

ALASKA LEGISLATURE COMMITTEE FILES 1981-1982 8672

2149 ST SJR 66 - HB 866

2199

DEPARTMENT OF TRANSPORTATION

U.S. COAST GUARD

(\$ In Thousands)

ESTIMATED RECOVERABLE COAST GUARD OPERATING EXPENSE EXPENDITURES FOR FY 1982 (1)

~~COSTS RECOVERABLE BY INDIRECT CHARGES - COMMERCIAL AND FISHING~~

COSTS RECOVERABLE BY INDIRECT CHARGES - COMMERCIAL AND FISHING

	<u>Total</u>	<u>Inland</u>	<u>Flagship Fleet</u>	<u>Domestic & International</u>	<u>Grant In-aid</u>
		- Tonnage - Dues	- Domestic - Foreign	- Foreign & U.S. Inspected - Domestic (Inspected and uninspected) - Tonnage - Dues (Inspected and uninspected) - MXX	- All
Search and Rescue.....	\$113,604	\$ 0	\$ 92,304	\$ 17,750	\$ 3,550
West Coast Aide To Navigation.....	214,003	24,069	99,027	74,330	15,769
Multi-national Aide.....	35,239	0	29,900	4,627	712
Relief Administration.....	5,050	5,050	0	0	0
Domestic Icebreaking.....	12,630	0	0	3,791	0,847
Port Safety and Security.....	33,147	2,466	5	20,946	1,730
Marine Environmental Protection....	<u>44,030</u>	<u>4,343</u>	<u>7</u>	<u>30,200</u>	<u>2,200</u>
Total.....	\$450,511	\$36,720	\$221,243	\$167,732	\$32,000

II. INLAND UNINSPECTED VESSELS

A. Assumptions

1. One hundred percent (100%) of allocable costs will be recovered.
2. Continued use of the fuel tax is proposed (P.L. 95-502). The current 4¢/gallon fuel tax applied to less than the total inland towboat fleet is recovering approximately \$20 million. Therefore, it is estimated that an additional 6¢/gallon on the whole fleet would yield approximately \$36 million.
3. The numbers of towboats listed below includes boats using inland waters. Horsepower ratings generally reflect varying levels of use of applicable Coast Guard programs. Similar horsepower ratings are also used for tugboats and towboats in the domestic coastal trade.
4. Barges have been grouped into two sizes. In addition to the annual fee for indirect services, inspected barges will also be subject to any applicable direct charge.

B. Demonstration Fee Schedules

1. Annual Fee

	<u>Class</u>	<u>Number</u>	<u>Annual Fee</u>	<u>Amount (000's)</u>
Towboats -	Less than 1000HP	2,520	\$2,000	\$5,040
	- 1000 to 4999HP	1,500	5,000	7,500
	- 5000HP and Over	<u>160</u>	10,000	<u>1,600</u>
	Subtotal	4,180		\$14,140
Barges -	Less than 1600GT	20,000	800	\$16,000
	- 1600GT and Over	<u>4,000</u>	1,600	<u>6,400</u>
	Subtotal	24,000		\$22,400
	TOTAL			\$36,540

FISHING FLEETS

~~FISHING FLEETS~~ (DOMESTIC AND FOREIGN)

A. Assumptions

- Separate schedules will be proposed for domestic and foreign.
- ~~Separate schedules will be proposed for domestic and foreign~~ and divided into the same classes
the f schedule reflects an identical fee for each class
 - ~~Separate schedules will be proposed for domestic and foreign~~
~~each class of vessel~~ of VESSEL, whether foreign or domestic to provide equal treatment
 - Make-up of foreign category estimated from past fishing permit issuance and indicates the aggregate number of vessels in operation but does not double count where more than one permit is issued to a single vessel.

B. Demonstration Fee Schedule - Fishing Fleets (Domestic/Foreign)

1. Domestic Fishing Vessels - Annual Fees

Class	Number	Annual Fee	Amount (000's)
Less than 100GT	120,000	1,350	\$162,000
100 to 199GT	5,000	1,800	9,000
200 to 299GT	3,800	2,000	7,600
300 to 1599GT	500	20,000	10,000
1500GT and Over	100	40,000	4,000
Subtotals	129,400		\$192,600

2. Foreign Fishing Vessels - Annual Fees

Class	Number	Annual Fee	Amount (000's)
Less than 100GT	0	\$ 1,350	\$ 0
100 to 199GT	0	1,800	0
200 to 299GT	450	2,000	900
300 to 1599GT	450	20,000	9,000
1500GT and Over	450	40,000	18,000
Subtotals	1,350		\$27,900

TOTALS 130,750 \$220,500

A. Assumptions

1. Vessels in international trade:
A tonnage fee on gross registered tons will be used and collected by Customs
2. Vessels in domestic coastal trade:
An annual fee will be used. Same classes and charges as commercial fishing vessels.
3. Towboats/tugs:
Class sizes by horsepower reflect different levels of use of Coast Guard programs. The same classes and fees apply as to inland towboats and tugs.

B. Demonstration Fee Schedule

1. International Trade - (See Note (1))

	<u>Net Registered Tons</u>	<u>Fee</u>	<u>Amount (000's)</u>
Tonnage Fee	500,000,000	0.24	\$120,000

2. Domestic Coastal Trade (Excludes listings under 3, 4 and 5)
Annual Fee - (See Note (2))

<u>Class</u>	<u>Number</u>	<u>Annual Fee</u>	<u>Amount (000's)</u>
Less than 100GT	0	\$1,350	\$ 0
100 to 199GT	0	1,800	0
200 to 299GT	4,000	2,000	8,000
300 to 9GT	200	20,000	4,000
1600GT Over	<u>500</u>	40,000	<u>20,000</u>
Totals	4,700		\$32,000

3. g/Towboats - Annual Fee

<u>Class</u>	<u>Number</u>	<u>Annual Fee</u>	<u>Amount (000's)</u>
Less than 1000HP	1,890	\$ 2,000	\$3,780
1000 to 4999HP	860	5,000	4,300
5000HP and Over	<u>120</u>	10,000	<u>1,200</u>
Subtotal	2,870		\$9,280

4. Barges - Annual Fee (See Note (2))

<u>Class</u>	<u>Number</u>	<u>Annual Fee</u>	<u>Amount (000's)</u>
Less than 1600GT	1,800	\$ 800	\$1,440
1600GT and Over	<u>2,400</u>	1,600	<u>3,840</u>
Subtotal	4,200		\$5,280

5. MODU's - Annual Fee

<u>Class</u>	<u>Number</u>	<u>Annual Fee</u>	<u>Amount (000's)</u>
MODU	580	\$1,000	\$580
TOTAL			\$167,140

- NOTE: (1) Tonnage fee similar to limitations of current tonnage tax administered by Customs.
- (2) Vessels and barges sailing in both domestic and international trade subject to the greater of the annual fee or the tonnage fee.

ALASKA STATE LEGISLATURE - SENATE



SENATOR RICHARD I. ELIASON

P.O. BOX 143

SITKA, ALASKA 99301

POUCH V

JUNEAU, ALASKA 99901

COMMITTEES
FINANCE
RESOURCES
STATE AFFAIRS

February 9, 1982

Captain William Riedel
U.S. Coast Guard Headquarters (G - WS/11)
Washington D.C., 20593

Dear Captain Riedel,

Thank you for the information you provided my staff member Mary Levan by telephone and for the additional information you sent by mail. At your suggestion I am writing to express several of my specific concerns about the "user fees" which the federal government proposes to impose on boat owners.

I am enclosing for your review a draft copy of the resolution which I am introducing in the Alaska State Legislature. It touches on many of my concerns about the user fees.

The particularly important point to consider is the high fee proposed for fishing vessels under 100 gross tons. Most fishing vessels in Alaska fit into this category, but many of these are small, ranging from 16 to 40 feet. Using statistics from the Commercial Fisheries Entry Commission on gross weights reported for Commercial Fishing Vessel Licenses, I have figured out that of those which fall under the 100 gross ton category, over 83% are under 25 gross tons. And many of those are considerably smaller than 25 gross tons. It is discriminatory and inequitable to charge the same fee to a 20' foot handtroller whose net income is often about one thousand dollars and a 58 foot seiner who may make \$20,000 or more. This is especially unreasonable when the user fee proposed is so high that it would put many small boat fishermen out of business and even be a hardship for many larger boat owners. Many of these fishermen have no alternative means of making a living.

If extra revenue must be collected, I don't believe most boat owners would object as much to higher charges for such direct services as vessel documentation, safety inspections, and special occasions when the Coast Guard patrols and stands-by such as salmon derbies and regattas.

Captain William Riedel
February 9, 1982
Page 2

The proposed fees seem inconsistent with President Reagan's philosophy of maintaining taxation on luxury items while providing incentives to encourage private enterprise. In the proposal we see fairly low fees for pleasure craft and exorbitantly high fees for even the very small commercial fisherman. Many of Alaska's fishermen are struggling right now financially and any fees imposed must be in line with their ability to pay this added expense. I suggest a rate structure based on length or weight of vessels beginning with very small boats at a very low rate and adding a small amount for each additional unit of weight.

I am also concerned about the fact that Alaska is dealt with in the proposal exactly as other coastal states are. Alaska has unique circumstances and problems and has special dependence on the Coast Guard. Boat owners are only one of the user groups for Coast Guard Services here. Great distances between towns and the lack of other medical and emergency services make all Alaskans dependent on the Coast Guard. Every resident of coastal areas is dependent upon marine transportation, ferries, and barges to get virtually all of their supplies. This makes each of these people indirect users of navigational aids, ice breaking services, and so on. The aviation industry also makes constant use of marine navigational aids. It is, of course, nearly impossible to collect specific user fees from all of the people dependent on the Coast Guard services, but it is unfair to hit boat owners alone with the burden of support.

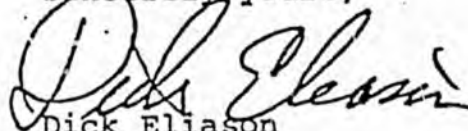
Furthermore, there are vast areas in Western Alaska where there are almost no available Coast Guard services - no stations, no navigation aids, and emergency help is so far away as to be of little help in a real emergency. Boat owners in these areas can hardly be expected to pay the same fee as those who live in areas where Coast Guard services are constantly available and used.

Several more concerns are outlined in the attached resolution. These should be self-explanatory. As the resolved clause states, we request a review of the user fee proposal. I seriously question the very concept of imposing user fees for such a basic government service. Government has gotten into many areas over the last few years which are better

Captain William Riedel
February 9, 1982
Page 3

left to private enterprise or for which specific users ought to be charged. The Coast Guard, however, is an entity much like the military or the National Guard, an entity to provide basic security functions for the people, services which are appropriate for a democratic government to provide. If however, the user fees are indeed imposed, we implore you to see that they are administered justly and equitably and are not an unbearable burden to the people served.

Sincerely yours,



Dick Eliason
State Senator
District B

cc: Admiral John B. Hayes
Captain J.W. Kime

SJR

67

February 4, 1982

Senator Bill Ray
Chairman
Senate Transportation Committee
Pouch V
Juneau, Alaska 99811

SUBJECT: Response to the request
of the Chairman of the
Senate Transportation
Committee

Dear Senator Ray:

Request the Federal Government (Federal Railroad Administration, U.S. Department of Transportation, Office of Management and Budget) to exempt the Alaska Railroad from employment ceilings and reductions in force. These would adversely effect the Alaska Railroad's financial ability to maximize their gross revenue and profit base during this transition period of ownership from the U.S. Federal Government to the State of Alaska.

The Alaska Railroad has proven their ability to generate a profit and in as much as they will no longer receive congressional appropriations for major maintenance and capital improvements, the profit earned in FY '82 will be required for FY '83 major maintenance and capital improvements. To restrict employment of the ARR would be counter-productive.

Sincerely,



F. H. Jones
General Manager
Alaska Railroad

H B

101

Alaska Air Carriers Association

March 19, 1982

Senator Mulcahy
Pouch V
Juneau, AK 99503

Dear Senator Mulcahy:

The membership of the Alaska Air Carriers Association unanimously passed the enclosed resolution to increase the state tax on Avgas from 4¢ per gallon to 4½¢ per gallon and to increase the state tax on Jet Fuel from 2¢ per gallon to 2½¢ per gallon to fund the Alaskan Aviation Safety Foundation. We estimate that \$500,000 will be generated to help provide a grant to the Alaskan Aviation Safety Foundation. We expect the Alaskan Aviation Safety Foundation to eventually be self-sufficient, therefore, we recommend that the tax last for three years.

The fisheries industry has a similar program to fund seafood marketing and salmon enhancement. The state collects a tax from the fishery industry and, through a letter of intent, appropriates funds for the programs.

The Alaska Air Carriers Association recognizes the fiscal constraints on the State of Alaska, and has agreed to pay an additional tax rather than seek a funding from the State treasury.

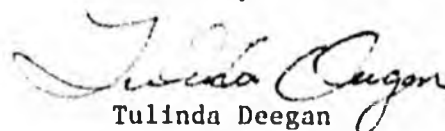
Governor Hammond has promised his support to the proposal.

Air transportation is vital to Alaska. Over the past five years, the accident rate has not improved. The air carrier industry believes that the programs developed by the Alaskan Aviation Safety Foundation will improve the accident rate.

Michael Charlesworth, the lead underwriter in London for Alaskan insurance, has promised to offer discounts to operators and pilots who complete the training programs developed by the Alaskan Aviation Safety Foundation. Mr. Charlesworth handles the majority of Alaskan insurance in London.

We appreciate your support of our proposal.

Sincerely,


Tulinda Deegan
Executive Director

R E S O L U T I O N

1. RECOGNIZING A NEED TO DO SOMETHING TO IMPROVE THE SAFETY RECORD OF ALASKA AVIATION,
2. RECOGNIZING A NEED FOR FUNDING TO CARRY OUT AN AVIATION SAFETY PROGRAM IN ALASKA,
3. RECOGNIZING THAT THE ALASKAN AVIATION INDUSTRY HAS NO MEANS TO ENFORCE AN ASSESSMENT ON THE INDUSTRY AND FLYING PUBLIC,
4. RECOGNIZING THE FISCAL CONSTRAINTS ON THE STATE OF ALASKA AT THIS TIME:

NOW THEREFORE BE IT RESOLVED THAT THE AACA REQUEST THE LEGISLATURE OF THE STATE OF ALASKA TO INCREASE AVIATION FUEL TAXES FOR AVGAS FROM 4¢ TO 4½¢ PER GALLON AND JET FROM 2¢ TO 2½¢ PER GALLON, SUCH FINAL TAX INCREASE TO BE USED FOR AVIATION SAFETY TRAINING OF THE AVIATION COMMUNITY IN ALASKA.

PASSED FULL AACA MEMBERSHIP MARCH 13, 1982.



ALASKA AIRMEN'S ASSN., INC.

P.O. Box 4-1287

Anchorage, Alaska 99509



ALASKAN AVIATION SAFETY FOUNDATION
4790 Business Park Boulevard
Anchorage, Alaska 99503

Atten: Ms Tulinda Deegan,
Executive Director

March 23, 1982

Dear Tulinda,

Per our discussions over a period of time, please allow this letter and its attachments to once again show the unqualified support of the Alaska Airmen's Association, Inc. for the goals and programs of the Foundation. We have enjoyed participating in program development to date, and look forward to the day when the program actually produces a study/training package into which the general aviation folks can sink their teeth.

Aviation safety and the focus of public attention on it has reached critical proportion. The resultant insurance, premium inflation presents a major difficulty for this state and the public, as small operators go out of business due to the inability to pay premiums. This at once creates a situation in which the expertise in the local area is lost and where competition is reduced... .. neither of which are a benefit to the public, nor lead to increased safety.

We know that there are private aviators who can no longer afford either hull insurance, or perhaps any insurance. *Unfortunately, not all of them have stopped flying,* and this creates a terrible liability problem for the public as well. We recognize that we absolutely must get a grip on the problem, and we see the Foundation's work to date and plans for implementing the next several stages, as the only viable program even under discussion anywhere, let alone under development.

The moment we heard that you had some encouragement in Juneau for the on-going "seed" money tied to a slight increase in aviation fuel taxes, our board endorsed the concept and developed the attached resolution. We recognize that it is never popular to add or increase a tax, and we may all have a "sales job" of our own to some of our members, but we are confident that when it is understood what is coming and what it offers us all, it will be widely accepted, as it is with all of us who have been exposed to it to date.

It is unfortunate that the level of funding that you anticipate at this time is not sufficient to develop all of the programs, but that is why we made our cash donation to the Foundation two weeks ago. We anticipate helping you find private sector donations to assist with the basic grant funds.



RESOLUTION OF THE BOARD OF DIRECTORS
ALASKA AIRMEN'S ASSOCIATION, INCORPORATED

WHEREAS the Alaska Airmen's Association, Inc. is the largest general aviation organization in the State of Alaska, effectively representing the aviation interests of over 12,500 pilots in the State, and;

WHEREAS the Alaska Airmen's Association, Inc. is vitally concerned and involved with aviation safety in the State of Alaska, and;

WHEREAS it is widely recognized that a crisis of major proportions exists relating to the accident rates, liability claims and aviation insurance premium rates with the State of Alaska, and;

WHEREAS the *ALASKAN AVIATION SAFETY FOUNDATION* has become the definitive authority developing a master plan for a major and effective training program and campaign against the negative safety record, and;

WHEREAS said Foundation has completed its work under the first phase and has developed a program for implementation and requires certain grants and donations for said program implementation, therefore;

BE IT RESOLVED that the Alaska Airmen's Association, Inc. hereby fully supports the proposed increase of $\frac{1}{4}$ ¢/gallon on aviation gasoline and $\frac{1}{4}$ ¢/gallon on aviation turbine fuel, with said funds being made available to the Foundation to implement this invaluable program.

FURTHER BE IT RESOLVED, that this Association again fully endorses the goals and programs of the Alaskan Aviation Safety Foundation, and pledges again and with renewed enthusiasm, to assist at any point in the program development, and in participation of the private and general aviation aircrews, owners and maintenance personnel, in the training program so developed.

Adopted by the Board of Directors at its regular meeting in Anchorage, on Wednesday, 17 March 1982



Alaska State Legislature

Senate

Official Business

Labor & Commerce Committee

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

1 April, 1982

TO: Ms. Tulinda Deegan, Executive Director
Air Carriers Association

FROM: Michael Thill, AA
Senate Labor and Commerce Committee

The following are revenue projections relative to the proposed aviation fuel tax increases:

Based upon 1981 revenue figures:

Jet Fuel: \$344,400

Avgas: \$82,000

\$426,400

Fuel consumption increases 1979-1980: 15%

Fuel consumption increases 1980-1981: 9%

If the 1982 fuel consumption increases were 9%, the revenue increases would be \$464,776;

If the 1982 fuel consumption increases were 15%, the revenue increases would be \$490,360;

The aviation fuel tax bill will be introduced in the morning, receive its number, and committee referrals.

MEMORANDUM

State of Alaska Department of Revenue

TO: Joseph K. Donohue
Deputy Commissioner, Taxation

DATE: March 31, 1982

FILE NO:

APR 1 1982

TELEPHONE NO:

GOVERNORS OFFICE

FROM: Robert Elliott *RWE*
Research Analyst

SUBJECT: Aviation Fuel Taxes

The following is a breakdown of aviation fuel taxes for the past three years:

FY 1979

Total Revenues Collected	\$3,400,000
Jet Fuel	2,822,000
Aviation Gas	578,000
Total Shared Revenues	\$130,563

FY 1980

Total Revenues Collected	\$4,000,000
Jet Fuel	3,360,000
Aviation Gas	640,000
Total Shared Revenues	\$133,277

FY 1981

Total Revenues Collected	\$4,100,000
Jet Fuel	3,444,000
Aviation Gas	556,000
Total Shared Revenues	\$135,039

The above is noteworthy in that only three percent of the total aviation fuel taxes is shared back to municipalities. This is due to the tax being shared only to those municipalities who own airports or who operate and maintain state owned airports under lease or contract with the State of Alaska. Currently, there are twelve airports which fall under this provision.

As a result, all other proceeds collected by the aviation fuel tax are paid into the special aviation fuel tax account in the state General Fund. It is important to stress that this is an account which shows the amount available from which the legislature may appropriate funds, there is no dedication of funds. Furthermore, in AS 43.40.010(h) it states, "All motor fuel tax receipts shall be paid into the General Fund and distributed to the proper accounts in the General Fund." There can be no dedicated funds within the General Fund, since each is mutually exclusive of the other. Consequently, there would be no conflict with the aviation fuel tax account's status if the rates of the aviation fuel tax were increased.

02039 POM TDA CIRCLE ALASKA 15 04-03 1119P AST
PMS SEN BOB MULCAHY

TELEGRAM

ALASKA, INC.
P.O. BOX 230042
SEASIDE, AK 99802

JUNEAU AK

PLEASE SUPPORT FUNDING FOR THE ALASKAN AVIATION SAFETY
FOUNDATION THROUGH INCREASING THE AVIATION FUEL TAX.

GORDON MACDONALD, SUNSHINE COPTERS

GENERAL DELIVERY

CIRCLE, ALASKA

HERMENS AIR

based at St. Marys & Mountain Village
Box 88 • St. Marys, Alaska 99658 • (907) 438-2112

TO Rm 119
Senator -
MULCAHY
7/10/84
Rep. Vern Hurlberg

March 24, 1982

Representative Vernon Hurlberg
Pouch V
Juneau, Alaska 99811

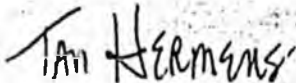
Dear Representative Hurlberg,

Air transportation is vital to the State of Alaska. Hermens Air, Inc. serves the Yukon Delta with 8 aircraft.

The Alaskan Aviation Safety Foundation needs funding to implement aviation training programs. The enclosed proposal explains the programs and contains a request for funding.

I urge you to support funding of the Alaskan Aviation Safety Foundation.

Sincerely,



Tan Hermens,
Vice-President, HERMENS AIR, INC.

SAND POINT AIR SERVICE, INC.

GEORGE KIMBALL
President

907/383-3242 · P.O. Box 4 · Sand Point, Alaska 99661



March 22, 1982

The Honorable Robert Mulcahy
Pouch V
Juneau, Ak. 99811

Dear Senator Mulcahy,

Air transportation is vital to the State of Alaska. My company serves Anchorage, the Alaska Peninsula, and the Aleutian Islands with four aircraft.

The Alaskan Aviation Safety Foundation needs funding to implement aviation training programs. The enclosed proposal explains the programs and contains a request for funding.

I urge you to support funding of the Alaskan Aviation Safety Foundation.

Sincerely,

George Kimball,
President

enc.

GK/mp

Flirite, Inc.



1627 Mill Bay Road
Box 297
Kodiak, Alaska 99615
(907) 486-5867

May 25, 1981

Senator Bob Mulcahy
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Senator Mulcahy:

Alaskan aviation firms have been faced with extremely high insurance rates, and one clear way to lower them is to improve the Alaskan aviation accident rate.

The Alaskan Aviation Safety Foundation will help to lower this accident rate by providing standardized training to improve the skills of air carrier management and flight crews. The Foundation needs funding for the initial cost of setting up the programs; thereafter the programs will be self-sustaining.

Our firm urges you to support proposals in the Finance Committee to fund this important program.

Sincerely,

Marilyn Buker
President

MB/im



air charter

Fly Right - with Flirite!

plane rental

flight instruction



SOUTHEAST ALASKA AIRLINES

March 22, 1982

Governor Hammond
Pouch V
Juneau, AK 99811

GOVERNORS OFFICE

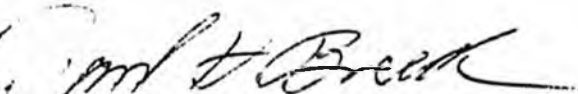
Dear Governor Hammond,

Air transportation is vital to the State of Alaska. My company serves Ketchikan with sixteen aircraft.

The Alaskan Aviation Safety Foundation needs funding to implement aviation training programs. The enclosed proposal explains the programs and contains a request for funding.

I urge you to support funding of the Alaskan Aviation Safety Foundation.

Sincerely,



Paul H. Breed,
President

P.S. In my 23 years of experience in Alaskan flying, I've heard a lot of talk about improving safety. This is the FIRST honest to God effort to do something about it on a statewide scale. Please fund this program. It could save a lot of lives.

Cape Smythe Air Service, Inc.

AMERICA'S NORTHERNMOST
AIR TAXI SERVICE

BOX 549
BARROW, ALASKA 99723
(907) 852-8333

CONTRACT AND CHARTER AIRPLANES
SINGLE & MULTI-ENGINE, PROP-JET
& LAND.

March 30, 1982

RECEIVED

APR 7 1982

GOVERNOR'S OFFICE

Governor Hammond
Pouch V
Juneau, AK 99811

Rep. Vern Hulbert
Sen. Frank Murkowski

Sen. Mulchay
Sen. Ted Stevens
Congressman. Don Young

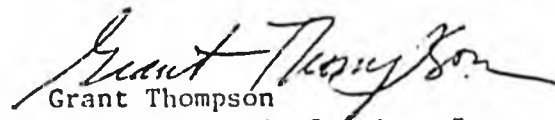
Dear Governor Hammond:

I feel that the Alaskan Aviation Safety Foundation is an important move in the right direction toward reducing the number of aircraft accidents in Alaska.

We operate on the North Slope. We are located at Barrow Alaska. I also know from years past, as I have lived over most of the state, that the conditions are unique to each area, therefore the cost of these training programs is going to be great.

I urge you to support funding of the Alaskan Aviation Safety Foundation.

Sincerely,


Grant Thompson
Cape Smythe Air Service, Inc.

GT:bd

Tyee Airlines Inc.

Handwritten signature
RECEIVED
MAR 23 1982
GOVERNORS OFFICE

March 23, 1982

The Honorable Governor Jay Hammond
Pouch A
Juneau, Alaska 99811

Dear Governor Hammond:

Air travel is a vital part of the Alaskan transportation system -- not only the economy but the welfare and survival of the citizens of Alaska. We at Tyee Airlines serve the southeastern part of the state of Alaska with DeHavilland Beavers and Otters.

We believe the Alaskan Aviation Safety Foundation needs funding to implement aviation training programs to assure our safety and the safety of the Alaskan citizens we serve.

We urge you to support funding for the Alaskan Aviation Safety Foundation.

We are forwarding to Representative Oral Freeman a copy of the resolution passed at the 1982 Alaska Air Carriers Association convention requesting the legislature to increase fuel taxes by 1/2 cent to generate revenue to fund the Alaska Aviation Safety Foundation.

Sincerely,

Handwritten signature of Kirk M. Thomas

Kirk M. Thomas
President

ARM:lj



AIRCRAFT
OWNERS
AND
PILOTS
ASSOCIATION

ALASKAN AVIATION SAFETY FOUNDATION, INC.
4790 Business Park Boulevard
Anchorage, Alaska 99503

Atten: Ms Tulinda Deegan, Executive Director

081-26

Dear Tulinda,

22 March 1982

Please allow this letter to confirm our several discussions concerning AOPA's ongoing and sincere support for the goals and programs of the Alaskan Aviation Safety Foundation.

In particular, let us congratulate you and the American Airlines Training Corporation for the excellent package you have developed in the first phase of the study and plan to turn our accident and insurance rates around! As you know, we have supported your venture from the beginning, and that our President, John Baker has given you his personal promise of assistance and coordination. As you also know, the AOPA Safety Foundation exists for almost precisely the same purposes, but on a National level.

We have been very concerned that the program would lose momentum as the first phase becomes completed, and that obtaining the broad-based support and recognition you currently enjoy, could become difficult a year from now as you attempted to develop funds for the on-going implementation phases. We are extremely pleased to hear that you have evidently been able to find support in Juneau for a partial funding plan tied to a slight increase in aviation fuel taxes.

You should know that AOPA has been working through its regional representatives in a number of locations in the U.S. recently on similar plans. Of note are efforts currently underway in Washington State where private and general aviation members have emerged unanimous in support of increases in fuel taxes even as much as 2 to 3¢/gallon, tied to dedication of those funds to airport development. A very similar program is under way currently in Michigan as well. The program in Montana was similar, but has hit a temporary hitch.

So it should come as no surprise when the largest general aviation organization in the world can readily support an increase in the fuel tax its members will pay in Alaska. Whereas we recognize that there may be some negative concern for the increase on the part of some individual pilots or aircraft owners who do not yet understand the overall program, and may not see where this increase will benefit them directly, we feel confident that once initiated, they will join the broad-based support.

pp 2
Alaskan Aviation Safety Foundation
22 March 1982

The only other comment we would add to this endorsement, is that it would be our hope that while the statute is being amended, that one small addition be made to the Commerce Committee Bill to facilitate all the aviation fuel taxes going to aviation projects. It is our understanding that the Alaska Airmen's Association has taken a strong position on this matter, and has provided you with material to facilitate this inclusion. We support their position as well.

Thank you so much for keeping us informed and keeping us included in each of the developmental steps to date. I will fly to Juneau on the first of April to assist the Commerce Committee in any way I can in the present effort. Good luck in implementing the next stages of the plan. You are free to release this letter in whole or in part in any manner that will benefit this effort.



KENT LEE WOODMAN,
Regional Representative

cy: Ms Jessie Dodson
Senator Mulcahy
Representatives Adams, Hurlburt and Fuller
Deputy Commissioner Donohue
Alaska Airmen's Association

Alaskan Aviation Safety Foundation

REQUEST FOR FUNDING

January, 1982

Board of Directors:

Rex I. Bishopp
James Dodson
Kenneth Eichner
George Papas
James Flood

Arlo Livingston
Richard Wien
Chuck Weir
Tom Wardleigh
Lowell Thomas, Jr.

Executive Director:

Tulinda Deegan

INTRODUCTION

This is a request for funds for the Alaskan Aviation Safety Foundation for operating expenses. Included in this request is a description of the purpose of the project, the background on the project, a 1982-83 budget, and description of proposed projects.

Purpose

Air travel is a vital part of the Alaskan transportation system. Not only the economy of Alaska but the welfare and survival of the citizens is dependent on the link provided among communities by the airplane and pilot.

The safe delivery of aviation services is a concern of all Alaskans, therefore, a decision was made to develop a training system for Alaskan aviation. The first step in implementing such a system is the identification of the training objectives and a description of the training program.

The conditions of weather and terrain in Alaska combine to create unique problems which require special skills and knowledge if aviators are to provide needed services to the public. As a result of the desire to serve others, some Alaskan pilots fly in conditions which exceed the capability of their skills or the design performance of the aircraft. Such flights may result in death and injury to themselves and their passengers. Other pilots, however, have learned unique skills, have defined their capability and know the limits of their aircraft to a degree that permits them to serve the needs of Alaskans while avoiding accidents.

The Alaskan Aviation Safety Foundation has contracted with American Airlines Training Corporation to identify these special skills and knowledge and translate them into training objectives. These objectives will then be combined into training scenarios. A description of the training devices, media, facilities, equipment, and personnel required to train Alaskan aviators to perform the tasks identified in the objectives under the conditions specified will be included.

Funds are now needed to begin the implementation of the programs proposed by American Airlines Training Corporation.

Background

In December of 1980, Tulinda Deegan, President of Alaska Air Carriers Association (AACCA) and Executive Director of the Alaskan Aviation Safety Foundation (AASF), asked American Airlines Training Corporation to submit a proposal to develop a training program for Alaskan aviators. In February, American Airlines Training Corporation (AATC) sent Dr. Michael K. Mitchell to Anchorage to meet with the Alaska Air Carriers Association Board and observe flying conditions in Alaska during the winter. During this first trip, Dr. Mitchell travelled to Aniak, Alaska and flew with pilot Bill Fisher of Harold's Air Service. The flights went to the villages of Crooked Creek, Red Devil, Sleetmute, Stony River, Kalskag, and Holy Cross. On other flights, Dr. Mitchell visited Nome and the airport at Gulkana.

In the report of his observations to the AACA Board, Dr. Mitchell concluded that flying conditions in Alaska were unique. An unsuccessful effort was made to identify and obtain an existing Arctic training program. Inquiries were made of training personnel in the United States Air Force, the Canadian United Forces, and several Scandinavian countries. The training programs, which were being conducted in Alaska, were found to be designed to meet recertification requirements of the Federal Aviation Administration (FAA).

The decision was made to develop a specially designed training program suited to the unique needs of Alaskan aviators. This unique training program could be based on accident records which had been compiled by the FAA or the National Transportation Safety Board (NTSB), but such records were often incomplete and, in fact, represented a list of failures. Instead, it was decided to discover how experienced Alaskan pilots had learned to cope with the many challenging problems faced by Alaskan aviators regularly. The process of discovery was found to have been developed and validated by John Flanagan and reported in Psychological Bulletin in 1954. Flanagan's critical incident methodology is the basis for the interviewing process used in this study.

The successful techniques discovered in the interviews are being correlated with FAA accident data to determine what cues and what actions are appropriate to avoid an accident.

After careful consideration, the Alaska State Legislature provided funding for the American Airlines Training Corporation portion of the AASF proposal. The funds were included in those to be administered by the Alaskan State Department of Education. A contract was signed by AATC and AASF to conduct the study. This contract included a statement of work which listed the activities and specified the deliverables due during and at the conclusion of this study. The final report is due June 1, 1982.

Interviews

To date, a total of 33 cities have been visited by the interviewers and approximately 100 interviews conducted. A list of companies and persons interviewed and a list of cities visited is included at the end of this report. The American Airlines Training Corporation interview team also visits FAA facilities such as the Flight Service Stations and General Aviation District Office and Flight Standards District Offices in the region in which they are working. Interviews have also been conducted with persons who, though they may not be air taxi operators, possess invaluable knowledge concerning Alaskan aviation. As evidence of their perceived expertise, some of these persons have been identified as opinion leaders in the interviews completed. For example, Tom Wardleigh, Chief Flight Inspection Section for the FAA and Tom Belleau, Flight Training Manager for the office of Aviation Services, were interviewed as was Walt Parker of Walt Parker and Associates.

Several administrative activities were undertaken when the interview team returned to Dallas/Ft. Worth in December. These activities are summarized below:

- Dr. Mitchell and the interview team attended a demonstration of the latest available equipment that could prove appropriate for simulation of the Alaskan flying environment.
- The data collected and organized by the Technical Writer was reviewed by team members. The team feels that the information being collected will definitely aid in the development of training objectives appropriate to an Alaskan pilot training program.
- Discussions were held concerning the question of how much motion-based simulation, if any, is needed to meet perceived training needs.
- Tentative plans were laid for further Program Development involvement as the study moves from the present stage to the actual design and implementation of a training program.
- American Airlines Training Corporation (AATC) management has indicated a readiness to develop and implement a management training component into an Alaskan pilot training program.

Next Step

The next step is to validate the training objectives and operational techniques developed by the process described above. The major activities planned for this validation are the solicitation of the agreement of groups of Alaskan aviation opinion leaders, and the development, processing, and analysis of a Training Emphasis Ranking.

In developing the training objectives, through the process described above, the research team discovered that there exists among Alaskan pilots a wide range of opinions as to the appropriate techniques to use in solving any particular flying problem in Alaska. This diversity of opinion was anticipated in the proposal American Airlines Training Corporation submitted to the Alaskan Aviation Safety Foundation last year. However, the funding provided last year was not adequate to implement the proposed process. Now that the research to develop the training objectives and techniques is nearing completion the need to validate the objectives and techniques is apparent. Without this process, the training program which is ultimately prepared may not be acceptable to the operators who employ our graduates or to the users of our training facilities.

The Alaskan Aviation Safety Foundation proposes to contract to have this validation process done through two methods.

Opinion Leader Ranking - This validation technique involves multiple interviews with highly qualified opinion leaders nominated by respondents during last years study.

The first group of opinion leaders to be selected and asked to participate will be those whose breadth of knowledge and experience is general to the whole state of Alaska. In addition, seven additional groups of regional and/or operational specialists will be contacted to solicit their input regarding specific training programs appropriate to their area of expertise.

Each of these eight groups will be interviewed and asked to validate through a structured process which training objectives and techniques should be emphasized in the preparation of pilots for flying in their area.

Training Emphasis Process - Research has found that by asking groups of first level supervisors, such as chief pilots, to rate training objectives or operational techniques according to appropriateness for training the program developer can rank the objectives and techniques from the most important to the least important. This process is recommended to get the broadest possible input from the population of active chief pilots. The process which will be used is that developed by the United States Air Force to validate and prioritize training objectives and techniques.

The responses from the training emphasis process will be compared with the opinion leaders responses. If agreement between the two groups is statistically established, the program will be based on this data. If agreement is not established, then the two lists will be submitted to the Board of Directors of the Alaskan Aviation Safety Foundation for reconciliation.

Alaskan Aviation Safety Foundation Programs

While AATC is developing the comprehensive training program, the Foundation will be working with other aviation groups to offer their programs in Alaska.

The Aircraft Owners and Pilots Association (AOPA) has developed extensive pilot training courses. Very few of these programs are offered in Alaska because of the high cost of transporting instructors and the training materials to Alaska. The Foundation has worked out a cost-sharing arrangement with AOPA to offer more of these programs in Alaska.

The prevention of accidents in Alaska begins with management. The Alaskan Aviation Management program will be offered in at least five Alaskan communities. The Management program has been offered in the past and is designed specifically for Alaskan aviation operators.

Each year at the Alaska Air Carriers Association Annual Convention, engine and aircraft manufacturers offer seminars for mechanics. These programs are well attended and are the only scheduled opportunity for Alaskan carriers to meet with the manufacturers. The Foundation will expand this program and offer mechanics' seminars throughout the state.

The Foundation has worked with the Employee Assistance Consultants of Alaska (EAC) to develop a program to help employees of air carriers. EAC works with employees and their families to deal with personal problems which may affect their productivity, health, or continued employment. The basic assumption of this program is that a healthy employee is also a safe employee.

The Foundation will provide air carriers with information on aircraft accidents in Alaska. Information such as the cause and the type of aircraft will be prepared in an easy-to-read format and distributed to air carriers.

The air carrier industry estimates that \$870,000 will be needed to continue the work of the Alaskan Aviation Safety Foundation. The following budget will provide cost information on each of the programs.

ALASKAN AVIATION SAFETY FOUNDATION
EXPENSES
12 Months
1982 - 1983

Management

Staff	
(2 professionals 1 clerical salaries and benefits)	\$100,000
Office Rent 4 Offices	20,000
Office Furniture	5,000
Office Equipment	10,000
Office Supplies	5,000
Insurance	10,000
Phone/Postage	<u>10,000</u>
TOTAL	\$160,000

Programs

AATC Contract	\$400,000
AOPA Program 10 programs offered in at least 5 communi- ties	100,000
Management Program 5 programs	50,000
Mechanics Program programs offered in at least 5 communities	50,000
Employee Assistance Program	100,000
Accident Analysis Data Collection and Distribution	<u>10,000</u>
TOTAL	\$710,000

GRAND TOTAL \$870,000

INTERVIEWS TO DATE

1. Air Logistics of Alaska
2. Aero Tech Flight Service
3. Alaska Aeronautical Industries
4. Alaska Air Guide
5. Alaska Air Service
6. Alaska Bush Carriers
7. Alaska Floatplane Service
8. Alaska Helicopters
9. Alaska North Flying Service
10. Alaska Travel Air
11. Alaska Air Service
12. Anchorage Airways
13. Big Red's Flying Service
14. Central Airways
15. Evergreen Helicopters of Alaska
16. Gay Airways
17. Gifford Aviation
18. Gordon's
19. Jonathan Fric
20. International Air Taxi
21. Ketchum Air Service
22. Ray Peterson, Sr.
23. Rust's Flying Service
24. Sea Airmotive
25. Trans-Alaska Helicopters
26. Wilbur's Flight Operations
27. Trail Lake Flying Service
28. Harbor Air Service, Inc.
29. Kenai Aviation
30. South Central Air, Inc.
31. Bishop Brothers
32. Arctic Aviation
33. Kenai Air Alaska
34. Maritime Helicopters

Interviews To Date

35. Kachemak Air Service, Inc.
36. Cook Inlet Aviation, Inc.
37. Beluga Lake Floatplane
38. Homer Air, Inc.
39. Kodiak Western Alaska Airlines, Inc.
40. Hal's Air Service, Inc.
41. Flirite, Inc.
42. Island Air Service
43. Kodiak Air Taxi
44. Ward Air
45. Channel Flying, Inc.
46. Southeast Skyways
47. Livingston Copters
48. Skagway Air Service
49. L.A.B. Flying Service
50. Mountain Aviation
51. Bellair, Inc.
52. Gregerson Leasing, Inc.
53. Era Helicopters
54. Woods Air Service
55. Rocky Mountain Helicopters
56. Bob Tears
57. Alaska Central Airways
58. Tundra Copters
59. Wright's Air Service
60. Aurora Air Service
61. Arctic Circle Air Service
62. Frontier Flying Service
63. The Flying Machine
64. Richard Wien
65. Forty Mile Air Service
66. Air North
67. Ed Peebles
68. R. Tony Schultz
69. Sunshine Copters

Interviews To Date

70. Tom Wardleigh - FAA
71. Flight Training Devices
72. Bill Overway - FAA
73. Jim Moody - Dept. of Transportation & Public Facilities
74. Alden Williams
75. Tom Belleau - OAS
76. Douglas Askerman
77. Northern Air Cargo
78. Alaskan International Airlines
79. Tyee Airlines, Inc.
80. Revilla Flying Services
81. Southeast Alaska Airlines
82. Temsco Helicopters, Inc.
83. Taquan Air Service, Inc.
84. Alaska Island Air, Inc.
85. Wrangell Air Service
86. Dave Werner
87. Gene Eddy
88. Walt Parker
89. Cape Smythe
90. Audi Air
91. Baker Aviation
92. Munz Northern
93. Shellenbarger Aviation
94. Russ Lloyd - Kotzebue Tech Center
95. Lee's Air Service
96. Teller Air Service
97. Bering Air Service

LIST OF CITIES VISITED

BY

AATC INTERVIEWERS

- | | |
|----------------------|-----------------|
| 1. Moose Pass | 24. Barrow |
| 2. Seward | 25. Deadhorse |
| 3. Kenai | 26. Kotzebue |
| 4. Soldotna | 27. Nome |
| 5. Homer | 28. Savoonga |
| 6. Kodiak | 29. Ketchikan |
| 7. Juneau | 30. King Salmon |
| 8. Sitka | 31. Naknek |
| 9. Anchorage | 32. Nondalton |
| 10. Palmer | 33. St. Mary's |
| 11. Fairbanks | |
| 12. Circle | |
| 13. Anaktuvuk Pass * | |
| 14. Allakakel * | |
| 15. Birch Creek * | |
| 16. Bettles * | |
| 17. Tanacross | |
| 18. Cordova | |
| 19. Skagway | |
| 20. Haines | |
| 21. Petersburg | |
| 22. Wrangell | |
| 23. Yakutat | |

* City visited but no interview conducted.

H B

177

Letter of Intent
North Slope Haul Road
FY 82 Repair Work

It is the intent of the House of Representatives that appropriations for the North Slope Haul Road for FY82 be used in conjunction with each other. House Bill 177 appropriates the sum of \$8,000,000 for FY82. It is the House's understanding that last year the legislature approved \$2.6 million in general obligation bonds for culvert repair along the North Slope Haul Road (that highway running from the Yukon River bridge to the Arctic Ocean, AS 19.40). Further, that this money is available for FY82. And, the Governor in his FY82 budget has requested \$6 million for repairs to the Haul Road.

The House of Representatives intends that the \$8 million appropriation to DOT&PF be used for road repairs along the existing highway. This repair work is to include a six inch lift and crown of crushed base. The worst areas shall be completed first.

If the \$6 million dollar Governor's request is appropriated, the House of Representatives intends it should be spent to complete road repairs from Atigun north along the existing highway. This work shall include a six inch lift and crown of crushed base. The worst areas shall be completed first.

The House recognizes the need for certain culvert repairs and understands that a \$2.6 million general obligation bond established by 118 SLA 80 to DOT&PF for North Slope Haul Road culvert repairs has not yet been spent. It is the intent of the House that the appropriation be used in FY82 to repair the following culverts:

Milk Creek
Arthur Creek
Stout Creek
Spoiled Mary Creek
Char Creek
Climb Creek
Terry Creek
Oksrukyik Creek
Polygon Creek
Sylvia Creek
Nina Creek
Sten Creek

If the \$2.6 million does not meet the cost for all of the above culvert repairs, any additional monies needed shall be drawn from the Governor's requested \$6 million Haul Road upgrade appropriation if that appropriation is adopted.

Transportation Committee Chair

March 4, 1981

Honorable Sally Smith
Alaska State Representative
Pouch V
Juneau, Alaska 99811

Dear Representative Smith:

Approximately two weeks ago the subject request was made by one of your staff to our office of Planning and Programming in Fairbanks.

While in the process of obtaining this information, a fiscal note request was made concerning the same subject of upgrading and resurfacing the Haul Road to bring it up to secondary standards.

Rather than duplicate the effort, and in an attempt to avoid generating conflicting cost data or project descriptions, it was decided to wait until this more in-depth information was available.

The Governor's budget request contains \$6 million to perform spot resurfacing of the north end of the Haul Road which at this time is considered to be the area needing surface repair the most. The \$26,605,000 is an estimate to resurface the entire roadway which was not considered to be needed at this time but was planned to be programmed as needed.

Please find enclosed a copy of the previously referenced fiscal note. I hope this will give you the information you desired in relationship to the original request. If not, please contact me and I will endeavor to provide you with the necessary information.

Sincerely,

John Bates
Deputy Commissioner

JB/HS/ajh

FISCAL NOTE

I. REQUEST

Bill/Resolution No. H.B. 177

Title Special Appro. to DOT/PF for resurfacing Highway, Yukon River to Arctic Ocean

Requested by Rep. Smith, et al

Date 2/20/81

II. FISCAL DETAIL

Agency Affected DOT/PF

Program Category Affected Highway Design & Construction

BRU, Program, or Subprogram(s) Affected _____

(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

FUNDING (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
GENERAL FUND		8,000,000				
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
FULL TIME						
PART TIME						
TEMPORARY						

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

IV. DATE 2/26/81

PREPARED BY Dave Truax

AGENCY Planning & Programming, DOT/PF, Interior Region

PHONE 479-4281

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

tbl



Greater Fairbanks

CHAMBER OF COMMERCE

Member
U. S. Chamber of Commerce
Alaska State Chamber of Commerce

In Association With:

Fairbanks Visitor & Convention Bureau
Fairbanks Industrial Development Corporation

(907) 452-1105 550 First Avenue

FAIRBANKS
ALASKA 99701

January, 1981

Rep. Sally Smith
Pouch V
Juneau, Ak. 99811

Dear Rep. Smith,

The attached report represents the accumulation of over 5 months of weekly morning meetings by the members of the Transportation Committee of the New Greater Fairbanks Chamber of Commerce. At those meetings, members listened to various industry and agency representatives alike, explaining how the Transportation system works and what the needs are. Members discussed these issues with other Chamber members and citizens throughout the community. Ultimately the more important needs began to emerge. Once identified, members formed solutions and prepared cost estimates when necessary. Finally this report was prepared. We believe it gives a good perspective of the highway and roadway needs in the Interior. In some instances we have established priorities and in others, we have simply made a list of projects and encourage the legislators to develop priorities.

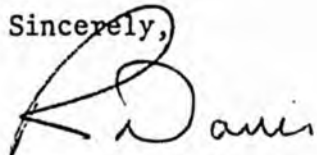
This effort was undertaken solely for the purpose of providing you, our legislators, the information needed to keep you fully informed concerning the roadway and highway needs in our region. We hope that this effort will provide you with adequate information during the legislative session to make wise choices for the residents of our area. If it does this, we feel our effort has been well worth while.



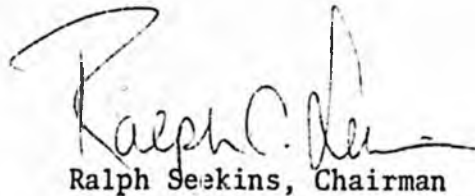
The New Greater Fairbanks Chamber of Commerce Board of Directors has reviewed this report and agrees with it.

Since this is a first time effort of this nature, we would be quite interested in how helpful this report is to you during and after the legislative session.

Sincerely,

A handwritten signature in cursive script that reads "Ron Davis". The letters are fluid and connected, with a prominent loop at the end of the name.

Ron Davis, President

A handwritten signature in cursive script that reads "Ralph Seekins". The signature is more stylized and elongated than the one to its left, with a long horizontal stroke at the end.

Ralph Seekins, Chairman

The Greater Fairbanks Chamber of Commerce has prioritized these needs. First, and foremost on this list is the North Slope Highway. The North Slope Highway, beginning at Fairbanks and terminating at Prudhoe Bay, is without exception, the most important highway to our state's economic well-being at the present time and for the foreseeable future.

This highway was constructed to secondary standards for the citizens of Alaska at the request of the Alaskan government. Part of this agreement include the obligation of the state to provide maintenance on this road without charge to Alyeska. Federal funds were also utilized in the construction of this road, thus legally making it a public highway.

This highway is the only overland link with the North Slope in Alaska and consequently, it is a major hauling route. Maintenance costs are high but, unless the road is paved they can be expected to go higher. Currently, over 100 trucks use the road daily. According to a study completed by the United States Comptroller General's Office, using data furnished by highway officials, one loaded truck weighing 85,000 pounds requires the same maintenance effort as 9,600 automobiles. Assuming half the trucks using this road are loaded, a maintenance effort to serve 500,000 autos is required.

The North Slope Highway can be divided into four separate sections for improvement purposes.

Fairbanks to Snowshoe Pass

This section of roadway has been reconstructed and paved. No need has been identified for this section.

Snowshoe Pass to TAP's Road Intersection

This section of roadway has just been reconstructed to achieve adequate alignment and grade. This section was constructed from Birch Creek Schist, a material that readily breaks down under heavy traffic. Presently, there is no base or traveling course on this road as the DOT/PF realized that putting such a course on would be fruitless as it would soon be lost under heavy

traffic. This is a serious matter, since the road as constructed, will not hold up under the current use it is receiving for even a few years. This section can best be protected by paving; however, it will take at least three inches of pavement to withstand the anticipated traffic.

Presently, DOT/PF has scheduled paving for this section after completion of the gas pipeline. It is feared that such a delay will result in this newly constructed section being lost during the gas line construction. The DOT/PF experienced a similar situation during the Alyeska effort when the newly constructed Elliot Highway to Snowshoe Pass was lost and had to be reconstructed and paved at a cost comparable to the original construction cost.

If the road way were paved prior to the gas line effort, the road would be similar to other paved roads within the state, provide an operational savings to truckers, protect the current investment in a new highway and increase safety on that road.

TAPs Road Intersection to the Yukon River Bridge

This section was built by the oil company prior to the Alyeska effort. It was built to secondary standards and is currently open to public use. For safety convenience and lower maintenance cost, this section is recommended for paving. This paving should extend a mile or so beyond the Yukon River Bridge. Presently, bridge maintenance is extra high as trucks drop mud and dirt into the contraction joints. Paving beyond the bridge for a mile or so would help alleviate this problem.

Yukon River Bridge to Prudhoe Bay

This section was turned over to the state in good condition. Since that time, it has deteriorated to the point that truckers get only eight to ten trips per set of tires. This is due to the loss of traveling course through heavy traffic, wind and improper maintenance practices. It now needs a new traveling course.

CONSEQUENCES OF NO IMPROVEMENT

Maintenance cost will go even higher than the \$27,000 per mile per year now necessary although not being spent. Rough and dusty roads will unnecessarily endanger users of this road whether public or commercial. Deterioration of this road will accelerate, damage to equipment will increase as well. Commercial use of the highway will decrease as oil field operators will find alternative routes such as increase sealifts or using the McKenzie River through Canada, either way, by-passing Alaska and Fairbanks. The state will still be required to maintain this road because of the agreement with Alyeska.

ESTIMATED COST

Pave from Wickersham Dome to Livengood (TAPS Road)	\$10,300,000
Pave from Livengood to the other side of the Yukon River Bridge	11,400,000
Shape and place crush gravel surface on remainder of road to Prudhoe Bay	<u>22,000,000</u>
Total	\$43,700,000

Cost of Paving in 1986

Present worth of Capital Investment*	\$39,300,000
Present worth of estimated maintenance cost for unpaved road through 1986	<u>5,800,000</u>
Total	\$45,100,000

Cost of Paving in 1981

Present worth of capital investment	\$21,700,000
Present worth of estimated maintenance cost for paved road through 1986	<u>1,600,000</u>
Total	\$23,300,000

Savings to taxpayer \$45,100,000 - \$23,300,000 = \$21,800,000

*The reason for the higher paving cost under the 1986 paving scenario is the necessity for reconstruction of major portions of this road destroyed during the gas pipeline effort.

HOUSE JOURNAL

HOUSE FINANCE COMMITTEE

LETTER OF INTENT FOR HB 177

The Department of Transportation and Public Facilities shall begin work on culverts on the North Slope Haul Road at the following locations:

Milke Creek
Arthur Creek
Stout Creek
Spoiled Mary Creek
Char Creek
Climb Creek
Terry Creek
Oksrukyik Creek
Polygon Creek
Sylvia Creek
Nina Creek
Sten Creek

Sam Cotten

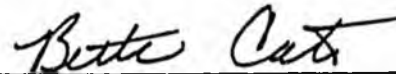
Sam Cotten, Chairman
House Finance Committee
April 21, 1981

HOUSE JOURNAL

LETTER OF INTENT

HB 177

The sum of \$8,000,000. is appropriated from the general fund to the Department of Transportation and Public Facilities for resurfacing of the highway from the Arctic Ocean to the Yukon River, beginning at mile 360 (adjacent to the Deadhorse airport) to approximately mile 238 (Antigon River Bridge crossing). The scope of the project shall include the restoration of the highway to the original 28' design width, culvert replacements, and a 6" lift of gravel.



Rep. Bette Cato, Chairman
House Transportation Committee

H B

538

FILE WITH BILL

Alaska State Legislature

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



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

Senate

Committee on Resources

TO: Senator Bill Ray, Chairman
Senate Transportation Committee

FROM: Senator Bettye Fahrenkamp, *BF* Chairman
Senate Resources Committee

DATE: June 9, 1981

RE: HB 456 and CSHB 538

Attached is back-up information on HB 456 and CSHB 538 which have passed out of the Resources Committee and are now in your Committee.

Attachments

BF:rk

Alaska State Legislature

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



POUCH V
STATE CAPITOL
JUNEAU, ALASKA 99611
(907) 465-3834
(907) 465-3835

Senate

Committee on Resources

June 5, 1981
1:30 p.m.

Beltz Room
211 - Capitol

MEMBERS PRESENT

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

HEARING:

CSHB 535 An Act relating to the Alaska Agricultural Action Council.

HCR 29 Relating to the development of a plan for Alaska agricultural development.

SB 588 An Act relating to mineral leasing.

✓ HB 456 An Act relating to agriculture.

HB 88 An Act relating to the qualifications for the farm or agricultural lands tax exemption.

HB 83 An Act making special appropriations to the Department of Fish and Game for bison management.

✓ HB 538 An Act relating to a small-scale agriculture grant program.

Representative Gardiner, stated that HCR 29 and HB 535 outline the state's policies and goals for agricultural development. HB 535 increases the membership on the Agricultural Action Council from 5 to 7 members.

Senator Sturgulewski put forth the motion to move SCS CSHB 535 with individual recommendations.

Senator Sturgulewski put forth the motion to move HCR 29 and the letter of intent with individual recommendations.

Representative Gardiner stated that the purpose of HB 456 is to promote small scale agriculture.

Representative Rogers suggested an amendment to HB 456 on page 1, line 16, place a period after "state" and delete line 17.

Senator Fischer put forth the motion to accept the amendment. He put forth several technical and grammatical amendments which were accepted.

Senator Fischer put forth the motion to move HB 456 as a Senate Committee Substitute with individual recommendations.

Dick Bishop, Regional Supervisor, Fairbanks, Department of Fish and Game, stated that HB 83 provides funding to develop the Delta Bison range and improve the bison summer range to delay their movement.

Representative Gardiner stated that he had looked at other alternatives and HB 83 was the least expensive to help ease the conflict between bison and agriculture.

Senator Mulcahy put forth the motion to move HB 83 with individual recommendations.

Representative Gardiner stated that HB 538 is designed to help small scale and village agricultural programs. He suggested that the Committee consider a letter of intent stating that the funds should be dispersed throughout the state and that no single geographical region receive an abnormal amount of the funds.

Senator Mulcahy put forth the motion to move CS 4B 538 am with individual recommendations and the letter of intent.

Senator Fahrenkamp put forth the motion to defer consideration of HB 98.

SB 588 was held until the Committee meeting June 8, 1981.

The Committee adjourned at 3:05 p.m.

LETTER OF INTENT

SENATE RESOURCES COMMITTEE

TO ACCOMPANY CSHB 538(Fin) am

It is the intent of the Alaska State Legislature that the funds appropriated to the Small-scale Agriculture Grant Program be dispersed throughout the state and that no single geographical region receive an abnormal amount of the funds.



Alaska State Legislature

House of Representatives

Committee on Resources

Terry Gardiner, Co-Chairman
Fred F. Zharoff, Co-Chairman
465-3715

Pouch V
State Capitol
Juneau, Alaska 99811

To: Senator Bettye Fahrenkamp, Chairman
Senate Resources

From: Rep. Terry Gardiner, Co-chairman *T.G.*
House Resources

Date: May 21, 1981

Re: CS HB 538 am - Small Scale Agriculture Grant Program

The House Resources Committee has devoted a great deal of time and energy examining the agriculture industry in Alaska. During a week of hearings on agriculture held in March one need was pointed out which the committee has addressed in HB 538.

HB 538 provides financial assistance to communities throughout the State for small-scale agriculture projects and programs. It was designed to provide assistance to villages and communities in efforts to provide nutritional, locally produced foods for residents, particularly in rural Alaska where fresh produce is often scarce, and food costs extremely high. The bill allows all municipalities or villages in the State to apply for funding of smallscale agriculture projects or programs, with a maximum set at \$25,000 per recipient. Block grants may be awarded at the discretion of the Commission of DNR to programs serving a number of communities.

Last year the legislature appropriated \$2,147,000 for village agriculture programs through HB 60 and other pieces of legislation. House Resources is aware of \$2,433,440 in requests from numerous rural communities for agriculture programs for FY 82. These are being handled through the budget process. In order to provide funds to support these agriculture efforts in a more coherent manner, while providing a source of information and technical assistance to groups starting new programs, HB 538 was drafted. Earlier in the year Department of Natural Resources proposed a similar program, and it has been with DNR, numerous individuals involved in village gardening programs and a sub-committee of the Resource committee that we have worked to arrive at the bill before you.

The funding level for the grant program is projected to be \$1,000,000. Since this grant program will not be operational until 1982, and it is assumed that the Governor will allocate continuation level funding in FY 83, the request for grant monies for FY 82 is \$500,000. The million dollars in the grant fund will clearly not meet the total requests for village agriculture projects, but will provide substantial funds to cover costs of the basic gardening efforts.

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W — ALASKA OFFICE BUILDING

FINANCE DIVISION
POUCH WF — STATE CAPITOL

JUNEAU 99801

MEMORANDUM

DATE: February 27, 1981

TO: Mary Hakala
Administrative Assistant
House Resources Committee

FROM: Elmer Lindstrom (EL)
Fiscal Analyst
Legislative Finance Division

The following is a summary of state funding for agriculture from 1978 to 1980. Since the first major appropriation for Delta I was approved in 1978, I have not attempted to locate funding prior to that time. All amounts are in thousands of dollars.

Delta I

Sec. 1, Ch. 171, SLA 1978 (Special Appropriation) -
Appropriated to the Department of Natural Resources 4,793.0.

Land Clearing	2,700.0
Surveying	300.0
Test Marketing	350.0
Environmental Studies	150.0
Grain Storage Facilities	1,000.0
Transportation of Grain	43.0
Administration	100.0
Miscellaneous	150.0

Sec. 25, Ch. 80, SLA 1979 (General Appropriations Act) -
Appropriated to the Department of Commerce & Economic
Development 7,070.8.

Final Clearing	4,736.0
Road Construction	1,080.0
Test Marketing	900.0
Administration	127.9
Extension Services	63.2
Pesticide/Herbicide Research	78.5
Miscellaneous	85.2

Sec. 53, Ch. 120, SLA 1980 (General Appropriations Act) -
Appropriated to the Office of the Governor, Agricultural
Action Council 2,000.0.

Delta I	2,000.0
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Sec. 1, Ch. 40, SLA 79 (Special Appropriation) -
Appropriated to the Department of Fish & Game.

Delta Bison Management Plan	<u>20.0</u>
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Total	13,883.8
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Point McKenzie

Ch. 90, SLA 1980 (Special Appropriation) - Appropriated to the
Agricultural Action Council 5,025.0.

Survey Costs	200.0
Land Clearing	3,600.0
Administration	150.0
Construction of Access Roads	1,000.0
Dairy Specialist & Support	<u>75.0</u>

Total	5,025.0
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Nenana/Totchaket

Sec. 281, Ch. 50, SLA 80 (HB 60) - Appropriated to the Office
of the Governor, Special Projects Office.

Totchaket Agricultural Project	500.0
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Department of Natural Resources

Sec. 14, Ch. 113, SLA 1978 (General Appropriations Act)

Red Meat Project	113.1
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Sec. 286, Ch. 150, SLA 1980 (HB 60)

Plant Materials Center Lab Bldg	150.0
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Sec. 53, Ch. 120, SLA 1980 (General Appropriations Act)

Equipment & Seed Storage Building	
Palmer	108.0
Plant Materials Center Animal	
Enclosure	14.6
Upgrade Seed Cleaning Building	<u>110.0</u>

Total	495.7
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University of Alaska

Sec. 14, Ch. 113, SLA 1978 (General Appropriations Act)

Remodeling/Construction

Sewage Facility, Palmer Agricultural Experiment Station	50.0
Storage of Hazardous Chemicals - Fbx Agric Experiment Station	30.0
Renovate Agricultural Experiment Station Bldgs, Fairbanks	70.0

Sec. 25, Ch. 80, SLA 1979 (General Appropriations Act)

Organized Research

Feed Mill Bldg & Pellet Mill, Fbx	80.0
Animal Waste Disposal System, Fbx	120.0

Sec. 286, Ch. 50, SLA 1980 (HB 60)

Equipment Replacement & Additions

Equip Agricultural Experiment Station, Fairbanks	300.0
Building Repair & Renovation Experimental Farm Renovation, Fbx	191.3
Other Facilities & Equip, Agric Experiment Station	113.0
Fairbanks School of Agriculture, Timber Thinning/Fire	<u>140.0</u>

Total 1,094.3

Rural Agriculture FY 81

Sec. 25, Ch. 80, SLA 1979 (General Appropriations Act)

Dept/Commerce & Economic Development

Koyukon Development Corp - Farm Projects	400.0
Dept/Natural Resources Galena Agricultural Fair	5.0
Tanana Chiefs Conference - Agricultural Equipment	120.0

Sec. 197, Ch. 50, SLA 1980 (HB 60)

Dept/Natural Resources

Koyukon Development Corp - Arctic Agriculture Training Program	117.0
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Sec. 286, Ch. 50, SLA 1980 (HB 60)

Dept/Natural Resources	
Selawik Agricultural Project	412.0
Kuskokwim Native Assn -	
Agriculture	200.0
Koyukon Development Corp -	
Agriculture	200.0
Minto - Small Scale Agriculture	104.0
Dept/Community & Regional Affairs	
Mauneluk Garden Projects	61.0
Municipal Grant Account	
Bethel - Recreation/Agriculture	
Facility	<u>528.0</u>

(Total ~~2,147.0~~ 2,147.0, FY 81

Agricultural Revolving Loan Fund (ARLF)

General Fund Capitalization	
through FY 81	20,000.0
Fund Balance	20,719.2

Governor's Proposed FY 82 Agriculture Capital Projects

Dept/Commerce & Economic Development	
Agricultural Action Council	
Point McKenzie	328.0
Delta I	949.0
Delta I - Bison Fencing	120.0
Delta II - Survey/Disposal	699.1
Delta II - Clearing Loans	4,000.0
Delta II - Roads	2,622.8
Delta II - Clearing Equipment	30.0
Delta II - Grain Storage Loan	1,650.0
Grain Export Facility Loan	4,425.0
Livestock Facility Loan	2,650.0
Dept/Natural Resources	
Economic Development	
Kenai Grazing	280.0
Interior - Plant Materials	
Center Bldg	177.0
Plant Materials Center Head	
House	25.0
Plant Materials Center Equip	85.0
Plant Materials Center Alarm	
System	11.5
Agriculture Revolving Loan Fund	
Capitalization	<u>23,085.0</u>
Total	41,137.4

Operating Budget Programs Related to Agriculture

Dept/Natural Resources, Division of Agriculture
FY 79 Authorized: Agriculture Development
State Fairs 165.5
Plant Materials Center 406.8
Administration & Support 138.8
Agricultural Loan Fund 160.2
FY 80 Authorized: Agricultural Development
State Fairs 162.3
Plant Materials Center 343.0
Administration & Support 129.9
Agricultural Loan Fund 157.8
FY 81 Authorized: Agricultural Management
Agricultural Development 353.5
Agric Financing & Promotion 203.8
Agric Research/Extension Services 361.9
State Fairs 294.5
Directors Office 113.1
University of Alaska
Organized Research - Operating funds
for the Agricultural Experiment
Stations ---
University Center, Fairbanks -
Operating funds for the School
of Agriculture ---

NOTE: The University of Alaska's operating budget does not identify agriculture related programs separately. The University has been requested to provide this information to Legislative Finance for FY 79-FY 81 along with an estimate for FY 82.

Governor's Proposed FY 82 Agriculture Operating Budget

Dept/Natural Resources
Agriculture Management
Agricultural Development 299.4
Agric Financing & Promotion 359.9
Agric Research/Extension Services 638.1
State Fairs 318.1
Dept/Commerce & Economic Development
Agricultural Action Council 360.7
University of Alaska - Information on Request

If I may be of further assistance, please let me know.

EL:vsw

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
POUCH WF-STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3795

MEMORANDUM

DATE: March 3, 1981

TO: Mary Hakala, Administrative Assistant
House Resources Committee

FROM: Elmer A. Lindstrom, ^(EL) Fiscal Analyst
Legislative Finance Division

SUBJ: University Budget/Agriculture

The following is a summary of agriculture funds contained in the University of Alaska's operating budget for fiscal years 1979 - 1982.

<u>Program</u>	<u>FY 79</u>	<u>FY 80</u>	<u>FY 81</u>	<u>FY 82</u>
	(thousands of dollars)			
Agricultural Experiment Station	3,997.8	4,450.2	4,780.1	5,060.7
School of Agriculture	194.1	224.0	400.7	636.9
Sea Grant Program	29.6	49.9	87.6	27.4
Mat-Su Community College	--	1.8	46.0	116.5
Rural Education	--	128.2	78.4	60.0
Cooperative Extension Service	718.7	1,076.5	1,200.0	1,300.0

+ 25% above 1980 base.

cc: Alison Elgee
Legislative Finance

EL:bf

DEVELOPMENT
CORPORATION, INC.



TO: *MARY*

FROM: John Quirk, Executive Director

SUBJECT: Agriculture & Transportation

DATE: 04/09/81

Christine and I enjoyed our visit with you. I have put in writing some of our conversation of that day. I firmly believe that revealment education will be the cornerstone upon which self sufficient economic entities will be made viable during the coming decades. Local control of budgets and curriculum are vital if these endeavors are to succeed.

Subsistence agriculture can allow Rural Alaskans to sever the end of a long supply chain, reduce prices, instil pride and self determination in a changing life style, and prepare a workforce that will be capable and ready when agriculture becomes a reality. Economic spinoffs from a large scale economic agriculture development is going to impact transportation, building, mechanics, timber products, rural growth, energy, and a host of other related industries.

Transportation costs will be the key in marketing. Present plans call for a grain terminal at Seward. As agriculture develops in Alaska it will be west along the Yukon and Kuskokwim rivers. This will require a backhaul up the river to the railroad down to Seward with an increase in transportation costs. Kuskokwim grain will require a railroad and/or canal to reach the Yukon. Storage facilities costs will be high.

Grain handling is energy inefficient and some areas labor intensified. Handling of grain has not changed much in fifty years. The farmer augers the grain from the combine to the truck, to the graindryer, to the storage elevator, to the railroad car, to the seaport grain terminal, to the ship and than a similar process at destination. This takes time, money, and a unique one commodity storage facility.

The vastness of the Alaskan interior, the potential of grain production, and soaring costs require a new and innovative approach utilizing modern technology in transportation. Grain could be augured from the combine to the truck, to the grain dryer and into sealed containers, barged down to the mouth of the Yukon and Kuskokwim rivers, and loaded by sea going barges on large container ships being built by McClennan shipping that could be the future transportation link between pacific rim markets, and eventually feed lots on the Aluetian chain. The containers could be used for backhaul of commodities. They can have the capability of cooling, refrigeration, and floatation with some commodities in case of accident at sea.

REPORT ON VILLAGE/SMALL SCALE AGRICULTURE

MR. CHAIRMAN:

MY NAME IS JIMMIE L. FARMER

UNTIL RECENTLY I WAS THE EXECUTIVE DIRECTOR OF THE KOYUKON DEVELOPMENT CORPORATION LOCATED IN GALENA, IN THE INTERIOR. DURING MY TIME AT KOYUKON AN AGRICULTURE PROGRAM WAS STARTED TO TEACH PEOPLE IN OUR AREA HOW TO GROW, PRESERVE AND PREPARE MORE OF THEIR OWN FOOD. THIS EDUCATIONAL EFFORT WAS, AND IS, NEEDED BECUASE PART OF THE EDUCATION IS TEACHING PEOPLE HOW TO GROW VARITIES THAT UP TO THIS POINT WERE ONLY SEEN IN CANS OR DRIED FORM.

THE LEGISLATURE WAS VERY HELPFUL IN THESE EFFORTS BY PROVIDING SOME MONEY FOR EQUIPMENT FOR THIS PROJECT.

KOYUKON WORKED IN 2 VILLAGES IN 1977, 8 VILLAGES IN 1978, AND 20 VILLAGES IN 1979. AS YOU CAN SEE THE DEMAND WAS OUTSTANDING. AS SOON AS PEOPLE HEARD ABOUT THE PROJECT AND TALKED WITH PEOPLE THAT WERE INVOLVED IN IT, THEN THEY REQUESTED IT. THE MAJOR FOCUS WAS, AND IS, ON PRODUCING ENOUGH FOOD FOR USE WITHIN THE VILLAGE. DIRECT FOOD (GARDEN TO TABLE), FOOD PRESERVED FOR LATER USE, AND FOOD STOCKS TO FEED CHICKENS, TURKEYS, AND DUCKS. THESE ARE LATER TURNED INTO PROTIEN FOR THE TABLE. SOME ARE KEPT FOR EGG PRODUCTION. WE ALSO HAVE SOME MILK GOATS (PRIVATE PARTY) FOR MILK PRODUCTION WITHIN THE VILLAGE. THE ACCEPTANCE BY THE LOCAL PEOPLE IS GOOD. WE HAD A RED MEAT EXPERIMENT IN GALENA AND RUBY WHICH TURNED OUT REAL WELL AND PROVED THAT BEEF ANIMALS CAN BE KEPT OVER WINTER WITHOUT HEATED BUILDINGS.

OUR INITIAL GOAL WAS TO SHOW PEOPLE HOW TO IMPROVE THEIR HEALTH AND DIET BY GROWING THEIR OWN FOOD.

THIS HAS BEEN DONE.

WE ARE INTO A PROGRAM OF FOOD PRESERVATION, SO THAT THE SUMMERS EFFORTS WILL EXTEND INTO NEXT SUMMER.

THIS HAS BEEN STARTED, IN ALL 20 VILLAGES. WE NEED TO HAVE FOLLOW UP WORKSHOPS TO INSURE PROPER PROCESSING OF THE FOODS.

FROM THE INCEPTION OF THIS PROJECT IN THE INTERIOR, WE HAVE HAD REQUEST ON HOW TO GET STARTED AND JUST WHAT WAS NEEDED FOR A VILLAGE TO ENABLE THEM TO PRODUCE THEIR OWN FOOD. AS I TALKED TO PEOPLE FROM AROUND THE STATE AND ADDED UP THE VILLAGES THEY HAD THAT WANTED TO GET INTO AGRICULTURE, I COUNTED ABOUT 125 VILLAGES EITHER INVOLVED IN AGRICULTURE OR WANTING TO BECOME INVOLVED. THIS IS MORE THAN HALF OF THE VILLAGES IN ALASKA. THIS DOES NOT INVOLVE THE EFFORTS IN FAIRBANKS, ANCHORAGE, OR JUNEAU. WITH THIS KIND OF DESIRE FROM SO MANY DIVERSE PEOPLES, I FEEL THAT THE MESSAGE IS CLEAR:

HELP US REDUCE OUR DEPENDENCY ON LONG, HIGH ENERGY USE SUPPLY LINES - OUR DEPENDENCE ON IMPORTED FOODS.

DURING THESE TIMES OF AFFLUENCE BY OUR STATE, ONE OF THE BEST USES OF SOME OF THIS MONEY WOULD BE TO HELP CREATE A SYSTEM OR CONDITION WHEREBY THE RESIDENTS OF THE STATE CAN BECOME SELF SUFFICIENT IN FOOD PRODUCTION.

.THE DELTA AND POINT MCKENZIE PROJECTS ARE GREAT AND NEEDED FOR THE HEALTH OF THE STATE AS A WHOLE, BUT IN LOOKING AT THE LARGER PROJECTS LET US NOT FORGET THE NEEDS OF PEOPLE, THE VILLAGE AGRICULTURE PROJECTS, STATEWIDE.

DURING HISTORIC AGRICULTURE DEVELOPMENT GOVERNMENT CAN ASSIST BUT CANNOT DO THE JOB BY ITSELF. BY ENCOURAGING VILLAGE GARDENING YOU ARE EDUCATING THE STOCKHOLDERS OF THE VILLAGE AND REGIONAL CORPORATIONS AND THESE PEOPLE ARE THE ONES THAT CAN GET THESE CORPORATIONS INVOLVED IN AGRICULTURE. THIS IS PRIVATE CAPITAL. THESE CORPORATIONS WILL OWN OR CONTROL A VERY LARGE BLOCK OF THE AGRICULTURE LAND WITHIN THE STATE IN THE NEAR FUTURE. THIS PROGRAM WILL ALSO PROVIDE A TRAINED CADRE OF AGRICULTURE WORKERS WITHIN THE STATE AND WILL ENSURE NOT HAVING TO IMPORT WORKERS FOR OUR DEVELOPING AGRICULTURE INDUSTRY.

THE PROPER INCLUSION IN THE LONG TERM AGRICULTURE DEVELOPMENT PROGRAM, OF THE VILLAGE NEEDS, THE UPGRADING OF THE TRANSPORTATION SYSTEMS TO ALL AREAS OF THE STATE, THE PROPER BLENDING OF THE VILLAGE AND URBAN NEEDS AS PART OF A WHOLE STATEWIDE PROGRAM OF DEVELOPMENT IS JUST A FEW OF THE THINGS WE NEED.

WITH THE CONTINUING FUEL PRICE INCREASES AND THE ATTENDENT FREIGHT RATE INCREASES, PRICES ARE GETTING SO FAR OUT OF REACH OF EVERYONE. BUT IN THE VILLAGES WITH 80% UNEMPLOYMENT FOR 75% OF THE YEAR AND PRICES THAT RANGE FROM 20 - 400% HIGHER THAN ANCHORAGE (AVERAGE 150 - 200 %) IT IS BECOMING LIFE THREATING. EVEN WITH WELFARE AND FOOD STAMPS (WHICH ARE USED BUT NOT REALLY ACCEPTED IN MOST CASES) YOU CANNOT FEED A FAMILY AN ADEQUATE LIFE SUSTAINING DIET.

THE RESULTS OF A RECENT SURVEY DONE IN THE KOYUKON REGION SHOWS THAT 96% OF THE HOUSEHOLDS SURVEYED ARE CURRENTLY INVOLVED IN GROWING SOME OF THEIR OWN FOOD. OUR SURVEY COVERED 49% OF THE HOUSEHOLDS WITHIN THE KOYUKON REGION. 1978 FIGURES FOR OUR AREA SHOWS 974 HOUSEHOLDS AND 5,368 RESIDENTS. WITH NORMAL PROJECTIONS THAT 96% OF ALL OF THE HOUSEHOLDS ARE INVOLVED IN VILLAGE/SMALL SCALE AGRICULTURE THIS SHOULD BE A CLEAR INDICATION OF THE DESIRE OF THE PEOPLE TO HELP THEMSELVES.

THE KOYUKON PROJECT ONLY COVERS ABOUT 8-9% OF THE VILLAGES IN ALASKA, THERE ARE OTHER ORGANIZATIONS THAT ARE TRYING TO ASSIST IN THEIR AREAS, WITH GOOD RESULTS WHERE FUNDING HAS BEEN MADE AVAILABLE. THIS ONLY REINFORCES WHAT HAS BEEN SAID BEFORE, "HELP US HELP OURSELVES".

REMEMBER THE OLD SAYING, "IF YOU EAT, YOU ARE INVOLVED IN AGRICULTURE".

WHEN I STARTED AT KOYUKON, SPRING OF 1977, IT WAS ONE OF MANY REGIONAL NON-PROFITS THAT JUST SEEM TO EXIST WITHOUT MUCH IMPACT ON THE LIVES OF THE PEOPLE IN THE VILLAGES. SINCE THAT TIME, DUE TO THE POSITIVE DEMANDS MADE ON ME BY THE VILLAGE RESIDENTS AND THE ASSISTANCE OF THE LEGISLATURE AND THE USDA PERSONELL IN ALASKA THE KOYUKON DEVELOPMENT CORPORATION HAS BECOME WELL KNOWN IN JUNEAU AND WASHINGTON, D.C. AS THE MOST AGRESSIVE VILLAGE AGRICULTURE DEVELOPMENT PROGRAM IN THE COUNTRY. I FEEL GRATIFIED TO HAVE BEEN A PART OF THIS. IT WAS THROUGH 16-20 HOUR DAYS, 6-7 DAY WEEKS THAT IT WAS MADE POSSIBLE. ONLY WITH THIS KIND OF PERSONAL COMMITTMENT IS THIS TYPE PROGRAM ABLE TO GET STARTED AND TO BECOME A MODEL FOR OTHERS TO FOLLOW.

WE ANTICIPATE THE PROGRAM WILL CONTINUE UNDER THE NEW MANAGEMENT AT KOYUKON AND REQUEST THE LEGISLATURE TO PROVIDE SUPPORT TO INSURE THAT THEY ARE ABLE TO (CONTINUE).

AT THE CURRENT TIME I FEEL THAT IT IS NECESSARY FOR THE RESOURCES COMMITTEE TO BECOME MORE INVOLVED IN THIS DEVELOPING INDUSTRY. THE DIVISION OF AGRICULTURE IS DOING WHAT IT CAN BUT THEY JUST DO NOT HAVE THE PERSONNEL TO DO THE FOLLOWING JOB. I SUGGEST THAT THE RESOURCES COMMITTEE HIRE SOMEONE TO VISIT ALL OF THE REGIONAL PROFIT AND NON-PROFIT ENTITIES AROUND THE STATE TO FIND OUT WHAT, IF ANYTHING, THEY HAVE IN THE WAY OF PLANS FOR AGRICULTURE DEVELOPMENT IN THEIR AREA. THIS WOULD COVER DEVELOPMENT WITH THEIR OWN CAPITAL OR WHERE THEY PLANNED TO SEEK STATE ASSISTANCE. ONCE THIS INFORMATION IS GATHERED AND DEVELOPED THEN THE PROPER STATE AGENCIES COULD INCLUDE THIS INTO THEIR PLANNING PROCESSES. ONE OF THE THINGS THAT IS LACKING NOW IS TOTAL COORDINATION OF THE PLANNING, AND IT IS REALLY NO ONE PERSON OR AGENCIES FAULT. THIS KIND OF INFORMATION IS VITAL TO ALLOW YOU AS A COMMITTEE TO DO YOUR JOB PROPERLY.

THANK YOU FOR ALLOWING ME TO EXPRESS MY VIEWS HERE AND BE ASSURED THAT I AM AVAILABLE FOR ANY ASSISTANCE YOU MAY REQUIRE. I STILL FEEL THAT THIS IS VITAL TO ALASKA AND THE NATION AS A WHOLE.

Jimmie L. Farmer
630 W. 8th Apt. 105
Anchorage, Ak. 99501

272-8720

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CS HB 538

Title Small-scale Agriculture Grant Program

Requested by Rep. Terry Gardiner

Date May 15 1981

II. FISCAL DETAIL

Agency Affected Department of Natural Resources

Program Category Affected Economic Development

BRU, Program, or Subprogram(s) Affected Ag. Management

(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		37.8	37.8			
200 TRAVEL		10.0	10.0			
300 CONTRACTUAL		6.2	6.2			
400 COMMODITIES		.3	.3			
500 EQUIPMENT		1.7	1.7			
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		500.0	1000.0			
TOTAL						

FUNDING (Thousands of Dollars)

GENERAL FUND		564.0	1064.0			
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME		1	1			
PART TIME						
TEMPORARY						

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

Includes Agronomist (program coordinator) to be added to Division Staff. Position will reduce conflicting and duplicative grants, assist applicants with application and report, and screen applications.

Grant funds would fund already received applications and expected requests for FY 82.

IV. DATE May 16, 1981

PREPARED BY *Dawn Calow*

AGENCY DNR Division of Agriculture

PHONE _____

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

CS for HB 456 (Finance) am

The bill consists of four main sections related to the agricultural revolving loan fund, an agricultural products board, the soil conservation board, and the Commercial Fishing and Agriculture Bank. The purpose of the bill in its entirety is to aid the development of all scales of agriculture in the state. A sectional analysis follows.

- Sec. 1. States the Act's purpose.
- Sec. 2. States the policy of the agricultural revolving loan fund -- "to promote the development of agriculture throughout the state by means of low-interest loans."
- Sec. 3. Adds greenhouses, marketing, greenhouse gardeners, and cooperatives as eligibles for the ag revolving loan fund and clarifies that all recipients must be residents.
- Sec. 4. Raises the interest rate to 8%.
- Sec. 5. Raises loan limits to \$750,000 for farm development and \$500,000 for chattel..
- Sec. 6. Adds a new section to identify the ag revolving loan fund as a development fund, not a continuing source of low-interest capital.
- Sec. 7. Creates an agriculture products board for quality and marketing. The board, in DNR, has seven resident members representative of agricultural products processors and farmers. Duties are defined in 03.18.030.
- Sec. 8-10. Amends the Soil Conservation Board to have five rather than three members, adds representation by ranchers, requires geographical representation, and defines the board's duties.
- Sec. 11-13. Amends CFAB to provide for agricultural processing facilities loans.
- Sec. 14-15. Transition.
- Sec. 16. Effective date July 1, 1981.

Title 3
Agriculture and Animals

Annual Contents Card

Title 1
General Provisions

Title 2
Aeronautics

Sec. 03.10.010. Declaration of policy. It is the policy of this chapter to promote the more rapid development of agriculture as an industry throughout the state by means of long-term interest loans. (§ 2 ch 122 SLA 1953)

Am. Jur., ALR and C.J.S. references.—2 Am. Jur., Agriculture, §§ 4, 12 to 16, 20, 24, 30 to 33; 36 Am. Jur., Mortgages, § 1 et seq.; 43 Am. Jur., Public Funds, § 1 et seq.

tion of market for agricultural in respect of crop loans by agency and the security thereof. ALR 338.

3 C.J.S. Agriculture §§ 7 to 9; C.J.S. States §§ 132 to 150.

Sec. 03.10.020. Powers of the department. The department:

(1) make loans to individual resident farmers, homesteaders and partnerships or corporations composed of farmers and homesteaders, for development of farms, storage and processing of produce, livestock and machinery and to individuals, partnerships or corporations, for storage and processing plants for agricultural products;

(2) designate agents and delegate its powers to them as necessary;

(3) adopt rules and regulations necessary to carry out its functions;

(4) establish amortization plans for repayment of loans, which may include delayed payments of principal and interest for not to exceed five years;

(5) enter into agreements with private lending institutions, other state agencies or agencies of the federal government, to carry out the purposes of this chapter. (§ 4 ch 122 SLA 1953; am § 1 ch 156 SLA 1955; am § 1 ch 41 SLA 1961)

Sec. 03.10.030. Limitations on loans. (a) A farm development loan may not exceed \$150,000. The mortgage which secures a farm development loan may be of any priority if the total indebtedness on the real estate, including the secured farm development loan, does not exceed \$150,000. A farm development loan which is granted, would raise the existing indebtedness on the real estate above \$150,000, or a farm development loan on real estate which has a prior existing indebtedness of \$150,000 or more, may be made only if all prior mortgagees agree to subordinate their mortgages to that of the state for the amount of the farm development loan which exceeds the \$150,000 indebtedness limit on the real estate. A loan may not run longer than 30 years nor bear interest exceeding six per cent, and it shall be secured by a real estate or chattel mortgage, or both.

(b) Except for loans for irrigation systems as provided in this subsection, a chattel loan may not exceed \$100,000 for each farm unit and may not run longer than seven years or the useful life of the chattel if more than seven years. It may not bear interest

(c) A short term loan, to be amortized within one year, not to exceed \$200,000 to any one borrower may be made for operating purposes.

(d) Farm development and chattel loans for irrigation systems may be for terms as determined by the commissioner.

(e) An installment payment is delinquent unless it is mailed by the borrower on or before the 15th day after the date specified for payment in the loan agreement or unless it is received by the department on or before the 15th day after the date specified for payment in the loan agreement. If an installment payment is delinquent, the director shall assess a delinquency penalty. The delinquency penalty shall be an amount equal to seven per cent of the delinquent payment.

(f) A farm product processing loan may not exceed \$2,500,000. A mortgage which secures a farm product processing loan may be of any priority if the total indebtedness on the real estate, including the secured farm product processing loan, does not exceed \$2,500,000. A farm product processing loan which, if made, would raise the existing indebtedness on the real estate securing the loan above \$2,500,000, or a farm product processing loan on real estate which has a prior indebtedness of \$2,500,000 or more, may be made only if all prior mortgagees agree to subordinate their mortgages to that of the state for the amount of the farm product processing loan which exceeds the \$2,500,000 indebtedness limit on the real estate. A farm product processing loan may not exceed a term of 30 years or bear interest exceeding six percent a year and shall be secured by a real estate or chattel mortgage or both. (§ 4 ch 122 SLA 1953; am § 1 ch 156 SLA 1955; am § 1 ch 41 SLA 1961; am § 1 ch 144 SLA 1966; am § 1 ch 78 SLA 1967; am § 1 ch 135 SLA 1970; am § 1 ch 22 SLA 1974; am § 1 ch 18 SLA 1975; am §§ 1-4 ch 50 SLA 1979; am § 74 ch 106 SLA 1980)

Effect of amendments. — The 1974 amendment, in subsection (c), substituted "\$25,000" for "\$15,000" and "operating" for "emergency."

The 1975 amendment substituted "\$200,000" for "\$150,000" throughout subsection (a).

The 1979 amendment substituted "\$500,000" for "\$200,000" throughout subsection (a), substituted "\$300,000" for "\$100,000" in the first sentence of subsection (b), substituted "\$200,000" for

"\$25,000" in subsection (c), and added subsection (e).

The 1980 amendment, effective June 21, 1980, added subsection (f).

Editor's note: — Section 7, ch. 50, SLA 1979 provides: "The provisions of AS 03.10.030(e) enacted in sec. 1 of this Act and AS 03.10.035 enacted in sec. 5 of this Act applied to farm development, chattel, and irrigation system loans made after July 1, 1979."

Sec. 03.10.035. Use or disposal of mortgaged farm land. (a) A borrower may not use farm land for a non-farm use or sell, lease or otherwise dispose of farm land if that land is encumbered by a mortgage given to secure the payment of a farm development, chattel, or irrigation system loan under this chapter unless the borrower either

(1) pays the outstanding balance of the loan in a lump sum or under other terms agreed to by the commissioner which accelerate payment of the loan; or

paragraph (6) to substituted "orders, regulations, quarantines and embargoes" for "rules, orders, regulations and quarantines." amendment, in meat, fish and aragraph (3) and As the rest of the section was not affected by the amendments, it is not set out. ment, in the

Miscellaneous powers of commissioner. The he inspection of food animals, fish, poultry and ructs, to protect the public against fraud, disease n this connection he shall promulgate uniform nring standards of identity and composition of these minimum standards of sanitation and handling l phases of slaughtering, processing, storing, ying and selling of these food products; (1978)

As the rest of the section was not substituted "food affected by the amendment, it is not set or "animals and out.

ale and labeling of frozen meat, fish and fish or poultry which has been frozen may not be advertised as a fresh food. poultry which has been frozen must be labeled as regulations. ner shall promulgate regulations which food labels for meat, fish and poultry which has

he examination and inspection of meat, fish and whether it has been frozen. (§ 5 ch 138 SLA 1974)

nspection. On any business day during the usual e commissioner or his authorized inspector may, for ecting agricultural or fisheries products subject to torehouse, warehouse, cold storage plant, packing se, retail store or other building or place where kept, stored, processed or sold. (§ 33-1-2 ACLA SLA 1955; am § 2 ch 25 SLA 1972; am § 3 ch 58

nt inserted "or e of the section.

Sec. 03.05.050. Products in violation of regulations. An agricultural or fisheries product found by the commissioner, or his authorized inspector, to violate a regulation adopted under this chapter is declared to be a public nuisance injurious to the public interest and shall not be moved by the person in whose possession it may be except upon the specific direction of the commissioner or inspector. (§ 33-1-2 ACLA 1949; am § 1 ch 121 SLA 1955; am § 4 ch 58 SLA 1978)

Effect of amendment. — The 1978 substituted "regulation adopted under this amendment inserted "or fisheries" near chapter" for "rule or regulation" near the the beginning of the section and middle of the section.

Sec. 03.05.100. Definitions. In this chapter, (1) "agricultural products" does not include fish or fisheries products; (2) "fish or fisheries products" means any aquatic animal, including amphibians, or aquatic plants or parts of th se plants, animals or amphibians that are usable as human food. (§ 5 ch 58 SLA 1978)

Chapter 10. Alaska Agricultural Loan Act.

Section	Section
30. Limitations on loans	40. Creation of fund
35. Use or disposal of mortgaged farm land	50. Administration of fund
	54. [Repealed]

Sec. 03.10.030. Limitations on loans. (a) A farm development loan may not exceed \$500,000. The mortgage which secures a farm development loan may be of any priority if the total indebtedness on the real estate, including the secured farm development loan, does not exceed \$500,000. A farm development loan which, if granted, would raise the existing indebtedness on the real estate above \$500,000, or a farm development loan on real estate which has a prior existing indebtedness of \$500,000 or more, may be made only if all prior mortgagees agree to subordinate their mortgages to that of the state for the amount of the farm development loan which exceeds the \$500,000 indebtedness limit on the real estate. A loan may not run longer than 30 years nor bear interest exceeding six per cent, and it shall be secured by a real estate or chattel mortgage, or both.

(b) Except for loans for irrigation systems as provided in this subsection, a chattel loan may not exceed \$300,000 for each farm unit and may not run longer than seven years or the useful life of the chattel if more than seven years. It may not bear interest exceeding six per cent. It shall be secured by a real estate or chattel mortgage, or both. Loans and the real estate and chattel mortgage security on them for irrigation systems may be in amounts and for terms as determined by the commissioner.

HB

651



Alaska State Legislature

Senate Committee on State Affairs

Vic Fischer, Chairman • Pouch V • Juneau, Alaska 99811 • (907) 465-4954

Official Business

MEMORANDUM

TO: Senator Bill Ray, Chairman, Senate Transportation Committee
Senator Ed Dankworth, Co-chairman, Senate Finance
Senator Don Bennet, Co-chairman, Senate Finance

FROM: Senator Vic Fischer, Chairman, Senate State Affairs

RE: CSHB 651, "An Act relating to ferries and ferry terminals and establishing the Alaska Marine Highway Authority", and CSHB 654, "An Act relating to the Department of Transportation and Public Facilities and establishing the Board of Transportation and Public Facilities at the head of the department".

A handwritten signature in cursive script, reading "Vic Fischer", written in dark ink over the typed name in the "FROM" field.

DATE: May 11, 1981

Attached is a brief resume of DOTPF Commissioner Bob Ward's testimony on both bills.

The State Affairs Committee members gave both bills negative recommendations.



Alaska State Legislature

Senate Committee on State Affairs

Vic Fischer, Chairman • Pouch V • Juneau, Alaska 99811 • (907) 465-4954

Official Business

MEMORANDUM

TO: Senator Vic Fischer

FROM: Bob Williams, Staff

RE: A recap of testimony by Commissioner Bob Ward on CSHB 651, "An Act relating to ferries and ferry terminals and establishing the Alaska Marine Highway Authority", and CSHB 654, "An Act relating to the Department of Transportation and Public Facilities and establishing the Board of Transportation and Public Facilities at the head of the department".

DATE: May 10, 1982

On May 7, 1982, Mr. Bob Ward Commissioner of the Department of Transportation and Public Facilities testified before the Senate State Affairs Committee, first stating that even though he (DOTPF) had consistently opposed HB 651 in every committee which the bill has been heard, he had "gotten absolutely no place..."

CSHB 651, an Act which creates the Alaska Marine Transportation Authority, is a House priority bill.

Commissioner Ward then elaborated on three general problems he and the Administration have with the bill. These are:

1) the Authority created under CSHB 651 has none of the power authorities generally have, nor should they,

2) the bill would add new positions and increase DOTPF's operating budget at a time when the Department was trying to trim costs, and

3) it is pointless to re-organize the Department on the eve of a two term Administration.

Commissioner Ward then stated that the DOTPF has not suggested language or amendments to improve the bills, because "...we don't think they are any good to start with..."

Commissioner Ward was referring to CSHB 654 as well as CSHB 651. CSHB 654 creates the "Board of Transportation".

Problem 1 -- What is an Authority. Ward said basically that CSHB 651 creates an Authority, but doesn't give it any power. He then compared it to the Port of Seattle Authority.

The Port of Seattle (POS) is an authority which runs the Seattle port, but not the ferry system. According to Ward, the POS has the "awesome" power to tax. No existing authority in Alaska has that power, nor, says Ward, "do we want them to".

Ward then says there are different types of Authorities, but all have some ability to raise capital. (Note: This would generally be either through taxation, rate setting, or revenue bonds.) Ward continued by maintaining that if he has had any success in testifying on

this bill it was in eliminating the provision allowing the authority to sell revenue bonds.

Ward explained that presently the ferry system does not generate enough revenue from fares to pay the operating cost or debt service. About one-half of the funds come from the general fund. (Note: Hence, the Authority couldn't sell revenue bonds unless their balance sheet were improved, or there was some sort of "Covenant" or statutory guarantee to insure that bond holders would be paid off in spite of operating losses.)

Finally, Ward said that, since the Authority would be subject to the Executive Budget Act and since the Authority has no power to generate its own capital, you don't really even have an authority if the bill were enacted.

Problem 2 --- the Fiscal Note. HB 651 would cost approximately \$2.25 million in the first year (F.Y. 83), but fall to about \$1.0 million in F.Y. 84. There are some initial start-up costs that would not be incurred after the first year.

The Authority would require an additional 22 employees, to accomplish "exactly" what the current Division does.

Ward was particularly acrimonious on this point, because it is a time when DOTPF's operating budget is being "held down tightly". Ward said they actually expect to have a lower operating budget next year.

Problem 3 --- Why reorganize a Department on the eve of a two term administration? Ward basically said that no matter who is elected, they will have their own ideas on how to organize and manage DOTPF. There is absolutely no point in re-organizing DOTPF at this time.

Senator Bradley then asked for Commissioner Ward's position on CSHB 654, the bill creating the Transportation Board.

Ward reiterated his point on Problem 3, leave organization and management of DOTPF to the next Administration. He added that if both CSHB 651 and CSHB 654 passed the state would have the "unique experience of a board running a board".

Ward also stated that a Board of Transportation would represent an erosion of Executive power and is not the sort of thing contemplated by the Alaska state constitution.

H B

866

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

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF REVENUE

STATE OFFICE BUILDING POUCH SA - JUNEAU 99811

May 20, 1982

The Honorable Bill Ray, Chairman
Senate Transportation Committee
Pouch V
Juneau, AK 99811

Re: HB 866 and SCS HB 866 (SA) - Providing for an increase in the investment tax credit against the State corporate income tax

Dear Mr. Chairman:

The idea behind this legislation is ill-conceived and represents poor state policy. It is poor state policy because rich corporations stand to get far more benefit from it than poor ones. For example, I did a comparison for Senator Fischer's committee on the effect of the original version of HB 866 on the rate of return for a project standing on its own, versus that same project if it is owned by a affluent company (not even oil-company sized) having \$750,000 a year of taxable Alaska income from other business activities. The improvement in the rate of return would be nearly three times greater for the big business than it would be for the little guy just starting out. For the large oil companies, the disproportion would be somewhat greater still.

The Bill is ill-conceived because the effect on investment rates of return as the result of increasing this investment tax credit (ITC) is too small to have any economic meaning, despite claims to the contrary by its supporters. A project will go forward or not go forward, because of other factors than the ITC. Even in the case of the rich corporation that I prepared for Senator Fischer, the improvement in the internal rate of return on the investment was less than one percentage point. The effect of assuming only a 10 percent higher operating margin over the life of the project was four and a quarter times greater. And, that was when the Bill still provided that the new state ITC would be 100% of the federal ITC. Under the State Affairs CS, the state ITC would be only 36% of the federal ITC, which would make the change in the rate of return vanishingly small.

There are other reasons not to pass this Bill or some variation of it. First, mining already enjoys a three-year "holiday" from paying the mining license tax, from the time the mine starts operating. Second, the amount of qualified investment on which the ITC is computed was

Senator Ray (re HB 866)
May 20, 1982
Page 2

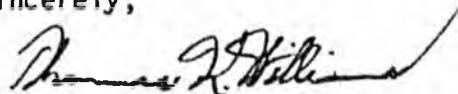
increased last year 40-fold, from \$500,000 to \$20,000,000; increasing the percentage of that investment which may be deducted dollar for dollar against the income tax is too much of a good thing. Third, corporations last year were given a significant tax break, particularly the smaller ones, by the decrease in state income tax rates on the first \$90,000 of taxable income (for example, the first \$10,000 of taxable income is taxed now at only one percent, as opposed to 5.4 percent before last year's rate change). Fourth, by whittling away at the non-petroleum tax base of the State, we not only make the State finances more vulnerable to the vagaries of the world oil market, but we also tend to furnish factual support for the type of tax lawsuits which you may recall Dick Donaldson of SOHIO was threatening you and the Legislature with last year.

All in all, this Bill is nothing more than a give-away of State revenues with nothing for the State to show in return that it wouldn't have gotten anyway. Moreover, to the extent it conveys benefits, they are more advantageous to the rich corporations than the poor.

I am enclosing a copy of my letter to Senator Fischer, and I would welcome the opportunity to speak to you or your Committee further on this Bill if you so desire.

Thank you for your consideration.

Sincerely,



Thomas K. Williams
Commissioner of Revenue

Enclosure

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

POUCH 5
JUNEAU, ALASKA 99811
PHONE: (907) 465-2300

May 15, 1982

The Honorable Vic Fisciier, Chairman
Senate State Affairs Committee
Pouch V
Juneau, AK 99811

Re: Effects on Economic Decision-Making from Increasing the State
Investment Tax Credit as Proposed in House Bill 866

Dear Mr. Chairman:

In my testimony before the Committee I stated that increasing the State's investment tax credit as proposed in HB 866 would have only a minimal effect on the internal rate of return after taxes for new projects in Alaska. I also said that, to the extent there would be an effect on the rate of return, it would be greater for "fat cat" corporations than for small ones. I now have had the opportunity to prepare an example which demonstrates the truth of both assertions.

Suppose we have a new project in Alaska, and to avoid any distortions by making it too large, suppose further that it costs \$1,000,000, takes a year to complete and will employ 25 people. Suppose, too, that after expenses other than income taxes and depreciation, the project yields a net cash flow of \$250,000 a year for its first four years of operation, and then each year thereafter the net cash flow decreases by five percent from the previous year. Finally, let us suppose that the project qualifies for Accelerated Capital Recovery System treatment under the new tax law using a 10-year life.

The analysis I have used takes this project and compares the internal rate of return (IRR) on the investment under Alaska's present investment tax credit with the IRR under the credit proposed in HB 866. This comparison is first made with the project standing alone; that is, the investor has no other income to be sheltered from the tax benefits generated from the project. I call this Case 1. Case 2 doesn't involve too fat a "fat cat" corporation, simply one with \$750,000 a year of taxable Alaskan net income from other sources.

The tables attached to this letter show what the after-tax cash flows are under Case 1 and Case 2, both with the present investment tax credit and with the one proposed by HB 866. As you can see from those tables, the IRR under the non-"fat cat" case (Case 1) is 18.763% under

Hon. Vic Fischer (re HB 866)

May 15, 1982

Page 2

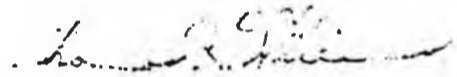
the present law and would rise by only 0.363 of a percentage point to 19.126% under HB 866. In contrast, the improvement in the rate of return for the "fat cat" case (Case 2) is nearly three times as great as for the "skinny" cat -- 0.997 of a percentage point (15.772% to 16.769%).

Note also how small a difference there is in the rate of return between present law and HB 866. The extra economic incentive from raising the State's investment tax credit is truly minimal (and you can see why: look how much higher the federal taxes would be during the early years with HB 866 than they are under present law, in both Cases 1 and 2). Other factors have much more effect on the economics of an investment than the amount of investment tax credit. For example, in Case 1, suppose one's assumptions about market prices, labor costs and other operating expenses had a 10 percent margin of error. If the net pre-tax cash flows were only 10 percent higher than the figures in the table, the increase in the rate of return would be 4.25 times that from the extra tax incentive under HB 866.

Without going on excessively, I would only reiterate my objections that HB 866 does too little economically, at too high a price for the State, to the advantage of wealthy corporations over small ones. It scarcely makes economic sense and certainly makes poor State policy.

I hope this information may prove useful to you and your Committee in considering HB 866.

Sincerely,



Thomas K. Williams
Commissioner of Revenue

Attachments

P.S. I might add parenthetically that the reason for the lower IRRs in the "fat cat" case is that all income from the project is taxed in the maximum tax bracket under both federal and state tax laws, because of the other \$750,000 of taxable income; the project represents incremental income to the corporation. In Case 1 the project stands alone, and so the first \$100,000 and first \$90,000 are taxed below the maximum rates under the federal and Alaska tax laws, respectively.

CASE 1. A NEW ALASKAN BUSINESS ON ITS OWN

Yr	Pre-Tax Cash Flow from Project	Project Depreciation	With State Investment Tax Credit Under Existing State Law							With State Investment Tax Credit under HB 866				
			AK Inc. Tax From Project Before ITC	AK ITC Applied	AK Inc. Tax From Project After ITC	US Inc. Tax From Project Before ITC	US ITC Applied	US Inc. Tax From Project After ITC	Net After-Tax Cash Flow	AK ITC Applied	AK Inc. Tax From Project After ITC	US ITC Applied	US Inc. Tax From Project After ITC	Net After-Tax Cash Flow
1	-1,000,000	0	0	0	0	0	0	0	-1,000,000	0	0	0	0	-1,000,000
2	250,000	80,000	12,020	12,020	0	57,950	57,950	0	250,000	12,020	0	57,950	0	250,000
3	250,000	140,000	6,380	5,980*	400	30,166	30,166	0	249,600	6,380	0	30,166	0	250,000
4	250,000	120,000	8,260	0	8,260	35,750	11,884	25,866	217,874	8,260	0	11,884	27,850	222,150
5	250,000	100,000	10,140	0	10,140	44,086	0	44,086	195,774	10,140	0	0	48,750	201,250
6	237,500	100,000	8,965	0	8,965	38,876	0	38,876	189,659	8,965	0	0	43,000	194,500
7	225,625	100,000	7,849	0	7,849	33,927	0	33,927	183,849	7,849	0	0	37,538	188,088
8	214,344	90,000	7,728	0	7,728	33,393	0	33,393	173,222	7,728	0	0	36,948	177,396
9	203,627	90,000	6,721	0	6,721	28,927	0	28,927	167,979	6,721	0	0	32,018	171,609
10	193,445	90,000	5,764	0	5,764	24,822	0	24,842	162,859	5,764	0	0	27,335	166,110
11	183,773	90,000	4,855	0	4,855	21,317	0	21,317	157,601	4,855	0	0	23,259	160,514
12	174,584	0	12,451	0	12,451	54,331	0	54,331	107,802	12,451	0	0	60,059	114,525
13	165,855	0	11,630	0	11,630	50,693	0	50,693	103,531	8,867**	2,763	0	54,772	108,319
14	157,562	0	10,851	0	10,851	47,237	0	47,237	99,474	0	10,851	0	47,237	99,474
15	149,684	0	10,110	0	10,110	43,954	0	43,954	95,620	0	10,110	0	43,954	95,620
16	142,200	0	9,407	0	9,407	40,835	0	40,835	91,958	0	9,407	0	40,835	91,958
17	135,090	0	8,738	0	8,738	37,872	0	37,872	88,480	0	8,738	0	37,872	88,480
18	128,336	0	8,104	0	8,104	35,057	0	35,057	85,176	0	8,104	0	35,057	85,176
19	121,919	0	7,500	0	7,500	32,383	0	32,383	82,036	0	7,500	0	32,383	82,036
20	115,823	0	6,927	0	6,927	29,842	0	29,842	79,054	0	6,927	0	29,842	79,054
21	110,032	0	6,383	0	6,383	27,429	0	27,429	76,220	0	6,383	0	27,429	76,220
22	104,530	0	5,866	0	5,866	25,216	0	25,216	73,449	0	5,866	0	25,216	73,449
23	99,304	0	5,375	0	5,375	23,322	0	23,322	70,608	0	5,375	0	23,322	70,608
24	94,338	0	4,908	0	4,908	21,522	0	21,522	67,908	0	4,908	0	21,522	67,908
25	89,621	0	4,466	0	4,466	19,812	0	19,812	65,343	0	4,466	0	19,812	65,343

IRR=18.763%

IRR=19.126%

* Under present law, Alaska's ITC equals 18% of the federal ITC, or 1.8% of the qualified investment. As with the federal ITC, any ITC that is not used in a tax year may be carried forward into the next tax year. In this case only \$12,020 of the \$18,000 state ITC was taken in the first year; the balance of \$5,980 is taken in the second.

** Under HB 866, Alaska's ITC would equal the federal ITC, or \$100,000 in this example. This \$8,867 figure represents what remains of the \$100,000 ITC after the twelfth year of the project.