

301

HRES

HB 773

-

HB 808

20

HB

773

Willie Goodwin Sr. RuralCap - Director of Land.

Author of bill - Gear the legislation to State-owned land only. What about priv. lands - Would probably want to do an impact statement mainly for subsistence.

Smith: Objections. Limited Application - If Federal monies are involved there is an impact statement required - No policy, no funds, no standards set. No management mechanisms.

\* Put in a review mechanism Develop control -  
Check with other States -

Ernest Mueller: State Environmental Impact report. Admin wants to look into this  
Comm. on Environmental Concerns: Experience with NEPA. Little guidelines in Fed. Act.  
little information in this bill <sup>on</sup> what would require an environmental impact statement - Triggering mechanism needed on what needs to have an impact - Maximum amount of direction from the Legislature

Threshold ~~where~~ which project requires environmental statement  
Definition of significant effect.  
Clarity in administration of the act.  
procedures.

Public Hearing problems because of Federal law.  
2 impact statements - if there is a federal impact required no state would be required -

within state lands - Perhaps should be  
"on" State land.

Fiscal Analysis of the legislation

Jim Clark - Representing AK Lumber + Pulp.  
Initial feeling good - Agreeing with Mueller  
on some of things - Concerns with  
jurisdictional between State + Fed.

Fish  
Report  
Dick Reynolds

No single agency<sup>to</sup> which people can  
exempting from legislation any situation where  
impact statement or environmental analysis are  
required. These statements should go to review  
agency (EP<sup>STATE</sup>)

also concern over the words within state owned  
land - changed to ON STATE OWNED land.

Triggering - Threshold mechanism  
major impact effects human impact

sub-structure - guidelines on what triggers requirement  
for statement.

\* Morning question - Do <sup>court case</sup> procedural  
of substantive impact -

COST-BENEFIT Ratio bad Project wouldn't go ahead.

Statement for people to look at or Stop the project

Review of present authority -

Norman ~~North~~ Horvath - Alaska -

Some problems with legislation or mentioned -  
significant actions, only -

Threshold only - Triggering mechanism.

Bob Tracy - ASST. Regional Forester. with U.S. Forest  
Service.

Encourage the state in its efforts.

Tideland lease for log storage

even now a lot of coordination for permits.

Roger Allingford Seattle -

NATIVE Corporations. Not received title to their land -

Could effect development of Native land. -  
FOREST PRACTICES Act. Coastal zone -

conflict  
of  
interest  
statement

Go slow attitude until the natives receive title

Studies completed -

2 independent Contractors - Each handled parts of  
The problem. Kent Miller addressed. Economics + site  
Romberg + Collins - Tech Aspects.

Recommendation to Naughton take working documents  
& hold hearings approx. 2 weeks.

City + Borough asked to study the bill  
further.

but the end of the meandering  
Gastinaw channel



**ALASKA LUMBER & PULP CO., INC.**

*Sitka Office:* P.O. BOX 1050 • SITKA, ALASKA 99835 • TELEPHONE 747-0265

March 1, 1976

The Honorable Nels Anderson  
Chairman, House Natural Resources Committee  
Alaska State House of Representatives  
Pouch "V", State Capitol Building  
Juneau, Alaska 99811

Re: House Bill No. 773

Dear Representative Anderson:

Thank you for allowing Jim Clark an opportunity to testify on behalf of Alaska Lumber & Pulp Company, Inc. with respect to the captioned bill. ALP has long been involved in the process of environmental impact reporting as a result of its logging activities on Federal lands, which, as you know, is subject to the National Environmental Policy Act of 1969. The discipline of going through the process of preparing an Environmental Impact Statement is useful in identifying environmental problems so that adequate protective measures can be devised. Accordingly, ALP accepts the concept of the bill but recommends certain changes as appear below.

First, ALP enthusiastically endorses Section 46.36.060 of the Act, which requires a review of present environmental law rules, regulations and policies. As you are aware, there was a plethora of environmental laws passed during the late 1960's and the late 1970's. As of this time, the interrelationship between those laws is poorly understood, if it is understood at all. In many instances, conflicting schemes of management and planning cannot rationally be reconciled. Section 46.36.060 recognizes this problem. It is our understanding that such a review has already been undertaken, and is presently being pursued by the Administration. Given the desirability of what is ordered by Section 46.36.060, and the fact that such a review is already underway by the State Administration, ALP believes it appropriate to wait finalization of the review prior to passing HB 773.

Consistent with the approach you have taken in 46.36.060, it would be most useful to have each state agency prepare a written statement of its understanding of its own authority under the various Federal and State laws, rules, regulations, policies and procedures, and forward those documents to one central agency, preferably the Attorney General's office, for review and coordination. Doubtless,

March 1, 1976

such a procedure would reveal that certain laws ought to be repealed because they are duplicative, inconsistent, or have an unfavorable cost-benefit ratio. ALP believes that once this process has been accomplished, it will be possible to come up with a rational, harmonized, systematic approach to environmental problems, which will save the State considerable money, will result in considerable administrative savings in the private sector, and will substantially aid the public benefit by speeding up the administration of the permit issuing process -- all without loss of the environmental objectives which are sought. Accordingly, ALP recommends that language ordering such a "weeding-out" and revision process be added to the bill.

ALP is certain that when going through the process suggested by 46.36.060 of HB 773, as supplemented by the above, the State will discover further that perhaps the thorniest area of overlap, duplication, administrative waste, and chaos arises out of the interrelationship between Federal and State laws -- particularly, when the Federal and State governments seek to regulate the same thing. Under HB 773, as presently written, it can be argued that any State agency commenting upon a Federal proposal which is going through the NEPA circulation process required by OMB Circular A-95, would have to precede its comments with an HB 773 Environmental Impact report. That is to say, an HB 773 Environmental Impact report would have to be prepared by the State before it could comment upon a draft Federal Environmental Impact Statement. For example, the State recently commented upon the Draft Environmental Impact Statement prepared by the Forest Service regarding West Chichagof. It could be argued that HB 773 would have required State comment thereon to have been preceded by an environmental impact report. If that were true, it would either slow down the Federal environmental reporting process considerably, or perhaps, make it impossible for the State to reply to Federal proposals within the time guidelines for those Federal proposals. Since the end sought is an environmental report prior to an action having a significant environmental impact, it would be consistent with your objectives as we understand them, and ALP requests, that HB 773 exempt from the environmental impact report requirement all situations where the Federal NEPA is used. This would create a clean dovetailing of the State and Federal laws, thereby preventing needless duplication, while assuring that an environmental impact report is written on projects affecting State land.

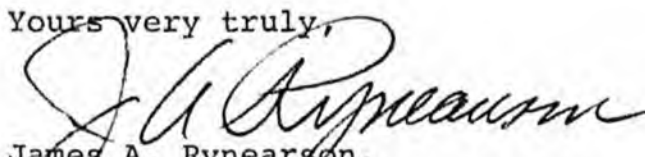
March 1, 1976

The words "within state owned lands" as found in 46.36.020 and 46.36.030 arguably encompass all Federal land and private land within the State. This, then, leads to a result where any activity with which the State is involved on Federal or private land has to be preceded by an environmental impact report notwithstanding the fact that the Federal NEPA process has been utilized. This problem can be eliminated by changing the word "within" to "on". This wording change, when coupled with the exemption for activities where the Federal NEPA process has been used, discussed above, should avoid the problem of jurisdictional dispute and needless duplication of administrative effort in both the public and private sector.

Finally, what is the purpose of the difference between the language used in Section 46.36.020 which triggers the writing of a report and that in the Environmental Policy Act of 1969? The Federal Act requires the writing of an impact statement for every "major action significantly affecting human environment." (emphasis added) HB 773 requires an impact report for every "project, activity, or action that has or could have a significant effect on the environment within State owned land." As was stated by those appearing before the House Resources Committee, on February 27, 1976, careful attention will have to be paid to the mechanism which triggers the preparation of such reports and specific guidelines will have to be drawn. In this regard, ALP endorses the position of Commissioner Mueller that the committee should consider similar legislation in other states to determine what their triggering mechanism is and what their experience has been regarding it.

Thank you for the opportunity to provide written testimony on the subject.

Yours very truly,



James A. Rynearson,  
Vice President-Woods Division

HB

803

"An Act providing for an oil production income tax; and providing for an effective date."

# COMMITTEE REPORT

HOUSE

4/7/76

FINANCE

Mr. Speaker:

Date 4-15-76

The Committee on RESOURCES has had 2nd SSHH 803

under consideration. A Majority of the members of the Committee

recommends it DO PASS

recommends it DO NOT PASS

recommends it DO PASS WITH ATTACHED AMENDMENT(S)

recommends it BE REPLACED WITH CS FOR \_\_\_\_\_ AND THAT  
CS FOR \_\_\_\_\_ DO PASS

"and" recommends it BE REFERRED TO THE \_\_\_\_\_  
COMMITTEE

reports it back WITHOUT RECOMMENDATION

"other"

Members signing the Majority report:

*Do Not Pass Ever Ever Ever!!!*

Walter B. Anderson \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Members NOT concurring in the Majority report:

\_\_\_\_\_ recommends: *Do Pass*

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends: *To pass yet over from there*

Walter B. Anderson Chairman

File

HOUSE RESOURCES COMMITTEE  
TESTIMONY OF LAWRENCE L. WILSON  
April 14, 1976

2d SSHB 803

My name is Lawrence L. Wilson, Associate Tax Counsel, Union Oil Company of California. I appreciate the opportunity to speak to the Committee in connection with 2d Sponsor Substitute for House Bill 803.

This bill purports to define net income from oil producing operations in Alaska and subject it to a 9.4% tax. Such tax would become a credit against the State's corporate income tax which is computed on all operations of the taxpayer.

2d SSHB 803 would introduce new concepts of taxing an oil producer which radically depart from concepts found under the regular State corporate income tax structure. The practical effect for present oil producers in Alaska would be that the regular corporate income tax would be rendered meaningless, and the traditional concepts of taxation worked out over decades of experience would not be applicable.

A further effect of this new form of taxing income would be double taxation on the taxpayer because Alaska would tax the income fully and yet the same income would be subjected to tax in other states under their apportionment formulas. Union and other companies do not object to income taxation by the various states. The objection comes when the states, through taxing mechanisms

such as that contained in 2d SSHB 803, attempt to tax more than what adds up to 100% of the income.

Adoption of this new form of taxation would be in clear violation of the basic concepts of uniformity of state taxation of multistate business embraced by Alaska in its adoption of the Multistate Tax Compact of 1970. In adopting the Compact, the State decided that it was preferable to determine the amount of income attributable to the Alaska operations of a multistate business by means of a uniform apportionment formula. Under this formula, a portion of the taxpayer's total income would be attributed to the State based on the ratio of property, payroll and sales within the State to property, payroll and sales everywhere. The Compact has served the State well, as indicated in a staff "Review of the Multistate Tax Compact" submitted as part of Senator Huber's report to the Legislative Council, January 9, 1976. Having thus enjoyed the fruits of uniform apportionment under the Compact, it would now be extremely unfair for the State to abandon uniformity in favor of the perceived short-range advantage of separately taxing income from oil production operations in Alaska.

The bill is objectionable in that it fails to properly measure net income from oil producing operations. It ignores the basic concepts of arriving at net income under the income tax provisions of Chapter 20, Title 43 of the Alaska Statutes, which concepts have been worked out after decades of experience. The bill would formulate a completely new tax base.

The bill is structured in a way to specify a limited class of specific deductions with certain of the classes given further

limited or restricted meanings. Hence, the traditional broader view of income taxation which permits as deductions those ordinary and necessary expenditures of a business to arrive at net income has been sacrificed in favor of an exceedingly narrow view as to what items constitute legitimate deductions. For example, the following is a partial list of items which are either excluded as a deduction or it is at best unclear that they fit within a category which will provide a deduction:

1. ad valorem taxes on producing equipment;
2. lease rentals;
3. interest paid on borrowed capital invested in production facilities or exploratory operations;
4. abandoned or scrapped property;
5. certain maintenance and repair expenses;
6. cost of abandonment of facilities, such as platforms;
7. fees, licenses, permits, and similar items.

The bill would deny any deduction for depreciation or amortization of lease acquisition or exploration costs incurred before 1974. The bill would also deny deductions for depreciation of development costs incurred before 1970. To give some perspective to this, there would be no deduction for costs of discovering and acquiring interests in the Prudhoe field, there would be no deduction for any of the \$900 million spent on North Slope bonuses, and there would be no deduction for depreciation of any of the platforms and related facilities in the Cook Inlet. We fail to see any rational basis for excluding these substantial costs.

The bill would deny deduction for research, engineering and design costs of facilities necessary to produce oil in Alaska, as well as other costs and overhead attributable to Alaska operations simply because such costs are incurred outside the State. This is an arbitrary and unfair distinction which loses sight of the reality that such costs are necessarily a part of the investment in Alaska. It is somewhat ironic that the State presently is vigilant in seeing that these very same costs are part of the Alaska property tax base for purposes of the state's 20-mill property tax.

The bill would require capitalization of intangible drilling and development costs (IDC), dry hole losses, unsuccessful geological and geophysical projects and non-variable operating expenses, notwithstanding that such costs are currently deductible for Alaska corporate income tax purposes. This feature of the bill alone would in most cases substantially increase taxes on Alaska-based producers, including the Regional Native corporations, as well as on the multistate producers.

The bill contains a formula for determining what part of exploration costs and bonuses is to be attributed to oil. The formula is the ratio of the producer's oil value in the preceding year to the total value of his oil and gas in such preceding year. The formula really has no relationship to costs incurred by the taxpayer or to the objective he may have in mind for a particular exploratory property. In short, the formula is wholly arbitrary and can lead to distorted and inequitable results.

The bill permits a deduction for oil production taxes but limits the deduction to the net production tax paid after any allowance of credit for reserves tax against the production tax. The reserves tax can be viewed as a prepaid production tax since it can be used as a credit for the production tax liability. The bill would deny a deduction for that part of the reserves tax when used as a credit. Put in perspective, the effect would be to deny nearly \$500 million of deductions for the Prudhoe field producers and other producers in Alaska.

The bill permits a deduction of 25 cents per barrel for "general administrative costs." So far as I can determine, the term is not a term of art having a definite meaning nor is it defined in the bill. The amount appears to be an arbitrary one and, because it is arbitrary, it would be coincidence if it applied equitably to all taxpayers. This is a prime example of the narrow view taken in the bill as contrasted to the broader and more traditional view permitting those deductions which are the ordinary and necessary expenses of a business to arrive at net income from that business.

The bill ostensibly provides for certain loss carryovers but these are limited to development and production cost deductions and then only to the extent that such particular deductions exceed the total value of the oil at the point where oil is valued. This fails to accomplish the basic purpose of loss carryovers and carrybacks where such a loss to be carried to a future or prior year does not depend on a particular deduction but, rather, the totality of the deductions.

The bill would create numerous controversies as to the proper interpretation of the statutory language. Where does exploration cease and development begin? What costs are variable, i.e., would not be incurred if production ceased? What constitutes cessation of production? What are "fair" transportation costs? What is a general administrative cost? All of these questions and more would undoubtedly require final resolution in the courts of this State.

Finally, I would like to say a word about the 9.4% rate of tax. As pointed out in my testimony, 2d SSHB 803 represents a radical departure from concepts under the Alaska corporate income tax which also has a 9.4% rate of tax. Even under traditional concepts of income taxation to arrive at net income, a tax rate of 9.4% is one of the highest in the nation. But when the tax base is arrived at under a bill such as 2d SSHB 803 and is still taxed at the same rate, then the effective rate on true net income would be substantially higher than 9.4%. Alaska's present tax package on the oil industry, considering income, property and production taxes, is already the highest of any oil producing state in the nation. It is our belief that any new taxes or increases in existing taxes will work to the detriment of the State and its citizens, as well as the oil industry.

WORK COPY-

TAXES IN THE EIGHT LARGEST OIL PRODUCING STATES<sup>a/</sup>

Rank in Oil Production	State	Tax As A Percent Of Producer's Share Of Oil Revenue			Maximum State Corporate Income Tax Rates (Percent)	Production, Property, and State Income Tax as a Percent of Producers Share of Oil Revenue <sup>g/</sup> (Percent)
		Production Tax (Percent)	Property Tax <sup>b/</sup> (Percent)	Total (Percent)		
1	Texas	4.6	2.5	7.1	None	7.1
2	Louisiana	12.5	0.4	12.9	4.0 (Louisiana has 38% depletion allowance)	14.2
3	California	None	8.0	8.0	9.0	15.2
4	Oklahoma	7.0	Nil	7.0	4.0	<del>10.3</del> 9.3
5	Wyoming	4.0	5.5	9.5	(Okla. has None 22% depl.)	9.5
6	New Mexico	6.5	1.5	8.0	5.0	11.9
7	Kansas	Nil	4.5	4.5	6.75	10.1
8	Alaska					
	-Present Taxes					
	At Cook Inlet	8.3 <sup>c/</sup>	2.5	10.8	9.4	
	At Prudhoe Bay	7.7 <sup>d/</sup>	1.9 <sup>e/</sup>	9.6	9.4	17.0
	-Dr. Tanzer's Proposed Income Tax					
	At Prudhoe Bay	7.7 <sup>d/</sup>	1.9 <sup>e/</sup>	9.6	50.0	48.7
	-Senator Huber's Proposed Taxes					
	At Cook Inlet	9.9 <sup>f/</sup>	2.5	12.4	50.0	
	At Prudhoe Bay	12.6 <sup>d/</sup>	1.9 <sup>e/</sup>	14.5	50.0	

a/ Disregards nominal conservation and regulatory levies.

b/ Used estimated industry statewide average except in Alaska.

c/ Industry average in December 1975.

d/ Assumes 10,000 barrels per well per day of 27° oil at \$7.00 per barrel.

e/ Assumes \$50 million annual property tax and 1.2 million barrels per day of \$7.00 oil.

f/ Assumes 875 barrels per well per day of \$4.65 oil, 35° gravity.

g/ Assumes \$7.00 per barrel wellhead price, 12.5% royalty and \$0.75 per barrel operating expenses and depreciation. See page 2 for the calculation of these figures.

PRUDHOE BAY

With Huber Severance	12.6 <sup>d/</sup>	1.9 <sup>e/</sup>	14.5	9.4	21.4
With CSSB 295 Severance	11.2 <sup>d/</sup>	1.9 <sup>e/</sup>	13.1	9.4	20.3

AGD-547409

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TAXES IN THE LARGEST OIL PRODUCING STATES

Production, Property, And State Income Tax As A Combined Percent of Producer's Share of Revenue<sup>a/</sup>  
(Dollars Per Barrel)

Item	Prudhoe Bay, Alaska		Texas	Louisiana	California	Oklahoma	Wyoming	New Mexico	Kansas
	Under Present Law	Under Tanzer Proposal							
1. Wellhead Value	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00
2. Royalty (12.5%)	.88	.88	.88	.88	.88	.88	.88	.88	.88
3. Producer's Share of Oil Revenue	6.12	6.12	6.12	6.12	6.12	6.12	6.12	6.12	6.12
4. Production Tax <sup>b/</sup>	.47	.47	.28	.76	-	.43	.24	.40	-
5. Property Tax <sup>b/</sup>	.12	.12	.15	.02	.49	-	.34	.09	.28
6. Operating Expenses and Depreciation	.75	.75	.75	.75	.75	.75	.75	.75	.75
7. Depletion Allowance	-	-	-	2.33	-	-	1.35*	-	-
8. Subject to State Income Tax	4.78	4.78	4.94	2.26	4.88	4.94	3.59	4.79	4.88
9. State Income Tax <sup>b/</sup>	.45	2.39	-	.09	.44	.20	.14	-	.24
10. Production, Property and State Income Tax									
-Total (4+5+9)	1.04	2.98	.43	.87	.93	.63	.57	.58	.62
-Total as Percent of Producer's Share of Oil Revenue	17.0%	48.7%	7.1%	14.2%	15.2%	10.3%	9.3%	9.5%	10.1%

a/ Assuming a wellhead value of \$7.00 per barrel and \$0.75 per barrel operating expenses and depreciation.

b/ At the tax rates shown on page 1.

\*Note: After this page was prepared we noted that we forgot to take into account the 22% depletion allowance in Oklahoma.

TAXES IN THE EIGHT LEADING OIL PRODUCING STATES  
 COMBINED ALASKAN PRODUCTION PROPERTY AND STATE INCOME TAX  
 AS A PERCENT OF THE COMBINED TAXES IN OTHER STATES

<u>Prudhoe Bay Alaska</u>				<u>Texas</u>	<u>Louisiana</u>	<u>California</u>	<u>Oklahoma</u>	<u>Wyoming</u>	<u>New Mexico</u>	<u>Kansas</u>	
<u>Existing</u>	<u>Tanzer</u>	<u>Huber Severance</u>	<u>CSSB 295 Severance</u>								
<u>Taxes as a % of Producers Share of Oil Revenue:</u>											
17.0%	48.7%	21.4%	20.3%	7.1%	14.2%	15.2%	10.3%	9.3%	9.5%	11.9%	10.1%
<u>Alaskan Taxes as a Percent of Taxes in Other States (%)</u>											
With Alaska's Existing Taxes				239% <sup>a</sup>	120%	112%	<del>165%</del> 182%	179%	143%	168%	
With Tanzer Income Tax				686	343	320	<del>473</del> 524	513	409	482	
With Huber Severance Tax				301	151	141	<del>208</del> 230	225	180	212	
With CSSB 295 Severance Tax				286	143	134	<del>197</del> 218	214	171	201	

a. This indicates that existing Alaskan taxes are 239% of the taxes in the State of Texas -- 17.0% + 7.1% = 239%.

Note: These figures reflect taxes only, not the State of Alaska's royalty at Prudhoe Bay.



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March 22, 1976

The Honorable Nels A. Anderson, Jr.  
Chairman, House Resource Committee  
Alaska State House of Representatives  
Fouch V, State Capitol  
Juneau, Alaska 99811

Dear Mr. Anderson:

Thank you for your letter of March 8, 1976, advising of your House Resource Committee Hearings on oil and gas legislation.

Because a number of other companies will be presenting witnesses, we fear that our testimony would be repetitive. Therefore, we do not plan to testify. It may be, however, that there will be testimony presented during the hearings which we wish to support or rebut, in which case we would ask for time at these or other hearings of your Committee.

We respectfully request, however, that in your deliberations concerning oil and gas taxes, you consider the type of operations conducted by our company in Alaska. We think we've made a positive contribution to Alaska and we think Alaska has potential for continued exploration. But we don't have enough exploration capital to look everywhere there might be oil. Obviously, we must explore where the yield will be the best. As long as taxes are equal in all the places we have under consideration, they will not be a factor. If one area has disproportionately high taxes, we must disregard the area.

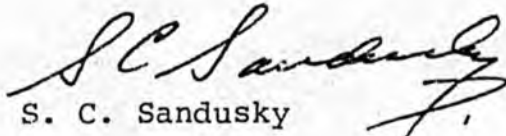
We sincerely believe that if such were the case here, the State of Alaska and her people would be detrimentally impacted. Marathon's operations in the Cook Inlet are significant to Alaska in a number of respects. Marathon employs about 160 permanent Alaska residents. These are sound citizens who make their homes in Alaska. Marathon has produced oil in this state on a significant scale since

The Honorable Nels A. Anderson, Jr.  
March 22, 1975  
Page Two

1966. While there is much subjective debate about some types of development in the state, we sincerely doubt that any serious objector could say that Marathon's presence in Alaska has been anything but a real and positive contribution. While many do not even know where our operations are, we and our associates have supplied the natural gas needs of the City of Anchorage and supply the fuel necessary for electricity generation for Alaskans. We have contributed 32.9 million dollars in taxes and this does not include the taxes which our Alaskan employees pay.

In short, we think we have been good Alaskan citizens, both individual and corporate. We sincerely urge that you not make it difficult for us to go about our business by adding to a state tax burden that already ranks among the most expensive in the nation.

Yours very truly,

  
S. C. Sandusky

SCS/l.s

# TELEGRAM

RCA ALASKA COMMUNICATIONS, INC.

PHONE: 586-6140

JUNEAU, ALASKA 99801

#

02 027 ANCHORAGE AK 197 03-24 1132A AST

1976 MAR 24 PM 3 22

PMS NELS ANDERSON

6955

JUN

PROPOSED HOUSE AND SENATE BILLS CONCERNING TAX INCREASES ON OIL AND GAS DEVELOPMENT THROUGH AN EXCESSIVELY HIGH NET PROCEEDS TAX DOUBLING OF THE SEVERENCE TAX LAND AN EXCESS VALUE SURE TAX COULD PROVE DISASTROUS FOR ALASKA OIL AND GAS DEVELOPMENT FOR YEARS TO COME. AS A LONG TIME ALASKA RESIDENT AND PROFESSIONAL BUSINESSMAN INVOLVED THROUGHOUT THE STATE IN DESIGN AND CONSTRUCTION ADMINISTRATION OF ALL TYPES OF PROJECTS FOR PRIVATE INDUSTRY AND GOVERNMENT I AM INTIMATELY AWARE OF THE ONGOING AND SIGNIFICANT INCREASES IN LABOR MATERIALS EQUIPMENT AND BUILDING COSTS FACED BY THE OIL AND GAS INDUSTRY AND BY OTHER INDUSTRIES. ALASKAS LACK OF AN EXTENSIVE SURFACE TRANSPORTATION NETWORK TOGETHER WITH SUBSTANTIAL YEARLY INCREASES IN EXPLORATION AND DEVELOPMENT COSTS DRASTICALLY ERODE THE DESIREABILITY FOR OIL AND GAS PRODUCTION IN ALASKA AS COMPARED TO OTHER PARTS OF THE WORLD. I RESPECTFULLY REQUEST THAT THESE BILLS NOT BE PASSED IN THEIR PRESENT FORM. AN EXCESSIVE TAXATION MAY CURTAIL PRODUCTION ALL TOGETHER. FURTHER THE PROPOSED EXEMPTION OF NON-GOVERNMENTALLY OWNED LAND IS NOT CONSISTANT WITH FAIR TAXATION PRINCIPLES AND I URGE THAT NON-GOVERNMENTALLY OWNED LANDS NOT BE EXEMPTED FROM THE FINAL LEGISLATIVE TAX STRUCTURE.

DAVID G FRITZ EXECUTIVE VICE PRESIDENT KELLY PITTELKO  
FRITZ AND FORSSEN

AGO 547414 +

Thomas J. Miklautsch  
& Associates

10 April 1976

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Hon. Nels Anderson  
Alaska House of Representatives  
Juneau, Alaska 99801

Dear Nels:

One of the issues of this legislature that has caught the attention of almost everyone is the proposed oil-tax legislation. I am sure that if it were possible for the legislature to somehow capture the response quickly of the electorate, there would be clear cut direction for action.

Of course, we don't have that utopian advantage, and perhaps it's a good thing because instant mass communication would eliminate the need for legislatures. I still like our good old system.

I am concerned, however, along with so many others that the legislature is misunderstanding the ethics and morality of the people they represent, the people who in good conscience intend its elected ones to act wisely and prudently.

In the matter of the proposed oil-tax legislation of which you have some direct concern as Chairman of the House Resources Committee, there is a growing feeling that the legislature is trying to win something without regard to possible consequences down the road.

Nels, I really don't know your stand on this, but I trust you will give consideration to the opinions of others statewide. There is an overall attitude that the legislature is crowding the industry in an untimely way and that imposing heavy restrictions before the industry is economically sound in Alaska could bring adverse reactions to the people.

You won't find argument with fair taxation of the industry, but to prevent it from growing and developing is to bring abuse upon the State in not realizing the benefits it is struggling for.

It is important that the legislature keep in mind that a proper time exists for everything. There will be a time when once the oil industry is entrenched on a sound economic basis, the legislature will reassess the value of returns from its resources and act accordingly. That time is not here yet.

You know I have some oil interests, Nels, but ruling them out and in good conscience I would have to make the same recommendation to oppose the proposed oil-tax legislation.

The people today are weary of "government". Be assured that they are looking for legislation that is fair, rational and sensible.

Best regards,

*Tom*

AGO 547415 +

**THE ALASKA MINERS ASSOCIATION**

**Anchorage Branch**

Star Route A - Box 78D  
Anchorage, AK 99507

April 7, 1976

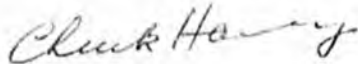
The Honorable Nels A. Anderson, Jr.  
Chairman House Resources Committee  
Box 234  
Dillingham, AK 99576

Dear Nels:

Enclosed is a resolution just passed by the Alaska Miners Association on the Oil Taxation issue. It looks like the proposals will not pass, but we do want to be on record in opposition to these proposals.

Also enclosed is another and more critical resolution together with a copy of a letter to Governor Hammond. Somehow we must get mining expertise into the regulation of the placer mining industry. This resolution is a beginning. We would appreciate your efforts in drafting legislation on this subject.

Sincerely,



C. C. Hawley, Chairman  
Anchorage Branch AMA

ams

cc Governor Hammond  
Charles Towill, BP  
Keith Arnold, AOGA  
Anchorage Times  
Anchorage News

Adopted - Alaska Miners Meet April 5

BE IT RESOLVED BY THE ALASKA MINERS ASSOCIATION: *Enacted April 5*

WHEREAS, additional oil industry taxation will substantially reduce bonus payments at future Native Corporation and State of Alaska lease sales; and

WHEREAS, additional excessive oil industry taxation by the State of Alaska could precipitate Congressional action to drastically alter the rights of individual states to tax interstate companies; and

WHEREAS, additional oil industry taxation would reduce the incentives to explore for new oil fields in the State of Alaska, the most promising of the fifty United States, and would contribute to our nation's tragic increasing dependence on foreign sources; and

WHEREAS, additional oil industry taxation would substantially reduce employment opportunities for many Alaskan residents; and

WHEREAS, additional taxation of our Natural Resource industries is not in the best interests of the State of Alaska or our nation;

the Alaska Miners Association strongly urges the Ninth Legislature of the State of Alaska to refrain from further consideration of those proposals advocating additional taxation of the oil industry.

Resub.

2d SSHB 803  
PROJECTED TAX REVENUE - PRUDHOE BAY  
(In Millions of Dollars)

Year	\$10	\$13	\$16
1977	6.7	27.5	48.3
1978	142.4	254.6	361.4
1979	205.1	337.0	468.9
1980	219.3	353.8	488.3
1981	222.7	357.2	491.8
1982	226.9	361.5	496.0
1983	226.7	361.2	495.8
1984	226.9	361.4	496.0
1985	226.4	360.9	495.5

Legislative Affairs Agency  
Research Division  
April 13, 1976

2d SSB 803  
PROJECTED TAX REVENUE - COOK INLET  
(In Millions of Dollars)

---

<u>Year</u>	
1977	21.3
1978	22.0
1979	22.2
1980	21.9
1981	20.2
1982	19.2
1983	18.2
1984	17.6
1985	16.5

---

NOTES TO PROJECTED REVENUE ESTIMATES FOR 2d SSHB 803

PRUDHOE BAY

The revenue estimate is on calendar year basis and was developed on the following assumptions:

1. We used the thruput figures from the Tanzer Report, on calendar year basis. Since then, new Division of Oil and Gas estimates reflect a certain delay in the completion of the transportation system. This will cause a limited shift of expected revenue from 1977 to calendar 1978 and early 1979.
2. Transportation cost as well as operating cost figures were taken from the Tanzer Report. Since then we obtained new cost figures for the pipeline. These will tend to lower the respective wellhead values in the chosen price categories. The estimates presented are thus slightly high.
3. The depreciation estimate is based on a 10 year, straight line depreciation schedule.
4. The severance tax deduction was estimated by applying a 7.5 per cent rate to the respective wellhead values.

COOK INLET

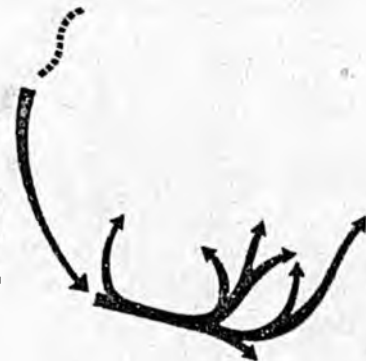
Operating revenue was derived from production data and projections published by the Division of Oil and Gas, and price projections published by the Division of Research. Other assumptions are:

1. Straight line depreciation beginning in 1970, but (as the legislation specified) only those accruals after 1 January 1977 counted, and with apportionment as between oil and gas based on projected oil and gas wellhead values published by the Division of Research.
2. Secondary recovery and workover costs estimated and treated as development costs.
3. No exploration costs deducted.

NATIONAL COMMITTEE FOR THE ALL-AMERICAN, ALL-ALASKAN GAS PIPELINE

# USA Alaska Energy

ORGANIZATION FOR THE MANAGEMENT OF ALASKA'S RESOURCES (OMAR)  
Box 516 / Anchorage, Alaska 99510  
907/278-9615



March 22, 1976

Representative Nels Anderson  
Pouch V  
Juneau, Alaska

Dear Nels:

Please enter the enclosed in your records of the gas line hearings.

Yours truly,

Beverly Isenson  
Executive Director

BI:lr

A Vital Link in . . . "PROJECT INDEPENDENCE"



AGO 547422 +

NATIONAL COMMITTEE FOR THE ALL-AMERICAN, ALL-ALASKAN GAS PIPELINE

# USA Alaska Energy

ORGANIZATION FOR THE MANAGEMENT OF ALASKA'S RESOURCES (OMAR)

Box 516 / Anchorage, Alaska 99510

907/278-9615



## RESOLUTION

BE IT RESOLVED by the unanimous vote of Directors attending the Board of Directors meeting of the Organization for the Management of Alaska's Resources, assembled on March 20, 1976, in Anchorage, Alaska; that The OMAR (Organization for the Management of Alaska's Resources) opposes any new or additional taxes on resources or the extraction, or processing thereof, for the following reasons:

1. Alaska's present taxes on resources are equitable. They are comparable to resource taxes in the other states.
2. New or additional taxes on resources will impair efforts to obtain oil, gas and other processing facilities within the state.
3. New or additional taxes on resources will impair efforts to have a gas pipeline built across Alaska.
4. New or additional taxes on resources will make financing of a gas pipeline difficult, if not impossible.
5. New or additional taxes on resources will severely limit the availability of jobs and of energy sources within Alaska.
6. New or additional taxes on resources will deter exploration for and development of oil, gas and minerals within Alaska.
7. New or additional taxes on resources, or even proposals therefor, contribute to economic and political instability, to the detriment of all Americans.
8. New or additional taxes on resources will impede efforts of Alaska Native Corporations to develop resources on their lands.

Page 1 of 2

### Signatures attached for:

Homer L. Burrell	George R. Dash	P. M. McCollum
Paula P. Easley	Tom Fink	James M. Crawford
Muktuk Marston	Kelly Gay	Richard M. Pittenger
Elaine Atwood	Lee E. Fisher	H. Glenzer Jr.
Barton R. Vernon	Philip G. Degnan	Richard L. Cattanach
John Rhodes	John C. Morris, M.D.	George Ed Smith
Glória J. Tokar	Frank Chapados	Robert W. Fleming
Wm. R. Wood	Beverly Isenson	Robert Penney
Kay M. Linton	John C. Garland	P. J. Penney

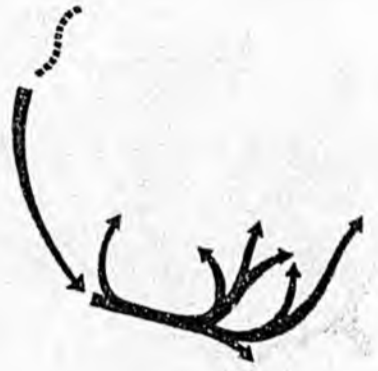
A Vital Link In... "PROJECT INDEPENDENCE"  
J. M. Foode  
James G. Dye



NATIONAL COMMITTEE FOR THE ALL-AMERICAN, ALL-ALASKAN GAS PIPELINE

# USA Alaska Energy

ORGANIZATION FOR THE MANAGEMENT OF ALASKA'S RESOURCES (OMAR)  
Box 516 / Anchorage, Alaska 99510  
907/278-9615



Howard L. Burrell	Philip S. Wagner
Paula P. Casley	John Morris MD
Muntak Marston	Frank Chapard
Claine Atwood	Beverly Jackson
Barton R. Vennar	John C. Garland
John Rhode	J. M. M. C. Ellum
Gloria J. Toker	James M. Crawford
Wm R. Wood	Richard H. Linger
Kay M. Linton	W. Henry Jr.
Geo R. Hark	Leland L. Cottrell
Tom Fish	George Ed. Smith
Kelly Gray	Rich W. Fleming
Lee Fisher	Robert Steunoy
	A. C. Swalling
	P. J. Penney
	Jim Foote
	James Skye

A Vital Link In ... "PROJECT INDEPENDENCE"



AGO 547424 +

Sec #1  
5 cci 020

q.4

How to compute the tax

q.5. Each individual's ~~tax~~ <sup>Taxpayer</sup> or wells throughout the state =

ques on sub-section (c) pg 3.

How would the tax affect the feelings in

washington w/ F.E.A.

Fred Boethel - Deputy Comm. of Revenue

Concerns

(1) Timing - could have been depressing

(2) Gov has asked for more research on taxing ability

Oil production won't begin till next yr - appears to be a replacement for corporate income tax

MARK Singletary A.R.C.O. - Oil + Gas industry has

provided for a better force for the people of Alaska - question whether it is appropriate for the leg. Should discriminate against the oil + gas industry - No objection to taxing all industry at the same rate. This tax is not equitable with other industries. Why??

Dick Donaldson S.O.H.I.D.

Questions: Multi-State compact 21 states -

Property. Payroll - sales - 803 based only on sales.

Contrary to fundamental concept of multiple state.

attempts to tax all of the income wherever it's earned

Tom Williams 4-14-76 Director Div. of Petroleum Revenues - Department of Rev.

will take at least one million more in the Dept of

Revenue than is now in their budget. to ~~the~~ administrator

The program.

Duplicative taxation. Other states tax also. Tax falls on other Royalty producers.

Sales only - Drifts into Commerce clause + Restraint of trade.

(1) Time limitations

limitations of expenses occurred outside of state for dev.

(2) Sec 24. Deduction for severance tax. Deduction from deduction - Taking 50% for money paid for reserves urged period of stability - Gov asked for period of research - Lipton look over the "Big Picture" before you make any tax decision.

Larry Vabru - Union Oil - Larry Wilson Assoc. Tax Council  
Union Oil Based in Los Angeles. -

Credit to taxing on income tax. - Double taxation - OTHER

Uniformity with other states. - Ignored -

Net Income - Formulate New TAX base - HARROW list of deductions.

20.43.

1. Ad Valorem

3 Lease Rentals

4

Abandoned or scrapped property

4. ~~Deprac~~ Depreciation of Platform

5. Research & Design.

6.

Arbitrary + unfair costs - Distorted. STATE USES ~~THE~~ The non-allowable deductions for taxing on the property tax.

500 Million dollar deductions Not allowed for Prudon -

Nels A. Anderson. Not in the best interest of the state of Alaska to have a tax at this time. Should take the time to address the problems, but will bow to the expertise of the finance committee.

Too many unanswered questions regarding this.

Brown moved to pass the bill out of Committee + requested a roll call Vote. Swanson seconded the motion.

~~Eliaison~~ Eliaison commented on the bill - untimely, No one in favor of the bill except the sponsors. Should not make the

Eliaison moved to table -  
Anderson Adjourned.

HB

804

POLICY STATEMENT ON SUBSISTENCE UTILIZATION OF FISH AND GAME

- A. LETTER TO BILLY G. BARRIER, DIRECTOR  
DIVISION OF LEGAL SERVICES
- B. HB 804 AND CH 199
- C. JOEL BENNETT - EXPLANATORY LETTER
- D. COMMISSIONER JAMES W. BROOKS ANALYSIS
- E. POLICY STATEMENT ON SUBSISTENCE UTILIZATION OF FISH AND GAME
- F. RESPONSE TO ANALYSIS - PENDING

February 5, 1976

Billy G. Barrier, Director  
Division of Legal Services

I respectfully request that the following proposed legislation be drafted.

A) Option to create subsistence zone area.

The thought is that a fish and game unit area or combination of two or more game units or regional area coincidental to regional association area (such as Association of Village Presidents) can opt to become a subsistence zone area.

The procedure for seeking this particular status will be somewhat similar to that of how municipalities are created, i.e. hearings, application by recognized regional or local fish and game advisory boards to the Dept. of Fish and Game.

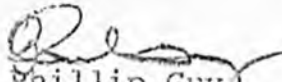
A commission of five shall be formed composed of Representatives from the following Departments and organizations.

- 1) Dept. of Fish and Game
- 2) Dept. of Community and Regional Affairs
- 3) Office of the Governor-appointee
- 4) Two representatives from two other organizations such as Alaska Federation of Natives and Rural Alaska Community Action Program, Inc.

There will be provision for the subsistence zone area dissolution.

Hopefully funding for the commission work will come from each entity collectively or singularly.

Sincerely,

  
Phillip Guy



LAWS OF ALASKA

1975

Source

SCSHB 369 am S

Chapter No.

199

*City of  
Bob  
Don  
Then*

AN ACT

Relating to game conservation; and providing for an effective date.

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

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

Sec. 16.05.255. SUBSISTENCE HUNTING REGULATIONS. (a) The board, at its regularly scheduled annual game board meeting, may adopt regulations providing for subsistence hunting in a game management unit or subunit or a portion of a unit or subunit only upon recommendation of the department, based on biological evidence, or the majority vote of the active local advisory committees for that game management unit or subunit, including but not limited to:

- (1) the establishment of subsistence hunting areas;
- (2) the regulation of transportation methods and means to protect subsistence hunting within subsistence hunting areas, including the prohibition or limitation of pack animals, mechanized vehicles and air craft, other than watercraft or wheeled vehicles operating on a road maintained by public funds;
- (3) the establishment of open and closed seasons and areas to protect subsistence hunting;
- (4) the limitation of hunting to only one sex of the animal.

(b) In this section

- (1) "subsistence hunting" means the taking of

Chapter 199

game animals by a state resident for food or clothing for personal or immediate family use;

(2) "subsistence hunting area" means an area designated by the board as primarily important for subsistence use and in which it is unlikely that subsistence needs will be met if recreational hunting including hunting for trophy purposes is permitted or if certain methods and means are continued.

\* Sec. 2. This Act takes effect immediately in accordance with AS 01.10.070(c).

-2-

Approved by governor: June 25, 1975  
Actual effective date: June 26, 1975

STATE OF ALASKA  
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y - STATE CAPITOL  
JUNEAU, ALASKA 99801

*Phillip Guy*  
C

MEMORANDUM

March 2, 1976

SUBJECT: HB #804 and Ch 199 (SLA 1975)

TO: Phillip Guy

FROM: Joel Bennett *JAB*

1) AS 16.05.255 is the section dealing with the regulatory authority of the Board of Game. AS 16.05.257 is the subsistence hunting regulation section. Therefore section 257 is appropriate for repeal under HB 804.

2) The difference between existing 16.05.257 and HB 804 lies primarily in the fact that HB 804 provides an expanded mechanism for the creation of subsistence areas. Where AS 16.05.257 empowers the game board to set up areas only upon recommendation of the Department of Fish and Game, based on biological evidence, or the majority vote of active local advisory committees, HB 804 directs such to be considered in response to (1) petitions by resident groups, the governing body of a village or rural community, the board of directors of a village corporation created under ANSCA, or a fish and game advisory committee. Hearings are expressly provided for with direction that a decision must be made by the board within a reasonable time after hearings are concluded. HB 804 sets up a separate subsistence advisory commission to facilitate board determinations (not in present law) and provides that subsistence fishery areas may be considered as well as game subsistence areas (not in present section 257).

The types of limitations possible to the board to protect subsistence uses are enumerated in present AS 16.05.257(a) (1)-(4). These would be covered via consideration of the petition request in section 735 of HB 804. In other words, the burden is on the petitioner to set out what is required to protect his specific subsistence situation. The board would then consider whether to incorporate that in the creation of the area.

Present AS 16.05.251-255 includes very general authority relating to subsistence activity, if AS 16.05.257 were not law and without the provisions of HB 804. Both 257 and HB 804 are attempts to specify what that authority is, and expand it to include necessary additional concerns.

I hope this will be of some assistance to you in explaining this legislation.

JB:smh

# STATE OF ALASKA

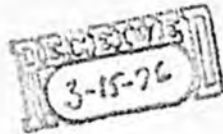
## DEPARTMENT OF FISH AND GAME

OFFICE OF THE COMMISSIONER

SUPPORT BUILDING  
JUNEAU 99801

D  
JAY S. HAMMOND, GOVERNOR

March 4, 1976



*note:  
first stamp  
date 3/12/76  
A.M.*

The Honorable Phillip Guy  
House of Representatives  
Alaska State Legislature  
Pouch V, State Capitol  
Juneau, Alaska 99801

Dear Mr. Guy:

I have prepared an analysis of HB 804 and Sec. 16.05.257 of Title 16 for your consideration. Copies of this analysis are also being sent to the House and Senate Resources Committees, at their request. The department believes that Sec. 16.05.257 of Title 16 is the preferred method for designing a system to insure local benefits from the game resource. Previously the Board of Fish and Game and the commissioner adopted a policy on subsistence utilization of fish and game (a copy is enclosed). Section 16.05.257 is consistent with that policy and provides direction and authority to the Board of Game.

The Boards of Game and Fisheries (formerly the Fish and Game Board) have consistently provided for local preferences under existing statutes without undue discrimination. Examples are abundant and include: the sale of caribou for barter and commercial purposes north of the Yukon River; unlimited caribou bag limits and year-around seasons north of the Yukon; bag limits on walrus that recognize differences between animals taken for food and for recreational purposes; registration systems for taking game that require registration at specific entrance points, thereby favoring local residents; seasons timed to facilitate natural preservation of meat; seasons late in the winter to provide meat at a critical time of the year; restrictions on taking game with the aid of mechanical vehicles; and restrictions on taking big game the same day airborne. The foregoing are a few of the many regulations the Boards have promulgated in their efforts to assure continued benefits to rural consumers of game.

An Analysis of HB 804

Sec. 16.05.730, Legislative Findings. While subsistence uses of fish, game, berries and plants are of particular importance to the health, safety and general welfare of rural Alaskans, they are of no less value for the same and additional purposes to many urban dwellers.

Sec. 16.05.735, Petition for the Establishment of a Subsistence Area. The probable effect of this provision would be to elicit petitions for subsistence areas around each village in Alaska. The effect of these areas, if established, is not clear in this bill. For example, if the intent of the subsistence area concept is to allow subsistence use only by a certain class, such as those residents of the subsistence area, then the proposal may violate Article VIII, Sec. 4 of the Constitution. Alaska Constitution, Sec. 4, "Fish, forest, wildlife, grasslands and all other replenishable resources belonging to the state shall be utilized, developed and maintained on the sustained yield principle, subject to preferences among beneficial uses." The creation of a separate class of user perhaps would be a subversion of the term "uses" by interpreting it to mean "users." Undoubtedly an opinion from the Attorney General's office is appropriate. The intent of the phrase "length of time necessary to adequately utilize the species for subsistence purposes" is not clear to us. There is also the probability that so large a number of petitions would make the Board's mandated task of reviewing impossible. This tends to be reinforced by the term "shall" on page 1, line 22.

In several instances the bill refers to the retention of authorities already vested in the Boards of Fisheries and Game. These repetitions appear unnecessary. Examples are found on page 2, lines 7 through 11, and 26 through 29, and page 3, lines 18 through 23.

On page 4, lines 15 through 18, (29) "sustained yield level," this appears to be a paraphrase of the term "optimum sustained yield" that appears in the

Marine Mammal Protection Act of 1972. In the Marine Mammal Protection Act of 1972 the term "optimum sustainable population" means with respect to any population of stock, the number of animals which will result in the maximum productivity of the population, or the species, keeping in mind the optimum carrying capacity of the habitat and health of the ecosystem of which they form a constituent element. This term has never been satisfactorily defined and it remains a stumbling block in Alaska's attempt to regain management of marine mammals. Such a difficult terminology should not be a part of state legislation.

Page 3, lines 12 through 17. Sec. 16.05.748, Application of the Administrative Procedures Act. This section appears to exempt the establishment of subsistence areas from the Administrative Procedures Act. If that is the meaning of the term "classification" the department believes that such an exemption is, both unnecessary and undesirable. Since most other regulations enacted by the Board require adherence to the A.P.A., there seems no necessity for such an exemption. Establishment of subsistence areas will be of general interest and concern to all citizens and they should have the protection and coverages afforded by the Administrative Procedures Act.

Differences between HB 804 and Sec. 16.05.257 of Title 16.

There are several essential differences between HB 804 and Sec. 16.05.257 of Title 16. Sec. 16.05.257 basically is a management statute providing the department and the board with several powers to respond to legitimate needs of the various citizen groups. It is permissive, requiring only that the Board of Game seek the best solution to a particular problem. The powers listed include, "(1) the establishment of subsistence hunting areas; (2) the regulation of transportation methods and means to protect subsistence hunting within subsistence hunting areas, including the prohibition or limitation of pack animals, mechanized vehicles and aircraft, other than water craft or wheeled vehicles operating on a road maintained by public funds; (3) the establishment of open and closed seasons in areas to protect subsistence hunting; (4) the limitation of hunting to only one sex of the animal." These powers allow for enactment of regulations to provide for local needs without going to the extreme of establishing exclusivity in the use of the resource.

Also, the definition of "subsistence hunting" is straightforward and it does not establish classes or areas of preference.

House Bill 804 establishes a new regime for managing fish and wildlife in that it requires consideration of each petition for a subsistence area, establishes a commission to assist in evaluating these petitions and waives the Administrative Procedures Act. While exclusivity of use by residents of the subsistence areas that might be created by HB 804 is not mandated, there is strong suggestion that such is the intent.

March 4, 1976

HB 804 clearly intends to include the subsistence fishery within its scope of activity. However, it is difficult for the department to analyze the impact of the fishery portions of the bill upon the existing commercial and recreational fisheries. Section AS 16.05.740(b)(3) authorizes either board, or both in joint meeting, to change the boundaries of a subsistence area if "a conflict exists in an area that is being commercially fished as of the effective date of this act." However, the definition of subsistence area (AS 16.05.940(28)) refers only to the impact on subsistence needs of recreational hunting for trophy purposes. No mention is made of either the commercial or recreational fishery. We can but speculate as to the intended interaction of these and other features of the bill with respect to the existing recreational and subsistence fisheries. For example, is it the intent of the bill that a commercial fishery outside the subsistence area could be in essence terminated by the Board by means of extending the subsistence area to include the area of the commercial fishery?

Justification for this, conceivably, could be that the commercial fishery in an area far removed from the subsistence area was having a definite impact on subsistence requirements. The same principal of course could apply for recreational fisheries both in and removed from the subsistence area itself.

In summary, the department believes that Sec. 16.05.257 of Title 16 provides all of the tools necessary for the Board of Game and the department to provide for local uses of game. For that and other reasons listed above, we prefer 16.05.257 to House Bill 804.

Sincerely,

  
James W. Brooks  
Commissioner

cc: Nels Anderson  
Mrs. Kay Poland

Enclosure

POLICY STATEMENT ON SUBSISTENCE UTILIZATION OF FISH AND GAME

E

BY THE

ALASKA BOARD OF FISH AND GAME

AND

COMMISSIONER, ALASKA DEPARTMENT OF FISH AND GAME

3-15-76  
note:  
para stamp  
date 3/12/76  
A.M.

While fish and game resources were once a crucial factor in the survival of all Alaskans, a growing population segment is becoming partially or totally independent of these resources. This change is the result of advanced food production technologies elsewhere, rapidly improving logistics, and a growing immigrant population whose demands mainly involve recreational and non-consumptive resource uses. Nevertheless, direct domestic utilization of fish and game is still vital to the maintenance of most rural Alaskans and is an essential supplement to the larders of some urban citizens. Beyond directly satisfying food requirements, home consumption of fish and game tends to preserve indigenous cultures and traditions and gives justification and gratification to a strong desire possessed by many to hunt and fish. The latter functions seem genuinely important to the physical and psychological well-being of a large number of Alaskans.

The very rapid changes occurring in Alaska now give rise to grave concerns that the accustomed contribution of fish and game to subsistence economies will be threatened. By reason of culture, location, economic situation or choice, large numbers of people will find it impossible to abandon or alter their way of life at a pace paralleling changes brought by new shifts in land status and ownership, nonrenewable resource developments, road extensions and transportation improvements and a phenomenal rate of population growth. In recognition of the above facts and of the responsibilities mandated to the Board and the Commissioner, the following statements which express the views of these authorities are considered necessary and timely.

The existing variety of cultures and life styles in Alaska are of great value and should be preserved. While limitations on the productivity of fish and game must discourage continued increases in the numbers of subsistence type resource users, domestic utilization is still of fundamental importance to many Alaskans, and accordingly it is assigned the highest priority among beneficial uses. Within legal and biological constraints, fish and game will be allocated to subsistence users on the basis of need. It is understood that the needs of individuals, families or groups will differ in type and degree and that subjective judgments will unavoidably be necessary in weighing actual need. Elements considered in establishing the level of need include culture, custom, economic status, alternative resources, location, and voluntary choice of life style. It is further understood that subsistence requirements will not make equal demands on all resources in all areas, and that recreational, commercial and nonconsumptive uses will continue to be permitted where and to the extent that they do not truly interfere with or jeopardize subsistence resource use. It is the expressed intent of the Board and Commissioner to be guided by the above stated policies in fulfilling their duties of managing Alaska's fish and game in the face of drastic changes in land status, nonrenewable resource development, and economic and social changes.

H B

8 0 8

COMMITTEE REPORT

2/17/76

HOUSE

FINANCE

Mr. Speaker:

Date 4-6-76

The Committee on RESOURCES has had HB 808

under consideration. A Majority of the members of the Committee

( ) 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 808 AND THAT  
CS FOR HB 808 DO PASS

( ) "and" recommends it BE REFERRED TO THE \_\_\_\_\_  
COMMITTEE

( ) reports it back WITHOUT RECOMMENDATION

( ) "other"

Members signing the Majority report:

W. B. Anderson \_\_\_\_\_  
W. B. Anderson \_\_\_\_\_  
W. B. Anderson \_\_\_\_\_  
W. B. Anderson \_\_\_\_\_

Members NOT concurring in the Majority report:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

W. B. Anderson Chairman

4/21/76

To whom it may concern,

My name is Michael O. Sheppard and I have lived in Homer, since 1971. I AM interested in the 2 acre homestead sites the state has recently made available.

Would it be possible to forward an application? I would also appreciate a map or description of the available areas — those open to the claim.

Regards,

Michael O. Sheppard  
Box 565  
Homer Ak.

*file 808*

March 22, 1976  
3005 West 33rd, Apt. 3  
Anchorage 99509

House Resources Committee Chairman  
Democrat Nets Anderson

Dear Rep. Anderson:

We'd like to see House Bill No. 808 ("An act authorizing state land to be made available as homesites") become law. We can't afford to buy houses or the land to put them on at the incredibly high Alaskan market rates -- and Bill No. 808 offers us a chance to own an Alaskan home.

Although we're basically in favor of the bill as it stands, we think the following two changes would benefit a large number of Alaskans the bill is intended to help:

Section 38.05.327, page 2, lines 26-28. This provision as stated would prevent applicants for homesites from "holding title to, or interest, other than as a tenant for a limited term, in a habitable dwelling." We think this should be amended to say applicants should "hold no title to land a habitable dwelling occupies." Many Alaskans prefer to invest in mobile homes rather than pay hundreds of no-return dollars in apartment or house rent each month, but can't afford to buy land to locate those mobile homes on. So, while they own title to a "habitable dwelling," they're still "tenants" because they must pay land rental fees each month.

Subsection D(f), page 4, line 2. This provision calls for the homesite permit holder to erect on the homesite land a "dwelling of a permanent nature." We think mobile homes located on land the permit holder is in the process of acquiring should be considered "dwellings of a permanent nature." House Bill No. 808 is intended to provide "land for Alaskans to settle at a cost reasonably within their means." Many Alaskans simply can't afford house construction costs -- even if they could acquire homesite land at a nominal cost. Few people have the skills necessary to build a house themselves -- and the cost of hiring a builder would be prohibitive. Thousands of Alaskans live for many years in mobile homes that have been skirted and equipped with water, heating, sewage and electric facilities.

We live here, we vote here, we pay taxes here -- and we intend to stay. Thanks for giving us the chance to own homes here.

*John W. Sadusky*  
*Linda Leask*  
Very truly yours,  
John W. Sadusky  
Linda Leask

Hon. Nels Anderson

TESTIMONY BEFORE THE HOUSE RESOURCES COMMITTEE  
REGARDING HOUSE BILL 808

WORK  
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Mr. Chairman:

My name is Bob Pavitt. I am a professional planner currently in private practice in Juneau. I am also a "card-carrying" lobbyist, and am serving as the Legislative Agent for the Planning Association of Alaska in the presentation of this testimony.

Senator John Rader recently found himself speaking favorably on what turned out to be an unpopular bill. He remarked that that was O.K. with him, as "it got monotonous always being on the winning side." Planners in general, and the Planning Association of Alaska in particular have been chronic losers for so long, that we are not often troubled with the monotony of finding ourselves on the winning side. We are acutely aware of the instant popularity that H. B. 808 seems to have developed (at least in the press), as well as the fact that the proposed Homesite Act is sponsored by no fewer than 28 astute members of this august legislative body. Nevertheless, the Planning Association of Alaska feels that the application of foresight to the conduct of public affairs which is the essence of the planning process, should also be an important element in the legislative process. In our opinion, that foresight has been conspicuously lacking in the introduction and endorsement of House Bill 808.

We have no quarrel with the long-standing policy of the State expressed in the Alaska Land Act "to encourage the settlement of the State's lands and the development of its resources by making them available..." but we strongly disagree that this bill will further that policy in a manner "consistent with the public interest." We also agree that the "highest and best use of some land may clearly be for habitation", but until the Alaska Regional Profiles are completed, and a Statewide Land Use Plan adopted, it is our feeling that neither the Division of Lands nor any other governmental agency is competent to make determinations as to the highest and best use of Alaska's land.

Section 2 of the bill deals with classification, and states that the director may classify for homesite entry state land which is otherwise vacant, unappropriated and unreserved and is suitable for erection of a residential dwelling to use as a permanent abode. We suggest that a glance at an ADL status plat will provide the information with respect to land being vacant, unappropriated and unreserved, but that it takes a bit more expertize to make a determination that land is, in fact, suitable for residential purposes. Topography, hydrology, geology, soils conditions, drainage, geophysical hazards and a host of other physical and environmental considerations should properly be elements in making such a finding. It might be wise for Mike Smith to inquire into the cost of malpractice insurance, because failure to pursue such prudent practices might well constitute culpable negligence on the part of the division, and you may be sure that after several homesites have been washed away by floods, crushed under snow avalanches, destroyed by earthquake or subjected to other predictable natural catastrophes, legal actions will surely be brought against the State.

It is interesting to speculate on how the already overburdened Division of Lands is going to tackle the task of determining that each of the permittees has indeed occupied his habitable dwelling for a period of not less than five months each year for three consecutive years. That kind of speculation is sort of fun, as it conjures up the picture of a whole new expensive section of the Division of Lands headed by a Chief Homesite Habitation Inspector, with a large crew of violation clerks, eviction specialists, habitation timekeepers and uninhabitable dwelling removers, accompanied by the inevitable accountants, budget analysts, clerk-typists and other support personnel. It is considerably less fun for planners, who recognize land as Alaska's basic resource, to contemplate that the permittee, after observing a few simple rules for the requisite period of time, finds himself armed with an unencumbered title to his two acre homesite, and the ability to subdivide this small tract into about 25 40' x 70' trailer lots.

The bill goes on to say that the land shall be divided into parcels, but does not specify subdivision under the terms of the appropriate title of the Alaska Statutes which call for road rights-of-way, survey, and other minimum development practices.

While the rotating regional basis of offering these parcels sounds reasonable, as it spreads the "goodies" on a theoretically equal basis, it is hard to believe that the exigencies of politics, and the fact that "the squeaky wheel gets the grease" are going to be less evident in this program than in other governmental giveaway efforts. With respect to the "rate consistent with the planning processes of the division," we are confident that Parkinsons Law will rapidly produce (given enough budgetary support), a whole new bureaucracy in the division devoted less to the planning process than to serving the homesite program.

Paragraphs (4) and (5) (starting on line 15, page 2) confirm our belief that in addition to the land use horrors of the bill, it will also produce an administrative nightmare reminiscent of the federal bureaucracy at its most ridiculous. Just picture the task that confronts the division after 1,200 applicants file on 320 parcels... particularly in light of paragraph (4) which allows each applicant to apply for more than one available homesite!! Besides the problem of untangling such a mess, we find serious difficulty with the standard established in paragraph (5) which seems to hold that the Outside construction worker or Seattle-based fisherman who has been coming to Alaska for 20 years from May through September, and returning to more hospitable climates to spend his Alaskan dollars in the winter, has preference over the Alaskan who has over 8 years of full-time residency in the state.

"At the time of application, the applicant must hold no title to, or interest, other than as a tenant for a limited term, in a habitable dwelling." That requirement raises a bunch of questions...How about a condominium in Hawaii; what about a 40-unit apartment house (all rented out nicely, thank you) in Houston; is it O.K. to transfer title of a home in Alaska to a family-owned corporation and be renting it back at the time of application??? How about the time after application while the permittee is proving up his homesite? (If any members of the Committee think for a minute that these examples are unlikely, we would refer them to the multiple and ingenious abuses that caused the state to shut down the Open-to-entry program a few years back.)

At least we can take comfort in knowing that the clanking bureaucracy that we have created in the Division of Lands will not be idle...before they can assume their duties as Habitable Homesite Dwelling Inspectors, they will have many months work as Title Examiners to make sure that the applicants are on the up and up. Aside from the administrative difficulties encountered in making these determinations, we would submit that the concept seems to favor the Outside pipeline worker whose family will indeed occupy the trailer that he slaps on a foundation on the homesite while he is off making big money on the Slope; rather than the hard-pressed Alaskan that I am confident Representative Freeman intended to assist when he introduced this bill.

It is all very well to agree to erect a habitable dwelling, have a survey made, and occupy the dwelling for the requisite period of time; but it is an entirely different thing to actually accomplish those things in that order. Obviously one cannot erect the dwelling until entry has been gained (by the issuance of the permit) It is extremely reckless to erect a dwelling without first obtaining a survey to at least be sure that you are building on the right parcel. Agreeing to occupy, and actually occupying are again two different things, as the dynamics of employment opportunities and family requirements have made us an extremely mobile people; and not even the most astute planner can tell you with any certainty where he will be residing three years from now. Also, it would be well to consider the nature of the dwellings that are likely to be erected on these homesites. Are they all to be simple log cabins, built from native materials by the sweat of the entryman's brow, or are they more likely to be trailers hauled in to meet the minimum requirements of the regulations? How many banks or savings and loan institutions are going to loan money on construction where the applicant has no survey, no title to the land, and nothing saleable if he finds it necessary to default on his honorable intentions with respect to the homesite?

(b) and (c) of the subsection (starting on line 6, page 3) tend to add to the administrative and bureaucratic nightmare that we have already attempted to describe, we will pass on to sub-section (d) which sets up an instant and substantial conflict between municipalities entitled to select vacant, unappropriated and unreserved state lands, and the classification of these lands by the division for homesite entry use. I will leave any substantive comment on this potential conflict to the Alaska Municipal League, but as a former Borough Planning Director, I think I can assure you that the communities who seriously use their land selection capabilities for the benefit of their citizens will take an extremely dim view of this clause.

We would like to shed a little factual light on the naive assertion in subsection (e) (line 28, page 3) that "Nothing in this section obligates the state to provide services to lands which are the subject of homesite entry and patent"...the first comment being "You've got to be kidding!!!" Assuming that land classified for homesite entry will be provided with essential road access by the division, that leaves a minimum of 512 acres per section of land, or more than 250 homesites. At an occupancy of 3.5 persons per dwelling unit (actually 3.8 - 4.0 is more likely in semi-rural areas of Alaska according to census figures), we are looking at a density of over 750 persons per square mile...and that's a long way from the concept of the "last frontier"!! What we are creating is an early need and demand for police and fire services, schools, parks and recreation facilities, zoning, road maintenance and a host of other costly but necessary public services. It seems inconceivable that the State of Alaska which is charged with providing these services to its people, is going to be able to ignore its responsibilities.

One can only hope that the Finance Committees will seek expert projections from Community and Regional Affairs and the Division of Budget and Management as to the eventual cost to the State per homesite...but I can tell you right now that this will turn out to be the most costly "free land" that the State has ever seen!!

Our only comment on subsection (f) (page 4 of the bill) is that the 1946 model quonsets at Barrow, and the 1943 barracks at Dutch Harbor should provide ample evidence to the fact that nothing is as permanent as a temporary structure.

Our testimony regarding H.B. 808 has admittedly been harsh and negative, and we don't wish to leave the Committee with the impression that the Planning Association of Alaska is negative to the concept of making part of Alaska's huge land patrimony available to Alaskans at a nominal cost. We do not feel, however, that this bill, or the ill-fated Open-to entry bill of a few years back are the way to do it. We would respectfully suggest that the Division of Lands and/or the Division of Policy Development and Planning in the Governor's Office be directed to develop a program that will accomplish this objective in a manner consistent with the public interest, and submit the program in the form of a bill to the next Legislature.

In conclusion, Mr. Chairman; we would like to point out that a local radio personality called "Uncle Fatty" has dubbed H.B. 808 "The Hippy Homestead Bill." We tend to disagree with that label. A real homestead bill granting qualified Alaskan residents entry to 160 acres of habitable land, where there is at least some potential for agriculture, or just living off the land; even though fraught with other problems, would be vastly preferable to what we feel will be tagged the "Instant Slum and Land Abuse Act of 1976".

Thank you for this opportunity to testify.

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CHAIRMAN:  
NELS A. ANDERSON, JR.

STAFF ASSISTANT:  
GUY VANDOREN

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## House Resource Committee

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MIKE HERSHBERGER

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LESLIE (RED) SWANSON

DICK ELIASON

LEO RHODE  
JAMES HUNTINGTON

### LETTER OF INTENT - CS HB 808

The intent of the committee in passing out Committee Substitute for HB 808 is that priority will be given to persons who do not, at the time of application, own a habitable dwelling. The committee does not intend to eliminate the dwelling owner completely, but feels that the legislation should address itself to persons who cannot otherwise acquire land.

*Nels A. Anderson, Jr. Chairman*

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## Review and Report - House Bill 808

By: Department of Natural Resources

General - Because there is a clearly-felt need for a program like that described in H. B. 808, and because the sponsorship of the bill indicates that active consideration of the bill is desired, the Department of Natural Resources has undertaken a detailed and serious review of the legislation and offers the following report. It includes the following sections: An overview of the bill and its purposes as it now stands (including an evaluation of the cost to the homesite recipient); a summary of legal issues; summary of administrative issues; fiscal impact information; and suggested modifications.

Overview - The following relates to the bill as presently drafted:

1. Like many State programs, the bill operates as a subsidy and should be recognized as such to be balanced against its benefits. While the land will be free (See Table I) to the successful applicant, it will not be free to the taxpayer, who will pay administrative costs, the cost of State land given away, and the costs of later State and local servissess . The public benefits of the program may well be found to overbalance the costs, some of which are estimated herein.
2. The purpose of the bill appears to be a mix between homesteading and a homesite approach, and might be further defined so as to identify the intended beneficiaries of the program. As later sections on residency will indicate, this could be a difficult issue.
3. For the location of "homesite" areas, the bill has been sensitive to the need for this program to fit into overall planning and staff capabilities within the Department of Natural Resources and the Division of Lands. An additional area of needed specificity might well deal with the number of such sites desired each year and the general regional locations desired. Also, a distinction of some magnitude exists between a program in rural areas and one near settled areas. The implications of this difference are outlined in other sections of this report.
4. The problem of "residence" is a substantial one. As the bill now stands, non-residents will be favored. They are entitled to own State land, the length of residency test is legally questionable, the migrant non-resident would be less likely to own another dwelling, and seasonal workers would be more likely to be able to staisfy the 5-month "live on" requirement. The possibility of in-migration by non-residents to gain free land

would probably be determined by the size of the program and could be substantial.

5. On issues other than residence, it appears likely that low income (individuals unlikely owners of another dwelling), seasonal workers, students, retired persons, migrants and similar groups would be favored. Those who own land, but not other habitable dwellings would be eligible as well. The patterns regarding land recipients would vary greatly between a rural homesite area and one near settled areas.

6. Speculation under this bill is delayed and diminished. However, after patent is given (three years) the land may be the subject of speculation. The best answer to this is to either give less than full title at the end of three years, or give title with covenants against subdivision or certain designated users.

7. The cost of future State and local services issue is not resolved, even though nothing in this bill is intended to create them. It is dubious if any legal disclaimer could be made to avoid such future taxpayer costs. Nonetheless, they are unpredictable subject to need and demand, and are certainly State and local costs to be considered in later years in homesite areas.

8. Cost of settlement - the bill intends that Alaskans might settle at "a cost reasonably within their means". As pointed out, it is hoped tax program will assist Alaskans now renting or leasing or non-residents with similar circumstances. The following analysis is a rough idea of the cost to a 2-acre recipient under the program looking both at a "bush" and "close-in" site. All assumptions are stated.

The costs associated with the bill vary according to the location of the two-acre tracts. In the bush situation, the costs would include numerous plane trips to and from the site to move the family, building materials, and supplies in as well as provide for the families' travel in and out of the area associated with each five-month period over the three-year period. Other expenses include costs associated with the materials for the habitable dwelling, the survey, and the potential loss of wages during the five month periods in the bush (assuming that it is the head of the household who applies). If the tract is close to a settled area, the major costs are associated with the dwelling itself and include a downpayment on a trailer or money for construction costs, and possibly water, sewer and foundation fees.

Table I summarizes the estimated expenses for each situation for the land recipient.

(3)

<u>Cost Items</u>	<u>Remote Area</u>	<u>Close-In</u>
Applicant Permit	\$10.00	\$10.00
Transportation (a) (family of 4)		
1. To move	6 trips - \$780	\$200
2. Other trips	6 trips - \$780	
3. House Materials	3 trips - \$390	
4. Supplies	3 trips - \$390	
Habitable Dwelling Costs		
1. Materials	\$1,000	\$3,000 (downpayment on trailer)
2. Water and sewer	-0-	\$2,000
3. Foundation	-0-	\$1,000
Surveying Costs	\$ 800 - \$1200 (d)	\$500 (state group survey)
Potential Loss of Wages (b)	15 months - \$15,000	None
TOTAL COSTS	<u>\$4,150 to \$4,550</u> without wage losses	<u>\$6,710</u>
Value of Property Received (c)	\$500 to \$1,000	\$5,000 to \$10,000

- (a) Assumes a fifty-mile one-way plane ride at a cost of \$130 per trip. Trips are calculated on the basis of transportation needed over a 3 year period.
- (b) Varies according to individual situations.
- (c) Assumes a per-acre cost of \$400 to \$500 in a bush area and \$2,500 - \$5,000 cost in urban area.
- (d) Assumes several homesite applicants jointly survey property. For a single individual in a bush area, it may cost as much as \$2,000.

The table indicates that the expenses required to get started under the homesite bill are understandably greater in the area than the bush area due to initial habitable dwelling costs. This observation, however, does not recognize the potential loss of wages associated with the bush area and the non-recoverability of the bush transportation costs. Furthermore, the start-up costs in the bush areas are significantly greater than the land costs whereas in the settled area the opposite situation exists.

Consequently, the two acres of land provided by the homesite program would provide a major boost to a person's ability to own a habitable dwelling near a settled area. The use of homesite land made available near urban areas may fulfill the Bill's intent.

#### Administrative Issues

In its attempt to ensure that the purposes of the program are not violated and the State's interest not abused, the bill creates administrative responsibilities necessary to the program, but nonetheless demanding. The administrative analysis assumes that the sponsors desire enforcement, and maintenance of a credible program which avoids the abuses of prior open to entry programs.

- (1) Implementing the bill would require a number of verification procedures.
  - (a) Sec. 2(a) The land has to be suitable for erection of a residential dwelling to use as a permanent abode. This implies verification by the State of the availability of water, the suitability of the land to accept a dwelling, and the suitability of the land for accepting a sewage system. This would be a large administrative task.
  - (b) The State would have to verify that the applicant did not own a habitable dwelling elsewhere. This is very difficult without a residence requirement. Even with a residence requirement, an applicant should be required to certify that he does not own a dwelling with penalties for false statement.
  - (c) The State would have to verify and arbitrate length of Alaskan residency if a lottery system is not used to resolve conflicts.
  - (d) The State would have to verify that the dwelling meets the conditions for a habitable dwelling.
  - (e) The State would have to verify if the dwelling was occupied for the required time and determine if head of household has been occupying the land.
  - (f) If the permit was revoked, the State would have to verify if the conditions of revocation had been met. If not, it would be the State's responsibility to locate the applicant or reclaim the land at taxpayer's expense.

(2) Since the State will only paper survey the land, the applicant will be responsible for locating the tract on the ground. Experience indicates that this leads to disputes and administrative problems when the final surveying is done due to improvements which are made outside original boundaries, etc. This could be solved by having the State survey the land first and charge the applicant.

(3) The bill does not clearly indicate the length of time the application or permit will be valid. Is it valid for only three (3) years from the time of issuance or time of occupancy? Could the permit continue indefinitely if all the stipulations are not met?

(4) The condemnation procedure may require a large administrative force, although this is not clear at this time.

(5) Although it is not the bill's intension to make money, a \$10.00 filing fee is unrealistic since this fee is inadequate to even set the wheels in motion regarding verification of the applicant's credentials. Similarly, the costs in time of setting up a file would more nearly approximate \$50.00 or more. This fee should also be non-refundable which may possibly discourage capricious filings.

(6) Sec. 2(a) If the intent of the bill is to provide full-time occupancy for the applicant and not just part-time or recreational occupancy, the five month provision should be changed to at least eight (8) months. A five month occupancy implies only a part-time commitment to the improvements and stipulations in the bill. This would mean that housing and other developments such as sewers, etc. would be of much lower quality than if the land were occupied full-time.

#### ESTIMATED STATE IMPLEMENTATION COSTS

State expenses required to implement the Homesite program include administrative costs for additional staff salaries and travel expenses as well as homesite land value costs. This section briefly outlines the required administrative services, estimates the associated administrative expense, and calculates the value of land which might be provided as homesites.

For the purposes of this analysis, it is assumed that the administrative regions in which homesites are located will generally correspond to the three existing Division of Lands Districts: Southeastern District (SED), Southcentral District (SCD), and the Northcentral District (NCD). It is also assumed that sites will either be in remote areas or areas close to existing settlements. In order to set a range for the program costs, the analysis provides 100 available sites in each region as a minimum program response and 1,000 sites in each region as a maximum response.

#### Administrative Costs

The estimated costs of the program are based on the following scenarios: The program, which would be set up on a statewide basis, must furnish homesite lands from existing patented or tentatively approved state lands. These lands would need to be field inspected for their homesite suitability and land planning reports prepared. After being approved by the Planning Section and/or the Land Use Planning Commission, the land would be classified. During this time, systems must be set up to qualify the applicants by checking the application background material against court recordings, title recordings, voter registrations, etc. Once this was accomplished, provisions for choosing recipients would be established. Following this preparation, actual management of the program would begin. This would include enforcement capability during the three-year residency period.

The following estimates of personnel and travel expenses are based upon the assumptions and the knowledge of time and costs involved in the initiation and management of the past Open-to-Entry Program.

Selections: This phase would require the services of a full-time Land Management Officer IV (L.M.O.IV) and a Land Management Officer (L.M.O. II) and a Land Management Assistant I (L. M. A. I) to adequately supervise and coordinate the program on a state-wide basis. The services of a Cartographer II and two Planners would be required. District offices would need additional personnel for initial field examination in the category of an L.M.O. I plus budgetary monies for remote as well as close-in travel and per diem. Land planning reports instigated by the districts would need processing thereby necessitating additional classification workload and thus personnel.

Qualifying of Applicants: An adequate, though not necessarily stringent check of the applicant's legal qualification would be necessary requiring adding personnel to existing district's rosters, as well as personnel to set up and oversee the auctions and/or lotteries.

Enforcement of Management: Enforcement for compliance would require that field inspection be a continuing and time consuming item requiring coordination and administration work by people out of the District as well as headquarter offices.

District Office Expenses: The District offices would require two new positions and a substantial increase in travel funding. The estimates set forth below assume a minimum program of 100 and a maximum program of 1,000 homesites per District per year.

District Office Expenses

in Dollars/year

<u>District</u>	<u>Personnel Salaries (a)</u>	<u>Regional Travel Costs</u>			
		<u>100 Units/District</u>		<u>1,000 Units District</u>	
		<u>Remote Areas(b)</u>	<u>Close-in Areas (c)</u>	<u>Remote Areas</u>	<u>Close-in Areas</u>
Southeastern					
L.M.O. II	27,224	18,000	3,600	180,000	36,000
L.M.A. I	17,742				
Southcentral					
L.M.O. II	27,224	18,000	3,600	180,000	36,000
L.M.A. I	17,742				
Northcentral					
L.M.O. II	31,516	18,000	3,600	180,000	36,000
L.M.A. I	20,271				
TOTALS	141,719	54,000	10,800	540,000	108,000

- (a) Employees' salaries include base salary plus State provided benefit costs.
- (b) Remote area refers to any area which cannot readily be inspected, but requires a charter (boat or plane) to inspect. Known costs are transposed with emphasis on flying as the fastest means of verification of compliance. 10/25 inspections per day within a 100-mile radius of the district offices. If areas greater than 100 miles are opened, then inspection time/costs will increase in proportion.
- (c) Close-in refers to areas available to highway, railbelt and nearby water access which can be reached with relative ease. After the fact costs are predicated on a monthly check basis, with between 25/50 inspections per day.

Headquarters Expenses: A staff of seven full-time employees to oversee selections, classifications, contracts, lotteries and servicing of the program would be needed in the Anchorage headquarters office.

Headquarters Expenses

in Dollars/year

<u>Position Title</u>	<u>Salary</u>	<u>Travel Costs (a)</u>	
		<u>Remote</u>	<u>Close-in</u>
1 L.M.O. IV	32,058	1,500	300
2 L.M.O. II	54,448	3,000	600
1 Cartographer II	21,800	1,200	1,200
1 L.M.A. II	20,271		
2 Planners - 16	23,490		
- 18	<u>27,224</u>		
<b>TOTAL EXPENSES</b>	<b>179,291</b>	<b>5,700</b>	<b>2,100</b>

(a) Travel costs are limited to one trip for three headquarters personnel to District Offices to observe field work. The Cartographer would be expected to make several trips for record coordination purposes.

Advertising Costs: Three days public notice in a major paper would cost \$250.00. Such a notice would have to be printed at least twice a year in a paper in each District with a total cost of \$1,500.00.

Total Administrative Costs

in Dollars/year

	<u>300 Homesites</u>		<u>3,000 Homesites</u>	
	<u>Remote</u>	<u>Close-In</u>	<u>Remote</u>	<u>Close-In</u>
3 District Offices				
Salaries	141,719	141,719	141,719	141,719
Travel	54,000	10,800	540,000	108,000
Headquarters				
Salaries	179,291	179,291	179,291	179,291
Travel	5,700	2,100	5,700	2,100
Newspaper Costs	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>
<b>TOTAL COSTS</b>	<b>382,210</b>	<b>335,410</b>	<b>868,210</b>	<b>432,659</b>

## Value of State Public Land Given in the Program

Sales in the various districts indicate approximate values which can be used in estimate value lost if the State provides home-site land free rather than at the fair market value. Though great disparity exists between individual values for both remote and close-in properties, the median values have been used for this analysis. Land in remote areas has been valued at \$400 to \$500 an acre and land close in to settled areas valued at \$2,000 to \$2,500 an acre. All homesites are assumed to be of the 2-acre lot size.

Values of Homesite Lands

in Dollars/Year

<u>District</u>	<u>100 Sites/District</u>		<u>1,000 Units/District</u>	
	<u>Remote</u>	<u>Close-in</u>	<u>Remote</u>	<u>Close-In</u>
Southeastern	100,000	500,000	1,000,000	5,000,000
Southcentral	80,000	400,000	800,000	4,000,000
Northcentral	<u>80,000</u>	<u>400,000</u>	<u>800,000</u>	<u>4,000,000</u>
TOTAL COSTS	260,000	1,300,000	2,600,000	13,000,000

## Summary

Summary of State Homesite Program Costs  
(Land Value and Administration Expenses)a

In Dollars/Year

Site Processed Per Year	<u>Remote Areas</u>			<u>Close to Settlement Areas</u>		
	<u>Land Value<sup>d</sup></u>	<u>Admin</u>	<u>Total</u>	<u>Land Value<sup>e</sup></u>	<u>Admin.</u>	<u>Total</u>
300 <sup>b</sup>	260,000	382,210	642,210	1,300,000	335,410	1,635,410
	2,600,000					
3,000 <sup>c</sup>	2,600,000	868,210	3,468,210	13,000,000	432,659	13,432,659

a. Does not include ancillary costs to the State for required services such as new schools, etc.

b. 100 sites per District for 3 districts.

- c. Maximum number of sites - 1,000 per district for 3 districts.
- d. Assumes a cost of \$400 to \$500 an acre for remote areas.
- e. Assumes a cost of \$2,000 to \$2,500 an acre for close to settlement areas.

State Costs per Homesite Unit

in Dollars/Unit

Location	Per Year	Total Costs	Per Site	Per Acre
Remote	300	642,210	2,140.70	1,070.35
Remote	3,000	3,468,210	1,156.07	578.04
Close-in	300	1,635,410	5,451.37	2,725.68
Close-in	3,000	13,432,659	4,475.55	2,237.77

- a. A site is assumed to be 2 acres.

LEGAL ISSUES

1. Subsection 2(a)5 - Is it constitutional to award homesite permits on the basis of length of residency? This stipulation may be unconstitutional and would probably be challenged in court. However, there are some inherent problems in this system even if it may be shown to be legal. Who would be awarded a permit if all applications were non-residents? This particular stipulation would also create an administrative burden just resolving disputes of length of residency. This problem could be solved by using a lottery system for all applicants rather than length of residence.
2. Subsection 2(a)6 - Is it legal to restrict land applicants to those who don't own habitable dwellings? The basic concept of providing land to a restricted segment of the population based on a standard of need is probably legal. However, defining and drawing the line as to what segment really is in need is where the problem arises. The line has to be drawn very carefully. For example, in this bill someone could own large amounts of land and still be eligible as an applicant. If it is shown to be legal, the State should probably require filing of certification by the applicant that they hold no title or interest in a habitable dwelling and provide a penalty for making a false statement in this certification.
3. Section 2(e) - Does the State have a legal responsibility to provide services to its residents regardless of their status? Such things as providing an education, protection, and other social services will have to be provided at some cost to the State. The further away the land is from present developments, the higher the probable costs. Education and possible unemployment insurance or welfare costs are two examples. The services alluded to in the bill probably mainly concern such things as road building and maintenance costs which can be transferred to the applicant, but as discussed above, there are significant costs which the applicant can't be expected to assume. It appears to be legally impossible to discriminate among citizens of the State based on their land status.
4. Section 2(b) - If it is the intent of the bill to completely limit conveyance of the permit, the language will have to be tightened up. Inability to assign or otherwise transfer the rights under the permit, will still allow the applicant to hold all his rights but to sublease the land for other uses such as, for example, a campground.

5. Would it be legal to amend the bill to apply to Alaskan residents only? There may be a better case for this stipulation than the length of residence stipulation, since it has already been widely discussed regarding local hire, but there remains a legal question on this issue.

#### POSSIBLE MODIFICATIONS

The following are suggested modifications which begin to solve some of the policy, planning, and administrative problems mentioned above.

1. The bill should insure that the State is not forced to provide free homesites in areas not physically suitable or appropriate at this time for settlement (i. e. far away from settled areas).
2. The bill's clause for proper planning should be emphasized to assure the State is not forced to make homesites available before proper planning is completed. A maximum number of homesites a year might be stipulated.
3. The bill must provide the State Division of Lands with the necessary manpower and financial resources required to wisely and efficiently manage the additional program. The problems associated with the lack of resources available for the open-to-entry program testifies to the crucial importance of this assumption.
4. The bill should emphasize that the State would decide where homesite lands will be offered and shall lay such lands out for homesite selection in accordance with area plans. This includes the assumptions that the lands offered in the next few years will be near settled areas and can be made available adjacent to each other in the specified areas.
5. The bill should provide that the State could place logical covenants on land given away. The recipient might not receive unrestricted title in appropriate circumstances. For example, the State may require that even after patent, the land could not be further subdivided.
6. A lottery system should be substituted for the length of residence clause.
7. The bill should provide a strong enforceable residency requirement for entitlement under the program.

8. If the intent of the bill is for permanent residency, the five-month clause should be changed to at least 8 or 9 months.
9. Certification and penalties for false information should be included if the intent is to limit applicants only to those who don't own dwellings.
10. Since lands near settled areas would initially be best for the homesite program, the bill should require that the Borough approve of site locations as well as participate in the planning process.
11. The language in the last sentence in Section 2(b) needs to be tightened since the words "assigned or otherwise transferred" are inadequate to prevent conveyance.
12. State services would have to apply to applicants as well as all other citizens. Section 2(e) is cosmetic and legally meaningless.
13. The entire program should have a fixed expiration date (4 years). If it is working, it can be renewed; if not, the political problems with repeal will be reduced.

*Files*

General Delivery  
Aniak, AK 99557  
March 18, 1976

Rep. Nels Anderson, Chairman  
House Natural Resources Committee  
Alaska State Legislature  
Pouch V  
Juneau, AK 99801

Dear Rep. Anderson

Recently I requested information about House Bill No. 808 "Homesite" from Representative Oral E. Freeman. I have just received his reply and he states that the Bill is in your hands and that no further action has taken place.

Being a resident in Alaska for over five years, I am most happy with this country and would so like to obtain a parcel of land to homestead. Representative Freeman's Bill has much merit and I hope to see it become law.

I would be most appreciative if you would move the Bill along as soon as possible. Your efforts would be most helpful.

Sincerely

*Ronnie Knapick*

Miss Ronnie Knapick

constitutionality of this. I am sure that some type of residency requirement is desired and indeed should be included in any bill which is passed, but the legislature should be realistic about the possibilities of a residence section surviving a court test.

Section 38.05.327 (a) states that upon satisfying the conditions for patent, a person receives a free and unencumbered title to the land. If there are fears about speculators taking advantage of this program, the legislature might consider conveyance of less than full title to the land. For example, the state could convey the land to the applicant, for use as a principal place of residence, without the transfer rights to the land except to heirs. Another possibility would be to allow the state to share in profits from transfers of title by giving the state the right to appraise the land and structures being sold and tax a percentage of the sale price which is attributed to the value of the land. Steps like these could well keep abuses at a minimum, since any profit motive would be discouraged.

Over all, I am not really committed one way or another on this bill. I feel that one reason that this bill and others have been introduced is that the division of lands has not yet produced any concrete proposals of its own to bring land disposition policies up to date. I have been urging both Mike Smith and Guy Martin to initiate some type of effort which will lead to a clear policy statement from the division of land regarding the new administrations dispolsition policies.

4622 Parsons Avenue  
Anchorage, Ak. 99504  
March 3, 1976

Rep. Sam Cotten  
Pouch V  
Juneau, Ak. 99801

Dear Mr. Cotten;

I am concerned about House Bill No. 808, Homesite Entry. While such a program appears to be an ideal procedure for providing "Land for Alaskans"; the Act, as currently written, lacks requirements and contains restrictions which seem to work against this goal.

The only mention of residence is in connection with conflicting applications. Does other State law contain residential requirements for obtaining land from the State? If not, could a residential requirement be included in this Act?

A second, perhaps minor point, is the size and shape of the parcels. Could they be described by aliquot parts? In the long run it might save the State money since reviewing survey plats and the eventual disposal of odd shaped tracts of land created by scattered entries would be unnecessary.

Other than the apparent lack of a residential requirement I am most disappointed by and in disagreement with the property ownership restriction. Is this Act really designed to provide "Land for Alaskans" or land for newcomers and seasonal workers, etc.? Property ownership is sometimes very difficult to prove.

is it even reasonable to attempt to check records not maintained by ADL? How about home ownership outside of Alaska or ownership of a mobile home on a rented space?

The ownership clause will, for the most part, restrict the very people who have chosen to make Alaska their home. These individuals and families should certainly have the first opportunity to acquire small tracts for homesites for either permanent or recreational dwellings. The occupancy requirements, limit of one non-transferable permit per applicant, and State law restricting the total acreage a person can obtain through State land programs should be sufficient to insure that abuses by land speculators will not be a problem.

Again, I want to make the point that while the Act could be effective in providing homesites for Alaskans, it probably will not be if it is passed in its present form. It is very nice to see a land disposal program designed to put small tracts into private ownership as opposed to the auction of large tracts to developers who can afford to hold land for possible future profits. However, a program which encourages people, who are as yet uncommitted to Alaskan living, to obtain cheap land while many of the people who vote and pay the taxes that will fund such a program are effectively prohibited from acquiring such homesites is hardly fair to residents.

Hopefully something has been learned from the problems which arose in the Open-to-Entry program. The State should by now be able to provide a program that will make land available at a reasonable cost to Alaskans!

Sincerely yours,

*Michelle Elliott*

Michelle Elliott

March 24, 1976

Dear Mr. Anderson:

There are many reasons why I believe HB 808 is good for Alaskans, and I would like to express myself to that " Homesite " Bill. I have lived in this general area of Alaska for 34 years and during that time have watched the changes, both good and not so good. One of the not so good changes was the appearance of land speculators in the last six to eight years.

I sincerely believe that should HB 808 be passed that it will materially assist many young couples starting out in life and it will reduce the horrible effects that speculators have brought to all areas of Alaska. It hardly speaks well of a State government that does more to assist the speculators and the Bureaucracy than its own citizens.

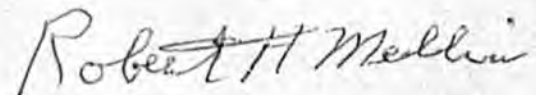
With the passage of HB 808 we can expect many small businesses' to realize a start with some assurance of being able to sustain themselves. With the cooperation of local government toward its citizens I foresee no major problems. Those local governments who are opposed to this HB 808 want to sell land in large acreage's thus depriving many from the opportunity to fulfilling their hopes and wishes that they too can some day own a small piece of land. I know of no more human desire than the average person's dreams of living on his own land, no matter how small it may be.

Reviewing the land sales in the Mat-Su Borough is very revealing. You and I know there is little chance for the average Alaskan to purchase land when he has to bid on large acreage and against the rest of the world. Taxes at the local level are increasing faster than at the State and Federal levels. We desperately need some relief and this should help to broaden the Tax Base, throughout Alaska.

HB 808 is the kind of legislation that will build Alaska. I also know it is under strong pressure from " Special Interests ". You will serve the public interest if you will move this Bill along.

Sincerely

Robert H. Mellin  
P.O. Box 444 Wasilla, Alaska  
99687



Dear Sir,

I would like to state that I support your committee view on the proposed 2 acre homestead, 100%. I feel this is the most intelligent approach I've heard of late. I hope it passes.

Sincerely,  
James R Tibbo

James R Tibbo  
STAR RT. BOX 728-13  
CHUGIAK ALASKA  
99567



Rep. Nels Anderson  
HOUSE RE SOURCES COM.  
POUCH V  
JUNEA ALASKA  
99811



FROM THE DESK OF

**Kenneth A. Carter**

5929 CAMDEN CIRCLE  
ANCHORAGE, ALASKA  
99504

FEB. 27, 1976

REPRESENTATIVE  
NELS ANDERSON  
HOUSE RESOURCES COMMITTEE

SIR,

IN REFERENCE TO THE BILL ADOPTED  
BY THE COMMITTEE CONCERNING THE  
2 ACRE HOMESTEAD PROPOSAL.

HAVING READ THE BILL AND SPEAKING  
AS A 10 YEAR RESIDENT OF ANCHORAGE,  
I STRONGLY CONCUR WITH THE PRO-  
POSAL AND ENCOURAGE ITS ENACTMENT  
BY THE LEGISLATIVE BODY.

CLOSE SURVEILLANCE OF RESIDENCE  
REQUIREMENTS IS A MUST. YOU CAN'T  
HOMESTEAD HERE AND LIVE IN HAWAII.

SINCERELY,

KENNETH A. CARTER

(Fid)

Unalaska Alaska

Mar. 13-76

Rep. Nels Anderson

Dear Sir:

Regarding the Homestead act.

Bill which I understand is in the hands of your committee, which you are chairman

I am very interested in it would be very happy to see you help push it through

My personal reason have been here since 1940 long enough to own a lot of property but due to raising six children and putting them through school

and I happened to have had a lot of sickness myself and family also.

To make a long story short I have enough money to build a small comfortable home but these high land prices makes it almost impossible

and am sure there are several more Senior Citizens in the same boat and Mr Anderson if it would

help any to get signatures from pretty  
prominent citizens such as former Gov.  
Eagon Wallie Kickle Red Baucher and  
many of the Pioneers of Alaska can give  
you a pretty long list

Thanks for listening to me Mr  
Anderson and will be very grateful  
for what help you will give us.

Bill Mueller

2509 - W - 30<sup>th</sup>  
Anch. Alaska  
99503

P.S. I think we got a lot of room  
in our great State for more settlers

*bill*

March 9, 1976

Michelle Elliott  
4622 Parsons Avenue  
Anchorage, Alaska 99504

Dear Ms. Elliott:

I am in receipt of your letter regarding House Bill No. 808 concerning  
Homesite Entry.

House Bill No. 808 is presently in the House Resource Committee and  
then has a referral to the House Finance Committee. To date, no  
hearings have been scheduled for this bill.

I am in agreement with the deficiencies of the bill that you mentioned  
in your letter. I am confident that Representative Anderson, Chairman  
of the House Resource Committee, will work out these deficiencies by  
having a committee substitute submitted.

Thank you for your letter stating your views on the bill. If I can  
be of any assistance, please do not hesitate to contact my office.

Sincerely,

Bob Bradley

cc: Rep. Anderson