

ALASKA LEGISLATURE

COMMITTEE FILES

1987-1988

8672

5452

SRES

SB

16

-

SB

26

1079

accordance with AS 38.05. [Note: This statute contains a typographical error. The statute should properly refer to AS 38.95.]

AS 38.95.200-270 concern real property escheated to the State, and enumerate the steps which must be followed by the Department of Natural Resources (herein after referred to as the Department). My concern is that these steps are inefficient and costly. The steps are as follows:

1. The Department must first be informed or have reason to believe that real property has escheated to the State. (AS 38.95 210)
2. The Department must then bring an action in Superior Court to establish whether the property has escheated to the State, or it may maintain an action to recover the possession of escheated property, or the enforcement of the State's right to the property. (AS 38.95.210)
3. The Department must then get a court judgment of escheat. (AS 38.95.220)
4. The Department has two years from the judgment of escheat to determine the proper disposition of the property by making a "best interest finding". The Department may, at its option, sell, lease, exchange, assign, or otherwise manage the property. (AS 38.95.230) The method of disposition selected determines the procedures to be followed by the Department.
5. A series of procedural and valuation steps must then be consulted in the event that a claim to the property is filed within seven years from the judgment of escheat. (AS 38.95.240)

Senate Bill 16 has two significant effects on these statutes. First, it facilitates the disposition of escheated real property by requiring the Department to sell it. By eliminating the disposition options currently available, several procedural and valuation steps are also eliminated. Specifically, the two-year lag period for disposition, need for a written "best interest" finding, and the property appraisal requirements of AS 38.95.230 would be eliminated. Awards to plaintiffs would also be simplified by eliminating the present variables of AS 38.95.240, since the courts could award the property or an amount equal to the net proceeds of the sale.

Additionally, since the Department must then sell the escheated property by public auction, the property is returned to the private sector and revenue is created for the State. The current system allows the State, at its option, to sell, lease, exchange, assign, or otherwise manage the property, thus taking more time for disposition, costing more money to maintain, and not effectively utilizing the property.

Since this bill was pre-filed, further research was conducted by my staff. I ask that the committee consider these additional changes to the current statute which are of concern.

AS 38.95.240 (d) needs to either be amended or eliminated altogether. This section allows the State to transfer escheated real property to a person who provides proof satisfactory to the Department that the person is the owner of the real property. This gives the Department the opportunity and responsibility to determine the rightful ownership of real property, a function which I feel would be better served by an action in Superior Court.

In the alternative, this statute should be amended to place a limit on the time period in which an individual could present a claim to the Department. The current statute provides that claims brought in Superior Court must be within seven years from judgment of escheat, yet no time restraint is placed on those claims which are brought before the Department.

STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

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

January 22, 1987

The Honorable Jalmar Kerttula  
Chair, Senate Judiciary Committee  
Alaska State Legislature  
P.O. Box V  
Juneau, AK 99811

Dear Senator Kerttula:

Subject: SB 16 relating to the management of unclaimed real property or escheat land.

Response: Generally okay with me. I would appreciate an inch of leeway to make some exceptions for historic sites or other extraordinary reasons.

Background: During the 13th Session of the Legislature the state's escheat real property statutes were amended to accomplish two primary objectives: (1) management authority was transferred from the Department of Revenue to the Department of Natural Resources. This transfer consolidated land management functions with resultant cost savings. (2) the legislation subjected management proposals for escheated land to a written best interest finding to establish highest and best use.

A telling point in the testimony received during consideration of the legislation was recognition that the Legislature was appropriating funds to purchase land from itself.

On December 31, 1986 the department listed nine escheat properties in its inventory with an approximate value of \$215,000 (see Appendix). Eventual sale of some or all of these parcels may be appropriate. However, as the Legislature recognized last year, the escheat process does turn up parcels that may be more appropriately kept in public ownership. For instance, the Harry C. Robb tract is a 8,000 square foot acre parcel in Talkeetna containing an historic log cabin that has been nominated to the Historic Register by the local community. Sale of this parcel may well not be in the public interest.

# **CORRECTION**

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

# STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

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

January 22, 1987

The Honorable Jalmar Kerttula  
Chair, Senate Judiciary Committee  
Alaska State Legislature  
P.O. Box V  
Juneau, AK 99811

Dear Senator Kerttula:

Subject: SB 16 relating to the management of unclaimed real property or escheat land.

Response: Generally okay with me. I would appreciate an inch of leeway to make some exceptions for historic sites or other extraordinary reasons.

Background: During the 13th Session of the Legislature the state's escheat real property statutes were amended to accomplish two primary objectives: (1) management authority was transferred from the Department of Revenue to the Department of Natural Resources. This transfer consolidated land management functions with resultant cost savings. (2) the legislation subjected management proposals for escheated land to a written best interest finding to establish highest and best use.

A telling point in the testimony received during consideration of the legislation was recognition that the Legislature was appropriating funds to purchase land from itself.

On December 31, 1986 the department listed nine escheat properties in its inventory with an approximate value of \$215,000 (see Appendix). Eventual sale of some or all of these parcels may be appropriate. However, as the Legislature recognized last year, the escheat process does turn up parcels that may be more appropriately kept in public ownership. For instance, the Harry C. Robb tract is a 8,000 square foot acre parcel in Talkeetna containing an historic log cabin that has been nominated to the Historic Register by the local community. Sale of this parcel may well not be in the public interest.

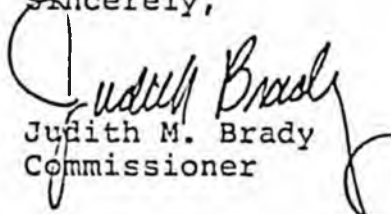
The Honorable Jalmar Kerttula -2-

January 22, 1987

Recommendation: Specifically, the department endorses Sections 1, 4, 5 and 6 of SB 16. We would request that Section 2 be redrafted to state that the legislative intent would be to return these once privately owned parcels to private ownership, but that the Commissioner would retain the discretion to determine when such an action would not be in the public interest. The department supports Section 3 in the main, but again requests that the Commissioner be allowed the discretion to offer substitute parcels of comparable value when appropriate.

Please let me know if I can provide further information or assistance.

Sincerely,



Judith M. Brady  
Commissioner

cc: Senator Jan Faiks

DIVISION OF LAND AND NATURAL RESOURCE MANAGEMENT  
 ESCHEAT REAL PROPERTY QUARTERLY REPORT  
 AS OF DECEMBER 31, 1988

INVENTORY REPORT

| <u>ESC #</u> | <u>JUDGEMENT DATE</u> | <u>REGION</u> | <u>FUND CATEGORY</u> | <u>BEST INTEREST REFERRAL DATE</u> | <u>BEST INTEREST FINDING DATE<sup>1</sup></u> | <u>APPRAISAL</u> | <u>COMMENTS</u>                     |
|--------------|-----------------------|---------------|----------------------|------------------------------------|---|------------------|-------------------------------------|
| 018          | 8-11-37               | NRO           | GENERAL <sup>2</sup> | NONE <sup>3</sup>                  | NONE  | NONE             | 16 Ac. patented M/C Nome area.      |
| 034          | 5-23-58               | SERO          | GENERAL <sup>2</sup> | NONE <sup>3</sup>                  | NONE  | NONE             | 1/3 interest unpatented Federal M/C |
| 036          | 9-16-64               | NRO           | GENERAL <sup>2</sup> | NONE <sup>3</sup>                  | NONE  | NONE             | 15 Ac. patented M/C Fairbanks area. |
| 038          | 6-30-65               | SCRO          | GENERAL <sup>2</sup> | NONE <sup>3</sup>                  | NONE  | NONE             | City of Seldovia substandard lot.   |
| 043          | 2- 6-78               | SCRO          | GENERAL <sup>2</sup> | NONE <sup>3</sup>                  | NONE  | NONE             | Talkeetna Townsite lot.             |
| 046          | 1- 3-80               | SCRO          | TRUST                | 12- 1-86                           |   |                  | Powder Island.                      |
| 051          | 3- 6-85               | NRO           | TRUST                | 11- 7-86                           |   |                  | 80 acres Fairbanks area             |
| 052          | 8- 4-86               | SERO          | TRUST                | NONE <sup>4</sup>                  | NONE  | NONE             | House and lot in Sitka.             |
| 053          | 12-11-86              | SCRO          | TRUST                |                                    |   |                  | 8 Ac. patented M/C Kenai Peninsula. |

<sup>1</sup> AS 38.95.230(a) requires a written best interest finding within two years after judgement of escheat obtained under AS 38.95.220.

<sup>2</sup> AS 38.95.230(c) identifies escheated real property not otherwise disposed of after seven years of the judgement of escheat as general State land for classification, disposal, and use.

<sup>3</sup> None of these properties were obtained under AS 38.95.220 and all had exceeded the seven year limit before DNR given management responsibility.

<sup>4</sup> An Agreement of Sale was signed for this property on 8-27-75. State succeeded deceased as seller. Purchasers pay \$300/month to Department of Revenue through NBA escrow account.

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

REQUEST: \_\_\_\_\_

Bill Version: SB 16  
Publish Date: \_\_\_\_\_

Revision Date: \_\_\_\_\_  
Title: Unclaimed real property  
managements

Agency Affected: Natural Resources  
BRU: Land & Water Public Use

Sponsor: Faiks  
Requestor: Senate Judiciary

Components: \_\_\_\_\_

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        |
|                   |       |          |          |          |          |          |
| CAPITAL           |       |          |          |          |          |          |
|                   |       |          |          |          |          |          |
| REVENUE           |       | 50.0 (?) | 50.0 (?) | 50.0 (?) | 50.0 (?) | 50.0 (?) |

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Improves existing management of unclaimed real property.  
Under aggressive management the program could yield annual revenues in the neighborhood of \$50,000 and the existing inventory has value of approximately \$215,000. Current level of effort is low.

Prepared by: Tom Hawkins  
Division: Land and Water Management

Phone: 762-4355  
Date: 1/22/87

Approved by Commissioner: *William Brady*  
Agency: Natural Resources

Date: \_\_\_\_\_

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

STATE OF ALASKA  
THE LEGISLATURE

POUCH Y STATE CAPITOL  
JUNEAU, ALASKA 99811  
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

January 21, 1987

SUBJECT: Sectional analysis of SB 16  
TO: Senator Jay Kerttula, Chair  
Senate Judiciary Committee  
FROM: Theresa L. Bannister <sup>SB</sup>  
Legislative Counsel

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

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

Section 1 requires the personal representative of an intestate estate to report the unclaimed real property of the estate to the Department of Natural Resources.

Section 2 requires the Department of Natural Resources to sell escheated real property by public auction in the manner provided by the auction sale procedures in AS 38.05.055.

Section 3. Sec. 38.95.240(a) establishes certain procedures and criteria for bringing and maintaining a claim to real property that has escheated to the state, and indicates the types of awards that the court may make.

Sec. 38.95.240(b) states that a successful claimant under Sec. 38.95.240(a) is not entitled to certain benefits that accrue to the state from the real property during the state's possession of the property.

Sec. 38.95.240(c) establishes a special time frame within which minors and incapacitated persons may assert a claim to escheated real property, and defines "incapacitated person".

Sec. 38.95.240(d) states that the other provisions of sec. 3 don't prevent the state from transferring escheated real property when appropriate to a person who proves to be the owner.

Section 4 requires the Department of Natural Resources to deposit and maintain the net proceeds from the sale of escheated real property in a trust account for seven years after the judgment of escheat, and allows the department to use the money in the trust account to pay escheated real property claims.

Section 5 defines "net proceeds".

Section 6 states the real property to which the bill applies.

If I can be of further assistance, please advise.

TLB:mkr  
m8/032

January 27, 1987

MEMORANDUM

TO: JAN

FROM: ALEXIS

SUBJECT: PROPOSED COMMITTEE SUBSTITUTES TO SB 16 RE  
DISPOSITION OF UNCLAIMED PROPERTY

The attached Committee Substitute addresses four changes to SB 16 which were suggested by committee members at last week's meeting. This CS was not discussed at today's meeting of the Judiciary Committee, but will be scheduled for this Thursday, January 29, 1987.

I am prepared to testify for the bill as follows:

1. The first change to the bill requires that the personal representative of an unclaimed estate notify not only DNR, but BIA, the municipality where the property is located, and, if applicable, the CR&A office that handles municipal trust land.

I have no qualms regarding notice to those, or any other agencies; however, not on those terms. Rather, the property should be reported directly to DNR. Then it should go through an escheat proceeding. Notice could then be given, via standard publication methods (newspaper of general circulation and bulletin board of court building). This would eliminate the need to notify several different agencies, and would provide notice to the public as well. It would also avoid any lag time prior to judgment of escheat, which is a concern I have with the proposed amendment. I have already discussed this with Michael Deman, Principal Planner of SEACAP, and he is in agreement with me, so this should be able to get through the Committee.

*Good  
edit  
+ complete!*

2. The second proposed amendment allows DNR a 180-day time limit in which to act and allow a historic exception along with a "best interest" exception.

No No!

This proposed amendment, as drafted, does very little to change the current statute, other than to reduce the time period from two years to six months, and is unacceptable. Our intent is that DNR sell the land, and this amendment allows it to do whatever it wants. This may be an error in the CS, as its accompanying memo indicates that the intent of the section is that DNR must sell the land.

yes.

You responded to questions regarding historical exceptions at last weeks meeting, and were in agreement that DNR must be allowed to make such exceptions. If this is what was meant by the proposed amendment, it should say so! I do not feel that it is adequately reflected in the proposed language, and does not appear to do anymore than shorten the period of time that the Department has to do whatever they want.

Correct analysis

3. The third proposed amendment reflects the possible situation in which an heir appears for property which has been declared an historic exception. In such event, the bill must require that a fair market appraisal of the property be obtained, for purposes of valuation of a claim. I have no problem with that concept, but, again, the language could be more direct.

4. The fourth proposed amendment adopts our own suggestion that there be a time limit on claims brought directly to DNR instead of the court. No problems!

good

yes

inholdings!

February 16, 1987

MEMORANDUM

TO: Bruce  
Jack Coghill's Senate Office

FROM: Alexis Gabay  
Jan Faiks' Senate Office

SUBJECT: CS to SB 16, An act relating to the disposition  
of unclaimed real property

Per our discussion this afternoon, I have drafted language which will amend Section 5 of the CS from the Senate Judiciary Committee and maintain the intent of the bill as follows:

Sec. 5. AS 38.95.230 is repealed and reenacted to read:

Sec. 38.95.230. DISPOSAL OF ESCHEATED REAL PROPERTY BY DEPARTMENT. Within 90 days after a judgment of escheat under AS 38.95.220 and after notice has been given as required under AS 38.05.945, the department shall sell the escheated real property unless the department issues a written finding that the designation of the property as a historic site would be in the best interest of the state. The Historic Sites Advisory Committee shall so designate the property under AS 41.35.

NOTE: The Historic Sites Advisory Committee is a part of the Department of Natural Resources, so there should be no problem with this language.

February 19, 1987

From: Frank Mielke, DNR

To: Bruce Geraghty  
Senate Resource Committee Staff

Re: Proposed language change to SB 16

Pursuant to our discussion of yesterday, the following language is suggested regarding section 5 of SB:

Within 90 days after a judgment of escheat under AS 38.95.220 and after notice has been given as required under AS 38.05.945, the department shall sell, lease, exchange, or otherwise transfer the escheated property unless:

- (1) the property is nominated or designated as a historic or archaeological site;
- (2) the land is necessary to provide public access to public land or resources;
- (3) the land is within a legislatively designated area; or
- (4) or if the land would otherwise be acquired for a public purpose, by the state or a political subdivision.

There is no pride in authorship as to the drafting of this proposal, but the intent should be fairly clear.

# STATE OF ALASKA



## SENATE JUDICIARY COMMITTEE

SEN. JAY KERTTULA  
SEN. ARLISS STURGULEWSKI  
SEN. RICK HALFORD  
SEN. JOE JOSEPHSON  
SEN. PAT RODEY

P.O. BOX V  
STATE CAPITOL  
JUNEAU, ALASKA 99811  
(907) 465-3717  
(907) 465-3771

*Sen. 21, 1987*

To: Senate Judiciary Members

From: Senate Judiciary Counsel

Re: CS for SB-16 "An Act Relating to the disposition of unclaimed real property interests"

During the first hearing on SB-16 a number of concerns were raised by Committee members and witnesses. We have sought to address these concerns in a proposed Committee Substitute, which is attached for your perusal and comment.

There are four changes in the CS.

First (Page 1, Lines 16-21): This section adds a requirement that the personal representative of an unclaimed estate notify not only DNR, but also notify the BIA, the municipality where the property is located, and, if applicable, the CR&A office that handles municipal trust land. This change was made to cover the concerns expressed by Mr. Michael DeMan, Principal Planner of SEACAP.

Second (Page 1, Lines 22-28): This section manifests an intent that DNR sell the land as proposed by the original bill, but also sets a 180-day time limit in which DNR must act (proposed by Senator Halford) and allows an historic exception along with a "best interest" exception as requested by the Commissioner of DNR.

Third (Page 2, Lines 12-14): This section was added to deal with the situation that could arise if an "unknown heiress" shows up and her property has been disposed of other than by sale or lease. It requires an appraisal so the heiress can get her fair market value out of the state. This was a drafting change-not a committee suggestion.

Fourth (Page 2, Line 29-Page 3, Line 1): This section incorporates Senator Faiks' suggestion that there be a time limit on how long DNR has in which to transfer escheated real property to an unknown heiress. (Note-under the current law there is no time limit on this with DNR while there is a seven-year limit on the courts-therefore the law actually gives DNR significantly more lee-way than the courts in transferring land to an unknown heiress.)

# STATE OF ALASKA



*Handwritten signatures and initials, including "TK" and "HK".*

## SENATE JUDICIARY COMMITTEE

SEN. JAY KERTTULA  
SEN. ARLISS STURGULEWSKI  
SEN. RICK HALFORD  
SEN. JOE JOSEPHSON  
SEN. PAT RODEY

*#2*

P.O. BOX V  
STATE CAPITOL  
JUNEAU, ALASKA 99811  
(907) 465-3717  
(907) 465-3771

2-3-87

MEMO: TO SENATE JUDICIARY COMMITTEE MEMBERS

FROM: SENATE JUDICIARY COUNSEL

RE: CSSB-16 AS RE-DRAFTED 2-3-87

There are four changes to CSSB-16 as drafted 1-27-87.

1. Section 1 is changed back to original statute form except for a drafting error. This is simply a section to tell people where to look in the statutes to find information and the statute will be clearer if substantive information is put in one place. There is a drafting error in the statute and that has been changed in the CS.

2. The time in which DNR has to act on escheated property has been cut down from 180 days to 90. DNR Director Tom Hawkins says that this is the minimum time in which DNR can act given notice requirements.

3. Instead of writing a new notice requirement as the original CS did this CS will require notice as given in AS 38.05 245. It should be noted that notice is required under the State Constitution, Article 8, Sec. 10.

4. A section has been added to change AS 38.05.945 to note that it now applies to escheated property and to note that when notice under it is given concerning escheated property the exceptions to the notice requirement (sections e and f, covering mining) do not apply.

S B

18

THE FOLLOWING DOCUMENT HAS  
NOT BEEN FILMED BUT IS  
AVAILABLE IN THE ORIGINAL  
FILE

GREATER ANCHORAGE AREA POROI  
KENAI PENINSULA BOROLGII

PROPOSED ANCHORAGE

COASTAL STATE WILDLIFE REFUGE

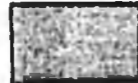
State Land



Municipal Land



Private Lands



Mental Health Lands

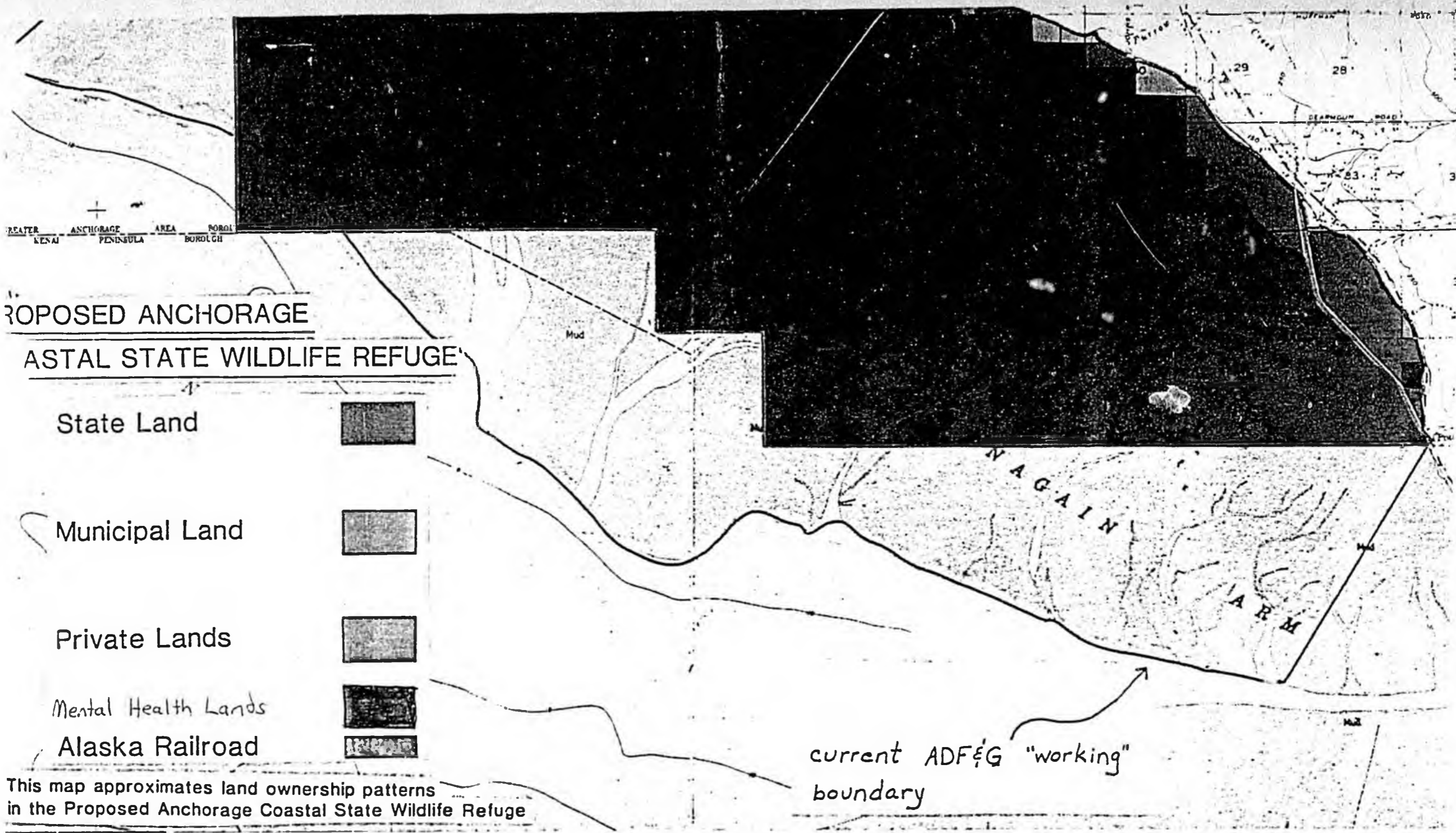


Alaska Railroad



This map approximates land ownership patterns  
in the Proposed Anchorage Coastal State Wildlife Refuge

current ADF&G "working"  
boundary



SENATE COMMITTEE REPORT

FURTHER: FINANCE

DATE TURNED INTO OFFICE 2-26-87

Mr. President:

RESOURCES

Committee considered ~~SB 18~~ SB 18 (CORR)

creating the Anchorage Coastal Wildlife Refuge.

and recommended:

replace with \_\_\_\_\_ CS FOR \_\_\_\_\_ )  same title  
 or adopt \_\_\_\_\_ CS FOR SB 18 (CORR) )  new title

attached amendment(s) and

*majority*  
 do pass

do not pass

no recommendation

individual recommendations

further referral to \_\_\_\_\_

letter of intent adopted \_\_\_\_\_

Committee  attached or  adopted fiscal note(s)

new  updated or  previous  
2  zero  fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

*[Signatures]*  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*[Signature]*  
\_\_\_\_\_  
Chairman signature and recommendation

Committee Backup Attached



February 20, 1987

Senate Resources Committee  
State of Alaska  
P. O. Box V  
Juneau, Alaska 99811

Re: SB18 Creating the Anchorage Coastal Wildlife Refuge

Honorable Members of the Committee:

I urge your support of the Anchorage Coastal Wildlife Refuge (SB18). This is a bill that you should be able to approve with no controversy. It fairly represents the broad interests of the Anchorage community as well as the specific interests of environmental groups, property owners, real estate developers and recreationists.

Part of this refuge is adjacent to property that we are currently developing in South Anchorage. We welcome its designation as a wildlife refuge. We recognize that because of the fact that our project abuts this future refuge it could affect the use of our property and the scrutiny that we are subject to as part of our approval processes. Even so, the resources that are protected through this designation and the benefits to us, as adjacent property owners, and to the community are paramount.

I have followed the progress of this bill through the last legislative session and am amazed that the bill has not been approved to date. The variety of issues relating to transportation, resource development and land use have been adequately addressed in the bill in its current form.

Thank you for your consideration of this matter. Again, I urge your support.

Very truly yours,

  
Gregory L. Jones  
President

Anchorage  
Convention & Visitors  
Bureau

Our Community's Way  
of Attracting and  
Serving Visitors

201 East Third Avenue  
Anchorage, Alaska 99501  
(907) 276-4118  
Telex 353743

February 25, 1987

The Honorable Jack Coghill, Chairman  
Alaska State Senate  
Senate Resources Committee  
Pouch V  
Juneau, Alaska 99811

Dear Senator Coghill and Members:

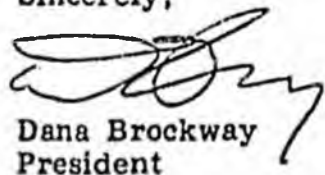
I am writing to add the Anchorage Convention and Visitors Bureau to the list of the individuals and organizations supporting the bill before your Committee establishing the Anchorage Coastal Wildlife Refuge.

The significance of Potters Marsh and the related wetlands to tourism for Anchorage and Southcentral Alaska has been well established. It is one of the most visited attractions in Anchorage and is the northern anchor of self-driving tours that extend onto the Kenai Peninsula. The related tidelands are important to the maintenance of the waterfowl population that makes this visitor attraction what it is. In short, it is a resource of major importance not only for residents but for those visiting our State who contribute so greatly to our economy.

For these reasons, the ACVB Board of Directors placed the Potters Marsh Refuge bill on its legislative priority list in 1986.

I have not read of strenuous opposition to this bill from any quarter, and urge your support of the bill. Thank you for giving the visitor perspective your consideration.

Sincerely,

  
Dana Brockway  
President



# Alaska State Legislature

## Senate Resources Committee



John B. Clark Cochill, Chairman  
Paul Fischer, Vice-Chairman  
Lloyd Jones  
Artiss Sturglewski  
Jim Duncan  
Fred Zharoff  
Dick Eliason

Box V  
Juneau, Alaska 99811  
(907) 465-4907

February 25, 1987

To: All Resource Committee Members  
From: Committee Staff  
Re: CSSB 18, "An Act creating the Anchorage Coastal Wildlife Refuge"

The sponsor's statement in the packet provides a section by section analysis of SB 18.

The substitute bill before the committee today changes Section 1, subsection (b) and provides for a management plan to be prepared by the Department of Fish and Game in consultation with the Department of Natural Resources. The original bill did not provide for consultation with DNR.

Also changed is subsection (c) in Section 1. The substitute version provides for a public right-of-way for surface transportation and a utility corridor across state land and water between Anchorage and Fire Island and identification of the actual location of the right-of-way. The original bill was less specific and provided for "continued surface access between Fire Island and Anchorage."

In Section 2 the substitute increases the preparation time from one to three years for the initial management plan.

Included in your packet are:

Sponsor's statement  
DNR position paper  
Fish & Game position paper  
Zero fiscal note  
Fish & Game memo re: permitted uses in the refuge  
Support letter from Anchorage Audubon Society  
Anchorage Assembly resolution  
Support letter from Rabbit Creek Community Council



# Alaska State Legislature

Senator Mike Szymanski

While in Session:  
P.O. Box V  
State Capitol  
Juneau, Alaska 99811  
(907) 465-4978/4979

## MEMORANDUM

TO: Senate Resource Committee Members  
FROM: Senator Mike Szymanski *MS/pt*  
SUBJECT: SB 18 - Anchorage Coastal Wildlife Refuge  
Background/Intent  
DATE: February 14, 1987

Interim  
11920 Johns Rd.  
Anchorage, AK 99515  
(907) 349-3373

1024 W. 6th  
Anchorage, AK 99501  
(907) 276-6739

In 1971, the Alaska State Legislature created Potter Point State Game Refuge (AS 16.20.030(b)) which extends southeasterly along the coastline of Anchorage from Pt. Campbell to Potter Creek. This easily accessible, urban refuge provides excellent wildlife viewing opportunities for city residents, and it enhances the Anchorage economy through its value as a tourist attraction.

In June 1983, the Municipality of Anchorage (MOA) established the Potter Marsh Task Force to address management problems that were developing both within and around the Refuge, and to subsequently make recommendations for improving management of the refuge. The Task Force is supported by the MOA, Alaska Department of Fish and Game (ADF&G), Alaska Department of Natural Resources (DNR) and interested public members.

SB 18 is supported by the Administration, the Rabbit Creek Community Council, the Oceanview Community Council, the National Rifle Association, the Municipality of Anchorage and various environmental and development groups in the Anchorage area. It is an example of multiple-use legislation which has been developed and supported by diverse groups and individuals and I respectfully request its passage by the Committee.

SB 18 would:

1) Rename the existing Potter Point State Game Refuge the "Anchorage Coastal Wildlife Refuge".

Section 1, AS 16.20.031 (a) would establish the Anchorage Coastal Wildlife Refuge to be managed for the protection of waterfowl, shore birds, salmon, and other fish and wildlife species, and their habitat and for the use and enjoyment of the people of the State. Section 3 repeals AS 16.20.030(b) which is the existing statute establishing the Potter Point State Game Refuge. This new name more accurately reflects the Refuge's location and relation to the city of Anchorage.

2) Provide a precise legal description, in surveyable section lines, of the boundaries of the State-owned land and water included in the Refuge.

The 1971 legislation reads, "The following described state-owned land and adjacent state water, excluding existing and applied-for highway, pipelines and railway rights-of-way as of May 20, 1971, are established as the Potter Point State Game Refuge: All land and water south and west of and adjacent to the toe of the bluff which extends from Campbell Point southeasterly to Potter Creek." This language does not define any real or measurable limit as to how far the Refuge boundary extends seaward, and the inland boundary is open to wide interpretation. Many times, this lack of clarity has resulted in confusion for state agencies, private development interests, and the general public. Therefore, SB 18 in Section 1, subsections (1) through (7) describes in detail the legal refuge boundaries.

3) Add additional tidelands and near shore upland to the existing refuge.

The MOA has asked that Refuge boundaries be expanded northward from Pt. Campbell to Pt. Woronzof to include municipally owned wetlands within the Refuge for management by ADF&G. In 1979, under the Anchorage Coastal Zone Management Plan, these lands were identified as Areas Meriting Special Attention and classified as Preservation Wetlands. Inclusion of these lands within the Refuge does not afford them any more protection than they already have under the preservation status, but would facilitate the uniform management of Anchorage's coastal lands. The new boundaries (described in Section 1, subsections (1) through (7)) were cooperatively drawn by the MOA, ADF&G, and DNR.

4) Restrict the state and municipality from acquiring property by eminent domain for inclusion within the Refuge.

This would protect private property owners by requiring that property to be included within the anchorage Coastal Wildlife Refuge be acquired through purchase, exchange, or otherwise (Section 1(e)), and prohibiting acquisition by eminent domain.

5) Provide for management of the Refuge by ADF&G and DNR.

Section 1(b) provides that, as in the past, both ADF&G and DNR would exercise their respective authorities over the Refuge, except as provided in Section 1(d). Management of the Anchorage Coastal Wildlife Refuge will be consistent with a management plan prepared by the ADF&G under ASI6.20.040-16.20.060. The plan will be completed within one year of the effective date of the Act (Section 2).

The management plan prepared by ADF&G shall also provide for a corridor for transportation and utilities between Fire Island and the Anchorage mainland (Section 1(c)). This is to ensure access to the island's owners for future development and would also be of economic benefit to the MOA.

Hunting, as in the past and in accordance with state regulations will continue to be allowed on state-owned lands within the Refuge west and north of the Alaska Railroad.

While the land and water areas of the Anchorage Coastal Wildlife Refuge are closed to mineral entry under AS 38.05.185 - 38.05.275, the boundary extension north of Pt. Campbell was drawn so that all previously issued offshore mining permits were excluded from within the Refuge. Oil and gas leasing will not be affected (Section 1(f)) by this legislation

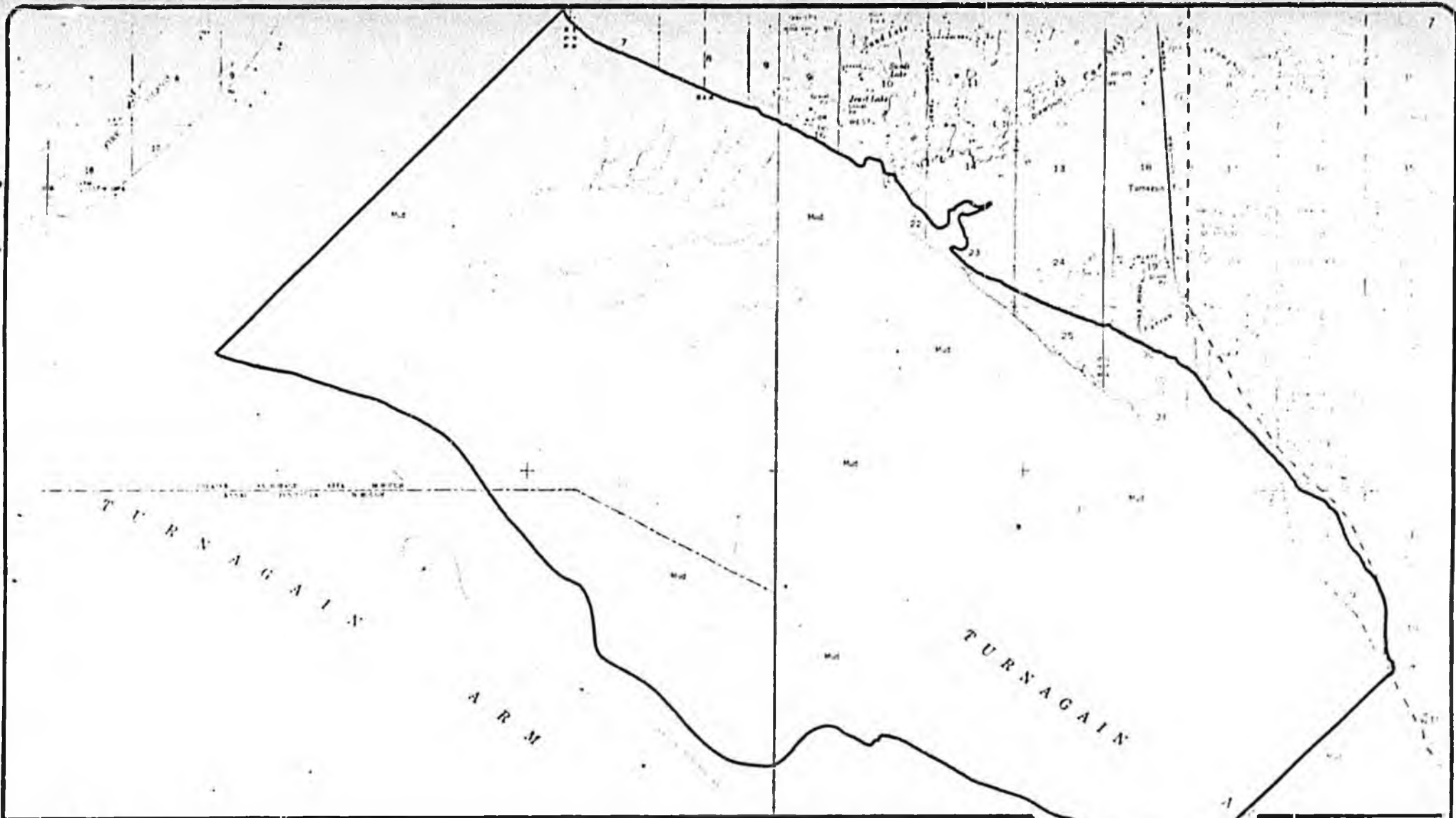
## LOCATION MAP



|                         |   |
|-------------------------|---|
| <b>Year Established</b> | 1971  |
| <b>Purpose</b>          | protect natural habitat and game populations (especially waterfowl) |
| <b>Lands Involved</b>   | State lands, tidelands, and submerged lands                         |

## POTTER POINT STATE GAME REFUGE

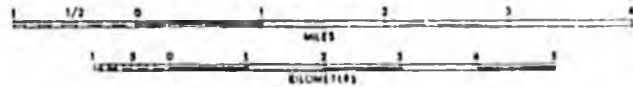
AS 16 20 030 (b) The following described state owned lands and adjacent state waters, excluding existing and applied-for highway, pipelines and railway rights-of-way as of May 20, 1971, are established as the Potter Point State Game Refuge. All lands and waters south and west of and adjacent to the toe of the bluff which extends from Campbell Point southeasterly to Potter Creek. Notwithstanding any other provision of law, within one year from the effective date of this Act, the municipality in which the Potter State Game Refuge is contained may zone privately owned land within the refuge. If no zoning action is taken by the municipality within one year, the Department of Natural Resources may adopt, in accordance with the Administrative Procedure Act (AS 44 62), zoning regulations governing privately owned land within the Potter Point State Game Refuge.



HABITAT DIVISION  
JULY 1983

POTTER POINT  
State Game Refuge

SCALE 1:63,360



# STATE OF ALASKA

STEVE COWPER, GOVERNOR

## DEPARTMENT OF NATURAL RESOURCES

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

OFFICE OF THE COMMISSIONER

February 4, 1987

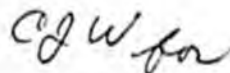
The Honorable Arliss Sturgulewski, Chair  
Senate Community and Regional Affairs Committee  
Alaska State Legislature  
P.O. Box V  
Juneau, AK 99811

Dear Senator Sturgulewski:

Subject: I am writing to reiterate my support for establishing the Anchorage Coastal Wildlife Refuge as described in SB 18.

Recommendation: I understand that enactment of this bill may be in jeopardy because of my request that mineral closure of the refuge extension not be included in the statute, but instead be the product of the refuge planning process. As I made clear from the beginning, if it appears that my request jeopardizes SB 18 in any way, feel free to approve the bill as written.

Sincerely,



Judith M. Brady  
Commissioner

cc: Committee Members  
Governor's Legislative Liaison



STATE OF ALASKA  
OFFICE OF THE GOVERNOR

BILL ANALYSIS

|  |                     |   |                                     |
|--|---------------------|---|-------------------------------------|
| DEPARTMENT<br>Fish and Game                            | DIVISION<br>Habitat | BILL NUMBER<br>CS SB18 (C&R)                      | SPONSOR<br>Szymanski & Sturgulewski |
| DEPARTMENT POSITION<br>Support                         |                     |   |                                     |
| PREPARED BY<br>Habitat Division <i>Ellen J. Little</i> | DATE<br>2/5/87      | COMMISSIONER'S SIGNATURE<br><i>Charles Bellon</i> | DATE<br>2.5.87                      |

SUMMARY

|  |  |
|--|--|
| OTHER AGENCIES AFFECTED BY BILL<br>Department of Natural Resources   | CONSTITUENT GROUP(S) AFFECTED BY BILL<br>Anchorage Residents |
| ORGANIZATIONAL SUPPORT FOR BILL<br>Municipality of Anchorage<br>Department of Natural Resources<br>Potter Marsh Task Force (Interagency) | ORGANIZATIONAL OPPOSITION TO BILL<br>None Known              |

FISCAL IMPACT:  NONE  FISCAL NOTE ATTACHED

BACKGROUND LEGISLATIVE INTENT

Establishment of the Anchorage Coastal Wildlife Refuge will protect important waterfowl and shorebird habitat in the Anchorage area. It will provide for public use and enjoyment of the refuge. The bill will clarify and enhance the existing Potter Point State Game Refuge.

ANALYSIS OF BILL PROGRAM EFFECTS

See SB 18 Bill Analysis 1/23/87

Amendments to the bill will:

1. Clarify that the act will rename the existing Potter Point State Game Refuge.
2. Clarify that Department of Fish and Game will prepare a management plan in consultation with the Department of Natural Resources.
3. Provide for a public right-of-way for surface transportation and a utility corridor between Fire Island and the Mainland.
4. Direct that the management plan be completed within three years after the effective date of the act.

AMENDMENTS PROPOSED

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS.

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

**REQUEST:** \_\_\_\_\_

Bill Version: CS SB18 (L-2A)  
Publish Date: \_\_\_\_\_

Revision Date: \_\_\_\_\_

Agency Affected: ADF&G

Title: Anchorage Coastal Wildlife  
Refuge

BRU: \_\_\_\_\_

Sponsor: Szymanski Sturqulewski

Components: \_\_\_\_\_

Requestor: \_\_\_\_\_

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

| OPERATING              | FY 87 | FY 88 | FY 89 | FY 90 | FY 91 | FY 92 |
|------------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES      |       | 0     |       |       |       |       |
| TRAVEL                 |       | 0     |       |       |       |       |
| CONTRACTUAL            |       | 0     |       |       |       |       |
| SUPPLIES               |       | 0     |       |       |       |       |
| EQUIPMENT              |       | 0     |       |       |       |       |
| LAND & STRUCTURES      |       | 0     |       |       |       |       |
| GRANTS, CLAIMS         |       | 0     |       |       |       |       |
| MISCELLANEOUS          |       | 0     |       |       |       |       |
| <b>TOTAL OPERATING</b> |       | 0     |       |       |       |       |

|         |  |   |  |  |  |  |
|---------|--|---|--|--|--|--|
| CAPITAL |  | 0 |  |  |  |  |
|---------|--|---|--|--|--|--|

|         |  |   |  |  |  |  |
|---------|--|---|--|--|--|--|
| REVENUE |  | 0 |  |  |  |  |
|---------|--|---|--|--|--|--|

**FUNDING: (Thousands of Dollars)**

|               |  |   |  |  |  |  |
|---------------|--|---|--|--|--|--|
| GENERAL FUND  |  | 0 |  |  |  |  |
| FEDERAL FUNDS |  |   |  |  |  |  |
| OTHER         |  |   |  |  |  |  |
| <b>TOTAL</b>  |  | 0 |  |  |  |  |

**POSITIONS:**

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

**ANALYSIS : (Attach a separate page if necessary)**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Prepared by: Bruce Baker, Acting Director *(Signature)*

Phone: 465-4105

Division: Habitat

Date: 2/5/87

Approved by Commissioner: *(Signature)*

Date: 2/5/87

Agency: Fish and Game

**Distribution (by preparer):**

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

# MEMORANDUM

State of Alaska

TO: Roland Shanks  
Special Assistant  
Office of the Commissioner

DATE: April 9, 1985

FILE NO:

TELEPHONE NO: 465-4105

FROM:

*Baker*  
Bruce H. Baker  
Acting Director  
Habitat Division  
Department of Fish and Game

SUBJECT: Permitted Activities  
in Critical Habitat  
Areas

As you requested, we have reviewed the files on Critical Habitat Area permits for the past three years. There were a total of 30 applications received for activities in seven of the Critical Habitat Areas. Of these, 28 were approved and 2 were denied. Activities in Critical Habitat Areas which were permitted include: seismic exploration; placement of fill material; sewage outfall; dredging; heavy equipment transport; storage of marine drilling rig; small boat harbor expansion; log rafting and transfer; retaining walls/bulkheads; oil and gas leases; and geological exploratory work. Details are provided in the attached list.

Critical Habitat Areas are multiple use areas. Activities are allowed in Critical Habitat Areas in a manner consistent with the purpose for which each area is established. Activities which are permanent in nature or will have a significant effect on fish and game populations or their habitats (other than lawful hunting and fishing) require a permit from the Department of Fish and Game. All other activities do not require permits. Activities which do not require a critical habitat area permit include hunting, fishing, trapping, public access, recreational activities (hiking, skiing, horseback riding, dog team travel, camping, mountain climbing, etc.), boating, berrypicking, firewood gathering (dead and down timber) and many others.

Enclosure

Permits Requested in  
Critical Habitat Areas Since 1982

| Area             | Activity   | Decision |
|------------------|--|----------|
| Kachemak Bay CHA | Seismic exploration  | Approved |
| Kachemak Bay CHA | Geophysical exploration  | Approved |
| Kachemak Bay CHA | Placement of fill material<br>for construction of<br>Campground Homer Spit | Approved |
| Kachemak Bay CHA | Sewage Outfall Line  | Approved |
| Kachemak Bay CHA | Storage of Temporary<br>Jack-Up Drilling Rig                               | Approved |
| Kachemak Bay CHA | Homer Small Boat Harbor<br>Expansion                                       | Approved |
| Kachemak Bay CHA | Bulkhead (Mud Bay)   | Denied   |
| Kachemak Bay CHA | Unauthorized Fill<br>(Jackaloff Bay)                                       | Denied   |
| Kachemak Bay CHA | Pier construction and<br>Maintenance Dredging<br>Homer Small Boat Harbor   | Approved |
| Kachemak Bay CHA | Mariculture<br>(Blue Mussel Farm)  | Approved |
| Kachemak Bay CHA | Dock construction<br>(Tutka Bay)   | Approved |
| Kachemak Bay CHA | Log Rafting and Transfer   | Approved |
| Kachemak Bay CHA | Retaining Wall<br>Construction   | Approved |
| Kachemak Bay CHA | Bulkhead construction<br>and Dredging Seldovia<br>Small Boat Harbor        | Approved |
| Clam Gulch CHA   | Dredging Ninilchik<br>Small Boat Harbor                                    | Approved |
| Clam Gulch CHA   | Beach and River Erosion<br>Control   | Approved |
| Clam Gulch CHA   | Dredging Ninilchik<br>Small Boat Harbor                                    | Approved |

| Area                | Activity                                  | Decision |
|---------------------|---|----------|
| Clam Gulch CHA      | Oil and gas lease                         | Approved |
| Fox River Flats CHA | Heavy Equipment/Track<br>vehicle movement | Approved |
| Fox River Flats CHA | Track Vehicle Crossing                    | Approved |
| Fox River Flats CHA | Four wheel drive crossing                 | Approved |
| Fox River Flats CHA | Heavy Equipment Crossing                  | Approved |
| Port Moller CHA     | Geological Field<br>Reconnaissance        | Approved |
| Port Moller CHA     | Gravity Survey                            | Approved |
| Port Moller CHA     | Seismic Exploration                       | Approved |
| Port Moller CHA     | Geological Field<br>Program               | Approved |
| Port Moller CHA     | Marine Seismic<br>Exploration             | Approved |
| Kalgin Island CHA   | Oil and gas lease                         | Approved |
| Pilot Point CHA     | Oil and gas lease                         | Approved |
| Cinder River CHA    | Oil and gas lease                         | Approved |



ANCHORAGE  
**Audubon Society, Inc.**  
A CHAPTER OF THE NATIONAL AUDUBON SOCIETY

February 20, 1987

Post Office Box 101161  
Anchorage, Alaska  
99510

Senator Jack Coghill  
Chairman, Senate Resources Committee  
P.O. Box V  
Juneau, AK 99811

Dear Senator Coghill:

As President of the 1400 member Anchorage Audubon Society, Inc., I am writing to you and the members of the Senate Resources Committee to request prompt consideration and passage by the Committee of Senate Bill 18 regarding Anchorage's Potters Marsh.

As you may know, this Bill received its initial impetus several years ago from the Potter's Marsh Task Force, a consortium of state and federal government agencies, profit and non-profit groups interested in conservation and development. The consensus reached by the task force which led to SB 18 is a fine demonstration of how various competing interests can coincide and be accommodated in the environmental arena. Consequently, there has been remarkable support from all quarters for passage of Senate Bill 18. The Bill expands the refuge in some respects so that the boundaries of the refuge more closely coincide with the marsh's actual physical boundaries. The Bill protects property owners and the corridor to Fire Island. Most importantly, from our Society's point of view, the Bill specifically requires the development of a long range management plan.

Potter's Marsh is one of the most accessible and outstanding non-game recreational and educational opportunities which serves the Anchorage area. Potter's Marsh receives thousands and thousands of visits each year not only from residents but also tourists. From our point of view, it is imperative that a long range management plan be developed in order that the marsh's full potential as a recreational and educational facility can be developed while, at the same time, maximizing the protection of its ecosystem so that future

Page 2.  
Senator Coghill  
February 20, 1987

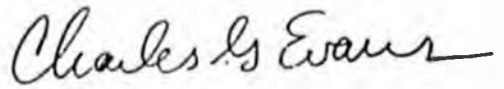
residents and visitors may continue to enjoy this outstanding asset.

As an example of the unparalleled opportunities provided by the marsh, keep in mind that the marsh is used each spring by significant numbers of Trumpeter Swans. These magnificent birds are making a come-back from the endangered species list. Each spring, the marsh is a haven, feeding ground, and staging area for the swans' northern migration to west of Anchorage. Most of the school children of the country will never see a Trumpeter Swan during their life time. Yet, here in Anchorage, the marsh provides a natural habitat where they may be observed by all. This is the kind of outstanding opportunity passage of Senate Bill 18 will guarantee for the future of Anchorage and Alaska.

If you have any questions, I will be happy to discuss them with you personally. My work number is 278-4691. Thank you for your consideration and prompt passage of Senate Bill 18.

Very truly yours,

ANCHORAGE AUDUBON SOCIETY, INC.

By:   
Charles G. Evans, President

CGE/pjt

cc: Senator Arliss Sturgalewski  
Senator Mike Symanski

Feb 27, 86 15:00 PURCHSING MUNICIPALITY OF ANCHORAGE 907 274 5718

P.03

Submitted by: Assemblymen  
Brockway and Evans  
Prepared by: Assemblyman  
Brockway  
For reading: February 25, 1986

ANCHORAGE, ALASKA

AR NO. 86-32

A RESOLUTION RECOMMENDING ENACTMENT OF LEGISLATION CREATING THE  
ANCHORAGE COASTAL WILDLIFE REFUGE

---

WHEREAS, a bill creating the Anchorage Coastal Wildlife Refuge has been introduced in the Alaska Legislature; and

WHEREAS, the Rabbit Creek Community Council and other community groups have endorsed its enactment; and

WHEREAS, the Anchorage Assembly has previously passed and approved AR 85-42 in February, 1985 supporting creation of the refuge; and

WHEREAS, Potter Marsh and related coastal areas constitute one of Anchorage's most significant resources for visitors and residents alike; and

WHEREAS, the intent of the creation of the Anchorage Coastal Wildlife Refuge is to further protect and better manage south Anchorage coastal resources without disruption of established traditional and multiple uses.

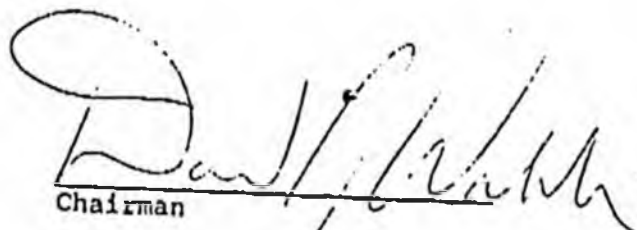
NOW, THEREFORE, BE IT RESOLVED, the Anchorage Assembly reaffirms its support for creation of the Anchorage Coastal Wildlife Refuge and urges the passage of enabling legislation.

0-27,86 15:01 PURCHSING MUNICIPALITY OF ANCHORAGE 907 274 5718

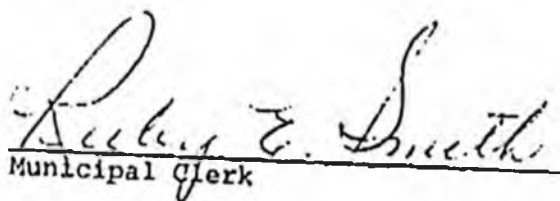
P.04

Page 2  
AR 86-32


PASSED AND APPROVED by the Anchorage Municipal Assembly the  
25th day of February, 1986.

  
Chairman

ATTEST:

  
Municipal Clerk





Rabbit Creek Community Council

16350 Sandpiper Drive,  
Anchorage, Alaska 99516

February 12, 1987

Senate Resource Committee,  
Juneau, Alaska

Dear Senators,

We respectfully request this letter be read into the Resource Committee hearing minutes on February 25th, 1987.

The Rabbit Creek Community Council (RCCC) is pleased that the bill creating Anchorage Coastal Wildlife Refuge has been reintroduced into the legislature as Senate Bill 18. We unanimously support this bill which provides a refuge for the protection of waterfowl, shorebirds, salmon, and other fish and wildlife species, and their habitat and for the enjoyment and use of the people of the state. We trust that the Senate and House will take positive and immediate action on SB 18 that has the wide support of your constituents.

The RCCC looks forward to working with you throughout this legislative session. If there are any questions or concerns that you might have with which we could help, please contact me (h. 345-2453, w.261-4664).

Sincerely,

*Maureen McCrea*  
Maureen McCrea  
President

S B

2 3

# FROM AGROBIOLOGICAL

Scientific Department of Plant Management  
Faculty of Agriculture, Cairo University  
Cairo, Egypt



# Will Alaskan Farmers Sell the Development Rights to their Land?

By William G. Workman\*, Edward L. Arobio\*\*,  
and Anthony F. Gasbarro\*\*\*

## INTRODUCTION

In Alaska, as in many other parts of the country, market forces are producing a change in land-use patterns that is resulting in the conversion of highly productive agricultural lands to nonagricultural uses. Property on the urban fringes of Anchorage and Fairbanks that once produced vegetables and grains or supported dairy farms appears most vulnerable to this conversion to residential or industrial sites. Within the last three years

alone, for example, 27 farms have been subdivided in the Palmer-Butte area of the Matanuska Valley. Many of the subdivisions along the Parks Highway between Willow and Talkeetna are located on lands with high agricultural potential.

This displacement of farms by subdivisions, roads, shopping centers, and other nonagricultural enterprises is viewed by some Alaskans as not being in the state's best interest. Those concerned about the loss of agricultural lands argue that the areas most likely to be converted represent some of the best agricultural lands in the state and are vital to the maintenance and further development of an agricultural economy in Alaska. In addition, it is suggested that the preservation of these areas will help to maintain a much-desired way of life and to provide needed open space and other environmental amenities at the urban fringe. These concerns have resulted in actions by the

\* Associate Professor of Economics, Agricultural Experiment Station, Fairbanks.

\*\* Research Associate in Economics, Agricultural Experiment Station, Fairbanks.

\*\*\* Forester, Agricultural Experiment Station, Fairbanks.



UNIVERSITY OF ALASKA, FAIRBANKS  
Fairbanks, Alaska 99701

School of Agriculture and Land Resources Management  
Agricultural Experiment Station

August 14, 1978

Dear

The Agricultural Experiment Station at the University of Alaska is conducting a survey of Alaskan farmers. This survey is part of a study concerning the future use of agricultural lands near population centers of Alaska. We need your assistance to make this study a success.

Agricultural lands are rapidly being converted to other uses such as residential lots, airports, and shopping centers. Land is becoming more expensive and some farmland owners are convinced that it makes more sense to develop agricultural land than to farm it. Other people are concerned that we are converting too much of the farmland near cities to nonagricultural uses and that it would be wise to preserve these lands so that food can be grown close to large population centers and so that there will continue to be open space near urban areas.

Many ways are being tried to preserve agricultural lands in other areas of the United States. Some of these include tax incentives, zoning and the trading of land. Another way is for a state or municipality to purchase from the farmland owner his right to develop his land for anything but farming. For a price, the farmer would give up his option to use his land for nonagricultural purposes; the land would still be his, but he could do nothing that would impair its agricultural potential.

The principal objective of our study is to determine (1) farmers' interest in selling development rights and (2) what it might cost the State of Alaska to purchase these rights. A short questionnaire is enclosed and we would be grateful if you will fill it out and return it to us in the enclosed postage paid envelope before September 1, 1978. All information will be kept confidential. If you desire we will be happy to send you a final report at the completion of the study.

Thank you for your cooperation.

*William G. Workman*  
Dr. William G. Workman  
Resource Economist

WGW:ks  
Enclosures

A division of the University of Alaska statewide system of higher education

Figure 1

state and municipal governments in Alaska to intervene in the land market to slow down or stop the loss of agricultural land. Methods employed include tax incentives (use-value assessment of farmland) and the sale of only the agricultural rights on state and municipal lands.

Recently, some state government officials have developed an interest in a new method of agricultural land preservation that is being adopted in some of the eastern states. This method involves the public purchase of nonagricultural development rights on agriculture lands currently held in the private sector. Usual development rights associated with a parcel of real property permit the landowner to develop his land beyond its current agricultural use, and because these rights can be separated from the total bundle of rights, they can be sold, thus transferring from the landowner the right to develop his land. This, then, is the concept behind the purchase of development rights as an agricultural land control device. In order that land remain in agriculture use in areas being converted to other uses, govern-

ALASKA AGRICULTURAL LANDS SURVEY

1. How many acres do you currently farm or ranch?

Your own land \_\_\_\_\_  
Land rented or leased \_\_\_\_\_  
From other landowners \_\_\_\_\_  
From the government \_\_\_\_\_  
Total acres \_\_\_\_\_

2. What crops or livestock do you produce?

| Crops                  | Acres          |                    |                        |
|------------------------|----------------|--------------------|------------------------|
|                        | Your own       | Rented from others | Leased from government |
| Vegetables or potatoes | _____          | _____              | _____                  |
| Small grains           | _____          | _____              | _____                  |
| Hay or silage          | _____          | _____              | _____                  |
| Planted Pasture        | _____          | _____              | _____                  |
| Native Pasture         | _____          | _____              | _____                  |
| Livestock              | Number of Head | Livestock          | Number of Head         |
| Dairy cattle           | _____          | Swine              | _____                  |
| Beef cattle            | _____          | Poultry            | _____                  |
| Sheep                  | _____          | Other (specify)    | _____                  |

3. What do you estimate is the per acre market value of agricultural land:

Your own land: Cleared \_\_\_\_\_\$/acre    Uncleared \_\_\_\_\_\$/acre  
That you rent (exclude government leases): Cleared \_\_\_\_\_\$/acre

4. Would you be interested in selling development rights to your agricultural land? Selling such rights would mean that your land could be used for agricultural or forestry purposes only.

| Degree of interest    | Cleared | Uncleared |
|-----------------------|---------|-----------|
| Not interested        | _____   | _____     |
| Slightly interested   | _____   | _____     |
| Moderately interested | _____   | _____     |
| Highly interested     | _____   | _____     |

5. At what price would you sell the development rights to your agricultural land: \_\_\_\_\_\$/acre.

6. Please describe the location of your farm or ranch.

Nearest town \_\_\_\_\_ Distance from town \_\_\_\_\_  
Direction from town \_\_\_\_\_

Thank you for your cooperation. A summary of the results of this survey will be available to you on request.

Figure 2

ments might purchase the development rights from agricultural lands. These lands could then be used only for agricultural purposes.

In June of 1978, the Agricultural Experiment Station at Fairbanks was asked by the Alaska Department of Natural Resources to evaluate such a program for Alaska. As a part of this assessment, a survey of Alaska farmers and ranchers was conducted primarily to determine their interest in such a program and to obtain estimates of the costs of purchasing these development rights. The results of this survey are reported here.

SURVEY RESULTS

During August of 1978, a questionnaire, with a brief explanation of the development rights concept in the cover letter (Figure 1 and 2), was mailed to 263 agricultural landowners in the most important farming or livestock areas of the state. Since there is no statewide, farmers' organization in Alaska, the names of landowners were obtained from the mailing lists of state and federal agencies that distribute agricultural information. Undoubtedly these lists did not include all of the people who consider themselves farmers. Of the questionnaires mailed, 18 were returned as undeliverable, leaving 245 that actually reached their destination, of which 112 (46%) were returned completed (Table 1).

Questionnaire recipients were asked to indicate their degree of interest in selling the development rights to their cleared and uncleared agricultural lands. Specifically they were asked to indicate whether they were highly, moderately, slightly, or not interested in selling these rights. Approximately 94%, 106 of 112 respondents, answered this question. The distribution of these expressions of interest can be seen in Table 2.

Most of the respondents in all regions except the Matanuska-Susitna area expressed little or no interest in selling develop-

Table 1: Questionnaire Response by Region

| Region             | No. Questionnaires Delivered | No. Questionnaires Returned (%) |
|--------------------|------------------------------|---------------------------------|
| Fairbanks          | 52                           | 24 (46)                         |
| Delta              | 34                           | 10 (29)                         |
| Copper River Basin | 15                           | 10 (67)                         |
| Matanuska-Susitna  | 106                          | 41 (39)                         |
| Kenai-Kodiak       | 38                           | 27 (71)                         |
| TOTAL              | 245                          | 112 (46)                        |

Table 2: Degree of Interest in Selling Development Rights to Agricultural Land

|                    | Number of Respondents (%) |                 |                   |               |
|--------------------|---------------------------|-----------------|-------------------|---------------|
|                    | No Interest               | Slight Interest | Moderate Interest | High Interest |
| Fairbanks          | 14                        | 2               | 4                 | 4             |
| Delta              | 7                         | 2               | 0                 | 0             |
| Copper River Basin | 6                         | 1               | 2                 | 1             |
| Matanuska-Susitna  | 13                        | 6               | 7                 | 12            |
| Kenai-Kodiak       | 13                        | 4               | 3                 | 4             |
| Statewide          | 54 (51%)                  | 15 (14%)        | 16 (15%)          | 21 (20%)      |

Table 3: Perceived Market Value of Cleared and Uncleared Land by Number and Percentage of Respondents in Dollars per Acre

| Per Acre Value | Number of Respondents (%) |                |
|----------------|---------------------------|----------------|
|                | Cleared Land              | Uncleared Land |
| 0-999          | 18 (26)                   | 24 (39)        |
| 1,000-1,999    | 11 (16)                   | 5 (8)          |
| 2,000-2,999    | 10 (14)                   | 11 (18)        |
| 3,000-3,999    | 8 (12)                    | 4 (6)          |
| 4,000-4,999    | 6 (9)                     | 4 (6)          |
| 5,000-5,999    | 4 (6)                     | 4 (6)          |
| 6,000-6,999    | 3 (4)                     | 3 (3)          |
| 7,000-7,999    | 3 (4)                     | 3 (5)          |
| 8,000-8,999    | 1 (1)                     | -0-            |
| 9,000-9,999    | -0-                       | -0-            |
| 10,000         | 5 (5)                     | 4 (6)          |
| TOTAL          | 69                        | 62             |

ment rights. Those respondents living in the Matanuska-Susitna region were evenly divided on the question: half indicated little or no interest and half expressed moderate to high interest. On a statewide basis, 65% expressed little or no interest and 35% indicated moderate to high interest. Over half of all these moderately or highly interested in selling development rights were from the Matanuska-Susitna region.

Questionnaire respondents were also asked to estimate the value of their farmland. Sixty-nine of the 112 respondents indicated what they perceived as the market value of their cleared land and 62 answered the same question about uncleared land. The distributions of these values are shown in Table 3. On a statewide basis, most of the respondents perceived the market values of both uncleared and cleared land to be less than \$5,000 per acre. Uncleared land was valued at less than \$5,000 per acre by 77% of the respondents and at less than \$3,000 per acre by 65% of the respondents. Correspondingly, for cleared land 77% of the respondents valued their land at less than \$5,000 per acre while 56% indicated a value of less than \$3,000 per acre.

Average market values for cleared and uncleared land as perceived by the respondents were calculated for each region. These data are summarized in Table 4. Average values for cleared land ranged from \$1,500 per acre in Delta to \$3,900 per

Table 4: Average Perceived Market Values of Land by Region (Dollars per Acre)

| Region             | Cleared Value | Number Respond. | Uncleared Value | Number Respond. |
|--------------------|---------------|-----------------|-----------------|-----------------|
| Fairbanks          | \$3,900       | 13              | \$2,900         | 11              |
| Delta              | 1,500         | 9               | 1,300           | 8               |
| Copper River Basin | 1,900         | 6               | 900             | 6               |
| Matanuska-Susitna  | 3,800         | 28              | 3,600           | 24              |
| Kenai-Kodiak       | 3,700         | 13              | 3,100           | 13              |
| TOTALS             |               | 69              |                 | 62              |
| WEIGHTED AVE.      | \$3,300       |                 | \$2,800         |                 |

Table 5: Value of Development Rights (Dollars per Acre)

| Value       | Number of Respondents (%) | Value       | Number of Respondents (%) |
|-------------|---------------------------|-------------|---------------------------|
| 0-999       | 6 (15)                    | 5,000-5,999 | 3 (8)                     |
| 1,000-1,999 | 8 (21)                    | 6,000-6,999 | 2 (5)                     |
| 2,000-2,999 | 7 (18)                    | 7,000-8,999 | -0-                       |
| 3,000-3,999 | 6 (15)                    | 9,000-9,999 | 1 (3)                     |
| 4,000-4,999 | 2 (5)                     | 10,000      | 4 (10)                    |

Table 6: Average Development Rights Values (Dollars per Acre)

| Region            | Value   | No. of Respondents |
|-------------------|---------|--------------------|
| Fairbanks         | \$3,200 | 5                  |
| Matanuska-Susitna | 3,600   | 21                 |
| Kenai-Kodiak      | 3,100   | 8                  |
| TOTAL             |         | 34                 |
| WEIGHTED AVERAGE  | \$3,400 |                    |

acre in the Fairbanks region. Three of the regions (Fairbanks, Matanuska-Susitna, Kenai-Kodiak), accounting for nearly 80% of the respondents, differed by only \$200 per acre in the perceived average value of cleared land with values ranging between \$3,700 and \$3,900 per acre. The weighted-average, cleared-land value for the five regions was \$3,300 per acre.

Uncleared land values averaged slightly lower than cleared land values and ranged from \$900 per acre in the Copper River region to \$3,600 per acre in the Matanuska-Susitna region. As with cleared land, the Fairbanks, Matanuska-Susitna, and Kenai-Kodiak regions accounted for nearly 80% of the survey respondents and showed a relatively narrow range of perceived land values. Average land values for uncleared land in these regions were between \$2,900 and \$3,600 per acre. The weighted average for all five regions was \$2,800 per acre.

Questionnaire recipients were asked to assess the value of the development rights associated with their farmland. A value of development rights was reported by 39 of the 112 respondents (35%). Thirty-four of these responses were from the Fairbanks, Matanuska-Susitna, and Kenai-Kodiak areas. Nearly 70% of the respondents valued their development rights at less than \$4,000 per acre. The distribution of development rights values can be seen in Table 5.

Average development rights values as perceived by the respondents were calculated for the Fairbanks, Matanuska-Susitna, and Kenai-Kodiak regions. These values are shown in Table 6. Average values were not calculated for the Copper River and the Delta regions because so few of these contacted in these areas responded to this part of the questionnaire. Average development rights values in the three areas mentioned ranged between \$3,100 per acre and \$3,600 per acre. Values were highest in the Matanuska-Susitna region.

**Table 7: Farm Distance from Nearest Community Related to Degree of Interest<sup>3</sup>**

| Distance Category | Percentage of Respondents |                           |                       |
|-------------------|---------------------------|---------------------------|-----------------------|
|                   | Reporting                 | Moderate to High Interest | Little or No Interest |
| 0-5               | 41                        | 39                        | 43                    |
| 6-10              | 24                        | 29                        | 21                    |
| 11-15             | 16                        | 12                        | 19                    |
| 16-20             | 7                         | 5                         | 9                     |
| 21+               | 12                        | 15                        | 9                     |

<sup>3</sup>Based on 111 farmers reporting.

Average development rights values were also calculated by degree of interest, again using data from the Fairbanks, Matanuska-Susitna, and Kenai-Kodiak regions. Calculations showed that those with a moderate or high interest in a development rights program on the average valued these rights at \$2,145 per acre. Those not interested in the program put a much higher value on these rights, \$4,662 per acre. Respondents in the moderate-to-high interest categories accounted for 63% of the total acreage represented in the survey responses.

Additional analysis of the survey data was undertaken to determine whether or not a landowner's interest in a development rights purchase program and/or his perceived value of these rights were related to the distance between his farm and the nearest population center. Table 7 presents a summary of the data relating to the interest/distance question. One can observe that the distributions of responses are similar between the moderate-or-high and low-or-no interest categories and are, therefore, similar to the pattern shown for all responses.<sup>1</sup> This close relationship suggests that farmers' interest in selling development rights is not significantly influenced by the location of his farm relative to a population center. When data for just those farm owners living near Palmer and Wasilla were broken out and analyzed in the same way, the identical conclusion was drawn.

We also addressed the issue of whether a landowner's perception of the value of the development rights to his property was influenced by the location of the farm relative to a population center. The expectation was that the closer the farm was to a town or city, the more attractive would be that land for development purposes and that this relative attractiveness would be reflected in the perceived value of the development rights. Unfortunately the quality of the data obtained through the survey did not allow a rigorous test of this proposition on either a local or statewide basis.

The data in Table 8 are presented to show the nature of the relationship or lack thereof between distance and development rights value as perceived by farmers near Palmer. No clear pattern emerges but, again, this conclusion must be qualified by recognizing that the data are not taken from a random sample. The fact that the expected relationship did not occur may perhaps also be explained by the existence of unrealistic expectations on the part of some landowners regarding the development value of their property. Consequently, these perceived values may not represent the minimum payments that these landowners might be willing to accept to forego their development options.

<sup>1</sup>Using the chi square test for independence with the data on which Table 7 is based, we were not able to reject the hypothesis of independence of interest and distance at any reasonable level of significance. One must recognize, however, that these data were not obtained through random sampling. Thus, any inferences about the views of farmers in Alaska must be regarded with caution.

**Table 8: Relationship Between Development Rights Value and Distance from Palmer**

| Distance (Miles) | Stated Values |
|------------------|---------------|
| 0-1              | \$10,000      |
|                  | 7,700         |
| 1                | 3,000         |
| 2                | 10,000        |
|                  | 3,500         |
|                  | 1,500         |
| 3                | 3,500         |
|                  | 1,000         |
|                  | 5,500         |
| 4                | 2,000         |
| 5                | 600           |
| 6                | -             |
| 7                | 3,000         |
| 8                | 500           |
| 9                | -             |
| 10               | 850           |
| 11               | 1,000         |

### CONCLUDING REMARKS

The survey described here was designed to assess Alaska farmers' interests in participating in a development rights acquisition program for preserving agricultural lands and to provide an estimate of the cost to the state of purchasing these rights. While agricultural landowners in the Matanuska-Susitna Valley areas appeared the most receptive to this land use control concept, farmers surveyed statewide were generally not interested in selling the development rights to their farmland. When faced with the hypothetical proposition of selling these rights, nonetheless, farmers on the average valued the development options at \$3,400 per acre.

While it would be difficult to state confidently why farmers lack enthusiasm for the development rights purchase concept, several explanations appear plausible. First, as reflected in written comments on the returned questionnaires, some landowners may feel this approach to be just another invasion in their lives by "big government." Also, questionnaire respondents may have felt it to be a wise strategy, considering possible future price negotiations, to appear initially uninterested in disposing of their development rights.

Another possible explanation is that agricultural landowners might not be interested in selling development rights now since they anticipate that these rights will be worth more at some later date. This explanation, however, is not entirely satisfactory, since land prices and, therefore, development rights values presumably reflect the discounted value of future development benefits. Thus, in order for this reasoning to offer any promise, one must also argue that these farmers view the market as presently failing to accurately anticipate future development patterns.

The results obtained in this survey should be viewed with caution. Although a high percentage (46%) of delivered questionnaires was completed and returned, the sampling technique and the fact that some respondents did not answer all questions may have biased the results. Also, the concept of purchase of development rights was new to many farmers and this lack of familiarity may account for some of the negative interest shown by farmers. Still, the conclusion that must be drawn from this survey, keeping in mind the preceding caveats, is that Alaskan farmers at this time show little enthusiasm for the idea of selling their farmland development rights and place a significant value on these rights *vis-a-vis* the total market value of their agricultural land. □

THIS DISCLOSURE IS REQUIRED BY THE EQUAL CREDIT OPPORTUNITY LAW

## STATEMENT OF CREDIT DENIAL

Date: 8/13/85  
Applicant's Name: Donald W. Kratzer  
Applicant's Address: P.O. Box 313, Nenana, AK  
Description of Loan requested: Agricultural

Description of Adverse Action Taken:

Application Denied

### PRINCIPAL REASON(S) FOR ADVERSE ACTION CONCERNING CREDIT

Loan application incomplete  
 Unable to verify credit references  
 Temporary or irregular employment  
 Unable to verify employment  
 Length of Employment  
 Insufficient income  
 Excessive obligations  
 Unable to verify income  
 Inadequate collateral

Ineligible security  
 Ineligible purpose  
 Delinquent credit obligations  
 Garnishment, attachment, foreclosure, repossession, or suit  
 Bankruptcy  
 We do not grant credit to any applicant on the terms and conditions you request  
 Other, specify: Unauthorized area

### DISCLOSURE OF USE OF INFORMATION OBTAINED FROM AN OUTSIDE SOURCE

Disclosure inapplicable  
 Information obtained in a report from a consumer reporting agency  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Telephone: \_\_\_\_\_

Information obtained from an outside source other than a consumer reporting agency. Under the Fair Credit Reporting Act, you have the right to make a written request, within 60 days of receipt of this notice, for disclosure of the nature of the adverse information.

### CREDITORS' NAMES AND ADDRESSES

THE FEDERAL LAND BANK OF SPOKANE  
W. 705 First Avenue  
Spokane, Washington 99204

FEDERAL LAND BANK ASSOCIATION OF Mt. Vernon  
Address: P.O. Box C  
Palmer, AK 99645  
Telephone: 745-3390

### EQUAL CREDIT OPPORTUNITY ACT NOTICE

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided that the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law concerning this creditor is The Farm Credit Administration, 490 L'Enfant Plaze, S.W., Washington, D.C., 20578.



**NORTHERN SCHOOLS FEDERAL CREDIT UNION**

901 CUSHMAN STREET, FAIRBANKS, ALASKA 99701 • 907/452-1949  
CONSTITUTION HALL, UNIVERSITY OF ALASKA, FAIRBANKS, ALASKA 99701 • 907/479-4209

February 20, 1985

Don Kratzer  
PO Box 313  
Nenana, AK 99760

Dear Mr. Kratzer,

You requested a loan from us to finance construction of a residence on property you currently have agricultural rights to, but do not have a fee simple ownership outright to the property.

We will only finance amounts on real estate that an individual has fee simple ownership to and can present a clear title of ownership to the property.

Sincerely,

W.K. Dutton-Manager



# National Bank of Alaska

Fairbanks Office: Pouch 1000 • Fairbanks, Alaska 99707-9990 • (907) 452-4733

August 26, 1984

Mr. Don Kratzer  
Box 313  
Nenana, Alaska 99760

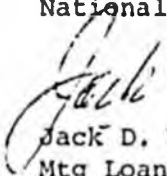
Dear Don,

Thanks again for your inquiry regarding a home mortgage on your property near Nenana.

We have both discovered through many sources that the availability of financing using a portion of a State of Alaska agricultural Parcel as collateral for a loan, is virtually impossible. Until such time that you are able to assign other than surface rights, such as fee simple title or extended leasehold to all or a portion of the ag-parcel, I feel, regretfully, that it would be pointless to persue your application further.

I realize that your are making extensive effort to find a solution to this problem and I hope you will not hesitate to contact me if I may be of any further assistance.

Very truly yours  
National Bank of Alaska

  
Jack D. Williams  
Mtg Loan Originator

JW/la

Alaska Farmers & Stockgrowers  
Association, Inc.

P. O. Box 1722

Palmer, Alaska 99645

February 3, 1987

FEB - 9 1987

Ms. Judith Brady, Commissioner  
Department of Natural Resources  
3601 C Street - Frontier Bldg.  
Anchorage, Alaska 99503

Dear Commissioner Brady:

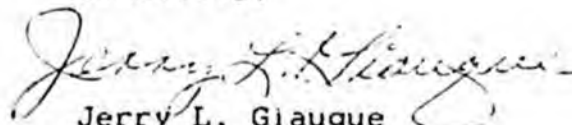
I think our meeting yesterday will prove to be productive. I am enclosing a copy of a letter to you which apparently got lost in the system. As noted in the letter, the Alaska Farmers and Stockgrowers Association membership has taken a strong position in expressing their preference for the directorship.

I do think that the director's position should be filled immediately. The director should be on board and working with an industry committee as soon as possible.

If the selection of the director, the committee and at least some preliminary formulation of ag policy is delayed four to six weeks we are risking disruption of the industry.

Most farmers are planning and making financial commitments to suppliers now; this process is normally completed by mid March.

Sincerely,

  
Jerry L. Giaugue  
President

JLG:pg

cc: Mr. Pete Jeans  
Mr. Jim Sellers  
Senator Jalmar Kerttula  
Senator Mike Szymanski  
Senator Jack Coghill ✓  
Rep. Curt Menard  
Rep. Ron Larson  
Rep. Dick Schultz  
Mr. Mark Weaver

# Alaska Farmers & Stockgrowers

Association, Inc.

P.O. Box 1722, Palmer, Alaska, 99645  
"THE ALASKA FARM BUREAU"

January 15, 1987

Ms. Judy Brady  
Commissioner  
Department of Natural Resources  
Juneau, Alaska 99811

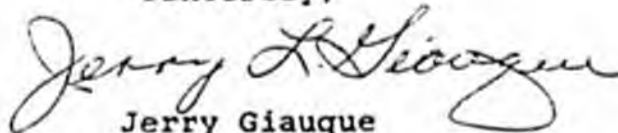
Dear Ms. Brady:

On behalf of the Alaska Farmers & Stockgrowers Association, I would like to congratulate you as our new Commissioner of DNR. We are pleased to have someone with your background and experience.

In talking to Governor Cowper and our correspondence with him before and after his election, we have stressed the vital importance of having a strong agricultural person as the Director of Agriculture. At our annual meeting held in early November, our Association voted their individual preference for this strong agricultural person and sent to the Governor two names: Mr. Mark Weaver who received 75% of the total vote and Mr. Pete Probasco who received 50%.

I am looking forward to meeting with you in the near future and please feel free to call on me any time I can be of assistance to you and your staff.

Sincerely,



Jerry Giauque  
President

JG/pr



# National Bank of Alaska

Fairbanks Office: Pouch 1000 • Fairbanks, Alaska 99707-9990 • (907) 452-4733

August 26, 1984

Mr. Don Kratzer  
Box 313  
Nenana, Alaska 99760

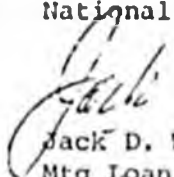
Dear Don,

Thanks again for your inquiry regarding a home mortgage on your property near Nenana.

We have both discovered through many sources that the availability of financing using a portion of a State of Alaska agricultural Parcel as collateral for a loan, is virtually impossible. Until such time that you are able to assign other than surface rights, such as fee simple title or extended leasehold to all or a portion of the ag-parcel, I feel, regretfully, that it would be pointless to pursue your application further.

I realize that you are making extensive effort to find a solution to this problem and I hope you will not hesitate to contact me if I may be of any further assistance.

Very truly yours  
National Bank of Alaska

  
Jack D. Williams  
Mtg Loan Originator

JW/la



**NORTHERN SCHOOLS FEDERAL CREDIT UNION**

901 CUSHMAN STREET, FAIRBANKS, ALASKA 99701 • 907/452-1949  
CONSTITUTION HALL, UNIVERSITY OF ALASKA, FAIRBANKS, ALASKA 99701 • 907/479-4209

February 20, 1985

Don Kratzer  
PO Box 313  
Nenana, AK 99760

Dear Mr. Kratzer,

You requested a loan from us to finance construction of a residence on property you currently have agricultural rights to, but do not have a fee simple ownership outright to the property.

We will only finance amounts on real estate that an individual has fee simple ownership to and can present a clear title of ownership to the property.

Sincerely,

W.K. Dutton-Manager

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: FINANCE

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

1/19/87 DATE TURNED INTO OFFICE

Mr. President:

RESOURCES Committee considered SB 23

relating to agricultural rights to land.

and recommended:

- [x] replace with CS SB 23 (Res) [x] same title [ ] attached amendment(s) and [ ] new title [x] do pass [ ] do not pass [ ] no recommendation [ ] individual recommendations [ ] further referral to [ ] letter of intent adopted and attached

\*\* Committee [x] attached or [ ] adopted fiscal note(s) [ ] zero [x] fiscal impact

MEMBERS SIGNING DO PASS

Handwritten signatures of committee members under the 'MEMBERS SIGNING DO PASS' header.

OTHER RECOMMENDATIONS

Blank lines for other recommendations under the 'OTHER RECOMMENDATIONS' header.

Handwritten signature and the text 'Chairman signature and recommendation'.

[ ] Committee Backup Attached

DEPARTMENT OF NATURAL RESOURCES'  
RECOMMENDED REVISIONS TO  
SENATE BILL 23  
April 2, 1987

File  
85  
23

\* Section 1. AS 38.05.059 is repealed and reenacted to read:

Sec. 38.05.059. LIMITATIONS AND CONDITIONS ON SALE OF AGRICULTURAL LAND. (a) [A PERSON MAY PURCHASE FROM THE STATE A TOTAL OF NOT MORE THAN ONE PARCEL OF LAND THAT IS PART OF AN AGRICULTURAL DEVELOPMENT PROJECT UNDER AS 44.37.475 DURING ANY EIGHT-YEAR PERIOD.]

(b) In a sale of state land classified as agricultural land the use of the land shall be restricted as provided under this section. The commissioner shall convey a fee simple conditional title to the surface estate subject to a condition subsequent that the land be used only for agricultural purposes. The commissioner shall reserve a right of reentry after notice and an opportunity for a hearing if the land is used for other than agricultural purposes. A reversion of title upon reentry does not affect the validity of a prior lien or security interest on the land.

(c) As a condition to the issuance of a contract of sale of state land classified as agricultural land, the commissioner may require a farm development agreement and the submission of a conservation plan that establish reasonable requirements based on economic feasibility of development and sound agricultural principles.

(d) A person purchasing land from the state under (b) - (c) of this section, or a purchaser's successor in interest, may request that the commissioner modify conditions imposed in the purchase, except that the commissioner may not modify conditions of the fee simple conditional title conveyed by the purchase. In deciding whether to modify conditions imposed in the purchase, the commissioner must find that the modification is in the public interest and that the modification is necessary

(1) to rectify a mistake of fact that existed at the time the contract for purchase was entered into;

(2) to alleviate a substantial hardship not foreseeable by either party at the time the contract to purchase was entered into; or

(3) to alleviate a financial burden that is substantial, if the modification requires the expenditure of an amount of money or effort comparable to that originally required and in a specific manner designed to more efficiently benefit agricultural development in the state.

(e) An application to modify conditions imposed in the purchase and submitted under (d) of this section must make a clear and convincing showing that the modification is warranted under (d)(1), (2), or (3) of this section. A person granted a modification under (d)(3) of this section is ineligible for another modification under that section for a period of five years from the date of the modification.

(f) The commissioner may not convey title under (b) of this section to a person who has not complied with a farm development agreement or conservation plan required, or as modified under (d) of this section, by the commissioner.

(g) In this section, "agricultural purposes" includes farming, ranching, grazing, and storage or control of agricultural crops or livestock, and the construction of the farm residence of the grantee as well as other buildings commonly needed for agricultural purposes on not more than 20 acres of the land transferred under this section.

~~\*S.B. 23 AS 38.05.020(b)(7) is repealed.~~

WE THE UNDERSIGNED FARMERS AT POINT  
MACKENZIE DO HEREBY STATE THAT WE  
SUPPORT THE HEREINAFORE VERSION OF SB 23

Erwanda Cade Smith \* 116  
Robert L. Thom Parcel 15 Pt Mac.  
Mildred E. Taylor Tract 17  
M. Ann M.H. Tract 20 ~~109~~  
Daisy Stromberg Tract 124  
C.W. Goodrich Tract 29  
Charles Jerome Camp \* 124  
Way Henderson 101  
Harry Massick tract 8  
M.H. Agnes Tract 127  
Bud Johnson Tract 5  
Kara Ann Tracts 30+31

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

REQUEST: \_\_\_\_\_

Bill Version : SB 23

Publish Date : \_\_\_\_\_

Revision Date: April 1, 1987

Title: Agricultural Rights to Land

Agency Affected: Natural Resources

BRU: Land and Water Public Use

Agriculture

Sponsor: Senator Coghill

Requestor: Senate Resources

Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

| OPERATING         | FY 87 | FY 88 | FY 89 | FY 90 | FY 91 | FY 92 |
|-------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES |       | 97.1  | 97.1  | 97.1  |       |       |
| TRAVEL            |       | 16.0  | 16.0  | 16.0  |       |       |
| CONTRACTUAL       |       | 18.0  | 18.0  | 18.0  |       |       |
| SUPPLIES          |       | 5.0   | 5.0   | 5.0   |       |       |
| EQUIPMENT         |       |       |       |       |       |       |
| LAND & STRUCTURES |       |       |       |       |       |       |
| GRANTS, CLAIMS    |       |       |       |       |       |       |
| MISCELLANEOUS     |       |       |       |       |       |       |
| TOTAL OPERATING   |       | 136.1 | 136.1 | 136.1 |       |       |

|         |  |  |  |  |  |  |
|---------|--|--|--|--|--|--|
| CAPITAL |  |  |  |  |  |  |
|---------|--|--|--|--|--|--|

|         |  |  |  |  |  |  |
|---------|--|--|--|--|--|--|
| REVENUE |  |  |  |  |  |  |
|---------|--|--|--|--|--|--|

FUNDING: (Thousands of Dollars)

|               |  |       |       |       |  |  |
|---------------|--|-------|-------|-------|--|--|
| GENERAL FUND  |  | 136.1 | 136.1 | 136.1 |  |  |
| FEDERAL FUNDS |  |       |       |       |  |  |
| OTHER         |  |       |       |       |  |  |
| TOTAL         |  | 136.1 | 136.1 | 136.1 |  |  |

POSITIONS:

|           |  |   |   |   |  |  |
|-----------|--|---|---|---|--|--|
| FULL-TIME |  | 2 | 2 | 2 |  |  |
| PART-TIME |  | 1 | 1 | 1 |  |  |
| TEMPORARY |  |   |   |   |  |  |

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Carol J. Wilson Phone: -2400

Division: Commissioner's Office Date: 4/1/87

Approved by Commissioner: Sennei Boston Gorman Date: 4/2/87

Agency: Natural Resources

Distribution (by preparer):

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

CONTINUATION OF FISCAL NOTE ANALYSIS

FOR BILL/RESOLUTION NO. SB 23

- 100 - 1 Natural Resource Manager I, Range 18A, \$49.9 per year for 3 years. (Division of Agriculture, Palmer)
- 1 Clerk Typist II, Range 7A, \$13.1 per 6 months for 3 years. (Division of Agriculture, Palmer)
- 1 Natural Resource Technician II, Range 12A, \$34.1 per year for 3 years. (Division of Land and Water Management)
- 200 - Field travel by Division of Agriculture staff to inspect parcels throughout the state (from Fairbanks to Gustavus).
- 300 - Aerial photography, field measuring, soil surveys and appraisals.
- 400 - Mapping supplies, field equipment and office supplies.

Of the approximately 400 parcels that are currently covered by agricultural contracts, an estimated 300 parcel owners may request contract modifications. The Division of Land and Water Management position would be responsible for accepting contract change requests and would prepare and process necessary forms and papers. The Division of Agriculture positions would evaluate contract change requests and perform field inspections and surveys, as necessary, to determine the acceptability of proposed changes.

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

**REQUEST:** \_\_\_\_\_  
 Revision Date: 5/14/87  
 Title: Agricultural Rights to Land  
 Sponsor: Senator Coqhill  
 Requestor Senate Finance

Bill Version: CSSB 23(Resources)  
 Publish Date: \_\_\_\_\_

Agency Affected: Natural Resources  
 BRU: Agriculture  
Land & Water Public Use  
 Components: \_\_\_\_\_

**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          |       |       |       |       |       |       |
| <b>TOTAL OPERATING</b> | -0-   | -0-   | -0-   | -0-   | -0-   | -0-   |

|         |  |  |  |  |  |  |
|---------|--|--|--|--|--|--|
| CAPITAL |  |  |  |  |  |  |
|---------|--|--|--|--|--|--|

|         |  |  |  |  |  |  |
|---------|--|--|--|--|--|--|
| REVENUE |  |  |  |  |  |  |
|---------|--|--|--|--|--|--|

**FUNDING: (Thousands of Dollars)**

|               |     |     |     |     |     |     |
|---------------|-----|-----|-----|-----|-----|-----|
| GENERAL FUND  |     |     |     |     |     |     |
| FEDERAL FUNDS |     |     |     |     |     |     |
| OTHER         |     |     |     |     |     |     |
| <b>TOTAL</b>  | -0- | -0- | -0- | -0- | -0- | -0- |

**POSITIONS:**

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

**ANALYSIS : (Attach a separate page if necessary)**

Applications for contract changes will be processed as existing staff is available. The burden of gathering information to provide clear and convincing evidence that a contract modification is justified will primarily fall to the applicant. Parcel inspections and other field work will be performed as staff and travel funds are available.

Prepared by: Carol Wilson  
 Division: Commissioner's Office

Phone: 465-2400  
 Date: 5/14/87

Approved by Commissioner: *Lennie Gosnell*  
 Agency: Natural Resources

Date: 5-14-87

**Distribution (by preparer):**

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

Original sponsor: Coghill

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2 CS FOR SENATE BILL NO. 23 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to agricultural rights to land."

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

8 \* Section 1. AS 38.05.059 is repealed and reenacted to read:

9 Sec. 38.05.059. LIMITATIONS AND CONDITIONS ON SALE OR LEASE OF  
10 AGRICULTURAL LAND. (a) In a sale of state land classified as agri-  
11 cultural land, the use of the land shall be restricted as provided  
12 under this section. The commissioner shall convey a fee simple condi-  
13 tional title to the surface estate subject to a condition subsequent  
14 that the land be used only for agricultural purposes. The commis-  
15 sioner shall reserve a right of reentry after notice and an oppor-  
16 tunity for a hearing if the land is used for other than agricultural  
17 purposes. A reversion of title upon reentry does not affect the  
18 validity of a prior lien or security interest on the land.

19 (b) As a condition to the issuance of a lease or a contract of  
20 sale of state land classified as agricultural land, the commissioner  
21 may require a farm development agreement and the submission of a  
22 conservation plan that establish reasonable requirements based on  
23 economic feasibility of development and sound agricultural principles.

24 (c) A person purchasing land from the state under (a) - (b) of  
25 this section and the successor in interest of a purchaser may request  
26 the commissioner to modify conditions imposed in the purchase, except  
27 that the commissioner may not modify the fee simple conditional title  
28 conveyed by the purchase. The commissioner may not modify a condition  
29 imposed in the purchase unless the commissioner determines that the

1 modification is in the public interest and is necessary to

2 (1) rectify a mistake of fact that existed at the time the  
3 contract for purchase was entered into;

4 (2) alleviate a substantial hardship not foreseeable by  
5 either party at the time the contract to purchase was entered into; or

6 (3) alleviate a financial burden that is substantial, if  
7 the modification requires the expenditure of an amount of money or  
8 effort

9 (A) comparable to that originally required; and

10 (B) in a specific manner that will more efficiently  
11 benefit agricultural development in the state.

12 (d) An application under (c) of this section to modify a condi-  
13 tion imposed in the purchase must show by clear and convincing evi-  
14 dence that the modification is justified under (c)(1), (2), or (3) of  
15 this section. A person granted a modification under (c)(3) of this  
16 section may not receive another modification under that paragraph for  
17 a period of five years from the date of the modification.

18 (e) The commissioner may not convey title under (a) of this  
19 section to a person who has not complied with a farm development  
20 agreement or conservation plan, including a modification of an agree-  
21 ment or plan, as required by the commissioner.

22 (f) In this section, "agricultural purposes" includes farming,  
23 ranching, grazing, and storage or control of agricultural crops or  
24 livestock, and the construction of the farm residence of the grantee  
25 as well as other buildings commonly needed for agricultural purposes  
26 on not more than 20 acres of the land transferred under this section.

27 \* Sec. 2. AS 38.05.020(b)(7) is repealed.

Senator John B. (Jack) Coghill  
Alaska State Legislature

Pouch V  
Juneau, Alaska 99811  
(907) 465-4921

Box 55028  
North Pole, Alaska 99705  
(907) 488-0862



APRIL 3, 1987

MEMORANDUM

TO: MEMBERS OF THE SENATE RESOURCES COMMITTEE

FROM: SENATOR COGHILL

RE: SB 23, "AN ACT RELATING TO AGRICULTURAL RIGHTS TO LANDS."

SB 23, ALLOWS THE DEPARTMENT OF NATURAL RESOURCES TO CONVEY A FEE SIMPLE CONDITIONAL TITLE TO AGRICULTURAL LAND. THIS BILL WOULD PLACE THIS AUTHORITY IN STATUTE.

MY PHILOSOPHY ON THIS MEASURE PARALLELS MY COMMENTS ON THE FIVE-ACRE HOMESITE BILL. FARMERS SHOULD HAVE FEE SIMPLE TITLE TO THEIR LAND, WE CANNOT CONTINUE TO HAVE FARMERS TOTALLY DEPENDENT ON THE AGRICULTURAL REVOLVING LOAN FUND FOR THEIR FINANCIAL NEEDS. THIS BILL WOULD GIVE THEM AN OPPORTUNITY TO GO TO OTHER LENDING INSTITUTIONS.

SB 23 PROVIDES FOR A FEE SIMPLE TITLE WITH A CONDITION SUBSEQUENT, THE CONDITION BEING THAT THE LAND CAN ONLY BE USED FOR AGRICULTURAL PURPOSES. LENDING INSTITUTIONS ARE PRESENTLY UNDER THE IMPRESSION THAT THE "AG RIGHTS" LAND PATENT ONLY GIVES THE FARMER THE RIGHT TO USE THE LAND FOR AGRICULTURAL PURPOSES, BUT DOES NOT GIVE THE FARMER THE REST OF TITLE RIGHTS SUCH AS DEVISABILITY AND INHERITABILITY.

SECT. 1 (D) GIVES THE COMMISSIONER THE DISCRETION TO REMOVE THE CONDITION SUBSEQUENT ONLY ON AGREEMENT BETWEEN THE GRANTEE AND THE COMMISSIONER. THIS PROVISION IS NEEDED TO ALLOW FLEXIBILITY IN THE FUTURE. IF LAND IS NO LONGER ECONOMICALLY SUITABLE FOR AGRICULTURAL PURPOSES THE OWNER AND THE COMMISSIONER COULD REMOVE THE CONDITIONS.

S B

26



# Sea Mart

MARKET CENTER SUPER



Ketchikan/Sitka

Hames Corporation—Box 1960—Sitka, Alaska—99835—(907) 747-6266

3/4/87

Senator Kerttula and Senators

My name is Lloyd Hames. I have been a Sitka resident for almost 38 years. I have grocery stores in Sitka and Ketchikan. My life work in Alaska has been in the retail grocery field.

I remember the days all too well, the bulk shipments of the Alaska Steamship period when dry groceries were stowed in one huge hold of the ship and handled one piece at a time. Today one 40 foot van can hold 50,000 pounds net cargo, shipper loaded, under ideal loading conditions. From refrigerated warehouse directly into refrigerated vans. This is progress, and results in money savings to the Alaska customer. Milk is no longer in just a chill van, it is temperature set, usually 29 to 33 degrees. I was the first Alaskan Grocer to ship by surface freight, fresh milk and dairy products, Beef, Poultry and Pork. The trip to Sitka from Seattle would take seven days, or sometimes longer, with today's faster surface, greatly improved refrigeration, time in transportation is minimal.

As this is a hearing on Senate Bill #105, I will confine my remarks to this subject and area.

In my 37 years in the grocery retail field, I have not had a customer get sick, hospitalized, or a death from consuming fresh milk without the known processed date.

The little dairy in Sitka, 1954, could only deliver me 12 quarts of milk a day. Sitka's population was 2,800 at the time. Was Sitka to go without the much needed health food. No, And I did something about it. The transition was a burden, cumbersome, costly and extremely frustrating. Today we can keep fresh milk for 21 days, and longer at times, without detecting a sour or spoiled taste. How can this happen? Because we display our milk at 29 to 31 degrees. There are very few home refrigerators that cool below 45 degrees. When milk reaches 50 degrees the bacteria count doubles every hour. If it is left on the table, at room temperature, through the meal, and not put in the refrigerator promptly the temperature of the product can climb to 60 degrees. No milk will stand up under those conditions, regardless of the manufactured date.

Senate Bill #105 or HB #26 will not improve the chemistry

of the fresh milk if not handled properly at the residence. Legislature is trying to force the Alaska milk onto the Consumer.

In complying with the intent of the Bill, it will only add to confusion on the Consumer part. I have picked off the shelf, at Sitka Sea mart, 30 items that show the industry trend. Any deviation from the norm can only add to the cost of the product to the Consumer. These items have printing on them that says "before this date," or for best results use before this date, or just a date. No place does it have when the manufactured or processed date. There is one exception, and it was the only item I found in the store last night. We sell very, very little of the product. The Industry is educated to a pull date, not a processed or manufactured date. The Consumers are so trained by advertising. I will read several of these products, and their dates.

About 4 or 5 years ago, there was an Alaskan Law that said bread had to be sold by the pound, pound and a half, and two pounds. Alaska was out of step with industry. The Seattle Bakeries had to run special orders for Alaska, at a increased price. Because of special non-conforming weights, special containers, and of course, special handling. After many years, and much hard work, Alaska changed the law, so we now can follow the industry at no additional cost to the Consumer, for the special handling.

This milk bill requires the same attention, by the supplier, and would increase cost. Industry may not be able to place all the wording on the carton in a "conspicuous place." No state, to my knowledge, requires a manufactured date, it is all pull dates.

This bill is detrimental, costly and contrary to industry standards, and serves only one purpose, and that is to try and keep the state in the extremely costly Dairy burden, by forced legislation.

I will quote a few concerned paragraphs from Terry Martins letter sent to Governor Bill Sheffield on December 23, 1985. I am quite sure that the same situation is true today.

1. "Over the past two months I have become very concerned about the State's relationship with the Matanuska Maid Dairy and our liability risk with what seems to be a major failure in managing this private enterprise institution. It appears that by gaining title to this business through loan default, we have inherited a financial disaster in the making by becoming responsible for its survival."

2. "There seems to be a major problem with your appointed Director of the Dairy - Mr. John Sewell. Although he may have been a good oil executive, he does not qualify to manage a dairy because of the unique expertise needed to insure that the vital food product gets to the consumer and that business increases to pay debts and wages."

3. "From what I have learned, this dairy has really been losing sales and contracts because of poor policy decisions."

4. "I strongly urge you to look into the effect of selling milk to distributors rather than direct service to customers."

5. "Because of the policy decision to allow credit rather than cash purchase, which was the previous policy, this dairy has suffered major losses."

6. "Because of this. and other policy decisions, Mat. Maid no longer produces ice cream or cottage cheese."

7. "Considering the millions of dollars the State has invested in this industry over the past three years, it is imperative, Governor, that the Department of Natural Resources evaluate this most essential part of the whole industry's survival."

8. "Dumping excess milk into the local sewage system. Invoices, if available, on intake of daily milk compared to product output should show the degree of waste. Supposedly 4,200 gallons of milk was dumped through the sewer system on Tuesday, December 17th"

9. "Pre-dating and post-dating products (e.g. buttermilk) on the package. It was related to me that the previous Alaskan manager was fired because he refused to lie on dates printed on the carton;"

10. "State health inspectors calling in advance to give employees and the new manager time to cleanup before their arrival. The military inspectors are considered very good on inspection!"

11. "Governor, if even half of these allegations are true, it means we have major problems in the State's ownership of this dairy. Not too long ago, DNR made a milk <sup>public statement that by 1990 the state should be supplying</sup> ~~need~~ <sup>rather than shipping</sup> ~~rather than shipping~~ <sup>75% of it fluid</sup> three day old milk from Seattle or Tacoma. I strongly support a dairy industry in Alaska but we must now look at alternative solutions to the making and selling of our dairy products to the consumer."

12. "May I suggest that you request Commissioner Wunnicke to look into placing Mat. Maid in the hands of professional private ownership who can operate the business with experts who know the dairy business."

The State can not be supplied by the local Dairy Farmer. The State cost involvement is prohibative when it has to compete with the free Enterprise system. No Government or State Agency has the knowledge or ambition to stretch the dollar to its limits in supplying products to the consumer, more <sup>especially</sup> such a highly parrishable product such as milk and its by products.

Why should the State use the peoples money to subsidize this industry?? The whole State involvement in the milk industry is wrong.

The September 30, 1980 study done by the Agriculture Experiment Station of the University of Alaska, about the Potential Milk Production in the Point MacKenzie area of South Central Alaska, has not been used.

Alaska Dairies can not supply the milk products for the populas. It is extimated that the Alaska Dairy Farmers can only produce 25 per cent of the required milk needed by the State.

Why is the State in the milk business? By doing so it can only accomplish one thing, and that is to "drive the price of milk up for the Consumer."

The State involvement can only follow the trail laid out so vividly by the barley growers of Alaska. How much has the State of Alaska lost on this venture?

Senate Bill #105 and the State involvement with milk seems to be following the road of disaster of legislation, and miss management.

Do not force this cumbersome bill down our throats. It has a sour taste before it gets to my lips.

A handwritten signature in cursive script, appearing to read "Boyd Jones".

REP. TERRY MARTIN

ELECTIVE DISTRICT 13  
MOUNTAIN VIEW  
RUSSIAN JACK SPRINGS  
NUNAKA VALLEY  
ELMENDORF AFB  
CREEKSIDE  
EAST ANCHORAGE

HOME  
3960 FERRA DRIVE B6  
ANCHORAGE, AK 99508  
PHONE 333 6996

DURING SESSION  
POUCH V  
STATE CAPITOL BUILDING  
JUNEAU, AK 99811  
PHONE 465 3743

Alaska House of Representatives

December 23, 1985

Governor Bill Sheffield  
State Capitol Building  
Mail Stop 0101 - Pouch A  
Juneau, AK 99801

Dear Governor:

Over the past two months I have become very concerned about the State's relationship with the Matanuska Maid Dairy and our liability risk with what seems to be a major failure in managing this private enterprise institution. It appears that by gaining title to this business through loan default, we have inherited a financial disaster in the making by becoming responsible for its survival.

There are many questions I will pose for your consideration that demand your immediate attention. First, what is the status of the current employees? Because of mismanagement of cash flow, employees have been denied full compensation for their hours of labor. At present there is over \$60,000 in back wages due, ranging from \$1,300 to \$17,000. Is the State of Alaska now responsible for this deficit and are these people now considered State employees?

There seems to be a major problem with your appointed Director of the Dairy - Mr. John Sewell. Although he may have been a good oil executive, he does not qualify to manage a dairy because of the unique expertise needed to insure that the vital food product gets to the consumer and that business increases to pay debts and wages.

From what I have learned, this dairy has really been losing sales and contracts because of poor policy decisions. For example, there are now no State contracts and emphasis is deliberately centered on service to the Anchorage area only. A private audit should be done to evaluate what has taken place over the last 18 months.

I strongly urge you to look into the effect of selling milk to distributors rather than direct service to customers. For instance, Carnation

Governor Bill Sheffield  
December 23, 1985  
Page 2

of Kenai-Distributor Peterkin gets his milk from Mat. Maid only to sell to the State. Recently Mr. Dayton Prince - owner of Prince, Inc. of Fairbanks - bought the distributorship of Mr. Bill Jackson, a Kenai distributor. It has come to my attention that Mr. Sewell forgave a debt of Mr. Jackson of close to \$100,000 in the transaction. Since very little milk is sold to Fairbanks, one wonders what was the advantage to Mat. Maid. It is also reported that distributors in Fairbanks are not paying their debts.

Because of the policy decision to allow credit rather than cash purchase, which was the previous policy, this dairy has suffered major losses. When Proctors went bankrupt it is reported that they owed \$85,000 to Mat. Maid. When Time Savers went bankrupt they owed close to \$130,000 to Mat. Maid. No wonder there is no cash flow to pay employees. A major source of cash sales used to be local restaurants and now all restaurant business has been stopped. Why?

You have been in the forefront in advocating Alaska local hire. However, your appointed manager has not received the word. Allow me to bring to your attention the three latest hires at Mat. Maid. The new dock foreman, Mr. Steve Bevene (who does not know the city streets), began his employment on September 4, 1985. He hales from Seattle, Washington and as of today (December 23, 1985) still carries Washington state license plates on his white and green International Scout vehicle. Some longtime Anchorageites who were qualified for the position were not notified about the opening. A new saleswoman, Delene Curdy, was hired from Oregon on July 1, 1985. And the new plant manager, Mr. Joe Van Trey, was hired from Missouri on March 1 with the State paying moving expenses and one year's rent for housing. It is reported that Mr. Van Trey had very limited experience in the dairy industry with a canned milk company.

Because of this, and other policy decisions, Mat. Maid no longer produces ice cream or cottage cheese. The latter is bought from Dari-Gold for distribution. Certainly we had and still have local qualified people living in Anchorage and Palmer with far more extensive experience and education in these professional fields who could make the dairy a success.

Considering the millions of dollars the State has invested in this industry over the past three years, it is imperative, Governor, that the Department of Natural Resources evaluate this most essential part of the whole industry's survival.

Other major alleged problems that should be examined are:

1. Dumping excess milk into the local sewage system. Invoices, if available, on intake of daily milk compared to product output should show the degree of waste. Supposedly 4,200 gallons of milk was dumped through the sewer system on Tuesday, December 17th;

Governor Bill Sheffield  
December 23, 1985  
Page 3

2. Pre-dating and post-dating products (e.g. buttermilk) on the package. It was related to me that the previous Alaskan manager was fired because he refused to lie on dates printed on the carton;

3. State health inspectors calling in advance to give employees and the new manager time to clean up before their arrival. The military inspectors are considered very good on inspection.

Governor, if even half of these allegations are true, it means we have major problems in the State's ownership of this dairy. It is extremely important that Matanuska Maid Dairy succeed. Not too long ago, DNR made a public statement that by 1990 the State should be supplying 75% of its fluid milk need, rather than shipping three day old milk from Seattle or Tacoma. I strongly support a dairy industry in Alaska but we must now look at alternative solutions to the making and selling of our dairy products to the consumer.

May I suggest that you request Commissioner Wunnicke to look into placing Mat. Maid in the hands of professional private ownership who can operate the business with experts who know the dairy business.

Very truly yours.

Terry Martin

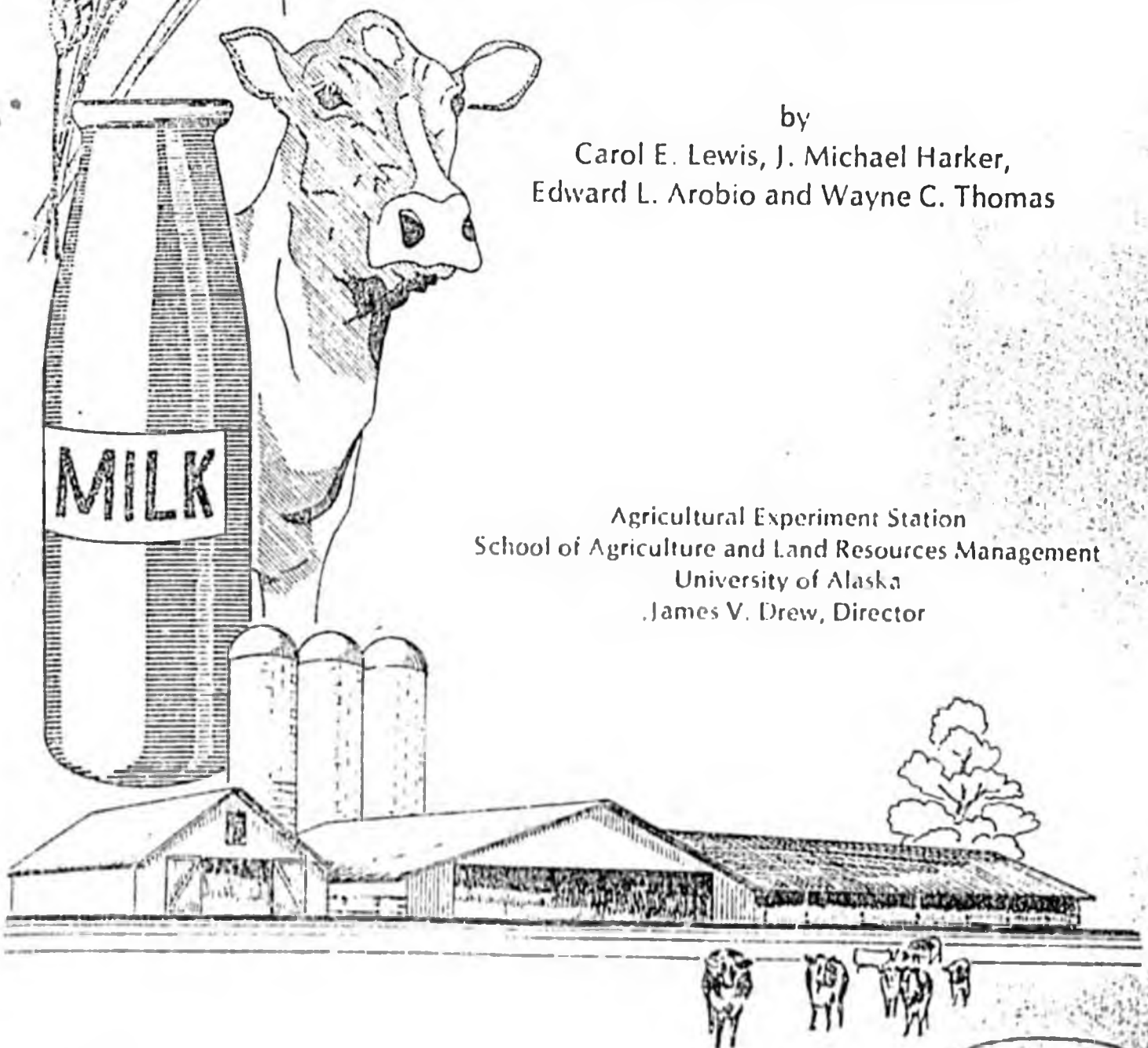
1mg

# Potential Milk Production in the Point MacKenzie Area of Southcentral Alaska

by

Carol E. Lewis, J. Michael Harker,  
Edward L. Arobio and Wayne C. Thomas

Agricultural Experiment Station  
School of Agriculture and Land Resources Management  
University of Alaska  
James V. Drew, Director



## UNIVERSITY OF ALASKA

- |                         |   |
|-------------------------|---|
| Dr. Jay Barton          | — President   |
| Dr. Howard A. Cutler    | — Chancellor, University of Alaska, Fairbanks   |
| Dr. F. Lawrence Bennett | — Vice-Chancellor for Academic Affairs  |
| Dr. Keith B. Mather     | — Vice-Chancellor for Research and Advanced Study   |
| Dr. James V. Drew       | — Dean, School of Agriculture and Land Resources Management,<br>and Director, Agricultural Experiment Station |

## BOARD OF REGENTS

Edward B. Rasmuson, President  
Jeffrey J. Cook, Vice President  
Donald B. Abel, Jr., Secretary  
Herbert C. Lang, Treasurer  
Mildred Banfield  
Tim Burgess  
Dr. Hugh B. Fate, Jr.  
Margaret J. Hall  
Sam Kito, Jr.  
Thomas J. Miklautsch  
John T. Shively  
Dr. Jay Barton, Ex Officio Member

The Agricultural Experiment Station at the University of Alaska provides station publications and equal educational and employment opportunities for all, regardless of race, color, religion, national origin, sex, age, disability, or status as a Vietnam era or disabled veteran.

In order to simplify terminology, trade names of products or equipment may have been used in this publication. No endorsement of products or firms mentioned is intended, nor is criticism implied of those not mentioned.

Material appearing herein may be reprinted provided no endorsement of a commercial product is stated or implied. Please credit the researchers involved and the Agricultural Experiment Station, University of Alaska.

Potential Milk Production  
in the  
Point MacKenzie Area of Southcentral Alaska

Carol E. Lewis\*

J. Michael Harker\*\*

Edward L. Arobio\*\*\*

Wayne C. Thomas\*\*\*\*

University of Alaska  
Alaska Agricultural Experiment Station  
Cooperative Extension Service  
Fairbanks

- \*Associate Professor of Resource Management, Agricultural Experiment Station, University of Alaska, Fairbanks.
- \*\*Assistant Professor and Resource Economist, Cooperative Extension Service, University of Alaska.
- \*\*\*Research Associate in Economics, Agricultural Experiment Station, University of Alaska, Fairbanks.
- \*\*\*\*Associate Professor of Economics, Agricultural Experiment Station, University of Alaska, Fairbanks.

## FOREWORD

The information presented in this bulletin is part of a report prepared for the Agricultural Action Council of the State of Alaska. The group was formed in 1979 by legislative action and is chaired by W. I. "Bob" Palmer, Special Projects Director, Office of the Governor. The purpose of the group is to plan and manage agricultural development projects within the state.

The report on the feasibility of milk production in the Point MacKenzie Area presented to Governor

Hammond through the Alaska Agricultural Action Council was prepared by the authors of this bulletin and Dr. Boyd Buxton, Agricultural Economist, U.S.D.A., stationed at the University of Minnesota at St. Paul and Dr. Paul Fuglestad, Agricultural Economist, U.S.D.A., stationed in Anchorage, Alaska, both of whom are acknowledged with gratitude.

The authors also wish to thank Cathy Warren who reviewed extensively the tabular data.

## CONTENTS

|  | Page |
|--|------|
| Foreword .....   | iii  |
| List of Tables .....   | v    |
| Chapter 1: Introduction .....                                  | 1    |
| Chapter 2: Farm Economics .....                                | 2    |
| Capital Costs for Four Dairy Sizes .....                       | 2    |
| Barns and Milking Facilities .....                             | 2    |
| Waste Handling .....   | 4    |
| Feed Storage .....   | 6    |
| Silos .....  | 6    |
| Concentrate .....  | 6    |
| Starter, Hay, Bedding .....                                    | 6    |
| Machinery Storage and Workshop .....                           | 6    |
| Calf, Heifer, and Dry Cow Housing .....                        | 7    |
| Feed Handling .....  | 7    |
| Well .....   | 7    |
| Total Capital Costs .....                                      | 8    |
| Farm Budgets .....   | 8    |
| Herd Development and Projection of Revenues and Expenses ..... | 13   |
| Herd Development .....   | 13   |
| Projected Revenues and Expenses .....                          | 13   |
| Chapter 3: Marketing and Competitive Position .....            | 19   |
| Marketing .....  | 19   |
| Competitive Position of Alaskan Produced Milk .....            | 19   |
| Chapter 4: Final Thoughts .....                                | 22   |
| Bibliography .....   | 23   |
| Consultants .....  | 23   |

## LIST OF FIGURES

|   | Page |
|---|------|
| Figure 1: Point MacKenzie proposed project area (map) ..... | vi   |
| Figure 2: Typical Stanchion Barns .....                     | 3    |
| Figure 3: Manure Storage Basins .....                       | 5    |

## LIST OF TABLES

| Table |   | Page |
|-------|---|------|
| 1     | Barn and Milking Facility Specifications . . . . .  | 4    |
| 2     | Waste Disposal Systems for Four Facility Sizes . . . . .  | 4    |
| 3     | Silo Capacities . . . . .   | 6    |
| 4     | Concentrate Storage . . . . .   | 6    |
| 5     | Starter, Hay, and Bedding Storage . . . . .   | 6    |
| 6     | Machinery Storage and Workshop . . . . .  | 7    |
| 7     | Calf, Heifer, and Dry Cow Housing . . . . .   | 7    |
| 8     | Total Capital Investment for Four Facility Sizes . . . . .  | 7    |
| 9     | Annual Cash and Non-Cash Capital Associated Costs for the 50-Cow, Stanchion Dairy . . . . .   | 9    |
| 10    | Annual Cash and Non-Cash Capital Associated Costs for the 75-Cow, Stanchion Dairy . . . . .   | 9    |
| 11    | Annual Cash and Non-Cash Capital Associated Costs for the 100-Cow, Free-Stall Dairy . . . . .   | 10   |
| 12    | Annual Cash and Non-Cash Capital Associated Costs for the 150-Cow, Free Stall Dairy . . . . .   | 10   |
| 13    | Cost Allocation to Dairy Cows and Replacement Heifers . . . . .   | 8    |
| 14    | Total Costs for Dairy Herds of 50, 75, 100, and 150 Cows in Third Year of Operation . . . . .   | 11   |
| 15    | Break-even Analysis for 50-, 75-, 100-, and 150-Cow-Dairy Farms . . . . .   | 12   |
| 16    | Replacement Heifer Cost Summary for Four Facility Sizes . . . . .   | 12   |
| 17    | Herd Development Plan for the 50-Cow-Dairy Farm . . . . .   | 14   |
| 18    | Herd Development Plan for the 75-Cow-Dairy Farm . . . . .   | 15   |
| 19    | Herd Development Plan for the 100-Cow-Dairy Farm . . . . .  | 16   |
| 20    | Herd Development Plan for the 150-Cow-Dairy Farm . . . . .  | 17   |
| 21    | Quarterly Projection of Revenues and Expenses for the 150-Cow-Dairy Farm . . . . .  | 18   |
| 22    | Estimated Costs per Hundred Weight and ½ Gallon for Alternate Sources of Milk Delivered to Anchorage Retail Stores, November 1979 . . . . . | 20   |
| 23    | Estimated Cost Per Hundred Weight of Milk Through a Typical Anchorage Milk Processing Plant and Delivered to Retail Stores . . . . .        | 20   |
| 24    | Production Rates and Returns for 50-, 75-, 100-, and 150-Cow-Dairy Farms . . . . .  | 22   |

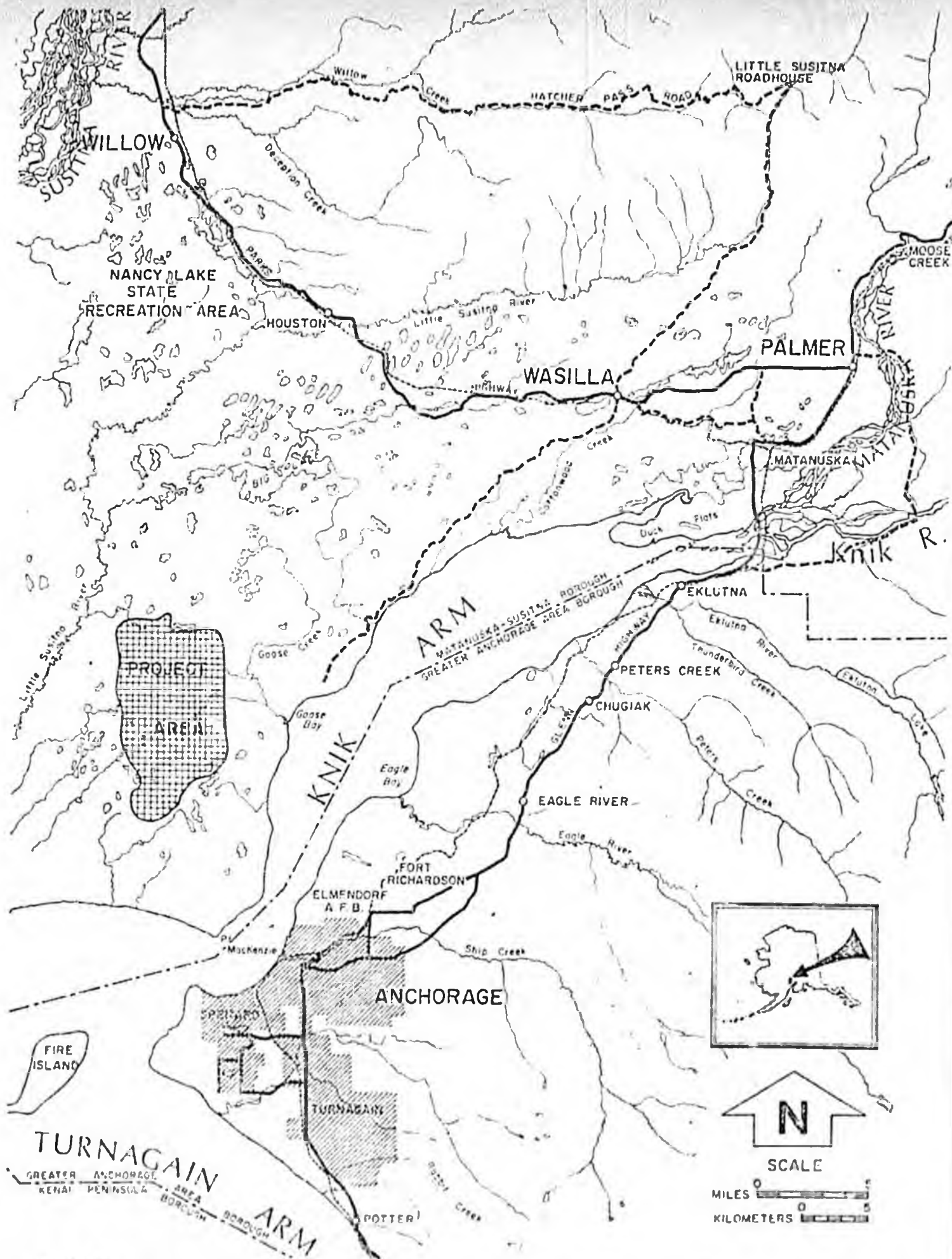


Figure 1: Point MacKenzie, just northwest of Anchorage, is the proposed project area for an expansion of Alaska's dairy industry.

## CHAPTER 1

### INTRODUCTION

Point MacKenzie is an area northwest of Anchorage directly across the Knik Arm of Cook Inlet (Figure 1). This area contains a substantial amount of latent agricultural land and discussion regarding its potential has been going on for some time. The catalyst which activated the recent planning process directed at Point MacKenzie was concern over potential loss of the southeentral Alaska dairy industry expressed on May 4, 1979, in a letter from Jack Flint, General Manager, Matanuska Maid, Inc., to Governor Jay Hammond: "It is my opinion that if we do not take immediate steps to stabilize this important phase of agriculture, [the dairy industry] will pass from the scene. I think that if it should occur, it would be a serious blow to the State of Alaska, economically and socially. I believe we should also realize that if the dairy industry should cease to exist within the state, it is going to be very difficult to re-establish it."

Mr. Flint's letter and corresponding action by the Matanuska-Susitna Borough have directed planning processes of the State of Alaska toward Point MacKenzie. The Alaska Agricultural Action Council, created by the 1979 state legislature to plan, recommend, and administer agricultural development projects on state lands in Alaska, held a meeting in the Matanuska Valley in September, 1979, and determined that an economic feasibility study, directed toward dairy production, should be undertaken for the Point MacKenzie area. This report is that feasibility study.

In order to perform the analysis, certain general assumptions are made. These include:

1. Sufficient state land is available in the Point MacKenzie area for a dairy farm development project.
2. Land price is \$100 per acre with a \$50 homestead credit making the effective price \$50 per acre to the farmers.
3. Land-clearing costs are \$220 per acre for project farms.
4. The dairy farms will be designed for forage production in the form of silage and haylage; concentrate, hay, and straw requirements will be met by off-farm purchases.
5. Private slaughter facilities are currently available in the Matanuska Valley to handle cull cows and calves from project lands.
6. Electrical power hook-up will be provided each farm.
7. Roads to each farm will be constructed.

The land price of \$100 per acre for purchase of agricultural rights only is set by the Alaska Land Statutes, Section 38.05. It is an average price and may vary depending on soil type and timber on the property. The homestead credit, repealed in 1979, will be reinstated in 1980. The land-clearing costs were based on a \$165-per-acre cost in 1979 in interior Alaska. An additional 15 per cent was added to bring them to 1980 costs. The heavier timber cover will probably require more machine time estimated at \$30 per acre.

## CHAPTER 2

### FARM ECONOMICS

The total capital investment cost for the physical facilities used in the simulated dairies is estimated for four sizes of farms milking 50, 75, 100, and 150 cows. These are the numbers of cows milked daily. Because cows are dry for two months each year, herds actually total 60, 90, 120, and 180 cows, respectively. Total farm budgets for these dairy herds are also provided, followed by a suggested plan for bringing new dairy farms into full production and a cash flow analysis for these farms during their first three years of operation.

#### Capital Costs for Four Dairy Sizes

Capital costs are determined using examples from existing dairy farms in Alaska's Matanuska Valley, Minnesota, and Wisconsin. It is assumed that the 50- and 75-milking-cow herds will be housed in stanchion barns. As milking herd size increases to 100 and 150 cows, the less labor-intensive, free-stall barn design is used. Milking in the stanchion barns is accomplished with a pipeline system while a milking parlor is used in the free-stall system. All barns are controlled-environment facilities. Housing for replacement heifers and dry cows is assumed to be in an uncontrolled-environment or "cold" facility. Silage, haylage, and/or hay is fed year-round. Feeding is automated, using auger load-out into feed mixers and either feed carts or augers to move the feed into feed bunks.

Costs of buildings and silos are estimated on a per-square-foot basis. It is possible that the larger structures could be built at less cost per square foot as there is not twice as much material in a 100-cow barn as there is in a 50-cow barn. If several structures are under construction at once, there may also be a savings. These two considerations are not used in the calculations here. An average cost for all size structures is applied. Deviations from this average, relevant to specific cases, will become evident as construction begins. Economies of size are recognized in feed and

milk-handling equipment. For example, feed load-out service for 100 cows is also adequate for 150 cows.

Trade-offs are made between labor and technology. The technology level in all units is kept in the medium range typical of that in existence in the majority of dairy farms in the United States. Alternative-energy technology is not incorporated, although such technologies may offer economic opportunities in the near future. Individual farmers may wish to pursue some of the recent developments in this field, particularly as technology improves.

#### Barns and Milking Facilities

Barn and milking facility construction costs are based on a full-truss structure, 4-inch insulation in walls and ceiling, and concrete floors and bunks. A figure of \$15/ft.<sup>2</sup> was estimated from Fairbanks construction costs for utility buildings. This figure includes the iron work for free stalls and stanchions, the heating system, and the electrical work.

Typical layouts for stanchion barns and free-stall barns are shown in Figure 2. The stanchion barns are based on 36 foot barn widths, two rows of cows facing out. Free-stall barns are 78 feet wide with four rows of stalls and a center-feed bunk. The stanchion operations do not require a milking parlor but do require a bulk tank for which space is provided. Milking is performed in the stalls using individual milkers and a pipeline to the milk room. Office space and a lavatory area are not included in the barns. Free-stall barns are provided with a milking parlor and an area for holding cows, maternity pens, hospital area, office, and lavatories, as well as a milk room.

Interior temperatures of all barns are kept at a minimum of 45°F throughout the year. Ventilation systems for the barns are adequate to move a maximum of 200 cfm of air per 1,000 pounds of animal weight in the barns, 3,000 cfm in the milk house, and 400 cfm per stall in the milking parlor. Heating is accomplished through the ventilation system using

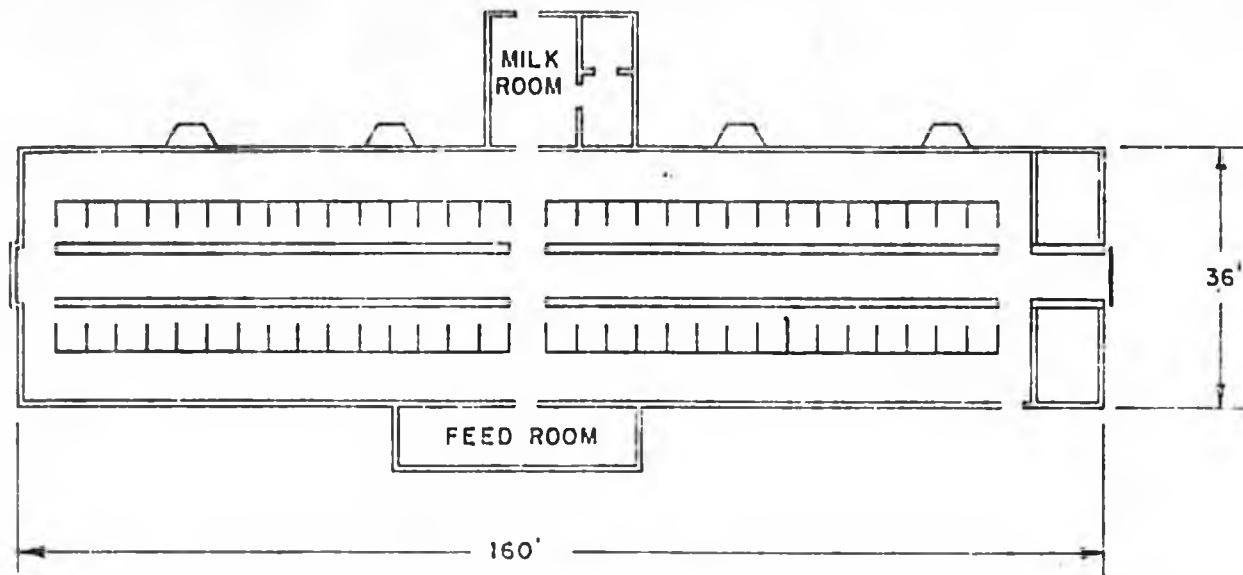
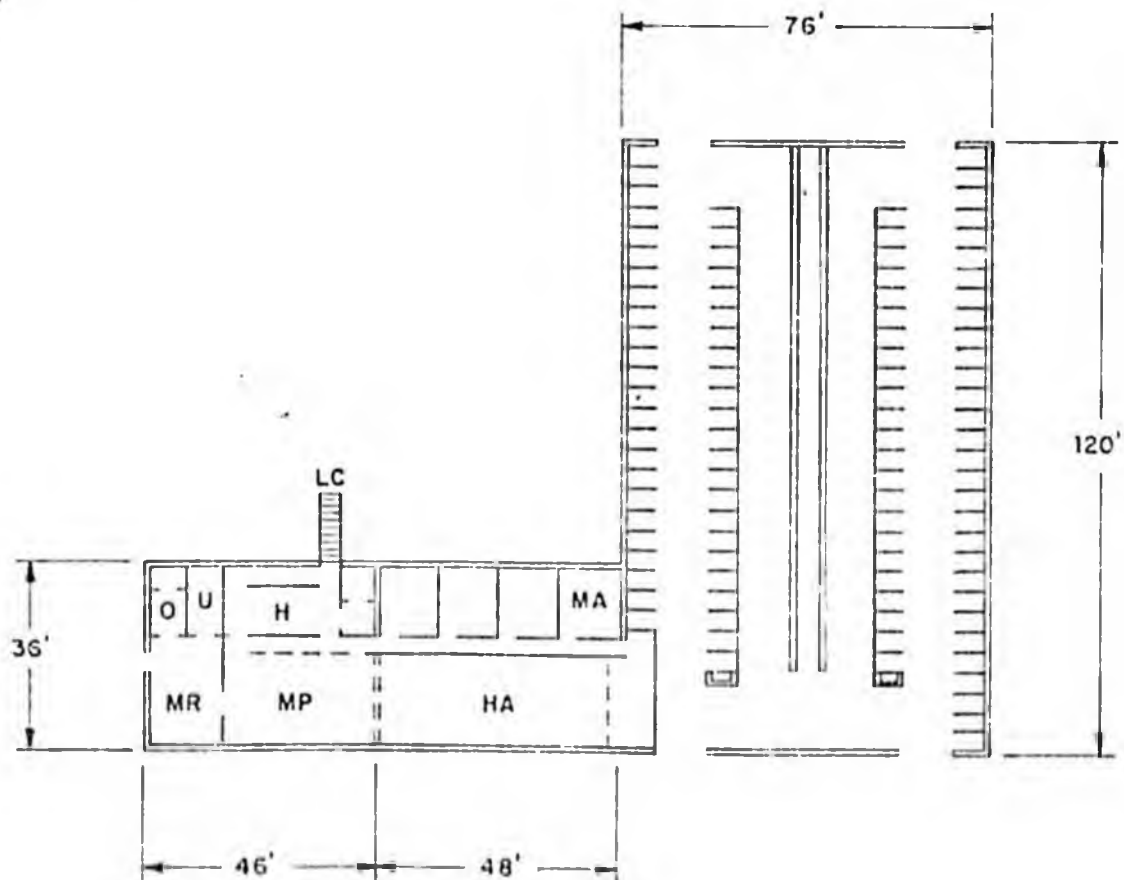


Figure 2: Typical Stanchion Barns. The upper drawing illustrates a typical stanchion barn. The unit shown houses 60 milking cows. The lower illustration is a 100 cow, free-stall facility including a holding area (HA), maternity area (MA), hospital (H), milking parlor (MP), milk room (MR), utility and office area (U, O), and a loading chute (LC). (From: Midwest Plan Service, Dairy Housing and Equipment Handbook. Iowa State University, Ames, 1978).



oil-fired burners. Milking equipment in the stanchion barns includes the bulk tank, milking units, pipeline, vacuum pump, cooling compressors, and associated plumbing. Milking machines handling 40-50 cows per hour are included as are bulk tanks sized to suit the dairy assuming the milk is collected on alternate days. The free-stall milking operations are based on six- and eight-stall, double herringbone (DHB) parlors. All other components are the same as in stanchion facilities. Milk-parlor sizes are based on gallons of production. Barn- and milking-parlor specifications and costs of components are summarized in Table 1.

### Waste Handling

All farming operations are based on handling manure in the semisolid form. An earth-basin slurry system without a liner, similar to that shown in

Figure 3, should be adequate in the Point MacKenzie area. Removal of manure from barns is accomplished by barn scrapers dumping into a settling pit where manure is moved by a piston pump to the earth storage basin. Slurry pumps are used to agitate and load manure into tank wagons. Mats are provided in all barns for ease in stall cleanup.

Milk-house waste is handled using a separate leach field for this cost study. Because barn wastes are handled as semisolids, milk-house wastes need not necessarily have a separate system. In fact, there are indications that problems, such as plugging of the drain field, may occur in colder climates. It is informative to include the separate system in this report, however. Lavatory wastes are diverted into a separate septic system at a cost of \$3,000 for each farm unit. Table 2 shows the components and component costs for farm-waste-disposal systems.

Table 1: Barn and Milking Facility Specifications

|  | Barn      | Ft <sup>2</sup> per Cow | Milk Parlor | Milk Room | Milking Equipment     | Bulk Tank  | Ventilation         |
|--|-----------|-------------------------|-------------|-----------|-----------------------|------------|---------------------|
| <b>FACILITY TYPE AND SIZE</b>                    |           |                         |             |           |                       |            |                     |
| 50-Cow Stanchion                                 | 36'x133'  | 96                      | -           | 20'x20'   | 1 1/2" pipeline       | 825 gal.   | 133 ft <sup>3</sup> |
| 75-Cow Stanchion                                 | 36'x200'  | 96                      | -           | 20'x20'   | 2" pipeline, 3 units  | 1,000 gal. | 200 ft <sup>3</sup> |
| 100-Cow Free-Stall                               | 78'x120'  | 94                      | 36'x94'     | -         | 6 stall DHB           | 1,375 gal. | 120 ft <sup>3</sup> |
| 150-Cow Free-Stall                               | 78'x180'  | 94                      | 36'x96'     | -         | 8 stall DHB           | 2,200 gal. | 180 ft <sup>3</sup> |
| <b>COST OF COMPONENTS FOR EACH FACILITY SIZE</b> |           |                         |             |           |                       |            |                     |
| 50-Cow Stanchion                                 | \$71,820  | -                       | -           | \$6,000   | \$30,000 <sup>c</sup> | \$10,000   | \$7,500             |
| 75-Cow Stanchion                                 | \$108,000 | -                       | -           | \$6,000   | \$45,000 <sup>d</sup> | \$10,000   | \$11,278            |
| 100-Cow Free-Stall                               | \$140,400 | -                       | \$50,760    | -         | \$65,000              | \$15,000   | \$10,000            |
| 150-Cow Free-Stall                               | \$210,600 | -                       | \$51,840    | -         | \$65,000              | \$15,000   | \$15,000            |

<sup>a</sup>Moves 200 cu in per 1,000 lbs. of animal weight.

<sup>b</sup>As in above but also handles the milk parlor as noted in text.

<sup>c</sup>Assumes a pipeline cost of \$10,000 and two milking machines at \$20,000.

<sup>d</sup>Assumes a pipeline cost of \$15,000 and three milking machines at \$30,000.

Table 2: Waste Disposal Systems for Four Facility Sizes<sup>a</sup>

|                              | 50-Cow Stanchion | 75-Cow Stanchion | 100-Cow Free-Style | 150-Cow Free-Style |
|------------------------------|------------------|------------------|--------------------|--------------------|
| Basin <sup>b</sup>           | \$ 6,392         | \$ 7,936         | \$11,664           | \$11,664           |
| Barn Cleaner                 | 5,040            | 9,040            | 10,300             | 10,300             |
| Mats                         | 4,020            | 5,640            | 7,176              | 8,058              |
| Piston Pump <sup>c</sup>     | 8,300            | 8,300            | 8,300              | 8,300              |
| Load-out Pump <sup>c</sup>   | 4,100            | 4,100            | 4,100              | 4,100              |
| Slurry Pump <sup>c</sup>     | 5,000            | 5,000            | 5,000              | 5,000              |
| Piping                       | 2,000            | 2,000            | 2,000              | 2,000              |
| Manure System Total          | \$34,852         | \$42,016         | \$48,540           | \$49,422           |
| Leach Field                  | 800              | 1,198            | 1,598              | 2,298              |
| Septic System                | 3,000            | 3,000            | 3,000              | 3,000              |
| Tank and Wagons <sup>d</sup> | 4,619            | 4,619            | 6,720              | 6,720              |
| <b>TOTAL</b>                 | <b>\$43,271</b>  | <b>\$50,833</b>  | <b>\$59,858</b>    | <b>\$61,440</b>    |

<sup>a</sup>All hardware based on University of Wisconsin 1977 estimates. 1979 Wisconsin = 1977 Wisconsin x 1.20. 1979 Alaska = 1979 Wisconsin x 1.15.

<sup>b</sup>Basin size based on an 8-month or 240-day storage period holding 2 1/3 days cow.

<sup>c</sup>Pumps 20 HP in size are adequate to move 3,000 gpm over a rise of 10 feet.

<sup>d</sup>Tank capacities are 152 ft<sup>3</sup> with a 60 P10 HP requirement and 243 ft<sup>3</sup> with a 100 P10 HP requirement.

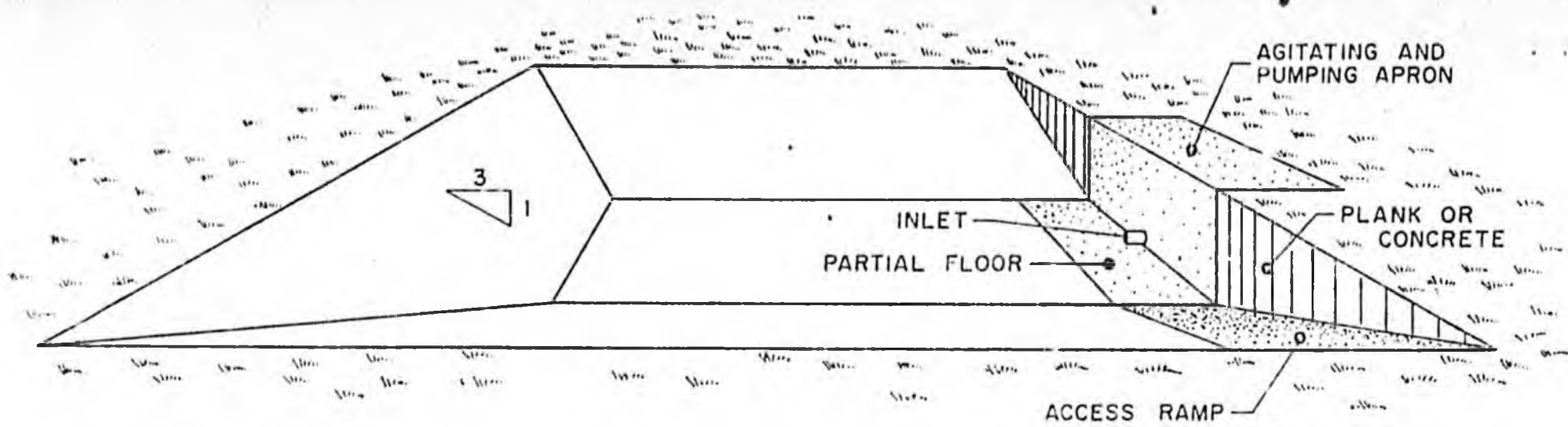
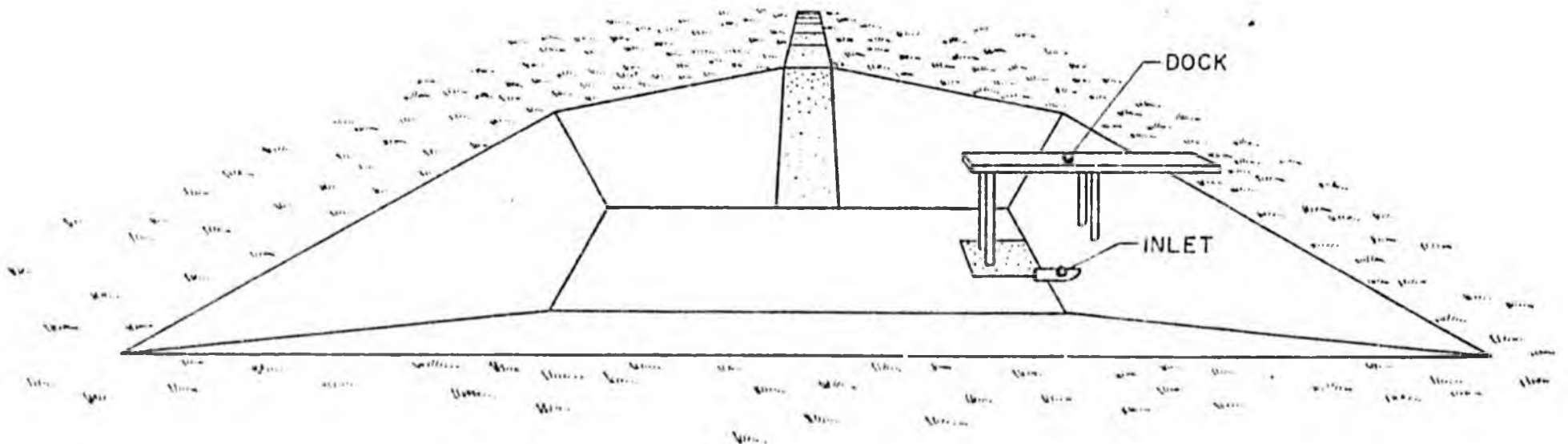


Figure 3: Manure Storage Basins. Two types of manure storage basins. The upper illustration includes a picket gate or a plank or concrete wall to facilitate unloading. (From: Midwest Plan Service, Dairy Housing and Equipment Handbook, Iowa State University, Ames, 1978).



## Feed Storage

The feed components used in rations were roughage (including silage or haylage) concentrates, and hay. Calf starter will be required for the calving operation. To obtain storage facility sizes, it is assumed all components will handle a yearly supply. This may not be the case with calf starter. However, it forms a small portion of the total feed requirement and less than a yearly supply would alter the space requirement very little.

## Silos

Silos are assumed to be uninsulated. The maximum height of the silos is 60 feet, 10 feet of which is unloader space. The silo-loading system uses a 30-HP electric motor with blowers for top loading. Top-unloading silos load out feed at the silo side into the feed room. This requires a 20-HP electric motor. To obtain a capital cost per ft<sup>3</sup>, 1979 Wisconsin prices and adjusted southcentral Alaska prices are used. The estimated erected cost is \$2.18/ft<sup>3</sup> including loading and unloading facilities. Because of possible problems with freezing along silo sides, base diameters are kept as large as possible while still maintaining a near 60-foot height. The additional parameter of a load-out rate of no less than 6 inches per day is used to further alleviate the possible freezing problems. Table 3 gives silo sizes and capacities and total cost of silage storage.

Table 3: Silo Capacities

| Facility Size      | Silage Stored | Silo Size | Number of Silos | Total Cost |
|--------------------|---------------|-----------|-----------------|------------|
| 50 Cow Stanchion   | 1077T         | 28'x60'   | 2               | \$160,999  |
| 75 Cow Stanchion   | 1622T         | 28'x60'   | 3               | \$241,499  |
| 100 Cow Free Stall | 2154T         | 30'x60'   | 3               | \$316,488  |
| 150 Cow Free Stall | 3231T         | 22'x48'   | 1               | \$462,051  |
|                    |               | 30'x60'   | 5               |            |

## Concentrate

The concentrate fed will probably be purchased in bulk. The cost of construction of a storage area for the concentrate is estimated at \$1.00 per bushel.

Table 5: Hay, Bedding and Starter Storage

| Facility Size      | Total Hay <sup>a</sup> | Total Bedding <sup>b</sup> | Total Starter <sup>c</sup> | Building Size     | Total Cost |
|--------------------|------------------------|----------------------------|----------------------------|-------------------|------------|
| 50-Cow Stanchion   | 9,599 ft <sup>3</sup>  | 10,935 ft <sup>3</sup>     | 75 ft <sup>3</sup>         | 40 x 60           | \$31,200   |
| 75-Cow Stanchion   | 14,587 ft <sup>3</sup> | 16,515 ft <sup>3</sup>     | 109 ft <sup>3</sup>        | 50 x 70           | \$45,500   |
| 100-Cow Free Stall | 19,053 ft <sup>3</sup> | 21,645 ft <sup>3</sup>     | 146 ft <sup>3</sup>        | 50 x 90           | \$58,500   |
| 150-Cow Free Stall | 28,507 ft <sup>3</sup> | 32,310 ft <sup>3</sup>     | 216 ft <sup>3</sup>        | 40 x 80 + 40 x 90 | \$88,400   |

<sup>a</sup> Hay bale size is 4' x 2' x 2' and weight is 70 pounds per bale.

<sup>b</sup> Straw bale size is 4' x 2' x 2' and weight is 50 pounds per bale.

<sup>c</sup> 100 lb. bags sized at approximately 1.3 ft<sup>3</sup>.

Table 4 lists storage required and total cost assuming only one purchase is made annually. An alternate method would be to purchase a pelleted feed several times during the year. Less storage space would be required in this case.

Table 4: Concentrate Storage

| Facility Size      | Bushels Required | Storage Size | Total Cost |
|--------------------|------------------|--------------|------------|
| 50 Cow Stanchion   | 9,226            | 10,000 BU    | \$10,000   |
| 75 Cow Stanchion   | 13,862           | 15,000 BU    | \$15,000   |
| 100 Cow Free Stall | 18,434           | 20,000 BU    | \$20,000   |
| 150 Cow Free Stall | 26,643           | 30,000 BU    | \$30,000   |

## Starter, Hay, Bedding

Storage for calf starter, hay, and bedding is in metal, uninsulated buildings with concrete floors. The buildings are ventilated through louvres and eaves. Current Fairbanks cost estimates indicate that such buildings can be constructed for \$13,000/ft<sup>2</sup>. Table 5 gives the amount of feed and bedding stored, building size, and cost of construction.

## Machinery Storage and Workshop

The dairy farms will be producing silage and haylage. In addition to equipment associated primarily with this operation, at least front-end loader storage will be required for the dairy. The storage buildings will probably not be heated. Additionally, a heated workshop will be necessary for repairs and maintenance. The storage space required per machine includes 15 per cent space for movement. The workshop size is based on the largest piece of equipment on the farm and includes a working area of 8 feet on the sidewalls and 5 feet at each end. Also included are a grease pit and fuel tanks. Capital cost and construction for the machinery storage are the same as those for hay and bedding storage. Workshop capital costs include a metal building with four inches of insulation and a heating system using oil-burning units. Construction costs are estimated at \$14.50/ft<sup>2</sup>. Table 6 (next page) gives the machinery and workshop sizes and total costs.

**Table 6: Machinery Storage and Workshop**

| Facility Size           | Machinery | Workshop | Total Cost |
|-------------------------|-----------|----------|------------|
| 50, 75 Cow Stanchion    | 40'x60'   | 40'x46'  | \$57,880   |
| 100, 150 Cow Free Stall | 40'x75'   | 40'x46'  | \$65,680   |

**Calf, Heifer, and Dry-Cow Housing**

There are controversies concerning the housing of calves. Indications are that calf death rates are less if they are removed to cold housing one day after birth. The cold housing recommended is a 4' x 14' hutch, 4' x 8' of which is a plywood shed free from drafts and bedded with straw, 4' x 6' being an exposed area enclosed in hog wire for feeding. In high snow areas, management of the hutches may be difficult. Therefore, an alternative is offered by putting the "hutches" in a cold building. An additional advantage of this practice is that the calf housing can be combined with that for heifers and dry cows in a single building. The major advantages of this system is that feeding can be accomplished in one building and that manure handling (a straw pack removed in spring and periodically throughout the summer) is a single operation. The straw pack waste is removed to the fields in spring and fall.

Housing costs are the same as those used for hay and straw storage plus \$1.00/ft<sup>2</sup> for iron and \$2,000 for all units for plumbing. Space for animals is determined using standard allotments. Twice the hutch area per calf is used to enable hutches to be moved before being occupied by a new calf. Table 7 shows space per cow by age, total number of cows housed, total space and total cost.

**Feed Handling**

Feed handling in stanchion units is accomplished by electric cart although a feed bunk system could also be used. Free-stall barn feeding is accomplished by augering the feed into the feed bunks. Provisions have been included for feed mixing at the silo unload area. The silos load out into a feed mixer and then either into carts or an auger hopper. A feed mixer is provided to keep feed consistency constant if both haylage and silage are fed. Approximate cost is \$4,000 per silo.

**Well**

There is limited data to indicate the depth of wells required in the Point Mackenzie area. It is

**Table 7: Calf, Heifer, and Dry-Cow Housing**

| Facility Size      | Space Per Cow      |                    |                                   | Number of Cows Housed <sup>d</sup> |          |           |          | Total Space (ft <sup>2</sup> ) | Building Size | Total Cost \$ |
|--------------------|--------------------|--------------------|-----------------------------------|------------------------------------|----------|-----------|----------|--------------------------------|---------------|---------------|
|                    | 0-2 mo.            | 2-12 mo.           | 12-24 mo. & dry cows <sup>b</sup> | 0-2 mo.                            | 2-12 mo. | 12-24 mo. | dry cows |                                |               |               |
| 50-Cow Stanchion   | 56 ft <sup>2</sup> | 25 ft <sup>2</sup> | 110 ft <sup>2</sup>               | 19                                 | 19       | 16        | 10       | 3,499                          | 40' x 90'     | 52,400        |
| 75-Cow Stanchion   | 56 ft <sup>2</sup> | 25 ft <sup>2</sup> | 100 ft <sup>2</sup>               | 28                                 | 28       | 25        | 15       | 5,380                          | 50' x 100'    | 72,000        |
| 100-Cow Free Style | 56 ft <sup>2</sup> | 25 ft <sup>2</sup> | 110 ft <sup>2</sup>               | 37                                 | 37       | 32        | 20       | 7,037                          | 50' x 140'    | 100,000       |
| 150-Cow Free Style | 56 ft <sup>2</sup> | 25 ft <sup>2</sup> | 110 ft <sup>2</sup>               | 55                                 | 55       | 48        | 30       | 10,515                         | 60' x 180'    | 153,200       |

<sup>a</sup>Assumes a 15% loss at 0-3 months, no losses at 3-12 months, 12% loss at 12-24 months and a herd replacement of 25% of the total.

<sup>b</sup>Includes 45 ft<sup>2</sup> of resting area and 65 ft<sup>2</sup> of "lot" area.

<sup>c</sup>Two 50' x 70' or two 60' x 90' buildings could be used.

**Table 8: Total Capital Investment for Four Facility Sizes**

|                          | 50-Cow Stanchion | 75-Cow Stanchion | 100-Cow Free Stall | 150-Cow Free Stall |
|--------------------------|------------------|------------------|--------------------|--------------------|
| Barn and Iron            | \$ 71,820        | \$108,000        | \$140,400          | \$ 210,600         |
| Ventilation              | 7,500            | 11,278           | 10,000             | 15,000             |
| Milk Room                | 6,000            | 6,000            | N/A                | N/A                |
| Milk Parlor              | N/A              | N/A              | 50,760             | 51,840             |
| Milking Equipment        | 40,000           | 55,000           | 80,000             | 80,000             |
| Silos                    | 160,999          | 241,499          | 316,988            | 462,501            |
| Manure Handling          | 43,271           | 50,833           | 59,858             | 61,440             |
| Concentrate Storage      | 10,000           | 15,000           | 20,000             | 30,000             |
| Hay and Bedding Storage  | 31,200           | 45,500           | 58,500             | 88,400             |
| Machine Storage          | 31,200           | 31,200           | 39,000             | 39,000             |
| Workshop                 | 26,680           | 26,680           | 26,680             | 26,680             |
| Calf and Dry-Cow Housing | 52,400           | 72,000           | 100,000            | 153,200            |
| Well                     | 3,500            | 3,500            | 3,500              | 3,500              |
| Feed-Handling Equipment  | 8,000            | 12,000           | 16,000             | 20,000             |
| <b>TOTAL</b>             | <b>\$492,570</b> | <b>\$678,990</b> | <b>\$921,686</b>   | <b>\$1,241,711</b> |

assumed a 100-foot well eight inches in diameter is adequate to provide a 3,000 gpm flow rate. The current average cost for drilling, casing, and pump is \$35 per running foot. This cost is included in each farm unit.

### Total Capital Costs

The total capital investment for the four dairy systems is given in Table 8 (pg. 9). On a per-cow basis, the 150-cow, free-stall dairy requires the least capital injection. Tables 9 through 12 (pgs. 9 and 10) show the annual cash and non-cash owner costs associated with the dairy farms. Costs allocated to the dairy operation only are associated with milking and dry cows. Those allocated to the replacement heifers include animals required for a 25% annual herd replacement and are aged 0 to 24 months. Feed-associated cost allocation and calf and dry-cow housing cost allocation are accomplished on a feed-requirement and a space-occupied basis respectively. The percentages used in allocation are shown in Table 13.

Table 13: Cost Allocation to Dairy Cows and Replacement Heifers

| Facility                              | Dairy Cows       | Replacement Heifers |
|---------------------------------------|------------------|---------------------|
| Silos                                 | 84%              | 16%                 |
| Hay and Bedding Storage               | 17% <sup>a</sup> | 83%                 |
| Concentrate Storage                   | 81%              | 19%                 |
| Calf and Dry-Cow Housing <sup>b</sup> | 22%              | 78%                 |

<sup>a</sup> Only dry cows use straw bedding. Milking cows are not fed hay.  
<sup>b</sup> Based on space occupied.

### Farm Budgets

Enterprise costs and returns presented in this report are estimated for dairy-farm operations milking 50, 75, 100, and 150 cows daily. Returns from the sale of calves and culls are specifically identified. However, a specific assumption of per-herd milk production is not used in the analysis. Rather, revenues from calf and cull sales are first subtracted from costs, and then the average milk production per cow required to break even (cover all remaining costs) is calculated. Included in the costs is a charge for operator labor of \$15,000 per year. Returns arising from milk production above that required to break even is the return to management.

Basic assumptions reflected in the estimated budgets are:

1. Cows are milked ten months of the year and are dry two.
2. All feed is purchased except for silage or haylage which is grown on the farm.

3. Land-clearing costs and purchase price are included in silage (haylage) costs.
4. Dairy farmers replace 25% of their herds annually with springer\* heifers.
5. All replacement heifers are provided by the dairy farms in the third year of operation.
6. All breeding is by artificial insemination.
7. Dairy farms of 50 and 75 cows use a stanchion confinement-stall system. With 100 and 150 cows, a free-stall system is used.
8. Family labor is the only labor used on 50- and 75-cow dairy farms. It has been suggested that the 75-cow dairy farm may require one additional laborer if a stanchion barn is used.
9. Dairy farms with 100 cows require family labor plus one hired laborer while the 150-cow dairy farm requires two laborers and one herdsman in addition to family labor.
10. Three acres of cropland in silage production are required for each milking and dry cow in the dairy herd.
11. An interest rate of 6%, that charged by the Alaska Agricultural Revolving Loan Fund, is charged against the capital investment. A 9% interest charge is leveled against operating capital assuming a mixture of private and public loan monies.

Data for this analysis were obtained from several sources. Feed rations, production techniques, and production costs were developed in consultation with animal scientists of the University of Alaska Agricultural Experiment Station and experienced Alaskan dairymen. Silage and haylage production costs are detailed in a preliminary USDA working paper available from the authors (Fugelstadt, U.S.D.A.-E.S.C.S.). Investment requirements are described in an earlier section. Milk prices were obtained from Matanuska Maid Inc., while prices for calves and culls were provided by marketing specialists of the Alaska Division of Agriculture and Alaskan dairymen.

Production costs are summarized in Table 14 (pg. 11). Total annual costs for the 50-, 75-, 100-, and 150-cow dairy farms are \$175,061; \$237,471; \$323,853; and \$479,008, respectively. Costs are divided into feed cash costs, non-feed cash costs, and non-cash costs. Of these three categories, feed is the major expense accounting for approximately 39 per cent of total cost for each herd. Major costs in non-cash costs are operator labor and interest and depreciation on facilities. As noted previously, we have included an operator labor charge of \$15,000 annually as an absolute minimum under which an owner would be willing to remain in business.

In Table 15 (pg. 12), returns from sales of calves and culls and the average milk production per cow

Table 9: Annual Cash and Non-Cash Capital Associated Costs for the 50-Cow, Stanchion Dairy

|                            | Depreciation<br>(years) | Depreciation <sup>a</sup><br>(\$) | Investment<br>Cost <sup>b</sup> (\$) | Insurance <sup>c</sup><br>(\$) | Taxes <sup>d</sup><br>(\$) | Repairs & Maintenance <sup>e</sup><br>(\$) | Total Cost<br>(\$) |
|----------------------------|-------------------------|-----------------------------------|--------------------------------------|--------------------------------|----------------------------|--|--------------------|
| <b>DAIRY</b>               |                         |                                   |                                      |                                |                            |  |                    |
| Barn & Iron                | 30                      | 2,394                             | 2,155                                | 503                            | 934                        | 1,436                                      | 7,422              |
| Ventilation                | 10                      | 713                               | 236                                  | 53                             | 98                         | 150  | 1,250              |
| Milk Room                  | 30                      | 200                               | 180                                  | 42                             | 78                         | 120  | 620                |
| Milking Equipment          | 10                      | 3,800                             | 1,260                                | 280                            | 520                        | 800  | 6,600              |
| Silos                      | 20                      | 6,762                             | 4,057                                | 947                            | 1,758                      | 2,704                                      | 16,228             |
| Manure Handling            | 20                      | 2,164                             | 1,298                                | 303                            | 563                        | 865  | 5,193              |
| Concentrate Storage        | 20                      | 405                               | 243                                  | 57                             | 105                        | 162  | 972                |
| Hay & Bedding Storage      | 20                      | 265                               | 159                                  | 37                             | 69                         | 106  | 636                |
| Machine Storage            | 20                      | 1,560                             | 936                                  | 218                            | 406                        | 624  | 3,744              |
| Workshop                   | 20                      | 1,334                             | 800                                  | 187                            | 347                        | 534  | 3,202              |
| Calf & Dry-Cow Housing     | 20                      | 577                               | 346                                  | 81                             | 150                        | 231  | 1,385              |
| Well                       | 350                     | 105                               | 25                                   | 46                             | 70                         | 596  |                    |
| Feed-Handling Equipment    | 10                      | 760                               | 252                                  | 56                             | 104                        | 160  | 1,332              |
| <b>ANNUAL TOTAL</b>        |                         | <b>21,284</b>                     | <b>12,027</b>                        | <b>2,789</b>                   | <b>5,178</b>               | <b>7,962</b>                               | <b>49,242</b>      |
| <b>REPLACEMENT HEIFERS</b> |                         |                                   |                                      |                                |                            |  |                    |
| Silos                      | 20                      | 1,288                             | 772                                  | 180                            | 334                        | 515  | 3,099              |
| Concentrate                | 20                      | 95                                | 57                                   | 13                             | 25                         | 38   | 228                |
| Hay & Bedding Storage      | 20                      | 1,295                             | 777                                  | 181                            | 337                        | 518  | 3,108              |
| Calf & Dry-Cow Housing     | 20                      | 2,044                             | 1,226                                | 286                            | 531                        | 817  | 4,904              |
| <b>ANNUAL TOTAL</b>        |                         | <b>4,722</b>                      | <b>2,832</b>                         | <b>660</b>                     | <b>1,227</b>               | <b>1,888</b>                               | <b>11,329</b>      |

<sup>a</sup> Depreciation is calculated using the straight line method. Salvage value is 5% of new cost for equipment and zero for buildings.

<sup>b</sup> Investment costs are charged at 6% annual rate using

$$\text{Investment Cost} = \frac{\text{New Cost} \times \text{Salvage}}{2} (\text{Interest Rate})$$

<sup>c</sup> Insurance rates are \$7.00 per \$1,000 new cost.

<sup>d</sup> Taxes are 1.1 mil, the current rate in the Matamoras/Sustina Borough.

<sup>e</sup> Repairs and maintenance are charged at 2% of new cost.

Table 10: Annual Cash and Non-Cash Capital Associated Costs for the 75-Cow, Stanchion Dairy<sup>4</sup>

|                            | Depreciation<br>(years) | Depreciation<br>(\$) | Investment Cost<br>(\$) | Insurance<br>(\$) | Taxes<br>(\$) | Repairs & Maintenance<br>(\$) | Total Cost<br>(\$) |
|----------------------------|-------------------------|----------------------|-------------------------|-------------------|---------------|-------------------------------|--------------------|
| <b>DAIRY</b>               |                         |                      |                         |                   |               |                               |                    |
| Barn & Iron                | 30                      | 3,600                | 3,240                   | 756               | 1,404         | 2,160                         | 11,160             |
| Ventilation                | 10                      | 1,071                | 355                     | 79                | 147           | 226                           | 1,878              |
| Milk Room                  | 30                      | 200                  | 180                     | 42                | 78            | 120                           | 620                |
| Milking Equipment          | 10                      | 5,225                | 1,733                   | 385               | 715           | 1,100                         | 9,158              |
| Silos                      | 20                      | 10,143               | 6,086                   | 1,420             | 2,637         | 4,057                         | 24,343             |
| Manure Handling            | 20                      | 2,542                | 1,525                   | 356               | 661           | 1,017                         | 6,101              |
| Concentrate Storage        | 20                      | 578                  | 383                     | 85                | 158           | 243                           | 1,447              |
| Hay & Bedding Storage      | 20                      | 387                  | 232                     | 54                | 101           | 155                           | 929                |
| Machine Storage            | 20                      | 1,560                | 936                     | 218               | 406           | 624                           | 3,744              |
| Workshop                   | 20                      | 1,334                | 800                     | 187               | 347           | 534                           | 3,202              |
| Calf & Dry-Cow Housing     | 20                      | 792                  | 475                     | 111               | 206           | 317                           | 1,901              |
| Well                       | 10                      | 350                  | 105                     | 25                | 46            | 70                            | 596                |
| Feed-Handling Equipment    | 10                      | 1,140                | 378                     | 84                | 156           | 240                           | 1,998              |
| <b>ANNUAL TOTAL</b>        |                         | <b>28,922</b>        | <b>16,428</b>           | <b>3,802</b>      | <b>7,062</b>  | <b>10,863</b>                 | <b>67,077</b>      |
| <b>REPLACEMENT HEIFERS</b> |                         |                      |                         |                   |               |                               |                    |
| Silos                      | 20                      | 1,932                | 1,159                   | 270               | 502           | 773                           | 4,636              |
| Concentrate Storage        | 20                      | 135                  | 90                      | 20                | 37            | 57                            | 339                |
| Hay & Bedding Storage      | 20                      | 1,888                | 1,133                   | 264               | 491           | 755                           | 4,531              |
| Calf & Dry-Cow Housing     | 20                      | 2,808                | 1,685                   | 393               | 730           | 1,123                         | 6,739              |
| <b>ANNUAL TOTAL</b>        |                         | <b>6,763</b>         | <b>4,067</b>            | <b>947</b>        | <b>1,760</b>  | <b>2,708</b>                  | <b>16,245</b>      |

<sup>4</sup> Figures are in Table 9.