.)

(11) take other actions necessary, convenient or desirable to carry out the powers granted in this subsection.

(SIMILAR TO GENERAL AHFC POWERS PROVISION IN AS 18.56.090)

(b) The corporation shall implement the powers conferred by this section by adopting regulations under the procedures set out in AS 18.56.088.

Sec. 2 AS 45.50.572 is amended by adding a new subsection to read:

(i) AS 45.50.562 - 45.50.596 do not forbid activities of the Alaska Housing Financing Corporation to stabilize the market price of and demand for residential housing in the state as provided in AS 18.56.210.

(ANTI-TRUST PROVISION - GIVES AHFC SPECIFIC EXEMPTION AUTHORITY TO MAKE ARRANGEMENTS TO HOLD PROPERTIES OFF OF THE MARKET FOR PUBLIC PURPOSES)

Sec. 3 This act takes effect immediately under AS 01.10.070 (c).

*Handwritten mark: a stylized 'H' or 'X' with a diagonal line through it.*

BY THE RULES COMMITTEE BY  
REQUEST OF THE HOUSE MEMBERS  
OF THE JOINT COMMITTEE  
ON ECONOMIC RECOVERY

1 IN THE HOUSE

2

HOUSE BILL NO. 555

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act authorizing the Alaska Housing Finance Corpo-  
7 ration to fund disposal of substandard publicly owned  
8 housing; and providing for an effective date."

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

10 \* Section 1. DISPOSAL OF PUBLICLY OWNED SUBSTANDARD HOUSING. Consis-  
11 tent with the best interests of the agency, the Alaska Housing Finance  
12 Corporation may use not to exceed \$10,000,000 in unrestricted funds avail-  
13 able to it for the purpose of making grants to state agencies and munici-  
14 palities of the state for the disposal of substandard housing owned by the  
15 state or a municipality of the state. The corporation shall take a non-  
16 recourse security interest in land occupied by substandard housing disposed  
17 of under this section. The funds advanced shall bear interest.

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

*Introduced 4/7/88  
by House Sec -*

BY THE RULES COMMITTEE BY  
REQUEST OF THE HOUSE MEMBERS  
OF THE JOINT COMMITTEE  
ON ECONOMIC RECOVERY

1 IN THE HOUSE

2 HOUSE BILL NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act authorizing the Alaska Housing Finance Corpo-  
7 ration to fund disposal of substandard publicly owned  
8 housing; and providing for an effective date."

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

10 \* Section 1. DISPOSAL OF PUBLICLY OWNED SUBSTANDARD HOUSING. Consis-  
11 tent with the best interests of the <sup>agency</sup> state, the Alaska Housing Finance  
12 Corporation may use not to exceed \$<sup>10,000,000</sup>~~20,000,000~~ in unrestricted funds avail-  
13 able to it for the purpose of making grants to state agencies and munici-  
14 palities of the state for the disposal of substandard housing owned by the  
15 state or a municipality of the state. The corporation shall take a <sup>Non-Recourse</sup> securi-  
16 ty interest in land occupied by substandard housing disposed of under this  
17 section, ~~to recover funds granted under this section.~~ <sup>funds advanced</sup> The security interest  
18 shall bear interest.

19 \* Sec. 2. This Act takes effect immediately under AS 01.10.070(c).  
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Original sponsor: Rules by request/House  
Members of the Joint  
Committee on Economic  
Recovery

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 555 ( )

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act authorizing the Alaska Housing Finance Corpo-  
7 ration to stabilize the market price of and the  
8 demand for residential housing in the state; and  
9 providing for an effective date."

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

11 \* Section 1. AS 18.56 is amended by adding a new section to read:

12 Sec. 18.56.210. MARKET STABILIZATION POWERS. (a) If the board  
13 of directors determines that it is in the best interest of the <sup>Corporation</sup> state,  
14 the corporation may take appropriate action under this section to  
15 stabilize the market price of and demand for residential housing in  
16 the state. To accomplish the purposes of this section, the corpo-  
17 ration may

18 (1) make and execute necessary agreements and conveyances  
19 under which a borrower may exchange residential housing securing a  
20 mortgage loan owned, held, or sold by the corporation for other res-  
21 idential housing owned by the corporation;

22 (2) repurchase a mortgage loan sold or pledged by the  
23 corporation for the purpose of exercising a power conferred by this  
24 section;

25 (3) for the purpose of qualifying residential housing  
26 situated in a condominium project for the best available financing for  
27 mortgage loans, make and execute agreements and contracts necessary to  
28 encourage all owners who occupy units in a condominium project that is  
29 not eligible for financing under this chapter to exchange their

ownership interest for a condominium unit owned by the corporation in another project;

(4) make and execute appropriate agreements with insurers, investors, and guarantors concerning the temporary removal of residential housing owned by the corporation from the resale market;

(5) demolish residential housing owned by the corporation if the corporation determines that

(A) the housing is substandard compared to housing available on the open market;

(B) the housing cannot be converted to a public or charitable use; and

(C) there is a substantial oversupply of similar housing on the open market;

(6) convert residential housing owned by the corporation that is designed and constructed for owner occupancy to another beneficial use;

(7) make bulk sales of property owned by the corporation under procedures and terms the corporation determines are in the best interests of the corporation;

(8) provide financing under terms established by the board to promote the sale of residential housing owned by the corporation;

*if the board of directors determines that the terms of financing do not work an excessive hardship on competing individual sellers of residential housing;*  
(9) invest funds of the corporation in the removal and disposal of substandard publicly-owned residential housing if the board of directors determines that the investment is prudent, properly secured, and in the long-term best interests of the corporation;

(10) create subsidiary entities to implement a power conferred by this section and to provide insurance under AS 18.56.093 and 18.56.095; and

(11) take other actions necessary, convenient, or desirable

1 to carry out the powers granted in this subsection.

2 (b) The corporation shall implement the powers conferred by (a)  
3 of this section by adopting regulations under AS 18.56.088.

4 \* Sec. 2. AS 45.50.572 is amended by adding a new subsection to read:

5 (i) AS 45.50.562 - 45.50.596 do not prohibit activities of the  
6 Alaska Housing Finance Corporation to stabilize the market price of  
7 and demand for residential housing in the state under AS 18.56.210.

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

# Alaska State Legislature

## House

Pouch V  
State Capitol  
Juneau, Alaska 99811

TO: Members of the House Judiciary Committee

FROM: Representative Steve Rieger *SR*  
Co-Chair, Subcommittee on Housing and Banking  
for the House Joint Committee on Economic Recovery

DATE: April 19, 1988

RE: CSHB 549(L&C) - "An Act relating to notice requirements  
in the use of a deed of trust; and providing for an  
effective date."

\* \* \* \* \*

The purpose of CSHB 549(L&C) is to inform the borrower who has signed Note secured by the Deed of Trust that he is in fact personally liable for the total amount of the debt, regardless of the market value of the property. In short, it requires a disclosure statement to the borrower of the lender's available remedies, should foreclosure actions be deemed necessary.

If foreclosure is warranted, under current law the lender generally has three choices:

- Suit on the Note for fulfillment of the debt;
- Nonjudicial foreclosure on the Deed of Trust with no deficiency judgment, no right of redemption and no recourse as to the Note;
- Judicial foreclosure on the Deed of Trust with a possible deficiency judgment awarded by the court, and a one year right of redemption period to the borrower.

Under the current CS, if the lender fails to give sufficient notice to the borrower of the lender's foreclosure remedies, then the lender can only foreclose nonjudicially or judicially.

When a person wants to buy a piece of property and does not have sufficient cash for the total payment, he obtains a loan. The borrower agrees to pay the lender for a debt and the lender agrees to give the borrower the funds necessary to secure the property.

A typical loan in Alaska requires the borrower to understand and sign a volume of paperwork upon closing of the loan. A Deed of Trust to secure the property is used, and usually a Note is also signed as evidence of an obligation secured by the Deed of Trust.

Historically, property values had a tendency to increase over the life of a loan. If nonjudicial foreclosure was warranted, the lender simply foreclosed on the Deed of Trust, thereby extinguishing the debt owing, as the property was worth more than the loan and sufficient to cover the debt.

Recently, property values have dropped substantially, and the loan on the property can now exceed the actual market value of the property when purchased. When foreclosure action is taken, the suit alone on the Deed of Trust often will not cover the entire debt amount, (i.e. the property is "under water" or has "negative equity"). The lender has the option to foreclose judicially or nonjudicially; nonjudicial foreclosures are more typical than the judicial type, and definitely less costly.

The borrower's assumption in the past has often been that the lender could only sue on the Deed of Trust. However, the lender does have the option to sue on the Note through judicial means prior to foreclosing on the Deed of Trust (nonjudicially) in order to obtain payment of the debt, and two recent Alaska Supreme Court decisions are cases in point. (Moening v. Alaska Mutual Bank (2/26/88), Conrad v. Counsellors Investment Company (2/26/88)).

At the time of closing, the borrower did indeed sign the Deed of Trust as security for the property and also signed the Note promising to pay the amount of the debt. Yet, because there is so much involved with closing a loan, the simple facts and understandings sometimes get lost in the paper shuffle. The problem lies in the fact that some borrowers were under the assumption that if they were foreclosed upon, they could just turn in the keys and walk away from the property, (thereby extinguishing the debt), and many more borrowers were under the assumption that the lender could not take any personal assets as payment of the debt unless the lender first pursued judicial foreclosure, (i.e. deficiency judgment and right of redemption period). Many borrowers today seem surprised that the lender does indeed have the option to sue on the Note prior to foreclosing on the Deed of Trust.

Attached are copies of the standard notes used by FNMA/FHLMC, AHFC, FHA, VA and a "generic" note one can purchase at a stationary store. You will note that the FNMA/FHLMC and AHFC notes contain language which advises the borrower that he is personally liable for the debt, should foreclosure be deemed necessary. The FHA, VA and generic notes are vague in this area. The Subcommittee on Housing and Banking of the House Joint Economic Recovery Committee has heard testimony from many individuals who felt that the lender had no recourse but to foreclose on the Deed of Trust, even though they did in fact sign a Note as evidence of the obligation secured by the Deed of Trust. CSHB 549 (L&C) would require that the ability of the lender to sue on the Note prior to foreclosing on the Deed of Trust, be stated explicitly; otherwise, that remedy is not available.

In practice, the lender usually forecloses on the Deed of Trust nonjudicially if no workout arrangement can be arranged between the borrower and lender, and in very few cases would the lender chose to look towards the Note prior to foreclosing on the Deed of Trust. Further, if private mortgage insurance (PMI) is in place, (required by the lender when the loan-to-value ratio is 80% or above), the PMI pays the lender for the percentage of the loan it originally covered, frequently with no recourse to the borrower. Therefore, in a foreclosure situation where there is negative equity, it is possible that the market value of the property and the private mortgage insurance would cover the entire debt.

Both FHLMC (Federal Home Loan Mortgage Corporation) and FNMA (Federal National Mortgage Association) have provided positive endorsement for the concept of the legislation. However, due to federal government requirements, they have requested that the "notice" information be contained outside the actual document of the Note, rather than within the body of the Note. FHLMC has also recommended that we consider requiring the explanation to be spelled out in law in order to avoid future "language" problems that would develop if each lender is allowed to write their own language.

Further, the Alaska Association of Realtors endorses the concept of the legislation with an amendment that the language be included as a "rider" to the Note to avoid redrafting of standard forms now used in the industry. Testimony from various Alaska banking institutions recommends the notice language be included as a rider to the Note.

Please be aware that the CS to HB 549 (L&C) provides a change only in the ability of a lender to sue on the Note directly, and even then only in the event that the remedy was not stated on the Note or as a rider to the Note. The original version stated that the only recourses available to the lender were the recourses stated in the Note. In other words, the original version of HB 549 would have required disclosure of the personal obligation of the borrower, and if not disclosed, both the direct suit on the Note remedy and the remedy of a deficiency judgment against personal assets by a court (judicial foreclosure) would not be available.

The lending community has strongly objected to that loss of the judicial foreclosure remedy, even though the remedy would not be available only if there was no disclosure.