

ALASKA LEGISLATURE COMMITTEE FILES 1985-1986 86/2

4321 SRES HB 248 - HB 256

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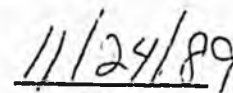


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STATE OF ALASKA
THE LEGISLATURE

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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

SENATE RESOURCES COMMITTEE

5/9/85, 3:00

"

"

5/10/85, 1:30

House Resources Committee, 3/22/85, 8:30 am

Alaska State Legislature

ARLISS STURGULEWSKI, Chairman
BETTYE FAHRENKAMP, Vice Chairman
JACK COGHILL
DICK ELIASON
VIC FISCHER
RICK HALFORD
FRED ZHAROFF



POUCH V
JUNEAU, ALASKA. 99811
(907) 465-4907

Senate Committee on Resources

MEMORANDUM

May 8, 1985

TO: Senate Resources Committee Members

FROM: Senate Resources Committee Staff *MJA*

RE: SENATE CS for CS for HB 248 (Resources)
"An Act relating to leases on certain land formerly described as university grant land; and providing for an effective date."

There are a number of persons who hold leases on state land that was formerly university-grant land. Many of these persons would like to buy that land from the state.

For many years, that was not possible because the land was tied up in a long term legal dispute between the university and the state. That legal dispute has now been settled and the state has clear legal control of the disputed land and could sell that land to the leasees.

Section 1 (a) and (b) of the CS establish that leasees may buy the land they are leasing from the state at current fair market value appraised as though in fee simple ownership.

Section 1 (c) allows leasees who wish to purchase from DNR to do so at a price previously established. This option is open until January 1, 1986.

Section 1 (d) allows leasees who wish to purchase from DNR but who dispute the established price, to get a new appraisal. The property is to be appraised as though it were in fee simple ownership and as June 17, 1983 (the date of the university - state settlement). This option is also open until January 1, 1986.

Section 1 (e) makes plain that purchasers of university-grant land that is classified as agricultural only receive the agricultural rights to the land they purchase.

Section 1 (f) makes plain that leasees who purchase their land relinquish their lease rights.

Section 1 (g) requires the Commissioner of DNR to notify all eligible leasees within 90 days of the effective date of this bill.

Section 1 (h) by reference sets out the mechanics of the purchase arrangement.

Section 2 is an immediate effective date clause.

Copies of all statutes that are referenced in the CS are attached to this memo.

The main points of contention in this bill have been on three issues.

1) Whether the price for the lands should be determined by current value or by a value at some date in the past.

2) How long lessees have to take advantage of a price based on a date in the past.

3) Whether the value of the parcels should be based on the state's leased fee interest or upon upon a value as though the land was in fee simple ownership.

includes the utilization of shore gill nets or set nets for the taking of fish. Every lease issued under this section shall reserve to the public a right-of-way for access to navigable waters and other tide and submerged land.

(b) The director may classify land as subject to leases for fisheries development, and publicly invite applications for lease of the selected areas. Each application shall be accompanied by an affidavit to the effect that the applicant presently intends to personally utilize the leased area for fishing purposes the following season. If two or more applications are received for the same shore area, the director shall award the lease to the most qualified applicant. In determining the qualifications of applicants, the director shall consider the length of time during which the applicant has been engaged in set netting, the proximity of the past fishing sites of the applicant to the land to be leased, the present ability of the applicant to utilize the location to its maximum potential, and other factors relevant to the equitable assignment of the disputed area. If the director cannot determine a preference between conflicting applicants for the same lease site on the basis of qualifications, the director shall select between the applicants by lot. An aggrieved applicant may appeal to the commissioner within five days for a review of the director's determination.

(c) A lease for set net fishing may be issued for any period not exceeding 10 years. If the commissioner determines that the land is not being utilized for the purpose for which the lease is issued, the lease may be declared void. The director shall establish a reasonable rental for the lease, equal to the administrative costs involved in processing the leasehold applications.

(d) Subleasing and renewals of leases are governed by AS 38.05.095 and 38.05.102.

(e) The lease of submerged land conveys no interest in the water above the land or in the fish in the water. (§ 2 ch 93 SLA 1963; am § 99 ch 6 SLA 1984)

Effect of amendments. — The 1984 amendment changed the internal reference in subsection (d).

Opinions of attorney general. — This section, which authorizes shore fishery leases, does not create an exclusive right of fishery and therefore is not

unconstitutional under § 15, art. VIII, of the state constitution. 1983 Op. Att'y Gen. No. 03.

This section can be amended to limit the issuance of state tidelands leases for fisheries development to residents of Alaska. 1983 Op. Att'y Gen. No. 03.

Sec. 38.05.085. Term of lease. (a) The lease shall provide that

(1) for the initial 25-year period of the lease, the lessee shall pay the state a fixed base annual rent to be agreed upon by the parties in compliance with the provisions of this chapter;

(2) the fixed base annual rent to be paid by the lessee shall be readjusted when the initial 25-year period of the lease has expired and, thereafter, every 10 years; and

(3) the readjusted annual rent may not exceed 10 per cent of the value of the property as determined in (b) of this section or 50 per cent more than the amount paid each year during the initial period or the preceding 10-year period, whichever is lower.

(b) When it becomes necessary to determine the fair market value of property as required by (n) of this section, the director shall have the property appraised by a qualified appraiser. If the lessee disagrees with the appraisal obtained by the director, the lessee may appoint a qualified appraiser to make an appraisal of the property in question. If the two appraisers agree upon the fair market value, the determination is binding on the parties. In the event the two appraisers are unable to agree, they shall appoint a third qualified appraiser who shall then make an appraisal of the property in question. When the third appraisal is completed, the two of the three appraisals which are nearest each other in their determination of the fair market value shall be averaged and the resultant sum shall be the fair market value of the property in question and absolutely binding on the parties. All costs incurred in making the appraisals provided for in this subsection shall be borne by the state and the lessee equally.

(c) The lessee shall make advance payments of the annual rent or portion of it as the director, with the approval of the commissioner, may require.

(d) A preference right lessee of grazing or forest land may follow the payment schedule established in the cancelled federal lease or grazing permit if the lessee so desires.

(e) Notice of all actions by the department affecting the rights of a lease or lessee shall be given to the lessee.

(f) A violation of a provision of this chapter or of a term or provision of a lease subjects the lessee to appropriate legal action, including, but not limited to, a forfeiture of the lease.

(g) In this section,

(1) "annual rent" means the amount of rent paid annually determined by multiplying the fair market value by the rental rate computed at the time of the initial 25-year period of the lease or of each subsequent 10-year period of the lease;

(2) "qualified appraiser" means a senior member of the American Institute of Real Estate Appraisers, the Society of Real Estate Appraisers, a person meeting the requirements for certification as an appraiser II by the division of personnel, Department of Administration, or a person qualified according to regulations adopted by the commissioner under the Administrative Procedure Act (AS 44.62);

(3) "rental rate" means the rate, expressed as a percentage of fair market value, which a comparable class of privately owned property would bring in the open market with the same conditions of lease as offered by the state. (§ 3 art V ch 169 SLA 1959; § 11 ch 61 SLA 1960; § 4 ch 74 SLA 1961; am § 9 ch 138 SLA 1977; am §§ 8, 9 ch 182 SLA 1978)

Sec. 38.05.300. Classification of lands. (a) The commissioner shall classify for surface use land in areas considered necessary and proper. This section does not prevent reclassification of land where the public interest warrants reclassification, nor does it preclude multiple purpose use of land whenever different uses are compatible. State land, water, or land and water area may not, except by act of the state legislature, be closed to multiple purpose use if the area involved contains more than 640 acres.

(b) Not later than February 1 of each year, the commissioner shall submit a written report to each house of the legislature which describes and shows the location of all classifications of state land made under (a) of this section during the preceding year. (§ 1 art III ch 169 SLA 1959; am § 2 ch 31 SLA 1964; am §§ 33, 34 ch 85 SLA 1979; am § 40 ch 152 SLA 1984)

Cross references. — For state land and water restricted to use as public recreation areas and state parks, see AS 41.21.

Effect of amendments. — The 1984 amendment made a series of technical changes throughout subsection (a).

NOTES TO DECISIONS

Department of Natural Resources agricultural classification of lottery parcels proper. — The requirement that an act of the legislature is required where multiple purposes are closed in parcels exceeding 640 acres applied to the management of retained state land, not the disposal of it; thus, Department of Nat-

ural Resources agricultural classification of lottery parcels was proper, even though it did foreclose multiple purposes. *State v. Weidner*, Sup. Ct. Op. No. 2788 (File Nos. 6220, 6240, 6272), P.2d (1984).
Quoted in *Southeast Alaska Conservation Council, Inc. v. State*, Sup. Ct. Op. No. 2662 (File No. 5855), P.2d (1983).

Sec. 38.05.305. Notice and review. [Repealed, § 45 ch 113 SLA 1981. For current law see AS 38.05.945.]

Sec. 38.05.321. Restriction on sale, lease or other disposal of agricultural land. (a) The sale, lease or other disposal of state land classified as agricultural land transfers only rights for agricultural purposes, and all other interests in the land remain with the state unless otherwise required by law.

(b) State land classified as agricultural land which has been selected by a municipality under former AS 29.18.190 — 29.18.200 or 29.18.205(e) may be approved by the director for patent under AS 29.18.205(f); however, only rights in the land for agricultural purposes may be transferred and all other interests in the land will remain with the state. Agricultural land approved for patent to a municipality under AS 29.18.205(f) shall be credited, acre for acre, toward fulfillment of that municipality's entitlement under AS 29.18.201 — 29.18.203. If the director later determines it to be in the best interests of the state to transfer some or all of the additional rights in that approved or patented agricultural land, those rights shall pass without

consideration to the municipality in which the land is located. The notice and review provisions of AS 38.05.945 are applicable to conveyance of rights under this section.

(c) The provisions of this section do not apply

(1) to state land classified as agricultural land that has been selected by a municipality under the provisions of former AS 29.18.190 — 29.18.200 if the selection is an approved selection before April 1, 1978 and is otherwise valid under AS 29.18.205(b); or

(2) a quitclaim of the interest of the state to the federal government under AS 38.05.035(b)(9). (§ 3 ch 71 SLA 1976; am § 3 ch 180 SLA 1978; am § 43 ch 152 SLA 1984)

Revisor's notes. — In 1984 "former" was inserted before the references to AS 29.18.190 — 29.18.200 in subsections (b) and (c). Those sections were repealed by § 5, ch. 180, SLA 1978. AS 29.18.205(e), referred to in subsection (b), was repealed by § 45, ch. 85, SLA 1979.

Effect of amendments. — The 1984 amendment, in subsection (c), designated the language beginning with "to state land" as paragraph (1), added paragraph (2), and made related technical changes in paragraph (1).

Sec. 38.05.325. Homestead entry. [Repealed, § 45 ch 85 SLA 1979. For current law see AS 38.09.]

Sec. 38.05.347. Transfer of state land to cities. [Repealed, § 6 ch 218 SLA 1976; § 15 ch 257 SLA 1976.]

Sec. 38.05.360. Waste or injury to land. [Repealed, § 21 ch 166 SLA 1978. For current law see AS 11.46.]

Sec. 38.05.362. Agricultural land classification. [Repealed, § 88 ch 152 SLA 1984.]

Article 12. State Control of Certain Land

Section	Section
500. Electorate determinations	503. Treaties and compacts
501. Management	504. Proceeds to the general fund
502. Property of the people	505. Exclusive enforcement

Revisor's notes. — Enacted as AS 38.05.500 — 38.05.570 (now 38.05.605). Renumbered in 1983.

Opinions of attorney general. — Ballot Measure No. 5 is unconstitutional because it is in direct conflict with the disclaimer provisions of §§ 12 and 13, art. XII, of the state constitution, and as a result, neither the Department of Natural Resources nor any other public agencies (e.g., the Department of Public Safety, etc.)

should attempt to implement its provisions. 1983 Op. Att'y Gen. No. 2.

Ballot Measure No. 5 probably is unconstitutional under provisions of the United States Constitution. 1983 Op. Att'y Gen. No. 2.

Any state claim to ownership of public lands under the "equal footing" doctrine, which insures that new states are admitted to the Union with the same sovereign political rights and powers as all

NOTES TO DECISIONS

Quoted in *Gilman v. Martin*, Sup. Ct. Op. No. 2652 (File No. 5937), 662 P.2d 120 (1983); *LeResche v. Lustig*, Sup. Ct. Op. No. 2656 (File No. 6058), 663 P.2d 542 (1983); *Stato v. Weidner*, Sup. Ct. Op. No. 2788 (File Nos. 6220, 6240, 6272), P.2d (1984).

Sec. 38.05.058. Land discount program. (Repealed, § 19 ch 67 SLA 1983.)

Sec. 38.05.059. Limitation on purchases of agricultural land. A person may purchase from the state a total of not more than one parcel of land that is part of an agricultural development project under AS 44.33.475 during any eight-year period. (§ 3 ch 129 SLA 1982)

Sec. 38.05.060. Rejection of bids. Before the signing of the formal conveyance by the director, the commissioner may reject all bids when the best interests of the state justify this action. Land offered at public sale but not sold may be made available at private sale for not less than its appraised value. (§ 2 art IV ch 169 SLA 1959; am § 9 ch 61 SLA 1960; am § 2 ch 137 SLA 1962)

NOTES TO DECISIONS

Cited in *State v. University of Alaska*, Sup. Ct. Op. No. 2303 (File No. 4579), 624 P.2d 807 (1981).

Sec. 38.05.063. Sales for pipeline purposes. (Repealed, § 31 ch 3 FSSLA 1973.)

Sec. 38.05.065. Terms of contract of sale. (a) The contract of sale for land sold at public auction under AS 38.05.055 shall require the remainder of the purchase price to be paid in monthly, quarterly or annual installments over a period of 20 years, with interest at the prevailing rate for real estate mortgage loans made by the federal land bank for the farm credit district for Alaska at the time the contract is signed. Installment payments plus interest shall be set on the level-payment basis.

(b) The contract of sale for land sold under AS 38.05.057 and under AS 38.05.078 shall require the remainder of the purchase price to be paid in monthly, quarterly, or annual installments over a period of not more than 20 years. Installment payments plus interest shall be set on the level-payment basis. The interest rate to be charged on installment payments is the prevailing rate for real estate mortgage loans made by the federal land bank for the farm credit district for Alaska at the time the contract is signed.

(c) The director shall, for contracts under (a) or (b) of this section, set out in the contract for each sale the period for the payment of install-

ments and the total purchase price plus interest. The director, with the consent of the commissioner, may also include in contracts under this section conditions, limitations and terms considered necessary and proper to protect the interest of the state. Violations of any provision of AS 38.05.005 — 38.05.990 or the terms of the contract of sale subject the purchaser to appropriate administrative and legal action, including but not limited to specific performance, foreclosure, ejection, or other legal remedies in accordance with applicable state law.

(d) If a contract for a sale of state land has been breached, the director may issue a decision to foreclose and terminate the contract at any time 31 days after delivering by certified mail a written notice of the breach to the address of record of the purchaser. A breach caused by the failure to make payments required by the contract may be cured within 30 days after the notice of the breach has been received by the purchaser by payment of the sum in default together with the larger of a fee of \$50 or five percent of the sum in default. If there are material facts in dispute between the state and the purchaser, the purchaser may submit a written request for a public hearing for the review of the facts within 30 days after the notice of the breach has been received.

(e) On a determination that there has been a breach of the contract based on the administrative record and the evidence presented at a hearing, the director shall issue a decision foreclosing the interest of the purchaser and terminating the contract. The obligation to make payments under the contract continues through the date of the decision to foreclose by the director.

(f) The director shall deliver the decision to foreclose and terminate personally to the purchaser or send it certified mail, return receipt requested to the address of record of the purchaser. If the breach is a failure to make payments required by the contract, the decision shall include a notice to the purchaser that if within 30 days the purchaser pays to the state the full amount of the unpaid contract price, including all accrued interest, and any fees assessed under (d) of this section, the department shall issue to the purchaser a deed to the land. If full payment is not made within 30 days or the breach is for other than failure to make payment, the decision forecloses and terminates all legal and equitable rights the purchaser has in the land.

(g) The purchaser may appeal the director's decision to the commissioner within 30 days. The final decision by the department is reviewable under AS 44.62.560.

(h) The commissioner may declare a moratorium of up to five years on payments on a sale of agricultural land under this section if

(1) the commissioner determines that the moratorium is in the best interest of the state;

(2) the commissioner certifies and the contract purchaser agrees to perform farm development, crop production, and harvesting, not including land clearing or related activity, requiring the expenditure

of amounts equivalent to the payments that would otherwise be made during the moratorium;

(3) the sale of the agricultural land takes place after July 1, 1979; and

(4) the contract purchaser is in compliance with the development plan specified in the purchase contract at the time the purchaser applies for a moratorium under this subsection and remains in compliance with the development plan during the moratorium. Interest payments are subject to the moratorium but interest continues to accrue during the moratorium. (§ 3 art IV ch 169 SLA 1959; am § 5 ch 176 SLA 1978; am §§ 26, 27 ch 85 SLA 1979; am §§ 17, 18 ch 113 SLA 1981; am §§ 23, 24 ch 152 SLA 1984; am § 1 ch 165 SLA 1984)

Reviser's notes. — Subsection (h) of this section was enacted as (c). Renumbered in 1984.

Effect of amendments. — The 1981 amendment added "under AS 38.05.055" following "public auction" and substituted "20" for "ten" preceding "years" in the first sentence of subsection (a). In subsection (b), the amendment deleted "the procedures specified in" following "land sold under" and substituted "and under AS 38.05.078" for "(lottery disposals)" preceding "shall require the remainder" in the first sentence.

The first 1984 amendment added subsections (d)-(g) and, in subsection (c), inserted "but in the contract" in the first sentence and substituted "considered" for "which he considers" in the second sentence.

The second 1984 amendment added subsection (h).

Quoted in *State v. Weidner*, Sup. Ct. Op. No. 2788 (File Nos. 6220, 6240, 6272), P.2d (1984).

Collateral references. — 63 Am. Jur. 2d, Public Lands, § 46 et seq.
73A C.J.S., Public Lands, § 184.

Sec. 38.05.066. Preference to persons for fishery purposes. [Repealed. § 34 ch 94 SLA 1980.]

Sec. 38.05.067. Veterans preference. (a) Except as provided in (e) of this section, before offering to the general public any unoccupied residential land, the director shall offer the land at a restricted sale at which only veterans may buy.

(b) The director shall not sell the land under this section at less than the fair appraised market value. The director shall adopt regulations necessary to ensure that land sold under this section is for bona fide residential use and not for speculation.

(c) When not in conflict with this section, other provisions of AS 38.05.045 — 38.05.067 apply to sales under this section.

(d) In this section "veteran" means a person with 90 days or more of active service in the armed forces of the United States who has been honorably discharged.

(e) This section does not apply to the sale of state land under AS 38.04.020(g)(2) and AS 38.09. (§ 4 art IV ch 169 SLA 1959; added by ch 102 SLA 1962; am § 1 ch 28 SLA 1963; am § 1 ch 1 SLA 1968; am §§ 28, 29 ch 85 SLA 1979; am § 35 ch 94 SLA 1980; am §§ 19, 20 ch 113 SLA 1981; am § 6 ch 103 SLA 1983)

Effect of amendments. — The 1981 amendment rewrote subsection (d) and substituted "AS 38.04.020(g)(2)" for "AS 38.05.077 and 38.05.078 in subsection (e). 38.05.047(f)" in subsection (e). The 1983 amendment substituted the reference to AS 38.09 for references to AS 38.05.077 and 38.05.078 in subsection (e).

Sec. 38.05.068. Forest Service permittees' sales preference.

(a) Before offering to the public any land which is subject to a valid existing United States Forest Service permit in effect on the day before that land is tentatively approved for patent to the state, or which is subject to a lease issued under AS 38.05.087, the director shall offer the land for sale to the permittee or a successor in title, if the permittee or a successor in title of the permittee can be found.

(b) When not in conflict with this section, the provisions of AS 38.05.045 — 38.05.069 apply to sales under this section.

(c) If the permit described in (a) of this section is for a recreational cabin, recreational residence, nonrecreational residence, or a residence of a community nature and the land is used for noncommercial residential or recreational purposes, the purchase price offered to a permittee or the successor of a permittee shall be an amount determined by the commissioner which is equal to the state money required to be spent in order to sell the land plus the cost of survey or resurvey, if the survey or resurvey is made by the department or a contractor of the department.

(d) If the permit described in (a) of this section is for a use other than a use listed in (c) of this section, the purchase price offered to a permittee or the successor of a permittee shall be not less than the appraised fair market value of the land. (§ 1 ch 26 SLA 1963; am § 39 ch 127 SLA 1974; am §§ 1, 2 ch 26 SLA 1979)

Sec. 38.05.069. Preference to persons for agricultural purposes. (a) On a determination that the highest and best use of unoccupied land is for agricultural purposes and that it is in the best interests of the state to sell or lease the land, the commissioner shall grant to an Alaskan resident owning and using or leasing and using land for agricultural purposes a first option at the auction to purchase or lease the unoccupied land situated adjacent to land presently held by the Alaskan resident for the amount of the high bid received at public auction. If more than one Alaskan resident qualifies for a first option under this section, eligibility for the first option shall be determined by lot and the option must be exercised on the conclusion of the public auction. A parcel of agricultural land sold under this section may not be less than 20 acres and a parcel of agricultural land that is

CSHB 248 FIN AM
 AN ACT RELATING TO LEASES ON CERTAIN LAND FORMERLY DESCRIBED AS UNIVERSITY-GRANT LAND; AND PROVIDING FOR AN EFFECTIVE DATE.

PRIME SPONSOR: SHULTZ
 CO-SPONSORS: SUND, MILLER, MM, MARROU

\$000 GENERAL(FNOTE) \$000 OTHER(FNOTE)

CURRENT STATUS: (S) RES

DATE		PAGE	ACTION
03/01/85	(H)	483	READ THE FIRST TIME
03/25/85	(H)	697	RES RPT W/CS 5DP 2NR 1OTHER
03/25/85	(H)	697	FISCAL NOTE ZERO
04/25/85	(H)	1077	FIN RPT W/CS 5DP 6NR
05/02/85	(H)		RLS TO CALENDAR 5/2/85
05/02/85	(H)	1235	READ THE SECOND TIME
05/02/85	(H)	1235	CSHB 248(FIN) ADOPTED UNAN CONSENT
05/02/85	(H)	1235	AM NO 1 ADOPTED UNAN CONSENT
05/02/85	(H)	1236	ADVANCED TO THIRD READING UNAN CONSENT
05/02/85	(H)	1236	READ THE THIRD TIME CSHB 248(FIN)AM

DATE		PAGE	ACTION
05/02/85	(H)	1236	PASSED Y38 N- A2
05/02/85	(H)	1236	EFFECTIVE DATE SAME AS PASSAGE
05/02/85	(H)	1255	TRANSMITTED TO (S)
05/03/85	(S)	1034	READ THE FIRST TIME
			RESJURCES
			RULES

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: CSHB 248
Title: University grant land leases

FISCAL DETAIL

Agency Affected: Natural Resources
Program Category Affected: NRMEC

Sponsor: Shultz
Requestor: _____
Date of Request: _____

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		-0-	-0-	-0-	-0-	-0-

CAPITAL						
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REVENUE						
----------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

No fiscal impact.

Prepared By: Ned Farquhar
Division: Commissioner's Office

Phone: 465-2400
Date: 22 March 1985

Approved by Commissioner: Mark D Arnold, Deputy
Agency: Natural Resources

Date: 22 March 1985

Distribution (by Agency preparing fiscal note):

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

7/1/84

FOLLETT & ASSOCIATES

4141 B Street, Suite 402, Anchorage, Alaska 99503 (907) 562-4279



Richard H. Follett, MAI
Eric G. Follett, MAI

February 18, 1985

Ms. Bev Aleck
2524 Redwood
Anchorage, Alaska 99504

Regarding: Former University of Alaska Lands leased
by the State of Alaska.

Dear Ms. Aleck:

The following letter sets forth the terminology, definitions and appraisal practices used in valuing real estate, when the property is affected by a lease. The eighth edition of The Appraisal of Real Estate, published by the American Institute of Real Estate Appraisers states, "The bundle of rights Theory holds that total real property ownership, or title in fee, includes several distinct rights, each of which can be separated from the bundle and conveyed by the fee owner to other parties in perpetuity or for limited time periods. When a right is separated from the bundle and transferred, a partial, or fractional property interest is created

"Lease practice is one practical application of the Bundle of Rights Theory. An owner of the total bundle (a lessor) may convey to a tenant (a lessee) rights to use and occupy a property for a fixed time period. In return, the tenant assumes an obligation to pay an agreed upon periodic rent."

It goes on to say that, "A leasehold interest is said to have value when contract rent is less than market rent, which is the amount a property could earn in a competitive real estate market. Market rent is not profit from a business operated on the premises. It is the rent the real estate could command in the market. In a perfectly negotiated lease, contract rent would probably not differ from market rent. When market rent exceeds contract rent, the leasehold interest acquires value."

Under the Canons and Regulations of the American Institute of Real Estate Appraisers, it would be unethical for an appraiser to render an opinion of market value for a property, and not take into consideration the effect of any leases on that property. If the tenant had a favorable lease at below market rent, whereby a leasehold interest existed, the market value of the property would be of the leased fee estate, which can be found by deducting the value of the leasehold interest from the total property value in fee simple. It would be unethical for the appraiser to merely value the property in fee simple and not take into account a favorable lease creating a leasehold interest by the lessee.

REAL ESTATE APPRAISERS • CONSULTANTS • MARKET ANALYSTS

At this point it may be helpful to define some of the terms used in this letter: (1)

- Lessor - One who holds title and conveys the right to use and occupy a property under a lease agreement.
- Lessee - One who possesses the right to use or occupy a property under lease agreement.
- Lessor's Interest - Leased Fee Interest - The present (discounted) value of the contract (lease) rents in addition to the present (discounted) value of the reversion (a leased fee).
- Lessee's Interest - The market value of the property less the value of the lessor's interest.
- Leasehold Value - The value of the leasehold interest; that is, the right to the use, enjoyment and profit existing by virtue of the rights granted under a lease instrument. The value of the leasehold interest is the present (discounted) worth of the rent saving, when the contractual rent at the time of appraisal is less than the current market rent.
- Reversion - The returning of an item of real estate to its grantor, such as the return of the future use of real estate to a lessor at the expiration of the lease controlling it.

In the case of the University of Alaska Lands, which were leased by the State of Alaska, these properties all have an existing valid lease which must be taken into consideration when an appraiser estimates the current market value of the property. The State of Alaska is the lessor and owns the leased fee interest, which is the right to receive rent and to get the property back at the end of the lease.

The individual leaseholders own the leasehold interest, which is the right to use the property for a specific period of time, and may include improvements to the property or subleasing.

- (1) Definitions are from the Appraisal Terminology and Handbook, published by the American Institute of Real Estate Appraisers.

Most of the University Land Leases were made in the early 1970's, and contain a clause allowing the lease payment to be increased to market rent upon reappraisal every five years. They were 55 year leases with an option to renew the lease for an additional 55 years at market rent.

In the late 1970's the State offered a conversion program whereby the lessees could convert the lease to a level payment, 25-year lease, after which the lease payment could be increased on every ten year anniversary, but the lease payment could not be greater than 150% of the payment during the previous 10 year period.

In all the instances reviewed by the appraiser, this created a substantial leasehold interest for the lessees.

The State of Alaska is now offering to sell the properties to the leaseholders. Since the properties are affected by valid leases, and the lessees have a saleable leasehold interest, the market value of the portion of the property owned by the State of Alaska is the leased fee interest.

In the Addenda of this letter, is an example analysis of a leased property which has been patterned after an actual leasehold under consideration. The assumptions in this example are as follows:

Current Land Value: \$280,000 (160 acres @ \$1,750/acre)
Beginning of Lease: 7/23/74
End of Lease: 7/23/2029
Lease Term: 55 years
Option: Additional 55 years at market rent.
Lease Rate: 25-year level payment at \$950 per quarter beginning 1/23/78. The lease rate may increase up to 50% of the previous period every 10 years.

A survey of land leases in the market indicates that land lease rates for this type property would be about 8% of value annually. This would indicate a quarterly lease payment of \$5,600 ($.08 \times \$280,000 \div 4 = \$5,600$). The lessee has a substantial leasehold advantage of \$4,650 per quarter (\$5,600 less \$950 equals \$4,650). A typical investor would expect this property to increase in value approximately 70% every 10 years. For example, a property valued at \$20,000 today would be worth \$34,000 ten years hence. Thus, the lease advantage will increase over time, since the lease payment is level for 25 years and then only can be increased 50% every 10 years.

The lease goes to market rent at the beginning of the option period during the 55-year option. Therefore, the lessee's leasehold interest is calculated for only the initial 55 year term of the lease.

The underlying logic for estimating the market value of the leasehold interest, or the leased fee interest, is that a person would not pay a dollar today for a dollar received in the future. The difference in the amount paid is reflected by the discount rate, or interest rate.

Addendum A represents the calculations for a leased fee interest where the property is leased under the above terms and conditions, except the lease payment is at market rent and can be increased every 10 years. It shows that the present value of the discounted lease payments at 12% interest, plus the present value of the reversion of the property at 12% interest equals the present value of the property in fee simple. This calculation is used to check the assumptions and discount rates to make sure the discounted cash flows of the model equals the current fee simple market value of the property.

Addendum B shows the calculations for the leased fee interest using the discount rates from the model and applying the terms and conditions of the lease to this property. This example shows the leased fee interest has a current value of \$50,733. This is the State of Alaska's Leased Fee Interest. Subtracting this amount from the value in fee simple of \$280,000 indicates that the leasehold interest is worth \$229,267.

As a check against these calculations, the appraiser can also estimate the value of the leasehold interest directly. It is based on the discounted cash flow of the rental advantage from the lease. During each time period, the rental advantage between market rent and the rent stated in the contract is discounted to present value.

Addendum C summarizes these calculations, indicating a total leasehold interest based on the above lease information and assumptions, of \$228,470. Adding the estimated value of the leased fee interest yields a total property value estimate of \$279,203, ($\$228,470 + \$50,733 = \$279,203$) which is very close to the current market value of the property (\$280,000).

It is the appraiser's hope that the example outlined in the Addenda will help clarify the University Land Leasehold situation and help identify the proper procedure to estimate the current market value of a property involving a lease. This paper shows the method of valuing both a Leased Fee Interest and the Leasehold Interest.

The time value of money is not considered in the 1st example but is in the 2nd example. This substantially distorts the comparison.


It is interesting to note that in this example, if the lease continues, the State of Alaska will receive a total of \$294,262 in lease payments, plus the right to get back the property (the reversion) at the end of the lease, at which time the property will have appreciated to an estimated value of \$2,970,000. *MAI*

Alternately, if the State of Alaska sells its Leased Fee Interest for \$50,733 (see Addendum B), and puts the money in an account receiving 10% interest compounded monthly, the investment would grow to \$4,265,000 by the end of the lease (7/23/2029).

I would like to reemphasize that when a property is appraised for "Fair Market Value" and there is an existing lease, the appraiser must analyze the lease, and appraise the Leased Fee Interest (sometimes called Leased Fee Estate).

If we can be of any further help to you regarding the analysis of leases, please call us.

Sincerely yours,
FOLLETT & ASSOCIATES



Eric G. Follett, MAI

ADDENDUM A

Leased Fee Interest Calculations - at Market Rents

As a check of the model, if we apply a market rent to the lease of a \$280,000 property. The Present Worth of the lease payments and reversion should equal today's market value of the property.

Annual market rent would be 8% of land value (8% x \$280,000 = \$22,400), or \$5,600 quarterly. An investor would also expect land values to increase 70% every 10 years, which would also increase the rent 70% every 10 years.

1st Period - 1/23/85 to 1/23/95

The Present Worth Factor for 40 quarters at 12% interest is 23.808 (from Compound Interest Tables).
The lease rate is \$5,600.

$\$5,600 \times 23.808 = \$133,326$

2nd Period - 1/23/95 to 1/23/2005

The Present Worth Factor for 40 quarters, deferred 40 quarters at 12% interest is (31.107 - 23.808) = 7.299
The lease rate can be increased by 70% to \$9,520.

$\$9,520 \times 7.299 = \$ 69,486$

3rd Period - 1/23/2005 to 1/23/2015

The Present Worth Factor for 40 quarters, deferred 70 quarters at 12% interest is (33.344 - 31.107) = 2.237.
The lease rate can be increased by 70% to \$16,184.

$\$16,184 \times 2.237 = \$ 36,204$

4th Period - 1/23/2015 to 1/23/2025

The Present Worth Factor for 40 quarters, deferred 120 quarters at 12% interest is (34.030 - 33.344) = .686.
The lease rate can be increased 70% to \$27,513.

$\$27,513 \times .686 = \$ 18,874$

5th Period - 1/23/2025 to 7/23/2029

The Present Worth Factor for 18 quarters, deferred 160 quarters at 12% interest is (34.155 - 34.030) = .125.
The lease rate can be increased 70% to \$46,771.

$\$46,771 \times .125 = \underline{\$ 5,846}$

Present Worth of Market Lease Payments \$263,736

Present Worth of Reversion

The estimated land value in year 2029 is \$2,970,000, which reflects a 70% increase in land value every 10 years, simple interest.

Present Worth Factor for \$1.00 received after 178 quarters at 12% annual interest is .0052

$\$2,970,000 \times .0052 = \underline{+ 15,444}$

Total Indicated Present Value of Lease Payment and Reversion \$279,180

The model checks, since this is equal to the current value of the property in fee simple interest.

ADDENDUM B

Leased Fee Interest Calculations - Based on the Lease Terms

The "converted" lease states the quarterly rent on this property is \$950 until 1/23/2003. The payment can then be increased up to 50% every 10 years.

1st Period - 1/23/85 thru 1/23/2003

The Present Worth Factor for 72 quarters at 12% interest is 30.246. The current lease rate is \$950 per quarter.

$$\$950 \times 30.246 = \$28,734$$

2nd Period - 1/24/2003 thru 1/23/2013

The Present Worth Factor for 40 quarters, deferred 72 quarters at 12% interest is $(33.080 - 20.246) = 2.834$. The lease rate can be a maximum of \$950 plus 50%, or \$1,425.

$$\$1,425 \times 2.834 = \$4,038$$

3rd Period - 1/24/2013 thru 1/23/2023

The Present Worth Factor for 40 quarters, deferred 112 quarters at 12% interest is $(33.949 - 33.080) = .869$. The lease payment can be a maximum of \$1,425 plus 50%, or \$2,137.50

$$\$2,137.50 \times .869 = \$1,857$$

4th Period - 1/24/2023 thru 7/23/2029

The Present Worth Factor for 26 quarters, deferred 152 quarters at 12% interest is $(34.155 - 33.949) = .206$. The lease payment can be a maximum of \$2,137.50 plus 50%, or \$3,206.25.

$$\$3,206.25 \times .206 = \$660$$

Present Value of Lease Payment \$35,289

Reversion

At the end of the 55 year lease the leaseholder has the option of renewing the lease for another 55 years, but the lease payment can be increased to market rent. Thus, the appraiser assumes that the leaseholder would no longer have a leasehold interest at that point, and the value of the Leased Fee Interest would equal the value of the Fee Simple Interest. The estimated value of the property in the year 2029 is \$2,970,000, which reflects a 70% increase in land value every 10 years.

Present Value of Reversion

Present Worth Factor for \$1 received after 178 quarters at 12% annual interest is .0052.

$$\$2,970,000 \times .0052 = \$15,444$$

Total Estimated Market Value of Leased Fee Interest \$50,733

Note: This represents the market value of the State of Alaska's Leased Fee Interest in the property.

ADDENDUM C

Leasehold Interest Calculations

Based on Lease Terms and Investor Expectations in Market

Period - 1/23/85 thru 1/23/95

PW of the rental advantage of \$4,650 (\$5,600 - \$950)
per quarter for 40 quarters discounted at 12% interest.
The Factor is 23.808

\$4,650 x 23.808 = \$110,708

Period - 1/23/95 thru 1/23/2003

Present Worth of the Rental Advantage of \$8,570
(\$9,520 - \$950) discounted at 12% interest for
32 quarters, deferred 40 quarters. The Factor
is 30.246 - 23.808 = 6.438

\$8,570 x 6.438 = \$ 55,174

Period - 1/23/2003 thru 1/23/2005

Present Worth of the Rental Advantage of \$8,095
(\$9,520 - \$1,425) discounted at 12% interest for
8 quarters, deferred 72 quarters.
The Factor is 31.107 - 30.246 = .861

\$8,095 x .861 = \$ 6,968

Period - 1/23/2005 thru 1/23/2013

Present Worth of the Rental Advantage of \$14,759
(\$16,184 - \$1,425) discounted at 12% interest
for 32 quarters, deferred 80 quarters.
The Factor is 33.080 - 31.107 = 1.973

\$14,759 x 1.973 = \$29,125

Period - 1/23/2013 thru 1/23/2015

Present Worth of the Rental Advantage of \$14,046
(\$16,184 - \$2,138) discounted at 12% interest
for 8 quarters, deferred 112 quarters.
The Factor is 33.344 - 33.084 = .264

\$14,046 x .264 = \$ 3,711

Period - 1/23/2015 thru 1/23/2023

Present Worth of the Rental Advantage of \$25,375
(\$27,513 - \$2,138) discounted at 12% interest
for 32 quarters, deferred 120 quarters.
The Factor is 33.949 - 33.344 = .605

\$25,375 x .605 = \$15,357

Period - 1/23/2023 thru 1/23/2025

Present Worth of the Rental Advantage of \$24,307
(\$27,513 - \$3,206) discounted at 12% interest
for 8 quarters, deferred 152 quarters.
The Factor is 34.030 - 33.949 = .081

\$24,307 x .081 = \$ 1,972

Period - 1/23/2025 thru 1/23/2029

Present Worth of the Rental Advantage of \$43,565
(\$46,771 - \$3,206) discounted at 12% interest
for 18 quarters, deferred 160 quarters.
The Factor is 34.155 - 34.030 = .125

\$43,565 x .125 = + \$ 5,455

Total Discounted Present Value of Leasehold Interest \$228,470

Add: Leased Fee Interest +50,733

TOTAL of Leasehold and Leased Fee Interests \$279,203

Note: This is equal to the value in Fee Simple of \$280,000, which provides a check against the assumptions and calculations.

APPRAISER'S QUALIFICATIONS

ERIC G. FOLLETT, MAI

American Institute of Real Estate Appraisers, Designation — MAI



EDUCATION

College: B.S. in Mathematics, University of Washington, 1973

Courses: American Institute of Real Estate Appraisers:

AIREA Course IA - Seattle Pacific, 1974

AIREA Course IB - University of Portland, 1977

AIREA Course II - University of Colorado, 1978

AIREA Course IV - Litigation - U. of Portland, 1980

BUSINESS EXPERIENCE

Appraiser - FOLLETT & ASSOCIATES, Anchorage, AK, 1/77 to present

Appraiser - ERICKSON & ASSOCIATES, Anchorage, AK, 4/75 to 7/81

Programmer/Analyst - SAFECO INSURANCE CO., Seattle, WN, 3/73 to 4/75

SCOPE OF ASSIGNMENTS

Appraisals of commercial property, office buildings, medical buildings, industrial buildings, residential, special use properties and vacant land. Feasibility studies, and Consulting. Qualified as an expert witness. Assignments located in Municipality of Anchorage, Matanuska-Susitna Borough, Kenai Borough, Valdez, Cordova, Seward, Kodiak, Bethel, Dutch Harbor, Juneau, Haines, Sitka, and numerous "Bush Communities".

MAJOR ASSIGNMENTS (over \$1,000,000)

Jewel Lake Shopping Center & Bowling Alley, Anchorage
Alaska Hospital & Professional Building, Debarr Rd., Anchorage
Eastgate Shopping Center, Boniface Parkway, Anchorage
"Alyeska" Office Building Complex, Bragaw Street, Anchorage
Viewpoint Subdivision - 128 Lots
Bowling Alley and Bar, Sitka, Alaska
Vagabond Mobile Home Park, Anchorage, Alaska
Medical Clinic, Anchorage, Alaska
"Cottonwood Village" Condominiums - 104 Units
Wasilla Business Park, Wasilla, Alaska
Apartment Complex - 24-unit, Kenai, Alaska

TYPICAL CLIENTELE

All major Banks in Alaska
Carr-Gottstein Properties
Jack White Company
Area Realtors
Bureau of Land Management
Hines Investments
State of Alaska Division of Parks

Alaska State Housing Authority
Calista Native Corporation
Kuskokwim Management Corp.
Parker Drilling Company
Union Oil Company
Professional Contractors
U.S. Postal Service

Bradley
3/21/85 ✓

Original sponsors: Shultz, Sund,
M.M.Miller and Marrou

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 CS FOR HOUSE BILL NO. 248 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to leases on certain land formerly
7 described as university-grant land; and providing for
8 an effective date."

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

10 * Section 1. (a) A person and the assignee of a person who was a
11 lessee of university-grant land on June 17, 1983, and whose lease is, on
12 the effective date of this Act, managed by the Department of Natural Re-
13 sources may request the commissioner of natural resources to issue a
14 quitclaim deed conveying the land.

15 (b) Except as provided in (c) of this section, a lessee who holds a
16 lease of former university-grant land under AS 38.05.070 may purchase the
17 land for the lower of

18 (1) the appraised fair market value of the land under the lease
19 as specified in Appendix F of the Settlement Agreement between the Depart-
20 ment of Natural Resources, the Department of Revenue, the Department of
21 Administration, and the University of Alaska and its Board of Regents as
22 trustee for the University of Alaska as ratified in ch. 22, SLA 1983; or

23 (2) its appraised fair market value on June 17, 1983, as de-
24 termined under AS 38.05.085(b).

25 (c) A lessee who holds a lease of former university-grant land that
26 was subject to reappraisal under AS 38.05.085(a) may purchase the land for
27 the lower of

28 (1) the appraised fair market value of the land under the lease
29 as the value has been determined under Paragraph 15 of the Settlement

1 Agreement between the Department of Natural Resources, the Department of
2 Revenue, the Department of Administration, and the University of Alaska and
3 its Board of Regents as trustee for the University of Alaska as ratified in
4 ch. 22, SLA 1983; or

5 (2) its appraised fair market value under the lease on June 17,
6 1983, as determined under AS 38.05.085(b).

7 (d) A lessee on the effective date of this Act who was a lessee on
8 June 17, 1983, and who would have been entitled to rights under former
9 AS 38.05.058 before its repeal may exercise those rights in a purchase
10 under (b) or (c) of this section.

11 (e) A lessee who holds a lease of former university-grant land that
12 is classified as agricultural land may purchase the land under (b) or (c)
13 of this section subject to AS 38.05.321(a).

14 (f) The commissioner of natural resources shall advise each lessee
15 who may have rights under this section of the enactment of this section.

16 (g) A lessee of former university-grant land who does not give the
17 commissioner of natural resources notice of an intent to purchase within
18 180 days after receiving the notice of rights provided for in (f) of this
19 section may purchase the former university-grant land for its appraised
20 fair market value at the time the notice of an intent to purchase is given.

21 (h) A purchase of land under this section extinguishes all rights and
22 claims arising out of the lease against the state by a lessee.

23 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
24 10.070(c).

ANALYSIS OF HB 248

- Sec. 1 (a) Would allow a person who leased University Grant land on June 17, 1983 and whose lease is managed by the Commissioner of Natural Resources when this bill takes effect, to request the Commissioner to issue a patent to the land.
- Sec. 1 (b) ^e The person who holds a lease of former University Grant land under AS 38.05.07 (c) or .085 (a) (allows a lease to be issued for up to 55 years and sets out rules for reaching a fair appraisal price) may buy the land for the lower of the Appraised fair market value as set out in the Settlement Agreement between the Department of Natural Resources, Revenue, Administration and the University of Alaska or the appraised value on June 17, 1983 under AS 38.085 (b) (under this law the Director of the Division of Land had to have the property appraised)
- Sec. 1 (d) A person who holds a lease on the land when this bill becomes law and who leased the land on June 17, 1983 and who would have been entitled to rights under the former AS 38.05.085 before its repeal, may exercise the purchase rights outlined above. (Sec. 1 (b) and (c)).
- Sec. 1 (e) A person who holds a lease of former university grant land that is classified as agricultural may purchase it subject reservations by the State of all interests except agricultural rights.
- Sec. 1 (f) The Commissioner of Natural Resources is responsible for advising lessee's who may have rights under this law when it is enacted.
- Sec. 1 (g) A lessee of former university grant land who does not give the Commissioner notice of intent to purchase with 180 days after receiving notice may purchase the land at its appraised fair market value at the time the notice of intent to purchase is given
- Sec 2. Provides Act takes effect immediately.

APPENDIX "F" *280,000 - 2 = **140,000

① LEASE PAYMENTS 294,262
**REVERSION 1,169,294
1,463,556

② LEASE PAYMENTS 294,262
*REVERSION 2,970,000
3,264,262

③ SALE/LEASE FEE ~~50,733~~
Comp Int/ 10% 4,214,267
4,265,000

④ ANNUAL RENT ~~3,800~~ ÷ annual lease rate (.06) =
MARKET VALUE 63,333

⑤ SALE/ RENTAL
MARKET VALUE 63,333
Leased Fee Value 50,733
12,600 Gain 25%

d) The Department shall assist the University for two years after the University receives title to University-grant lands and other state lands as a result of this Agreement by providing available resource and planning information.

14. Future Management of University-Grant Lands. The Board of Regents, as trustee for the University of Alaska, shall have the responsibility and duty to control, administer, and manage all lands which are transferred to the University pursuant to this Agreement, for the exclusive use and benefit of the University and for its financial enhancement and security. The Board of Regents shall manage such lands for educational purposes and to produce the maximum amount of income for the University. The Board of Regents shall not have responsibility for, or control over, the fish and game on, or the appropriation of water from, University-grant lands, both of which shall be subject to applicable state laws and regulations. The University shall provide legal access to all navigable and public waters on or adjacent to the lands which are the subject of this Agreement. The University recognizes that lands underlying navigable waters are owned in fee by the State, and are not subject to the provisions of this Agreement. The management of such lands shall be coordinated by the State with the Board of Regents' management of adjacent lands which have been conveyed by this Agreement. Nothing in this Agreement shall prevent the University from applying for a permit to appropriate water pursuant to the Alaska Water Use Act, A.S. 46.15.

15. Interim Management. After signing of this Agreement creation of any third party interests in the University grant land or lands reserved for selection by the University pursuant to paragraph 12 shall require approval by the University with the exception of lease conversions pursuant to Section 12, ch 138, SLA 1977 as amended, Ch. 182 SLA 1978, H.B. Ch. 113 SLA 1981. University-grant lands which are the subject of municipal selections will not be conveyed to the applicant until the University has approved replacement lands as contemplated by AS 29.18.206(d).

16. Resumption of Litigation. In the event that the University does not receive the total dollar amount owed in cash or land as provided in this Agreement by October 30, 1983, the parties shall be deemed not to have waived any right they may have otherwise had to

ATTACHMENT #1

STATE - UNIVERSITY / LEASES

BACKGROUND:

University Trust Lands were Leased by the State, Division of Lands, during the period 1968 to 1975, as Long Term 55yr., Renewable Leases. From 1975-1977 Lessees of All State Land, (Mental Health, School, University, etc.), were appealing absorbitant rental increases, resulting in the Legislature passing New Lease, Amendment Laws in 1977, 1978, (repealing the former Disposal/Lease Laws), providing an option to "Request Convrnsion, prior to January 1, 1979", of State Leases in effect on or before June 23, 1977, under the "New Laws"; thereby, was to follow an executed Lease amendment. At that time All Leases of State-owned land, including Mental Health, School, Municipality, etc., were amended, and Leaseholder's were permitted to buy their lands at the amended Lease Appraisal Valuation.

With rare exception, by early 1978, University Land Leases were not amended, even though the Lessees filed Lawful "Conversion Requests", (nor allowed to be sold to an applicant) because the University objected, "At its meeting February 15-16, 1978, the Board of Regents declined to approve conversion of Leases", although dictated by the State Statutes.

The University filed a lawsuit on April 23, 1979 vs the State, "allegding mismanagement", also filing a Lis-pendens on all University Trust Land, (including Leased Land, and "some" other land, not belonging to the University). They sought an injuction to stop Lease Conversions, (Amendments), Lease Renewal, or any Dispoal thereof, seeking ultimate management of all University Lands. The State sought to enjoin the Lessees as defendants in the Suit; But failed to show the Court how Third Party Lessee's would be damaged. In February, 1981, the Supreme Court ruled that the "State, not the University, owned th Land and could dispose of it only by law, and only the Legislature makes the Law".

XXX On March 11, 1982, the State and University entered into a tentative, (without predjudice), "Settlement Agreement", subject to ratification by the Legislature. Whereby: Compensation ror Damages by the State would be paid; Leases were agreed to be binding, and management would be continued by the State, until transfer was requested by the University; Lease Conversion, (Amendments) could finally be completed; All University Lands would be conveyed to the University by the State, except any "unduly encumbered land, including any Lease's" the University elected not to retain, which would be replaced by other State land. Legislative concurrence and the Governors approval finally occurred on June 17, 1983, thru passage of SB 41. During this time Leaseholders complained to Legislators of their ongoing plight, and the Univiversity decided to give up ALL Leased Land to the State, and to speed up the schedule of reconveyance of Leases. Thru all this time the Lis-pendens has remained, until the final reconveyance.

XXX In the meantime, following the March 11, 1982, tentative "Settlement Agreement", the Division of Lands started processing University Lease (Amendments), which still remained unexecuted by the Lessor and Lessee, subsequent to the "Conversion Request" Agreement (to Amend), previously entered into by the Lessee and the State prior to 1-1-79. The old 1977, 1978 paperwork was dug out, completely ignoring a Lease Conversion Amendment to the 1977, 1978 Lease Conversion Laws enacted in 1981, (SLA 113, Sec.44.), and made effective retroactively to July 18, 1978. THREE different Conversion Law provisions could now apply; per the "REQUEST" Agreement, Stipulating Provisions/Instructions on back.

(1) 1977 Conversion Law created "New" lease, (rental) based on last appraisal prior to 1-1-75 brought forward to 1-1-76 @ 10% a year, or, if leased after 1-1-75 @ the original lease rate.

(2) 1978 Conversion Law "Amends" lease, (rental) based on last appraisal prior to 1-1-75 brought forward to 1st quarter following request @ 10% a year, or, if leased after 1-1-75 "@ the original leased rate". (SLA 182, Sec.21. "If leased after 1-1-75 a New lease is the fair market value brought forward to conversion date @ 10% per year).

(3) 1981 (SLA 113, Sec.44., Retroactive to 7-18-78) Conversion Law "Amends" lease, (rental) based on last appraisal prior to 1-1-74 brought forward to 1st quarter following request @ 10% a year, or, if leased after 1-1-74 @ 10% per year to date of request.

XXX "A YEAR" is compounded; XXXX "PER YEAR" is straight Annual Interest.

The Division of Lands, offered only ONE provision to all University Land Lessee's, which included AGREEING to NOW execute a Lease Amendment (@ approximately Double the current rental rate), unnecessarily back-dating the Amendment, retroactively to 1979, or earlier; Also, demanding the immediate payment of a retroactive Compounded rental rate increase, (Lessee's had never been notified of any "additional", accruing, rental-billing, prior to this demand). The Lessee's were forced to pay-up, or supposedly "lose their rights" under the provisions of the "Amended Lease Law" now in effect.

ISSUES:

Since the Lessee's were innocent Third Parties to the lawsuit between the University and the State, and the land was in limbo, the Lessee's feel the inequity they suffered was a gross injustice, which they had no control over. The only thing Lessee's could do during this period, was pay the Lease expenses, and the Taxes, and pray for a just outcome. In the interim: Lessee's lost the opportunity to utilize their Residency Credits, for purchase of their Leased Land; They had to forestall plans for building, improving, or even retiring. Some have died; and some just gave up!

Since it has been the policy of the State to dispose of lands to its citizens, allowing a preference right to Leaseholders; due to the forestated circumstances, it is respectfully requested the State agree "It is in the best interest of the State" to offer to sell its Equity in these leased lands to the present Lessee's, under an equitable, applicable Preference Right Statute, such as AS 38.05.035(b)2.

State Capital
Ardis Murgulanski - Senator
Pouch V
Juneau, AK. 99811

F. DOUGLAS & GAIL R. KENYON
1692 WINTERSET DR.
ANCHORAGE, AK. 99508

4/14/85

1 of 5

RE: • 55 YEAR LEASE OF UNIVERSITY LAND - OPTION TO PURCHASE
• ADL 34213 - BENKA LAKE SB, AK, BLK 2 LOT 3 (2.872 ACRES)
• LOCATION - MILE 3 TALKEETNA SPUR RD. - APPX. 1 1/2 MI OFF HGW.

I. SUBJECT HISTORY:

- We have been residents of the state for 25 years, and entered into agreement to lease this property in Dec. 1966, 19 plus years ago, at the time we would have preferred to purchase, but it was not possible. We selected this site to use for recreation while our children were growing up, and to continually improve upon until we could use it as our retirement home, and ultimately to turn it over to our children. Our intentions have not changed over the years, as we have put in a great deal of hard work and considerable expense. We have a very deep sentimental and personal feeling about this property.
- I have inquired thru Mr. Ed Barber of the D. N. R. several times over the years about purchasing the property. The most recent problems being that the UNIV. of AK and the State DNR have had the lands tied up in internal disputes, thru legal litigations, which has lasted to my knowledge some "5" years.
- In approximately Feb 1984, Mr. Barber informed me that it appeared the lands would become available sometime in late 1984, and that as it stood then the purchase price would be based on Market Value prior to the beginning of litigation, 1979, and that the "Residency Credits" would be applicable.

- To continue I am enclosing copies of correspondence, mainly to bring attention to three points I consider important: (1) Time restraints placed on "us"; they were in litigation for 5 years, and it then took a year to prepare their proposal. (2) The term used, "NEGOTIATED SALE". (3) "Fair Market Value" at the present time.
 - ATCH I - Time restraint of 2 months to decide if and how to purchase the property, and the term Negotiated Sale, and a "Fixed Price" of 24,000.
 - ATCH II - My Intent to Purchase by "Negotiated Sale".
 - ATCH III - Time Restraint of 1 month, Fair Market Value established by DNR as of the present, No Negotiated Sale has taken place.
- * NOTE - Pertaining to ATCH III, Per my written request a 1 month extension until MAY 1 was granted because of a scheduled month long out of state vacation, this still allows only 1 month to attend to the matter.

II DISPUTES: Listed below are some of the items I consider UNFAIR and DISAGREE with DNR's policy on:

- FAIR MARKET VALUE NOW - The lands have been tied up by the state for years, it should be retroactive at least until before the DNR / UNIV. litigation.
- NEGOTIATED SALE TERM - There were no negotiations, DNR fixed the price.
- NO RESIDENCY CREDITS - was informed they would be applicable, again it should be retroactive to until before litigation. Other parcels have been conveyed with credits, under lease and other land programs. We have not exercised ours on other lands and programs because we were led to believe they could be applied to this property.
- 12.75 PERCENT INTEREST - It appears the state wants to make as much as possible on these lands. It is common in the private sector to purchase at 10%, have heard of even less than 10 in both private and other states programs.

- STATES VESTED INTEREST IN PROPERTY - I question what vested interest the state truly has in this property. We have made all the improvements over the past 19 years. It seems the most the state has done, is to tie up the land in internal battles, and to accept my annual lease payments. It seems I've read many times over the years of the state's good intentions of getting the lands out to the public. I would question this point.
- TIME RESTRAINTS - Lack of adequate time to make personal financial arrangements to purchase the property outright, to avoid paying a high interest rate of 12.75%. If I enter into contract this 24,000. price could end up at 50 to 60,000. It appears the state is in business to make as much as possible.
- CONTINUE LEASE OPTION - Does not appear a good option. The property has been re appraised and the annual payment will go up some 400 to 500 %, like it did the last time.
- APPRAISED PRICE - I would question DNR's price. Having spent considerable time in the area involved, the majority of unimproved lands sold by the private sector have ranged from 4,000. to 6,000. per acre. Are they charging me for my improvements? An interesting point comes to mind. Approximately 4 years ago, a 40 acre parcel adjacent to my property was sold by the MAT-5U Borough for 800. per acre, that's 36,000. for 40 acres.
- STATES RIGHTS - Some question arises in my mind of the state's right and apparent intent to be in the competitive Real Estate business, competing directly with private enterprise.

- STATES LAND DISPOSAL - In many past programs, the states theme seemed to be to get some of the lands out to the citizens under a FAIR and AFFORDABLE program of disposal. It appears in my case, that I do not fall into that category. I know of many of our younger and older citizens that simply cannot afford to purchase lands at today's Market Value. The older citizen category could include me, as I had planned to retire in the next 2 to 3 years.
- QUESTION - Does anyone have any control over DNR's dealings, or do they just do as they please, when they want to?

III RECENT DEVELOPMENTS:

- Upon my return from vacation a few days ago, in desperation, I consulted an attorney. His opinion was that I could pursue the matter legally, but the cost of doing so would undoubtedly have a large impact on my families future financial security. In addition he advised that by not entering into contract, I may lose any future opportunity to purchase, and if I were to wait and continue leasing until possibly better terms could be arranged, the State (DNR) could simply refuse to allow purchase, by simply stating "It was Not In The States Best Interest". The conclusion we reached, was that the State has us between the proverbial "Rock and a Hard Spot".
- A few days ago I was told that legislation had been introduced in the House, that could be beneficial to me as a lease holder, and I assume to many others in the same position. I do not know the content of this Bill, but understand it is House Bill 248, and Senate Bill 255. I am sending copies of this letter to each of my district representatives and anyone else I can think of who might be interested.

- It appears that our last hope is that legislation has been introduced that would be beneficial. I am hopeful that our district representatives could at least review this legislation and if beneficial, request DNR to allow additional time on these lease contracts, so that all lease holders could share the same benefits, whatever they may be.
- It is our impression from several factors, and especially if legislation has been introduced, that the DNR is unduly pressuring us to conclude this transaction as soon as possible, apparently for reasons known only to them.

IV CLOSING:

- We have been very disappointed, angered, and upset by the manner and procedure in which this entire matter has been handled over recent years, and especially the last six months.
- This is without doubt the longest letter I have ever written. To any recipient who reads the entire letter, my thanks for your patience. If anyone can be of any assistance, in any way, at this late date, we would be forever grateful, we have only until MAY 1, 1985.

Sincerely,
E. Douglas Kenyon

E. DOUGLAS AND GAIL R. KENYON
1692 WINTERSET DR.
ANCHORAGE, AK 99508
RES. No. 562-5282 AFTER 5⁰⁰ PM

P.S. My apology for not typing this, but it seems important to get it off ASAP.

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF LAND AND WATER MANAGEMENT

8/84

APR 19 1985
CR 16

BILL SHEFFIELD, GOVERNOR

555 CORDOVA STREET
POUCH 7-005
ANCHORAGE, ALASKA 99510-7005
PHONE: (907) 276-2853

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

~~August 20, 1984~~

ATCH I

E. Douglas Kenyon and
Gail R. Kenyon
1692 Winterset Dr.
Anchorage, AK 99504

Re: ADL 34213 - Option to Purchase

Dear Mr. and Mrs. Kenyon:

This is a follow-up to this Division's letter dated June 28, 1984 offering the subject lease for sale. Please be advised that this offer expires ~~October 15, 1984~~. * 2 mos.

The litigation between the University of Alaska and the Department of Natural Resources has been settled. As a result of the settlement agreement the Department of Natural Resources may now proceed to sell you, ~~by negotiated sale~~, the lands you are leasing.

The purchase price is established at \$24,000.00, ~~the amount the State~~ * ~~reimbursed the University and its~~ trust under the terms of the settlement. * TRADED LANDS ? NO \$ PAID

An eligible veteran is entitled to a discount of 25% of the purchase price on lands classified for a use other than commercial and industrial. A discount may not be applied to survey costs, road development costs, utility assessments, or other cost that are determined to be reimbursable to the State. A veteran is entitled to only one discount during the veteran's lifetime.

If you elect to exercise your option to purchase, please notify Contract Administration, Land Management Section, Division of Land and Water Management, Pouch 7-005, Anchorage, Alaska 99510 by October 15, 1984.

On October 15, 1984 this option to purchase will expire then an agency review will be completed by the Southcentral District Office. You will be responsible for bearing the cost of a legal notice to be submitted to a newspaper serving the area in which the land is located.

You may choose to pay the entire purchase price and receive a title document or you may enter into a land sale contract. If you elect to enter into a contract the terms of payment require a 5% down payment,

E. Douglas Kenyon and
Gail R. Kenyon

2

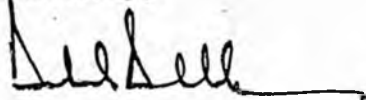
August 9, 1984

quarterly or annual installments on a 20 year level payment basis, and interest at the prevailing rate for real estate mortgage loans made by the federal land bank for Alaska. The interest rate at this time is 12½%, but is subject to change.

If you do not wish to purchase at this time, you can continue to lease according to the terms of your lease.

If you have any questions, please advise.

Sincerely,



Richard A. LeFebvre
Deputy Director

PK/ljr

ATCH I

Orig.

~~September 28, 1984~~

State of Alaska - Dept. of Natural Resources
Div. of Lands and Water Mgt.-Contract Admin.
Pouch 7-0005 Anchorage, Ak. 99510

ATCH II

Mr. Richard A. LeFebvre - Dep. Director

Re: ADL 34213 - Option to Purchase - Benka LK AK BLK 2 LOT 3L

In reply to your letter of ~~Aug 9, 1984~~, advising us of the option to purchase by negotiated sale, the above identified property presently leased by us from the State of Alaska.

This is to notify you that "We do intend" to exercise the option to purchase this property by negotiated sale.

The result of a phone call to your offices, informed us that the sale associated title documents, contract agreements, and monetary arrangements would be ready and take place approximately the first of next year (1985).

If there are any changes in your departments intentions for this property, or in the monetary terms set forth in your letter, or in our understanding of the approximate time of transaction, we expect to be notified in reasonably advance notice by Certified Mail.

Sincerely,

E. Douglas Kenyon

RECEIVED

SEP 28 1984 1 PM

Div. of Land & Water Mgmt. Contract Admin.

*Hand Delivered.
→ Mrs Knapp*

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF LAND AND WATER MANAGEMENT

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

~~March 1, 1985~~

E. Douglas Kenyon and
Gail R. Kenyon
1692 Winterset Dr.
Anchorage, AK 99504

Re: ADL 34213 - Land Lease Purchase
Pursuant to AS 38.05.102

Dear Mr. and Mrs. Kenyon:

The agency review, legal advertising and final finding has been completed on ADL 34213. ~~The fair market value~~ for the above referenced parcel is established at \$24,000.00.

*1 mon **
The enclosed forms must be completed and returned to this office by ~~April 1, 1985~~ in order to enter into a contract or receive title to the parcel. The forms include:

1. RELINQUISHMENT AGREEMENT (Form 10-3131) - form must be completed in full.
2. DECLARATION OF INTENT (Form 10-1018) - form must be completed in full.
3. VETERAN ELIGIBILITY APPLICATION/AFFIDAVIT (Form 10-1086) - under AS 38.05.940 an eligible veteran may receive a discount of 25% of the purchase price. Information regarding discount eligibility may be found on the form's reverse. If you wish to claim a discount, please complete this form in full, and submit with proof of residency and the DD Form 214.

If you elect to enter into a contract, please remit a down payment of 5% of the purchase price or discounted purchase price and a \$50.00 document handling fee with the completed forms. Contracts shall be issued for a term of 20 years with interest at the prevailing rate for real estate mortgage loans made by the federal land bank for the farm credit district for Alaska at the time the contract is signed by the Director or his representative. The interest rate at this time is 12.75% and is subject to change.

3
ORIG.

BILL SHEFFIELD, GOVERNOR

3801 C STREET
SUITE 1030
POUCH 7-005
ANCHORAGE, ALASKA 99503

2/21/85
Phoned DWR, spoke
with Ms. Knapp - Ms.
said files still in So.
CTL off - may be back
in approx. 2 wks. Asked
Ms. K. to note my file
that I had called &
would be out of state
on VCTN for approx 1
Mon., Beging 1st wk Mar.

ATCH III

E. Douglas Kenyon and
Gail R. Kenyon

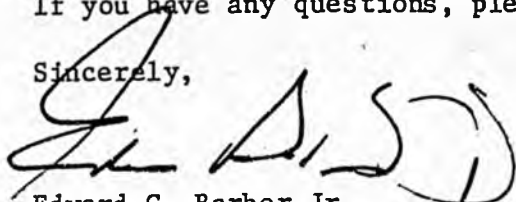
2

March 1, 1985

If you elect to receive title now, please remit the purchase price or discounted purchase price and a \$50.00 document handling fee with the completed forms.

If you have any questions, please advise.

Sincerely,



Edward G. Barber Jr.
Chief, Contract Administration

~~ATCH III~~

Enclosures

cc: Accounting

PK/ljr

Original sponsors: Shultz, Sund,
M.M. Miller and Marrou

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 248 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to leases on certain land formerly
7 described as university-grant land; and providing for
8 an effective date."

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

10 * Section 1. (a) A person and the assignee of a person who was a
11 lessee of university-grant land on June 17, 1983, and whose lease is
12 managed by the Department of Natural Resources on the effective date of
13 this Act and is in good standing, may apply to purchase the land and re-
14 quest the commissioner of natural resources to

15 (1) issue a quitclaim deed conveying the land; or

16 (2) transfer the land under a contract of sale under AS 38.-
17 05.065.

18 (b) Except as provided in (c) and (d) of this section, a lessee who
19 holds a lease of former university-grant land may purchase the land for the
20 current appraised fair market value of a fee simple ownership of the land.

21 (c) Except as provided in (d) of this section, a lessee who holds a
22 lease of former university-grant land and who has accepted an offer to
23 purchase the land before January 1, 1986, for the price specified under
24 Appendix F of the Settlement Agreement as amended between the Department of
25 Natural Resources, the Department of Revenue, the Department of Administra-
26 tion, and the University of Alaska and its Board of Regents as trustee for
27 the University of Alaska as ratified in ch. 22, SLA 1983, may purchase the
28 land at the price specified in Appendix F as amended.

29 (d) A lessee who holds a lease of former university-grant land and

1 who files an application with the department before January 1, 1986 to
2 purchase the land but disagrees with the price specified in Appendix F of
3 the Settlement Agreement, as amended, may purchase the land for the fair
4 market value of the fee simple ownership of the land on June 17, 1983.

5 (e) A lessee who holds a lease of former university-grant land that
6 is classified as agricultural land may purchase the land subject to the
7 reservation of non-agricultural rights by the state.

8 (f) An application to purchase under (b), (c), and (d) of this sec-
9 tion constitutes a relinquishment of rights under the lease on

10 (1) the issuance of a quitclaim deed by the state; or

11 (2) the execution of a contract of sale under AS 38.05.065.

12 (g) Within 90 days after the effective date of this Act, the commis-
13 sioner of natural resources shall advise each lessee who may have rights
14 under this section of the enactment of this section.

15 (h) A lessee qualified to purchase under (b), (c), or (d) of this
16 section may tender the commissioner an amount equal to five percent of the
17 purchase price determined under (b), (c), or (d) of this section and pur-
18 chase the land under AS 38.05.065.

19 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
20 10.070(c).



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

11/24/89
Date



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

11/24/89
Date

HB

256

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

LEGISLATIVE REFERENCE LIBRARY

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

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

SENATE RESOURCES COMMITTEE, 5/9/85, 3:00

Alaska State Legislature

Representative John Ringstad
District 20-B
P.O. Box 1848
Fairbanks, Alaska 99707
(907) 456-8336



HB 256
Bottom Answer
APR 12 1985

While in Juneau
Pouch V
Juneau, Alaska 99811
(907) 465-4998

House of Representatives

MEMORANDUM

TO: Senator Arliss Sturgulewski

FROM: Rep. John Ringstad *JR*

DATE: April 13, 1985

RE: HB 256, An act relating to economic development policy

Attached are materials in support of HB 256. You will find my written comments, letters of support from the Resources Development Council, Fairbanks North Star Borough, and Alaska Miners Assoc. In addition other organizations in support of HB 256 are: Alaska Conference of Mayors, Alaska Municipal League, Western Alaska Building and Construction Trade Council, Alaska State Chamber of Commerce, Anchorage Convention & Visitors Bureau, and the Fairbanks Chapter of the Society of Professional Engineers.

Also included is a summary of a December '84 poll by Alaska Construction & Oil on Alaskan business attitudes. This reflects that 74% of Alaskan business people believe that the state discourages responsible development through its policies and regulations. Further emphasizing the need for economic development are some recent newspaper articles.

As the Legislature is running short on time, and in the interest of HB 256 being given ample opportunity to pass this session, I requested Senator Zharoff, Chair of Senate Labor and Commerce Committee to waive HB 256. Thus allowing hearings to take place in one Senate committee only, that being the Senate Resources Committee.

I look forward to working with you on this important policy issue.

Alaska State Legislature

Representative John Ringstad
District 20-B
P.O. Box 1848
Fairbanks, Alaska 99707
(907) 456-8336



While in Juneau
Pouch V
Juneau, Alaska 99811
(907) 465-4998

House of Representatives

HB 256, an act establishing the economic development policy of the state, is a general policy statement, addressing the need for a stable, diversified economic base, and declaring Alaska's commitment to foster such development through the state's cooperation with the private sector.

Alaska sorely lacks an economic development policy.

This fact has hit us hard, with the sudden decline in revenues we are currently facing. It had been anticipated, that by the time the oil revenue dollars started falling off, Alaska would be well on the road to a stable, diversified economy. The oil revenues are now on the decline, and looking at the world-wide market situation and pricing structure for oil, this is a long-term situation.

HB 256 reflects Alaska's need and desire to further its economic viability. This confirmation is a long-term commitment towards the goal of diversifying our economy, thus creating more jobs for the citizens of this great state, and allowing them the opportunity to continue to make Alaska their home. Further, HB 256 will serve as a signal to domestic and foreign businesses of our commitment to economic development.

Passage of HB 256 will confirm this intent. This legislation is a general policy statement and is not intended to favor any industry or project.

I've been asked about the need for this legislation as a statute rather than a resolve. Billy Berrier, Director of Legal Services, has stated that a resolve does not have the weight or intent that a statute carries. Further, the intent of a resolution only holds for a particular Legislature. Our goal must be a long-term, continuous commitment to develop Alaska's economy.

I ask for your support, and thank you for your consideration of HB 256.



Fairbanks North Star Borough

Mayor: B.B. Allen

February 12, 1985

FEB 19 1985

Representative John Ringstad
Alaska State Legislature
Pouch V
Juneau AK 99811

Dear John:

Based on the advice of several people including Harold Heinze, President, ARCO Alaska, Inc., Bob Bettisworth, Dr. Earl Beistline, Dr. William Wood and others, we have formed a statewide Resource Policy Coalition to address the needs of resource development throughout our state.

At our initial meeting, the first resolution we adopted was a policy statement on economic development. I would like for you and other members of the interior delegation to review the policy statement in hopes that you will do whatever is necessary to establish this as a statement of the State of Alaska's policy on economic development.

This policy statement on economic development has been supported by the Alaska Municipal League, Alaska Conference of Mayors, Fairbanks North Star Borough, Greater Fairbanks Chamber of Commerce, City of Seward, Alaska Mining Association and several others. I think it is important that members of the interior delegation, representing the area where most of the resources are located, provide the leadership by introducing and supporting the resolution for the development and processing of those natural resources.

If you have questions regarding this matter, please do not hesitate to contact me.

Sincerely yours,

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

B.B. ALLEN
Borough Mayor

BBA:al

enclosure



Resource Development Council for Alaska, Inc.

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

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Paula P. Easley

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E. Thomas Pargeler, Vice Pres.
Dale P. Tubbs, Secretary
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Cyril R. Wanamaker
Anita Williams
Lew M. Williams
Jed Holley, Staff Consultant

EX-OFFICIO MEMBERS

Senator Ted Stevens
Senator Frank Murkowski
Congressman Don Young
Governor Bill Sheffield

March 5, 1985

Representative John Ringstad
Pouch V
Juneau, AK 99811

MAR 12 1985

Dear John:

We are so pleased to see HB 256 introduced with you as sponsor. This is an important bill for the state of Alaska and the Resource Development Council. Your sponsorship is significant and is creating support for the bill by those who know you and your record.

We and others have been pushing for this sort of state economic development policy for several years. With this bill Alaska can have the statutory guidelines for economic development envisioned in our constitution.

I am aware that HB 256 is tentatively scheduled to be heard in House Resources March 20. You can be sure that the Resource Development Council will have testimony prepared to support this bill and encourage its timely passage in the House.

Please let us know if there is any background or related information we can provide to aid its passage.

Thank you again for your support.

Sincerely,

RESOURCE DEVELOPMENT COUNCIL
for Alaska, Inc.

Paula Easley
Paula P. Easley
Executive Director

cc: Michael Abbott, RDC Legislative Coordinator



ALASKA MINERS ASSOCIATION, INC.

509 W. Third Ave., Suite 17, Anchorage, Alaska 99501 (907) 276-0347

March 13, 1985

MAR 19 1985

The Honorable Ben Grussendorf
Speaker of the House
ALASKA STATE LEGISLATURE
Pouch V (MS 3100)
Juneau, Alaska 99811

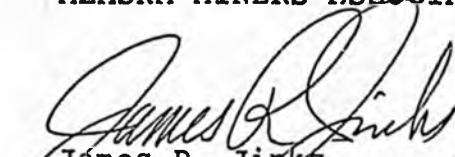
Dear Speaker Grussendorf:

The Alaska Miners Association appreciates the efforts of you and the other sponsors of House Bill No. 256 establishing an economic development policy for the state. We want to thank you, and the other sponsors, and inform you of our total support of HB 256 in its present form (see attached).

We have long supported the adoption of such a policy and continue to do so.

Sincerely,

ALASKA MINERS ASSOCIATION


James R. Jinks
Executive Director

Enclosure

cc: Ringstad
Adams
Cato
Frank
Larson
M.W. Miller
Perce
Rieger
Shultz
Sund
Taylor
Uehling
Hanley
Jenkins

Editorial Opinion and Comment of

FAIRBANKS

Daily News - Miner

"Independent in All Things . . . Neutral in None"

Other opinions expressed on this page do not necessarily reflect those of the Daily News-Miner.

A strategy for the future

Alaskans concerned about resource development have been meeting in Anchorage this week to discuss a strategy for the future. The occasion was a conference sponsored by the Resource Development Council, and the agenda was packed with representatives of government and industry.

It's that mix of government and industry that Alaska must tend to if we are to meet our goals of economic development and diversification.

Though the private sector usually operates best with a minimum of government involvement, the high percentage of government-owned land in Alaska necessitates close cooperation from all three levels of government—federal, state and local.

Most of the industries Alaska hopes to encourage—mining, agriculture, fishing, natural gas, petrochemicals—can't be developed unless land is made available and access is provided. That's where governments come in, for private land owners in Alaska continue to hold only a small share of the land, even when Native corporation land holdings are included in the reckoning.

Economic development is not an easy job for our state. For though we're blessed with abundant natural resources that can serve as the foundation of such efforts, we're seeking to balance their development with an appreciation of the natural beauty of our land and of the resources such as fish and wildlife for which natural habitat is critical.

What we can accomplish depends to a large extent upon the attitude of Alaskans. Our state has a high level of citizen involvement in decision-making and it is possible for a few people to influence major decisions.

What we must seek, then, is a recognition that Alaska cannot long afford the luxury of our diverse lifestyles if our economy does not remain strong. Nor will we be able to provide the amenities we've come to enjoy if we do not diversify our state revenue sources.

By recognizing the complexity of the economic development job, Alaskans should be able to plan a strategy that will protect our land and at the same time develop our resources. It will take planning and foresight, but it's not a job to shirk.

THE AftI-DITTMAN POLL

of Alaska business leaders

The AftI-Dittman Poll is a regular monthly feature of Alaska Construction & Oil and Alaska Analysts/Dittman Research. Each month several hundred Alaska businessmen and businesswomen are contacted and asked their opinions on questions of statewide importance. The statewide totals are combined and published in the weekly business newsletter Alaska from the Inside (AftI) and in Alaska Construction & Oil. The respondents included in the sample are representative of their fields of activity and are located throughout the state.

QUESTION

"Overall, do you feel state government regulations and policies are most likely to encourage or discourage well-planned, responsible resource development?"

RESULTS

	Encourage	Discourage	Undecided
Construction and Timber	22%	78%	—
Petroleum and Mining	13%	85%	2%
Finance and Services	42%	56%	2%
TOTAL	24%	74%	2%

ANALYSIS

Nearly three-quarters (74%) of Alaska's business leaders interviewed in November feel state government regulations and policies *discourage* well-planned and responsible resource development.

The percentage of respondents agreeing varies widely by industry. Petroleum and Mining respondents are the most adamant, with 85% answering "discourage."

A review of the respondents' comments offered during the poll shows that the Alaska Department of Fish and Game was the most frequently mentioned example of a state agency that discourages resource development. The comments also indicated two main reasons for respondents' concern about government policies:

- (1) It is difficult to justify the expense and time required to design a well-planned development and take it through the permitting process when the likelihood of success is always in doubt.
- (2) The state employees who work in regulatory agencies are more likely to have regulatory ("protective") mentalities which may blind them to the benefits of resource development.

COMMENTS

"Mainly in the permit area — the Department of Fish and Game stops more projects than any agency. They are always on the side of the Sierra Club and SEACC. *No development* is their policy."

"It took 16 years to get a water-use permit for mining and I have a coal prospecting permit application that is nine years old and still pending."

"The tendency in state government is to over-regulate. There can only be one result of that tendency — operating costs are increased both by the requirements for compliance and the cost of processing paper."

"It takes too much time and effort to get permission for access. It discourages people before they even start."

"Regulations are built around a negative attitude."

"Definitely encouraged — a marked improvement noted in both words and deeds!"

"Until the Department of Fish and Game is restricted from making unilateral and arbitrary decisions concerning resource development, we will be unable to encourage development no matter how well-planned and responsible!"

CALENDAR

ENERGY-SOURCES TECHNOLOGY CONFERENCE & EXHIBITION — Sponsored by the American Society of Mechanical Engineers at Loews Anatole Hotel, Dallas, TX, (214) 247-1747, Feb. 17-22.

TRAINING SESSIONS ON DRILLING AND BLASTING TECHNIQUES — Explosives Services Corp. of Issaquah, Wash., (206) 392-7112, is conducting a five-day training session on drilling and blasting techniques in Kelchikan, Feb. 18-Feb. 22; and in Anchorage, Feb. 25-March 1.

INTRODUCTION TO MICROCOMPUTERS — A short course presented by the Society of Mining Engineers of the American Institute of Mining, Metallurgical and Petroleum Engineers, Hilton Hotel, New York, NY, (303) 973-9550, Feb. 23-24.

FINANCE FOR THE MINERALS INDUSTRY — A symposium that is part of the annual meeting events for the Society of Mining Engineers of the American Institute of Mining, Metallurgical and Petroleum Engineers; Hilton Hotel, New York, NY, (303) 973-9550, Feb. 24-28.

STATE OIL AND GAS LEASE SALE NO. 46A — Anchorage Westward Hilton Hotel, Anchorage, Feb. 26.

AGC 66TH ANNUAL CONVENTION/CONSTRUCTOR EXPOSITION — The Associated General Contractors of America 1985 convention, San Francisco, CA, Feb. 27-March 5.

ALASKA SUPPORT INDUSTRY ALLIANCE — Conference on marginal oil field development, Captain Cook Hotel, Anchorage, March 2.

FOURTH ANNUAL ALASKA CONSTRUCTION SUPPLY AND EQUIPMENT SHOW — Exhibits and technical sessions, Sullivan Arena, Anchorage, (907) 346-2424, March 21-22.

ARCTIC '85: CIVIL ENGINEERING IN THE ARCTIC OFFSHORE — A national specialty conference of the American Society of Civil Engineers at the Sheraton Palace Hotel, San Francisco, CA, (713) 772-0876, March 25-27.

34TH ANNUAL VEHICLE MAINTENANCE/MANAGEMENT CONFERENCE — Sponsored by the University of Washington, College of Engineering, at Kane Hall, Seattle, WA, (206) 543-5539, March 25-28.

ALASKA TRANSPORTATION FORUM — University of Alaska-Fairbanks, April 15-16.

CABLE HARVEST TECHNIQUES — Holiday Inn-Downtown, Spokane, WA, (509) 838-6101, April 15-19.



United Way
of King County

Thanks to you.

Revenue projections provide sobering truth

At the opening session of last week's informative and stimulating conference on "Alaska's Economic Priorities" at the Sheraton/Anchorage, Fairbanks attorney Mary Nordale, well-known attorney and now state commissioner of revenue, presented a most enlightening and encouraging summary of Alaska's "Petroleum Revenue, Production and Price Projections."

Such projections, however sophisticated the analysis of pertinent data available, of necessity are based upon assumptions, probabilities, and, in some parts, sheer guesswork. They offer, however, the best guidelines to thoughtful action we have.

The Alaska oil revenue projections are trending downward from a peak, as is inevitable in the production scenario of anything on a gigantic scale, have been featured recently in the press and media as gloom and doom forecasts. They are not. On the contrary, the wringing of hands and the wailing from the wigwams of the mighty have been depressing evidence merely that we among us love to be dependent. Viewed in the perspective of what is B.O.P. (Before Oil Production), the current state revenue projections for the year 2000 and beyond are neither bleak nor hopelessly discouraging. Sobering, yes. This, of course, all resi-

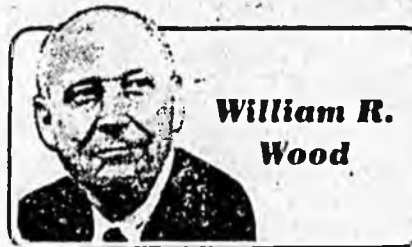
dents of Alaska should find comforting and enormously encouraging. At last, a return to common sense fiscal behavior is in prospect.

In summary, the Nordale projections remind us that in 1975 the state's "General Fund Unrestricted Revenues" were about \$333 million. This more than doubled the very next year.

The flood of North Slope oil dollars continued to swell to \$2.5 billion by 1980—nearly an eight-fold increase in five years! The gusher crested at \$4.1 billion two years later and has gradually tapered downward since. In 1985 the General Fund Unrestricted Revenues are estimated to reach a total of \$3.3 billion. A ten-fold increase in one decade, 1975-1985, Wow! Remember how it was in 1960? About \$30 million total, or one hundred times smaller!

No wonder Alaska went on a spending spree, led by the Legislature and the administration eager to catch up on capital needs and services desired to enhance the good life as they saw it throughout the state. Let's not forget they were responding to pressure at home. All of us were more or less active in the "gimme" posture, both hands outstretched and pleading, "More! More!"

What really got out of hand was the bureaucracy, not just in government,



William R. Wood

Views expressed here do not necessarily represent those of the Daily News-Miner

but in the industrial, commercial, financial, educational, and labor arenas as well. The phenomenon of over-indulgence permeated every corner of Alaska. It has been particularly devastating to Alaska's future prospects in the over-staffing of regulatory activities and paperwork impositions. This has been far too costly for the residents to afford since the zeal to achieve the last measure of perfection for one cause or another has ranged far beyond the realm of reason and common sense.

Fortunately, there is the Permanent Fund acting as a safety valve of sorts to keep the whole barrel from running dry. It didn't exist until 1977. Now in 1985 the annual earnings from this savings account are over \$600 million. In the next 10 years it is estimated that the Permanent Fund will be earning about \$1.5 billion and will

approach \$2.5 billion annually by the turn of the century, just 15 years from now. That amount combined with an estimated \$2.2 billion from oil and other sources, such as mining, fishing, timber harvest, tourism, and agriculture, would bring the General Fund Unrestricted Revenues to nearly \$5 billion for state spending in the year 2000. Moreover, by that time the Permanent Fund itself would be something over \$20 billion.

Not too shabby a prospect for Alaska, even should the population double by then to one million residents. All such projections, of course, are tempered by change, both the predictable and the unforeseen.

The alarm over necessary spending cuts this session at the state level may be a blessing in disguise. Spending restraints are clearly overdue. There could be substantial reductions in government regulatory and administrative operations even if revenues were rising instead of falling. A greater depth of prudence should prevail in selecting for funding capital improvement projects in the statewide "catch-up" and "Reach for Excellence" programs. In general, priority might well be given to infrastructure items in energy, transportation, and

communications matters that make possible the creation of wealth from things that do not and from things that do not where.

The reduction of over-spending can increase state adaptability as well as ease the heart. Having fewer to spend may give our leaders time to think—to think more and deeply about how best to create some new dollars from mineral and agricultural resources. These two, we are reminded again, are the only sources of wealth.

Neither boom nor gloom is in prospect for 1985 and beyond. See the whole picture. The other side of the rest of the world are Alaska's opportunity. The character for each of us is to meet the challenge in coming together toward a greater national self-discipline and self-reliance, moving forward together in confidence and with mutual respect, whatever needs to be done more.

Dr. William R. Wood is a retiree of the University of Alaska now in his time as executive director of Fairbanks '84.

Opinion

FDNY

Wednesday, February 27, 1984

Efforts to diversify economy are serious

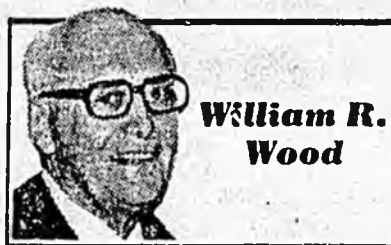
The single *big project* is not dominant in the thinking of community speakers at the Fifth Annual International Conference on Alaska's Resources that convened Feb. 13-14 at the Sheraton Anchorage.

Diversification is. From every region of Alaska the message is clear and strong: tourism, mining, and fishing are the common denominators of interest, then timber and farming wherever trees or crops grow. There was mention of fur ranching, poultry farming, dairying, livestock husbandry, and greenhouse culture. This was not idle talk. Serious effort is being made on each in one or more Alaska communities. Innovation, ingenuity, inventiveness, advanced technology, were mentioned to remind us how young we are in Alaska. How fine the prospect for creative young thinkers.

Seven minute presentations were made by 18 representatives from nine cities, six boroughs, two combined city/borough units, Juneau

and Sitka, and Alaska's metropolis, the municipality of Anchorage. The coverage was widespread, from Ketchikan to Kotzebue, from Unalaska, Bethel and Bristol Bay to the North Slope Borough, Valdez, and the Fairbanks North Star Borough, from Haines and Cordova to Kenai Peninsula, and Matanuska-Susitna to Kodiak Island. Impressive participation! In addition, several places not listed on the program for presentations joined in the excellent All-Alaska community displays featured throughout the conference: Delta, Nenana, Barrow, Skagway, Seward among others. The occasion sponsored by the Resource Development Council for Alaska provided an excellent opportunity for insight into what Alaskans are thinking and doing.

Few of the presentations and displays turned up any brand-new prospects or special projects, the exception, perhaps, being the great Red Dog lead/zinc/silver venture near Kotzebue. From all points in



William R. Wood

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Alaska, however, was demonstrated renewed determination to find some way, any way to bring into production for processing and marketing Alaska's extraordinary variety of natural resources. Not all non-attenders of the conference may share in the enthusiasm expressed, yet among those present reporting on how things were at home there seemed evident a common belief that the habitat, whether land or marine, can be enhanced and made more productive and attractive for the ultimate benefit of residents of the Great Land.

Surfacing now and again was recognition that the burden of idle resources, natural and human, could reach the level of the intolerable. The spirit expressed was strong: Let's do all that we can ourselves with what we have. Let's not depend on any one source of income, fur, fish, timber, gold, oil, or government, as we have in the past. Let's make intelligent use of all our possibilities and drive toward a greater measure of self-reliance and self-sufficiency.

Not one speaker even hinted at being satisfied with overdependence upon government at any level or any other largesse giver. Each of the 18 community speakers was enthusiastic, optimistic, excited about the potential of the place where he lives, full of cheer and wit, each proud to be an Alaskan. Rated outstanding at the end of the conference was the far-ranging presentation accenting our people potential by our own Mayor Bill Allen.

The agenda for the conference

was studded with other sparkling presentations, some provocative enough to generate fresh thinking and new awareness among the several hundred in attendance. These were offered by a range of specialized talent from Texas, Oregon, Washington D.C., Seattle, and Canada as well as Alaska's own from Juneau, Fort Yukon, Anchorage, and Fairbanks.

Yet the great lift at the conference came from the 18 communities each with the encouraging news of what it was devising and undertaking on its own with reasonable assistance from the outside to insure a brighter tomorrow for the great place where they live. And each of the 18 it was emphasized, is more than willing to share the good life he enjoys with visitors and new residents. Come see us any time!

Dr. William R. Wood is a retired president of the University of Alaska now volunteering his time as executive director of Festival Fairbanks '84.

RDC conference debriefing hits a 'we're-in-this-together' theme

By BERT TARRANT

"We're in this together" was the theme of a debriefing held by the Resource Development Council following its fifth annual International Conference on Alaska's Resources.

The conference was titled "Alaska's Economic Priorities: A Five-Year Strategy" and offered a number of communities from around the state an opportunity to present their own economic conditions, problems and priorities.

It was the mayor and/or representatives of the participating communities that gathered after the two days (Feb. 13-14) of presentations and discussions for the debriefing.

"Last year after our conference we got the speakers and major players together for a private meeting to get their feelings on the conference," said Paula Easley, RDC Executive Director. "It worked well so we decided to do the same this year with the communities."

The debriefing wasn't just a pat-yourself-on-the-back for a job well done. Easley had a slate of 10 conference objectives on which she wanted input from the communities.

• Identify a process for ranking capital projects for state funding

"There was a large consensus at the debriefing that there needs to be a process for ranking capital projects," Easley said, "but there also is no quick and easy, super way of doing that ranking."

She noted the communities had their wish lists for the state legislature but that most had never looked at that list "from a point of view of what would sustain the local economy."

"So far the state legislature has never looked at Alaska's oil wealth with an eye to prioritizing, to ranking needs," she said. "And part of that is due to the fact there has been no clear direction of what we want to do in our state."

But the concept of declining petroleum revenues as production from Prudhoe Bay begins to slip has "finally begun to sink in," the RDC chief said. "Alaska's communities are very concerned. They want more effort made in dealing with priorities and we'll work with them on it."



RDC Executive Director Paula Easley received a bouquet of roses at the conference close.

• Create a more active, vocal constituency for economic development

"This was definitely accomplished by the conference in the view of the communities," Easley said. "Many had never discussed such an idea before and now the momentum is going."

The communities concluded the Resource Development Commission had gotten the whole thing started and "they don't want to see the ball dropped; they want to keep up the momentum," she said.

"The communities asked us to have 3-4 meetings where the mayors or their representatives get together to discuss the constituency issue before we hold our next international conference," she added.

• Give direction to the Governor and legislature that wise spending decisions are needed now

"The mayors concluded they must work at their own level with their own community government and their legislators if they are to make progress in this area," she said.

The community leaders also requested the Council to help with resources and support in their efforts to get the importance of wise spending decisions across to elected representatives.

• Encourage formation of local economic development

See RDC, Page 16



Richard H. Griffin, mayor of Island Community College, marks the city's booth at the Resource Development Council's Community Expo.



George Egert, Alaska Railroad marketing representative (right) marks a point in Steven Hestness of Sea Containers West, Seattle.

Continued from Page 14

study groups that can produce. Many of the communities felt they had good, dedicated people working in their various resource and business opportunities development sections, Easley said, "but they also felt something was missing."

"They felt their efforts at development had not been as productive as they could be and concluded a big reason for this was that the development departments had not been given a strong enough mandate," Easley said.

• Stimulate cooperative effort between private industry/Native groups, local chambers, labor and government bodies to pursue economic goals

"This topic ties in with development study groups. The communities felt they must get their development departments more in touch with the community and its leaders if a concerted effort for development and economic diversification were to take place."

Easley noted one of the state's boroughs already is in such a position. "The Kenai

Fifth Annual International Conference on Alaska's Resources Alaska's Economic Priorities: A five-Year Strategy and All-Alaska Community Expo

• RDC conference draws strong reviews



The RDC conference room as speakers conferred.

Peninsula Borough has a Resource Development Council that is staffed with a director, Frank McIlhargey, and that has been instrumental in that borough's expansion," she said.

"Many of the other communities are looking to the Kenai Peninsula Borough as a good example of economic diversification, how it can be done, and done very well," she added.

• Generate awareness of need for major infrastructure investments that enhance development potential

"I think we can safely say the communities around Alaska are very aware of the need for infrastructure investment but we all agreed the key question was: how do you get this message across to the state legislature?"

• Design a system for state-

wide opinion gathering

"During the conference we told the community participants we would have experts ranking the projects that were presented and some of the communities weren't that happy - not so much at the idea of ranking but that their projects may not get the priority they felt those projects deserved," Easley said.

"We did settle on a plan that will be put into effect with the next conference - the concept of a multi-year opinion survey

using people who came to the conference," Easley said.

"The key is getting opinions from around the state and Easley said most of that battle is won. "For the first time, the RDC International Conference had more people from outside Anchorage attending, plus 20 village corporations and the Native Regional Corporations," she noted.

"By any definition of a valid survey sample, we had it -

See RDC, Page 18

• RDC debriefs participants

Continued from Page 15

economic, geographic, ethnic, etc.," she added.

• Provide information on project financing alternatives

The community representatives were very vocal. Easley says, in their "need to know what investors needed from them and how the communities could be prepared with such information."

"They wondered why and how investors choose one area or community over another for a development project," she added. "They were keenly interested in the criteria for such location factors and they want to work on it."

• Educate public on com-

munity activities, attractions, needs and constraints to development

At the conference, the RDC also sponsored a "Community Exposition" at which each community and others could place exhibits designed to educate attendees of the communities' status and potentials.

"But unless you have a knowledgeable community leader manning the booth, you're not going to be in a position to answer questions should an investor want to know more about the community," Easley said.

"Unfortunately, most of the community leaders were in the conference hall, listening to the presentations, rather than

being out on the booth," she added. "The mayor agreed next year they make sure community leaders were at the booths, ready to answer questions and give insight."

• Foster a "we're in this together" attitude between communities

"I believe this is what excited the participants the most," Easley said. "All of them indicated they were members of the Alaska Municipal League but our conference marked the first time they had ever had a forum to address a large cross section of Alaskans and talk about their problems and potentials."

See RDC, Page 17

Continued from Page 16

"They were not only able to discuss their own problems but also learned much about what is happening in other communities. They found they have many similar problems," she said.

Other areas of concern also were discussed at the debriefing, include a need expressed by many for technical expertise in working toward goals. "Those people are available but it costs money to bring them in," noted Easley.

"They also suggested that in a future conference, after the communities have had the opportunity to make their presentations, that a second set of discussions be held concerning a more regional approach to problems and priorities," Easley said.

An immediate outcome of the conference and debriefing will be release of a booklet on community economic development.

"The booklet was authored by Ron Walt and others in the Division of Economic Enterprise of the state Department of Commerce & Economic Development," Easley noted, "but a lack of funding had kept the booklet from being published. Ron promised the communities he would get it to them."

• RDC conference participants find they share problems



Chuck Martin looks over some of the displays included in the Mat-Su Borough exhibit at the recent Resource Development Council Community Exposition.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: HB 256
 Title: Economic Development of the
State
 Sponsor: Rinastad
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Natural Resources
 Program Category Affected: NRMEC
 BRU, Program or Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		-0-	-0-	-0-	-0-	-0-

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

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

No fiscal impact.

Prepared By: Ned Farquhar Phone: 465-2400
 Division: Commissioner's Office Date: March 21, 1985

Approved by Commissioner: Wm D. Amundson, Deputy Date: March 21, 1985
 Agency: Natural Resources

Distribution (by Agency preparing fiscal note):

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

7/1/84

Alaska State Legislature

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POUCH V
JUNEAU, ALASKA. 99811
(907) 465-4907

Senate Committee on Resources

MEMORANDUM

May 9, 1985

TO: All Members
Senate Resources Committee

FROM: Staff *H*
Senate Resources Committee

RE: SCSHB 256(L&C) "An Act establishing the economic development policy of the state."

SB 256 would establish by statute an economic policy for the State of Alaska.

The bill calls for purposeful development of the state's abundant natural resources and the identification of constraints to economic development.

The bill calls on the state to serve as a catalyst for economic development activities and to:

1. provide information
2. solve constraints to economic development
3. implement capital improvements when necessary
4. provide stable tax and regulatory climate
5. encourage value added processing
6. offer economic incentives

HB 256 has a zero fiscal note.

Enclosures:

1. Fiscal note
2. Letter from Rep. Ringstad
3. Letters of support and newspaper articles

FISCAL NOTE

CEL
3/22

Revision Date: _____

REQUEST
 Bill/Resolution No.: HB 256
 Title: Economic Development of the
State
 Sponsor: Ringstad
 Requestor: _____
 Date of Request: _____

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

No fiscal impact.

Prepared By: Ned Farquhar Phone: 465-2400
 Division: Commissioner's Office Date: March 21, 1985
 Approved by Commissioner: Thomas D. Amund, Deputy Date: March 21, 1985
 Agency: Natural Resources

Distribution (by Agency preparing fiscal note):
 Legislative Finance
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 Impacted Agency(ies)

7/1/84

Alaska State Legislature

Representative John Ringstad
District 20-B
P.O. Box 1848
Fairbanks, Alaska 99707
(907) 456-8336



While in Juneau
Pouch V
Juneau, Alaska 99811
(907) 465-4998

House of Representatives

HB 256, an act establishing the economic development policy of the state, is a general policy statement, addressing the need for a stable, diversified economic base, and declaring Alaska's commitment to foster such development through the state's cooperation with the private sector.

Alaska sorely lacks an economic development policy.

This fact has hit us hard, with the sudden decline in revenues we are currently facing. It had been anticipated, that by the time the oil revenue dollars started falling off, Alaska would be well on the road to a stable, diversified economy. The oil revenues are now on the decline, and looking at the world-wide market situation and pricing structure for oil, this is a long-term situation.

HB 256 reflects Alaska's need and desire to further its economic viability. This confirmation is a long-term commitment towards the goal of diversifying our economy, thus creating more jobs for the citizens of this great state, and allowing them the opportunity to continue to make Alaska their home. Further, HB 256 will serve as a signal to domestic and foreign businesses of our commitment to economic development.

Passage of HB 256 will confirm this intent. This legislation is a general policy statement and is not intended to favor any industry or project.

I've been asked about the need for this legislation as a statute rather than a resolve. Billy Berrier, Director of Legal Services, has stated that a resolve does not have the weight or intent that a statute carries. Further, the intent of a resolution only holds for a particular Legislature. Our goal must be a long-term, continuous commitment to develop Alaska's economy.

I ask for your support, and thank you for your consideration of HB 256.



Fairbanks North Star Borough

Mayor: B.B. Allen

February 12, 1985

FEB 19 1985

Representative John Ringstad
Alaska State Legislature
Pouch V
Juneau AK 99811

Dear John:

Based on the advice of several people including Harold Heinze, President, ARCO Alaska, Inc., Bob Bettisworth, Dr. Earl Beistline, Dr. William Wood and others, we have formed a statewide Resource Policy Coalition to address the needs of resource development throughout our state.

At our initial meeting, the first resolution we adopted was a policy statement on economic development. I would like for you and other members of the interior delegation to review the policy statement in hopes that you will do whatever is necessary to establish this as a statement of the State of Alaska's policy on economic development.

This policy statement on economic development has been supported by the Alaska Municipal League, Alaska Conference of Mayors, Fairbanks North Star Borough, Greater Fairbanks Chamber of Commerce, City of Seward, Alaska Mining Association and several others. I think it is important that members of the interior delegation, representing the area where most of the resources are located, provide the leadership by introducing and supporting the resolution for the development and processing of those natural resources.

If you have questions regarding this matter, please do not hesitate to contact me.

Sincerely yours,

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

B.B. ALLEN
Borough Mayor

BBA:al

enclosure

Partial List of Supporters that sponsored original resolution submitted to Rep. Ringstad:

Alaska Municipal League
Alaska State Chamber of Commerce
Western Alaska Building & Construction Trade Council
Resource Development Council
Fairbanks North Star Borough
Anchorage Convention & Visitors Bureau
City of Fairbanks
Alaska Miners Association
Conference of Mayors



ALASKA MINERS ASSOCIATION, INC.

509 W. Third Ave., Suite 17, Anchorage, Alaska 99501 (907) 276-0347

March 13, 1985

MAR 19 1985

The Honorable Ben Grussendorf
Speaker of the House
ALASKA STATE LEGISLATURE
Pouch V (MS 3100)
Juneau, Alaska 99811

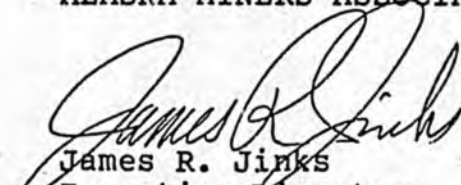
Dear Speaker Grussendorf:

The Alaska Miners Association appreciates the efforts of you and the other sponsors of House Bill No. 256 establishing an economic development policy for the state. We want to thank you, and the other sponsors, and inform you of our total support of HB 256 in its present form (see attached).

We have long supported the adoption of such a policy and continue to do so.

Sincerely,

ALASKA MINERS ASSOCIATION


James R. Jinks
Executive Director

Enclosure

cc: Ringstad
Adams
Cato
Frank
Larson
M.W. Miller
Perce
Rieger
Shultz
Sund
Taylor
Uehling
Hanley
Jenkins



Resource Development Council

for Alaska, Inc.

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

MAR 12 1985

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Paula P. Easley

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 Robert Gilliland
 Howard Grey
 Dave Harbour
 Arthur R. Hauver
 Roger R. Haxby
 Hazel Heath
 Dave Heathwale
 Carl W. Helmiller
 Charles F. Herbert
 M. A. Higgins
 Joe Jackovich
 Jerry E. Jean
 John Choon Kim
 Frank Klott
 Kay H. Lasley
 Kay Linton*
 Phillip L. Locker
 Charles E. Logsdon
 Dennis W. Lahse
 Jeffrey B. Lowenfels
 Paul J. Martin
 G. R. Meeks
 Michael Milhollin
 Pat Mulligan
 Max D. Nalley
 Richard A. Poluso
 William Purrington
 Irene Ryan
 Lin S. Sjaane
 Mary J. Sulliff
 Dale Teel
 Joe J. Thomas
 Richard W. Tindall
 Prady J. Tracclair
 Joe Usibell
 Lyte Von Bargen
 James Wakefield
 Cyril R. Wanamaker
 Anita Williams
 Lew M. Williams
 Jed Holley, Staff Consultant

EX-OFFICIO MEMBERS

Senator Ted Stevens
 Senator Frank Murkowski
 Congressman Don Young
 Governor Bill Sheffield

March 5, 1985

Representative John Ringstad
 Pouch V
 Juneau, AK 99811

Dear John:

We are so pleased to see HB 256 introduced with you as sponsor. This is an important bill for the state of Alaska and the Resource Development Council. Your sponsorship is significant and is creating support for the bill by those who know you and your record.

We and others have been pushing for this sort of state economic development policy for several years. With this bill Alaska can have the statutory guidelines for economic development envisioned in our constitution.

I am aware that HB 256 is tentatively scheduled to be heard in House Resources March 20. You can be sure that the Resource Development Council will have testimony prepared to support this bill and encourage its timely passage in the House.

Please let us know if there is any background or related information we can provide to aid its passage.

Thank you again for your support.

Sincerely,

RESOURCE DEVELOPMENT COUNCIL
 for Alaska, Inc.

Paula P. Easley
 Paula P. Easley
 Executive Director

cc: Michael Abbott, RDC Legislative Coordinator

THE AftI-DITTMAN POLL

of Alaska business leaders

The AftI-Dittman Poll is a regular monthly feature of Alaska Construction & Oil and Alaska Analysts/Dittman Research. Each month several hundred Alaska businessmen and businesswomen are contacted and asked their opinions on questions of statewide importance. The statewide totals are combined and published in the weekly business newsletter Alaska from the Inside (AftI) and in Alaska Construction & Oil. The respondents included in the sample are representative of their fields of activity and are located throughout the state.

QUESTION

"Overall, do you feel state government regulations and policies are most likely to encourage or discourage well-planned, responsible resource development?"

RESULTS

	Encourage	Discourage	Undecided
Construction and Timber	22%	78%	—
Petroleum and Mining	13%	85%	2%
Finance and Services	42%	56%	2%
TOTAL	24%	74%	2%

ANALYSIS

Nearly three-quarters (74%) of Alaska's business leaders interviewed in November feel state government regulations and policies *discourage* well-planned and responsible resource development.

The percentage of respondents agreeing varies widely by industry. Petroleum and Mining respondents are the most adamant, with 85% answering "discourage."

A review of the respondents' comments offered during the poll shows that the Alaska Department of Fish and Game was the most frequently mentioned example of a state agency that discourages resource development. The comments also indicated two main reasons for respondents' concern about government policies:

- (1) It is difficult to justify the expense and time required to design a well-planned development and take it through the permitting process when the likelihood of success is always in doubt.
- (2) The state employees who work in regulatory agencies are more likely to have regulatory ("protective") mentalities which may blind them to the benefits of resource development.

COMMENTS

"Mainly in the permit area — the Department of Fish and Game stops more projects than any agency. They are always on the side of the Sierra Club and SEACC. *No development* is their policy."

"It took 16 years to get a water-use permit for mining and I have a coal prospecting permit application that is nine years old and still pending."

"The tendency in state government is to over-regulate. There can only be one result of that tendency — operating costs are increased both by the requirements for compliance and the cost of processing paper."

"It takes too much time and effort to get permission for access. It discourages people before they even start."

"Regulations are built around a negative attitude."

"Definitely encouraged — a marked improvement noted in both words and deeds!"

"Until the Department of Fish and Game is restricted from making unilateral and arbitrary decisions concerning resource development, we will be unable to encourage development no matter how well-planned and responsible!"

CALENDAR

ENERGY-SOURCES TECHNOLOGY CONFERENCE & EXHIBITION — Sponsored by the American Society of Mechanical Engineers at Loews Anatole Hotel, Dallas, TX, (214) 247-1747, Feb. 17-22.

TRAINING SESSIONS ON DRILLING AND BLASTING TECHNIQUES — Explosives Services Corp. of Issaquah, Wash., (206) 392-7112, is conducting a five-day training session on drilling and blasting techniques in Ketchikan, Feb. 18-Feb. 22; and in Anchorage, Feb. 25-March 1.

INTRODUCTION TO MICROCOMPUTERS — A short course presented by the Society of Mining Engineers of the American Institute of Mining, Metallurgical and Petroleum Engineers, Hilton Hotel, New York, NY, (303) 973-9550, Feb. 23-24.

FINANCE FOR THE MINERALS INDUSTRY — A symposium that is part of the annual meeting events for the Society of Mining Engineers of the American Institute of Mining, Metallurgical and Petroleum Engineers; Hilton Hotel, New York, NY, (303) 973-9550, Feb. 24-28.

STATE OIL AND GAS LEASE SALE NO. 46A — Anchorage Westward Hilton Hotel, Anchorage, Feb. 26.

AGC 66TH ANNUAL CONVENTION/CONSTRUCTOR EXPOSITION — The Associated General Contractors of America 1985 convention, San Francisco, CA, Feb. 27-March 5.

ALASKA SUPPORT INDUSTRY ALLIANCE — Conference on marginal oil field development, Captain Cook Hotel, Anchorage, March 2.

FOURTH ANNUAL ALASKA CONSTRUCTION SUPPLY AND EQUIPMENT SHOW — Exhibits and technical sessions, Sullivan Arena, Anchorage, (907) 346-2424, March 21-22.

ARCTIC '85: CIVIL ENGINEERING IN THE ARCTIC OFFSHORE — A national specialty conference of the American Society of Civil Engineers at the Sheraton Palace Hotel, San Francisco, CA, (713) 772-0876, March 25-27.

34TH ANNUAL VEHICLE MAINTENANCE/MANAGEMENT CONFERENCE — Sponsored by the University of Washington, College of Engineering, at Kane Hall, Seattle, WA, (206) 543-5539, March 25-28.

ALASKA TRANSPORTATION FORUM — University of Alaska-Fairbanks, April 15-16.

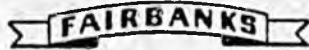
CABLE HARVEST TECHNIQUES — Holiday Inn-Downtown, Spokane, WA, (509) 838-6101, April 15-19.



United Way
of King County

Thanks to you.

Editorial Opinion and Comment of



Daily News - Miner

"Independent in All Things . . . Neutral in None"

Other opinions expressed on this page do not necessarily reflect those of the Daily News-Miner.

A strategy for the future

Alaskans concerned about resource development have been meeting in Anchorage this week to discuss a strategy for the future. The occasion was a conference sponsored by the Resource Development Council, and the agenda was packed with representatives of government and industry.

It's that mix of government and industry that Alaska must tend to if we are to meet our goals of economic development and diversification.

Though the private sector usually operates best with a minimum of government involvement, the high percentage of government-owned land in Alaska necessitates close cooperation from all three levels of government—federal, state and local.

Most of the industries Alaska hopes to encourage—mining, agriculture, fishing, natural gas, petrochemicals—can't be developed unless land is made available and access is provided. That's where governments come in, for private land owners in Alaska continue to hold only a small share of the land, even when Native corporation land holdings are included in the reckoning.

Economic development is not an easy job for our state. For though we're blessed with abundant natural resources that can serve as the foundation of such efforts, we're seeking to balance their development with an appreciation of the natural beauty of our land and of the resources such as fish and wildlife for which natural habitat is critical.

What we can accomplish depends to a large extent upon the attitude of Alaskans. Our state has a high level of citizen involvement in decision-making and it is possible for a few people to influence major decisions.

What we must seek, then, is a recognition that Alaska cannot long afford the luxury of our diverse lifestyles if our economy does not remain strong. Nor will we be able to provide the amenities we've come to enjoy if we do not diversify our state revenue sources.

By recognizing the complexity of the economic development job, Alaskans should be able to plan a strategy that will protect our land and at the same time develop our resources. It will take planning and foresight, but it's not a job to shirk.

RDC conference debriefing hits a 'we're-in-this-together' theme

By BERT TARIANT
"We're in this together" was the theme of a debriefing held by the Resource Development Council following its fifth annual International Conference on Alaska's Resources.

The conference was titled "Alaska's Economic Priorities: A Five-Year Strategy" and offered a number of communities from around the state an opportunity to present their own economic conditions, problems and priorities.

It was the mayor and/or representatives of the participating communities that gathered after the two days (Feb. 13-14) of presentations and discussions for the debriefing.

"Last year after our conference we got the speakers and major players together for a private meeting to get their feelings on the conference," said Paula Easley, RDC Executive Director. "It worked well so we decided to do the same this year with the communities."

The debriefing wasn't just a pat-yourself-on-the-back for a job well done. Easley had a slate of 10 conference objectives on which she wanted input from the communities.

- Identify a process for ranking capital projects for state funding

"There was a large consensus at the debriefing that there needs to be a process for ranking capital projects," Easley said, "but there also is no quick and easy, super way of doing that ranking."

She noted the communities had their wish lists for the state legislature but that most had never looked at that list "from a point of view of what would sustain the local economy."

"So far the state legislature has never looked at Alaska's oil wealth with an eye to prioritizing, to ranking needs," she said. "And part of that is due to the fact there has been no clear direction of what we want to do in our state."

But the concept of declining petroleum revenues as production from Prudhoe Bay begins to slip has "finally begun to sink in," the RDC chief said. "Alaska's communities are very concerned. They want more effort made in dealing with priorities and we'll work with them on it."



RDC Executive Director Paula Easley received a bouquet of roses at the conference close.

- Create a more active, vocal constituency for economic development

"This was definitely accomplished by the conference in the view of the communities," Easley said. "Many had never discussed such an idea before and now the momentum is going."

The communities concluded the Resource Development Commission had gotten the whole thing started and "they don't want to see the ball dropped; they want to keep up the momentum," she said.

"The communities asked us to have 3-4 meetings where the mayors or their representatives get together to discuss the constituency issue before we hold our next international conference," she added.

- Give direction to the Governor and legislature that wise spending decisions are needed now

"The mayors concluded they must work at their own level with their own community government and their legislators if they are to make progress in this area," she said.

- The community leaders also requested the Council to help with resources and support in their efforts to get the importance of wise spending decisions across to elected representatives.

- Encourage formation of local economic development

See RDC, Page 15



ARCHIE M. UPHAM, dean of the University of Alaska, Community College, SFA, showed the city's view of the Kenai Peninsula Borough's Community Expo, at the Resource Development Council's Community Expo, at the Resource Development Council's Community Expo, at the Resource Development Council's Community Expo.



CHUCK EAGER, Alaska's Commerce and Economic Development, points to a map of Alaska's Commerce and Economic Development, points to a map of Alaska's Commerce and Economic Development, points to a map of Alaska's Commerce and Economic Development.

Continued from Page 14

study groups that can produce many of the communities felt they had good, dedicated people working in their various resource and business opportunities development actions, Easley said, "but they also felt something was missing."

"They felt their efforts at development had not been as productive as they could be and concluded a big reason for this was that the development departments had not been given a strong enough mandate," Easley said.

- Stimulate cooperative effort between private industry/Native groups, local chambers, labor and government bodies to pursue economic goals

"This topic ties in with development study groups. The communities felt they must get their development departments more in touch with the community and its leaders if a concerted effort for development and economic diversification were to take place."

Easley noted one of the state's boroughs already is in such a position. "The Kenai Peninsula Borough has a Resource Development Council that is staffed with a director, Frank McIlhargey, and that has been instrumental in that borough's expansion," she said.

"Many of the other communities are looking to the Kenai Peninsula Borough as a good example of economic diversification, how it can be done, and done very well," she added.

RDC debriefs participants

Continued from Page 15

economic, geographic, ethnic, etc.," she added.

- Provide information on project financing alternatives

The community representatives were very vocal, Easley says. In their "need to know what investors needed from them and how the communities could be prepared with such information."

"They wondered why and how investors choose one area or community over another for a development project," she added. "They were keenly interested in the criteria for such location factors and they want to work on it."

- Educate public on com-

Fifth Annual International Conference on Alaska's Resources Alaska's Economic Priorities: A five-Year Strategy and All-Alaska Community Expo

RDC conference draws strong reviews

wide opinion gathering

"During the conference we told the community participants we would have experts ranking the projects that were presented and some of the communities weren't that happy—not so much at the idea of ranking but that their projects may not get the priority they felt those projects deserved," Easley said.

"We did settle on a plan that will be put into effect with the next conference—the concept of a multi-year opinion survey

using people who came to the conference," Easley said.

The key to getting opinions from around the state and Easley said most of that battle is won. "For the first time, the RDC International Conference had more people from outside Anchorage attending, plus 20 village corporations and the Native Regional Corporations," she noted.

"By any definition of a valid survey sample, we had it—

See RDC, Page 16

Continued from Page 16

"They were not only able to discuss their own problems but also learned much about what is happening in other communities. They found they have many similar problems," she said.

Other areas of concern also were discussed at the debriefing, include a need expressed by many for technical expertise in working toward goals. "Those people are available but it costs money to bring them in," noted Easley.

"They also suggested that in a future conference, after the communities have had the opportunity to make their presentations, that a second set of discussions be held concerning a more regional approach to problems and priorities," Easley said.

An immediate outcome of the conference and debriefing will be release of a booklet on community economic development.

"The booklet was authored by Ron Walt and others in the Division of Economic Enterprise of the state Department of Commerce & Economic Development," Easley noted. "but a lack of funding had kept the booklet from being published. Ron promised the communities he would get it to them."

munity activities, attractions, needs and constraints to development

At the conference, the RDC also sponsored a "Community Exposition" at which each community and others could place exhibits designed to educate attendees of the communities' status and potentials.

"But unless you have a knowledgeable community leader manning the booth, you're not going to be in a position to answer questions should an investor want to know more about the community," Easley said.

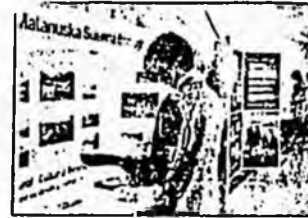
"Unfortunately, most of the community leaders were in the conference hall, listening to the presentations, rather than

being out on the booth," she added. "The mayor agreed next year they make sure community leaders were at the booths, ready to answer questions and give insight."

- Foster a "we're in this together" attitude between communities

"I believe this is what excited the participants the most," Easley said. "All of them indicated they were members of the Alaska Municipal League but our conference market the first time they had ever had a forum to address a large cross section of Alaskans and talk about their problems and potentials."

See RDC, Page 17



CHUCK EAGER, Alaska's Commerce and Economic Development, looks over some of the exhibits included in the All-Alaska Community Expo at the Resource Development Council's Community Expo, at the Resource Development Council's Community Expo, at the Resource Development Council's Community Expo.

RDC conference participants find they share problems

Opinion

FDNY

Wednesday, February 27, 1985

Efforts to diversify economy are serious

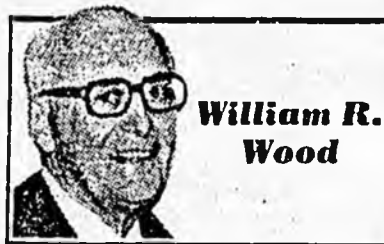
The single *big project* is not dominant in the thinking of community speakers at the Fifth Annual International Conference on Alaska's Resources that convened Feb. 13-14 at the Sheraton Anchorage.

Diversification is. From every region of Alaska the message is clear and strong: tourism, mining, and fishing are the common denominators of interest, then timber and farming wherever trees or crops grow. There was mention of fur ranching, poultry farming, dairying, livestock husbandry, and greenhouse culture. This was not idle talk. Serious effort is being made on each in one or more Alaska communities. Innovation, ingenuity, inventiveness, advanced technology, were mentioned to remind us how young we are in Alaska. How fine the prospect for creative young thinkers.

Seven minute presentations were made by 18 representatives from nine cities, six boroughs, two combined city/borough units, Juneau

and Sitka, and Alaska's metropolis, the municipality of Anchorage. The coverage was widespread, from Ketchikan to Kotzebue, from Unalaska, Bethel and Bristol Bay to the North Slope Borough, Valdez, and the Fairbanks North Star Borough, from Haines and Cordova to Kenai Peninsula, and Matanuska-Susitna to Kodiak Island. Impressive participation! In addition, several places not listed on the program for presentations joined in the excellent All-Alaska community displays featured throughout the conference: Delta, Nenana, Barrow, Skagway, Seward among others. The occasion sponsored by the Resource Development Council for Alaska provided an excellent opportunity for insight into what Alaskans are thinking and doing.

Few of the presentations and displays turned up any brand-new prospects or special projects, the exception, perhaps, being the great Red Dog lead/zinc/silver venture near Kotzebue. From all points in



William R. Wood

Views expressed here do not necessarily represent those of the Daily News-Miner

Alaska, however, was demonstrated renewed determination to find some way, any way to bring into production for processing and marketing Alaska's extraordinary variety of natural resources. Not all non-attenders of the conference may share in the enthusiasm expressed, yet among those present reporting on how things were at home there seemed evident a common belief that the habitat, whether land or marine, can be enhanced and made more productive and attractive for the ultimate benefit of residents of the Great Land.

Surfacing now and again was recognition that the burden of idle resources, natural and human, could reach the level of the intolerable. The spirit expressed was strong: Let's do all that we can ourselves with what we have. Let's not depend on any one source of income, fur, fish, timber, gold, oil, or government, as we have in the past. Let's make intelligent use of all our possibilities and drive toward a greater measure of self-reliance and self-sufficiency.

Not one speaker even hinted at being satisfied with overdependence upon government at any level or any other largesse giver. Each of the 18 community speakers was enthusiastic, optimistic, excited about the potential of the place where he lives, full of cheer and wit, each proud to be an Alaskan. Rated outstanding at the end of the conference was the far-ranging presentation accenting our people potential by our own Mayor Bill Allen.

The agenda for the conference

was studded with other sparkling presentations, some provocative enough to generate fresh thinking and new awareness among the several hundred in attendance. These were offered by a range of specialized talent from Texas, Oregon, Washington D.C., Seattle, and Canada as well as Alaska's own from Juneau, Fort Yukon, Anchorage, and Fairbanks.

Yet the great lift at the conference came from the 18 communities each with the encouraging news of what it was devising and undertaking on its own with reasonable assistance from the outside to insure a brighter tomorrow for the great place where they live. And each of the 18 it was emphasized, is more than willing to share the good life he enjoys with visitors and new residents. Come see us any time!

Dr. William R. Wood is a retired president of the University of Alaska now volunteering his time as executive director of Festival Fairbanks '84.

OPINIONS

Revenue projections provide sobering truth

At the opening session of last week's informative and stimulating conference on "Alaska's Economic Priorities" at the Sheraton/Anchorage, Fairbanksan Mary Nordale, well-known attorney and now state commissioner of revenue, presented a most enlightening and encouraging summary of Alaska's "Petroleum Revenue, Production and Price Projections."

Such projections, however sophisticated the analysis of pertinent data available, of necessity are based upon assumptions, probabilities, and, in some parts, sheer guesswork. They offer, however, the best guidelines to thoughtful action we have.

The Alaska oil revenue projections ending downward from a peak, as is inevitable in the production scenario anything on a gigantic scale, have been featured recently in the press and media as gloom and doom forecasts. They are not. On the contrary, the wringing of hands and the wailing of the wigwams of the mighty have been depressing evidence merely that we among us love to be dependent. Viewed in the perspective of what is B.O.P. (Before Oil Production), the current state revenue projections for the year 2000 and beyond are neither bleak nor hopelessly discouraging. Sobering, yes. This, of course, all resi-

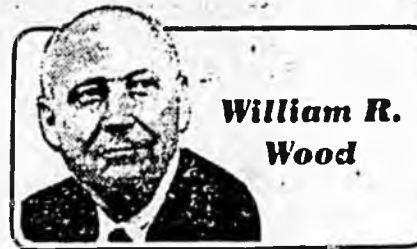
dents of Alaska should find comforting and enormously encouraging. At last, a return to common sense fiscal behavior is in prospect.

In summary, the Nordale projections remind us that in 1975 the state's "General Fund Unrestricted Revenues" were about \$333 million. This more than doubled the very next year.

The flood of North Slope oil dollars continued to swell to \$2.5 billion by 1980—nearly an eight-fold increase in five years! The gusher crested at \$4.1 billion two years later and has gradually tapered downward since. In 1985 the General Fund Unrestricted Revenues are estimated to reach a total of \$3.3 billion. A ten-fold increase in one decade, 1975-1985. Wow! Remember how it was in 1960? About \$30 million total, or one hundred times smaller!

No wonder Alaska went on a spending spree, led by the Legislature and the administration eager to catch up on capital needs and services desired to enhance the good life as they saw it throughout the state. Let's not forget they were responding to pressure at home. All of us were more or less active in the "gimme" posture, both hands outstretched and pleading, "More! More!"

What really got out of hand was the bureaucracy, not just in government,



**William R.
Wood**

Views expressed here do not necessarily represent those of the Daily News-Miner

but in the industrial, commercial, financial, educational, and labor arenas as well. The phenomenon of over-indulgence permeated every corner of Alaska. It has been particularly devastating to Alaska's future prospects in the over-staffing of regulatory activities and paperwork impositions. This has been far too costly for the residents to afford since the zeal to achieve the last measure of perfection for one cause or another has ranged far beyond the realm of reason and common sense.

Fortunately, there is the Permanent Fund acting as a safety valve of sorts to keep the whole barrel from running dry. It didn't exist until 1977. Now in 1985 the annual earnings from this savings account are over \$600 million. In the next 10 years it is estimated that the Permanent Fund will be earning about \$1.5 billion and will

approach \$2.5 billion annually by the turn of the century, just 15 years from now. That amount combined with an estimated \$2.2 billion from oil and other sources, such as mining, fishing, timber harvest, tourism, and agriculture, would bring the General Fund Unrestricted Revenues to nearly \$5 billion for state spending in the year 2000. Moreover, by that time the Permanent Fund itself would be something over \$20 billion.

Not too shabby a prospect for Alaska, even should the population double by then to one million residents. All such projections, of course, are tempered by change, both the predictable and the unforeseen.

The alarm over necessary spending cuts this session at the state level may be a blessing in disguise. Spending restraints are clearly overdue. There could be substantial reductions in government regulatory and administrative operations even if revenues were rising instead of falling. A greater depth of prudence should prevail in selecting for funding capital improvement projects in the statewide "catch-up" and "Reach for Excellence" programs. In general, priority might well be given to infrastructure items in energy, transportation, and

communications matters designed to make possible the creation of new wealth from things that grow here and from things that do not grow anywhere.

The reduction of overweight in spending can increase strength and adaptability as well as ease strain on the heart. Having fewer dollars to spend may give our leaders more time to think—to think more clearly and deeply about how best we may create some new dollars from our mineral and agricultural resources. These two, we are reminded again and again, are the only sources of new wealth.

Neither boom nor gloom is our prospect for 1985 and beyond. Examine the whole picture. The other 49 and the rest of the world are envious of Alaska's opportunity. The test of character for each of us is how we meet the challenge in moving together toward a greater measure of self-discipline and self-reliance. Moving forward together in confidence and with mutual respect, we can do whatever needs to be done—and more.

Dr. William R. Wood is a retired president of the University of Alaska now volunteering his time as executive director of Festival Fairbanks '84.

*Fuller
supported
defeated in primary
by Edna Perkins*

TO: ALL SENATORS

FROM: JIM ZAWACKI, 738 H ST., SUITE 100, ANCHORAGE, ALASKA
99501 (H)738-2905 (W)276-1490

RE: HB256, STATE ECONOMIC DEVELOPMENT POLICY

I URGE YOU TO VOTE IN FAVOR OF HB256 TO INSURE THAT ALASKA HAS A
STRONG POSITION SUPPORTING ECONOMIC DEVELOPMENT.

*
* DELIVER TO: JFOM *
* *
* ORIGINAL *
* SENT *
05/10/85 TIME: 10:42

COMMITTEE REPORT

SENATE

FURTHER:

5/7/85

Date _____

Mr. President

The Committee on RESOURCES considered HE 256 am

establishing the economic development policy of the State.

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

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

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

[Handwritten signature]

[Handwritten signature]

[Handwritten signature]

[Handwritten signature]

[Handwritten signature]

Chairman
[Handwritten signature]

Chairman recommendation

Margaret King

Offered: 5/7/85
Referred: Resources

Original sponsors: Ringstad, Adams,
Grussendorf, et al

BY THE LABOR AND
COMMERCE COMMITTEE

1 IN THE HOUSE

2

SENATE CS FOR HOUSE BILL NO. 256 (L&C)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act establishing the economic development policy
7 of the state."

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

9 * Section 1. AS 44 is amended by adding a new chapter to read:

10

CHAPTER 67. GENERAL STATE POLICY.

11

Sec. 44.67.010. DECLARATION OF STATE ECONOMIC DEVELOPMENT POLI-

12

CY. (a) To further the goals of a sound economy, stable employment,

13

and a desirable quality of life, the legislature declares that the

14

state has a commitment to foster the economy of Alaska through pur-

15

poseful development of the state's abundant natural resources. It is

16

the legislature's intent that this development

17

(1) offer long-term benefits and increased employment to

18

Alaskans by strengthening and diversifying the state's economic base

19

and encouraging new activities;

20

(2) provide opportunities for increased personal income or

21

reduced living costs by creating activity in economic sectors;

22

(3) have a positive effect on the revenue needs and fiscal

23

conditions of the state and local communities;

24

(4) be undertaken after consideration of the views of

25

citizens impacted by the development, [and only after adequate pro-

26

tection is assured for Alaska's environment.]

27

(b) To take advantage of investment opportunities afforded by

28

Alaska's abundant resources, the legislature finds that the state must

29

undertake activities that serve as a catalyst to responsible economic

RINGSTAD

1 development in the state for the benefit of its citizens. It is the
2 policy of the state to

3 (1) develop and provide information to domestic and foreign
4 investors to use in evaluating project feasibility;

5 (2) with cooperation from investors, identify constraints
6 to economic development imposed by all levels of government and work
7 with government agencies to solve problems created by those con-
8 straints;

9 (3) with cooperation from investors, identify constraints
10 to economic development such as lack of transportation and energy
11 systems necessary to support the extraction, production, and transport
12 of resources to markets, and implement capital improvement or other
13 programs to resolve the deficiencies;

14 (4) provide a stable tax and regulatory climate that en-
15 courages expansion of the state's economic base;

16 (5) encourage "value-added" processing in the state;

17 (6) improve the state's comparative position by offering
18 economic incentives that support the constitutional mandates for
19 utilization, development and conservation of natural resources.
20

Introduced: 3/1/85
Referred: Resources and
Finance

BY RINGSTAD, ADAMS, GRUSSENDORF,
CATO, FRANK, LARSON, M.W.MILLER,
PEARCE, RIEGER, SHULTZ, SUND,
TAYLOR, UEHLING, HANLEY AND JENKINS

1 IN THE HOUSE

2 HOUSE BILL NO. 256 am

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the economic development policy
7 of the state."

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

9 * Section 1. AS 44 is amended by adding a new chapter to read:

10 CHAPTER 67. GENERAL STATE POLICY.

11 Sec. 44.67.010. DECLARATION OF STATE ECONOMIC DEVELOPMENT POLI-

12 CY. (a) To further the goals of a sound economy, stable employment,

13 and a desirable quality of life, the legislature declares that the

14 state has a commitment to foster the economy of Alaska through

15 purposeful development of the state's abundant natural resources. It

16 is the legislature's intent that this development

17 (1) offer long-term benefits and increased employment to

18 Alaskans by strengthening and diversifying the state's economic base

19 and encouraging new activities;

20 (2) provide opportunities for increased personal income or

21 reduced living costs by creating activity in economic sectors;

22 (3) have a positive effect on the revenue needs and fiscal

23 conditions of the state and local communities;

24 (4) be undertaken after consideration of the views of

25 citizens impacted by the development, and only after adequate pro-

26 tection is assured for Alaska's environment and the Alaskan life

27 style.]

28 (b) To take advantage of investment opportunities afforded by

29 Alaska's abundant resources, the legislature finds that the state must

Introduced: 3/1/85
Referred: Resources and
Finance

BY RINGSTAD, ADAMS, GRUSSENDORF,
CATO, FRANK, LARSON, M.W.MILLER,
PEARCE, RIEGER, SHULTZ, SUND,
TAYLOR, UEHLING, HANLEY AND JENKINS

1 IN THE HOUSE

2 HOUSE BILL NO. 256 am

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

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26 tection is assured for Alaska's environment and the Alaskan life

27 style.]

28 (b) To take advantage of investment opportunities afforded by

29 Alaska's abundant resources, the legislature finds that the state must

1 undertake activities that serve as a catalyst to responsible economic
2 development in the state for the benefit of its citizens. It is the
3 policy of the state to

4 (1) develop and provide information to domestic and foreign
5 investors to use in evaluating project feasibility;

6 (2) with cooperation from investors, identify constraints
7 ^{orderly + beneficial} to economic development [imposed by all levels of government] and work
8 with government agencies to [solve problems created by those con-
9 straints]; ~~eliminate unnecessary impediments to economic development projects.~~

10 (3) with cooperation from investors, identify constraints
11 to economic development [such as lack of transportation and energy
12 systems] necessary to support the extraction, production, and transport
13 of resources ^{+ manufactured products} to markets, and implement capital improvement or other
14 programs to resolve the deficiencies;

15 (4) provide a stable tax and regulatory climate that
16 encourages expansion of the state's economic base;

17 (5) encourage "value-added" processing in the state;

18 (6) improve the state's ^{DOMESTIC + INTERNATIONAL COMPETITIVE} comparative position by offering
19 economic incentives that support the constitutional mandates for
20 utilization, development and conservation of natural resources.
21

Offered: 5/9/85
Referred: Rules

Original sponsors: Ringstad, Adams,
Grussendorf, et al

FINAL
Resources
Changes
High Light col.

1 IN THE HOUSE BY THE RESOURCES COMMITTEE

2

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

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CHAPTER 07. GENERAL STATE POLICY.

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Sec. 44.67.010. DECLARATION OF STATE ECONOMIC DEVELOPMENT POLI-

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adequate protection is assured for Alaska's environment.

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Alaska's abundant natural resources and productive capacity, the

1 legislature finds that the state should undertake activities that
2 serve as a catalyst to responsible economic development in the state
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4 (1) develop and provide information to domestic and foreign
5 investors to use in evaluating project feasibility;

6 (2) with cooperation from investors, identify constraints
7 to orderly and beneficial economic development and work with govern-
8 ment agencies to eliminate unnecessary impediments to economic devel-
9 opment;

10 (3) with cooperation from investors, identify constraints
11 to economic development that would impede the extraction, production,
12 and transport of resources to markets and manufactured products, and
13 implement capital improvement or other programs to resolve the defi-
14 ciencies;

15 (4) provide a stable tax and regulatory climate that en-
16 courages expansion of the state's economic base;

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