

ALASKA LEGISLATURE COMMITTEE FILES 1983-1984 8672

2869 SRES SB 473 - SB 480

2869

have been brought on line. A new formula for determining an adequate operational budget funding base for the FRED Division hatchery operation is a necessity if maximum production potential from existing facilities is to be realized.

11-6 Thoroughly evaluate all implications to transfer public hatchery facilities to PNP operators.

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There is also the unresolved question regarding the ability of the State to fund on-going operational costs for a full-fledged, state-operated enhancement system, given the diminishing nature of the State's revenues.

The Task Force recognizes that, pending enabling legislation, a selection transfer of public facilities to PNP operators may be among the alternatives that are acceptable and workable partial solutions to the funding problem. However, the Task Force recommends that all implications and ramifications of this approach be thoroughly investigated by the proposed Aquaculture Policy Study Group prior to implementation of the legislation.

Adopted, work towards implementation in progress.

The FY '84 budget submitted by the Governor provided for adequate funding of the State's 20 hatcheries. This funding was subsequently reduced by \$718,000 by legislative action surrounding the hatchery transfer issue. Evaluations of the impacts of such potential transfers certainly needs to be done as soon as possible and it is probable public input into this question should be sought. This is one of the first tasks of the Governor's Fisheries Mini-Cabinet, since the long range economic implications need to be coordinated with biological and management concerns. Please refer to response 11-14 below.

11-7 Include financial considerations in salmon plans emerging from RPT process.

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A long-range salmon plan emerging from the RPT process would be impractical and meaningless if it did not also include a financial plan for the capital investments and operational costs necessary for the projects needed within a region.

Adopted, work towards implementation in progress.

The costs of carrying out salmon programs within a region need to be evaluated relative to the benefits to be expected. This is obviously a function of both the department (ADFG), the associations and PNP's, since each of these entities is responsible for implementing the programs required to carry out a particular plan. Better coordination is needed by

the department in referencing comprehensive plans in their budget submissions, so that projects requested can be tied to the accomplishing of plan objectives. The department has technical experts to design and evaluate project proposals in a system for such review, evaluation, and prioritization, to consider projects for which it is responsible. The comprehensive planning process should be considered in conjunction with the budget process, but one cannot take the place of the other.

11-8 Improve coordination between agencies, develop analytical criteria, increase public participation in regional salmon enhancement planning process.

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The regional salmon enhancement planning process is an important prerequisite to funding enhancement goals and objectives by regions and statewide. However, there is a need for greater statewide coordination between participating agencies in that planning process so that the procedures and guidelines are more consistent on a statewide basis. There is also a need to develop analytical criteria; a need to increase input from the public; and, in some instances, a need to improve responsiveness by planning teams to public input.

Adopted, work towards implementation in progress.

Improved coordination in statewide comprehensive plans between regions is certainly needed and these plans and how they will be used will be an early topic for the Fisheries Mini-Cabinet to consider in their development of fisheries policy. Please refer to response 11-14 below.

11-9 Insure coordination between strategic plans and the annual operational plans of all participants in enhancement activities within a region.

Coordination between strategic plans and the annual operational plans of all participants in salmon enhancement activities within a region is essential.

Adopted and implemented.

Goals and objectives set in the comprehensive regional salmon plans approved by the Department of Fish and Game should certainly be used in the various operational documents and budget document produced by the entities and agencies involved in salmon enhancement with a

p. 125

11-10 State loan program should provide loan funds for enhancement projects according to a stated policy that reflects statutory and program goals.

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The Division of Business Loans should have a stated lending policy that is consistent with statutory intent and program goals. The loan committee of the Department of Commerce and Economic Development should continue a policy of providing loan funds for approved PNP projects that are consistent with statutory and program goals for construction, construction activities and for operational costs incurred during start-up phases of hatchery facilities, as well as for other appropriate enhancement projects.

Adopted, work towards implementation in progress.

region. There has been general consistency to this in the past but the department will ensure that such review does take place.

Previously, the State has been able to fund virtually all loan requests made by qualified applicants for construction and operation of hatcheries. The Governor's Fisheries Mini-Cabinet is undertaking a review of the enhancement program at this time. In light of declining State revenues, the task force may be looking to establish funding priorities for the hatchery program.

11-11 Study interrelationships of hatchery and wild salmon in terms of managing mixed stock fisheries, genetic implications and disease control. Seek to reduce misconceptions and bias among professionals and the public.

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There is a need to address professional biases and public misconceptions about the interrelationships of hatchery and wild salmon, so as to clarify questions regarding:

- * Harvesting of hatchery and wild salmon in mixed stock fisheries to ensure that exploitation rates of wild stocks taken incidental to fisheries targeting on hatchery fish do not become detrimental;
- * Genetic implications of interactions between hatchery and wild fish;
- * Disease control in both wild and hatchery fish.

Adopted, work towards implementation in progress.

Steps are being taken by the FRED Division to produce a brochure entitled "Misconceptions About Salmon Enhancement." Further research needs to be done on the effects of managing mixed stock fisheries on both individual stocks and on allocation problems in certain areas. This is not restricted to enhancement alone, since mixed stock fisheries management is a reality and a problem in salmon fisheries throughout Alaska. The problem of identifying various stocks in mixed stock fisheries so that management of such fisheries can take enhanced stocks into account remains, but is being addressed through various marketing techniques.

Little factual information is available to the public that explains how the Alaska salmon enhancement program deals with these issues.

Some of the implications of moving or mixing stocks of fish in regard to the genetic or disease impacts will only be answered over the long-term through a program of careful monitoring control. A cautious approach to these questions is being taken to both secure the benefits from our enhancement program while minimizing risks to natural stocks.

11-12 Support strict State regulation to ensure disease control in aquaculture operations.

The Task Force recognizes the importance of disease control in aquaculture activities and supports a program of strict state regulation to ensure the continued health of the State's salmon resource.

Adopted and implemented.

The State of Alaska has the strongest fish disease laws of any state in the nation. The Department of Fish and Game has a well organized and highly trained pathology section, which provides pathology diagnostic services to the public as well as the private sector.

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11-13 Maintain nonprofit status of aquaculture operations.

The Task Force believes very strongly in necessity for maintaining the nonprofit status for private aquaculture in the State. Any efforts to change that status would be considered a threat to the industry.

Review continuing.

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11-14 Establish aquaculture policy study group to address major issues and important questions presented in the Task Force report.

The Task Force recommends that an Aquaculture Policy Study Group be established to perform a necessary, in-depth examination and analysis of the present state salmon aquaculture program, its goals and its problems. The group should have expertise available to it in the areas of economics, business, finance, law, marketing, food technology, biology, fisheries management, and fish culture. It should address itself to a number of

Adopted and implemented.

In the area of aquaculture, the task force focused more closely on issue identification than on the development of specific recommendations. Many of the statements in this category suggest policy direction without offering specific implementation mechanisms or policy statements. The task force does recommend the creation of an Aquaculture Policy Study Group that would be charged

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questions which are presented in the report.

with addressing the issues identified in the report. The report of the Committee on Resource Maintenance and Enhancement recommends review of regional and Statewide salmon enhancement development goals, objectives and potential; the socioeconomic costs and benefits associated with achieving those goals and objectives associated research and management needs, funding strategies, institutional/organizational alternatives and etc. The administration concurs that these and other issues urgently need to be addressed if the State is to rationalize its on-going investment in salmon enhancement/development. While the creation of a free standing Aquaculture Policy Study Group is not consistent with the Governor's administrative philosophy, the same responsibilities and tasks assigned to the group by the task force are included in the Governor's charge to the Fisheries Mini-Cabinet, and the mini-cabinet has been instructed to immediately address salmon enhancement/development issues. The mini-cabinet's staff work plan will soon be available for distribution.

LIMITED ENTRY

12-1	Maintain CFEC office in Kodiak and expand Anchorage	The Commercial Fisheries Entry Commission (CFEC) licensing office in Kodiak is providing a necessary and desirable service.	Adopted and implemented.	Funds to continue operation of the Commercial Fisheries Entry Commission's Kodiak licensing office are
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office to include licensing.

p. 145

It should be continued.

The location of a CFEC commissioner in Anchorage also provides a valuable service and that office should be expanded to include licensing capabilities.

included in the Governor's proposed FY '85 budget. If funded, CFEC intends to continue the Kodiak office. Additionally, if funds were provided for the purpose, CFEC agrees that an Anchorage office to provide on-site licensing would be a valuable service. In FY '84, the commission sought funding for an Anchorage Commissioner's office without success. At this time, CFEC feels that it can better work through its backlog of adjudications with all commissioners based in Juneau and working together on a day-to-day basis.

CFEC notes that on a regular basis, it does work with the Department of Law, the Governor's Fisheries Mini-Cabinet, members of the Legislature, UFA, various gear groups, and individual fishermen.

Rather than establish a formal work group, the commission will consult with interested parties on an issue-by-issue basis.

12-2 Appoint limited entry working group to investigate issues below (12-3, 12-4, and 12-5) and recommend action to Fisheries Policy Council. Complete work by January 31, 1984.

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It is recommended that a limited entry working group be appointed to investigate the following issues (12-3, 12-4, 12-5) and to recommend appropriate courses of action to the Fisheries Policy Council. The working group should consist of qualified representatives from the Commercial Fisheries Entry Commission, the Department of Law and the commercial fishing industry. The issues are as follows:

It is understood that the recommendations of the working group may include the passage of legislation, so it is recommended that they complete their work and report their findings to the Fisheries Policy Council by no later than January 31, 1984.

Not adopted.

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| <p>12-3 Do not use buy-back program to reduce number of entry permits, study other alternatives.</p> <p>p. 146</p> | <p>The buy-pack program, as defined by present law, is not a desirable method for reducing the number of entry permits to an optimum level. Alternative methods for reducing the number of permits should be investigated.</p> | <p>Adopted, work towards implementation in progress.</p> | <p>There are flaws in the buy-back program and CFEC has continued the process of discussing alternatives with the UFA board at its recent annual meeting. The commission welcomes the opportunity to work toward a viable buy-back program with any gear group.</p> |
| <p>12-4 Study possible ways to reduce high cost of entry permits.</p> <p>p. 147</p> | <p>The present high cost of entry permits in some fisheries is an obstacle to increasing the number of Alaskans participating in the State's fisheries, particularly in rural Alaska. It is recommended that the Department of Law investigate possible solutions to this problem.</p> | <p>Review continuing.</p> | <p>CFEC welcomes participation in such a study by interested groups.</p> |
| <p>12-5 Investigate need and justification for extending limited entry program to additional fisheries.</p> <p>p. 147</p> | <p>The system of limited entry presently being used for the salmon and herring fisheries may not be the best system for use in other fisheries. It is recommended that the working group investigate the need and justification for extending a limited entry program to additional Alaskan fisheries, and that it make recommendations on the method or methods best suited for these fisheries.</p> | <p>Adopted, work towards implementation in progress.</p> | <p>CFEC welcomes the opportunity to work with any gear group to determine the value of extending the present limited entry scheme to additional fisheries. The present statutory framework may not adequately lend itself to the limitation of most shellfish and other large vessel fisheries.</p> |

NATURAL RESOURCES

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| <p>13-1 Require review of Department of Natural Resources proposed planning and clarification regulations by resource</p> | <p>Proposed regulations allow state-owned lands to be classified as coal, mineral, oil and gas lands based on suspected potential alone, with no requirement for data indicating that commercial quantities exist. On lands so classified, the</p> | <p>Adopted and implemented.</p> | <p>The State's planning and classification regulations have been promulgated. They establish a system that incorporates a large degree of public and interagency participation prior to the classification of State</p> |
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agencies. Retain existing regs if renewable resource concerns can't be met.

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nonrenewable resource development then becomes the primary use of the land and takes precedence over any other use.

The Department of Natural Resources proposed planning and classification regulations require more thorough review by other resource agencies to properly address renewable resource requirements. They should either be revised to remove the objectionable portions or be discarded in favor of retaining the present regulations.

lands. Habitat protection is a constant concern for the land manager, whatever the classification. Resource inventory is conducted prior to any land planning effort, to prevent unfounded planning and land classification.

13-2 Representatives of the CFEC, Board of Fish and Department of Natural Resources must meet to resolve conflicts in regulations governing set net entry permits which involve land use permits and fisheries management regulations.

p. 146

It is mandatory that representatives of the CFLC, the Board of Fish and the Department of Natural Resources meet to resolve conflicts in regulations governing salmon set net entry permits which involve land use permits and fishery management regulations.

Review continuing.

CFEC has reviewed and commented upon regulations proposed by DNR on set net site leasing.

CFEC works regularly with the Board of Fish to avoid regulatory conflicts. Some guidance from the Task Force as to the particular conflicts which must be addressed would be helpful.

13-3 Resolve conflicts between agencies concerning resource development in OMB or Governor's office. Provide for adequate public review.

p. 150

Conflicts occur in resource development between different State agencies. These conflicts should be resolved in the Office of Management and Budget or in the Governor's office. In issues of broad public interest, there should be adequate comment periods to provide opportunities for public review.

Adopted and implemented.

Administrative Order No. 78 and regulations implementing this order and HB 152 enacted by the 1983 Legislature have placed the coordination of resource development conflicts in the coastal zone in the Office of Management and Budget. The regulations contain fairly short time limits for resolving these conflicts, but do provide adequate

periods for public comment and involvement through the coastal resource districts and coastal resource service area boards.

13-4 The State must do adequate research and impact planning to maintain fisheries resources in the face of offshore oil development.

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Where critical fish and wildlife information is lacking, necessary research must be conducted prior to offshore oil and gas development. In addition, the only effective means of mitigating potential impacts appears to be to anticipate potential problems and provide industry planners and resource managers with comprehensive information on project design and siting criteria before extensive planning or any amount of construction occurs. The State must be committed to the twin tasks of ensuring adequate research and energy impact planning if its marine fisheries and wildlife resources are to be maintained in the face of accelerated offshore oil development.

Adopted and implemented.

With respect to federal offshore oil and gas development, the Governor has communicated a detailed position to the new Secretary of the Interior, William Clark. The Governor requested that the size of lease sale offerings be reduced, that the pace of the overall schedule be slowed, and that a few sales be postponed to allow time for further research and public education efforts. Of particular interest in this regard is the North Aleutian Planning Area (Bristol Bay) sale, currently scheduled for April 1985. The Governor requested a delay until at least 1994 on that sale. The Governor also requested that federal funds be restored to that Outer Continental Shelf Environmental Assessment Program, so that necessary research can be conducted. Secretary Clark has the State's request under advisement, and a response is anticipated any day now.

13-5 Implement regulations to put Instream Flow Law in effect.

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The Instream Flow Law, an amendment to the Alaska Water Use Act, makes it possible to reserve enough water in a stream or river to allow: protection of fish and wildlife habitat, migration and propagation; recreation; navigation; and water quality maintenance. Although

Adopted and implemented.

The DNR has adopted instream flow regulations to implement this important law for allocation of water uses. Allocation has already occurred in some anadromous streams. The regulations became effective on September 11, 1983, and the

this law was passed in 1980, the Department of Natural Resources has still not put into effect regulations to implement it.

It is very important that these regulations be implemented as soon as possible.

department is accepting applications which are complete and filed in accordance with the regulations and statutes.

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| 13-6 Adopt more restrictive options for habitat protection proposed in draft Bristol Bay Cooperative Land Use Plan.

p. 154 | The Bristol Bay Cooperative Land Use Plan, now being prepared for public review in draft form, includes some alternatives which do not provide for habitat protection. To ensure that alternatives favorable for perpetuation of fish and wildlife resources and human use of these resources are adopted, this Task Force strongly endorses the more restrictive options proposed by ADF&G as long as traditional hunting and fishing values are preserved. | Review continuing. | After a thorough public process, the Bristol Bay study group has made recommendations for the Bristol Bay plan that the Alaska Land Use Council has approved in concept. The State supports this plan, believing that it provides the maximum possible protection for resource uses and habitats in accord with public demand. The plan makes special allowances for protection of the region's world-class fishery. |
| 13-7 Consider use of plans such as Bristol Bay Cooperative Land Use Plan for other regions of the State.

p. 155 | It is also the consensus of the Task Force that such land use plans as Bristol Bay has developed could be of value to the rest of the State. | Adopted and implemented. | DNR is presently engaged in a Southeast tidelands planning process. |
| 13-8 Recommend well researched and designed programs to insure habitat and resource protection in coal reserve areas. | The State needs to develop comprehensive, accurate data on fish and wildlife resources that are likely to be affected in coal reserve areas in order to facilitate project planning and review. The State should develop cost-effective recommendations for mitigating adverse impacts to | Adopted, work towards implementation in progress. | It is important to do research in coal resource areas which are likely for commercial development. Specific study areas include resource inventory, water quality changes, and physical disruption of habitat. |

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fish, wildlife, and habitat resources. Efforts should be made to foster innovative design and experimental programs to optimize habitat protection, reclamation and enhancement programs.

13-9 Insure that DEC and ADF&G are staffed and organized to adequately regulate placer mining operations. Do stream reclassification only under close consideration of fishery habitat needs.

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DEC and ADF&G Habitat Division must be adequately staffed and coordinated to ensure inspection trips to help the larger placer mining operations meet regulations. Stream reclassification should be done under close scrutiny, and include consideration of the present downstream uses and fishery habitat needs. The placer mining industry is economically important to Alaska, but it must be regulated so that other resources do not suffer.

Adopted and implemented.

DNR, F&G, DEC should be adequately staffed to monitor and regulate placer mining operations. Reclassification of streams is one tool available to potentially accommodate renewable and nonrenewable resource activity. However, reclassification cannot place in jeopardy in-stream or down-stream users or the ability to protect and propagate fish resources. It is recognized that placer mining and fish production can, in certain circumstances, be incompatible.

ADEC will concentrate field efforts first on improper settling pond operations and second on turbidity violations on the most sensitive, high-conflict streams, which include those frequently used for fishing and canoeing, for significant sources of community drinking water supplies, and for subsistence. ADEC will cooperate with ADF&G, EPA, DNR and other agencies in developing sound permits, monitoring and enforcing their conditions, and advancing technologies for gold recovery and pollution controls compatible with overall resource conservation responsibilities and mandates.

13-10 Retain present form of Corps of Engineers' 404 permit program.

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The Governor and our Congressional Delegation should take a strong stand to retain the Corps of Engineers' 404 individual permit program in its present form. If required, the State should go to court to retain the original program. There may be a need for a faster review process to speed up permitting, and there may be ways to better serve the public. But the very fact of having the permit is most important to habitat and water quality management, and its authority should not be diluted.

Adopted and implemented.

The Department of Environmental Conservation was disappointed over the Corp's proposal to provide general 404 permits for wetlands. The State believes: (1) Activities should be permitted and not the environments in which the activities take place; and (2) the department wishes to retain the ability (through the 401 certification process) to review each permit. The State of Alaska is pursuing the procedural issue on the 401 certification suit. Laura Davis, Assistant Attorney General, is working on the case. She has written "statements of fact" which she is going to finalize by March 9 and submit to the Corps of Engineers and the Justice Department. Once that is done, Ms. Davis will prepare the legal brief for suit. ADEC and ADNR are working closely on this issue.

13-11 Direct ADF&G to research impact of clearcut logging on fisheries in S.E. and other areas of the State. Include results in Alaska Lands Act report to Congress in 1985 on status of timber harvest in S.E.

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The Alaska Lands Act requires a report to Congress in 1985 on the status of timber harvest in Southeast Alaska. The Governor should immediately direct the Alaska Department of Fish and Game and other appropriate State agencies to research the biological and economic impact of clearcut logging on sport, subsistence and commercial fisheries for inclusion in that report. This research should also take into account timber harvest impacts on fishery habitat in all areas of the State where timber harvest activities take place.

Adopted and implemented.

The Office of Management and Budget has been directed to coordinate state agency involvement in developing a state response to the USFS, TLMP Evaluation, 706(a) and (b) reports to Congress, and TLMP Revision. This analysis will include an analysis of both the biological and economic implication of logging in the Tongass. ADF&G is actively participating in this process and is continuing work on the impacts of logging on fish and mammals.

13-12 Insure strict compliance of timber harvest regulations. In the case of violations, assess penalties equal to losses incurred by the fishing industry.

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Additionally, it is necessary for the State to place immediate, increased emphasis on enforcement to ensure timber harvesting operators comply strictly with all applicable regulations. Penalties assessed against violators should be strict and should incorporate economic penalties equal to the long-term economic and social losses incurred by the fishing industry through such violations.

Adopted and implemented.

However the assessment of penalties as recommended is probably not possible due to the difficulty of defining the degree of loss to the fishing industry and the fact that the actual assessment of penalties is generally a responsibility of the court.

Alaska State Legislature

MAR 05 1984

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



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

SENATE ADVISORY COUNCIL

MEMORANDUM

TO: Senator Kerttula
FROM: Bill Hall *awh*
DATE: March 5, 1984
RE: SB473 - Fisheries Council

when is hearing

Back up

You introduced SB473, which is a bill to create a fisheries council along the lines of the Agriculture Action Council, and it is scheduled for hearing by the Senate Fisheries Committee. The bill was suggested to UFA by Paul Huppert and they passed a resolution recommending it. The need for a fisheries council was also a central recommendation of the Governor's Fisheries Task Force.

Politically active members of the commercial fishing industry (both fishermen and processors) consider a fisheries council to be extremely important in that it provides a forum for the interaction of private industry with government. The need is considered to be especially acute with the Sheffield administration which has not provided the seafood industry with the means of access to government that it had become accustomed to with past administrations.

The Sheffield administration has asked UFA to back off on the bill as it is not compatible with the Governor's "management style".

This first hearing will tell us how much effort the seafood industry is willing to put behind the legislation. If they do not express a strong commitment to it, then I see no reason to push it.

Alaska State Legislature

BETTYE FAHRENKAMP, Chairman
ROBERT H. ZIEGLER, SR., Vice Chairman
DICK ELIASON
PAUL FISCHER
VIC FISCHER
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Senate

Committee on Resources

MEMORANDUM

TO: Senate Resources Committee Members

FROM: Senate Resources Committee Staff

RE: Committee Meeting, Friday, March 16.
TELECONFERENCE TO: ANCHORAGE, KETCHIKAN, CORODOVA,
HAINES, SITKA, YAKUTAT, AND FAIRBANKS.

DATE: March 14, 1984

On Friday, March 16 at 3:00 pm in the Beltz Room, the Senate Resources Committee will hear the following bills:

SB 202, An Act establishing the Yakataga State Forest; and providing for an effective date.

SB 202 would establish approximately 460,000 acres of state-owned lands between Cape Suckling and Icy Bay as the Yakataga State Forest. According to the Department of Natural Resources, these are among the most productive forest lands owned by the State and the timber resources are currently being managed on a sustained yield basis.

A Resources Committee Substitute has been prepared to reflect provisions of the State Forest System established last year in SB 108:

- 1) A management plan must be adopted, implemented, and maintained within three years.

2) The forest would be managed for multiple use, specified in AS

41.17.230(e) as:

- commercial timber harvest
- personal use timber harvest
- mining/material extraction
- recreation
- fish and wildlife habitat management
- greenbelts
- trapping
- sport and subsistence hunting and fishing
- grazing
- watershed management research
- other traditional, compatible uses

The Department will propose an amendment to accommodate a pending land exchange with the Seldovia Native Association (see attached).

SB 473, An Act establishing the Alaska Fisheries Council; and providing for an effective date.

SB 473 would establish the Alaska Fisheries Council within the Department of Fish and Game. A fisheries policy for the state would be developed through the cooperative interactions of state government officials and representatives of the seafood industry.

SB 479, An Act relating to a forest products business loan guarantee program.

SB 479 would establish a Forest Products Business Loan Guarantee Fund in the Department of Revenue. Money in the fund could be used to guarantee a loan for financing employee purchase of a forest products business. The state could guarantee up to 50% of a loan, to a maximum of \$30 million.

In an effort to keep the Louisiana-Pacific pulp mill in Ketchikan (LPK) afloat, its 800 employees have agreed to purchase 56% of the stock. In order for the purchase to occur, the employees need \$50 million in financing, which they feel will not be available without a guarantee from the State.

A proposed \$25 million appropriation to the Department of Revenue would serve as the guarantee. As long as the employees make their loan payments on time, the money would not be drawn upon. However, if the employees were to default, under SB 479 the state would be obligated to pay 50% of the amount in default.

Two amendments to the bill will be proposed (see attached).



SB 473
3/19/84

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

08.01 Public Advisory System (Boards and Commissions)

The Governor will strive to achieve a ^{broad} board representation of Alaskan residents on existing boards and commissions. Boards and commissions and their agency support staff will be encouraged to streamline operations in order to provide their advise to the government in the most cost-effective manner possible. Among the strategies to be explored by the Governor's Office are the following: removal of statutory restrictions for public seats; review of alternatives to authorities, boards, commissions, corporations, advisory committees, panels, and task forces; reduction in the number of boards and commissions by merger or consolidation; avoidance of creation of new boards; and establishment of closer ties to line authority.

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Alaska State Legislature

BETTYE FAHRENKAMP, Chairman
ROBERT H. ZIEGLER, SR., Vice Chairman
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Senate

Committee on Resources

MINUTES

March 19, 1984
3:08 pm

Beltz Room
Room 211, Capitol

MEMBERS PRESENT

Senator Fahrenkamp, Chairman
Senator Ziegler, Vice Chairman
Senator Eliason
Senator Paul Fischer
Senator Vic Fischer
Senator Mulcahy
Senator Sturgulewski

CALENDAR

SB 202, An Act establishing the Yakataga State Forest.

SB 225, An Act creating the Matanuska Valley Moose Range.

SB 297, An Act establishing the land clearing account in the agricultural revolving loan fund; and providing for an effective date.

SB 298, An Act making a continuing appropriation of repayments of the principal and interest on loans made by the Alaska Agricultural Action Council for land clearing to the land clearing account in the agricultural revolving loan fund; and providing for an effective date.

SB 473, An Act establishing the Alaska Fisheries Council; and providing for an effective date.

SB 479, An Act relating to a forest products business loan guarantee program; and providing for an effective date.

SB 202

Gary Gustafson, Division of Land and Water Management, Department of Natural Resources, explained the Department's proposed amendment that would provide an opportunity to trade up to 3000 acres of land within the proposed Yakataga State Forest to the Seldovia Native Corporation.

Senator Eliason moved to adopt the Committee Substitute and the proposed DNR amendment. There was no objection. He then moved CS SB 202 from committee with individual recommendations, noting Senator Sturgulewski's abstention for possible conflict of interest. There was no objection.

SB 473

Carol Derfner, Special Assistant to the Governor, Boards and Commissions, testified that the Governor did not encourage the creation of another advisory board on fishery issues, and cited the existence of the mini-cabinet on fisheries, the fisheries task force, and many other local, regional, and federal advisory boards and commissions.

Steve Pennoyer, Deputy Commissioner, Department of Fish and Game, testified that there are already 72 advisory committees that advise the Board of Fisheries on policy issues. The department is opposed to this bill.

Greg Baker, Director, Office of Commercial Fisheries Division, Department of Commerce and Economic Development, testified that the Department agrees with the needs outlined in the bill, but feels the Governor's mini-cabinet on fisheries is serving that function.

Phil Daniel, United Fishermen of Alaska, spoke in support of the bill, citing the need for more industry participation in the Governor's mini-cabinet.

SB 479

Milt Barker, Deputy Commissioner, Treasury Division, Department of Revenue, spoke in support of the Committee Substitute that incorporates the changes recommended by the Department.

Senator Ziegler moved CS SB 479 from committee with individual recommendations. There was no objection.

SB 225

Chuck Hawley, owner of coal leases within the proposed Moose Range, asked for assurances that his leases would not be affected by establishment of the Moose Range.

Richard Ramsey, Aide to Senator Kerttula, testified to the loss of moose habitat due to development, and stressed the support of local residents. The existing language in the bill is intended to include coal mining.

Bob Arnold, Deputy Commissioner, Department of Natural Resources, speaking for the Department of Fish and Game also, spoke in general support of the bill, but indicated that the Department's are not agreed on the boundaries and management for the proposal.

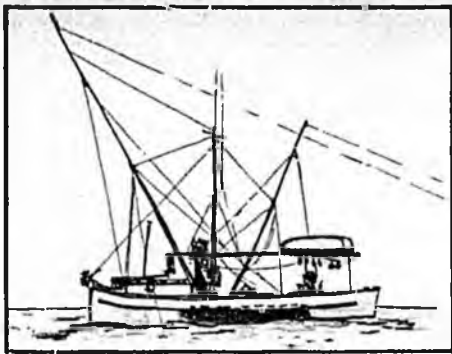
Bill Beaty, Chief of Resource Allocation, Division of Land and Water Management, Department of Natural Resources, explained that the proposed area is currently undergoing an extensive planning and public review process as part of the Susitna area plan, and that several issues in the plan remain unresolved.

SB 297

SB 298

Senator Moss, sponsor of the bills, explained that they would provide for a separate land clearing account within the Agricultural Revolving Loan Fund and allow repayment of outstanding clearing loans to the account. He proposed an amendment that would grant a 5 year moratorium on repayment of outstanding clearing loans.

The meeting adjourned at 4:27 pm.



Alaska Trollers Association

REPRESENTING ALASKA POWER TROLLERS

205 North Franklin Street
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SENATE BILL NO. 473

Jay Kertula

The Alaska Trollers Association feels that the intent of this Bill is good. We perceive it to be addressing the major recommendations of the Governor's Special Fisheries Task Force. We note that though there was no formal fiscal note attached, A.D.F.&G. has estimated a cost of \$350,000/year. Whether the cost is \$100,000 or \$500,000 is not the issue; the issue is which mechanism can best address the Fishery Task Force recommendations. The administration has responded by developing a Mini-Cabinet approach. The Governor's first step was to recall the Fishery Task Force and, with his Commissioners and Directors (the Mini-Cabinet), has explained to the Task Force what changes they had made to address each of the 100-plus concerns and recommendations of industry. We understand that the Mini-Cabinet will continue interfacing and utilizing the Fishery Task Force in yearly, general meetings, public port-type meetings, and small committee meetings to culminate the spirit of the Task Force recommendations. We feel that this approach has a high probability of success. Because of this, the Trollers would ask that this Bill be tabled, at least until the next Session, to allow the Governor's Mini-Cabinet approach to either fail or succeed in addressing the Fishery Task Force recommendations.

APR 5 1984

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SENATE RESOURCES COMMITTEE
LEGISLATION CHECKLIST

IDENTIFICATION:

BILL NUMBER: *SB 479*

BILL NAME:

SPONSOR(S): *Kurtz - Bugler*

RELATED BILLS PENDING:

DATE INTRODUCED:

REFERRALS:

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:

Vince O'Reilly - Dep. Comm. - CED-2500

Milt Barker, Dep. Dir., Div. of Treasures - DOR - 2350

*Wally Kubley - Lobbyist for Ketchikan Pulp Corp (Louisiana-Pacific Corp)
586-3611*

TESTIMONY CONCERNING SB 479
SENATE LABOR AND COMMERCE COMMITTEE
MARCH 1, 1984

SB 479: "An Act relating to a forest products business loan guarantee program; and providing for an effective date."

I. We share with you the deep concern over the grave situation facing all aspects of the Southeast timber industry. We are aware the larger mills must operate in order for the economics of the small operators to function. We have evidenced our concern by:

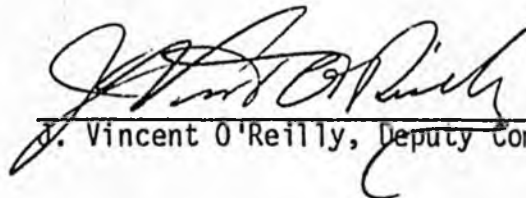
- A. Meeting with involved parties and participating in their presentations.
- B. Meeting with other departments and agencies of the State attempting to arrive at mutually agreeable and reasonable environmental controls.
- C. Causing to be performed overview studies focused on the Southeast timber situation. More studies and solution alternatives will be offered.

II. Our view on this bill is that it offers a solution, but it may not be aimed at the right problems.

- A. The problems of the larger mills' operation appear to be:
 - 1. Markets for their product both as to volume price and stability.
 - 2. Raw material supply.
 - 3. Environmental and operating regulations.
 - 4. Labor costs and efficiency.

III. This bill offers a means of transfer of ownership, but that may be only a transfer of the problems from one group to another.

Our view is that the State's assets should be used to solve economic problems to the benefit of our citizens. But before we put our citizens and the State more at risk by freezing staff assets in a guarantee, we should perhaps assist in applying the State's assets in solving the major problems.


Vincent O'Reilly, Deputy Commissioner

Department of Commerce
& Economic Development / POSITION PAPER

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

March 16, 1984
3:05 pm

Beltz Room
Room 211, Capitol

MEMBERS PRESENT

Senator Fahrenkamp, Chairman
Senator Ziegler, Vice Chairman
Senator Eliason
Senator Paul Fischer
Senator Mulcahy
Senator Sturgulewski

CALENDAR

SB 202, An Act establishing the Yakutat State Forest.

SB 479, An Act relating to a forest products business loan guarantee program.

TELECONFERENCED TO: Haines, Sitka, Yakutat, Cordova, Ketchikan, Fairbanks, Petersburg, and Anchorage.

SB 202

John Sturgeon, State Forester, Department of Natural Resources, spoke in support of the Committee Substitute, emphasizing the advantages with respect to timber sales. He also discussed the DNR amendment that would allow a land exchange.

Senator Eliason moved to adopt the Committee Substitute. There was no objection.

Phil Holdsworth, Alaska Miners Association, Juneau, testified in support of the Committee Substitute, and stressed the need for a management plan.

Oliver Osborn, President, Cordova Lands Coalition, spoke in support of the bill, but objected to DNR's proposed amendment.

Dick Groff, Cordova, spoke in support of the bill.

Larry Powell, Mayor, City of Yakutat, spoke in support of the bill, urging the protection of the fisheries while providing for a greater variety of resource development.

Don Bell, Manager, Alaska Loggers Association, Ketchikan, testified in support of the bill.

Cal Kerr, North Coast Mining, Anchorage, spoke in support of the bill. He recommended an inventory of minerals in the area be done and additional acreage be included.

Jerry McCutcheon, Anchorage, suggested an amendment to require that timber from the forest be processed in-state.

Al Harris, Alaska Society of American Foresters, Juneau, testified in support of the bill.

Larry Revell, Yakutat, spoke in support of the bill.

Wolfgang Falke, Fairbanks, pointed out a technical error in the statute citations referenced in the bill.

SB 479

Richard Ramsey, Aide to Senator Kerttula, explained that Forest Products Business Loan Guarantee Fund money could be used to guarantee a loan for financing the purchase of a forest products business.

Vincent O'Reilly, Deputy Commissioner, Department of Commerce and Economic Development, supported the concept of the bill.

Milt Barker, Division of Treasury, Department of Revenue, proposed an amendment to the bill to ensure that the net cash flow from the forest products business provide adequate coverage of the debt service on the loan.

Wally Kubley, representing Louisiana-Pacific, Ketchikan (LPK), explained that the \$25 million state guarantee needed to allow employee purchase of the Louisiana-Pacific Ketchikan mill may be included in the operating budget.

Martin Pihl, Comptroller and Assistant Manager, LPK, Rick Benner and Dick Robb, LPK employees, spoke in support of the bill and discussed how employee purchase of the mill would work and the economic projections the financing plan is based on.

Tom Cashen, AFL-CIO, spoke in support of the bill.

The meeting adjourned at 4:45 pm.

MR PHL
2/24/84

A. HISTORY OF OWNERSHIP
KETCHIKAN PULP COMPANY

MAY 1954 START OF PULP MILL OPERATION

JOINT VENTURE 50% OWNED EACH BY
AMERICAN VISCOSE CORPORATION, PHILADELPHIA PENN
(PROVIDING MARKET FOR 70-80% OF PRODUCTION)
PUGET SOUND PULP AND TIMBER COMPANY, BELLINGHAM
WASHINGTON
(PROVIDING OPERATING MGMT TO VENTURE)

1963

FMC CORPORATION PURCHASES AMERICAN
VISCOSE CORP
and
GEORGIA-PACIFIC CORPORATION PURCHASES
PSP & T

1/1/73

LOUISIANA-PACIFIC CORPORATION IS FORMED BY
SPIN-OFF FROM G-P AND KPC IS
INCLUDED AS A DIVISION OF L-P,

11/1/76

L-P PURCHASES REMAINING INTEREST IN
KPC FROM FMC.

KETCHIKAN PULP COMPANY CONTINUES AS
A CORPORATE ENTITY THROUGHOUT, IS NOW A
WHOLLY OWNED SUBSIDIARY OF L-P, AND
OPERATES AS THE KETCHIKAN DIVISION
OF LOUISIANA-PACIFIC CORPORATION.

LOUISIANA-PACIFIC CORPORATION
KETCHIKAN DIVISION

M.R. PHEL
2/24/84

B. HISTORY OF OPERATIONS
KETCHIKAN PULP COMPANY

MAY 1954 BEGINNING OF OPERATIONS, LOGGING
AND PULP MILL OPERATIONS

1967 GEORGIA-PACIFIC CORPORATION PURCHASES
KETCHIKAN SPRUCE MILLS FROM DALY FAMILY
AND CONTRIBUTES KSM TO KETCHIKAN PULP
COMPANY. FMC CONTRIBUTES EQUAL
AMOUNT OF CASIT TO KPC TO MAINTAIN
EQUAL JOINT VENTURE IN KPC.

PURPOSE DEVELOP INTEGRATED OPERATION AND
IMPROVE FOREST UTILIZATION,

1971 KPC (KSM) ACQUIRES INTEREST OF
ALASKA PRINCE TIMBER IN OPERATING
LEASE OF SAWMILL AT ANNETTE ISLAND
FROM COMMUNITY OF METLAKATVA.

1981 LOUISIANA-PACIFIC CORPORATION ASSIGNS
OPERATING (MANAGEMENT RESPONSIBILITY FOR
SEWARD ALASKA SAWMILL (KENAI LUMBER
COMPANY) TO KETCHIKAN DIVISION OR
KPC.

LOUISIANA PACIFIC CORPORATION
KETIKHIAN DIVISION

2. EMPLOYMENT DATA
KETIKHIAN BULP COMPANY

No. EMP	1984	1983
Peak	1984	1983
EMPLOYMENT	ANNUAL	ANNUAL
(BETTER MARKETS)	PAYROLL	PAYROLL

1. KPE DIRECT LOGGING
STUMPS, PULP, SALPED 800
\$ 24 million

2. KPE CONTRACTORS
LOGGING, ROADBUILDING,
TOW BOATS ETC

800	1,400
2,000	

MICHAEL
2/24/84

2) The forest would be managed for multiple use, specified in AS

41.17.230(e) as:

- commercial timber harvest
- personal use timber harvest
- mining/material extraction
- recreation
- fish and wildlife habitat management
- greenbelts
- trapping
- sport and subsistence hunting and fishing
- grazing
- watershed management research
- other traditional, compatible uses

The Department will propose an amendment to accommodate a pending land exchange with the Seldovia Native Association (see attached).

SB 473, An Act establishing the Alaska Fisheries Council; and providing for an effective date.

SB 473 would establish the Alaska Fisheries Council within the Department of Fish and Game. A fisheries policy for the state would be developed through the cooperative interactions of state government officials and representatives of the seafood industry.

SB 479, An Act relating to a forest products business loan guarantee program.

SB 479 would establish a Forest Products Business Loan Guarantee Fund in the Department of Revenue. Money in the fund could be used to guarantee a loan for financing employee purchase of a forest products business. The state could guarantee up to 50% of a loan, to a maximum of \$30 million.

In an effort to keep the Louisiana-Pacific pulp mill in Ketchikan (LPK) afloat, its 800 employees have agreed to purchase 56% of the stock. In order for the purchase to occur, the employees need \$50 million in financing, which they feel will not be available without a guarantee from the State.

A proposed \$25 million appropriation to the Department of Revenue would serve as the guarantee. As long as the employees make their loan payments on time, the money would not be drawn upon. However, if the employees were to default, under SB 479 the state would be obligated to pay 50% of the amount in default.

Two amendments to the bill will be proposed (see attached).

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

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

ADMINISTRATIVE COSTS OF MAKING PAYMENTS

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

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

LOUISIANA PACIFIC EMPLOYMENT INFORMATION

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

January 11, 1984

The Honorable Albert P. Adams
Chairman House Finance Committee
Pouch V
Juneau, AK 99811

Dear Representative Adams:

Pursuant to your request, I am outlining the history and status of the rainy day fund.

Section 1, Ch. 171 SLA 1980 appropriated \$350 million to the reserve for emergency expenses operating account ("rainy day fund").

Sections 2 and 3 of Ch. 171, SLA 1980 authorized transfers of \$5 million per annum from the rainy day fund to both the fire suppression fund and the disaster relief fund, effective July 1, 1980. These sections would have resulted in a rainy day fund balance of \$330 million at the end of FY 82.

However, section 4 of Ch. 34, SLA 1982 reduced the original appropriation by \$100 million, thus lowering the balance at the end of FY 82 to \$230 million.

Sections 8 and 9 of Ch. 34, SLA 1982 also provided that one year later \$100 million that had been appropriated to the fishery product revolving loan guarantee fund would lapse into the rainy day fund. In addition, section 2 of Ch. 30, SLA 1982 increased the authorization for transfers to the fire suppression fund to \$9 million per annum. Thus, at the end of FY 83 the rainy day fund balance was \$316 million.

Henceforth, under current law, the fund may continue to decline by as much as \$14 million per annum at the governor's discretion.

Sincerely,


Milt Barker
Deputy Commissioner

MB:aw

cc: Hon. Robert D. Heath

DOR

Proposed Amendments
to
SB 479

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

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

STATE OF ALASKA
THE LEGISLATURE

POUCHY STATE CAPITOL
JUNEAU ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 27, 1984

SUBJECT: Sectional analysis of
SB 479

TO: Senator Ja'mar Kerttula

FROM: *LH* Linn H. Asper
Legislative Council

You have asked for a sectional analysis of SB 479, relating to a forest products business loan guarantee program.

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

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

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

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

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

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

Senator Kerttula
Page 2
February 27, 1984

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

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

Section 2 of the Act provides an immediate effective date.

LHA:csh
C2/137

Introduced: 2/13/84
Referred: Labor and Commerce
Resources and
Finance

*State guarantees
50% of loan
principal - no
interest.*

- neutral
- LPK employees have recently negotiated purchase of mill. Need \$40 million loan - put up 10 million. Need guarantee of \$20 million+. Appropriation to accompany as guarantee - \$ has to be put up. As long as employees make payments on time, \$ just sits in State treasury & earns interest.
If employees default, State pays 50% of payments.
BY KERTTULA AND ZIEGLER

1 IN THE SENATE

SENATE BILL NO. 479

2

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to a forest products business loan guarantee program; and providing for an effective date."

7

8

9

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

10

* Section 1. AS 45 is amended by adding a new chapter to read:

11

CHAPTER 94. FOREST PRODUCTS BUSINESS LOAN GUARANTEE PROGRAM.

12

Sec. 45.94.010. ESTABLISHMENT OF LOAN GUARANTEE FUND. The

13

forest product business loan guarantee fund is established in the Department of Revenue.

14

15

Sec. 45.94.020. FOREST PRODUCTS BUSINESS LOAN GUARANTEE PROGRAM.

16

The department may use money in the fund to guarantee a loan for the purpose of financing the purchase of 35 percent or more of the stock or assets of a forest products business by, on behalf of, or for the benefit of the employees of that business, as provided in AS 45.94.-050.

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21

Sec. 45.94.030. POWERS AND DUTIES OF THE DEPARTMENT. (a) The

22

commissioner may

23

(1) designate agents and delegate powers necessary to

24

implement this chapter;

25

(2) adopt regulations to implement this chapter;

26

(3) make and execute contracts and other instruments to

27

implement this chapter;

28

(4) acquire real or personal property by purchase, trans-

29

fer, or foreclosure when the acquisition is necessary to protect an

*provide adequate collateral
for the debt service on the
loan. The applicant shall provide
an economic & financial
feasibility analysis prepared by
a firm acceptable to the Dept.*

*Milt Barker -
Reserve*

1 interest in the fund.

2 (b) The commissioner shall require that a loan guaranteed by the
3 fund be secured by adequate collateral. *that the net cash flow from the
forest products business*

4 Sec. 45.94.040. INVESTMENT OF THE FUND. Money in the fund that
5 is not being used for loan guarantees under this chapter shall be
6 invested as provided for the investment of state treasury surplus
7 under AS 37.10.070. Income from investment shall be transferred to
8 the general fund. *Perm Fund guidelines*

9 Sec. 45.94.050. CONDITIONS OF LOAN GUARANTEES. (a) The depart-
10 ment may guarantee a loan under this chapter if

11 (1) the term of the loan does not exceed 10 years;

12 (2) the loan is secured by the real or personal property,
13 inventory or accounts receivable of the forest products business, or
14 by other collateral acceptable to the department;

15 (3) the loan is originated with and serviced by the Alaska
16 Commercial Fishing and Agriculture Bank, or by a state or federally
17 chartered financial institution located in the state; and

18 (4) the loan is made to the employees of the forest pro-
19 ducts business, to an employee stock ownership trust, or to one or
20 more corporations or other business associations or entities in which
21 the employees of the forest products business hold an interest that is
22 equal to or greater than the interest held by the seller of the forest
23 products business.

24 (b) The department may provide a guarantee from the fund for up
25 to 50 percent of a loan, but may not guarantee less than \$5,000,000 or
26 more than \$30,000,000 per borrower. The department may not guarantee
27 the payment of annual interest on the guaranteed portion of a loan.

28 (c) Upon default by a borrower, the amount of the maximum liabi-
29 lity of the fund for a loan guarantee under this chapter is the

1 percentage of the amount in default specified by the department in the
2 guarantee agreement.

3 Sec. 45.94.055. ADDITIONAL GUARANTEES. Not less than 30 days
4 after the department enters into a contract to guarantee a loan to a
5 borrower under this chapter, the department may enter into a contract
6 to guarantee another loan to that borrower under this chapter.

7 Sec. 45.94.060. DEFINITIONS. In this chapter

8 (1) "commissioner" means the commissioner of revenue;

9 (2) "department" means the Department of Revenue;

10 (3) "forest products business" means a sole proprietorship,
11 partnership, corporation or other business organization formed for the
12 purpose of harvesting or processing timber or other forest resources;

13 (4) "fund" means the forest products business loan guaran-
14 tee fund.

15 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
16 10.070(c).

*Milt's amendment
normal on business loans
Lang there lifted from Fish-Har
financing
is inventory financing (product already
produced) for 1yr. Product serves as
collateral
how financing plans & equipment -
like a mortgage loan
10yr loan*

*Senior must show can
as part of business
as collateral*

*- This is how revenue make
determination anyway.*

Introduced: 2/13/84
Referred: Labor and Commerce
Resources and
Finance

1 IN THE SENATE

BY KERTTULA AND ZIEGLER

2

C.S. SENATE BILL NO. 479

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to a forest products business loan
7 guarantee program; and providing for an effective
8 date."

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

10 * Section 1. AS 45 is amended by adding a new chapter to read:

11 CHAPTER 94. FOREST PRODUCTS BUSINESS LOAN GUARANTEE PROGRAM.

12 Sec. 45.94.010. ESTABLISHMENT OF LOAN GUARANTEE FUND. The
13 forest product business loan guarantee fund is established in the
14 Department of Revenue.

15 Sec. 45.94.020. FOREST PRODUCTS BUSINESS LOAN GUARANTEE PROGRAM.
16 The department may use money in the fund to guarantee a loan for the
17 purpose of financing the purchase of 35 percent or more of the stock
18 or assets of a forest products business by, on behalf of, or for the
19 benefit of the employees of that business, as provided in AS 45.94.-
20 050.

21 Sec. 45.94.030. POWERS AND DUTIES OF THE DEPARTMENT. (a) The
22 commissioner may

23 (1) designate agents and delegate powers necessary to
24 implement this chapter;

25 (2) adopt regulations to implement this chapter;

26 (3) make and execute contracts and other instruments to
27 implement this chapter;

28 (4) acquire real or personal property by purchase, trans-
29 fer, or foreclosure when the acquisition is necessary to protect an

1 interest in the fund.

2 (b) The commissioner shall . . . that a loan guaranteed by the
3 fund be secured by adequate collateral, [✓] AND THAT THE NET CASH

1. FLOW FROM THE FOREST PRODUCTS BUSINESS PROVIDE ADEQUATE COVERAGE
FOR THE DEBT SERVICE ON THE LOAN. THE APPLICANT SHALL PROVIDE
AN ECONOMIC AND FINANCIAL FEASIBILITY ANALYSIS PREPARED BY A
FIRM ACCEPTABLE TO THE DEPARTMENT.

4 Sec. 45.94.040. INVESTMENT OF THE FUND. Money in the fund that
5 is not being used for loan guarantees under this chapter shall be
6 invested as provided for the investment of state treasury surplus
7 under AS 37.10.070. Income from investment shall be transferred to
8 the general fund.

9 Sec. 45.94.050. CONDITIONS OF LOAN GUARANTEES. (a) The depart-
10 ment may guarantee a loan under this chapter if

11 (1) the term of the loan does not exceed 10 years;

12 (2) the loan is secured by the real or personal property,
13 inventory or accounts receivable of the forest products business, or
14 by other collateral acceptable to the department;

2. 15 (3) the loan is originated with and serviced by [the Alaska
16 Commercial Fishing and Agriculture Bank, or by] a state or federally
17 chartered financial institution [located in the state] and

18 (4) the loan is made to the employees of the forest pro-
19 ducts business, to an employee stock ownership trust, or to one or
20 more corporations or other business associations or entities in which
3. ~~CONTROLLING INTEREST IS HELD BY STATE RESIDENTS WHO ARE~~
21 the employees of the forest products business [hold an interest that is
22 equal to or greater than the interest held by the seller of the forest
23 products business].

24 (b) The department may provide a guarantee from the fund for up
25 to 50 percent of a loan, but may not guarantee less than \$5,000,000 or
26 more than \$30,000,000 per borrower. The department may not guarantee
27 the payment of annual interest on the guaranteed portion of a loan.

4. ~~AT ANY TIME FOLLOWING~~
28 (c) ~~Upon~~ default by a borrower, the amount of the maximum liabi-
29 lity of the fund for a loan guarantee under this chapter is the

1 percentage of the amount in default specified by the department in the
2 guarantee agreement., multiplied by the amount then in default.
Any amounts received in satisfaction of a default shall be shared
between the lender and the fund according to the percentage
specified by the Department in the guarantee agreement until all
principal has been repaid.

5.

3 [Sec. 45.94.055. ADDITIONAL GUARANTEES. Not less than 30 days
4 after the department enters into a contract to guarantee a loan to a
5 borrower under this chapter, the department may enter into a contract
6 to guarantee another loan to that borrower under this chapter.]

7 Sec. 45.94.060. DEFINITIONS. In this chapter

8 (1) "commissioner" means the commissioner of revenue;

9 (2) "department" means the Department of Revenue;

10 (3) "forest products business" means a sole proprietorship,
11 partnership, corporation or other business organization formed for the
12 purpose of harvesting or processing timber or other forest resources;

13 (4) "fund" means the forest products business loan guaran-
14 tee fund.

15 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
16 10.070(c).

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

March 19, 1984

CS SB 479 (Res)

1. Department of Revenue amendment to require that an applicant show it can service a loan.
2. The original language referencing the Commercial Fishing and Agriculture Bank was pulled from current statute on Fish-Pac financing. It is not appropriate in this bill.
3. Clarifies that the controlling interest in corporations that apply for a loan guarantee must be held by state residents.
4. Department of Revenue amendment clarifying how the State's investment is protected in case of default by the borrower.
5. Deletes the provision regarding subsequent guarantees.

THIS AMENDMENT WILL BE ADDRESSED BY WALLY KUBLEY, WHO REPRESENTS LPK. THE AMENDMENT WAS INCORPORATED INTO THE HOUSE VERSION OF THIS BILL, AND KUBLEY WILL PROPOSE IT BE ADDED TO SB 479.

COMMITTEE SUBSTITUTE
FOR HB 627

Sec 45.94.050. CONDITIONS OF LOAN GUARANTEES. (a)

(3) the loan is originated with and serviced by [the Alaska Commercial Fishing and Agriculture Bank, or by] a state or federally chartered financial institution [located in the state]; and

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

Amended version reads:

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

[Sec. 45.94.055. ADDITIONAL GUARANTEES. Not less than 30 days after the department enters into a contract to guarantee a loan to a borrower under this chapter, the department may enter into a contract to guarantee another loan to that borrower under this chapter.]

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: SB 479
 Title: Forest Products Business Loan
Guarantee
 Sponsor: Kerttula
 Requestor: Senate Labor & Commerce
 Date of Request: 2-20-84

FISCAL DETAIL

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<u>TOTAL</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

POSITIONS:

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

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker MB
 Division: Treasury

Phone: 465-2350

Date: 2-23-84

Approved by Commissioner: [Signature]
 Agency: Revenue

Date: 2/28/84

Distribution (by Agency preparing fiscal note):

Legislative Finance

Legislative Sponsor

Requestor

Office of Management and Budget

Impacted Agency(ies)

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 27, 1984

SUBJECT: Sectional analysis of
SB 479

TO: Senator Jalmar Kerttula

FROM: *LH* Linn H. Asper
Legislative Council

You have asked for a sectional analysis of SB 479, relating to a forest products business loan guarantee program.

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

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

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

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

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

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

Senator Kerttula
Page 2
February 27, 1984

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

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

Section 2 of the Act provides an immediate effective date.

LHA:csh
C2/137

Chapter 92. Fishery Product Revolving Loan Guarantee Fund.

<p>Section 10. Establishment of fund 20. Fishery product guarantees 30. Powers and duties of the department 40. Investment of the fund</p>	<p>Section 50. Conditions of loan guarantees 55. Additional guarantees 60. Definitions</p>
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Sec. 45.92.010. Establishment of fund. The fishery product revolving loan guarantee fund is established in the Department of Revenue. (§ 1 ch 33 SLA 1982)

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

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 45.92.060. Definitions. In this chapter

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

Editor's notes. — AS 43.75.010 and AS 43.75.090 were repealed. For present provisions covering the subject matter of the repealed sections, see AS 43.75.011 et seq.

Ketchikan, Alaska, Wednesday, March 7, 1984

Committee approves LPK purchase plan

By GREGG POPPEN

Daily News Staff Writer

Members of the Employee Stock Ownership Trust (ESOT) study committee Tuesday approved a \$50 million employee buy out of Louisiana-Pacific Ketchikan Division (LPK) after months of bargaining with the parent corporation. ESOT would hold 56 percent of the division's stock, with Louisiana-Pacific (L-P) keeping the rest.

About 11 percent of the refinanced stock is expected to be offered to the public by ESOT.

ESOT leader and LPK comptroller Martin Pihl said today the study

committee's 28 members — salaried management employees and union wage employees — had given the purchase proposal close consideration since drafting over the weekend a letter of intent to participate with L-P in the \$90 million deal. "I think we all feel pretty good about it. There was not unanimous approval, but very near," he said.

Pihl said ESOT's purchase of division stock is conditional on finding \$50 million in financing and gaining employee approval of the plan. It must also be approved by the Louisiana Pacific board of directors.

The sale is expected to be completed by mid-1984, according to a press release issued today by Louisiana-Pacific.

L-P proposed the employee buy out last fall and first offered the division to employees for about \$150 million. LPK facilities include the Ward Cove pulp mill, the Ketchikan Spruce Mill on the downtown waterfront and the Kenai Lumber Co. of Seward. Other facilities are logging camps, sorting yards and Annette Hemlock, a sawmill in Metlakatla. Nearly a thousand workers are on the LPK payroll at full production. The pulp

mill is considered Ketchikan's greatest employer.

Financing search

ESOT executives will finish preparing financial documents in the next several weeks with the help of Salomon Brothers, the New York financial consultants who were hired by ESOT. Pihl said ESOT committee members have a list of six major banks in Alaska and the Lower 48 which will hear ESOT's pitch for financing.

Bankers are sure to look closely at what Pihl called ESOT's "viability plan" — a package of operating plans

and management strategies for the prospective employee-run corporation. The plan includes wage and benefits reductions for employees and savings in operating expenditures, particularly at the pulp mill. ESOT leaders said in recent weeks about \$10 million in annual operations savings would be needed to make the division break even.

Employees are hoping the U.S. Forest Service regional forester will grant timber industry cost relief requests that could reduce the price of building roads and harvesting timber. This weekend, industry lead-

ers will meet once again with regional forester John Sandor in Juneau.

Another impending concern is the tentative denial by the U.S. Environmental Protection Agency (EPA) regional administrator of LPK's request for a variance from new wastewater treatment standards. A final ruling by regional administrator Ernesta Barnes will come in late May, she said last week during a Ketchikan visit.

LPK estimates the cost of complying with the EPA treatment regulations at more than \$10 million.

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

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

ADMINISTRATIVE COSTS OF MAKING PAYMENTS

CLAIMENTS	AVERAGE PAYMENT & DURATION	39 WEEKS	52 WEEKS
3,000	\$189,296	\$384,296	_____
6,000	\$378,596	\$769,452	_____
10,000	\$659,711	\$1,281,289	_____

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

LOUISIANA PACIFIC EMPLOYMENT INFORMATION

		<u>PAYROLL</u>	<u>WAGES & BENEFITS</u>
DIRECT EMPLOYMENT	800	\$22.6 million	\$23 - 30 million
SECONDARY EMPLOYMENT	<u>600</u>		
TOTAL EMPLOYMENT	1400		

Proposed Amendments
to
SB 479

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

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

2. Proposed AS 45.94.050(c) is amended to read:

"(c) [UPON] At any time following default by a borrower, the amount of the maximum liability of the fund for a loan guarantee under this chapter is the percentage of the amount in default specified by the department in the guarantee agreement multiplied by the amount then in default. Any amounts received in satisfaction of a default shall be shared between the lender and the fund according to the percentage specified by the department in the guarantee agreement until all principal has been repaid."

March 1, 1984

INTRODUCTION OF SB 479

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

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

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

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

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

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

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

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

March 19, 1984
3:08 pm

Beltz Room
Room 211, Capitol

MEMBERS PRESENT

Senator Fahrenkamp, Chairman
Senator Ziegler, Vice Chairman
Senator Eliason
Senator Paul Fischer
Senator Vic Fischer
Senator Mulcahy
Senator Sturgulewski

CALENDAR

SB 202, An Act establishing the Yakataga State Forest.

SB 225, An Act creating the Matanuska Valley Moose Range.

SB 297, An Act establishing the land clearing account in the agricultural revolving loan fund; and providing for an effective date.

SB 298, An Act making a continuing appropriation of repayments of the principal and interest on loans made by the Alaska Agricultural Action Council for land clearing to the land clearing account in the agricultural revolving loan fund; and providing for an effective date.

SB 473, An Act establishing the Alaska Fisheries Council; and providing for an effective date.

SB 479, An Act relating to a forest products business loan guarantee program; and providing for an effective date.

SB 202

Gary Gustafson, Division of Land and Water Management, Department of Natural Resources, explained the Department's proposed amendment that would provide an opportunity to trade up to 3000 acres of land within the proposed Yakataga State Forest to the Seldovia Native Corporation.

Senator Eliason moved to adopt the Committee Substitute and the proposed DNR amendment. There was no objection. He then moved CS SB 202 from committee with individual recommendations, noting Senator Sturgulewski's abstention for possible conflict of interest. There was no objection.

SB 473

Carol Derfner, Special Assistant to the Governor, Boards and Commissions, testified that the Governor did not encourage the creation of another advisory board on fishery issues, and cited the existence of the mini-cabinet on fisheries, the fisheries task force, and many other local, regional, and federal advisory boards and commissions.

Steve Pennoyer, Deputy Commissioner, Department of Fish and Game, testified that there are already 72 advisory committees that advise the Board of Fisheries on policy issues. The department is opposed to this bill.

Greg Baker, Director, Office of Commercial Fisheries Division, Department of Commerce and Economic Development, testified that the Department agrees with the needs outlined in the bill, but feels the Governor's mini-cabinet on fisheries is serving that function.

Phil Daniel, United Fishermen of Alaska, spoke in support of the bill, citing the need for more industry participation in the Governor's mini-cabinet.

SB 479

Milt Barker, Deputy Commissioner, Treasury Division, Department of Revenue, spoke in support of the Committee Substitute that incorporates the changes recommended by the Department.

Senator Ziegler moved CS SB 479 from committee with individual recommendations. There was no objection.

SB 225

Chuck Hawley, owner of coal leases within the proposed Moose Range, asked for assurances that his leases would not be affected by establishment of the Moose Range.

Richard Ramsey, Aide to Senator Kerttula, testified to the loss of moose habitat due to development, and stressed the support of local residents. The existing language in the bill is intended to include coal mining.

Bob Arnold, Deputy Commissioner, Department of Natural Resources, speaking for the Department of Fish and Game also, spoke in general support of the bill, but indicated that the Department's are not agreed on the boundaries and management for the proposal.

Bill Beaty, Chief of Resource Allocation, Division of Land and Water Management, Department of Natural Resources, explained that the proposed area is currently undergoing an extensive planning and public review process as part of the Susitna area plan, and that several issues in the plan remain unresolved.

SB 297

SB 298

Senator Moss, sponsor of the bills, explained that they would provide for a separate land clearing account within the Agricultural Revolving Loan Fund and allow repayment of outstanding clearing loans to the account. He proposed an amendment that would grant a 5 year moratorium on repayment of outstanding clearing loans.

The meeting adjourned at 4:27 pm.

Forest
Products Loan
Program

SENATE BILL NO. 479, by Senators Kerttula and Ziegler.
Establishes a Forest Product Business Loan Guarantee Program in the Dept. of Revenue. Money in the loan fund could be used to guarantee a loan for the purpose of financing the purchase of 35 percent or more of the stock or assets of a forest products business by, on behalf of, or for the benefits of the employees of that business. The Commissioner must require that a loan guaranteed by the fund be secured by adequate collateral.

page 306

Money in the fund that is not being used for loan guarantees must be invested under laws governing investment of the Permanent Fund

(AS 37.10.070). Income from the investment would be transferred to the General Fund.

The following conditions must be met before the Dept. of Revenue could guarantee a loan: (1) the term of the loan cannot exceed 10 years; (2) the loan must be secured by real or personal property, inventory or accounts receivable of the forest products business, or by other collateral acceptable to the department; (3) the loan must be originated with and serviced by the Alaska Commercial Fishing and Agriculture Bank, or by a state or federally chartered financial institution located in Alaska; and (4) the loan must be made to the employees of the forest products business, to an employee stock ownership trust, or to one or more corporations or other business associations or entities in which the employees of the business hold an interest that is equal to or greater than the interest held by the seller of the business.

The Department could guarantee up to 50 percent of a loan, but could not guarantee less than \$5 million or more than \$30 million per borrower, and could not guarantee the payment of annual interest on the guaranteed portion of a loan.

Upon default by a borrower, the amount of the maximum liability of the fund for a loan guarantee is the percentage of the amount in default specified by the Department in the guarantee agreement.

Allows the Department to grant additional guarantees to the same borrower if 30 days have elapsed since the date the first guarantee contract was signed.

Effective immediately. Identical to HB 627.

David

1. Are approval of LPK employees and Board forthcoming? (this is being referred to only as a "technicality" since an employee group and the Board have together worked out the terms of the purchase)
2. Is there any assurance that the banking industry will provide funding? (this is of course tied to whether or not a state guarantee is provided)
3. How sound is LPK? If LPK was ready to close down because they weren't making a go of it, how do the employees think they can make a go of it? (25% reduction in employee benefits, hoping U.S.F.S. will reduce cost of timber, counting on variance on waste discharge from EPA, recovery of the market)
4. How likely that the mill will close if the employees don't purchase? (apparently likely)
5. What will the effect on the community be if it does close? (Ketchikan mayor says the loss of this major industry would affect at least 1/3 of the community - currently employees 800)
6. Accompanying this loan guarantee bill I understand an appropriation of \$25 million is necessary. What is the status of this appropriation? (Wally Kubley, who lobbies for LPK, has not been successful in having a bill introduced or getting it incorporated into a budget bill. He hasn't given up, though.)
7. How does an Employee Stock Ownership Trust (ESOT) work? (this is what the employees have formed to purchase LPK)

COMMITTEE REPORT
SENATE

FURTHER: FINANCE

3/9/84

Date _____

Mr. President

The Committee on RESOURCES considered SB 479

forest products business loan guarantee program; and.

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

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

Chairman

Chairman recommendation

AMENDMENT FOR APPROPRIATION BILL:

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

S

B

480

SENATE RESOURCES COMMITTEE
LEGISLATION CHECKLIST

IDENTIFICATION:

BILL NUMBER: *SB 480*

BILL NAME: *Establishing commodity marketing commissions*

SPONSOR(S): *Kerttula*

RELATED BILLS PENDING:

DATE INTRODUCED: *2/13/84*

REFERRALS: *Resources*

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:

*Harold Barton - will testify
Richard Ransley - will testify
Don Brown - contacted
Ed Kern - contacted*

Title Change

TO: Bettye
FROM: Sandra
DATE: April 25, 1984

CSHB 480 (Res) RESPONSIBILITIES OF THE COMMISSIONER OF DNR.

SPONSOR: KERTTU'LA

Resources Comm

GENERALLY: WOULD AUTHORIZE THE COMMISSIONER OF D.N.R. TO ASSIST IN THE ESTABLISHMENT OF COMMODITY MARKETING ASSOCIATIONS AND MAKE MATCHING GRANTS TO THESE ASSOCIATIONS.

IT IS ENVISIONED THAT THE DIV. OF AG. WOULD HOLD A REFERENDUM ON WHETHER OR NOT TO ESTABLISH A COMMODITY COMMISSION INVOLVING ALL PRODUCERS OF THE PARTICULAR COMMODITY (POTATOES, DAIRY PRODUCTS, VEGETABLES, ETC.). IF A MAJORITY VOTE IN FAVOR IS ACHIEVED THE COMMISSION WOULD BE ESTABLISHED AND A BOARD ELECTED. THE PRODUCERS WOULD PAY A FEE ON THE SELLING PRICE OF THE COMMODITY; THE FUNDS WOULD BE USED TO FURTHER THE MARKET DEVELOPMENT POTENTIAL FOR PRODUCTS THROUGH EDUCATION, RESEARCH, AND PROMOTION.

RESOURCES C.S. INCORPORATES AN AMENDMENT PROPOSED BY D.N.R. (PAGE 2,

LINE 4) THAT CLARIFIES ITS INSPECTION AUTHORITY OVER SHELL EGGS.

THIS REQUIRES A TITLE CHANGE.

(SINCE 1960 DIV. AG. HAS DONE EGG GRADING AND INSPECTION. IN 1980 SOME INSPECTION FUNCTIONS CARRIED OUT BY DNR WERE TRANSFERRED TO D.E.C. EGG GRADING AND INSPECTION WAS LEFT IN DNR, AND POULTRY INSPECTION WAS TRANSFERRED TO D.E.C. BECAUSE DEC AUTHORITY REFERENCES "DERIVATIVE FOOD PRODUCTS", A.G. ADVISED THAT D.N.R. MUST CLARIFY ITS AUTHORITY WITH RESPECT TO SHELL EGGS.)

Offered: 3/28/84
Referred: Rules

Original sponsor: Kerttula

1 IN THE SENATE BY THE RESOURCES COMMITTEE
2 CS FOR SENATE BILL NO. 480 (Resources)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 THIRTEENTH LEGISLATURE - SECOND SESSION
5 A BILL
6 For an Act entitled: "An Act relating to the responsibilities of the
7 commissioner of natural resources; and providing for
8 an effective date."
9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
10 * Section 1. AS 03.05.010(a) is amended to read:
11 (a) The commissioner of natural resources shall
12 (1) direct, administer, and supervise promotional and
13 experimental work, extension services, and agricultural projects for
14 the purpose of promoting and developing the agricultural industry
15 within the state including such fields as horticulture, dairying,
16 cattle raising, fur farming, grain production, vegetable production,
17 and development of other agricultural products;
18 (2) procure and preserve all information pertaining to the
19 development of the agricultural industry and disseminate that informa-
20 tion to the public;
21 (3) assist prospective settlers and others desiring to
22 engage in the agricultural industry in the state with information
23 concerning areas suitable for agriculture and other activities and
24 programs essential to the development of the agricultural industry in
25 the state;
26 (4) review the marketing, financing, and development of
27 agricultural products inside the state including transportation, with
28 special emphasis upon local production, and negotiate for the market-
29 ing of agricultural products of the state with federal and state

Added in
Resources C.S.

1 agencies operating in the state; [AND]

2 (5) regulate and control the entry into the state and the
3 transportation, sale or use inside the state of plants, seeds, vegeta-
4 bles, fruits and berries, nursery stock, shell eggs, animal feeds,
5 remedies and mineral supplements, fertilizers, and agricultural chemi-
6 cals in order to prevent the spread of pests, diseases, or toxic
7 substances injurious to the public interest, and to protect the agri-
8 cultural industry against fraud, deception and misrepresentation; in
9 this connection the commissioner may require registration, inspection,
10 and testing, and establish procedures and fees; and

11 (6) assist in the establishment of commodity marketing
12 commissions, make matching grants to commodity marketing commissions
13 to aid in their establishment, and adopt regulations to implement this
14 paragraph.

15 * Sec. 2. This Act takes effect July 1, 1984.

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

POUCH M
JUNEAU, ALASKA 99811
PHONE: 907-485-2400

DNR Amendment

February 27, 1984

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

Dear Senator Fahrenkamp:

I understand that SB 480 has been referred to the Senate Resources Committee, although a hearing has not been scheduled.

The department requests, with the approval of the sponsor, your consideration of an amendment to that bill as follows:

Section 1. AS 03.05.010(a)(5) regulate and control the entry into the state and the transportation, sale or use inside the state of plants, seeds, vegetables, fruits and berries, nursery stock, shell eggs, animal feeds, remedies and mineral supplements, etc.

Since 1960 the Division of Agriculture has been actively involved in egg grading and inspection under regulations at 11 AAC 32.100-190 authorized by AS 03.05.010-080. In 1980, pursuant to Executive Order 51, some inspection functions carried out by the Department of Natural Resources were transferred to the Department of Environmental Conservation. Egg grading and inspection was left in DNR, and poultry inspection was transferred to DEC.

Recently the department sought to revise the egg regulations and we were advised by the Attorney General's office that because the DEC authority [AS 38.05.020(a)(1)] references poultry "derivative food products," we must clarify our authority with respect to shell eggs.

The Honorable
Bettye Fahrenkamp


-2-

February 27, 1984

There is no conflict between the two departments on this issue. DEC agrees that this function should continue to be carried out by DNR.

We would appreciate your assistance in this matter, and we are prepared to answer any questions precipitated by our request.

Sincerely,


Esther C. Wunnicke
Commissioner

cc: Bill Heim, Director
Division of Agriculture

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST
Bill/Resolution No.: SB 480
Title: commodity marketing
commissions
Sponsor: Kerttula
Requestor: _____
Date of Request: _____

FISCAL DETAIL
Agency Affected: Natural Resources
Program Category Affected: _____
Agriculture management
BRU, Program or Subprogram(s) Affected: _____
Agriculture management

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME		-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

NOTE: Funding for this program is included in the Governor's FY 85 budget (\$10.0).

ANALYSIS: Attach a separate page for analysis

Prepared By: Sharon L. Barton Phone: 465-2400
Division: Commissioner's Office Date: 3-20-84

Approved by Commissioner: James D. Arnold, Deputy Date: 3-20-84
Agency: Department of Natural Resources

Distribution (by Agency preparing fiscal note):

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

12/1/83



Official Business

Alaska State Legislature

Senate

Office of the President

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: Senate Resources Committee
Senator Bettye Fahrenkamp, Chair

FROM: Senator Jay Kerttula
Senate President *Jay Kerttula*

SUBJECT: Senate Bill 480: Justification

DATE: March 20, 1984

Senate Bill 480, regarding the establishment of commodity marketing commissions with the assistance of the Division of Agriculture in the Department of Natural Resources, is intended as a "self help" institution whereby Alaska agricultural producers can organize to more effectively promote the use of their products.

The primary purpose of the commission is to further the market development potential for agricultural commodities by efforts in education, research and promotion. These market development efforts are carried out by the use of assessments collected from commodity producers.

It is envisioned that the Division of Agriculture would hold a referendum on whether to establish a commodity commission involving all producers of the particular commodity (e.g. dairy products, potatoes, vegetables, etc.). If a majority vote in favor is achieved the commission would be established and a board elected.

Commodity commissions fund marketing research and education efforts by assessing a fee on the selling price of the commodity. This fee would be paid by the producers and would not effect the retail price paid for the commodity. It would also be voluntary. If a producer wishes not to participate - his/her check off or assessment would be

Senator Jay Kerttula

Senate Bill 480: justification

March 20, 1984

Page 2

refunded. Obviously, consistent support is necessary if the commissioner is to succeed. If many producers envision a free ride by the program and choose not to participate, the program will fail.

The fund established by the assessment will be matched by the Department of Natural Resources. The Department of Natural Resources has designated \$10,000 in FY 85 for matching funds for commodity commissions.

The commission will expend monies in research projects aimed at enhancing production, educational efforts to increase quality of products and marketing campaigns to educate the public on the attractiveness of Alaska grown produce.

Commodity marketing commissions are nothing new to the agriculture industry in the United States. A recent survey of state commodity commissions (attached) indicates 41 states have commissions and six do not. They range in number from one to twenty-one per state. 248 commodity commissions represent 60 general classes of commodities. 97% of all commissions are established as a result of legislative action.

Alaska State Legislature

BETTYE FAHRENKAMP, Chairman
ROBERT H. ZIEGLER, SR., Vice Chairman
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Senate Committee on Resources

MINUTES

March 26, 1984
3:04 pm

Beltz Room
Room 211, Capitol

MEMBERS PRESENT

Senator Fahrenkamp, Chairman
Senator Ziegler, Vice Chairman
Senator Eliason
Senator Paul Fischer
Senator Vic Fischer
Senator Mulcahy
Senator Sturgulewski

CALENDAR

SB 366, An Act relating to protection of forested land.

SB 480, An Act relating to the establishment of certain commodity marketing commissions.

SB 461, An Act relating to the management and use of water in mining; and providing for an effective date.

SB 462, An Act making a special appropriation to the Mining Water Use Board for loans and grants concerned with the management and use of water in mining; and providing for an effective date.

SB 366

Sandra Schubert, Aide to Senator Fahrenkamp, explained that the Committee Substitute leaves fire suppression responsibility with the State, and clarifies which lands the State must protect and how much protection must be provided.

Senator Mulcahy moved to adopt the Committee Substitute for SB 366. There was no objection.

Carole Wilson, Special Assistant to the Commissioner of the Department of Natural Resources, testified that the Department supported the Committee Substitute.

Senator Sturgulewski moved CS SB 366 from committee with individual recommendations. There was no objection.

SB 480

Richard Ramsey, Aide to Senator Kerttula, explained that commodity marketing commissions, common in the lower 48, are intended to function as self-help institutions to further agricultural potential through marketing research, education, and promotion.

Sharon Barton, Special Assistant to the Commissioner of the Department of Natural Resources, testified that the Department supported the bill as an important step for Alaskan farmers. The Department would be involved in the organization of the commissions but not in their ongoing operations. She proposed an amendment that would clarify that DNR would perform "shell egg" inspections.

Senator Mulcany moved to adopt DNR's proposed amendment and to move CS SB 480 from Committee. There was no objection.

SB 461

SB 462

Jim Palmer, Aide to Senator Fahrenkamp, explained that these bills would set up a program for researching the problems of placer mining and the pollution of streams. He spoke in support of the Department of Natural Resources' proposed amendments.

Pedro Denton, Division of Mining, Department of Natural Resources, spoke in support of the bill as the programs will provide a source of needed information for making management decisions. He offered specific amendments to clarify the intent of the bill.

Senator Vic Fischer suggested language be added to the Committee Substitute that would clarify that the intent of the innovative gold recovery grant program is to reduce water usage and pollution.

Randy Bayliss, Water Quality Section, Department of Environmental Conservation spoke in support of the bills urging the development of new methods and procedures for gold recovery as the best long range solution to placer mining problems.

Phil Holdsworth, Alaska Miners Association, spoke in support of the bills, and the need for more data from miners on new recovery techniques.

Senator Ziegler moved to adopt the added language suggested by Senator Vic Fischer. There was no objection.

Senator Sturgulewski moved to adopt the amendments proposed by the Department of Natural Resources. There was no objection.

Senator Ziegler moved CS SB 461 and SB 462 from Committee with individual recommendations. There was no objection.

The meeting adjourned at 4:04 pm.



§ 03.0

Sec. 03.05.010. Powers and duties of commissioner of natural resources. (a) The commissioner of natural resources shall

(1) direct, administer, and supervise promotional and experimental work, extension services, and agricultural projects for the purpose of promoting and developing the agricultural industry within the state including such fields as horticulture, dairying, cattle raising, fur farming, grain production, vegetable production, and development of other agricultural products;

(2) procure and preserve all information pertaining to the development of the agricultural industry and disseminate that information to the public;

(3) assist prospective settlers and others desiring to engage in the agricultural industry in the state with information concerning areas suitable for agriculture and other activities and programs essential to the development of the agricultural industry in the state;

(4) review the marketing, financing, and development of agricultural products inside the state including transportation, with special emphasis upon local production, and negotiate for the marketing of agricultural products of the state with federal and state agencies operating in the state; and

(5) regulate and control the entry into the state and the transportation, sale or use inside the state of plants, seeds, vegetables, fruits and berries, nursery stock, animal feeds, remedies and mineral supplements, fertilizers, and agricultural chemicals in order to prevent the spread of pests, diseases, or toxic substances injurious to the public interest, and to protect the agricultural industry against fraud, deception and misrepresentation; in this connection the commissioner may require registration, inspection, and testing, and establish procedures and fees.

shell eggs

(b) To carry out the requirements of this title, the commissioner of natural resources may issue orders, regulations, quarantines, and embargoes relating to

(1) examination and inspection of premises containing products, articles, and commodities carrying pests;

(2) establishment of quarantines for eradication of pests;

(3) establishment of standards and labeling requirements pertaining to the sale of agricultural and vegetable seeds;

(4) tests and analyses which may be made and hearings which may be held to determine whether the commissioner will issue a stop order or quarantine;

(5) cooperation with federal and other state agencies. (§ 33-1-2 ACLA 1949; am § 1 ch 46 SLA 1960; am § 1 ch 82 SLA 1974; am §§ 3, 4 ch 133 SLA 1974; am § 1 ch 58 SLA 1978; am Executive Order No. 51, § 2 (1981); am § 1 ch 57 SLA 1982)

§ 544; 119 ALR

farm products
25 ALR 1115;
7 ALR 405; 98

of livestock
58, 862.

instruction of
marketing Act, 92

milk price dif-

§ 2d 712.

tion of federal
commodities Act,

nuisance, 64

member
cooperative for
§ 1243.

of natural
oil

experimental
purpose of
the state

Revisor's notes. — As amended in 1981, this section contained a subsection (c). In 1983 the provisions of (c) were transferred and renumbered as a new section, AS 03.05.011.

Effect of amendments. — The 1981 amendment rewrote this section.

Opinions of attorney general. — The

Natural Resources' jurisdiction over importation of animals is, with the possible exception of rabid animals and animals diseased with livestock diseases listed in AS 03.45.030, limited to domestic animals and poultry, and does not extend to live feral animals, whether indigenous to the State of Alaska or not. August 29,

TO: Sandra
FM: Edie
RE: SB 480 - Establishing commodity marketing commissions
DT: 3/20/84

SB 480 amends Section 03.05.010 (Powers & Duties of the Commissioner of Natural Resources) by requiring that the Department assist the various commodity producers (producers of red meat, pork, dairy, potatoe, beekeepers, etc) in establishing their own commodity marketing commissions. (Commissions are very similar to co-ops)

The purpose of these commissions is to have the producers work to develop and expand their own markets. The producers rely very heavily on the State to develop their markets and promote their products. DNR would like to help the producers help themselves, not by establishing the commodity commissions by statute, but by providing matching funds by statute as an incentive for producers to establish their own commissions and by doing so expand their markets, and promote their products as independently as possible. The key here is that the commissions are being formed by individuals, not through legislative action.

The matching funds will be used for setting up the commission, advertising of products, providing educational programs, and developing "point of sale" promotional material. DNR has included funding for an additional person in the Division of Agriculture to work parttime as a red meat specialist and the remainder of the time working with the commodity commissions. In addition, DNR has \$10,000 in their '85 budget to be used as matching fund monies for this program. The Fiscal Note on the House version is zero. However, the House has removed the new position from DNR's budget, so this may have to be taken into consideration by the Committee.

Mary Bixby - Commissioner's sec'y
Sharon Barton will testify at Friday's meeting. She will have the new fiscal note to us by Tuesday evening. If not, I'll call her first thing Wednesday morning. *Ed Jaquart*

Richard Ramsey provided a statement on the bill and a copy of a report that was done for the State of Virginia on State Agricultural Commodity Commissions. Richard will be testifying on Friday.

Most of the information I received came from Dean Brown and Ed Kern (Director of the Marketing Development Section, Division of Agriculture).

Alaska State Legislature

BETTYE FAHRENKAMP, Chairman
ROBERT H. ZIEGLER, SR., Vice Chairman
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Senate

Committee on Resources

March 21, 1984

On Friday, March 23 at 3:00 pm in the Beltz Room, the Senate Resources Committee will hear the following bills:

SB 366 AN ACT RELATING TO PROTECTION OF FORESTED LAND.

This bill received a preliminary hearing by the Resources Committee on March 5, 1984. As originally drafted, the bill would have placed the primary responsibility for suppressing fires on forested land located within a tax-supported fire service area on the municipality. Concern over this provision was expressed by the Alaska Municipal League at the committee hearing. The attached Committee Substitute is the result of meetings between the Department, the Municipal League, the local Fire Chiefs Association, and Committee staff.

1. Fire suppression responsibility remains with the State.
2. Clarifies that the State need not protect all land in the state, but only land that is owned privately, by the state, or by a municipality.
3. Clarifies that the protection provided by the State is to be commensurate with the value of the resources at risk.

SB 480 AN ACT RELATING TO THE ESTABLISHMENT OF CERTAIN COMMODITY MARKETING COMMISSIONS.

SB 480 would authorize the Commissioner of the Department of Natural Resources to assist in the establishment of commodity marketing associations and make matching grants to these associations. Through an assessment collected from commodity producers and matching funds, the commission could further the market development potential for products through education, research, and promotion. DNR has designated \$10,000 in its FY 85 budget for matching funds to commodity commissions.

The Department will propose an amendment to the bill (copy attached) to clarify its inspection authority over shell eggs.

Report on Study of State Agricultural
Commodity Commissions

Prepared for

S. Mason Carbaugh
Commissioner

Virginia Department of Agriculture and Consumer Services

July 14, 1983

Report on Study of State Agricultural
Commodity Commissions

I. Introduction

During the 1983 session of the Virginia General Assembly, certain legislators raised questions as to the operations of commodity commissions in other states. As a result of these questions; the department decided to conduct a survey. A survey instrument was developed and mailed to 49 State Departments of Agriculture. The purpose of this survey was to obtain essential information on the establishment, purpose, and operational procedures of commodity commissions in other states so that similiar comparisons could be made to the commodity commissions in Virginia. Forty-seven of the forty-nine states returned completed survey instruments. A copy of the survey instrument is attached as Appendix 1.

Major Findings of State Survey

This section reflects a comparative analysis of Virginia's commodity commissions with those states who returned a completed survey instrument (47 of 49 states or 96%). Six states reported no commissions and forty-one states had commissions. The range of commission numbers in the forty-one states ranged from one to twenty-one, with the mean number being approximately eleven. There was a total of 248 commodity commissions representing 60 general classes of commodities. A commodity class in this study refers to a specific commodity, but includes many varieties of that commodity, e.g., flue-cured tobacco, sun-cured, burley, etc. The study revealed that Virginia was not unique in having commissions. Virginia is also not unique in types of services provided by the State Departments of Agriculture, the ways in which commissions were established within the state, and/or in the general management, administration and purposes of commissions.

All of the nine commodity commissions in Virginia were established as a result of legislative action, either directly by law or through enabling legislation authorizing commissions to conduct referendums. The establishment procedure in Virginia is almost identical to procedures used in other states since 97 percent of all commissions in other states were established as a result of legislative action.

It was found that the primary purpose of all commissions, in all states, is to further the market development potential for respective commodities by efforts in education, research and promotion. These market development efforts are carried out by the use of assessments collected from commodity producers. The type of direct services supplied by State Departments of Agriculture tended to reflect a degree of uniformity throughout.

In the area of general management services, the Virginia Department of Agriculture and Consumer Services has the responsibility to: a) ensure that all commissions operate in accordance with state rules and regulations; b) serve in a liaison capacity between commodity commissions on matters relating to general operations of the commissions; and, c) ensure that all commissions receive relevant policies and directives (and respond when necessary) from the Executive and Legislative Branches. This management responsibility of the Virginia Department of Agriculture and Consumer Services is very similar to the general management responsibilities of State Departments of Agriculture in other states.

Table 1 contains general information on commissions in Virginia compared with other states. Table 2 contains general operational and administrative information on Virginia's nine commissions with the corresponding commissions in other states. Table 3 shows by state, for each commodity commission, the ratios of funding to production value of individual commodities and the rank order by states. Example:

Apples -- (16 states with commissions)

- The range in money collected per million dollars of production value for 1982 was \$119 for the State of Utah to \$12,777 for the State of Washington. Virginia collected \$5,753.
- Virginia ranked 5th in money collected for apples.

II. Results of State Survey

Number of Commissions

A survey form was mailed to the 49 State Departments of Agriculture outside of Virginia and responses were received from 47 states. Only one commission is thought to be operating in one of the nonresponding states. Responses included a total of 248 commodity commissions, with the number per state ranging from 0 commissions in 6 states to 21 commissions in Oregon. Virginia has 9 commodity commissions organized for purposes of promotion, education and research. In the U.S., there are 60 general classes of commodities represented by commissions (a "class" is defined as including all types of tobacco, all types of cherries, etc.).

Commission Types

Virginia has a commission to serve each of the following industries: apple, pork, peanut, soybean, corn, egg, bright flue-cured tobacco, dark fire-cured tobacco and sweet potatoes. The number of other states that reported having commissions for those industries are: apple 15; pork 11; peanut 7; soybean 20; corn 6; egg 9; tobacco 4; and sweet potatoes 3.

Establishment of Commissions

As previously stated, all of the commodity commissions in the Commonwealth of Virginia were established as a result of legislative action, either directly by law (5 commissions) or through enabling legislation (4 commissions) which authorized producer referendums to be conducted. According to the survey, 97 percent of the reported commodity commissions nationwide were established through legislative action either directly by law (25 percent) or through enabling legislation which authorized a referendum (72 percent).

Commission Establishment Procedures

Based on survey responses, 79 percent of the commissions nationwide were formed through procedures administered by state personnel. Personnel of State Departments of Agriculture administered the procedures for 66 percent of the commissions and 13 percent were administered by state legislative authorities.

The establishment procedures for the other 21 percent were administered by commodity groups.

Member Appointment

In Virginia, the governor appoints the members to 8 of the 9 commodity commissions. For the apple commission, commission members are elected by producers and then appointed by the commissioner. According to the survey, the percentages of commissions nationwide that utilize the different sources of member appointment are as follows:

Producer-elected	35%
Governor	30%
Commissioner of Agriculture	25%
Commodity Commission	10%
	<u>100%</u>

Assessments and Refunds

All of Virginia's commodity commissions utilize a mandatory assessment on the respective commodities. Survey responses showed that 94 percent of the other commodity commissions nationwide employ a mandatory assessment. Virginia farmers cannot request a refund from any of the nine commissions. According to the survey, 52 percent of the commodity commissions throughout the United States refund an assessment on request.

Assessment Collectors

Only the Virginia Apple Commission collects its own assessments while the assessments for the other 8 commissions are collected by processors, first-line handlers or buyers. The assessments for 5 commissions are reported to the Virginia Tax Department. The assessments for the other 3 are reported to the Virginia Department of Agriculture and Consumer Services. All assessments are then forwarded to the State Treasury for the account of each commission. According to the survey, 48 percent of the commodity commissions collect their own assessments, 25 percent of the commissions have their assessments collected by first-line handlers, buyers or processors, 22 percent of the assessments are collected by the State Departments of Agriculture, and 5 percent of the commissions have their state treasuries or departments of taxation collect the fees.

S. Mason Carbaugh
Commissioner
Virginia Department of Agriculture and Consumer Services
P.O. Box 1163
Richmond, VA 23209

4/6/83

SURVEY OF STATE AGRICULTURAL COMMODITY COMMISSIONS (CHECK-OFF PROGRAMS) FOR STATE OF _____

1. Does your state have agricultural commodity commissions or similar entities? Yes No
If no, please do not continue further with this survey.
If yes, please continue with the survey.

2. Complete the following table by listing the commissions that exist in your state, along with additional information contained in the columns.

Name of Commodity Commission	Year Established	How Established		Who Appoints Members to the Commission	Assessment (Excise Tax Rate)		Mandatory Assessment (Circle)	Who Collects Assessment	Total Funds Collected From Assessments in 1982	If Mandatory, Can Farmers Request A Refund (Circle)		Does the Commission Receive Any State Funds (Circle)	
		State Law	Voluntary		Rate	Unit				Yes	No	Yes	No
1.							Yes No			Yes No	Yes No		
2.							Yes No			Yes No	Yes No		
3.							Yes No			Yes No	Yes No		
4.							Yes No			Yes No	Yes No		
5.							Yes No			Yes No	Yes No		
6.							Yes No			Yes No	Yes No		
7.							Yes No			Yes No	Yes No		
8.							Yes No			Yes No	Yes No		
9.							Yes No			Yes No	Yes No		
10.							Yes No			Yes No	Yes No		

Please continue on other side.

- 8 -

ATTACHMENT 1

Table 1. General Information on Commissions, Virginia and Other States

COMMISSION AGE (In Years)	<u>VIRGINIA</u>	<u>AVERAGE, OTHER STATES</u>
Average Age	20	19
MEMBER APPOINTMENT	<u>VIRGINIA</u>	<u>TOTAL, OTHER STATES</u>
	Percent	Percent
Producer Elected	11	45
Appointed by the Governor	89	30
Appointed by Commissioner of Agriculture	--	25
REFUND OF ASSESSMENTS	<u>VIRGINIA</u>	<u>TOTAL, OTHER STATES</u>
Percent of Commissions having Mandatory Assessments	100	94
Percent of Commissions with Assessment Refund on Request	0	52
ASSESSMENT COLLECTIONS	<u>VIRGINIA</u>	<u>TOTAL, OTHER STATES</u>
	Percent	Percent
Collected by Commission	11	48
Processors or First Time Users	89	25
State Dept. of Agriculture	--	22
State Treasury	--	5
AMOUNT OF ASSESSMENTS COLLECTED	<u>VIRGINIA</u>	<u>TOTAL, OTHER STATES</u> (Excluding Dairy & Citrus)
State Total Collected FY82	\$854,441	\$58,936,297
Average Per Commission	96,049	293,215

Amount of Assessments Collected

Virginia's 9 commodity commissions collected \$864,441 in assessments in fiscal year 1982. In other states that reported figures of assessment collections, excluding dairy and citrus, a total of \$58,936,297 was collected.

Assessment expenditures

Virginia's commodity commissions use the assessments they collect for the three major purposes of education, research and promotion. Survey responses as to how assessments are used by other commissions were grouped into the categories below. Responses occurred in the proportions shown:

Research .	86%
Promotion	81%
Education	68%
Market Development	27%
Other	19%

General Management Support Supplied by Department of Agriculture

In Virginia, the Department of Agriculture and Consumer Services has the responsibility to ensure that all commissions operate in accordance with applicable state rules and regulations. The Department also serves as a liaison between commodity commissions on all matters relating to their general management. Each commission, by state law, is "... created with the Virginia Department of Agriculture and Consumer Services..." The management services reported in the survey as being rendered by State Departments of Agriculture were sorted into the following categories, in the proportions shown:

General, miscellaneous management	22%
Financial management	24%
Ex Officio members	16%
No management	8%
	<hr/>
	100%