

ALASKA LEGISLATURE COMMITTEE FILES 1983-1984 8672

2835 SRES • SB 168 - SB 181

# Alaska State Legislature

Advisory Council Members  
Senator Kerttula, Chairman  
Senator Bennett  
Senator Vic Fischer  
Senator Fahrenkamp



Pouch V  
State Capital  
Juneau, Alaska 99811  
Phone: (907) 465-3114

## SENATE ADVISORY COUNCIL

### MEMORANDUM

To: Senator Betty Fahrenkamp

From: Kurt Dzinich, Senior Advisor *KSD*  
Senate Advisory Council

Date: June 24, 1983

Subj: SB 168

Per your request, I have reviewed the amendments made to SB 168 by various committees of the House. Following comments are based on HCS CSSB 168 (Fin), dated 6/21/83:

Section 7. Similar bill was passed and vetoed by Governor Hammond last year mainly because it precluded potential cost savings to the State on large projects. Significant amount of evidence indicates that substantial potential savings are possible to the state on large projects. Passage of this section would prohibit the State from even considering the issue on all APA projects, regardless of size or potential savings. I believe that the State should retain the option of providing insurance on large projects (greater than \$50 or \$100 million) if it determines that to be in its best interest.

Section 21. This section allows the utilities which buy power from APA to charge lower rates to industrial customers as long as the resulting residential rates are lower also. It is standard practice to have industrial rates lower than residential rates. (See attached table). It should be noted that AS 44.83.398(a)(1) still requires that utilities give preference to all classes of consumers except industrial consumers.

The existing-rate constraints are not consistent with the legislated goals of the Energy Program for Alaska, i.e. to provide lowest reasonable rates and to enhance economic development - see AS 44.83.010.

As to concern expressed by some that passage of this section would result in building of projects with substantial overcapacity, it should be noted that this issue is now addressed in AS 44.83.177, 181, 183, 185, 382 and 384. These provisions all deal with various aspects of determining the best alternative, the economic feasibility, timing, financing, sizing, etc., and provide more than sufficient constraints and checks for precluding construction of oversized and uneconomical projects.

Section 25. This section clarifies that the original Terror Lake authorization also included the third generating unit. Current project involves the installation of only two units. If this section is approved, APA would still have to determine the best timing for adding the third unit based on load forecasts and develop a plan of finance. I see no problem with this section.

Section 26. This section provides legislative approval for a new project as mandated by AS 44.83.185(c). The problem is that AS 44.83.185(a) has not been complied with yet.

The reason for this section seems to be AS 44.83.185(b) which prevents APA from proceeding with the engineering and design until the legislature approves the project. The APA currently has sufficient funds to proceed with the design of the project. The project is needed and the local community (Metlakatla) has apparently secured a \$5 million REA federal loan.

Rather than approving the project prior to complying with AS 44.83.185(a), I would recommend that the legislature only approve proceeding with the design and that construction may only be initiated after AS 44.83.185(a) and (c) have been complied with.

NEW Section 44.83.092. This section clarifies the fact that APA has the authority to enter into power sales agreements which may contain take-or-pay provisions. I don't see any problem with it as long as the section is permissive rather than mandatory, i.e. may rather than will or must (see second sentence of proposed section).

Above comments are based on my belief that take-or-pay provisions are not necessary as they tend to shift most of the risk to the utilities rather than keeping them with the owner - the state in our case - where they properly belong. I would be willing to go along with take-or-pay provisions only if that is in fact the only way to secure long term revenue bond financing. To date, I remain to be convinced.

# Price

## Electricity

		Cost of Fossil Fuels Delivered to Steam-Electric Utility Plants				Average Retail Electricity Prices for Privately Owned Utilities <sup>1</sup>				
		Coal	Residual Oil <sup>2</sup>	Natural Gas <sup>3</sup>	All Fossil Fuels <sup>4</sup>	Residential	Commercial	Industrial	Other	Total <sup>5</sup>
		Cents per million Btu				Cents per kilowatt-hour				
1973	AVERAGE	40.5	78.8	33.8	47.5	2.54	2.41	1.25	2.10	1.96
1974	AVERAGE	71.0	191.0	48.1	90.9	3.10	3.04	1.69	2.75	2.49
1975	AVERAGE	81.4	201.4	75.4	103.0	3.31	3.45	2.07	3.08	2.92
1976	AVERAGE	84.8	195.9	103.4	110.4	3.73	3.69	2.21	3.27	3.09
1977	AVERAGE	94.7	220.4	130.0	127.7	4.05	4.09	2.50	3.51	3.42
1978	AVERAGE	111.6	212.3	143.8	139.3	4.31	4.36	2.79	3.62	3.69
1979	AVERAGE	122.4	299.7	175.4	162.1	4.64	4.68	3.05	3.96	3.99
1980	AVERAGE	135.1	427.9	221.4	190.4	5.36	5.48	3.69	4.76	4.73
1981	January	142.7	540.2	245.3	219.2	5.43	5.72	3.94	4.92	4.96
	February	146.3	572.9	260.5	218.2	5.52	5.83	3.95	5.01	4.99
	March	148.3	583.9	264.0	215.0	5.76	6.01	4.04	5.33	5.12
	April	146.9	568.3	273.5	241.9	5.99	6.14	4.07	5.20	5.20
	May	146.7	552.8	282.7	250.6	6.26	6.29	4.16	5.47	5.36
	June	152.7	506.1	286.3	234.6	6.49	6.48	4.36	5.37	5.59
	July	156.5	496.3	288.6	227.5	6.58	6.47	4.48	5.61	5.76
	August	157.0	494.4	291.1	220.2	6.62	6.49	4.49	5.52	5.78
	September	157.2	501.0	286.5	212.3	6.63	6.48	4.49	5.65	5.74
	October	160.2	511.9	300.7	217.7	6.57	6.52	4.40	5.31	5.64
	November	159.1	521.0	300.0	215.1	6.42	6.48	4.46	5.43	5.61
	December	156.7	505.0	291.4	215.5	6.32	6.46	4.56	4.60	5.65
		AVERAGE	153.2	529.4	282.5	222.5	6.20	6.29	4.29	5.28
1982	January	160.8	484.6	301.0	226.5	6.22	6.49	4.66	5.44	5.74
	February	164.1	487.6	310.4	222.2	6.35	6.68	4.70	R5.83	5.84
	March	165.6	470.9	315.8	219.8	6.58	6.79	4.83	6.39	5.97
	April	164.6	478.0	323.5	214.3	6.72	6.82	4.84	5.77	5.99
	May	165.0	486.0	331.6	215.7	6.94	6.86	4.95	5.91	6.09
	June	167.0	479.6	345.8	224.7	7.08	6.94	4.92	6.01	6.18
	July	164.4	468.9	356.2	237.6	7.18	6.98	5.12	6.13	6.38
	August	164.7	458.1	355.7	227.6	7.22	6.91	5.14	6.09	6.40
	September	165.9	464.4	358.5	226.9	7.18	6.97	5.25	6.07	6.41
	October	164.7	479.3	360.4	219.9	7.21	7.09	5.09	5.81	6.33
	November	165.2	489.6	351.5	217.9	6.94	7.04	4.88	5.69	6.14
	December	162.8	453.6	355.6	216.5	6.71	6.78	5.01	5.85	6.11
		AVERAGE	164.6	475.1	340.7	222.4	6.86	6.86	4.95	5.92
1983	January	166.7	444.0	346.9	214.6	6.65	6.78	5.03	5.91	6.13
	February†	NA	NA	NA	NA	6.73	6.86	4.96	5.97	6.12

Geographic coverage: Fossil Fuels—the lower 48 States and the District of Columbia. Electricity—the 50 United States and the District of Columbia.

<sup>1</sup>The 1973 through 1979 data are for Classes A and B privately owned electric utilities only. The 1980 and forward data are for selected Class A utilities whose electric operating revenues were \$100 million or more during the previous year.

<sup>2</sup>See Note B on the last two pages of this section.

<sup>3</sup>Includes small quantities of coke oven gas, refinery gas, and blast furnace gas.

<sup>4</sup>Average price for total sales to ultimate consumers.

<sup>5</sup>Includes a major adjustment by one utility.

†Preliminary data. R=Revised data. NA=Not available.

Sources: • See the last two pages of this section.



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

March 9, 1983

The Honorable Jalmar Kerttula  
President of the Senate  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the Alaska Power Authority. This bill contains several amendments to AS 44.83 which would facilitate the issuance of long term revenue bonds by the authority. It also includes several amendments intended to resolve existing ambiguities in the law. It does not alter the role of the Alaska Power Authority in state government. The effect of each section of the bill is as follows:

Section 1 -- Amends AS 44.83.040(a) to require an affirmative vote of a majority of the members present to approve board action.

Section 2 -- This section permits meetings by electronic media under carefully prescribed conditions. This permission has been given to the Alaska Industrial Development Authority and the Alaska Housing Finance Corporation and has been found to be very valuable given the distance and weather problems for meetings in Alaska. Subsection (d) requires that a director must abstain from voting and disclose the reason for abstention if a conflict of interests exists.

Section 3 -- This section makes it permissive rather than mandatory that the authority issue bonds for the energy program and provides that those bonds may be paid off from the general sources specified. Paragraph (2) already requires that the authority determine as a precondition to issuing bonds that alternative sources of money would be more expensive. Clarifying amendments are also included in this section.

Section 4 -- This amendment would ensure that the rate covenant required for bonding is not inconsistent with the rate required under the energy program for Alaska. AS 44.83.380 -- 44.83.425.

Section 5 -- This is a technical amendment to conform to Uniform Commercial Code language. (AS 45.09)

Section 6 -- This amendment ensures that a feasibility study of a proposed project will include an independent cost estimate.

Section 7 -- This amendment makes clear which sections of the statutes govern power sales agreements, and requires the power authority to enter into power sales contracts for energy transmission as well as (under existing law) production.

Sections 8 and 9 -- These amendments provide that interest received by the APA on loans for rural electrification will be deposited in the general fund. This will settle the claim in a pending lawsuit (Trustees for Alaska v. State, 3AN-82-492 CIV) that the present statute authorizing deposit of that interest in the rural electrification fund violates the constitutional prohibition of dedicated funds. Alaska Const. art. IX, sec. 7.

Sections 10 and 11 -- These sections clarify unclear or ambiguous provisions of the rural electrification revolving loan fund program.

Section 12 -- This amendment will ensure that a power project owned by the United States on which the corporation spends money need not continue to be owned by the United States in order for the expenditures to be valid.

Section 13 -- This amendment will enable the authority to ensure bondholders that money which has been appropriated to supplement bond proceeds financing a project may be segregated by the commissioner of revenue or transferred to the authority before costs are incurred. Interest earned on this money would accrue to the general fund. This provision is critical to the marketability of APA revenue bonds.

Section 14 -- This amendment deletes an ambiguous rate-of-return analysis for project feasibility, and retains "economic feasibility" as the test.

Section 15 -- This amendment makes clear that the authority, which is an entity of the state, owns projects which it acquires or constructs. This is necessary to assure the authority's ability to pledge its receipts from projects to secure bonds.

Section 16 -- This amendment gives standards for the authority's determination of whether a utility is qualified to operate a power project of the authority.

Sections 17 and 18 -- These amendments would ensure that the operation of projects and the handling of project revenues are consistent with agreements with bondholders.

Section 19 -- This amendment does not alter the wholesale power rate prescribed by law but permits the APA to make adjustments only as necessary in order to comply with bonding agreements.

Section 20 -- This is a technical clarification.

Section 21 -- This section amends the definition of "debt service" to include amounts covenanted or pledged to pay bonds. The present language, "the cash flow necessary to secure bonds," could be narrowly construed to prevent the retention of sufficient money to adequately secure bond obligations.

Section 22 -- This section repeals the following sections:

(1) AS 44.83.195(b), requiring rate reduction at the expiration of contracts, is repealed because such a reduction would conflict with the pooling-of-costs concept embodied in the energy program for Alaska.

(2) AS 44.83.382(b)(2), stating what the power development fund includes, is repealed because power sales receipts must initially go into the general fund (and only then be appropriated) unless those receipts are pledged to a particular debt service fund.

(3) AS 44.83.398(b)(2), the portion of the wholesale power rate provision which makes future rates contingent on the appropriation of \$5,000,000,000 to the power development fund before July 1, 1986, is repealed because it injects into rate making an uncertainty which impedes both the APA and local utilities in planning for the cost of power to be generated by APA projects. Repeal of this

section will moot the claim in a pending lawsuit that AS 44.83.398(b)(2) is unconstitutional. Trustees of Alaska v. State, No. 3AN-82-492 CIV.

Section 23 -- This section provides for an immediate effective date.

Sincerely,

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

Bill Sheffield  
Governor

The amendments proposed in SB 168 would change the existing law affecting the Alaska Power Authority in three areas: (1) financing (Sections 3-7 and Sections 13-23), (2) other programs (Sections 8-12), and (3) administration (Sections 1 and 2). The financing provisions are the most important of the amendments proposed.

### Financing Amendments

Some of the most critical amendments regarding financing contained in SB 168 (Sections 18, 19, 21 and 22) focus on AS 44.83.398. That provision of the Energy Program for Alaska legislation was most affected by HB 9 last year, and most specifically addresses the calculation of the wholesale power rates applicable to power sold from the Authority's projects.

Section 18 would amend subsection (c) of the statute to clarify that covenants as well as pledges can control the disposition of power sales revenues when those covenants are entered into in order to secure bonds. As a technical matter, distinctions can arise between covenants and pledges.

Section 19 redrafts existing subsection (e) of the statute in order to clarify that the wholesale power rate applied to a project's power will be sufficient to support the debt service costs (i.e., the rate covenants and other agreements) contained in trust indentures securing bonds issued to finance power

projects. Present law restricts the wholesale power rate calculation to the calculus contained in the statute and may limit the ability of the Authority to adjust rates in order to satisfy the indenture provisions. Inasmuch as the Energy Program for Alaska is not a static program and new projects may be brought in, the setting of the rate for power sales must be sufficiently flexible to cover debt service and yet sufficiently clear to insure that the intentions of the Energy Program for Alaska are met.

Section 21 redefines "debt service" in order to clarify the scope of what that term, especially as the term is used in the calculation of the wholesale power rate, includes. Advisors to the Authority have suggested that it is wise to make manifestly clear that debt service can include not only repayments of principal and interest, but also coverage requirements, fund replenishment requirements, and the like.

Section 22 repeals three sections, the most critical repealer being the deletion of the so called "blackmail" clause. As you know, the blackmail clause was enacted under different economic circumstances, and is now no longer relevant and indeed is primarily negative in its affect. The blackmail clause requires that if after July 1, 1986 \$5 billion has not been appropriated to the Power Development Fund, then the wholesale

power rate will be the greater of the wholesale power rate as normally determined or (as is more likely to be the case) 10% per annum of all the investments made in projects within the Energy Program for Alaska. This potentially high rate is troublesome to purchasers entering into power sales contracts, and is troublesome to bondholders and underwriters who might see the potential for very high rates as a threat to the ability of purchasers to even pay for the power they have purchased. Moreover, the blackmail clause has been challenged as unconstitutional in the Trustees for Alaska lawsuit, and this repeal would moot that claim.

Other financing sections, which we submit are critical, are:

(a) Section 13 amends AS 44.83.386 so that bondholders will be assured that money which has been appropriated for a project which is being partially financed by bond proceeds may be segregated by the Commissioner of Revenue or transferred to the Authority before costs (i.e., construction costs) are in fact incurred. This amendment meets the bondholders' concern that a project which is being partially debt-financed will not be left partially constructed due to withdrawal of appropriated moneys otherwise designated for

that project. The Commissioner of Revenue is, nevertheless, left with the ~~option~~ option to segregate or transfer that money.

(b) Section 15 clarifies that the Authority, which is an entity of the State, owns projects which it acquires or constructs. This is necessary in order to assure the Authority's ability to pledge identifiable assets and receipts from projects to secure bonds.

The remaining financing sections provide:

(a) Section 3 would amend the mandate in AS 44.83.105 to issue revenue bonds if appropriations are insufficient for a project to permission to issue revenue bonds. A mandate to issue bonds might be hollow if the market would not accept the issue or if the rates were so high as to make the issuance unfeasible. The amendment would also permit (but not mandate) revenue bonds to be secured by revenue from sources other than projects under the Energy Program for Alaska. The amendment does not change the prerequisite of establishing that cheaper sources of fund are unavailable prior to issuance of the revenue bonds.

(b) Existing law contains potential inconsistencies between the requirements for bond issuances generally and bonds issued under the Energy Program for Alaska. Section 4 makes the two sets of requirements more consistent by modifying AS 44.03.110(b). The modification also expands the list of types of instruments which contain covenants to secure bonds.

(c) In Section 5, the minor modification proposed is intended to clarify for bankruptcy purposes the nature of a pledge made in respect of bonds.

(d) Section 6 introduces a requirement that plans of finance include a cost estimate from an independent source.

(e) Section 7 meshes conflicting provisions (like those remedied in proposed Section 4). The change modifies an existing provision of law to recognize that contracts entered into under the Energy Program for Alaska legislation may require some different elements than those otherwise entered into.

(f) Section 14 of the bill deletes an ambiguous rate of return analysis for project feasibility (i.e., that operation of a project should be able to provide a return annually to the State of 5% of the amount the Authority has spent from the fund for that project). The bill as amended would still retain the "economic feasibility" test for projects.

(g) Sections 16 and 17 amend existing provisions relating to operation of power projects under the Energy Program for Alaska. The operator must be one complying with national standards for the industry, and must perform in a manner consistent with operating covenants in bond indentures.

(h) Section 20 is a technical amendment to existing law to recognize, pursuant to legislative intent, the difference between interties and production projects for purposes of calculating wholesale power rates.

(i) Section 22, which provides for the deletion of the blackmail clause, also provides for the deletion of two other subsections. AS 44.83.195(b), requiring rate reductions at the expiration of contracts, would be repealed

because such a reduction would conflict with the pooling-of-costs concept embodied in the Energy Program for Alaska. AS 44.83.382(b)(2), which states what the Power Development Fund includes, is repealed because the prohibition against dedicated funds already requires that power sales receipts not pledged to a particular debt service fund must go to the General Fund and be appropriated in any event.

#### Other Programs

Sections 8-11 of the bill modify existing provisions relating to the Rural Electrification Revolving Loan Fund Program. Sections 8 and 9 are offered in order to moot a claim raised in the Trustees for Alaska lawsuit -- that is, that interest earnings on appropriations must be returned to the General Fund unless the interest itself is appropriated. Sections 10 and 11 clarify, through an amendment and some definitions, provisions which, during the operation of the loan program, have been perceived as problems. Section 12 amends existing law to clarify that, as in the Bradley Lake situation, a project owned by the United States for which the Authority spends money need not continue to be owned by the United States in order for those expenditures to be valid. The amendment only clarifies what must have been the previous legislative intent.

## Administration

Section 1 would provide that action taken by a majority of the members of a quorum of the Board, whatever the size of that quorum, is valid. Presently, law requires that three Board members, even if those same three comprise the quorum, must vote in favor of an action for that action to be valid. Such a provision requires unanimity in those instances where only three Board members are present. Section 2 permits the Board of the Authority to conduct official business using electronic media such as telephones. This approach has been taken by the Alaska Housing Finance Corporation and the Alaska Industrial Development Authority. Given the distances and the conflicting demands on the time of the Board members, this proposal has merit. The proposal in Section 2 would also permit a member of the Board who has connections with a party to a lease or contract being presented to the Board to abstain from a vote. This approach is consistent with the approach pending before the Legislature in HB 20 and in other ethics provisions currently before the Legislature. The absence of this provision would, under an Attorney General's opinion rendered to the Authority, prevent an entity with a relationship to a Board member from even being considered by the Board despite the abstention by the Board member.

# Alaska State Legislature

Advisory Council Members  
Senator Kerttula, Chairman  
Senator Bennett  
Senator Vic Fischer  
Senator Fahrenkamp



Pouch V  
State Capital  
Juneau, Alaska 99811  
Phone: (907) 465-3114

## SENATE ADVISORY COUNCIL

### MEMORANDUM

TO: Senator Fahrenkamp  
Alaska State Legislature

FROM: Kurt S. Dzinich *KSD*  
Senior Advisor  
Senate Advisory Council

SUBJECT: Senate Bill 168

DATE: March 17, 1983

---

In response to your request, attached is a review of SB168. While the overall impact will be positive on the energy program for Alaska, I have taken issue with a few of the proposed sections and have noted so on the attached document.

The most significant change proposed is contained in item (3) of Section 22. This item proposes to eliminate AS 44.83.398(b)(2), known more affectionately as the Susitna blackmail clause. Most of the rest of the proposed changes would improve the energy program by allowing APA to obtain long-term bonding and by clarifying some of the existing ambiguities in the statutes. I would recommend passage except as noted.

KSD;ial  
Attachment

SENATE BILL 168

The effect of SB 168, by section, is as follows:

- Section 1. Clarifies the language of the statute by requiring that affirmative votes consist of the majority of the directors present.
- Section 2. Allows for meetings by electronic media. In the long run, this would decrease travel costs and time waste while allowing the APA Board to meet on short notice and despite climatic travel constraints. Subsection (d) is worthwhile in that it prevents directors from voting on leases or contracts if they have a conflict of interest. However, if a director receives his electricity from a CO-OP, he would probably be ruled to have a conflict of interest since all CO-OP customers are owners of the utility.
- Section 3. Essentially makes it permissive rather than mandatory for APA to issue bonds and further clarifies the language of the statute and should be approved.
- Section 4. Provides for consistency between statutes and is therefore desirable.
- Section 5. Provides for conformity with other pertinent statutes and should be approved.

- Section 6. Provides for an independent cost estimate to be submitted with the feasibility study and a plan of finance. I believe that this section is redundant in view of 44.83.186, which requires an independent cost estimate after the legislature approves a project and allows for only a 7.5% increase before the project has to be recycled by the APA and reauthorized by the legislature. As a matter of policy, the APA has been obtaining independent cost estimates since last year and has hired an in-house estimator to provide further verification of cost estimates. The proposed procedure would further increase the cost of the studies especially since this section would apply to large and small projects equally. Recommend against passage of this section.
- Section 7. Adds a requirement for sale contracts for transmission of electricity. The use of the term electrical power or energy is redundant. The section further clarifies that the contracts must be in compliance of AS 44.83.380 - 44.83.425 or AS 44.83.090.
- Sections 8&9. Insure that AS 44.83.361 does not violate the Alaska Constitution as alleged in a pending lawsuit.
- Sections 10 & 11. Clarify the provisions of existing statutes on the Rural Electrification Revolving Loan Fund program without making substantial changes to it.
- Section 12. Clarifies the existing statute on the use of the fund for federally owned projects.
- Section 13. Modifies the existing statute to allow APA to market bonds.
- Section 14. If the section is amended as proposed, the requirements for using the fund will be economic feasibility. This redundant in that 44.83.384 specifies the conditions under which the fund may be used while 44.83.398 specifies in great detail the sale of power and revenue requirements. Recommend that this section be totally deleted and 44.83.384(b) (1) changed to read is economically feasible. The reference to .394 in subsection .384(c) should also be deleted.
- Section 15. Provides for ownership of projects by the authority rather than the state and should make it easier to market bonds.
- Section 16. Provides for use of national and industrial standards in the APA's determination of whether a utility is qualified to operate a power project owned by APA.

Section 17 &  
18.

Assure that power projects are operated in a manner consistent with the bonding agreements.

Section 19.

Allows APA to adjust the wholesale power rates to meet bonding requirements while still complying with the statutes on rate setting.

Section 20.

Clarifies that interties are not covered under the energy program for Alaska in the rate setting subsection. This clarifies the intent desired by the legislature when it passed HB9 last year.

Section 21.

Clarifies the definition of debt service thereby making it easier to secure bonds.

Section 22.

(1) Repeal of AS 44.83.195(b) is necessary in order to align it with other rate making provisions of the statutes.

(2) Repeal of AS 44.83.382(b) (2) is required because any unencumbered revenues must go into the general fund.

(3) Repeal of AS 44.83.398(b) (2) is desirable for two reasons. First, in a pending lawsuit *Trustee of Alaska v. State*, the constitutionality of this section is being challenged. Second, this section could result in a substantial increase in APA wholesale rates if the legislature does not appropriate a total of \$5 billion by July 1, 1986, into the power development fund. Since it appears almost certain that this level of appropriation can not be achieved, APA is experiencing problems in negotiating power sales contracts. Since providing lowest reasonable cost energy is the mandated goal of the program, it makes sense to minimize uncertainty and maximize marketability.

Recommend repeal of all three items.

Section 23.

Provides for an immediate effective date.

SENATE BILL 168 (Resources c.s.)

The effect of SB 168, by section, is as follows:

- Section 1. Clarifies the language of the statute by requiring that affirmative votes consist of the majority of the directors present.
- Section 2. Allows for meetings by electronic media. In the long run, this would decrease travel costs and time waste while allowing the APA Board to meet on short notice and despite climatic travel constraints.  
Prevents directors from voting on leases or contracts if they have a conflict of interest, but exempts directors who are customers of electric coops, and therefore by definition part owners.
- Section 3. Essentially makes it permissive rather than mandatory for APA to issue bonds and further clarifies the language of the statute and should be approved.
- Section 4. Provides for consistency between statutes and is therefore desirable.
- Section 5. Provides for conformity with other pertinent statutes and should be approved.

Section 6.

Provides for an independent cost estimate with the feasibility study and a plan of finance. I believe that this section is redundant in view of 44.83.186, which requires an independent cost estimate after the legislature approves a project and allows for only a 7.5% increase before the project has to be recycled by the APA and reauthorized by the legislature. As a matter of policy, the APA has been obtaining independent cost estimates since last year and has hired an in-house estimator to provide further verification of cost estimates. The proposed procedure would further increase the cost of the studies especially since this section would apply to large and small projects equally. Recommend against passage of this section.

Section 7

Adds a requirement for sale contracts for transmission of electricity. The use of the term electrical power or energy is redundant. The section further clarifies that the contracts must be in compliance of AS 44.83.380 - 44.83.425 or AS 44.83.090.

Sections 8<sup>4</sup>9.

Insure that AS 44.83.361 does not violate the Alaska Constitution as alleged in a pending lawsuit.

Sections 10<sup>4</sup>

11.

Clarify the provisions of existing statutes on the Rural Electrification Revolving Loan Fund program without making substantial changes to it.

Section 12

Section 14 makes a project's expenditures dependent on a finding that the project is economically feasible. This section removes the redundancy under current statute, preserving the intent to ensure economic feasibility while eliminating the criteria in 2 places in the statutes.

Section 13

Clarifies the existing statute on the use of the fund for federally owned projects.

Section 14

Modifies the existing statute to allow APA to market bonds.

Section 15.

If the section is amended as proposed, the requirements for using the fund will be economic feasibility. This redundant in that 44.83.384 specifies the conditions under which the fund may be used while 44.83.398 specifies in great detail the sale of power and revenue requirements. Recommend that this section be totally deleted and 44.83.384(b)(1) changed to read is economically feasible. The reference to .394 in subsection .384(c) should also be deleted.

Section 16

Provides for ownership of projects by the authority rather than the state and should make it easier to market bonds.

Section 17

Provides for use of national and industrial standards in the APA's determination of whether a utility is qualified to operate a power project owned by APA.

Section 18

19

Assure that power projects are operated in a manner consistent with the bonding agreements.

Section 20

Allows APA to adjust the wholesale power rates to meet bonding requirements while still complying with the statutes on rate setting.

Section 21

Clarifies that interties are not covered under the energy program for Alaska in the rate setting subsection. This clarifies the intent desired by the legislature when it passed HB9 last year.

Section 22

Clarifies the definition of debt service thereby making it easier to secure bonds.

Section 23

(1) Repeal of AS 44.83.195(b) is necessary in order to align it with other rate making provisions of the statutes.

(2) Repeal of AS 44.83.382(b) (2) is required because any unencumbered revenues must go into the general fund.

(3) Repeal of AS 44.83.398(b) (2) is desirable for two reasons. First, in a pending lawsuit *Trustee of Alaska v. State*, the constitutionality of this section is being challenged. Second, this section could result in a substantial increase in APA wholesale rates if the legislature does not appropriate a total of \$5 billion by July 1, 1986, into the power development fund. Since it appears almost certain that this level of appropriation can not be achieved, APA is experiencing problems in negotiating power sales contracts. Since providing lowest reasonable cost energy is the mandated goal of the program, it makes sense to minimize uncertainty and maximize marketability.

Repeal of AS 44.83.186. An additional requirement of an independent cost estimate immediately following project approval would serve no useful purpose and would involve additional costs. (An independent cost estimate is already required prior to submittal to the legislature for approval.)

Section 24

Provides for an immediate effective date.



Official Business

# Alaska State Legislature

## Senate Resources Committee

all adopted  
by senate  
Resources  
Committee

Pouch V  
State Capitol  
Juneau, Alaska 99811

April 20, 1983

### AMENDMENT NO. 1

On page 2, section(d), lines 4-13, make the following changes:

"(d) A director of the authority may not vote on a resolution of the authority relating to a lease or contract to be entered into by the authority under this chapter if the director is a party to the lease or contract or has a direct ownership or equity interest in a firm, partnership, corporation, or association that is a party to the contract or lease. When abstaining from voting, the director must disclose the reason for the abstention. A director who is a member of an electric cooperative which is organized under or subject to the Electric and Telephone Cooperative Act (AS 10.25.010--10.25.650) as provided in that act may vote on a resolution regarding a contract or lease to which the cooperative is a party and shall disclose that membership at the time of voting. A resolution of the authority that is approved by a majority of the directors present who are not barred from voting under this subsection is a valid action of the authority for all purposes."

### Rationale

The intent of the amendment is to exempt directors who are customers of electric coops, and therefore by definition part owners, from the conflict of interest prohibition on voting. It is conceivable that a majority of the Board might be coop customers, such as Chugach Electric Coop in Anchorage, and make Board action on a project such as the Anchorage-Fairbanks Intertie problematic.

### AMENDMENT NO. 2

On page 4, following line 10 add the following new section 7 and renumber accordingly:

Sec. 7. AS 44.83.186 is repealed.

### Rationale

Section 6 of the bill amends 44.83.185 to require an independent cost estimate of a project prior to submittal to the legislature for approval. Section 44.83.186 was passed last year with the same intent. It requires an independent cost estimate following legislative approval and resubmittal if the estimate comes in higher than 7½% over the legislatively approved figure. Assuming that a prior independent cost estimate best serves the legislature's objective of acting on the best possible information regarding a project's "true" costs, an additional requirement of an independent estimate immediately following approval appears to serve no useful purpose and certainly would involve additional costs. Of course, neither requirement prevents possible cost-overruns several years down the road.

SB 168, APA

AMENDMENT NO. 3

On page 5, before line 28, add the following new section 12 and renumber accordingly:

Sec. 12. AS 44.83.384(b)(1) is amended to read:

(b) Money in the fund may be used under (a) of this section only for a project that

(1) meets the revenue requirements of AS 44.83.394 is economically feasible; and

On page 7, line 1, Sec. 14, Change "AS 44.83.394 is amended to read:" to "AS 44.83.394 is repealed."

On page 5, line 29, change "AS 44.83.394--" to "AS 44.83.395--" to conform.

Rationale

Sec. 14 as stated in the bill would amend AS 44.83.394 to make a project expenditures dependent on an authority's finding that the project is economically feasible. Section 44.83.384(b) addresses the same allowed uses of money in the fund and makes the sections redundant. This amendment would preserve the intent to ensure economic feasibility while eliminating the criteria in two places in the statutes.

# Alaska State Legislature

BETTYE FAHRENKAMP, Chairman  
ROBERT H. ZIEGLER, SR., Vice Chairman  
DICK ELIASON  
PAUL FISCHER  
VIC FISCHER  
BOB MULCAHY  
ARLISS STURGULEWSKI



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

## Senate

### Committee on Resources

#### MINUTES

April 22, 1983  
3:10 p.m.

Beltz Room  
Room 211, Capitol

---

#### MEMBERS PRESENT

Senator Fahrenkamp, Chair	Senator V. Fischer
Senator Ziegler, Vice Chair	Senator Mulcahy
Senator Eliason	Senator Sturgulewski
Senator P. Fischer	

---

#### CALENDAR

- HJR 38      Relating to marketing and transporting Alaska's natural gas
  
- SJR 12      Opposing the extension of the provisions of the Export Administration Act of 1979 that effectively bans the export of Alaska North Slope Oil.
  
- HB 151      An Act making a special appropriation to the Department of Natural Resources, division of parks, for acquisition and development of the House of Wickersham in Juneau; and providing for an effective date.
  
- SB 222      An Act relating to the organization of the Department of Natural Resources, substituting references in the Alaska Statutes to the department and the commissioner for references to the division of lands and the director of the division of lands.
  
- SB 181      An Act making supplemental appropriation to the Department of Natural Resources for land deficiency entitlements; and providing for an effective date.
  
- SB 233      An Act enacting the Northwest Interstate Compact on Low-level Radioactive Waste Management; and providing for an effective date.

SB 168 An Act relating to the Alaska Power Authority; and providing for an effective date.

---

HJR 38

Representative Cowdery, sponsor of the measure, felt the measure was needed to back the Reagan administration's efforts to establish a free market.

Harold Moles, Vice President for Alaskan Operations, Northwest Alaskan Pipeline Company, felt the resolution should not be passed at the risk of delaying or harming the gas pipeline project.

Jer McCutcheon supported passing the resolution, but felt it was not in Alaska's best interest.

Senator V. Fischer asked if the Administration had a position on the resolution. Senator Fahrenkamp said they had been invited to speak, but had expressed no interest.

Senator Fahrenkamp felt that the Budget & Audit Committee hearings scheduled to be held over the weekend might provide useful information for the committee, and so held the bill over.

SJR 12

Jim Palmer, Joint Oil & Gas Committee Aide, explained that the resolution calls for our Congressional delegation to do everything possible to remove the ban on export of Alaskan oil when the Export Administration Act is considered later this year.

Senator Sturgulewski moved to report out SJR 12 with individual recommendations. Motion passed without objection.

CSHB 151

Representative Mike Miller of Juneau, co-sponsor of the legislation, explained the necessity to acquire the Wickersham collection before it is dispersed. There was discussion of exactly how the appropriation could be used.

Senator V. Fischer moved to adopt the committee substitute, including the letter of intent, and to report the bill out with individual recommendations. Motion passed without objection.

SB 222

Sharon Barton, special assistant to the Commissioner of the Department of Natural Resources, explained that the bill is a "housekeeping" measure and endorsed its passage.

Senator Sturgulewski moved that the bill be brought before the committee, and moved Barton's first recommended amendment. Motion passed without objection.

Barton continued to offer suggested amendments. Senator Fahrenkamp asked that the amendments be prepared in writing for the committee's consideration, and held the bill over until those could be received and until the statute revisor's opinion could be asked.

#### SB 181

Rav Mann, Property Management Officer for the Municipality of Anchorage, gave a history of the Municipality's efforts to obtain its land entitlement.

There was discussion of whether the Municipality would take a \$5 million settlement as provided in statutes, or if it would continue to approach the legislature for additional funds or land.

Jane Anvik, Municipality of Anchorage Assembly Member, felt it was not in Anchorage's best interest to accept a full cash settlement at this time if that would preclude any efforts to seek amendments to the entitlement provisions.

Bill was held over.

#### SB 233

Stan Hungerford, Air & Solid Waste Management Section, Department of Environmental Conservation, and T.R. Strong, Head of the Radiation Control Section for the State of Washington, spoke in support of SB 233 and explained how it would be beneficial to Alaska to become a member of the Northwest Interstate Compact.

Senator Mulcahy moved to report out the bill with individual recommendations. The motion passed without objection.

#### SB 168

Sterling Gallagher, Vice President of John Naveen & Co., supported SB 168, and the first three proposed amendments.

Commissioner Dick Lvon, Department of Commerce & Economic Development, supported the bill and the amendments and urged early passage of the measure.

There was discussion of the fourth amendment offered by Senator V. Fischer, who said he preferred not to move his amendment.

Dave Hutchens, Alaska Rural Electrical Cooperative Association, supported the bill and the three amendments.

Senator Mulcahy moved the amendment . Senator V. Fischer asked that the question be divided. On the question, each amendment passed without objection.

Senator Mulcahy moved that the Resources committee substitute for SB 168, including the three amendments, be reported out with individual recommendations. The motion passed without objection.

The meeting was adjourned at 4:45 p.m.

## HOUSE LETTER OF INTENT

House CS for CS for Senate Bill No: 168 (Resources)

The Legislature, in enacting the Energy Program for Alaska, expressed its desire to provide the lowest reasonable power costs to consumers. To further achieve that end, it is the intent of the Legislature to take appropriate action to enhance the Alaska Power Authority's ability to obtain long-term bond financing at the lowest possible cost. It is for this purpose that we have amended the "Susitna equity clause."

Substantial equity has been invested in the Energy Program by the State of Alaska and declining state revenues will have an impact on the development of energy projects for other regions of the state. It is the intent of the Legislature that the balance of the financing needed for those projects under construction in the Program be raised by debt financing - thus reserving future revenues for future energy projects throughout the rest of the state. We support the intent of the Alaska Power Authority to go to the bond market in early 1984 for the necessary funds. However, in order to further facilitate the bonding capability of the Power Authority, it is imperative that utilities who will receive wholesale power from Solomon Gulch, Terror Lake, Tyee Lake and Swan Lake sign power sales contracts as soon as possible and no later than January 1, 1984. By taking this action, the utilities served will ensure long-term benefits to their consumers through stable power rates.

The Governor is requested to prepare a plan for providing the necessary equity for future projects in the Energy Program for Alaska. This plan must be constitutionally sound and provide for the proper administrative and Legislative approval for the various projects. This plan shall be submitted to the Legislature no later than January 15, 1984.

A M E N D M E N T

Offered in the HOUSE

BY:

To: HCS CSSB 168 (Res)

Page 9, line 22: following the word "with",

insert the

Page 9, line 25: delete all material, and insert

finance power projects in the Energy Program for Alaska.

S

B

169

SENATE RESOURCES COMMITTEE  
LEGISLATION CHECKLIST

IDENTIFICATION:

BILL NUMBER: SB 169

BILL NAME: Establishing Alaska grain reserve program  
& the Alaska grain reserve revolving loan fund

SPONSOR(S): MOSS

RELATED BILLS PENDING: SB 170

DATE INTRODUCED: 3-10-83

REFERRALS: Resources  
Finance

INITIAL RESEARCH:

BILL SUMMARY COMPLETED:

SUMMARY BY LEGAL DIVISION:

SPONSOR CONTACTED FOR  
BACKUP MATERIALS:

DEPT. OF LAW SUMMARY:

FISCAL NOTE:

AGENCY RESPONSE:

OTHER INTERESTED SENATORS OR  
REPS. NOTIFIED:

BACKGROUND RESEARCH:

SIMILAR BILLS INTRODUCED IN PREVIOUS LEGISLATURES:

RESPONSES FROM INTERESTED PERSONS/GROUPS:

OTHER STATE OR FEDERAL PRECEDENTS, REGULATIONS, LAWS:

HEARING PREPARATION:

CHAIRMAN BRIEFED:

DATE AND PLACE SET:

STAFF MEMO TO COMMITTEE:

TELECONFERENCE:

BACKGROUND MATERIAL DISTRIBUTED:

PSA/PRESS RELEASE:

LIST OF WITNESSES:

SUGGESTED AMENDMENTS/COMMITTEE  
SUBSTITUTES DRAFTED:

✓ Sen. Moss  
✓ ONR - Sharon Barton

# Alaska State Legislature

BETTYE FAHRENKAMP, Chairman  
ROBERT H. ZIEGLER, SR., Vice Chairman  
DICK ELIASON  
PAUL FISCHER  
VIC FISCHER  
BOB MULCAHY  
ARLISS STURGULEWSKI



POUCH V  
STATE CAPITAL  
JUNEAU, ALASKA 99811  
(907) 465-3834  
(907) 465-3635

## Senate

### Committee on Resources

TO: Senate Resources Committee Members

FROM: Senate Resources Committee Staff

RE: April 8th Hearing

DATE: April 7, 1983

---

The following bills will be heard by the Senate Resources Committee Friday, April 8 at 3:00 p.m. in the Beltz Room.

SSSB 120 AN ACT RELATING TO SOIL AND WATER CONSERVATION.

SSSB 120 increases the membership of the Board from 3 to 5, allowing for appointment of 1 member from each of 5 geographic areas of the state, and authorizes the Commissioner of DNR to appoint an executive director and clerical staff to assist the Board. The Board provides services to the whole state, and demand on their services has increased to the point that this proposed restructuring is necessary.

The Department of Natural Resources does not have funding available for this proposal this year, but the sponsor has requested that the restructured board be put in place. The Department plans to offer an amendment on Page 3, Lines 2-6, which would allow the Board to provide input to the Commissioner on sales and leases of state agricultural land, but would not allow the Board to review appeals of the Commissioner's decisions.

SB 169 AN ACT ESTABLISHING THE ALASKA GRAIN RESERVE PROGRAM AND THE ALASKA GRAIN RESERVE REVOLVING LOAN FUND.

SB 169 establishes a grain reserve program and a grain reserve revolving loan fund in the Department of Natural Resources to assist state grain producers by making loans secured by grain reserves. Alaska grain producers have no production history so are not eligible for Federal programs that aid grain producers in the Lower 48. SB 169 would give the Alaskan producer an incentive to produce grain

April 7, 1983

by guaranteeing compensation. If the grain is not sold, a loan could be made to the producer against the value of the grain in storage. This would help establish a production record which would make the Alaskan producer eligible for the federal programs.

The following conditions are placed on loans under this program:

- grain used as collateral must be Grade 3 or better
- formula for loan amount is based on the target price per ton of the grain
- interest rate is the same as the Agriculture Revolving Loan Fund rate (minimum 8%)
- the grain storage facility must be approved by the division
- maximum term of loan is 3 years

The program and fund proposed in SB 169 would sunset 1/1/87.

SB 170 AN ACT MAKING A SPECIAL APPROPRIATION TO THE ALASKA GRAIN RESERVE REVOLVING LOAN FUND.

SB 170 appropriates \$4 million from the general fund to the Alaska grain reserve revolving loan fund.

SB 195 AN ACT SUPPLEMENTING THE FY 82 APPROPRIATION TO THE AGRICULTURAL ACTION COUNCIL FOR LIVESTOCK FACILITY LOANS.

SB 195 appropriates an additional \$350,000 to the Ag. Action Council for livestock facility loans (an increase from \$2,650,000 to \$3,000,000 from the general fund). This appropriation is based on action taken by the AAAC on March 9, 1983. The Council voted to request additional funds to allow for development of two red meat processing facilities, one in Southcentral and one in Interior Alaska.

# Establish AK Grain Marketing ~~Program~~ Pool.

An Act Creating an Emergency Buffer Stock of Feed Grain and to Establish a Revolving Grain Marketing Fund, and providing for an effective date.

Legislative Finding and Policy. The legislature finds, determines and declares that:

- 1) It is the policy of the legislature to promote a diversified and stable renewable resource economy through the investment of non-renewable resource revenues;
- 2) A sound and sustained agricultural production, processing and marketing industry is necessary to the healthy economic life and future well-being of Alaska;
- 3) A feed grain buffer stock program is necessary to provide reasonable assurance of a continuous and adequate supply of feed grain for Alaskan livestock producers.

Creation of an Emergency Buffer Stock of Feed Grain. There is hereby established a feed grain buffer stock program including a revolving grain marketing fund.

Emergency Buffer Stock of Feed Grain. The Department of Commerce and Economic Development shall <sup>annually</sup> purchase and store within Alaska ~~at least one year's~~ a supply of cereal grain in an amount equal to at least one year's demand for such grain within the State, but not to exceed 20,000 tons. The price paid to the grain producer shall be the Pacific Northwest price FOB Seattle on the date of purchase according to type and U.S.D.A. grade of the grain. The grain must be delivered by producers to and held in a storage facility approved by the Department of Commerce and Economic Development.

<sup>All in</sup> The buifer stock may be sold within the state or through export markets in a manner that will ensure an adequate supply of grain for in-state (provided that stocks must equal one-year demand or 20,000 during some part use) Sale of the grain will be at the Pacific Northwest price FOB the <sup>of</sup> approved storage facility on the date of the sale according to the type and

U.S.D.A. grade of grain.

Revolving Grain Marketing Fund. The amount of \$2,<sup>4</sup>000,000 is appropriated to the Department of Commerce and Economic Development to establish an emergency revolving grain marketing fund to carry out the emergency buffer stock program for feed grain in Alaska.

(Language relating to how funds are used and paid back to same fund?)

→ 5-year termination Jan 1 '89

STATE OF ALASKA  
THE LEGISLATURE

POUCHY - STATE CAPITOL  
JUNEAU, ALASKA 99811  
907-465-3800


LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

March 29, 1983

SUBJECT: Alaska grain reserve program  
(SB 169)

TO: Senator Pappy Moss

FROM:  Linn H. Asper  
Legislative Counsel

You have asked for a sectional analysis of SB 169.

\* Section 1 establishes the Alaska Grain Reserve Program and states terms and conditions for that program.

Sec. 03.12.010 establishes the grain reserve program in the division of agriculture, Department of Natural Resources.

Sec. 03.12.030 states conditions on loans made under the grain reserve program, including provisions for collateral, amount of loans, interest rate, storage of collateral, sale of collateral, and term of loans.

Sec. 03.12.040 establishes the grain reserve revolving loan fund to finance the operations of the grain reserve program.

Sec. 03.12.050 provides for the adoption of regulations by the division of agriculture to implement the grain reserve program.

Sec. 03.12.060 makes the Administrative Procedure Act (AS 44.62) applicable to the administration of the grain reserve program.

Sec. 03.12.200 provides definitions for the new chapter.

\* Section 2 adds the Department of Natural Resources grain reserve program functions to the Administrative Procedure Act (AS 44.62).

\* Section 3 provides for the termination of the grain reserve program on January 1, 1987, and provides technical details for the termination of the program.

\* Section 4 repeals the grain reserve program chapter, as of January 1, 1987, under the provisions of \* Sec. 5.

\* Section 5 makes \* Sec. 4 effective January 1, 1987.

\* Section 6 makes the rest of the Act effective immediately.

LHA:ljb  
12/023

# Alaska State Legislature

SENATOR  
H. PAPPY MOSS  
P.O. BOX 182  
DELTA JUNCTION, ALASKA 99737  
(907) 895-4384



WHILE IN JUNEAU  
POUCH V  
JUNEAU, ALASKA  
99811  
(907) 465-4921

## State Senate

### MEMORANDUM

April 6, 1983

SUBJECT: SB 169 & SB 170

TO: The Honorable Bettye Fahrenkamp  
Chairman, Senate Resources Committee

FROM: Senator H. Pappy Moss  
Chairman, Senate Special Agriculture Committee

The state of agricultural development in Alaska is one of confusion and disarray. The State of Alaska from 1978 to the end of 1982 readily projected an image of aggressive support for the development of agriculture within the state. There was a promise that the state would pursue the establishment of an economic base for the future of the state. This foundation was to be the long-sought-after stabilization factor in our economy. Instead of millions of dollars per year leaving the state for foodstuffs that can be produced here in Alaska, those same millions were to remain in our economy, circulate many times and produce the capital needed to generate hundreds and even thousands of jobs for Alaskans. But now, despite promises to the contrary, the future for Alaskan agriculture appears gloomy on the horizon.

To the farmer who has invested the time of his family, and the entirety of their savings in the promise of a future, the recent actions of the present administration seem aimed at destroying the future he planned for when first making that investment.

The administration has admitted to working with a lack of expertise in the industry. They have made decisions which affect the future of the industry despite the objections from persons in the state who have long established backgrounds in agricultural economics and policy.

Because of this "message" sent out by the Administration, there is very little belief by the producers that there will be continued industry. I quite frankly can't blame them.

The development of a new industry is always risky, especially so when there are no track records to establish the credibility of the endeavor. Because of this, there is, even before any reason for doubt, a hesitation on the part of investors and producers alike. For Alaskan agriculture this hesitation has been magnified by the actions taken by the Governor's

office. The grain producers of the Delta projects have serious doubts as to the validity of the Governor's commitment to agriculture.

While the Governor has stated repeatedly that he supports the agricultural producers, they are no longer in a position to gamble their investments. They need a commitment. That commitment is the grain reserve program.

The grain reserve program is not a give-away, nor is it a program that is designed to subsidize the industry. The state will always have a collateral position in the event that the producer lets the state have the grain. That collateral will always be worth more than the State will invest in a loan to the producer on the grain. There is no reason, with support from the Administration, that this program will not work. All of the arguments heard against this program to date have come from individuals in the administration who have no background in the industry. Their arguments are quite evidently made from positions of opposition to the development of agriculture. This statement can be substantiated in the fact that all of the fiscal notes relating to ag bills have come back with "worst case" scenarios. An example of this approach is the fiscal note for HB 156. The note took the position that 100% of all grain loaned on would be forfeited to the state, thus putting the state in the position of buying the grain. This approach by the Commissioner of Commerce and Economic Development leads me to believe that first, he is against the development of agriculture and second, that he does not have the slightest idea of the basic fundamental principles of agricultural development.

The reason the bill is necessary is quite simple: No grain will be grown in an atmosphere of instability both in world grain prices, and in the agricultural development policy of the current administration. The grain producers in the lower 48 states are aided by the Federal agricultural programs. Alaskan producers, because of the fact that there is no production history, are not eligible for these same Federal programs. The reserve program proposed in SB 169 would give to the Alaskan producer the same incentive that the lower 48 producers have, and at the same time help establish a production record which will make the Alaskan producer eligible for the Federal programs.

Madam chairman, I respectfully request your support for SB 169. The future of Alaskan agriculture, and thus the future of the long-needed economic foundation for the interior and state as a whole, is in serious jeopardy. The economic stability of our children's future is at stake. The time has come for the legislature to take a position against the Governor's strong-arm tactics against mandates of previous legislatures and his complete disregard of the will of its members. This can no longer be tolerated. We must pass this legislation and place it on the Governor's desk and challenge him to veto it. We will take this challenge as it comes.

Thank you for your cooperation.



# FARM PROGRAM FACT SHEET

## 1983 Feed Grain Program

United States Department of Agriculture • Agricultural Stabilization and Conservation Service  
October 1982

- SIGNUP PERIOD                      Signup for all feed grain producers is from October 1 through March 31.
- TARGET PRICES                      Target prices per bushel are: corn, \$2.86; sorghum, \$2.72; barley, \$2.60 and oats, \$1.60.
- LOAN RATES                          The national average loan rates per bushel are: corn, \$2.65; sorghum, \$2.52; barley, \$2.16, oats, \$1.36 and rye, \$2.25.
- ADVANCE PAYMENTS                  Producers may request an advance of 50 percent of the diversion payment and 50 percent of the projected deficiency payment. The advance diversion payment rates per bushel are: corn and sorghum, 75 cents; barley, 50 cents; and oats, 37.5 cents. The total advanced payment equals the above payment rate times the farm program yield times ten percent of the base. The advance deficiency payment rates per bushel are: corn, 10.5 cents; sorghum, 10 cents; and barley, 7.5 cents. The advanced deficiency payment equals the above payment rate times the farm program yield times the acres intended to be planted for harvest. No deficiency payment is projected for oats. Payments will be made at sign up time.
- PAYMENT LIMITATION                  The total of deficiency and diversion payments is limited to \$50,000 per person under the combined feed grain, wheat, upland cotton, and rice programs. If the total advance payments are \$50,000 or more, the producer may receive the full \$50,000 in advance.
- REFUND OF ADVANCE PAYMENT              A producer accepting an advance payment, but who later does not comply with program provisions, must refund the advance payment with interest at the rate in effect for loans at the time of the payment, plus an additional 5 percent interest.

-over-

ACREAGE  
REDUCTION/  
LAND  
DIVERSION

To be eligible for benefits on corn and sorghum, a producer must limit the acreage planted to corn and or sorghum to not more than 80 percent of the farm's corn-sorghum base. Similarly, to be eligible for benefits on oats and barley, a producer must limit the acreage planted to oats and/or barley to no more than 80 percent of the farm's barley-oats base. The bases will remain the same as established for 1982. Adjustments to the base, however, will be made for farms to reflect established crop rotation practices. Producers also must devote to conservation uses an acreage equal to both the acreage reduction and land diversion requirements.

ACREAGE  
DEVOTED TO  
CONSERVATION  
USE

The reduced acreage and diverted acreage must be devoted to conservation uses. Farmers who plant less than their permitted acres (80 percent of their base) will be allowed to devote fewer acres to conservation; thus, if only 50 acres of a 100-acre base are planted, only 16.25 acres (12.5 percent times the planted acreage for the 10 percent acreage reduction plus 10 percent times the base for the diversion program) will have to be devoted to conservation uses.

CONSERVATION  
USE ACREAGE

Land designated for conservation use must be cropland that was devoted to row crops or small grains in 2 of the last 3 years, except that land in a summer fallow rotation must have been cropped in 1 of the last 2 years.

Acreage devoted to a hay crop in 2 of the last 3 years may be eligible if an equal acreage of eligible cropland is seeded to a hay crop in the current year or the fall of the preceding year.

Also considered eligible is cropland on which a permanent vegetative conservation practice was established in the preceding year or will be established in the current year.

Acreages meeting the 1983 eligibility requirements on which a permanent vegetative practice was established in 1982 or will be established in 1983 will be eligible to be designated through the 1985-crop year if the practice is maintained. This permanent conservation practice will be eligible for cost-share payments through the Agricultural Conservation Program.

LIMITED  
GRAZING  
PERMITTED

Grazing of the conservation use acreage will not be permitted during the 6 principal growing months. Producers are not permitted to mechanically harvest any crops on the conservation use acreage.

NO CROSS/  
OFFSETTING  
COMPLIANCE

Neither cross compliance nor offsetting compliance is required.

# Alaska State Legislature

SENATOR  
H. PAPPY MOSS  
P.O. BOX 182  
DELTA JUNCTION, ALASKA 99737  
(907) 895-4384



WHILE IN JUNEAU  
POUCH V  
JUNEAU, ALASKA  
99811  
(907) 465-4921

## State Senate

### MEMORANDUM

March 12, 1983

SUBJECT: Senate Bills 169 and 170

TO: Senator Bettye Fahrenkamp  
Chairman, Senate Resource Committee

FROM: Senator H. Pappy Moss   
Chairman, Senate Special Committee for Agriculture

Please schedule SB 169, the small grain reserve act, and SB 170, its appropriation bill. These two bills are of most importance to the Alaskan grain farmers. With the implementation of the reserve program, we can be assured that there will be adequate incentive to the grain producer to plant large quantities of grain this year.

Thank you for your consideration.

SB 169

ESTABLISHING THE ALASKA GRAIN RESERVE PROGRAM AND THE ALASKA GRAIN  
RESERVE REVOLVING LOAN FUND.

SPONSOR: MOSS

---

Establishes a grain reserve program in the Dept. of Natural Resources to assist state grain producers to develop markets for their products by making loans secured by grain reserves.

Allows the Division of Agriculture (DNR) to make loans to grain producers, inspect stored grain held as loan co-lateral, and administer a grain reserve revolving loan fund (see SB 170).

Conditions on loans:

- grain used as collateral must be Grade 3 or better.
- formula for loan amount is based on the target price per ton of the grain.
- interest rate same as Agriculture Revolving Loan Fund rate (current 8%)
- grain storage facility must be approved by the division
- maximum term of loan is 3 years

Establishes a grain reserve revolving loan fund in the ag. division (DNR). Repayments of principal and interest return to the fund.

Defines grain as barley, wheat, oats.

The grain reserve program and revolving loan fund terminate 1/1/87, all money and other assets to be transferred to the general fund.

Immediate effective date.

SB 170

MAKING A SPECIAL APPROPRIATION TO THE ALASKA GRAIN RESERVE REVOLVING  
LOAN FUND.

SPONSOR: MOSS

---

Appropriates \$4,000,000 from the general fund to the Alaska grain  
reserve revolving loan fund.

Is for capitalization of a loan fund and does not lapse.

Effective date is effective date of SB 169.

# Alaska State Legislature

BETTYE FAHRENKAMP, Chairman  
HOBERT H. ZIEGLER, SR., Vice Chairman  
DICK ELIASON  
PAUL FISCHER  
VIC FISCHER  
BOB MULCAHY  
ARLISS STURGULEWSKI



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

## Senate

### Committee on Resources

#### RESOURCES COMMITTEE MINUTES

Bettye Fahrenkamp  
Chairman

April 8, 1983  
3:10 p.m.

Beltz Room  
Room 211, Capitol

---

#### MEMBERS PRESENT

Senator Fahrenkamp, Chair  
Senator Mulcahy  
Senator Vic Fischer

Senator Paul Fischer  
Senator Eliason

---

#### CALENDAR

- SB 120 Relating to soil and water conservation.
- SB 169 Establishing the Alaska grain reserve program and the Alaska grain reserve revolving loan fund.
- SB 170 Making a special appropriation to the Alaska grain reserve revolving loan fund.
- SB 195 Supplementing the FY82 appropriation to the Agricultural Action Council for live-stock facility loans.

---

Commissioner Wunnicke, Department of Natural Resources, briefed the committee on the Supreme Court decision in Gilman vs. Martin, regarding land disposal residency discount regulations and the need for change in state regulations. New policy by DNR on land disposal ends residency discounts as of April 1, 1983, on over the counter sales and on land disposal lottery No. 3. The court decision was based on prior decisions which abrogated classification of Alaskans by length of residency. Also discussed long standing state regulations now in litigation (i.e. Potlatch Ponds).

Senator Fahrenkamp asked how this would affect Homestead program.

Sharon Barton, Special Assistant, Department of Natural Resources, said that the Homestead program involved "free" land making the discount moot.

Commissioner Wunnicke said that homestead qualification requirements are not in question, only credits for length of residency. Any other opinion was deferred to the Attorney General.

SB 169, SB 170

Commissioner Wunnicke read a telegram from Governor Sheffield, dated April 8, 1983, to Agricultural Task Force in support of their efforts. DNR endorsed the bills and recommended modifications in SB 169; 1) limit the term to the 1983 crop year; 2) provide loan funds for grades of grain; 3) provide for the state to pay for storage, and; 4) reallocate the appropriation for grain elevator at Delta II West as source of funding. Due to the need for only one year's funding, also recommended that the amount be reduced from \$4 million to \$1.6 million in SB 170. [Amendments will be presented in writing later.]

In answer to a question regarding suspension of loan payments, the Commissioner said with current loan programs there is an option that allows renegotiation, suspension or extension of loan payments and the agencies are responsive to individual hardship cases.

Senator Moss stated that one year is insufficient and suggests that it be extended as a two year program to be more effective.

Sig Restad, of Palmer, recommended that the deadline be extended through October, 1984, instead of July, 1984 to give farmers time to prepare for the next crop year.

Senator Fahrenkamp stated that the bills would be held until Monday, April 11, 1983.

SB 120

Senator Fahrenkamp requested a motion for adoption of CSSSSB 120 and Senator Mulcahy so moved. The motion was opened for testimony and discussion.

Richard Ramsey presented a statement from Senator Kerttula in support of the Soil and Water Conservation Commission's work.

Sig Restad of Palmer, testified that the new bill adds water to Soil Conservation Commission's authority to fit with federal regulations and controls in performing technical services. Reviewed history of conservation efforts and stated that it benefited all water users. Also, it upgrades subdistricts to full district status, creates a fifth district in Alaska and provides for a coordinator for a unified conservation program.

Commissioner Esther Wunnicke of DNR, asked for the committee's support and thanked the volunteers on the Board for their efforts. The bill will answer some of the coordination problems between Fish and Game Department and Natural Resources.

Senator Fahrenkamp made note of the fiscal note change. Senator Mulcahy moved adoption of the committee substitute for sponsor substitute for Senate Bill 120 and there was no objection to move the bill out of committee.

SB 195

Rick Johnson, aide to Senator Moss testified in support of SB 195 and asked for support of the committee.

Commissioner Wunnicke, of DNR, spoke in support of the bill.

Bill Zybeck, aide to Fairbanks North Star Borough Mayor B.B. Allen, testified in support of SB 195. The Borough supports the development of the livestock facility and its benefits to the local economy. The Borough planners have made preparations for the facility and are ready to implement those plans.

There being no further testimony or discussion, Senator Mulcahy moved that SB 195 be reported out of committee with individual recommendations. There being no objection, it was so moved.

The meeting adjourned at 4:10 p.m.

# Alaska State Legislature

BETTYE FAHRENKAMP, Chairman  
ROBERT H. ZIEGLER, SR., Vice Chairman  
DICK ELIASON  
PAUL FISCHER  
VIC FISCHER  
BOB MULCAHY  
ARLISS STURGULEWSKI



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

## Senate

### Committee on Resources

#### RESOURCES COMMITTEE MINUTES

April 11, 1983  
3:05 p.m.

Beltz Room  
Room 211, Capitol

---

#### MEMBERS PRESENT

Senator Fahrenkamp, Chair	Senator Mulcahy
Senator Ziegler, Vice Chair	Senator Sturgulewski
Senator Vic Fischer	

---

#### CALENDAR

- |        |   |
|--------|---|
| SB 169 | Establishing the Alaska grain reserve program and the Alaska grain reserve revolving loan fund. |
| SB 170 | Making a special appropriation to the Alaska grain reserve revolving loan fund.                 |

---

#### SB 169, SB 170

Pat Pourchot, Resources Committee aide, reviewed the proposed committee substitute for SB 169. In brief: (1) administer the grain reserve loan fund in conjunction with the existing agriculture revolving loan fund; (2) provide for the state to pay for storage, and; (3) the program would run for two years only.

The appropriation in SB 170 would be reduced from \$4-million to \$1.6-million. This appropriation would be a reallocation of funds from the Delta II West project.

Senator Mulcahy moved for adoption of the committee substitute for SB 169. He then moved CSSB 169 (Res) from committee with individual recommendations. There were no objections.

Senator Mulcahy moved the committee substitute for SB 170. He then moved the bill from committee with individual recommendations. There were no objections.

The meeting adjourned at 3:15 p.m.

ALASKA AGRICULTURAL ACTION COUNCIL  
CAPITAL APPROPRIATIONS

SB 169

For  
Richard  
Ramsey  
4/12/87  
FROM  
VOR.

Appropriation/ Allocation	Project	Original Authorization	Balance 3/31/83
SLA79 CH80 Road Construction	Delta I	\$7,070.8	\$89.0
SLA80 CH90 Survey Cost Land Clearing Administration	PT MacKenzie	5,025.0	39.9 3,279.2 95.4
SLA80 CH120	Delta I	2,000.0	6.6
SLA81 CH82 Survey Disposal Clearing Loans Roads Clearing Equipment <del>Manana Totchaket</del>	Delta II	9,001.9	354.0 1,866.0 880.9 30.0 <del>238.0</del>
SLA81 CH82 PT MacKenzie	GRAIN STORAGE FACILITY	238.0	238.0
SLA81 CH82	Delta I	949.0	465.8
SLA81 CH82	Livestock Facility Loan	2,650.0	2,650.0
SLA82 CH25 Delta I Loans Delta I Road Linkage Delta II Expansion PT MacKenzie Facility <i>In Process</i>	Ag Action Council	4,907.0	402.2 630.0 3,800.0 <del>275.0</del>
SLA82 CH101	Small Grain Market	8,200.0	3,620.8
SLA82 CH101	Ten Year Plan	150.0	88.1

Handwritten notes and arrows:

- Arrow from ~~Manana Totchaket~~ to *GRAIN STORAGE FACILITY*
- Arrow from *GRAIN STORAGE FACILITY* to *GRAIN TERM.*
- Handwritten: *1,622.8*
- Handwritten: *1,650,000*
- Handwritten: *- 350,000*
- Handwritten: *2,000*
- Handwritten: *1,000*
- Handwritten: *-0-*

# Alaska State Legislature

BETTYE FAHRENKAMP, Chairman  
ROBERT H. ZIEGLER, SR., Vice Chairman  
DICK ELIASON  
PAUL FISCHER  
VIC FISCHER  
BOB MULCAHY  
ARLISS STURGULEWSKI



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

## Senate

### Committee on Resources

April 8, 1983

#### Memo

To: Bettye

From: Pat

Subject: Hearing today, SB 169 and 170, Grain Reserve Fund  
SB 120, Reorganization of Soil Conservation Boards  
SB 195, Livestock facility loan appropriation

As you know the Administration is now supporting, in concept, the Grain Reserve program. However, they have several amendments which may or may not be ready in time for hearing---we should be prepared to hold over until Monday to adopt CS. We have nothing else scheduled for Monday.

We also need to clarify where the monies for the Grain Reserve Program are coming from--some confusion exists.

The same clarification needs to be made on the livestock facility loan appropriation. You might want to question on why the particular facility (new) was selected in the Mat-Su Valley area.

#### RELATED QUESTIONS

You had asked if there was a possibility of amending the Ag Loan Fund to provide for a one-year forgiveness of interest on ag loans. This type action was called for in Moss' original version of SB 124 which upped the short-term loan limits from \$200,000 to \$300,000. At that time the Administration testified that they already had the authority to suspend loan payments and interest. SB 124 is now in Finance Committee awaiting backup info from Moss' office before scheduling for a hearing. If need be we could amend that bill in Finance to provide for suspension. But you might want to ask the Department:

---When we considered SB 124, you testified that the Administration had the authority to suspend loan payments and interest under certain circumstances. Would you consider taking such administration actions during this next year in light of the grave and uncertain conditions facing Alaskan farmers?

#### RESIDENCY DISCOUNT PROGRAM ON LAND DISPOSALS

The DNR has suspended residency discount programs for all land disposals. You might want to have Esther comment on this and suggest to the Committee what it might do to change existing law in light of the recent court decision.

For and Act entitled: "An Act making a special appropriation to the Agriculture Revolving Loan Fund for the Alaska grain reserve loan program; and providing for an effective date."

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

\* Section 1. Ch. 82, SLA 1981, page 157, line 7 is repealed.

\* Section 2. The sum of \$1,550,000 is appropriated from the general fund to the <sup>Alaska Grain Reserve Loan Fund of the DNR</sup> ~~Agricultural Revolving Loan Fund~~ for the operation and capitalization of the Alaska grain reserve loan program.

\* Section 3. This Act takes effect on the effective date of an Act establishing the Alaska grain reserve program.

# Alaska State Legislature

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



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

## Senate

### Committee on Resources

April 11, 1983

#### Memo

To: Senate Resources Committee Members  
From: Senate Resources Committee Staff  
Subject: Committee Substitute for SB 169 and SB 170

At the hearing on the above bills the DNR testified in general support but had several amendments which had not yet been finalized. The following amendments have now been incorporated into a proposed committee substitute and have been agreed to by the Department, the bill's sponsor, and committee staff:

- 1) All references to Division of Agriculture has been changed to Department of Natural Resources. This reflects a newer legislative drafting style to permit possible reorganizations in the future.
- 2) Loans could be made using grain graded number 4, rather than 3, or better. This change more accurately reflects the range of grains grown in Alaska.
- 3) A technical change was made to tie the loan amount to 90% of the target price for a ton on grain rather than having 90% of the tonnage eligible for a loan.
- 4) The state would pay for storage of the grain to ensure quality of storage facilities and to ensure that storage fees do not become a disincentive for program operation.
- 5) Clarification that the grain if sold would be applied against both principal and interest.
- 6) The "revolving" loan fund was changed to simply "Alaska Grain Reserve Loan Fund" to reflect the intent to authorize the program for only a finite period of time (see below).
- 7) The grain reserve fund program would be administered in conjunction with the Agricultural Loan Fund Board to ensure more efficient administration.

- 8) The appropriation bill, SB 170, has been changed to appropriate \$1.65 million, rather than \$4 million. An appropriation for a grain storage facility as part of the 1982 Delta II West appropriation which has not been used is deleted to provide the funds for this program. It is estimated that this would provide funding for one year's operation of the program and could accommodate production of about 15,000 acres of grain (without the program it has been estimated that 8,000-10,000 acres of grain will be planted this year).

In addition, the DNR has recommended that this program only apply to the upcoming 1983 crop year. However, it is the recommendation of the bill's sponsor and of the Committee staff that the program be authorized through the 1984 crop season because of the lateness of operation of the program this year and the similar timing problems which would again face the farmers and the legislature next year. Because the appropriation will in all likelihood only be sufficient for one year, there will still be opportunity to assess the operation of the program and fund next session.

---The CS incorporates a change to limit the loans for the 1983 and 1984 crop years and would terminate the program three years later, at the end of 1987 when the three-year loan payment period expires.

Introduced: 3/10/83  
Referred: Resources  
and Finance

1 IN THE SENATE

Committee Substitute  
for

BY MOSS

2

SENATE BILL NO. 169

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act establishing the Alaska grain reserve program  
and the Alaska grain reserve revolving loan fund; and  
providing for an effective date."

7

8

9

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

10

\* Section 1. AS 03 is amended by adding a new chapter to read:

11

CHAPTER 12. ALASKA GRAIN RESERVE PROGRAM.

12

Sec. 03.12.010. ALASKA GRAIN RESERVE PROGRAM ESTABLISHED. The

13

Alaska grain reserve program is established in the ~~division of agri-~~

14

~~culture~~, Department of Natural Resources, for the purpose of assisting

15

state grain producers to develop markets for their products by making

16

loans secured by grain reserves.

17

Sec. 03.12.020. DUTIES OF THE <sup>DEPARTMENT</sup> ~~DIVISION~~. In carrying out the

18

purposes of this chapter the <sup>DEPARTMENT</sup> ~~division~~ shall .

19

(1) make loans to state grain producers under the con-

20

ditions set out in this chapter;

21

(2) administer and inspect stored grain held as collateral

22

for loans made under this chapter; and

23

(3) administer the Alaska grain reserve revolving loan fund

24

(AS 03.12.040).

25

Sec. 03.12.030. CONDITIONS ON LOANS. (a) The <sup>DEPARTMENT</sup> ~~division~~ may make

26

a loan to a state grain producer secured by grain grown by that pro-

27

ducer. <sup>during the 1983 and 1984 crop year,</sup> Grain that is used as collateral for a loan made under this

28

chapter must be graded number <sup>four</sup> ~~three~~ or better.

29

(b) The amount of a loan made under this chapter is determined

1 by multiplying the <sup>federal</sup> target price per ton for the type and grade of  
2 grain offered as collateral by 90 percent, ~~of the total tonnage of the~~  
3 ~~collateral.~~

4 (c) The interest rate on a loan made under this chapter is equal  
5 to the interest rate on a loan made under AS 03.10.030(a).

6 (d) Grain that is held as collateral for a loan made under this  
7 chapter shall be stored in a storage facility approved by the ~~divi-~~ <sup>department,</sup>  
8 ~~sion, at the expense of the borrower.~~ The borrower may provide stor-  
9 age for the grain if the ~~division~~ <sup>department</sup> determines that the storage provided  
10 by the borrower will adequately protect the ~~division's~~ <sup>department's</sup> interest in the  
11 grain. The ~~division~~ <sup>department</sup> may inspect a storage facility provided by a  
12 borrower at any time and shall adopt regulations setting standards for  
13 storage facilities. *Costs for storage will be paid to the borrower during*  
14 *the term of the loan at the U.S. Department of Agriculture grain reserve loan storage*  
15 *rate.*

16 (e) A borrower may not remove, sell, or otherwise dispose of  
17 grain held as collateral for a loan under this chapter without the  
18 consent of the ~~division~~ <sup>department</sup>. All proceeds from the sale of the collat-  
19 eral, up to an amount equal to the value originally assigned to that  
20 collateral under (b) of this section, <sup>and interest due,</sup> shall be applied to the out-  
21 standing balance of the loan.

22 (f) A loan made under this chapter shall be for a term that may  
23 not exceed three years. The borrower shall make annual payments of  
24 accrued interest during the term of the loan.

25 (g) In this section references to grain grading standards,  
26 target prices, volume or weight calculations and inspection standards,  
27 indicate standards, prices, or calculations that are in accordance  
28 with applicable United States Department of Agriculture standards.

29 Sec. 03.12.040. ALASKA GRAIN RESERVE REVOLVING LOAN FUND. The  
Alaska grain reserve ~~revolving~~ loan fund is established in the ~~divi-~~ <sup>department</sup>  
~~sion~~ for the purpose of financing loans made under this chapter. The

03.12.050 ADMINISTRATION OF FUND. THE COMMISSIONER SHALL ADMINISTER THE LOAN FUND IN CONJUNCTION WITH THE AGRICULTURAL LOAN FUND BOARD ESTABLISHED IN AS03.10.050.

1 fund consists of appropriations made to it by the legislature and  
2 ~~repayments of principal and interest on loans made from the fund. The~~  
3 ~~division may invest money in the fund in accordance with AS 37.10.070~~  
4 ~~and AS 37.10.075.~~

5 <sup>060</sup> Sec. 03.12.050. <sup>DEPARTMENT</sup> REGULATIONS. The ~~division~~ shall adopt regula-  
6 tions to carry out the purposes of this chapter.

7 <sup>070</sup> Sec. 03.12.060. ADMINISTRATIVE PROCEDURE ACT. In carrying out  
8 the provisions of this chapter the <sup>DEPARTMENT</sup> ~~division~~ is subject to the Adminis-  
9 trative Procedure Act (AS 44.62).

10 Sec. 03.12.200. DEFINITIONS. In this chapter

11 <sup>DEPARTMENT</sup> (1) "division" means ~~the division of agriculture,~~ Depart-  
12 ment of Natural Resources;

13 (2) "fund" means the Alaska grain reserve revolving loan  
14 fund; and

15 (3) "grain" means barley, wheat or oats.

16 \* Sec. 2. AS 44.62.330(a) is amended by adding a new paragraph to read:

17 (52) Department of Natural Resources concerning the Alaska  
18 grain reserve program (AS 03.12).

19 \* Sec. 3. The Alaska grain reserve program and the Alaska grain reserve  
20 revolving loan fund established in sec. 1 of this Act terminate January 1,

21 198<sup>8</sup>~~7~~. All money and other assets of the Alaska grain reserve program and  
22 all money and other assets in the Alaska grain reserve revolving loan fund,

23 as of January 1, 198<sup>8</sup>~~7~~, shall be transferred to the general fund on that  
24 date. The ~~division of agriculture,~~ Department of Natural Resources, shall

25 collect loan payments on grain reserve loans that are outstanding on  
26 January 1, 198<sup>8</sup>~~7~~ and shall transfer those payments into the general fund.

27 \* Sec. 4. AS 03.12 is repealed.

28 \* Sec. 5. Section 4 of this Act takes effect January 1, 198<sup>8</sup>~~7~~.

29 \* Sec. 6. Sections 1 - 3 of this Act takes effect immediately in accor-

1 dance with AS 01.10.070(c).

Introduced: 3/10/83  
Referred: Resources and Finance

Funding Information

General Fund \$4,000,000  
Other Funds -0-  
\$4,000,000

1 IN THE SENATE

*Committee Substitute*  
*for*

BY MOSS

2

SENATE BILL NO. 170

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act making a special appropriation to the Alaska  
7 grain reserve revolving loan fund; and providing for  
8 an effective date."

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

10 \* Section 1. The sum of <sup>#1,650,000</sup>~~\$4,000,000~~ is appropriated from the general  
11 fund to the Alaska grain reserve revolving loan fund, <sup>in the department of natural resources,</sup>  
<sup>the operation and</sup>  
12 \* Sec. 2. The appropriation made by this Act is for capitalization of ~~the~~  
<sup>Alaska grain reserve loan program</sup>  
13 ~~loan fund~~, and does not lapse in accordance with AS 37.25.010.

14 \* Sec. 3. This Act takes effect on the effective date of an Act estab-  
15 lishing the Alaska grain reserve revolving loan fund.

\* Sec. 4, Chapter 82, SLA 1981, page 157, line 7 is repealed.

I. REQUEST

Bill/Resolution No.: CSHB 156 (Loans)  
 Title: State Grain Reserve Program  
 Sponsor: Schultz  
 Requestor: Loans Committee

II. FISCAL DETAIL

Agency Affected: Natural Resources  
 Program Category Affected: \_\_\_\_\_  
 BRU, Program of Subprogram(s) Affected: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
<b>OPERATING</b>						
100 PERSONAL SERVICES		45.0	47.7	50.6		
200 TRAVEL		3.0	3.2	3.4		
300 CONTRACTUAL		3.6	3.8	4.0		
400 COMMODITIES		1.0	1.1	1.2		
500 EQUIPMENT		15.0	--	--		
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
<b>TOTAL OPERATING</b>		67.6	55.8	59.2		
<b>CAPITAL</b>						
<b>REVENUE</b>						

FUNDING: (Thousands of Dollars)

GENERAL FUND		67.6	55.8	59.2		
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME		1	1	1		
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

CS SB 170(Res) appropriates funding for operating and capital costs by reallocating \$1.6 million from the Delta II West grain elevator appropriation.

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Sharon Barton Phone: 465-2400  
 Division: Commissioner's Office Date: 4/25/83  
 Approved by Commissioner: Mary Halloran Date: 4/25/83  
 Department: Natural Resources

Distribution:

- Original to Legislative Finance
- Copy to Office of Management and Budget (for Legislature introduced bills)
- Copy to Department (for Governor introduced bills)
- Copy to Sponsor

CS HB 156 (Loans) analysis:

Equipment costs are explained in the attached sheet. Personal services costs cover inspection requirements and program administration costs. As the official grain inspection agency in Alaska, the Division of Agriculture would be required to furnish personnel and facilities on a statewide basis throughout the year as grain moves to and from the reserve.

# MEMORANDUM

# State of Alaska

DEPARTMENT OF NATURAL RESOURCES - DIVISION OF AGRICULTURE

TO: Sharon Barton  
Special Assistant

DATE: February 10, 1983

FILE NO:

TELEPHONE NO:

FROM: Ed Kero   
Development Specialist

SUBJECT: Grain Grading  
Station Equipment

Carter Day Dockage Tester (FOB Minneapolis, Minn)	\$ 3,744.00
Barley riddle and sieves	216.00
Wheat riddle and sieves	152.00
Burrows (FOB Illinois)	
Boerner divider	595.00
Extension kit	119.00
Barley sieve kit	90.50
Filling hopper and stand	198.00
Boerner weight per bu apparatus (print-out)	1,750.00
Shadow graph scales	928.00
Armstrong scales	610.00
Gram scales	111.50
Laboratory torsion balance scale	470.00
Weight set	137.00
Sieve shaker	795.00
Motomco moisture meter	640.00
Barley pearler	350.00
Miscellaneous (piks, lights, pewter dishers, magnifying glass, etc.)	750.00
	<hr/>
Equipment costs	\$11,656.00
Set-up & freight estimate	3,344.00
	<hr/>
Total	\$15,000.00

S

B

170

SENATE RESOURCES COMMITTEE  
LEGISLATION CHECKLIST

IDENTIFICATION:

BILL NUMBER: SB 170

BILL NAME: Special appropriation to the Alaska grain  
reserve revolving loan fund.

SPONSOR(S): Moss

RELATED BILLS PENDING: SB 169

DATE INTRODUCED: 3-10-83

HB 271

REFERRALS: Resources  
Finance

INITIAL RESEARCH:

BILL SUMMARY COMPLETED:

SUMMARY BY LEGAL DIVISION:

SPONSOR CONTACTED FOR  
BACKUP MATERIALS:

DEPT. OF LAW SUMMARY:

FISCAL NOTE:

AGENCY RESPONSE:

OTHER INTERESTED SENATORS OR  
REPS. NOTIFIED:

BACKGROUND RESEARCH:

SIMILAR BILLS INTRODUCED IN PREVIOUS LEGISLATURES:

RESPONSES FROM INTERESTED PERSONS/GROUPS:

OTHER STATE OR FEDERAL PRECEDENTS, REGULATIONS, LAWS:

HEARING PREPARATION:

CHAIRMAN BRIEFED:

DATE AND PLACE SET:

STAFF MEMO TO COMMITTEE:

TELECONFERENCE:

BACKGROUND MATERIAL DISTRIBUTED:

PSA/PRESS RELEASE:

LIST OF WITNESSES:

SUGGESTED AMENDMENTS/COMMITTEE  
SUBSTITUTES DRAFTED:

# Alaska State Legislature

BETTYE FAHRENKAMP, Chairman  
ROBERT H. ZIEGLER, SR., Vice Chairman  
DICK ELIASON  
PAUL FISCHER  
VIC FISCHER  
BOB MULCAHY  
ARLISS STURGULEWSKI



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

## Senate

### Committee on Resources

#### RESOURCES COMMITTEE MINUTES

Bettye Fahrenkamp  
Chairman

April 8, 1983  
3:10 p.m.

Beltz Room  
Room 211, Capitol

---

#### MEMBERS PRESENT

Senator Fahrenkamp, Chair  
Senator Mulcahy  
Senator Vic Fischer

Senator Paul Fischer  
Senator Eliason

---

#### CALENDAR

- SB 120 Relating to soil and water conservation.
- SB 169 Establishing the Alaska grain reserve program and the Alaska grain reserve revolving loan fund.
- SB 170 Making a special appropriation to the Alaska grain reserve revolving loan fund.
- SB 195 Supplementing the FY82 appropriation to the Agricultural Action Council for live-stock facility loans.

---

Commissioner Wunnicke, Department of Natural Resources, briefed the committee on the Supreme Court decision in Gilman vs. Martin, regarding land disposal residency discount regulations and the need for change in state regulations. New policy by DNR on land disposal ends residency discounts as of April 1, 1983, on over the counter sales and on land disposal lottery No. 3. The court decision was based on prior decisions which abrogated classification of Alaskans by length of residency. Also discussed long standing state regulations now in litigation (i.e. Potlatch Ponds).

Senator Fahrenkamp asked how this would affect Homestead program.

Sharon Barton, Special Assistant, Department of Natural Resources, said that the Homestead program involved "free" land making the discount moot.

Commissioner Wunnicke said that homestead qualification requirements are not in question, only credits for length of residency. Any other opinion was deferred to the Attorney General.

SB 169, SB 170

Commissioner Wunnicke read a telegram from Governor Sheffield, dated April 8, 1983, to Agricultural Task Force in support of their efforts. DNR endorsed the bills and recommended modifications in SB 169; 1) limit the term to the 1983 crop year; 2) provide loan funds for grades of grain; 3) provide for the state to pay for storage, and; 4) reallocate the appropriation for grain elevator at Delta II West as source of funding. Due to the need for only one year's funding, also recommended that the amount be reduced from \$4 million to \$1.6 million in SB 170. [Amendments will be presented in writing later.]

In answer to a question regarding suspension of loan payments, the Commissioner said with current loan programs there is an option that allows renegotiation, suspension or extension of loan payments and the agencies are responsive to individual hardship cases.

Senator Moss stated that one year is insufficient and suggests that it be extended as a two year program to be more effective.

Sig Restad, of Palmer, recommended that the deadline be extended through October, 1984, instead of July, 1984 to give farmers time to prepare for the next crop year.

Senator Fahrenkamp stated that the bills would be held until Monday, April 11, 1983.

SB 120

Senator Fahrenkamp requested a motion for adoption of CSSSSB 120 and Senator Mulcahy so moved. The motion was opened for testimony and discussion.

Richard Ramsey presented a statement from Senator Kerttula in support of the Soil and Water Conservation Commission's work.

Sig Restad of Palmer, testified that the new bill adds water to Soil Conservation Commission's authority to fit with federal regulations and controls in performing technical services. Reviewed history of conservation efforts and stated that it benefited all water users. Also, it upgrades subdistricts to full district status, creates a fifth district in Alaska and provides for a coordinator for a unified conservation program.

Commissioner Esther Wunnicke of DNR, asked for the committee's support and thanked the volunteers on the Board for their efforts. The bill will answer some of the coordination problems between Fish and Game Department and Natural Resources.

Senator Fahrenkamp made note of the fiscal note change. Senator Mulcahy moved adoption of the committee substitute for sponsor substitute for Senate Bill 120 and there was no objection to move the bill out of committee.

SB 195

Rick Johnson, aide to Senator Moss testified in support of SB 195 and asked for support of the committee.

Commissioner Wunnicke, of DNR, spoke in support of the bill.

Bill Zybeck, aide to Fairbanks North Star Borough Mayor B.B. Allen, testified in support of SB 195. The Borough supports the development of the livestock facility and its benefits to the local economy. The Borough planners have made preparations for the facility and are ready to implement those plans.

There being no further testimony or discussion, Senator Mulcahy moved that SB 195 be reported out of committee with individual recommendations. There being no objection, it was so moved.

The meeting adjourned at 4:10 p.m.

# Alaska State Legislature

BETTYE FAHRENKAMP, Chairman  
ROBERT H. ZIEGLER, SR., Vice Chairman  
DICK ELIASON  
PAUL FISCHER  
VIC FISCHER  
BOB MULCAHY  
ARLISS STURGULEWSKI



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

## Senate

### Committee on Resources

#### RESOURCES COMMITTEE MINUTES

April 11, 1983  
3:05 p.m.

Beltz Room  
Room 211, Capitol

---

#### MEMBERS PRESENT

Senator Fahrenkamp, Chair      Senator Mulcahy  
Senator Ziegler, Vice Chair      Senator Sturgulewski  
Senator Vic Fischer

---

#### CALENDAR

- SB 169      Establishing the Alaska grain reserve program and the Alaska grain reserve revolving loan fund.
- SB 170      Making a special appropriation to the Alaska grain reserve revolving loan fund.

---

#### SB 169, SB 170

Pat Pourchot, Resources Committee aide, reviewed the proposed committee substitute for SB 169. In brief: (1) administer the grain reserve loan fund in conjunction with the existing agriculture revolving loan fund; (2) provide for the state to pay for storage, and; (3) the program would run for two years only.

The appropriation in SB 170 would be reduced from \$4-million to \$1.6-million. This appropriation would be a reallocation of funds from the Delta II West project.

Senator Mulcahy moved for adoption of the committee substitute for SB 169. He then moved CSSB 169 (Res) from committee with individual recommendations. There were no objections.

Senator Mulcahy moved the committee substitute for SB 170. He then moved the bill from committee with individual recommendations. There were no objections.

The meeting adjourned at 3:15 p.m.

# Alaska State Legislature

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



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

## Senate

### Committee on Resources

April 11, 1983

#### Memo

To: Senate Resources Committee Members  
From: Senate Resources Committee Staff  
Subject: Committee Substitute for SB 169 and SB 170

At the hearing on the above bills the DNR testified in general support but had several amendments which had not yet been finalized. The following amendments have now been incorporated into a proposed committee substitute and have been agreed to by the Department, the bill's sponsor, and committee staff:

- 1) All references to Division of Agriculture has been changed to Department of Natural Resources. This reflects a newer legislative drafting style to permit possible reorganizations in the future.
- 2) Loans could be made using grain graded number 4, rather than 3, or better. This change more accurately reflects the range of grains grown in Alaska.
- 3) A technical change was made to tie the loan amount to 90% of the target price for a ton on grain rather than having 90% of the tonnage eligible for a loan.
- 4) The state would pay for storage of the grain to ensure quality of storage facilities and to ensure that storage fees do not become a disincentive for program operation.
- 5) Clarification that the grain if sold would be applied against both principal and interest.
- 6) The "revolving" loan fund was changed to simply "Alaska Grain Reserve Loan Fund" to reflect the intent to authorize the program for only a finite period of time (see below).
- 7) The grain reserve fund program would be administered in conjunction with the Agricultural Loan Fund Board to ensure more efficient administration.

- 8) The appropriation bill, SB 170, has been changed to appropriate \$1.65 million, rather than \$4 million. An appropriation for a grain storage facility as part of the 1982 Delta II West appropriation which has not been used is deleted to provide the funds for this program. It is estimated that this would provide funding for one year's operation of the program and could accommodate production of about 15,000 acres of grain (without the program it has been estimated that 8,000-10,000 acres of grain will be planted this year).

In addition, the DNR has recommended that this program only apply to the upcoming 1983 crop year. However, it is the recommendation of the bill's sponsor and of the Committee staff that the program be authorized through the 1984 crop season because of the lateness of operation of the program this year and the similar timing problems which would again face the farmers and the legislature next year. Because the appropriation will in all likelihood only be sufficient for one year, there will still be opportunity to assess the operation of the program and fund next session.

---The CS incorporates a change to limit the loans for the 1983 and 1984 crop years and would terminate the program three years later, at the end of 1987 when the three-year loan payment period expires.

Introduced: 3/10/83  
Referred: Resources  
and Finance

1 IN THE SENATE

*Committee Substitute*

BY MOSS

2

*For*  
SENATE BILL NO. 169

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act establishing the Alaska grain reserve program

7

and the Alaska grain reserve revolving loan fund; and

8

providing for an effective date."

9

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

10

\* Section 1. AS 03 is amended by adding a new chapter to read:

11

CHAPTER 12. ALASKA GRAIN RESERVE PROGRAM.

12

Sec. 03.12.010. ALASKA GRAIN RESERVE PROGRAM ESTABLISHED. The

13

Alaska grain reserve program is established in the ~~division of agri-~~

14

~~culture~~, Department of Natural Resources, for the purpose of assisting

15

state grain producers to develop markets for their products by making

16

loans secured by grain reserves.

17

Sec. 03.12.020. DUTIES OF THE <sup>DEPARTMENT</sup> ~~DIVISION~~. In carrying out the

18

purposes of this chapter the <sup>DEPARTMENT</sup> ~~division~~ shall .

19

(1) make loans to state grain producers under the con-

20

ditions set out in this chapter;

21

(2) administer and inspect stored grain held as collateral

22

for loans made under this chapter; and

23

(3) administer the Alaska grain reserve revolving loan fund

24

(AS 03.12.040).

25

Sec. 03.12.030. CONDITIONS ON LOANS. (a) The <sup>DEPARTMENT</sup> ~~division~~ may make

26

a loan to a state grain producer secured by grain grown by that pro-

27

ducer. <sup>During the 1983 and 1984 crop year,</sup> Grain that is used as collateral for a loan made under this

28

chapter must be graded number <sup>FOUR</sup> ~~three~~ or better.

29

(b) The amount of a loan made under this chapter is determined

1 by multiplying the <sup>federal</sup> target price per ton for the type and grade of  
2 grain offered as collateral by 90 percent, ~~of the total tonnage of the~~  
3 ~~collateral.~~

4 (c) The interest rate on a loan made under this chapter is equal  
5 to the interest rate on a loan made under AS 03.10.030(a).

6 (d) Grain that is held as collateral for a loan made under this  
7 chapter shall be stored in a storage facility approved by the <sup>department,</sup>  
8 ~~division, at the expense of the borrower.~~ The borrower may provide stor-  
9 age for the grain if the <sup>department</sup> ~~division~~ determines that the storage provided  
10 by the borrower will adequately protect the <sup>department's</sup> ~~division's~~ interest in the  
11 grain. The <sup>department</sup> ~~division~~ may inspect a storage facility provided by a  
12 borrower at any time and shall adopt regulations setting standards for  
13 storage facilities. *Costs for storage will be paid to the borrower during*  
14 *the term of the loan at the U.S. Department of Agriculture grain reserve loan storage*

15 (e) A borrower may not remove, sell, or otherwise dispose of <sup>rate</sup>  
16 grain held as collateral for a loan under this chapter without the  
17 consent of the <sup>department</sup> ~~division~~. All proceeds from the sale of the collat-  
18 eral, up to an amount equal to the value originally assigned to that  
19 collateral under (b) of this section, <sup>and interest due,</sup> shall be applied to the out-  
standing balance of the loan.

20 (f) A loan made under this chapter shall be for a term that may  
21 not exceed three years. The borrower shall make annual payments of  
22 accrued interest during the term of the loan.

23 (g) In this section references to grain grading standards,  
24 target prices, volume or weight calculations and inspection standards,  
25 indicate standards, prices, or calculations that are in accordance  
26 with applicable United States Department of Agriculture standards.

27 Sec. 03.12.040. ALASKA GRAIN RESERVE REVOLVING LOAN FUND. The  
28 Alaska grain reserve ~~revolving~~ loan fund is established in the <sup>department</sup> ~~divi-~~  
29 ~~sion~~ for the purpose of financing loans made under this chapter. The

03.12.050 ADMINISTRATION OF FUND. THE COMMISSIONER SHALL ADMINISTER THE LOAN FUND IN CONJUNCTION WITH THE AGRICULTURAL LOAN FUND BOARD ESTABLISHED IN AS 03.10.050.

1 fund consists of appropriations made to it by the legislature and  
2 ~~repayments of principal and interest on loans made from the fund. The~~  
3 ~~division may invest money in the fund in accordance with AS 37.10.070~~  
4 ~~and AS 37.10.075.~~

5 Sec. 03.12.<sup>060</sup>~~050~~. REGULATIONS. The <sup>DEPARTMENT</sup> ~~division~~ shall adopt regula-  
6 tions to carry out the purposes of this chapter.

7 Sec. 03.12.<sup>070</sup>~~060~~. ADMINISTRATIVE PROCEDURE ACT. In carrying out  
8 the provisions of this chapter the <sup>DEPARTMENT</sup> ~~division~~ is subject to the Adminis-  
9 trative Procedure Act (AS 44.62).

10 Sec. 03.12.200. DEFINITIONS. In this chapter

11 (1) <sup>DEPARTMENT</sup> ~~"division"~~ means the ~~division of agriculture,~~ Depart-  
12 ~~ment of Natural Resources;~~

13 (2) "fund" means the Alaska grain reserve revolving loan  
14 fund; and

15 (3) "grain" means barley, wheat or oats.

16 \* Sec. 2. AS 44.62.330(a) is amended by adding a new paragraph to read:

17 (52) Department of Natural Resources concerning the Alaska  
18 grain reserve program (AS 03.12).

19 \* Sec. 3. The Alaska grain reserve program and the Alaska grain reserve  
20 revolving loan fund established in sec. 1 of this Act terminate January 1,

21 198<sup>8</sup>~~7~~. All money and other assets of the Alaska grain reserve program and  
22 all money and other assets in the Alaska grain reserve revolving loan fund,  
23 as of January 1, 198<sup>8</sup>~~7~~, shall be transferred to the general fund on that  
24 date. The ~~division of agriculture,~~ Department of Natural Resources, shall  
25 collect loan payments on grain reserve loans that are outstanding on  
26 January 1, 198<sup>8</sup>~~7~~ and shall transfer those payments into the general fund.

27 \* Sec. 4. AS 03.12 is repealed.

28 \* Sec. 5. Section 4 of this Act takes effect January 1, 198<sup>8</sup>~~7~~.

29 \* Sec. 6. Sections 1 - 3 of this Act takes effect immediately in accor-

1 dance with AS 01.10.070(c).

Introduced: 3/10/83  
Referred: Resources and Finance

Funding Information  
General Fund \$4,000,000  
Other Funds -0-  
\$4,000,000

1 IN THE SENATE

*Committee Substitute*  
*for*

BY MOSS

2

SENATE BILL NO. 170

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act making a special appropriation to the Alaska  
7 grain reserve revolving loan fund; and providing for  
8 an effective date."

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

10 \* Section 1. The sum of ~~\$4,000,000~~ <sup>\$1,650,000</sup> is appropriated from the general,  
11 fund to the Alaska grain reserve revolving loan fund, <sup>in the department of natural resources</sup>  
12 <sup>the operation and</sup>  
13 <sup>the</sup>  
14 <sup>Alaska grain reserve loan program</sup>  
15 ~~loan fund~~, and does not lapse in accordance with AS 37.25.010.

14 \* Sec. 3. This Act takes effect on the effective date of an Act estab-  
15 lishing the Alaska grain reserve revolving loan fund.

\* Sec. 4, Chapter 82, SLA 1981, page 157, line 7 is repealed.

# Alaska State Legislature

BETTYE FAHRENKAMP, Chairman  
ROBERT H. ZIEGLER, SR., Vice Chairman  
DICK ELIASON  
PAUL FISCHER  
VIC FISCHER  
BOB MULCAHY  
ARLISS STURGULEWSKI



POUCH V  
STATE CAPITAL  
JUNEAU, ALASKA 99811  
(907) 465-3854  
(907) 465-3835

## Senate

### Committee on Resources

TO: Senate Resources Committee Members

FROM: Senate Resources Committee Staff

RE: April 8th Hearing

DATE: April 7, 1983

-----  
The following bills will be heard by the Senate Resources Committee Friday, April 8 at 3:00 p.m. in the Beltz Room.

SSSB 120 AN ACT RELATING TO SOIL AND WATER CONSERVATION.

SSSB 120 increases the membership of the Board from 3 to 5, allowing for appointment of 1 member from each of 5 geographic areas of the state, and authorizes the Commissioner of DNR to appoint an executive director and clerical staff to assist the Board. The Board provides services to the whole state, and demand on their services has increased to the point that this proposed restructuring is necessary.

The Department of Natural Resources does not have funding available for this proposal this year, but the sponsor has requested that the restructured board be put in place. The Department plans to offer an amendment on Page 3, Lines 2-6, which would allow the Board to provide input to the Commissioner on sales and leases of state agricultural land, but would not allow the Board to review appeals of the Commissioner's decisions.

SB 169 AN ACT ESTABLISHING THE ALASKA GRAIN RESERVE PROGRAM AND THE ALASKA GRAIN RESERVE REVOLVING LOAN FUND.

SB 169 establishes a grain reserve program and a grain reserve revolving loan fund in the Department of Natural Resources to assist state grain producers by making loans secured by grain reserves. Alaska grain producers have no production history so are not eligible for Federal programs that aid grain producers in the Lower 48. SB 169 would give the Alaskan producer an incentive to produce grain

MEMO  
April 7, 1983

by guaranteeing compensation. If the grain is not sold, a loan could be made to the producer against the value of the grain in storage. This would help establish a production record which would make the Alaskan producer eligible for the federal programs.

The following conditions are placed on loans under this program:

- grain used as collateral must be Grade 3 or better
- formula for loan amount is based on the target price per ton of the grain
- interest rate is the same as the Agriculture Revolving Loan Fund rate (minimum 8%)
- the grain storage facility must be approved by the division
- maximum term of loan is 3 years

The program and fund proposed in SB 169 would sunset 1/1/87.

SB 170 AN ACT MAKING A SPECIAL APPROPRIATION TO THE ALASKA GRAIN RESERVE REVOLVING LOAN FUND.

SB 170 appropriates \$4 million from the general fund to the Alaska grain reserve revolving loan fund.

SB 195 AN ACT SUPPLEMENTING THE FY 82 APPROPRIATION TO THE AGRICULTURAL ACTION COUNCIL FOR LIVESTOCK FACILITY LOANS.

SB 195 appropriates an additional \$350,000 to the Ag. Action Council for livestock facility loans (an increase from \$2,650,000 to \$3,000,000 from the general fund). This appropriation is based on action taken by the AAAC on March 9, 1983. The Council voted to request additional funds to allow for development of two red meat processing facilities, one in Southcentral and one in Interior Alaska.

S

B

181

STATE OF ALASKA  
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 22, 1983

SUBJECT: Legislative power of appropriation  
(SB 181)

TO: Senator Bettye Fahrenkamp  
Chairman, Senate Resources Committee

FROM: Tamara Brandt Cook  
Legislative Counsel

TBC

You have asked whether AS 29.18.208(e) effectively limits the amount the legislature may appropriate for land deficiency entitlements. That subsection provides

(e) For purposes of fulfilling entitlements under this section, the legislature is authorized to appropriate

(1) not more than \$4,000,000 per fiscal year, and not more than \$12,000,000 in total, for the purpose of paying entitlements under (b) of this section;

(2) not more than \$1,000,000 per fiscal year, and not more than 8,000,000 in total, for the purpose of paying entitlements under (c) of this section.

It is my understanding that the question of the applicability of this subsection has come up with regard to SB 181. Section 1 of that bill appropriates \$4,000,000 for an entitlement "under AS 29.08.208" and section 2 appropriates \$1,000,000 for an entitlement "under AS 29.18.208." Note that SB 181 may not conflict with the provision authorizing a level of funding. If the appropriation under section 1 is for an entitlement under AS 29.18.208(b) and the appropriation under section 2 is for an entitlement under AS 29.18.208(c), SB 181 conforms to the authorized level of funding contained in subsection (e), assuming that the legislature makes no other appropriations during fiscal year 1983 for land deficiency entitlements.

Regardless of whether SB 181 exceeds the level of funding for land deficiency entitlements authorized under AS 29.18.208(e), the appropriation under that bill is valid. The legislature has the constitutional power to exceed the level of funding authorized by statute. Article II, section 1 of the state constitution provides in part

The legislative power of the state is vested in a legislature . . .

Article IX, section 13 provides in part

No money shall be withdrawn from the treasury except in accordance with appropriations made by law.

The power to appropriate money is so basic a legislative power that the legislature cannot delegate it. Opinion of the Justices, 177 A.2d (Delaware 1962); In re Opinion of the Justices, 13 S.2d 674 (Alabama 1943). The legislature is the sole and exclusive authority for the appropriation of state funds. Jackson v. State, 413 P.2d 488 (Alaska 1966); Galpin v. Chicago, 159 Ill. App. 135, affirmed 94 NE 961 (Illinois 1911).

The state constitution is the supreme law subject only to restraints under the federal constitution. Constitutional provision may not be abrogated by statute. Bonjour v. Bonjour, 592 P.2d 1233 (Alaska 1979). Likewise, the legislature's ability to exercise legislative power is subject only to limitations imposed by the state constitution, the federal constitution, and treaties and certain acts of Congress. The power of the legislature may not be limited or restricted by common law or by statute. Corpus Juris Secundum, Constitution Law, Sec. 70.

The funding authorization set out by statute under AS 29.18.208(e) cannot operate as a limit on the power of the legislature to exceed the amount indicated. The legislative power of the purse is, however, limited by certain state constitutional provisions. (See, for example, Article II, sections 13 and 15; Article IX, sections 6 and 16.)

TBC:csh  
16/002

# Alaska State Legislature

BETTYE FAHRENKAMP, Chairman  
ROBERT H. ZIEGLER, SR., Vice Chairman  
DICK ELIASON  
PAUL FISCHER  
VIC FISCHER  
BOB MULCAHY  
ARL'SS STURGULEWSKI



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

## Senate

### Committee on Resources

#### MINUTES

April 22, 1983  
3:10 p.m.

Beltz Room  
Room 211, Capitol

#### MEMBERS PRESENT

Senator Fahrenkamp, Chair	Senator V. Fischer
Senator Ziegler, Vice Chair	Senator Mulcahy
Senator Eliason	Senator Sturgulewski
Senator P. Fischer	

#### CALENDAR

- HJR 38 Relating to marketing and transporting Alaska's natural gas
- SJR 12 Opposing the extension of the provisions of the Export Administration Act of 1979 that effectively bans the export of Alaska North Slope Oil.
- HB 151 An Act making a special appropriation to the Department of Natural Resources, division of parks, for acquisition and development of the House of Wickersham in Juneau; and providing for an effective date.
- SB 222 An Act relating to the organization of the Department of Natural Resources, substituting references in the Alaska Statutes to the department and the commissioner for references to the division of lands and the director of the division of lands.
- SB 181 An Act making supplemental appropriation to the Department of Natural Resources for land deficiency entitlements; and providing for an effective date.
- SB 233 An Act enacting the Northwest Interstate Compact on Low-level Radioactive Waste Management; and providing for an effective date.

SB 168 An Act relating to the Alaska Power Authority; and providing for an effective date.

---

HJR 38

Representative Cowdery, sponsor of the measure, felt the measure was needed to back the Reagan administration's efforts to establish a free market.

Harold Moles, Vice President for Alaskan Operations, Northwest Alaskan Pipeline Company, felt the resolution should not be passed at the risk of delaying or harming the gas pipeline project.

Jerry McCutcheon supported passing the resolution, but felt it was not in Alaska's best interest.

Senator V. Fischer asked if the Administration had a position on the resolution. Senator Fahrenkamp said they had been invited to speak, but had expressed no interest.

Senator Fahrenkamp felt that the Budget & Audit Committee hearings scheduled to be held over the weekend might provide useful information for the committee, and so held the bill over.

SJR 12

Jim Palmer, Joint Oil & Gas Committee Aide, explained that the resolution calls for our Congressional delegation to do everything possible to remove the ban on export of Alaskan oil when the Export Administration Act is considered later this year.

Senator Sturqulewski moved to report out SJR 12 with individual recommendations. Motion passed without objection.

CSHB 151

Representative Mike Miller of Juneau, co-sponsor of the legislation, explained the necessity to acquire the Wickersham collection before it is dispersed. There was discussion of exactly how the appropriation could be used.

Senator V. Fischer moved to adopt the committee substitute, including the letter of intent, and to report the bill out with individual recommendations. Motion passed without objection.

SB 222

Sharon Barton, special assistant to the Commissioner of the Department of Natural Resources, explained that the bill is a "housekeeping" measure and endorsed its passage.

Senator Sturgulewski moved that the bill be brought before the committee, and moved Barton's first recommended amendment. Motion passed without objection.

Barton continued to offer suggested amendments. Senator Fahrenkamp asked that the amendments be prepared in writing for the committee's consideration, and held the bill over until those could be received and until the statute revisor's opinion could be asked.

#### SB 181

Rav Manr, Property Management Officer for the Municipality of Anchorage, gave a history of the Municipality's efforts to obtain its land entitlement.

There was discussion of whether the Municipality would take a \$5 million settlement as provided in statutes, or if it would continue to approach the legislature for additional funds or land.

Jane Anqvik, Municipality of Anchorage Assembly Member, felt it was not in Anchorage's best interest to accept a full cash settlement at this time if that would preclude any efforts to seek amendments to the entitlement provisions.

Bill was held over.

#### SB 233

Stan Hungerford, Air & Solid Waste Management Section, Department of Environmental Conservation, and T.R. Strong, Head of the Radiation Control Section for the State of Washington, spoke in support of SB 233 and explained how it would be beneficial to Alaska to become a member of the Northwest Interstate Compact.

Senator Mulcahy moved to report out the bill with individual recommendations. The motion passed without objection.

#### SB 168

Sterling Gallagher, Vice President of John Naveen & Co., supported SB 168, and the first three proposed amendments.

Commissioner Dick Lyon, Department of Commerce & Economic Development, supported the bill and the amendments and urged early passage of the measure.

There was discussion of the fourth amendment offered by Senator V. Fischer, who said he preferred not to move his amendment.

Dave Hutchens, Alaska Rural Electrical Cooperative Association, supported the bill and the three amendments.

Senator Mulcahy moved the amendments. Senator V. Fischer asked that the question be divided. On the question, each amendment passed without objection.

Senator Mulcahy moved that the Resources committee substitute for SB 168, including the three amendments, be reported out with individual recommendations. The motion passed without objection.

The meeting was adjourned at 4:45 p.m.

SB 181 MAKING SUPPLEMENTAL APPROPRIATIONS TO DNR FOR LAND  
DEFICIENCY ENTITLEMENTS.

SB 181 would appropriate a total of \$5 million to DNR to pay the land deficiency entitlement for the Municipality of Anchorage authorized under AS 29.18.208 (copy attached) for FY 82 (\$4 million) and FY 83 (\$1 million).

AS 29.18.208 of the 1978 municipal land entitlement settlement provides for cash payments to municipalities in which there is not enough suitable land to satisfy their land grant. The amount appropriated in SB 181 is the balance due the municipality of Anchorage in lieu of land not received under the municipal land settlement.