

ALASKA LEGISLATURE COMMITTEES 1907-1908

1907 SRES SB 370 - SB 401

TOGIAK CITY COUNCIL

P. O. Box 99 • Togiak, Alaska 99678

9748001

April 16, 1979

Patty Beck, Administrative Assistant
Bristol Bay Native Association
P.O. Box 179
Dillingham, Alaska 99576

Dear Ms. Beck:

Thank you for your letter about the gardening project, and the information leaflet that you sent us.

Your letter had been discussed at our council meeting. So I was advised to write to you that we are interested in planting workshop. Also quite a few other people said they would be interested in this gardening project.

In the meantime your efforts in keeping us informed will be appreciated. Thank you.

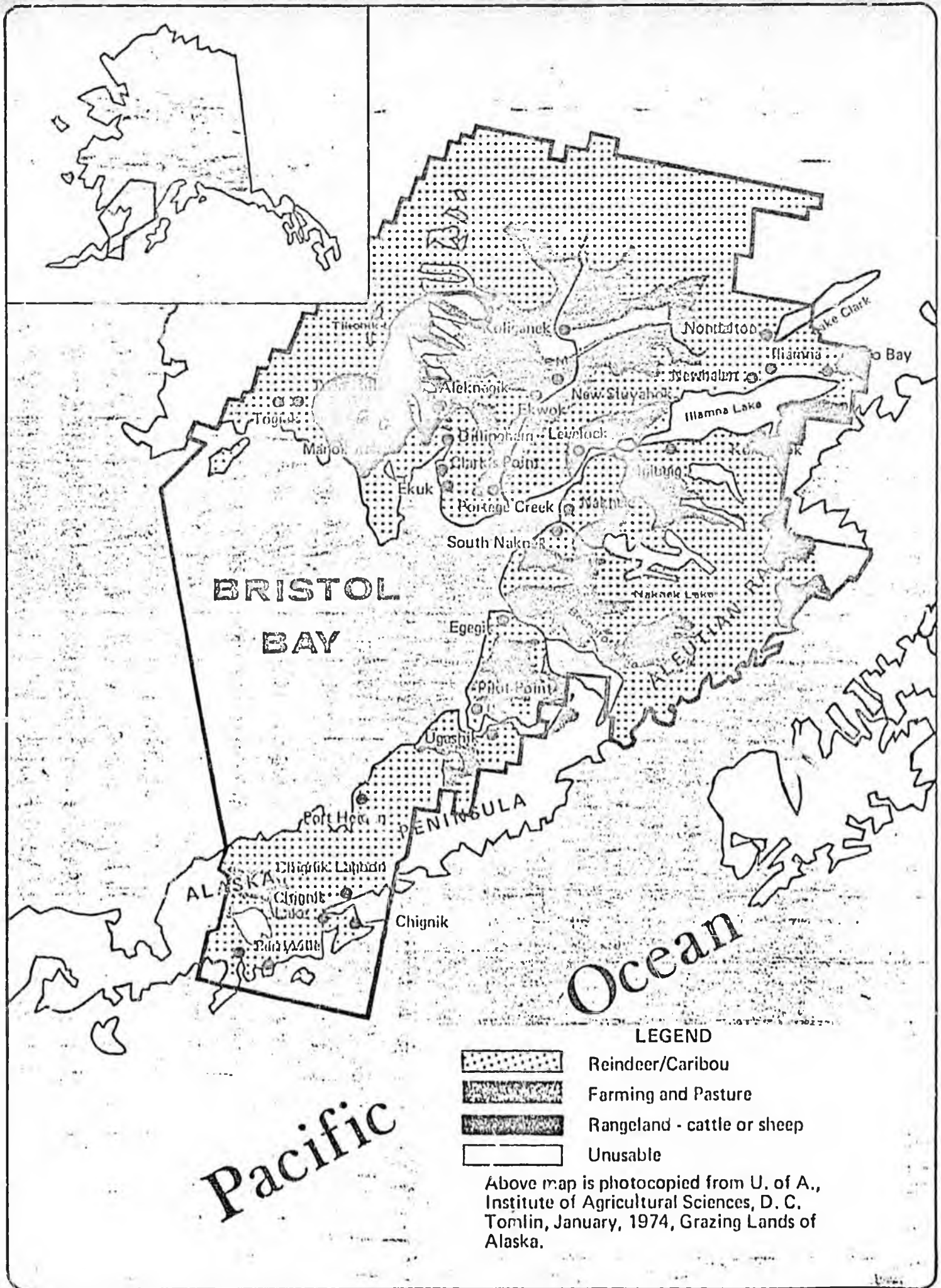
Sincerely,

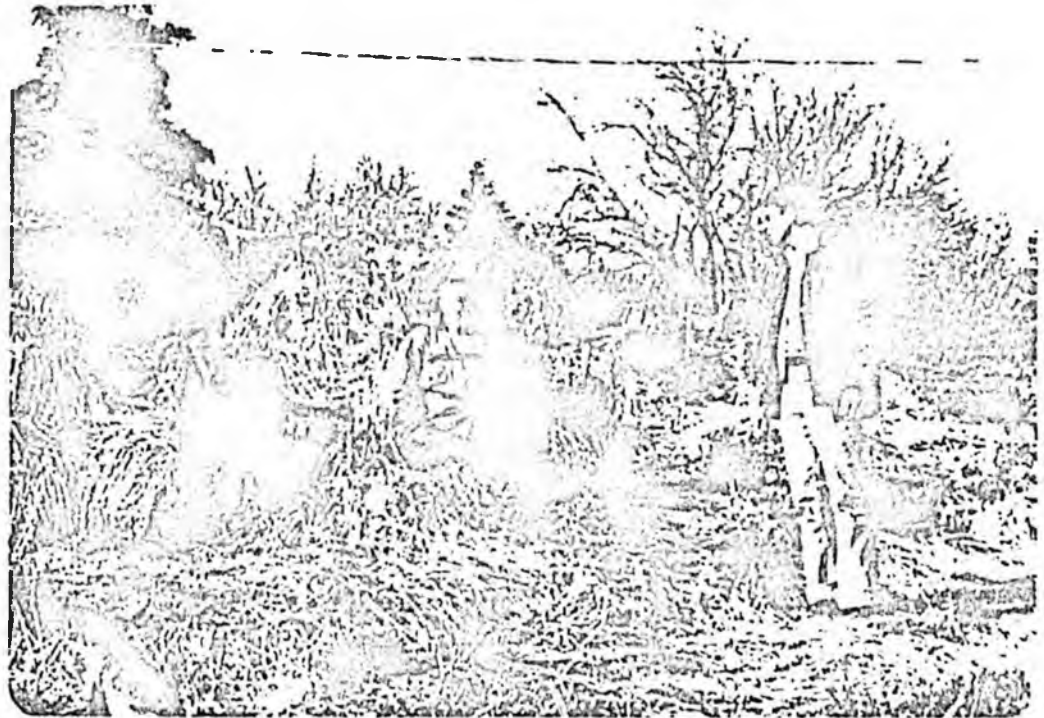
TOGIAK CITY COUNCIL

Andrew Franklin

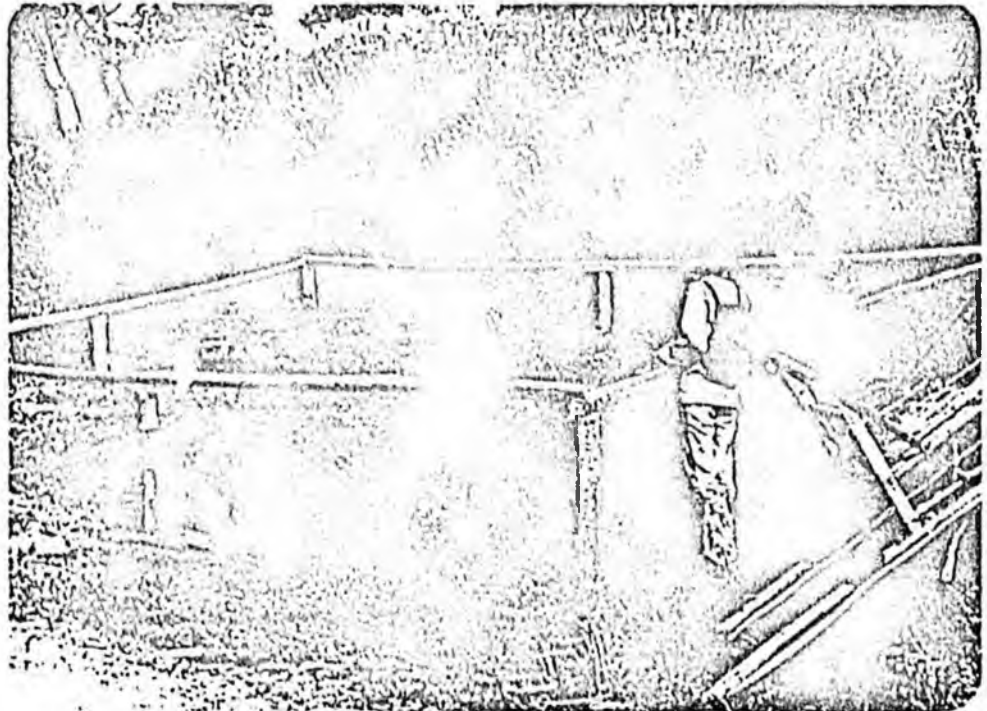
Andrew Franklin
President

AF/nb





Mr. Tony Schuerch of Marston Gardening Project consulting with Mr. Billy Hurley, Sr. of Ekwok before garden is grown.



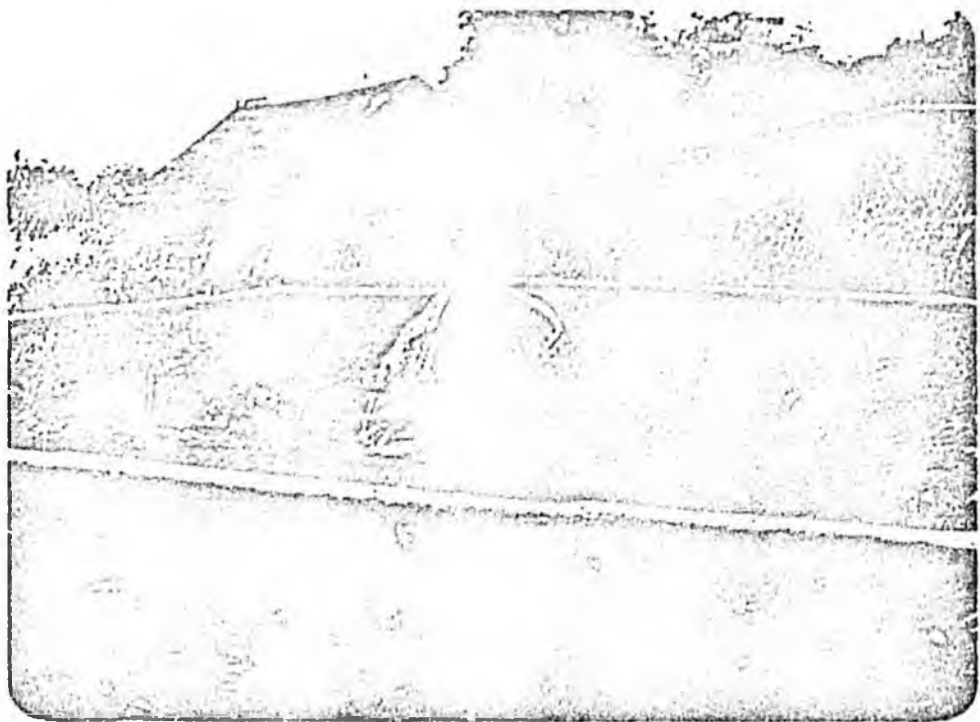
Picture reveals how garden has turned out where Mr. Schuerch consulted with Mr. Hurley.



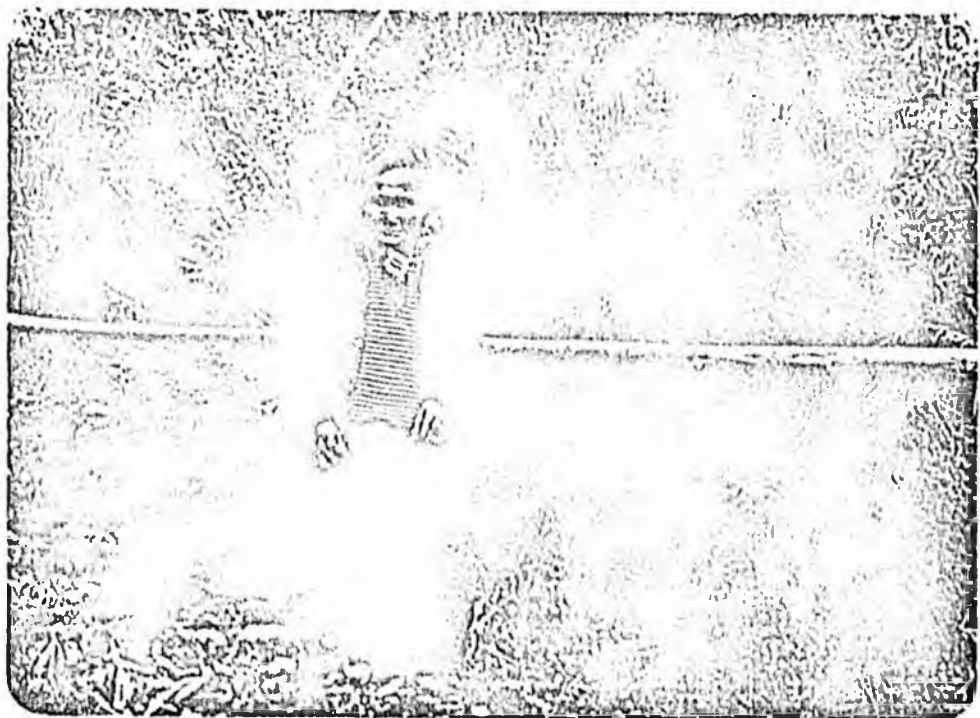
Mr. and Mrs. Billy Hurley of Ekwok show turnips grown in their gardens, along with Patty Beck, formerly of the BBNA who worked closely with the Marston Gardening Project in Bristol Bay.



Mr. Fred Hurley's garden of Ekwok located near the Nushagak River.



Mrs. Fred Hurley's garden in Ekwok.



Mrs. Billy Hurley's garden in Ekwok.

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 370
Title A special appropriation to DC&RA for Bristol Bay Nat've Assoc. Gardening Project.
Requested by Senate Resources Date May 18, 1981

II. FISCAL DETAIL

Agency Affected Department of Community and Regional Affairs
Program Category Affected Development
BRU, Program, or Subprogram(s) Affected Local Government Assistance
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES		-0-				
200 TRAVEL		-0-				
300 CONTRACTUAL		-0-				
400 COMMODITIES		-0-				
500 EQUIPMENT		-0-				
600 LAND & STRUCTURES		-0-				
700 GRANTS, CLAIMS, ETC.		-0-				
TOTAL		-0-				

FUNDING (Thousands of Dollars)

GENERAL FUND		-0-				
FEDERAL FUNDS		-0-				
OTHER (Specify Fund Source)		-0-				

POSITIONS

FULL TIME		-0-				
PART TIME						
TEMPORARY						

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

No administrative costs assuming that existing Department of Community and Regional Affairs Legislative Grant administrative positions remain in Governor's FY 82 budget.

Section 37.05.315(e) requires that all Legislative grants to non-profit organizations be made through a request for proposal process. The department shall contract with the named recipient unless the Office of the Governor, with due regard for any local expertise or experience among those making proposals, determines that an award of the contract to a different party would better serve the public.

IV. DATE May 18, 1981

PREPARED BY McKie Campbell
AGENCY Department of Community & Regional Affairs
PHONE 465-4735

Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)

S

B

3

8 8

COMMITTEE REPORT
SENATE

FURTHER: Finance

4/3/81

Date: _____

Mr. President:

The Committee on RESOURCES has had SB 388

Alaska Commercial Fishing and Agriculture Bank

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) *with individual bills.* same title
 - replace with CS for _____ 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

[Handwritten signature]

[Handwritten signature]

[Handwritten signature]

MEMBERS HAVING
OTHER RECOMMENDATIONS:

[Handwritten signature]

 CHAIRMAN

Alaska State Legislature

BETTYE FAHRENKAMP, CHAIRMAN
VIC FISCHER, VICE-CHAIRMAN
BRAD BRADLEY
DICK ELIASON
DON GILMAN
BOB MULCAHY
ARLISS STURGULEWSKI



POUCH V
STATE CAPITOL
JUNEAU, ALASKA 99811
(907) 465-3634
(907) 465-3835

Senate

Committee on Resources

May 6, 1981
1:30 p.m.

Beltz Room
211 - Capitol

MEMBERS PRESENT

Senator Fahrenkamp
Senator Fischer
Senator Bradley
Senator Mulcahy
Senator Gilman

Hearing:

- SB 388 An Act relating to the Alaska Commercial Fishing and Agriculture Bank
- S k 15 Relating to the gathering and evaluation of comprehensive information about salmon stocks in the Arctic-Yukon-Kuskokwim management area.
- SB 249 An Act relating to fisheries information planning and evaluation.
- SJR 43 Requesting the United States Senate to support continuation of the present fur seal harvest quota.

Rosaleen Moore, Chairman of the Alaska Commercial Fishing and Agriculture Bank, stated that she supported the amendments to SB 388 by the United Fishermen of Alaska.

Pete Argetsinger, General Counsel for CFAB, discussed the issue of auditing CFAB. He stated that the legislative auditors are not bound to keep information confidential, while the banking auditors are covered by very strict federal and state requirements of confidentiality.

Larry Butterfield, Vice President, Spokane Bank of Cooperatives, stated that SB 388 clarifies CFAB's status as a private cooperative, and also, the confidentiality of CFAB's records. He stated that government oversight is necessary to make sure the intent of the original law is being carried out and that the state's investment is protected.

In response to the question, if SB 388 did not pass would you keep loaning CFAB money? Mr. Butterfield, stated that they would keep loaning money to CFAB. He indicated that if CFAB was challenged in court it might be declared a state agency.

Senator Mulcahy put forth the motion to move the amendments to SB 388 by United Fishermen of Alaska.

Senator Mulcahy put forth the following amendments to SB 388: page 4, line 1 delete "may" and insert "shall" in its place; page 4, line 4, between the words "or a" insert "may provide to"; page 5, line 8 starting with the word "However" and delete the sentence to line 11.

Senator Mulcahy put forth the motion to move SB 388 as amended with individual recommendations.

Senator Mulcahy stated that SCR 15 is the result of finding out that alot of information is available in the Departments but there is a need for the gathering and evaluation of comprehensive information about the salmon stocks in the Artic-Yukon-Kuskokwim area.

Senator Mulcahy put forth the motion to move Committee Substitute for SCR 15 with individual recommendations.

Senator Mulcahy stated that SB 249 is the result of finding out that it is not easy to gather fisheries information because it is located in numerous locations. The Division of Commercial Fish spends most of its time on management of the fisheries and preparing for the Board of Fisheries meetings. They do not have enough time or employees to gather and put together the information addressed in the bili.

Senator Mulcahy put forth the motion to move CSSB 249 with individual recommendations.

Senator Mulcahy stated that the fur seals in the Pribilof Islands contribute to the economy and provide a subsistence food base. The United States Senate is proposing to cut the annual harvest down to 7800 fur seal. SJR 43 is directed to the U.S. Senate to encourage them to continue the present fur seal harvest quota.

Senator Fischer put forth the following amendment: on page 1 between lines 10 and 11 insert " WHEREAS a reduction of the annual take of adult male seals would endanger the population stability of the Pribilof fur seal herd;" The manedment was accepted.

Senator Mulcahy put forth the motion to move SJR 43 as amended with individual recommendations.

The Committee adjourned at 2:35 p.m.

Alaska State Legislature

BETTYE FAHRENKAMP, CHAIRMAN
VIC FISCHER, VICE-CHAIRMAN
BRAD BRADLEY
DICK ELIASON
DON GILMAN
BOB MULCAHY
ARLIS STURGULEWSKI



FOUCH V
STATE CAPITOL
JUNEAU, ALASKA 99811
(907) 465-3834
(907) 465-3835

Senate

Committee on Resources

April 27, 1981
1:30 p.m.

Beltz Room
211 - Capitol

MEMBERS PRESENT

Senator Fahrenkamp
Senator Mulcahy
Senator Gilman
Senator Sturgulewski
Senator Eliason
Senator Fischer

HEARING:

- SB 218 An Act relating to the use of waste heat produced by certain pipeline facilities.
- SB 388 An Act relating to the Commercial Fishing and Agriculture Bank.

Senator Mulcahy put forth the motion to bring CSSB 218 before the Committee.

Senator Mulcahy put forth the motion to move CSSB 218 with individual recommendations.

Rosalie Moore, Chairman, Commercial Fishing and Agriculture Bank, stated that SB 388 contains language which clarifies CFAB's status as a private cooperative. If CFAB is not considered a private cooperative it can not leverage money with the Spokane Bank of Cooperatives.

In response to several questions, Ms. Moore stated that the following information will be provided for the Committee's May 4, 1981 hearing of SB 388;

1. Payback schedule and its relation to members shared dividends;
2. Sections of the banking code that should possibly be a portion of the law relating to CFAB;
3. Cost of converting employees from state benefits to private benefits program;
4. A copy of their policy on affirmative action, and;
5. Correspondence between CFAB and the Spokane Bank of Cooperatives.

SENATE RESOURCES COMMITTEE

April 27, 1981

Page: 2

Roger Painter, Executive Director, United Fishermen of Alaska, suggested an amendment to SB 388 that would allow CFAB to use limited entry permits as collateral for vessel and gear loans. He stated that he is supportive of SB 388.

The Committee adjourned at 2:55 p.m.

Alaska State Legislature

1981

SENATOR
ARLISS S. STURGULEWSKI



Senate

2957 SHELDON JACKSON
ANCHORAGE, ALASKA 99504
DISTRICT 10-H

While in Juneau
POUCH V
JUNEAU, ALASKA 99811
(907) 465-3818

COMMITTEES
CHAIRMAN
Legislative Budget & Audit
Community & Regional Affairs
Finance
Resources

MEMORANDUM

TO: Senator Bettye Fahrenkamp
Chairman, Senate Resources Committee

FROM: Senator Arliss Sturgulewski *(AS)*

DATE: May 5, 1981

SUBJECT: Senate Bill 388

I have appreciated the time and attention that you have given my concerns over CFAB's legislation. If it is acceptable to you and the Committee, I would like to suggest the attached as amendments to SB 388.

If my concerns for the protection of the Legislature's oversight of CFAB would delay the Committee's work on this bill, I can raise this issue in Senate Finance.

I have informed your staff that I will not be able to attend the Resources Committee meeting on May 6, 1981. However, I would appreciate your attention to the attached amendments.

Attachments



UNITED FISHERMEN OF ALASKA

MAILING ADDRESS & OFFICE
197 SOUTH FRANKLIN ST
JUNEAU, ALASKA 99801
907 586 2020

Rodger Painter
Executive Director

Proposed Amendment to Senate Bill 388 (An Act relating to the Commercial Fishing and Agriculture Bank; and providing for an effective date.)

Insert on line 2, page 6:

*Sec. 8. AS 44.81.210 POWERS OF THE BANK. (a)

(22) use Alaska limited entry permits as security for loans under (1) of this section for the repair, restoration or upgrading of existing vessels and gear, for the purchase of entry permits and gear, and for the construction and purchase of vessels. The provisions of AS 44.81.230-250 apply to Alaska limited entry permits pledged as security for loans in accordance with this section.

*Sec. 9. AS 44.81.080, 44.81.120, 44.81.130, 44.81.140, 44.81.150, 44.81.170, 44.81.180, and 44.81.220 are repealed.

*Sec. 10. This Act takes effect immediately in accordance with AS 01.10.070 (c).

10 * Section ~~3~~. AS 44.81 is amended by adding a new section to read:

11 Sec. 44.81.195. CONFIDENTIALITY. (a) Information in the posses-
12 sion of the bank which concerns the particulars of the business or
13 affairs of a borrower of the bank or another person is not a matter of
14 public record and shall be kept confidential by the bank.

15 (b) An independent outside auditor who conducts an audit of the
16 bank may not release information made confidential under (a) of this
17 section to the public.

18 (c) Information made confidential under (a) of this section which
19 is obtained by the audit division of the Legislative Budget and Audit
20 Committee during an audit of the bank may not be released to the
21 public.

22 (d) Nothing in (a) - (c) of this section prohibits

23 (1) the publication of statistics or reports presenting
24 information in a manner that prevents the identification of particular
25 individuals; or

26 (2) the release to law enforcement officials of information
27 relevant to a criminal investigation or prosecution upon issuance of a
28 subpoena by the superior court.

AMENDMENTS TO SB 388

page 1, line 28 --omit "Employees.....line 29 "

page 2, line 1 --omit

page 2, lines 3-8 --omit Sec. 3 (This material is better left to by-laws)

page 2, line 20--after "system" insert "so long as the bank performs its public purpose, follows generally accepted bank accounting principles, and demonstrates intention to return the state's investment."

page 3, line 8-- after "loan" insert "and investment"

page 3, line 12, after "public" add ", or is directed to provide by the legislature."

page 3, line 26-- delete "Examiners and other authorized representatives of the line 27--commissioner of commerce and economic development " and replace with: "Independent auditors and auditors of the Division of Legislative Audit"

page 4, line 1-- replace "may" with "shall"

page 4, line 4-- after "agency," insert "and may supply such information to"

page 4, line 20-29 omit

page 5, line 1-3 omit

page 5, lines 22-25 omit

page 4, after line 19 insert:

(7) Notwithstanding the provisions of 1-6 of this section, nothing precludes the ability of Legislative Audit Division to audit the records of the bank.

ADD new section, attached

page 6, line 3, delete "44.81.220

ADD AS 44.81.220 is amended to read: Upon the repurchase of all the nonvoting, preferred shares initially issued by the bank and purchased by agencies of the state, the provisions of this chapter lapse and the bank may proceed to operate solely as a private cooperative corporation under the terms of its bylaws and subject to the provisions of AS 10.15.010 (.050) --10.15.600.

Spokane Bank for Cooperatives

Farm Credit Banks Building
West 705 First Avenue
P. O. Box TAF-C2
Spokane, Washington 99220
Telephone: (509) 456-7340



May 1, 1981

Mr. Frank Homan
Alaska Commercial Fishing and
Agriculture Bank
326 Fourth Street
Room 1104
Juneau, Alaska 99801

Dear Mr. Homan:

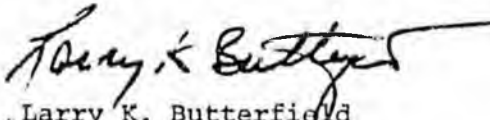
In response to your request, we asked our attorney to draft an opinion regarding the eligibility of the Alaska Commercial Fishing and Agriculture Bank (CFAB) to borrow from the Spokane Bank for Cooperatives if CFAB becomes an agency of the State of Alaska. A copy of his opinion is attached.

The Bank's attorney is charged with the responsibility for determining the eligibility of all cooperatives that apply for loans from the Bank. It is his opinion that CFAB would not be eligible to borrow from the Bank if CFAB becomes an agency of the State of Alaska.

An agricultural (or aquatic) cooperative is a business organization owned and controlled by member producers, which operates for the mutual benefit of its members or stockholders, as producers or patrons, on a cost basis after allowing for the expenses of operation and maintenance and any other authorized deductions for expansion and necessary reserves (see attached definition from Legal Phases of Farmer Cooperatives). The critical phrase in this definition is that a cooperative is owned and controlled by its member producers. If CFAB becomes a State Agency, it will not be owned and controlled by its members, and therefore will not be eligible to borrow from the Spokane Bank for Cooperatives.

If you have any questions regarding this issue, we would be pleased to respond to them.

Sincerely,


Larry K. Butterfield
Vice President

Enclosures




SPOKANE BANK FOR COOPERATIVES

MEMORANDUM

DATE: 4/30/81
M-3125

TO: Larry K. Butterfield, Vice President

FROM: Harve H. Phipps, Jr., General Counsel 

SUBJECT: Eligibility of CFAB for Borrowing from Spokane Bank for Cooperatives if CFAB Becomes an Agency of the State of Alaska

The lending powers of Banks for Cooperatives are provided by Federal statute, (12 U.S.C. § 2128 (1971)). Only eligible cooperatives can borrow from the Banks. Eligibility is defined by 12 U.S.C. § 2129 (1971). Copies of both statutes are attached for your reference.

CFAB's present status is that of a state instrumentality authorized by Alaska statutes, (Alaska Stat. §§48.81.010 - .350), providing for its incorporation under the provisions of Alaska Stat. §§10.15.340 - .355.

Based on CFAB's Articles of Incorporation and Bylaws and on its method of operation, I have determined it eligible to borrow from the Bank. A copy of my opinion is attached for reference.

CFAB's status would be substantially altered if it became an agency of the State of Alaska, or if an agency were formed to provide the same lending program in which CFAB is engaged.

CFAB, as an agency or any other State agency, would be a department or an administrative unit of the State of Alaska. Controls and regulations under which such an entity would operate would be part of the legislative authority under which the agency was established. The agency would be governed by the State of Alaska rather than by its membership of farmers and fishermen.

The agency would be the same as other agencies established by the State of Alaska to provide lending services for various classes of its citizens. The agency's services would fall into similar categories of Federal agencies, such as FHA, FmHA, REA, or SBA.

met, voting stock may also be retired at fair book value not exceeding par, on call or on such revolving basis as the board may determine with approval of the Farm Credit Administration with due regard for its total capital needs: *Provided, however,* That all equities in the district banks issued or allocated with respect to 1971 and prior years shall be retired on a revolving basis according to the year of issue with the oldest outstanding equities being first retired. Equities issued for subsequent years shall not be called or retired until equities described in the preceding sentence of this proviso have been retired.

Pub.L. 92-181, Title III, § 3.5, Dec. 10, 1971, 85 Stat. 604.

Historical Note

Legislative History. For legislative 1971 U.S.Code Cong. and Adm.News. p. history and purpose of Pub.L. 92-181, see 2091.

§ 2127. Guaranty fund subscriptions in lieu of stock

If any cooperative association is not authorized under the laws of the State in which it is organized to take and hold stock in a bank for cooperatives, the bank shall, in lieu of any requirement for stock purchase, require the association to pay into or have on deposit in a guaranty fund, or the bank may retain out of the amount of the loan and credit to the guaranty fund account of the borrower, a sum equal to the amount of stock which the association would otherwise be required to own. Each reference to stock of the banks for cooperatives in this chapter shall include such guaranty fund equivalents. The holder of the guaranty fund equivalent and the bank shall each be entitled to the same rights and obligations with respect thereto as the rights and obligations associated with the class or classes of stock involved.

Pub.L. 92-181, Title III, § 3.6, Dec. 10, 1971, 85 Stat. 604.

Historical Note

Legislative History. For legislative 1971 U.S.Code Cong. and Adm.News. p. history and purpose of Pub.L. 92-181, see 2091.

§ 2128. Lending powers

The banks for cooperatives are authorized to make loans and commitments to eligible cooperative associations and to extend to them other technical and financial assistance, including but not limited to discounting notes and other obligations, guarantees, collateral custody, or participation with other banks for cooperatives and commercial banks or other financial institutions in loans to eligible cooperatives, under such terms and conditions as may be determined to be feasible by the board of directors of each bank for cooperatives under regulations of the Farm Credit Administration. Such regulations may include provisions for avoiding duplication between

air book value not exceed-
 as the board may deter-
 ministration with due re-
however, That all equities
 with respect to 1971 and
 g basis according to the
 equities being first retired.
 not be called or retired
 sentence of this proviso

5 Stat. 604.

de Cong. and Adm. News, p.

in lieu of stock

ized under the laws of
 and held stock in a bank
 ny requirement for stock
 o or have on deposit in a
 f the amount of the loan
 of the borrower, a sum
 ociation would otherwise
 k of the banks for coop-
 guaranty fund equiva-
 quivalent and the bank
 and obligations with re-
 associated with the class

Stat. 604.

de Cong. and Adm. News, p.

to make loans and com-
 s and to extend to them
 udg but not limited to
 arantees, collateral cus-
 cooperatives and com-
 in loans to eligible co-
 s as may be determined
 each bank for coopera-
 Administration. Such
 ing duplication between

the Central Bank and district banks for cooperatives. Each bank may own and lease, or lease with option to purchase, to stockholders eligible to borrow from the bank equipment needed in the operations of the stockholder.

Pub.L. 92-181, Title III, § 3.7, Dec. 10, 1971, 85 Stat. 605.

Historical Note

Legislative History. For legislative 1971 U.S. Code Cong. and Adm. News, p. history and purpose of Pub.L. 92-181, see 2091.

§ 2129. Eligibility

Any association of farmers, producers, or harvesters of aquatic products, or any federation of such associations, which is operated on a cooperative basis, and has the powers for processing, preparing for market, handling, or marketing farm or aquatic products; or for purchasing, testing, grading, processing, distributing, or furnishing farm or aquatic supplies or furnishing farm business services or services to eligible cooperatives and conforms to either of the two following requirements:

(a) no member of the association is allowed more than one vote because of the amount of stock or membership capital he may own therein; or

(b) does not pay dividends on stock or membership capital in excess of such per centum per annum as may be approved under regulations of the Farm Credit Administration; and in any case

(c) does not deal in farm products or aquatic products, or products processed therefrom, farm or aquatic supplies, or farm business services with or for nonmembers in an amount greater in value than the total amount of such business transacted by it with or for members, excluding from the total of member and nonmember business transactions with the United States or any agency or instrumentality thereof or services or supplies furnished as a public utility; and

(d) a percentage of the voting control of the association not less than 80 per centum (70 per centum in the case of rural electric, telephone, and public utility cooperatives), or such higher percentage as established by the district board is held by farmers, producers or harvesters of aquatic products, or eligible cooperative associations as defined herein;

shall be eligible to borrow from a bank for cooperatives.

Pub.L. 92-181, Title III, § 3.8, Dec. 10, 1971, 85 Stat. 605; Pub.L. 94-184, § 1(a), Dec. 31, 1975, 89 Stat. 1060.

BCBS MMS
-r)

SPOKANE BANK FOR COOPERATIVES

MEMORANDUM

DATE: November 9, 1979
M-2970

TO: File

FROM: Harve H. Phipps, Jr., General Counsel

SUBJ: ELIGIBILITY OF ALASKA COMMERCIAL FISHING AND AGRICULTURE BANK (ACFAB)

On March 27, 1978, I reviewed Alaska House Bill No. 703 which proposed legislation to establish a Commercial Fishing and Agriculture Cooperative Development Bank. Based on the proposed legislation, it was my preliminary opinion that the cooperative bank would be eligible to borrow from the BC. A copy of my opinion of March 28, 1978 is attached for reference.

The legislation was enacted into law as Chapter No. 159, Laws of Alaska for 1978. Under this law, the lending power of the bank was expanded to include processors and marketers. Section 44.55.210(1), which sets out the bank's lending authority, now reads as follows:

"Sec. 44.55.210. POWERS OF THE BANK. The bank may

(1) make variable rate or fixed rate loans to individuals who are residents and who are engaged in commercial agriculture or fishing, including harvesters, processors and marketers, or to corporations, partnerships, or joint ventures primarily engaged in commercial agriculture or fishing, the majority interest of which is beneficially owned by residents of the state and a majority of the owners of which are residents of the state, if the recipient of the loan is a shareholder of the bank; however, the bank may make a loan under this paragraph to a corporation, partnership, or joint venture for the purchase of a new or existing fishing vessel or for the repair or renovation of an existing fishing vessel, the primary purpose of which is to commercially harvest fishery resources, only if the corporation, partnership, or joint venture is wholly owned and controlled by residents of the state and if the recipient of the loan is a shareholder of the bank;"

ACFAB has been incorporated as a cooperative bank under the provisions of AS 10.15.005-600, Alaska Cooperative Corporation Act. Copies of the bank's Articles and Bylaws are attached for reference.

ACFAB provides for its members a business service which is eligible for BC financing (i.e., the lending of money to farmers and fishermen). It also qualifies on other BC eligibility requirements.

1. Members have one vote each (Article IV, Section 2).
2. Dividends are restricted to ten percent (Article IV, Sections 2 and 3).

3. All business is membership business (Article III, Section 2).

The requirement which will have to be monitored is voting control. Under current FCA regulations, processors and marketers are not eligible individual or noncooperative, corporate borrowers, and would be considered "other members" under the bank's current eligibility regulation. I understand that it is anticipated over 80 percent of the members will be commercial fishermen.

The question has been raised as to whether loans made by ACFAB to processors and marketers are primary functions of the association and within the scope of financing which the BC can provide under FCA Regulation 3120, which reads as follows:

"Scope of financing. A bank for cooperatives may make loans to meet any credit need which will enable a cooperative to perform those functional powers prescribed in Section 3070 through 3100 which will benefit its members. A bank may also make loans, to a cooperative otherwise eligible to borrow, for purposes not directly related to such primary functions or powers, so long as a finding is made that the amount to be loaned is reasonably modest in relation to the total credit provided and such business purpose(s) will enhance the well-being of the members and patrons."

In my opinion, the answer would be in the affirmative as processing and marketing are activities which will benefit the members as a whole rather than only the processors and marketers themselves.

Loans to cooperative financing institutions which would be used for purposes outside the scope of financing requirements of FCA Regulation 3120 are necessarily outside the bank's lending authority. However, I do not think this is the case where ACFAB is performing its primary function as a cooperative bank even though this function includes lending to members who would not be eligible for direct loans from a Farm Credit institution.

In my opinion, ACFAB would be an eligible borrower from the BC as long as the appropriate ratio of farmer-and-fisherman voting control is maintained. As stated in my opinion of March 27, 1978, FCA Regulation 6050 will have to be complied with if a loan is made to ACFAB.

Legal Phases of Farmer Cooperatives

**FARMER COOPERATIVE SERVICE
U. S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C.**

FCS Bulletin 10

January 1958

Legal Phases of Farmer Cooperatives

AGRICULTURAL cooperation is a method of doing business. An agricultural cooperative is a business organization, usually incorporated, owned and controlled by member agricultural producers, which operates for the mutual benefit of its members or stockholders, as producers or patrons, on a cost basis after allowing for the expenses of operation and maintenance and any other authorized deductions for expansion and necessary reserves.¹

The principle of doing business on a "cost basis" involves these concepts: (1) that the contract between a properly organized cooperative and its patrons vests the excess between its receipts and expenditures during an accounting period in its patrons, and (2) that, accordingly, a cooperative, as a legal entity, cannot have entrepreneur profit as respects any excess which is covered by such contract. This is in contrast to the status of this excess in the usual business corporation. There it is subject to the control of management as to its disposition *after* it has accrued, and hence is clearly a profit to the corporation. Accordingly, the present tendency in cooperative circles is not to use the term "profit" to describe this excess in a cooperative, but to use such terms as "net margins" or "net savings." Although a conscious effort has been made to recognize this trend in terminology in this revision, it was also necessary to accept the fact that many courts and writers have not recognized this distinction. Accordingly, the reader will find frequent use of the word "profit" in quoted material, or even in the text where that was considered necessary to present properly a court's holding in a particular case.

It should be kept in mind that a marketing or farm supply association of farmers is a capitalistic business organization for the financial advantage of its member-patrons. Few, if any, associations would be formed if it were not believed that they would operate to the financial advantage of their members. Associations are formed for the same reasons as other business enterprises. In a cooperative, however, the financial benefits accrue to the patrons, while in the usual commercial enterprise they accrue to those who have invested their money in the business.

It should not be assumed that it is unnecessary for a cooperative to have money, although the amount of money necessary for a given association depends upon the character of its business and the scope of its plans. Working capital and adequate financial resources are as essential for a cooperative as they are for any other commercial concern.²

In respect to a cooperative, producers may be shareholders or members, patrons, or investors. The patron relationship may create the legal relationships of creditor or debtor.

¹ Evans, Frank, and Stokdyk, E. A. *THE LAW OF AGRICULTURAL COOPERATIVE MARKETING*. 648 pp. Rochester, N. Y. 1937. See p. 3; Packel, Israel. *THE LAW OF THE ORGANIZATION AND OPERATION OF COOPERATIVES*. 307 pp. Albany, N. Y. 1940. See p. 3.

² Evans and Stokdyk, *supra* n. 1, at 163.

SUMMARY OF A BILL CONCERNING THE
ALASKA COMMERCIAL FISHING AND AGRICULTURE BANK
AND RELATING TO THE RELATIONSHIP OF THE BANK WITH THE STATE

By Frank Homan, Member, Board of Directors

The Bill now before the Legislature as SB 388, is designed to make clear what many believe to be the intent of the original drafters of the legislation which created the Alaska Commercial Fishing and Agriculture Bank ("CFAB") i.e., that CFAB was intended to exist as a private, cooperative corporation while filling a crucial need of the State in making capital available to commercial fishermen and farmers, thereby assisting with the development of fishing and agriculture in the state.

Unfortunately, the founders of CFAB apparently also hoped to create an entity with the ability to raise capital by issuing tax-exempt bonds. Thus, they include many features in what is now AS 44.81 which are common and essential to legislative acts which create authorities of the State which are designed to raise capital in the tax-exempt market. Among such authorities in Alaska are the Alaska Industrial Development Authority, Alaska Municipal Bond Bank, the Alaska Housing Finance Corporation and the Alaska Power Authority. The effect of such "bonding" language has been confusion as to the status of CFAB. Is it an instrumentality of the State or a private cooperative institution? Recent events indicate that the distinction should now be made clear.

In any event, the State has never had the form of control over CFAB so that CFAB could be considered a "constituted

authority" as required by Section 103 of the Internal Revenue Code and the Treasury Regulations thereunder for the issuance of tax-exempt bonds. Little is, therefore, lost by removal of the language in AS 44.81 intended to assist the sale of CFAB bonds. This Bill, of course, retains all of CFAB's ability to raise capital by contracting other types of debt.

A section by section summary of the proposed legislation follows:

Section 1 of the Bill makes it clear that CFAB serves a public purpose (filling an unmet need in the state by providing capital to commercial fishermen and farmers so that Alaska's fishing and agriculture industries may develop), while removing language from AS 44.81.010(a) which seems to indicate that CFAB is some kind of an instrumentality of the State. Language added to AS 44.81.010(a) also makes it clear that CFAB is not engaged in "banking" as contemplated by the Alaska Banking Code, as it seems clear that the Legislature intended that CFAB serve a different function than that of the commercial banks in the state. Regulation under the Alaska Banking Code would be inappropriate.

Section 2 clarifies the status of employees of CFAB. They are not employees of the State, but it does seem desirable, as with employees of many political subdivisions of the State, that CFAB employees be allowed to avail themselves of membership in the Public Employees Retirement System and the supplementary employee benefits on withdrawal from social security (to the extent that they may be eligible for the latter program).

Section 3 makes certain that members of the CFAB Board of Directors continue to be eligible for per diem and travel allowances.

Section 4 of the Bill amends AS 44.81.160, Pledge of the State, by removing a number of references to bonds and holders of bonds, while retaining the State's pledge to other creditors of CFAB that it will not take an action which might be considered to jeopardize the terms of a CFAB contract with that creditor.

Section 5 of the proposed Bill contains two housekeeping matters which are not necessarily connected with the purposes of the other amendments proposed in the Bill. The first of these is a change in terminology from "shareholders" to "members" which was overlooked in legislation passed by the Second Session of the Eleventh legislature. The second change is an attempt to clarify the information which the Legislature expects will be contained in the annual report of CFAB. This change has been suggested by, among others, CFAB's independent outside auditors and as proposed uses language more appropriate to CFAB's activities.

Section 6 provides for confidentiality of CFAB's records while allowing for necessary disclosures to various agencies and government groups. It also provides for an audit of CFAB by the bank examiners. This is designed to provide for audit oversight at the State level.

Section 7 adds legislative findings necessary to establish
incident and legislative history.

Section 8 repeals the several sections listed below:

AS 44.81.080 which classified CFAB employees in the
exempt service.

AS 44.81.120, AS 44.81.130, AS 44.81.140, AS 44.81.150
which detailed the sale of tax-exempt bonds.

AS 44.81.170, AS 44.81.180 which classified CFAB as exempt
from taxation and allows state agencies to purchase CFAB
bonds.

AS 44.81.220 which provided that after repayment to the
State CFAB would revert to the cooperative statutes. Re-
moval of that will allow CFAB to continue to operate under
this statute.



2550 Denali Street, Suite 17
P.O. Box 4-2070
Anchorage, Alaska 99509
(907) 276-2007
SRA 90-B
Homer, Alaska 99603
(907) 235-8234

236
Roseleen "Snooks" Moore
Chairman

April 30, 1981

Honorable Bettye Fahrenkamp
Chairman
Senate Resources Committee
Pouch V
Juneau, Alaska 99811

Dear Senator Fahrenkamp:

In an effort to provide additional information pertaining to the various questions raised by members of the Senate Resources Committee, I submit the following:

Allocation of Income

Attached is a copy of Mr. Anderson's correspondence of March 23, 1981 explaining CFAB's decision to declare a qualified written notice of allocation. We have also included information provided the Board of Directors by the Bank's accountants explaining the available options.

Affirmative Action Program

Alaska Commercial Fishing and Agriculture Bank has not adopted a formal affirmative action program as we have been advised by counsel that a review of the regulations indicates that our cooperative does not require a formal, predefined program. The Board of Directors and Management of CFAB are very concerned about equal employment opportunity and make every effort to hire the most qualified applicant; and to that end published the attached Equal Employment Opportunity statement in March, 1980.

Loans to CFAB Directors

As a part of the normal operation of a cooperative, elected members of the board of directors must be borrowers from the cooperative. There was initial concern expressed by the Directors of CFAB that loan requests submitted by Board members should receive the same scrutiny as applications from non-board members and, therefore, established the internal operating policy that requires that all appli-

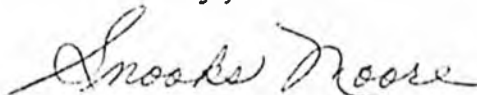
cations received from Board members must be submitted to the Spokane Bank for Cooperatives for their independent evaluation and approval prior to CFAB's funding.

Current Activity Report

We are including a current activity report in an effort to bring you up-to-date on our progress in providing loan funds to our members.

I trust that the foregoing information and attachments will help to answer your concerns.

Sincerely,



Roseleen (Snooks) Moore
Chairman

sd

Attachments

March 23, 1981

Re Dividend Payments to CFAB Members

The Commercial Fishing and Agriculture Bank has declared patronage dividends to its members for fiscal 1980. It is the stated intent of the Board of Directors of CFAB to retain the maximum level of earnings for use to retire the State's investment in the cooperative. Declaration of patronage dividends and the payment of 20 percent of those dividends in cash will result in a \$7,600 savings to CFAB.

Under Federal tax law, a cooperative may escape Federal taxation on its earnings to the extent that it issues qualified patronage dividends to its members. To be qualified, 20 percent of the dividend must be in cash. The remaining 80 percent can be retained by the cooperative.

During 1980, CFAB returned a profit of \$198,000, which called for a Federal tax of \$35,000. By declaring \$120,000 in qualified patronage dividends, that tax is reduced to \$3,400 and \$24,000 is distributed to members. CFAB's outlay is reduced from \$35,000 to \$27,400 and our members receive \$24,000 that would have otherwise gone to the Federal government.

We wanted you to know of the reasons for and implications of those dividends rather than hear of them "on the street" and feel that CFAB was paying out funds which should have gone toward retirement of the State's stock.

If you have further questions, please feel free to call.

Sincerely,


Gary W. Anderson

sd

ALASKA COMMERCIAL FISHING AND
AGRICULTURE BANK
MEMORANDUM ON THE INCOME TAX
CONSEQUENCES OF PATRONAGE DIVIDENDS

What are Patronage Dividends?

The concept behind cooperative taxation is that the cooperative is organized exclusively for the benefit of its patrons. Any earnings of the cooperative from doing business with its patrons are allocated or paid to the patrons, thus reducing the patrons' cost of doing business with the cooperative.

CFAB's earnings are allocated to its patrons, and CFAB, as all cooperatives, is allowed to reduce its taxable income by the amount of earnings paid or allocated to patrons. These payments or allocations are patronage dividends. The patrons include their share of CFAB earnings paid or allocated as patronage dividends, in their individual tax returns.

Patronage dividends relate solely to earnings from business done with or for patrons. Payments to patrons that do not relate to patronage earnings or, that are not proportional to the quantity or value of business done with patrons are not patronage dividends.

Forms of Payment of Patronage Dividends

Generally, patronage dividends are paid in money or written notices of allocation.

When are Patronage Dividends Deductible by the Cooperative?

Patronage dividends paid in money are deductible currently if paid within the "payment period" (see below).

Patronage dividends paid in the form of written notices of allocation are deductible currently, only if such notices are "Qualified" and issued within the payment period.

A written notice of allocation must meet two tests to be "Qualified": at least 20% of the patronage dividend amount is paid in money and the patron consents to including the balance not paid in money (i.e., the written notice of allocation) in his individual income.

CFAB has already obtained consent of the patrons through its bylaws, therefore, it need only meet the 20% test. For example, if a patronage dividend of \$50 is paid, \$10 in cash and the remaining \$40 in a written notice of allocation, then the written notice of allocation would be "Qualified", and the entire \$50 would be deductible by CFAB and includible in the patron's income. The patron would report no income when CFAB redeems the \$40 qualified written notice of allocation at a later date.

Any written notices of allocation which do not meet the above two tests would be "Non-Qualified." They would be deductible by CFAB and includible in the patrons' income only in the year redeemed.

Payment Period for Patronage Dividends

A cooperative must file a tax return and pay patronage dividends by the 15th day of the ninth month following the close of its taxable year. CFAB's 1980 tax return is due not later than September 15, 1981. It must also issue patronage dividends by September 15, 1981 to be deductible on its 1980 tax return.

Income to Patrons

Patrons must include patronage dividends of money and qualified written notices of allocation in their income for the taxable year in which they are received. A non-qualified written notice of allocation (CFAB did not pay at least 20% of the patronage dividend in money) is included in income the year the patron redeems it.

Tax Advantage of Qualified Written Notices of Allocation

The benefit of issuing patronage dividends using qualified written notices of allocation is that CFAB need only pay 20% of the patronage dividend amount in cash to get a 100% deduction on its tax return. Whenever the income tax rate exceeds 20% it will require less cash to pay the patronage dividends than to pay the income tax. Generally, this will be true for any taxable income in excess of \$50,000, unless investment tax credits are significant.

CFAB earned significant investment tax credits in 1980, and can absorb taxable income in excess of \$50,000, as indicated on the attached schedule. The optimum patronage dividend for 1980 is \$120,000 - \$24,000 in cash and \$96,000 in qualified written notices of allocation. This results in the lowest total cash outlay for patronage dividends and income taxes.

ALASKA COMMERCIAL FISHING AND AGRICULTURE BANK

1981 CASH FLOW ANALYSIS COMBINING

PATRONAGE DIVIDENDS AND INCOME TAX

1980 taxable income before patronage dividends	\$198,000	\$198,000
Patronage dividend deduction	<u>None</u>	<u>120,000</u>
Income subject to tax	<u>\$198,000</u>	<u>\$ 78,000</u>
Tax payable	\$ 35,000	\$ 3,400
Add back 20% cash payment requirement for qualified written notices of allocation	<u>None</u>	<u>24,000</u>
Total cash expenditure	<u>\$ 35,000</u>	<u>\$ 27,400</u>

Alaska State Legislature

SENATOR
ARLISS STURGULEWSKI

COMMITTEES
CHAIRMAN
Legislative Budget & Audit
Community & Regional Affairs
Finance
Resources



Senate

2957 SHELDON JACKSON
ANCHORAGE, ALASKA 99504
DISTRICT 10-II

3 in Juneau
JUCH V
JUNEAU, ALASKA 99811
(907) 465-3818

April 21, 1981

Mr. Gary W. Anderson, President
Alaska Commercial Fishing and
Agriculture Bank
2550 Denali Street, Suite 1201
Anchorage, Alaska 99503

Dear Gary:

Thank you for your letter of March 23 regarding Alaska Commercial Fishing and Agriculture Bank's declaration of patronage dividends. I surely can appreciate your desire to avoid paying taxes and to use what would have been tax funds for purposes closer to home.

I did, however, have a question regarding this action. If I understand the situation, if you had paid the tax, of your \$198,000 profit, you would have had \$163,000 for CFAB purposes. As it is, \$120,000 of the profit was declared a "patronage dividend." I would appreciate learning from you whether there are particular restrictions on the balance of the sum declared as patronage dividends that was not distributed to members? In other words, \$74,600 remains from the profit and \$96,000 remains in the patronage dividend account not distributed to members. Do both these sums of money return to the same pot and can they be used for the same purposes?

This question is prompted by my concern that, if there are restrictions on the patronage dividend amounts, that this method of handling funds may interfere with your stated goals of retiring the state's investment and maximizing funds placed back into CFAB for growth.

I will appreciate hearing from you on this matter.

Sincerely,

A handwritten signature in cursive script that reads "Arliss Sturgulewski".
Arliss Sturgulewski
Senator, District 10-II



2550 Denali Street, Suite 1201
P.O. Box 4-2070
Anchorage, Alaska 99509
(907) 278-4553
In Juneau: (907) 586-2593

April 24, 1981

Senator Arliss Sturgulewski
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Senator Sturgulewski:

Mr. Anderson is out of the office and I felt that your April 21st correspondence deserved an immediate response.

All income earned by a cooperative must be allocated back to the participating members during the current year in one of two forms, either as non-qualified patronage earnings or qualified earnings. The primary difference between the two is the federal income tax treatment. I believe that Gary's letter fully described this area.

Our treatment of earnings does in no way restrict the usage of retained patronage and therefore these monies will be available for growth, as well as, for the repurchase of Class C stock.

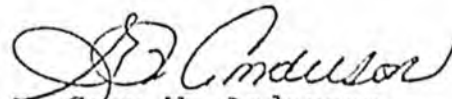
Sincerely,

Galen H. Schmidt
Senior Vice President, Administration

GHS:p1

EQUAL EMPLOYMENT OPPORTUNITY

At ALASKA COMMERCIAL FISHING AND AGRICULTURE BANK, we are committed to the goal of providing equal job opportunity to applicants and employees regardless of their race, religion, national origin, age, sex, creed, handicap, or marital status. Staff members are judged by the work actually performed. Management is charged with the responsibility of providing a work environment where individuals can achieve their full potential within the Bank.


Gary W. Anderson
President

ALASKA COMMERCIAL FISHING AND AGRICULTURE BANK

Activity Report: April 2, 1980 through April 30, 1981

DOLLAR AMOUNT OF LOAN ADVANCES MADE SINCE APRIL 2, 1980:

\$63,535,594

OUTSTANDING APPROVED LOAN COMMITMENTS AS OF APRIL 29, 1981:
(AVAILABLE FOR FUNDING)

<u>Number</u>	<u>Amount</u>
56	\$33,741,013

NUMBER AND TOTAL DOLLAR VALUE OF LOAN APPLICATIONS IN
PROCESS AS OF APRIL 27, 1981:

<u>Number</u>	<u>Amount</u>
114	\$34,601,203

MEMBERSHIP AND STOCK HOLDINGS AS OF APRIL 30, 1981: (DOES
NOT INCLUDE STATE OF ALASKA CLASS C STOCK)

Number of members	178
Number of borrowing members	165
Stock held by current members:	
Class A (Membership Stock)	\$ 16,770
Class B (Participation Stock)	2,489,100

CURRENT LOANS OUTSTANDING AS OF APRIL 30, 1981:

<u>Number</u>	<u>Amount</u>
169	\$27,925,323

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

APR 9 1981

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 388
Title An Act Relating to the Alaska Commercial Fishing and Agriculture Bank
Requested by _____ Date 4/7/81

II. FISCAL DETAIL

Agency Affected Department of Commerce & Economic Development
Program Category Affected Public Protection
BRU, Program, or Subprogram(s) Affected Financial Institutions
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

IV. DATE 4/7/81

PREPARED BY Willis F. Kirkpatrick, Director of Banking
AGENCY Dept. of Commerce & Economic Development
PHONE 465-2521

Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)

S

B

3

9

7

COMMITTEE REPORT

SENATE

Health, Education & Soc. Serv
FURTHER: Finance

4/7/81

Date: _____

Mr. President:

The Committee on RESOURCES has had SB 397
establishing a Fishery Industrial Technology Center

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) same title
- replace with CS for _____ 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:

[Handwritten signatures]

[Handwritten signature]
CHAIRMAN

SENATE AMENDMENT

By RESOURCES COMMITTEE

To: _____ SENATE BILL No. SB 397

To: _____ HOUSE BILL No. _____

PAGE: 3

LINE: 28

Add new line "(6) The Department of Labor;"
re-number following subsections accordingly.

SENATE AMENDMENT

By Resources

To: _____ SENATE BILL No. 397

To: _____ HOUSE BILL No. _____

PAGE: 3

LINE: 28

Add new line-"(6) the Department of Labor;", and re-number following subsections accordingly.

Alaska State Legislature

BETTYE FAHRENKAMP, CHAIRMAN
VIC FISCHER, VICE-CHAIRMAN
BRAD BRADLEY
DICK ELIASON
DON GILMAN
BOB MULCAHY
ARLISS STURGULEWSKI



POUCH V
STATE CAPITOL
JUNEAU, ALASKA 99811
(907) 465-3834
(907) 465-3835

Senate

Committee on Resources

April 20, 1981
3:00 p.m.

Beltz Room
211 - Capitol

MEMBERS PRESENT

Senator Fahrenkamp
Senator Mulcahy
Senator Fischer
Senator Sturgulewski
Senator Gilman
Senator Eliason

HEARING:

- CSHB 237 An Act amending the Alaska Agricultural Loan Act.
- SB 49 An Act relating to limited entry to commercial fisheries.
- SB 397 An Act establishing a Fishery Industrial Technology Center as part of the University of Alaska
- CSSSSB 111 An Act relating to fishing, hunting and trapping license fees and fishing permits.

Senator Mulcahy, stated that SB 49 is an administration bill that was requested by the Limited Entry Commission. The Commission has asked that the time period in which a permit has to be used prior to the Commission initiating revocation proceedings be increased from 2 to 4 years.

Senator Mulcahy put forth the motion to move SB 49 with individual recommendations.

Senator Mulcahy, stated that SB 397 is the result of the recommendation by the University of Alaska. The University has been examining technological aspects of the fishing industry.

Senator Mulcahy put forth the motion to move SB 397 with individual recommendations.

SENATE RESOURCES COMMITTEE

April 20, 1981

Page: 2

The motion was made to hold CSHB 237 and CSSSSB 111 until the Committee's April 22, 1981 meeting.

The Committee adjourned at 3:30 p.m.



Alaska State Legislature

Senate

JUNEAU, ALASKA

RESOURCES SUBCOMMITTEE ON FISHERIES

SECTIONAL ANALYSIS OF SB 397

Sec. 1: This section details findings of the legislature.

Sec. 2:

Sec. 16.12.010 establishes the Fishery Industrial Technology Center as part of the University of Alaska.

Sec. 16.12.020 gives the duties of the center. The purpose is to create employment opportunities and other benefits to the state.

Sec. 16.12.030 establishes the Fishery Industrial Technology Center Policy Council. This policy council is made up of 11 people appointed by the president of the U. of A. The council is composed of 4 people from the processing industry, 4 people from the fishing industry, and 3 people from the general public.

Sec. 16.12.040 locates the principal activities of the center in Kodiak, and gives the Board of Regents authority to establish other offices in other areas of the state.

Sec. 16.12.050 requires an annual report to the legislature including a description of the work done during the year, training sessions, and any other information the Board of Regents feels will describe the activities done.

Sec. 16.12.060 requires that in the development of its programs, the center shall consult with the following agencies:

1. Department of Fish and Game
2. the Council on Science and Technology
3. ARRC
4. Div. of Economic Development, Dept. of Commerce
5. Department of Education
6. Department of Natural Resources
7. Alaska Fisheries Development Foundation
8. Alaska Seafood Marketing Institute
9. North Pacific Fisheries Management Council
10. National Marine Fisheries Service

Sec. 16.12.070 gives definitions used in this Act.

Sec. 3: This section gives an effective date of immediately.



Alaska State Legislature

Senate

RESOURCES SUBCOMMITTEE ON FISHERIES

JUNEAU, ALASKA

April 15, 1981

TO: Senator Bettye Fahrenkamp, Chairman
Senate Resources Committee

FROM: Senate Resources Subcommittee on Fisheries

SUBJ: SB 397 "An Act establishing a Fishery Industrial Technology Center as part of the University of Alaska; and providing for an effective date."

The subcommittee has taken testimony and reports SB 397 back to the committee as a whole with the following recommendations.

Members		Recommendation
Senator Mulcahy	<i>B. Mulcahy</i>	<i>Do Pass</i>
Senator Eliason	<i>D. Eliason</i>	<i>Do Pass</i>
Senator Gilman	<i>Jim Gilman</i>	<i>Do Pass</i>



Alaska State Legislature

Senate

RESOURCES SUBCOMMITTEE ON FISHERIES

JUNEAU, ALASKA

April 15, 1981

Senate Resources Subcommittee on Fisheries meeting

The meeting was called to order by Chairman Mulcahy at 3:03 PM. All members of the committee were present.

First on the agenda was SB 49 "An Act relating to Limited Entry".

Commissioner John Williams, of the Commercial Fisheries Entry Commission, testified on SB 49. Commissioner Williams explained the bill to the committee.

SB 49 was moved with individual recommendations.

Next on the agenda was SB 397 "An Act creating a Fishery Industrial Center".

Don Rosenberg, Director of the Office of Fisheries and Alaska Sea Grant for the University of Alaska, testifies on SB 397. Mr. Rosenberg explained the bill, and the method in which the program would be set up.

SB 397 was moved with individual recommendations.

Next on the agenda was SSSB 111 "An Act relating to fishing hunting, trapping license fees".

Senator Eliason briefly explained SSSB 111.

Louis Bandirola, Deputy Director of the Division of Sport Fish of the Department of Fish and Game, testifies on SSSB 111.

SSSB 111 was moved with individual recommendations.

The meeting was adjourned by Chairman Mulcahy at 4:05 PM.



University of Alaska

OFFICE FOR FISHERIES

February 24, 1981

Dear Bob:

Below are the actual tasks to be undertaken and our cost estimate for the initial phase of the establishment of the Fishing Industrial Technology Center.

Tasks

1. Establish the Fishery Industrial Technology Center Policy Council.
2. Through the Policy Council determine the initial training and research and development projects to be undertaken by the center during the first phase.
3. Through the Policy Council, and with the assistance of consultants, identify the facilities and plans which will be needed to support the programs under the first phase.
4. Identify the overall programs and facilities needs for the additional implementation phases of the Center.
5. Identify and begin cost benefit analyses on special facilities such as a training vessel and flume tank.
6. Enter into cooperative agreements between other agencies and organizations which could use the facilities or assist in supporting the Center's program.

Honorable Bob Mulcahy

-2-

February 24, 1981

Costs

Salaries, wages and benefits (1.75 FTE) ¹	\$ 80,000
Policy Council Honorarium ²	17,000
Policy Council travel and per diem	20,000
Administrative travel	10,000
Contractual services	67,000
Other (telephone, copying, etc.)	5,000
Supplies	1,000
	<hr/>
	\$200,000

¹ Fisheries Consultant (0.75 FTE) 55,000
Secretarial (1.0 FTE) 25,000

² \$200/day/council member for 11 members for three or four, 2-3 day meetings.

If you have any questions, please do not hesitate to call.

Sincerely,



for: Don Rosenberg

The Honorable Bob Mulcahy
Alaska State Senate
Pouch V, State Capitol
Juneau, Alaska 99811

cc: Fred Zharoff

DR:MH:mm

A TRAINING AND TECHNOLOGY CENTER FOR
ALASKA'S FISHING INDUSTRY

Alaska Sea Grant College
University of Alaska

February 1981

ACKNOWLEDGEMENT...

This brochure describes a concept for a Center to carry out training and research and development in support of the development of Alaska's fishing industry. The program and facilities described herein result from a fisheries planning effort developed for the University of Alaska under sponsorship of the Department of Commerce and Economic Development, State of Alaska.

The brochure was prepared and published by the University of Alaska Sea Grant College cooperatively supported by the U.S. Department of Commerce, NOAA, National Sea Grant College Program under Grant Number NA81AA-D-00009 and by the University of Alaska with funds appropriated by the State of Alaska.

THE RESOURCES OFF ALASKA...

The resources off Alaska are bountiful by any standard and fully justify the bravado which usually prefaces the reports, proposals, and brochures which describe Alaska's fisheries and marine resource potentials.

- The Alaska domestic fishery is the richest fishery in the nation.
- \$1.2 billion fishery products landed in 1979 by U. S. fishermen.
- Alaska has over 70 percent of the total United States Continental Shelf.
- \$1.22 billion value of domestic fishing vessels and processing plants in Alaska.
- Over 80 percent of the total foreign catch off the United States is off Alaska.
- The foreign catch off Alaska in 1979 was 3.1 billion pounds, valued at \$1.8 billion.

WHAT DOES THIS MEAN?...

It means that with the enactment of the Magnuson Fishery Conservation and Management Act, the natural evolution of the development of the U.S. fishery from traditional species (such as salmon, crab, and halibut) into new species (such as pollock, cod, sablefish, and flounder) greatly accelerated. It means that the United States fishing industry will have to rapidly become economically and technologically competitive. When compared to other developing industries and to fishery development situations in other countries, it means a concrete need exists for Alaska to establish aggressive training programs coupled with strong research and development programs.

A FISHERIES PLAN...

The State of Alaska has a strong constitutional and moral obligation to be concerned with the rational conservation and management of her natural resources while providing for the sound development of a fisheries industry. The University of Alaska has recognized its responsibility in assisting the state in meeting this obligation by focusing components of its educational and research programs on the problems associated with management and development of Alaska's fisheries resources.

The University has completed a study of the broad categories of the needs of management and industry and has recommended to the President and the Board of Regents a comprehensive block of programs to address these needs head-on. The programs are aimed at two types of problems; resource management, and industrial and technology development.

The recommendations associated with resource management have resulted in a proposed strengthening of the University of Alaska's formal fisheries education and basic research programs. The recommendations on industrial technological development have resulted in proposed strengthening of the University's fisheries extension activities and the building of an applied research capability within the University. The purpose of this publication is to describe the strengthening of industrial technology and development components of the University by establishing a new University unit--a Fishery Industrial Technology Center.

WHY A FISHERY INDUSTRIAL TECHNOLOGY CENTER?...

Why should Alaska invest in a technology center; why not just increase training through existing educational and extension programs to meet the needs of the fishermen?

For the Alaska fishing industry to effectively capture the massive fishery resources off its state, it must use the most advanced technology available adapted to the Alaskan conditions. World fishing and seafood processing has become highly technical and more scientific, and thus fishing and seafood processing have become demanding occupations.

Fishing is more than just seamanship and navigation. Processing is more than just cooking and canning. The modern Alaskan, involved in the fishing industry must be a highly skilled technician as well as a cook or seaman. He is currently unfamiliar with and unable to adapt the sophisticated skills and technology used today by the world's fishing fleets.

Effective training or retraining of these modern Alaskans and the adaptation of modern technology to Alaskan fisheries will require a full range of professional teachers and technologists including engineers, naval architects, food scientists, and food engineers. This staff must be abreast of modern developments and techniques. This staff must be involved in the leading edge of research and development which will be required to advance the Alaska fishing industry.

Alaska must not depend upon the foreign industry to provide its technology. Alaska must have a cadre of professionals available, not only to carry out the required training and retraining, but also to adapt existing technology and to develop new technology for the Alaska fishing industry. This training and technology development program is one of the keys to making the Alaska fishing industry the most effective in the world.

WHY THE UNIVERSITY OF ALASKA?...

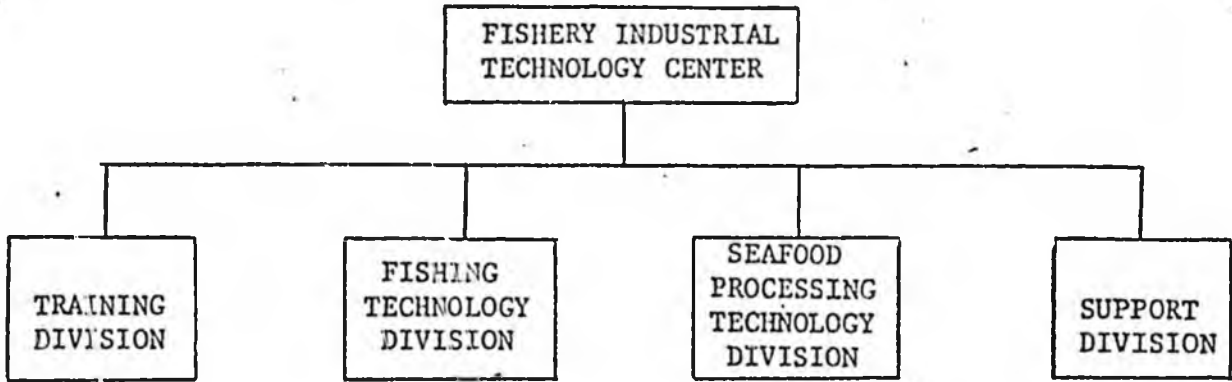
Effective training and retraining of fishermen and processors around the world has been accomplished by training programs that are tightly linked to significant industrial research and development programs. The University of Alaska, a Land-Grant/Sea Grant University, has as its major functions education and training, and basic and applied research.

Alaska is unique in that its educational programs must be extended over an area one-fifth the size of the "lower 48." In Alaska, such a fisheries training program cannot be effectively offered at one location. Instead, the program must be prepared to offer its training throughout the state. The University of Alaska already has in place the facilities and framework necessary to provide this statewide educational effort.

A Fishery Industrial Technology Center within the University of Alaska will take full advantage of this statewide system, allowing for training and retraining of fishermen and processors in all the regions of the state.

The organization of the Center will provide for the interaction between the University's regional training programs and industrial research and development to insure that regional fisheries technology needs are met by the Center.

THE CENTER, ITS PRINCIPAL COMPONENTS



TRAINING DIVISION...

Scope

The Training Division is designed to coordinate and conduct all the Center's educational activities. Activities of the Division will be divided into two areas; formal education which will be offered through the University's statewide Community College System, and extension education which will be carried out through the University's Marine Advisory Program. Both program areas will be responsible for carrying out a full range of activities, offering training and retraining opportunities to members of the industry.

Programs

Formal Education--Formal education programs will be offered through the Community College System and will include Associate of Applied Science degrees in Marine Technology (fishing option) and Seafood Technology. Refresher courses such as seamanship, navigation, net mending, cold water survival, hydraulics, diesel engines, marine electrical systems, business management, and first aid will also be offered.

Extension Education--The Center will offer an array of special interest workshops and technical courses through the University's marine advisory network. Examples of these activities include workshops and demonstrations on fish handling, life raft and survival suit use, vessel alarms and stability, quality control, filleting and trimming techniques,

business and tax management, and fisheries oceanography. Special workshops identifying specific new fisheries such as octopus, snails, and squid will be held. Special one-week courses will be developed and held on such topics as trawl fishing gear, acoustic fish detection, engine room care and maintenance, and oceanography for fishermen.

FISHING TECHNOLOGY DIVISION...

Scope

The Fishing Technology Division will be responsible for executing the research and development activities of the Center in the areas of fishing gear and fishing systems, vessel construction and engineering, fish detection, resource survey techniques, energy conservation, electronics and acoustics, hydraulics, and refrigeration. These research and development activities will be carried out by the Center's professional staff of engineers and specialists teamed up with active Alaska fishermen.

Programs

The Fishing Technology Division will be divided into three principal program areas:

Distant Water Fishing Technology Development--This program will address the problems associated with the larger, far-ranging Alaskan fishing fleet. This area will concentrate primarily on fishing problems associated with development of the massive underutilized resources of the Bering Sea.

In-Shore Fishing Technology Development--This area will work on the problems associated with conversion of the existing Alaskan fishery, allowing it to diversify its fishing activities in order to enter new and more complex fisheries.

Rural Fishing Technology Development--The program will concentrate on the research and development required to allow the rural Alaskan commercial fisherman to effectively and efficiently harvest resources within his reach using technology which is adapted to his environment. The program will primarily concentrate on the adaptation of modern fishing gear and systems to the rural fishing industry.

SEAFOOD PROCESSING TECHNOLOGY DIVISION...

Scope

The Seafood Processing Technology Division is designed to conduct research and development activities associated with the needs of the expanding seafood processing industry. Research and development activities to be handled by this Division will include new product developments, quality control measures, food processing techniques, food handling, and food microbiology and chemistry.

Programs

This Division will be divided into three programs:

New Product Development--This program will address the need for new fisheries products developed from Alaska's unutilized fishery resources.

Seafood Science--This program will work on problems associated with the processing of current seafood products. Emphasis will be placed on the quality and nutritional problems associated with Alaska's currently underutilized species.

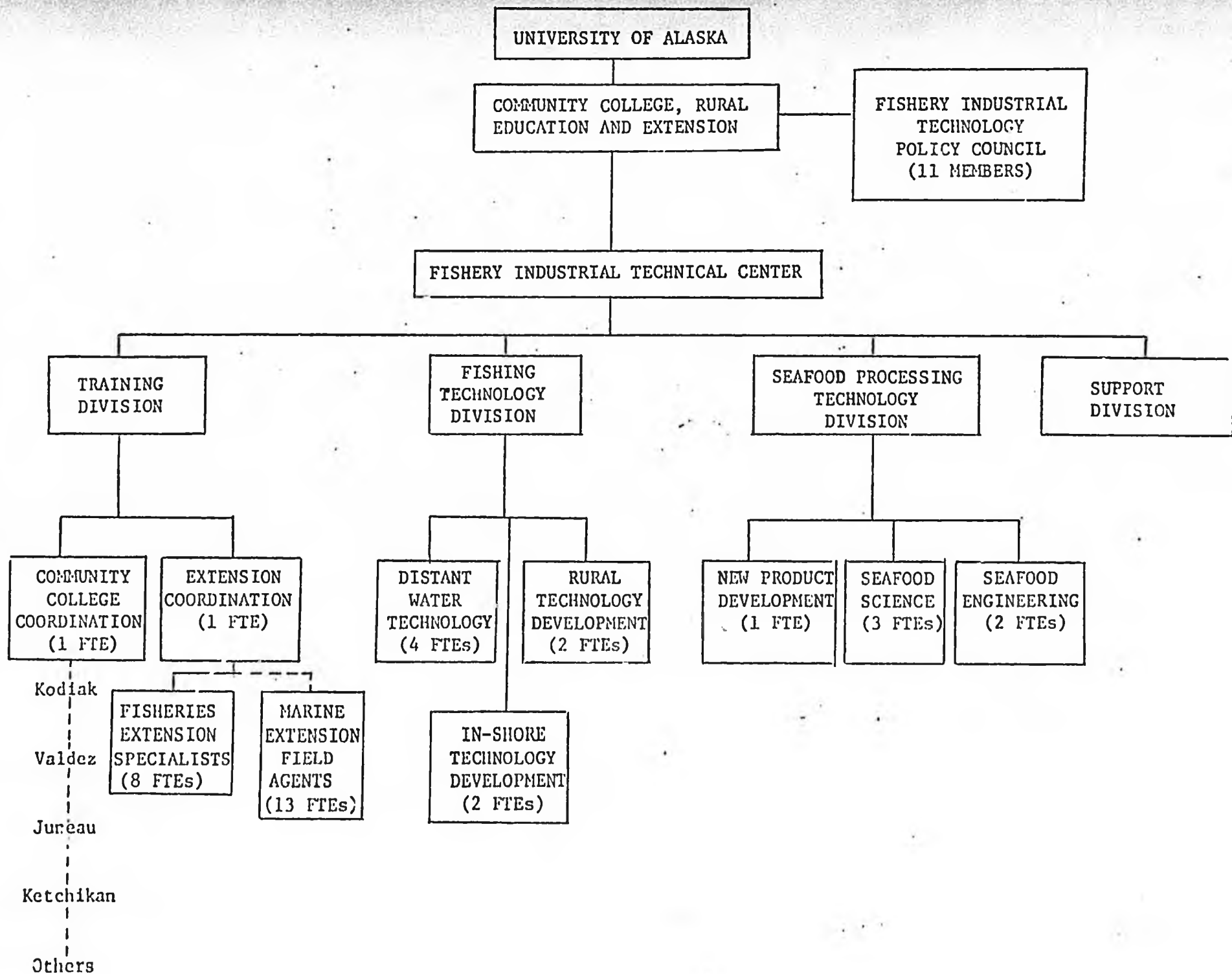
Seafood Engineering--This program will carry out technology development required to effectively adapt existing technology to Alaska fisheries and to develop new technology for handling new fisheries products.

SUPPORT DIVISION...

Scope

The Support Division will carry out all of the day-to-day administrative and logistic support activities of the Center. Activities will include operation of special Center facilities such as a gear and vessel flume tank, a training vessel, mobile training facilities, and special training equipment. This Division will also be responsible for all business and personnel management as well as facilities maintenance.

Dissemination of scientific and advisory information resulting from training and development activities of the Center will be an integral function of this Support Division. Included in this task will be material preparation and production as well as distribution.



PROFESSIONAL STAFF...

Fishing Grounds Specialists

Materials Engineer

Hydrodynamics Engineer

Mechanical Engineers

Design Engineer

Gear Technologists

Instrumentation Specialist

Gear Systems Specialists

Seafood Scientists

Microbiologist

Chemists

Food Engineer

Biochemist/Enzymologist

Toxicologist

Safety Engineer

Quality Engineer

Extension Education Specialists

Community College Coordinator

Support Services Engineer

FACILITIES...

The Fishing Industrial Technology Center will be comprised of one primary building, a 40,000 square foot facility housing the principal laboratories, shops, and specialized training laboratories as well as administrative and professional staff offices.

Associated with the main facility will be transient student housing, providing living accommodations for up to twenty students. This housing will allow students from elsewhere in Alaska to attend the Center's special training workshops.

The Center will also operate a fishing training vessel where students will be instructed in practical fishing and where new technology will be tested and demonstrated.

SPECIAL FACILITIES AND LABORATORIES...

Training Vessel

Processing Pilot Plant

Flume Tank

Acoustics Laboratory

Gear Design Laboratory

Hydraulics and Electronics Laboratories

Food Chemistry Laboratory

Microbiology Laboratory

Communications Laboratory

Transient Student Housing

LOCATION...

The Center must be located very near the widest possible variety and quantity of all commercial species of fish and shellfish and must be located near (within blocks or minutes) major year-round processors and fishermen and their vessels and plants. The Center should also be centrally located insofar as possible to the industry as a whole.

Reliable telephone, shipping, and mail networks are necessary as are reliable transportation schedules for both people and cargo.

The Center must be located where it can attract world-class professions by providing an attractive, stimulating and academic environment.

In summary, site requirements are:

- Access to the fisheries resource
- Access to the processing industry
- Centrally located within the state
- Reliable communications
- Reliable transportation
- Attractive, stimulating living environment
- Academic environment
- Land availability and quantity.

It is proposed that this facility be located in the community of Kodiak.

ESTIMATED COSTS...

Capital Construction Costs

Fishing and Processing Technology Laboratory	\$12,000,000
Student Housing	1,000,000
Training Vessel	3,000,000
Warehousing	1,400,000
Special Equipment	2,000,000
Site Development, Roads, Parking, and Design Fees	4,900,000
	<hr/>
TOTAL	\$24,300,000

Operation Costs (per year)

Program Costs	\$ 1,818,000
Facilities Operations Cost	354,000
Vessel Operations Cost	500,000
Administrative and Support Costs	430,000
	<hr/>
TOTAL (per year)	\$ 3,102,000

CITY OF KODIAK
RESOLUTION NUMBER 9-81

A RESOLUTION OF THE KODIAK CITY COUNCIL SUPPORTING HOUSE BILL NUMBER 262 IN THE TWELFTH LEGISLATURE OF THE STATE OF ALASKA.

WHEREAS, the fishing industry and fishery resources in the waters off Alaska are of vital importance to the State; and

WHEREAS, the establishment of the fishery technology training and research center is essential to the establishment of an Alaska based fishing industry; and

WHEREAS, the work of the center will provide significant employment benefits to the citizens of the State and will stimulate development of the State's fishery resources;

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Kodiak, Alaska that:

Section 1. The City of Kodiak supports the House Bill Number 262 submitted to the Twelfth Legislature of the State of Alaska entitled "An Act establishing a Fishery Industrial Technology Center as part of the University of Alaska; and providing for an effective date".

Section 2. The City of Kodiak will endeavor to provide a suitable site on Near Island for the Fishery Industrial Technology Center.

PASSED AND APPROVED this 1st day of April, 1981.

CITY OF KODIAK

BY: Alan J. Beardsley
MAYOR

ATTEST:

Ray M. Baker
CITY CLERK

S

B

4

0

1

Alaska State Legislature

BETTYE FAHRENKAMP, CHAIRMAN
VIC FISCHER, VICE-CHAIRMAN
BRAD BRADLEY
DICK ELIASON
DON GILMAN
BOB MULCAHY
ARLIGS STURGULEWSKI



POUCH V
STATE CAPITOL
JUNEAU, ALASKA 99811
(907) 465-3834
(907) 465-3835

Senate

Committee on Resources

May 18, 1981
1:30 p.m.

Beltz Room
211 - Capitol

MEMBERS PRESENT

Senator Fahrenkamp
Senator Mulcahy
Senator Eliason
Senator Gilman
Senator Bradley
Senator Sturgulewski

Hearing:

- SJR 45 Relating to construction of the Snettisham II (Crater Lake) hydroelectric project.
- SB 370 An Act making a special appropriation to the Department of Community and Regional Affairs for a Bristol Bay Native Association gardening project.
- SB 401 An Act cancelling certain claims for reimbursement of state money granted to fair associations as state aid to fairs.
- HB 216 An Act authorizing the Alaska Agricultural Action Council to construct and dispose of grain terminals and elevators.

Senator Sturgulewski put forth the motion to move SB 370 with individual recommendations.

Senator Gilman put forth the motion to move SB 401 with individual recommendations.

Staff suggested amending HB 216 inserting an effective date clause. Senator Mulcahy put forth the motion to add an immediate effective date clause starting on page 1, line 17 which was accepted. Senator Mulcahy put forth the motion to move HB 216, as amended, with individual recommendations.

SENATE RESOURCES COMMITTEE

Page: 2

May 18, 1981

Phil Holdsworth stated that SJR 45 recommends that the funds be expended to complete Phase II of the Snettisham hydroelectric project. Phase II needs to be completed because all of the new homes under construction in Juneau are electric. There are plans to build a transmission line to Hoonah, which will go near the Greens Creek mining operation. The existing facility will not be able to handle the extra usage.

Senator Eliason put forth the motion to add another "Whereas" to the resolution pointing out the plans for Hoonah and the Greens Creek mining operation.

Senator Mulcahy put forth the motion to move CSSJR 45 (res) with individual recommendations.

The Committee adjourned at 2:05 p.m.

(8) ANTI-LITTER PROGRAM:

One of the development problems experienced in Bethel is the high cost of landfill when dirt and gravel must be used as fill. In order to attempt to alleviate this problem and to alleviate the problem involved in disposing of old cars, trucks and other steel items that currently litter the riverfront and other areas of town, the City of Bethel is interested in constructing a large crusher. This crusher would allow us to take the debris around town, crush it, and use it as landfill, thus reducing the costs incurred when trying to develop certain areas of town. We believe this project will assist growth in Bethel both by enabling us to clean areas of town currently littered with steel items and to provide landfill as a cheaper cost that can be done at present. Estimated cost: \$25,000.

(9) YUKON-KUSKOKWIM STATE FAIR FORGIVENESS:

The Yukon-Kuskokwim State Fair Committee receives funding for some of its activities from the State of Alaska. A recent audit of those funds has specified an audit exception of \$39,000. This audit exception is due to a misunderstanding of the regulations governing the use of State funds in this area. The Yukon-Kuskokwim State Fair Committee does not have the funds to reimburse the State of Alaska the full amount, therefore, we herein request that the State forgive this debt. Cost: \$39,000.

(10) FAMILY SHELTER:

Domestic violence has become a world wide problem. The City of Bethel, and the surrounding area, is no exception to this statement. A Family Shelter is currently operated in Bethel by the Tundra Womens Coalition (T.W.C.) in an aging quonset hut leased to them by the City of

A SPECIAL REVIEW OF THE
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF AGRICULTURE
AID TO AGRICULTURAL AND
INDUSTRIAL FAIRS PROGRAM

February 1, 1980

Commissioner, Department of
Natural Resources
Deputy Commissioner, Department
of Natural Resources

Robert E. LeResche

Geoffrey Haynes

TABLE OF CONTENTS

	<u>Page</u>
Purpose of the Review.	1
Organization and Function.	2
Findings and Recommendations	3
Memorandum of Attorney's Opinion	8
Auditor's Opinion.	10
Financial Statements:	
Statement of Expenditures and Encumbrances Compared with Appropriations for Operating Programs.	11
Statement of Expenditures and Encumbrances Compared with Appropriations for Capital Outlays	12
Notes to Financial Statements.	13
Supplemental Information	15
Auditor's Opinion on Supplemental Information.	16
Appendixes:	
A. Appendix A, Fiscal Year 1979 Appropriation for Aid to Agricultural and Industrial Fairs.	17
B. Appendix B, Yukon-Kuskokwim Fair Association Schedule of 1978 and 1979 Disbursements.	18
C. Appendix C, Yukon-Kuskokwim Fair Association Cash Flow Statement, Checking Account.	19
D. Appendix D, Southeast Alaska State Fair Association Schedule of 1978 Disburse- ments.	21
E. Appendix E, Kodiak Rodeo and State Fair Association Schedule of 1978 Disburse- ments	22
F. Appendix F, Kodiak Rodeo and State Fair Association Cash Flow Statement, Checking Account.	23
Agency Response:	
Department of Natural Resources	24(a)

PURPOSE OF THE REVIEW

In accordance with a special request of the Legislative Budget and Audit Committee and Title 24 of the Alaska Statutes, a review of the Department of Natural Resources, Division of Agriculture, Aid to Agricultural and Industrial Fairs Program, was conducted to determine:

1. if the financial statements appearing in the State's Annual Financial Report for Fiscal Year 1979 are fairly presented;
2. the compliance by the Division of Agriculture and the State fair associations with Title 3, Chapter 20 of the Alaska Statutes; and
3. the effectiveness and efficiency of the Division of Agriculture's management of the program.

Twelve fair associations received operation and maintenance funds totaling \$165,500 in Fiscal Year 1979 (Appendix A). Since state aid to Sitka was returned, our scope included the remaining eleven. Field audits were conducted on eight of the eleven fairs which enabled us to review 96% of the operation and maintenance state aid disbursed during the period. State aid disbursed during Fiscal Year 1978 was reviewed at those fair associations where it appeared appropriate.

Six of the fair associations received a total of \$163,000 in capital improvement aid for Fiscal Year 1979. The audit focused on the use of the Fiscal Year 1979 funds as well as the use of state aid disbursed for capital improvements during the past four to five years.

ORGANIZATION AND FUNCTION

The original statute establishing the Aid to Agricultural and Industrial Fairs Program was passed in 1925 and amended in 1927. The 1927 amendment provides the framework for the current law with much of the language still intact. The major revisions that have been made since 1927 are the following:

1. Available funding has risen from \$2,000 per judicial district in 1927 to a maximum of \$25,000 per house district, providing the fair has been operating at least ten years. Otherwise, the current maximum is \$8,000. These amounts will change again, effective July 1, 1980. A fair will be eligible to receive \$2,500 for each year of existence to a maximum of \$75,000. Fairs in existence less than five years may receive a basic grant of \$10,000. These funds are to be used for operation and maintenance costs (O&M).
2. Effective in 1967, the first and only restriction placed on the expenditure of O&M funds resulted from AS 03.20.030(c) which requires at least 25% of O&M funds received be used for premiums or transportation costs of exhibits.
3. In 1972, another category of available funding for fairs was created in the form of capital improvement grants. Such grants have no maximums and may be disbursed by the fair associations over a five-year period.

Before statehood, the program was under the authority of the Territorial Governor. In 1959, the Governor assigned the program to the Department of Natural Resources and it is currently administered by the Division of Agriculture.

FINDINGS AND RECOMMENDATIONS

Recommendation No. 1

The Division should require reimbursement of State operation and maintenance funds in the amount of \$39,000 from the Yukon-Kuskokwim Fair Association (Y-K).

Y-K is not in compliance with AS 03.20.020 and AS 03.20.030(a) and (b) which provides that fair associations are not eligible for State aid unless they spend, from their own funds, an amount at least equal to the State aid received. The application process for these operation and maintenance funds requires a certificate to this effect be signed by the president and treasurer of the fair association. The resulting pledge, based on the language of the statutes, presumes that the fair associations will spend their internally-generated funds before any State funds can be used so that a proper match is achieved.

Y-K received \$19,500 of operation and maintenance aid to be applied to their February, 1978 and 1979 fairs. However, the funds never were applied since total cash expenditures (Appendix B) were below the \$19,500 level in both years. In 1978, Y-K claimed \$31,000 of donated labor and materials which, if added to total cash expenditures, would place them over the minimum required expenditure level of \$39,000. The donations were accepted by the Division, but we found no authority in the statutes to allow the donations. A 1979 amendment to AS 03.20.020, effective July 1, 1980, provides the first statutory reference to allowable donations, thus indicating that there had not been legislative intent on this issue prior to the amendment. A memorandum of our attorney's opinion is shown at pages 17 and 18 of this report clearly indicating donated items can not be included as local matching funds. The Y-K donations, in addition to being unsupported by statute, could not be substantiated during our field audit making the donations disallowable in any case.

Recommendation No. 2

The Division should require reimbursement of State operation and maintenance funds in the amount of \$1,242 from the Southeast Alaska State Fair Association.

Southeast is not in compliance with AS 03.20.020 and AS 03.20.030 (a) and (b) which provides that fair associations are not eligible for State aid unless they spend, from their own funds, an amount at least equal to the State aid received. The application process for these operation and maintenance funds requires a certificate to this effect be signed by the president and treasurer of the fair association. The resulting pledge, based on the language of the statutes, presumes that the fair associations will spend their internally-generated funds before any State funds can be used so that a proper match is achieved.

Southeast received \$25,000 of operation and maintenance aid in 1978. Their total cash expenditures of \$48,758 (Appendix D) were below the minimum required expenditure level of \$50,000. As with Y-K, Southeast claimed enough donations (\$11,000) to increase total expenditures above the minimum. Southeast had been advised by the Division in writing that such donations would satisfy the matching requirement. As explained in Recommendation No. 1, we are questioning the donations due to the lack of statutory authority.

Recommendation No. 3

The Division should require reimbursement of state operations and maintenance funds in the amount of \$23,906 from the Kodiak Rodeo and State Fair Association (Kodiak).

Kodiak is not in compliance with AS 03.20.020 and AS 03.20.030 (a) and (b) which provides that fair associations are not eligible for State aid unless they spend, from their own funds, an amount at least equal to the State aid received. The application process for these operation and maintenance funds requires a certificate to this effect be signed by the president and treasurer of the fair association. The resulting pledge, based on the language of the statutes, presumes that the fair associations will spend their internally-generated funds before any State funds can be used so that a proper match is achieved.

Kodiak received \$25,000 of operation and maintenance aid in 1978. Their total cash expenditures of \$26,094 (Appendix E) were below the minimum required expenditure level of \$50,000. Kodiak claimed \$1,200 of donations which are unallowable pursuant to our attorney's opinion of the relevant statutes (see Recommendation No. 1).

The results for 1979 were not completely available for audit as of the end of our field work due to the continuous financial activity of the fair association.

Recommendation No. 4

AS 03.20.070(b) should be amended to reduce from five years to two years the period of time that fair associations may retain unspent State aid for capital improvements.

AS 03.20.035 describes the procedure for fair associations to receive State aid for capital improvements. A five-year capital improvement plan must be submitted as part of the application. Once the application is approved and funds disbursed to the associations, AS 03.20.070 allows the associations to retain the unspent funds for the entire five-year period covered by the plan.

For example, an association may retain for four years in an interest bearing account a large capital improvement grant and spend the funds in the fifth year.

The Yukon Nuskokwim Fair Association has received in total, \$42,000 capital funding during the last three fiscal years (1977-79). Although Y-K filed the required five-year plan, during our field work the Fair Association could not describe any current plans to utilize the funds. Interest earned during the three year period on these funds has been approximately \$4,000.

With the exception of Y-K and the Ninilchik Fair Association, which took 31 months to spend a \$50,000 grant, capital funding by other fairs has been spent within a two-year period. By requiring these funds to be spent within two years, the Division would have better control over the use of those funds and the state would not lose as much interest income by disbursing funds so far in advance of their being needed.

Recommendation No. 5

The Division should exercise more effective control over the Program through the following measures which should not result in staff increases:

- a. Preparation of a manual for distribution to the fair associations outlining, in simple form, their operating, accounting, and reporting responsibilities under the statutes.
- b. Modification of the annual report format to provide for specific donation and premium data which will be necessitated by the enactment of AS 03.20.020(c) and (d).

The growth in State fair funding is evidenced by the fact that capital improvements increased from \$163,000 in Fiscal Year 1979 to \$585,000 in Fiscal Year 1980. While the operation and maintenance budgets did not increase in Fiscal Year 1980, a major increase is expected in Fiscal Year 1981, when the maximum funding level increases from \$25,000 to \$75,000.

Whether or not expected increases in State aid appropriations actually occur, we believe the better controls are necessary because of the problems noted in Recommendations 1, 2 and 3, and from the following examples of findings at various fairs: