

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 86 / 2

255 SCOMM 9: HOUSE SPEC. COMM. ON PERMANENT FUND 1977-78

APPENDIX IVA PROPOSAL TO PROMOTE MODERN COASTAL
TRAWL FISHING IN THE UNITED STATES
TWO - HUNDRED MILE ZONE OFF ALASKA

Program Objective: To demonstrate success in trawl fishing for bottomfish off Alaska to stimulate the flow of private capital into American coastal trawlers. A sub-objective is to demonstrate the current state of trawl fishing technology to Alaskan fishermen.

Program Activities: Five well-equipped trawlers with outstanding American skippers to fish for one year; two in the western Gulf of Alaska, three in the eastern Gulf and inside waters of Southeast Alaska. Vessels to deliver bottomfish to processors in region on contract basis. Scientific recording and observation conducted by observers from government. Five European trawler captains to serve as advisors on each vessel for two months.

Participants: Federal Government (NMFS), State Government (ADF&G), Private industry.

Management: Non-profit institute organized to run project; headed by manager loaned from industry and scientist loaned from NMFS or ADF&G.

Term: One year

Location: Eastern and western Gulf of Alaska

Program Components and Costs:	Gov't.	Industry
Equipment subsidy for trawlers -	\$1,200,000	\$1,200,000
Underwriting of gross stock guarantee -----	900,000	300,000
Program to bring skippers from Europe or eastern Canada -----	139,000	
General contingency -----	261,000	
Expenditures for fish -----		656,250
Total government contribution --	2,500,000	
Total industry contribution ----		2,156,000

Outcome: Markets and information (potential annual catch) for vessel owners for estimating return on capital investment in trawling capability. Management information for the North Pacific Fisheries Management Council.

Future Prospects: Similar demonstrations in other regions of Alaska such as the Bering Sea.

APPENDIX IV cont'd.SOLAR ENERGY APPLICATIONS TEST AND DEMON-
STRATION IN A FAR-NORTHERN REGION

Program Objective: To demonstrate the viability of solar hot water heating on a small commercial scale in a far-northern bush community and to stimulate the development of a solar industry within Alaska. Also to reduce the cost, and increase the supply, of energy - related services to rural Alaska and increase rural economic development potentials.

Program Activities: The design and construction of a modular shower and laundry facility using flat plate solar collectors on the University of Alaska Fairbanks campus for a test demonstration. Relocation of the facility to a rural village location for a field demonstration as a small commercial business providing employment and domestic hot water which is not presently available.

Participants: Institute of Water resources, School of Engineering, and Geophysical Institute - U of A Fairbanks, and the Tanana Chiefs Conference.

Management: Faculty and staff from the Institute of Water Resources, School of Engineering, and Geophysical Institute.

Term: Two years

Location: U of A Fairbanks campus; Dot Lake Village.

Project Components
and Costs:

Total overhead, salaries, and benefits ---	\$76,641
Equipment -----	15,900
Transportation and travel -----	5,900
Publication costs -----	1,500
Computer time -----	500
	<u>TOTAL \$100,441</u>

Outcome: Demonstration of the technical and economic feasibility of applying solar technology in rural Alaska; familiarization of the construction industry and rural governments with solar technology and its applicability; publication of results in industry and scientific journals.

Future Prospects: Further applications of solar technology in far-northern regions.



Official Business

Alaska State Legislature

House of Representatives

Committee on Judiciary

Pouch V
State Capitol
Juneau, Alaska 99811

January 19, 1978

Mem-

To: Rep. Terry Gardiner

From: Tom Singer *TS*

Re: An Example of the Financial Allocation Process of
the Proposed Alaska Renewable Resources Corporation

Introduction:

This memo provides a detailed example of how the Alaska Renewable Resources Corporation (ARRC) could serve to rationally allocate Renewable Resources Development Fund monies. Taking a sample proposal relating to renewable resources development in Alaska, the memo describes the procedures established in the legislation for use by the ARRC in evaluating requests for funding. The evaluation process was designed to establish a systematic methodology for selecting those proposals which promise to best achieve the goals of the bill.

After a start-up period, the ARRC will begin operations by soliciting applications for funding. The applications will be received and requests for any further documentation will be made. When an application is complete, the Board's staff will perform the analysis outlined in this report.

The Proposal

The sample proposal outlined below represents one type of activity intended for funding by the ARRC (see Appendix I for full proposal).

A PROPOSAL TO PROMOTE MODERN
COASTAL TRAWL FISHING IN THE UNITED
STATES TWO - HUNDRED MILE ZONE OFF ALASKA

Program Objective: To demonstrate success in trawl fishing for bottomfish off Alaska to stimulate the flow of private capital into American coastal trawlers. A sub-objective is to demonstrate the current state of trawl fishing technology to Alaskan fishermen.

Program Activities: Five well-equipped trawlers with outstanding American skippers to fish for one year; two in the western Gulf of Alaska, three in the eastern gulf and inside waters of Southeast Alaska. Vessels to deliver bottomfish to processors in region on contract basis. Scientific recording and observation conducted by observers from government. Five European trawler captains to serve as advisors on each vessel for two months.

Participants: Federal Government (NMFS), State Government (ADF&G), private industry.

Management: Non-profit institute organized to run project; headed by manager loaned from industry and scientist loaned from MNFS or ADF&G.

Term: One Year

Location: Eastern and Western Gulf of Alaska

Program Components and Costs:

	Gov't	Industry
Equipment and subsidy for trawlers -	\$1,200,000	\$1,200,000
Underwriting of gross stock guarantee-----	900,000	300,000
Program to bring skippers from Europe or Eastern Canada-----	139,000	
General contingency -----	261,000	
Expenditures for fish-----		656,250
Total Government contribution-----	\$2,500,000	
Total Industry contribution-----		\$2,156,000

Outcome: Markets and information (potential annual catch) for vessel owners for estimating return on capital investment in trawling capability. Managment information for the North Pacific Fisheries Management Council.

Future Prospects: Similar demonstrations in other regions of Alaska such as the Bering Sea.

The Analysis

The guidelines for project evaluation by the ARRC are carefully enumerated in the bill. The following represents the type of evaluation the corporation would perform prior to a funding decision on the Bottomfish Proposal.

Step 1 - Eligibility - First, the ARRC must determine if the applicant is eligible for funding. Eligibility criteria are presented below:

Sec. 37.12.180. ELIGIBILITY FOR FINANCIAL ASSISTANCE - The Board may grant financial assistance if it finds that an applicant is qualified to receive assistance. An applicant is qualified if

- (1) he has submitted a proposal to the board in accordance with Sec. 170(a)(1) of this chapter;

For the purposes of this exercise, we assume the full proposal presented in Appendix I represents a complete application.

- (2) he is a resident of the state or, if the applicant is a partnership, corporation, or other association, it is owned by a majority who are residents of the state; and

Again, for the purposes of this exercise, we assume that the non-profit institute formed to implement the proposal constitutes a majority of Alaska residents (ADF&G and Alaskan fishermen and processors).

- (3) his projects which have previously received financial assistance from the corporation, if any, have complied with all requirements of that assistance and have performed with sufficient success or promise to warrant further aid.

The applicants have not previously received ARRC funding.

Once eligibility has been demonstrated, the staff will begin the actual analysis as follows:

Step 2 - Conformance with Purposes of the Corporation - The overall purposes of the ARRC are stated in Sec. 040 of the bill. Projects seeking ARRC funding must implement these purposes.

Sec.37.12.170. FINANCIAL ASSISTANCE (a) In providing financial assistance, the board shall

- (1) consider the proposals of qualified applicants only after the applicant has submitted a detailed proposal in the form prescribed by the board; no assistance may be approved by the board unless it finds, in writing, that
 - (A) the proposed project, if successful, will further the purposes of the corporation as set out in Sec.40 of this chapter;

Sec.37.12.040. PURPOSES. The purposes of the corporation are to:

- (1) Facilitate the rehabilitation, enhancement, and development of the state's renewable resources so as to foster a self-sustaining state economy;

The Bottomfish Proposal contains two objectives pertaining to this purpose:

- (1) To demonstrate success in trawl fishing, a development goal, and;
- (2) to generate scientific information for fisheries management, a rehabilitation and enhancement goal.

The overall objective of this proposal is to demonstrate the potential for the development of an Alaskan bottomfish industry. Such a demonstration would hopefully lead to self-sustaining economic activity based on an Alaskan renewable resource.

- (2) sponsor research and development of technologies and innovations for the rehabilitation and enhancement of the state's renewable resources to achieve their most appropriate use;

Scientific information gathered concerning catch potentials and the impact of trawl fishing technology on the resource would be valuable for the rehabilitation and enhancement of the bottom fishery.

- (3) identify new products, markets, and technologies for renewable resource industries in the state; stimulate the research and development of these

products, markets, and technologies; assist in the demonstration of their technical and economic feasibility; and assist in their introduction into commercial markets.

The main objective of the proposal is to demonstrate success in trawl fishing to Alaskan fishermen and to potential investors. This includes both demonstration of technologies unfamiliar to Alaskan fishermen and development of new products and markets utilizing bottom fish. A successful demonstration will hopefully assist in the expansion of commercial activity by attracting private capital into American coastal trawlers.

Step 3. - Conformance with Sub-Goals - The bill also directs the Board to pursue several more specific sub-goals. Again, a proposal must demonstrate that it addresses some or all of these sub-goals.

Sec. 37.12.160

- (1) seek to maintain the productivity of healthy renewable resources and expand the productivity of depleted or underutilized renewable resources;

The scientific recording and observation conducted by observers from government would provide data useful for the management of the various bottomfish species, including actual observation of the technologies involved and their impact both on the species harvested and on other resources.

- (3) promote the utilization of the state's renewable resources in the state and the development of import substitution and export markets;

Demonstration of catch potentials and contracts with processors in the region could facilitate the development of both in-state markets for bottomfish and export markets.

- (6) attempt to fund activities which will tend to maximize returns to the state and local governments and its citizens in such forms as tax revenues and resident employment and income.

An in-depth analysis would be required to determine the tax revenue, resident employment, and income potential of the operation of five trawlers for one year. Projections of future potential given a successful demonstration would also be required. The ARRC would work closely with such state agencies as the Department of Revenue and Department of Commerce & Economic Development in developing

these projections. Other potential returns, such as the growth of coastal communities, should also be identified and analyzed.

Sec.37.12.170

- (4) consider regional preferences and priorities in evaluating projects.

The Board must solicit comments and reactions from communities which would be impacted by the proposal. Local attitudes towards the proposed project must be weighed in all funding decisions.

Step 4 - Other Conditions for Financial Assistance - The bill imposes a number of specific conditions and requirements upon the board and the applicant.

Sec.37.12.170 (a) (1)

- (B) the application contains an adequate plan for project implementation, including, when applicable, a complete business, financial and marketing plan for commercial activities;

As the draft proposal contained in Appendix I was not prepared to meet the conditions of the bill, it does not fully meet this requirement. More detail concerning commitments between the trawlers and the processors would be required, as well as an analysis of the market for the processed fish.

- (C) private financing cannot reasonably be undertaken without aid or that financial participation is not otherwise available;

The applicant would be required to document the lack of availability of alternative funding sources.

- (D) The applicant has agreed that if new or newable resources industrial activity results from the proposed project, his best efforts will be employed to keep that activity in the state for a minimum period of time specified by the board;

While the Bottomfish Proposal is not designed to launch a specific commercial venture, the private sector participants clearly intend to develop a trawl fishery if the project demonstrates commercial potential. Therefore, the board would be required to extract some form of agreement between the private sector participants and the ARRC concerning the continuation of fishing and processing activity in Alaska if the project is successful.

- (E) The applicant demonstrates sufficient technical and business expertise to accomplish the objectives of the proposed project.

The board would be required to assess the ability of both the public and private sector participants to carry out the program activities presented in the proposal.

- (F) all costs associated with and ancillary to the project and future obligations generated by the project have been identified, including any necessary operating, maintenance, or other support costs for the life of the project;

Fairly detailed cost estimates appear in the proposal for direct project costs. However, further analysis would be required to identify other obligations which may result for the ARRC or other state agencies. These might include infrastructure requirements, future maintenance costs, or additional service burdens resulting from the project.

- (C) potential resource use conflicts that may result from the proposed project are identified and evaluated, and when necessary, plans to mitigate or resolve those conflicts and to preserve for the future options for the use of the state's renewable resources are included in the application;

The board must assess the probability and nature of resource use conflicts arising from implementation of the proposal, such as the impact of trawling technology or other fishing techniques (gear damage) or the disruption of actual resources such as shrimp or crab. The board would rely heavily on such state agencies as Environmental Conservation, Fish & Game and Natural Resources for both identification of potential resource conflicts and development of plans to avoid them. This critical part of the analysis is designed to avoid conflicts at the earliest stage of resource or business development, reducing the likelihood of damage to the resource base, or costly legal or regulatory battles in the future.

Sec.37.12.170 (a)

- (3) require, as a condition of a grant, the assignment by the applicant of rights to patents, copyrights, trademarks, royalties, or any other evidences of protection or exclusivity as to any products or technologies which the proceeds of the grant are used to develop;

Product or technological development is not a direct aim of the Bottomfish Proposal. Nevertheless, the proposal offers the board an opportunity to recoup its investment if the project results in any technological innovation with commercial potential. The board must condition its funding on assignment by the applicant to the ARRC of all rights to any commercial innovations, such as in trawling technology, which might be developed during the project year.

The Funding Decision

In its actual operations, the board would not have one but several applications under analysis at any given time. In making funding decisions, the board would meet periodically to consider a group of proposals and choose that mix of proposals which best implements the goals embodied in the legislation. The board would utilize project evaluations, such as the one outlined above, to assess how each proposal would implement the ARRC's long range operating plans and conform to their budget for the present fiscal year. Thus the Bottomfish Proposal would receive funding if the ARRC had identified the development of Alaska's Bottom Fishery as a priority investment area, if the evaluation showed the proposal to have merit, if the proposal compared favorably with other proposals related to bottom fish, and if the amount requested could be accommodated in the ARRC budget.

In its annual budget request, the ARRC must specify categorical areas for funding activity. These categories would encompass areas identified by the board as offering the greatest potential for implementing the bill in the upcoming year. If in the prior fiscal year the board had requested, and the Legislature had appropriated, an allocation for "bottomfish development," the board would be empowered to fund the Bottomfish Proposal. If there was not bottomfish category in the current budget but the proposal alerted the board to the opportunities in this area, the board could submit a "bottomfish development" category for the following fiscal year (without identifying any specific proposals). If the Legislature approved the category, the board could then fund the Bottomfish Proposal in the following year.

Due to the broad scope of their mission, the ARRC would need a great deal of flexibility to respond to the financing needs of each applicant. The bill states;

Sec.37.12.170 (a)

- (2) use the financial mechanism most appropriate to the conditions of the applicant and the proposed project and which will most effectively utilize the funds available; grants may be utilized when other mechanisms are not feasible and when the benefits from the project will accrue to the general public;

If the board decided to fund this proposal, it would in turn have to determine the most appropriate financing mechanism. The proposal seeks a grant; however, it offers at least two opportunities for generating a return in which the board could seek a share. First, the board could expect the processors to sell at a profit any bottom fish purchased from the trawlers. Second, as mentioned above, the proposal presents possibilities for innovation which could result in commercial activity (licensing technology, for example).

Given these potential returns, the board should structure its financing to secure a return to the corporation commensurate with the risk it assumes. However, because this return is highly uncertain, some form of conditional grant based on profit sharing might be most appropriate - this could take the form of a percentage share of the profits on processed fish sales and patent rights or royalties on commercialized innovations. The board would have to determine that the Bottomfish Proposal would benefit the general public before such a conditional grant could be made.

The ARRC's responsibility would not end with the funding of a project. It would be obligated to monitor funded projects for performance against the conditions made in the application. This would be achieved by the use of both quantitative and qualitative indicators of those factors identified in the analysis as critical to project success. For the Bottomfish Proposal indicators might include potential catch statistics generated, numbers of new trawlers or investment dollars entering the fishery, growth in the American share of the bottomfish market, or employment growth in trawling.

The ARRC will also be required to perform post-audits when a project is completed to identify if the project achieved its goals. This information, both monitoring of on-going projects and post-audits, would be included in the annual report of the ARRC and would expose the actual performance of the Corporation to the Governor, the Legislature, and the interested public.

November 14, 1977

APPENDIX I

DRAFT FOR DISCUSSION

A Proposal to Promote
Modern Coastal Trawl Fishing in the
United States 200-Mile Zone Off Alaska

"A national program for the development of fisheries which are underutilized or not utilized by United States fishermen, including bottom fish off Alaska, is necessary to assure that our citizens benefit from the employment, food supply, and revenue which could be generated thereby.

(Section 2(a)7 of the Fishery Conservation and Management Act of 1976).

PROPOSAL TO PROMOTE MODERN COASTAL
TRAWL FISHING IN THE UNITED STATES
TWO-HUNDRED MILE ZONE OFF ALASKA

Objective of Program:

The objective is to demonstrate success in trawl fishing for bottomfish off Alaska to stimulate the flow of private capital into American flag coastal trawlers engineered and managed so that they will be economically successful while fishing in the 200-mile zone along the coast of Alaska. A secondary objective is to demonstrate the current state of trawl fishing technology to Alaskan fishermen.

The Trawl-Fish Resources of Alaska and Extent of American Utilization:

The term "trawl-fish" refers to species including pollock, cod, flounder, Pacific ocean perch, and other species usually caught in trawl nets. The great bulk of these fish have white non-oily flesh which lends itself to freezing. These fish also tend to be more abundant and of lower unit value than species such as salmon and crab. For these reasons, trawl fish are the foundation of the frozen seafood industry of the world.

The American public consumes more than 650 million pounds annually of frozen and fresh trawl fish fillets and minced flesh. More than 90% of the supply of these products is imported. Together with heavy imports of shrimp, lobster tails, and tuna, these imports of trawl fish products create the unfavorable U.S. trade balance on account of seafood which reached as high as 1.8 billion dollars in 1976. In addition, the U.S. imports of fish meal and solubles in recent years have run at a level near 150,000 short tons or about 37% of present U.S. annual consumption of such products.

The trawl fish resources of Alaska, if utilized by United States citizens to the full extent allowed by U.S. management plans, would produce annually about 1.3 billion pounds of fillets and minced fish muscle and

about 207,000 short tons of fish meal and solubles or other dry weight of concentrated fish protein. Such production would make the United States a large net exporter of trawl-fish products and, in all likelihood, would eliminate U.S. import of fish meal. The increased U.S. production would be distributed: (1) partly in the United States market in replacement of imports and as contributions to growth of consumption, and (2) partly in overseas markets.

For example, the muscle flesh of domestic Alaska pollock, when properly handled, closely resembles that of cod. It can be substituted for cod in many uses and also can be substituted for pollock and hake flesh now imported. Aggregate imports of fillet products from these species total over 400 million pounds annually. It wouldn't be surprising if American pollock flesh products in the future were divided, say, 200 million pounds to the U.S. domestic market annually and 620 million pounds annually to overseas markets; the principal one of which would be Japan. The latter country consumes several times this amount of pollock flesh as a component of fabricated fish products such as surimi and kamaboko.

The degree of utilization of Alaska trawl fish resources by Americans today is low. Foreign fishing and processing has accounted for practically all production up to now. In 1978, the total catch allowed under approved management plans for the eastern Bering Sea and the Gulf of Alaska will be 1,708,700 metric tons or more than 3.7 billion pounds round weight. Of this total, only 3.5% is projected for catch and processing by Americans, and even this modest harvest may be unattainable without technical assistance such as proposed here. In other words, plans for 1978 indicate that the vessels of other nations will catch 96.5% of the allowable catch of trawl fish in Alaskan waters.

Fish Harvesting and Processing Facilities of Alaska

Alaska, in 1975, had 221 processing plants employing 9,947 people in summer. In winter, employment has been considerably less, probably half of the foregoing. Trawl fish processing, of course, will tend to even out employment because it is a twelve-month activity.

Of these plants, two, each owned by a separate company, have installed mechanical fish filleting and skinning lines along with necessary freezing facilities to process trawl fish. A third plant is planned for sometime in 1978. It will be owned by one of the first two companies in the business. Two other seafood companies have indicated their intentions of investing in trawl fish processing facilities within the next two years. In other words, within the next two years, Alaska is likely to have at least five plants for the processing of trawl fish. All five plants will be on the Gulf of Alaska. Longer range plans call for utilization of fish in the Bering Sea and plants easily reached by vessels fishing there. Dutch Harbor and the Island of St. Paul in the Pribilofs are being considered as sites for such plants.

According to the Commerce Department's "Fisheries of the United States, 1975", there were 12,679 full-time fishermen in Alaska and 9,181 part-time fishermen; 21,860 in all. This latter total is greater than the corresponding figure for any other state. The next ranking state in number of fishermen is Maine with 17,316.

The great majority of the Alaskan fishermen are using small vessels, i.e., less than 60 feet in overall length. Very few vessels today are equipped for trawling, i.e., probably only about 100 in all of Alaska. These boats trawl mainly for shrimp. Most of the shrimp trawlers are less than 80 feet in overall length and the upper limit of horse power is around 580.

The largest and most powerful vessels fishing in Alaska are engaged in the king and snow crab fisheries, principally in the eastern Bering Sea. The crab fleet today includes about 90 modern vessels. Many of these are between 100 and 200 gross tons and between 85 and 120 feet in overall length. In addition, about 32 new crab vessels are under construction. When these have been added to the fleet, the United States will have approximately 120 crab vessels in the N. Pacific capable of fishing in the open sea all year around. Most of these vessels will have a horse power of 800 or more. More than half of the Bering Sea crab fleet comes from home ports in Washington and Oregon. A little less than half of the modern crab boats are based in Alaska.

In all likelihood, the present crab fleet, including the new boats being built, will be able to harvest all of the crab within the American 200-mile zone. Whether or not there will be a surplus of crab boats available to enter the trawl fishery in the next few years will depend on increased markets for snow crab.

If we are to get a year-round fish trawling effort started on a substantial scale within the next year, a few vessels will have to be enticed to leave crab fishing. If the trawl fisheries appear promising, the owners of some of the crab vessels may convert to trawling. It is likely some of the shrimpers will trawl for fish in the periods between shrimp seasons. A few of the shrimp trawlers might convert to full-time fish trawling but, because of size limitation, not many shrimpers will be able to trawl for fish all year round. Also, a favorable outlook will induce some of the vessel owners to order construction of some new vessels designed specifically for trawling. The main part of the future trawl fleet will come from new construction. This project can establish important criteria for the design of the new generation of vessels.

The Problem of Recruiting Vessels for Fish Trawling and the Need for
a Demonstration

Vessel owners have experienced favorable financial results from crab fishing and, as a result, capital still is flowing into American crab vessels. According to studies of the Commerce Department, return on investment in crab fishing often has been at 15% or greater. Americans have had virtually no experience in commercial trawling for fish in Alaska. Consequently, vessel owners have no adequate basis for estimating catch over a complete annual cycle.

Each of the species of trawl fish under consideration goes through an annual cycle of behavior and migration. For example, in winter, most species move offshore into deeper water as ocean bottom temperatures decline. In late winter, or in spring, there is a spawning period. Each population of a species will move to a "spawning ground" usually in a heavy concentration. After spawning, there is a period of feeding and recovery and usually a greater dispersal over the continental shelf. When bottom waters cool again in autumn, the fish populations will migrate again into deeper water. Some species winter over the shelf edge on the continental slope and others are on the outer part of the shelf.

Considering these fish movements, it is apparent that one must fish an entire year in order to get a reliable reading on what a trawler can produce.

The National Marine Fisheries Service and the Halibut Commission, over the years since World War II, have chartered trawlers from time to time to survey the bottom fish resources of the continental shelf and slope off Alaska. These surveys have been very useful. They have indicated which species are present by geographical area and have enabled the NMFS

to make stock assessments. These surveys together with data from foreign fleets made the present array of American Fishery Management plans possible. These surveys by the NMFS in the past five years have indicated substantial resources of pollock, cod and flounder in the Gulf of Alaska. This information has encouraged American processors to invest in facilities to process these species.

A few vessel owners have also made investments toward harvest of trawl fish. In general, these actions have been to invest in vessel capability that would lend itself to conversion to trawling--multipurpose design, adequate horsepower, deck arrangements, etc. The additional conversion costs for these vessels runs \$300-500,000, however, and very few owners have chosen to make this additional investment because of foreign competition for the resource, lack of management authority to conserve the resource, proven alternatives (an expanding crab fishery), lack of markets (processor commitment), and lack of information on sustained return to capital (demonstration fishing).

With passage of the Fisheries Conservation and Management Act of 1976 (the "200-mile limit" bill), this situation has changed. The U.S. now has the capability to manage these resources and the requirement that U.S. fishing vessels receive full allocation before foreign fishing is permitted provides a sound basis for investment of both private and public monies.

In order to stimulate the flow of private capital into American Flag trawlers, we will have to provide the vessel owners with markets and the information they need to estimate return on capital. The major unknown in the return on capital calculation is the amount of annual catch.

We submit that the most effective way to generate this information is to arrange a trawl fishing demonstration over a one-year period. During this period, the best and most experienced American skippers should

be employed. The vessels should be capable of fishing all year. They must have the fish detection and trawl monitoring instrumentation which will put them in a competitive parity with coastal trawlers of other advanced nations.

This fishing demonstration should be the occasion for our bringing ourselves completely up-to-date on all aspects of trawl fishing technology, i.e., the design of vessels, the fishing hardware and nets, the electronics and the techniques of utilizing all of these elements to optimize catch.

Fishing Demonstration Proposal

To demonstrate the return to capital, it is proposed that two well-equipped trawlers with outstanding skippers be engaged to fish for a year in the western Gulf of Alaska and that three equally well-equipped and skippered trawlers be engaged to fish for a year in the eastern Gulf of Alaska. For the purpose of this project, a line drawn down the middle of "Seward Gulley" will divide the western Gulf from the eastern.

It is recommended that two of the trawlers in the eastern Gulf of Alaska, which includes southeastern Alaska, be of the smaller size class now engaged in trawling in that region, i.e., from 58 to 85 feet in overall length. The remaining 3 vessels should be in the 100-120 foot LOA class.

The two trawlers in the western Gulf of Alaska could deliver their catches to the plants at Kodiak, and the other plants which will be starting up elsewhere west of Kodiak.

The three trawlers (one large and two smaller) in the eastern Gulf of Alaska would have the territory from the middle of the Seward Gully to the Canadian boundary in Dixon Entrance. It is contemplated that the two smaller vessels would deliver fish mainly to plants in the inside waters of southeastern Alaska; i.e., the one at Petersburg and others which may be able to buy bottom fish.

In winter weather, the two smaller vessels would have to concentrate their effort in the inside waters of southeastern Alaska. In the better weather, the two smaller vessels should fish outside or inside, wherever they could maximize dollars of gross stock.

The larger vessel could fish outside or inside waters, wherever it could maximize dollars of gross stocks.

Deliveries of the three vessels allocated to the eastern Gulf of Alaska could be spread among plants from Seward to Ketchikan.

It is suggested that in each part of the Gulf of Alaska, the various interested companies be asked to commit for definite shares of the catch. If several companies in each region were interested, it would be possible to take into account the seasonal activities of plants in allocating catches. For example, if it appeared the plants in Southeastern during July were going to be plugged with salmon to be frozen, the large trawler and maybe one or both of the others could deliver to Seward or Cordova.

The vessels in this demonstration should be available to observers from the NMFS, Alaska Fish and Game Department, and observers from private industry. Complete fishing logs should be kept and made available to the public. It would appear desirable for the National Marine Fisheries Service to prepare and publish a summary report on the results of the project after the year of fishing, and also quarterly progress reports.

The results should be of value to American citizens who are attempting to project results of trawl fishing, specify and design future trawlers, or to plan the modification of existing vessels.

Management

The demonstration program will be managed by a non-profit institute organized for the purpose under the laws of Alaska. A manager, preferably

an executive "loaned from industry", will administer the program, manage industry commitments, supervise the fishing activities, and allocate the catch among processing industry participants.

The manager will be assisted by a government scientist, preferably loaned from NMFS or ADF&G, who will be responsible for the catch sampling, resource aspects, and documentation of the venture for the public record. Clerical and financial assistance will be provided by an office manager and/or through contracts.

A. Importance of Skippers

The most important decisions in setting up the demonstration are the selections of skippers. If a skipper is particularly effective, it sometimes is wise to select that man and the boat which comes with him even though the boat may not meet every one of the specifications which one might consider as being highly desirable. The skippers selected must have demonstrated experience and capability in trawling and have enthusiasm for this method of fishing.

With the qualifications that one should put first priority upon the capabilities of the American captains, let us consider recommended vessel specifications.

Recommended Specifications for the Two Larger Vessels in the Western Gulf of Alaska and One Larger Vessel in the Eastern Gulf of Alaska

1. Built to standards of design and construction characteristic of the more modern trawlers and crabbers operating in the winter weather of the North Pacific.
2. Horse power of main engine, no less than 700, or no less than 600 horse power with Kort nozzle on propeller.

3. Overall length - greater than 85 feet--preferably 100-120 feet.
4. Equipped to handle efficiently both bottom and mid-water trawls.
5. Length of each trawl warp - 1,000 fathoms.
6. Two Baader or Jutland fish gutters aboard with combined capacity to gut 60 fish per minute.
7. Navigational Equipment
 - a. Compass
 - b. Radar with range in excess of 30 miles (2 each)
 - c. Loran-C (2 each)
 - d. Track plotter, coupled to Loran C to automatically record track of each tow or each run for purpose of positive location/future identification.
8. Depth Sounding Equipment
 - a. Recording fathometer with range in excess of 900 fathoms, with scale expander, white line and bottom-look.
 - b. Echo scope to aid in judging characteristics of fish shown by fathometer.
9. Scanning Sonar
 - a. Rotation 360° , tilt 0° to 90°
 - b. Range in excess of 1,600 meters
 - c. Scope, paper, and audio display of fish and other objects picked up by the sonar
10. Trawl Monitoring System
 - a. Upward and downward looking transducers for trawl headrope
 - b. Temperature indicator on headrope transducer
 - c. Cable -- 1,000 fathoms from transducer and temperature indicator on trawl to net sonde winch utilizing constant tension specified by manufacturer of net sonde.

D R A F T

- d. Trawl watch, with alarm system, coupled to fathometer specified above

C. Recommended Specifications for Two
Smaller Vessels in Eastern Gulf of Alaska

1. Overall length 55 to 85 feet inclusive.
2. Horse power of main engine no less than 300.
3. No specifications or standards of design and construction.
4. Same as for larger vessels.
5. Length of each trawl warp, 750 fathoms.
6. At least one Baader or Jutland fish gutter aboard.
7. Same as for larger vessels.
8. Same as for larger vessels, except that range of fathometer should be no less than 450 fathoms.
9. Same as for larger vessels, except that range of sonar should be no less than 1,600 meters.
10. Trawl monitoring system must have same basic elements as the one used on the larger vessel. A single transducer on the headrope of the trawl looking downward, will suffice and the length of the cable to the constant tension winch on the deck of the vessel need be about 750 fathoms.

D. Recommended Assistance to Trawler Owners

Trawlers meeting the above specifications will be competitive with the best vessels of their size and power anywhere in the world. Until we know more about what can be produced by such vessels in the 200-mile zone of Alaska, vessel owners, unless they have some special aid, will not have any tangible justification for meeting these specifications and dedicating a year to fish trawling.

It is proposed that the special aid for the five trawlers in the fishing demonstration take the following three forms:

1. A grant or cash subsidy of 50% of the installed cost of new equipment needed by a vessel in order to comply with the specifications listed above.
2. For each vessel, there will be a guarantee of average gross stock per day at sea fishing, over each group of six voyages, of \$2,500 (\$1,500 for smaller trawlers) plus a cash bonus based on catch.
3. A program to bring from Europe to Alaska, five outstanding English-speaking trawler captains experienced in the use of the fish finding and trawl monitoring systems specified, as well as in the operation and maintenance of mid-water and bottom trawls, and to put one of these men aboard each demonstration trawler as an advisor and coach. It is suggested such advisor and coach be aboard each trawler for the first 60 days of the demonstration. Then for the remainder of the twelve-month fishing demonstration period, one captain-advisor should be available to the fleet. It would appear appropriate for such an advisor to rotate among the five trawlers.

E. Details of Each Form of Assistance

1. Cash Subsidy on Equipment Purchases

a. Estimated equipment costs:

Most of the modern vessels in the Alaskan fisheries already have an adequate Loran, radar, and depth sounder. The major categories of equipment most of them do not have and would be required to purchase in order to trawl for fish are listed below:

D R A F T

<u>Depth Sounding</u>	<u>Large Trawler</u>	<u>Small Trawler</u>
1) Echo scope for use in conjunction with sounder:	\$4,100	\$ none
<u>Scanning Sonar and Scope</u>	46,000	24,000
<u>Trawl monitoring system</u>	34,000	25,000
<u>Course plotter</u>	5,500	5,500
<u>Installation cost of above categories:</u>	20,000	14,000
<u>Trawl winches and installation</u>	102,000	65,000
<u>Gallows, blocks, deck rearrangements</u>	15,000	10,000
<u>Trawl warp:</u>		
1) 2,000 fathoms 3/4" steel cable	10,000	
2) 1,100 fathoms 9/16" steel cable		5,000
<u>Two hydraulic net reels:</u>	28,000	22,000
<u>Two pairs bottom trawl doors:</u>		
1) Polyvalent	14,000	
2) Steel-V		4,000
<u>One pair Suberkrub mid-water trawl doors:</u>	4,000	2,000
<u>Nets with associated gear and spare webbing:</u>	35,000	20,000
<u>Mechanical fish gutters, fish conveyors, and wash boxes:</u>	41,000	20,500
Subtotal	\$358,600	\$217,000

If vessel is a live-tanked crabber, it
may be desirable to take one or all of
the following courses of action:

Insulate tanks:	50,000	30,000
-----------------	--------	--------

and

Install flush hatches, stancheons
and bin boards:

\$20,000

or

D R A F T

Purchase full supply of plastic fish boxes:

\$20,000

or

Install RSW system:

\$70,000

For budgeting purposes:

RSW cost:	\$70,000	\$20,000
<u>If vessel's hydraulic system does not have enough capacity for operation of trawl winches, it will be necessary to beef it up which could cost:</u>	15,000	10,000
<u>If vessel does not have Kort nozzle on propeller it can realize at least a 20% increase in bollard pull by installation of a fixed nozzle around the propeller:</u>	<u>17,000</u>	<u>15,000</u>
Subtotal:	<u>\$152,000</u>	<u>\$75,000</u>
Contingency:	<u>39,400</u>	<u>28,000</u>
Grandtotal if all of above items are purchased:	<u><u>\$550,000</u></u>	<u><u>\$320,000</u></u>

For budgeting purposes, it is suggested that one assume each of the larger will need \$550,000, and the smaller vessels \$320,000. The total equipment expenditure of the five vessels could be as high as \$2,290,000. Fifty percent of this would be \$1,145,000. It is recommended the fund for equipment subsidy be \$1,200,000.

There are some vessels in the North Pacific which already have most of the features costed above. If they can be recruited for the program, the actual expenditure on equipment subsidy can be held below the above figure.

2. Guaranty of average gross stock per day at sea.

a. Proposed terms of guaranty

1. Amount, \$2,500 per day at sea for the larger vessels

and \$1,500 per day at sea for the smaller. Exclude any breakdown of vessel for more than whole day.

2. Set definite starting date and ending date for 12-month period during which guaranty is effective for up to 250 days.
3. Main source of cash for vessel operations will be the fish processing industry in its purchase of fish from the vessels at the prevailing prices. These prices will be related to the wholesale prices of fillets in the lower 48. Today the prices for round fish would be approximately as follows: .6½ cents per lb. round wt. for pollock; average of .10 cents per lb. for flatfish; and .12-.15 cents per lb. for gutted cod. All seafood companies should be invited to participate in program. It is suggested that if a processing company wishes to purchase fish from these trawlers, it should make a commitment at the outset to take a certain percentage of the catch and at the same time agree to underwrite that percentage of the industry's share of the guaranty.
4. Guaranty will be funded 75% by money from public sources and 25% by money from industry and will apply only to a short fall in average daily gross stock.
5. For purposes of calculating average daily gross stock, the total receipts of the vessel for each six consecutive voyages will be divided by the total number of days at sea in the six voyages less any days during which the vessel was broken down and unable to fish for a whole 24-hour period.
6. After each six voyages, there will be a settlement with the vessel in regard to any amounts owed to it by reason of a shortfall in gross stock, or by reason of earning the bonus for realizing a gross stock from the sale of fish in excess of \$2,500 a day at sea. (\$1,500 for smaller vessel). The amount owed the vessel will be paid in cash within 2 weeks of termination of last voyage in the group of 6.
7. Either the vessel or the administering agency should have the right to terminate the arrangement at 30 days notice in writing provided, however, in the event the vessel terminates at its initiative, it will refund a share of the equipment subsidy equal to the ratio of days remaining after the termination date, in the year's contract period, to the total number of days in the contract period. If the arrangement is terminated at the option of the administering agency, at any time in the first 6 months, it will pay the vessel \$100,000. (\$60,000 for smaller trawler). If the termination occurs in the third quarter, the payment to the vessel will be \$50,000. (\$30,000 for smaller vessel). If the termination occurs

in the fourth quarter, but prior to the end of the full year, the payment will be \$12,500. (\$7,500 for smaller vessels).

8. As indicated above, it is proposed that the NMFS be the administering agency to contract with the vessels and administer the contracts.
9. The contract with a vessel should name the skipper and should provide that there should be no substitution without the approval of the administering agency. If, for reasons of health or otherwise, it is desirable for a skipper to be relieved temporarily or for a longer period, the administering agency should not unreasonably withhold approval.
10. The contract with a vessel should require a minimum number of personnel aboard. The purpose will be to ensure enough personnel to allow the vessel to reach her maximum catch potential. On each of the larger trawlers, it is suggested the minimum number of personnel be 6. On the smaller trawler, it is suggested the minimum number be 4.
11. Participating processing companies must pledge their best efforts to buy all of the fish the trawlers can catch. The intent is to have the boats produce and sell at the prevailing market prices every pound of marketable fish which can be caught. The fish processing companies will not be expected to buy unmarketable species.

3. Funding of Gross Stock Guaranty

- a. Assuming each of the five vessels spent 250 days at sea and caught no fish, the theoretical liability on account of the gross stock guaranty would be \$2,625,000.

As a practical matter, it never will be that high because:
 (1) each vessel will catch some fish; and (2) the administering agency can terminate the engagement of a vessel at 30 days notice if results are too poor.

- b. Some practical possibilities:

- (1) Shortfall of 50% in all 5 vessels for 5 months and then a termination of all 4 vessels after 30 days notice would cost: \$1,076,250.
- (2) A 25% shortfall in all four vessels for a year would cost: \$656,250.
- (3) A 50% shortfall in all five vessels for 6 months and a 50% gross stock surplus for the other 6 months would cost the following: shortfall for 6 months with 5 vessels, \$656,250; cost of bonus to five vessels with 50% surplus for 6 months, \$131,250.

Total: \$787,500

- c. Recommended fund to backup guaranty of gross stock is \$1,200,000. From other than industry 75% or \$900,000.
4. Program to bring to Alaska five outstanding trawler captains from Europe.
- a. Estimated cost: Fee of \$200/day per man x 60 days x 5 men = \$60,000
- b. Meals and other expenses: \$30/day x 60 days x 5 men = \$ 9,000
- c. Five round-trip airplane fares Europe-Alaska, \$2,000 each x 5 men = \$10,000
- d. Fees and expense of skipper for balance of year, \$200/day x 300 = \$60,000
- Total \$139,000
- Recommended funding = \$139,000

Recap of required funding from sources other than fish industry:

1. Equipment subsidy:	\$1,200,000
2. Underwriting of gross stock guaranty:	900,000
3. Program to bring skippers from Europe or Eastern Canada:	<u>139,000</u>
Total of above:	\$2,239,000
Add general contingency:	<u>261,000</u>
Estimated total funding requirements from sources other than fish industry:	<u>\$2,500,000</u>

Recap of Fish Industry Contributions:

1. Other half of equipment expenditure:	\$1,200,000
2. 25% of gross stock guaranty:	300,000
3. Expenditures for fish at prevailing market prices. Assume 50% of guaranteed gross stock for 6 months:	<u>656,250</u>
Total of funds from industry under assumptions stated:	<u>\$2,156,250</u>

Estimate of Results of Project:

We believe the execution of the foregoing program will attract a limited but very significant number of existing qualified vessels into the trawl fisheries on a full-time basis. We believe the program will give the American trawling industry a needed beachhead.

The program will have a very great impact upon the design, financing, and construction of new trawlers for the North Pacific.

Extended fishery jurisdiction around the world has disrupted the previous pattern of fish production and the flow of products among nations.

This demonstration fishing project with American trawlers will enable the United States to move vigorously to utilize the resources under its jurisdiction, to increase its supply to its domestic market, and to take advantage of export opportunities.

The above is in accord with the Fishery Conservation and Management Act finding (Section 2 (a) 7):

A national program for the development of fisheries which are underutilized or not utilized by United States fishermen, including bottom fish off Alaska, is necessary to assure that our citizens benefit from the employment, food supply, and revenue which could be generated thereby.

Possible Continuation Beyond First Year

The foregoing program and its funding was designed around the concept of continuous fishing efforts by five vessels throughout one year.

The first year will close with a major addition to our country's knowledge of the economic potential of its Alaskan fisheries, as far as American citizens are concerned. There will be a substantial investment of public monies in the vessels and in know how. In all likelihood, construction of some new American trawlers will be underway in shipyards.

There still will be much to be done in measuring economic potential. There will be a need for further testing of many areas in the Gulf of Alaska and there will be the Bering Sea as a whole new frontier as far as American commercial trawling is concerned.

The experience of Americans in commercial trawl fishing with modern equipment and good record keeping, will be useful to the work of the North Pacific Fisheries Management Council in many ways, including the drafting of regulations to safeguard endangered species while facilitating the harvest of abundant species by Americans.

Toward the close of the first year, it would appear sensible for a review to be made of how the United States can derive maximum benefit from its investment in people, know-how, and fishing equipment. At such time, with the benefit of the experience gained, an appropriate program for a second year might be drawn up.

BREAKDOWN of the RENEWABLE RESOURCES DEVELOPMENT FUND MONIES
1979 - 1989

Under the Proposed Alaska Renewable Resources Corp.

(figures in millions of dollars)

Fiscal Year	Annual RRDF Income	50% To RREF (balance)	50% Available for Annual Expenditure	RRPF Earnings ³ 7% average	Total Avail for annual expenditure
FY '79 ¹	\$16.7	\$8.35	\$8.35	\$0.	\$8.35
FY '80	19.4	18.05	9.70	.58	10.28
FY '81	19.8	27.95	9.90	1.26	11.16
FY '82	20.1	38.00	10.05	1.95	12.00
FY '83	20.8	48.40	10.40	2.66	13.06
FY '84	21.3	59.05	10.65	3.38	14.03
FY '85	21.8	69.95	10.90	4.13	15.03
FY '86 ²	23.8	81.85	11.90	4.89	16.79
FY '87	25.5	94.60	12.75	5.72	18.47
FY '88	23.8	106.50	11.90	6.62	18.52
FY '89	21.1	117.05	10.55	7.45	18.00

Breakdown/ Renewable Resources Development Fund Monies
cont.

1. Estimates for FY'79 through FY'85 are taken from November 17, 1977 memo from Dick Haggart to Re. Clark Gruening, "State Revenue Outlook through 1985," Case I (Low Income, High Expenditure Model).
2. Estimates for FY'86 through FY'89 are derived from December 5, 1977 memo from Milt Barker to Senator George Hohman, "Projected Permanent Fund Balances." Barker's assumptions have been revised to conform to those used in the Haggart memo (principly gas production estimates).
3. Earnings are also anticipated from ARRC investments from the 50% available for expenditures. Because these will be venture capital-type investments, the nature, amounts, and timing of these returns are impossible to estimate. Repayment mechanism will be tailored to the needs of venture being financed, and may include liscence or royalty income, deferred repayments or joint venture equity greements, all of which involve high risk and uncertain returns. Nevertheless, successful venture investments yield substantial returns, which will augment the total available for expenditure by the Corporation.

Greening

Senate Bill 342

"An Act creating the resource recovery revolving loan fund; and providing an effective date."

AS 45 is amended by adding a new chapter to read: Chap 97 RES REC REV LOAN FUND
Section 1. PURPOSE. The legislature finds that state government must:

- SEC 45.97. (1) assert leadership in developing small scale technologies
010 appropriate to an era of limited resources;
(2) encourage the recovery of waste of energy and other resources
from discarded materials throughout the state.

(3)

Sec. 45.97.020 ~~POWERS OF THE DEPARTMENT~~ FUND ESTABLISHED. There is established in the Dept. of Commerce and Economic Development the resource recovery revolving loan fund to finance, develop, and implement less costly and less energy-intensive technologies of recycling, waste disposal, transportation, agriculture, energy and building design appropriate to the Alaskan environment and construction, capital improvement or operational expenses of a resource recovery facility.

Sec. 45.97.030 POWERS OF THE DEPARTMENT. The commissioner of commerce and economic development may

- (1) designate agents and delegate his powers to them as necessary;
- (2) adopt regulations necessary to carry out his duties under this chapter;
- (3) make loans to qualified borrowers as described in sec. 60 of this chapter.

Sec. 45.97.030 LIMITATION OF LOANS, (A) loan under this chapter may be made up to but not exceed \$50,000.

(b) The duration for repayment of the loan may not exceed 20 years.

(c) ~~Loans under this~~ The rate of interest may not exceed eight per cent on the unpaid balance.

(d) Loans made under this chapter may be used to finance no more than

- (1) 80 percent of the cost of development and implementation of transportation, agriculture, energy and building design appropriate to the Alaskan environment;
- (2) 90 per cent of the cost of construction, capital improvement, and operational expenses of a recycling, waste disposal or resource recovery facility.

(e) Money loaned shall be delivered to the borrower in the form of a warrant drawn on the treasury, vouchered in the manner prescribed for state disbursing officers, and charged against the resource recovery revolving loan fund. Each voucher shall be approved by the commissioner or a bonded deputy authorized to act as a certifying officer. Upon repayment of loans by instalments, or otherwise, in accordance with the prescribed terms, or upon liquidation by foreclosure or other process, or upon receipt of interest or other revenue, the money so received shall be turned over to the commissioner of revenue for deposit in the resource recovery revolving loan fund.

Sec. 45.97.040. POWER OF COMMISSIONER TO ASSIGN AND SELL MORTGAGES.

The commissioner may assign and sell or transfer at par value or at a premium or discount loan mortgages executed under this chapter to the Dept. of Revenue or any bank or other private purchaser in consideration of receiving cash, bonds, debentures and notes in return as security for loans granted under this chapter, and upon conditions he considers advantageous to the state resource recovery program.

Sec. 45.97.050. CREATION OF FUND. There is created the resource recovery revolving loan fund to carry out the purposes of this chapter. This fund shall be used for no other purpose.

Sec. 45.97.060. ELIGIBILITY FOR LOANS. A person, educational institution, nonprofit association, business concern or municipality is eligible for a loan under this chapter.

Sec. 45.97.070. DEFINITIONS. In this chapter

- (1) "commissioner" means the commissioner of the Dept. of Commerce and Economic Development;
- (2) "department" means the Department of Commerce and Economic Development;
- (3) "resource recovery facility" means a concern that engages in the business of beverage container collection, recycling or other organized effort to recover waste energy and other resources from discarded materials.

Sec. 2. This Act takes effect July 1, 1978.

PLEASE NOTE: THE PRECEDING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.

HOUSE JOURNAL

ALASKA STATE LEGISLATURE TENTH LEGISLATURE · SECOND SESSION

JUNEAU, ALASKA

Wednesday

April 12, 1978

Ninety-fourth Day

Pursuant to adjournment, the House was called to order by Speaker Malone at 10 07 a.m.

Roll call showed all members present except Representatives Beirne, Brown, McKinnon and Miles. Representative Beirne had been previously excused from a call of the House today.

Mr. Miller moved and asked unanimous consent that the other absent members be excused on official state business. There being no objection, it was so ordered.

The prayer was offered by the Chaplain, Pastor Muriel C. Brown of the Chapel by the Lake. Mr. Swanson moved and asked unanimous consent that the prayer be spread on the journal. There being no objection, it was so ordered and the prayer appears as follows.

"Save this moment, O Lord, from being merely a gesture to custom or convention.

But even as we pray for Your guidance and help, O God, we know that You do not intend prayer to be a substitute for work. We know that we are expected to do our part, for You have made us, not puppets, but persons with minds to think and wills to resolve.

Make us willing to think, and think hard, clearly and honestly, guided by Your voice within us.

Through Jesus Christ, our Lord. Amen."

Mr. Miller moved and asked unanimous consent that the journal for the 93rd day and House/Senate Supplements 6 and 7 be approved as certified. There being no objection, it was so ordered.

MESSAGES FROM THE GOVERNOR

"April 12, 1978

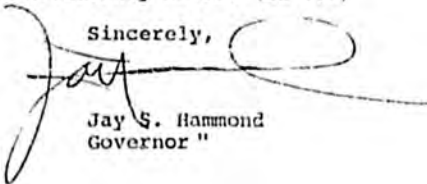
The Honorable Hugh Malone
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. Speaker: *HM*

The following list comprises those priority measures introduced by this administration which realistically could and should be addressed this session. While other measures, such as certain park measures, are deemed priority, awareness of political reality (evidenced by the fact that these issues have long been before legislators) makes them inappropriate for inclusion upon this list.

1. Land Package (HB 904, HB 905, SB 568, SB 241)
2. Alpetco and Tesoro Contracts (HCR 112, SCR 85, HCR 113, SCR 84)
3. Permanent Fund (HB 298 or HB 596)
4. Hootch Case Education Bonds (SB 447)
5. Alcohol Tax and Package (HB 196, SB 167, HB 232, SB 182, HB 240, SB 183, HB 241, SB 168)
6. Agriculture Package (HB 910, SB 435, SB 413, SB 414)
7. Supplemental and Special Appropriation Bills
8. Correctional Facilities Bonds (HB 890)
9. School Construction Bill (HB 853, SB 163)
10. Forest Practices Bill (SS SB 59)
11. Reservation of Water (HB 176)
12. Bilingual Education (HB 851)
13. Longevity Bonus COLA (SB 392)
14. Instructional Unit Increase Education (HB 800)
15. Oil and Gas Income Tax (HB 322)
16. Unemployment Insurance Bill Increase (SS HB 550)
17. Administration of Fish and Game (SB 147)
18. Senior Citizen Rent Equivalency (HB 584)
19. Management and Efficiency Review (SB 100)

Sincerely,


Jay S. Hammond
Governor "

A message dated April 12, 1978 was read stating the Governor has signed the following bills and is transmitting the enrolled and engrossed copies to the Lieutenant Governor's office for permanent filing:

FREE CONFERENCE COMMITTEE SUBSTITUTE FOR FCCS
HOUSE BILL NO 611 HB
(making supplemental appropriations to the Office 611
of the Governor, telecommunications the legis-
lative finance division, the Department of Com-
merce and Economic Development, division of
business loans; the Legislative Affairs Agency;
and the Alaska State Council on the Arts; and
providing for an effective date."
Chapter 25, SLA 1978

HOUSE BILL NO 911 HB
(making a supplemental appropriation to the 911
Legislative Affairs Agency; and providing for
an effective date.)
Chapter 26, SLA 1978

MESSAGES FROM THE SENATE

A message dated April 11, 1978 was read stating the Senate HB
has passed HOUSE BILL NO. 619 (supplemental appropriation 619
to Department of Labor, vocational rehabilitation and Unemp.
Station #8; effective date) and it is returned.

HB 619 was referred to the Chief Clerk for enrollment.

A message dated April 11, 1978 was read stating the Senate HCS
has concurred in the House amendment to COMMITTEE SUBSTITUTE 401 CSSB
FOR SENATE BILL NO. 401, thus adopting:

HOUSE COMMITTEE SUBSTITUTE FOR COMMITTEE
SUBSTITUTE FOR SENATE BILL NO. 401
(supplemental appropriation to Department
of Public Safety and Department of Community
and Regional Affairs; effective date)

A message dated April 11, 1978 was read stating the Senate
has passed the following bill and it is transmitted for
consideration.

FIRST READING AND REFERENCE OF SENATE BILLS

SENATE BILL NO. 556 amended, by the Finance Committee, SB
entitled: 556

"An Act relating to medical assistance
for needy persons; and providing for an
effective date."

was read the first time and referred to the Committees
on Health, Education and Social Services and Finance. am

REPORTS OF STANDING COMMITTEES

- HB 97 The Judiciary Committee has had HOUSE BILL NO. 97 (termination of financing statements under the Uniform Commercial Code effective date) under consideration a second time and the committee recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 97 (Judiciary)

"An Act relating to security interests under the Uniform Commercial Code, and providing for an effective date "

and that it be reported back with individual recommendations. Gardiner (Chairman) and Rudd recommend do pass; Dankworth, Carpenter and Brown have no recommendation.

HB 97 was referred to the Rules Committee for placement on the calendar.

- HB 682 The Finance Committee has had HOUSE BILL NO. 682 (nonrenewable resources revenues) under consideration and a majority of the committee recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 682 (Finance):

"An Act relating to the renewable resources funds."

and that it do pass. Concurring: Cowper (Chairman), Guy, Schaeffer, Meekins, Buchholdt, Duncan and Gruening. Not concurring: Freeman, Rhode, Haugen and Swanson have no recommendation.

HB 682 was referred to the Rules Committee for placement on the calendar.

A fiscal note on HB 682 appears in House Supplement 30.

The Finance Committee's letter of intent appears as follows:

HOUSE FINANCE COMMITTEE
COMMITTEE REPORT ON CS HB682 (Finance)

The Renewable Resources Development Fund was established by the legislature in 1974 to provide for the rehabilitation, enhancement, and development of the state's renewable resources. The Fund consists of at least five percent of all mineral lease bonuses and royalties, and rentals from state lands. The proposed legislation establishes the Alaska Renewable Resources Corporation to invest half of the receipts of the Fund in renewable resource-based industries. The other half of the Fund would be saved through the Renewable Resources Investment Fund. The name of the Renewable Resources Permanent Fund (AS 37.11.050) is changed to the Renewable Resources Investment Fund to avoid confusion with the Alaska Permanent Fund (Article 9, section 15 of the Alaska State Constitution).

Investments of the Alaska Renewable Resources Corporation (ARRC) would focus on new products, markets, and technologies which are the key components of expanded renewable resource-based economic activity. Products and markets result from any economic use of the resources, while technologies include the methods for managing, harvesting, processing, or delivering the resources to market. ARRC would also provide funds for the applied research, development and demonstration of new renewable resource-based activities, and the seed capital necessary to introduce them into commercial markets.

HB
682

For the earliest stages of renewable resource industry development (applied research and development), the Committee does not envision ARRC funding of general or basic research by university or other scientific research organizations. This type of research is covered by other programs. Rather, ARRC-funded applied research and development activity would utilize the fruits of basic research to develop specific products or processes for commercial purposes.

In addition to stimulation of new economic activity based on the state's renewable resources, investment goals also include the maintenance or expansion of resource productivity, the development of in-state and export markets, and the expansion of resident employment, income, and governmental revenues from renewable resource development.

The term renewable resources is defined in terms of the resource base, which remains relatively constant over time, rather than in terms of economic activity, which changes over time. Accordingly, non-human living organisms, air, land, water, and naturally recurring energy systems are intended as the target of investment activity. In the tourism industry, for example, the Committee contemplates investment in the resources on which the industry is partially based, such as sport fishing, but not such capital components of the industry as hotels and lodging facilities.

An integral part of the bill is the concept of achieving an appropriate use of the resources. As trustees of our renewable resources the state is constitutionally directed to seek the most beneficial uses. ARRC investment decisions should consider both expected financial returns and the effects of resource development on both the target resource and on other resources. Achieving appropriate resource use at the inception of economic activity will greatly benefit the state and its residents by avoiding longer-run regulatory and rehabilitation burdens resulting in more stable economic activity based on all of the state's renewable resources.

In its deliberations, the Committee determined that the most effective method of investment includes both equity and debt secured by a variety of mechanisms to provide a return to the corporation when an investment starts to generate income. Such methods maximize incentives for entrepreneurship through ARRC sharing of the risks inherent in new ventures and imposing no debt service burdens until the enterprise is earning income. The corporation would in turn receive high returns from its successful investments, commensurate with the risks undertaken.

The Committee identified three important types of activity which may have no income producing potential (depending on the specifics of the project) and therefore must be funded through grants. These include applied research (which directs basic research toward specific products and processes for commercial purposes), one-time-only demonstrations, and common property resource projects where the benefits accrue to the general public. Funds available for grants are limited to ten percent of the corporation's annual appropriation and to ninety percent of a project's costs.

- HB 682 In addition to the lack of start-up capital, the Committee found that another major obstacle to renewable resource development is a shortage of Alaskans trained in new harvesting, processing, or marketing techniques and business management skills. CS HB682 provides for the corporation to finance technical assistance to supplement the expertise of its applicants. The corporation is specifically forbidden, however, from managing its projects. The costs of this assistance are to be included in the overall project financing and are to be repaid by the borrower.

The flow of funds, as established in AS 37.11 (Renewable Resources Development Fund), begins with the deposit of at least five percent of all mineral lease bonuses and royalties, and rentals from state lands, into the Renewable Resources Development Fund. Under the proposed legislation, half of this amount would be allocated to the ARRC and half would be allocated to the Renewable Resources Investment Fund. Under existing law (AS 37.11.060), only those funds not expended out of the Development Fund would be deposited in the Investment Fund. When the Investment Fund reaches \$250 million, the five percent flow into the Development Fund ceases and the only further source of money under this program is the income from the Investment Fund. The Committee was concerned that this system creates an incentive to spend out of the Development Fund to prevent the Investment Fund from ever reaching the \$250 million cap. Therefore the fifty-fifty split was devised as a "forced savings" both to remove this incentive to spend and to insure the availability of Investment Fund income in perpetuity.

Investment Fund principle under the bill would be invested by the treasury division of the Department of Revenue in secure investments (under AS 39.35.110). The earnings from these investments would be available for legislative appropriation to programs for the rehabilitation, enhancement, and development of the state's renewable resources. The bill proposes as the primary use of Investment Fund income the restoration of the state's renewable resources. Because restoration of public natural resources in most cases is not a direct profit generating activity, the state must take the lead in performing this essential public purpose. Restoration includes such activities as fish hatcheries, land reclamation and habitat improvement.

The allocation into the corporation would be available for investments or grants as described above. The corporation would be subject to the Executive Budget Act (37.07) and may expend money only as appropriated by the legislature. The earnings from corporation investments, and unexpended or unobligated appropriations from previous fiscal years, may be retained by the corporation for expenditure through subsequent appropriations. The operating budget of the ARRC would come from legislative appropriations from the general fund.

- HB 692 The Finance Committee has had HOUSE BILL NO. 692 (requiring the election pamphlet to contain fiscal information for ballot propositions) under consideration and a majority of the committee recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 692 (Finance):

"An Act requiring the election pamphlet to contain fiscal information for ballot propositions; and providing for an effective date."

and that it do pass. Concurring: Cowper (Chairman), Freeman, Rhode, Haugen, Guy, Schaeffer, Swanson and Buchholdt. Not concurring: Gruening has no recommendation.

HB 692 was referred to the Rules Committee for placement on the calendar. HB 692

The Commerce Committee has had HOUSE BILL NO. 778 (skiing and the regulation of skiing facilities; effective date) under consideration and a majority of the committee recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 778 (same title) and that it be reported back without recommendation. Concurring: McKinnon (Chairman), Chatterton, Bradley and Parr. Not concurring: Hayes recommends do pass. HB 778

HB 778 was referred to the Rules Committee for placement on the calendar.

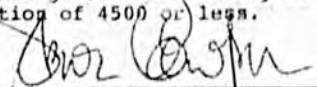
The Finance Committee has had HOUSE BILL NO. 861 (special appropriations to the Alaska Housing Finance Corporation; effective date) under consideration and a majority of the committee recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 861 (same title) and that it do pass. Concurring: Gruening, Duncan, Meekins, Buchholdt, Swanson, Schaeffer, Guy, Haugen, Rhode and Freeman. Not concurring: Cowper (Chairman) has no recommendation. HB 861

HB 861 was referred to the Rules Committee for placement on the calendar.

The Finance Committee's letter of intent on CSHB 861 appears as follows:

HOUSE FINANCE COMMITTEE
Letter of Intent CSHB 861

Sec. 2 of CSHB 861 appropriates \$1,000,000 to the rural housing insurance account of the mortgage insurance fund of the Alaska Housing Finance Corporation for the benefit of rural housing programs. It is the intent of the House, for the purposes of this section, that the Alaska Housing Finance Corporation construe "rural" to be those communities of the state which do not have access to Anchorage or Fairbanks by road or railroad and that have a population of 4500 or less.


Steve Cowper, Chairman
House Finance Committee

CITATIONS

Legislative Citation Commending Cindy Roberts, by Representative Dankworth, was read and referred to the Rules Committee for placement on the calendar.

INTRODUCTION, FIRST READING AND REFERENCE
OF HOUSE RESOLUTIONS

HCR HOUSE CONCURRENT RESOLUTION NO. 123 by the Judiciary
123 Committee:

Requesting the judicial council to aid
the Alaska court system in developing guide-
lines for sentencing first felony offenders.

was introduced, read the first time and referred to the
Judiciary Committee.

HJR HOUSE JOINT RESOLUTION NO. 70 by the Community and
70 Regional Affairs Committee:

Supporting a comprehensive Alaska-based
civil rights in education assistance
center.

was introduced, read the first time and referred to the
Community and Regional Affairs Committee.

HJR HOUSE JOINT RESOLUTION NO. 71 by the State Affairs
71 Committee:

Proposing an amendment to the
Constitution of the State of Alaska
increasing the membership of each
chamber of the legislature.

was introduced, read the first time and referred to the
Committees on State Affairs and Judiciary.

INTRODUCTION, FIRST READING AND REFERENCE
OF HOUSE BILLS

HB HOUSE BILL NO. 925 by the State Affairs Committee by
925 request, entitled:

"An Act establishing the Alaska Film
Commission."

was introduced, read the first time and referred to the
Committees on Commerce and Finance.

HB HOUSE BILL NO. 926 by the State Affairs Committee by
926 request, entitled:

"An Act making a special appropriation
to the Alaska Film Commission for the costs
of its operations for one year; and pro-
viding for an effective date."

was introduced, read the first time and referred to the
Committees on Commerce and Finance.

HOUSE BILL NO. 927 by the Rules Committee by request of the Governor, entitled:

HB
927

"An Act making a supplemental appropriation to the Department of Natural Resources, Federal-State Land Use Planning Commission; and providing for an effective date."

was introduced, read the first time and referred to the Finance Committee

The Governor's transmittal letters appear following the bill to which each pertains.

"April 12, 1978

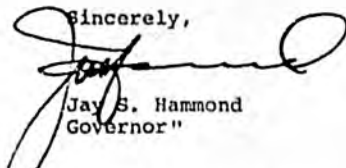
The Honorable Hugh Malone
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. Speaker:

Under authority of art. III, sec. 18 of the Alaska Constitution, and in accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill making a supplemental appropriation to the Department of Natural Resources, "Federal-State Land Use Planning Commission."

This appropriation will be used to fund unanticipated wage increases and full operation of the commission during FY 79.

Sincerely,



Jay S. Hammond
Governor"

HOUSE BILL NO. 928 by the Rules Committee by request of the Governor, entitled:

HB
928

"An Act making a supplemental appropriation to the Department of Natural Resources, Office of the Commissioner; and providing for an effective date."

was introduced, read the first time and referred to the Finance Committee.

HB
928

"April 12, 1978

The Honorable Hugh Malone
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99811

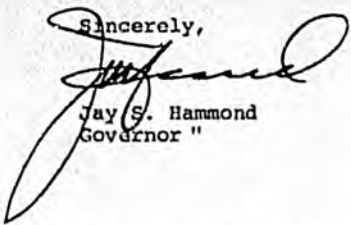
Dear Mr. Speaker:

Under authority of art. III, sec. 18 of the Alaska Constitution, and in accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill making a supplemental appropriation to the Department of Natural Resources, Office of the Commissioner

This request is made to fund legal services for the state to continue participation in the Cook Inlet LNG rate-making proceedings.

Fiscal information is enclosed.

Sincerely,



Jay S. Hammond
Governor "

HB HOUSE BILL NO. 929 by the Rules Committee by request of
929 the Governor, entitled:

"An Act making a supplemental appropriation to the Department of Health and Social Services, Violent Crimes Compensation Board, and providing for an effective date."

was introduced, read the first time and referred to the Finance Committee.

"April 12, 1978

The Honorable Hugh Malone
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. Speaker:

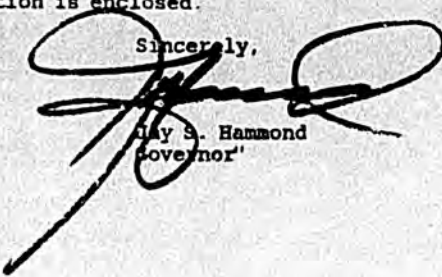
Under authority of art. III, sec. 18 of the Alaska Constitution, and in accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill making a supplemental appropriation to the Department of Health and Social Services, Violent Crimes Compensation Board.

The board has twenty-eight claims pending at this time, three of which are death claims. Additional claims are filed every day. Although the board has been prudently awarding claims, it was difficult to accurately predict the number and amount of claims during the budget process. This supplemental request is necessary in order to carry out the Violent Crimes Compensation Program as intended.

HB
929

Fiscal information is enclosed.

Sincerely,



Jay S. Hammond
Governor

Mr. Miller moved and asked unanimous consent that the House stand in recess until 11:00 a.m. There being no objection, the House recessed at 10:52 a.m.

AFTER RECESS

The House was called to order at 11:09 a.m.

CONSIDERATION OF THE DAILY CALENDAR

SECOND READING OF HOUSE BILLS

HOUSE BILL NO. 582 (fisherman's fund) was read the second time with the Judiciary Committee report (p. 742, 1978 journal).

HB
582

Mr. Miller moved and asked unanimous consent that HB 582 be considered engrossed, advanced to third reading and placed on final passage. There being no objection, it was so ordered.

HB 582 was read the third time.

The question being: "Shall HB 582 pass the House?" The roll was taken with the following result:

Yeas: 32 Akers, Anderson, Bennett, Bradley,
Buchholdt, Carpenter, Chatterton,
Cotten, Cowper, Dankworth, Duncan,
Freeman, Haugen, Hayes, Kelly, Lethin,
Lovseth, Malone, Meekins, Miller,
Nakak, Ose, Osterback, Parr, Phillips,
Rhode, Rudd, Schaeffer, Smith, Snider,
Swanson, Urion.

HB
582 Nays: 0

Excused: 8 Beirne, Brown, Eliason, Gardiner,
 Gruening, Guy, McKinnon, Miles.

And so, HB 582 passed the House and was referred to the Chief Clerk for engrossment.

HB 608 HOUSE BILL NO. 608 (supplemental appropriations to the Department of Education, pupil transportation and student loan computer; effective date) was read the second time with the Health, Education and Social Services Committee report (p. 173, 1978 journal) and the Finance Committee report (p. 743, 1978 journal).

Mr. Miller moved and asked unanimous consent that HB 608 be considered engrossed, advanced to third reading and placed on final passage. There being no objection, it was so ordered.

HB 608 was read the third time.

The question being: "Shall HB 608 pass the House?" The roll was taken with the following result:

Yeas: 34 Akers, Anderson, Bennett, Bradley,
 Buchholdt, Carpenter, Chatterton,
 Cotten, Cowper, Dankworth, Duncan,
 Freeman, Gardiner, Gruening, Hayes,
 Kelly, Lovseth, McKinnon, Malone,
 Meekins, Miles, Miller, Nakak, Ose,
 Osterback, Parr, Phillips, Rhode,
 Rudd, Schaeffer, Smith, Snider,
 Swanson, Urion.

Nays: 1 Lethin.

Excused: 5 Beirne, Brown, Eliason, Guy, Haugen.

And so, HB 608 passed the House.

Mr. Miller moved and asked unanimous consent that the roll call on the passage of HB 608 be considered the roll call on the effective date clause. There being no objection, it was so ordered.

HB 608 was referred to the Chief Clerk for engrossment.

SECOND READING OF SENATE BILLS

CSSB 440 COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 440 (special appropriation to the University of Alaska, Arctic Environmental Information and Data Center, for disbursement to the Alaska Eskimo Whaling Commission to assist voluntary efforts to ensure whale stock viability; effective date)

was read the second time with the Finance Committee report (p. 711, 1978 journal).

CSSB
440

Mr. Miller moved and asked unanimous consent that HOUSE COMMITTEE SUBSTITUTE FOR CS FOR SENATE BILL NO. 440 (same title) be adopted in lieu of CSSB 440. There being no objection, it was so ordered.

HCS
CSSB
440

Mr. Miller moved and asked unanimous consent that HCS CSSB 440 be considered engrossed, advanced to third reading and placed on final passage. There being no objection, it was so ordered.

HCS CSSB 440 was read the third time.

The question being: "Shall HCS CSSB 440 pass the House?"
The roll was taken with the following result:

Yeas:	33	Akers, Anderson, Bennett, Bradley, Brown, Buchholdt, Carpenter, Cotten, Cowper, Dankworth, Duncan, Freeman, Gardiner, Gruening, Guy, Hayes, Kelly, Lethin, Lovseth, McKinnon, Malone, Miles, Miller, Nakak, Osterback, Phillips, Rhode, Rudd, Schaeffer, Smith, Snider, Swanson, Urion.
Nays:	2	Chatterton, Parr.
Excused:	5	Beirne, Eliason, Haugen, Meekins, Ose.

And so, HCS CSSB 440 passed the House.

Mr. Miller moved and asked unanimous consent that the roll call on the passage of HCS CSSB 440 be considered the roll call on the effective date clause. There being no objection, it was so ordered.

HCS CSSB 440 was referred to the Chief Clerk for engrossment.

SECOND READING OF HOUSE RESOLUTIONS

HOUSE JOINT RESOLUTION NO. 49 (endorsing the Alaska Eskimo Whaling Commission Management Plan and urging its full support before the International Whaling Commission) was read the second time with the Special Committee on Subsistence Committee report (p. 341, 1978 journal) and the Resources Committee report (p. 373, 1978 journal).

HJR
49

Mr. Miller moved and asked unanimous consent that HJR 49 be considered engrossed, advanced to third reading and placed on final passage. There being no objection, it was so ordered.

HJR 49 was read the third time.

HJR 49 The question being: "Shall HJR 49 pass the House?" The roll was taken with the following result:

Yeas: 34 Akers, Anderson, Bennett, Bradley, Brown, Buchholdt, Carpenter, Chatterton, Cotten, Cowper, Dankworth, Duncan, Freeman, Gardiner, Gruening, Hayes, Kelly, Lethin, Lovseth, McKinnon, Malone, Miles, Miller, Nakak, Osterback, Parr, Phillips, Rhode, Rudd, Schaeffer, Smith, Snider, Swanson, Urion.

Nays: 0

Excused: 6 Beirne, Eliason, Guy, Haugen, Meekins, Ose.

And so, HJR 49 passed the House and was referred to the Chief Clerk for engrossment.

Speaker Pro Tempore Miller assumed the Speaker's chair.

HCR 119 HOUSE CONCURRENT RESOLUTION NO. 119 (the use of herbicides on roadsides) which had been held over until today's calendar (p. 822 of the journal) was read the second time with the State Affairs Committee report (p. 788, 1978 journal).

Amendment No. 1 by Malone, Miller and Dankworth:

Page 1, line 21: Add "and" after semicolon between lines 21 and 22.

Whereas the use of complex chemicals along Alaska highways may also have unknown long-term effects on the human and animal populations of the state; and Whereas many Alaska residents have requested the state to halt spraying herbicides;

HCR 119 am Mr. Malone moved and asked unanimous consent that amendment No. 1 be adopted. There being no objection, it was so ordered.

Amendment No. 2 by Chatterton and Malone:

Page 1, line 24: After the word "herbicide" Add "or defoliant"

Mr. Chatterton moved and asked unanimous consent that amendment No. 2 be adopted. There being no objection, it was so ordered.

The Speaker voted at Mr. Miller desk.

Mr. Miller voted at the Speaker's station.

The question being: "Shall HCR 119 am pass the House?"
The roll was taken with the following result:

HCR
119
am

Yeas: 30 Akers, Anderson, Bennett, Brown,
Buchholdt, Carpenter, Chatterton,
Cotten, Cowper, Dankworth, Duncan,
Freeman, Gardiner, Gruening, Hayes,
Kelly, Lethin, Lovseth, McKinnon,
Malone, Miller, Nakak, Osterback,
Parr, Phillips, Rhode, Rudd, Smith,
Snider, Urion.

Nays: 0

Excused: 10 Beirne, Bradley, Eliason, Guy, Haugen,
Meekins, Miles, Ose, Schaeffer, Swanson.

And so, HCR 119 am passed the House and was referred to the Chief Clerk for engrossment.

Speaker Malone resumed the Chair.

CITATIONS

Legislative Citation Congratulating Susan D. Merrick, by Representative Parr, was read.

Mr. Parr moved the approval of the Citation. The House approved the Citation unanimously and it was referred to the Chief Clerk for transmittal to the Senate.

UNFINISHED BUSINESS

Mr. Urion asked to take up the reconsideration of the vote on COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 884 (technical amendments relating to oil and gas taxes; effective date) at this time.

CSHB
884

THIRD READING OF HOUSE BILLS

CSHB 884 was automatically before the House in third reading at this time and was read the third time.

Mr. Urion moved and asked unanimous consent that CSHB 884 be placed on tomorrow's calendar in third reading. There being no objection, it was so ordered.

COMMITTEE SUBSTITUTE FOR HOUSE JOINT RESOLUTION NO. 60 (requesting federal government to remove solid waste on land in Alaska in accordance with Resources Conservation & Recovery Act) and the Senate amendment, namely, SENATE COMMITTEE SUBSTITUTE FOR CS FOR HJR 60 (same title) (p. 806 of the journal) were before the House at this time.

CS
HJR
60

Mr. Miller moved that the House concur in the Senate amendment to CS HJR 60.

CS The question being: "Shall the House concur in the Senate
HJR amendment to CS HJR 60?" The roll was taken with the
60 following result:

Yeas: 26 Anderson, Bennett, Brown, Buchholdt,
Carpenter, Chatterton, Cotten, Cowper,
Dankworth, Freeman, Gardiner, Gruening,
Hayes, Lethin, McKinnon, Malone,
Miller, Nakak, Osterback, Parr,
Phillips, Rhode, Rudd, Smith, Snider,
Urion.

Nays: 0

Excused: 14 Akers, Beirne, Bradley, Duncan, Eliason,
Guy, Haugen, Kelly, Lovseth, Meekins,
Miles, Ose, Schaeffer, Swanson.

SCS And so, the House concurred in the Senate amendment, thus
CS adopting SENATE COMMITTEE SUBSTITUTE FOR CS FOR HOUSE
HJR JOINT RESOLUTION NO. 60 (same tit
60

The Chief Clerk was instructed to so notify the Senate.

SCS CS HJR 60 was signed by the Speaker and the Chief
Clerk and referred to the Chief Clerk for enrollment.

Mr. Urion moved and asked unanimous consent that Mr.
Eliason be excused from a call of the House on April 14,
1978. There being no objection, it was so ordered.

ENGROSSMENT

The following were engrossed, signed by the Speaker and
Chief Clerk and transmitted to the Senate for considera-
tion:

HCR 119 am	HCR 119 amended
HJR 49	HJR 49
HB 582	HB 582
HB 608	HB 608
HCS CSSB 440	HCS CSSB 440

ANNOUNCEMENTS

Finance		
Bond issues;		
Capital Appropriations;		
HB 832	Capitol 411	1:15 p.m., 4/12
Capital Budget		9:00 a.m., 4/13
State Affairs		
HB 857	Capitol 123-A	1:15 p.m., 4/12

April 12, 1978

HOUSE JOURNAL

843

Resources

HB 821, HCR 104,105

Capitol 118

1:30 p.m., 4/12

HESS

HB 891

Capitol 110

3:00 p.m., 4/12

HB 896,897

Capitol 110

7:30 p.m., 4/12

Judiciary

Joint w/Senate &

Alaska Judicial Council

Court Room A

3:00 p.m., 4/12

Labor & Management

SSHB 550; other bills
previously considered
if time permits

Assembly 207

8:00 a.m., 4/13

Democratic Luncheon

Rep. Duncan, Speaker

Capital Room

Noon, 4/12

Rules

Advance Notice:

HB 661 will be placed
on Friday's Calendar

4/14

ADJOURNMENT

Mr. Miller moved and asked unanimous consent that the House adjourn until 10:00 a.m., April 13, 1978. There being no objection, the House adjourned at 12:20 p.m.

Irene Cashen
Chief Clerk

HOUSE JOURNAL

ALASKA STATE LEGISLATURE TENTH LEGISLATURE - SECOND SESSION

JUNEAU, ALASKA

Tuesday

April 18, 1978

One Hundredth Day

Pursuant to adjournment, the House was called to order by Speaker Malone at 10:06 a.m.

Roll call showed all members present except Representatives Cowper, Meekins, Osterback and Rhode. Representatives Cowper and Rhode had been previously excused from a call of the House today.

Mr. Miller moved and asked unanimous consent that Mr. Meekins be excused from a call of the House today. There being no objection, it was so ordered.

Mr. Miller moved and asked unanimous consent that Mr. Osterback be excused on official state business. There being no objection, it was so ordered.

The prayer was offered by the Chaplain, Pastor Robert McNabb of the Douglas Community United Methodist Church. Mr. Parr moved and asked unanimous consent that the prayer be spread on the journal. There being no objection, it was so ordered and the prayer appears as follows:

"As we still ourselves in Your presence, O God,
give us thankful hearts for such moments
when we can find refreshment for our souls,
guidance for our minds, and a love for our lives.

We pray for those within these walls burdened
with great decisions and worrisome problems.
Help them to weigh carefully those things
that confront them as they pertain to the
good of our state.

Grant them courage to do right, strength to
withstand the wrong, that they may serve all
to Your glory. Amen."

Mr. Miller moved and asked unanimous consent that the journal for the 99th day and House Supplements No. 32 and No. 33 be approved as certified. There being no objection, it was so ordered.

MESSAGES FROM THE SENATE

A message dated April 17, 1977 was read stating the Senate accepts the invitation to meet in joint session April 25 at 2:00 p.m. for consideration of the Governor's appointees.

REPORTS OF STANDING COMMITTEES

SB 428 am The Resources Committee has had SENATE BILL NO. 428 amended (commercial fishing interim-use permits, entry permits, and vessel licenses) under consideration and a majority of the committee recommends it be replaced with HOUSE COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 428 (same title) and that it do pass. Concurring: Osterback (Chairman), Smith, Miller, Snider and Malone. Not concurring: Urion, Akers and Bennett have no recommendation.

SB 428 am was referred to the Judiciary Committee.

The Resources Committee's letter of intent on the above bill appears as follows:

"LETTER OF INTENT

The Honorable Hugh Malone
Speaker of the House

Dear Mr. Speaker:

In passing out the Committee Substitute for SB 428 am the Committee hereby recommends that the Judiciary Committee review the new language in the bill.

Sincerely,



Alvin Osterback, Chairman
House Resources Committee"

HB 99 The Health, Education and Social Services Committee has had HOUSE BILL NO. 99 (liability for expense of hospitalization of mentally ill individuals; effective date) under consideration a second time and a majority of the committee recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 99 (same title) and that it do pass. Concurring: Parr (Chairman), Nakak, Chatterton, Cotten, Phillips, Buchholdt and Bennett. Not concurring: Beirne recommends do not pass unless amended.

HB 99 was referred to the Rules Committee for placement on the calendar.

The State Affairs Committee has had HOUSE BILL NO. 546 (state regulation of fireworks; effective date) under consideration and the committee recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 546 (same title) and that it be reported back with individual recommendations. Bradley (Chairman), Miles and Nakak recommend do pass; Lethin, Dankworth and McKinnon have no recommendation.

HB
546

HB 546 was referred to the Rules Committee for placement on the calendar.

The State Affairs Committee's letter of intent on the above bill appears as follows:

"LETTER OF INTENT"

April 13, 1978

The Honorable Hugh Malone
Speaker of the House

RE: CS for HB 546

Dear Mr. Speaker,

The Committee on State Affairs has had HB 546 under consideration and recommends that it be replaced with CS for HB 546.

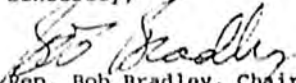
The major thrust of the bill amounts to the following changes in the fireworks laws:

- A. Elimination of the requirement that the state and all governmental subdivisions of the state be named as insured parties on the person's insurance policy.
- B. Deletion as a prerequisite to selling salable fireworks the acquisition of product liability insurance.

Through research and testimony from the Administration, the Committee came to the following conclusions:

1. That such insurance requirements do in fact discriminate in favor of large out of state fireworks companies. The little instate guys cannot get insurance even from Lloyd's of London, because of the statutory requirements.
2. No clearly justified benefits -- either to the state or a possible injured party -- exist with the inclusion of these provisions.

Sincerely,


Rep. Bob Bradley, Chairman
House State Affairs Committee"

- HB 658 The State Affairs Committee has had HOUSE BILL NO. 658 (construction performed by the Department of Transportation and Public Facilities) under consideration and the committee recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 658 (same title) and that it be reported back with individual recommendations. Bradley (Chairman) and Nakak recommend do pass; Kelly, Lethin and Dankworth recommend do not pass.

HB 658 was referred to the Finance Committee.

- HB 673 The Special Committee on Subsistence has had HOUSE BILL NO. 673 (creating a division of subsistence hunting and fishing) under consideration and a majority of the committee recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 673:

"An Act establishing a division of subsistence hunting and fishing."

and that it do pass. Concurring: Anderson (Chairman), Cotten, Schaeffer, Guy, Akers, Nakak and Hayes.

HB 673 was referred to the Resources Committee.

- HB 722 The Finance Committee has had HOUSE BILL NO. 722 (science and technology) under consideration and the committee recommends it be replaced with the State Affairs COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 722 (same title) and that it be reported back with individual recommendations. Cowper (Chairman), Freeman, Haugen and Gruening recommend do pass; Guy, Schaeffer and Buchholdt have no recommendation; and Swanson recommends do not pass.

HB 722 was referred to the Rules Committee for placement on the calendar.

A corrected fiscal note on HB 722 appears in House Supplement 34.

- HB 766 The Community and Regional Affairs Committee has had HOUSE BILL NO. 766 (authorizing home rule and general law municipalities to exempt contractors from certain bond requirements in the construction or repair of public works projects) under consideration and a majority of the committee recommends it be replaced with the Labor and Management COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 766 (same title) and that it do pass. Concurring: Lovseth, Anderson, Snider, Nakak and Smith. Not concurring: Rudd (Chairman), Phillips and Kelly have no recommendation.

HB 766 was referred to the Rules Committee for placement on the calendar.

The Resources Committee has had HOUSE BILL NO. 887 (special appropriation to the Department of Natural Resources to acquire land for establishment of the Funny River State Wayside; effective date) under consideration and a majority of the committee recommends it do pass. Concurring: Osterback (Chairman), Miller, Snider, Akers and Malone. Not concurring: Urion and Smith have no recommendation.

HB
887

HB 887 was referred to the Finance Committee.

The Health, Education and Social Services Committee has had HOUSE BILL NO. 897 (special appropriation to the Department of Health and Social Services, division of public health, for expenses of the emergency medical services section and to provide grants-in-aid for the support of emergency medical services; effective date) under consideration and a majority of the committee recommends it do pass. Concurring: Parr (Chairman), Nakak, Chatterton, Cotten, Phillips, Buchholdt and Beirne.

HB
897

HB 897 was referred to the Finance Committee.

CITATION

Legislative Citation Congratulating Cindy Roberts, by Representative Dankworth and Senator Colletta, was read and referred to the Rules Committee for placement on the calendar.

INTRODUCTION, FIRST READING AND REFERENCE OF HOUSE BILLS

HOUSE BILL NO. 940 by the Rules Committee by request, entitled:

HB
940

"An Act establishing the public school foundation program special education assessment and diagnostic services formula."

was introduced, read the first time and referred to the Committees on Health, Education and Social Services and Finance.

Mr. Miles announced a Democratic caucus upon recess.

Mr. Urion announced a Republican caucus upon recess.

Mr. Miller moved and asked unanimous consent that the House stand in recess to a call of the Chair for the purpose of party caucuses. There being no objection, the House recessed at 10:20 a.m.

AFTER RECESS

Speaker pro tempore Miller assumed the Chair and called the House to order at 11:06 a.m.

CONSIDERATION OF THE DAILY CALENDARSECOND READING OF HOUSE BILLS

HB HOUSE BILL NO. 87 (appropriations and grants from boroughs
87 to service areas and cities; effective date) which had been held until today's calendar (page 893 of the journal) was read the second time with the Community and Regional Affairs Committee report (page 373 of the journal) and the Judiciary Committee report (page 819 of the journal).

Mr. Malone moved and asked unanimous consent that
CSHB COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 87 (same title)
87 be adopted in lieu of HB 87. There being no objection,
it was so ordered.

Amendment No. 1 by Carpenter and Brown:

Page 1, line 14, following "service" through line 16:

Delete the remainder of the sentence and insert:

if the power to use areawide taxes or other areawide revenues to finance special services of a service area has been acquired by holding an areawide election on the question. The vote on the question shall be tabulated in two separate classifications. One shall consist of all votes cast in the home rule and first class cities of the borough. The other shall consist of all votes cast in the remaining borough area. If the majority of votes cast in each classification is favorable, the power is adopted. After enactment of an authorizing ordinance the borough may make appropriations for the purpose authorized.

Page 1, line 22, following the word "perform" delete:

" Grants so made shall be authorized by borough ordinance." and insert:

if the power to use areawide taxes or other areawide revenues for grants to cities has been acquired by holding an areawide election on the question. The vote on the question shall be tabulated in two separate classifications. One shall consist of all votes cast in the home rule and first class cities of the borough. The other shall consist of all votes cast in the remaining borough area. If the majority of votes cast in each classification is favorable, the power is adopted. After enactment of an authorizing ordinance the borough may make appropriations for the purpose authorized.

Mr. Brown moved and asked unanimous consent that amendment CSHB No. 1 be adopted. 87

Mr. Malone objected.

Amendment to amendment No. 1 by Malone:

Page 1, line 14, following "service" through line 16:

Delete the remainder of the sentence and insert:

if the power to use areawide taxes or other area-wide revenues to finance special services of a service area has been acquired by holding an area-wide election on the question.

Delete remainder of paragraph in amendment No. 1.

Page 1, line 22, following "perform" delete ". Grants so made shall be authorized by borough ordinance." and insert:

if the power to use areawide taxes or other area-wide revenues for grants to cities or service areas has been acquired by holding an areawide election on the question.

Delete remainder of paragraph in amendment No. 1.

Mr. Malone moved and asked unanimous consent that amendment to amendment No. 1 be adopted.

Mr. Brown objected.

Mr. Malone voted at Mr. Miller's desk.

Speaker pro tempore Miller voted at the Speaker's chair.

The question being: "Shall amendment to amendment No. 1 be adopted?" The roll was taken with the following result:

Yeas:	25	Akers, Anderson, Bradley, Buchholdt, Chatterton, Cotten, Duncan, Eliason, Freeman, Gardiner, Gruening, Guy, Lovseth, McKinnon, Malone, Meekins, Miles, Miller, Nakak, Ose, Osterback, Parr, Rudd, Schaeffer, Snider.
Nays:	13	Beirne, Bennett, Brown, Carpenter, Dankworth, Haugen, Hayes, Kelly, Lethin, Phillips, Smith, Swanson, Urion.
Excused:	2	Cowper, Rhode.

Mr. Akers changed his vote from nay to yea.

CSHB And so, amendment to amendment No. 1 was adopted.

87
am

Mr. Malone withdrew his objection to the adoption of amendment No. 1.

There being no further objection, amendment No. 1 as amended was adopted.

Mr. Malone moved and asked unanimous consent that CSHB 87 am be considered engrossed, advanced to third reading and placed on final passage. There being no objection, it was so ordered.

CSHB 87 am was read the third time.

The question being: "Shall CSHB 87 am pass the House?"
The roll was taken with the following result:

Yeas:	29	Akers, Anderson, Beirne, Bradley, Brown, Buchholdt, Chatterton, Cotten, Duncan, Eliason, Freeman, Gardiner, Gruening, Guy, McKinnon, Malone, Meekins, Miles, Miller, Nakak, Ose, Osterback, Parr, Rudd, Schaeffer, Smith, Snider, Swanson, Urion.
Nays:	9	Bennett, Carpenter, Dankworth, Haugen, Hayes, Kelly, Lethin, Lovseth, Phillips.
Excused:	2	Cowper, Rhode.

Mr. Lovseth changed his vote from yea to nay.

And so, CSHB 87 am passed the House.

Mr. Malone moved and asked unanimous consent that the roll call on the passage of CSHB 87 am be considered the roll call on the effective date clause. There being no objection, it was so ordered.

CSHB 87 am was referred to the Chief Clerk for engrossment.

Speaker Malone resumed the Chair.

HB HOUSE BILL NO. 682 (nonrenewable resource revenues) was
682 read the second time with the Special Committee on the Alaska Permanent Fund's report (page 522 of the journal) and the Finance Committee report (pages 830 - 832 of the journal).

Mr. Miller moved and asked unanimous consent that COMMITTEE CSHB SUBSTITUTE FOR HOUSE BILL NO. 682 (Finance) (renewable 682 resources funds) be adopted in lieu of HB 682. There being (Fin) no objection, it was so ordered.

Mr. Miller moved and asked unanimous consent that CSHB 682 (Finance) be considered engrossed, advanced to third reading and placed on final passage. There being no objection, it was so ordered.

CSHB 682 (Finance) was read the third time.

The question being: "Shall CSHB 682 (Finance) pass the House?" The roll was taken with the following result:

Yeas: 27 Akers, Anderson, Beirne, Bradley, Brown, Buchholdt, Cotten, Duncan, Eliason, Freeman, Gardiner, Gruening, Guy, Kelly, McKinnon, Malone, Meekins, Miles, Miller, Nakak, Ose, Osterback, Parr, Rudd, Schaeffer, Smith, Snider.

Nays: 11 Bennett, Carpenter, Chatterton, Dankworth, Haugen, Hayes, Lethin, Lovseth, Phillips, Swanson, Urion.

Excused: 2 Cowper, Rhode.

And so, CSHB 682 (Finance) passed the House and was referred to the Chief Clerk for engrossment.

Mr. Lethin asked that the reconsideration of the vote on HOUSE BILL NO. 621 (unemployment insurance coverage for employees of the state and its political subdivisions; effective date) be taken up at this time.

HB
621

THIRD READING OF HOUSE BILLS

HB 621 was automatically before the House in third reading at this time and was read the third time.

Mr. Lethin moved and asked unanimous consent that HB 621 be held over in third reading and placed on tomorrow's calendar. There being no objection, it was so ordered.

SECOND READING OF HOUSE RESOLUTIONS

HOUSE CONCURRENT RESOLUTION NO. 108 (Alaska Industrial Development Authority) was read the second time with the Commerce Committee report (page 819 of the journal).

HCR
108

CS

HCR

108

Mr. Miller moved and asked unanimous consent that COMMITTEE SUBSTITUTE FOR HOUSE CONCURRENT RESOLUTION NO. 108 (same title) be adopted in lieu of HCR 108. There being no objection, it was so ordered.

Amendment No. 1 by Rudd:

Page 2, line 5: Delete "and"

Page 2, lines 6-15: Delete all material

Page 2 lines 23-24: Delete "until the labor dispute between Wien and its employees is settled, and"

Mrs. Rudd moved and asked unanimous consent that amendment No. 1 be adopted.

Mr. Urion objected.

Mr. Brown rose to a point of order.

The Speaker ruled that Mr. Urion's remarks were in order.

The question being: "Shall amendment No. 1 be adopted?"
The roll was taken with the following result:

Yeas: 22 Akers, Anderson, Bennett, Brown, Buchholdt, Carpenter, Cotten, Dankworth, Gardiner, Gruening, Kelly, McKinnon, Malone, Meekins, Miles, Ose, Osterback, Phillips, Rudd, Smith, Snider, Swanson.

Nays: 15 Beirne, Bradley, Chatterton, Duncan, Freeman, Guy, Haugen, Hayes, Lethin, Lovseth, Miller, Nakak, Parr, Schaeffer, Urion.

Excused: 3 Cowper, Eliason, Rhode.

CS

HCR

108

am

And so, amendment No. 1 was adopted.

Amendment No. 2 by Parr:

Page 2, line 6: Insert:

WHEREAS the state and its agencies must be neutral in labor disputes, and

WHEREAS favorable action by the Alaska Industrial Development Authority on the Wien Air Alaska, Inc. bonding proposal would put the state on the side of one party in an existing labor dispute;

Mr. Parr moved and asked unanimous consent that amendment No. 2 be adopted.

CSHCR
108
am

Mr. Urion objected.

The question being: "Shall amendment No. 2 be adopted?"
The roll was taken with the following result:

Yeas:	16	Akers, Bennett, Bradley, Cotten, Duncan, Gardiner, Kelly, Malone, Miles, Miller, Ose, Parr, Phillips, Rudd, Schaeffer, Swanson.
Nays:	21	Anderson, Beirne, Brown, Buchholdt, Carpenter, Chatterton, Dankworth, Freeman, Gruening, Guy, Haugen, Hayes, Lethin, Lovseth, McKinnon, Meekins, Nakak, Osterback, Smith, Snider, Urion.
Excused:	3	Cowper, Eliason, Rhode.

And so, amendment No. 2 was not adopted.

The question now being: "Shall CSHCR 108 am pass the House?"
The roll was taken with the following result:

Yeas:	25	Akers, Anderson, Bennett, Bradley, Brown, Buchholdt, Carpenter, Cotten, Duncan, Gardiner, Gruening, Guy, Kelly, McKinnon, Malone, Meekins, Miles, Miller, Osterback, Parr, Phillips, Rudd, Schaeffer, Smith, Swanson.
Nays:	12	Beirne, Chatterton, Dankworth, Freeman, Haugen, Hayes, Lethin, Lovseth, Nakak, Ose, Snider, Urion.
Excused:	3	Cowper, Eliason, Rhode.

And so, CSHCR 108 am passed the House and was referred to the Chief Clerk for engrossment.

CITATIONS

Mr. Cotten moved that the Citation - Commending Chugiak High School Wrestling Team, by Representatives Cotten, Kelly, Phillips and Bradley, be approved. The House approved the Citation unanimously and it was referred to the Chief Clerk for transmittal to the Senate.

Mr. Miller moved that the Citation - In Memoriam Ardelcie M. Stoneking, by Senator Croft, be approved. The House approved the Citation unanimously and it was referred to the Chief Clerk for return to the Senate.

UNFINISHED BUSINESS

Mr. Miller moved and asked unanimous consent that Mrs. Buchholdt be excused from a call of the House on April 24, 1978. There being no objection, it was so ordered.

HJR 57 Mr. Phillips brought up reconsideration of HOUSE JOINT RESOLUTION NO. 57 (designation of "America the Beautiful" as the national anthem) at this time.

THIRD READING OF HOUSE RESOLUTIONS

HJR 57 was automatically before the House in third reading at this time and was read the third time.

The question to be reconsidered is: "Shall HJR 57 pass the House?" The roll was taken with the following result:

Yeas:	9	Bradley, Buchholdt, Gruening, McKinnon, Malone, Meekins, Miller, Nakak, Rudd.
Nays:	26	Akers, Anderson, Beirne, Bennett, Carpenter, Chatterton, Cotten, Dankworth, Duncan, Freeman, Gardiner, Guy, Haugen, Hayes, Kelly, Lethin, Lovseth, Ose, Osterback, Parr, Phillips, Schaeffer, Smith, Snider, Swanson, Urien.
Excused:	5	Brown, Cowper, Eliason, Miles, Rhode.

And so, HJR 57 failed to pass the House on reconsideration of the vote.

HJR 57 was referred to the Chief Clerk for permanent filing.

ENGROSSMENT

The following were engrossed, signed by the Speaker and Chief Clerk and transmitted to the Senate for consideration:

CSHCR 108 am	CS HCR 108 amended
CSHB 87 am	CSHB 87 amended
CSHB 682 (Fin)	CSHB 682 (Finance)

ANNOUNCEMENTS

Resources

Teleconference

HB 915

Capitol 118

1:30 p.m., 4/18

Finance

HB 442,906,927,928,
683,923,903

Capitol 411

2:00 p.m., 4/18

HESS

HB 519

Capitol 110

3:00 p.m., 4/18

Judiciary

HB 909,113

Capitol 124

3:00 p.m., 4/18

Special Committee
on Sale of Royalty
Oil and Gas

Meeting cancelled

7:00 p.m., 4/18

Commerce

CSSB 326 (Fin)

Court 628

8:00 a.m., 4/19

C&RA

HB 875

Court 647

9:00 a.m., 4/19

State Affairs

HB 568,620,751,
HJR 62

Capitol 123-A

1:15 p.m., 4/19

ADJOURNMENT

Mr. Miller moved and asked unanimous consent that the House adjourn until 10:00 a.m., April 19, 1978. There being no objection, the House adjourned at 12:51 p.m.

Irene Cashen
Chief Clerk

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.

COMMITTEE REPORT

HOUSE

1/25/78

FURTHER: FINANCE

Date: 3-8-78

Mr. Speaker:

The Committee on SPEC. COM. ON THE PERM.FUND has had HB 682
"an Act relating to nonrenewable resource revenues."

under consideration and (a majority of the committee) (the committee reports it back as follows)

() recommends it do pass () recommends it do not pass

() recommends it do pass with attached amendment(s)

(x) recommends it be replaced with CS for HB 682

and it do pass HB 682 (x) new title (x) same title

() AND attaches a Letter of Intent () New Fiscal Note

() reports it back without recommendation

() and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

Clark L. Lanning

(2) Clark L. Lanning

Clark L. Lanning
Chairman

DRAFT COMMITTEE REPORT ON CS HB682 (Finance)

The Renewable Resources Development Fund was established by the legislature in 1974 to provide for the rehabilitation, enhancement, and development of the state's renewable resources. The Fund consists of at least five percent of all mineral lease bonuses and royalties, and rentals from state lands. The proposed legislation establishes the Alaska Renewable Resources Corporation to invest half of the receipts of the Fund in renewable resource-based industries. The other half of the Fund would be saved through the Renewable Resources Investment Fund. The name of the Renewable Resources Permanent Fund (AS 37.11.050) is changed to the Renewable Resources Investment Fund to avoid confusion with the Alaska Permanent Fund (Article 9, section 15 of the Alaska State Constitution).

Investments of the Alaska Renewable Resources Corporation (ARRC) would focus on new products, markets, and technologies which are the key components of expanded renewable resource-based economic activity. Products and markets result from any economic use of the resources, while technologies include the methods for managing, harvesting, processing, or delivering the resources to market. ARRC would also provide funds for the applied research, development and demonstration of new renewable resource-based activities, and the seed capital necessary to introduce them into commercial markets.

For the earliest stages of renewable resource industry development (applied research and development), the Committee does not envision ARRC funding of general or basic research by university or other scientific research organizations. This type of research is covered by other programs. Rather, ARRC-funded applied research and development activity would utilize the fruits of basic research to develop specific products or processes for commercial purposes.

In addition to stimulation of new economic activity based on the state's renewable resources, investment goals also include the maintenance or expansion of resource productivity, the development of in-state and export markets, and the expansion of resident employment, income, and governmental revenues from renewable resource development.

The term renewable resources is defined in terms of the resource base, which remains relatively constant over time, rather than in terms of economic activity, which changes over time. Accordingly, non-human living organisms, air, land, water, and naturally recurring energy systems are intended as the target of investment activity. In the tourism industry, for example, the Committee contemplates

investment in the resources on which the industry is partially based, such as sport fishing, but not such capital components of the industry as hotels and lodging facilities.

An integral part of the bill is the concept of achieving an appropriate use of the resources. As trustees of our renewable resources the state is constitutionally directed to seek the most beneficial uses. ARRC investment decisions should consider both expected financial returns and the effects of resource development on both the target resource and on other resources. Achieving appropriate resource use at the inception of economic activity will greatly benefit the state and its residents by avoiding longer-run regulatory and rehabilitation burdens resulting in more stable economic activity based on all of the state's renewable resources.

In its deliberations, the Committee determined that the most effective method of investment includes both equity and debt secured by a variety of mechanisms to provide a return to the corporation when an investment starts to generate income. Such methods maximize incentives for entrepreneurship through ARRC sharing of the risks inherent in new ventures and imposing no debt service burdens until the enterprise is earning income. The corporation would in turn receive high returns from its successful investments, commensurate with the risks undertaken.

The Committee identified three important types of activity which may have no income producing potential (depending on the specifics of the project) and therefore must be funded through grants. These include applied research (which directs basic research toward specific products and processes for commercial purposes), one-time-only demonstrations, and common property resource projects where the benefits accrue to the general public. Funds available for grants are limited to ten percent of the corporation's annual appropriation and to ninety percent of a project's costs.

In addition to the lack of start-up capital, the Committee found that another major obstacle to renewable resource development is a shortage of Alaskans trained in new harvesting, processing, or marketing techniques and business management skills. CS HB682 provides for the corporation to finance technical assistance to supplement the expertise of its applicants. The corporation is specifically forbidden, however, from managing its projects. The costs of this assistance are to be included in the overall project financing and are to be repaid by the borrower.

The flow of funds, as established in AS 37.11 (Renewable Resources Development Fund), begins with the deposit of at least five percent of all mineral lease bonuses and royalties, and rentals from state lands, into the Renewable Resources Development Fund. Under the proposed legislation, half of this amount would be allocated to the ARRC and half would be allocated to the Renewable Resources Investment Fund. Under existing law (AS 37.11.060), only those funds not expended out of the Development Fund would be deposited in the Investment Fund. When the Investment Fund reaches \$250 million, the five percent flow into the Development Fund ceases and the only further source of money under this program is the income from the Investment Fund. The Committee was concerned that this system creates an incentive to spend out of the Development Fund to prevent the Investment Fund from ever reaching the \$250 million cap. Therefore the fifty-fifty split was devised as a "forced savings" both to remove this incentive to spend and to insure the availability of Investment Fund income in perpetuity.

Investment Fund principle under the bill would be invested by the treasury division of the Department of Revenue in secure investments (under AS 39.35.110). The earnings from these investments would be available for legislative appropriation to programs for the rehabilitation, enhancement, and development of the state's renewable resources. The bill proposes as the primary use of Investment Fund income the restoration of the state's renewable resources. Because restoration of public natural resources in most cases is not a direct profit generating activity, the state must take the lead in performing this essential public purpose. Restoration includes such activities as fish hatcheries, land reclamation and habitat improvement.

The allocation into the corporation would be available for investments or grants as described above. The corporation would be subject to the Executive Budget Act (37.07) and may expend money only as appropriated by the legislature. The earnings from corporation investments, and unexpended or unobligated appropriations from previous fiscal years, may be retained by the corporation for expenditure through subsequent appropriations. The operating budget of the ARRC would come from legislative appropriations from the general fund.

March 9, 1978

Mr. Earl H. Beistline, Dean
School of Mineral Industry
University of Alaska
Fairbanks, Alaska 99701

Dear Earl:

Thank you for your letter of February 13, 1978 clarifying and expanding your testimony at the public hearing on the Permanent Fund Bills in Fairbanks.

House Bill 682, as it is written, does not allow non-renewable resource assistance but it will possibly provide for research into renewable and recyclable metals.

House Bill 596, Sec. 44.55.010, establishes the Alaska Enterprise Investment Corporation which invests in "financially sound small and medium scale productive private industries and community development projects in the State." Some of the projects you have listed appear to fit the general type of investments this section is directed towards.

The University Coal Research Laboratory would be a great asset to the State and I intend to follow this project. The major hang-up for mining in Alaska is, as you know, the D-2 question. If HR 39 passes in its present form, it will be some time before mining regains the stature it once had. Progress is being made, however, to inject some balance into the D-2 proposal presently being considered by Congress.

Thank you for your excellent testimony and detailed letter. I appreciate your taking the time to give us your educated opinions. Please feel free to contact me again on this or any other matter.

Cordially,

Representative Clark Gruening

CG:pt



UNIVERSITY OF ALASKA

FAIRBANKS, ALASKA 99701

February 13, 1978

The Honorable Clark Gruening, Representative
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Clark:

The consideration you and your legislative committee gave in holding a hearing on the Alaska Permanent Fund in Fairbanks on February 3, 1978 was very much appreciated.

My remarks at the hearing were directed toward having the same consideration given to non-renewable resource development as to renewable resource development. I believe both are important and, in fact, necessary to give diversification in industry that in turn will make for a strong Alaskan economy under a private enterprise system.

The mineral industry is one of our two basic industries, (the other being agriculture), upon which our society is based. By and large, minerals, other than fuels, once mined are available for use and reuse from then on for the benefit of all people. More minerals are required annually because of increasing population, increased per capita consumption and increased demands in developing countries - facts which your father well recognized in many of his excellent statements. In Alaska, many "small miners" are attempting to develop and mine various mineral deposits and often some may need some financial assistance to allow a good prospect to blossom into a successful operation. History shows that many of the large mines have developed from the initiative of prospectors and "small" companies working on mineral prospects.

House Bill No. 298, Sec. 37.13.020, b, (1) which states "assist the diversification of the economy of Alaska by making sound investments in Alaska's renewable and non-renewable resources" seems to allow application of the fund to both categories. If my interpretation is correct, then the policy as proposed in HB No. 682 will apply to both categories and this is good.

HB 682, Alaska Renewable Resources Corporation, Sec. 37.12.040, has for its purposes the following excellent points:

"(1) facilitate the rehabilitation, enhancement, and development of the state's renewable resources so as to strengthen the self-sustaining sectors of the state economy:

"(2) sponsor research and development of technologies and innovations for the rehabilitation and enhancement of the state's renewable resources to achieve their most appropriate use;

PLEASE REPLY BY AIRMAIL

UNIVERSITY OF ALASKA

The Honorable Clark Gruening

Page two

February 13, 1978

"(3) identify new products, markets, and technologies for renewable resource industries in the state; stimulate the research and development of these products, markets, and technologies; assist in the demonstration of their technical and economic feasibility; and assist in their introduction into commercial markets."

I believe that appropriate legislation should provide similar considerations for the non-renewable resources. Specific assistance for funding justifiable mineral projects from the Permanent Fund could include:

1. Loans for a mineral industry project once adequate reserves have been established.
2. Assistance in mineral exploration projects based on mineral occurrences patterned after the Federal Office of Mineral Exploration Program (OME) administered by the U. S. Geological Survey in the past. (OME pamphlet enclosed).

Funds expanded perhaps on a participating basis would be paid back from production if an ore deposit was proven. If not, the expenditures would be written off.

The Federal OME program has not had funds for new contracts since 1974. The only OME activity now consists of administering going projects that were active in 1974 or before. None are in Alaska.

3. Assistance for prospecting as distinguished from exploration patterned in part after a former state prospector assistance program, Alaska Statutes 27.05.140, which was repealed some years ago.
4. Loan or some type of front-end assistance for mineral affiliated projects such as: cement plant, power plants, petrochemical facilities, etc.

Also, enclosed is a copy of P.L. 95-87, 95th Congress, August 3, 1977, Surface Mining Control and Reclamation Act of 1977. Important to the University of Alaska are Title III, Title VIII and Title IX. Title VIII pertaining to a University Coal Research Laboratory is being pursued at present. Briefly, the program, if funded in fiscal '79, will allow the following items to be obtained at Federal expense.

Facility construction maximum	\$4,000,000
Equipment	1,500,000
New program start-up expense	500,000

UNIVERSITY OF ALASKA

The Honorable Clark Gruening
Page three
February 13, 1978

The operating program is on a 50-50 basis for five years. It is at this point that matching State funds will most likely be required to carry on the program. The type of research to further enhance utilization of the energy-coal resources in Alaska might logically be funded through the Alaska Permanent Fund if provisions were included for non-renewable resources paralleling the purposes of HB 682.

Copies of this letter have not been sent to other members of your committee but you may desire to do so.

I hope the foregoing explains my thoughts and if you have any questions on the above comments, please let me know.

Best wishes for a satisfying 1978 Legislative session.

Sincerely,



Earl H. Beistline
Dean

EHB/jc

Enclosures: OME Pamphlet
Public Law 95-87--August 3, 1977



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

Office of Minerals Exploration
345 Middlefield Road
Menlo Park, California 94025

In response to your recent request, enclosed is a copy of the booklet *Exploration Assistance* that explains the program administered by the Office of Minerals Exploration.

We regret to inform you that no funds for financial assistance have been included in the federal budget for the OME program and applications are not being processed. Current activity consists of managing administrative and fiscal details on completed OME and DMEA contracts which have continuing royalty payment obligations. Should the program be revitalized, and we have no indication that it will be, a notice of resumption of operations would be issued and new applications would be processed and contracts prepared. There is no other federal assistance program for mining exploration.

Has not been
funded for new
Contracts since
1974. →

Sincerely yours,

H. K. Stager
Field Officer
OME, Region II

Enclosure

Title 30—MINERAL RESOURCES

Chapter II—Geological Survey,
Department of the Interior

PART 229—REGULATIONS FOR OBTAINING FEDERAL ASSISTANCE IN FINANCING EXPLORATIONS FOR MINERAL RESERVES, EXCLUDING

ORGANIC FUELS, IN THE UNITED STATES, ITS TERRITORIES AND POSSESSIONS

These regulations are reproduced from the following Federal Register documents:

[F.R. Doc. 65-2294; Filed, Mar. 4, 1965; 8:46 a.m.]

[F.R. Doc. 66-7220; Filed, June 30, 1966; 8:46 a.m.]

[F.R. Doc. 67-10624; Filed, Sept. 11, 1967; 8:48 a.m.]

GENERAL PROVISIONS

Sec.

- 229.1 Purpose.
- 229.2 Definitions.
- 229.3 Eligible minerals or mineral products.
- 229.4 Operator's property rights.

APPLICATIONS

- 229.5 Form and filing.
- 229.6 Information required.
- 229.7 Criteria.
- 229.8 Approval.

EXPLORATION CONTRACTS

- 229.9 Government participation.
- 229.10 Allowable costs.
- 229.11 Repayment by the operator.
- 229.12 Interest on amount of Government participation.
- 229.13 Limitation on the amount of Government participation.
- 229.14 Government not obligated to buy.
- 229.15 Title to and disposition of property.

AUTHORITY The provisions of this Part 229 issued under sec. 2(e), 72 Stat. 700, 30 U.S.C. 642(e).

GENERAL PROVISIONS

229.1 Purpose.

The regulations in this part govern the obtaining of Federal financial assistance in conducting exploration for mineral reserves, excluding organic fuels, in the United States, its territories or possessions.

229.2 Definitions.

As used in this part:

(a) "Exploration" means the search, including related development work, for new or unexplored mineral deposits within a specified area or parcel of ground where geologic conditions favor their occurrence. Exploration using recognized and sound procedures, including standard geophysical and geochemical methods, may be conducted from the surface or underground to obtain pertinent geological and mineralogical information. The work shall not go beyond a reasonable delineation and sampling of a mineral deposit, and shall not be conducted primarily for mining or preparation for mining.

(b) "Operator" means an individual partnership, corporation, or other legal entity that is party to an exploration contract with the Government.

(c) "Secretary" means the Secretary of the Interior, or his authorized representative.

(d) "Government" and "Federal" means the United States of America.

(e) "Commercial sources" means banking institutions or other private sources of credit.

229.3 Eligible minerals or mineral products.

(c) The following are eligible for Government financial assistance of 50 percent of the allowable costs of exploration:

Asbestos.	Kyanite (strategic).
Bauxite.	Manganese.
Beryllium.	Mica (strategic).
Cadmium.	Molybdenum.
Chromite.	Monazite.
Cobalt.	Nickel.
Columbium.	Quartz Crystal (piezoelectric).
Copper.	Rare Earths.
Corundum.	Selenium.
Diamond (industrial).	Sulphur.
Fluorspar.	Talc (block steatite).
Graphite (crucible flake).	Tellurium.
Iron Ore.	Thorium.
	Uranium.

(b) The following are eligible for Government financial assistance of 75 percent of the allowable costs of exploration:

Antimony.	Rutile.
Bismuth.	Silver.
Gold.	Tantalum.
Mercury.	Tin.
Platinum Group Metals.	

(c) Combinations of the minerals or mineral products named in paragraphs (a) and (b) of this section may be eligible for Government financial assistance of 62.5 percent of the allowable costs of exploration.

229.4 Operator's property rights.

The operator must have and preserve the right to possession of the land (as owner, lessee, or otherwise) for a term at least sufficient to complete the exploration work. (See 229.11(f) regarding repayment.) The operator shall devote the land and all existing improvements, facilities, buildings, installations, and appurtenances necessary to the purposes of the exploration.

APPLICATIONS

229.5 Form and filing.

An application for Federal financial assistance must be submitted in duplicate on forms which may be obtained from and filed with either:

Office of Minerals Exploration
Geological Survey
Department of the Interior
Washington, D.C. 20242

or Field Officers, Office of Minerals Exploration, Geological Survey. The regions which they serve and their Post Office addresses are as follows:

Region I: Idaho, Montana, Oregon, and Washington—Room 656, West 920 Riverside Avenue, Spokane, Washington 99201.

Region II: Alaska, California, Hawaii, and Nevada—Building 2, 345 Middlefield Road, Menlo Park, California 94025.

Region III: Arizona, Colorado, Kansas, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, Utah, and Wyoming—Building 25, Federal Center, Denver, Colorado 80225.

Region IV: Alabama, Arkansas, Connecticut, Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Vermont, Virginia, West Virginia, and Wisconsin—Room 11, Post Office Building, Knoxville, Tennessee 37902.

229.6 Information required.

(a) Each application shall fully describe the proposed exploration, and shall include all detailed data called for by the application form. The Secretary may require the filing of additional information, including financial statements, reports, maps, or charts, and exhibits and such physical on-site examinations as seems necessary.

(b) The application must include evidence that funds for the exploration work are unavailable on reasonable terms from commercial sources. The evidence shall include information as to the commercial sources to which applications were made, the amounts requested, and the reasons why loans were not obtained.

(c) The application must include a certification by the applicant that he would not normally undertake the exploration at his sole expense under current conditions or circumstances.

229.7 Criteria

The following factors will be considered and weighed in passing upon applications:

(a) The geologic probability of a significant discovery being made.

(b) The estimated cost of the exploration in relation to the size and grade of the potential deposit.

(c) The plan and method of conducting the exploration.

(d) The accessibility of the project area.

(e) The background and operating experience of the applicant.

(f) The applicant's title or right to possession of the property.

229.8 Approval

If the application is approved, the Government may enter into an exploration contract with the applicant upon terms and conditions which the Secretary deems necessary and appropriate as set forth in the contract form furnished by the Government.

EXPLORATION CONTRACTS

229.9 Government participation.

The Government will contribute not more than the percent of the total allowable costs of exploration which is specified in each exploration project contract. The percent specified in each contract will depend upon the minerals or mineral product sought and the Government contribution provided by 229.3 at the time the contract is made.

229.10 Allowable costs.

(a) The Government, to the extent provided in the exploration contract, will contribute to

(1) The necessary, reasonable, and direct actual costs of performing the exploration, including the costs of labor, supervision, and outside consultants;

operating materials, supplies, and equipment; initial rehabilitation or repair of existing buildings, installations, fixtures, and operating equipment; construction of buildings, fixed improvements, and installations; repairs and maintenance of operating equipment; analytical work, accounting, payroll and sales taxes, and employers' liability or employees' compensation insurance; payments by the operator to independent contractors; and such other necessary, reasonable, and direct actual costs as may be approved by the Government in the course of work; and

(2) The fixed unit costs agreed upon by the operator and the Government in terms of units of work to be performed (per foot of drifting, per foot of drilling, etc.) in lieu of actual costs.

(b) The Government will not contribute to costs incurred before the date of the contract, or to costs of or incident to:

(1) Acquiring, owning or possessing land with any existing improvements, facilities, buildings, installations, and appurtenances, or the depreciation and depletion thereof;

(2) General overhead, corporate management, interest and taxes (other than payroll and sales taxes);

(3) Insurance (other than employers' liability or employees' compensation insurance); and

(4) Damages to persons or property (other than authorized repair to or replacement of equipment or other property used in the work).

229.11 Repayment by the operator.

(a) If the Secretary considers that as a result of the exploration, mineral or metal production from the area covered by the contract may be possible, he shall so certify in writing to the operator within the time specified in the contract.

(b) When the Secretary determines not to certify, he shall promptly so notify the operator provided the operator has completed all obligations under the contract.

(c) The operator shall pay the Government a royalty on all minerals or metals produced from the land described in the contract and any other royalty as may be provided therein:

(1) Irrespective of any certification of possible production—from the date of the contract to the date of notice that certification will not be made, or until the total amount contributed by the Government with interest is fully repaid, whichever occurs first; or

(2) Irrespective of any certification of possible production—if the Secretary, deeming it necessary and in the public interest, enters into an agreement to provide for royalty payments.

(3) If a certification of possible production is issued—for a period of ten years (or other period fixed by the contract not exceeding 25 years) from the date of the contract, or until the total amount contributed by the Government, with interest, is fully repaid, whichever occurs first.

(d) The Government's royalty shall be 5 percent of the "gross proceeds" (including any bonuses, premiums, allowances, or other benefits) from the production sold, in the form sold (ore, concentrate, metal, or equivalent) at the point of delivery (the f.o.b. point) except, that charges of the buyer (not the operator or producer) arising in the regular course of his business, and shown on the buyer's settlement sheets as deductions (such as treatment processes performed by the buyer, sampling and assaying to determine the value of the production sold, and freight payable by the buyer to a carrier (not the operator or producer)) shall be allowed as deductions in arriving at the "gross proceeds" as that term is used in this section. No costs of the operator or producer are deductible in arriving at the "gross proceeds" as that term is used in this section. The term "treatment processes" as used in this paragraph means those processes (such as milling, concentrating, smelting, refining, or equivalent) applied to the crude ore or other production after it is extracted from the ground to put it into a commercially marketable form, excluding fabricating or manufacturing.

(e) If any production (ore, concentrate, metal, or equivalent) remains unsold or is not used by the operator or producer in integrated manufacturing or fabricating operations (for instance, if it is stockpiled) after the lapse of six months from the date it is extracted from the ground, the Government, at its option, may require the computation and payment of its royalty on the value of such production in the form (ore, concentrate, metal, or equivalent) it is in at the time the Government elects to exercise its option. If any production is used by the operator or producer in integrated manufacturing or fabricating operations, the Government's royalty on such production shall be computed on the "value" thereof in the form in which and at the time when it is used. "Value" as used in this section means what is or would be gross income from mining operations for percentage depletion purposes in Federal income tax determination, or the market value, whichever is greater.

(f) (1) To secure the payment of the Government's royalty, the contract shall provide for a lien upon the operator's interest in the land, upon any production from the land, and upon any interests in the land other than the operator's interest. However, the Secretary may accept the undertaking of a surety company or third person in lieu of a lien upon interests in the land other than the operator's interest. In circumstances where the Secretary deems it to be in the public interest, the requirement for a lien or other undertaking concerning interests in land, other than the lien upon the operator's interest, may be omitted from the Contract.

(2) If the operator is not the producer (for example, if the operator transfers or does not retain his interest in production or in the land), the operator shall remain liable for the payment of the Government's royalty.

(g) If, in any particular case, the Secretary finds that it would be more economical or practicable to compute the Government's royalty upon some basis other than "gross proceeds" or "value", as these terms are used in this section, or upon the production in some form other than that in which it is sold, held, or used in integrated operations, he may agree with the operator, either in the original exploration contract or by an amendment thereof, upon some other basis of computation.

(h) Nothing in this part shall be construed as imposing any obligation on the operator to engage in any mining or production operations.

(i) The Secretary may modify and adjust the terms and conditions of any contract to reduce the amount and terms of any royalty payment when he shall determine that such action is necessary and in the public interest.

229.12 Interest: an amount of Government participation.

(a) Simple interest is calculated from the first day of the month following the dates Federal funds are made available until the period specified for royalty payments expires or until the amount of Federal funds contributed, including interest, is fully repaid, whichever occurs first.

(b) The rate of interest shall be fixed by the Secretary at not less than the rate the Department of the Interior would be required to pay if it borrowed from the Treasury, plus a two percent interest charge in lieu of the actual cost to the Government of administering the contract.

(c) Paragraphs (a) and (b) of this section shall not be construed to increase the rate of royalty or to extend the period for which the royalty is payable as set forth in 229.11.

229.13 Limitation on the amount of Government participation.

No single contract shall authorize Government participation in excess of \$250,000.

229.14 Government not obligated to buy.

Nothing in this part or in any contract entered into pursuant to this part shall be construed as imposing any obligation on the Government to purchase any materials mined or produced from the land which is the subject of such contract.

229.15 Title to and disposition of property.

Facilities, buildings, fixtures, equipment, or other items or groups of items (such as pipe, rail, steel, etc.), costing more than \$50.00 each, paid for or purchased with funds contributed jointly by the operator and the Government, although title may be taken in the name of the operator, shall belong to the operator and the Government jointly, in proportion to their respective contributions to the extent set forth in the contract. The exploration contract shall make suitable provisions also for their disposal for the joint account of the operator and the Government.

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

APPLICATION FOR FINANCIAL ASSISTANCE IN MINERALS EXPLORATION

Pursuant to Public Law 85-701 (72 Stat. 700; 30 U.S.C. 641)

NAME OF APPLICANT <i>(Full legal name and mailing address as they should appear on contract if one is executed.)</i>	APPLICANT DO NOT USE THIS BLOCK DOCKET NUMBER DATE RECEIVED REGION DIVISION CODE 															
BUSINESS ORGANIZATION <i>(Check one)</i> INDIVIDUAL ☐ CORPORATION ☐ PARTNERSHIP ☐ OTHER <i>(Specify)</i> ☐	LIST CORPORATE OFFICERS OR PARTNERS HERE, IF APPLICABLE <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;">NAME</th> <th style="width: 40%;">ADDRESS</th> <th style="width: 20%;">TITLE</th> </tr> </thead> <tbody> <tr><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td></tr> </tbody> </table>	NAME	ADDRESS	TITLE												
NAME	ADDRESS	TITLE														
STATE IN WHICH FIRM IS ORGANIZED																
MINERAL(S) FOR WHICH YOU WISH TO EXPLORE	<table style="width: 100%; border-collapse: collapse;"> <tr> <th style="width: 40%;">PROPERTY NAME</th> <th style="width: 20%;">LOCATION COUNTY</th> <th style="width: 40%;">STATE</th> </tr> <tr><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td></tr> </table>	PROPERTY NAME	LOCATION COUNTY	STATE												
PROPERTY NAME	LOCATION COUNTY	STATE														
ESTIMATED COST OF PROJECT																

GENERAL INSTRUCTIONS

Before filling out this application, please read the *OME Regulations for Obtaining Federal Assistance in Financing Explorations for Mineral Reserves* (30 CFR Chap. II). To assure prompt action, your application must provide all applicable material and information specified on the back of this application form. Avoid unnecessary correspondence and delays by submitting complete and accurate information. Please submit two copies of this application and all accompanying papers except as otherwise noted. Place your name and address on each sheet. Each item of information, maps, and reports required as a part of this application is described on the back of this form. Identify each attached statement by the item number to which it applies. If an item does not apply to your application, show the item number on your statement

and after it write "not applicable." Maps or sketches should be used to supplement narrative descriptions of the property location and boundaries in item 2, existing mine workings and geology in item 3, and the proposed exploration work in item 5. When this information is not too complex, all of it may be shown on one map or sketch. All documents and other attachments submitted as a part of this application, except those in item 3(g) which you mark to be returned, become the property of the Government and will not be returned to the applicant. Send true copies, *not originals*, of leases, contracts, and other documents which are an essential part of your business records. *File this application with the Department of the Interior, U.S. Geological Survey, Office of Minerals Exploration, Washington, D. C., 20242, or with the nearest OME Field Office.*

CERTIFICATION

The undersigned, whether as an individual, corporate officer, partner, or otherwise, both in his own behalf and acting for the applicant, certifies that the information set forth in this form and accompanying

papers is correct and complete, to the best of his knowledge and belief, and that he would not ordinarily undertake the proposed exploration under current conditions and circumstances at his sole expense.

 DATED

 BY (Signature)

 TITLE

INFORMATION REQUIRED WITH THIS APPLICATION

(submit on accompanying pages)

1. Financial Eligibility:

(a) Submit evidence of efforts made within 90 days preceding the filing of this application to obtain credit from your bank of account and at least one other banking institution or other private source of credit. Such evidence shall include (1) *true copies of your letters to credit sources* which show date of loan request, amount and terms requested, and proposed use of loan funds and (2) *true copies of replies from credit sources*. If the loan was offered under terms which you consider unreasonable, state why you consider them so.

(b) List names and addresses of affiliated, parent, or controlling companies or organizations and state extent and nature of their interest.

(c) State how you propose to furnish your share of the cost of the exploration work.

2. Applicant's Rights in Land:

(a) State your interest in the land and mineral rights, whether owner, lessee, purchaser under contract, or other. If you are not the owner, submit one true copy of the lease, contract, or other document (with address of owner) under which you control the property. Describe all liens, mortgages, or other encumbrances on the land and state book and page number and official place where recorded.

(b) State the legal description (section, township, and range; metes and bounds; patent number of claims) of the land upon which you wish to explore and all adjacent land which you own or control. Describe any part of the land or workings which should not be subject to Government royalty and liens. If the land consists of unpatented claims, state book and page number for each recorded location notice, including amended locations, and official place where recorded. State all the names by which you know the property.

(c) For all land or mineral rights encumbered or not owned, submit five copies of Lien and Subordination Agreements signed by owner on MME Form 52. If the agreements cannot be obtained, state reasons and whether you can furnish a performance bond.

3. Physical Description:

(a) Describe in detail and illustrate with maps or sketches all mining or exploration operations which you know have been or are being conducted upon the land. Include existing mine workings and all production facilities.

(b) State your interest, if any, in operations described in (a).

(c) State, if you know, the past and current production, supporting your statement with copies of settlement sheets, mine records, or published data if available.

(d) Describe known ore reserves, giving quantities and grades.

(e) Describe by narrative and maps or sketches the geologic features of the property, including ore minerals, geologic formations if known, and type of deposit (vein, bedded, etc.).

(f) If you have sampled the area you propose to explore, show where the samples were taken, describe sampling methods used, and provide copies of assay certificates. State your reasons for expecting to find ore.

(g) Send with your application at least two copies of all geologic or engineering reports, assay maps, or technologic information which you have, indicating whether you require their return.

4. Accessibility of Property:

(a) To aid the OME representative who may examine the property state name, address, and telephone number of person who will meet him; give directions for reaching the property; and describe accessibility of property and of any mine workings.

(b) Name the shipping and supply points and state the distances to the property.

5. Exploration Work:

(a) Describe fully the proposed exploration work giving individual footages and sizes of openings for each item of work. Use narrative,

maps, plans, and sections as necessary. Show location of the proposed work as related to geologic features such as veins, ore-bearing beds, contacts of rock formations, etc. Show on maps also the relation of the proposed work to any existing mine workings and to *claim boundaries* or to the closest identifiable corner.

(b) If an access road must be built, show the proposed location on the property map and state the length, type and construction methods proposed.

(c) If an OME contract is executed, state how soon thereafter work would be started and finished. State your anticipated average daily or monthly rate of progress for each type of work.

6. Experience:

State your operating experience and background to conduct this exploration work and also that of the person who will supervise the work.

7. Estimate of Costs:

Furnish detailed estimates of the necessary costs for time and materials for each item of the work proposed in 5(a) under the headings listed below with a total for each heading and the estimated total cost of the work. Costs for any work to be performed by an independent contractor should be listed separately under category (a) below. Costs for any work that is not to be performed by an independent contractor should be listed under categories (b) through (g).

(a) Independent contracts. State the total cost of any proposed independent contract for all or any part of the work, and the number of units and the unit cost for each type of work, such as per foot of drilling, per foot of drifting, per hour of bulldozer operations, or per cubic yard of material moved. Cost estimates should be supported by bids from three contractors if possible. (Note—If none of the work is to be contracted, write "none" after this item.)

(b) Personal services. The cost of supervision, engineering and geological services, outside consultants, and labor should be itemized by numbers and classes of employees; rates of wages, salaries or fees; and periods of employment. State whether these services are available.

(c) Operating materials and supplies. List items of material and supplies giving quantity and price of each. Include under this heading power, water, and fuel, and units of equipment and tools costing less than \$50 each.

(d) Operating equipment. List items of equipment and tools costing \$50 or more per unit. Give specifications and indicate how each item is to be acquired—i. e., rented, purchased or provided by the applicant. If rented or purchased, state the estimated rental or purchase price and mobilization charge. If furnished by the applicant, state condition and present fair market value.

(e) Initial rehabilitation and repairs. Describe the type and the cost of initial rehabilitation or repair of existing buildings, fixtures, installations (exclusive of mine workings), and movable operating equipment now owned by the applicant which will be used in the exploration work.

(f) New buildings, fixtures, installations. Describe each building, fixed improvement, and installation to be purchased, constructed or installed for the exploration work, stating specifications and cost including labor, and materials.

(g) Miscellaneous. Describe the type and estimate the cost of repairs and maintenance of the operating equipment listed in 7(d). Do not repeat initial repairs listed in 7(e). Show also the costs of analytical work, accounting, workmen's compensation and employees' liability insurance, payroll taxes, and other required costs that do not fall within the previous categories. [Note—The Government will not contribute to costs incurred before the date of the contract or to costs of or incident to (1) acquiring, using, or possessing land and any existing improvements, facilities, buildings, installations, and appurtenances, or the depreciation and depletion thereof, (2) general overhead, corporate management, interest and taxes (other than payroll and sales taxes), (3) insurance (other than employees' liability insurance), and (4) damages to persons or property (other than authorized repair to or replacement of equipment or other property used in the work).]

UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

EXPLORATION CONTRACT
(Short Form)

<u>Docket No.</u>	<u>Commodity</u>	<u>Contract No.</u>	<u>County</u>	<u>State</u>
OME		14-23-090-		

It is agreed _____, between the United States of America, acting through the
(Date)
Department of the Interior, Office of Minerals Exploration, hereinafter called the "Government," and

whose mailing address is _____,
hereinafter called the "Operator," as follows:

ARTICLE 1. Authority and scope.--(a) This contract, entered into under the authority of Public Law 701, 85th Cong., 2d sess. (72 Stat. 700; 30 U.S.C. § 641 - 646), consists of this form, the attached Annex I (land description), Exhibit A (work and costs), and the maps and documents listed. The work is a search for new or unexplored deposits of the commodity designated above. The Operator

shall begin the work on or before _____, and, subject to the provisions of Article 7
(Date)
and Exhibit A, shall complete the work within _____ months from the date of the contract.

(b) The description of the work and the fixed cost for each unit of work to be performed (per foot of drilling, per foot of drifting, per hour of operations, etc.) are hereby agreed upon as specified in Exhibit A. The estimated total cost of the work is \$ _____. The Government will contribute 50 percent of the total fixed unit costs of the work performed, not in excess of \$ _____ in accordance with the provisions of Articles 4 and 5.

(c) Interest computation.-- Simple interest at the rate of _____ percent shall accrue from the dates Federal funds are made available until the period specified for payment of royalty expires, or until the amount of Federal funds contributed is fully repaid with interest.

(d) The Operator shall not transfer or assign this contract or any right or obligation thereunder without the written consent of the Government.

ARTICLE 2. Operator's rights in land.--(a) The Operator represents and undertakes that Annex I correctly describes the land which is the subject of this contract and the nature of the Operator's right of property and possession therein (whether as owner, lessee, or otherwise), and that such right, title, or interest is subject only to the following claims, liens, or encumbrances:

(b) The Subordination Agreement of the holder of any claim, lien, or encumbrance listed above and (if the Operator does not hold the legal title) the Lien Agreement of any holder of the legal title of the land (lessor, seller, optionor, etc.) are attached as follows:

(c) The Operator shall preserve and maintain his right, title, or interest in the land and his right to the possession thereof for the purposes of this contract, and shall devote the land and all existing improvements, facilities, buildings, installations, and appurtenances to the purposes of this contract. The Operator shall neither transfer, convey, nor surrender the land nor any right, title, or interest therein, nor permit nor suffer any claim, lien, or encumbrance thereon, without expressly referring to and providing in the instrument of conveyance, lien, or encumbrance for the preservation of the Government's right to a royalty on production and liens for the payment thereof. Two true copies of such instrument shall be furnished to the Government. If the Government's rights to royalty as provided in Article 6 have been terminated, the provisions of this paragraph (c) shall become inapplicable.

ARTICLE 3. Performance of the work.--(a) Operator's responsibility.--The work shall be performed diligently, efficiently, in a workmanlike manner in accordance with good mining standards, and in compliance with State laws governing health, safety, and liability insurance covering employment. The Operator shall provide suitable and adequate equipment, facilities, materials, supplies, and labor to complete the work as specified in Article 1(a).

(b) Government may inspect.--The Operator shall consult with and inform the Government on all phases of the work as it progresses. The Government may enter at all reasonable times to inspect the work under the contract and production operations during the period that royalty is payable to the Government. The Operator shall provide the Government with all reasonable means of access for such inspections.

ARTICLE 4. Contribution by the Government.--The Government will make its contribution on the basis of the monthly vouchers referred to in Article 5(b), but all payments by the Government are provisional only, subject to audit. Until the account between the Operator and the Government is finally audited and settled and the Operator's final report has been received, the Government may withhold such sums as are necessary to protect its interests. To the extent that amounts in excess of fixed unit costs or in excess of the estimated total cost may be necessary for the performance of the work, the Operator shall incur and pay such amounts for his own account without contribution by the Government. The Government will not contribute to the cost of any work performed prior to the date of this contract. The Government may make payments for the account of the Operator directly to independent contractors and suppliers rather than to the Operator.

ARTICLE 5. Reports, accounts, audits.--(a) Operator's records.--The Operator shall keep suitable records and accounts of the units of work performed and of any production in which the Government may have an interest; and shall preserve those with respect to work performed for at least three years after final payment by the Government, and those with respect to production for at least three years after any obligation to pay royalties to the Government has terminated. The Government may inspect and audit said records and accounts at any time, either by itself or by a certified public accountant. The Comptroller General of the United States or his representative, until the expiration of said three-year periods, shall have access to and the right to examine all pertinent books, documents, papers, and records of the Operator.

(b) Monthly reports.--The Operator shall provide the Government with four copies of monthly reports in three sections as follows:

- (1) Operator's Monthly Voucher claiming costs for work performed;
- (2) Operator's Progress Report showing the number of units of the various types of work performed;

and

- (3) a narrative report of the work performed during the reporting period, including adequate engineering-geological maps or sketches, drill hole logs and locations, and assay reports on samples taken concurrently with advance in mineralized ground.

(Forms for reporting under (1) and (2) above will be provided by the Government.)

(c) Final report.--Upon completion of the work or termination of the Government's obligation to contribute to costs, the Operator shall furnish the Government with three copies of a final report (in addition to the final monthly report). This final report shall include a geological and engineering evaluation of the results of the work performed under the contract with an estimate of the ore reserves resulting from such work, complete assay data, adequate geological and engineering maps or sketches, and a summary of the work performed and the unit costs thereof.

(d) Report of sales.--The Operator shall provide the Government with suitable accounting and documentary evidence showing all production to which the Government's royalty relates, such as two copies of smelter or concentrator settlement sheets and certified accounts of production and sale or other disposition of production.

(e) Compliance with requirements.--If the Government determines that any of the Operator's reports, records, or accounts are insufficient or incomplete or if the Operator fails to make them, the Government may procure the preparation or completion of same with suitable attachments as an expense of the work to which the Operator shall contribute. The Government may withhold approval and payment of any vouchers relating to insufficient or incomplete reports, records, or accounts.

ARTICLE 6. Repayment by Operator.--(a) Certification.--If the Government considers that mineral or metal production from the land covered by the contract may be possible as a result of the exploration work, it shall so certify in writing to the Operator at any time not later than six months after a sufficient final report and final accounting (see Article 5) have been furnished.

(b) Royalty on production.--The Operator, whether or not the producer (for example, if the Operator either transfers or does not retain his interest in the land), shall pay to the Government a royalty on all minerals and metals mined or produced from the land as follows:

(1) irrespective of any certification of possible production--from the date of the contract until the lapse of the time within which the Government may issue such certification or until the total net amount contributed by the Government is fully repaid with interest, whichever occurs first; or

(2) if the Government issues a certification of possible production--for a period of ten years from the date of the contract or until the total net amount contributed by the Government is fully repaid with interest, whichever occurs first.

(c) Payment of royalty.--(1) The Government's royalty shall be five percent of the gross proceeds (including any bonuses, premiums, allowances, or other benefits) from the production sold, in the form sold (ore, concentrate, metal, or equivalent), at the point of delivery (the f.o.b. point); except, that charges of the buyer arising in the regular course of business and shown as deductions on the buyer's settlement sheets (such as treatment processes performed by the buyer, sampling and assaying to determine the value of the production sold, and freight payable by the buyer to a carrier (not the Operator or producer)), shall be allowed as deductions in arriving at the "gross proceeds" as that term is used herein. No costs of the Operator or producer are deductible in arriving at the "gross proceeds" as that term is here used.

The term "treatment processes" means those processes (such as milling, concentrating, smelting, refining, or equivalent, but excluding fabricating or manufacturing) applied to the crude ore or other production after it is extracted from the ground to put it into a commercially marketable form.

(2) The Government's royalty shall be computed and paid currently upon each lot sold, held, or used in integrated operations, as the case may be.

(d) Unsold production.--If any production (ore, concentrate, metal, or equivalent), after the lapse of six months from the date the ore was extracted from the ground, remains neither sold nor used in integrated manufacturing or fabricating operations (for instance if it is stockpiled), the Government, at its option, as long as it so remains, may require the computation and payment of its royalty on the value of such production in the form (ore, concentrate, metal, or equivalent) it is in when the Government elects to require computation and payment. If any production is used in integrated manufacturing or fabricating operations before the Government makes its election, the Government's royalty on such production shall be computed on the value thereof in the form in which and at the time it is so used. "Value" as here used means what is or would be gross income from mining operations for percentage depletion purposes in Federal income tax determination, or the market value, whichever is greater.

(e) Lien for payment.--To secure the payment of royalty (see Article 6(b)), the Operator hereby grants to the Government a lien upon his interest in the land and upon any production of minerals and metals therefrom until the royalty claim is extinguished by lapse of time or is fully paid.

(f) Notice to purchasers.--The Operator or producer shall give notice of the Government's claim for royalty to any purchaser of the production, and shall authorize and direct such purchaser to pay the royalty directly to the Government and to furnish the Government with copies of the settlement sheets. If the records of any production and sales or other disposition of production, whether the production is by the Operator or by others, are not made available to the Government, the amount of the royalty may be estimated by the Government, and this estimate shall be final and binding upon the Operator or producer.

(g) No obligation to produce.--Nothing in this contract shall be construed as imposing any obligation on the Operator or the Operator's successor in interest to engage in any production operations.

(h) Government not obligated to buy.--Nothing in this contract shall be construed as imposing any obligation on the Government to purchase any minerals and metals mined or produced from the land.

ARTICLE 7. Termination of the Government's Obligations.--(a) If the Government determines that operations at any time have failed to achieve anticipated results and further work is not justified, the Government may give the Operator written notice thereof, and thereupon:

(1) the Government shall be free of all obligation to pay on account of units of work not then performed; and

(2) the Operator shall be free of all obligation to prosecute the work other than such as may be necessary and incidental to final accounting and reporting.

(b) If the Government determines that the Operator is in default under the terms of the contract, the Government may give the Operator written notice of such default with a specification of reasonable time within which the default must be cured; and if the Operator fails to cure such default as required, thereupon:

(1) the Government shall be relieved of all obligation to pay on account of units of work not performed when the notice was given, and

(2) the Operator shall be free of all obligation to prosecute the work other than such as may be necessary and incidental to final accounting and reporting.

The Government may also avail itself of any other remedy the law may provide for breach of contract, including the right to rescind the contract and to demand repayment of all moneys contributed by the Government under the contract.

(c) The giving of any notice by the Government under the provisions of this Article 7 shall not affect the Government's rights as provided for in the contract with respect to royalty and liens to secure the payment thereof, and such rights shall be fully preserved.

(d) The determinations of the Government are subject to appeal under Article 11.

ARTICLE 8. Notices to be given by the Government may be delivered to the Operator or may be sent by certified mail addressed to the Operator at his mailing address stated in this contract. If mailed, notices are deemed to have been delivered five days after the date of mailing.

ARTICLE 9. Officials not to benefit.--No member of or delegate to Congress or resident commissioner shall be admitted to any share or part of this contract or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this contract if made with a corporation for its general benefit.

ARTICLE 10. Nondiscrimination in Employment.--The provisions respecting nondiscrimination in employment which are required by section 301 of Executive Order 10925, dated March 6, 1961, as amended and supplemented, are attached hereto as Exhibit B and are hereby incorporated in and made a part of this contract.

ARTICLE 11. Disputes.--Any dispute arising under this contract which is not disposed of by agreement shall be decided by the Director, Office of Minerals Exploration, who shall reduce his decision to writing and mail or otherwise furnish a copy thereof to the Operator. The decision of the Director, Office of Minerals Exploration, shall be final and conclusive unless, within 30 days from the date of receipt of such copy, the Operator mails or otherwise furnishes to the Director, Office of Minerals Exploration, a written appeal addressed to the Secretary of the Interior. The decision of the Secretary or his duly authorized representative for the determination of such appeals shall be final and conclusive unless determined by a court of competent jurisdiction to have been fraudulent, or capricious or arbitrary, or so grossly erroneous as necessarily to imply bad faith, or not supported by substantial evidence.

The term "Director, Office of Minerals Exploration," as used herein includes his duly authorized representative.

ARTICLE 12. Work Hours Act of 1962 - Overtime Compensation.--This contract, to the extent that it is of a character specified in the Work Hours Act of 1962 (Public Law 87-581, 76 Stat. 357-360) and is not covered by the Walsh-Healey Public Contracts Act (41 U.S.C. 35-45), is subject to the following provisions and to all other provisions and exceptions of said Work Hours Act of 1962.

(a) Overtime requirements.--No Operator or subcontractor contracting for any part of the contract work which may require or involve the employment of laborers or mechanics shall require or permit any laborer or mechanic to be employed on such work in excess of eight hours in any calendar day or in excess of forty hours in any workweek unless such laborer or mechanic receives compensation at a rate of not less than one and one-half times his basic rate of pay for all hours worked in excess of eight hours in any such calendar day or in excess of forty hours in any such workweek, as the case may be.

(b) Violations; liability for unpaid wages; liquidated damages.--In the event of any violation of the clause set forth in subparagraph (a) of this paragraph, the Operator and any subcontractor responsible therefor shall be liable to any affected employee for his unpaid wages. In addition, such Operator and subcontractor shall be liable to the United States (in the case of work done under contract for the District of Columbia or a territory, to such District or to such territory), for liquidated damages. Such liquidated damages shall be computed, with respect to each individual laborer or mechanic employed in violation of the clause set forth in subparagraph (a) of this paragraph, in the sum of \$10 for each calendar day on which such employee was required or permitted to work in excess of eight hours or in excess of the standard workweek of forty hours without payment of the overtime wages required by the clause set forth in subparagraph (a) of this paragraph.

(c) Withholding for unpaid wages and liquidated damages.--The Office of Minerals Exploration may withhold or cause to be withheld, from any moneys payable on account of work performed by the Operator or subcontractor, such sums as may administratively be determined to be necessary to satisfy any liabilities of such Operator or subcontractor for unpaid wages and liquidated damages as provided in the clause set forth in subparagraph (b) of this paragraph.

ARTICLE 13. Copeland (Anti-Kickback) Act--Nonrebate of wages.--The regulations of the Secretary of Labor applicable to contractors and subcontractors (29 CFR, Part 3), made pursuant to the Copeland Act, as amended (40 U. S. C. 276c) and to aid in the enforcement of the Anti-Kickback Act (18 U. S. C. 874) are made a part of this contract by reference. The Operator will comply with these regulations and any amendments or modifications thereof and will be responsible for the submission of affidavits required of independent contractors thereunder. The foregoing shall apply except as the Secretary of Labor may specifically provide for reasonable limitations, variations, tolerances, and exemptions.

ARTICLE 14. Changes and added provisions.---

Executed in quintuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

(Operator)

By _____

By _____

Title _____

I, _____, certify that I am the
(Name)

secretary of the corporation named as Operator herein; that

_____, who signed this contract on behalf of the Operator, was then

(Name)

of said corporation; that said contract was duly signed for

(Title)

and in behalf of said corporation by authority of its governing body, and is within the scope of its corporate powers.

[CORPORATE
SEAL]

(SEE OTHER SIDE)

OPERATOR'S MONTHLY REPORT

The Operator, under an Office of Mineral Exploration contract, is required to report monthly to the Government. The report consists of two parts. FIRST, the Operator's Monthly Voucher on Form 9-1648 listing the project costs incurred and claimed by the Operator is the voucher basis for payment of the Government's share of the cost.

SECOND, the Operator's Narrative Report is a concise description of the work performed, results accomplished, and any unusual situations encountered, illustrated and supported by engineering-geological maps or sketches, drill hole logs, assay reports, etc., as pertinent.

The Operator submits the original and three copies of each of the two sections of this report to the OME regional Field Officer at the end of each month during the life of the contract.

PREPARATION OF OPERATOR'S MONTHLY VOUCHER, FORM 9-1648

In the left hand column list the items for which costs were incurred during the month, and also the items for which costs were previously reported. For items previously reported, show only UNITS TO DATE and COSTS TO DATE. Items listed should conform to Exhibit A of the contract (Estimated Costs of the Work). The total of COSTS THIS MONTH followed by the Operator's signature constitutes a claim for payment of the Government's share of the costs. The Operator or his agent must sign the certification in the lower left corner.

Except for amounts claimed under "fixed unit costs" provisions of the contract, all costs claimed in this voucher must be supported by documentary evidence consisting of: (a) certified copies or transcripts of payrolls which list each employee, wage rate, period of employment, gross earnings, and net earnings; (b) original or certified copies of invoices, statements of accounts, or purchase orders which indicate items of materials or services, quantities, unit prices, total charges, and payment terms; and (c) certified memoranda of the Operator for such items as unemployment taxes, employee's liability insurance, and depreciation of Operator-owned equipment. The certification may be stated thus, "Certified True Copy", followed by the signature of the Operator or his agent. One copy of each document should accompany the original of this voucher.

The requirement for submitting documentary evidence of claimed costs may be waived by the OME regional Field Officer if he determines that it is impracticable for an Operator to submit this material. In any case of waiver of this requirement an "on-site" audit by an OME auditor is mandatory prior to payment of the final Operator's Monthly Voucher.

SAMPLE

EXPLORATION COSTS

The costs of the exploration are based on average wage rates, supply, and equipment costs.

1. Bulldozer trenching:

Rental of D-8, or equivalent size, bulldozer with operator and supplies, 150 hrs at \$20/hr	\$ 3,000.00
Supervision, surveyor, panner, sampler, 4 weeks 5 days/week at \$3/hr	480.00
Assaying, 50 samples, for mercury, at \$4/sample.	200.00
Total	\$ 3,680.00

2. Drift on vein, crosscut, and ventilation raise:

Total 400 ft; 5-day week, advance 4 ft/day = 100 days = 4 mos. Wages: Miners \$2.50/hr; muckers \$2/hr; car men \$1.75/hr; and an average of 4 ft per shift . \$12.00/ft	
Insurance, social security tax, etc. at 18%	2.25 "
Powder, fuse, detonators	3.00 "
Compressor supplies	3.00 "
Steel and bits	2.00 "
Repairs	1.50 "
Rail, air, and water lines	2.50 "
Supervision, engineering, accounting, 4 mos at \$6/mo	6.00 "
Rental as below*	1.05 "
Total	\$33.80/ft

*The operator will furnish all equipment.

Compressor	\$2,350.00
Drill: Jackleg	900.00
Air, water hoses	400.00
Water pressure tank	50.00
Mine cars (2)	300.00
Truck, 4-wheel drive	1,000.00
Tools	300.00
Slusher	1,000.00
Total	\$6,300.00

Monthly rental = $\frac{\$6,300}{60}$ = \$1.05. Rental for 4 mos (4x\$105=\$420=\$1.05/ft).

Total cost of the project:

150 hrs of bulldozer trenching	\$ 3,480.00
400 ft of drift, raise, and crosscuts at \$33.80/ft	13,520.00
Total	\$17,000.00

OPERATOR'S FINAL REPORT

1. OME No. _____ (metals or minerals)

Contract No. _____

Name of Operator _____

Name and location of property _____

2. Summary of Project.

Give approximate dates of starting and completing the exploration work, or effective date contract was terminated.

Describe the work completed, giving categories with total units and costs for each category. As an example -

1,000 ft. diamond drilling	\$ 2,750.00
500 ft. drifting	17,500.00
	\$20,250.00

3. Describe the geologic features of the project. Include maps, assay data, estimate of ore reserves found, and production (quantity and value) during project.
4. Comment on progress made, unusual circumstances, operating conditions, efficiency of operations, results obtained from the project, and plans for future operations.

Alaska State Legislature

SPECIAL COMMITTEE ON
THE ALASKA PERMANENT FUND
(907) 276-3433

528 W. 5TH, SUITE 270
ANCHORAGE, AK. 99501
[POUCH V, JUNEAU, AK. 99811]
(907) ~~XXXXXX~~
465-4955



MEMBERS

REP. CLARK GRUENING, CHMN.
REP. TERRY GARDINER, V. CHMN.
REP. E. J. HAUGEN
REP. RUSS MEEKINS
REP. BILL MILES
REP. LEO SCHAEFFER
~~REP. RICK JORDON~~
Rep. Joe Hayes

House of Representatives

February 28, 1978

Mr. R. D. Stevenson
Special Assistant
Office of the Commissioner
Department of Revenue
Pouch S
Juneau, Alaska 99811

Dear Mr. Stevenson:

Thank you for the Fiscal Notes on HB 595, HB 596 and
HB 682 prepared by Deputy Commissioner Edenso and recently
received by the Committee.

CSHB 596 will be before the Finance Committee March 6, 1978
at 1:15 PM and it would be helpful to note the differences,
if any, in your calculations for the Committee Substitute at
that time.

It would also be helpful if you would provide a more detailed
back up on the calculations for CSHB 596 so that it will be
possible to see what assumptions were made and how the figures
were arrived at.

I will also be forwarding a Committee Substitute for HB 682
for your review and subsequent Fiscal Note in the near future.

Again, thank you for your time and effort and feel free to
contact me if I can be of further assistance.

Cordially,

Representative Clark Gruening

cc: Deputy Commissioner Edenso

CG/jl

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

POUCH 5 - JUNEAU 99811

February 25, 1978

The Honorable Clark Gruening
Chairman
House Special Committee on the
Permanent Fund
Alaska State Legislature
State Capitol Building - Room 121
Juneau, Alaska

Re: House Bill No. 682

Dear Mr. Gruening:

House Bill No. 682, an Act relating to nonrenewable resource revenues, was introduced in the House on January 25, 1978 and was referred to the House Special Committee on the Permanent Fund and the House Finance Committee.

For the consideration of the House Special Committee on the Permanent Fund, I am enclosing a copy of a Fiscal Note prepared by Mr. Jim Edenso, Deputy Commissioner, Department of Revenue concerning the proposed legislation.

Very truly yours,



R. D. Stevenson
Special Assistant

Enclosure

cc: The Honorable Steve Cowper
Chairman
House Finance Committee
Alaska State Legislature
State Capitol Building
Juneau, Alaska

Jim Edenso, Deputy Commissioner
Department of Revenue

John Messenger, Deputy Commissioner
Department of Revenue

cc - Gruening & Cowper
answ. 2-27
file 682

Public Law 95-87
95th Congress

An Act

To provide for the cooperation between the Secretary of the Interior and the States with respect to the regulation of surface coal mining operations, and the acquisition and reclamation of abandoned mines, and for other purposes.

Aug. 3, 1977

[H.R. 2]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Surface Mining Control and Reclamation Act of 1977".

Surface Mining
Control and
Reclamation Act
of 1977.
30 USC 1201
note.

TABLE OF CONTENTS

TITLE I—STATEMENT OF FINDINGS AND POLICY

- Sec. 101. Findings.
- Sec. 102. Purposes.

TITLE II—OFFICE OF SURFACE MINING RECLAMATION AND
ENFORCEMENT

- Sec. 201. Creation of the Office.

TITLE III—STATE MINING AND MINERAL RESOURCES AND RESEARCH
INSTITUTES

- Sec. 301. Authorization of State allotments to institutes.
- Sec. 302. Research funds to institutes.
- Sec. 303. Funding criteria.
- Sec. 304. Duties of the Secretary.
- Sec. 305. Autonomy.
- Sec. 306. Miscellaneous provisions.
- Sec. 307. Center for cataloging.
- Sec. 308. Interagency cooperation.
- Sec. 309. Advisory committee.

TITLE IV—ABANDONED MINE RECLAMATION

- Sec. 401. Abandoned Mine Reclamation Fund and purposes.
- Sec. 402. Reclamation fee.
- Sec. 403. Objectives of fund.
- Sec. 404. Eligible lands and water.
- Sec. 405. State reclamation programs.
- Sec. 406. Reclamation of rural lands.
- Sec. 407. Acquisition and reclamation of land adversely affected by past coal mining practices.
- Sec. 408. Liens.
- Sec. 409. Filling voids and sealing tunnels.
- Sec. 410. Emergency powers.
- Sec. 411. Fund report.
- Sec. 412. Miscellaneous powers.
- Sec. 413. Interagency cooperation.

TITLE V—CONTROL OF THE ENVIRONMENTAL IMPACTS OF
SURFACE COAL MINING

- Sec. 501. Environmental protection standards.
- Sec. 502. Initial regulatory procedures.
- Sec. 503. State programs.
- Sec. 504. Federal programs.

TITLE V—CONTROL OF THE ENVIRONMENTAL IMPACTS OF SURFACE
COAL MINING—Continued

- Sec. 505. State laws.
- Sec. 506. Permits.
- Sec. 507. Application requirements.
- Sec. 508. Reclamation plan requirements.
- Sec. 509. Performance bonds.
- Sec. 510. Permit approval or denial.
- Sec. 511. Revision of permits.
- Sec. 512. Coal exploration and permits.
- Sec. 513. Public notice and public hearings.
- Sec. 514. Decisions of regulatory authority and appeals.
- Sec. 515. Environmental protection performance standards.
- Sec. 516. Surface effects of underground coal mining operations.
- Sec. 517. Inspections and monitoring.
- Sec. 518. Penalties.
- Sec. 519. Release of performance bonds or deposits.
- Sec. 520. Citizen suits.
- Sec. 521. Enforcement.
- Sec. 522. Designating areas unsuitable for surface coal mining.
- Sec. 523. Federal lands.
- Sec. 524. Public agencies, public utilities, and public corporations.
- Sec. 525. Review by Secretary.
- Sec. 526. Judicial review.
- Sec. 527. Special bituminous coal mines.
- Sec. 528. Surface mining operations not subject to this Act.
- Sec. 529. Anthracite coal mines.

TITLE VI—DESIGNATION OF LANDS UNSUITABLE FOR
NONCOAL MINING

- Sec. 601. Designation procedures.

TITLE VII—ADMINISTRATIVE AND MISCELLANEOUS PROVISIONS

- Sec. 701. Definitions.
- Sec. 702. Other Federal laws.
- Sec. 703. Employee protection.
- Sec. 704. Protection of Government employees.
- Sec. 705. Grants to the States.
- Sec. 706. Annual report.
- Sec. 707. Severability.
- Sec. 708. Alaskan surface coal mine study.
- Sec. 709. Study of reclamation standards for surface mining of other minerals.
- Sec. 710. Indian lands.
- Sec. 711. Experimental practices.
- Sec. 712. Authorization of appropriations.
- Sec. 713. Coordination of regulatory and inspection activities.
- Sec. 714. Surface owner protection.
- Sec. 715. Federal lessee protection.
- Sec. 716. Alaska coal.
- Sec. 717. Water rights and replacement.
- Sec. 718. Advance appropriations.
- Sec. 719. Certification and training of blasters.

TITLE VIII—UNIVERSITY COAL RESEARCH LABORATORIES

- Sec. 801. Establishment of university coal research laboratories.
- Sec. 802. Financial assistance.
- Sec. 803. Limitation of payments.
- Sec. 804. Payments.
- Sec. 805. Advisory Council on Coal Research.
- Sec. 806. Authorization of appropriations.

TITLE IX—ENERGY RESOURCE GRADUATE FELLOWSHIPS

- Sec. 901. Program authorized.
Sec. 902. Awarding of fellowships.
Sec. 903. Distribution of fellowships.
Sec. 904. Stipends and institutions of higher education allowances.
Sec. 905. Limitation.
Sec. 906. Fellowship conditions.
Sec. 907. Appropriations authorized.
Sec. 908. Research and demonstration projects of alternative coal mining technologies.

TITLE I—STATEMENT OF FINDINGS AND POLICY

FINDINGS

Sec. 101. The Congress finds and declares that—

30 USC 1201.

(a) extraction of coal and other minerals from the earth can be accomplished by various methods of mining, including surface mining;

(b) coal mining operations presently contribute significantly to the Nation's energy requirements; surface coal mining constitutes one method of extraction of the resource; the overwhelming percentage of the Nation's coal reserves can only be extracted by underground mining methods, and it is, therefore, essential to the national interest to insure the existence of an expanding and economically healthy underground coal mining industry;

(c) many surface mining operations result in disturbances of surface areas that burden and adversely affect commerce and the public welfare by destroying or diminishing the utility of land for commercial, industrial, residential, recreational, agricultural, and forestry purposes, by causing erosion and landslides, by contributing to floods, by polluting the water, by destroying fish and wildlife habitats, by impairing natural beauty, by damaging the property of citizens, by creating hazards dangerous to life and property by degrading the quality of life in local communities, and by counteracting governmental programs and efforts to conserve soil, water, and other natural resources;

(d) the expansion of coal mining to meet the Nation's energy needs makes even more urgent the establishment of appropriate standards to minimize damage to the environment and to productivity of the soil and to protect the health and safety of the public.

(e) surface mining and reclamation technology are now developed so that effective and reasonable regulation of surface coal mining operations by the States and by the Federal Government in accordance with the requirements of this Act is an appropriate and necessary means to minimize so far as practicable the adverse social, economic, and environmental effects of such mining operations;

(f) because of the diversity in terrain, climate, biologic, chemical, and other physical conditions in areas subject to mining operations, the primary governmental responsibility for developing, authorizing, issuing, and enforcing regulations for surface mining and reclamation operations subject to this Act should rest with the States;

(g) surface mining and reclamation standards are essential in order to insure that competition in interstate commerce among sellers of coal produced in different States will not be used to

undermine the ability of the several States to improve and maintain adequate standards on coal mining operations within their borders;

(h) there are a substantial number of acres of land throughout major regions of the United States disturbed by surface and underground coal on which little or no reclamation was conducted, and the impacts from these unreclaimed lands impose social and economic costs on residents in nearby and adjoining areas as well as continuing to impair environmental quality;

(i) while there is a need to regulate surface mining operations for minerals other than coal, more data and analyses are needed to serve as a basis for effective and reasonable regulation of such operations;

(j) surface and underground coal mining operations affect interstate commerce, contribute to the economic well-being, security, and general welfare of the Nation and should be conducted in an environmentally sound manner; and

(k) the cooperative effort established by this Act is necessary to prevent or mitigate adverse environmental effects of present and future surface coal mining operations.

PURPOSES

30 USC 1202.

SEC. 102. It is the purpose of this Act to—

(a) establish a nationwide program to protect society and the environment from the adverse effects of surface coal mining operations;

(b) assure that the rights of surface landowners and other persons with a legal interest in the land or appurtenances thereto are fully protected from such operations;

(c) assure that surface mining operations are not conducted where reclamation as required by this Act is not feasible;

(d) assure that surface coal mining operations are so conducted as to protect the environment;

(e) assure that adequate procedures are undertaken to reclaim surface areas as contemporaneously as possible with the surface coal mining operations;

(f) assure that the coal supply essential to the Nation's energy requirements, and to its economic and social well-being is provided and strike a balance between protection of the environment and agricultural productivity and the Nation's need for coal as an essential source of energy;

(g) assist the States in developing and implementing a program to achieve the purposes of this Act;

(h) promote the reclamation of mined areas left without adequate reclamation prior to the enactment of this Act and which continue, in their unreclaimed condition, to substantially degrade the quality of the environment, prevent or damage the beneficial use of land or water resources, or endanger the health or safety of the public;

(i) assure that appropriate procedures are provided for the public participation in the development, revision, and enforcement of regulations, standards, reclamation plans, or programs established by the Secretary or any State under this Act;

(j) provide a means for development of the data and analyses necessary to establish effective and reasonable regulation of surface mining operations for other minerals;