

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672

4826 HLAB HB 454 - HB 472

328

(Background/Legislative Intent con't.)

programs. Further, the amendment provides certain assurances to the state, which must maintain jurisdiction over the facilities, to the general public, which bonded themselves for original capital costs to construct the facilities, and to the fishery user groups who depend on the hatchery-produced fish to supplement the natural stocks in off-years. These assurances arise from the proven technical and managerial expertise of the RAAs, along with their financial capability and socially and legally acceptable practice of special harvests of hatchery returns to pay hatchery operational costs. This approach allows for continued hatchery production while reducing the impact on the general fund.



STATE OF ALASKA
OFFICE OF THE GOVERNOR

BILL ANALYSIS

DEPARTMENT Fish and Game	DIVISION FRED	BILL NUMBER CS for SB 410/HB 454	SPONSOR Eliason, Jones, Kerttula/ Grussendorf
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SHORT TITLE OF BILL

DEPARTMENT POSITION

The department supports this bill.

PREPARED BY Brian J. Allee	DATE 2/22/88	COMMISSIONER'S SIGNATURE <i>Donnell Williams</i>	DATE 2-22-88
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SUMMARY

OTHER AGENCIES AFFECTED BY BILL Department of Commerce and Economic Development	CONSTITUENT GROUP(S) AFFECTED BY BILL Regional aquaculture association., commercial fishermen, sport fishermen
ORGANIZATIONAL SUPPORT FOR BILL Regional aquaculture associations, sport fishermen, commercial fishermen	ORGANIZATIONAL OPPOSITION TO BILL

FISCAL IMPACT. NONE FISCAL NOTE ATTACHED

BACKGROUND/LEGISLATIVE INTENT The 1987 Legislature placed intent language in the FY 88 FRED Division budget that directed the division to develop innovative programs for hatchery operation through cooperation with the regional aquaculture associations (RAA). Contracting operations of state-owned hatcheries to RAAs was recommended by a government/public work group formed to address the intent. Building on the private nonprofit laws that have proved effective, this amendment allows FRED to cooperate with the RAAs in developing innovative

Continued on page 2.

ANALYSIS OF BILL/PROGRAM EFFECTS

The committee substitute for Senate Bill 410 has incorporated all the amendments proposed by the Department of Fish and Game and has had the thorough review of the Attorney General's Office.

AMENDMENTS PROPOSED

None.

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS.

(Background/Legislative Intent con't.)

programs. Further, the amendment provides certain assurances to the state, which must maintain jurisdiction over the facilities, to the general public, which bonded themselves for original capital costs to construct the facilities, and to the fishery user groups who depend on the hatchery-produced fish to supplement the natural stocks in off-years. These assurances arise from the proven technical and managerial expertise of the RAAs, along with their financial capability and socially and legally acceptable practice of special harvests of hatchery returns to pay hatchery operational costs. This approach allows for continued hatchery production while reducing the impact on the general fund.

FISCAL NOTE

REQUEST:

Revision Date: 2/22/88
Title: An Act relating to the operation of state hatcheries
Sponsor: Eliason
Requestor: Eliason

Agency Affected: Fish and Game
BRU: FRED
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE						

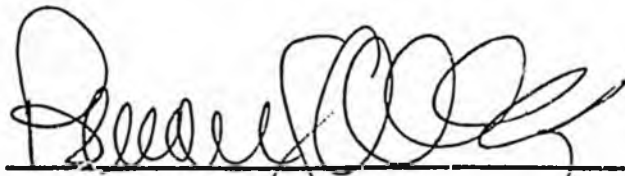
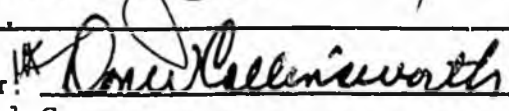
FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by:  Phone: 465-4160
Division: F.R.E.D. Date: 2/22/88
Approved by Commissioner:  Date: 2/22/88
Agency: Fish and Game

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



The five incubation boxes at 31 Mile Creek on the Klehini River have a capacity of 850,000 chum eggs. Egg to fry survival in 1986-87 was 95 percent.



Photo by Carl Peterson

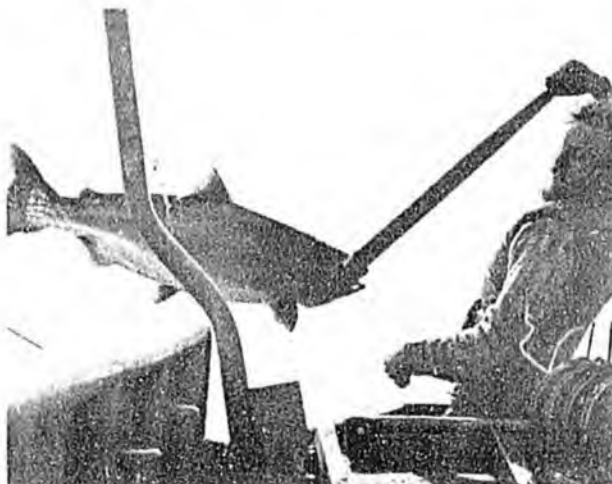


Photo by Hans Wienberg

NSRAA



**Northern
Southeast
Regional
Aquaculture
Association**

103 Monastery Street
Sitka, Alaska 99835
(907) 747-6850

NSRAA Projects

Project	Projected Returns at Capacity
Medveje Hatchery	25,000 chinook 90,000 chum
Deep Inlet Release Site	720,000 chum
Coho Lake Rearing	50,000 coho
Takatz Bay Release Site*	720,000 chum
Haines Spawning Channel	20,000 chum
Haines Incubation Boxes	8,000 chum
Port Camden Incubation Boxes	100,000 chum
Slippery Creek Stocking*	coho unknown
St. John Creek Stocking*	coho unknown
Redoubt Lake Incubation	sockeye unknown
Earl West Cove*	12,000 chinook 16,000 coho 240,000 chum

*Cooperative Projects

Northern Southeast Regional Aquaculture Association (NSRAA) is a private non-profit cooperative established to increase salmon returns to benefit commercial and other users. NSRAA was established through an election of limited entry salmon permit holders where the majority voted in favor of establishing the Association and taxing themselves 3 percent of their gross landings to support the organization. All limited entry permit holders in Southeast Alaska are members of NSRAA. Revenues collected through the enhancement tax are passed from the State to NSRAA.

NSRAA has a mix of enhancement projects designed to aid the gillnet, seine and troll fisheries of Northern Southeast Alaska (Petersburg north to Haines). These projects include the Medvejie Hatchery near Sitka, the coho lake rearing program, the Takatz remote release project, the spawning channel near Haines, and remote incubation boxes near Haines and Port Camden. In 1987, NSRAA participated in the release of over 50 million fry and smolts.



The coho lake rearing program stocks coho fry in barred lakes not otherwise accessible to anadromous fish. After rearing in the lakes for a year, the smolts migrate to sea, and in another year return for fishermen to catch.



Allen Edsall, a fish culturist for the Northern Southeast Regional Aquaculture Association, feeds chum fry shortly before their release last May from Deep Inlet. Photo by Bruce Bachen.



Medvejie Central Incubation Facility near Sitka has a capacity for 825,000 chinook smolts; 1,280,000 coho fry for the lake rearing program and 28,000,000 chum eggs.

The enhancement projects undertaken by NSRAA are approved by a Board of Directors composed of commercial fishermen and other salmon user groups. User group representatives are appointed, while commercial fishermen (who compose a majority of the Board) are nominated and elected by limited entry permit holders. Funding for these projects comes from the enhancement tax, hatchery loans and from cost recovery. The State makes loan funds available to private non-profit hatcheries for hatchery construction and operation. Cost recovery involves the sale of a portion of the returning fish that enter a special harvest area near the release site. Cost recovery allows loan payback and the continuation of the project on a self-supporting basis.

All of NSRAA's activities are reviewed and approved by the Alaska Department of Fish & Game (ADF&G). As with all enhancement activities in the state, NSRAA works to find projects that are compatible with the continued health of wild stocks. Many projects are undertaken in cooperation with ADF&G, the U.S. Forest Service, and Southern Southeast Regional Aquaculture Association.

NSRAA's main office is located at 103 Monastery Street in Sitka. If you have questions about any of our activities, please contact us. Our phone number is (907) 747-6850.



The Haines Spawning Channel, located on a small tributary of the Chilkat River, near Mile 24 of the Haines Highway, provides ideal spawning habitat for chum salmon. In 1987 the first return to the channel showed 5,000 chums spawning there, compared to 1,500 in previous years.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 22, 1988

SUBJECT: Sectional analysis of proposed
CSSB 410 (Resources)
(version 5-1821 L)

TO: Senator Dick Eliason

FROM: Theresa L. Bannister ^{TS}
Legislative Counsel

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

As a preliminary matter, note that a sectional analysis or summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

Section 1. Sec. 16.10.480(a) authorizes the Department of Fish and Game under certain circumstances to contract with another person for the person to operate a state-owned hatchery or for the person to operate the hatchery cooperatively with the state.

Sec. 16.10.480(b) requires the department, when selecting a contractor to operate a state-owned hatchery, to give a preference to the regional association organized under AS 16.10.380 that is located in the region of the hatchery. Directs the department not to contract with the preferred regional association if it determines that the association doesn't meet its criteria, and in that case, to procure the contract under AS 36.30 after considering the association's recommendations.

Sec. 16.10.480(c) requires that the operation contract provide that the hatchery will be operated in accordance with certain statutes and regulations.

Sec. 16.10.480(d) allows the department to issue to the contractor during the contract an adult salmon harvest permit that will be sufficient to allow the contractor to recover all or part of its hatchery operating costs.

Sec. 16.10.480(e) prohibits a contract for the operation of state-owned hatchery from affecting the state's ownership of the hatchery. Declares that the contract does not affect the state's responsibility to manage the resource.

Section 2 allows the commissioner of the department to issue a permit subject to certain restrictions for the operation of a hatchery under sec. 16.10.480.

Section 3 allows the commissioner to waive the submission of an application for a permit to operate a hatchery under AS 16.10.480.

Section 4 clarifies that the subsection does not apply to a permit to operate a hatchery under AS 16.10.480.

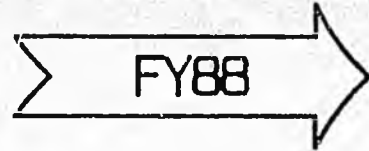
Section 5 clarifies that an applicant for a permit to operate a state-owned hatchery under AS 16.10.480 does not have to provide certain information about the hatchery at the hearing for the permit.

Section 6 exempts the operator of a state-owned hatchery under sec. 16.10.480 from the sale requirements of the subsection to the extent that the operation contract provides differently than the section.

Section 7 provides the bill with an immediate effective date.

TLB:gc
WKG1:104

HIDDEN FALLS
KITOI BAY
CANNERY CREEK
TRAIL LAKES



Operated by State on \$1.4 million
General Funds and \$0.5 million in
other funds. Level of operation
not optimal.



Operated by State at optimal levels
on \$2.4 million in General Funds



State not operating but reprogramming \$1.4 million in General
Funds into areas of deficiency in program.

Snettisham chum salmon increase	-\$271.2
StateWide Sockeye	-\$351.4
Snettisham Sockeye CIF	
Gulkana Expansion	
Main Bay Hatchery Sockeye	-\$151.5
Russell Creek Hatchery	-\$293.7
Crooked Creek Hatchery replace	-\$194.1
Interagency funding	
Tutka Hatchery Program	-\$ 90.0

Fish and Game reconsiders sole-source hatchery contract

By KIRK McALLISTER

THE JUNEAU SCOOP

1/21/88
The Office of the Ombudsman has sharply criticized the Alaska Department of Fish and Game for trying to award a sole-source contract to an aquaculture group that wants to manage a state-owned fish hatchery on Baranof Island.

Fish and Game wanted to transfer management of the Hidden Falls Hatchery to the Sitka-based Northern Southeast Regional Aquaculture Association as part of an effort to cut the cost of the statewide hatchery program.

But the ombudsman's concern about running afoul of the new state procurement code caused Fish and Game to reconsider the sole-source contract, said Brian Allee, director of the Division of Fisheries Rehabilitation En-

hancement and Development.

The department will now put the management of Hidden Falls out to competitive bid, along with three other hatcheries in Prince William Sound, Kodiak Island and Cook Inlet. Contracts are expected to be final by July 7.

"There's a funding crisis in ocean ranching and turning over the management of these four facilities is a responsibility," Allee said. "Our thinking was that the aquaculture associations have the financial wherewithal and expertise to operate these hatcheries."

Hidden Falls, which raises mainly chum salmon for the commercial seine fishery, is widely considered one of the best hatcheries in the state's system, which includes 19 hatcheries, 23 fish ladders, two spawning channels and four laboratories. Alaska's salmon hatchery system is

the largest in North America and one of the most technologically advanced in the world.

In 1987, state hatcheries produced about 6 million salmon, while the private non-profit hatcheries contributed about 19 million fish, according to a FRED division report. But the division has suffered a 30 percent funding cut since 1985.

"The Alaska salmon ocean ranching program has generated \$75 million and 2,000 jobs so it is also an economic development program," Allee said. "It's been a biological and economic success so we're doing what we can to keep it going."

Since 1984, Hidden Falls has produced more than 500,000 chum salmon per year, worth about \$2.5 million to the commercial seine fleet, which harvests most of the

fish. Hidden Falls was built in 1978 and began operating in 1979. The \$3 million initial construction cost was funded by a statewide bond issue.

When the ombudsman reviewed Fish and Game's justifications for asking for a sole-source contract, the legislative watchdog agency didn't buy off on the department's reasoning.

"... It is doubtful that the Northern Southeast Regional Aquaculture Association is the only organization with the expertise and knowledge to operate the Hidden Falls Hatchery," wrote Acting Ombudsman Bruce Aronson in a letter to Fish and Game commissioner Don Collinsworth. "Circumventing the procedures for soliciting a professional services contract by requesting an exemp-

Please turn to Page 8

Hatchery...

Continued from Page 1

tion from Alaska Statutes not only leaves your department open to just criticism but also possible successful legal action."

In his letter to Collinsworth, Aronson suggested that the commissioner "... take a long pause before proceeding with negotiations on this contract." Aronson also said the ombudsman may consider at a later date "investigating the significant issues raised by the complainant."

The ombudsman's letter was prompted following a complaint from Dale Young, who is no stranger to the hatchery business, having served as Southeast regional hatchery manager for Fish and Game from 1976-82.

"We're not trying to stir up trouble, we just want the state to follow the rules," said Young, who along with some partners is trying to develop a hatchery-salmon farm at Baranof Warm Springs.

Jim Cochran, who has served as the hatchery manager of Hidden Falls since it first opened, said the facility has four full-time, eight seasonal and two support workers who could lose their jobs if the state transfers management of the hatchery. He said that doesn't seem fair to him since their apparent reward for making Hidden Falls the state's top hatchery is to lose their jobs.

"It may or may not be a good management decision to contract the management of the hatchery, but what concerns me more than anything is that I can't find any justification for putting 14 employees out of work," Cochran said.

Cochran and Young have discussed submitting a bid for managing Hidden Falls, which is now possible since the bids will now be open to anyone.

Meanwhile, the change of heart by Fish and Game has left some confusion with NSRAA, which had been negotiating for months on a contract for managing Hidden Falls.

Pete Esquiro, general manager of the aquaculture association, said NSRAA would continue to pursue the Hidden Falls contract and planned to submit a bid under the new competitive process. Under their management plan, some of the 14 current hatchery employees could keep their jobs, he said.

Esquiro said his group was interested in Hidden Falls because of its value to commercial fishermen, who control the board of the aquaculture association.

"An added benefit to this is that if the state doesn't have to spend general fund money managing Hidden Falls, it can increase chum and sockeye production at Snettisham (hatchery), which would help the gillnet fleet," he said.

THE PRIVATE NONPROFIT HATCHERY PROGRAM

Background

The 1974 Alaska State Legislature authorized the Commissioner of ADF&G to issue permits to PNP corporations for the operation of salmon hatcheries for ocean ranching. The intent of the program was to allow private ownership of salmon hatcheries that would contribute to the state's salmon fisheries. The cost of constructing and operating these hatcheries was to be derived from the sale of a portion of the returning fish.

The PNP Program is administered by ADF&G, FRED Division, in cooperation with the department's fisheries management divisions, to carry out statutory and regulatory responsibilities pertaining to public and private aquaculture in Alaska.

The PNP Program is responsible for:

- o strategic salmon production planning;
- o administration of the permitting process for PNP salmon hatcheries, scientific/educational aquaculture programs, and private shellfish farms;
- o development of annual operations management plans for all public and private salmon hatcheries;
- o administration and coordination of the statewide fish transport permit system;
- o coordination of technical assistance to PNP hatcheries; and
- o coordinating the development of and ADF&G relations with qualified regional aquaculture associations.

Regional Associations

The 1976 Alaska State Legislature authorized creation of regional aquaculture associations by the Commissioner of ADF&G. Regional associations are comprised of representatives of commercial fishermen and other user groups in the region, including sport fishermen, subsistence fishermen, and members of local communities. Seven regional associations have been formed:

1. Southern Southeast Regional Aquaculture Association (SSRAA)
2. Northern Southeast Regional Aquaculture Association (NSRAA)
3. Prince William Sound Aquaculture Corporation (PWSAC)

4. Cook Inlet Aquaculture Association (CIAA)
5. Lower Yukon/Kuskokwim Regional Aquaculture Association (LY/KRAA)*
6. Bristol Bay Regional Aquaculture Association (BBRAA)
7. Kodiak Regional Aquaculture Association (KRAA)

These associations cooperate with the department in developing and maintaining regional salmon production plans and in the implementation of various salmon rehabilitation and enhancement activities.

Strategic Planning

The 1976 law authorized the Commissioner to designate regions of the state for the purpose of enhancing salmon production. This same law also established the formation of regional planning teams (RPT) to develop regional salmon plans. Each RPT consists of six voting members, with three department personnel appointed by the Commissioner and three appointed by the board of directors of the appropriate regional aquaculture association. The duties and responsibilities of the RPTs have been mandated in a formal charter from the Commissioner. The responsibilities of the RPTs in developing regional comprehensive salmon plans, including provisions for public involvement in the planning process, are described in regulations. The Commissioner may also request the involvement of representatives of other federal and state agencies.

The status of planning by region follows:

1. Southern Southeast

The southern Southeast regional plans have been approved, and the team is in the plan-maintenance process.

2. Northern Southeast

The northern Southeast regional plans have been approved, and the team is in the plan-maintenance process.

3. Yakutat

No formal salmon planning activities have occurred in Yakutat since the approval of the regional plan. The plan has been accepted by the USFS as a basis for the development of land management plans applicable to the region.

* Indicates inactive regional association

4. Prince William Sound

The Prince William Sound regional plans have been approved. The team has proceeded into the plan maintenance and updating process.

5. Cook Inlet

The planning team efforts in Cook Inlet are presently directed toward watershed system planning, with a goal of assessing the capacity of specific systems to sustain and maintain significant, naturally occurring salmon stocks. Watershed system planning also includes an identification of opportunities for salmon enhancement techniques designed to strengthen existing runs and create new runs. Provisions for user-group access and harvest preferences are given primary consideration in this planning process.

6. Kodiak

The Kodiak regional plans have been approved and the RPT has proceeded into the plan-maintenance process.

7. Bristol Bay

The Bristol Bay RPT has completed the final draft of the comprehensive salmon plan for Bristol Bay. The plan is unique in that, unlike plans for other salmon production regions in Alaska, it does not concentrate on fisheries enhancement through such strategies as hatcheries; rather, it emphasizes maintenance and restoration of fish habitat and effective management practices.

8. Lower Yukon/Kuskokwim

No formal salmon planning activities are presently occurring in the Lower Yukon/Kuskokwim region.

PNP Hatchery Funding

Since 1977, funding necessary for the implementation of salmon rehabilitation and enhancement activities by PNP corporations has been obtained primarily through the Fisheries Enhancement Revolving Loan Fund administered by the Alaska Department of Commerce and Economic Development (DCED). The loan program has gone through several modifications by the Legislature, the most recent occurring in 1987. The maximal loan amount available for an individual project is \$10 million, with a payback period of up to 30 years at approximately a 9.5% interest rate. Payments and accrual of interest on these loans can be deferred for 6 to 10 years. Loans for projects not endorsed by the regional aquaculture association may also have these terms, except that they are limited to a maximum of \$1 million. Loans are available for the purpose of planning, construction, and operation of salmon rehab-

ilitation and enhancement projects, primarily salmon hatcheries. These loans are secured through collateral that may include returning hatchery fish and assessments of commercial fishermen.

A cooperative agreement between ADF&G and DCED addresses an interagency/review and coordination process regarding PNP hatchery permit applications, the alteration of previously issued PNP hatchery permits, loans related to PNP hatchery operations, or other rehabilitation and enhancement activities.

Table 6 presents cumulative state loans secured by corporations for capital construction and operations, cumulative enhancement funds returned to the regional aquaculture associations, and revenue generated during 1987 by corporate sales of returning hatchery fish. Through July 1987, \$54.5 million has been borrowed by PNP corporations. Another \$20.1 million has been generated through assessments. In 1987, PNP operators sold fish worth more than \$6.5 million to recover the cost of building and operating their hatcheries.

Program Implementation

The application procedures and standards for issuance of PNP salmon hatchery permits are defined by regulations issued in 1985.

These regulations require the completion of a management feasibility analysis by ADF&G prior to the submission of a PNP hatchery application. This analysis must be completed within 30 days after the applicant provides the information requested in 5 AAC 40.130 of the regulations. The application process takes approximately 135 days and is designed to comply with the coastal zone consistency review process established by the Governor's Office of Management and Budget.

The appropriate RPT reviews each application and makes a recommendation to the Commissioner on the application's compatibility with the regional comprehensive plan. The RPT uses review criteria that are defined in the PNP regulations.

PNP permit holders may request alterations of their permits and basic management plans, based on accumulated experience and changing conditions. The RPT may review and make a recommendation to the Commissioner on a permit alteration request. The team's review is conducted in accordance with performance standards identified in the PNP regulations.

Since the inception of the PNP Program, 25 salmon hatchery permits have been issued, and 33 applications have been either denied or withdrawn. Eighteen of the permitted PNP hatcheries are in operation and 15 had returns of adult salmon during 1987. Currently, there are eight preliminary or final applications for PNP hatchery permits under consideration. In addition, 31 scientific/educational permits for PNP research projects or

school district aquaculture programs were issued in 1987 by the Commissioner. These permits are administered by the PNP Program.

Regulations and application forms for shellfish farm permits are in the final stage of development.

Locations of operational PNP programs and remote release sites are illustrated in Figures 7, 8, and 9.

Hatchery Production

In 1987, PNP corporations estimated that 19.1 million adult salmon originally released as juveniles from corporate facilities were either harvested in common-property fisheries or returned to hatchery special harvest areas (Table 7). In Prince William Sound returns to PNP hatcheries were estimated by the operators to have contributed over 11.6 million pink salmon to the commercial fishery. SSRAA estimates its hatcheries at Neets Bay and Whitman Lake contributed over 280,000 chum, coho, and chinook salmon to the common-property fisheries in Southeast.

Statewide production data since 1975 for combined species, including adult returns and harvests, are presented in Table 8. Preliminary estimates by the PNP corporations indicate that common-property harvests of the 1987 return were over 13.4 million fish. This represents a 200% increase over 1986 in common-property harvests. Cumulative data for chum salmon produced by PNP corporations since 1975 are presented in Table 9. Similar data for sockeye, pink, coho, and chinook salmon are presented in Tables 10, 11, 12, and 13, respectively.

Egg takes and fry or smolt stocking are regulated by ADF&G through fish transport permits (FTP), which are administered by the PNP Program. During 1987, fry and smolt releases increased to 461 million juvenile fish, an increase of over 80 million (or 21%) from 1986 levels (Table 14). 1987 egg takes for PNP hatcheries totaled over 868 million green eggs, up 346 million (or 66%) from 1986 levels. The largest egg take of 1987 was at Esther Lake Hatchery where over 314 million green pink, chum, coho, chinook, and sockeye salmon eggs were taken for incubation (Table 15). This was followed by the Valdez Fisheries Development Association's (VFDA) Solomon Gulch Hatchery with over 167 million pink, chum, and coho salmon eggs, and the PWSAC's Armin F. Koernig Hatchery with over 125 million pink salmon eggs. In southeast Alaska, the SSRAA took nearly 82 million eggs of all five species for its three hatcheries, and DIPAC took nearly 62 million pink, chum, and coho salmon eggs for its three facilities.

Significant progress was made in initiating hatchery-originated sockeye salmon production from PNP hatcheries. Releases of juvenile sockeye salmon totaled 750,000 in 1987. Sockeye salmon egg takes totaled 1.3 million eggs, an increase of 270,000 over 1986 levels. Significant increases in pink, chum, and coho

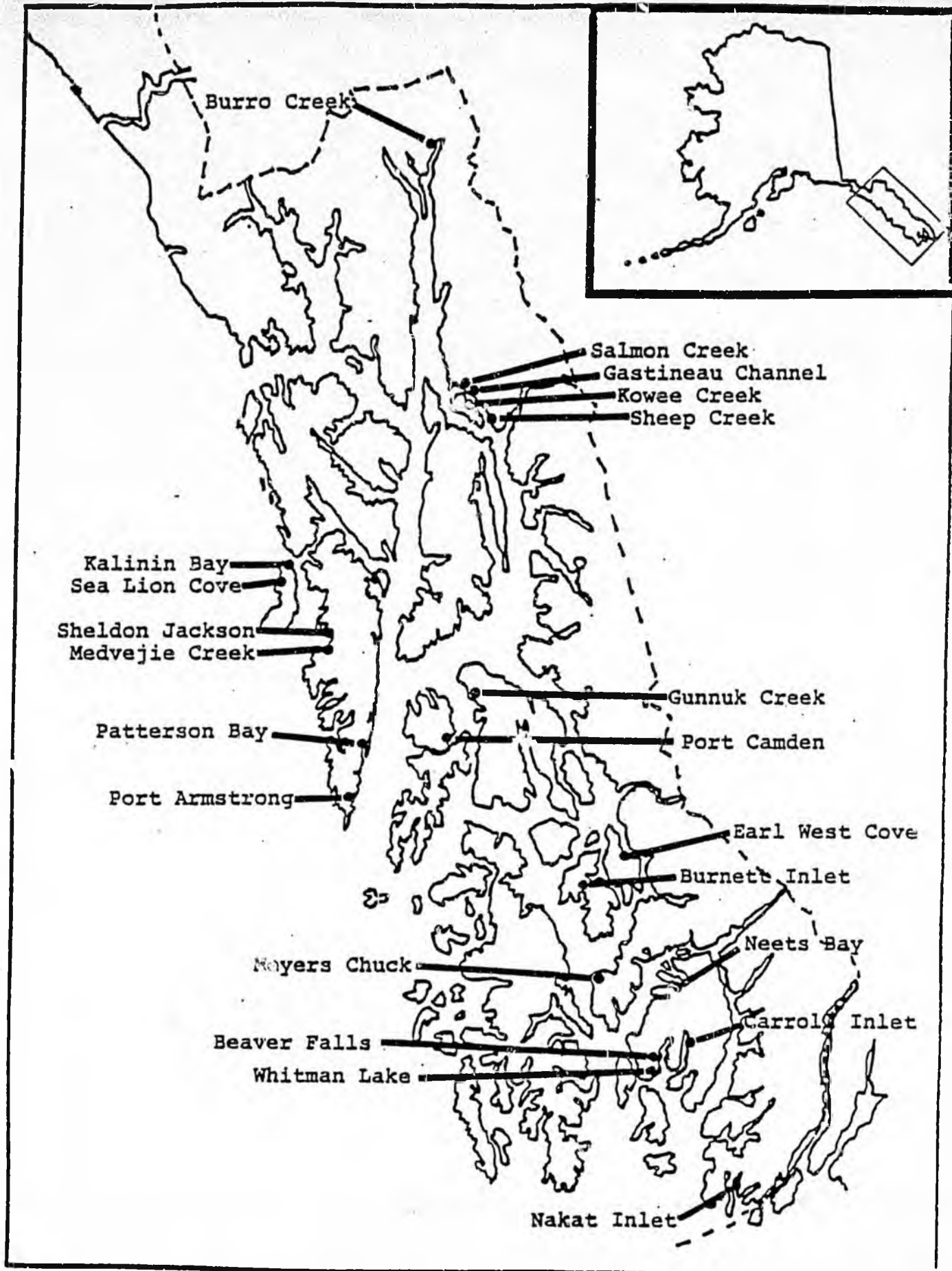


Figure 7. Locations of operational PNP hatcheries and remote release sites in southeast Alaska.

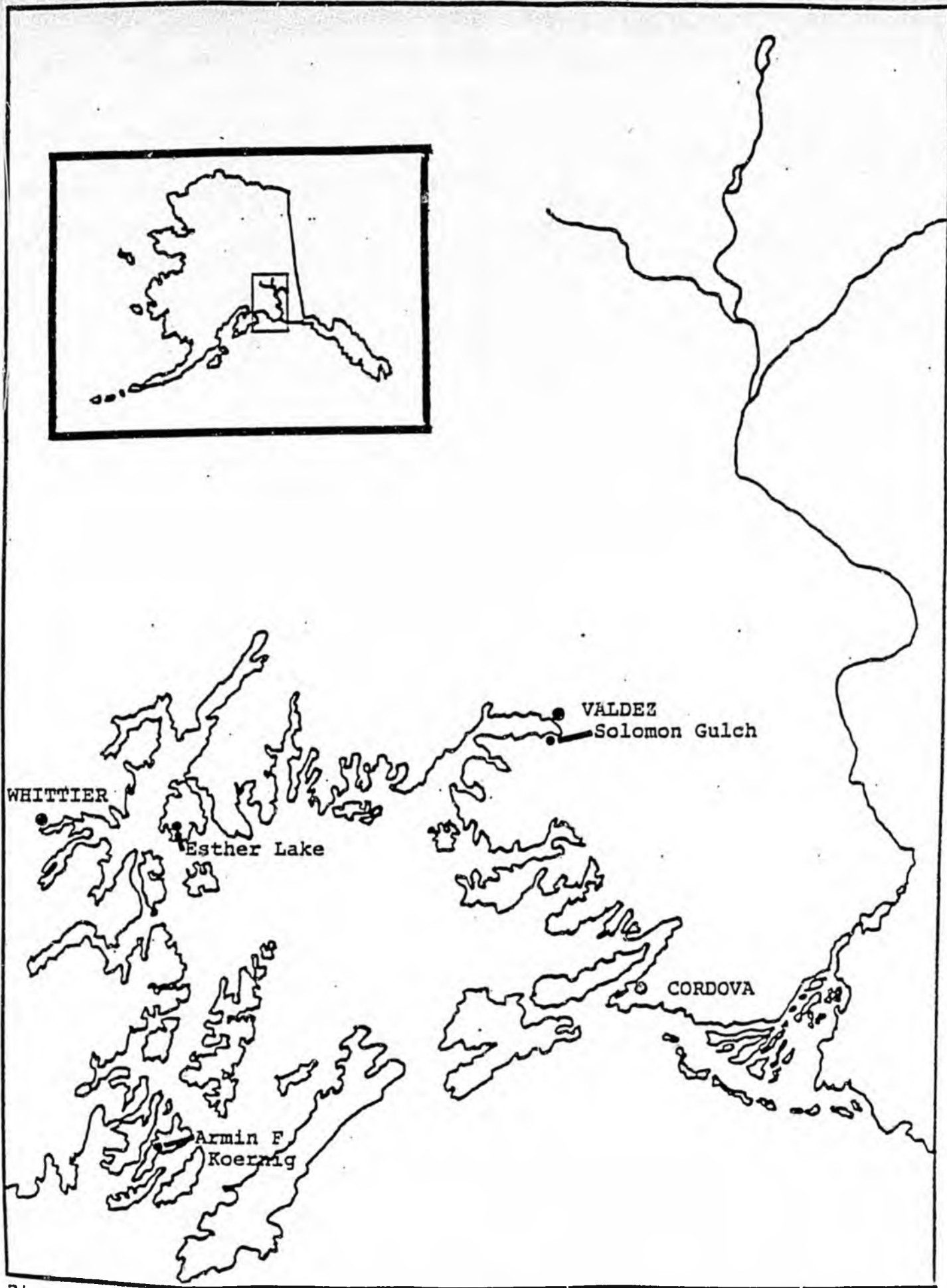


Figure 8. Locations of operational PNP hatcheries and remote release sites in Prince William Sound.

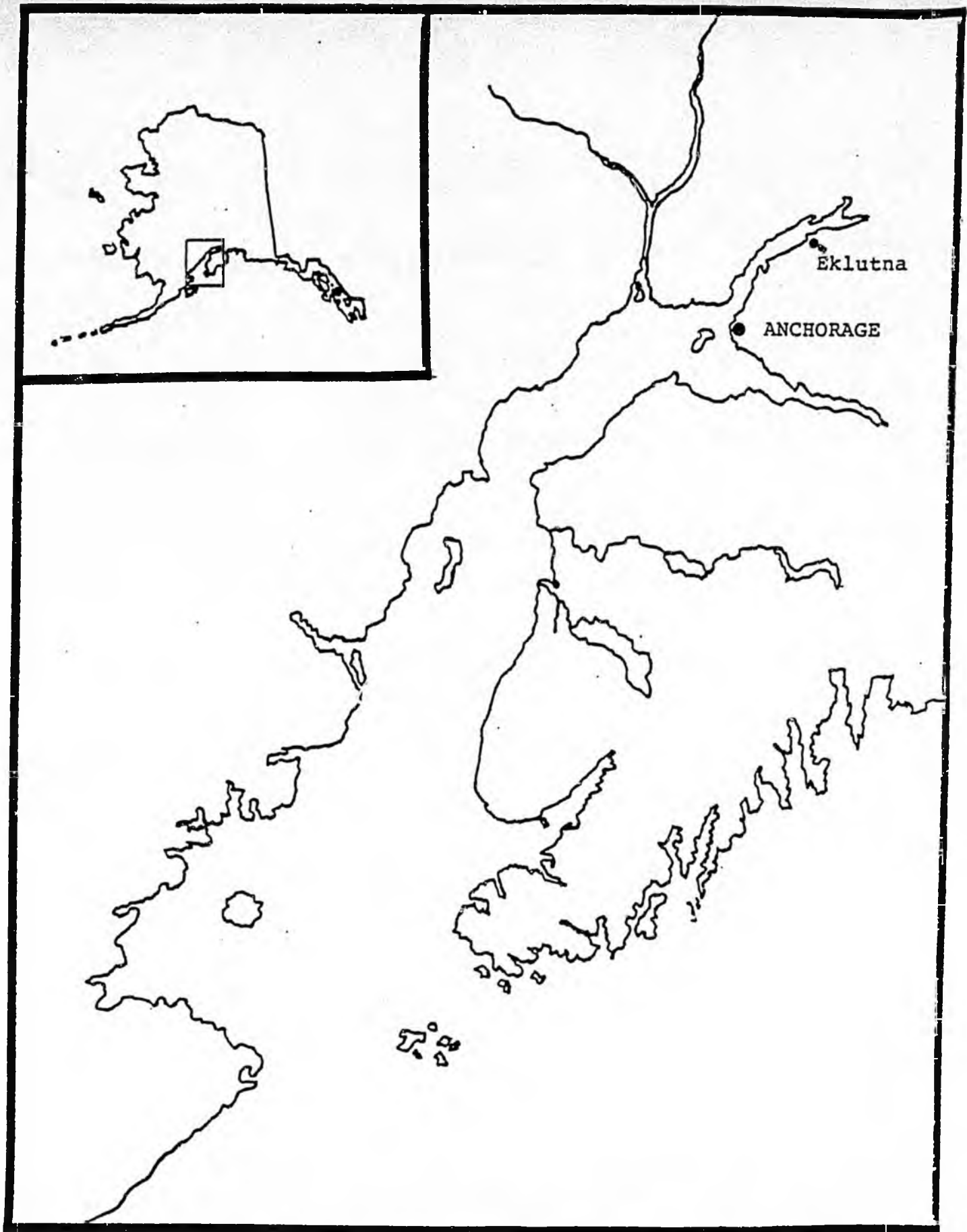


Figure 9. Location of operational PNP hatcheries in Cook Inlet.

salmon production also were made in 1987. Pink salmon egg takes increased by 293 million or 90% over 1986 levels as the Esther Lake, Solomon Gulch, and DIPAC facilities came up to capacity. Chum salmon egg takes increased by 53 million, or 29%, over 1986 levels; coho salmon egg takes increased by nearly 1.0 million, or 11%, over 1986 levels. Chinook salmon egg takes decreased for the first time in five years due to poor egg-take conditions in southeast Alaska.

Many PNP hatcheries are currently in the process of broodstock development and, consequently, have not reached their permitted capacities. Permitted capacities for PNP hatcheries now total over 1.26 billion eggs, an increase of over 129 million from 1986 levels (Table 16). Potential returns from statewide PNP hatchery-originated production at the 1.3 billion-egg level should exceed 20 million adults, assuming FRED standard assumptions of hatchery and marine survival. Exceptional marine survival, similar to that experienced during recent years, could boost adult production considerably over these estimates. Under the existing permits, approximately 52% of hatchery capacity is scheduled for pink salmon, 43% for chum salmon, and 5% for sockeye, coho, and chinook salmon.

For the 1988 season, projected returns to PNP facilities in southeast Alaska are expected to include approximately 43,000 chinook salmon, 240,000 coho salmon, 1,446,000 chum salmon, and 663,000 pink salmon, assuming standard survival conditions. Returns to PNP facilities in Prince William Sound are projected at 13,500,000 pink salmon, 343,000 chum salmon, and 14,500 coho salmon for 1988.

Significant hatchery special harvests are expected at the Armin F. Koernig, Esther Lake, Solomon Gulch, Sheldon Jackson College, Sheep Creek, Neets Bay, Port Armstrong, Burnett Inlet, and Medvejie Creek Hatcheries. Common-property terminal harvests by commercial gear groups are expected at the Neets Bay and Whitman Lake (Nakat Inlet, Carroll Inlet, and Earl West Cove) Hatcheries.

Annual Management Plans

The PNP regulations require that ADF&G prepare, in conjunction with PNP permit holders, an annual management plan (AMP) to guide hatchery operations for the succeeding calendar year.

AMPs will be developed for each state and PNP hatchery facility prior to the 1988 operating season. The AMPs will be reviewed by both the department and the RPTs before final approval by the Commissioner. The AMPs outline expected operational activities at each facility, including wild and hatchery egg takes, proposed fish and egg transports and releases, anticipated adult returns, anticipated impacts on the management of mixed-stock fisheries, and terminal-harvest management strategies. Also included are anticipated facility broodstock requirements and, in the case of PNP facilities, hatchery cost-recovery plans that identify legal

gear types for hatchery harvest and the number of fish required in order to meet capital and operating expenses.

H B

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STATE OF ALASKA
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY
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May, 1988

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

Mary Van Nimwegen

HL+C

3-17-88

2:00 p.m.

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

400 WILLOUGHBY AVE.
JUNEAU, ALASKA 99801-1796
PHONE: (907) 465-2400

March 17, 1988

The Honorable Dave Donley
Chairman, House Labor and
Commerce Committee
P.O. Box V
Juneau, Alaska 99811

Dear Representative Donley:

Subject: **House Bill 456**, which extends the existing agricultural production credit program until 1991 and expands it to include loans from the Federal Land Bank and the Alaska Rural Rehabilitation Corporation (ARRC).

Position: The Department of Natural Resources opposes this bill because it establishes an open ended liability for the Commissioner of Natural Resources to provide funds or other "credits" to the ARRC, the Federal Land Bank, and the Department of Revenue (DOR) -- loans for which the Commissioner of Natural Resources has no controlling authority.

In addition, extending the term of the existing production credit program for the department's Agricultural Revolving Loan Fund (ARLF), and requiring ARLF borrowers to prove that other loan sources are not available, could have disastrous effects on the ARLF and its ability to service the loan needs of viable agricultural operations.

Background: The ARLF, within the Department of Natural Resources, has not received an appropriation of funds since FY 1986. Its current balance is approximately \$7.6 million which will be used to provide an estimated \$3 to 4 million in loans each year. Because the production credits program reduces or eliminates income to the ARLF, as do other farm debt relief programs such as debt restructuring and Delta debt renegotiation, unless additional dollars are appropriated or the fund begins to revolve, the ARLF balance will soon decline to zero.

March 17, 1988

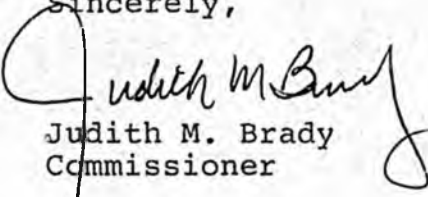
The Commissioner of Natural Resources has no say in the number or amounts of ARRC or Federal Land Bank loans, yet this bill would require her to provide credits to the AARC and the land bank towards past and future loans. If the credits are intended to be ARLF dollars, this bill would establish an open-ended drain on the ARLF. If the credits are state general funds, the bill establishes an open-ended liability for the department and the legislature to provide funds to the AARC, the DOR, and the Federal Land Bank.

Recommendation: Delete Sections 3 and 4 from this bill to remove the open-ended liability and to help ensure that all farmers have an opportunity to borrow from the ARLF.

To provide minimal protection to the ARLF if the production credits program is extended, change the program so that:

- 1) it applies to only a percentage of the ARLF interest owed by a borrower and;
- 2) it applies only to borrowers that are current on ARLF loan payments at the time the credit is applied.

Sincerely,


Judith M. Brady
Commissioner

cc: Sponsors
Requestors
Commissioner of Revenue
AARC Manager
Rod Swope
Bob Evans

FISCAL NOTE

REQUEST:

Revision Date: March 16, 1988
Title: Extending the Agricultural
Production Credit Program
Sponsor: Rep. Larson, Menard, et al
Requestor: House Labor and Commerce Comm.

Agency Affected: Natural Resources
BRU: Land & Water
Agriculture Management
Components: Public Use
ABLE

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES	68.0	68.0	68.0	68.0	68.0	68.0
TRAVEL						
CONTRACTUAL	4.0	4.0	4.0	4.0	4.0	4.0
SUPPLIES	2.0	2.0	2.0	2.0	2.0	2.0
EQUIPMENT						
LAND & STRUCTURES	5.0	-0-	-0-	-0-	-0-	-0-
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	79.0	74.0	74.0	74.0	74.0	74.0
CAPITAL	--	--	--	--	--	--
REVENUE	*(506.4)	*(450.0)	*(510.0)	*(540.0)	*(550.0)	--0-

FUNDING: (Thousands of Dollars)

GENERAL FUND	79.0	74.0	74.0	74.0	74.0	74.0
FEDERAL FUNDS						
OTHER						
TOTAL	79.0	74.0	74.0	74.0	74.0	74.0

POSITIONS:

FULL-TIME	2	2	2	2	2	2
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

See attached explanation

Prepared by: Hal Ward Janet Burleson
Division: Div. of Agriculture, Div. of Land & Water

Phone: 465-2400
Date: 3/16/88

Approved by Commissioner: [Signature]
Agency: Natural Resources

Date: 3/17/88

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

Position Title Natural Resource Officer I		No. of Positions 1	Range/Step 14A	Barg. Unit GGU
Time Status PFT	Staff Months 12	Location Anchorage		Election District
Type of Expenditure		Amount		
1	2	3		
Salary	28,000			
Benefits	10,000			
Premium Pay				
Other				
Total Personal Services		38,000		
Travel				
Contractual		2,000		
Commodities		1,000		
Equipment				
Other				
Total Cost		41,000		
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004	41,000		
GF Program Receipts	1005			
Other				
Justification: This position will be involved in annual credit calculations provided by the extension of credits under HB 456.				

**Request For
New Position**

Agency Natural Resources
 BRU Land and Water
 Component Public Use

Page 3 of 4
 Revised Date

FY 89

MEMORANDUM

October 27, 1987

SUBJECT: Work order 5-1421, relating to distinctions in loan refinancing for certain rural-related loans.

TO: Representative Curt Menard

FROM: Jack Chenoweth
Legislative Counsel

Your October 19 letter to Tam Cook, inquiring as to distinctions in loan refinancing practices between loans initiated by the Alaska Rural Rehabilitation Corporation and the Agricultural Revolving Loan Fund, has been referred to me for response.

Your letter inquires about "refinancing" practices of the Revolving Loan Fund and the Rehabilitation Corporation. Typically, the term "refinancing" is used in a technical sense, generally limited to instances in which the lending institution issues a loan to retire outstanding debt issued by the lending institution or another lending source. This memo speaks somewhat more broadly.

The Agricultural Revolving Loan Fund is a state-authorized loan program (AS 03.10). The fund makes loans from a loan fund to which the state legislature may make appropriations. By regulation [11 AAC 39.111(b)(9)], ARLF may not undertake to refinance "except in emergencies or when in the best interests of the loan fund." According to ARLF Manager Hal Ward, the loan fund is managed, as to refinancing, in accordance with that regulation, and the clauses providing for refinancing exceptions have not been regularly used. Current ARLF practice does allow a "restructuring" of outstanding ARLF debt--by extension of payments, modification of terms and conditions, or making of allowances--but I understand these to be mechanisms available to the loan fund manager, with the approval of the Agricultural Revolving Loan Fund Board, within the scope of management of a current loan under authority set out in 11 AAC 39.311.

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

Position Title Natural Resource Officer I		No. of Positions 1	Range/Step 14A	Barg. Unit GGU
Time Status PFT	Staff Months 12	Location Anchorage		Election District
Justification				
This position will be involved in annual credit calculations provided by the extension of credits under HB 456.				
Type of Expenditure		Amount		
1	2	3		
Salary	28,000			
Benefits	10,000			
Premium Pay				
Other				
Total Personal Services		38,000		
Travel				
Contractual		2,000		
Commodities		1,000		
Equipment				
Other				
Total Cost		41,000		
Funding Source for Total Cost				
Federal Receipts 1002				
G. F. Match 1003				
General Fund 1004		41,000		
GF Program Receipts 1005				
Other				

**Request For
New Position**

Agency Natural Resources
 BRU Land and Water
 Component Public Use

Page 3 of 4
 Revised Date

FY 89

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

FISCAL NOTE

REQUEST:

Revision Date: March 16, 1988
Title: Extending the Agricultural
Production Credit Program
Sponsor: Rep. Larson, Menard, et al
Requestor: House Labor and Commerce Comm.

Agency Affected: Natural Resources
BRU: Land & Water
Agriculture Management
Components: Public Use
ARLF

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES	68.0	68.0	68.0	68.0	68.0	68.0
TRAVEL						
CONTRACTUAL	4.0	4.0	4.0	4.0	4.0	4.0
SUPPLIES	2.0	2.0	2.0	2.0	2.0	2.0
EQUIPMENT	5.0	-0-	-0-	-0-	-0-	-0-
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	79.0	74.0	74.0	74.0	74.0	74.0
CAPITAL	--	--	--	--	--	--
REVENUE	*(506.4)	*(450.0)	*(510.0)	*(540.0)	*(550.0)	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND	79.0	74.0	74.0	74.0	74.0	74.0
FEDERAL FUNDS						
OTHER						
TOTAL	79.0	74.0	74.0	74.0	74.0	74.0

POSITIONS:

FULL-TIME	2	2	2	2	2	2
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

See attached explanation

Prepared by: Hal Ward Janet Bureson
Division: Div. of Agriculture, Div. of Land & Water

Phone: 465-2400
Date: 3/16/88

Approved by Commissioner: [Signature]
Agency: Natural Resources

Date: 3/17/88

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

Additional Explanation HB 456

The operating expenditures are as follows:

100 --	1 Natural Resource Officer I	Range 14A	DL&WM	38.0
	1 Accounting Clerk II		D of Ag	30.0
200 --				-0-
300 --	2.0 for DL&WM, 2.0 for D. of Ag	--phone, mail, etc.		4.0
400 --	1.0 for DL&WM, 1.0 for Div of Ag			2.0
500 --	Computer equipment for the Div. of Ag to keep track of this program, including compiling information about AARC and Federal Land Bank loans.			5.0

Revenues indicated are negative. This represents interest receivable due on ARLF and agricultural land loans which would not be collected as a result of this bill. The amounts are based on the historical data available from the first two years of production credits under the existing program.

* This bill also provides for payment from the state to the Alaska Rural Rehabilitation Corporation and Federal Land Bank for credits for ag loans in their portfolios. This contingent liability may be unlimited because we have no information on state farm income from IRS Schedule 1040-F from other lenders.

Position Title Natural Resource Officer I		No. of Positions 1	Range/Step 14A	Barg. Unit GGU
Time Status PFT	Staff Months 12	Location Anchorage		Election District
Type of Expenditure		Justification		
		This position will be involved in annual credit calculations provided by the extension of credits under HB 456.		
Amount				
1	2	3		
Salary	28,000			
Benefits	10,000			
Premium Pay				
Other				
Total Personal Services		38,000		
Travel				
Contractual		2,000		
Commodities		1,000		
Equipment				
Other				
Total Cost		41,000		
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004	41,000		
GF Program Receipts	1005			
Other				

**Request For
New Position**

Agency Natural Resources
 BRU Land and Water
 Component Public Use

Page 3 of 4
 Revised Date

FY 89

Position Title Accounting Clerk II		No. of Positions 1	Range/Step 9B	Barg. Unit GGU
Time Status PFT	Staff Months 12	Location Palmer		Election District
Type of Expenditure		Justification		
1	2	3		
Salary	21,400	The production credits formulas create complex accounting problems which could not be handled by current accounting staff.		
Benefits	8,600			
Premium Pay				
Other				
Total Personal Services	30,000			
Travel				
Contractual	2,000			
Commodities	1,000			
Equipment				
Other				
Total Cost		33,000		
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004	33,000		
GF Program Receipts	1005			
Other				

**Request For
New Position**

Agency _____
 BRU _____
 Component _____

Page 4 of 4
 Revised Date

FY 89

MEMORANDUM

October 27, 1987

SUBJECT: Work order 5-1421, relating to distinctions in loan refinancing for certain rural-related loans.

TO: Representative Curt Menard

FROM: Jack Chenoweth
Legislative Counsel

Your October 19 letter to Tam Cook, inquiring as to distinctions in loan refinancing practices between loans initiated by the Alaska Rural Rehabilitation Corporation and the Agricultural Revolving Loan Fund, has been referred to me for response.

Your letter inquires about "refinancing" practices of the Revolving Loan Fund and the Rehabilitation Corporation. Typically, the term "refinancing" is used in a technical sense, generally limited to instances in which the lending institution issues a loan to retire outstanding debt issued by the lending institution or another lending source. This memo speaks somewhat more broadly.

The Agricultural Revolving Loan Fund is a state-authorized loan program (AS 03.10). The fund makes loans from a loan fund to which the state legislature may make appropriations. By regulation [11 AAC 39.111(b)(9)], ARLF may not undertake to refinance "except in emergencies or when in the best interests of the loan fund." According to ARLF Manager Hal Ward, the loan fund is managed, as to refinancing, in accordance with that regulation, and the clauses providing for refinancing exceptions have not been regularly used. Current ARLF practice does allow a "restructuring" of outstanding ARLF debt--by extension of payments, modification of terms and conditions, or making of allowances--but I understand these to be mechanisms available to the loan fund manager, with the approval of the Agricultural Revolving Loan Fund Board, within the scope of management of a current loan under authority set out in 11 AAC 39.311.

By contrast, the Alaska Rural Rehabilitation Corporation is not a unit or entity of the state government. Federal laws in aid of agriculture first enacted in the 1930's, applicable to Alaska as a territory, authorized establishment of rural rehabilitation corporations to assist in the advancement of farms and farming practices. Typically, rural rehabilitation corporations that were established were sources of loans for improved farming practices, though in Alaska, with virtually no agricultural activity prior to establishment of the Matanuska colony, the program was available as a source of loans and financial support for new farmers.

Alaska officials who sought to take advantage of the federal authorizing act established the Alaska Rural Rehabilitation Corporation as a non-profit corporation in April, 1935. Though the original federal law underlying the program and authorizing loan financing assistance from federal sources was repealed in the mid-1940's, the repealing legislation allowed the rehabilitation corporations then operating in the several states and territories to "revolve" the principal and interest payments into new loans. In Alaska, the non-profit corporation has continued, serving as a source of credit assistance by which agricultural loans may be originated, approved, and serviced, and, in turn, selling the paper representing the outstanding debt of these loans to other financing sources. The sources that ARRC has used include (1) federal Farm Credit System-originated funds, the money from which is provided by the Farm Credit System from open market sources; (2) money of the corporation; and (3) money from loans purchased by the state.

As a nonprofit corporation, the Rural Rehabilitation Corporation's policy on loan refinancing is set by the board of directors of the corporation. The board is free to set its own terms and conditions on "refinancing" and does so without direction of state law.

In the past, the state has been a source of financial assistance to the Alaska Rural Rehabilitation Corporation.

AS 44.88.158(c), re-enacted in 1981, specifically authorized the state's industrial Development Authority (AIDA), operating through the small enterprise loan account, to "purchase loans originated by the Alaska Rural Rehabilitation Corporation which are made to agricultural enterprises." AIDA's authority to make these loan purchases was repealed, effective June 9, 1987, by sec. 44, ch. 42, SLA 1987.

The Department of Revenue may invest or use surplus state funds to purchase debt originated by lending institutions. Under AS 37.10.070(a)(13), the department may purchase mortgages of the Alaska Rural Rehabilitation Corporation. The department and ARRC have entered into a seller-servicer agreement for these loans. A copy of the agreement is enclosed.

Activity involving the Department of Revenue's purchase of ARRC-generated agricultural loans is not large. According to ARRC Loan Manager George Crowther, the Department of Revenue has purchased just under \$1.4 million of ARRC-initiated loans. The figure was confirmed in information provided to me by Deputy Commissioner of Revenue Milt Barker. Citing the toughness of current state requirements bearing on loan purchases, Mr. Crowther advises that ARRC is no longer selling debt instruments to the Department of Revenue.

The decision as to when to purchase ARRC mortgages (or any other investment purchase decision using surplus state funds) is committed to the discretion of the commissioner of revenue. I doubt very much that the commissioner considers the particular policy governing loan "refinancing" that a lending institution has established; rather, the commissioner more likely bases indebtedness purchasing decisions on the overall safety or security of the loans that the state is considering for purchase.

I see no particular legal problem arising out of the distinction between the refinancing practices of the two named lending programs. Different lending institutions are free to set their own refinancing practices and policies. In this case, the distinction turns, in part, on the different sources of operating authority for the two programs, and the different means by which state money is used to support these programs.

The question you raise is, in my view, primarily one of state policy. As corrective legislation, you may wish to consider an amendment to AS 37.10.030(a)(13) that limits the commissioner's authority to purchase ARRC-generated loans to those that essentially have been made on the same terms and conditions as money loaned by the Agricultural Revolving Loan Fund (AS 03.10). That ought to keep the two programs more closely aligned. However, that approach may also spark opposition from the ARRC board of directors, claiming unwar-

Representative Menard

Page 4

October 27, 1987

ranted intrusion into lending philosophy and practices of this corporation by the state, or it may prove to be of no value whatsoever, insofar as recent ARRC practice has not been to market loans to the department.

I trust this is responsive to your October 19 letter. If you have additional concerns or questions about ARRC loans or lending practices, or about this response, please contact me.

JC:mkr

m13/054

Enclosure

ALASKA RURAL REHABILITATION CORP.

GENERAL OFFICES

~~XXXXXXXX~~ 248 E. Dahlia St.

PALMER, ALASKA

99645

745-3390

HB 456

RECEIVED FEB 2 1988

January 26, 1988

Mr. Curtis Menard
House of Representatives
351 W. Swanson Ave.
Wasilla, AK. 99687

Dear Curt:

The ARRC loan portfolio averages about \$2,078,442, the Alaska Dept. of Revenue loans total \$997,280. and the Farm Credit System farm loans total \$1,081,162.

All of the above loans have variable tiered interest rates ranging from 10-12% probably averaging 11 1/4%. Total estimated compensation required \$450,000.

Thank you for your consideration and help.

Sincerely,


George S. Crowther
Manager

GSC:jdj

encl. 1/20/88 letter to Senator Rick Halford

ALASKA RURAL REHABILITATION CORP.

GENERAL OFFICES

~~XXXXXXXX~~ 248 E. Dahlia St.

PALMER, ALASKA

99645

745-3390

January 20, 1988

Senator Rick Halford
P.O. Box V
Juneau, AK. 99811

Dear Rick:

Hopefully you will remember talking to me at a reception at Big Lake for Representative Curtis Menard. At that reception I discussed with both of you, a request for borrowers of Farm Credit System and the Alaska Rural Rehabilitation Corporation to be included in the agricultural production credits program now available to those borrowers of the agricultural revolving loan fund program.

I wrote a letter to Representative Curtis Menard regarding this request. A copy of this request is also enclosed for your information.

You will also remember that I mentioned to you that as a representative of the Farm Credit System, our office makes short, intermediate (15 years), and long term (30 years) loans to the Alaskan fishing industry. We can therefore make loans for operating, gear, boats, storage sheds and housing needs. But we cannot make loans on the Alaska limited entry permits as only the State of Alaska and the Commercial Fishing and Agriculture Bank are authorized by Alaska law to lien limited entry permits.

We receive many requests to finance limited entry permits and also need to be able to loan on the permits as boats and permits are mostly sold as a package. We must therefore deny many, many worthy applicants loans.

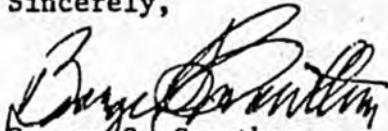
The Farm Credit System is a nationwide lender and has made loans in Alaska since 1959 and to Alaska's fishing industry since about 1972.

It is requested that you introduce and get passed, an amendment to the current Alaska Statute authorizing the Farm Credit System to lien Alaska's limited entry permits.

January 20, 1988
Senator Rick Halford
page 2

I will be on vacation and out of the State during the month of February. After March 1st, I will be available to travel to Juneau to discuss any of the above if necessary.

Sincerely,

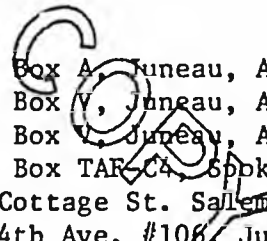

George S. Crowther
Manager

P.S. The Alaska Rural Rehabilitation Corporation represents the Farm Credit System, North of Yakutat via an agency agreement.

GSC:jdj

encl.

cc: Honorable Steve Cowper, Governor of Alaska
Senator Jan Faiks
Representative Ben Gussendorf
Chuck Harmon, F.C.S. Spokane
Phil Fidler, F.C.S. Salem
Kate Graham


P.O. Box A, Juneau, AK. 99811
P.O. Box V, Juneau, AK. 99811
P.O. Box C, Juneau, AK. 99811
P.O. Box TAR-CA, Spokane, WA 99220
475 Cottage St. Salem, OR 97308
211 4th Ave. #106, Juneau, AK. 99801

ALASKA RURAL REHABILITATION CORP.

GENERAL OFFICES

~~XXXXXX~~ 248 E. Dahlia St.

PALMER, ALASKA

99645

745-3390

HB 456

December 28, 1987

Mr. Curtis Menard
House of Representatives
351 W. Swanson Ave.
Wasilla, AK. 99687

Dear Curt:

Thank you for sending to me the response of Mr. Jack Chenoweth, Legislative Counsel, regarding the refinancing practices of ARRC and the ARLF. Mr. Chenoweth did a good job in outlining to you the differences between the two lending organizations.

The Alaska Rural Rehabilitation Corp., a non-profit corporation, which will hereinafter be referred to as the ARRC, has been making agricultural loans to Alaska's farmers since establishment of the Matanuska Colony in 1935. Sources of money to make these loans have been surpluses left over from the colonization project and modest profits each year that have been added to capital. As of this date total notes receivable and 5 parcels of land have a current value of about 2 1/2 million dollars.

The ARRC has also represented the Farm Credit System in Alaska since 1959. Through the Farm Credit System, long term and short term loans were made to Alaskas farmers. In 1972 the Farm Credit System started making rural housing loans to rural residents and recently the ARRC was given authority to make both long and short term loans to the fishing industry.

During the period when Alaska had large sums of oil money the Agricultural Revolving Loan Fund was appropriated large sums to lend to Alaska's farmers at subsidized interest rates. ARRC agricultural loaning activity to Alaskas farmers through the Farm Credit System has therefore declined to almost nothing. Subsidized housing loans through the AHFC has also completely stopped the rural housing lending activity through the Farm Credit System.

The ARRC in the past has always had more demands for loan money than it had money to loan. Recently, about 5 years ago, the ARRC entered into agreement to sell part of its loans to the Alaska Department of Revenue, under AS 37.10 070 (a) (13). This authority was introduced in the Legislature by Senator Jalmar Kerttula. At one time the ARRC's account with the Dept. of Revenue approximated \$1.7 million. Due to less demand for loan monies and tough policies of the Dept. of Revenue the ARRC is no longer selling its notes and mortgages to the Dept. of Revenue. The current balance of the Dept. of Revenue

A nonprofit Alaskan corporation dedicated to the permanent development of Alaskan agriculture

Mr. Curtis Menard
December 28, 1987
Page 2

account is now approximately \$1,000,000.00.

Two years ago Senator Coghill introduced and the Legislature passed an Agricultural Production Credit bill. This act permits up to 10% of a farmer's gross income as credit towards interest due on loans held by the Agricultural Revolving Loan Fund. If I remember correctly it was Mr. Coghill's original intent to give interest credit to those involved in the States development projects but was expanded to include all State agricultural loans.

Requests were made verbally to Mr. Coghill, Mr. Kerttula and to the Alaska Farmers and Stockgrowers organization, who lobbied heavily for passage of the Production Credit Act, to also include loans of the ARRC and Federal Land Bank for this State assistance. Answers to this request were that an appropriation would have to be made to include other loans which would jeopardize passage by the Legislature.

I recently approached Mr. Kerttula again who stated, "There is only one more year left to go."


During the last annual meeting of the Alaska Farmers and Stockgrowers Association a resolution was passed requesting continuation of the Production Credit Act. A copy of this resolution is enclosed.

The Production Credit Act is available only to those borrowing from the State of Alaska and therefore sets up a horribly unfair financial disadvantage to those farmers who are not borrowing from the State. An example is two neighboring farmers competing in the market place to sell their product. One receives interest free money through the Alaska Revolving Loan Fund. The other through the ARRC, Federal Land Bank and the Dept. of Revenue, pays interest at current rates (10-12%) on his loans. The Production Credit Act is a very unfair and discriminating subsidy.

Our request to you and the Legislature is to do several things.

1. Amend the Production Credit Act to include farmers borrowing from the ARRC, the Federal Land Bank and the Dept. of Revenue to include the farming year 1987 and future years.
2. Amend the Act of the Agricultural Revolving Loan Fund to require that applicants prove that other loan money sources are not available, therefore eliminating unfair competition in the agricultural lending business.
3. That interest rates on existing loans sold to the Department of Revenue be lowered to Agricultural Revolving Loan Fund interest rates to permit some relief to borrowers in our present economy. Interest rates on these loans are mostly 11-12%.

Sincerely,


George S. Crowther
Manager

GSC:jdj

encl.

HAWAII
808-883-9425
February 11pm 630am

ALASKA FARMERS AND STOCKGROWERS ASSOCIATION, INC.

1988 RESOLUTION PLATFORM

The following resolutions were adopted by the General Assembly of the Alaska Farmers and Stockgrowers Association, Inc., at its Annual Meeting November 20 and 21, 1987 in Wasilla, Alaska.

- 1) Requesting the Continuation of the Production Credit Act.
- 2) Requesting the institution of a State Board of Agriculture by statute, consisting of producers of agricultural products and a representative of the Governor's office, whose task is to act as a liaison between the industry, the Governor, and other local, state, and federal agencies.
- 3) Requesting that the administration (Governor's office) seek the recommendation of the Alaska Farmers and Stockgrowers Association, Inc., before a final resolution on the Seward Grain Terminal facilities is made.
- 4) Supporting the establishment of favorable agricultural rates, for Alaska grown products on the Alaska Marine Highway System and on the Alaska Railroad.
- 5) Endorsing the concept of a constitutional amendment which would protect agricultural rights on State land (SJR 5).
- 6) Encouraging the State to modify its land lease laws to better facilitate agricultural needs (including the incorporation of "option-to-renew" clauses based on utilization of grazing lands).
- 7) Requesting that duties related to the agricultural industry be transferred from the Department of Environmental Conservation to the Division of Agriculture.
- 8) Requesting that the Department of Natural Resources, Division of Agriculture be retained as separate entity, in its entirety, not to be merged with another State Department and leave the ARLF fund where it is and intact.
- 9) Requesting the State to continue its support and operation of the Mt. McKinley Meat and Sausage slaughter facility in Palmer by the Correctional Industries.
- 10) Requesting that, as the University of Alaska is a "Land Grant College," a person active in agriculture be appointed to the University Board of Regents.
- 11) Requesting the extension of the Alaska Grain Reserve Program. Also, recommend that the current reserve be dropped to \$0.5 million and the balance transferred to the ARLF.
- 12) Requesting that steps be taken to overhaul the Alaska Agricultural Revolving Loan Fund operation to:
 - A. Assure consistent policy.

- B. Develop policy for emergency situations, such as drought, grasshopper infestation, floods, etc
 - C. Improve communications with the agricultural industry as well as other lending institutions.
 - D. Establish a full time loan examiner position in Delta Junction.
- 13) Requesting that the ARLF Board and the Department of Natural Resources recognize that the current ARLF policy for restructuring of troubled debt was conceived and adopted in the form of guidelines, not as an inflexible formula. The ARLF Board should be permitted and encouraged to vary from the guidelines in cases where flexibility in adjusting the terms of an applicant's debt, or use of other refinancing techniques, appears financially appropriate for the individual and likely to prevent waste of ARLF assets.
- 14) Requesting the legislative creation of State Grazing Preserves, and that these preserves not be limited to the Seward Peninsula and Kodiak Island, but rather incorporate all lands with high grazing potential, as well as lands where grazing has historically taken place (i.e. Fox River, Deep Creek, Talkeetna Mountains, Copper River Basin, etc.).
- 15) Opposing HB 159 (an act relating to exemptions from Municipal property taxes) and urging the State to fund the tax differential on agricultural lands to Municipalities as established under AS 29.
- 16) Encouraging the passage of CSSB 105 (an act relating to the sale of certain milk products).
- 17) Opposing any law (current or future) that would make it illegal for animal owners to give medical treatment to their own animals.
- 18) Requesting legislative action to return the definition of a "legal fence" to the Alaska Statutes to facilitate the enforcement of Title 3 Chapter 25 (Controlled Livestock Districts).
- 19) Supporting Future Farmers of America and 4H programs throughout the State of Alaska.
- 20) Supporting the transfer and/or long term lease of 80 acres of land which adjoins the Susitna Valley High School and is currently owned by the University of Alaska, to the Upper Susitna Soil and Water Conservation District, for the development of a demonstration forest, plant materials, forage, and small grain research plots, and other extended community education programs.
- 21) Supporting the active enforcement of the Local Agricultural and Fisheries Product Preference Act as provided for in Chapter 62 SLA 1987 (HSC CSSB 201 SA), which becomes effective January 1, 1988.
- 22) Offering its continuing support to the current Director of the Division of Agriculture, Mark Weaver.



Snowcrest Farms, Inc.

P.O. Box 872406, Wasilla, AK 99687 • 376-3546

HB 456

RECEIVED MAR - 7 1988

Representative Curt Menard
Alaska State Legislature
P.O. Box V (MS 3100)
Juneau, Alaska 99811

March 4, 1988

Dear Curt,

Thankyou for sending me copies of HB 400, 415, 456, and SB 23 and for your request for my opinion.

I strongly favor passage of all four pieces of legislation as each is an important piece of the larger puzzle which hopefully will yield success for the agricultural industry and the dairy industry.

Please note that contrary to Mr. Chuck Forch's letter, dated February 12, 1988, to you that HB 415 will not reduce the current funds of the ARLF by 2 million dollars. It will reduce yearly the amount returning to ARLF.

We are concerned about the survival of the ARLF, as are they, but the board must remember that if the demands for repayment are to high and unrealistic that money will not revolve back anyway and if they are so concerned about the funds being bleed out maybe they ought to look at the 1.1 million it took to run the fund in 1986 and that near amount again in 1987 with a greater amount anticipated in 1988. The fund that was established to " establish and promote Agriculture in Alaska" is being bled dry to the tune of 1 million per year by the bureaucracy and they have the audacity to critique us in our desire to survive and be productive. I also find it very interesting that that the Loan Board encouraged us to take our plight to the legislature and are now opposing us after having done so.

I appreciate your efforts in helping us resolve these issues and I am certainly willing to provide you with any information needed to support these pieces of legislation.

Sincerely,


H. Ray Hendershot

COA

HB 456

State of Alaska
Agricultural Revolving Loan Fund Board
P. O. Box 2470
Palmer, Alaska 99645

STATE FUND
When not
RECEIVED FEB 15 1988
ISSUES
Come on

February 12, 1988

Curt Menard
Alaska House of Representatives
P. O. Box V (MS 3100)
Juneau, Alaska 99811

RE: Teleconference - Tuesday, February 9, 1988 with
ARLF Board

Dear Mr. Menard:

This letter is the promised follow-up to our teleconference.

HB 462
You inquired regarding the Board's reaction to a cash production credit payment to all agricultural producers. The Board is opposed to any disbursement of loan fund money to producers who are not borrowers.

We followed this with comments on three other pieces of legislation:

SB 353 Extension of Production Credits. First we point out that Loan Fund assets have already been reduced by production credits as follows: 1986 - \$346,000, 1987 - \$540,000, and to date in 1988 - \$322,000. These amounts have simply been wiped from our loanable funds under current legislation in force. If this legislation is extended this massive drain will continue.

The Board, in consultation with the Loan Fund Manager and the Director of Agriculture, offer this counter proposal for any renewal of production credits:

1. Limit production credits to borrowers in good standing, to borrowers who are current in their payments. Exclude restructured borrowers since they have already received substantial benefit in interest relief.

2. Limit the credit to only a portion of the interest so that the entire interest payment is not excused.

The thinking that goes into this counter proposal is that production credit then becomes an incentive to good borrowers by reducing their interest due. It is not a debt write-off as is the current legislation. It does not apply to restructures, they have already received substantial relief. This proposal is in the best interest of the State because it rewards borrowers in good standing with a reduced interest and an incentive to remain in good standing, and thus to keep funds revolving back into the Loan Fund.

Curt Menard
February 12, 1988
Page Two

HB 415 Retroactive Production Credit to Dairy Producers. The Board opposes this legislation. It is not in the best interest of the State. It is a debt relief program which rewards production without regard to efficiency and provides no payback to the loan fund. I am attaching "an analysis of the financial effect" on the Fund prepared by the Loan Fund Manager. Please be specifically aware that the Fund currently has loanable funds of about \$7 million. This proposal would wipe out almost \$2 million of that working balance.

SB 192 Expansion of the Loan Board from five to seven members. The Board is opposed to this legislation for the following reasons:

1. A seven member board increases from three to four the number of members that must be present for a working meeting.
2. Both of the added members must be producers. a) It is very difficult to find producers who do not have a disabling conflict of interest, i.e., a loan with the loan fund, or a financial interest that precludes them from acting on a particular loan application. b) This takes us back to the problem of a quorum on a particular application; and further c) the failure to fill these positions would leave us with a quorum requirement of four and less likelihood of meeting it.
3. An increase in the number of board members requires more preparation on the part of an already overburdened loan fund staff, lengthier meetings and more staff time spent on meetings, and a general increase in the cumbersomeness of the process.
4. Additional cost to the fund for per diem, travel expenses and other related costs, all of which must come from a shrinking operating budget.

The Board feels the current staff and board are dealing as efficiently as possible with the loan fund workload. Adding two functioning producer board members would be difficult to achieve and would reduce the efficiency and effectiveness of the process at this time. SB 192 is not in the best interests of the State.

Thank you for alerting us to the proposed legislation. We hope our comments on it and other ag legislation is understood to come from a group who have particular familiarity with the issues and their resolution in the best interest of the State.

Sincerely,



CHARLES G. FORCK, Chairman
Agriculture Revolving Loan Fund

Curt Menard
February 12, 1988
Page Three

cc: Judy Brady
Mark Weaver
Hal Ward
Senator Coghill
Senator Kertulla
Representative Herrmann
Representative Shultz
Member Dinkel
Member Stewart
Member Tatka
Member M. Ward

CGF/pd

MEMORANDUM

State of Alaska

DEPARTMENT OF NATURAL RESOURCES - DIVISION OF AGRICULTURE

TO:

Mark Weaver
Director

DATE:

February 4, 1986

FILE NO:

TELEPHONE NO:


745-7200

THRU:

SUBJECT:

BE 415

FROM:

Hal K. Ward // 
Loan Manager

An analysis of the financial effect on the ARLF as a result of the subject legislation is as follows:

1985.....\$511,241.28

1986.....\$636,047.83

1987.....\$823,626.61

Total retroactive loss \$1,970,917.72.

Assuming the milk production from Point Mackenzie remains stable with increase of 5% per year through the effective end of the bill as proposed, the cost would increase to a total amount of \$5,698,351. This represents over one half of the \$10,681,815 investment in current loan balances for ARLF and Land Clearing loans for the dairy farm parcels on Point Mackenzie.

HB

457

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: Act relating to the Alaska Sta-
bilization Assistance Program
 Sponsor: Perryjohn
 Requestor: _____
 Agency Affected: Alaska Industrial Development and Export Authority
 BRU: _____
 Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		zero (0)	zero (0)	zero (0)	zero (0)	
CAPITAL		\$15.0 Mil	zero (0)	zero(0)	zero (0)	
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER		**				
TOTAL		\$15.0 Mil				

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

**Funds will be appropriated from the Railbelt energy fund to the Alaska Stabilization Assistance fund established in the Alaska Industrial Development and Export Authority per HB 457.
 Costs of administering the Alaska Stabilization Assistance Program will be absorbed by the Alaska Industrial Development and Export Authority.

Prepared by: Bertram L. Wagon, Executive Director Phone: 274-1651
 Division: Alaska Industrial Development & Export Authority Date: February 22, 1988

Approved by Commissioner: J. Anthony Smith Date: 2/29/88
 Agency: Commerce and Economic Development

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

**A CONCEPTUAL PLAN FOR AN
ALASKA STABILIZATION ASSISTANCE PROGRAM**

**A FEDERAL, STATE, LOCAL GOVERNMENT
AND PRIVATE SECTOR PARTNERSHIP**

This paper expands, clarifies and combines some options set forth in a White Paper entitled "Options to Improve the Alaskan Economy" dated January 1988 and attached hereto.

DAR/FEB.88

These agencies/entities own real estate as the result of foreclosure. They also hold defaulted and delinquent loans secured by real estate.

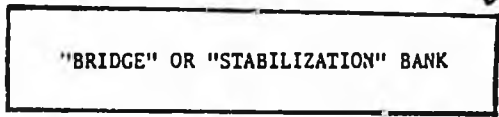


These agencies/entities contribute the above assets to "bridge" bank. They own an undivided interest (on a pro-rata basis in proportion to contribution) in this pool.

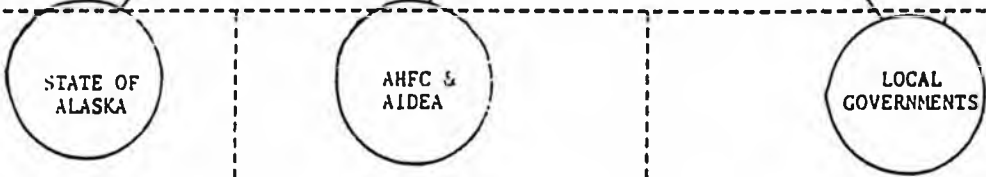


Responsible for:

Stabilization
 Loan Reschedules
 Loan Workouts
 Liquification of
 Assets and
 Cash Return
 To Pool Contr-
 ibutors on a
 Pro-rata basis.



If Required.
 Provides working
 capital of about
 \$15,000,000



Receives return of
 above prior to payout
 to pool "owners".

Impose new supply
 moratoriums which
 can be subject to
 waiver upon request
 of local governments.

Restrict new supply:
 Platting
 Zoning
 Utility Expansion

May request waiver of
 moratoriums after public
 hearings.

1. This concept requires the combined efforts of federal, state, local and private entities.... A partnership to address mutual problems and solve them on a cooperative basis.
2. It does not "bail out" anybody. No purchases of assets occur, no checks are written. Those entities who "own" problems continue to own them through pro-rata interests in a common pool.
3. Valuation of assets does not present a problem because no purchase takes place. All assets are valued at municipal assessment levels as of a given date. Valuation is utilized only to determine pro-rata share of the common pool.
4. The pool holds assets to stabilize values, eventually liquifies these assets and returns proceeds to pool owners.
5. The State provides a loan (up to \$15,000,000) for working capital which is repaid prior to distributions to pool owners. This working capital may not be needed if there is adequate cash flow generated by pool assets but it is evidence of the State's interest and intent to help address and solve this problem.
6. State agencies such as AHFC and AIDEA place moratoriums on financing new supply. These can be waived if local governments so request. (General, statewide moratoria may not be in the best interests of those communities which do not have excess supply of all -- or certain types of -- real estate.)
7. Local governments cannot exacerbate the supply problem by encouraging new construction. Therefore they may consider local moratoria on rezones, replats and utility extensions in order to discourage new construction in those categories of real estate where there currently is excess supply.

NOTE: AHFC = Alaska Housing Finance Corporation is an instrumentality of the State.

AIDEA = Alaska Industrial Development and Export Authority is an instrumentality of the State.

EXECUTION

The establishment of the "Bridge" or "Stabilization" bank is coordinated by a State agency which also serves as the recipient of the State appropriation.

The State agency, using the appropriation (and subsequent loan) as a lever, binds the parties together by contract. It does not operate the bridge bank but does insure that it is contractually obligated to hold assets for stabilization.

The bridge bank is operated by a Board of Directors who set policy and appoint officers who select and direct staff. The Board of Directors of the bridge bank are chosen by the pool participants who vote their pro-rata share of asset contribution.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 30, 1988

SUBJECT: Alaska stabilization assistance program
(HB 457)

TO: Representative Fritz Pettyjohn

FROM: Tamara Brandt Cook *TBC*
Director
Division of Legal Services

RECEIVED
MAR 30 1987

The Alaska stabilization assistance program is established in HB 457. An appropriation to that program from the Railbelt energy fund is made in HB 458. You have asked whether the legislature needs specific authority to make an appropriation from the Railbelt energy fund to the Alaska stabilization assistance fund.

I presume that your concern arises as a result of the last sentence in the statute establishing the Railbelt energy fund, AS 37.05.153, which provides, "The legislature may appropriate money from the fund to assist in meeting Railbelt energy needs." A statute, such as this, cannot bind the legislature by limiting its constitutional right to make appropriations. An appropriation from the Railbelt energy fund would, therefore, be valid regardless of whether it was used to meet Railbelt energy needs.

However, rather than simply ignoring the statement of legislative purpose to limit the uses made of the Railbelt energy fund, if you wish to provide specific authority to appropriate from the Railbelt energy fund to the Alaska stabilization assistance fund, that could be done in HB 457. It could not be done as an amendment to HB 458, because that bill must be confined to appropriations and the enabling language would be substantive in nature. The following new language could be inserted into HB 457 after line 14:

Notwithstanding AS 37.05.153, money may be appropriated from the Railbelt energy fund to the Alaska stabilization fund.

Representative Fritz Pettyjohn
Page 2
March 30, 1988

Please let me know if you would like an amendment prepared
incorporating this change.

TBC:gc
WKG2:088

House Labor and Commerce Committee Meeting

TUESDAY, MARCH 29

1. Open meeting - (Date, Time, Members Present, etc.)
2. AGENDA:

HB 457 - ALASKA STABILIZATION ASSISTANCE PROGRAM (enabling)
HB 458 - ALASKA STABILIZATION ASSISTANCE PROGRAM (appropriation)

2:00 p.m.
HB 458 appropriates \$15 million dollars from the Railbelt Energy Fund to AIDA to run the Alaska stabilization Assistance Fund. The appropriation and any money left in the fund lapses back into the fund it came from on July 1, 1992.

HB 457 creates the Alaska Stabilization Assistance Program under AIDA. The purpose of the fund is to promote stabilization of real property values in the state. To encourage lenders not to attempt to dispose of real property that has been acquired through foreclosure or default until the real estate market becomes more stable, the authority may enter into contracts to provide for the management of the property.

3:00 p.m.
HB 542 - Employee protection during mergers/plant closures and "privatization" of public facilities - by L&C Committee

HB 542 extends certain protections to employees when an employer makes a substantial change in a business activity (mergers and/or plant closures) and when a governmental entity contracts operations of a public facility with a private entity. These protections include:

1. Severance pay - entitlement to severance pay at the rate of one month's pay for each year of service up to 24 months of base wages,
2. Continued Employment - an employment preference with the new employer at substantially similar benefits, wages and position (except for management level employees and where no work is available) with a provision that an employee cannot be discharged for one year except for misconduct connected with the employees work.
3. Civil Suits and Liens - employees may bring civil suit or liens against an employer for severance pay and DOL may prosecute these claims on behalf of an employee in the same manner that they assign and prosecute claims for unpaid wages.

There is a draft CS (or a draft to be filed as a new bill, whatever the Committee prefers) in members files. The new draft:

1. Notification - Requires employers to give employees 60 days notice of a substantial change in business activities that may affect the employees employment status.
2. Severance Pay - Failure to give timely notice entitles the employee to severance pay of no less than one month's pay, unless they have a severance pay arrangement in their employment contract, in which case this bill does not apply.

HB 368 - Licensing exemptions for occupational therapists - Yes, Dave, this one is still around to haunt us. Its ready to go as a CS (already adopted) and has a further referral to HESS and Finance in the House.



Alaska State Legislature

HOUSE OF REPRESENTATIVES

Office of the Minority Leader

Official Business
Room 24
State Capitol


P.O. Box V
State Capitol
Juneau, Alaska 99811
(907) 465-4841

RECEIVED

MAR 8 1988

M E M O R A N D U M

TO: Rep. Dave Donley, Chair
House Labor and Commerce Committee

FROM: Rep. Fritz Pettyjohn
House Minority Leader 

DATE: March 4, 1988

RE: Bill scheduling

I would like to request that you schedule two of my bills, HB 457 and HB 458 for a hearing before the Labor and Commerce Committee as soon as possible.

HB

472



MECHANICAL CONTRACTORS

of Fairbanks, Inc.

P.O. BOX 74786 ★ FAIRBANKS, ALASKA 99707-4786

**The Need for House Bill 472, "An Act relating to
Mechanical Administrators"**

Licensing has been described as "a process by which an agency of government grants permission to an individual to engage in a given occupation upon finding that the applicant has attained the minimal degree of competency required to ensure that public health, safety and welfare will be reasonably well protected." At the present, except for electrical contractors, there are no competency requirements for a firm or individual to obtain a state construction contractors license.

The codes cited in H.B.472 contain minimum installation requirements for mechanical work in the building construction industry. This work encompasses many systems and work disciplines.

Testing an individual on his knowledge of these codes, the ability to understand plans and specifications, knowledge of installation problems and usage of the trade peculiar to Alaska, along with prerequisite experience requirements would help to determine competency.

In Alaska today, because of budget cutbacks, the state, along with both Anchorage and Fairbanks, have drastically reduced their inspection capabilities.

While inspection of construction work cannot insure compliance with codes, the drastic reduction of construction inspection capability at every governmental level in Alaska underscores the need for construction contractors to demonstrate their competency before being allowed to sell

their services to the public. The public probably perceives that a state licensed contractor is a competent contractor. Today this is not necessarily true.

H.B.472 is intended to assure that people licensed as mechanical administrators will have demonstrated competence in their category of mechanical construction.

PHONE 486-8282
OR 456-8281

P O BOX 534
99707

Chandler PLUMBING
& HEATING, INC.

129 MINNIE
FAIRBANKS, ALASKA 99701

March 14, 1988

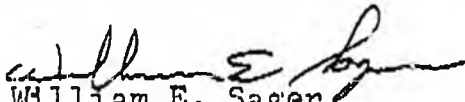
Representative Mark Boyer
Alaska State Legislature
P. O. box V
Juneau, Alaska 99811

Dear Sir:

This is to express support for and encourage the
passage of House Bill 472, "An Act Relating to
Mechanical Administrators".

Very truly yours,

CHANDLER PLUMBING & HEATING, INC.


William E. Sager
President

WES/bly



MECHANICAL CONTRACTORS of Alaska, Inc.



P.O. Box 74786 Fairbanks, Alaska 99707-4786
1830 Second Avenue (907) 456-8347



March 14, 1988

Representative Mark Boyer
Alaska State Legislature
P.O. Box V
Juneau, Alaska, 99811

Re; House Bill No. 472

Dear Representative Boyer:

The Mechanical Contractors of Alaska, Inc. is an association of mechanical construction contractors in the Anchorage and Fairbanks areas. I serve as their president.

This letter is written to express our support for the passage of House Bill No. 472.

This type of legislation is overdue for our industry in Alaska. During the construction boom Alaska has recently gone through, "mechanical contractors" suddenly appeared from everywhere. The results of their ignorance (or worse) of code requirements and lack of knowledge of the special requirements of mechanical installations in the arctic can be found in too many buildings. The primary victim of their shoddy work is the homeowner and small businessman, the unsophisticated buyers of construction. These people did not receive the value for their construction dollars. Unfortunately, the entire construction industry takes the blame.

Please pass House Bill No. 472 so that the public receives what they expect from state licensed contractors, competent professionals.

Sincerely,

A handwritten signature in dark ink, appearing to read "R.W. Macomber".

R.W. Macomber
President



Shop: 2225 Van Horn Road
Telephone: 452-1831

WESTERN MECHANICAL, INC.

P.O. BOX 60067, AIRPORT ANNEX

FAIRBANKS, ALASKA 99706-0067
AA 333

March 15, 1988

Representative Mark Boyer
Alaska State Legislature
P.O. Box V
Juneau, Alaska 99⁹11

Re: House Bill 472

Dear Representative Boyer,

I wish to express the support of Western Mechanical, Inc. for the passage of HB472, "An Act Relating to Mechanical Administrators".

It is high time to establish competency requirements for all mechanical contractors who would be licensed by the State of Alaska. Because there are currently no such minimum requirements, anyone who can furnish the minimal contractor bond can obtain a contractor's license, whether he is qualified to perform the work or not.

The ultimate beneficiary of this bill is the consumer (whether public or private), who will be assured that the actual work is properly installed- for along with the administrators license comes a fair amount of responsibility. The proposed bill appears to provide appropriate relief.

We appreciate your sponsorship of HB472. Hopefully we will be able to establish a fair level of professionalism for the mechanical contracting industry.

Yours truly,

Michael C. Desmond
Michael C. Desmond
Vice President

MD/cj

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act relating to mechanical administrators.
Sponsor: Reps. Bover, Boucher & Ellis
Requestor: _____

Agency Affected: Commerce & Economic Dev.
BRU: Occupational Licensing
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL		4.5	3.2	3.2	3.2	3.2
CONTRACTUAL		2.0	2.0	2.0	2.0	2.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		6.5	5.2	5.2	5.2	5.2
CAPITAL						
REVENUE		3.0	**			

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER		6.5	5.2	5.2	5.2	5.2
TOTAL		6.5	5.2	5.2	5.2	5.2

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

(SEE ATTACHED)

Prepared by: Jennifer Strickler, Management Analyst Phone: 465-2144
Division: Occupational Licensing Date: 3/15/88

Approved by Commissioner: J. Anthony Smith Date: 3/16/88
Agency: Commerce and Economic Development

Distribution (by preparer):

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

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. HB 472

TRAVEL: The bill establishes a Board of Mechanical Examiners consisting of three members. Section 08.40.220(c) also mandates the board to meet at least annually and to hold other meetings at the call of the chair. In addition, Section 08.40.250 requires the exam to be administered at least twice a year. It is anticipated that at least three meetings will be required during the first year as a result of the Board's new regulatory responsibilities. This fiscal note is therefore based on three members holding three board meetings and exams in conjunction with two of the meetings. Two meetings and exams are budgeted for subsequent years.

ANCHORAGE MEETING

Member from:	<u>TRANSPORTATION</u>	<u>PER DIEM</u>	<u>TOTAL</u>
Anchorage	0	320.00	320.00
Juneau	366.00	320.00	686.00
Fairbanks	232.00	340.00*	572.00
(*Two day meeting (@ \$80 per day) in Anchorage, and two days of exams (@\$90 per day) in Fairbanks.)			
Sub-Total:	598.00	980.00	1,578.00

JUNEAU MEETING

Anchorage	366.00	320.00	686.00
Juneau	0	320.00	320.00
Fairbanks	436.00	160.00	596.00
Sub-Total:	802.00	800.00	1,602.00

FAIRBANKS

Anchorage	232.00	180.00	412.00
Juneau	436.00	270.00	706.00
Fairbanks	0	180.00	180.00
Sub-Total:	668.00	630.00	1,298.00

TOTAL:	\$ <u>2,068.00</u>	<u>2,410.00</u>	<u>4,478.00</u>
--------	--------------------	-----------------	-----------------

CONTRACTUAL:

Printing of applications, statute booklets and other informational material; Advertising of meetings, exams and regulations; postage, telephone and other standard operating costs.

\$ 2,000.00

**Revenues are contingent upon the number of mechanical administrator licensees. In the first year, it is anticipated that at least 30 individuals will seek licensure. Assuming the license fee is \$100, a total of \$3,000.00 would be generated in the first year. Depending on the actual number of licensees, the revenues generated from licensing fees may not cover the entire cost of the licensing program within central licensing at \$100 per licensee.

Alaska State Legislature

REPRESENTATIVE
MARK BOYER

HOUSE FINANCE COMMITTEE



House of Representatives

MEMORANDUM

FAIRBANKS

1098 LAKEVIEW TERRACE
FAIRBANKS, ALASKA 99701
(907) 456-6473

JUNEAU

P.O. BOX V
STATE CAPITOL
JUNEAU, ALASKA 99811
(907) 485-3466

RECEIVED
FEB 22 1987

TO: Representative Dave Donley, Chairman
House Labor and Commerce Committee

FROM: Representative Mark Boyer *MB*

SUBJECT: HB 472, relating to mechanical administrators

DATE: February 22, 1988

HB 472 has been assigned to your committee as first referral. I would appreciate your scheduling the bill for a hearing at your earliest possible convenience.

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY
LEGISLATIVE REFERENCE LIBRARY

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

May, 1988

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

Mary Van Nimwegen

HL+C

3-17-88

2:00 p.m.

HOUSE COMMITTEE REPORT

(7)

Date referred: 2/15/88

FURTHER REFERRALS: Finance

DATE: 3/17/88

The Labor & Commerce Committee has considered HB 472

"An Act relating to mechanical administrators."

RECOMMENDS:

replace with CSHB 472 (L+C) the same title
 attached amendment(s) a new title

- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

David D. Ouler
Steve Kopp
James K. ...
J. Ellis

W. Furnace no res

David D. Ouler
 Chairman's signature

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act relating to mechanical administrators.
Sponsor: Reps. Bover, Boucher & Ellis
Requestor: _____

Agency Affected: Commerce & Economic Dev.
BRU: Occupational Licensing

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL		4.5	3.2	3.2	3.2	3.2
CONTRACTUAL		2.0	2.0	2.0	2.0	2.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		6.5	5.2	5.2	5.2	5.2
CAPITAL						
REVENUE		3.0	**			

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER		6.5	5.2	5.2	5.2	5.2
TOTAL		6.5	5.2	5.2	5.2	5.2

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

(SEE ATTACHED)

Prepared by: Jennifer Strickler, Management Analyst Phone: 465-2144
Division: Occupational Licensing Date: 3/15/88

Approved by Commissioner: J. Anthony Smith Date: 3/16/88
Agency: Commerce and Economic Development

Distribution (by preparer):

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

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. CSHB472

TRAVEL: The bill establishes a Board of Mechanical Examiners consisting of three members. Section 08.40.220(c) also mandates the board to meet at least annually and to hold other meetings at the call of the chair. In addition, Section 08.40.250 requires the exam to be administered at least twice a year. It is anticipated that at least three meetings will be required during the first year as a result of the Board's new regulatory responsibilities. This fiscal note is therefore based on three members holding three board meetings and exams in conjunction with two of the meetings. Two meetings and exams are budgeted for subsequent years.

ANCHORAGE MEETING

Member from:	<u>TRANSPORTATION</u>	<u>PER DIEM</u>	<u>TOTAL</u>
Anchorage	0	320.00	320.00
Juneau	366.00	320.00	686.00
Fairbanks	232.00	340.00*	572.00
(*Two day meeting (@ \$80 per day) in Anchorage, and two days of exams (@\$90 per day) in Fairbanks.)			
Sub-Total:	598.00	980.00	1,578.00

JUNEAU MEETING

Anchorage	366.00	320.00	686.00
Juneau	0	320.00	320.00
Fairbanks	436.00	160.00	596.00
Sub-Total:	802.00	800.00	1,602.00

FAIRBANKS

Anchorage	232.00	180.00	412.00
Juneau	436.00	270.00	706.00
Fairbanks	0	180.00	180.00
Sub-Total:	668.00	630.00	1,298.00

	TOTAL:	\$ <u>2,068.00</u>	<u>2,410.00</u>	<u>4,478.00</u>
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CONTRACTUAL:

Printing of applications, statute booklets and other informational material; Advertising of meetings, exams and regulations; postage, telephone and other standard operating costs. \$ 2,000.00

**Revenues are contingent upon the number of mechanical administrator licensees. In the first year, it is anticipated that at least 30 individuals will seek licensure. Assuming the license fee is \$100, a total of \$3,000.00 would be generated in the first year. Depending on the actual number of licensees, the revenues generated from licensing fees may not cover the entire cost of the licensing program within central licensing at \$100 per licensee.

5-1451B
Utermohl
3/17/88

Original sponsors: Boyer, Boucher
and Ellis

1 IN THE HOUSE

BY THE LABOR AND
COMMERCE COMMITTEE

2 CS FOR HOUSE BILL NO. 472 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to mechanical administrators and
7 construction contractors; and providing for an effec-
8 tive date."

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

10 * Section 1. AS 08.01.010 is amended by adding a new paragraph to read:

11 (28) Board of Mechanical Examiners (AS 08.40.220).

12 * Sec. 2. AS 08.03.010(c) is amended by adding a new paragraph to read:

13 (21) Board of Mechanical Examiners (AS 08.40.220) --

14 June 30, 1992.

15 * Sec. 3. AS 08.18 is amended by adding a new section to read:

16 Sec. 08.18.028. MECHANICAL CONTRACTORS. (a) The department may
17 not issue a certificate of registration as a mechanical contractor to
18 an applicant unless the applicant is, or employs, a person currently
19 licensed as a mechanical administrator under AS 08.40.

20 (b) Each applicant for a mechanical contractor's certificate of
21 registration may employ more than one mechanical administrator.

22 (c) If the relationship of the only mechanical administrator
23 with a registered mechanical contractor is terminated, the registra-
24 tion is void 30 days after the next regularly scheduled mechanical
25 administrator's examination unless the mechanical contractor has hired
26 a licensed mechanical administrator in the interim.

27 * Sec. 4. AS 08.18.041 is amended to read:

28 Sec. 08.18.041. FEES. The department [DEPARTMENT OF COMMERCE
29 AND ECONOMIC DEVELOPMENT] shall set registration and renewal fees

1 under AS 08.01.065 for the following:

- 2 (1) general contractor;
- 3 (2) specialty contractor;
- 4 (3) mechanical contractor.

5 * Sec. 5. AS 08.18.071(b) is amended to read:

6 (b) If the applicant is a general contractor, the amount of the
7 bond shall be \$10,000; if the applicant is a mechanical contractor,
8 the amount of the bond shall be \$7,500; if the applicant is a special-
9 ty contractor, the amount of the bond shall be \$5,000. In lieu of the
10 surety bond the applicant may file with the commissioner a cash depos-
11 it or other negotiable security acceptable to the commissioner in the
12 amount specified for bonds.

13 * Sec. 6. AS 08.18.171(3) is repealed and reenacted to read:

14 (3) "contractor" means a person who, in the pursuit of an
15 independent business, undertakes or offers to perform, or claims to
16 have the capacity to perform, or submits a bid for a project to con-
17 struct, alter, repair, move, or demolish a building, highway, road,
18 railroad, or any type of fixed structure, including excavation and
19 site development and erection of scaffolding; "contractor" includes a
20 general contractor, builder, mechanical contractor, speciality con-
21 tractor, and subcontractor;

22 * Sec. 7. AS 08.18.171 is amended by adding a new paragraph to read:

23 (5) "trade" means a skill used in the field of construc-
24 tion, as defined by regulation by the department.

25 * Sec. 8. AS 08.18.171 is amended by adding new paragraphs to read:

26 (6) "builder" means general contractor;

27 (7) "general contractor" means a contractor whose business
28 operations require the use of more than three trades or the use of
29 mechanical or specialty contractors and subcontractors who are under

1 the supervision of the contractor;

2 (8) "mechanical contractor" means a contractor whose busi-
3 ness operations involve plumbing, pipe fitting, sheet metal, heating,
4 air conditioning, ventilating, or sprinkler and dry chemical fire
5 protection trades in order to install or modify mechanical piping and
6 systems, devices, fixtures, and equipment or other mechanical mate-
7 rials subject to the following codes as published by the International
8 Association of Plumbing and Mechanical Officials or the International
9 Conference of Building Officials:

10 (A) Uniform Plumbing Code;

11 (B) Uniform Swimming Pool, Spa, and Hot Tub Code;

12 (C) Uniform Solar Energy Code; and

13 (D) Uniform Mechanical Code;

14 (9) "specialty contractor" means a contractor, other than a
15 mechanical contractor, whose business operations require the use of
16 not more than three trades.

17 * Sec. 9. AS 08.40 is amended by adding new sections to read:

18 ARTICLE 4. MECHANICAL ADMINISTRATORS.

19 Sec. 08.40.210. PURPOSE. The purpose of AS 08.40.210 - 08.40.-
20 490 is to protect the safety of people and property in the state from
21 the danger of improperly installed or modified mechanical systems by
22 providing a procedure to

23 (1) assure the public that persons responsible for making
24 mechanical installations in this state are qualified; and

25 (2) assure that a sufficient number of persons are so
26 qualified.

27 Sec. 08.40.220. BOARD OF MECHANICAL EXAMINERS. (a) There is
28 created the Board of Mechanical Examiners consisting of three members.
29 Two members of the board shall be licensed mechanical administrators

1 and one member shall be a public member.

2 (b) The members of the board shall elect one of its members as
3 chair.

4 (c) The board shall meet at least annually. The board may hold
5 other meetings at the call of the chair.

6 Sec. 08.40.230. CATEGORIES OF LICENSES. The board may adopt
7 regulations establishing categories of mechanical administrators,
8 qualifications for those categories, and the content of examinations
9 for applicants for each category.

10 Sec. 08.40.240. REGULATIONS. The board shall adopt regulations
11 under the Administrative Procedure Act (AS 44.62), relating to the ex-
12 amination and licensing of mechanical administrators, the establishing
13 of the continued competency of licensees for license renewal and
14 reinstatement, and the suspension or revocation of licenses.

15 Sec. 08.40.250. EXAMINATIONS. The board shall conduct licensing
16 examinations at least twice each year at appropriate places in the
17 state.

18 Sec. 08.40.260. LICENSE REQUIRED. (a) A person may not act as
19 a mechanical administrator without a license.

20 (b) A person licensed under AS 08.40.210 - 08.40.490 may perform
21 work only in a category for which the person is licensed.

22 Sec. 08.40.270. EXAMINATION OF APPLICANT. (a) Each applicant
23 shall be examined to determine the applicant's

24 (1) ability to understand plans, design specifications, and
25 engineering terms commonly used in the mechanical field;

26 (2) knowledge of mechanical installations and piping;

27 (3) familiarity with the requirements of the Uniform Plumb-
28 ing Code, Uniform Swimming Pool, Spa, and Hot Tub Code, Uniform Solar
29 Energy Code, and the Uniform Mechanical Code currently in effect in

1 the state;

2 (4) familiarity with mechanical installation problems and
3 the usages of the trade peculiar to this state; and

4 (5) personal skill and ability.

5 (b) If an applicant for a license submits proof satisfactory to
6 the board that the applicant is licensed as a mechanical administrator
7 or the equivalent by another state or territory, meets qualifications
8 established by the board under AS 08.40.230, and has passed an ex-
9 amination equivalent to the test administered under (a) of this sec-
10 tion except insofar as that examination tests knowledge and skill
11 particularly required to meet the environment and usages of the trade
12 peculiar to this state, the board shall waive all of the examination
13 required under (a) of this section except those parts that test knowl-
14 edge and skill particularly required to meet the environment and
15 usages of the trade peculiar to this state.

16 Sec. 08.40.280. ADMINISTRATOR LIMITED TO ONE LICENSED CONTRAC-
17 TOR. A person may not qualify or operate as a mechanical adminis-
18 trator for more than one registered contractor, corporation, joint
19 venture, or other business entity.

20 Sec. 08.40.290. RENEWAL AND REINSTATEMENT. (a) A license
21 issued under AS 08.40.210 - 08.40.490 is nontransferable and, unless
22 revoked or suspended, may be renewed upon proof of continued com-
23 petency.

24 (b) A lapsed license may be reinstated upon proof of continued
25 competency by payment of all unpaid renewal fees and any penalty fee
26 established under AS 08.01.100(b), unless the license has been lapsed
27 for more than two years. If a person's license has been lapsed for
28 more than two years, the person is required to take an examination
29 under AS 08.40.270.

1 Sec. 08.40.300. ISSUANCE AND DISPLAY OF LICENSE. An applicant
2 who successfully passes the examination shall receive a certificate of
3 license. The licensee shall prominently display the certificate,
4 while in effect, in the licensee's principal place of business.

5 Sec. 08.40.310. FEES. Each applicant and each licensee shall
6 pay application and renewal fees established under AS 08.01.065.

7 Sec. 08.40.320. DENIAL, SUSPENSION, AND REVOCATION OF LICENSE.

8 (a) The board may take disciplinary action against a licensee or
9 applicant upon a finding that

10 (1) the application is fraudulent or misleading;

11 (2) the licensee has knowingly violated AS 08.40.210 -
12 08.40.490 or a lawful rule, order, or regulation of the board or the
13 department; or

14 (3) the licensee is incompetent or has engaged in fraudu-
15 lent practices.

16 (b) Notice of a proposed denial, suspension, or revocation of
17 license shall be in writing and shall state the grounds.

18 (c) Proceedings for the denial, suspension, or revocation of a
19 license shall be governed by the Administrative Procedure Act
20 (AS 44.62).

21 Sec. 08.40.330. INVESTIGATIONS. Either the Department of Com-
22 merce and Economic Development or the Department of Labor may investi-
23 gate alleged or apparent violations of AS 08.40.210 - 08.40.490. A
24 department, upon showing proper credentials, may enter, during regular
25 hours of work, a construction site where it appears that mechanical
26 work is being done. A department may make inquiries about the identi-
27 ty of the mechanical administrator or the person acting in the capaci-
28 ty of a mechanical administrator. Upon demand, a mechanical adminis-
29 trator or person acting in the capacity of a mechanical administrator,

1 or that person's representative, shall produce evidence of current
2 licensure.

3 Sec. 08.40.340. ISSUANCE OF CITATIONS. Either the Department of
4 Commerce and Economic Development or the Department of Labor may issue
5 a citation for a violation if there is probable cause to believe a
6 person has violated AS 08.40.210 - 08.40.490. Each day a violation
7 continues after a citation for the violation has been issued consti-
8 tutes a separate violation.

9 Sec. 08.40.350. PROCEDURE AND FORM OF CITATION. (a) A citation
10 issued under AS 08.40.340 must be in writing. A person receiving the
11 citation is not required to sign a notice to appear in court.

12 (b) The time specified in the notice to appear on a citation
13 issued under AS 08.40.340 must be at least five days, not including
14 weekends and holidays, after the issuance of the citation, unless the
15 person cited requests an earlier hearing.

16 (c) The Department of Commerce and Economic Development and the
17 Department of Labor are responsible for the issuance of books contain-
18 ing appropriate citations, and each shall maintain a record of each
19 book issued and each citation contained in it. Each department shall
20 require and retain a receipt for every book issued to an employee of
21 that department.

22 (d) The department that issues a citation under AS 08.40.340
23 shall deposit the original or a copy of the citation with a court
24 having jurisdiction over the alleged offense. Upon its deposit with
25 the court, the citation may be disposed of only by trial in the court
26 or other official action taken by the magistrate, judge, or prosecu-
27 tor. The department that issued the citation may not dispose of it or
28 copies of it or of the record of its issuance except as required under
29 this subsection and (e) of this section.

1 (e) The Department of Commerce and Economic Development and the
2 Department of Labor shall require the return of a copy of every cita-
3 tion issued by the respective department under AS 08.40.340 and of all
4 copies of every citation that has been spoiled or upon which an entry
5 has been made and not issued to an alleged violator. The departments
6 shall also maintain, in connection with every citation issued by the
7 respective department, a record of the disposition of the charge by
8 the court where the original or copy of the citation was deposited.

9 (f) If the form of citation issued under AS 08.40.340 includes
10 the essential facts constituting the offense charged, and if the
11 citation is sworn to as required under the laws of this state for a
12 complaint charging commission of the offense alleged in the citation,
13 then the citation when filed with a court having jurisdiction is
14 considered to be a lawful complaint for the purpose of prosecution.

15 Sec. 08.40.360. CEASE AND DESIST ORDER. (a) If the
16 commissioner of commerce and economic development determines that a
17 person is acting as a mechanical administrator in violation of
18 AS 08.40.210 - 08.40.490 the commissioner may issue a cease and desist
19 order prohibiting further action by the person as a mechanical
20 administrator. The cease and desist order remains in effect until the
21 person has submitted evidence acceptable to the commissioner showing
22 that the violation has been corrected.

23 (b) A person affected by an order issued under (a) of this
24 section may seek equitable relief preventing the commissioner of
25 commerce and economic development from enforcing the order.

26 Sec. 08.40.370. INJUNCTIVE RELIEF. The commissioner of commerce
27 and economic development may seek an injunction in the superior court
28 to enjoin a person from violating AS 08.40.210 - 08.40.490.

29 Sec. 08.40.380. PENALTIES. (a) A person who knowingly violates

1 AS 08.40.210 - 08.40.490, or who knowingly violates a valid rule,
2 regulation, or order of the board or the department, is guilty of a
3 misdemeanor, and upon conviction is punishable by a fine of not more
4 than \$300, or by imprisonment for not more than 60 days, or by both.

5 (b) Unless the citation has been voided or otherwise dismissed
6 by the magistrate, judge, or prosecutor, a person who without lawful
7 justification or excuse fails to appear in court to answer a citation
8 issued under AS 08.40.340, regardless of the disposition of the charge
9 for which the citation was issued, is guilty of a class B misdemeanor.

10 Sec. 08.40.390. EXCLUSIONS. (a) AS 08.40.210 - 08.40.490 do
11 not apply to a utility or municipality engaged in

12 (1) mechanical construction and maintenance of mechanical
13 systems and equipment for the generation and distribution of elec-
14 trical current or generation and distribution of district heating when
15 the mechanical work is performed on an integral part of a system owned
16 and operated by that utility or municipal light and power department
17 and when the work is performed by employees of the utility or munici-
18 pality;

19 (2) mechanical construction and maintenance of mechanical
20 systems and equipment for the distribution of fuel gas when the me-
21 chanical work is performed on an integral part of the distribution
22 system owned and operated by the utility or municipality and when the
23 work is performed by employees of the utility or municipality.

24 (b) AS 08.40.210 - 08.40.490 do not apply to a person engaged in

25 (1) the manufacture or repair of mechanical apparatus or
26 equipment;

27 (2) mechanical work, the cost of which does not exceed
28 \$5,000, involving residences or small commercial establishments in
29 communities that

1 (A) have a population of under 500; or

2 (B) are over 50 miles by air or water transportation
3 from the business place of a mechanical administrator licensed
4 under AS 08.40.210 - 08.40.490;

5 (3) mechanical installation on a single family residence
6 that is owned by the installer or a member of the installer's immedi-
7 ate family and not intended for sale at the time of making the instal-
8 lation;

9 (4) installation outside of a building of water lines or
10 sanitary, storm, or drain sewer lines.

11 Sec. 08.40.400. PERSONAL SUPERVISION. A person licensed under
12 AS 08.40.210 - 08.40.490 as a mechanical administrator who contracts
13 to install or modify mechanical piping and systems, devices, fixtures,
14 equipment, or other mechanical materials, shall personally inspect
15 those materials after installation and modification unless the
16 installation or modification amounts to simple or highly standardized
17 work performed in less than 24 man-hours by personnel generally under
18 the supervision of the mechanical administrator.

19 Sec. 08.40.490. DEFINITIONS. In AS 08.40.210 - 08.40.490

20 (1) "department" means the Department of Commerce and
21 Economic Development except where the context otherwise requires;

22 (2) "manufacture" means fabrication or completion of a
23 product or mechanical apparatus exclusive of its completion or instal-
24 lation at a job site;

25 (3) "mechanical administrator" means a person engaged in
26 the business of, or purporting to be engaged in the business of,
27 installing or modifying, or contracting to install or modify, mechani-
28 cal piping and systems, devices, fixtures, equipment, or other mechan-
29 ical materials subject to the Uniform Plumbing Code, Uniform Swimming

1 Pool, Spa, and Hot Tub Code, Uniform Solar Energy Code, and the Uni-
2 form Mechanical Code as published by the International Association of
3 Plumbing and Mechanical Officials and the International Conference of
4 Building Officials;

5 (4) "mechanical piping" includes piping fixtures, devices,
6 and equipment;

7 (5) "utility" means every public, cooperative, or other
8 corporation, company, individual, or association of individuals, their
9 lessees, trustees, or receivers appointed by a court, that owns,
10 operates, manages, or controls a plant or system for

11 (A) furnishing, by generation, transmission, or dis-
12 tribution, electrical service, fuel gas service, district heat-
13 ing, sewage disposal, or domestic water service to the public for
14 compensation;

15 (B) furnishing telecommunications service to the
16 public for compensation.

17 * Sec. 10. INITIAL APPOINTMENTS TO THE BOARD. A person is eligible for
18 an initial appointment to the Board of Mechanical Examiners, created under
19 sec. 9 of this Act, as a professional member of the board, if at the time
20 of the appointment the person

21 (1) understands plans, design specifications, and engineering
22 terms commonly used in mechanical installations and piping;

23 (2) is familiar with mechanical installations and piping and
24 with mechanical installation problems peculiar to this state; and

25 (3) is familiar with the requirements of the Uniform Plumbing
26 Code, Uniform Swimming Pool, Spa and Hot Tub Code, Uniform Solar Energy
27 Code, and Uniform Mechanical Code that are currently in effect in the
28 state.

29 * Sec. 11. TRANSITIONAL PROVISION. In addition to the requirements of

1 AS 08.18.028, added by sec. 3 of this Act, by July 1, 1989, the following
2 persons must be, or employ a person who is, a licensed mechanical adminis-
3 trator under AS 08.40, added by sec. 9 of this Act:

4 (1) a person who is a registered mechanical contractor on
5 July 1, 1989;

6 (2) a person who applies before July 1, 1989, to be a
7 registered mechanical contractor and is issued a certificate of regis-
8 tration after July 1, 1989.

9 * Sec. 12. Sections 1, 2, 7, 9, and 10 of this Act take effect immedi-
10 ately under AS 01.10.070(c).

11 * Sec. 13. Sections 4 - 6, 8 and 11 of this Act take effect Decem-
12 ber 31, 1988.

13 * Sec. 14. Section 3 of this Act takes effect July 1, 1989.
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