

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672

5229 SCRA SB 468 - SJR 5

801

Senator Sturgulewski

- 2 -

February 23, 1988

Page 3, line 14, add "containing 940 acres more or less"

Please let me know if you need further information.

Sincerely,

Tom Hawkins
Judith M. Brady
Commissioner

cc: Committee members

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Establishing Ernie Haugan Public Use Area
Sponsor: Jones, Kelly, Halford, et.al
Requestor: Senate C&RA

Agency Affected: Natural Resources
BRU: Land and Water Management
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL		30.0	15.0	5.0	5.0	5.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		30.0	15.0	5.0	5.0	5.0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		30.0	15.0	5.0	5.0	5.0
FEDERAL FUNDS						
OTHER						
TOTAL		30.0	15.0	5.0	5.0	5.0

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Janet Burlison Phone: 465-3400
Division: Land and Water Management Date: 2/23/88
Approved by Commissioner: Tom Hawkins for Date: 2.23.88
Agency: Natural Resources

Distribution (by preparer):

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

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

February 23, 1988

The Honorable Arliss Sturgulewski
Senate Community & Regional Affairs
Alaska State Legislature
P.O. Box V
Juneau, Alaska 99811

Dear Senator Sturgulewski:

Subject: SB 468 establishing the Ernie Haugen Public Use Area.

Position: The Department supports this bill. However, there is a concern regarding the implementation of the plan and the operation and maintenance of the site as a public use area.

Fiscal note provides for immediate contract with a private design firm to develop a land use/development plan for the area. The second year the fiscal note provides for plan implementation - signs, trails, facilities, and maintenance. The third year and beyond provides for site operation and maintenance.

Background: This area was identified as important to the local community during the University Settlement proceedings and was therefore left out of the transfer.

Recommendation: The Department recommends the following language changes:

Page 2, line 5 insert the word "donation" after exchange;

Page 2, line 13 insert the words "or through" after access to;

Page 3, line 22 insert the words "and other public utilities" after facilities.

Page 3, line 20 insert after roads "expansion of the existing boat launching ramp and related parking"

Page 3, line 6 delete "W1/2" and replace with "W1/2W1/2, SW1/4SE1/4NW1/4, W1/2/SW1/4". This will delete the overlap with the University Settlement.

Senator Sturgulewski

- 2 -

February 23, 1988

Page 3, line 14, add "containing 940 acres more or less"

Please let me know if you need further information.

Sincerely,

Tom Hawkins
for Judith M. Brady
Commissioner

cc: Committee members

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Establishing Ernie Haugan Public Use Area
Sponsor: Jones, Kelly, Halford et.al
Requestor: Senate C&R4

Agency Affected: Natural Resources
BRJ: Land and Water Management
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

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OTHER						
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POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Janet Burleson Phone: 465-3400
Division: Land and Water Management Date: 2/23/88
Approved by Commissioner: Tom Hawkins for Date: 2.23.88
Agency: Natural Resources

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

Alaska State Legislature

ARLISS STURGULEWSKI, Chairman
TIM KELLY, Vice Chairman
RICK HALFORD
MIKE SZYMANSKI
FRED ZHAROFF



P. O. BOX V
JUNEAU, ALASKA 99811
(907) 465-4989

Senate Community and Regional Affairs Committee

TO: Senate C&RA Committee February 23, 1988
FROM: Senate C&RA Staff *NK*
RE: SB 468 - Establishing the Ernie Haugen Public Use Area.

The south end of Mitkof Island is a popular area for the residents of Petersburg and Wrangell for picnicking, camping, woodcutting, and other recreational activities. The land has been considered by DNR for sale. SB 468 would establish this area as the Ernie Haugen Public Use area.

A memo from Senator Jones explaining the issue is in this packet as are two maps of the area. A position paper and fiscal note from DNR will be available at the meeting. Also in the packet are several letters with underlined portions relevant to the use of the area. Senator Jones will be at the meeting to explain the bill.

ALASKA STATE LEGISLATURE


Home Address
3813 Denali Street
Ketchikan, AK 99901
907-225-9082

While in Juneau
P.O. Box V
Juneau, AK 99811
907-465-3743

Senator Lloyd Jones

MEMORANDUM

TO: Senator Arliss Sturgulewski, Chairman
Community and Regional Affairs Committee

FROM: Senator Lloyd Jones 

DATE: February 19, 1988

SUBJECT: SB 468, establishing the Ernie Haugen Public Use Area

This legislation has a two fold purpose; to honor a great public servant of Alaska and to ensure a traditional public recreation area continue to serve the residents of Petersburg and Wrangell as well as other Alaskans.

The intent for the public use area is to ensure historic and traditional activities are not impeded and to remove any discretionary authority from DNR to sell or transfer this area. It is also the intent that the area be managed under the existing funds within DNR's budget.

I can think of no greater honor to bestow upon Ernie Haugen. Ernie served Petersburg and Wrangell in the legislature for a period of twenty-two years; he is an individual who has been unwaivering in his support for the development of Alaska's natural resources.

The public use area has been used by the people of Petersburg and Wrangell for the past two decades as a picnicking, camping, and woodcutting area. It has also served as a staging area for loading and unloading boats and barges for pleasure and commercial uses. The Ernie Haugen Public Use Area would include only areas which have been traditionally used for the pleasure of the two communities. The description of the area is as follows; from the west, the area known as Green's Camp along the south side of the Mitkof Highway, including the Crescent Beach/Banana Point along the highway to Wilson Cove.

Also in the measure is language which provides for power and transportation easements should they become necessary. The purpose of this language is to allow for a potential ferry

Page 2,
Ernie Haugen
February 22, 1988

terminal and necessary roads as well as for compatible utility development should it become advisable.

I have included for your information letters that were exchanged between DNR and area residents from Petersburg expressing the desire for a traditional public use classification for the area. The underlined portions are the most applicable. Given past and existing use, I think the public use classification best fits the area being considered.

Attached are maps showing the location of the proposed public use area.

ALASKA STATE LEGISLATURE



Home Address
3813 Denali Street
Ketchikan, AK 99901
907-225-9082

While in Juneau
P.O. Box V
Juneau, AK 99811
907-465-3743

Senator Lloyd Jones

June 24, 1987

Judy Brady, Commissioner
Department of Natural Resources
Box
Juneau, Alaska 99811

Dear Commissioner Brady:

I am writing regarding the proposed state land transfers to the the University of Alaska near Petersburg. I want to know the department's response to the legislative intent for Thomas Bay which I and Senator Duncan was placed into your budget. I am also concerned about the sale of parcels on south Mitkof Island near Petersburg. You are now probably aware of the strong public sentiment in Petersburg to the proposed land transfers.

The areas on south Mitkof Island proposed for transfer to the University of Alaska have been historically used as recreation areas by the residents of Petersburg and to some degree the residents of Wrangell. In fact this is often a meeting area for the relatives and friends of the communities of Petersburg and Wrangell.

As a former Petersburg resident who has utilized that area with my friends and family I am concerned that the Department is making a bad public policy decision. I understand that the Department needs land to settle with the University of Alaska. However, I am concerned that the Department is proceeding without considering other options.

To my knowledge the Department did not determine if there was a possible legislative solution. It seems that this land trade is being rushed. It also appears that southeast Alaska is being asked to pay for some bad decisions made in southcentral Alaska. It appears that some hasty and uninformed decisions are being made which unfairly affect my constituents.

I encourage the Department to consider other options such as making future state land grants from the federal government in all parts of Alaska available to the University.

Page 2,
DNR-Petersburg

June 24, 1987

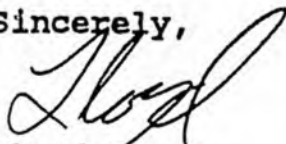
To take away state land which has been historically used as prime recreation land by generations of Alaskans seems unwise. Has DNR considered that these areas have had this historic recreational use? I wonder if DNR would take similar action against popular and prime state recreation near the major population areas of the state, or would some form of compromise be worked out?

The Senate and the House placed two separate intent language statments in the DNR budget which makes clear that the Thomas Bay lands were not to be considered in land exchange between the University and DNR. Had there been sufficient information and the opportunity there would be similar intent for south Mitkof Island.

I urge you to reconsider the Departments proposed actions on state land near Petersburg. I would also suggest that the Department consider other options such as future land selections that may be forthcoming from the federal government. I will be happy to assist DNR in finding a possible solution to this problem.

I look forward to hearing a response from the department regarding this letter.

Sincerely,



Lloyd Jones

May 5, 1987

Department of Natural Resources
400 Willoughby Avenue, #400
Juneau, Alaska 99801

Attn: Judith Brady

Dear Ms. Brady:

Today I was shown a petition which requests that the land you propose to sell to the University of Alaska, 2,649 acres on the south end of Mitkof Island, be withdrawn from the list of lands made available for selection by the University of Alaska.

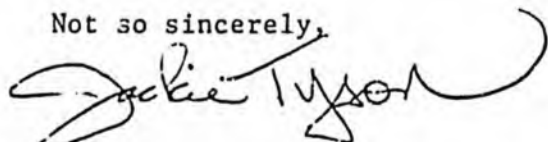
How can you so blatantly allow the sale of the best recreational area the citizens of this town have? In the summer, whenever we're fortunate enough to have a sunny day, those who have cars make the long drive to Banana Point, Crescent Beach or Green's Camp to roast hot dogs and marshmallows, to beachcomb, and to swim and waterski. You are giving away one of the few places for public sale an area which we all use and love.

Why in the world when you set out these land sales don't you take things into better consideration? If you want to sell land out there, at least you should reserve the land the public uses and save it for the good of all. If it's yours to dispose of... What is the sales price anyway? Why do you have to sell it all? If you must make a sale there, why not limit the land sold to only that on the upland side of the road?

You selected this for a recreational area around 4 years ago. What has happened???? I'm furious and so are a lot of people down here.

I would like you to respond to these questions and let me know just how it was determined to sell this prime piece of property. What are the trade-offs? This is absolute bull.

Not so sincerely,



Jackie Tyson
Box 587
Petersburg, Ak 99833

P.S. Petitions are being circulated throughout the town.

May 11, 1987

Judith Brady, Commissioner
Department of Natural Resources
Pouch M
Juneau, AK 99811

Dear Commissioner:

The citizens of Petersburg are very concerned over the inclusion of 2,649 acres on the south end of Mitkof Island in the list of lands available for selection by the University. We would like to see this area withdrawn and preserved for public use. There are only five places available to this community, and tourists, for recreational purposes. Three of the five recreation areas we enjoy are included in that 2,649 acres. It seems rather ironic that these parcels which were originally selected from the Tongass National Forest for inclusion in the State park system would then be turned around and sold for private use. Somehow it just doesn't add up.

The south end of this island is highly used by sport fishermen, commercial fishermen, hunters, boy scouts, girl scouts, families, different organizations have picnics at the recreation areas, and some people collect logs for firewood that have drifted up on the beaches. The impacts would be tremendous on the people of this community as well as on the land itself and the beaches when landowners try to get their various fill and construction permits. Of course, we can't forget the deer population which is now coming alive again. There have been numerous deer spotted along the roadside out there. There was also a moose spotted, which unfortunately was hit by a car. I understand Fish and Game anticipates reopening deer hunting on this island after being closed for almost 20 years. Disposing of the upper portions of this area will mean permanent closure to hunting for Petersburg residents which would have been open for hunting purposes.

I think it is a real shame that people were so uninformed about all this. There was not enough publicity to make people aware of what is being proposed. The vague description of the areas selected was very poor. There were no maps sent to show people the impact of the selection. After the informal hearing that was held here in town (which was poorly publicized) we decided to start a petition to inform people about what is going on and to let you know we oppose the selection of South Mitkof Island for the land settlement. After getting the enclosed petition typed up, and starting to spread the word, I was amazed how many people had no idea what it was even about. They were outraged that with something this major, which would impact

the whole community, was not made more public, besides the idea of taking away our recreation areas. People were also upset at the idea of decisions being made by the University to sell our recreation area for private use to generate revenue which will in turn not benefit the majority of our community. We will be the ones deprived of recreational areas on a small island which does not have an over abundance of them. The land selected in the Anchorage area doesn't even amount to a drop in the bucket compared to the over 4,600 acres to be taken from the Petersburg area. We were not even involved in the original transfer of the land between the University and the Municipality valued at approximately \$25,000,000. It seems rather unfair that the Anchorage area has approximately 1 acre and the Wasilla area approximately 2 acres compared to the 4,670 acres the Petersburg area is supposed to give up. Somehow I think the deck was loaded when this hand was dealt out.

We live on a small island and there are only two beaches that you can drive to on our highway system. One is just about 2 miles or so from town called Sandy Beach. It's a small beach but pretty nice if you don't mind not having much sun and getting the cold wind off the glacier when you are there trying to picnic. The only other beach you can drive to is Crescent Beach which has the unfortunate location of being in the middle of the proposed land settlement pool. It is the nicest beach to picnic at as it is on the southern end of the island which gets more sunshine and which the temperatures are always warmer than in town. It is also small and farther away from town, but is well worth the drive.

The enclosed petition was started the afternoon of Thursday, May 7th and collected Monday morning, May 11th. In that short amount of time we collected 391 signatures. Petersburg has a population of about 3,000 people and at least 1,500 adults. In just 3 days we collected signatures from over one-fourth of the adults in our community. If given more time for the petition we could have easily gathered signatures from practically every adult in town. Of all the many many people I showed the petition to, not one of them said they would not sign. I am sending a copy of the petition to you to show you that we are very much against the inclusion of this land in the proposed land selection.

I am also enclosing copies of three public opinion messages and a letter from a 9 year old girl written in regards to this land selection. You should also have received a letter from a concerned citizen of our community. The boy scouts in our community were also going to send a telegram(s) to

Judith Brady, Commissioner

Page 3

voice their concern in this matter. Please take time to read these letters and messages as this is something we want you to know that we do not take lightly.

Sincerely yours,

Teresa Stolpe

Teresa Stolpe
Concerned Petersburg Citizen

cc: Governor Cowper
Senator Jones
Representatives: Sund
Taylor
D. Daigger, DNR
C. Nash, University of Anchorage

July 7, 1987

Richard LeFebvre
Department of Natural Resources
Division of WLM
P.O. Box 107005
Anchorage, Alaska 99510-7005

Dear Mr. LeFebvre:

Enclosed you will find the copy of the petition that was circulated in Petersburg and sent to your Juneau office via DHL to Judy Brady, Commissioner and signed for by Lori Notestine, and also sent to your Anchorage office via Alaska Airlines Goldstreak to Denny Daigyar on May 12. I'm really glad that I called to inquire about the statement made in your letter to me saying that you'd received a petition with 51 signatures as it seemed you hadn't received our petition which had 391 signatures. Now as it has turned out, no one in your offices has any record of this petition at all. It just makes me wonder that if you lost a document of this nature, what else has been misplaced.

In my letter when it was stated that the Commissioner would not accept our petition, we were told that sending it to Juneau wouldn't meet the deadline requirements and that it had to go to Anchorage. Since we'd only heard about South Mitkof Island the week before the deadline, we were operating under a lot of pressure to have this in before it was too late. We had already sent one DHL to Juneau. This means we had to send the packet to Ketchikan via Wrangell Air Service which cost \$10 and then it went from Ketchikan to Juneau via DHL which cost another \$14. Then we had to turn around and make another copy and goldstreak that one to Anchorage which cost \$15. It doesn't make things easy having the jet go through to the north once a day and to the south once a day. I never realized how far away Anchorage and Juneau were till we went through this operation. You can imagine how shocked we are to find that neither of your offices has a copy of this document.

As I mentioned in a phone conversation with you day before yesterday, a map of S.E. Alaska, and the rest of the State, with the areas affected in a highlighted color with instructions to contact a specific local office written somewhere on the map would be a simple way that people would know what areas of the State were being considered in this land transfer. This is the sort of thing that would stand out at the post office or at the city office window or a place of like nature. The maps sent to me are pathetic to say the least. A sample is enclosed. At least with a broader, more general map, a person would be able to target the areas of concern and investigate more deeply using your maps as a second step going on from there to something like a topographic map.

The 'emergency' hearing in Petersburg was called to address the concerns of the moose hunters. The Mitkof Island lands were barely mentioned. The subject of that meeting was Thomas Bay basically, and hardly anyone was aware of the proposed transfer at the end of Mitkof Island. The emergency meeting, being called on short order, was not well advertised, and wasn't

on your agenda at all until the moose hunters raised such a stink that someone had to come down.

I have been informed that written statements by individuals holds more weight than a petition, and that is quite understandable. I just want you to know that I personally pounded the streets of this town and got 100 signatures on my own, and I'd be more than happy to go through the list of names and give you their comments. I had considered taking a tape recorder around to get some of the comments. Of course there were some that weren't fit for many people to hear. I'm sure everyone would be glad to say it again. The kids' comments were quite special.

Andy Pekovich asked me whether there were any areas we'd be willing to give up out there. His suggestion that the State keep from Banana Pt. to Wilson Creek Recreation Area is such a ridiculously small concession. The Sumner Strait Recreation Area known as Green's Camp is used all the time and is on the other end of the proposed land transfer from Banana Point. I didn't have the map in front of me at the time, so I just want to let you know that from the Banana Point Boat Launching Ramp to the Sumner Strait Recreation Area is the land we all use and dearly enjoy. We are adamantly against any of it being sold into private ownership. If people are allowed to build there, the result would be the destruction of the natural beauty of the area. We already have enough poaching in this area, and we don't want to see the bears, deer, eagles, and other creatures killed or frightened away. It is one of the pleasures to drive there and see bears and marten and other critters running along the road. We don't want to see it littered with abandoned vehicles and tacky residences. We want it to stay like it is.

Sincerely,

Jackie Tyson

Jackie Tyson

cc: Governor Cowper
Rep. John Sund
Rep. Robln Taylor

SB

476 -

477

Original sponsors: Halford, Faiks,
Josephson, et al.

1 IN THE SENATE

2 CS FOR SENATE BILL NO. 476 ()

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act creating the supplemental municipal assis-
7 tance fund for Railbelt communities; and providing
8 for an effective date."

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

10 * Section 1. AS 29.60 is amended by adding a new section to read:

11 ARTICLE 4A. SUPPLEMENTAL MUNICIPAL ASSISTANCE TO
12 RAILBELT COMMUNITIES.

13 Sec. 29.60.380. SUPPLEMENTAL MUNICIPAL ASSISTANCE TO RAILBELT
14 COMMUNITIES. (a) There is established in the department the supple-
15 mental municipal assistance fund for Railbelt communities as an ac-
16 count in the general fund. The fund consists of money appropriated to
17 it. Money in the fund shall be used to make payments to Railbelt
18 communities.

19 (b) The department shall adopt regulations for the determination
20 of entitlement to payments from the supplemental municipal assistance
21 fund, application and approval of payments, and administration of
22 payments.

23 (c) In this section "Railbelt community" means a municipality
24 located within 25 miles of the right-of-way of the Alaska Railroad or
25 a municipality located within a borough that is located within 25
26 miles of the right-of-way of the Alaska Railroad.

27 * Sec. 2. This Act takes effect immediately under AS 01.10.070(c)
28
29

*Amends to
AS 29.60.380
in
Capitol
Floor*

SB 476

COLUMN WRITE

	1	2	3	4	5	6	7
	Pop	Base Amount	Increased Assistance			Total Entitlement	
1	FWSB	46340	566727	2723066		# 3289793	
2	Fairbanks	27099	1047794	1592412		2640206	
3	North Pole	1640	31342	96370		127712	
4	Upernivik	522	12535	30674		43209	
5	Anderson	775	1356	45541		46897	
6	Mat-Su	36366	90818	2136966		2227784	
7	Houston	821	1653	48244		49897	
8	Wasilla	3977	54535	233699		288234	
9	Palmer	3116	54039	183104		237143	
10	Anchorage	248263	4918924	14588621		19507545	
11	Whittier	333	1634	19568		21202	
12	Seward	2279	45634	133920		179554	
13	Kenai	6546	145965	384661		530626	
14	Soldotna	3818	103024	224356		327380	
15	KPB	26221	347211	1540818		1888029	
16	Kachemak	325	491	19097		19588	
17	Homer	4020	62044	236226		298270	
18	Seldovia	403	5457	23681		29138	
19		<u>412864</u>	<u>7491183</u>	<u>24261024</u>		# <u>31752207</u>	

31,752,215 - 7,491,183 = 24,261,032

24,261,032 ÷ 412,864 = 58.762769

Alaska State Legislature

ARLISS STURGULEWSKI, Chairman
TIM KELLY, Vice Chairman
RICK HALFORD
MIKE SZYMANSKI
FRED ZHAROFF



P. O. BOX V
JUNEAU, ALASKA 99811
(907) 465-4989

Senate Community and Regional Affairs Committee

TO: Senate C&RA Committee February 23, 1988

FROM: Senate C&RA Staff

RE: SB 476 & 477 - Supplemental Municipal Assistance to Railbelt Communities.

SB 476 would establish a supplemental municipal assistance fund for Railbelt communities as an account within the general fund. SB 477 appropriates \$31,752,207 to that fund from the earnings of the Railbelt Energy Fund. Distribution of the supplemental municipal fund would take place immediately to qualified communities within 25 miles of the right of way of the Alaska Railroad. A committee substitute would expand the definition to include communities within boroughs located within 25 miles of the Alaska Railroad.

Attached is a memo from Senator Halford that further explains the program and a listing of the distribution of funds.

Senator Rick Halford

Senate District 1
Chugiak, Eagle River, East Anchorage, Fort Richardson



Senate Finance Committee
Co-Chairman

February 23, 1988

MEMORANDUM

TO: Senator Arliss Sturgulewski, Chairman
Senate Community and Regional Affairs Committee

FROM: Senator Rick Halford, Co-Chairman
Senate Finance Committee *Rick Halford*

SUBJECT: Senate Bills 476 and 477 - Supplemental
Municipal Assistance to Railbelt Communities

I appreciate the Committee scheduling the above two pieces of legislation so promptly, and offer the following as additional background on the two bills.

Senate Bill 476: This enabling legislation establishes a supplemental municipal assistance fund for Railbelt communities and authorizes payments to Railbelt communities. As defined in the original bill, "Railbelt community" is a municipality located within 25 miles of the right-of-way of the Alaska Railroad".

I offer the attached proposed committee substitute which amends this definition to include in addition to the above, a municipality located within a borough that is located within 25 miles of the right-of-way of the railroad.

Senate Bill 477: Appropriates \$31,752,215 for payment as supplemental municipal assistance to Railbelt communities. This amount reflects the interest which has been earned on the principle of the Railbelt Energy Fund through December 31, 1987.

The Department of Community and Regional Affairs has provided the following distribution of funds. It utilizes the current municipal assistance formula:

Fairbanks North Star Borough	3,289,793
Fairbanks	2,640,206
North Pole	127,712
Nenana	43,209

Anderson	46,897
Mat-Su	2,227,784
Houston	49,897
Wasilla	288,234
Palmer	237,143
Anchorage	19,507,545
Whittier	21,202
Seward	179,554
Kenai	530,626
Soldotna	327,380
Kenai Peninsula Borough	1,888,029
Kachemak	19,588
Homer	298,270
Seldovia	29,138
 TOTAL	 31,752,207

For your further reference, I have also attached the department's work sheet illustrating the above.

I appreciate the opportunity to discuss this legislation with the committee.

Thank you.

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An act..supplemental assistance.. for Railbelt communities.."
Sponsor: Halford, Faiks, etc.
Requestor: _____

Agency Affected: Community & Regional Affairs
BRU: Municipal Revenue Sharing

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	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Jim Plasman, Deputy Director Phone: 465-4750
Division: Municipal & Regional Assistance Date: _____
Approved by Commissioner: David C. Hoffmann Date: 2-22-88
Agency: Community & Regional Affairs

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

Alaska State Legislature

ARLISS STURGULEWSKI, Chairman
TIM KELLY, Vice Chairman
RICK HALFORD
MIKE SZYMANSKI
FRED ZHAROFF



P.O. BOX V
JUNEAU, ALASKA 99811
(907) 465-4989

Senate Community and Regional Affairs Committee

TO: Senate C&RA Committee February 23, 1988

FROM: Senate C&RA Staff

RE: SB 476 & 477 - Supplemental Municipal Assistance to Railbelt Communities.

SB 476 would establish a supplemental municipal assistance fund for Railbelt communities as an account within the general fund. SB 477 appropriates \$31,752,207 to that fund from the earnings of the Railbelt Energy Fund. Distribution of the supplemental municipal fund would take place immediately to qualified communities within 25 miles of the right of way of the Alaska Railroad. A committee substitute would expand the definition to include communities within boroughs located within 25 miles of the Alaska Railroad.

Attached is a memo from Senator Halford that further explains the program and a listing of the distribution of funds.

*Let was to go back to fund
It has not happened.
Can't dedicate funds*

Copper River

SB

511

Original sponsors: ~~Rules/House Members of the Joint Committee on Economic Recovery~~ *LABOR & COMMERCE COMMITTEE BY REQUEST*

DRAFT

1 IN THE HOUSE

2

Senate
CS FOR ~~HOUSE~~ BILL NO. *511* ~~557~~ (C&RA)

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 an exemption or deferral from
7 municipal taxation for economic development property;
8 and providing for an effective date."

9

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

10

* Section 1. AS 29.45.050 is amended by adding a new subsection to
11 read:

12

(1) A municipality may by ordinance exempt or defer from taxa-
13 tion, in whole or in part, economic development property. An ordi-
14 nance adopted under this subsection may not provide for an exemption
15 or deferral that exceeds five years in duration, must establish spe-
16 cific eligibility requirements for the exemption or deferral, must
17 require a written application for each exemption or deferral demon-
18 strating eligibility, and must subject each exemption or deferral to
19 approval by the governing body after a public hearing. The governing
20 body may deny an exemption or deferral under this subsection if it
21 finds that the exemption or deferral would result in an unreasonable
22 competitive disadvantage to other businesses in the municipality. In
23 this subsection "economic development property" means real or personal
24 property that may be depreciated for federal income tax purposes and
25 is used in a trade or business in a way tha:

26

(1) creates new employment in the municipality by generat-
27 ing sales outside of the municipality of goods or services produced in
28 the municipality; or

29

(2) materially reduces the importation of goods or services

1 from suppliers outside the municipality.

2 * Sec. 2. This Act takes effect January 1, 1989.

Alaska State Legislature

ARLISS STURGULEWSKI, Chairman
TIM KELLY, Vice Chairman
RICK HALFORD
MIKE SZYMANSKI
FRED ZHAROFF



P. O. BOX V
JUNEAU, ALASKA 99811
(907) 485-4989

Senate Community and Regional Affairs Committee

May 3, 1988

TO: Members,
Senate Community and Regional Affairs Committee

FROM: Staff
Senate Community and Regional Affairs Committee

RE: CSHB 511 (C&RA) - "An Act relating to an exemption or deferral from municipal taxation for economic development property; efd."

SB 511 is a companion bill to HB 557. HB 557 is currently in House Finance. The proposed draft CS for SB 511 mirrors the current version of HB 557 which has had extensive hearings in the House.

In this packet is a one page explanation of the bill, a position paper from DC&RA supporting the bill, a zero fiscal note, a memo from the Alaska Municipal League supporting the bill and the changes in the CS, a policy statement from the Anchorage Chamber of Commerce supporting temporary abatements and a letter from the State Assessor listing municipal tax exemptions currently on the books and the number of municipalities that have adopted them.

From
REP. GRUENBERG'S
OFFICE.

1. Local Governments may, by ordinance, exempt or defer from taxes.
2. Such an exemption may not exceed five years.
3. The governing body must establish specific eligibility requirements.
4. Written application demonstrating eligibility must be submitted by each project requesting the exemption. (thus it is on a case by case basis)
5. Must be a public hearing prior to governing body approval.
6. Such a request shall be denied if it creates an unreasonable competitive advantage within the local government's jurisdiction.

Economic development under the C&RA CS focuses on the stated desire of the original proposers that the exemption or deferral apply either to economic development that

- 1) creates new employment through the generating of goods and services produced inside the government's jurisdiction for sale outside the jurisdiction, (does not prohibit sales within a jurisdiction);
- 2) reduces the importation of goods and services.

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

P.O. BOX B
JUNEAU, ALASKA 99811-2100
PHONE: (907) 465-4700

949 E. 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508-4302
PHONE: (907) 563-1073

May 2, 1988

POSITION PAPER

RE: Senate Bill 511: "An Act relating to an exemption or deferral from municipal taxation for economic development property; and providing for an effective date."


SPONSOR: Labor and Commerce Committee

Program Summary

This bill relates to property taxes and adds a section to the optional exemptions that municipalities may adopt under AS 29.45.050. An ordinance adopted under this section would allow municipalities to exempt or partially exempt or defer or partially defer from taxation property that is classified as economic development property. In order to qualify for any tax exemption or deferral the property must fulfill certain local eligibility requirements and must create new employment and provide goods or services that are used in, or, exported from the municipality.

Comments

The language in SB 511 is consistent with existing statutes, serves a positive public purpose and provides direction and guidance to municipalities. The primary focus of this bill is to assist municipalities currently seeking ways to encourage economic development. Those activities are fully promoted by this Department, and we support passage of this bill.


Marty Rutherford
Acting Deputy Commissioner

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An act..exemption municipal tax..
economic development property..."
Sponsor: Labor & Commerce Committee
Requestor: _____

Agency Affected: Community & Regional Affairs
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	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Jim Plasman, Deputy Director
Division: Municipal & Regional Assistance
Phone: 465-4750
Date: 5/2/88

Approved by Commissioner: [Signature]
Agency: Community & Regional Affairs
Date: 5/02/88

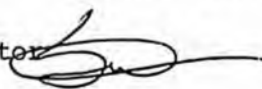
Distribution (by preparer):
Legislative Finance
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Requestor
Office of Management and Budget
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Alaska MUNICIPAL League

TELEPHONE
(907) 586-1325

105 MUNICIPAL WAY, SUITE 301
JUNEAU, ALASKA 99801

TO: Senator Arliss Sturgulewski, Chair
Members of the Senate Community and Regional Affairs Committee

FROM: Scott A. Burgess, Executive Director 

DATE: May 3, 1988

SUBJECT: SB 511 - Optional exemption from municipal taxes for
economic development property

On behalf of its municipal members, the Alaska Municipal League supports SB 511, allowing municipalities to exempt municipal taxes on economic development property. In addition, the AML requests that SB 511 be amended to include "exemptions and deferrals", similar to CSHB 557 (C&RA).

The AML's support is based on the 1988 AML Policy Statement language below:

PART X - ECONOMIC DEVELOPMENT, B. INCENTIVES:

1. Local Incentives: The League urges the Legislature to adopt legislation which would allow local municipalities greater flexibility through the use of local options in offering property tax incentives to new and expanding industry and business.

The bill would accomplish this policy in the area of optional exemptions on economic development property, in whole or part, for up to five years. The proposed legislation would allow a municipality to provide an incentive to a specific or type of industry or business it wishes to attract or support. Allowing optional tax exemptions for economic development property will provide municipalities with another option in carrying out community development strategies which fit their unique circumstances. Adequate safeguards exist by requiring an ordinance; a five year limitation; eligibility criteria; and, findings of no "unreasonable competitive disadvantage" and of benefit to the community.

The deferral language would expand the municipalities' options to defer with a payback where appropriate. While tax advantages may be only one, and in some cases a less significant, criteria for a business or industry locating in a community, it could also be the deciding factor. The AML supports SB 511. Thank you.



Anchorage • *Star of the North*
Chamber of Commerce

1988
LEGISLATIVE
PRIORITIES

Anchorage Chamber of Commerce
415 F Street
Anchorage, AK 99501-2254

Bulk Rate
U.S. Postage
PAID
Permit No. 39
Anchorage, AK

December 4, 1987

LEGISLATIVE PRIORITIES

ions in operating expenditures and capital expenditures based on d by enhanced oil revenues and/or expenditures and entitlements. En-onal amendment allocating perma-restricting expenditures.

asures to protect and reinvigorate nition of continuing recessionary lowing recommendations:

s.

onomic incentive policy.

ods of compensation for overtime.

public lands to private sector.

m.

return transportation law.

"Davis-Bacon Act."

posing limitations on public em-and benefits.

ers' compensation statutes.

ish financially viable priorities:

tewater projects.

d projects.

ces: Equitable distribution of funding very to the recipient rather than the gin.

of Anchorage Crime Commission re-

cy law related to drug trafficking.

ion of marijuana.

itimony in grand jury proceedings.

access to state conviction records.

e: Legislative incentives to hire Alas-Alaska goods and services.

y Fund/Bradley Lake Hydro Project.

coastal plain to environmentally re- exploration, development and produc-

additional efforts to secure genuine laws.

al Airport: Support legislation estab- Airport Authority.

I. Budget

The Legislature should continue to reduce the state operating budget in response to expected future declines in oil production and the inherent instability of market prices. Aggressive reductions in state spending should occur prior to consideration of appropriating monies from other distinct funds. Any surplus created as a result of rising oil prices or further reductions in the state operating budget should be expended on capital projects designed to improve infrastructure and stimulate the economy. The Chamber strongly opposes increases in taxes of any kind, including modification of the economic limit factor, imposition of an individual income tax, state sales tax, or increases in the motor fuel tax. Excess earning reserves are to be applied to a budget deficit only after aggressive measures have been undertaken to reduce state spending. The legislature should not use the corpus of the Permanent Fund to finance the activities of state government under any foreseeable circumstances. The Chamber endorses SJR 40 proposing a ballot measure to amend the Alaska State Constitution to authorize allocation of permanent fund earnings as follows: 40% to dividends, 30% to inflation proofing, and 30% to the budget reserve account. The Chamber also supports provisions in SJR 40 imposing constitutional spending limitations on future state legislatures.

II. Economy

The Chamber recommends that the legislature consider the following recommendations to protect and reinvigorate the Alaskan economy:

A. Taxes. The legislature should not, under any foreseeable circumstances, impose increased taxes or user fees on any segment of the Alaska economy during the impending recession. Nor should the legislature impose the equivalent of additional taxes on the oil industry by modifying the economic limit factor. Such action would disrupt long-term operating plans for major Alaskan oilfields and weaken the commitment of industry to expand additional exploration and development funds in the state. The Chamber is also opposed to any proposals in the Alaska state legislature to impose separate accounting methodology on oil and gas companies for the purpose of calculating corporate income taxes. Nor should the legislature consider imposing a personal income tax, state sales tax, or any increased motor fuel tax.

B. Economic Incentive Policy. Alaska is one of a dwindling number of U.S. states that does not have an "economic incentives policy" in place to help local development groups lure basic industry to Alaska. The Anchorage Chamber of Commerce supports the enactment of an economic incentives policy that would include:

- 1) Temporary tax abatement
- 2) Infrastructure investment
- 3) Land and resource availability
- 4) Financing assistance

These inducements should be made available only to qualifying private-sector projects that expand Alaska's economic base. They should provide a flexible array of incentives that encourage development without unduly subsidizing it. In addition, the Chamber supports amending Alaska Statutes, Title 29 to allow local governments to offer temporary property tax incentives to qualifying economic development projects.

C. Alternative methods of compensation for overtime. The state legislature should adopt legislation incorporating appropriate federal regulatory methodology for compensating employees engaged in operations involving irregular work weeks. Specifically, the legislature should eliminate impediments to alternative methods of compensating for overtime, including compensatory time off and flexible work week plans. Such action will assist natural resource development projects involving work schedules which are unpredictable with respect to time demands on employers and employees.

D. Expeditious Conveyance of Public Land to Private Sector. The legislature should expedite the conveyance of municipal, state and federal public lands to the private sector. The legislature should require the Department of Natural Resources to expedite the process of issuing permits, leases, and mining production licenses on state mineral lands to facilitate natural resource development.

E. Regulatory Reform. The State of Alaska's redundant, overly complicated, and counterproductive regulatory processes impede economic development and growth. The Chamber supports passage of House Bill 212 establishing the Department of Natural Resources as the lead agency for all natural resource projects in Alaska. The legislature should consolidate coastal zone management authority within DNR and curtail CZM jurisdiction over all upland areas which are more than three miles removed from the Alaska coastline. Many of the existing regulations of DF&G and DEC are redundant with federal regulations promulgated by the EPA and Federal Fish and Wildlife Service. The state legislature should review and consider eliminating any unnecessary regulatory programs in an effort to conserve public funds and encourage development of Alaska's natural resources through private investment. Federal programs which are appropriate for the state to assume exclusive control and jurisdiction in an effort to benefit local industry should be excluded from this process.

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

MUNICIPAL & REGIONAL ASSISTANCE DIVISION

- | | | | |
|---|---|---|---|
| <input type="checkbox"/> 949 E. 36th AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508-4302
PHONE: (907) 561-8588 | <input type="checkbox"/> P.O. BOX 348
BETHEL, ALASKA 99559-0348
PHONE: (907) 543-3475 | <input type="checkbox"/> P.O. BOX 10041
DILLINGHAM, ALASKA 99576-1041
PHONE: (907) 842-5135 | <input type="checkbox"/> 1514 CUSHMAN STREET, ROOM 210
FAIRBANKS, ALASKA 99701-6288
PHONE: (907) 452-7128 |
| <input type="checkbox"/> P.O. BOX BH
JUNEAU, ALASKA 99811-2110
PHONE: (907) 465-4750 | <input type="checkbox"/> 710 MILL BAY RD.
KODIAK, ALASKA 99615-6340
PHONE: (907) 486-5736 | <input type="checkbox"/> P.O. BOX 350
KOTZEBUE, ALASKA 99752-0350
PHONE: (907) 442-3696 | <input type="checkbox"/> P.O. BOX 41
NOME, ALASKA 99762-0041
PHONE: (907) 443-5457 |

April 21, 1988

The Honorable Henry Springer
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Springer:

In the hearing on CSHB557 yesterday, you mentioned the number of property tax exemption bills you had seen before the Legislature this session and took a sympathetic position for those who do not enjoy such exemptions, and, in fact, wind up making up the difference in taxes for each exemption granted. As I am sure you can imagine, the Office of the State Assessor shares that sympathy, and our general position on most exemption proposals is one of opposition.

Your comment, however, along with some recent discussion before the Senate Community and Regional Affairs Committee, prompted us to do some research in the area of local option exemptions to see how many of the exemptions available under AS 29.45.050 have actually been adopted by municipalities in recent years. We believe you will find the results interesting.

The Honorable Henry Springer
April 21, 1988
Page Two

Enclosed is a chart on that subject showing the amount of activity which has occurred since September, 1972, when the original Title 29 rewrite took place. You will note there are question marks beside two of our estimates. In those two cases we were not certain about the actual number, but we believe those listed to be correct. There are a total of 25 municipalities in the State which currently levy a property tax. The reason certain of the numbers in the first column do not equal 25 is because some communities had already adopted various types of exemptions prior to the 1972 rewrite, and "grandfathered" in under the rewrite language.

We hope you find this chart interesting and beneficial. If you have questions regarding this information, please do not hesitate to contact me.

Sincerely,



Mike Worley
State Assessor

Enclosure

cc: Arliss Sturgulewski, Chair
Senate Community and Regional
Affairs Committee

The following statistics apply to the adoption of municipal property tax exemptions since September, 1972. Column one shows the number of municipalities which had the option to exempt certain properties. Column two shows the number of municipalities which actually did adopt the exemptions.

	1	2
Optional exemptions under <u>AS.29.45.050</u>	<u>Available to this number of municipalities</u>	<u>Number of municipalities actually adopting the exemption</u>
(a) \$10,000 residential	25	5
(b)(1) boats @ \$5 and \$15	10	1
<u>(b)(2)(A) community purposes property</u>	<u>25</u>	<u>2</u>
(b)(2)(B) historic sites	25	0(?)
(b)(2)(C) nonprofit agricultural	25	0
<u>(b)(3) all personal property</u>	<u>20</u>	<u>2</u>
(b)(4) business inventories	13	3
(b)(5) motor vehicles	13	2
<u>(e) land and wetlands</u>	<u>25</u>	<u>0</u>
(f) new maintenance (residential)	25	1
(g) addition to home	25	0
<u>(h) fire protection</u>	<u>25</u>	<u>0</u>
(i) Senior/Disabled Vets over \$150,000	25	2
(j) timber processing	25	1
<u>(k) EPA facilities</u>	<u>25</u>	<u>1(?)</u>



ANCHORAGE
ECONOMIC
DEVELOPMENT
CORPORATION

March 31, 1988

Honorable Arliss Sturgulewski
Senate
Alaska State Legislature
P.O. Box V
Juneau, Alaska 99811

Dear Senator Sturgulewski:

Recently you received from my office two pieces of draft legislation regarding economic development incentives. Specifically, one would give local governments the authority to offer property tax abatements and the other would allow utilities to offer economic development incentive rates. Both bills contain strong provisions for local control and oversight and strong safeguards that ensure public process.

This letter is to reconvey those bills to you with some slight improvements. Those passages that are underlined have been added or redrafted. However, none of the changes are substantive, just some fine tuning.

The support for this legislation is broad and growing. Groups as diverse as the Alaska Municipal League, the Anchorage Chamber of Commerce and the Anchorage Board of Realtors have endorsed it specifically or in concept. These groups understand the real need for some tools with which to conduct economic development.

Again, we would welcome any comments on these bills and appreciate your time and support.

Respectfully submitted,

Scott E. Hawkins
President and CEO

Attachments:

- 1) Revised Bills
- 2) Position Statements from Various Organizations
- 3) Survey of U.S. Cities' Use of Economic Development Tools

550 West 7th Avenue
Suite 850
Anchorage, AK 99501
Telephone (907) 258-3700

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

(1.3) HB 557
STEVE COWPER, GOVERNOR

- P.O. BOX B
JUNEAU, ALASKA 99811-2100
PHONE: (907) 465-4700
- 949 E. 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508-4302
PHONE: (907) 563-1073

April 15, 1988

POSITION PAPER

RE: House Bill 557 "An Act relating to an exemption or deferral from municipal taxation for economic development property; and providing for an effective date."


SPONSOR: House Joint Committee on Economic Recovery

Program Summary

This bill relates to property taxes and adds a section to the optional exemptions that municipalities may adopt under AS 29.45.050. An ordinance adopted under this section would allow municipalities to exempt or partially exempt or defer or partially defer from taxation property that is classified as economic development property. In order to qualify for any tax exemption or deferment the property must fulfill certain local eligibility requirements and must create new employment and provide goods or services that are used in, or, exported from the municipality.

Comments

The language in HB 557 is consistent with existing statutes, serves a positive public purpose and provides direction and guidance to municipalities. The primary focus of this bill is to assist municipalities currently seeking ways to encourage economic development. Those activities are fully promoted by this Department, and we support passage of this bill.


Marty Rutherford
Acting Deputy Commissioner

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An Act..exemption..municipal tax-
ation..economic development property.."
Sponsor: Rules Committee
Requestor: House Members of the Joint
Committee on Economic Recovery

Agency Affected: Community & Regional Affairs
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	-0-	-0-	-0-	-0-	-0-	-0-

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

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Jim Plasman, Deputy Director Phone: 465-4750
Division: Municipal & Regional Assistance Date: 4/14/88

Approved by Commissioner: M.K. Rutherford Date: 4/14/88
Agency: Community & Regional Affairs

Distribution (by preparer):

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

ALASKA STATE SENATE

JOE P. JOSEPHSON
DISTRICT H ANCHORAGE
3111 C STREET, SUITE 550
ANCHORAGE, ALASKA 99503
(907)561-7611



WHILE IN JUNEAU
P.O. BOX V
JUNEAU, ALASKA 99811
(907) 465-4025

*Hoffman
4/4/88*

April 8, 1988

*HB 557
559
Statement
Econ Development
mly/wentz
muni Int Est
lowell...*

Mr. Scott Hawkins
President and CEO
Anchorage Economic
Development Corporation
550 West Seventh Avenue
Suite 850
Anchorage, Alaska 99501

Dear Scott:

Thanks for your letters of March 23 and 31 and the enclosed draft legislation regarding tax incentives and utility charges.

I will recommend to the Co-Chairs of the Committee on Economic Recovery that these concepts be considered in the Committee, of which I am a member, with a view to possible introduction in the Legislature. As you know, the opportunity for passing bills is getting shorter and shorter because of the 120-day deadline, but I think your letters make a strong case for consideration of these measures.

With best wishes, I am

Sincerely,

Joe Josephson
Joe P. Josephson
State Senator

JPJ:rak

cc: Senator Arliss Sturgulewski
 Senator Lloyd Jones



REALTOR[®]

ANCHORAGE BOARD OF REALTORS[®], INC.
510 WEST TUDOR, SUITE 8
ANCHORAGE, ALASKA 99503
(907) 561-2338



March 25, 1988

Mr. Scott Hawkins, President
Anchorage Economic Development Corporation
550 West 7th Avenue, Suite 850
Anchorage, Alaska 99501

Dear Mr. Hawkins:

On behalf of the Anchorage Board of Realtors I would like to take this opportunity to thank you for attending our forum discussion Thursday evening and presenting AEDC's proposed incentive legislation to our membership for discussion.

Although the turnout was not as good as I had hoped, I am happy to report that the support was very strong with only one person dissenting in the straw poll. The Anchorage Board of Realtors will take an official position in support of the legislation and recommend statewide support at the Alaska Association of Realtors Legislative meeting on March 31st.

In addition we would be willing to give public testimony in support of the legislation when you present it to the Anchorage Assembly on April 5, if you deem it helpful and appropriate. Please let me know if we can be of assistance.

Sincerely,

Anita Bates

Anita Bates
President

TABLE II-1 PERCENTAGE OF CITIES USING ECONOMIC DEVELOPMENT TOOLS

TOOLS	USED IN THE PAST	AMOUNT OF USAGE IN 1986		LIKELY TO USE IN THE FUTURE
		EXTENSIVE	OCCASIONAL	
<u>COST REDUCTION</u>				
→ Deferred Tax Payments	11.2	2.2	8.1	13.7
Direct Cash Contribution to Project	39.4	7.5	30.7	36.6
Direct Loans to Private Business	47.2	16.5	28.3	48.4
Donation of Land to Developers	14.9	0.9	11.2	19.6
Donations of Unused Real Property	28.9	4.3	19.6	29.8
Foreign Trade Zones	19.9	5.0	15.2	37.6
Historic Preservation Designation	59.9	20.8	33.9	63.7
In-Kind Payment	27.3	4.7	18.6	27.3
Issuance of Tax-Exempt Bonds For Private Development	78.3	34.2	36.3	57.8
Land Write-Downs	45.3	10.2	23.0	44.7
Loan Guarantees	30.5	5.6	22.4	32.6
Loan Subsidies	39.8	12.1	22.4	38.5
Revolving Loan Funds	49.1	26.4	21.4	62.1
Sale-Lease Back	16.5	1.9	9.6	24.2
Shared Equity	18.9	2.5	11.8	27.6
Syndication	12.4	4.0	4.7	13.7
→ Tax Abatement	39.4	12.7	27.0	44.4
Taxable Bonds	13.0	3.4	9.6	37.9
Venture Capital	7.8	1.2	8.7	26.4
<u>CAPACITY IMPROVEMENT</u>				
Assignment of Air Rights	21.4	1.6	14.9	28.0
Building Construction/Renovation	38.8	15.8	20.2	42.9
Daycare Assistance	8.7	3.7	5.9	16.8
Development Fees (linkage)	17.4	5.0	13.4	27.0
Employee Training/Retraining	53.4	26.4	25.5	55.6
Entrepreneurial Assistance	37.3	16.5	26.4	51.9
Infrastructure Improvements	85.4	47.5	32.3	83.5
Land Acquisition	68.6	23.0	36.3	69.3
Land Clearance	60.6	20.5	30.4	57.8
Land Condemnation	56.5	14.0	30.1	56.2
Leasing of Land to Developers	31.7	6.8	21.7	46.3
Local Survey of Business Needs	56.2	19.3	30.4	66.1
Lot Consolidation	42.2	13.0	23.3	43.2
One Stop Business Center (permitting)	33.2	23.9	9.9	55.3
Procurement Assistance	20.2	6.5	17.7	30.7
Relaxation of Building or Zoning Regs.	22.7	2.5	18.3	24.2
Relaxation of Environmental Regs.	2.5	0.3	3.1	4.3
Relocation of Residents & Business from Redev. Areas	60.6	17.1	28.9	55.3
Sale of Land to Developers	69.3	22.4	36.0	72.0
Special Purpose Zoning	37.6	6.5	26.1	45.3
Strategic Planning	45.7	27.0	23.3	62.8
<u>MARKET EXPANSION</u>				
Advertising	54.0	21.7	36.0	62.4
Export Assistance	14.0	4.3	10.2	26.1
Marketing Strategy	53.7	29.5	28.6	68.9
Promotional Missions (domestic)	42.5	13.4	28.6	50.3
Trade Missions Abroad	25.5	4.0	20.2	32.0

Source:
League of Cities



REALTOR®

ANCHORAGE BOARD OF REALTORS®, INC.
510 WEST TUDOR, SUITE 8
ANCHORAGE, ALASKA 99503
(907) 561-2338



March 25, 1988

Mr. Scott Hawkins, President
Anchorage Economic Development Corporation
550 West 7th Avenue, Suite 850
Anchorage, Alaska 99501

Dear Mr. Hawkins:

On behalf of the Anchorage Board of Realtors I would like to take this opportunity to thank you for attending our forum discussion Thursday evening and presenting AEDC's proposed incentive legislation to our membership for discussion.

Although the turnout was not as good as I had hoped, I am happy to report that the support was very strong with only one person dissenting in the straw poll. The Anchorage Board of Realtors will take an official position in support of the legislation and recommend statewide support at the Alaska Association of Realtors Legislative meeting on March 31st.

In addition we would be willing to give public testimony in support of the legislation when you present it to the Anchorage Assembly on April 5, if you deem it helpful and appropriate. Please let me know if we can be of assistance.

Sincerely,

Anita Bates
President

Opinion

Friday, April 15, 1988

Special-interest bills to bail out businesses

This year's legislative session has been flooded with bills to create state-funded welfare programs for businesses, but the latest group is by far the worse.

Last Monday the Senate Finance Committee introduced SB502, the bankers' bail-out of 1988. Moving with uncommon speed, the first committee hearing is scheduled next Monday.

This bill would authorize the state to buy low-interest subordinate debentures from Alaska banks. There's no requirement that the bank be in any financial difficulty to deserve this largess, just that it have less than \$150 million in capital.

Most people are unfamiliar with the subordinate debenture, for the same reason that most people are unfamiliar with climbing the south face of Denali in the winter. A debenture is a form of unsecured long-term debt. A subordinate debenture is one where the lender agrees that all other claims against the borrower's assets will have priority over his own claim in the event that the company borrowing his money goes into liquidation, bankruptcy or reorganization.

Subordinate debentures are good for the borrower because they make it easier for him to borrow even more money from more pru-



**Fred
Pratt**

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

dent lenders. The subordinate position taken by the debenture owners means newer lenders have a more secure position, they can effectively get into line ahead of the subordinate debenture holder.

In the normal business world, the subordinate debenture carries higher interest rates to reflect the greater risk involved. That's not the case in SB502. It would require only a minimum interest rate of one-half of 1 percent more than the prevailing rate on municipal bonds of the same maturity, among the lowest rates in the lending market.

The money would be available to "a bank, savings bank or bank holding company" chartered in Alaska and with its principal office here.

The bank wouldn't have to start paying back the state's bail-out for 20 years. The only limit on the amount of new debt the state is will-

ing to buy is the amount of the bank's capital, surplus and undivided profits on Dec. 31, 1985, which reflects the high-point of most Alaska bank's recent balance sheets.

The bill would also give the state a special exemption from its laws limiting the amount of money it can loan to a single borrower. Subordinate debentures bought under this new program "may be issued without regard to the principal amount of the notes and debentures of the institution that are outstanding on the date of issuance."

For the banks that have done the poorest in the past two years, the bill allows the state to loan substantially more than the bank's net worth.

There's only one restriction on how the bank can spend all this money. The bank has to agree to invest at least 15 percent of the purchase price in areas of the state outside of metropolitan areas within three years after receipt of the purchase price.

The exact definition of "metropolitan area" is left up to the Alaska Industrial Development and Export Authority, which is to manage the program. The money is supposed to come from the same source that is supposed to supply the rest of AIDEA's business loans.

Interestingly the bill contains a

legislative finding that the state's banks have, "... during the last two years, lost a major portion of their capital due to circumstances not of their making." One might well argue with that, as one might also argue with other statements in the bill that it is intended to invest money "at minimum risk" with the aim of "increasing banking competition."

This brazen and shameless piece of special interest legislation bears the title, "An Act relating to the economic stabilization program." One commentator at a related legislative hearing Saturday noted that "economic stabilization" is something of a contradiction, since a healthy economy is by nature unstable.

He's right. "Economic stability" is in fact an economic coma, and SB502 would do little more than reinforce the status quo among our financial institutions.

Another welfare bill for industrialists is HB557, introduced Tuesday. It would allow municipalities to exempt or defer real or personal property taxes on "economic development property" in its jurisdiction.

An economic development property is any real or personal proper-

ty that may be depreciated for federal income tax purposes and is used in a trade or business in such a way that it creates employment, generates sales outside the municipality of goods and services produced in the municipality, or reduces the importation of outside goods or services.

A legislative staffer told me Wednesday this bill, which comes up for its first committee hearing April 20, will probably be amended to replace the "or" with an "and," making it less general and more aimed at export industries.

The third bill is so bad even its sponsors are afraid to make it public. It would let electric utilities grant similar preferential rates to business customers.

It took me four days of requests and one day of vile threats to get a draft of this bill, along with an explanation that it will be completely rewritten before it's introduced in the Legislature.

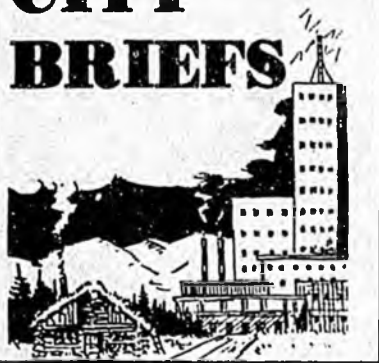
It and its companion bill on taxes were written by Scott Hawkins, a former bank economist who now heads an Anchorage economic development office.

Fred Pratt, a freelance writer living in Fairbanks, is a reporter and long-time observer of Alaska politics.

Fairbanks

Fairbanks Daily News-Miner, Fairbanks, Alaska

CITY BRIEFS



TODAY

6 p.m.—Fairbanks Libertarian Party TGIF supper club, 1604 Madison Drive. Bring your own cocktails. Dinner at 7 p.m. RSVP: 479-4250.

6:30 p.m.—Veterans of Foreign Wars Post and Auxiliary No. 3629 dinner, 3535 Holt Road. Information: 451-8810 or 452-4273.

6:30 p.m.—Catholic Ladies dinner and auction, Westmark Fairbanks, \$16. Please bring an item for the auction. Contest: Design your own hat. Information and reservations: 452-6029 or 452-3477.

7 p.m.—Al-Anon Alatot meeting, St. Matthew's Episcopal Church. Information: 456-6458.

7:30 p.m.—Interior Farming Association meeting, Agriculture Museum, Tanana Valley Fairgrounds. Dan Nelson will speak on markets for agricultural products.

Disabled vet to lose Medicaid payments

Disabled veteran Jim Kincaid will lose his Medicaid payments in two weeks, but volunteers say they will help care for him at his Northward Building apartment.

Garth Patterson, public hearing officer for the state Division of Medical Assistance, determined Thursday that Kincaid, who has multiple sclerosis, is ineligible for Medicaid payments.

Kincaid receives \$812 in social security disability payments, and to be eligible for Medicaid he cannot make more than \$659 a month.

Earlier this year, a doctor had determined that Kincaid needed \$1,600 in monthly medical payments for an in-home care program.

Karel Parsons, a registered nurse who has helped Kincaid since he moved into the apartment three months ago, said she and Billie Keaster, a personal care attendant, will continue to help Kincaid even though he cannot afford to pay them.

City crews begin

City crews began work on the

Short Takes

City crews began work on the project as a result of a lawsuit filed by the Sierra Club in 1986.

Dixon interim head of UA Museum

The University of Alaska named James Dixon acting director of the UA Museum. Dixon, the curator of the archeology collection, will replace Basil Hedrick, who leaves in June.

Hedrick is leaving to become director of the Michigan State University museum system.

Dixon joined the UA Museum in 1974, and was named an associate professor of archeology at the University of Alaska Fairbanks in 1982.

Cowper to fight cuts in aid to state

WASHINGTON—Gov. Steve Cowper Wednesday pledged to fight the proposed Reagan

Walley warns sta

A standoff Thursday over further purchases of property on the Savoy Bar block led Mayor Bill Walley to threaten to abolish the Fairbanks Development Authority.

"You're all my friends, I appointed all of you," Walley told the five of seven members present. But he said if the board didn't move to buy those properties, he had no alternative but to ask the Fairbanks City Council to disband the FDA.

"I think I've got the votes to do that. At that time, the city will take the money and will continue the negotiations," he said.

Four votes are needed by the board to adopt a motion. At one point the five members present couldn't muster votes to adjourn. Chairman Ray Kohler stood and tersely said he was leaving. Discus-

sion did resume, but without resolution.

Votes snagged 3-2 on various motions. Pat O'Rourke and Elizabeth Keating held firm that the prices negotiated for the two properties are too high. Kohler, Jim Messer and Gerald Victor were voting yes. Absent were Dave Rasley and Bob Bett'sworth.

Discussion went round and round on the current real estate market, the comparable value of downtown property, the business income that will be lost by the sellers and what it might cost the city if condemnation is pursued.

The goal is to acquire all properties in the block between Second and Third avenues and Lacey and Noble streets, and ultimately level the buildings and construct a parking garage. The grant money is insufficient to achieve that at pre-

Baby may owe life to carseat

By NED ROZELL
Staff Writer

A child restraint seat may have prevented a tragedy Thursday night as a car containing two adults and an infant flew off an embank-



Mississippi Has An Objective Method

By Edward L. Thomas
and Anne Ashworth

It can spell economic chaos for a state.

A medical group claims that all personnel using its system at a local hospital are employees of the system and are highly trained. They want a tax abatement. A lift company submits a number of separate proposals all of which make a case for abatements. And another industry, knowing there are no objective criteria for deciding who qualifies for income tax or sales tax abatements on purchases, wants additional tax cuts.

Political and community pressure is brought to bear on selection boards to grant abatements for area businesses, and, ultimately, almost any type of industry, whether "high tech" or "low tech," is assured of reduced taxes.

Industries in every state are lining up at any available "tax trough." Without a program to evaluate who merits a tax abatement and who doesn't, states can make costly investments of tax dollars that don't always show a healthy return.

In Mississippi, where the current tax incentives can amount to \$1,000 per employee in state income tax abatements and exemptions on sales tax for supplies and materials used in expansion or construction of new facilities, we've developed a model for determining who qualifies for tax abatements. It is custom fitted to existing computer software so it can be easily used by

officials trying to coax companies into their areas.

Developed by a university research team working with the state Department of Economic Development, Mississippi's selection model helps determine which new or expanding industries are high tech by Mississippi standards, but other states can use it as an example for developing their own models.

What is needed are the following components:

- **A Data Bank.** In Mississippi, some 20 high-tech industries that had been declared eligible for tax abatements in the last two years were randomly selected to provide statistics for the data bank. They ranged from being marginal high tech to being state-of-the-art in technology. Since the term "high tech" is not readily definable, 10 indicators that are common to high-tech industries were used as benchmarks in the selection model. Five deal with average annual salaries of employees and five deal with capital investment. This information is provided by each industry when applications for tax abatements are filed with the state.

- **Data on Average Annual Salaries.** High-tech industries are perceived in Mississippi as those companies employing a large percentage of engineers, scientists, certified and skilled technicians and other skilled workers and a small percentage of semi-skilled and unskilled workers. Highly skilled workers are expected to be paid annual salaries competitive with their peers in other states. Weights are applied to salary data to reward those industries

that have a large percentage of highly skilled labor. Thus, with the application of the selection formula, companies with a majority of unskilled workers at low salaries will have little if any chance of obtaining state tax abatements unless they build and maintain operations in an area designated as economically depressed.

- **Capital Investment Data.** High tech in Mississippi also applies to companies that invest a large percentage of capital in research and testing, analytical labs, robotics, computers and computer-aided drafting and engineering equipment and other automated equipment. Weights are applied to capital expenditures for research, robotics and computers. Those industries with capital investments below average, when compared to the industries in the data bank, will also encounter problems receiving tax abatements.

- **Computer Application.** Mississippi uses a Lotus 1-2-3 computer software program to record information on average annual salaries and capital investment. Once the data bank was established, weights were applied and a numerical ranking of industries was developed using simple descriptive statistics. Industries with high positive rankings or scores are classified as high tech while those with low rankings and negative scores are classified as low tech. In processing a new application for tax abatements, the computer operator simply calls up the program and the data base, enters the salaries and capital investment data from the application and the computer does the rest. If the industry gets a positive score, a decision will be made to grant the tax abatements.

Professor Edward L. Thomas is a coordinator for the Research and Curriculum Unit of Mississippi State University. He and Anne Ashworth, a vice president of Butler Services of Mississippi Inc., helped design and implement the selection model that determines who receives tax abatements in Mississippi.



Representative Paul Schauer of Colorado, who served on the Lincoln Institute-NCSL committee, confers with Colorado Representative Betty Neale, a member of the Legislative Audit Committee.

rather than give away the state treasury to entice new industries and jobs."

Another important aspect of a good revenue system, the group believes, is substantial diversification over reasonably broad bases. This makes it possible to keep tax rates relatively low, which is important because "every tax has some undesirable effects, and they are magnified when rates are high." But, as Connecticut Representative Linda Emmons points out, "No two states are alike because of the differences in their history, natural resources and political values," so strict numerical standards for the proper balance among taxes cannot be determined.

Many parts of the statement owe something to earlier efforts. In addition to the

article by Kleine and Shannon, the 1984 report of the Minnesota Tax Study Commission inspired certain ideas. Robert Ebel, who served as the executive director of that commission, says members had extensive discussions before reaching a consensus about guiding principles and that he was sent back to his word processor three or four times to rewrite that part of the report. One of the Minnesota conclusions is that the use of taxes to achieve social and economic goals should be minimized.

The Lincoln Institute-NCSL group gave that notion a twist by saying that the revenue system "should not be used as an instrument of social policy to encourage particular activities, although it is appropriate to discourage some actions through tax policy." It

condemned state tax incentives "because a large proportion of the tax savings go to people and businesses for doing what they would have done in any case." On the other hand, it said, taxes are sometimes a good mechanism for discouraging socially undesirable activity, such as air and water pollution, smoking and excessive consumption of alcoholic beverages.

Among the other precepts endorsed by the report are these:

- A stable tax structure is important, so states should establish well-endowed Rainy Day Funds. Gary Olson, deputy director of the Michigan Senate Fiscal Agency, considers this one of the key recommendations.
- Complexity should be minimized, in part by avoiding special taxes on specific industries. Another consideration that should be taken more seriously in framing tax policy is how difficult that tax may be to administer.
- States should ensure that all local governments have sufficient resources to provide an adequate level of services, especially in view of federal cutbacks in aid to cities and counties.

Gilmore Dutton, who directs the Kentucky legislature's tax staff, summed up the spirit of the statement this way: "Principles of good tax policy by themselves sound like platitudes, but this statement can be used to develop a checklist to see how well a state's tax system measures up to what it ought to be. This is really a good working document if someone takes it to heart."

Dutton added that legislators are more likely to pay attention to this kind of statement because it comes from their counterparts rather than from some other source. This view was echoed by Senator Larry Levitan, chair of Maryland's budget and taxation committee, who said that "guidance to states is crucial, and this was a very fruitful effort that will be helpful to me and other chairmen of tax committees."



The Coming Boom in Biotechnology

The art is as old as civilization—as old as the use of yeast to leaven bread or to make wine, or to crossbreed animals to make better livestock. And thanks to advances in biology, the practice is about to undergo an explosive growth the likes of which none of us has ever seen. It has been hailed “a new industrial revolution” by Vice President George Bush. It has even earned its own name: biotechnology.

Biotechnology, by definition, is any technique that uses living organisms to make or modify products, or to improve plants and animals. This ability to take a beneficial characteristic of one living thing and introduce it into another living thing to add to its value will affect our lives in ways that stretch our imaginations almost beyond limit.

This newfound technology is already revolutionizing the field of human health care. Genetic engineering has produced, among other things, human insulin and tPA, the new product used to relieve heart attacks. It will without doubt revolutionize agriculture, with plants

By the year 2000, the biotechnology industry will be generating as much as \$100 billion of income worldwide.

protected from insects, disease and other stresses and pigs that produce leaner meat. And it will reach deeply into industries from mining to manufacturing, delivering new processes and new products. Biotechnology will be as basic to the 21st century as physics and chemistry were to the 20th.

But there's an interesting twist to the biotechnology story. While the United States recognizes its social contributions, only state governments have recognized its economic potential. By the year 2000, the biotechnology industry will be generating as much as \$100 billion of income worldwide.

More than 20 states have established biotechnology centers to conduct or facilitate collaborative research; to exchange information about research and potential products among universities, companies and the government; and to focus on biotechnology as an economic development tool.

The federal government, on the other hand, perceives biotechnology only as a regulatory issue. It coordinates and watches—as it should—all new biotechnology processes and products. But the fervor and excitement

among states about the economic potential of biotechnology are unmatched at the national level.

This is alarming because of our worldwide competition. The governments of Japan, Britain, France and other European countries have formally recognized biotechnology as important to the economic futures of their nations. They have decided where they want to put their focus, organized for progress, and in some cases, taken a major role in directing research, development and commercialization.

So while our government is doing a good job of making sure that nothing goes wrong in this technology, no one is expending much effort to see that things go right. Winston Churchill once said, “When the eagles are silent, the parrots begin to jabber.” We in this industry hear a lot from the parrots—the critics, the worriers, the doubters. We don't hear much from the eagles—from government, from opinion leaders, from all the stakeholders in biotechnology.

Practically all of us are stakeholders in biotechnology. Farmers, medical practitioners, environmentalists, naturalists, industrialists, economists, politicians—their lives, their interests, their goals can be affected by this technology in a profoundly positive way. But mostly, they are silent, and all I hear are parrots.

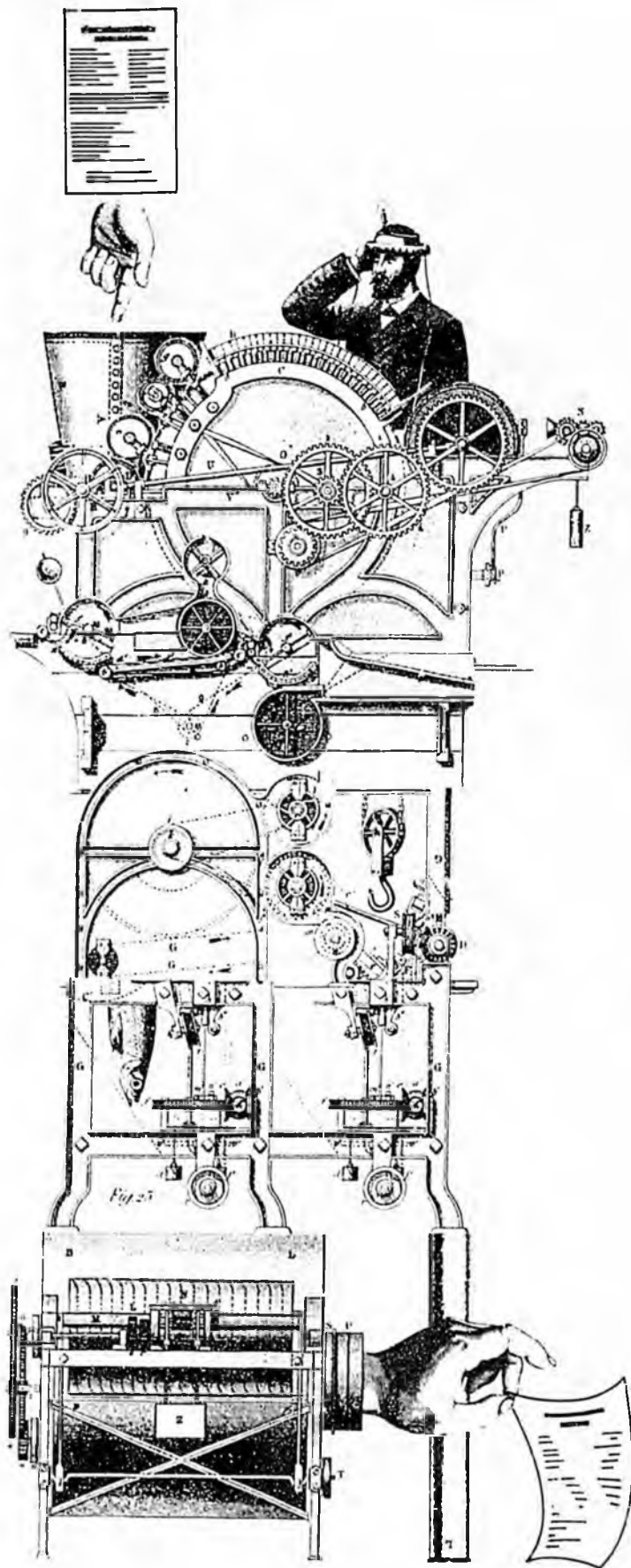
We need our eagles to speak up and I suggest that our nation's state legislators are some of our best eagles. We need a clear message from those of you who recognize that your states and your constituents—and the nation as a whole—stand to gain from biotechnology, that this is an important industry which should be encouraged to proceed as rapidly as good science permits.

Such a signal will tell entrepreneurs that their risks are worth taking, because positive social and political forces will see to it that the playing field is level. It will tell our nation's regulators that they can base their decisions on science, and not worry about the political wind shifts. In other words, it will create a more stable political, economic and social environment for this industry to mature at a pace that will keep us ahead of the very stiff competition we face.

If I said we could recreate the steel industry of 1949, with all its economic strength, its exports, its jobs, its contribution to the GNP, every state would be beating down my door. The biotechnology industry will dwarf steel in its heyday and rival anything we have seen in this century. The benefits of biotechnology will cascade through the economic systems of the nations that stay in its front ranks.

I urge state legislators to make sure the United States stays in the front ranks so that this country can reap the benefits from the technology it pioneered.

Earl H. Harbison Jr. is president of Monsanto, whose worldwide operations include agricultural products and chemicals.




- **Determining Eligibility.** Tax abatement eligibility may be determined at either the state level (governor's office, economic development office) or at the local level, simply by providing the locals with the computers, pertinent software and necessary training. Putting the control at the local level cuts out much of the red tape and time constraints for companies trying to decide where to locate.

- **Model Updating.** The data base should be upgraded every two years using statistics from the industries that have been granted tax relief. This will ensure that a state's requirements for high-tech tax abatements increase as technology improves.

- **Other Recommendations.** It is also necessary to have a process for checking the accuracy of information submitted by companies seeking tax abatements. Applications should be limited to one per year. States should also require that data provided by a company include the firm's entire work force and that material submitted for expansion programs average all expansion data with current data.

Partial applications should not be accepted for any reason. If automatic tax abatements are established for economically depressed areas in a state, these applications should be handled separately.

Setting up a system of graduated tax benefits is also worth exploring—breaking down your positive scores so that low positive scores mean smaller tax benefits and high scores mean larger tax benefits. A range in income tax exemptions from \$100 to \$1,000 per employee could be established in place of the automatic \$1,000 per employee for all applicants with positive scores, as in the case of Mississippi. Such a graduated procedure can save as much as 50 percent in a state's tax abatement program. Mississippi hopes to implement a graduated income tax range in 1989.

If states continue offering tax abatements they must take control over the problems such policies generate. A state with an objective, logical system for deciding who gets tax relief calls the shots when dealing with new and expanding industries. And that's the way it should be. Mississippi's model can be adapted to meet the needs and philosophies of any state seeking an equitable solution to what has turned into an economic Pandora's box. 

SCR

21 -

SJR 28

Alaska State Senate

P.O. Box V
Juneau, AK 99811
Phone: (907) 465-2444
465-3862/465-4923



Senate Finance Committee
State Affairs Committee
Vice-Chair, Rules Committee
Chair, Administrative Regulation Review

William L. Hensley

M E M O R A N D U M

DATE: April 13, 1987

TO: Senator Arliss Sturgulewski, Chair
Senate Community and Regional Affairs Committee

FROM: Senator Willie Hensley *W H*

SUBJ: SCR 21 - Rural Housing Assessment

SCR 21 urges the Governor to direct the Department of Community and Regional Affairs to assess rural housing conditions and the demand for rural housing.

A report by the Rural Research Agency commissioned during the interim concluded that there was limited current data on housing stock in rural Alaska. The last comprehensive survey was the 1980 Census. We do not have adequate information on the housing stock that has been added since 1980.

The BIA gathered limited information in 1985 that indicates that there is still widespread overcrowding and substandard housing in rural Alaska. We suspect that construction has not kept pace with population growth.

Despite the gains in housing in urban Alaska, there is a pressing need for better housing in rural Alaska. In order to design responsive programs, we need to know what existing conditions are and the characteristics of the housing demand that exists. If we learn, for example, that the demand for housing is most acute among persons with seasonal incomes, we can design financing schemes based on their ability to pay.

Attached is the summary of findings on rural housing by the Rural Research Agency.

WLH/mjs



Alaska State Legislature

Senate

Official Business

Pouch V
State Capitol
Juneau, Alaska 99811

Memorandum

To: Senator W. Hensley

From: Sheila F. Helgath *JAL*
Legislative Analyst

Date: February 2, 1987

Re: Rural Housing Need and Revenue Bond Financing

The Rural Research Agency has been requested to examine (1) the need for single family housing or small apartment units for lower income rural families and (2) the feasibility of using revenue bonds to finance rural housing construction.

SUMMARY

1) Limited current data exists on the condition of housing stock in rural Alaska and on the amount of housing stock being added annually. An estimated 200 new single family units and 120 (with carryover from 1985 projects) multiple family units were added to rural Alaska housing stock during 1986 from federal programs. The funding of most federal programs has been stable or decreasing. Estimates of the increase in rural housing stock resulting from loan programs and private credit loans were not made but are suspected to be quite low (see Table 3).

2) The U. S. Census in 1980 found 80% of rural Alaskan houses were substandard, an update and revision by ISER and CHM Hill estimated 60% in 1982 (ISER used less stringent criteria on the same Census data). The most recent inventory conducted in 1985 by the BIA used criteria similar to the 1980 U. S. Census. The BIA found that approximately one third of the Native homes were substandard and that there was an additional need in 1986 for 4,710 new homes for Alaska Native families. These families are now living with other families in overcrowded conditions or in houses needing total replacement. The majority of these homes are in rural Alaska (see Table 1). Overall Native housing conditions in rural Alaska are similar to the conditions reflected in the 1980 Census.

3) Population is the most important factor causing changes in the need for housing. Need for rural housing has grown and will probably continue to grow in the next two decades since a large proportion of rural residents are now between 5 and 18 years of age. Another factor which influences the need for additional housing units is the age of housing. Rural housing shows a significant proportion of housing stock being either relatively new or over 40 years in age (see Table 4).

4) State of Alaska housing programs have primarily benefited urban Alaskans and rural Alaskans who have year round incomes of \$30,000 or greater. The majority of the AHFC loans have been in urban Alaska, approximately 18% of the Housing Assistance Division loan amounts during FY 86 have gone to urban areas or areas with road access such as the Kenai Peninsula, and since 1970 the Alaska State Building Authority has also been an urban program. Rural regions where unfulfilled Native housing need is the greatest had the lowest per capita utilization of Alaska housing loan programs in fiscal years (FY) 1984-1986 (see Table 2).

5) Revenue bonds are currently used to finance Alaska's housing mortgage programs. Revenue bonds are effective ways to finance projects in which the user fees can pay the debt service and loan. Mortgage loan programs financed by revenue bonds will not resolve the housing shortage in rural Alaska because people surviving on a mixed subsistence-cash economy do not have the income to repay bonds. Many residents have been unable to maintain administrative payments of \$75 to \$150 in HUD programs and pay home heating costs.

6) Mixed monetary-subsistence incomes are too erratic and low for most rural people to be involved in any form of home loan mortgage program. State programs directed towards this group of people should take into account variability in income from year to year and throughout the year (see Tables 5 & 6).

Eight recommendations for legislative action which build upon the policy guidelines presented in the 1982 Housing Study by the Institute of Social and Economic Research and CH₂M Hill are made. They are:

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

Bill Version: SCR 21

Publish Date: _____

REQUEST: _____

Revision Date: April 13, 1987
 Title: An Act Relating to the need for rural housing assessment
 Sponsor: Willie Hensley
 Requestor: HCRA Committee

Agency Affected: DCRA
 BRU: Housing Assistance

Components: Housing Construction Dev.

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		55.8				
TRAVEL		30.2				
CONTRACTUAL		4.8				
SUPPLIES		.2				
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		91.0				

CAPITAL		-0-				
---------	--	-----	--	--	--	--

REVENUE		-0-				
---------	--	-----	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND		91.0				
FEDERAL FUNDS						
OTHER						
TOTAL		91.0				

POSITIONS:

FULL-TIME		1				
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

One full-time position travelling to 12 regions. Approximately One month in each region.

Prepared by: Kathleen Graham
 Division: Housing Assistance

Phone: 561-0900
 Date: 4/13/87

Approved by Commissioner: _____
 Agency: Community and Regional Affairs

Date: 4-13-87

Distribution (by preparer):

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

Position Title Public Facilities Planner I		No. of Positions 1	Range/Step 20A	Barg. Unit GGU
Time Status FT	Staff Months 12	Location Anchorage		Election District
Type of Expenditure		Justification		
1		A high level position is needed to conduct this type of demanding, in-depth analysis. The position would be needed for one year and would involve extensive travel to do on-site visits and conduct needed surveys and assessments of housing conditions and demand for rural housing. Clerical support would be provided by existing staff.		
2		Travel		
3		Travel 1,500 per month x 12 = 18,000 Per Diem 12 days per month x \$85 per day x 12 = <u>12,240</u> 30,240		
Salary	42,768	Contractual		
Benefits		Long distance telephone, postage, development of survey, etc. 400 per month x 12 = 4,800		
Premium Pay		Commodities		
Other		Office Supplies = 200		
Total Personal Services	55,796			
Travel	30,240			
Contractual	4,800			
Commodities	200			
Equipment				
Other				
Total Cost	91,036			
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004	91,036		
I-A Receipts	1006			
CIP Receipts	1061			
Other				

**Request For
New Position**

Agency Community & Regional Affairs
 BRU Housing Assistance
 Component _____

Page _____ of _____
 Revised Date _____

FY 88

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 4/7/87 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: FINANCE

**FISCAL NOTE(S) ATTACHED **
IN ACCORDANCE WITH AS 24.08.035
(see below)

3/16/87 DATE TURNED INTO OFFICE 4/14/87
Mr. President:

C&RA Committee considered SCR 21

need for a rural housing assessment.

and recommended:

- replace with CS _____ same title
- attached amendment(s) and new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to _____
- letter of intent adopted and attached

** Committee attached or adopted fiscal note(s)
 zero fiscal impact

MEMBERS SIGNING DO PASS

Tim Keeg

OTHER RECOMMENDATIONS

Arthur J. Zynda

Arthur J. Zynda Do Pass
Chairman signature and recommendation

Committee Backup Attached

Alaska State Legislature

ARLISS STURGULEWSKI, Chairman
TIM KELLY, Vice Chairman
RICK HALFORD
MIKE SZYMANSKI
FRED ZHAROFF



P. O. BOX V
JUNEAU, ALASKA 99811
(907) 465-4989

Senate Community and Regional Affairs Committee

TO: Senate C&RA Members

April 14, 1987

FROM: Senate C&RA Staff, *MEZ*

RE: SCR 21 - Relating to the need for a rural housing assessment.

and

SJR 28 - Relating to housing programs of the United States Department of Housing and Urban Development.

These two resolutions both concern rural housing. The first, SCR 21 - left side of packet, calls for an assessment of rural housing conditions and the demand for rural housing, to be done by the Department of Community and Regional Affairs.

There is a memo from the sponsor, Senator Hensley, and a 91 thousand dollar fiscal note attached to the bill. Also attached is the summary from a report on rural housing need and revenue bond financing by the rural research agency.

On the right side of the packet is the material for SJR 28. This resolution calls on HUD to maintain its housing programs at or above current levels in Alaska. A memo from Senator Hensley and a zero fiscal note is attached.

The sponsor and representatives of DC&RA will be at the meeting to testify. The two resolutions deal with the same subject but are independent of each other.

Alaska State Senate

P.O. Box V
Juneau, AK 99811
Phone: (907) 465-2444
.465-3862/465-4923



Senate Finance Committee
State Affairs Committee
Vice-Chair, Rules Committee
Chair, Administrative Regulation Review

William L. Hensley

M E M O R A N D U M

DATE: April 13, 1987

TO: Senator Arliss Sturgulewski, Chair
Senate Community and Regional Affairs Committee

FROM: Senator Willie Hensley *WJH*

SUBJ: SJR 28 - HUD Housing Programs

SJR 28 urges HUD not to cut its programs in Alaska. There are proposals in HUD to cut the total number of units that it funds in half during the next fiscal year. This would probably mean that the units allocated to Alaska would also be reduced by half.

A 1985 study by the BIA indicated that there was a statewide need for 4700 new housing units for Alaska Natives. The only programs that effectively address this need are HUD's rural programs. In 1986, HUD received applications for 642 units, but funded only 200 in Alaska. If the funded units were cut by half, there would be an even higher ratio of unfunded to funded units. This comes at a time when the sluggish economy is decreasing the incomes of residents, which will probably result in a growing need for housing assistance in both urban and rural areas.

An additional problem resulting from any future cuts by HUD is diseconomies of scale. If we continue to distribute HUD funding equitably among the regional housing authorities, each authority will have funding for only a few units. The low number of units in a particular village would make it difficult to find contractors who could provide design and construction services to rural villages within the cost ceilings of the current program. Constructing a larger number of units at one time in a village is much more cost effective. The current funding level represents the threshold necessary to maintain a cost-effective program.

WLH/mjs

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

Bill Version: SJR 28
Publish Date: _____

REQUEST: _____
Revision Date: _____
Title: Relating to housing programs of the
US Dept HUD
Sponsor: Senator Hensley
Requestor: Senate C&RA

Agency Affected: Community & Regional Affairs
BRU: Housing Assistance
Components: Housing Construction Development

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Michael Harper, Director Phone: 561-0900
Division: Housing Assistance Division Date: 4/13/87
Approved by Commissioner: [Signature] Date: 4-13-87
Agency: Community & Regional Affairs

Distribution (by preparer):

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

SJR

5

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

LEGISLATIVE REFERENCE LIBRARY

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

May, 1986

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

Jeanie Henry

SENATE RESOURCES COMMITTEE, 5/3/85, 1:35

Alaska State Legislature

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



POUCH V
JUNEAU, ALASKA, 99811
(907) 465-4807

Senate Committee on Resources

MEMORANDUM

May 2, 1985

TO: All Members
Senate Resources Committee

FROM: Staff *[Signature]*
Senate Resources Committee

RE: SJR 1 Proposing amendments to the Constitution of the State of Alaska relating to agricultural rights in state lands.

SJR 1 would amend the Constitution of the State of Alaska to provide for agricultural rights only on state land sales.

The amendment provides that when state land classified as agricultural land is sold or granted by the state, only the agricultural rights may be conveyed and all other interests remain with the state.

The language of the proposed new section 19 to the State Constitution is similar to the language of AS 38.05.321 (a) restricting the conveyance of state agricultural land for agricultural purposes only.

While restrictive language exists in statute, it can be amended by legislative action. A constitutional amendment would provide additional protection since a vote of the general public would be required to change state policy.

Enclosures:

1. Letter from Commissioner Wunnicke, DNR, stating no objection to SJR 1.
2. AS 38.05.321 Restriction on sale, lease or other disposal of agricultural land.
3. Excerpts from Agriculture published by the Matanuska-Susitna Borough discussing the Borough's agricultural policy of conveying only agricultural rights.
4. Letter from Alaska Association of Soil and Water Conservation Districts supporting SJR 1.
5. Letter from Salcha-Big Delta SWCD supporting SJR 1.
6. Resolution from Alaska Farmers and Stockgrowers Association supporting SJR 1.
7. Resolution from Greater Fairbanks Chamber of Commerce supporting land title to private ownerships.
8. Letter from Paul Huppert, Palmer farmer, supporting SJR 1.
9. Paper by Dr. Wayne C. Thomas, University of Alaska, supporting agricultural rights only (p. 2).
10. Testimony of Dr. James Drew on March 13, 1985 to the Senate Resources Committee discussing agricultural land title (p. 6).

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

MAY 02 1985
BILL SHEFFIELD, GOVERNOR

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

May 1, 1985

The Honorable Arliss Sturgulewski
Chair, Senate Resources Committee
Pouch V
Juneau, AK 99811

Dear Senator *Arliss* Sturgulewski:

The Department of Natural Resources has no objections to Senate Joint Resolution No. 1, which proposes an amendment to the Constitution of the State of Alaska relating to agricultural rights in state lands.

The proposed amendment is in accordance with the agricultural rights statute, AS 38.05.321, which requires that only rights for agricultural purposes be disposed of on state land classified for agriculture.

If I may provide additional information, please let me know.

Sincerely,

Esther
Esther C. Wunnicke
Commissioner

cc: Members of the Senate Resources Committee
Senator Jalmar Kerttula

AGRICULTURE

Matanuska-Susitna Borough

SPRING 198

POLICIES TO ENCOURAGE AGRICULTURE

Public Attitudes

In 1980, the Matanuska-Susitna Borough commissioned an areawide survey to determine the kind of development residents would judge most beneficial for the area. Valley residents gave agricultural development the highest priority.

89.5 percent favored increased agricultural activity in general; 85.5 percent encourage an expanded red meat industry, and 83.4 percent would like to see more local milk production. Statewide, 75 percent of the respondents would like more agricultural resource development—an indication of the belief by the citizens of this state that more food should be produced for local consumption.

If there is a future for agriculture in Alaska, the Valley will play a key role in that future. If there is a constituency for agriculture in Alaska, the Valley will benefit from that constituency. If clear and practical goals are set, there should be public support in Alaska and in the Valley to realize those goals.

Gary Thurlow, Manager
Matanuska-Susitna Borough

Matanuska-Susitna Borough Policy

In 1975 the borough assembly adopted a policy of selling land with good agricultural soils for farm use only. Under the borough farm land ordinance, the Borough classifies as agricultural land any tract of 40 acres or more containing a minimum of 40 percent Class II and III soils, and will sell or lease "agricultural rights" only for these tracts unless there is some overriding consideration such as development of a port at Point MacKenzie.

The Borough Agricultural Advisory Committee, established by the Assembly in 1981, works with the Borough Land Management Division in identifying available land and recommending it for disposal as farms.

BOROUGH FARM LAND DISPOSAL — As of 1981, the Borough had disposed of approximately 46,000 acres of land, 19,000 of which contained Class II and III soils. Of these, 4,047 acres were restricted to agriculture use only. Of the 46,000 of

land sold, a total of 1,000 acres has been cleared and applied to agriculture. Due to the agricultural restrictions placed upon 4,047 acres, it is expected that most of this acreage will be cultivated according to farm plans.

Since less than one-fourth of these 4,047 acres were cleared, with less than one-eighth being under production, or being grazed, the Borough in 1982 decided on a stricter development schedule for future agricultural disposals to ensure production. Starting with the agriculture-rights-only sale in October of 1982, the Borough required both clearing and production.

As of October 16, 1982, the Borough has sold 7,357 acres of restricted farm land; 3,215 acres restricted farm land in 1977; 832 acres in the Point MacKenzie Agricultural Project in 1981; and 3,400 acres in scattered parcels at the October 1982 land sale.

Terms and Conditions for Matanuska-Susitna Borough Farm Land Sale October 16, 1982

The Matanuska-Susitna Borough wants to insure that farm land is actually applied to farm use. These are the rules for the borough's October 1982 auction of 3,400 acres of farm land:

1. The lands are sold as a basic lease with option to purchase. The land may be purchased at the end of the sixth year with no further payments due if 50 percent of the purchase amount has been paid and if the minimum required acreage (no less than 70 percent of Class II and III soils) is in production according to the Farm Plan. This is a forgiveness of the remaining balance due. It is a type of "farmsteading." The lease payments are applied to the financing terms. If these minimum conditions have been met prior to the end of the sixth year, then the purchase option may be exercised at such time.

2. The lease term is for twenty years.

3. The bid price is the purchase price.

4. The lease payment is 8 percent of the purchase price and is the annual payment.

5. If the Farm Plan is not followed or if the required amount of land has not been cleared and brought into production by the end of the sixth year, the option to purchase will expire.

6. No later than the end of the third year, a review of progress will be required.

7. No later than the end of the fifth year, a letter will be sent to the farmer indicating that a minimum of 70 percent Class II and III soils must be under production and indicating the terms and conditions for exercising the purchase option, including compliance with the farm plan. The letter will also inform the farmer of possible lease termination if the farm plan has not been followed.

8. The successful bidder has 30 days from notification to present an acceptable Farm Plan. If the Farm Plan is rejected by the Agricultural Advisory Board, the reason will be given and an additional 30 days will be allowed for resubmission and/or appeal to the Matanuska-Susitna Borough Assembly.

9. If unforeseen circumstances render the completion of a Farm Plan impossible and consequently the exercising of the option to purchase, the farmer will be allowed to request from the Assembly an extension of time, not to exceed one year, for completion of the Farm Plan. In so doing, the farmer must show reasonable cause for the delay and reasonable diligence in attempting to meet all of the requirements. The burden of the proof will be on the farmer.

10. The farmer may elect to remain on a lease basis for the 20-year lease period. However, in such cases, the land will be revalued at the end of the sixth year and the lease payments will be adjusted accordingly. The 20 year lease period is allowed for purposes of amortizing the costs of capital improvements constructed on the land and the amortization of any farm loan obtained during the first six years of the lease.

Any adjacent farmer has preference rights to match the high bid on an adjacent parcel.

The Farm Development Plan must include the following as a minimum requirement for approval:

1. No specific amount of clearing is required for the first year;

2. A minimum of 70 percent of estimated Class II and III soils and the percentage of Class IV soils, as may be indicated on the Farm Plan, must be cleared and in production by the end of the sixth year.

3. The type of production i.e. whether dairy farming, grain production, hay production, hog farming, should be identified.

Some of the particulars of the Farm Development Plan are:

LAND CLEARING — means removing trees, stumps, and other vegetation from wooded areas. Cleared land shall be left in a condition that will facilitate its planned use and treatment, as identified by the approved farm plan.

LAND BREAKING — means the tillage of lands, following clearing, that are cropland use (including hay and pasture). Following breaking, the land must be in a condition so that conventional farm equipment can be used to carry on normal farming operations for the given site.

IN PRODUCTION — means the application of cleared land into planting of crops using good agricultural practices, such as grains, oil seeds, vegetables or grasses of commercial value at seeding rates recommended for the area by the University of Alaska such that the crops will harvest an annual yield which can be reasonably expected, based on Matanuska Valley statistics as prepared by the US Department of Agriculture. The term can also mean the application of the cleared land in a manner so as to produce a yield in animal units or animal products of commercial value within a range which can be reasonably expected for the area. Reasonable harvested yields may be determined by referencing the US Department of Agriculture, State Division of Agriculture, the State Agriculture Action Council and the University of Alaska. Only acreage which has been cleared and prepared for agriculture through land breaking can be included within the acreage claimed as being "in production." The term "production" may be further defined in the farm plan so long as the above requirements are satisfied.

The property conveyed shall be used only for agricultural purposes. Standing and other timber may be cut and sold, or otherwise used or disposed of, only if the stumps and roots of the cleared area are placed in orderly piles, berms or wind rows, or otherwise disposed of within 18 months of the clearing, and provided further, only if the roots are grubbed, raked or otherwise removed from the cleared area so as to render the cleared area suitable for cultivation within 24 months of the cutting of the particular area cleared, or otherwise to prevent waste as set forth in the approved Farm Plan for the subject property. The removal of timber, without removal of stumps, limbs, roots and other debris, is specifically declared to be waste and such waste is hereby prohibited.

Only those buildings and improvements which are reasonably required for the development of the property for agricultural purposes are permitted. This includes one homestead, attached or detached garage for the homestead and similar residential outbuildings, such as an outdoor toilet, smokehouse, sauna, upon a parcel no greater than five acres within the subject property. The owner shall identify such parcel, with sufficient information, so that the parcel can be described in a separate deed of trust, suitable for recordation. Improvements which would ordinarily be classified as being required for agricultural development are barns, wells, septic tanks, fences, pens, silos, garage for storage of farm equipment, and field roads. Not permitted are buildings or yards for commercial sale, repair or storage of equipment or supplies, areas and buildings for retail sales, other than of agricultural products; sale of sand and gravel for use off the subject property, except as permitted under a finding of the Assembly that such sale will contribute to the development of agriculture in the area. Home occupations within the residence, such as bookkeeping are permitted.

Waste of the property, such as removal of topsoil, is prohibited.

Further subdivision of the property is prohibited, except where the owner applies to the Assembly for such subdivision and where the Assembly finds that such subdivision, if permitted, could reasonably be expected to increase the agricultural production to be realized from the new parcel to be generated by virtue of the fact that it will be added to an adjacent farm, or a similar circumstance favorably contributing to the economics of agricultural production.



AGRICULTURAL RESTRICTIONS — Both the State of Alaska and the Matanuska-Susitna Borough offer new lands for agricultural use only. The borough sells lands in sizes of 40 acres or more with more than 40 percent Class II and III soils for agricultural purposes only.

The lands are made available either through a state lottery, as in the case of Point MacKenzie, by state auction or by borough auction.

The state relies primarily upon farm plans to bring agricultural lands into cultivation.

At Point MacKenzie, 40 percent of the farm is to be cleared in three years after the sale, and 75 percent within 6 years.

The borough has also relied on farm plans. However, due to difficulties in enforcing farm plans the borough requires stricter stipulations, including an increase in payments in the event of inadequate development, farm plans and recorded conditions, covenants and agricultural land use restrictions.

PROPERTY TAX DEFERRAL — This is a state-funded and borough implemented program. The State of Alaska repays the Matanuska-Susitna Borough the difference between the taxes which would have been collected on land assessed at fair market value and the taxes that are collected on the land assessed for agricultural purposes only.

Most of the producing agricultural land in the Old Colony area is classified "agriculture." To obtain reduced property taxes, the farmer puts his land under the program, under which he pays taxes on his land based upon its agricultural value. He pays about one-fifth to one-tenth of the taxes he would have paid if the property were taxed at full value.

If the farmer later converts the land to non-farm purposes, generally through subdivision development, he is required to repay the State of Alaska all or a portion of the deferred taxes. Approximately 11,000 acres of land in the borough are covered by the farm tax deferral program. Cost to the state in FY 1981-82 was \$117,653 for lands in the borough.

The policy does not work well where the demand for new land development is strong or where the property taxes are low. With the sharp reduction in

borough property taxes in the past five years, down from 13 mills in 1977 to 4.9 mills areawide in 1982, the property tax deferral program has become a weak tool for farm preservation.

PURCHASE OF DEVELOPMENT RIGHTS. The only sure way of preserving farm land is by purchase of development rights. This is an approach used by King County in the State of Washington and in other parts of the United States.

Under the typical program:

1) The state or county establishes a farm land program under which the state or county stands ready to purchase development rights from farmers that wish to continue using their farm land as farm lands. Very often, the value of the development right exceeds the value of the remaining agricultural rights.

2) The program is voluntary and depends on the farmer seeking permanent agricultural status for his land.

3) The purchase price for development rights is the difference between the value of the land in its agricultural status and the fair market of the land at the time development rights are bought.

4) Since money for acquisition of development rights is always limited, the entity making the decision to buy these rights has to establish priority for the acquisition of rights. Highest priority almost always goes to the most productive farm lands, the farm lands that are likely to become developed the soonest if development rights are not obtained and the farm lands which add to the value and attractiveness of non-farm lands, and particularly residential areas.

In the Matanuska-Susitna Borough the areas that would have first call on any available state monies would be the Old Colony area. This is the area with the best soils and the area most susceptible to early subdivision development. It is also the area where agriculture is a tourism destination.

Not all farmers wish to sell their development rights, and not every farm merits purchase of development rights. If about half, or 5,000 acres of the Old Colony and Homestead area were to be put under such a preservation program, it would cost the state approximately \$15 million.

JUSTIFICATION FOR RETAINING FARM LANDS

Farms vs. Housing — The agricultural lands in the Old Colony area are in jeopardy. They are only 40-50 road miles from Anchorage and are inexpensive to develop. Large-lot, single detached residential land is nearly exhausted in Anchorage. The nearest source of additional land are the Old Colony farms.

The availability of new lands can cause a cavalier attitude toward existing farm land — if new farm land is available, then the reasons for preserving existing farm land disappear — or so it can be argued.

A state and borough policy to develop new farm lands in the Matanuska-Susitna Valley may accelerate the discontinuation of existing farms close to Palmer. The reason is that the existing farmer can sell his existing farm for development, take the capital gain, and invest it in a farm in a new area. He has the best of two worlds in that case—he has realized the full profit potential of the land he presently owns and he is better capitalized to start a fresh farming venture.

A shift from old to new lands, even though gradual, would irreparably damage existing agriculture and drive it out of the Palmer and Bodenbug Butte areas.

Once residential development takes hold on one farm, the farmer on the adjoining land would probably lose some of the land he leases, he may not be able to negotiate his equipment through subdivision roads or move irrigation pipe from one field to another.

It is also well known that once residential development takes place within a farming area, subdivision dwellers soon object to many of the sights, sounds and smells of farming. This leads to restrictions toward the farmer's operations, forcing him out of business eventually.

Soil Quality — The Old Colony soils are deeper and better than the relatively thin soils of Point MacKenzie. They are less acid and provide much better seed beds.

A higher yield can be obtained at lesser cost from Old Colony soils. Even if the soils were of comparable quality, it takes five to ten years working the soil until it is ready to yield commercial quantities of crops other than forage and grain. This investment in soils is lost once the land is converted to other uses.

Economics — The cost per acre to the state in farm subsidies for new land is generally much greater than commonly realized. Even though new farm land may sell at \$100 to \$300 per acre, the state investment in that same acreage through low interest, below-market agricultural loans can be as high as \$2,500 per acre. These loan monies are being recouped by the state in the form of principal payments, but a major part of it, represented by interest subsidy, would not be recovered.

In many cases the state can, for a given dollar amount, retain in production more high-quality existing farm land, than it can bring into existence through development of new farm lands.

Some cleared and producing farm land has recently been purchased by a local farmer for \$4,000 an acre. He figured that this was less than it would have cost him to bring new land into production. He also has the advantage of being close to transportation and market, and is not restricted to certain crops because the soils have been worked for a long time.

Tourism — The existing farms are a tourism destination. A major reason for visiting the Valley would be lost if the area around Palmer, Trunk Road and Bodenbug Butte took on the appearance of Fairview and Muldoon.

The answer to the question, "Can preservation of farm land be justified?" will probably follow the answer to, "Should agriculture be encouraged in Alaska?"

As long as there is justification for the State of Alaska to invest monies in new farms, there is an equal justification for investing state monies for retention of existing farm land.

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

P.O. BOX 949
PALMER, ALASKA 99645-0949
PHONE: (907) 745-7200

DIVISION OF AGRICULTURE

April 11, 1985

Matt Fishel
Aide to Senator Kerttula
Pouch V
Juneau, Alaska 99811

Re: SJR 1

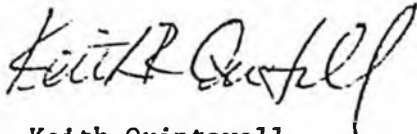
Dear Matt:

A February 27, 1985 letter from Senator Kerttula requested comments on SJR 1. Since then SJR 1 has been distributed to the nine soil and water conservation districts, and it was an item of discussion at the spring meeting of the Alaska Association of Soil and Water Conservation Districts.

At the meeting, resolution AASWCD 85-3 (copy enclosed) was proposed which would support altering the language of SJR 1. However, AASWCD 85-3 was defeated, with the AASWCD supporting SJR 1 as written. Therefore, be advised that the Alaska Association of Soil and Water Conservation Districts, as well as the nine local Soil and Water Conservation Districts through their representatives at the meeting, are in support of SJR 1 as written.

Sorry you weren't able to attend the meeting. The AASWCD appreciates all your efforts in their regard.

Sincerely,



Keith Quintavell
Conservation Coordinator

Enclosure

*Lois ons
Jenny & set up a file
ons J.P.*

SALCHU-BIA DELTA SWCD

P.O. Box 947

Delta Junction, Alaska 99737

Wednesday January 23, 1965

Senator Herrington
Senator Conhill
Representative Snultz
Alaska State Legislature
Juneau, Alaska

Re: SB#1:SB 39,40,41,42; HB 33.

Gentlemen:

The Salchu-Bia Delta SWCD has spent considerable time reviewing the above listed legislation and as patent language.

Enclosed herewith for your information and possible use are responses and copies of our strong recommendations on these topics:

- 1) SB 39 - Money for Nonsna; support as is.
- 2) SB 40 - No Production/Loan Credit; support as revised.
- 3) SB 41 - Historium; support as is.
- 4) SB 42 - No Rights Law; we prefer HB 33 as we revised.
- 5) HB 33 - No Rights Law; support as revised.
- 6) SB#1 - Constitutional Amendment; support as revised.

We are prepared to utilize all appropriate channels to provide rationale for our versions and to support your efforts to pass legislation as we have proposed.

We will provide additional written commentary and testimony and upon request will make every effort to appear before legislative committees as appropriate.

We are in the positive spirit of our revision of our patent language and our recommendation version and we are prepared to discuss them.

*Charles J. Fort
Secretary*

SIBDOW D supp to a
change

Introduced: 1/14/85
Referred: Resources, Judiciary
and Finance

1 IN THE SENATE

BY KERTTULA

2

SENATE JOINT RESOLUTION NO. 1

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

Proposing amendments to the Constitution

6

of the State of Alaska relating to

7

agricultural rights in state lands.

8

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

9

* Section 1. Article VIII, sec. 9, Constitution of the State of Alaska,

10

is amended to read:

11

SECTION 9. SALES AND GRANTS. Subject to the provisions of this

12

section and Section 19 of this article, the legislature may provide

13

for the sale or grant of state lands, or interests therein, and estab-

14

lish sales procedures. All sales or grants shall contain such reser-

15

vations to the State of all resources as may be required by Congress

16

or the State and shall provide for access to these resources. Reser-

17

vation of access shall not unnecessarily impair the owners' use,

18

prevent the control of trespass, or preclude compensation for damages.

19

* Sec. 2. Article VIII, Constitution of the State of Alaska, is amended

20

by adding a new section to read:

21

SECTION 19. AGRICULTURAL USES OF STATE LANDS. When state land

classified by the State as agricultural is conveyed, *uses of the land*
inconsistent with its agricultural potential remain with the State.

25

* Sec. 3. The amendments proposed by this resolution shall be placed

26

before the voters of the state at the next general election in conformity

27

with art. XIII, sec. 1, Constitution of the State of Alaska, and the

28

election laws of the State.

ALASKA FARMERS AND STOCKGROWERS ASSOCIATION, INC.

1985 Resolution Platform

The following resolutions were adopted by the General Assembly of the Alaska Farmers and Stockgrowers Association at its annual meeting, in Anchorage, on December 5, 1984:

- 1) Requesting the institution of a State Board of Agriculture, consisting of producers and a representative of the Governor's office, whose task is to act as a liaison between the industry, the Governor, and the Division of Agriculture.
- 2) Requesting that the State of Alaska put up at least two (2) storage bins in Seward for in-state storage and distribution of grain.
- 3) Supporting the establishment of favorable agricultural rates on the State ferry system and on the Alaska Railroad.
- 4) Requesting that in all instances where state institutions use or require agricultural products, they use Alaska-grown products when those products are in season, price competitive, and of a like quality.
- 5) Supporting right-to-farm legislation.
- 6) Endorsing the concept of a petition requesting a constitutional amendment which would protect agricultural rights on State lands.
- 7) Supporting the concept that all agricultural lands sold in the future be disposed of by lottery only, and that they include agricultural development credits.
- 8) Supporting disposal of agricultural lands under the Homestead Bill enacted in 1983 to include soils classified as II, III, IV, V, and VI, and to specify that the lands be sold with agricultural rights, only, forever.
- 9) Supporting the development of a policy which classifies as agricultural land those lands containing Class II and III soils which are suitable for grazing.
- 10) Encouraging the State to rework its land lease laws to better facilitate agricultural needs (including the incorporation of "option-to-renew" clauses.)
- 11) Requesting that duties related to the agricultural industry be transferred from the Department of Environmental Conservation to the Department of Natural Resources.
- 12) Requesting clarification of the conveyance of the agricultural rights title to guarantee the rights of the purchaser.

The Agricultural Development Committee and the Board of Directors of the Greater Fairbanks Chamber of Commerce urges your support for the following legislation to encourage agricultural development in Interior and South Central Alaska.

1. Support is urged for SB39 to build the roads and bridges necessary to develop both the agricultural and mineral resources in the Totchaket area of Interior Alaska.
2. Support is urged for the concept of production credits, as outlined in SB40 and SB154, to assist Alaska's agricultural industry in its early stages of development.
3. Support is urged for SB41 to increase from five years to ten years, the moratorium on payments for the sale of state land for agricultural purposes. This bill will assist Alaskan farmers in adjusting to the new worldwide economic conditions in agriculture.
4. Support is urged for the concept of SB42 as it relates to the transfer of land title from state to private ownership. This concept will enhance the ability of Alaskan farmers to obtain financing from private sector sources for agricultural production.
5. Support is urged for SB57, which would require a clause be inserted in all state bids, requiring agricultural products originating in this state be used wherever competitively priced and available and of like quality as compared with agricultural products originating outside the state.
6. Support is urged for SB110 to increase the amounts of long term loans available from the State of Alaska to any one borrower for agricultural purposes. This legislation will increase the loan limits to be more in line with the economy of scale necessary for economically sound, modern farming and will enhance the ability of borrowers to repay.
7. Support is urged for the concept of SB155, relating to the splitting and combining of agricultural parcels, with the suggestion the bill be amended to allow the minimum parcel size be 320 acres. This legislation will permit increased flexibility in the development of economically sound full-time and part-time farming enterprises in Alaska.
8. Support is urged for SB120 to increase the limits of the Agricultural Revolving Loan Fund, to assist in the establishment of Commodity Marketing Associations, and to increase the number of members on the Agricultural Revolving Loan Fund Board.

May 2, 1985

The Honorable Arliss Sturgulewski
Chairman, Senate Resource Committee
Pouch /
Juneau, Alaska 99811

Dear Senator Sturgulewski:

I would like to support the passage of SJR 1, relating to agricultural rights in state lands, for the following reasons.

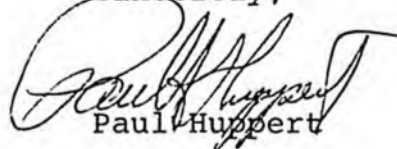
Land sold for agricultural use should be by agricultural rights only to guarantee that they will be preserved for now and future generations for food production.

Those lands sold for agricultural rights at the outset of a sale only reflect the value set for their agricultural use and if this was to change, those land owners would receive a free gift at the expense of the people of Alaska, an instant gift, which in some cases could be one-hundred fold of what was originally paid for the land.

If this legislation were to pass, it would give notice to anyone who had the intent of purchasing agricultural rights with the speculation of changing those rights to be fee simple.

Thank you for considering my views in this important matter.

Sincerely,



Paul Huppert

Alaska Agriculture Throughout the 1980s

Presented

To

The Senate Resources Committee

By

Wayne C. Thomas

Agricultural and Forestry Experiment Station

University of Alaska - Fairbanks

24 April 1985

Alaska Agriculture through the 1980s

Many people are asking how the State of Alaska should proceed in its efforts to promote agricultural development. Obviously, there are no easy answers as the issue is very complex. Its complexity stems, to a great extent, from the various, sometime conflicting, goals of the many participants. As an example, one group supports small farms, another large farms, others support export agriculture, and some can see no reason for exporting since we produce so little for the local market. Unlike any other state of the United States in the 1980s, agriculture in Alaska is trying to compress generations of work in farm development and marketing into a few short years.

The purpose of this paper is to identify possible courses of action (some of which have already taken) which the state government might wish to consider in order to manage Alaskan agriculture successfully. As troubling as it is to some, management by government is needed because private-sector forces are somewhat slow and even difficult to establish. The reasons are several: 1) the land supply is owned by government, thus private-sector land markets work with what government provides them; 2) private individuals wishing to farm agricultural land near large cities, the Matanuska-Susitna area for example, cannot compete with urban or suburban groups for the same land; 3) agricultural production for in-state markets generally requires some form of processing, and this generally takes more time to establish than the general public expects; and 4) the Alaska market is small, making it nearly impossible to establish some forms of agricultural processing. The point to remember, however, is that, even with its difficulties as a private-sector industry, Alaska agriculture exists, has existed for a long time, and has the potential to become much larger in the future.