

575

SRES

HB 353

-

HB 359

(1979)

575

HB

353

COMMITTEE REPORT

SENATE

**Finance

5/14/77

5/14/77 Date

Mr. President:

The Committee on Resources has had CSHB 353
creation of agricultural development projects
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 CSHB 353 and that
5 CS for CSHB 353 do pass with attached amendments
- (and) recommends it be referred to the _____
committee
- reports it back without recommendation
- AND attaches a report of its intent
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

<u>[Signature]</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>	<u>DO PASS</u>	_____
_____	_____	_____
_____	_____	_____

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____ recommends: _____

_____ recommends: _____

_____ recommends: _____

[Signature]
Chairman

A M E N D M E N T #1

Offered in the SENATE

By Resources Committee

To: _____ SENATE BILL NO. _____

SCS CS HOUSE BILL NO. 383

AMENDMENT: Page 9 Line 5

Delete subsection (c) in its entirety.

A M E N D M E N T #2

Offered in the SENATE

By Resources Committee

To: _____ SENATE BILL NO. _____
 SCS GS HOUSE BILL NO. 353

AMENDMENT: Page 9 Line 27

Delete: "The provisions of the Administrative Procedures Act (AS 44.62) do not apply to the regulations adopted under this section."

A M E N D M E N T #3

Offered in the SENATE

By Resources Committee

To: _____ SENATE BILL NO. _____

SCS CS HOUSE BILL NO. 153

AMENDMENT: Page 13 Line 27

Delete subsection (3) in its entirety and renumber accordingly.

A M E N D M E N T

Offered in the SENATE

By Resources Committee

To: _____ SENATE BILL NO. _____

SPS 08 HOUSE BILL NO. 187

AMENDMENT: Page 2 Line 11

PART ONE

Delete all material on page 2, lines 22 through 29 and page 3, lines 1 through 3 and replace with the following:

(1) seven members appointed by the governor after consultation with:

- (a) the Alaska Gold and Gemstone Board;
- (b) the Agricultural Experiment Station established under Senate Concurrent Resolution No. 17 (Alaska Alaska State Legislature);
- (c) the Alaska State Chamber of Commerce;
- (d) the Commissioner of Natural Resources;
- (e) the Alaska State Wildlife Association;
- (f) the Alaska Federation of Fishermen;
- (g) the Alaska Conservation Society;
- (h) any other organizations the governor considers appropriate.

(2) one member appointed by the Speaker of the House of Representatives;

(3) one member appointed by the President of the Senate.

A M E N D M E N T

#4

Offered in the SENATE

By Resources Committee

To: _____ SENATE BILL NO. _____

SCS CS HOUSE BILL NO. 753

AMENDMENT: Page 3 Line 8

PART TWO

Add new sub-section (b) as follows, and re-letter accordingly:

(b) Members appointed by the governor are subject to legislative confirmation.

Invite Fish & Game for Monday
✓ Dr. Housinger - Dept. of Agriculture
CS # B353 - Swanson, Bierne, Bennett, et al

~~Request of land~~
~~Res fund~~

Dr. Housinger?

Comm. he Resale - ~~entire~~ Delta project
does not endorse this bill

makes into single use management
caused disposal of lands without
legislative concurrence

no proper review

no ✓ & notification of Regional Council

Director of Agriculture - Czar
responsibilities they are not prepared to handle
loans

Delta Fish & Game review Bd

Ron Skoog - Chief of Habitat Section
Conflicts with Delta land - mgmt plan. Protection

Diverts hand level to Ag
Delta - Clearwater - Delta Loop area
- no review
Clearing land at State expense

Kestrel - no moose in Mat Valley 40 yrs ago
moose came back until cow moose &
open winter harvest 1,000 moose in one
3 day period.

Sept. 12 - Delta hand use Plan to be complete

Important on water & fisheries (Salmon & Grayling)
Recreational area too.

Red Lewis owl - "promulgata"?

May 17, 1977

The Honorable Jalmar Kerttula
State of Alaska
Pouch V, State Capital
Juneau, AK 99811

Dear Senator Kerttula:

The following notes pertain to Commissioner LeResche's Delta Agricultural Action Plan of April 21, 1977 and Senate CS for HB 353.

1. Commissioner LeResche's action plan closes with the significant statement that state land will not be released for the expansion of agriculture near Delta unless, after completion of all reports called for in the plan, there is ". . . a finding that the project is acceptable and has a significant probability of success. . . ." In reality, LeResche's "agressive" plan most accurately reflects his statement in the March 30, 1977 Daily News-Miner that ". . . the proposed Delta farming project needed more study and planning."

The LeResche plan is actually self-defeating. It provides no provision for planning, developing or financing a processing and marketing system for barley, the major crop considered for production near Delta. Thus, the farmer will have no means of processing and marketing his crop, a situation guaranteed to inhibit the successful development of commercial agriculture.

2. According to the March 30, 1977 News-Miner, "LeResche said current studies indicate that quick, massive agriculture development could lead to spectacular failure." Specific, technical reasons for establishing a relatively large acreage for barley production as rapidly as possible were well documented in the report of the ad hoc Agricultural Group entitled "Potential Barley Production in the Delta-Clearwater Area of Alaska" as well as in the report on Alaska's agricultural economists E. Faris and J. Hildreth.

Slow agricultural development in the Delta area to date has not resulted in sufficient production to permit the necessary processing and marketing required for a stable, commercial agriculture. Continued slow development will lead to the same failure that would occur in the commercial fishing industry if harvests of fish were insufficient to permit commercial canneries to initiate processing and marketing. In contrast to the self-defeating LeResche plan, SCS for CS for HB 353 provides a mechanism for the development and financing of essential processing and marketing systems for agricultural commodities.

3. In view of existing legislation related to land use for "agricultural purposes," it is difficult to understand why LeResche considers the definition of "agricultural purposes" or "agricultural rights" as a "big question." SCS CS HB 414, an Act relating to land sales or leases for agricultural purposes, and CCSB 14, an Act relating to agricultural land, were passed in 1976. These Acts require the Division of Lands to classify land for "agricultural purposes" and permit state lands to be leased for "agricultural purposes." "Agricultural rights" can't be too big a question because, according to the April 13, 1977

News-Miner, the Division of Lands has initiated plans to sell land in the Tanana Loop near Delta for "agricultural use only." Of course, SCS for CS for HB 353 provides a specific definition of "agricultural purposes."

4. LeResche identified a conflict between HCS for HB 353 developed from the report of the ad hoc Agricultural Group and a recommendation of the "Delta Land Use Planning Study" in that the planning study recommended disposal of agricultural land in parcels of 300 acres or less. A major constraint imposed on the ad hoc Agricultural Group by state government as it worked to assess potential barley production in the Delta area was that any proposed agricultural development must have a bottom line written in black ink. It must pay its own way. A significant result of the resulting assessment was that small grain farms in the Delta area would have to be at least 3000 acres in size to be economically feasible.

It was surprising, therefore, that LeResche indicated in his testimony on May 4, 1977 that the Department of Natural Resources has already initiated action to dispose of agricultural rights for small farms with much more concern for people's lifestyles than for agricultural economics. Equally surprising was a statement by Dave Hanson, a planning director for the Dept. of Natural Resources, in the April 13, 1977 News-Miner. In reviewing proposed sales of state land, Hanson outlined:

"An agricultural rights sale in January, 1978, for 5000 acres in small-farm lots of about 20-320 acres in the Tanana Loop area near Delta. This is some of the richest farm land, Hanson said, and farms of that size would be economically feasible."

In the absence of expensive processing and marketing systems for high-value commodities produced on 20-320 acre farms, the economic feasibility of these farms is highly questionable. Of course, if the farms are planned to be economically unsound, it should not be surprising if large subsidies are needed to maintain the farming operations. Yet in the April 6 News-Miner, LeResche said:

"The quickest way to give agriculture a really bad name is to blow a few million bucks on something that doesn't fly."

The ambiguity of these statements is interesting to say the least.

5. LeResche criticized CS for HB 353 on the grounds that it includes a whole new concept for land disposal, land classification, and other land management within the Dept. of Natural Resources. It is clearly evident, however, that land classification and disposal in recent years have not met the needs of Alaska's agriculture. Agriculture in Alaska has declined substantially, in part, because of decreasing amounts of land available for farmers to farm.

In the April 13, 1977 News-Miner, land disposal policies of the Dept. of Natural Resources were reviewed by Chuck Albrecht, information

officer for the Department, as follows:

"The Department did dispose of land in 1976 but only as a continuation of existing programs.

"In 1975 we stopped and looked at where the state was (in land disposals). It was a kind of logical stopping point and they know where they have to go now. "In the 1960's about eight new land disposals a year were made, slowing to about four a year in 1971 through 1975, and none in 1976."

In view of the discontinued disposal of state lands for agriculture, it would seem that a whole new concept for land classification and disposal is desperately needed if Alaskan agriculture is to survive. SCS for CS for HB 353 provides a viable concept of land disposal to revitalize agriculture in Alaska.

LeResche's memo does not provide funding for agricultural research to crop production and soil conservation in the Delta area. Research of this nature is essential if technical problems encountered during the course of agricultural development on new lands are to be solved. In the absence of continuing research programs during the course of agricultural development are substantially reduced.

In contrast, SB 279, an Act making a special appropriation to the University of Alaska to develop environmentally sound management practices for the production and marketing of small grains in the Delta-Clearwater area of Alaska, would provide for this essential research. SB 279 would allow the Agricultural Experiment Station to establish a 10 acre research field near Delta Junction to permit research on conservation tillage practices, crop response to irrigation, crop rotations, and variety combinations and cultural practices for small grains. This research has been planned with the assistance of subsistence farmers, part-time farmers and commercial farmers in the Delta area, and is designed to answer practical questions on crop production, agricultural economics and soil conservation.

7. It is interesting to note that the LeResche plan proposes to aggressively address agricultural development. Yet, LeResche's testimony of May 4, 1977 includes many of the same objections to agricultural development that were presented in a position paper prepared by the Fairbanks Environmental Center to oppose the plan for agriculture in the Delta area that was prepared by the ad hoc Agricultural Group. According to the December 16, 1976 News-Miner, the environmental said its opposition to the agricultural development project is based on political, economic and environmental considerations. Objections by the center include:

"Management of agriculture lands by a new agency rather than the Division of Lands.

"Failure to include all costs in a cost-benefit analysis, and determining the agricultural value of the land in the beginning as zero.

"Committing a large acreage figure to what the center claims is essentially a pilot project."

The center proposed a substantial array of additional studies that would take years to complete and that are similar to many of the studies called for in the LeResche memo. Completion of all of these studies would require substantial time and would provide no guarantee that the Department of Natural Resources would actually initiate agricultural development on a scale that would be likely to ensure success. Never-the-less, the LeResche memo is ostensibly designed to pursue aggressively the "exciting prospect" of agricultural development in the Delta area.

Sincerely,

James V. Drew



each person to choose the subject of his or her particular interest and spend an hour or better with that speaker in a small group situation.

At noon, the Subdistrict sponsored a potluck dinner (spearheaded by Mrs. Mildred "Tiny" Buzby with help from several others and food contributed by many), and held its first annual meeting for all cooperators.

This Farm Forum-Annual Meeting was judged a success and we hope to outdo ourselves next year. Plan to come.

Ag Development Legislation Workshop

"Red" Swanson, (D) Nenana, Representative from District 19, held a special work session at the Delta School Saturday, March 26. His purpose was to get public input on an agricultural development bill he has introduced and is cosponsoring with several District 20 legislators and others.

A good turnout of local people with considerable background in the development of this legislation and a high interest in its success provided Swanson with a good deal of valuable input for revisions to the final version of the proposal.

Swanson indicated that he was optimistic about passage this session, but emphasized the need for voter support to individual legislators.

Soil Surveys Can Save You Money

It's that time of year again. People are heading north to the future in Alaska. Part of this future for many people includes buying a home in the great land.

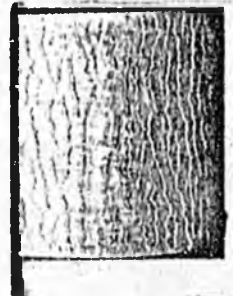
Practically everyone in the lower 48 is unaware of the unique problems associated with building on some Alaskan soil. Normally frozen soil can thaw and settle after construction, rendering an expensive new house unliveable.

Using the soil survey information available at no cost, potential buyers can avoid areas unsuitable for building.

For further information, contact the SCS - SCSD office at 1760 Westwood Way in Fairbanks (phone: 479-6767), or a local SCSD supervisor.

Snow Survey - The SCS Snow Job

Snow, whether looked upon as a resource or a hindrance, and its subsequent melt water runoff provide



Delta plan costs disputed

By ERIN VAN BRONKHORST
News-Miner Bureau

JUNEAU—There are some serious questions about the true public costs of the proposed Delta agriculture of the money and other uses that would bring higher interest rates.

Also included is \$1.8 million for land preparation costs such as surveying, breaking and clearing, and transfer administration, according to Dona Lehr of the policy division. The \$1.8 million is the portion that would not be repaid to the state.

But the largest part of the state's cost given in this report is \$19.2 million, the value of the agricultural rights of the land to be given away. Lehr said she had based this figure on the estimates of Dr. James Drew, a University of Alaska scientist and agriculture booster, who said private corporate interests would be willing to buy the land at a certain price.

Like all estimates on proposed projects, the numbers are open to different interpretations. An earlier report on the Delta barley project, written by a group of UA people and two staff members at the state departments of Commerce and Natural Resources, gave a much lower figure for state costs.

That report was based on the assumption that the land would be development project, according to the new commissioner of natural resources, Robert LeResche.

"If the government can put in about \$30 million for 34 full-time jobs, that doesn't sound like a bargain to me," LeResche told the News-Miner Tuesday.

LeResche, who was appointed by Gov. Jay Hammond last week, emphasized that he favors farming in general and that there are many favorable aspects to the Delta plan. It would involve clearing about 64,000 acres of land south of Delta for barley production, with state financing and support.

"The quickest way to give agriculture a really bad name is to blow a few million dollars on something that doesn't fly," he said.

The \$30 million figure comes from a report on the Delta project to be released next week by the governor's Division of Policy Development and Planning, which LeResche headed until recently.

The estimated costs to the state include \$3.3 million in revenue the state would lose if it lent money to the project at six per cent interest. The figure is the difference in interest between that use

made available at zero value for agricultural rights. This report estimated the capital required for farm financing, market financing, and public service costs at \$18 million.

The policy division's report, however, has another section giving the public service costs for items such as highways, police, and more students in the schools. This totals an additional \$6.2 million per year.

The jobs section of the report shows 44 more persons would be employed during the clearing process, and after that 34 full-time jobs would be provided on a permanent basis.

LeResche said the project is not going to generate a lot of jobs and he pointed out that the proposed farms would be fairly large. The earlier report gives 3,000-acre farms as the most economically feasible.

"This is an agribusiness proposal, not a family farm proposal," he said. LeResche said he is not sure that it "would be anything but a pretty good deal for a few large businessmen."

However, LeResche also said he favors going ahead with an experiment of clearing a section of land, possibly this summer, which would help determine some of the unknowns.

The policy division report's conclusions are that the project will not be economically self-sufficient, even given state support. It also said that commercial agriculture will have "a very rough time" getting established in Alaska. The report said the expected government revenue generated by the project will not cover the increased government expenditure.

The report recommends that the land in the area be opened to private ownership for agricultural use only, and sold as there is a demand for it. It would be sold at the fair market value for agricultural rights, LeResche said.

He hasn't officially approved the recommendations yet, but he noted that he had already okayed them as part of his earlier job. So it is clear that he favors this approach.

"What I don't want is for the state to get left holding the bag," he said. "We may encourage it (agriculture), we may even subsidize it, but we don't want to take all the risks."

Several proposals for moving ahead with the Delta project are being considered in the legislature. The plan sponsored by Rep. Red Swanson, D-Nenana, sets up a mechanism for large-scale agricultural development projects and declares the Delta project eligible. The plan (HB 353) involves the state selling the agricultural rights to the land for only the cost of surveys, preparation, and land transfer costs. The Department of Natural Resources would run the program, and provisions for state financing are included.

A somewhat different approach is presented in another bill (SB 291), which would set up a separate Alaska agriculture authority as a state corporation that could issue bonds. The authority would issue five-year leases for agricultural rights to the land, with the agricultural value assumed to be zero at the time of lease.

State to hold onto Delta land

By SUE LEWIS
Staff Writer

The state of Alaska has no intention of giving away land in the Delta Junction area as part of a proposed agricultural project there, according to a member of an ad hoc committee that developed the Delta barley project proposal.

Speaking at this morning's no-host no-sponsor breakfast meeting, Roger Rayburn of the Soil Conservation Service said the project includes provisions for lease-purchase arrangements of agricultural rights, but not for outright give-aways.

Rayburn referred to an article in Wednesday's News-Miner quoting newly nominated Commissioner of Natural Resources Robert LeResche. LeResche said there are serious questions about the true public costs of the project. In computing costs to the state, the Division of Policy Development and Planning, formerly headed by the new commissioner, reportedly included \$19.2 million for the value of the agricultural rights to the land.

That figure should not be included, according to Rayburn. "The state has no intention of ever giving any farming land to anyone," he said. Under the Delta project proposal, the state would finance clearing and breaking of the land, but then would recoup the costs by leasing the land to farmers for a five-year period, with a purchase option for the agricultural rights at the end of five years.

At this morning's meeting other cost estimates included in the estimate were also disputed. Dr. William Wood, executive director of the Fairbanks Industrial Development Corp., noted that the estimate of \$30 million includes \$8.8 million in revenue the state would

lose if it loaned money to the project at six per cent.

Wood said that was "curious reasoning," and said he wondered if that cost would have been looked at so closely if the land had been proposed as a state park.

Rayburn also discussed agriculture in Alaska in more general terms at this morning's meeting. He said the Soil Conservation Service has identified some 20 million acres suitable for agriculture.

"Alaska has the dubious distinction of having the largest agricultural area in the United States," he said. Only 17,000 acres of land are under production in the state, compared to the nationwide total of 400 million acres. Undeveloped agricultural land in the Lower 48 totals only 80 million acres, he said. "I really think, that as our population increases, the Lower 48 will look to Alaska for agricultural production," he said.

Rayburn said the cold soils of Alaska usually require two years after clearing and breaking to warm sufficiently for farmers to achieve full production.



Project participants would be selected by the director of the division of agriculture based on their qualifications to farm the land. The director also would administer a state loan fund to guarantee loans for development of the farm projects.

Both bills, which normally would have been referred to the Resources Committee, instead went directly to Finance and then to the floor. Minority Leader Rick Urion of Anchorage criticized the House leadership for what he termed a violation of the rules.

While there was no opposition to the bill on the floor, Pat Conheady, legislative liaison for the Department of Natural Resources, said after the vote that the Hammond administration has serious objections to the bill. Conheady said he never was given a chance to testify on the legislation.

He said the bill would "create another bureaucracy" in state government. He said his department "is in the process of doing the same thing without the bill," and that the bill would result in both the division of lands and agriculture disposing of land.

Conheady also disputed the price tag attached to the farm program. Swanson's bill originally carried a fiscal note over \$1 million, but when the bill was reported out of the House Finance Committee the price tag had been slashed to \$65,000.

Finance Chairman Steve Cowper, D-Fairbanks and a co-sponsor of the bill, defended his committee's action and said the original estimate was misleading because the money spent on surveying and clearing the land would be returned when it was sold.

Southeast Alaska Empire,
Juneau, Alaska, Friday, April 22, 1977

Farm Project Okayed

By The Associated Press
Legislation to set-up a large-scale farming development project and designate 60,000 acres in Alaska's Interior won unanimous approval from the state House Thursday.

House members also approved a bill authorizing five-acre agricultural homesites for Alaskans who claim at least five years residency in the state and meet certain other criteria.

Both bills were sponsored by Nenana Democrat Leslie "Red" Swanson and now head for an uncertain future in the Senate, where opposition is expected to be stronger. Another homesite bill passed on to the Senate several weeks ago has yet to receive a hearing.

Under Swanson's farming bill, the director of the Division of Agriculture would have authority to designate large areas of land as agriculture development projects. His designations would be subject to legislative approval.

The land would be sold for agricultural use only at a price equal to the state's cost to survey, clear the land and administer the sale. The parcels would be large enough to "assure the creation of an economic farm unit," the bill states, and probably would be a few thousand acres each.

Delta farm bill takes a big step

By ERIN VAN BRONKHORST

News-Miner Bureau.

JUNEAU—The House Thursday passed legislation setting up large-scale farming development projects and designating 60,000 acres in the Delta area as the first such plan.

The measure now goes to the Senate where it probably will face more substantial opposition. The House vote was unanimous.

Also approved was a bill authorizing five-acre agricultural homesites. However, all homesite legislation is being held in the Senate so far this session and looks unlikely to pass.

Rep. Red Swanson, Nenana Democrat who sponsored both bills, told legislators the development bill had been drafted with the help of people both in Fairbanks and Delta, and amended to make the project "strictly agriculture."

"There is no promotion; there are no schemes in it, it is totally an agriculture project," he said. Swanson added that the plan will pay for itself.

Under the bill, the director of the Division of Agriculture is given authority to designate large areas of land as agriculture development projects, after consulting with local groups and after receiving legislative approval.

The land in those areas would be sold for agricultural use only. The price would be equal to the state's total cost to survey, clear and break the land and administer the sale. The parcels would be large enough so that the farm unit would be economical.

The director also would have

authority to guarantee loans for development of farms on the project.

The impetus for the bill was long-studied plans for development of a barley farming project south of Delta. Proponents of the plan say it would be economically feasible for farms of about 3,000 acres to produce for sale within Alaska and possibly to Japan.

The project would require substantial amounts of state support, and estimates of the total cost range up to \$30 million, depending on whose figures are accepted.

The bill passed Thursday included a fiscal impact note of just \$65,300. Swanson said the total includes \$35,000 for an experimental land clearing project involving only a small area of land, and \$30,000 for one staff person plus related expenses.

The Department of Natural Resources had estimated the cost of the bill earlier at over \$1 million. However, Rep. Steve Cowper, D-Fairbanks, told House members that the department could spend only the \$65,300 authorized in the bill this year.

"All the money spent on surveying and clearing will be returned to the state anyway when the land is sold," he said.

The \$30 million estimate was made in a report by the administration's Division of Policy Development and Planning released recently, and covers all possible costs over the life of the project. Some of the numbers have been disputed by proponents, particularly a figure of \$19.2 million given as the value of agricultural right to be

given away.

Staff members of the Department of Natural Resources had estimated the cost of the bill earlier at over \$1 million. However, Rep. Steve Cowper, D-Fairbanks, told House members that the department could spend only the \$65,300 authorized in the bill this year.

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Staff members of the Department of Natural Resources said Thursday the size of the appropriation dictates that only a pilot project will be started this year.

Pat Conheady of the DNR staff said the Hammond administration has serious objections to the bill but representatives were not given a chance to testify. The bill splits responsibility for disposing of land between the Division of Lands and the Division of Agriculture, he said. He added that the department is moving ahead on agriculture now anyway.

However, Swanson has said he deliberately placed the authority with the agriculture division because he believes the land people are too anti-growth and won't move fast enough.

Farm Proposal Passes House Unanimously

JUNEAU (AP) — Legislation to set up a large-scale farming development project and designate 60,000 acres in Alaska's Interior won unanimous approval from the state House yesterday.

House members also approved a bill authorizing five-acre agricultural homesites for Alaskans who claim at least five years residency in the state and meet certain other criteria.

Both bills were sponsored by Nenana Democrat Leslie "Red" Swanson and now head for an uncertain future in the Senate, where opposition is expected to be stronger. Another homesite bill that went on to the Senate several weeks ago has yet to receive a hearing.

Under Swanson's farming bill, the director of the division of agriculture would have authority to designate large areas of land as agriculture development projects. His designations would be subject to legislative approval.

The land would be sold for agricultural use only at a price equal to the state's cost to survey, clear the land and administer the sale. The parcels would be large enough to "assure the creation of an economic farm unit," the bill states, and probably would be a few thousand acres each.

Project participants would be selected by the director of the division of agriculture based on their qualifications to farm the land. The director also would administer a state loan fund to guarantee loans for development of the farm projects.

Both bills, which normally would have been referred to the Resources Committee, instead went directly to Finance and then to the floor. Minority Leader Rick Urion of Anchorage criticized the House leadership for what he termed a violation of the rules.

While there was no opposition to the bill on the floor, Pat Conheady, legislative liaison for the Department of Natural Resources, said after the vote that the Hammond administration has serious objections to the bill. Conheady said he never was given a chance to testify on the legislation.

He said the bill would "create another bureaucracy" in state government. He said his department "is in the process of doing the same thing without the bill," and that the bill would result in both the division of lands and agriculture disposing of land.

Conheady also disputed the price tag attached to the farm program. Swanson's bill originally carried a fiscal note for over \$1 million, but when the bill was reported out of the House Finance Committee the price tag had been slashed to \$65,000.

Finance Chairman Steve Cowper, D-Fairbanks and a co-sponsor of the bill, defended his committee's action and said the original estimate was misleading because the money spent on surveying and clearing the land would be returned when it was sold.

Delta farm bill draws its support

News-Miner Bureau

JUNEAU—A group of 50 farmers and farming promoters who met at Delta Saturday enthusiastically supported the agriculture projects bill with only a few amendments, Rep. Red Swanson, D-Nenana, said Monday.

"We took HB 353 and went over it totally, paragraph by paragraph, line by line," he said. At the end everyone supported the bill, he said.

Besides farmers from the Delta area, the group included representatives of the University of Alaska and the Fairbanks business community, he said.

The bill generally would give the Division of Agriculture in the State Department of Natural Resources authority to start and finance farming development projects, and would declare the Delta-Clearwater-Tanana Loop Project automatically eligible. A companion measure (HB 352) would allow five-acre agricultural homesites.

Among amendments approved at the Delta meeting was one requiring the division director to consult with local community groups before approving land to be designated an agriculture project.

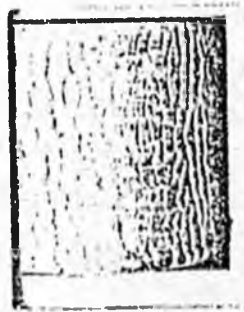
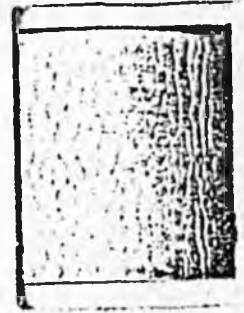
Some of the group also wanted to take out parts of the bill which required confidentiality of the names of people applying for land, and geological, geophysical and engineering data about the land and its natural resources, Swanson said. The amendment thus would make this information public rather than confidential.

Financial information submitted by applicants still would be confidential, however, Swanson said.

The bill now is in the House Finance Committee and Swanson said he will push for the requested amendments there.

It does not include an appropriation to carry out the project, although Swanson said the capital budget approved by the House Finance Committee included \$30,000 for a pilot project to find out the cost of clearing a section of land.

Swanson said the agricultural development project could be run by people already working for the state and he does not plan to ask for additional funds. He will ask for more money next year.



New farming bill proposed

By ERIN VAN BRONKHORST
News-Miner Bureau

JUNEAU—An ambitious agriculture bill proposed this week would set up a new state division, start and finance farming development projects, and declare the Delta Project as eligible without any further public testimony.

The measure (HB 353) is sponsored by Rep. Red Swanson, D-Nenana, and co-sponsored by eight other legislators, including Fairbanks Reps. Don Bennett, Republican, and Steve Cowper and Charlie Parr, Democrats.

Swanson said the bill would obtain land and financing for the Delta-Clearwater-Tanana Loop project, which has been studied for several years. But the government mechanism

could be used in other parts of the state as well.

He will visit Delta soon to hold a workshop with farmers there, and some amendments to the bill may be made in committee, Swanson said Wednesday.

"I want the farmers to tell me what they want," he said.

The bill was drafted by Swanson and Jim Baldwin, a staff attorney for the legislature. Baldwin said he had met with a group in Fairbanks over the bill, including attorney Ed Merdes, real estate broker Frank Gelger, agriculture booster Dr. James Drew, Dr. William Wood of the Fairbanks Industrial Development Corp., and Bruce Boyd of the Fairbanks Chamber of Commerce.

The plan would set up a division of agriculture within the state Department of Natural Resources. Its director would identify available land suitable for large-scale agricultural development, subject to confirmation by the legislature.

The director would have the power to sell the land for farming by direct negotiation with a qualified individual. The price would not be greater than the cost of surveying and clearing the land and administering the sale.

The land would be sold in pieces large enough to "assure the creation of an economical farm unit." Baldwin said this provision indicates the parcels should be large enough so that the farmers could make a profit.

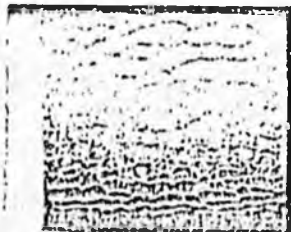
Any resale would be limited to a price equal to the agriculture-use value of the land, a provision meant to discourage speculation, according to Baldwin.

Swanson said the leasing and sale provisions were made "strong enough to keep it all agriculture."

The division director could guarantee 90 per cent of the amounts of loans made by private institutions for developing and operating the farms. The bill also sets up a revolving fund that could be used to award contracts for clearing the land.

In another section, the bill gives the director the power to loan up to \$100,000 from an already-existing agriculture loan fund without the approval of the funds board.

The Delta Project is designated automatically as eligible under the plan. The bill waives the requirements for public notice and obtaining public testimony, unless some governing body or corporation in the Delta area enacts a resolution objecting to the project within 30 days after the law takes effect.



"Independent in All Things... Neutral in None"

FAIRBANKS

Daily News - Miner

Tuesday, April 27, 1976

Editorials... Comment

Agriculture potential

The exciting scenario for agricultural development in Interior Alaska laid out last week promises independence from a complete reliance on our renewable resources. It offers the state an opportunity for a clean industry. But it also demands careful attention to a long list of prerequisites before that dream will be realized.

So far the legislature has passed a resolution establishing an official policy on agriculture. Gov. Jay Hammond has joined the crusade, too.

Yet to be dealt with are a number of difficult and sensitive problems that will be addressed by a task force composed of individuals picked by the legislature and the governor. They include the establishment of new state land policies to free tillable lands for farming, the need for low-cost energy in large quantities, a tax break for people with capital tied up in farming, marketing systems, and the all-time Alaska bugaboo: transportation.

The concept was smoothly presented last week by farm boosters Ed Merdes and Dr. William R. Wood. Mr. Merdes' Delta farming efforts are as legendary as Dr. Wood's provincial enthusiasm. Their grand scheme seems to be as practical as it is compelling.

As Vice President of the Fairbanks Industrial Development Corp., Dr. Wood promises to keep up the barrage of facts, figures and crop forecasts. He and Mr. Merdes were given an able assist at last week's kickoff of the scheme by the University of Alaska's Agricultural Experiment Station Director, Dr. James Drew. Others on the UA agricultural team further bolstered the proposition of an agricultural industry worth hundreds of millions of dollars.

It is possible, but a long list of maneuvers and contortions need to be executed before it's ever close. A public commitment from Alyeska Pipeline Service Co. to consider dedicating pipeline pump station waste heat to the proposal would be a logical beginning point. A new state lands policy would be an excellent second step. The Alaska Railroad should get involved, too.

The legislature and Gov. Hammond should move expeditiously to support the agriculture resolution's policies, and appoint members to the task force as soon as is practicable.

With a maximum of coordinated effort, Alaska could pull it off. But it's a long way down the road, and a good deal of leg work needs to be done before an Alaskan agricultural industry is even probable.

"Independent in All Things . . . Neutral in None"

FAIRBANKS

Daily News - Miner

Monday, April 26, 1976

Editorials . . . Comment

The permanent fund

What could be more exciting than the prospect of true economic stability for Alaska?

What Alaskan wouldn't like to see the boom-and-bust economic cycle that has plagued the state and the territory since the turn of the century be transformed into a relatively smooth line on the economic chart?

The leading possibility for this kind of economic stability for Alaska is the creation of a permanent fund which would be used to sock away a percentage of the state's oil receipts much like a savings account. The interest derived from the investment of the fund would be used to sustain certain state programs that would benefit all Alaskans.

There are two versions of how the fund would be established. One would take a fourth of all revenues from oil, including bonuses, oil taxes and royalties. The other would ignore oil taxes, but would increase to 50 per cent the portion of bonus and royalty funds that go to the permanent fund.

The legislature passed a bill creating a permanent fund last year, but Gov. Jay Hammond vetoed it, contending that the issue can be decided only by a constitutional amendment.

Only after oil receipts are invested will Alaskans be assured that their money won't be as quickly dispersed as it was following the \$900 million North Slope oil lease sale in 1969.

If the state saves 25 per cent of its oil receipts for 10 years, the account will total \$3 billion after the first decade. The three billion dollars could produce \$100 million per year for injecting into other economic enterprises in the state.

What sort of enterprises? The fund could help put a viable state agricultural industry on its feet. It could provide loans to Alaskans who want to build their own homes, but can't obtain conventional financing. It could also be utilized in revitalizing the state's depleted fishing industry by helping individual fishermen finance and construct new boats. And it could simultaneously encourage the development of aquaculture corporations to rebuild the fish stocks.

Another exciting aspect of the permanent fund would be its effect on state spending. By mandating that a portion of the state's wealth being derived from non-renewable resources be sunk into the permanent fund, Alaskans would avoid careless spending of those revenues, at least. Chances are excellent the constraints of putting regular deposits into a state savings account would have a sobering influence on other state programs as well.

The permanent fund offers Alaska an opportunity to invest in itself, preserving forever the bonanza of our non-renewable resources in a way that will allow permanent improvements in the condition of our renewable resources.

A responsible precedent

Hammond offers his own version of Delta bill

New-Miner Bureau

JUNEAU—Gov. Jay Hammond has introduced his version of plans for moving ahead with the Delta barley project—an appropriation of \$400,000 for preparing 2,000 acres of land.

The bill (SB 337) would direct the Department of Natural Resources to survey, clear and break the land. It's south of Delta. A spokesman for the

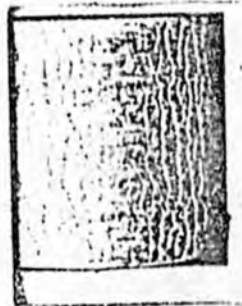
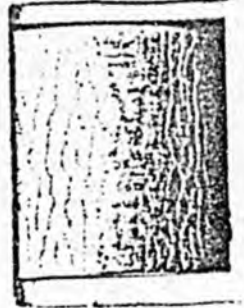
department said the acreage would be an experimental project run by the University of Alaska.

The governor's plan also includes a study of the changes that occur on the land, including effects on animals, plants and water supply.

In a letter with the bill, Hammond said his staff has studied the proposal for a year and has concluded, "Such production may indeed be feasible and is deserving of further attention."

The House already has passed an agriculture development bill setting up about 60,000 acres in the same area as a farming project. But the \$65,300 appropriation accompanying it is expected to cover only one staff person and the breaking of a small area.

Department spokesmen said Hammond's bill is intended to replace the House measure. The governor's version has been referred to three Senate committees, which means it isn't likely to be approved this session.



THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 353
 Title Act providing for creation of agricultural development projects
 Requested by _____ Date _____

II. FISCAL DETAIL

Agency Affected Natural Resources
 Program Category Affected NRMEC
 Budget Request Unit(s) Affected Division of Agriculture

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES	450.0					
200 TRAVEL	10.0					
300 CONTRACTUAL	5.0					
400 COMMODITIES	5.0					
500 EQUIPMENT	10.0					
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.	1000.0					
TOTAL	1480.0					

FUNDING (Thousands of Dollars)

GENERAL FUND	1480.0					
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME	13.0					
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

1. General administration and purchase selection process: 3 people
2. Agricultural Development project revolving fund: \$1,000,000 start-up
3. Land management office: 10 people

IV. DATE March 29, 1977 PREPARED BY Ted Smith
 AGENCY Dept. of Natural Resources, Div. of Lands
 Original: Legislative Finance PHONE _____
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

Dr. Logsdon
Ladies and Gentlemen:

Man has lived with agriculture for so many generations, it has become a complete part of him. It is so much a part of him that he takes it very much for granted. Everyone is his own agriculturist.

Modern man, however, is also a product of the industrial age and the scientific age.

These influences in the U.S. have created a very sophisticated population capable of reasoning from small bits of information and misinformation and thus, not being in direct touch with the land and the basic biology of agriculture, have created images of food production that are often outside the realm of reality. For instance, everyone knows the farther north you go, the colder it is, and most people in the lower 48 are perfectly willing to accept the term, "The Frozen North". This image is so strong that National Geographic can show a movie of Siberia in which "Reindeer run across a land of eternal snow", and few people question how the trees they are running through ever grew where there was eternal snow.

One step closer to reality are those who understand that agriculture may be possible in the north, but relating to their own experience in the lower 48 ask, "How long is your growing season?" When you get above 55° latitude where the day length stretches rapidly, you have to start thinking in terms of degree-hours of sunlight. The only real answer to the question is, "Long enough to mature crops".

Agriculture is the process of putting together certain renewable and non-renewable resources to produce specific products, and you work with what you have.

What Alaska has is about 17.5 million acres of tillable lands (1 1/2 times the agricultural lands in California). In addition, we have another 10 million acres of land suitable for conventional livestock grazing. Now these are lands that have been identified so far by the Soil Conservation Service, and I know they are quite conservative because I am aware of other lands suitable for limited grazing that are not included in these estimates. Tillable lands have been

identified only if they occur in blocks as large as a township. We do not even know what the final acreage figure will be but it may well approach the early estimates of C. D. Georgeson, who said Alaska had 40 million acres of agricultural lands.

Other resources include water, something of which the drylands of the West do not have enough, especially if they start using their water resources to develop and transport coal. Alaska has 30 percent of the runoff water in the United States and 50 percent of the surface water.

We also have nitrogen fertilizer and anticipate having a great deal more. The Kenai plant is one of the largest urea and anhydrous ammonia plants on the West Coast, and they are expanding. The availability of Prudhoe gas may provide even more fertilizer production in the Interior. We already export large quantities of nitrogen fertilizer to the west coast, and could provide it to the mid-west in time if we had the transportation.

Given these resources, what can we produce. First of all, I'd like to say that the majority of extensive agricultural lands is in the central plains area of the State, along the Tanana, Yukon, and Kuskokwim river valleys. And I might add that Fairbanks which is roughly in the center of this area has a June 22nd. daylength of about 22 hours. The temperature in this central area reaches 90 to 100 degrees in the summer.

One area that is beginning development is the Delta Junction region. Because of its 1100 ft. elevation, I have always thought of it as more of a forage production area than a grain area.

On the other hand, I asked Dr. Wooding, our Agronomist at Fairbanks for some figures on grain production at Delta, and here is what he gave me.

Delta

These are average figures for three years, 1973 - 1975. These grains were planted on summer fallow land and 300 lbs. of 20-10-10 were added.

Barley:	Galt	76.4 bu. per acre	
	Weal	67.3	
	Lidal	61.6	
	Edda	67.6	
	Olli	60.7	
	Finaska	76.6	
	Otra	80.1	
Oats:	Cayuse	118.9 bu. per acre	
	Nip	118.0	
	Toral	143.7	
	Pendek	135.9	
	Cal	88.9	
	Rodney	94.5	
	Glen	110.0	
	Frazer	105.2	
Wheat:		Delta	Fairbanks
	Chena	49.5	62.0
	Gasser	42.0	47.4
	Thatcher	38.5	54.3
	Saunders	33.4	47.4
	Park	39.0	49.4
	Kenthatch	33.3	53.9
	Pictic	62	100.0

It is quite likely that the figures for Fairbanks would more nearly resemble those for the Totchatket area just west of Nenana which will probably be our next area for agricultural development.

I don't want to leave you with the impression that all we are going to produce is grain. I use grain to give you an index of our productivity. The chances are good that most of our grain as well as forage will be used to produce animal products in time. One of the interesting and important things about our grain in the Interior is that it runs 40 to 50 percent higher in protein than feed grains from the Pacific Northwest. This means lower rates of supplemental feeding. And for supplements especially our ruminants, cattle and sheep we can use urea and fish meal, both Alaskan products. With our high-protein grain, supplementation would be minimal.

One of the advantages of forage production, especially in the Delta area, is that the pipeline operation will provide massive quantities of waste heat which can be put to use in forage drying and pelleting.

The dry, cold Interior, with its millions of acres of summer grazing lands and millions of acres of tillable lands for winter feed-base production, would seem to make the Interior ideal for sheep production. The swing away from petrochemical based synthetic fibers back to natural fibers, a trend which can easily be projected to continue, will make wool a valuable product.

Although some lamb is consumed in the U. S., mutton is not readily marketable there. But Japan is a consumer of mutton, and in fact, they have enquired about the possibility of very large quantities of lean mutton from Alaska. Perhaps in the future we will see wool and lamb moving in one direction and mutton in the other.

If we consider the Interior river valleys of the Yukon, Kuskokwim and Tanana, there are 12.5 million tillable acres. Based on 3000 lbs/acre grain production or 2 ton dry matter brome grass per acre, 3.2 acres would sustain an animal unit (cow plus calf to slaughter weight) or 3,900,000 animal units.

If we translate this to sheep at roughly 3.5 sheep per acre, this would be a ridiculous figure of over 43 million sheep.

Naturally, the land will not all go for one thing. The point is that if you want a million sheep and 500 thousand head of cattle and 20 thousand dairy cows, a million hogs, and a quarter of a million chickens, a few thousand acres of potatoes and vegetables, and a few hundred acres berries and small fruits; there's plenty of room left over for wild life, specialty crops and export quantities of grain and hay.

I would like to remind you that agriculture, as opposed to other kinds of industry is a very long-term affair. It is not something you can turn on and off at will. Unlike mining, you cannot go out and drill and compute tonnages of product.

Unlike forestry, you cannot look at a standing crop and expect it to be there when you get around to harvest.

We can give you numbers of acres and production per acre possibilities, but until a well-developed agriculture exists, there is no way to estimate how much in the way of products will move.

Agriculture competes with other land uses, and is therefore subject to the whims of political action and to changing views of social reality.

Agriculture requires more than just land. It requires a total infrastructure of which transportation is a vital component. You cannot build a railroad on the possibility of agricultural development but farmers won't grow crops unless they can get their crops to market. The State is reluctant to release land for agricultural use without proof that agriculture is an economically viable activity, and the farmers won't produce without assurance of access to land.

Everything in agriculture is, therefore, related to everything else. Agriculture is more social than it is economic. Large areas of new agricultural lands in America have always been opened for social reasons rather than economic. The settlement of the West occasioned by construction of the transcontinental railroads was serendipitous fallout to the broader issue of linking the West Coast to the Mid-west for territorial defense. The proposed railroad building in Western Canada is not for the purpose of developing agriculture, but to develop employment opportunities for residents who may otherwise be by-passed by the 20th Century. Agricultural development may result from this activity.

Railroads will not be built into and within Alaska on the basis of potential agriculture, but agriculture will result and in time, may become the mainstay of the transportation industry.

Alaska's Agricultural Potential A Summary

Alaska has large acreages of land suitable for potential agricultural production (cropland, rangeland and forests). In fact, when only the physical food or fiber production requirements are considered, the area in Alaska which would lend itself to farming is truly vast.

However, looking at the soil and climatic limitations, the potential agricultural acreage diminishes somewhat. There are four major areas, approximately 15,516,000 acres, which have suitable climate and soils for cropland. They are the Anchorage, Kenai, Matanuska-Susitna Valley area; the Dillingham, Tikchick Lake area; the Tanana, Kantishna and Salcha Basin area in the Interior; and the Yukon flats area of the Upper Yukon. Three minor areas, the Yukon Valley below Holy Cross to Ruby, including the Koyukuk Basin; the Kuskokwim Valley from just below Aniak to Lake Minchumina and the Copper Valley-Chitina Basin.

Alaska also possesses many square miles of potential rangeland. Reindeer forage on the northwest tundra. Cattle graze on the southern coastal grasslands while the easternmost Aleutian Islands are grazed by cattle and sheep. With current information, it is difficult, if not impossible, to define this vast area in acres or square miles. These immense areas cover roughly the entire western part of the State. Expansion of the red meat industry into these rangelands will be limited by social, economic, governmental and ownership restrictions; not by the physical availability of suitable rangeland.

The third major part of Alaskan agricultural production lies in forests. As land ownership questions are resolved, the potential for increased use of interior and peripheral forest will increase, particularly in view of present world market conditions. A separate summary on Forest Resources is available.

Recently developed controlled environment housing techniques for dairy animals, hogs and beef will almost certainly be used as the demand to concentrate animal production continues. In the beef cattle and reindeer area, Alaska may be an exception--a place where red meat production can still be done on open ranges. However, Alaskan red meat production will depend almost entirely on the development of a supporting feed base. Even in those areas where cattle could survive outside, supplemental feeding is needed for growth or finishing. Thus the size of Alaska's cattle industry depends upon the amount of cropland devoted to producing forage--or upon a crop which can be processed to yield feed.

As to crop farming, many plants are well-adapted to Alaska's climates! The lengthy list of suitable crops covers everything but large fruits. Long summer days contribute to larger, tastier and more tender vegetables. Grains are higher in protein content. And, in some cases, yields are very impressive. Serious insect problems have not occurred.

Physically, the agriculture potential is tremendous. Why, then, so little development?

Alaska's agricultural development began for one purpose--to help feed Alaskans by offsetting dependency on outside foods. Initially, this purpose may have been enough. Now, Alaska's agricultural industry is stagnated! Percentagewise, only a fraction of what Alaskans consume is produced in the State. And, yearly this percentage becomes less! Alaska's population doesn't allow for the development of a comprehensive agricultural framework.

✓ Agriculturally speaking, Alaska's in a unique position. Worldwide urban pressures, increased food consumption, increased population and better diets, make Alaska one of the few places where vast acreages of virgin potential agricultural land still exists. Alaska must look to world markets for selling its agricultural products, and it must react to the worldwide demand for agricultural products. Economically, it may not be feasible to produce certain products in parts of Alaska now. In a very few years, however, the question is not going to be "is it economical to produce food," but "whether we can produce food here". Increasing demand will probably make it economically feasible.

✓ Agriculturally, Alaska is nearing a crossroads which may determine the industry's future. As the land ownership problems are resolved under the Statehood Act and the Alaska Native Claims Settlement Act, these large parcels of land will undoubtedly be split among four or more land owners. Steps must be taken to set aside agricultural development land. Unless this is done, the land will be divided into many different areas for many different uses. Then, a comprehensive agricultural development plan will be impossible when, eventually, it becomes desirable and profitable to do so. This occurred on the Kenai Peninsula, in the Matanuska Valley, and is occurring in the Susitna and Tanana Valleys. In those areas it is impossible for a new farmer to obtain enough concentrated, tillable land to build a viable commercial operation. For this reason agriculture's future (when defined as large-scale production for export) in those areas is dim.

✓ However, there are superb agricultural areas with potential, where this is not yet the case. Some of these areas are equal to the best agricultural cropland in the State. Specifically, the upper Susitna Valley, the Kantishna Block, west of Nenana, the Yukon flats area, the upper Kuskokwim River Valley, and to a lesser degree the Delta Clearwater area. These relatively unsettled areas would be ideal for large-scale agricultural developments.

Similarly, immense grazing acreages exist with the physical potential for substantial expansion of red meat and fiber (reindeer, beef cattle, musk ox, sheep) industry.

One of the first steps which must be taken toward preserving these areas is the establishment of strong national and state policies aimed at eventual agricultural development. Without firm positive policy, it is not

possible to pass and adopt required laws and regulations, or to retain the support of government officials for the effort.

There will be many desirable side effects of a commercial agriculture producing for export. First, we will have to produce enough fertilizer to be self-sufficient, at least for phosphates and ammonium nitrate. Second, agricultural industry is "clean". Third, as a percentage of production, it requires less utilities, service industries and other expenditures of tax funds than any other industry. Fourth, the agricultural dollar stays in the community longer and to a greater extent than other industry dollars, especially if basic agricultural products such as seed, fertilizer and feed can be purchased within the state. Fifth, the cost of the Alaska food basket, compared to statewide costs, will decrease as larger scale operations allow lower production costs.

As food demands, increase, particularly in the Pacific Rim Nations, Alaska may be in a unique position of having the land available just when the pressure develops to use every available agricultural acre.

--Abridgement of summary, from
Alaska's Agricultural Potential
Alaska R. D. C. Publication #1

COST VERSUS MARKET PRICES

PERHAPS THE MOST SIGNIFICAN FINDING ("POTENTIAL BARLEY PRODUCTION DELTA-CLEARWATER AREA OF ALASKA") IS THE FOLLOWING: ON A 3,000 ACRE FARM UNIT, USING A ONE-HALF FALLOW PRODUCTION CYCLE, IT IS ESTIMATED THAT THE FARM OPERATOR CAN BREAK EVEN ON ALL COSTS AT A PER-BUSHEL PRICE AT DELTA JUNCTIO OF SOMEWHERE BETWEEN \$1.90 AND \$2.30 PER BUSHEL.

FOR COMPARISION, THE PORTLAND CASH MARKET PRICE FOR No. 2 WESTERN BARLEY AS OF THE END OF JANUARY, 1977, WAS \$110 PER TON, APPROXIMATELY \$2.64 PER BUSHEL. DURING THE TWO-YEAR PERIOD 75-76 THE PORTLAND PRICE HAD VARIED FROM A LOW OF \$94 TO A HIGH OF \$143 (Jan. 75) BUT WAS GENERALLY UNDER \$115.

The author is Associate Economist with Rainier National Bank. The opinions expressed are his own and do not necessarily reflect those of the bank.

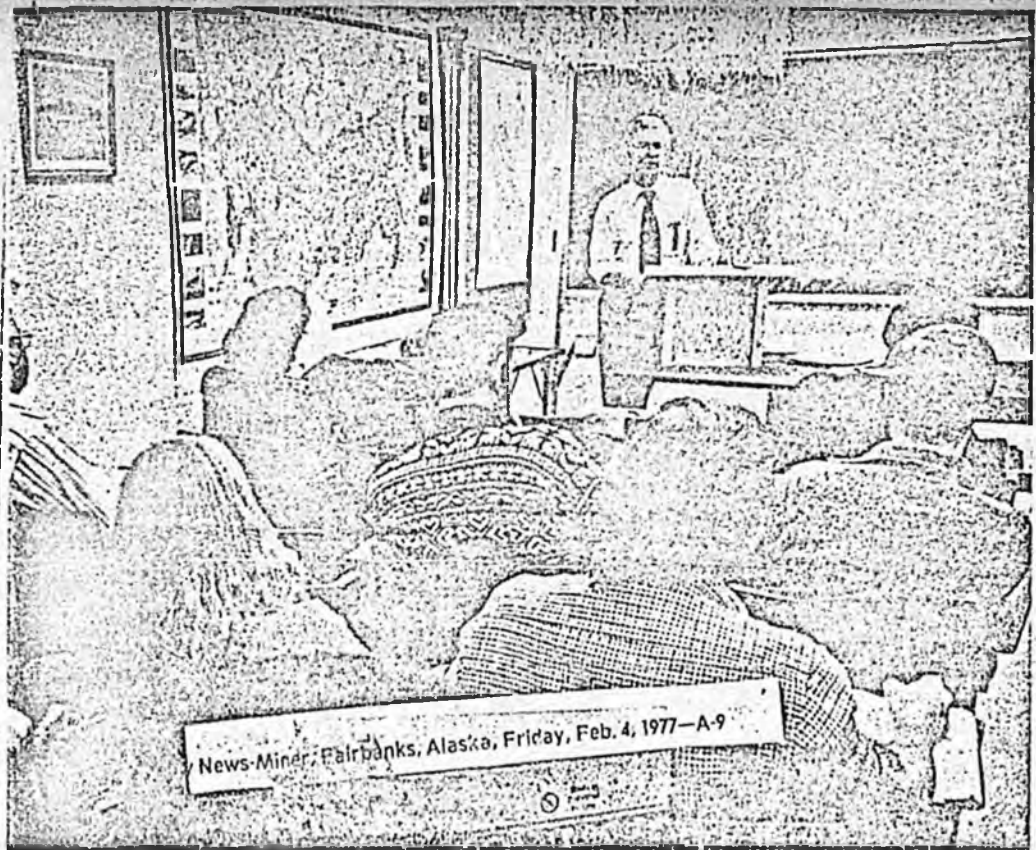
3000 ACRE FARM UNIT

3000 at 60 bushels to an acre	180,000 bushels
180,000 at \$2.00 per bushel	\$ 360,000
\$360,000 over a 25 year period	\$9,000,000

TOTAL PROJECT

60,000 acres at 60 bushels	3,600,000
3,600,000 bushels at \$2.00	\$ 7,200,000
\$7,200,000 over 25 years	\$180,000,000

Clearing & Breaking 60,000 acres at \$200 per acre	\$ 18,000,000
Administrative Costs 60,000 acres at \$ 25 per acre	<u>\$ 1,500,000</u>
TOTAL	\$ 19,500,000



DELTA FARMING PLANS —Former State Sen. Bob Palmer, the governor's chief agricultural adviser and chairman of an ad hoc committee on farm development

in Delta, describes the administration's plans in the first presentation of a weekly seminar program at the University of Alaska
(Staff Photo by Marc Olson)

Delta agricultural project may be postponed a year

Plans to clear and break ground near Delta Junction this spring as part of a state-backed agriculture project may be delayed a year, according to Bob Palmer, chairman of an ad hoc committee investigating the economic feasibility of the project.

Palmer was in Fairbanks Thursday to speak at a seminar in land resources at the University of Alaska.

"The most reasonable scenario I see," he said, "would start clearing and breaking this spring on just a couple of quarter sections. Introduce legislation if the governor approves it; then expect action late in the session, or maybe even next session if the Legislature appoints an interim committee to study it. Then plan to start next season."

Gov. Jay Hammond established the ad hoc committee and charged it with determining whether a state-backed agricultural project could succeed. The committee's proposal calls for the state to clear 60,000 acres in the Delta Junction area, then lease and later sell

agricultural rights to farms ranging from 990 to 3,000 acres. The state would also assist in setting up grain storage, drying and processing facilities.

Palmer said project backers had hoped to begin this spring because the time is "highly opportune" to use heavy equipment that now stands idle after

the oil pipeline construction and is waiting for construction of a gas pipeline. Costs might be as low as one-third of the costs in other times, he said.

But he said the governor has asked the Division of Policy Planning and Development to review the project
(See DELTA, page A-3)

before he determines whether to back it.

However, Palmer said interest among legislators appears to be high, and added that several have told him they would sponsor legislation to get the project underway if the governor does not.

He said the University is interested in conducting additional studies in the Delta area, and those could begin this spring before any legislative action is taken.

"I think there's a great deal to be gained by proceeding with cautious haste," he said.

SEP. 77.

STATE
of ALASKA**MEMORANDUM**DEPARTMENT OF NATURAL RESOURCES
OFFICE OF THE COMMISSIONERTO: Those Listed Below

DATE : April 21, 1977

FROM: Robert E. LeResche /*RLR*
CommissionerSUBJECT: Delta Agricultural
Action Plan

The feasibility report by the Ad Hoc Delta Barley Group has been completed and reviewed by the Division of Policy Development and Planning. In addition, the Delta Land Management Planning Study is essentially completed. All three of these studies have been very well done, and fit together well as a guide to future action. The purpose of this memorandum is to establish an action plan for aggressive accomplishment of the recommendations in these three studies.

I am assigning Dave Hanson of the Planning and Research Section to coordinate this effort. Work schedules and reports should be coordinated through Dave. I am also requesting those indicated below to move with all practical speed to accomplish the tasks outlined.

GENERAL ADMINISTRATIVE TASKS:

1. Definition of "agricultural rights." The Planning and Research Section and Division of Lands should immediately get together with the Department of Law and draw up an acceptable definition of agricultural rights to be included in any sale or lease of these rights. The Division of Agriculture should be consulted during this process. This definition might well contain identification of permitted uses and the covenants/easements to sale, as well as provisions for recreational access and liability against crop depredation. The Department of Fish and Game should be consulted concerning the latter.

The Director of Land and Water Management should report progress to me on this item on June 1.

2. Appraisal policy for "agricultural rights." The Division of Lands, the Department of Law, and Division of Agriculture should get together once a working definition of agricultural rights is established, to consider principles whereby these rights will be appraised precedent to sale or lease. These agencies should consider whether potential economic viability of a specifically stated farming venture on the land should be an overriding factor in appraisal. The Director of Land and Water Management should report to me on this on July 1, with a draft of proposed appraisal instructions.

0-3-73

3. Analysis of needs for additional regulations or statute changes. This analysis should include acreage limitations. The Division of Land and Water Management and the Department of Law should work together to complete this analysis. The Director of Land and Water Management should provide me with a report by July 1.

4. Determination of appropriate method of disposal of agricultural rights. The Planning Section, Division of Lands and Division of Agriculture should derive a set of principles from which decisions can be made in individual cases whether to offer agricultural rights for purchase, lease, or lease-purchase. In addition, they should establish the principles under which future decisions should be made regarding whether leases or purchases should be by bidding, lottery, or negotiation. Any additional statute or regulatory changes required to carry out recommended policies should also be investigated. The Director of Land and Water Management should make recommendations to me in this regard by October 1.

5. Classification of agricultural and other lands in the Delta Land Management and Study area. By May 31, the classifications should be ready for Public Notice under the provisions of AS 38.05.305. The Division of Lands should complete classification of lands designated cultural by the Delta Land Management Plan by September 1.

6. The Division of Lands should hold a public meeting in the Delta area to gather input and reaction to the actions proposed for the Delta area. Since these actions are to a large extent planned in reponse to the Delta Land Management Plan recommendations, the Delta Land Management Citizen Council as well as the general public should participate and offer comment during this meeting. The public meeting should be held as soon as possible, but not later than June 15. This meeting should be in addition to the required hearing on classification action which will be held during July. I expect a full briefing on this meeting.

TANANA LOOP AREA: In accordance with the Delta Land Management Planning Study, the Division of Lands should proceed to lay out, plat, and make available for sale around 5,000 acres of land for small farmsteads. This acreage should be divided into parcels ranging from 20 to 320 acres. Disposal of the parcels should be by an agricultural rights sale to qualified applicants who submit an agricultural development plan. The Division of Lands should work closely with the Division of Agriculture and the University of Alaska to lay out this land disposal, and to derive the procedure by which it shall occur. Hopefully, disposal can begin by January, 1978.

"DELTA BARLEY PROJECT" :

1. Lay out of project. The Planning Section, Division of Lands and the Division of Agriculture should prepare a final project lay-out plan, using the recommendations of the Ad Hoc barley project group, the Delta Land Management planning Study, and the Division of Policy Development and Planning report. This final layout should be reviewed by all concerned parties, including especially those who had active involvement with the three above studies. I hope that the project layout can be finalized and accepted by all parties by November 1. The Director of Lands should report progress in this regard to me on August 1.
2. Platting. The Division of Lands should then proceed rapidly with platting the area pursuant to the approved layout plan. On December 1, the Director of Lands should give me a schedule under which platting will occur.
3. The Division of Parks should initiate an archaeological and historical survey, pursuant to AS 41.35.070, as soon as the final development plan for both the barley project area and the Tanana Loop area is available. The Director of Parks should let me know as soon as possible a reasonable time schedule for completing this survey.
4. Test plot clearing. The Division of Agriculture, with cooperation from the Division of Lands should arrange for clearing 2,000 acres of University land as a test plot in the Delta area. A trade of general grant land for University land may be necessary to insure use of the appropriate land for this project. The University should expeditiously identify appropriate land for the clearing project and any additional land the University may need in the Delta area for research or model farm purposes. The Division of Lands should seek to "trade out" University lands presently classified as parks, refuges or critical habitat areas which will not be productive for University purposes.

The purpose of this test plot clearing will be to test clearing methods, to test moisture retention and blowoff tendencies, and to test barley production. The Division of Agriculture should ensure that representatives of the Department of Fish and Game, Department of Environmental Conservation, the Ad Hoc Group and the University all have ample opportunity to help design the test procedures, and to be present and participate in the actual clearing and manipulation of the test plot as well as any subsequent measurements they may wish to undertake. The Director of Agriculture should give me an action plan and schedule for this test clearing, as well as for all test procedures to be undertaken during fiscal year 1978, by June 30.

5. Design of environmental studies. The Division of Lands should immediately contact the Departments of Fish and Game and Environmental Conservation, as well as interested members of the Ad Hoc Committee, the Planning Section and the Division of Agriculture and request that they design by June 30 specific environmental studies that will be necessary in order to evaluate clearing methods, prepare the final project layout plan, and assist in development of the conservation plan. These studies should be designed in detail and costed out so that we may proceed to implement them without delaying the project unnecessarily.

6. Soil conservation plan. The Division of Agriculture, Division of Lands, Department of Environmental Conservation and the Soil Conservation Service, should begin preparation of a soil conservation plan for the entire Delta Clearwater area. This plan should at least cover soil conservation and erosion control, pesticide use, herbicide and fertilizer use, and water quality. In addition, the plan may consider such things as energy conservation, suggestions for clearing and farm management practices. The Director of Agriculture should give me, by June 1, a schedule for completion of necessary data gathering activities and the soil conservation plan.

7. Funding alternatives. The Division of Agriculture and the Department of Commerce and Economic Development should assist Mr. Palmer as much as possible in his quest for non-State funds that may be available to finance the Delta Barley project. Hopefully, some specific avenues of approach should be available to us by July.

In addition, Bob Palmer with the Department of Natural Resources' assistance is presently preparing a supplemental budget for accomplishing the other directives included in this memorandum.

8. Timber sales. The Division of Land and Water Management should as soon as the experimental clearing area is designated, offer personal use permits for timber within that area. Other areas designated for clearing within the approved layout region should be offered for sale in March of 1978.

9. Local government and farmers cooperative. The Division of Agriculture, Department of Community and Regional Affairs and Department of Commerce and Economic Development should develop an active program of contact with the City of Delta Junction and local farmers, designed to clarify the long-term role of local government and any potential farmers cooperative organizations in future agricultural development in the Delta area. I would suggest it would be very beneficial for the State to provide a similar level of aid to Delta farmers, including both those involved in the Tanana Loop "small" acreage

farms and in the Delta Barley project, as we are currently providing to fishermen interested in private, nonprofit aquaculture projects. I would suggest that the Department of Commerce and Economic Development review the contract that the Division of Policy Development and Planning has with the Southeast aquaculture organization and consider creating a similar relationship between the State and Delta farmers.

10. The Division of Agriculture, Division of Lands, the Planning Section, and the Department of Commerce and Economic Development should together prepare a draft of qualifications for those who will qualify to purchase or lease large tracts of agricultural rights in the Delta barley area. These criteria should follow those discussed by the Ad Hoc Group and the Division of Policy Development and Planning, and should include experience factors, financial qualifications, and other factors. I would suggest that these criteria be derived solely on the basis of maximizing the probability of success of the Delta farming venture, and not on the basis of insuring that enough qualified farmers will be immediately available. Necessary regulations to carry out this policy should be prepared. Following adequate consideration, the Director of Agriculture should give me a draft list of criteria by July 15, Draft regulations should be completed by November 1.

I feel if we can accomplish the above, we will have made a very positive step toward achieving a new and viable renewable resource industry in Alaska. Upon our completion of the above tasks, including a finding that the project is acceptable and has a significant probability of success, and upon qualification of the requisite number of potential private participants (i.e., upon sufficient showing of private demand by qualified individuals), I would intend to make approximately 50,000 acres of land available for barley production in the Delta area as outlined by previous plans.

I sincerely hope we all can work together compatibly in pursuing this exciting prospect.

cc: Governor Jay S. Hammond

Memo sent to:

Bob Palmer, Special Projects
Phil Hubbard, Commissioner of Commerce and Economic Development
Jim Brooks, Commissioner of Fish and Game
Mike Smith, Assistant Commissioner of Natural Resources
Ted Smith, Director of Land and Water Management
Allan Linn, Director of Agriculture
Russ Cahill, Director of Parks
Dave Hanson, Chief, Planning and Research Section
James Drew, University of Alaska

1977 MAY 23 PM 10 25

TELEGRAM

HCA ALASKA COMMUNICATIONS, INC.

PHONE: 586-6440

JUNEAU, ALASKA 99801

#

02098 NL ANCHORAGE ALASKA 77 05-23 0525P ADT

PMS SEN KAY POLAND

JUN

URGE SYMPATHETIC CONSIDERATION AND ACTION TO BRING HB353
TO SENATE FLOOR FOR VOTE BEFORE CLOSE OF SESSION. IF BILL DIES
THIS SESSION IMPETUS TOWARD BUILDING VIABLE FARMING BASE IN
ALASKA COULD BE DESTROYED. AGRICULTURE ESSENTIAL FOR
DEVELOPMENT OF STABLE SELF-SUSTAINING ECONOMY IN INTERIOR
ALASKA. WILL PAY KEY ECONOMIC AND SOCIAL ROLE THROUGHOUT
STATE. HB353 PROVIDES GROUND WORK FOR INTERIOR FARMING ALASKA
EFFORTS AND IMPLEMENTATION COULD HAVE DECISIVE LONG-TERM
POSITIVE EFFECT ON STATE ECONOMY.

PAULA EASLEY EXEC DIR OMAR

Sen Poland

FAIRBANKS DELEGATION

Reps.

Bennett	202A	Brown	207A
Carpenter	202A	Cowper	411
Parr	110	Smith	612

Senators

Butrovich	525	Hackney	105A
Huber	114		

} }

LA21 1336 10.59 JA01 0007 10.59 05/24/77

TO: CINDY OR MERLE, JPU
FROM: SUSAN, FBX.

PLEASE DELIVER THE FOLLOWING MESSAGE:

TO: THE FBX. DELEGATION; TO SENATOR KAY POLAND, CHAIRMAN,
SENATE RESOURCES COMMITTEE; TO SENATORS SACKETT, RADER, KERTTULA, AND
SWANSON.
FROM: GERALD SMETZER/ FAIRBANKS TOWN AND VILLAGE ASSOCIATION/
BOX 1267/ FAIRBANKS, AK. 99707/ PH: 452-4761, EXT. 273:

WHEREAS SB 353 IS THE BEST LEGISLATION INTRODUCED TO DATE FOR THE
DEVELOPMENT OF ALASKA'S AGRICULTURAL RESOURCES, WE SUPPORT THE
BILL AND URGE YOU TO SEND THE LEGISLATION TO THE SENATE FLOOR AT
THE EARLIEST POSSIBLE DATE WITH A "DO PASS" RECOMMENDATION.
WE ALSO URGE YOU TO ACTIVELY PRESS FOR PASSAGE OF SB 353 IN THE
SENATE IMMEDIATELY TO ENABLE THE DELTA-CLEARWATER PROJECT TO GET
UNDERWAY IN 1977.

THANK YOU FOR YOUR CONSIDERATION.
/S/ JERRY SMETZER/ FBKS. TOWN & VILLAGE ASSOCIATION.

THANKS, AND PLEASE ACK. (WHEN DELIVERED). /S/ EOM

Delta Chamber of Commerce

P. O. Box 987
Phone 845-4515

Delta Junction, Alaska

May 20, 1977

Senators Butrovich, Hackney, Huber, Kerttula, Poland and Sackett
Pouch V
Juneau, Alaska 99811

RE: SSC5HB353, Ag Development

Dear Senators:

The Delta Chamber of Commerce has consistently favored legislation that would assist the development of Alaskan agriculture, particularly in the Delta Junction area.

We have been apprised of the latest efforts to incorporate the positive aspects of various development proposals into coherent and acceptable legislation. Our efforts, SSC5HB353, received the endorsement of the Chamber membership at their meeting of Thursday, May 11, 1977.

As president of the Chamber, I ask for the membership in urging the passage of this legislation.

Sincerely,



ROBERT D. MORTON
President

cc: Bob Palmer	Red Swanson
Robert LeResche	Sally Smith
K. Allan Linn	Charlie Parr
William Wood	Steve Cowper
Frank Geiger	Larry Carpenter
Alaska Farmers Co-op	Fred Brown
Salchupig Delta Soil	Don Bennett
Conservation Subdistrict	

CF/pd



P. O. Box 929
Delta Junction, Alaska 99737

May 18, 1977

Senators Butrovich, Hackney, Huber, Kerttula and Sackett
Pouch V
Juneau, Alaska 99811

Dear Senators:

RE: SSCSHB353 - Ag Development

Our latest information is that further revision of HB353 has incorporated the Agricultural Authority of SB291 and some aspects of the Feed Grain Project SB337. We still favor the Small Grain Research concept of SB279 (\$281,500) over what we consider the duplication and excess expense (\$400,000, 2000A) of SB337. However, it should be clearly understood and apparently our previous letters have been ambiguous - that the Supervisors consider further research essential on such topics as water quality (in which DEL should participate financially), windbreak orientation and spacing, and shearing and burning techniques (a hot topic). We do feel that SB337 as originally conceived is a wasteful approach, and it is our understanding that use of the funding (under SSCSHB353) would be discretionary by the Authority, and consequently such research as is essential could be conducted as an integral part of development rather than as a separate research project.

These alterations, as we have outlined and understand them, are acceptable to us and we would urge passage of such legislation.

Sincerely,

CHARLES G. FORCK
Secretary

cc: K. Allan Linn	Rep. Red Swanson
Weymeth Long	Rep. Don Bennett
James Drew	Rep. Fred Brown
Robert LeResche	Rep. Larry Carpenter
Bob Palmer	Rep. Steve Cowper
Roger Rayburn	Rep. Charlie Farr
William Wood	Rep. Sally Smith
Frank Geiger	

CGF/p

HB

356

COMMITTEE REPORT

SENATE

**Finance

5/13/77

5/16/77

Date

Mr. President:

The Committee on Resources has had HR 356 water resources revolving loan fund 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
- AND attaches a report of its intent
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

_____ *John Stennis* _____
 _____ *Tillion* _____
 _____ *Mr. [unclear]* _____
 _____ *[unclear]* _____

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____ recommends: _____
 _____ recommends: _____
 _____ recommends: _____

_____ *K. Polansky* _____
 Chairman

A M E N D M E N T

Offered in the SENATE

By RESOURCES COMMITTEE

To: _____ SENATE BILL NO. _____

_____ HOUSE BILL NO. 356 Am.

AMENDMENT: Page 2 Lines 23 through 27

Delete section four in its entirety and re-number accordingly.

A M E N D M E N T

Offered in the SENATE

By Resources Committee

To: _____ SENATE BILL NO. _____

_____ HOUSE BILL NO. 356 am

AMENDMENT: Page 2 Lines 23 through 27

Delete section four in its entirety
and re-number accordingly.

May 17, 1977

Letter of Intent for HB 356

Inasmuch as the administration of State water resources is currently the responsibility of various departments, it is the intent of this Resources Committee in enacting the water resources revolving loan fund (HB 356) that the Commissioner of the Department of Commerce and Economic Development, in adopting regulations to carry out the provisions of this act, is directed to take into account the responsibilities for water resources of the Department of Environmental Conservation under AS 46.03 of the Department of Fish and Game under AS 16, and of the Department of Natural Resources under AS 46.15.

Kay Poland, Chairman
Senate Resources Committee

John Butrovich

Clem V. Tillion

Chancy Croft

H. D. Meland

John Huber

Mike Colletta



THE
SOUTHEASTERN
CONFERENCE

P. O. BOX 531
WRANGELL, ALASKA 99929

March 11, 1977

Representative Terry Gardiner
Chairman, House Judiciary Committee
Pouch V Mail Stop No. 3100
Juneau, Alaska 99811

Dear Sir: *Terry*

The Southeastern Conference wishes to express their appreciation to you for your interest and efforts in sponsoring legislation of economic importance to Southeast Alaska and those other communities needing support in the development of hydro and other water resource development.

As requested in our meeting held March 1, 1977, we are submitting back up material for the proposed changes in the Water Resources Revolving Loan Fund Act. Enclosed are the suggested changes in the Statutes and proposed appropriations for the next fiscal year, including a revised summary of funding requirements for FY 1978.

Very truly yours,

James R. Eide
James R. Eide
President

JRE/jr

enclosures

President	James R. Eide
First Vice President	William Macomber
Second Vice President	John Halliwell

PROPOSED AMENDMENTS

WATER RESOURCES REVOLVING LOAN FUND ACT

Sec. 45.86.010. There is established a separate fund, The Water Resources Revolving Loan Fund. Loans from this fund are to be used to develop and conserve in the public interest the water resources of Alaska, using State revenues from the Alaska Permanent Fund (mineral development).

Sec. 45.86.040 (b) is repealed and re-enacted to read:

Sec. 45.86.040 (b) The department shall forward all loan applications it recommends for approval to the Water Resources Revolving Loan Fund Committee established with the department and made up of the commissioner or his deputy, the director of division of energy and power development, and the director of division of business loans.

Sec. 45.86.060 shall be added as follows:

Sec. 45.86.060. CONDITIONS APPLICABLE TO PROJECT LOANS. (a) The term of the loan shall not exceed 50 years and the interest rate shall be not less than three, or more than five, percent a year on the unpaid balance. The repayment schedule shall be computed in a manner so that annual payments of principal and interest, termed debt service, are approximately equal over a period not to exceed 40 years. Repayment of the loan, principal and interest, will commence at the date of commercial operation of the project or ten years from the date the loan is made, whichever is sooner.

(b) Loans shall be utilized for feasibility studies, pre-construction engineering including the securing of permits and licenses necessary for construction and operation, design and construction of capital improvement projects.

(c) If, in the opinion of the Water Resources Revolving Loan Fund Committee, feasibility studies or preconstruction engineering establish that the project is not feasible from either a technical, economic or financial viewpoint, the department may not require repayment of loans made for this purpose, provided that repayment of all loans shall be required if design or construction of the project proceeds.

This Act takes effect immediately in accordance with _____.

JUSTIFICATION FOR AMENDMENTS

WATER RESOURCES REVOLVING LOAN FUND ACT

I. The change in Sec. 45.86.010 is to correctly indicate the proper fund from which the revolving fund would secure revenue for making the loans. When the Water Resources Revolving Loan Fund was first drafted, one of the sources of loan funds was tied to Alaska mineral lease bonus funds. This was passed by the Legislature, but vetoed by the Governor as being unconstitutional. Since then, voter approval of the permanent fund has made possible this vehicle for funding these projects.

Sec. 45.86.040 - the Loan Committee composition as now specified in the Statutes, was a high level group deemed necessary to consider loans for large projects such as the Susitna and Yukon Taiya projects. Projects of this nature would now come under the State Power Authority which, together with Federal support, would finance the large installations.

The formation of a committee within the Department of Commerce would be more appropriate to consider the financing of small hydro and water projects. These would be administered similar to the other business loans the Department handles.

Sec. 45.86.060 - The first draft of HB171 (copy attached) spelled out the conditions of loans consistent with long term low interest. However, it was determined that this type of condition could best be handled by regulatory provisions. As a result, the conditions now being applied to the loans are not in accord with the intent of the Legislation. Loans are for a term of seven years rather than long term of forty to fifty years and interest rates of 6% are hardly low. Interest is due and payable yearly and prior to the project generating revenues or the ability to meet debt service. This burden on small utilities preclude their involvement in the revolving fund.

Subsection (b) spells out the type of activities in the development of the property which would be eligible for loans under the revolving fund. Subsection (c) is an "advance planning fund" provision similar to H.U.D. 701. If the studies indicate the project is not feasible, the repayment of the loans for the studies may not be required. Here again is the intent to alleviate the financial burden for the small communities for those projects which turn out to be a "dry hole" and for which revenues cannot be realized.

II. Basis for the proposed appropriation bill FY 1978 for the Resources Revolving Loan. The proposed appropriations for FY 1978 are based on estimated community requirements for the specified projects over and above the funds made available in the 1977 appropriations. The attached list of funding requirements total \$3,730,000, however, it appears that the applications for FY 1977 will leave a balance of \$230,000 which can reduce the proposed appropriations to \$3,500,000.



KETCHIKAN PUBLIC UTILITIES

334 FRONT STREET

P. O. BOX 1019 KETCHIKAN, ALASKA 99901

TELEPHONE 907-225-3111

February 11, 1977

MUNICIPALLY OWNED
ELECTRIC WATER PHONE

Representative Oral Freeman
State Capitol
Pouch V
Juneau, Alaska 99811

Subject: Development of Hydroelectric Generating
Plants in Southeast Alaska

Dear Oral:

Mr. N. L. Teague, City-Utilities Manager has requested that I submit to you some pertinent information regarding the advantages to Ketchikan, and Southeast Alaska as a whole, which would be gained by the installation of hydroelectric generating plants. I will use Ketchikan as an example.

We have three (3) small hydroelectric plants. To 1969 we were hydro oriented. Our first base load type diesel was placed in operation in 1970. We now have three (3) such units. I believe that a comparison of cost, hydro versus diesel generation in our system, is pertinent.

In 1976, the average operation and maintenance cost of producing one (1) kilowatt hour at the bus bar by hydroelectric generation was \$.0055 or 5.5 mils.

The average cost of operation and maintenance per kilowatt hour of generation by diesel was \$.0638.

A recap in the same vein, from 1970 to date, clearly points up that hydroelectric power is the greatest hedge against inflation since the Republicans.

TIME PERIOD - January 1, thru December 31, 1970:

Diesel = \$.01249/KWHR

Hydro = \$.00272/KWHR

Differential in cost/KWHR - Diesel greater by \$.00977

Differential in dollars - 2,718,600 KWHR x \$.00977 = \$26,560.72

TIME PERIOD - January 1, thru December 31, 1971:

Diesel = \$.01689/KWHR

Hydro = \$.00336/KWHR

Differential in cost/KWHR - Diesel greater by \$.01353

Differential cost in dollars = \$174,228.52

TIME PERIOD - January 1, thru December 31, 1972:

Diesel = \$.01476/KWHR

Hydro = \$.00365/KWHR

Differential in cost/KWHR - Diesel greater by \$.01111

Differential cost in dollars = \$143,065.69

TIME PERIOD - January 1, thru December 31, 1973:

Diesel = \$.02144/KWHR

Hydro = \$.00388/KWHR

Differential in cost/KWHR - Diesel greater by \$.01756

Differential cost in dollars = \$226,123.63

TIME PERIOD - January 1, thru December 31, 1974:

Diesel = \$.04125/KWHR

Hydro = \$.00534/KWHR

Differential in cost/KWHR - Diesel greater by \$.03591

Differential cost in dollars = \$462,420.25

TIME PERIOD - January 1, thru December 31, 1975:

Diesel = \$.0430/KWHR

Hydro = \$.0051/KWHR

Differential in cost/KWHR - Diesel greater by \$.0379/KWHR

Differential cost in dollars = \$491,763.87

Representative Oral Freeman
re: Development of Hydroelectric Generating Plants
February 11, 1977 - Page Three

TIME PERIOD - January 1, thru December 31, 1976:

Diesel = \$.0638/KWHR

Hydro = \$.0055/KWHR

Differential in cost/KWHR - Diesel greater by \$.0583/KWHR

Differential cost in dollars = \$470,883.27

Note that 1976 differential cost in dollars is slightly less than 1975. This is due to a small hydro-electric plant (Silvis) being returned to service in 1976. The Silvis Plant had been destroyed by a landslide in 1969.

The Silvis hydro plant generated approximately 13% of our electrical system output in 1976. Without the Silvis Plant in operation, our differential cost in dollars would have been approximately \$532,098.00 for 1976.

Look at what is happening in the major item needed for diesel generation. That "NON-RENEWABLE RESOURCE", diesel fuel oil.

Costs for fuel delivered by barge to our S. W. Bailey diesel plant located ashore on Tongass Narrows, for example, are as follows:

<u>Date</u>	<u>Cost per gallon</u>	<u>Cost of fuel oil/KWHR generated</u>
1972	\$.1375	\$.0095
1973	\$.1930	\$.0133
1974	\$.3260	\$.0225
1975	\$.3610	\$.0249
1976	\$.3930	\$.0271
1977 (Feb.)	\$.4190	\$.0289

In a time span of just over four years and two months, our diesel fuel costs have increased 205 percent.

The industrial growth of the lower 48 States and most specifically the Pacific Northwest was made possible by the construction by the U. S. Government of large hydroelectric projects. In addition, it permitted a better living standard for the people at low energy cost.

The technology of transmission line construction permitted transmission line "grids" to be built from the large government projects to all points of the land or load centers.

Representative Oral Freeman
re: Development of Hydroelectric Generating Plants
February 11, 1977 - Page Four

Southeastern Alaska does not lend itself to the aforementioned methodology. We are situated in an archipelago that would strain the technology of transmission line construction and be vastly more expensive. It is one thing to serve load centers connected by land, another to serve load centers connected only by water.

It is therefore most logical to construct (large for us) hydroelectric projects as close to the load centers as possible, e.g. our Swan or Grace Lake projects. Short, interconnecting transmission lines could be installed between neighboring islands, e.g. Revillagigedo Island (Ketchikan) and Annette Island (Metlakatla).

Oral, it is safe to say that every power utility in Southeastern Alaska is municipally owned with the exception of Juneau, Alaska. It seems odd to us that Juneau is the only community that has a Federal hydroelectric project "on line" in our part of the State.

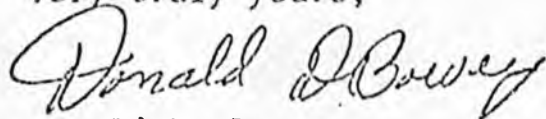
Government seems to speak with forked tongue. They advocate conservation of depletable natural resources and energy, and yet seem to balk at providing the help necessary to alleviate the situation in our portion of Alaska.

Also, Oral, any added expense to the Utilities or cities created by the construction of the hydroelectric projects should be deferred until the projects are "on line". I do not believe any of us can individually carry the burden of cost of generation by our existing means, plus pay any interest or principal payments in case of loans or bonds. Payment deferral is of utmost importance.

I have made this letter far longer than I had intended, Oral, and apologize for taking up so much of your valuable time.

I am attaching certain data that we hope you will find of interest.

Very truly yours,



Donald D. Bowey
Assistant Utilities Manager

cc: N. L. Teague, City-Utilities Manager
Senator Robert Ziegler
Representative Terry Gardiner



KETCHIKAN PUBLIC UTILITIES

334 FRONT STREET

P. O. BOX 2018 KETCHIKAN, ALASKA 99901
7300

TELEPHONE 907-225-3111

MUNICIPALLY OWNED
ELECTRIC WATER PHONE

April 5, 1977

Mr. James Eide
City Manager
P. O. Box 531
Wrangell, Alaska 99929

Subject: Hearing before the Commerce Committee,
Representative Joe McKinnon, Chairman,
Re: House Bills No. 356 and No. 357

Dear Jim:

The hearing meeting was held at 8:00 A.M. in the new court building in Juneau, Room 628, on Monday, April 4, 1977.

Representative Ernie Haugen was kind enough to meet Jack Ballard of Wrangell and myself at the Baranof Hotel for coffee and then escorted us to the hearing.

Ernie testified first and pretty well recapped the history of the Water Resources Loan Fund and the intent of the legislative bodies. I believe that Ernie brought out that the Southeastern Conference group has been most active in promulgating the concept of long term, low interest loans for hydroelectric oriented projects and potable water projects from which all Alaskans will benefit.

Next to testify was Representative Terry Gardiner. Terry affirmed the preceding testimony and very ably placed his beliefs and thoughts before the committee.

Dick Ballard, chairman of the Thomas Bay Power Authority did an excellent job of testifying as regards Petersburg-Wrangell power. Dick was knowledgeable and had a good delivery. I am sure he clarified conditions prevailing in your area.

This writer testified next. I had just completed an analysis of the Ketchikan Public Utilities 1976 generation for another report. Much of the data in the analysis was germane to the hearing in that it clearly pointed out cost of operation of hydroelectric in comparison to an alternate means which in our case is diesel. My analysis was in hand written (rough) form. Terry had copies made and presented them to the committee members.

Last to testify was Farrell Campbell, Business Agent for the

file sponsor
HB356

Mr. James Eide
Re: House Bills No. 356 and No. 357
April 5, 1977 - Page Two

Operating Engineers Union. Farrell pointed out that labor supported the concept as set forth of long term, low interest loans, and the use of a "RENEWABLE RESOURCE" to power the prime movers that turn the generators which produce electric energy.

Chairman McKinnon and the Representatives of his Commerce Committee are to be complimented, and thanked for their courtesy and consideration shown the persons to be heard. The committee was knowledgeable on the subject and questions were direct and honest.

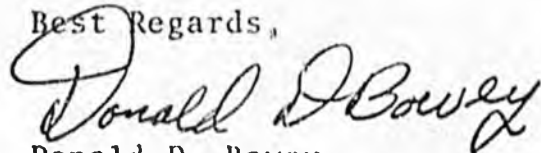
Action taken while I was present consisted of the following:

1. Motion for amendment of H.B. No. 356.
Page 1, line 13, after the word "ALASKA", insert period and delete, "using State revenues from nonrenewable resource [mineral] development". MOTION APPROVED.
2. Motion made to amend.
Page 1, line 18, by deleting mention of five percent (5%). Supporter of the amendment felt the intent of the original act was to provide low interest loans and recommended the three percent (3%) figure. MOTION FAILED TO PASS.

House Bills No. 356 and No. 357 will be moved out of the Commerce Committee and, I believe, on to Finance.

Sorry you could not be present at Juneau, Jim, but hope this letter and accompanying data helps keep you informed.

Best Regards,



Donald D. Bowey
Assistant Utilities Manager

cc: N. L. Teague, City-Utilities Manager
Ted Ferry, KPU Advisory Board Chr.
Jim Williamson, R. W. Beck and Associates
Senator Robert Zeigler Sr.
Representative Oral Freeman
Representative Terry Gardiner

Enclosures

March 31, 1977

MEMORANDUM TO FILE

FROM : Donald D. Bowey, Assistant Utilities Manager

SUBJECT: COST DIFFERENTIAL, HYDRO VS. DIESEL

Cost of generation per KWHR by prime mover type and Plant.
Maintenance and operating costs only used. Labor, fuel, oils,
parts, repair, etcetera.

DIESEL - YEAR 1976:

<u>ACCT. NOS.</u>	<u>KETCHIKAN</u>	<u>TOTEM BIGHT</u>	<u>BAILEY</u>	<u>TOTAL</u>
546	\$ -0-	\$ 2,484.98	\$ 4,259.75	\$ 6,744.73
547	2,202.00	21,404.85	181,942.23	205,549.08
548	2,089.19	11,404.85	71,995.64	85,088.07
549	87.55	517.16	3,789.01	4,393.72
551	-0-	-0-	1,445.90	1,445.90
552	-0-	-0-	15,408.49	15,408.49
553	7,429.11	7,232.17	185,038.96	199,700.24
554	-0-	3,378.11	5,078.78	8,456.89
	<hr/>	<hr/>	<hr/>	<hr/>
	\$11,807.85	\$46,020.51	\$468,958.76	\$526,787.12

HYDRO - YEAR 1976:

<u>ACCT. NOS.</u>	<u>KETCHIKAN</u>	<u>BEAVER FALLS</u>	<u>SILVIS</u>	<u>TOTAL</u>
535	\$11,736.34	\$ 4,550.10	\$ 3,373.16	\$ 19,659.60
536	-0-	-0-	-0-	-0-
537	11,040.88	6,295.40	4,282.81	21,619.09
538	167,897.24	64,310.82	12,878.83	245,086.89
539	10,077.48	4,168.18	9,534.15	23,779.81
541	293.89	1,961.09	528.14	2,783.12
542	7,248.64	3,137.13	725.64	11,111.41
543	4,589.61	5,936.72	2,449.79	12,976.12
544	5,328.12	8,861.16	13,881.94	28,071.22
545	94.63	-0-	-0-	94.63
	<hr/>	<hr/>	<hr/>	<hr/>
	\$218,306.83	\$99,220.60	\$ 47,654.46	\$365,181.89

Memo to File - Page Two
 re: Cost Differential, Hydro vs. Diesel
 March 31, 1977

YEAR 1976:

HYDRO:

<u>POWERHOUSE</u>	<u>GENERATION KWHR</u>	<u>M & O COSTS DOLLARS</u>	<u>COST/KWHR CENTS</u>
Ketchikan Plant	17,693,700	\$218,306.83	\$.01234
Beaver Falls	40,669,000	99,220.60	.00244
Silvis	10,172,000	47,654.46	.00468
TOTALS	68,534,700	\$365,181.89	\$.00533

AVERAGE COST PER KWHR generated by HYDRO = 5.3 MILL

DIESEL:

Ketchikan Plant	55,900	\$ 11,807.85	\$.21123
Totem Bight	781,000	46,020.51	.05893
S. W. Bailey	7,240,000	468,958.76	.06477
TOTALS	8,076,900	\$526,787.12	\$.06522

AVERAGE COST PER KWHR generated by DIESEL = 65.2 MILL

Average Cost Per Kilowatthour of Total Generation By Diesel and Hydro. (Conglomerate):

- Total generated 76,611,600 kwhr = \$.01164 cents/kwhr
- Total M & O Costs = \$891,969.01 ^{or} 11.6 MILL/KWHR
- Cost per KWHR "SOLD" (Gen. less Station Use & Losses),
= \$.0131 cents or 13.1 Mill
- Hydro generated = 89.46% of total generation
- Diesel generated = 10.54% of total generation
- WATER YEAR was exceptional.
- Diesel cost per KWHR generated = \$.06522 cents, or 65.2 MILL
- Hydro cost per KWHR generated = \$.00533 cents, or 5.3 MILL
- Diesel generation per KWHR exceeded Hydro generation per
KWHR by \$.05989 cents, or 59.9 MILL

Memo to File - Page Three
re: Cost Differential, Hydro vs. Diesel
March 31, 1977

HYPOTHESIS:

HYDRO..... $\frac{68,534,700 \text{ KWHR}}{14.5 \text{ kwhr/gal.}} = 4,726,531 \text{ gallons of fuel}$

$4,726,531 \text{ gal.} \times \$.41 = \$1,937,878$

Added to labor, etc. of HYDRO would = \$2,303,058

Added to actual diesel generation cost of
generation 8,076,900 kwhr or,
\$2,303,058 PLUS \$526,787..... = \$2,829,845

$\frac{\$2,829,845 \text{ M\&O Costs}}{76,611,600 \text{ kwhr}} = .03694 \text{ cents/kwhr}$

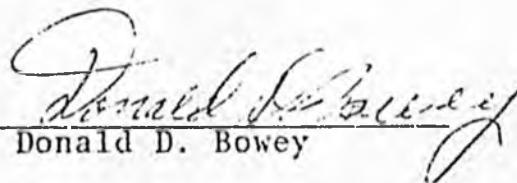
or,
36.9 mill

The above hypothesis of all diesel operation in
1976 would have meant, $\frac{36.9 \text{ mill}}{11.6 \text{ mill}} = 3.181$

OR, generation costs, maintenance and operation only
would have been 218% greater than it actually was
by combination, or conglomerate, of hydro & diesel.

The above is very conservative as it does not consider
additional staffing which would have been necessary,
plus other factors, if all generation had been by
diesel.

Time and staffing prevents a more in-depth analysis at this time.


Donald D. Bowey

cc: N. L. Teague, City-Utilities Manager
Mack Wheeler, U.S. Corps of Army Engineers
Ernst & Ernst

HB

359

(1979)

COMMITTEE REPORT
SENATE

3/27/79

FURTHER: None

Date: _____

Mr. President:

The Committee on RESOURCES has had HB 359 am
salmon enhancement

under consideration and (a majority of the committee) (the committee)
reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for SUB HB 359 same title
 new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

Labre

Melend

Bob...

...

CHAIRMAN

A M E N D M E N T

Offered in the SENATE

By Sumner

TO: SENATE CS FOR HOUSE BILL NO. 359

Page 2, line 15:

Delete "harvest of broodstock" and insert in its place "source and number of salmon eggs, the harvest of"

OFFICE OF THE GOVERNOR

The Honorable Bill Sumner
Chairman
Senate Resources Committee
Alaska State Senate

April 2, 1979

Bob Palmer
Special Projects Coordinator
Office of the Governor

Letter of Intent for
House Bill 359 Amended

The following is a suggested text for a letter of intent for HB 359 am, which will be signed by you.

"The intention of the Legislature in enacting AS 16.10.375-620 was to encourage the construction and operation of salmon hatcheries by the private sector and to do so with no more restriction and bureaucratic red tape than is reasonably required.

"AS 16.10.400 specifies that the Commissioner of the Alaska Department of Fish and Game or his designee may issue a permit for the construction and operation of a private, non-profit hatchery. The Department has established a very thorough permit application and evaluation process involving both preliminary and final permit application forms, comments on both by all relevant divisions of the Department, public hearings on the final application and review by the Regional Planning Team to ensure compatibility with the Regional Comprehensive Plan.

"The changes in AS 16.10.440(a) and (b) in this bill are to clarify the role of the Board of Fisheries.

"The language added to AS 16.10.440(a) clarifies that the Board of Fisheries may adopt regulations relating to the harvest of the fish by hatchery operators at the specifically designated locations.

"The repeal of AS 16.10.440(b) in this bill limits the function of the Board of Fisheries to that specified in AS 16.10.440(a), eliminates any possibility of conflict between the Board of Fisheries and the Department of Commerce in section .470(b) and leaves the permitting authority completely to the Commissioner of the Alaska Department of Fish and Game."

ADDITIONAL AMENDMENT

Page 2, line 15

After "relating to the"

ADD "broodstock,"

Page 2, line 15

After "operators"

Delete "at"

ADD "and"

DOUGLAS POPE
Attorney

Law Offices
912 West Sixth Avenue
Anchorage, Alaska 99501
(907) 272-6225

Box 27
Hope, Alaska 99605

April 2, 1979

Honorable Bill Sumner
Chairman, Senate Resources
Committee
Alaska State Senate
Juneau, Alaska 99811

Re: House Bill 359 am, an Act Relating to Salmon Enhance-
ment

Dear Senator Sumner:

The Speaker has requested that I contact you regarding the above referenced bill. I am currently representing Southern Southeast Regional Aquaculture Association, Inc., in a lawsuit wherein the statutory structure authorizing the regional associations and providing for their financing mechanism is under challenge on constitutional grounds. Specifically, the focal issue of the lawsuit is whether A.S. 16.10.530 is an unconstitutional delegation of the taxing power to an entity other than an organized borough or city in violation of Art. 10, § 2 of the Alaska Constitution. House Bill 359 am was drafted in order to eliminate all but the focal issues in the case, and is also designed to preserve the economic viability of the private associations. The purpose of this letter is to comment on proposed changes in the law necessary to maintain the present system.

Enclosed with this letter is a copy of SSRAA's brief in Superior Court. The brief is long, and I do not suggest that you read it for the purposes of understanding this letter. It does, however, discuss a number of constitutional issues with regard to the State's natural resources that you may be interested in reviewing on another date. Also enclosed is a copy of the House Journal for March 15, 1979. On pages 598-603 of that day's journal is the House Resources' letter of intent with regard to this bill.

Presently, there are five regional associations in existence: two in Southeast Alaska, one in Prince William Sound,

one in Cook Inlet, and one in Dillingham. The two Southeast Alaska associations and the Cook Inlet Regional Aquaculture Association have held assessment elections pursuant to A.S. 16.10.530 and have instituted the assessment in their regions. Southern Southeast Regional Aquaculture Association broke ground on a hatchery a year and a half after it was organized. All of the associations have been set up jurisdictionally along fish and game management units boundaries, and this is one of the problems that lead to the above referenced lawsuit. Art. 10, § 2 of the Alaska Constitution directs that the taxing power shall not be delegated to entities other than organized boroughs and cities. It is true that in a geographic sense the boundaries do occasionally overlap.

Sections Five and Six of Article 10 provide that the legislature may establish services areas in the unorganized borough and authorize the levying of taxes, charges or assessments to finance the special services. We have taken the position in the lawsuit that the assessment is not a tax, that there is not a delegation, and that in any event the private associations fit the meaning of a service area within the unorganized borough.

The Bill.

Section 1 of the bill, findings and purpose, are designed to make the legislature policy clear. In the House the FRED division objected to the emphasis on efficient aquaculture development in subparagraphs 5, 6, 7, and in paragraph B of the findings and purpose clause. The emphasis is on efficient in the findings and purpose because of the obvious efficiency in private organizations over the FRED division, and the emphasis on efficient aquaculture development in Art 8, § 15 of the Alaska Constitution.

Section 2 of the Bill is not directly related to the lawsuit. It clarifies the original intention of the Legislature that the Board of Fisheries jurisdiction over the regional associations is limited to the harvest of fish by the hatchery operators at specific locations. That section can best be explained by the Speaker or his assistant John Sund.

In Sections 3, 4 and 5 the word "royalty" is inserted before assessment. That is the only change in those sections and the change is designed to diminish any possibility that the assessment may be construed as a tax.

Section 6, p. 3, on lines 21 to 22, the language "licensed" and "A.S. 16.05.540 - 16.05.600" is deleted and the language "holding entry permits" and "A.S. 16.43.010-16.43.080" is inserted in its place. The assessment is levied on salmon harvested by commercial fisherman. The deleted language refers to persons holding gear licenses. Those sections were repealed last year and this chore would normally be reserved for the revisor of statutes but it was thought to be smoother to tag it to persons holding permits rather than persons holding gear licenses.

Section 6 also sets the lid on the assessment of 3% of the fair market value of the fish. Rather than explain it here, I will explain it later in this letter since I have a proposed language change for it.

Section 6 creates additional means by which the assessment may be terminated. New paragraph G of section .530 is designed to give more control to the Commissioner of Commerce and Economic Development over the continuance of the assessment and to strengthen the argument that the taxing power is not delegated unconstitutionally. New paragraphs (d)(2) and (h) of section .530 are the result of a floor amendment. It has political implications for the associations themselves but does not appear to have any affect upon the issues in the lawsuit.

Section 7 makes it clear that the finding by the Commissioner of Commerce and Economic Development that the assessment is reasonable is subject to the Administrative Procedure Act. Section 8, the repealer, must be reviewed in conjunct with section 2 discussed above.

PROPOSED LANGUAGE CHANGES

P. 2, lines 1-3 Change Subparagraph (9) of the findings to read

"(9) the most equitable and nondiscriminatory method for providing revenue for regional salmon enhancement is to authorize regional associations to assess percentage royalty shares against those persons commercially harvesting the resource within the region."

This proposed change states the necessary finding with regard to the regional association more clearly.

P. 4, lines 4-6 Delete the following proposed language

"the royalty assessment may not exceed 3% of the fair market value of the fish"

and insert in its place the following:

"The royalty assessment rate requested may be equal to either 2% or 3% of the fair market value of the fish. In no event shall it exceed 3%."

The purpose of this amendment is to make it clear that the Legislature is setting the rate of the assessment. A certain degree of flexibility has to be provided for, however, because some associations are choosing to proceed with central incubation facilities (hatcheries) which necessarily require a significant start up capital, whereas others are choosing enhancement methods of stream clearances or small hatcheries. The design of the amendment is to further dilute the suggestion that the law unconstitutionally delegates a taxing power. I believe the most significant argument that can be made that the current Section .530 is indeed an unconstitutional delegation lies in the fact that no specific assessment figures are established.

P. 3, line 19 After "game" and before the comma insert

"and reaching any necessary agreements with local government".

This proposed change goes to the heart of the lawsuit. One of the problems that has concerned me when realistically reviewing plaintiffs' claims in the lawsuit is that the geographic boundaries do overlap. Art. 10, § 13 of the Alaska Constitution provides that agreements may be made between local government and the state for "cooperative or joint administration of any function or power". In conjunction with similar language already in the municipal government section, I believe this proposed language change makes it clear that in the areas where sound fisheries biology requires an overlapping of geographic jurisdictions, that the State, the qualified regional associations and the local government entities possibly affected can enter into a cooperative agreement regarding the assessment. This agreement can take the form of local government merely stating that they have no objection to the levying of the assessment within their geographic boundaries, or in the instance of a local government which is actually levying a tax on the sale of fish (which is occurring in Naknek) that the assessment may not be levied within the jurisdiction wherein the tax is being levied.

The case in court is a close call, frankly, and I believe that House Bill 359 am with the proposed language changes and additions will cure any constitutional defect. I am

available to meet with you and the Speaker, and upon your request I will be available to make comments to the Committee. I do not wish to have the appearance of urging policy changes on any members of the Legislature, since I feel that that would be in conflict with my present status as a contractor to members of both the House and the Senate. I will be in Juneau April 6th through 10th and will be available to speak with either of you during that time period.

Sincerely,



Douglas Pope

DP/emm

cc: Honorable Terry Gardiner
Speaker, Alaska State House
Of Representatives

Letter of Intent for House Bill 359 am

The intention of the Legislature in enacting AS 16.10.375-620 was to encourage the construction and operation of salmon hatcheries by the private sector and to do so with no more restriction and bureaucratic red tape than is reasonably required.

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The language added to AS 16.10.440(a) clarifies that the Board of Fisheries may adopt regulations relating to the harvest of the fish by hatchery operators at the specifically designated locations.

The repeal of AS 16.10.440(b) in this bill limits the function of the Board of Fisheries to that specified in AS 16.10.440(a), eliminates any possibility of conflict between the Board of Fisheries and the Department of Commerce in section .470(b) and leaves the permitting authority completely to the Commissioner of the Alaska Department of Fish and Game.

Cordova District Fisheries Union

Headquarters: Box 939, Cordova, Alaska



March 23, 1979

359

Senator Bill Sumner
Chairman, Senate Resource Committee
Pouch V
Juneau, Alaska 99811

Dear Senator Sumner:

We understand that HB 359 passed out of the House and into the Senate on March 22nd. It is somewhat disheartening to be constantly exposed to bills being passed back and forth with only cursory review, and then getting hit between the eyes by laws that have far reaching and dramatic effects.

HB 359 appeared relatively innocent at first reading until we took time for a second review with a pessimistic approach. We are very much concerned with the controversy and problems that could and probably will be created with a portion of Section 1 - Findings and Purpose, and with the exemption of the Alaska Board of Fisheries involvement in the process.

We have reviewed the bill with the ADF&G-FRED Division and the Commercial Fish Division and support the amendments the department has proposed to relieve our fears.

The proposed amendments are as follows:

Section 1 Findings and Purpose (a) (5) ^{Increased involvement of other than Board} Regional user involvement in salmon enhancement planning and production will promote maximum benefit to the users.

(8) Regional Associations comprised of user groups will effectively promote aquaculture development in the State.

Amend Page 2 - Lines 14 and 15 to read as follows:

by hatchery operator. (b) The Board of Fisheries may adopt regulations necessary to implement 400 to 460 ^(less 70) of this chapter, in accordance with the Administrative Procedures Act (AS44.62), relating to etc.

On Page 6 - Line 4 - Delete the whole line that states:
(Sec. 8 AS 16.10.440 (b) is repealed)

We sincerely hope that the Senate will adequately review this bill before it acts on it and amends it to conform with the recommended changes.

Sincerely,

Bob Blake
Bob Blake
Chairman

BB:jmr

cc: To all Members of the Senate

TO: [The Honorable Bill Sumner
Chairman
Senate Resources Committee
Alaska State Senate

DATE: April 2, 1979

FILE NO:

TELEPHONE NO:

FROM: Bob Palmer *BP*
Special Projects Coordinator
Office of the Governor

SUBJECT: Letter of Intent for
House Bill 359 Amended

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IN THE SUPERIOR COURT FOR THE STATE OF ALASKA
FIRST JUDICIAL DISTRICT, AT JUNEAU

WAYNE ALEX, WILLIAM A. THOMAS,)
JR., ED MAKI, JOHN C. MARTIN,)
WARREN S WESTROM, DICK WORKMAN,)
MARK W. WHITE, CARL SINS, BRUCE)
R. GILBERT, FRED CHAMBERS, DOUGLAS)
D. KARNS, HAROLD D. BIELESKI and)
LEO R. ALBECKER, JR.,)

Plaintiffs,)

vs.)

SOUTHERN SOUTHEAST REGIONAL)
AQUACULTURE ASSOCIATION, ET AL.,)

Defendants.)

No. 1JU-78-191 Civil

MEMORANDUM IN SUPPORT OF
MOTION FOR SUMMARY JUDGMENT
OF SOUTHERN SOUTHEAST REGIONAL
AQUACULTURE ASSOCIATION, INC.

February 15, 1979

Douglas Pope
912 West Sixth Avenue
Anchorage, Alaska 99501
(907) 272-6225

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