

ALABAMA LEGISLATION COMMITTEES

2762 HRES HB 600 - HB 685

2762

(3)

- 790 Busb - what's wrong w/ nego. secondary position
in event of fault - a Maynard in theory probably
nothing.
- 807 Maynard add'l comments
- advisory ~~bd~~ bd legislators can't serve on EXEC
- 2 senators, 2 reps - Law - Supreme Ct - Unconst.
- Local hire -
- 830- Cowd - make bd. legislative
Δ either making law or executing law
can't delegate law-making power to 4 people
- 864 Cowd - legis agency rather than exec.
a function, rather than title.
- 875 Ringstad - old problem - who negotiates
Δ Somewhat.
- 890 Bussell - Definitions by Supreme Ct over
where admin/legis begin and end -
how do you resolve conflict. Δ Defining
rules are legis., then administering something
else -
- 944 Maynard - local hire - "Boston Case"
"Camden case." tightened up
1- problem local hire will solve
2- showing that non-ves cause problem
3- can't have gen'l ripple effect - closely tied
- 1001 Busb - Could legis members sit in non-voting,
advisory capacity - Δ don't think problem,
but conditioning is backdooring.

(4)

Bosb

1034 - Legis. members would draw public scrutiny
discussion ensued.

1093 Merrill Sikorski

3 choices - 1 - give to admin branch
2 - status quo
3 - something better -

232 Ringstad - will continue to work out bugs.

239 - Adjourn 425

H B

624

INTENT OF LEGISLATION

HB 624 - "An Act relating to qualifications for a homesite."

This legislation will allow current holders of homesite parcels to transfer their rights in the property to another individual, when due to an incapacitating illness or injury, he or she cannot fulfill the on site residency requirements. This allowance would be the same as is currently provided for under the homestead statutes, AS 38.09.030(c)(4).

Under present homesite statutes, if a person has fulfilled all requirements except for residency, he or she could lose the rights to the property because of a serious illness or injury preventing them from residing on the homesite. Often, in the case of a debilitating illness or injury, a person is required to live closer to medical facilities or may require special care.

The homesite law does provide for a legal transfer of property upon a person's death; however, if they survive a serious illness or operation, which incapacitates them, they would lose all their rights and property improvements on their homesite. This bill would simply provide the same provisions under the homesite law which were provided for in the homestead statutes, dealing with this type of emergency.

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: HB 624
Title: An Act...homesites

FISCAL DETAIL

Agency Affected: Natural Resources
Program Category Affected: NRMEC

Sponsor: Larson
Requestor: House Resources
Date of Request: _____

BRU, Program or Subprogram(s) Affected:
Land and Water Management

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

No impact.

ANALYSIS: Attach a separate page for analysis

Prepared By: Dick LeFebvre Phone: 276-2653
Division: Land and Water Management Date: March 13, 1984

Approved by Commissioner: Robert D. Armstrong, Deputy Date: March 13, 1984
Agency: Natural Resources

Distribution (by Agency preparing fiscal note):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

12/1/83

The 1981 amendment added the second sentence of subsection (b).

Sec. 38.08.020. Public notice. The director shall publish notice of the availability of the land in the same manner as provided in AS 38.05.345(e). (§ 2 ch 142 SLA 1977; am § 9 ch 181 SLA 1978; am § 41 ch 85 SLA 1979)

Effect of amendments. — The 1978 amendment deleted the former first sentence, which read "Following classification of land for homesite entry, offerings of homesite entry land shall be made on a rotating basis from among the four judicial districts of the state."

The 1979 amendment substituted "in

the same manner as provided in AS 38.05.345(e)" for "for at least three consecutive weeks through the electronic media and in at least three newspapers of general circulation in the state, at least one of which, if possible, shall be a newspaper of general circulation in the vicinity of the available land."

Sec. 38.08.030. Applications for homesite entry; fees. (a) To qualify for a homesite entry permit, an applicant shall

(1) at the time of application have attained the age of 18;

(2) submit proof acceptable to the commissioner that the applicant is a resident of the state at the time of application, and that the applicant has been a resident of the state for not less than one year immediately preceding the date the application was submitted;

(3) agree to comply with the requirements for obtaining a patent to land set out under AS 38.08.060.

(b) Fees for filing an application may not exceed \$10. (§ 2 ch 142 SLA 1977; am § 10 ch 181 SLA 1978; am § 67 SLA 1983)

Effect of amendments. — The 1978 amendment substituted "three years" for "six years" in paragraph (2) of subsection (a).

The 1983 amendment, effective July 16, 1983, rewrote paragraph (2) of subsection (a).

Sec. 38.08.040. Issuance of entry permit. (a) An applicant meeting the qualifications for homesite entry under AS 38.08.030 shall be issued a revocable permit to occupy and improve the homesite in order to qualify for issuance of patent as provided in this chapter. The application fee is the sole rent chargeable on the permit for its duration.

(b) *[Repealed, § 19 ch 67 SLA 1983.]*

(c) The permit may not be assigned, conveyed or otherwise transferred, but rights under the permit may devolve by testate or intestate succession. An attempt to assign, convey, or to otherwise transfer the permit, is void and constitutes a substantial breach.

(d) An applicant may apply for more than one available homesite. No person holding a homesite patent may apply for a homesite entry permit, no person may simultaneously hold more than one homesite entry permit, and no person who is a member of the homesite entry

H B

627

March 1, 1984

INTRODUCTION OF SB 479

Senators Kerttula and Ziegler have introduced this legislation, SB 479, as a means to assist the employees of the Alaska Division of the Louisiana-Pacific Corporation to acquire ownership of that Company's forest product business which is headquartered out of Ketchikan.

Senate Bill 479 will assist and make more secure the financing of an employee effort to purchase a controlling interest in the Ketchikan based forest products operation of Louisiana-Pacific Corporation. The employees have formed an ESOT (Employee Stock Ownership Trust) and study committee which represents all 800 direct employees of the division. In addition, 600 employees are employed by contractors for Ketchikan Pulp. If this employee purchase effort is not successful, LP has stated the operations will be shut down. Such an event will naturally result in massive unemployment and economic disruption.

The Borough and City of Ketchikan are vitally concerned about this problem, and fully support this employee effort.

The employees have completed five months of study and negotiations with LP, assisted by legal counsel and Salomon Brothers as financial advisors. The employees have committed to contribute a 25% reduction in pay and benefits as part of this purchase effort. They are confident that

this new Alaskan-owned forest products company will be a success as a consequence of their personal contributions combined with with new material cost reductions resulting from the combined efforts of the Alaska Loggers Association and the U.S. Forest Service, and an improved outlook for resolution of the EPA variance request.

It is vitally important to the economy of the state that established industries continue to operate. This bill will not only serve to assist in the maintenance of the economic viability of a company, but it will serve to assist Alaskans in their efforts to acquire ownership of that company. Should the bill not be enacted into law and the shutdown of Louisiana-Pacific takes place, the state could suffer considerable costs in the form of lost tax revenues, lost payroll and extensive unemployment benefit payments.

It is certainly appropriate for the State of Alaska to assist its residents in maintaining the viability of a major industry. It is also most significant that the assistance is in the form of a guarantee for a commitment that Alaskans are making to invest their own money and futures in that industry and the state.

THE FOLLOWING DOCUMENT(S) MAY NOT FILM
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ORIGINAL.



Louisiana-Pacific
Helping the forest work for people

**NEW
RELEASES**

Release No. 112-3-6
Contact: Barry Lacter
(503) 221-0800

FOR IMMEDIATE RELEASE

LOUISIANA-PACIFIC REACHES AGREEMENT
ON SALE OF ALASKA OPERATIONS TO EMPLOYEES

(Ketchikan, Alaska, March 7) -- Louisiana-Pacific Corp. announced today that it has reached an agreement in principle to sell approximately 56 percent of its ownership interests in its Alaska facilities to an Employee Stock Ownership Trust (ESOT) to be established by the employees at those operations. The agreement was reached with the Ketchikan Pulp Company Employees ESOT Study Committee, an employee committee established to review and negotiate the sale. It is subject to a number of conditions including the ESOT obtaining necessary financing, execution of a definitive agreement and any required approvals by the affected employees as well as by Louisiana-Pacific's board of directors.

The agreement sets a sales price of \$50 million to be paid with a combination of cash and notes. LP will not realize a significant gain or loss on the

(more)

transaction. Completion of the sale is expected by mid-1984.

L-P's Alaskan operations consist primarily of a pulp mill in Ketchikan with an annual capacity of 150,000 tons which manufactures specialty sulfite pulp for world markets and three sawmills which produce high quality spruce and hemlock cants. The mills are supported by a long-term timber sale agreement with the U. S. Forest Service.

"We believe that the long-term prospects for these facilities will be brighter with employee participation in ownership," according to Harry A. Merlo, L-P chairman and president.

Louisiana-Pacific is a major forest products firm with more than 100 plants and mills throughout the United States.

- 0 -

EDITORS PLEASE NOTE: Released via Business Wire
March 7, 1984

THE PRECEDING DOCUMENT(S) MAY NOT FILM
LEGIBLY BECAUSE OF POOR QUALITY OF THE
ORIGINAL.

Forest Product HOUSE BILL NO. 627, (see page 360). Reported back to the
Business Loan House March 9 by the House Special Committee on State Loans
Guarantee Fund recommending it be replaced with a substitute and it do pass.
(establishing) Concurring: Uehling (Chair), Koponen, Pestinger, Furnace and
Wendte. Not concurring: Ward had no recommendation. To Resources.

The Loans substitute makes the following changes:

The Department of Revenue may guarantee a loan under the Forest
Products Business Loan Guarantee Program if

page 525

COMMITTEE REPORTS (House)

HB 627, (cont'd)

--the loan is originated with and serviced by a state or federally chartered financial institution (original version stated that the loan must originate with and be serviced by the Alaska Commercial Fishing and Agriculture Bank, or by a state or federally chartered financial institution located in the state)

--"(4) the loan is made to the employees of the forest products business, to an employee stock ownership trust, or to one or more corporations or other business associations or entities in which the controlling interest is held by state residents who are employees of the forest products business." (was ". . . or to one or more corporations or other business associations in which the employees of the forest products business hold an interest that is equal to or greater than the interest held by the seller of the forest products business.")

Does not include section from original version allowing for additional guarantees: "Not less than 30 days after the department enters into a contract to guarantee a loan to a borrower under this chapter, the department may enter into a contract to guarantee another loan to that borrower under this chapter."

Historic Properties Grants

HOUSE BILL NO. 640, (see page 365). Reported back to the House on March 5 by the House Special Committee on Loans with the committee recommending it be replaced with a Loans CS and the majority recommending do pass. Concurring: Uehling (Chairman), Furnace and Pestinger. Koponen had no recommendation. To Finance.

The only change made by the Loans CS is to the title of the bill: "An Act relating to historic properties grants and loans."

Municipal Bond Bank Authority

HOUSE BILL NO. 679, (see page 383). Reported back to the House March 9 by Community & Regional Affairs recommending it pass. Concurring: M. W. Miller (Chair), Cato, Phillips and Lacher. McBride signed "do pass - good bill". To Finance.

Oil & Natural Gas (recovery & productior)

HOUSE BILL NO. 680, (see page 383). Reported back to the House March 9 by Labor & Commerce recommending it be replaced with a substitute and that it do pass. Concurring: Cowdery (Chair), Uehling, Furnace, Ringstad and Pestinger. Not concurring: Wendte had no recommendation. On March 7 the Speaker added a Resources Committee referral before the Finance referral. To Resources.

The L&C substitute is a completely new version, and it:

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 27, 1984

SUBJECT: Sectional analysis of
HB 627

TO: Representative Ron Wendte

FROM: *LH* Liam H. Asper
Legislative Council

You have asked for a sectional analysis of HB 627, relating to a forest products business loan guarantee program.

*Section 1 establishes the forest products business loan guarantee program and sets conditions for the loan guarantees.

Sec. 45.94.010 establishes the forest products business loan guarantee fund in the Department of Revenue

Sec. 45.94.020 allows the Department of Revenue to use fund money to guarantee a loan for the purchase of 35 percent or more of the stock or assets of a forest products business by the employees of that business.

Sec. 45.94.030 grants the department the powers necessary to administer loan guarantees under the forest products business loan guarantee program, and requires that a loan guaranteed must be secured by adequate collateral.

Sec. 45.94.040 directs the department to invest money from the loan guarantee fund that is not being used to guarantee loans in investments allowed under AS 37.10.070.

Sec. 45.94.050 establishes conditions on a loan guarantee, including maximum and minimum amounts that may be guaranteed, terms of loans guaranteed, security for guaranteed loans, state financial institution participation in the guaranteed loan, and other terms applicable to guaranteed loans.

Representative Wendte
Page 2
February 27, 1984

Sec. 45.94.055 allows the department to guarantee additional loans for a borrower under the terms of the chapter.

Sec. 45.94.060 provides definitions of terms used in the chapter.

Section 2 of the Act provides an immediate effective date.

LHA:csh
C2/138

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date

REQUEST

Bill/Resolution No: Loans CS HB 627
 Title: Forest Products Loan
 Guarantee
 Sponsor: House Loans
 Requestor: House Resources
 Date of Request: 3-10-84

FISCAL DETAIL

Agency Affected: Revenue
 Program Category Affected:
 BRU, Program or Subprogram(s) Affected:
Treasury

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

This fiscal note addresses costs for the Department of Revenue to administer the program. A guarantee would require the amount of the guarantee to be appropriated to the guarantee fund.

ANALYSIS: Attach a separate page for analysis.

Prepared By: Hilt Barker MB
 Division: Treasury

Phone: 465-2350
 Date: 3-12-84

Approved by Commissioner: Arthur Matthews
 Agency: _____

Date: 3/13/84

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Chapter 92. Fishery Product Revolving Loan Guarantee Fund.

Section 10. Establishment of fund
20. Fishery product guarantees
30. Powers and duties of the department
40. Investment of the fund
Section 50. Conditions of loan guarantees
55. Additional guarantees
60. Definitions

Sec. 45.92.010. Establishment of fund. The fishery product revolving loan guarantee fund is established in the Department of Revenue. (§ 1 ch 33 SLA 1982)

Sec. 45.92.020. Fishery product guarantees. The department may use money in the fund to guarantee a loan made to a fish processor with facilities in Alaska for the purpose of financing

- (1) the purchase and processing of fishery products from Alaska fisheries; or
(2) the repurchasing, transporting, repackaging, inspecting, and storing of Alaska fishery products that are recalled in 1982. (§ 1 ch 33 SLA 1982)

Sec. 45.92.030. Powers and duties of the department. (a) The commissioner may

- (1) designate agents and delegate powers necessary to implement this chapter;
(2) adopt regulations to implement this chapter;
(3) make and execute contracts and other instruments to implement this chapter;
(4) acquire real or personal property by purchase, transfer, or foreclosure when the acquisition is necessary to protect an interest in the fund.

(b) The commissioner shall require that a loan guaranteed by the fund be secured by collateral. (§ 1 ch 33 SLA 1982)

Sec. 45.92.040. Investment of the fund. Money in the fund that is not being used for loan guarantees under this chapter shall be invested as provided for the investment of state treasury surplus under AS 37.10.070. Income from investment shall be transferred to the general fund. (§ 1 ch 33 SLA 1982)

Sec. 45.92.050. Conditions of loan guarantees. (a) The department may guarantee a loan under this chapter if

- (1) the term of the loan does not exceed one year;
(2) the loan is secured by inventory or accounts receivable of the fish processor, or by other collateral acceptable to the department;
(3) the loan is originated with and serviced by the Alaska Commercial Fishing and Agriculture Bank, or by a state or federally chartered financial institution located in the state; and

(4) the majority interest in the fish processor is beneficially owned by residents of the state and the majority of owners of the fish processor are residents of the state.

(b) The department may provide a guarantee from the fund for up to 50 percent of a loan, but may not guarantee more than \$15,000,000 per loan or \$30,000,000 per borrower. The department may not guarantee the payment of annual interest on the guaranteed portion of a loan.

(c) Upon default by a borrower, the amount of the maximum liability of the fund for a loan guarantee under this chapter is the percentage of the amount in default specified by the department in the guarantee agreement. (§ 1 ch 33 SLA 1982; am § 2 ch 33 SLA 1982)

Effect of amendments. — The 1982 paragraph (3) of subsection (a) and added amendment added "and" at the end of paragraph (4) of that subsection.

Sec. 45.92.055. Additional guarantees. Not less than 30 days after the department enters into a contract to guarantee a loan to a borrower under this chapter, the department may enter into a contract to guarantee another loan to that borrower under this chapter. (§ 1 ch 33 SLA 1982)

Sec. 45.92.060. Definitions. In this chapter

- (1) "commissioner" means the commissioner of revenue;
(2) "department" means the Department of Revenue;
(3) "facilities in Alaska" means facilities at which fisheries products are canned, frozen, or otherwise processed for inventory, including floating facilities that are documented under the laws of the United States as defined in 46 U.S.C. 801, and operated in waters of the state;
(4) "fish processor" means a person engaging in a business for which a license is required under AS 43.75.010 — 43.75.090;
(5) "fishery product" means salmon;
(6) "fund" means the fishery product revolving loan guarantee fund. (§ 1 ch 33 SLA 1982)

Editor's note: AS 43.75.010 and AS 43.75.090 were repealed for present provisions covering the subject matter of the repealed sections, see AS 43.75.011 et seq.

POTENTIAL UNEMPLOYMENT PAYMENTS TO DIRECT/INDIRECT & SERVICE RELATED EMPLOYEES IN THE EVENT OF A LOUISIANA PACIFIC AND ALASKA LUMBER & PULP CLOSURE

UNEMPLOYMENT CLAIMANTS	AVERAGE PAYMENT & DURATION	EXHAUST BENEFITS	
		39 WEEKS	52 WEEKS
3,000	\$6,245,580	\$14,952,600	\$19,936,800
6,000	\$12,491,160	\$29,905,200	\$39,873,600
10,000	\$20,818,600	\$49,842,000	\$66,456,000

ADMINISTRATIVE COSTS OF MAKING PAYMENTS

CLAIMANTS	AVERAGE PAYMENT & DURATION	39 WEEKS	52 WEEKS
3,000	\$189,296	\$384,296	_____
6,000	\$396,596	\$769,452	_____
10,000	\$659,711	\$1,281,289	_____

* AVG. PAYMENT & DURATION " \$127.80 per week for 16.29 weeks

LOUISIANA PACIFIC EMPLOYMENT INFORMATION

		<u>PAYROLL</u>	<u>WAGES & BENEFITS</u>
DIRECT EMPLOYMENT	300	\$22.6 million	\$28 - 30 million
SECONDARY EMPLOYMENT	<u>500</u>		
TOTAL EMPLOYMENT	1400		

Information Provided by LPK.

Proposed Amendments
to

~~SB 479~~

AB 527

by Revenue

1. Proposed AS 45.94.030(b) is amended to read:

"The commissioner shall require that a loan guaranteed by the fund be secured by adequate collateral and that the net cash flow from the forest products business provide adequate coverage for the debt service on the loan. The applicant shall provide an economic and financial feasibility analysis prepared by a firm acceptable to the department."

STATE OF ALASKA THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907 465-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 14, 1984

SUBJECT: Sectional analysis of
CSHB 627 (Loans)

TO: Representative Ron Wendte

FROM: Linn H. Asper
Legislative Council

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Sec. 45.94.050 establishes conditions on a loan guarantee, including maximum and minimum amounts that may be guaranteed, terms of loans guaranteed, security for guaranteed loans, state financial institution participation in the guaranteed loan, and other terms applicable to guaranteed loans. The committee substitute eliminated the reference to

Representative Ron Wendte
Page 2
March 14, 1984

the Alaska Commercial Fishing and Agriculture bank that was contained in the original bill. The substitute also limits loan guarantees to loans made to organizations in which the controlling interest is held by state residents who are employees of the forest products business. This provision raises certain constitutional issues, as I have previously advised. See Lynden Transport v. State of Alaska, 532 P.2d 700 (1975).

The Committee Substitute deletes a proposed sec. 45.94.055 that would have allowed the Department of Revenue to guarantee additional loans for a borrower under the terms of the chapter.

Sec. 45.94.060 provides definitions of terms used in the chapter.

Section 2 of the Act provides an immediate effective date.

LHA:ojb
J4/083



Official Business

Alaska State Legislature House Resources Committee

SIGN-IN

MAR. 14, 1984

HB 627
FOREST PRODUCTS

NAME

ADDRESS

PHONE

REPRESENTING

MARTIN R. PIHL	2730 - 7th AVE. KETCHIKAN	225-21510 225-24811	KETCHIKAN PULP COMPANY EMPLOYEES
Richard S. ROSS	534 Hill Road Ketchikan	225-3302	Ketchikan Pulp Company ESOP member
C.R. Benner	P.O. Box 7734 Ketchikan	247-8761	Ketchikan Pulp Company ESOP
Vince O'Reilly	Truck D Jensen	465-2501	DCETD
Milt Barber	'	2350	Revenue
Rep. Ron Wendte			
Rep. Jack McBride			

Forest Product HOUSE BILL NO. 627, (see page 360). Reported back to the
Business Loan House March 9 by the House Special Committee on State Loans
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COMMITTEE REPORTS (House)

HB 627, (cont'd)

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---"(4) the loan is made to the employees of the forest products business, to an employee stock ownership trust, or to one or more corporations or other business associations or entities in which the controlling interest is held by state residents who are employees of the forest products business." (was ". . . or to one or more corporations or other business associations in which the employees of the forest products business hold an interest that is equal to or greater than the interest held by the seller of the forest products business.")

Does not include section from original version allowing for additional guarantees: "Not less than 30 days after the department enters into a contract to guarantee a loan to a borrower under this chapter, the department may enter into a contract to guarantee another loan to that borrower under this chapter."

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Oil & Natural Gas (recovery & production)

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The L&C substitute is a completely new version, and it:

AMENDMENT FOR APPROPRIATION BILL:

The sum of \$25,000,000 is appropriated from the general fund to the Department of Revenue for the forest products business loan guarantee program (AS 45.94)

POTENTIAL UNEMPLOYMENT PAYMENTS TO DIRECT/INDIRECT & SERVICE RELATED EMPLOYEES IN THE EVENT OF A LOUISIANA PACIFIC AND ALASKA LUMBER & PULP CLOSURE

UNEMPLOYMENT CLAIMANTS	AVERAGE PAYMENT & DURATION	EXHAUST BENEFITS	
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6,000	\$12,491,160	\$29,905,200	\$39,873,600
10,000	\$20,818,600	\$49,842,200	\$66,456,000

ADMINISTRATIVE COSTS OF MAKING PAYMENTS

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* AVG. PAYMENT & DURATION = \$127.80 per week for 16.29 weeks

LOUISIANA PACIFIC EMPLOYMENT INFORMATION

		<u>PAYROLL</u>	<u>WAGES & BENEFITS</u>
DIRECT EMPLOYMENT	800	\$22.6 million	\$28 - 30 million
SECONDARY EMPLOYMENT	<u>600</u>		
TOTAL EMPLOYMENT	1400		

NOTE REGARDING THE FOLLOWING FRAME(S) ON MICROFILM:
COMPLETE DOCUMENT IS AVAILABLE IN ORIGINAL FILES.
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KETCHIKAN PULP CO.

KETCHIKAN PULP COMPANY

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639

REPRESENTATIVE
ADELHEID HERRMANN
P.O. BOX 63
NAKNEK, ALASKA 99633
(907) 246-4495

While in Juneau
POUCH V
JUNEAU, ALASKA 99811
(907) 465-4942, 465-4943

Alaska State Legislature



CHAIRMAN
SPECIAL COMMITTEE
ON FISHERIES

MEMBER
TRANSPORTATION
COMMITTEE

House of Representatives

DISTRICT 26

ADAK
AKUTAN
ALEKNAGIK
ATKA
BELKOFSK
CLARK'S POINT
COLD BAY
DILLINGHAM
DUTCH HARBOR
EGEGIK
EKUK
EKWOK
FALSE PASS
IGIUGIG
ILIAMNA
KING COVE
KING SALMON
KOKHANOK
KOLIGANEK
LEVELOCK
MANOKOTAK
NAKNEK
NELSON LAGOON
NEWHALEN
NEW STUYAHOK
NIKOLSKI
NONDALTON
PEDRO BAY
PILOT POINT
PORT ALSWORTH
PORT HEIDEN
PORT MOLLER
PORTAGE CREEK
SAND POINT
SOUTH NAKNEK
SQUAW HARBOR
ST. GEORGE
ST. PAUL
TOGIAK
TWIN HILLS
UGASHIK
UNALASKA

MEMORANDUM

TO: Representatives John Ringstad and Richard Shultz, CoChairmen; Members, House Resources Committee

FROM: Representative Adelheid Herrmann

DATE: March 27, 1984

RE: HB 639 -- Special Appropriation to the Outdoor Recreational, Open Space, and Historic Properties Development Fund; and providing for an effective date

Attached you will find background material which I think will be of assistance while you consider the above bill.

Enclosed you will find the following:

1. HB 639
2. Memorandum to House Resources Committee on HB 639
3. HB 640 and CSHB 640 (Loans)
4. Memorandum to House Loans Committee on HB 640, which includes
 - a. House Research Agency excerpt on Development Fund; and
 - b. Statutory Reference

Thank you for your attention.

AH/jr
Enclosures

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UNALASKA

MEMORANDUM

TO: Representatives John Ringstad and Richard Shultz, CoChairmen; Members, House Resource Committee

FROM: Representative Adelheid Herrmann

DATE: March 26, 1984

RE: HB 639--Special Appropriation to the Outdoor Recreational, Open Space, and Historic Properties Development Fund; and providing for an effective date

FUND CREATED

The development fund was created under AS 41.22.010 renumbered as AS 41.98.170 in 1983. Appropriations and other funds deposited in the fund "shall be utilized by the Department [of Natural Resources] to pay the nonfederal share of costs of projects which are initiated by the state to acquire, develop, or extend outdoor recreation sites and facilities and to acquire, preserve, or protect historic sites, buildings and monuments. . . ." [Copy of statutory site attached to MEMO to House Loans Committee]

GRANT PROCESS

The federal grant deadline for this year is March 30th for submission to the Division of Parks, Department of Natural Resources. The Division develops a package of grant applications with review materials for submission to the Alaska Historic Sites Advisory Committee which evaluates and awards the grants. Federal funds are tied to nominations to the National Register of Historic Places; whereas the state program has broader language not limited to placement on the Register.

TERMS

The federal program provides assistance on a 50-50 matching basis for statewide historic preservation planning and survey and for acquisition, stabilization and restoration of properties listed in the National Register of Historic Places. The funds are disbursed through state and local governments and private organizations and individuals are eligible for the assistance. Because it has national distribution, the state receives an annual apportionment from the funds based on the amount of Congressional apportionment and a formula used by the Department of Interior.

The Division estimates the federal apportionment for fiscal year 85 to be \$414,500. That amount may be as high as \$640,000 as referenced in the operating budget as presented.

The state program provides assistance by authorizing either loans or grants to be made from the fund. The statute states that the money shall be used to make grants to municipalities of up to one-half the nonfederal share of costs of projects described in "Fund Creation" above. As mentioned in the House Research Agency Report on State Loan Programs, only grants have been distributed through the program which allowed the communities to qualify for the matching federal funds.

ADMINISTRATION

The Alaska Department of Natural Resources, Division of Parks, administers both the federal and state programs. Reactivating the fund does not involve additional operating costs as staff is in place at this time; and from what I understand, an administrative fee is included in the grant.

AM/jr

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: HB 640
Title: Act Relating to Historic Properties Grants
Sponsor: Hermann
Requestor: _____
Date of Request: 2/28/84

FISCAL DETAIL

Agency Affected: Department of Natural Resources
Program Category Affected: Parks and Rec. Management
BRU, Program or Subprogram(s) Affected: Historic Resource Management

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 CRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL						
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Senate bill 639 appropriates \$500,000.00 from the general fund to the outdoor recreational open space and historic properties development fund in AS41.98.170.

ANALYSIS: Attach a separate page for analysis

Prepared By: Ty Dilliplane Phone: 265-4140
Division: Parks and Outdoor Recreation Date: 2/28/84

MH Approved by Commissioner: Norma T. Arnold Date: 2/29/84
Agency: Department of Natural Resources

Distribution (by Agency preparing fiscal note):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

12/1/83

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UNALASKA

MEMORANDUM

TO: Representative Rick Uehling, Chair
Members, House Special Committee
on Loans

FROM: Representative Adelheid Herrmann

DATE: February 29, 1984

RE: HB 640 -- Historic Properties Development Fund

The following is a brief background on the above legislation which may be helpful to the Committee as it considers the bill.

SCOPE

The bill amends the eligibility requirements currently established for funding under the Outdoor Recreational, Open Space, and Historic Properties Development Fund (AS 41.98.170). I am seeking to change the eligibility requirement to allow individual entities to participate in the program, should funding become available, either through the state, the federal government, or both.

Now, only cities, municipalities and organized boroughs may apply for loans or grants. In particular, this bill would provide that persons (defined to include individuals, associations, corporations, and the like) would also be eligible for applying to the Development Fund for assistance.

I have also sponsored a bill appropriating \$500,000 to the Development Fund. This bill, HB 639, is currently pending in the House Resources Committee.

PURPOSE

The Division of Parks, under DNR, administers two federal programs in addition to the State program. They are the Land and Water Conservation Grants and the National Historic Preservation Grants. Of the latter, of which I am concerned, the funding is divided into two types: Survey and Planning which is inventory and assessment; and Acquisition and Development, called the "brick and mortar" money. Eligibility for funding under this category is open to persons, organizations, governmental agencies, municipalities, boroughs, etc. This program requires matching funds.

The Division of Parks also administers the Outdoor Recreational, Open Space, and Historic Properties Development Fund. Funds from this source can be matched with the federal funds for a project -- but only if you comply with state eligibility requirements -- which at this time does not include persons, organizations and corporations. This class of persons is precluded from benefiting from the joint match available to larger cities, municipalities and boroughs. It is this inequity that I seek to eliminate.

BENEFITS

We need to support the efforts of individuals who feel strongly about banning together and preserving a historic structure that is of historical or cultural significance. We should not handicap a segment of our communities who have the desire and willingness to provide services in-kind in order to improve the environment.

We also need to take advantage of the expertise within our state government in providing assistance to these groups. We have the staff in place to advise groups on this subject. I have been advised by the personnel administering this program that having the same eligibility requirements for both state and federal programs is very desirable. It would confirm that a partial funding from each program could be treated as matching grants -- eliminating any doubt by applicants and staff.

FEDERAL FUNDING

As mentioned, the federal government appropriates money to the state to administer the Land and Water Conservation Grants and the National Historic Preservation Grants. Funding from the federal government in the past has been sporadic -- at best. President Reagan does not support the programs, however, there is a chance that a Congressional add-on may send between \$500,000-\$1,000,000 our way.

PAGE THREE

GENERAL

Since the key element in this bill is the use of the term "person", the following statutory definition is supplied:

AS 01.10.060. Definitions. In the laws of the state, unless context otherwise requires.

(7) "person" includes a corporation, company, partnership, firm, association, organization, business trust, or society, as well as a natural person;

I am also enclosing for your review, material taken from the House Research Agency Report 82-A: State Loan Programs -- A Review of Administration, Funding and Activity, December 1982. This material provides general background information on the Outdoor Recreational, Open Space, and Historic Properties Development Fund.

Please note that the statutory reference mentioned in the attached (AS 41.22.010-41.22.030) has been renumbered to AS 41.93.170-41.98.180. A copy of the statutory language on the Fund is enclosed.

AH/jr
Enclosures

OUTDOOR RECREATIONAL, OPEN SPACE,
AND HISTORIC PROPERTIES DEVELOPMENT FUND

Department of Natural Resources, Division of Parks

AS 41.22.010 - AS 41.22.030: enacted in 1976

Purpose

This program was enacted to enable communities to make option payments on parks and open space land; grants are made for the acquisition, development or extension of outdoor sites, or for the acquisition, preservation, or protection of local historic sites.

Method

The Division of Parks, which is authorized to make either loans or grants from the fund, has made only grants, which allow communities to qualify for federal matching grants, rather than loans, which do not count as matching funds.

Eligibility

Only cities, home rule municipalities, and organized boroughs may borrow from the fund.

Terms

Maximum Amount: Variable; to be determined by the Department
Maximum Term: 10 years
Interest Rate: 6.0%

Funding, FY 81-83

The fund finances grants through the sale of bonds; one such sale, totaling \$2,500,000, was held in FY 1976.

Activity, FY 81-83

The fund has made 50 grants, totaling approximately \$2,400,000.

MUNICIPAL ASSISTANCE

Administrative Staff

Judy Marquez, Director
Division of Parks
274-4576

Offices: 619 Warehouse Avenue
Anchorage

Mailing
Address: 619 Warehouse Avenue
Anchorage, Alaska 99501

Article 3. Outdoor Recreational, Open Space, and Historic Properties Development Fund.

Section

170. Fund created
175. Fund utilization for local projects

Section

180. Powers and duties of Department of Natural Resources

Sec. 41.98.170. Fund created. There is in the Department of Natural Resources an outdoor recreational, open space, and historic properties development fund to be administered by the division of parks. Appropriations or other money deposited in the fund shall be utilized by the department to pay the nonfederal share of costs of projects which are initiated by the state to acquire, develop, or extend outdoor recreation sites and facilities and to acquire, preserve, or protect historic sites, buildings and monuments. Plans for expenditures from the fund shall be submitted by the governor in accordance with the Executive Budget Act (AS 37.07) as part of the annual budget presentation to the legislature. (§ 1 ch 32 SLA 1976)

Revisor's notes. — Formerly AS 41.22.010. Renumbered in 1983.

Sec. 41.98.175. Fund utilization for local projects. (a) In addition to uses of fund money authorized in AS 41.98.170, money of the fund shall be utilized to make grants to municipalities of up to one-half the nonfederal share of costs of projects described in AS 41.98.170 which are initiated by a municipality, and loans of amounts necessary to enable municipalities to make option payments on parks and open space land for the acquisition of which federal funds are anticipated.

(b) Priority of need for loans under (a) of this section shall be determined by an examination of the value of land for park and open space purposes if permanently acquired, of the likelihood that the land will be permanently acquired by exercise of the option, and of the imminence of the risk of loss for park and recreation purposes if options are not obtained.

(c) Loans under (a) of this section shall be conditioned on repayment within 10 years, at an annual interest rate of six per cent.

(d) In (a) of this section "municipalities" includes cities or organized boroughs of any class exercising powers to initiate projects described in AS 41.98.170 and acquire parks and open space land, as otherwise authorized by law, and includes unified municipalities organized under AS 29.68.210 — 29.68.440. (§ 1 ch 32 SLA 1976)

Revisor's notes. — Formerly AS 41.22.020. Renumbered in 1983.

Sec. 41.98.180. Powers and duties of Department of Natural Resources. The Department of Natural Resources may adopt regulations necessary to carry out the purposes of AS 41.98.170 — 41.98.180 and designate agents and delegate powers to them as is necessary. (§ 1 ch 32 SLA 1976)

Revisor's notes. — Formerly AS 41.22.030. Renumbered in 1983.

Chapter 99. General Provisions.

Section

10. Game management and enforcement

Sec. 41.99.010. Game management and enforcement. Nothing in this title denies the Department of Fish and Game or the Board of Fish and Game their management and enforcement responsibilities related to the fish and game of this state. (§ 4 ch 47 SLA 1972)

Article 3. Outdoor Recreational, Open Space, and Historic Properties Development Fund.

Section

170. Fund created
175. Fund utilization for local projects

Section

180. Powers and duties of Department of Natural Resources

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Revisor's notes. — Formerly AS 41.22.020. Renumbered in 1983.

Sec. 41.98. Resources. Relations necessary. 41.98.180 and necessary. (§

Revisor's notes. 41.22.030. Renumbered

Section 10. Game mammals

Sec. 41.99. in this title of Fish and Game related to the

Handwritten note: 41.98.175 see Fund Mgmt. Govt. - Available

LWCF GRANTS PROGRAM

In February 1984, we sent out notification to communities throughout the state that federal matching funds are available for the acquisition and development of outdoor recreation projects through the federal Land and Water Conservation Grants Program. To date, the following communities have indicated that they will apply for a share of the \$633,453 which will be available in FY 84.

<u>APPLICANT</u>	<u>PROJECT</u>	<u>AMOUNT REQUESTED IN MATCHING FUNDS</u>
1. City of Barrow	Outdoor Skating Rink	\$ 25,000
2. City of Seward	*	**
3. Matanuska-Susitna Borough	Mat River Campground and softball fields	130,000
4. City of Anaktuvik Pass	*	**
5. City of Akutan	Playground - softball, basketball, tennis courts	50,000
6. City of Savoonga	Sports facility for Walrus Carnival	10,000
7. City of Cordova	Park development; new chairlift, landscaping of ballfield	525,000
8. Canyon Village (Fairbanks)	Land acquisition & Park development (Phase I)	5,000
9. Kodiak Island Borough	Complete Monashka Bay Park - walking/jogging trail, playground, basketball, volleyball court, picnic facilities and a shelter	25,000
10. City of Kaltag	Lake swimming area development - barbeque pit, chemical toilet, dressing room, picnic tables, gravel pad build up	9,400
11. McGarth	River docking/refueling facility	15,000
12. City of Craig	Acquisition of land for park development	90,000
13. City of Yakutat	Development and renovation of park facilities and installation of baseball dug outs	15,000
14. City of Saxman	Development of Waterfront Park - Small boat harbor	52,635
15. City of Shishmaref	Renovate and improve bunk and bath house facilities and grounds	5,000
16. City of Skagway	Sheltered picnic areas, foot trails, exercise equipment	25,000
17. City of Aleknagik	Park development	**
18. City of Unalakleet	Construction of softball field and hockey rink	45,000
19. City of Klawock & IRA Council	*	**
20. City of St. Paul	*	**
21. City of Tanana	*	**
22. Selawik City Council	Outdoor sports and play fields, swimming pools, firing range, public boat docks	171,750
23. Hoonah	Development of camping and picnic area	265,900
24. City of Soldotna	Paved roadway to Centennial Park, paved parking and boat launch ramp	130,462

<u>APPLICANT</u>	<u>PROJECT</u>	<u>AMOUNT REQUESTED IN MATCHING FUNDS</u>
25. City of Dillingham	Park development - softball field, bicycle track, community garden, tot lot, parking area, jogging/fitness trail	\$ 550,000
26. City & Borough of Juneau	Expansion of Marina Park	850,000
27. City of Nondalton	Community garden, landscaping, picnic facilities and outdoor sports facilities	70,000
28. City of Aniak	Development of City Park (Phase I)	100,000
29. City of Wainwright	*	**
30. Eumonak	Development of picnic area, basketball, softball courts, bike trails	**
31. City of Valdez	Harbor Tent campground, multi-use park facility (2 projects)	90,000
32. Napakiak	Outdoor basketball court	**
33. City of Huiqsut	*	**
34. City of Homer	Multi-use trails, major league baseball field (2 projects)	450,000
35. Fairbanks North Star Borough	Landscaping project Chena River (Downtown)	20,000
36. City of Nome	Acquisition and development of land for softball field and support facilities; construction of access road, parking area and interpretive trail	365,000

* Project description not provided in letter of intent.

** Project costs not provided in letter of intent.

HB

641

April 4, 1984

Representative Richard Schultz
Pouch V
Juneau, Alaska 99811

Subject :HB-641

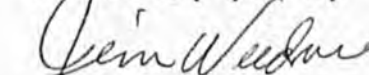
Dear Representative Schultz,

Enclosed is a summary sheet which describes much of land designated in HB-641.

In my judgement HB-641 makes excellent use of the wetlands by designating it for public purposes.

Your support of HB-641 is urged.

Sincerely yours,



Jim Weidner

S/R 50937

Fairbanks, Alaska 99701

March 12, 1984

SUMMARY POTLATCH PONDS

What have agency recommendations been to DNR regarding land classification?

A. Department of Environmental Conservation:

"The Chena River is a major recreational stream in the Fairbanks area and protection of the water quality is of prime concern to the department and public. Agricultural chemicals and siltation will have an adverse impact on the wildlife, fishery and water quality of this important stream. We object to these disposalsrecommend classification of the area as Wildlife Habitat and Public Recreation."

Source: Letter Department of Environmental Conservation, March 11, 1980.

B. Department of Fish and Game:

"The Two Rivers/Potlatch Ponds area contains values such as prime moose winter range and calving areas, waterfowl and sandhill crane nesting, the most important grayling sport fishery in Interior Alaska....the most important sports hunting, recreational area available to the Fairbanks community. We therefore object to the Potlatch Ponds disposals.....recommen.d classification as Wildlife Habitat/Public Recreation."

Source: Letter to Wm. Copeland, March 12, 1980

C. State Department of Parks and Recreation:

"....parks and recreation has supported the Department of Fish and Game's recommendation."

Source: Potlatch Ponds C-NC-80-005, April 28, 1980.

D. Department of Natural Resources

Concerning agricultural development in the area, "It is even more questionable on land that has very severe limitations for agricultural development."

Source: April 28, 1980 Document #C-NC-80-005

What type of land? "...the majority of these are poor quality soils that are wet and/or frozen."

"This area includes innumerable small ponds, lakes, streams, sloughs and other watercourses."

"..... some of the flattest, coldest, wettest soils in the area."

→ Wildlife in the area? "Some moose inhabit the area but small mammals and upland game birds and seasonal waterfowl are abundant." "The entire disposal area has traditionally been used for a variety of recreational activities. Numerous trails exist within the disposal area and much concern has been expressed by members of the general public."

Source: Potlatch Ponds Narrative, DNR Document

Did DNR ever consider the "no disposal" option? "'No sale" was not considered a viable option because of the 100,000 acre quota and the time constraints that would not allow potential alternative sites to be surveyed."

→ "The Northcentral District office has at no time nominated these acres for disposal."

Source: Final Finding (Potlatch Pond Agricultural Lottery) Dated 4-21-80

Citizen testimony: (Mr. Wm.S.)

...15 moose were taken within a three mile radius, of my house.....5 moose were taken on my land. [Note: TS 15 3E Sec. 3 FM contiguous to Potlatch Ponds]

Source: Public testimony before the FNSB Assembly on February 23, 1984. (Citizen's comments by Ag. Advocate)

Citizen testimony: (Mr. C. V)

"I've lived in the area for six (6) years now, the land that they have released is very incompatible to any agriculture. It's cost me almost \$2,000 an acre to clear my 10 acres. It was cleared 15 years ago. This land here is Virgin wet land with hardly any drainage. If you've ever been on the Little Chena, there is no drainage there whatsoever. It's very hard to drain." "I've walked it in the fall and it's just totally wet."

Source: Transcripts Planning Commission meeting 3-18-1980, Page 13.

Citizen testimony: (Mr. B.H.)

"I've been out there [referring to Two Rivers area] since 1949, I've hunted there so much in the Pot-latch Ponds area, that I think it's my private hunting area."

"[Referring to the winter trail through Potlatch Ponds]...."That's strictly---they built the Winter Trail usually on the lowest and smoothest spot and ice. In the summer, it's just bog." "There are on Pot-latch itself is, I would think, very difficult to farm."

Source: Transcripts Planning Commission meeting 3-18-80, Page 18. [Testimony from a part time "farmer"]

DNR'S CONCLUSIONS

DNR's final findings after reviewing agency comment and public input. "The district office finds merit in much of the agency comment regarding the suitability of this land for disposal. If the legislative and administrative quota did not exist, the district recommendation would identify approximately 2,000 acres of land in the Potlatch Ponds area suitable for development."

Source: "Final findings Potlatch Ponds Agricultural disposal" Dated 4-21-80

OTHER DATA

What was the recommendation by comp plan consultant re: Potlatch ponds? Designate the area open/natural.

How much private property is there in the Fairbanks North Star Borough?

Answer: Five hundred thousand acres.

How much of the 500,000 acres has ag. capacity?

Answer: Two hundred thousand acres. (200,000)

How many people in the Fairbanks North Star Borough are gainfully employed in the job classification "farmer"?

Answer: 5

Source: FNSB comprehensive plan Consultant

How many people are there in the State of Alaska gainfully employed in the job classification "farmer".

Answer: about 55

Source: University of Alaska Division of Social and Economic Research Anchorage, Alaska.

Is there better ag. land than Potlatch Ponds?

Answer: Yes

Where?

"South of Radger Road"

Source: Public Testimony U.S.C.S Soil Conservation
Subdistrict representative before FNSB Assembly 3-1-1984

summary.ltr

H B

672

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: HB 672
Title: Harrassment of Game

Sponsor: M. Miller
Requestor: House Resources
Date of Request: 2-23-84

FISCAL DETAIL

Agency Affected: Public Safety
Program Category Affected: Fish & Wildlife Protection
BRU, Program or Subprogram(s) Affected: Enforcement, Marine

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Captain Wayne A. Fleek
Division: Fish & Wildlife Protection

Phone: 269-5534
Date: 2/16/84

Approved by/Commissioner: [Signature]
Agency: Public Safety

Date: 2/23/84

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

12/1/83

H

B

680



Alaska State Legislature

HOUSE OF REPRESENTATIVES
COMMITTEE ON RESOURCES

JOHN RINGSTAD, CO-CHAIRMAN
RICHARD SHULTZ, CO-CHAIRMAN
POUCH V
JUNEAU, ALASKA 99811
(907) 465-3715

MEMORANDUM

TO: House Resource Committee members

FROM: Committee Staff

DATE: March 14, 1984

RE: Sectional Analysis, HB 680, Oil and Gas Reinjection

SECTION 1

Gives authority to the Alaska Oil and Gas Conservation Commission to assume control and regulation of injection wells associated with oil and gas production. 42 u.s.c. 300h - 4 is the portion in the E.P.A. Safe Water Drinking Act that allows a State to obtain primary enforcement responsibility from the federal government.

SECTION 2

In order to assume authority, the state must conform to the E.P.A. confidentiality rules. Therefore, this section makes an exception to the state's two year confidentiality clause (AS 31.05.035). This only applies to this new statute reference, AS 31.05.030 (h), information on underground injection in class II wells, to be made public. The E.P.A. already requires that this information be made public; this section allows our statutes to conform to the E.P.A..

SECTION 3

This section defines "regular production" to not include short term testing, evaluation, or experimental pilot production activities approved by permit or order of the Commission. This would allow the oil companies involved to sell this "test" oil, and not have to disclose information about the well. This would thus allow the state to collect severance taxes and royalties on oil that otherwise would be reinjected during testing cycles.

SECTION 4

This section exempts this new AS 31.05.030 from the Department of Environmental Conservation's permit process for water disposal. Thus, the authority will be with just the Commission rather than both the Commission and D.E.C..

land. The authority of the commission further applies to all land included in a voluntary cooperative or unit plan of development or operation entered into in accordance with AS 38.05.150(m). (§ 1 ch 158 SLA 1978)

Sec. 31.05.030. Powers and duties of commission. (a) The commission has jurisdiction and authority over all persons and property, public and private, necessary to carry out the purposes and intent of this chapter.

(b) The commission shall investigate to determine whether or not waste exists or is imminent, or whether or not other facts exist which justify or require action by it.

(c) The commission shall adopt rules, regulations and orders and take other appropriate action to carry out the purposes of this chapter.

(d) The commission may require

(1) identification of ownership of wells, producing leases, tanks, plants and drilling structures;

(2) the making and filing of reports, well logs, drilling logs, electric logs, lithologic logs, directional surveys, and all other subsurface information on a well drilled for oil or gas, or for the discovery of oil or gas, or for geologic information and the required reports and information shall be filed within 30 days after the completion, abandonment, or suspension of the well;

(3) the drilling, casing and plugging of wells in a manner which will prevent the escape of oil or gas out of one stratum into another, the intrusion of water into an oil or gas stratum, the pollution of fresh water supplies by oil, gas or salt water, and prevent blowouts, cavings, seepages and fires;

(4) the furnishing of a reasonable bond with sufficient surety conditions for the performance of the duty to plug each dry or abandoned well or the repair of wells causing waste;

(5) the operation of wells with efficient gas-oil and water-oil ratios, and may fix these ratios;

(6) the gauging or other measuring of oil and gas to determine the quality and quantity of oil and gas;

(7) every person who produces oil or gas in the state to keep and maintain for a period of five years in the state complete and accurate records of the quantities of oil and gas produced, which shall be available for examination by the Department of Natural Resources or its agents at all reasonable times;

(8) the measuring and monitoring of oil and gas pool pressures;

(9) the filing and approval of a plan of development and operation for a field or pool in order to prevent waste, insure a greater ultimate recovery of oil and gas, and protect the correlative rights of persons owning interests in the tracts of land affected.

(e) The commission may regulate, for conservation purposes

(1) the drilling, producing and plugging of wells;

(2) the shooting and chemical treatment of wells;

(3) the spacing of wells;
 (4) the disposal of salt water, nonpotable water and oil field wastes;
 (5) the contamination or waste of underground water;
 (6) the quantity and rate of the production of oil and gas from a well or property; this authority shall also apply to a well or property in a voluntary cooperative or unit plan of development or operation entered into in accordance with AS 38.05.180(m).

(f) The commission may classify wells as oil or gas wells for purposes material to the interpretation or enforcement of this chapter.

(g) When the commission finds sufficient likelihood of an unexpected encounter of oil, gas, or other hazardous substance as a result of well drilling in an area of the state, the commission may, by regulation, designate the area and specify a depth in the area as one in which wells or any boring into the soil in excess of the specified depth but not otherwise subject to this chapter are subject to the regulations and requirements adopted under this section. No designation of an area or specification of a depth under this subsection constitutes a certification that no hazardous substance will be encountered in another area or at a lesser depth, and the state is not liable for any damages arising from such an unexpected encounter of a hazardous substance. (§ 4 ch 40 SLA 1955; am § 2 ch 75 SLA 1960; am § 1 ch 209 SLA 1970; am § 1 ch 87 SLA 1977; am § 5 ch 158 SLA 1978; am §§ 1, 2 ch 160 SLA 1978)

Effect of amendments. — The 1977 amendment added subsection (g).

The first 1978 amendment substituted "commission" for "department" throughout the section.

The second 1978 amendment added paragraphs (8) and (9) of subsection (d) and added paragraph (6) of subsection (e).

Applied in *Bradley v. State*, 2 Alaska L.J. No. 6, pg. 88 (June-July, 1964).

Sec. 31.05.035. Confidential reports. (a) For all wells for which a permit to drill has been issued by the commission since January 3, 1959, the commission may require:

(1) the making and filing of reports, well logs, drilling logs, electric logs, lithologic logs, directional surveys, and all other subsurface information on a well drilled for oil or gas, or for the discovery of oil or gas, or for geologic information; and

(2) the filing of flow test information and all logs, except experimental logs and velocity surveys run on a well and not required by (1) of this subsection;

(3) the operator to make available for copying the digitized log information, if it is available, on any log required to be filed under (1) or (2) of this subsection.

(b) Reports and information required under (a)(1) and (2) of this section shall be filed within 30 days after the completion, abandonment, or suspension of a well. However, under (a)(1) of this section, the commission may not require the making of a log on a well completed, abandoned or suspended before June 19, 1970.

(c) The reports and information required in (a) of this section shall be kept confidential for 24 months following the 30-day filing period unless

Sec. 46.03.090. Plans for pollution disposal. The department may require the submission of plans for sewage and industrial waste disposal or treatment or both for a publicly or privately owned or operated industrial establishment, community, public or private property subdivision or development. (§ 3 ch 120 SLA 1971)

Sec. 46.03.100. Waste disposal permit. (a) A person who conducts an operation which results in the disposal of solid or liquid waste material or heated process or cooling water into the waters or onto the land of the state must procure a permit from the department before disposing of the waste material or water. The permit must be obtained for direct disposal and for disposal into publicly operated sewerage systems.

(b) This section does not apply to a person discharging only domestic sewage into a sewerage system.

(c) A permit for disposal of a hazardous waste may not be issued under this section unless the applicant for the permit has furnished proof to the commissioner of financial ability to control the hazardous waste. Proof of financial responsibility may be demonstrated by self-insurance, insurance, surety, or guarantee, under regulations issued by the department. Acceptance of proof of financial responsibility under this subsection expires

- (1) one year from its issuance for self-insurance;
- (2) on the effective date of a change in the surety bond, guarantee, or insurance agreement; or
- (3) on the expiration or cancellation of the surety bond, guarantee, or insurance agreement. (§ 3 ch 120 SLA 1971; am § 3 ch 220 SLA 1976; am § 9 ch 93 SLA 1981)

Cross references. — As to compliance with financial responsibility requirements, see AS 46.03.833.

Effect of amendments. — The 1981 amendment added subsection (c).

Opinions of attorney general. — This section confers upon the Department of Environmental Conservation permit authority over dredge or fill activities, including residential subdivisions, within wetlands, estuaries, and inland and coastal marshes periodically inundated by discernible bodies of fresh or salt water upland from the mean high tide line to the

extent of the aquatic or salt water vegetation line. November 13, 1975, Op. Att'y Gen.

Dredge or fill activities in coastal and fresh water wetlands shoreward to the aquatic vegetation line to result in the disposal of solid waste material into the waters of the state within the meaning of this section and thus, to the extent that these activities are of a commercial or industrial nature, do require a permit from the Department of Environmental Conservation. November 13, 1975, Op. Att'y Gen.

Sec. 46.03.110. Waste disposal permit procedure. (a) An application for a permit shall be made on forms prescribed by the department or on forms prescribed by the United States Environmental Protection Agency and shall contain the name and address of the applicant, a description of his operations, the quantity and type of waste material sought to be disposed of, the proposed method of disposal, and

BILL SHEFFIELD
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 13, 1984

The Honorable Joe Hayes
Alaska House of Representatives
Pouch V
Juneau, AK 99811

Dear Representative Hayes:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the Alaska Oil and Gas Conservation Commission. This bill would give the state the authority to assume control and regulation of injection wells associated with oil and gas production, such as salt water disposal or enhanced recovery of natural gas or oil. The U.S. Environmental Protection Agency currently has that authority. A 1980 amendment to the Safe Drinking Water Act (42 U.S.C. sec. 300f -- j) added a new sec. 300h-4 that would allow a state to obtain primary enforcement responsibility from the federal government for those portions of its Underground Injection Control program related to the recovery and production of oil and gas. Instead of imposing the existing federal regulatory requirement, sec. 300h-4 would give a state that authority if the state could demonstrate that it had an effective program to prevent underground injection which endangers drinking water sources. This bill would give the state that authority.

Sincerely,

A handwritten signature in cursive script that reads "Bill Sheffield".

Bill Sheffield
Governor

AGO 886917

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST HB 680
Bill/Resolution No.: HB 680
Title: Relating to the Alaska Oil and Gas Conservation Commission
Sponsor: Governor
Requestor: _____
Date of Request: _____

FISCAL DETAIL
Agency Affected: Commerce and Economic Development
Program Category Affected: Protection
BRU, Program or Subprogram(s) Affected: Oil and Gas Conservation Commission

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES	0	25.0	26.1	27.6	29.0	30.7
200 TRAVEL	0	88.0	90.4	90.4	90.5	90.3
300 CONTRACTUAL	60.0	9.5	9.5	9.5	9.5	0
400 SUPPLIES	0	0.5	0.5	0.5	0.5	0.5
500 EQUIPMENT						
500 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	60.0	125.0	126.5	128.0	129.5	121.5
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	60.0	125.0	126.5	128.0	129.5	121.5
FEDERAL FUNDS						
OTHER						
TOTAL	60.0	125.0	126.5	128.0	129.5	121.5

POSITIONS:

FULL-TIME		1	1	1	1	1
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Chat Chatterton Phone: 279-1433
Division: Alaska Oil and Gas Conservation Comm. Date: 2/3/84
Approved by Commissioner: Richard A. Lyon Date: 2/11/84
Agency: Commerce and Economic Development

Distribution (by Agency preparing fiscal note):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

12/1/83

AGO 886918

ALASKA OIL AND GAS CONSERVATION COMMISSION

ANALYSIS

- INTRODUCTION: The fiscal impact results solely from subsection (h) Section 1 of the Bill.
- Code 100 Are advised by Environmental Protection Agency (EPA) and by other states who have been delegated enforcement primacy by EPA that there is a substantial increase in the technical clerical workload. Accordingly request personal services funding for a Clerk Typist III.
- Code 200 Field inspection requirements will nearly double the current level of trips to the field. Accordingly additional travel funding is required.
- Code 300 a) Contractual cost to prepare an application package to EPA for obtaining primacy is estimated to cost \$60,000 which will be expended in FY'84.
- b) A word processing machine will be obtained for the additional Clerk Typist III on a four year rental/purchase agreement.
- Code 400 Additional clerical supplies will be required for the new Clerk Typist III.
- Code 500 A one-time expenditure for office equipment (desk, chair, etc.) will be necessary in FY'85.



Official Business

Alaska State Legislature
House Resources Committee

SIGN-IN

MAR. 14, 1984

**HB 680
OIL & GAS**

NAME

ADDRESS

PHONE

REPRESENTING

NAME	ADDRESS	PHONE	REPRESENTING
JACK RODRICK	JUNEAU	465-2590	COMMERCE - ENERGY DIVISION

AGC 886920

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684



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 13, 1984

The Honorable Joe Hayes
Alaska House of Representatives
Pouch V
Juneau, AK 99811

Dear Representative Hayes:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill making a special appropriation to the Alaska Power Authority. This special appropriation is for rate stabilization for the utilities that will be purchasing power from the Lake Tye, Swan Lake, Terror Lake, and Solomon Gulch hydroelectric facilities. The money will be used to reduce the wholesale power rate for these utilities during the early years of the operation of the hydroelectric facilities when hydroelectric costs will be significantly higher than their projected costs for diesel generation.

At the current stage of negotiations on the power sales agreements the rate stabilization fund is treated as a grant, and the special appropriation bill reflects this approach. However, the authority is still looking at the possibility of funding rate stabilization with a loan rather than a grant. If the loan approach is used, an amendment to this bill will be proposed to reflect the change.

Sincerely,

A handwritten signature in cursive script that reads "Bill Sheffield".

Bill Sheffield
Governor

Original sponsor: Rules/Governor

DRAFT

<u>Funding Information</u>	
General Fund	\$35,000,000
Other Funds	\$ -0-
	<u>\$35,000,000</u>

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 CS FOR HOUSE BILL NO. 684 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Alaska
7 Power Authority; and providing for an effective
8 date."

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

10 * Section 1. The sum of \$35,000,000 is appropriated from the general
11 fund to the Alaska Power Authority for the purpose of rate stabilization in
12 accordance with the terms of power sales agreements and bond covenants for
13 the issuance of revenue bonds for the Lake Tye, Swan Lake, Terror Lake,
14 and Solomon Gulch hydroelectric facilities.

15 * Sec. 2. The appropriation made in sec. 1 of this Act is not a one-
16 year appropriation and does not lapse under AS 37.25.010.

17 * Sec. 3. This Act takes effect on the first day after ^{all} of the
18 cities served by the Lake Tye, Swan Lake, Terror Lake, and Solomon Gulch
19 hydroelectric projects have entered into power sales agreements with the
20 Alaska Power Authority.

21
22 *Power purchasers*

23
24 *cities Ketchikan - Petersburg -*

25
26
27 *Kenai Valley Electric ASSN*
28 *Kodiak Electric ASSN*
29

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5

SENATOR
ARLISS STURGULEWSKI

2957 SHELDON JACKSON
ANCHORAGE, ALASKA 99508
SENATE DISTRICT F, SEAT A

Alaska State Legislature



While in Juneau
POUCH V
JUNEAU, ALASKA 99811
(907) 465-3018

Senate

MEMORANDUM

March 1, 1984

TO: All Members of the Legislature

FROM: Senator Arliss Sturgulewski *AS*
Senate District F, Seat A

RE: The Experiences of the Alaska Renewable Resources Corporation
(Or the Rise and Fall of ARC)

Dean F. Olson, Adjunct Associate Professor, School of Business & Public Affairs, University of Alaska-Anchorage, a former trustee of the Alaska Renewable Resources Corporation, has written an excellent analysis of the Alaska Renewable Resources Corporation which was created by the legislature in 1978. After numerous legislative changes, the now-named Alaska Resources Corporation will be dissolved on July 1, 1989 if HB 685 introduced by the Sheffield administration becomes law.

Dean Olson has described what happened to an organization created with interest and enthusiasm to broaden economic opportunities in renewable resources. He makes specific recommendations as to why it is important to create political independence for a public corporate structure and yet retain certain legislative and executive prerogatives. His analysis can be of value while considering various proposed structures currently before the legislature.

Enclosure

Venture Capital for Development:

The Experiences of the

Alaska Renewable Resources Corporation

January 1984
Dean F. Olson
Adjunct Associate Professor
School of Business &
Public Affairs
University of Alaska-Anchorage
(Former Trustee - The Alaska
Renewable Resource Corporation)

I. Introduction

This paper describes the experiences of the Alaska Renewable Resources Corporation (ARRC) during the period from 1979 to 1982. The paper begins with a brief description of the founding legislation and the policy making environment which existed at the time the ARRC was established. The paper then traces the operating experiences of the agency over the three years period ending in June 1982. Finally, certain conclusions are drawn from the ARRC experience in the hope that other governments contemplating similar organizations can avoid making the same public policy errors.

The use of federal funds to broaden and strengthen the private sector through equity investment into privately owned businesses has been accepted public policy for nearly thirty years. Since the mid 1950's federal programs have supported privately owned venture investment firms known as Small Business Investment Corporations (SBIC's) and Minority Small Business Investment Corporations (MESBICS). In the 1960's a number of Community Development Organization (CDC's) were established to further assist the business development efforts of selected target groups.

State support of equity investment into private business is a more recent development. Since the early 1970's State support for venture investment into private enterprises has lead to the initiation of development institutions in Massachusetts, Connecticut, Maine and Kentucky. While these organizations differ considerably they share the broad goal of enhancing private business development through the placement of various types of risk capital.

In Alaska, the State Legislature established (in 1978) and funded (in 1979) the Alaska Renewable Resources Corporation. The Alaska Renewable Resources Corporation (ARRC) was to be funded in yearly intervals at 2.5% of the State's oil and gas royalty receipts. ARRC's goal in general terms was to create a broadened economy based more upon renewable resource businesses. The ARRC was to accomplish this goal through venture capital placement into private businesses owned in the majority by Alaskan residents.

Managed initially by a board of three full time trustees appointed by the Governor, the ARRC could make equity investments for up to 49% of an investee's outstanding common stock and could make loans on any terms which accommodated the needs of the new or expanding business. Any single investment was limited to \$1.5 million unless 'follow-up' investment was regarded as necessary to preserve the initial placement.

In 1982, after three years of operation, discontent with the ARRC resulted in legislation which made significant changes in the scope of the agency's investment policies; the size of investments it could make, and how the agency was funded and organized. Further legislation is being planned in 1984 to terminate the agency.

II. Founding Legislation and Public Policy Issues

By any objective measure the legislation establishing the ARRC was creative public policy. Prompted by the realization that oil and gas royalty income to the State would begin 'playing out' in the early 1990's, certain legislators and Alaska's Governor (Jay Hammond) promoted the

creation of several institutions. The Alaska Industrial Development Authority (AIDA) was created to 'package' small business loans into larger tax exempt bond issues for public sale. The Alaska Commercial Fish and Agricultural Bank (CFAB) was created as a cooperative lending institution to make loans to farmers, fishermen, fish processors and timber producers. The Alaska Permanent Fund (APF) was created to serve as a savings account into which a proportion of royalty receipts was to be placed as a hedge against the future downturn in revenues. Additional institutions were created to enhance hydroelectric power generation (the Alaska Power Authority) and to support the residential construction market (the Alaska Housing Finance Corporation).

The ARRC was intended to 'balance out' the above rainbow of development institutions by providing a source of equity financing to new and expanding businesses engaged in the production of renewable resources (Fishing and fish processing, Agriculture, Forest products, and Alternative energy). The agency was empowered to own up to 49% of the outstanding common stock of target enterprises. Further, the ARRC could make loans at any interest rate for a term of less than 30 years. The ARRC also had granting powers which it could employ to stimulate inquiry into new technology which might enhance renewable resources. Finally, the ARRC could provide technical assistance funds for business development. Total loans and investment into a single business was limited to \$1.5 million.

The initial legislation provided that the ARRC was to receive 2.5% of State lease bonuses, rentals and royalty income. In practice, the agency

approached the legislature each year for operating and investment capital budgets. Over the three year period ending in June, 1982, the ARRC received below 1% of State receipts.

The ARRC was governed by a full time board of three trustee appointed by the Governor for four year terms. The trustees (and all other ARRC employees) were employees of the State of Alaska. There were no professional qualifications for trustees provided for in the legislation. The three trustees were to have equal authority and responsibility for agency decisions.

The ARRC was designed to work in concert with private businesses to:

- (1) rehabilitate, enhance and develop renewable resources by providing maximum opportunities for employment and a higher standard of living for its citizens; and
- (2) further the development of renewable resources that would contribute to a stable self sustaining state economy, employment and life style alternations for citizens (AS 37.12.010).

The legislature agreed, when passing the ARRC legislation, that achievement of the above public policy objectives was being retarded by a cyclical, narrowly based economy. The ARRC was directed to remove barriers to achieving a broadened economy by assisting in research and development and by providing venture capital to renewable resource businesses owned by Alaskan citizens.

The enabling legislation permitted considerable financing flexibility by the ARRC. No income or minimum yield requirements were placed upon the

agency. Grants could not exceed 10% of ARRC capital, but this was never a serious constraint. Because operating funds were appropriated each year, the agency did not have to live within budgets bounded by its investment income.

In sum, the ARRC was created as a part of an array, a 'rainbow', of institutions designed to increase economic opportunities for Alaskans. The ARRC's role was to provide high risk capital to start-up and expanding businesses in renewable resource industries. An agency of State government, the ARRC was managed by a tripartite board of trustees of equal authority and was given substantial flexibility in the selection of alternative investment structure to employ in placing its investments.

III. Operating Experiences 1979-82

The ARRC attracted immediate interest from Alaskans with business ideas. Within six months from its beginning the agency had received several hundred proposals. Many proposals were not well developed, while others were complete business plans. Over the three year period the ARRC received an average of 400 proposals per year.

The ARRC loaned or made investments into about 3% of the proposals reviewed. An immense amount of staff energy was devoted to screening proposals and investigating business plans nearing completion. In retrospect far too much time was spent in turndowns and too little was spent in assisting businesses that had been approved for investment.

Due to its political origins and the widespread perception that the ARRC was a "State loan program" (a source of soft money) it was difficult to make turndowns stick. Applicants whose proposals had been turned down would often protest to legislators and succeed in getting their proposal reviewed a second time. While their tactic did not result in an investment it did consume an inordinate amount of energy. Turndowns were particularly difficult to enforce when the proposing business was a major factor in the economy of a small Alaskan community. In these instances local and State politicians would join forces in seeking a favorable review.

By early 1980 the ARRC had acquired the reputation for being slow to reach decisions and for being harsh in its evaluation of proposals. Legislators assailed the agency for 'not getting the money on the street' fast enough. Review of business plans did require three to four months. Investigation and 'due diligence' on the plan and the background of management personnel often requires this length of time; a fact little appreciated by most applicants and legislators accustomed to dealing with collateral lenders.

In May 1980, one year from the operational beginnings of the ARRC, the legislature directed the agency to help seafood processors prepare for a salmon harvest of historically large proportions. Prompted by concerns that domestic processing capacity would fall short of the harvest the legislature appropriated \$15 million for the ARRC and directed the agency to suspend normal business planning and investment criterion, as well as the \$1.5 million investment limit, and move to aid the industry in its

attempts to finance the expansion necessary to process the 1980 salmon harvest.

In addition, in May 1980, the legislature directed ARRC to move to assist timber processors in Southeast Alaska build wood-fired electrical generation plants so as to conform to EPA pollution standards. Again, the emergency legislation suspended the ARRC's normal screening criteria and the \$1.5 million investment limit. Some \$5.2 million was allocated to this special purpose.

The effect of the emergency legislation for fish and timber processors was to redirect the ARRC's strategic focus away from new business development and toward the 'fast tract' restructuring and refinancing of existing businesses. The table below shows the magnitude of this type of activity in relation to the total portfolio on June 30, 1981 and 1982. Refinancing activity accounted for about three quarters of the portfolio in each year and about one quarter of the number of transactions.

Table I

Alaska Renewable Resources CorporationPortfolio by Typeof Transaction

June 30

(\$'000)

	<u>\$</u>		<u>#</u>	
	<u>1981</u>	<u>1982</u>	<u>1981</u>	<u>1982</u>
Refinancing	\$17,212	\$21,448	6	7
Expansions	1,425	1,711	5	6
Start-ups	3,699	4,762	9	11
R & D and Demonstration	1,088	646	7	5
Totals	<u>\$23,424</u>	<u>\$28,567</u>	<u>27</u>	<u>29</u>

The strategic redirection of the ARRC, from business developer to business savior, is in retrospect the single most important factor in understanding the agency's short and confusing history. The emergency redirection of effort served to cloud the strategic role intended for the ARRC. The ARRC never recovered from the confusion.

Another element of importance in understanding the ARRC's experience is the organizational structure created in the initial legislation. The tripartite board of full time trustees of equal responsibility and authority produced incredible confusion in the internal operation of the

ARRC and in the external environment of the agency. The concept simply could not be made to work. It is hard to imagine any combination of executive personalities which could function effectively in this context.

The dependency of the ARRC upon annual legislative appropriations for operating and investment budgets produced several operational impediments. First, ARRC personnel could never be sure that the agency could participate in second or third round financings of start-up companies. Follow-up financing of this type is common in more than one-half of all new businesses. The initial venture investor is usually a player in these subsequent 'trips to the well' by the venture. The ARRC could provide no assurance to prospective co-investors that it would be in existence to help with any future financings. Second, the ARRC emerged as a political football each year. Legislative supporters of the ARRC and the public policy issues underlying its creation found it increasingly difficult to convince legislators with disappointed constituents. Furthermore, as more legislators became aware that the ARRC could and did take equity positions in private businesses, philosophical concerns about the basic public policy issues became more pronounced. Philosophical support for the agency was never strong and began to erode fairly quickly with a few well publicized turn-downs and an equally well publicized bankruptcy in which the ARRC took control of the enterprise.

The ARRC invested in over 30 businesses over the three year period under review. Table II shows that from its beginning in 1979 to June 30, 1982, the agency placed \$23.3 million in loans and \$7.2 million in equity

investments. The preponderant role played by the two 'assistance funds' is again quite evident.

Table II

Alaska Renewable Resources Corporation

Total Loans & Equity Investments

Fiscal Year Ending

June 30,

(\$'000)

Loans	1980	1981	1982	1983
Agriculture	\$37.6	\$273.9	\$790.1	\$261.9
Fisheries	2,310.2	5,965.0	7,557.3	4,129.2
Fisheries Assistance Fund ¹	5,023.6	10,748.8	11,129.0	8,398.4
Forest Products	201.0	531.7	2,228.5	351.4
Forest Assistance Fund ²		164.3	1,600.0	3,470.2
Manufacturing ³				370.0
sub-total	<u>\$7,572.4</u>	<u>\$17,683.7</u>	<u>\$23,304.9</u>	<u>\$16,981.1</u>
<u>Equity Investments</u>				
Agriculture		\$50.0	\$50.0	
Fisheries	\$375.1	765.5	871.5	\$666.5
Fisheries Assistance Fund ¹	500.0	4,513.6	4,091.1	3,741.3
Forest Products	150.0	350.0	433.1	433.1
Forest Assistance Fund ²			1,800.0	1,800.0
Manufacturing				
sub-total	<u>\$1,025.1</u>	<u>\$5,679.1</u>	<u>\$7,245.7</u>	<u>\$6,640.9</u>
Total	<u>\$8,597.5</u>	<u>\$23,362.8</u>	<u>\$30,550.6</u>	<u>\$23,622.0</u>

¹Special legislation passed in May 1980 directed the agency to provide emergency refinancing to fish processors.

²Special legislation passed in May 1980 directed the agency to provide emergencing financing to forest product producers.

³Legislation passed in May 1982 permitted the agency to invest in manufacturing and mining.

While the volume of transaction activity grew quickly, the full time staff remained small. The first professional employee was hired in March 1980. By the end of that year four investment officers had been retained. As Table III reveals, operating expenses were relatively low in relation to the volume of funds invested and the volume of proposals reviewed. Operating expenses were about 8% of portfolio volume in 1980 and declined to 3.6% in 1982. Operating costs include expert help retained to review specific proposals as well as all full time staff expenses. Table III also reveals that the technical assistance and granting powers that the agency enjoyed were never a major dimension of the ARRC's activities. Finally, provisions for the 'write down' of loans and investments are depicted. Some 20.9% of the portfolio was reserved for loss in 1982. The actual write down of portfolio assets amounted to 22.7% over the fiscal year ending June 30, 1983.

Table III

Alaska Renewable Resources CorporationProvisions for Losses,Operating Expenses, TechnicalAssistance and Development Grants

Fiscal Year Ending

June 30,

(\$'000)

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>Totals</u>
Technical Assistance	\$295.3	\$94.6	\$66.6	-	\$456.5
Development Grants	51.1	167.4	5.0	-	223.5
Provision for:					
Loan Losses	-	261.1	4,712.9	3,420.1	8,394.1
Equity Losses	-	-	1,671.6	259.9	1,931.5
Operating Expenses	687.5	1,111.0	1,096.7	627.4	3,522.6

Each portfolio company is unique. The investment structure employed by the ARRC in each transaction was tailored to investor requirements. The following descriptive examples of the types of transactions the ARRC completed illustrate the diversity of the investment structures employed by the agency.

Portfolio Company A A major fish processing company operating in several fishing communities through out Alaska had grown rapidly since its inception in the mid 1960's.

The company's commercial bankers were requiring a major refinancing which would improve working capital balances and bring better balance to the company's debt to equity ratio. The company was closely held by Alaskan fishermen. The refinancing could not be accomplished within the resources of the existing owners. Financial performance of the company, the condition of the new issues market, and uncertain industry forecasts combined to render a public offering of equity unattractive. The ARRC and another venture capital investor invested a total of \$6.5 million. Certain assets were purchased by the investors and leased back to the company under a lease purchase agreement. The ARRC also acquired a minority equity position in the company through a purchase of common stock and a convertible debenture. A stock repurchase formula was negotiated which would enable the company to purchase the ARRC's stock position over several years. The

company later exercised its option to repurchase the property and has begun to purchase ARRC held stock.

Portfolio Company B A large Pacific Coast firm had gone bankrupt and the trustee was liquidating assets, some of which were in Alaska. A group of Alaskan entrepreneurs and the ARRC acquired a fish processing plant from the bankruptcy court with the intention of converting the plant to process 'bottom fish', an underutilized resource. The plant was purchased with a \$3.5 million loan and investment by the ARRC. The structure consisted of a \$2 million note secured by plant and equipment; a \$1 million subordinated convertible note, and a \$.5 million purchase of 47% of the new company's outstanding common stock. The ARRC later provided substantial additional funds to finance conversion and provide working capital. The new company went bankrupt in 1982. The ARRC owns the facility.

Portfolio Company C A group of Alaskan entrepreneurs had acquired the west coast license for a patented enzyme for conversion of fish waste into a high protein concentrate. The new company needed funds to build a prototype processing plant in hopes of confirming the feasibility of the enzyme when employed under actual production conditions. The ARRC provided \$535,000 in initial financing through a \$335,000 subordinated note with deferred payments of interest and principle and a \$200,000 purchase of 30% of outstanding common stock in the new company.

Portfolio Company D A group of 30 Eskimo fishermen in western Alaska desired to enter a commercial herring fishery which had begun the year before along the coast near their villages. The fishermen needed materials and technical assistance in building the herring skiffs, purchase of the outboard motors and other gear, and to organize a producers cooperative. The ARRC provided loan funds direct to each fishermen to build his own boat and buy the gear. The ARRC also paid for technical assistance to get the project underway.

Portfolio Company E A successful commercial crab and halibut fisherman needed financial help to convert his vessel to a 'long liner' for the harvest of bottom fish. As a demonstration project, the ARRC financed the conversion costs and, through the purchase of common stock in a newly formed company, provided start-up working capital. The initial investment consisted of \$175,000 in a subordinated deferred payment loan and \$175,000 in equity.

Portfolio Company F A successful ship repair facility needed funds to expand docking and plant facilities and to purchase a major item of equipment. The owners could not finance the equity portion of expansion costs and bank lending was not suitable for the young firm in terms of interest rates or repayment schedule. The ARRC provided \$350,000 in subordinated deferred payment debt and \$150,000 in equity in exchange for 22% of outstanding common stock.

The common elements in each of these examples is the assumption of high risk by the ARRC and other investors. Conventional lending sources

were either not available or inappropriate for the situation. The equity capital requirements were well beyond the capacity of the existing owners. Frequently, the ARRC's investment structure employed a combination of loan and equity capital. Restructuring of the investment a year or two later was required in many cases.

In May 1982, in response to encouragement from the Board of Trustees and testimony from others, legislation was passed which dramatically changed the ARRC. The tripartite board was replaced by a part time board of five persons. The maximum investment per transaction was reduced to \$500,000. Manufacturing and mining were included among eligible industries.

Importantly, the newly named agency 'the Alaska Resources Corporation' (ARC), was endowed with the portfolio then in existence and about \$12 million in uncommitted investment capital it held at that point in time. This reduced the political sensitivity of the agency but did not remove it from political supervision in that the Governor retained appointive powers.

Since May 1982, the ARC has been essentially inactive as regards new investments. The present governor is reportedly drafting legislation which would terminate the agency in 1984, thus bringing to a close a noble attempt to implement creative public policy.

IV. Conclusions from the ARRC Experience

Certain conclusions can be drawn from the three year period the ARRC existed. While the Alaskan experience need not be a forecast of outcomes

from similar programs to harness venture capital to public policy, the ARRC experience does suggest that any such attempt be attentive to the following factors.

(1) Discussion of proposed legislation establishing a State financed venture capital investment organization should be open and well publicized. Many Alaskan legislators and the public in general had a very poor understanding of venture (equity) investment and little appreciation of the public policy issues raised by government ownership of private companies;

(2) Do not depart from fully tested organizational structures in use by successful businesses. Full-time boards are not an effective organization for this purpose.

(3) Establish the organization with a definitive endowment of paid in capital. Earnings should be retained by the organization.

(4) Require the organization to attain self-supporting operations within a specified period of years; provide for the organization to issue its own securities without the guarantee of the State.

(5) Establish a certain minimum experiential and professional qualification for appointments to the board of directors.

(6) Provide for separation of employees from State employment. Permit salary and compensation structures analagous to those in private industry; and,

(7) Provide clear strategic focus to the organization in the enabling legislation.

These conclusions underscore the importance of providing for the political independence of the organization except for the ultimate power of the legislature to terminate and the power of the executive to appoint. The Alaskan experience suggests that measures which fall short of providing for such independence are too prone to political abuse to become effective agents of economic change.

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

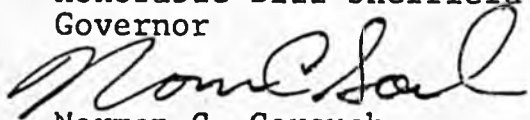
Bill Sheffield, Governor

POUCH K - STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3600

February 8, 1984

M E M O R A N D U M

TO: Honorable Bill Sheffield
Governor

FROM: 
Norman C. Gorsuch
Attorney General

RE: Attached revised bill regarding the Alaska
Resources Corporation
Our file: 377-069-84

(In - Conn. in Feb)
Ben
Hoggin
Harrison
McConnell
Walt

Attached is a bill that provides for the wind-up of operations of the Alaska Resources Corporation during the next five years and for its dissolution at the end of that period. The bill also repeals, effective immediately, the statutes creating the Alaska renewable resources development fund, and the Alaska renewable resources investment fund.

This is a revision of the bill on this subject that we delivered to your office December 9, 1983. That version would have terminated the corporation immediately. The Departments of Revenue and of Commerce and Economic Development, along with this department, agree that the five-year wind-up period is a more feasible approach.

A revised draft transmittal letter to the legislature is also attached.

NCG:MAF:mg

cc w/enc.: Honorable Richard Lyon
Commissioner
Department of Commerce &
Economic Development

Honorable Robert Heath
Commissioner
Department of Revenue

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 13, 1984

The Honorable Joe Hayes
Alaska House of Representatives
Pouch V
Juneau, AK 99811

Dear Representative Hayes:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that provides for the wind-up of operations and eventual dissolution of the Alaska Resources Corporation (ARC).

The bill retains the corporate structure of ARC for five years but amends the relevant statute to provide that the only corporate purpose is the orderly wind-up of the affairs of the corporation. This five-year period is considered necessary because ARC has substantial equity investments including capital stock investments in a number of businesses and has taken an active management role in some of the businesses. ARC also owns property as a result of foreclosure on loans against businesses in which it also has equity interests. The five-year period will give ARC sufficient time to remove itself from active management roles and then divest itself of these interests.

The corporation is transferred from the Department of Commerce and Economic Development to the Department of Revenue. The board membership is changed to provide that the commissioner of revenue and the commissioners of two other principal departments make up the board. The board is directed to contract with the Department of Revenue to manage the corporation's assets during the wind-up period. Concurrent with ARC's transfer to the Department of Revenue, all but \$500,000 of the unexpended and unobligated money in ARC's development capital fund is transferred to the general fund. The \$500,000 are to be used to cover possible costs that might arise in the course of winding up ARC's affairs.