

ALASKA LEGISLATURE COMMITTEE FILES

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Ministry of Natural Resources Fire Control staff must be involved in the planning of areas considered for prescribed burning such as:

- 1) site design
- 2) size and shape of area
- 3) natural fire boundaries
- 4) adjacent values (i.e. timber plantation, private property)
- 5) road locations
- 6) shoreline reserves
- 7) fire prescriptions

5.2.2 Nursery Stock Standards

The Minister shall provide planting stock meeting the specifications outlined in Table 2 or Table 3, or as agreed to in the annual plan. (The Annual Plan shall specify the species, type [nursery or container stock], size class and site region for the required planting stock.)

The Minister will provide a list of the actual stock parameters indicated in Table 2 or 3 for each shipment. Prior to the shipment of stock that the Minister deems marginal, the Company will be asked to assess its acceptability. The Company may perform tests, including pressure bomb readings, to determine the acceptability of the stock.

When the Company has inspected the stock at time of arrival and has signed a receipt, the stock will be deemed to have met the specifications. The Company may refuse to accept stock where more than 15 percent does not meet the agreed specifications on any two of the parameters listed in Table 2 or 3, or exhibits symptoms of physiological damage. (A sampling procedure to assess the acceptability of the shipment may be specified in the annual plan.) In the event the Company refuses to accept a shipment, the Minister will attempt to provide suitable replacement stock as soon as possible.

If a regeneration project is delayed because of the unavailability of acceptable stock or seed, it will not constitute non-performance by the Company under paragraph 40 of the agreement.

The Minister will deliver planting stock to a central area agreed to by the Company and the Minister from which the Company may draw trees. The Minister may also deliver bare root or container stock to pre-determined, mutually agreed to, central field locations within the agreement area. When the Company

accepts receipt of the trees, at the point of delivery, the care and handling of the planting stock becomes the Company's responsibility.

If the Company site prepares an area, and due to the unavailability of suitable stock or seed the area has to be site prepared again, as agreed to in the annual plan, the Minister will pay for the retreatment at the rates set out in Schedule "D".

5.2.3 Tending

As stated in Table 1, tending will be carried out as required before competition interferes with growth and survival of conifers. The tending may involve one or more treatments or types of treatments. Where tending to maintain growth and survival is required after Free-to-Grow status is reached, it will be at the Company's expense.

The parties agree, in the event that appropriate herbicides are not, or cease to be, licensed for forestry use in Ontario, the Company's obligation to tend if necessary will no longer hold. On areas where regeneration has already been initiated, the Company will not be required to retreat failures if such a failure is agreed to be the result of unavailability of suitable herbicides. On areas where regeneration has not been initiated, the Minister reserves the right to refuse to approve any treatment, and shall not require the Company to treat sites where the regeneration may be expected to fail if tending cannot be done because of the lack of suitable herbicides.

Generally, "tending" refers to chemical tending. If the use of chemicals for tending is restricted mechanical tending may be substituted. Compensation for silvicultural treatments that are not set out in Schedule "D" of the Agreement will be negotiated before the annual plan is approved.

5.3 Non-Treatable Productive Forest

Areas at least 3 hectares in size which have been allocated for harvesting in the operating plan, or are depleted for other reasons in the operating plan period, may be classed as non-treatable by mutual agreement between the Company and the Minister. They will be identified in the annual plan and will be included as depletions in the annual report.

An area may be considered as non-treatable where extremes in topography, shallowness of soil, excessive rock, poor drainage, or inaccessibility make it uneconomic or impractical to treat.

These areas will be assessed in the fifth year after harvesting or other disturbances, to determine the working group or whether the areas meet minimum stocking standards as outlined in Table 1.

6. REGENERATION ASSESSMENT

The Minister will do the fifth year stocking assessment for areas treated by the Minister if requested by the Company.

On areas which are obviously above, or are plainly below the minimum stocking standards, a visual inspection may be used. On areas where stocking appears to be marginal, a formal method of assessment will be carried out. The formal method will be in accordance with the Ministry Forest Management Information System.

Areas smaller than 8 hectares in any one silvicultural project, will not be submitted for retreatment or for entry into the inventory.

7. AREA DETERMINATION FOR PAYMENT

The same area figure used to record silvicultural treatment will form the basis for payment. Normally, any untreated areas of more than 2 hectares which are identifiable on a map and within the boundary of the treated area, will not form part of the gross area and will not form part of the area for payment.

8. INVOICING

For each ongoing silvicultural project, the Company may submit an invoice to the Minister no more frequently than every two weeks.

On completion of a silvicultural project, a map (scale 1:15,840) showing the area will be submitted to the Crown representative and within two weeks of receiving this map he will verify that the map is accurate or, in conjunction with the Company, revise the area to a mutually agreeable figure. When agreement has been reached, a final invoice for that project will be forwarded to the Minister.

Upon completion of a road or section of a road, the Crown representative and the Company will conduct a joint inspection of the road or section of road after which a final invoice will be submitted to the Minister.

Roads that have been completed in any year except gravelling, will qualify for eighty percent of that year's subsidy per kilometre. When gravelling has been completed in the following year, a final payment will be made of twenty percent of that year's subsidy per kilometre as stated in the annual plan for that class of road.

9. WASTEFUL PRACTICES

With some silvicultural practices it may be necessary to leave, fell, or to remove from the site but not utilize, or pay stumpage charges on certain trees. Such leaving or falling could be interpreted as wasteful practices under the Crown Timber Act. In such circumstances it should be recognized that the intent is to improve the yield of commercial species and not to contravene the provisions of the Act. Such actions shall be specified, if possible, in the operating plan and no later than in the annual plan.

10. CONE COLLECTION

If the Company elects to undertake a cone collection program to provide some or all of the seed for the Forest in addition to the Minister's own program on the agreement area, the Minister will pay the Company at the district cone rates then currently in effect. The quantity of cones to be collected will be identified in the annual plan. The Minister will be responsible for the cost of transporting (from designated central location), extracting and storing seed collected by the Company and will issue specific Company seed source numbers. The Company will have first rights to seed collected in specific stands identified in the annual plan. In addition, the Company will have first rights to any seed identified under the Company seed source numbers.

11. RESEARCH OR TREE IMPROVEMENT AREAS

It is agreed that certain areas may be set aside for experimental studies of regeneration techniques for the purpose of tree improvement programs such as seed collection areas or seed orchards.

These programs can make valuable contributions towards achieving the objectives of the forest management agreement and should be encouraged. The areas involved may be on the most accessible and more fertile sites and will be agreed to by both parties at the time they are required. Areas designated as 'Research or Tree Improvement Areas' will not be considered withdrawals under paragraph 34 of the agreement.

12. FORESTRY OPERATIONS ON MINING CLAIMS

Throughout the agreement area tracts of productive forest land have been staked or leased for mining potential. Should the Company undertake forestry activities on any mining leases or claims, it is agreed that the Company will assume full responsibility for all damages to mining claims as a result of forestry activities on these areas and will hold the Minister free from any damages from Company activities.

13. EXCLUSIONS

The Company shall have the right of first refusal to any

timber which may be produced from lands which have been excluded from the agreement area and described in Schedule "A" as "all reserve areas stipulated and shown coloured red on forest stand maps prepared by the Ministry of Natural Resources, Timber Sales Branch, copies of which said maps will be provided to the Company upon execution of the agreement."

14. WHITEWATER RIVER A.N.S.I. EXCLUSION

This A.N.S.I. has been identified to provide representation of earth and life science features associated with Landscape Unit 24 - Lac Seul Moraine (Bluffy Lake Portion) and the Central boreal forest region. This area is being designated as an exclusion for the initial five year period of the agreement to further allow for additional park inventory and analysis work in order to better define park values. After this initial five year period, an area to a maximum of approximately 38,900 hectares may be returned to the (Trout Lake Forest) land base.

There will be no cutting within the area during the initial five year term of the agreement.

15. MODIFIED MANAGEMENT AREAS (M.M.A.'s)

(1) The Minister, in consultation with the Company, will identify and delineate on F.R.I. Forest Stand Maps (scale 1:15,340) during the preparation of each Five Year Operating Plan, those areas which are to be managed to meet objectives other than or in addition to wood fibre production.

It is intended that where possible, some form of harvesting and regeneration will be carried out in Modified Management Areas. The harvesting and regeneration techniques will be designed to accommodate both the initial and return cuts wherever possible.

(2)(a) For each of those areas, the Minister will classify and state the management objectives and develop specific prescription in the following manner:

- (i) Areas that the Company will be allowed to harvest at the time of the initial cut.
- (ii) Areas that the company will be allowed to harvest at a future date, i.e. leave areas. Depending on conditions such areas may be reclassified as no harvest areas at the Company's option.
- (iii) Areas that the Company will not be allowed to harvest, i.e. no harvest areas.

(b) All M.M.A.'s that fall into (2)(a)(ii), shall be

accompanied by either; a specific time limitation, or a height requirement for cutover immediately adjacent to the leave area. When the prescription for each specific leave area has been attained, the leave area will automatically become eligible for harvest.

(c) All M.M.A.'s that fall into (2)(a)(iii) will be recorded in the depletion ledgers as "Reserve". These areas will retain their F.R.I. type designation, however, their ownership code will change from 1 (i.e. Crown Land) to 7 (i.e. Recreational Reserve). In this manner these areas will not form part of the calculated allowable cut base on recalculation. The total no harvest area within each operating plan period will not be used in the calculation of liquidated damages as described in paragraph 20 of the Agreement.

(3) Any alteration or reclassification of M.M.A.'s in the Annual Plan, from that shown in the Operating Plan, will require agreement between the Minister and the Company. Furthermore, no M.M.A. can be reclassified into a withdrawal except;

- (i) Where it's immediate use puts it under the U.C.L. category.
- (ii) Where it is mutually agreed to by the Minister and the Company.
- (iii) Where land becomes alienated for other uses.

(4)(a) M.M.A.'s are established on all known significant shorelands and other areas identified on maps at a scale of 1" - 2 miles provided to the Company before the time of signing of the F.M.A. These M.M.A.'s identified comprise approximately 13.4 percent of the total productive land of the Conifer Working Groups and 22.1 percent of the total productive land of the Hardwood Working Groups.

(b) Additional M.M.A.'s not identified at the time of signing will be delineated as per Section 15(1) during the preparation of the Operating Plan.

(c) If the total area of M.M.A.'s delineated as per Section 4(b) exceeds the product of five times five percent of the A.A.C. of the Conifer Working Group or five times five percent of the A.A.C. of the Hardwood Working Group calculated for the Operating Plan Period, the Minister shall;

- (i) Reduce the area of M.M.A.'s designated in the Operating Plan so that it does not exceed five times 5 percent of the A.A.C. of the Conifer Working Group or five times 5 percent of the A.A.C. of the

Hardwood Working Group, or;

- (11) If requested by the Company, withdraw the area in excess of five times 5 percent of the A.A.C. of the Conifer Working Group or five times 5 percent of the A.A.C. of the Hardwood Working Group according to paragraph 34 of the Agreement. Furthermore, the Company shall be offered the right of first refusal on any wood from any lands so withdrawn.

(c) Where in special instances an individual area of 2.0 ha. or less is restricted from harvest by the Minister for uses other than wood production, the Company shall not request that the area be withdrawn.

(e) Notwithstanding the intent of (4)(c), the Company and the Ministry by mutual agreement may allow substitution areas from one Working Group to another.

(5) For a certain Operating Plan Period, the total M.M.A. area may exceed the specified percentages due to agreed special circumstances, but there must then be reductions to this percent in subsequent Operating Plan Periods so that the percentage agreed to herein is not exceeded over the twenty year agreement period.

(6) The calculation of the area to be designated M.M.A.'s Section 4(b) shall include all areas to be left uncut and cut and shall refer only to areas within stands allocated for harvesting in the current Operating Plan Period.

(7) Where any form of modified cutting is proposed by the Minister within an M.M.A., it shall be at the sole option of the Company to carry out such cutting. If the Company elects not to do such cutting, the Company shall be offered first right of refusal to purchase any volumes of wood harvested from the area.

(8) Compensation for silvicultural treatments which may be required for the M.M.A. and are not set out in Schedule "D" of the Agreement will be negotiated before the Annual Plan is approved.

16. GENERAL

As the initial two years of the agreement is a phase-in period, it is appropriate to define the status of the phase-in components. The phase-in period will effect planting of bare-root and container stock and will follow the schedule as outlined below:

Year	Bare Root Stock				Container Stock			
	Ministry		Company		Ministry		Company	
	%	# of Trees	%	# of Trees	%	# of Trees	%	# of Trees
1. 1984	100	150,000	0	0	80	1,325,000	20	250,000
2. 1985	50	800,000	50	850,000	0	0	100	1,100,000
3. 1986	0	0	100	2,200,000	0	0	100	1,100,000

The location of the areas for both Company and Crown planting during the 2 year Phase-in Period will be mutually decided on and designated in the annual plan.

During this period, the Ministry will be responsible for site preparation of its planting areas and in turn the Company will be responsible for site preparation on their planting areas.

The phase-in period does not apply to the treatment of NSR areas.

As well, any retreatments or tending of areas planted by the Ministry during the phase-in period will become the responsibility of the Company but the Company will be compensated at the rates set out in Schedule "D".

It is also understood that because there is a phase-in period, there will be a gap between area cut over and area regenerated. Further, it is understood that some sites will be untreated and left for natural regeneration. Consequently, the area of total treatment over the period of these ground rules may not balance with the total area cutover.

Unless stated otherwise, in these ground rules, the definitions, methodologies and procedures described in the forest management manual shall apply to the Trout Lake Forest, subject to this agreement. Silvicultural procedures will be the responsibility of the Company. Certification for payment will conform to the guidelines set forth in the forest management manual.

The Company has entered into this agreement to provide for a continuous supply of forest products from the Trout Lake Forest for the Company's mills at Dryden, and to ensure that the Trout Lake Forest is managed to produce successive crops of timber on a sustained yield basis. In keeping with this responsibility, the Company will regenerate areas agreed to in the operating plan. These ground rules apply to the Trout Lake Forest including those parts which are subject to Third Party Licences.

Payments to the Company under paragraph 31 for the construction, re-construction and maintenance of roads on any part of the agreement area which is subject to the third party operations shall, to the extent that such road construction, re-construction and maintenance is performed by the third party and provided that the third party also performs all the

silvicultural treatments required in the approved annual plan on the area subject to third party operations, be paid over to the party by the Company.

The Company will be given first opportunity to cut any timber which may be proposed for harvesting from the areas that are withdrawn from the agreement area and from areas which were part of the Company license and were excluded from the agreement area. If the Company elects not to carry out the cutting, the Company will retain the right of first refusal on any timber that may subsequently be cut from those areas.

Existing and mutually agreed upon wood directives will be honoured under this agreement.

TABLE 1 - SITE-SPECIFIC OPERATIONS AND RECOMMENDATION STANDARDS

Present Working Group - Spruce (66,007 of the Production Forest Area - All Site Classes)

SITE DESCRIPTION			SITE-SPECIFIC OPERATIONS			STOCKING STANDARDS		
Soil Texture and Depth	Working Group	Method of Harvest	Treatment Description	IV	V	Min. Stocking to Acceptable	Min. Stocking to Acceptable	Min. Stocking to Acceptable
I	II	III				VI	VII	VIII
1. Organic Soil - soils greater than 10 cm of organic material over mineral soil and fully drained	Space	Group seed tree, strip (by block or clearcut logging)	- seed tree groups at 80 to 100 m intervals - strip prep and plant (1) - tend if necessary - natural regeneration with or without site prep (2)	402	502 Sp. 1A			402
2. Deep Mineral Soil - silty, clay or loam	Space	Clearcut	- strip prep as required and plant (1) - tend if necessary	502	602 Sp. 1, 10			702
3. Deep Mineral Soils - Sandy, Gravelly	Space or Jack	Clearcut	- strip prep and direct seed (2) - tend if necessary	402	502 Sp. 11			702
4. Shallow Mineral Soil - 10 to 20 cm in depth over bedrock or silty	Space	Tree, block or strip (6) cut system	- strip prep followed by natural regen. or direct seeding (2) or planting - tend if necessary	402	502 Sp. 11			702

TABLE 1 - SILVICULTURAL SPECIFICATIONS AND REGENERATION STANDARDS

Present Marking Group - JACK PINE (26,617 of the Production Forest Area - All Site Classes)

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SITE DESCRIPTION		SILVICULTURAL PRESCRIPTION		REGENERATION STANDARDS		
Soil Texture and Depth	Proposed Marking Group II	Method of Harvest III	Treatment Description IV	Min. Stocking to Proposed Marking Group V	Min. Stocking to Acceptable Species VI	Objective Stocking of Marking Group Species VII
1. Deep Mineral Soil Clays, silts, or loams	Jack Pine or Spruce	Clearcut	- site prep. as required for planting (1) - tend II necessary	50%	60% Pj, Sp, H	70%
			- site prep. as required and direct seed (2) - tend II necessary	40%	50% Sp, Pj	70%
2. Deep Mineral Soil Sand and Gravel	Jack Pine	Clearcut	- site prep. as required for planting (1) - tend II necessary	50%	60% Pj, Sp, H	70%
			- site prep. as required and direct seed (2) - tend II necessary - site prep. as required for natural regen. - tend II necessary	40%	50% Sp, Pj	70%
3. Deep Mineral Soil Blow Sand	Jack Pine	Clearcut or Block cut	- site prep. as required for planting (1) - tend II necessary	50%	60% Pj, Sp, H	70%
			- site prep. as required for natural regen. or direct seeding (2) - tend II necessary	40%	50% Sp, Pj	70%
4. Shallow Mineral Soils Soil 10 to 20 cm in depth over bedrock or 50% or more of the area.	Jack Pine or Spruce	Clearcut or Block cut	- site prep. as required for planting (1) - tend II necessary - site prep. as required and direct seed (2) - tend II necessary	40%	50% Sp, Pj	70%

TABLE 1 - STANDARD SPECIFICATIONS AND NOTIFICATION STANDARDS

Percent Working Group - MAINSIDE (1.5% of the Production Forest Area - All Site Classes)

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SITE DESCRIPTION		STANDARD DESCRIPTION		STANDARD STANDARDS	
Soil texture and depth	Proposed Working Group III	Method of harvest III	treatment description IV	Min. Stocking to Proposed Working Group V	Min. Stocking to Acceptable Working Group VI
All Stock	Space or Age Class	Clearcut	2. After prep, as required at plant (1) tend if necessary	50%	60% Sp. Pl. M
	Jack Pine	Clearcut	- After prep, as required for direct seeding (2) or natural regeneration - tend if necessary	40%	50% Sp. Pl. M
	Without Site	Clearcut	- After prep, followed by natural regen. - leave for natural regen. and natural growth	--	60% Sp. Pl. M

TABLE 1 - SILVICULTURAL SPECIFICATIONS AND REGISTRATION STANDARDS

Present Marking Group - POPLAR (5,667 of the Production Forest Area - All Site Classes)

SITE DESCRIPTION		SILVICULTURAL PRESCRIPTION		STOCKING STANDARDS		
Soil Texture and Depth I	Proposed Marking Group II	Method of Harvest III	Treatment Description IV	Min. Stocking to Proposed Marking Group V	Min. Stocking to Acceptable Species VI	Objective Stocking of Marking Group Species VII
1. Mineral Soils - loam, silts or clays, with soils 10 cm or greater in depth over bedrock	Poplar	Partial cut if original stand is greater than or equal to 40% stocked to conifer	- site prepare followed by planting of Sp or Pj (14) - tend if necessary	--	60% Po, Sp, Pj, Hf	70%
	Spruce or Jack Pine	Partial cut if original stand is greater than or equal to 40% stocked to conifer	- site prepare followed by planting of Sp or Pj - tend if necessary	--	60% Sp, Pj, Hf	60%
	Poplar	Clearcut if market available for poplar	- site prepare followed by natural regen or leave for natural regen.	40%	60% Po, Sp, Pj, Hf	70%
	Spruce or Jack Pine	Clearcut if market available for poplar	- site prepare followed by planting (1) - tend if necessary	50%	60% Po, Sp, Pj, Hf	60%

TABLE 1 - SILVICULTURAL SPECIFICATIONS AND REGENERATION STANDARDS

Present Working Group - POPLAR (5,662 of the Production Forest Area - All Site Classes)

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SITE DESCRIPTION		SILVICULTURAL PRESCRIPTION		STOCKING STANDARDS		
Soil texture and depth	Proposed Working Group II	Method of Harvest III	Treatment Description IV	Min. Stocking to Proposed Working Group V	Min. Stocking to Acceptable Species VI	Objective Stocking of Working Group Species VII
2. Mineral Soils - sands and gravel with soils 10 cm or greater in depth over bedrock	Poplar	Partial cut if original stand is greater than or equal to 40% stocked to conifer	- site prepare followed by planting of Sp or Pj (14) - tend if necessary	--	60% Po, Sp, Pj, Bf	70%
	Spruce or Jack Pine	Partial cut if original stand is greater than or equal to 40% stocked to conifer	- site prepare followed by planting of Sp or Pj - tend if necessary	--	40% Sp, Pj, Bf	60%
	Poplar	Clearcut if market available for poplar	- site prepare followed by natural regen or leave for natural regen.	40%	60% Po, Sp, Pj, Bf	70%
	Spruce or Jack Pine	Clearcut if market available for poplar	- site prepare followed by planting (1) - tend if necessary	50%	60% Po, Sp, Pj, Bf	60%
	Jack Pine	Clearcut if market available for poplar	- site prepare followed by direct seeding (2) - tend if necessary	40%	60% Po, Sp, Pj, Bf	60%

TABLE 1 - SILVICULTURAL SPECIFICATIONS AND DEGENERATION STANDARDS

Present Stocking Group - WHITE BIRCH (0.472 of the Production Forest Area - All 5th to Classes)

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SITE DESCRIPTION		SILVICULTURAL PRESCRIPTION		STOCKING STANDARDS		
Soil texture and depth I	Proposed Working Group II	Method of Harvest III	Treatment Description IV	Min. Stocking to Proposed Working Group V	Min. Stocking to Acceptable Species VI	Objective Stocking of Working Group Species VII
1. Mineral Soils - loam, silts or clays, with soils 10 or greater in depth over bedrock	W. Birch	Partial cut if original stand is greater than or equal to 40% stocked to conifer	- site prepare followed by planting of Sp or Pj (14) - tend if necessary	--	60% Bw, Sp, Pj, Rf	70%
	Spruce or Jack Pine	Partial cut if original stand is greater than or equal to 40% stocked to conifer	- site prepare followed by planting of Sp or Pj - tend if necessary	--	40% Sp, Pj, Rf	60%
	W. Birch	Clearcut if market available for W. Birch	- site prepare followed by natural regen or leave for natural regen.	40%	60% Bw, Sp, Pj, Bf	70%
	Spruce or Jack Pine	Clearcut if market available for W. Birch	- site prepare followed by planting (1) - tend if necessary	50%	60% Bw, Sp, Pj, Rf	60%

TABLE 1 - SILVICULTURAL SPECIFICATIONS AND REGENERATION STANDARDS

Present Marking Group - WHITE BIRCH (0.5% of the Production Forest Area - All Site Classes)

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SITE DESCRIPTION		SILVICULTURAL PRESCRIPTION		STOCKING STANDARDS		
Soil texture and Depth I	Proposed Marking Group II	Method of Harvest III	Treatment Description IV	Min. Stocking to Proposed Marking Group V	Min. Stocking to Acceptable Species VI	Objective Stocking of Marking Group Species VII
2. Mineral Soils - sand and gravels with soils 10 cm or greater in depth over bedrock	W. Birch	Partial cut if original stand is greater than or equal to 40% stocked to conifer	- site prepare followed by planting of Sp or P1 (15) - tend if necessary	--	60% Bw, Sp, P1, Bf	70%
	Spruce or Jack Pine	Partial cut if original stand is greater than or equal to 40% stocked to conifer	- site prepare followed by planting of Sp or P1 - tend if necessary	--	40% Sp, P1, Bf	40%
	W. Birch	Clearcut if market available for W. Birch	- site prepare followed by natural regen or leave for natural regen.	40%	60% Bw, Sp, P1, Bf	70%
	Spruce or Jack Pine	Clearcut if market available for W. Birch	- site prepare followed by planting (1) - tend if necessary	50%	60% Bw, Sp, P1, Bf	60%
	Jack Pine	Clearcut if market available for poplar	- site prepare followed by direct seeding (2) - tend if necessary	40%	60% Bw, Sp, P1, Bf	60%

TABLE 1 - STATISTICAL, SPECIFICATION AND REGISTRATION STANDARDS

Present Working Group - All Further Working Groups

STOCKING STANDARDS			EVALUATION PROSCRIPTION		SITE DESCRIPTION	
Object Stocking of Working Group	Min. Stocking to Acceptable species	Min. Stocking Working Group	Treatment Description	Method of Harvest	Proposed Working Group	Soil Texture and Depth
VI	VI	V	IV	III	II	I
602	602 Pl, Sp	--	- natural seeding - after prepare followed by natural seeding or direct seeding	Seed tree system or block cut or strip (6) cut	1 10 in to depth over as spruce at the area	1. Mineral soil less than 10 in to depth over as spruce at the area
602	602 Pl, Sp, M	602	- after prepare followed by planting - seed if necessary		2. Areas with excessive amounts of large boulders (boulder government areas with large boulders)	2. Areas with slopes 60% or greater

FOOTNOTES: TO TABLE 1

1. Planting of bare-root or container stock will be to a minimum of 1,700 trees per hectare and a maximum of 2,800 trees per hectare.
2. Aerial seeding using viable jack pine seed at a rate of approximately 50,000 seed per hectare or seed with site preparation, unless otherwise agreed to in the annual plan.
3. When underplanting in poplar or white birch stands is undertaken, the planting objective will be 750 trees to 2,800 trees per hectare.
4. When planting of red pine on shoreline reserves where the site is suitable the objective will be 1,330 trees per hectare.
5. The Proposed Working Group will be determined at the time of the Annual Plan. The Actual Working Group will be determined at time of assessment.
6. Satisfactory seed source is defined as a cone-bearing windfirm, well stocked (minimum 50% stocked) healthy block of trees which is a maximum distance of 120 metres from the adjacent cutover.
7. T.P.H. indicates trees per hectare, evenly distributed.
8. Species abbreviations are as follows:

Pj - Jack Pine	Sp - Black or White Spruce	Po - Poplar
Pw - White Pine	Bf - Balsam Fir	Bw - White Birch
Pr - Red Pine	La - Larch	
9. The minimum stocking level will be satisfied by meeting the conditions of Column V, or Column VI.
10. Balsam Fir may contribute not more than 10% of the minimum stocking to acceptable species unless indicated as the proposed working group species.
11. Poplar may contribute not more than 10% of the minimum stocking to acceptable species unless indicated as the proposed working group species.
12. White Birch may contribute not more than 10% of the minimum stocking to acceptable species unless indicated as the proposed working group species.
13. Prescribed burning may be substituted for mechanical site preparation where appropriate and when approved by the Minister.
14. When partial cutting of Poplar and White Birch stands is undertaken the Company agrees to maintain, as a minimum, the conifer component at its original stocking level.
15. Return Cut The time to attain the free-to-grow condition is the maximum period between cuts.

TABLE 2

STANDARDS FOR CONTAINER STOCK

Species: Black Spruce (Spencer Lemaire - Ferdinand Books)

	<u>Minimum</u>	<u>Optimum</u>
Stem Height (cm)	10	15
Oven-Dry Weight (mg)	300	500
Tray Stock %	75	100
Root/Shoot Ratio		2 - 3: 1

Species: Jack Pine

	<u>Minimum</u>	<u>Optimum</u>
Stem Height (cm)	10	15
Oven-Dry Weight (mg)	300	500
Tray Stocking %	75	100
Root/Shoot Ratio		2 - 3: 1

TABLE 3

NURSERY STOCK STANDARDS

SIZE CLASSES	SMALL		MEDIUM	
	Mean	Range	Mean	Range
JACK PINE 2-0				
Height (cm)			18	13 - 20
RCD (mm)			3.4	3.1 - 3.7
Total Oven Dry Weight (g)			4.0	3.0 - 5.0
Shoot/Root Ratio (ODW)			3.0	2.0 - 4.0
BLACK SPRUCE 2-1				
Height (cm)	18	13 - 22		
RCD (mm)	3.0	2.6 - 3.4		
Total Oven Dry Weight (g)	2.0	1.1 - 2.9		
Shoot/Root Ratio (ODW)	3.0	2.0 - 4.0		
WHITE SPRUCE 2-1				
Height (cm)	15	13 - 17		
RCD (mm)	3.3	3.0 - 3.6		
Total Oven Dry Weight (g)	3.0	2.6 - 3.4		
Shoot/Root Ratio (ODW)	3.0	2.0 - 4.0		
RED PINE 3-0				
Height (cm)	15	13 - 17		
RCD (mm)	4.0	3.0 - 5.0		
Total Oven Dry Weight (g)	4.0	4.0 - 5.0		
Shoot/Root Ratio (ODW)	3.0	2.0 - 4.0		

SCHEDULE E

GREAT LAKES FOREST PRODUCTS LIMITED

DRYDEN WOODLANDS OPERATIONS

TROUT LAKE FOREST

PROPOSED FMA ROAD SPECIFICATIONS

SPECIFICATION	PRIMARY ROAD	SECONDARY ROAD
Right of way cleared	30 - 45 metres	25 - 30 metres
Lane width	3.5 - 4.5 metres	2.5 - 3 metres
Shoulder width	0.6 metres	0.6 metres
TOTAL ROAD WIDTH (shoulder to shoulder)	8.5 - 10 metres	6 - 7 metres
CROWN:		
Elevation if smooth	2.1 cm/metre	2.1 cm/metre
Elevation if rough	4.2 cm/metre	4.2 cm/metre
Maximum horizontal degrees curvature	10 - 15 degrees	15 - 20
Minimum passing sight	90 - 150 metres	90 metres
Maximum sustained grade	6 degrees	9 degrees
Gravel depth	15 cms.	10 cms.
BRIDGES, single lane span	68,000 kg.	68,000 kg.
Life Expectancy	10 years	5 years



Resource Development Council

for Alaska, Inc.

807 "G" Street, Suite 200, Anchorage, Alaska 99501-3440
Box 100516, Anchorage, Alaska 99510-0516 - 907/276-0700

February 18, 1986

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Paula P. Easley

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John Foreskie, Vice Pres.
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Congressman Don Young
Governor Bill Sheffield

Representative Dick Shultz
Alaska House of Representatives
Pouch V
Juneau, AK 99811

re: HB 570, Forest Management Agreement legislation

Dear Dick:

The Resource Development Council strongly supports the forest management concepts embodied in HB 570. We feel this approach to forest land management is the best opportunity we have to develop a significant and sustained forest products industry in Interior and Southcentral Alaska.

The Alaska Constitution clearly states the direction intended for the utilization of state resources, especially renewable resources such as wood. Article Eight stridently mandates "sustained yield." RDC supports HB 570 because it enables the state to work toward the goals clearly established in the Constitution.

The state is presently allowing only a small fraction of our sustained yield to be harvested. The state owns the majority of the commercial timber land in the Interior and we still can't seem to get enough wood on the market to sustain anything other than small, regional operations.

We perceive three main problems with the state's management of its timber resources. These problems are not rooted in any specific legislative act or administrative agency--they have developed over time. They were not necessarily designed to throttle the timber industry although that is certainly the effect.

The first is the lack of a commercial forest land base dedicated to timber management. The land classification process of the last few years has systematically removed millions of acres of timber land from the timber base. One answer to this problem has been to create state forests, but the forests which have been created to date, especially Haines, are not being managed for timber harvesting at anything close to their potential. The forest products industry has no faith in the ability of this or future administrations to withstand pressure to mandate preservation over timber harvesting and other forest uses on state forests as they presently exist.

The second problem is the system the state has developed

Representative Dick Shultz
February 18, 1986
page 2

for selling timber. The system we have now, similar to that used by the US Forest Service and other states, is labor intensive and very inefficient. It takes far too many government manhours to sell a reasonable amount of state timber under the present system. Given the necessity to cut state spending, we must find a way to sell timber more efficiently without threatening the state's interests.

The third problem is reforestation. Right now it isn't happening at anything close to reasonable levels. This is an alarming situation that the legislature must address. The key to the management of timber as a renewable resource is making sure that the resource is renewed. This isn't happening and it is basically because we are not paying for it.

There are a number of problems facing the forest products industry throughout Alaska including permitting, stumpage, processing requirements, loans and many others. HB 570 is designed to address the basic problems facing development of a forest products industry on state land in the Interior and Southcentral regions.

To resolve these problems we believe the state should implement a process used with success in the Canadian Province of Ontario. Ontario uses a system of Forest Management Agreements (FMAs) to contract forest management including harvesting, road building and reforestation to private contractors. FMAs replace the policing duties of the government with contractual agreements beneficial to the state and the contractor. The contracts contain stiff penalties for poor performance and incentives to stimulate good performance.

The greatest reported gain from the FMAs is the integration of timber harvesting with regeneration, which is proving successful, and providing larger annual timber harvests for the future. Ontario officials tell us this program has been successful because the private operator now has a vested interest and incentive to regrow the forest.

Ontario FMAs contain what is known as an "evergreen" clause. The basic contracts are for 20 years, but after each five-year period the results of private harvesting and regeneration are evaluated by the government, and if standards are met, the contract is given a five-year extension. The FMAs are beneficial to operators because there is always a 20 year supply of timber ahead if the logging and reforestation are meeting the goals set in the original agreement.

The FMAs save the government of Ontario a lot of money. Government no longer has to preplan and lay out detailed timber sales. The government no longer acts as "policemen" to enforce a myriad of contradictory regulations.

Representative Dick Shultz
February 18, 1986
page 3

The results in Ontario have been overwhelmingly positive. More timber is cut, more jobs are generated, public use of the forests is increased, more timber is being generated for the future and less money is spent by government to oversee the process.

This process does not lessen the control of the state over its lands. It obligates the operators to meet the forest management goals set in the contracts. The operator manages for habitat, recreation, timber harvesting, roading and reforestation. The standards and requirements are written in the FMA along with penalties and incentives.

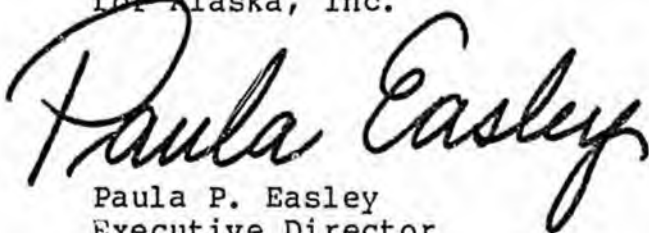
Alaska has roughly one-third the forest land base of Ontario and Ontario generates more than 80,000 jobs. If we develop our industry to the extent Ontario has we could have more than 25,000 people employed in the forest products industry in Alaska.

HB 570 gives the Department of Natural Resources the statutory mandate to initiate agreements such as those used with great success in Ontario. It also mandates development of an agreement for 200,000 acres of non-coastal, state commercial forest land. Under HB 570, DNR will have the authority to negotiate an agreement which protects the state's financial and land use interests.

RDC believes that FMAs are the best vehicle available to Alaska as we attempt to utilize our massive timber resources for the development of revenue, jobs and economic activity throughout the state. We encourage you to support HB 570 in the House Resources Committee.

Thank you for your consideration.

RESOURCE DEVELOPMENT COUNCIL
for Alaska, Inc.



Paula P. Easley
Executive Director

cc: Members, House Resources Committee
Representative Robin Taylor
Representative John Ringstad
Representative Steve Frank
Representative Roger Jenkins
John Galea, Alaska Loggers Association
Phil Holdsworth, RDC Juneau Representative

Dick - It was wonderful having you at the conference. Am sending you some pertinent speeches when typed.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU ALASKA 99811
907.465-3800


LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

March 7, 1986

SUBJECT: State forest management
(SSHB 570)

TO: Representative Richard Shultz
Chair, House Resources Committee

FROM: Richard A. Bradley 
Legislative Counsel

You have requested a sectional analysis of the above described bill.

As a preliminary matter, note that a sectional analysis or summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1 of the bill adds a new Sec 38.05.122 to AS 38.05 at article 4 (disposal of timber and materials).

Sec. 122(a) provides that, notwithstanding the existing provisions of article 4 (AS 28.05.110 - 38.05.120), the commissioner of natural resources may "enter into an agreement with a person for the management on a sustained-yield basis of state forest land and state land commercially valuable for forest development." The consultation with other state agencies by the commissioner is permitted.

Sec. 122(b) provides that the commissioner shall establish the terms of the agreement that will set out the "silvicultural specifications" that govern the "harvest, regeneration, and management of state land".

Sec. 122(c) outlines matters that may be included in the contract.

Representative Richard Shultz
Page 2
March 7, 1986

Sec. 122(d) requires the commissioner to provide the legislature with copies of agreements entered into as well as a report on the areas of the state that are "harvested, regenerated, and managed" under an agreement during the preceding calendar year.

Section 2(a) of the bill directs the commissioner to request proposals for the management of 200,000 acres of commercial forest land of the state under AS 38.05.122 as enacted in section 1 of the Act. Times within which the commissioner is directed to act are established.

Section 2(b) contains the required provisions of the agreement required under sec. 2(a).

Section 2(c) establishes the standards under which the proposals invited will be considered.

There is no effective date clause; it will, therefore, take effect 90 days after enactment. AS 01.10.070(c).

If I may be of further assistance, please advise.

RAB:mkr
m3/140

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

POUCH M
JUNEAU, ALASKA 99811
PHONE: 907-465-2400

OFFICE OF THE COMMISSIONER

March 10, 1986

The Honorable Adelheid Herrmann
Co-Chair, House Resources Committee
F.O. Box V
Juneau, AK 99811

Dear Representative Herrmann:

As your request, the Department of Natural Resources has reviewed SSHB 570, a bill relating to agreements with private parties for the management of state-owned commercial forest land. While we find the idea of private management of public land deserving of further consideration, we think clarification of some issues is required.

First, it is not apparent why this new system of forest management would be preferable to our current system of long term timber sales, or how this new system would differ from current practices.

Next, how would this new system accommodate the need for multiple use of forest land?

Also, we have assumed that the Department is not responsible for building or maintaining roads under this new system. If this assumption is incorrect, the zero fiscal not we provided would need to be revised.

We have other questions that need to be addressed, and would be interested in learning about the experiences of other states involved in this type of timber management program. We believe this to be an idea worth exploring and, in fact, have already studied, in a limited fashion, the Canadian timber leasing program. We would be happy to work with the sponsors and the Committee to further develop this idea.

Sincerely,

Esther C. Wunnicke, Deputy
R Esther C. Wunnicke
Commissioner

cc: House Resources Committee
Bill Sponsors

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : _____

REQUEST

Bill/Resolution No SSHB 570
Title : ...State Forest Management.

Sponsor : Rep. Taylor, et al
Requestor : House Resources
Date of Request : 03-06-86

FISCAL DETAIL

Agency Affected : Natural Resources
BRU : Forest Management

Components : _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING : (Thousands of Dollars)

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

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by : Jim McAllister *RM*
Division : Forestry

Phone : 465-2491
Date : 03-07-86

Approved by Commissioner : *Wm D. Amey, Deputy*
Agency : Natural Resources

Date : 3/10/86

Distribution (by Agency preparing fiscal note) :

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



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Signature of Camera Operator


Date

H B

5 7 8

Original sponsor: Wallis

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 CS FOR HOUSE BILL NO. 578 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for the establishment of fish and
7 game resource management regions and the establish-
8 ment and operation of regional fish and game advisory
9 councils."

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

11 * Section 1. AS 16.05 is amended by adding a new section to read:

12 Sec. 16.05.261. REGIONAL ADVISORY COUNCIL REGULATIONS. (a) The
13 Board of Fisheries and the Board of Game, acting jointly, shall adopt
14 regulations under the Administrative Procedure Act (AS 44.62) for the
15 establishment of fish and game resource management regions and the
16 establishment and operation of regional fish and game advisory coun-
17 cils.

18 (b) Recommendations from the advisory councils shall be for-
19 warded to the appropriate board for consideration, but if the Board of
20 Fisheries or the Board of Game chooses not to follow the recommenda-
21 tions of a council, then the board shall inform the council of this
22 action and state the reasons for not following the recommendations.

23 (c) Only a local advisory committee member may sit as a member
24 of a regional advisory council.
25
26
27
28
29

Hein
3/11/86

1 IN THE HOUSE

BY WALLIS

Committee
~~SPONSOR~~

2 SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 578

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

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7 game resource management regions and the establish-
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14 regulations under the Administrative Procedure Act (AS 44.62) for the
15 establishment of fish and game resource management regions and the
16 establishment and operation of regional fish and game advisory coun-
17 cils. Regulations adopted under this section must be consistent with
18 16 U.S.C. 3115 (Sec. 805, Alaska National Interest Lands Conservation
19 Act).

March 12, 1986

CSHB 578

POSITION PAPER

REPRESENTATIVE F. KAY WALLIS
DISTRICT 24

It is the intent of CSHB 578 to give Fish and Game Resource Management Regions and Regional Fish and Game Advisory Councils (established by ANILCA) official status by putting them into state law.

Even though Federal law (Section 805, ANILCA) requires the State Boards of Fish and Game to consider the opinions of both regional councils and local advisory committees, only advisory committees are set forth in statute (AS 16.05.260). Advisory committees represent local game management units. The chairpersons of each committee in a region are members of the regional council.

This bill is designed to insure that the State Boards of Fish and Game recognize and consider the advice and recommendations of Regional Fish and Game Councils as required by the Alaska National Interest Lands Conservation Act, particularly the provisions of Section 805 of this act.

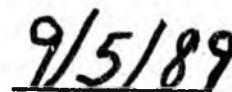


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Signature of Camera Operator


Date

HB

579

STATE OF ALASKA
THE LEGISLATURE

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JUNEAU, ALASKA 99811
907-465-3000

May, 1986

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS date base CM 14. In order to save space copies of minutes have not been left in the files.

Jeanie Henry

House Special Committee on State Loans, 3/3/1986, 3:30 pm
" " " " " " / 2/25/86, 3:30 pm

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No: CS HB 579 (Loans)
 Title: Financing of Fish, Agriculture
 and Timber Processors by CFAB

Sponsor: House Loans
 Requestor: House Resources
 Date of Request: April 2, 1986

FISCAL DETAIL

Agency Affected: Department of Revenue
 BRU: Treasury Management

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker MB
 Division: Treasury

Phone: 465-2350
 Date: April 3, 1986

Approved by Commissioner: [Signature]
 Agency: Department of Revenue

Date: 4/4/86

Distribution (by Agency preparing fiscal note):

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



2550 Denali Street, Suite 1201
P.O. Box 4-2070
Anchorage, Alaska 99509-2070
(907) 276-2007

February 18, 1986

Mr. John Hartle
Office of Representative Sund
Alaska State Legislature
Box V (M.S. 3100)
Juneau, Alaska 99811

Dear John,

For you information, I am enclosing copies of a couple of pieces prepared for Senator Zharoff's office in connection with SB 410. They are also pertinent to HB 579.

I will be calling within the next few days to visit with regard to HB 579. Thanks for your interest.

Very truly yours,

Edward E. Crane
President

EEC:1028V
Enclosures

1. Alaska Commercial Fishing and Agriculture Bank (CFAB) was created in 1978 by the Alaska State Legislature. Its purpose is to provide a source of credit to the Alaska fishing and agriculture industries, with emphasis on the development and broadening of those industries.
2. CFAB is structured under its statute as a cooperative. A cooperative is a corporation whose stockholders and customers are the same individuals or entities. A cooperative is subject to the same business and financial considerations as any other corporation.
3. The State of Alaska provided an initial capital base to CFAB through the purchase of stock; the State presently owns \$31.8 million of such stock. CFAB's statute requires that the State stock be repurchased within 20 years from the original investment (1980).
4. CFAB has no organic, structural, operational, or financial relationship with the State except for the capital investment and that two of CFAB's seven directors are appointed by the Governor.
5. CFAB's lending ability is not limited to the amount of the State's investment. CFAB borrows additional funds at "market" rates and terms, pledging its loans and other assets as security. It re-lends those funds to its borrower/owners at rates sufficient to cover its own interest costs, its operating expenses, and to generate capital through earnings. CFAB's outstanding loans to Alaska fishermen and farmers reached a year-end peak of nearly \$104 million at December 31, 1983, and had other assets of about \$19 million; a total nearly \$91 million greater than the State's investment.
6. CFAB's borrowers become owners through a purchase of stock at the time of borrowing and through payment of interest at a level high enough to create retained earnings.
7. Under its statute, CFAB may lend money only to those individuals who are bona fide residents of Alaska. There appears to be no sound and reasonable argument against that limitation.
8. A vast majority of CFAB's loans are to individual fishermen (about 80 to 85 percent by number); most of them are to finance a vessel and/or are secured by a lien on a vessel. This appears to be CFAB's most "natural" market and the credit void which CFAB was most intended to fill.
9. Compared to almost any other type of commercial lending, financing fishing vessels is extremely cumbersome and costly. Alaska geography adds considerable costs. Those factors, in addition to the dangerous concentration of risk, make it extremely difficult for CFAB to maintain a focus on that market without charging interest rates which are unusually burdensome to its borrowers.
10. CFAB has attempted to balance its loan portfolio, and to moderate its total circumstances, through loans to corporations which process seafood and timber. Those loans tend to be relatively large, but do not require servicing costs to a comparable degree. They permit basic operating expenses to be spread over a larger volume of loan dollars, moderating the pressure on smaller individual borrowers.

11. CFAB's statute provides that it can only finance corporations of which the majority ownership and control rests with Alaska residents.
12. A recent survey disclosed that of 22 shorebased Alaska processors having annual sales in excess of \$10 million, 17 are ineligible to borrow from CFAB by reason of ownership identity. CFAB has, or has had, lending relationships with four of the five others.
13. Statutory denial of eligibility by reason of ownership is inconsistent with the facts that these processing corporations own facilities in Alaska, pay local taxes in Alaska, provide employment to Alaskans, purchase and add value to Alaska seafoods, pay fish taxes to the State of Alaska, provide a competitive marketing environment for Alaska fishermen, and purchase supplies and services in Alaska. Interest paid on funds borrowed from CFAB (or any other Alaska entity) would be an additional and beneficial increment of Alaska seafoods proceeds within the Alaska economy.
14. While it is clear that the 1978 State Legislature intended to create an institution to serve Alaska interests exclusively, the requirement that the state investment be repurchased evidences the intent that CFAB be operated, and grow, on sound business principles. Removal of the statutory limitation with regard to shorebased processing corporations is consistent with the first intent and greatly enhances the opportunity for fulfillment of the second.

1026V

February 10, 1986

BACKGROUND - SPRING, 1985

In late March and throughout the month of April in 1985, CFAB officers and directors made numerous visits to Juneau to discuss the institution's circumstances with legislators and with administration officials. Those visits, and their substance, were precipitated by a number of factors:

1) Although CFAB's year-end audit by an independent accounting firm (Touche Ross & Company) was not yet complete, it was known with certainty that there had been a loss approaching \$10.0 million for 1984; that there was an impairment of stockholders' equity; that CFAB had become illiquid, with no cash or other unencumbered liquid assets available; and that a major portion of the loan portfolio - almost 34 percent (in dollars) of a \$94.8 million total - was in a serious default, or non-earning, status.

2) The critical imbalance between CFAB's projected 1985 income (based on the large volume of non-earning loans) and its projected 1985 cash interest expense, and basic operating expenses, foretold the likelihood of another significant loss.

3) CFAB and its staff and Board of Directors had been somewhat traumatized by the relative suddenness and severity of the circumstances (or the realization of them); its chief executive officer had resigned in late February; and it was being managed on an interim basis by an individual who, although familiar with the organization and its pressures, essentially was an unknown factor.

4) CFAB's lender, the Spokane Bank for Cooperatives, had taken increasingly aggressive and obtrusive positions with CFAB. SBC's representatives had expressed strong reservations about CFAB's ability to overcome its immediate difficulties and had indicated that SBC would accept no further deterioration in its position. CFAB's loan commitments from SBC had been reduced to 30-day increments, leaving CFAB constantly on the brink of a forced bankruptcy filing.

The basic thrust of CFAB's efforts in Juneau was to seek consideration of an early investment of an additional \$10.0 to \$12.0 million of State capital. This was essentially a "time-buying" strategy. The funds, if invested, would have been used to reduce CFAB's borrowings from SBC. This would have lowered CFAB's interest payment requirement to a level which could be met by the interest income from its own performing loans and would, it was intended, be accompanied by SBC agreement that the existing borrowing relationship would not be disturbed for at least two or three years. Relief from those pressures would in turn permit CFAB to address the liquidation

February 10, 1986

Page 2

or conversion of non-performing loans on rational bases and would also allow the opportunity for internal restructuring and corrections.

CFAB was not successful in obtaining further State investment. This was undoubtedly due in part to the lateness (relative to the legislative session) of the effort and to the somewhat uncoordinated and unprofessional approach, coupled with the "tight money" atmosphere in Juneau. Another factor, at least within the administration, seemed to be that CFAB was an "orphan" with no agency or individual charged with responsibility. In addition, there appeared to be a widespread lack of understanding as to the origin, nature, structure, and constituency of CFAB. Yet another burden was the recollection of some of CFAB's early flamboyance and excesses and attendant unfavorable press exposure. Finally, there seemed to be a perception that the effort was a thinly-disguised attempt to "bail out" the Spokane Bank for Cooperatives; that was an understandable reaction, but it is not supported by the realities of the legal relationships between the State, SBC, and CFAB.

SUBSEQUENT EVENTS

Since the Spring of 1985 CFAB's directors, management, and staff have attempted to address each and all of the negative factors and pressures with all available resources. Although not all objectives have been met, there has been modest success. Some of the efforts have admittedly been augmented by fortuitous events and circumstances external to CFAB. The net effect is that CFAB's condition has today become stabilized to a degree that exceeds the March 1985 expectations of its interim (now permanent) management.

The corrective efforts and measures have fallen into several broad categories, as follows:

Liquidation/Conversion/Prevention of Non-Performing Loans and Other Assets - There has been a major and consistent effort to rationally and realistically deal with non-performing loans and other non-earning assets on an item-by-item, account-by-account, basis. This has required an extensive commitment to developing the analytical and communications skills of loan officers, to the control and direction of legal counsel, and to the education of borrowers. There has been a similar commitment to the creative and efficient marketing or other disposition of acquired assets. Finally, and again through the re-direction of loan officers' attention and energies, there was in 1985 a successful program of early attention to delinquencies on performing loans for the purpose of preventing them from evolving into serious problems.

Reduction of Operating Expenses, and Increases in Effectiveness - Beginning in June 1985, there was a determined effort to identify and eliminate excessive operating expenses and other barriers to maximum efficiency. In the four years ending December 31, 1984, CFAB's operating expenses have averaged \$3,227,000 annually. 1984 operating expenses had totaled \$3,260,000; there was \$3,288,000 budgeted for 1985. As of May 31, 1985, actual operating expenses for the year to date had been slightly greater than those budgeted. Management's objective was to reduce those expenses to the necessary minimum for the remainder of 1985 and to position CFAB to enter 1986 with projected expenses of \$1.0 million less than the historical \$3.2 million level.

Financial Restructuring - While the cash flow deficit, the capital impairment, the excessive debt load, and the projected net income shortfall all represented immediate threats to CFAB's existence and required urgent attention, they also carried severe negative implications for the long term. CFAB has a statutory obligation to repurchase the State's \$31.8 million investment by the year 2000. CFAB has absolutely no sources of cash except (1) borrowings, (2) earnings, and (3) investment by owners. Its borrowing capacity had been virtually exhausted in early 1985; there were no bases on which to credibly project net cash earnings in the foreseeable future; and there had never been significant cash investment by owners (other than the State), nor was there any mechanism in place to provide for such investment. It seems imperative in early 1985 that, assuming CFAB's short-term survival, a foundation be laid that would over the long term enhance CFAB's ability to borrow, to earn, and to attract owner investment.

Business Development - The written record suggests clearly that a primary consideration in the conception and establishment of CFAB was to provide greater access to credit for "small" individual fishermen. While the performance over the ensuing five years tends to be obscured by the large dollar volumes associated with fish and timber processing accounts and by the dramatic impact of misadventures and imprudence, a close scrutiny of the number and sizes of loans results in a clear conclusion that it is the body of individual fishermen who have been best served by CFAB. It is they - existing individual borrowers and their non-borrowing peers - who have benefited most from CFAB's existence and who would suffer most severely were CFAB to be liquidated. Unfortunately, it is a costly market to serve, it is a market which represents unusual concentration of nearly uncontrollable risk, and it is a market of individuals whose ability to respond to financial pressures is limited. It is on that body of borrowers that the effect of CFAB's 1984/1985 circumstances fell most harshly (in the form of interest rates maintained at a burdensome level.) One of the

results of that was the flight of better, i.e., more creditworthy, borrowers to other lenders; this served only to exacerbate the pressure on remaining borrowers and to further threaten CFAB's stability. That trend continued through 1985, and it became critical to attempt to develop loan programs which would make CFAB more attractive to existing and potential borrowers, particularly those who represented stability and good performance.

1985 RESULTS AND YEAR-END CIRCUMSTANCES

At December 31, 1985, CFAB's fundamental financial circumstances were greatly improved over those of a year earlier or of the Spring of 1985. That improvement can be quantifiably expressed in a number and variety of ways:

- 1) At December 31, 1984, non-earning loans totaled \$31,979,000; at December 31, 1985, the total was \$15,653,000. While about \$3.5 million of the net reduction was due to charge-offs, the greater portion resulted from liquidations and from re-structurings.
- 2) At December 31, 1984, CFAB had 189 delinquent loans (including non-earning loans). A year later, the number was 115.
- 3) During 1985, the book value of acquired assets (which are also non-earning assets) was reduced from \$2,361,000 to \$1,606,000.
- 4) CFAB began 1985 with \$80,574,000 of interest-bearing debt and only \$69,110,000 of earning loans. At year-end those balances stood at \$48,268,000 and \$55,312,000 respectively.
- 5) In contrast to the 1984 loss of \$9,978,000, CFAB in 1985 had net income of \$114,000. Most of the \$10,092,000 difference can be attributed to the lack of major new credit losses in 1985. However, another major element was the effective reduction of operating expense. Although the reduction effort was not initiated until June, and although certain of the cost-containment actions involved relatively large one-time costs themselves, CFAB concluded 1985 with operating expenses exactly \$400,000 below those budgeted. CFAB has prepared and is committed to a 1986 operating expense budget approximately \$1.0 million below the historical \$3.2 million average.
- 6) The Spokane Bank for Cooperatives routinely examines and evaluates CFAB's loan portfolio, which is the basic collateral underlying CFAB's borrowings from SBC. At

April 30, 1985, SBC calculated that, by its (SBC's) standards, the collateral was worth \$13,400,000 less than the borrowings it secured. At year-end, CFAB had reduced that collateral deficit - measured by the same standards - to \$3,100,000, an improvement of over \$10.0 million.

7) The borrowing relationship with SBC has improved in other, less quantifiable, ways. After nearly a year of very limited commitments, CFAB was able in September 1985 to negotiate a six-month SBC loan commitment. Indications are that the next commitment, effective April 1, 1986, will also be for six months or possibly twelve months.

* * * * *

As indicated earlier, a critical long-term need for CFAB was to develop a mechanism and structure to attract owner investment. Such investment, over a period of time, would in turn positively influence CFAB's earning prospects and borrowing ability. During the last half of 1985, with the assistance of specialized legal counsel, CFAB developed a new member/borrower equity investment program. That program, which became effective January 1, 1986, requires that each new borrower (including "old" borrowers acquiring new loans) purchase a modest amount - 5 percent of the borrowing - of stock in CFAB. That stock represents a true equity investment, i.e., risk capital. While this new program will have an almost insignificant effect on CFAB's current condition, it does lay the foundation for genuine and long-term capital growth.

Two other significant but unglamorous programs were developed in 1985 and made effective at the beginning of 1986. Each of them is designed to make CFAB financing more attractive and/or more effective, especially to individual fishermen. One program in particular will permit CFAB to be more aggressive and more competitive in seeking and retaining more creditworthy borrowers.

* * * * *

It is not unreasonable to assert that CFAB has effectively moved itself back from the brink of imminent disaster and has diffused the air of crisis which influenced the day-to-day activities during much of 1985. However, its most difficult challenges lie ahead of it. The most obvious and most quantifiable is the statutory requirement that the \$31.8 million State investment be repurchased in, or by, the year 2000. Perhaps a good illustration of the magnitude of that requirement is to point out that if CFAB were to make 14 annual cash payments to a fund earning eight percent annually, those payments would need to be slightly more than \$1,313,000 in order to reach the \$31.8 million objective. CFAB does not have a

current ability to generate \$1,313,000 of cash annually, nor can such an ability be credibly projected for the near future. If such a program were necessarily deferred until there were only ten years remaining, the annual payment amount would be slightly over \$2,195,000. Obviously, time is of the essence in the effort to build CFAB's ability to generate cash.

The second major challenge, somewhat more difficult to express than the first, lies in the fact that CFAB is clearly caught in a classic spiral, an "adverse selection" process, which has been the downfall of many lending institutions. The process is not necessarily irreversible but, as the "spiral" descriptor implies, does gain momentum with each passing day. Since, beginning back in late 1983 or early 1984, such a large volume of CFAB's loans have been in a non-earning status, CFAB has had to attempt to maximize its gross income on the remaining portion of its loan portfolio in order to meet its own interest and expense obligations. This has meant maintaining interest rates at a level perceived to be "high" by most borrowers and which, in fact, have generally been higher than those offered by other lenders to more attractive borrowers. Over the past 18 months, many of those attractive borrowers have elected to re-finance their CFAB loans with other lenders. It is not possible to ascribe motivation to every such re-financing, but CFAB's management estimates conservatively that \$12.0 to \$18.0 million of loan volume has been lost in this way through December 31, 1985, and the trend is continuing. This is alarming. CFAB's loan portfolio is gradually being peeled away to a core of "small" individual borrowers, individuals who have few, if any, alternative sources of financing and who are least able to bear the burdens of increased interest rates, insurance premiums, and other expenses. They are the borrowers who are most costly to serve, and each notch of interest rate (or other) pressure creates a certain number of new problem loan accounts, which cause additional servicing or collection costs for CFAB, which in turn cause a need for greater interest income. Despite the recent success at reducing CFAB operating expenses, it must be recognized that a certain large portion of those expenses are "fixed" and cannot be further reduced no matter how much CFAB's loan volume may shrink. In addition, it must be recognized as axiomatic that if and as CFAB's loan portfolio contains a greater percentage of marginal or problem loans, expenses will actually increase.

The foregoing discussion places emphasis on a context of marginal or problem credit situations. In reality, CFAB - if it is limited by circumstances, statute, or otherwise to financing only those who appear to have the greatest need for its services (the "small" individual fishermen) - may prove to be an economically unfeasible enterprise under the best of conditions. A somewhat oversimplified analysis of a few basic facts illustrate the point:

A. The average CFAB loan to an individual fisherman today has a balance of about \$45,000.

B. The average interest "spread" on such loans - that is, the difference between the interest rate CFAB charges and the rate it must pay on its own borrowings - is about 3 1/2 percent.

C. CFAB's annual net interest income on an average loan, then, is \$1,575 (3 1/2% X \$45,000).

D. In order to cover a basic operating expense budget of \$2.2 million (again, \$1.0 million below historical levels) CFAB needs the net interest income from 1,397 "average" loans (\$2,200,000 divided by \$1,575).

The above allows nothing to cover non-operating expenses, accumulation of a reserve for loan losses, capital expenditures, funding of the \$31.8 million obligation, etc. It assumes no credit losses, no significant delinquencies, no unusual difficulties of any kind. It is not realistic. CFAB has never had more than 700 "average" fisherman loans and could not make and service 1,397 such loans without a significant and costly increase in staff. The financing of a fisherman, particularly within the context of Alaska's geography, is an expensive, cumbersome, and risky venture. The romance of fishing may tend to obscure the financial implications, but it is a capita-intensive business which is also characterized by nearly uncontrollable major costs (insurance and fuel, for example); it is a business in which its members have no control of the basic resource. Its members at best have only the right to compete with each other for a share of resources controlled by other human, political, natural, and international forces. It is a business in which an unusual - and unpredictable - number of individual failures are inevitable.

The financing of fishermen - which, in most cases, involves vessel security - is cumbersome and therefore costly. The procedures for taking a lien on a vessel are unlike those for any other kind of personal or business asset (at least in the United States). They are the province of a virtually unregulated and unique agency. They are subject to a body of law rooted in centuries past and recognized by the legal profession as a specialty, which again translates into unusual costs. When the inevitable failures occur, the vessel lien foreclosure process represents an additional and inevitable creditor's nightmare. In the best of circumstances, a case in which the vessel owner/borrower is cooperative, the lender will spend about \$6,000 in Marshal's fees, court and attorney's costs, insurance, moorage, etc., before it has ownership and possession of the vessel. According to a major Anchorage law firm, a more typical vessel foreclosure cost would be \$12,000 to

February 10, 1986

Page 8

\$16,000 (the annual net interest income on 8 to 10 average loans). When the foreclosure process is complete, the liquidation process becomes one more opportunity for almost certain loss. Again, the scenario is different than for almost any other form of foreclosed collateral. The market for fishing vessels is limited, close-knit, and highly subjective. Because of the unique procedural requirements related to vessel ownership, it is literally impossible to camouflage the nature and circumstances of such a sale. The bottom line is that, except in unusual cases, the proceeds realized from collateral liquidation will be significantly less than the loan balance involved, creating yet another loss which can only be charged against the interests of performing borrowers.

All of the above factors were almost certainly among the primary reasons that the need for "a CFAB" was perceived in the late 1970's: traditional, profit-oriented, and regulated commercial lenders abstained from widescale financing of individual fishermen because it was, and is, a market characterized by limited potential for profit but bearing inordinate risk of loss.

The creation of CFAB was a visionary response to a clear need. Implementation of the unique concept has been characterized by some dramatic errors and misjudgments, the effects of which have been exacerbated by major unforeseeable and uncontrollable external forces. The result, after nearly six years of actual credit operations, is that the institution has significant financial weaknesses which must be, and are being, addressed. The reality of those weaknesses and the appeal of criticizing their existence and causes, however, should not be allowed to overshadow the fact that CFAB has met the financing needs of hundreds of individual fishermen. It has served the interests of countless others simply by its existence in the market; CFAE's presence as an alternative lender has provided the financially stronger and more creditworthy fishermen with additional leverage in their negotiations with other credit sources. In short, that fundamental purpose is being served. While CFAB is in a position, albeit weakened, to continue that service today, a commitment to that purpose without addressing the long-term risks and effects is imprudent to an extreme.

CFAB has the theoretical ability to modify the financial and operational effects discussed in the foregoing through loans to the agriculture and timber industries and to the processing segment of the fishing industry. Ignoring for the moment the realities and other constraints which limit that ability to a theoretical one, and assuming creditworthiness among the processors in general, the potential benefits to CFAB and its individual borrower-members are great. For example, term loans of \$2.5 million each to five processors will yield net interest

income of \$437,500 (\$12.5 million X 3.5%) annually; and the servicing demands on CFAB are not significantly greater than those of an equal number of loans to individual fishermen. Numbers of that magnitude translate into increased net earnings and equity growth, which in turn translate into enhanced financial stability and lending capacity.

Of those additional markets cited, the greatest potential opportunity, in dollars, lies among the seafood processors. Under present circumstances, however, the existence of that opportunity is illusory; it must be referred to an "theoretical." This is due to the nature and origin of the capital investment in the Alaska seafood processing industry, coupled with the strictures of AS 44.81.210.(a)(1). That statute provides in part that CFAB may make loans only to those corporations (most major seafood processors are corporate entities) of which the majority ownership and control is vested in Alaska residents.

The statute effectively makes a large part of the industry ineligible to borrow from CFAB. It is not unrealistic to generalize that larger processors tend to be more financially stable and more creditworthy than smaller processors. In some instances, economies of scale are significant - more general positive characteristics, though, are multiple plants and diversified operations; highly developed levels of management, marketing, planning, and budgeting expertise; and broad product mixes.

During 1985, CFAB carried out a survey and analysis of the ownership of Alaska seafood processors. Complete ownership information is difficult to obtain in many cases; however, a variety of sources was consulted, and the findings are believed to be credible. A total of 78 shorebased processors entities (in addition to 43 "floater" processors) was identified, as follows:

<u>Annual Sales</u>	<u>Number</u>
\$10.0 million or more	22
\$ 1.0 million to \$10.0 million	33
Less than \$1.0 Million	<u>23</u>
Total	<u>78</u>

The distribution of ownership, in terms of statutory eligibility for CFAB financing, is interesting. Of the 18 processors, 45 of them - slightly over 57 percent - are eligible. Twenty of those 45, however, are in the group with annual sales of less than \$1.0 million. They represent limited financing opportunities and requirements. Many of them are privately financed and/or integrated harvesting/processing operations, or are highly specialized and limited operations financed by their market base.

Of the remaining 25 eligible processors, 20 are in the \$1.0 million to \$10.0 million sales group. It is difficult to generalize about those 20. CFAB has, or has had, credit relationships with 13 of them. Some of them have been extremely good loans; others are, or have been, among CFAB's most grievous credit problems. At best, the group does not appear to offer a broad base of financing opportunities.

The group of 22 larger (sales of \$10.0 million or more) processors clearly holds the greatest promise for major CFAB financing opportunities; however, only five of those processors are statutorily eligible. CFAB has, or has had, credit relationships with four of them; they have included some of CFAB's most reliable and highest quality loans. They are viewed as attractive and profitable borrowers by other lenders.

It is not known, and not asserted, that all of those 22 processors are creditworthy. Neither can it be asserted that if CFAB were given access to that group that competition would be readily or immediately overcome. However, the statutory barrier to that market represents a significant handicap to CFAB (within the context of its original and documented legislative intents and purposes); it magnifies the risks of financing concentrated in a very small market; it places strong upward pressure on the costs which must be borne by individual fishermen-borrowers; and it serves no useful purpose with regard to Alaskan interests. Ownership of a corporation - at least as expressed and implied by the statute - is not a valid credit factor.

That group of processors own extensive facilities in Alaska. They purchase, add value to, and market Alaska fish. They pay local taxes. They deal with Alaska fishermen. They purchase supplies in Alaska. They employ Alaska workers. They pay fish taxes to the State of Alaska. When they borrow money for capital investments or to finance operations, the money does not disappear - it is repaid, dollar for dollar, to the lender whether that lender is a Seattle commercial bank, a New York insurance company, or CFAB; and interest is paid to that lender also. That interest obviously can only be taken from the gross proceeds from the marketing of Alaska seafoods. If the interest is paid to CFAB it is a beneficial increment to CFAB and, therefore, its owners which consist of the State of Alaska and Alaska fishermen, farmers, and timber harvesters.



RECORDS CERTIFICATION

I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith
Signature of Camera Operator

9/5/89
Date

HB

605

HOUSE
COMMITTEE REPORT

3/7

(9)

Date referred: 2/14/86

FURTHER REFERRALS: FINANCE

DATE: March 5, 1986

The RESOURCES Committee has considered HB 605

"An Act establishing the Shuyak State Game Refuge."

and recommends:

- do pass
- do not pass
- do pass with attached amendment(s)
- no recommendation
- replace with CS HB 605 (Resources) same title
- new title

and recommends do pass

further referral to the _____ Committee

- and attaches:
- letter of intent
 - first fiscal note
 - new fiscal note
 - zero fiscal note/5

SIGNING DO PASS: *first*

SIGNING OTHER RECOMMENDATIONS:

Shultz Dick Shultz

Cato Bette Cato

Miller (NP) M.W. Miller

Thompson Paul W. Thompson

Sund [Signature]

Pearce [Signature]

Jenkins [Signature]

Herrmann Adelheid Herrmann

F. Kaybullis no rec
Wallis

Adelheid Herrmann
Co-Chairman Herrmann

Bradley
3/3/86 ✓

Original sponsor: Thompson

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IN THE HOUSE

BY THE RESOURCES COMMITTEE

CS FOR HOUSE BILL NO. 605 (Resources)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act establishing the Shuyak State Game Refuge."

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

* Section 1. AS 16.20 is amended by adding a new section to read:

Sec. 16.20.035. SHUYAK STATE GAME REFUGE. (a) The following state-owned uplands and all uplands acquired by the state after the effective date of this Act lying within the area described in this subsection are established as the Shuyak State Game Refuge:

(1) Beginning at the E 1/16th corner common to Sections 23 and 26, T18S, R19W, S.M.; then south-southwesterly approximately 8.86 miles to the section corner common to Sections 31 and 32, T19S, R19W, S.M., and Sections 5 and 6, T20S, R19W, S.M.; then westerly along the township line between Townships 19 and 20S, Ranges 19 and 20W, S.M., approximately 2.5 miles to the 1/4 corner common to Section 35, T19S, R20W, S.M., and Section 2, T20S, R20W, S.M.; then southerly along the north-south centerline of Section 2, T20S, R20W, S.M., approximately 0.3 miles to the intersection of the mean high tide line of Shuyak Strait; then meandering in a counter-clockwise direction easterly, northerly, westerly, and southerly to the intersection of the mean high tide with the section line common to Sections 15 and 16, T18S, R19W, S.M.; then south approximately 1.25 miles to the section corner common to Sections 22, 27, 28 and 21, T18S, R19W, S.M.; then east 1.75 miles between Sections 22 and 27, 23 and 26 to the E 1/16th corner common to Sections 23 and 26, T18S, R19W, S.M.; to the point of beginning; and

1 (2) Big Fort Island, Little Fort Island, the Perevalnie
2 Islands and all other islands, islets, pinnacles and rocks lying
3 easterly of and within one mile of the easterly shore of the lands
4 described in (1) of this subsection.

5 (b) The Shuyak State Game Refuge is established to provide the
6 following:

7 (1) protection and enhancement of habitat;

8 (2) continued opportunity for recreational uses, including
9 fishing and hunting, and continued trapping and commercial fishing;

10 (3) opportunity to view, photograph, study, and enjoy the
11 various species of plants and wildlife of the refuge.

12 (c) If the Kodiak Island Borough relinquishes to the state any
13 state land selected by the borough within the following parcels, that
14 land becomes part of the Shuyak State Game Refuge:

15 (1) T18S, R19W, S.M.

16 Sections 26 - 28

17 Sections 33 - 35

18 (2) T19S, R19W, S.M.

19 Section 3

20 Section 4

21 Section 6: S1/2

22 Sections 7 - 10

23 Sections 16 - 21

24 Sections 29 - 32

25 (3) T19S, R20W, S.M.

26 Section 1: S1/2

27 Section 2: S1/2

28 Section 10: SE1/4

29 Sections 11 - 16

1 Sections 20 - 29

2 Sections 32 - 36

3 (4) T20S, R20W, S.M.

4 Section 2

5 Section 3

6 (d) Egress and ingress to and from private and borough property
7 within or adjacent to land described in (a) of this section shall be
8 provided through the reservation by the Department of Natural Re-
9 sources of a 200-foot easement traversing Section 26, T18S, R19W,
10 S.M.; Sections 15, 16, 21, and 22 of T19S, R19W, S.M.; and Section 32,
11 T19S, R19W, S.M. The specific locations of the easements shall be
12 agreed to by the Department of Fish and Game, the Department of
13 Natural Resources, and the Kodiak Island Borough. If land is conveyed
14 to the state as provided in (c) of this section, the easements shall
15 be reserved so as to continue through that land.

16 (e) The Shuyak State Game Refuge shall be managed in accordance
17 with a management plan prepared by the Department of Fish and Game.
18 The management plan shall be adopted in accordance with the Alaska
19 Administrative Procedure Act (AS 44.62).

20 (f) The Board of Fisheries and the Board of Game shall adopt
21 regulations governing the taking of fish and game within the Shuyak
22 State Game Refuge to implement (b) of this section.

23 (g) To the extent that funds are available, the commissioner of
24 natural resources shall identify the boundaries of the Shuyak State
25 Game Refuge by surveying and posting each inland boundary described in
26 (a)(1) of this section, or as added under (c) of this section, at its
27 beginning and its end and not less often than each one-eighth of a
28 mile.
29

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : _____

REQUEST

Bill/Resolution No. : CSHB 605
 Title : Shuyak State Game Refuge

 Sponsor : Rep. Thompson
 Requestor : House Resources Committee
 Date of Request : March 3, 1986

FISCAL DETAIL

Agency Affected : Natural Resources
 BRU : Land Management

 Components : _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
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FUNDING : (Thousands of Dollars)

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

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by : Carol Wilson
 Division : Commissioner's Office



Phone : 465-2400
 Date : 3/4/86

Approved by Commissioner : Ann D. Arnold, Deputy
 Agency : Natural Resources

Date : 3/4/86

Distribution (by Agency preparing fiscal note) :

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



STATE OF ALASKA
OFFICE OF THE GOVERNOR
BILL ANALYSIS

DEPARTMENT Fish and Game	DIVISION Habitat	BILL NUMBER HB 605	SPONSOR Representative Thompson
DEPARTMENT POSITION Support			
PREPARED BY Habitat Division	DATE 2/25/86	COMMISSIONER'S SIGNATURE <i>Donnell Callersworth</i>	DATE 2-28-86

SUMMARY

OTHER AGENCIES AFFECTED BY BILL DNR	CONSTITUENT GROUP(S) AFFECTED BY BILL
ORGANIZATIONAL SUPPORT FOR BILL Administration (see attached letters)	ORGANIZATIONAL OPPOSITION TO BILL None Known

FISCAL IMPACT: NONE FISCAL NOTE ATTACHED

BACKGROUND/LEGISLATIVE INTENT

The purpose of creating the Shuyak State Game Refuge is to provide (1) protection and enhancement to fish and wildlife habitat, (2) continued opportunity for fishing, hunting, and trapping, and (3) other recreational opportunities.

ANALYSIS OF BILL PROGRAM EFFECTS

The bill will:

1. Establish the Shuyak State Game Refuge.
2. Provide for the addition of lands relinquished by the borough to the refuge.
3. Ensure access to private and borough holdings.
4. Direct the preparation of a refuge management plan.
5. Require surveying the refuge boundary to the extent that funds are available.

AMENDMENTS PROPOSED

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS.

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date : _____

REQUEST

Bill/Resolution No. : HB 605
 Title : An act establishing Shuyak State Game Refuge

Sponsor : Representative Thompson
 Requestor : Dept. of Fish and Game
 Date of Request : _____

FISCAL DETAIL

Agency Affected : Dept. of Fish & Game
 BRU : Habitat and Game Divisions

Components : Operating and Capital Budgets

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES		-0-				
TRAVEL		-0-				
CONTRACTUAL		-0-				
SUPPLIES		-0-				
EQUIPMENT		-0-				
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		-0-				
CAPITAL		-0-				
REVENUE						

FUNDING : (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by : Roland Shanks
 Division : Commissioner's Office

Phone : 465-4100
 Date : February 28, 1986

Approved by Commissioner : Don Peleusworth
 Agency : Department of Fish and Game

Date : 2-28-86

Distribution (by Agency preparing fiscal note) :

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



FEB 27 1986



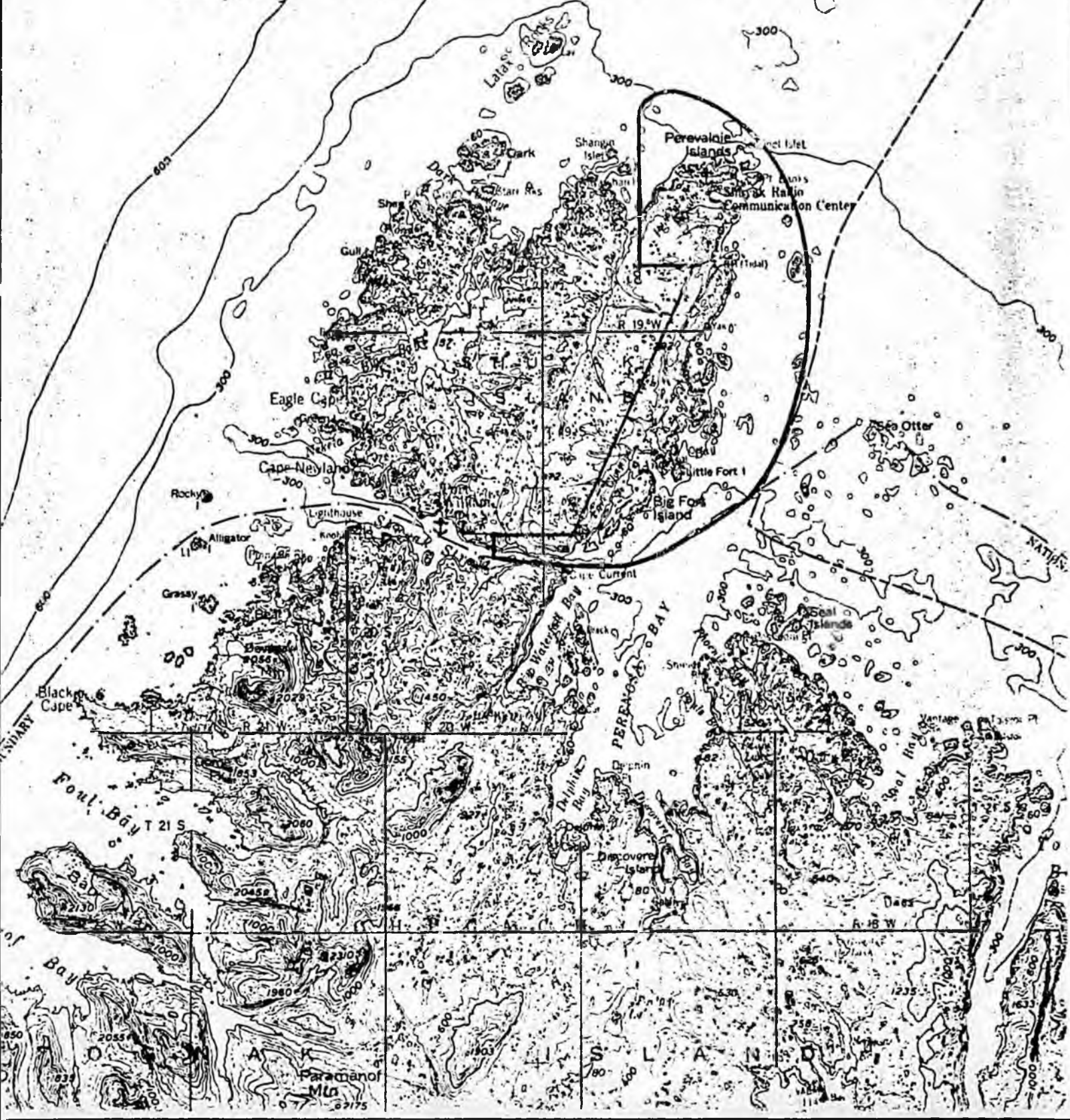
DEPARTMENT OF FISH AND GAME

STEVENSON

ENTRANCE

(Proposed)

Aleksandr Baranov State Game Refuge



FEB 06 1986



Kodiak Island Borough

710 MILL BAY ROAD
KODIAK, ALASKA 99615-6340
PHONE (907) 486-5736

January 30, 1986

The Honorable David W. Thompson
House of Representatives
Box V
Juneau, Alaska 99811

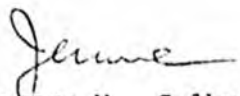
Dear Mr. ^{Pave}~~Thompson~~:

Enclosed please find a copy of Kodiak Island Borough Resolution No. 86-06-R requesting state legislation to create Shuyak State Game Refuge approved at the January regular meeting. Also enclosed is a letter from Neil C. Johannsen, Director, Division of Parks and Outdoor Recreation indicating the State's endorsement of the proposed game refuge.

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

Sincerely,

KODIAK ISLAND BOROUGH


Jerome M. Selby
Borough Mayor

Enclosures

mdd

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF PARKS AND OUTDOOR RECREATION

225A CORDOVA STREET
ANCHORAGE, ALASKA 99501
PHONE (907) 263-2665

MAILING ADDRESS:
POUCH 7001
ANCHORAGE, ALASKA 99510

November 27, 1984

Re: Proposed Baranof State
Game Refuge on Shuyak island

Jerome Selby, Manager
Kodiak Island Borough
Box 1246
Kodiak, Alaska 99615

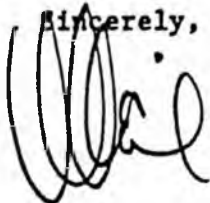
Dear Mr. *Jerome Selby*,

I recently learned of the Borough Assembly's resolution to seek legislation establishing the proposed Baranof State Game Refuge on Shuyak Island.

The Division of Parks and Outdoor Recreation supports the proposed state game refuge and believes it will be an important component of Kodiak's long-term outdoor recreation resources.

If there is anything I can do to assist in your efforts, please let me know.

Sincerely,



Neil C. Johannsen
Director

Kodiak Island Borough
Kodiak, Alaska
RECEIVED

NOV 30 1984

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KODIAK ISLAND BOROUGH
RESOLUTION NO. 86-06-R

A RESOLUTION OF THE KODIAK ISLAND BOROUGH ASSEMBLY REQUESTING
STATE LEGISLATION TO CREATE THE SHUYAK STATE GAME REFUGE

WHEREAS, on August 14, 1981, the Superior Court ordered the Agreement of Consent Decree to effectively dismiss the appeals the Kodiak Island Borough brought against the Alaska Department of Natural Resources with regards to its lands selections; and

WHEREAS, a condition in the Agreement of Settlement and Consent Decree is that the Kodiak Island Borough is to use its best efforts to have legislation introduced to create a state park and state game refuge on Shuyak Island for those portions not to be conveyed to the Kodiak Island Borough; and

WHEREAS, the Shuyak State Game Refuge is to be established to protect fish and wildlife habitats and population of all fish and wildlife species, particularly deer and brown bear, feeding, wintering and migration areas as well as to provide public uses of fish and wildlife in their habitat for hunting, viewing, photography, and general recreation in a high quality environment; and

WHEREAS, the Kodiak Island Borough had caused to be prepared a proposed bill entitled "An Act Creating the Aleksandr Baranov State Game Refuge" for the 1981-82 legislature; and

WHEREAS, Bill HCSSB 51, "An Act Establishing the Shuyak Island State Park; and Providing for an Effective Date" was signed by Governor Sheffield on July 11, 1984; and

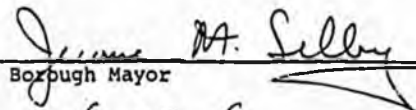
WHEREAS, nothing further has been done to establish a State Game Refuge.

NOW, THEREFORE, BE IT RESOLVED by the Kodiak Island Borough Assembly that legislation entitled "An Act Creating the Shuyak State Game Refuge" be introduced and assigned a number providing for the creation of said state game refuge.

BE IT FURTHER RESOLVED by the Kodiak Island Borough Assembly that the Borough administration be directed to send this resolution to the Senator for District N, the Representative for House District 27, Governor Sheffield, the Alaska Department of Natural Resources, and the Alaska Department of Fish and Game and implore their assistance in the successful adoption of this legislation.

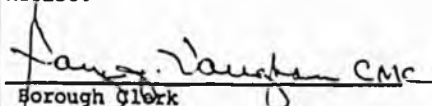
PASSED AND APPROVED THIS 2 DAY OF January, 1986.

KODIAK ISLAND BOROUGH


Borough Mayor


Presiding Officer

ATTEST:


Borough Clerk

February 21, 1986

The Honorable Jerome Selby
Mayor
Kodiak Island Borough
710 Mill Bay Road
Kodiak, AK 99615-6340

Dear Mayor Selby:

Thank you for sending me Kodiak Island Borough Resolution No. 86-06-R supporting introduction of a bill to create Shuyak State Game Refuge. Shuyak is a very scenic island, with outstanding hunting and viewing opportunities. As you are aware, Representative Thompson has introduced a bill to establish such a refuge. I support the creation of Shuyak State Game Refuge in keeping with the out-of-court settlement between the borough and the state. By copy of this letter, I have asked the Commissioners of Fish and Game and Natural Resources to provide any necessary technical assistance to Representative Thompson on this bill.

I look forward to designation of the area as a state game refuge in the near future.

Sincerely,

/s/ Bill Sheffield

Bill Sheffield
Governor

cc: Commissioner Don Collinsworth
Department of Fish and Game

Commissioner Esther Wunnicke
Department of Natural Resources

The Honorable David Thompson
Alaska State Legislature

BS/DWC/DC/tw
CTS#86038HDC0029

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LEG OFF
HB 605