

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990 8672

5983 HOUSE RESOURCES

387



Alaska State Legislature

HOUSE OF REPRESENTATIVES

Official Business

P.O. Box V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: Co-Chairman Representative Curt Menard
Co-Chairman Representative Cliff Davidson
House Resources Committee

FROM: Representative Bert Sharp *Bert Sharp*

SUBJECT: HB99 - 6(i) committee file

DATE: March 13, 1939

The enclosed strong expression of support from the merchants and mayor of the City of Fairbanks illustrates the significant positive economic impact the mining industry has on the interior of Alaska. I request that a copy of this be placed in each committee member HB99 folder.

It is imperative that a fair and clear 6(i) bill be considered by the legislature this session. I know we can meet the 6(i) court mandate and still be a positive signal to the mining industry of our state.

cc: Resource Committee members

Office of the Mayor
 City Hall
 410 Cushman Street
 Fairbanks, Alaska 99701

Governor Steve Cowper
 Office of the Governor
 Juneau, Alaska 99811

Dear Governor Cowper:

RETAIL MERCHANTS SUPPLYING GOODS & SERVICES TO THE PLACER MINING
 INDUSTRY IN THE FAIRBANKS AREA:

	Phone No.
Safeway Stores, Inc. <i>Newell</i>	456-8501
Super Valu Stores <i>T. Paul</i>	412-6422
Foodland <i>Stephen Thomas</i>	452-1121
N. C. Machinery <i>W. J. Jones</i>	452-7251
Craig Taylor <i>Richard L. Taylor</i>	452-1192
MC DONALD KEITH INC <i>Permittal</i>	452-4432
Sourdough Fuel <i>Robert F. Muth</i>	456-7798
MAPPCO <i>P. L. Wesselt Jr.</i>	
Everts Fuel <i>R. P. Everts</i>	474-0802
Nenana Fuel <i>L. H. Wesselt Jr.</i>	
McKay Trucking	
Northern Air Cargo <i>Edna Anna</i>	474-9606
Greer Tank & Welding <i>Bob Greer</i>	452-1711
Skidmore Machine <i>Sam Skidmore</i>	452-4538
Fairbanks Machine & Steel <i>Rich Holt</i>	452-4722
James Nordale, Mayor <i>James Nordale</i>	452-1666
Juanita Helms, Mayor <i>Juanita Helms</i>	452-4761
Fairbanks Chamber of Commerce <i>Carl Johnson</i>	452-1195
Jackovich Tractor <i>Archie Jackovich</i>	456-6414
Big Rays <i>Frank A. ...</i>	452-3458
Alaska Sportsman's Mall <i>Archie ...</i>	452-5147
EXPRESS FUELS <i>R. H. Wesselt Jr.</i>	

We, The Retail Merchants of Fairbanks, The Mayor of the City of Fairbanks, The Mayor of the Fairbanks North Star Borough and the Fairbanks Chamber of Commerce, above listed, are very concerned about the Plight Of The Placer Mining Industry here in the Interior of Alaska.

In spite of all the improvements the Placer Mining Industry has made in their mining methods, the environmentalists and state regulations still continue to thwart, slow-down, harass and in many cases stop the Placer Mining Operations.

We urgently request a meeting with you, here in Fairbanks, at your earliest convenience to discuss this problem which is so important to the economy of Fairbanks.

James Nordale
 Mayor James Nordale

RETAIL MERCHANTS SUPPLYING GOODS & SERVICES TO THE FLACER MINING
INDUSTRY IN THE FAIRBANKS AREA:

NAME:

PHONE NO.

Alaska Railroad		
Mark Air	<i>John K. Nelson</i>	474-7166
Alaska Air Lines	<i>Dorinda (Gronman) Auld</i>	474-0481
Irish Trucking	<i>John J. King</i>	452-3333
Sourdough Express	<i>Richard "Whitney" Ferguson</i>	452-1181
Union Oil Co.	<i>Richard J. Smith</i>	452-2525
Texaco Fuel Co.	<i>Richard J. Smith</i>	452-2525
Alaska Petroleum Co.	<i>Richard J. Smith</i>	452-2525
Carleta Lewis, Mayor North Pole	<i>Carleta Lewis</i>	
K & K Recycling	<i>Richard J. Smith</i>	
Bucher Glass	<i>Richard J. Smith</i>	452-2394
Alaska Rubber	<i>Richard J. Smith</i>	451-0200
Alaska Battery	<i>K. H. Kroll</i>	452-2000
Arctic Welding		
Alaska Tent & Tarp	<i>Bill Smith</i>	456-6328
Alaska Industrial Hardware	<i>Richard J. Smith</i>	452-4774
M & O Parts	<i>Steve M. Thompson</i>	452-3411
Brown & Sons' Auto Parts	<i>Richard J. Smith</i>	456-7512
Carr's Clothing	<i>Richard J. Smith</i>	452-2370
Oxford Assaying	<i>Richard J. Smith</i>	
GAC	<i>Richard J. Smith</i>	
Grabb's Corner	<i>Richard J. Smith</i>	
715	<i>Ernie F. Smith Partner</i>	474-0402

Donna Gilbert, Interior Taxpayers Assoc.		
Scofield Lumber Co.		
OK Lumber Co.	Charles Scofield	457-6274
Quality Meat Co.		452-2377
GIANT Tire Co.	D. V. [unclear]	456-2536
Goodyear Tire Co.	John Hill	416-2417
Kelly's Tire Co.	William Kelly	
Mobat Tire Co.	William Mobat	457-7131
Alaska Explosives, Inc.	Robert P. [unclear]	456-8506
Pacific Powder & Explosive Co.		
Denali Fasteners, Inc.	Ray Swift	452-4524
Alsingo, Inc.	Michael [unclear]	
Enelehard		
Geoprize, Ltd.		
Dr. Richard Swainbank		
Hector's Welding	Jeanette L. Thorsen	488-6432
K&K Recycling Equipment	Mike Shields	457-3226
Saune Enterprises	Samuel Saune	452-1233
Usibelli Coal Mine, Inc.	Charles [unclear]	452-2625
Upretivak Tire Sales	Upretivak	456-7722
Urusa Motors Inc.	Urusa Motors	452-3300
Haladay Parks Inc.	Haladay Parks	452-7151
Suburban Pavers	Suburban Pavers	452-1176
ALASKAN PROSPECTORS & GEN. SUPPLY	Charles J. [unclear]	452-7378
- Charles J. [unclear]		479-2398
Ranch Motel	Ranch Motel	452-2225
A & W Wholesale Co. Inc.	Wayne Wallace	452-2138
James H. Smith	James H. Smith	456-4262
W. Lee [unclear]	W. Lee [unclear]	456-7344
Wattson L. [unclear]	Wattson L. [unclear]	488-0209
Roy Foster	Roy Foster	474-9070
COLLEGE CONSTRUCTION	College Construction	479-5907
INTERIOR FUELS Company	Interior Fuels	456-1312
BIG WHEELS TRANSPORT INC.	Frank Foguski	488-9032
Alaska Freight Brokers, Inc.	Jeanie Gregg	488-9045
Oil Growers	Oil Growers	488-0092
Six Rock [unclear]	Six Rock [unclear]	452-6166
Arctic Fire Equip. Co.	Arctic Fire Equip. Co.	452-7806
Fairbanks Automotive TBA Inc.	Fairbanks Automotive TBA Inc.	452-2142
SAMSON HARDWARE	Samson Hardware	452-3110
Laminator Systems	Laminator Systems	129-0137
Gene's Chrysler	Gene's Chrysler	452-7116
William Pros.	William Pros.	452-3838
Alaska Enterprises Ltd.	Alaska Enterprises Ltd.	456-7112



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

P.O. Box Y, State Capitol
Juneau, Alaska 99811-3100
Mail Stop 3100
(907) 465-3991

February 16, 1989

MEMORANDUM

TO:

FROM: Ginny Fay *G. Fay*
Legislative Analyst

RE: Mining in Other Western States: Reclamation and Taxation Policies
Research Request 89.207

You requested information regarding other states' mining reclamation policies and statutes. You asked which state reclamation programs are authorized by statute rather than by regulation. You asked also for information regarding taxes paid by miners in other states in addition to specific mining taxes. To answer your questions, the first part of this memorandum discusses reclamation in other western states. This is followed by information on other state taxes.

Mining Reclamation in Other States

Generally speaking, the purpose of mining reclamation is to return land to its beneficial and productive use after mining operations have occurred. The state of Nevada, as part of an extensive overhaul of its mining statutes and programs, is conducting a comparative analysis of mining practices in the western states. Information from their final draft report on reclamation is summarized in this section.¹

Not all western states have reclamation laws and those that do differ widely in the administration, organization, and implementation of their programs. Of the eleven western states reviewed by the Nevada study (which included Alaska but not Nevada), eight states have reclamation statutes. In contrast, Alaska, Arizona, and New Mexico reclamation standards are set by regulation and are part of the mining permit process (see Attachment A).

¹Wanda Jo Gallaher and Susan Lynn, "A Comparison of Western States Reclamation and Bonding Regulations, Programs, and Practices for Discussing A Nevada Program," Final Draft Report, Public Resource Associates, January 1989.

February 16, 1989
Page 3

State reclamation statutes also vary considerably with regard to enforcement and penalties for noncompliance. Penalties include lease or permit cancellation, bond forfeitures, and civil and criminal penalties and fines. See Attachment A for state specifics.

State Taxes in Addition to Specific Mining Taxes

Information on state taxes collected in addition to specific mining taxes was obtained from ten western states--Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, and Wyoming. The results are presented in Table 1. Except Wyoming and Nevada, these states have corporate income taxes applicable to miners.² Tax rates range from five percent in Colorado and Utah to 10.5 percent in Arizona.

Miners pay property taxes in all states contacted. Generally, this tax is administered by the state but collected by local governments. Mill rates are locally determined. In addition, six of the ten western states charge a sales or use tax on equipment. The state sales tax applies if items are purchased in-state. For items purchased out-of-state, a use tax, generally set at the same rate as the state sales tax, is charged on the market value of the item or equipment. Sales and use rates ranged from three to 6.8 percent.

* * *

I hope this information answers your questions. If you would like additional information, please do not hesitate to contact us.

Attachments

²A number of contacts in Nevada stated that their state's tax rates and policies are likely to change during the current legislative session; numerous tax bills have been introduced, some of which apply to miners.

TABLE 1
 TAXES PAID BY MINERS IN OTHER STATES IN ADDITION TO SPECIFIC MINING TAXES

-----TAX & TAX RATE (%)-----				
STATE	CORPORATE INCOME	PROPERTY	SALES/ USE	OTHER

Arizona 1	10.5	County Set	5.0	
California	10.0	1.0		
Colorado	5.0	County Set	3.0	Road tonnage
Idaho	8.0	County Set		
Montana	6.8	County Set		Gross Proceeds Property Tax on Reserves
Nevada		County Set	6.0	
New Mexico 2	7.6	County Set	6.5	
Oregon	6.6	County Set		Ad valorem tax collected locally on mineral rights
Utah	5.0	County Set	6.8	
Wyoming		County Set	5.0	

NOTES:

1. Arizona's net corporate income tax is graduated up to an income of \$6,000, then 10.5 percent.
2. New Mexico's corporate income tax is graduated for income up to \$1 million.

Prepared by the House Research Agency, February 1989 (89.207).

ATTACHMENT A
Comparison of Features by State for
Reclamation and Bonding

Fairbanks / low grade / low Au

Cost Variation

50 claims (2000 acres) \times $\$.25 = 12.5$
1.00 = 1,000
3.00 = 6,000
10.00 = 20,000

Royalty Variation

105,000 AU $425 \frac{425}{100}$ 44,625,000

Gross

1% 446,250
3% 1,338,750
5% 2,231,250

Net Smelter/Refinery

89,500 AU 37,964,100
1% 379,640
5% 1,898,200
7% 2,657,480

Net Profit

5% 21,050
10% 42,100

1/24 11/21 HASKO Pb-Zn-11:

$$50 \text{ Mins (2000 Acres)} \times \frac{\$}{.125} = 500 \text{ ---}$$
$$1.0 = 2000 \text{ ---}$$
$$3.00 = 6 \text{ ---}$$
$$11.00 = 2000 \text{ ---}$$

Royalty Variation.

Gross

1%	856,800
3%	2,570,400
5%	4,284,000

Net Smelter/refinery	1%	678,110
	5%	3,390,550
	7%	4,746,770

Net Profits	5%	197,750
	10%	395,500

So - h Lateral Gold
rent variation

25 claims (1000 acres) $\times 0.25 = 7500$ #
1.50 = 1,000 #
3.00 = 3,000 #
10.00 = 10,000 #

Royalty Variation

80,000 Au (425%), 909,000 Ag (7.00) 40,363,000
GROSS
1% = 403,630
3% = 1,210,890
5% = 2,018,150

Net Smelter Refining

Au (21,560,000) Ag (5,013,000)
1% = 265,730
5% = 1,328,650
7% = 1,860,110

Net Profits

5% = 344,900
10% = 689,800

Cost Volume
 2000 ounces $\times 6.25 = 12,500.00$
 1.00 = 800.00
 2.00 = 1,600.00
 10.00 = 8,000.00

Royalty margin Gross (2,000 oz Au $\times 425 \frac{\$}{\text{oz}}$) 1% = \$8,500.00
 3% = 25,500.00
 5% = 42,500.00

Net Smelter/Refinery 1% = \$8,230.00
 3% = 24,690.00
 7% = 57,610.00

Net profits 5% = \$6,650.00
 10% = 13,300.00

	ADMIN PROPOSAL	OPTION 1	OPTION 2	OPTION 3
<u>RENT</u>	ESCALATED \$20-\$200	\$10/claim	\$10/claim	\$20/claim
Rental Income	\$700,000 (-20%)	\$400,000 (-10%)	\$400,000 (-10%)	\$700,000
<u>Royalty</u>	1-3% net	1% Gross	2% Gross	1% Gross
Royalty Income	\$50,000	\$200,000	\$400,000	\$200,000
	rent + royalty	rent <u>or</u> royalty	<u>or</u>	<u>or</u>
Total Income	\$750,000	\$575,000	\$775,000	\$875,000
Administration	Complex	Simple	Simple	Simple
Impacts	rent - impact in late years to minor royalty - minimal impact	rent - insignificant impact royalty - some detrimental impact to marginal operators	rent - insignificant impact royalty - some moderate impact	rent - limited impact royalty - some impact

The commission shall provide for the reclamation of mined lands to assure that the surface is left in a stable condition that promotes ~~natural~~ revegetation.

~~ARTICLE~~ The commission shall ~~assure~~ assure that mined lands are reclaimed to a useful state. Reclamation shall include, but not be limited to, slope stabilization, stream stability and revegetation.

From SmCRA

①

All mining operations shall, at a minimum, be restored so that the land (including waters of the state) affected is capable of supporting the uses it was capable of supporting prior to any mining, or higher or better uses of which there is a reasonable likelihood, consistent with all applicable laws and the Alaska Constitution.

② Rents - Sliding 1.00 1.75 - 2.50

③ Royalty - ~~adj~~ GROSS higher than Jerry.

④ Reclamation - also language that Regs will be promulgated by a date

④ Citizen Suit Provision?

Overview of Mining Activity on State Land

- * 44,273 mining claims active on January 1, 1989

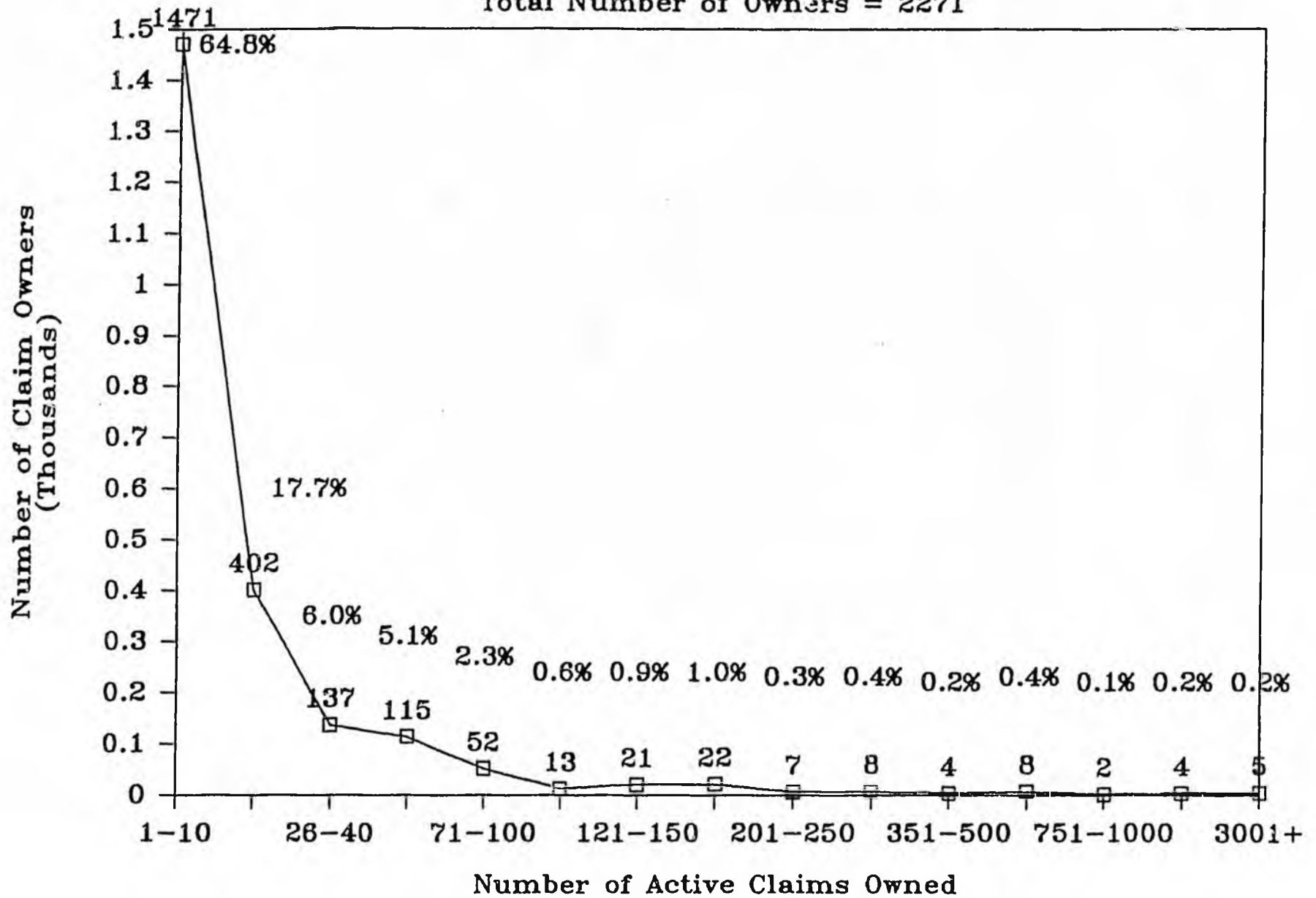
- * 2,271 owners of these claims

- * 202 permits issued to operate on state land in 1988

- * gold production estimated to be less than 50,000 ounces from state land in 1988. (FYI - Statewide production of gold in 1988 estimated to be 240,000 ounces.)

OWNERS OF ACTIVE CLAIMS

Total Number of Owners = 2271



SUMMARY OF MINING LICENSE TAX REVENUE
By Industry Group

	<u>1987</u>	<u>1986</u>	<u>1985</u>
"Locatable Minerals"	\$34,179	\$6,627	\$7,258
Coal	\$206,328	\$212,325	\$16,554
Rock, Sand & Gravel	\$19,142	\$86,418	\$42,774

* Information provided by Dept. of Revenue

1 IN THE SENATE

KERTTULA, COGHILL,
FRANK AND FAIKS

2

SENATE BILL NO. 161

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act providing for rent and royalty payments for
7 leasehold locations and mining leases; relating to
8 mineral in character determinations; and providing
9 for an effective date."

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

11 * Section 1. AS 38.05.185(a) is amended to read:

12

(a) The acquisition and continuance of rights in and to deposits

13

on state land of minerals which on January 3, 1959, were subject to

14

location under the mining laws of the United States shall be governed

15

by AS 38.05.185 - 38.05.275. Nothing in AS 38.05.185 - 38.05.275

16

affects the law pertaining to the acquisition of rights to mineral

17

deposits owed by any other person or government. The director, with

18

the approval of the commissioner, shall determine that land from which

19

mineral deposits may be mined only under lease, and, subject to the

20

limitations of AS 38.05.300, that land which shall be closed to min-

21

ing. State land may not be closed to mining or mineral location

22

unless the commissioner determines [MAKES A FINDING] that mining would

23

be incompatible with significant surface uses on the state land.

24

State land may not be restricted to mining under lease unless the

25

commissioner determines that potential use conflicts on the state land

26

require that mining be allowed only under written leases issued under

27

AS 38.05.205 or the commissioner has determined that the land was

28

mineral in character at the time of state selection. The determina-

29

tions required under this subsection shall be made in compliance with

1 land classification orders and land use plans developed under AS 38.-
2 05.206 or 38.05.300 [AS 38.05.300].

3 * Sec. 2. AS 38.05.205(b) is amended to read:

4 (b) Beginning on the date established by the commissioner under
5 AS 38.05.210, [THERE SHALL ACCRUE] an annual rental accrues for each
6 leasehold location or portion of a leasehold location, [THEREOF]
7 whether or not under lease, in the amounts established in AS 38.05.211
8 [NOT LESS THAN THE VALUE OF ANNUAL LABOR IMPROVEMENTS REQUIRED FOR
9 MINING CLAIMS. THE VALUE OF WORK DONE ON, OR FOR THE BENEFIT OF, THE
10 LEASEHOLD IN COMPLIANCE WITH AS 38.05.210 MAY BE CREDITED AGAINST THE
11 RENTAL].

12 * Sec. 3. AS 38.05 is amended by adding a new section to read:

13 Sec. 38.05.206. MINERAL CHARACTER DETERMINATIONS. (a) Within
14 three years after the receipt by the commissioner of a request for a
15 mineral character determination from the holder of the mining claim,
16 the commissioner shall determine under AS 38.05.243 whether the land
17 underlying a mining claim was mineral in character at the time of
18 state selection.

19 (b) A holder of a mining claim who fails to make a request for a
20 mineral character determination to the commissioner by September 1,
21 1990, or within one year from the location of the mining claim, which-
22 ever is later, shall make rental payments under AS 38.05.211 and
23 royalty payments under AS 38.05.212 until the commissioner makes a
24 mineral character determination concerning the land under AS 38.05.-
25 243. A holder of a mining claim who makes a request for a mineral
26 character determination to the commissioner by September 1, 1990, or
27 within one year after the location of the mining claim, whichever is
28 later, does not owe rental payments under AS 38.05.211 or royalty
29 payments under AS 38.05.212 until the commissioner makes the mineral

1 character determination under AS 38.05.243.

2 (c) On the determination by the commissioner that the land
3 underlying the mining claim was mineral in character at the time of
4 state selection, the holder of the mining claim is liable for rental
5 and royalty payments from the date of location.

6 (d) On the determination by the commissioner that the land
7 underlying the mining claim was not mineral in character at the time
8 of state selection and that the holder of the mining claim has made
9 rental payments under AS 38.05.211 or royalty payments under AS 38.-
10 05.212 on the claim, the commissioner shall refund to the holder of
11 the mining claim all rental and royalty payments paid on the mining
12 claim.

13 (e) If the commissioner fails to make a mineral character deter-
14 mination within three years from the date of a request for a deter-
15 mination, the amount of the rental and royalty due under AS 38.05.211
16 and 38.05.212 is reduced by 50 percent from the time that the deter-
17 mination was requested through the date that the determination is
18 made. The holder of a mining claim may request that any excess pay-
19 ment accumulated under this subsection be

20 (1) applied to rental and royalty payments due in subse-
21 quent years; or

22 (2) refunded.

23 * Sec. 4. AS 38.05 is amended by adding new sections to read:

24 Sec. 38.05.211. RENTAL. (a) Before production from a mining
25 claim begins in commercial quantities, the holder of a leasehold
26 location or mining lease shall pay to the state annual rental based on
27 the number of years since the location of the leasehold or of the
28 mining claim, as follows:

29 Years since Initial Location Rental per Acre per Year

1	0 - 10	\$.25
2	11 - 20	\$.50
3	21 or more	\$.75

4 (b) A leasehold location or a mining lease located on or before
5 August 31, 1989, is considered to have been located on August 31,
6 1989, for the determination of the rental due under this section.

7 Sec. 38.05.212. PRODUCTION ROYALTY. On production from a mining
8 claim in commercial quantities, the holder of a leasehold location or
9 mining lease shall pay as production royalty the greater of

- 10 (1) a two percent net income royalty determined under
- 11 AS 43.65.C10 - 43.65.060; or
- 12 (2) the rental amount due under AS 38.05.211.

13 * Sec. 5. AS 38.05 is amended by adding a new section to read:

14 ~~*~~ Sec. 38.05.243. DETERMINATION OF MINERAL CHARACTER. (a) Land
15 on which a mining claim is located was not mineral in character at the
16 time of state selection unless, on the date the state selected the
17 land underlying the mining claim, the land was known to contain a
18 valuable mineral deposit in sufficient quantities that a prudent
19 person at that time would have expended time and resources to develop
20 the mineral deposit with a reasonable belief that the minerals would
21 be marketable at a profit.

22 (b) Land underlying a mining claim does not contain a valuable
23 mineral deposit unless, based on facts known at the date the land was
24 selected by the state, the land

25 (1) contained an actual exposure of valuable minerals capa-
26 ble of being marketed at a profit;

27 (2) was contiguous to an existing mining claim with an
28 actual exposure of valuable minerals capable of being marketed at a
29 profit;

1 (3) was within one mile from a placer deposit that has
2 existing reserves that were producing or capable of producing valuable
3 minerals at a profit if the mining claim is a placer claim; or

4 (4) was within one mile of a known mineral deposit that has
5 produced or is capable of producing minerals at a profit if the mining
6 claim is a lode claim.

7 * Sec. 6. This Act takes effect August 31, 1989.

HB

106

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Environmental Conservation
 Title: An Act relating to hazardous waste; BRU: Environmental Quality
and providing for an effective date.
 Sponsor: Brown, Davis, et al Components: Environmental Quality
 Requestor: Menard (House Resources)

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	-0-	84.7	84.7	84.7	84.7	84.7
TRAVEL	-0-	5.0	5.0	5.0	5.0	5.0
CONTRACTUAL	-0-	75.0	75.0	75.0	75.0	75.0
SUPPLIES	-0-	2.0	2.0	2.0	2.0	2.0
EQUIPMENT	-0-	10.0	2.0	2.0	2.0	2.0
LAND & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
GRANTS, CLAIMS	-0-	-0-	-0-	-0-	-0-	-0-
MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL OPERATING	-0-	176.7	168.7	168.7	168.7	168.7

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

GENERAL FUND	-0-	176.7	168.7	168.7	168.7	168.7
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	176.7	168.7	168.7	168.7	168.7

POSITIONS:

FULL-TIME	-0-	2.0	2.0	2.0	2.0	2.0
PART-TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

ANALYSIS : (Attach a separate page if necessary)

See Attached Page

Prepared by: Jeff Mach Phone: 465-2671
 Division: Environmental Quality Date: 2/6/89

Approved by Commissioner: [Signature] Date: February 6, 1989
 Agency: Department of Environmental Conservation

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

HB 106 FISCAL NOTE ANALYSIS

The proposed legislation directs DEC to establish a hazardous waste reduction and recycling office to coordinate, promote, and assist efforts to reduce hazardous waste efforts in Alaska. This bill designates several activities that the Department will conduct, including the administration of a hazardous waste reduction and recycling grant program.

The fiscal note includes funds to establish the hazardous waste reduction and recycling office within DEC's Solid and Hazardous Waste Management Program. During FY 90, two positions would be established: an Ecologist II (Range 18) to provide overall coordination and administration of the Department's waste reduction efforts and to develop the necessary policies, procedures, regulations, contracts, reference information, grant awards, and progress report; and an Administrative Assistant (Range 12) to assist with the development of program policies and procedures, contract documents, grant awards, reports, and assist with implementation of the other aspects of the program.

FY 91 and future years will continue implementation of the program at the same level of service. One-time equipment costs, included in FY 90, are not required in subsequent years.

Original sponsors: Brown, M. Davis,
Menard, et al.

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 CS FOR HOUSE BILL NO. 106 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to hazardous waste; and providing
7 for an effective date."

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

9 * Section 1. FINDINGS. The legislature finds that

10 (1) several thousand pounds of hazardous waste are added to the
11 nation's environment for every person in the United States each year;

12 (2) hazardous substances have been improperly disposed
13 more than 200 known or suspected sites in the state, including 40 regulated
14 public water supply systems that have been contaminated, and more sites are
15 discovered each year;

16 (3) the Congress of the United States, in adopting the Hazardous
17 and Solid Waste Amendments in 1984, established a national policy that
18 wherever feasible, the generation of hazardous waste should be reduced or
19 eliminated as expeditiously as possible;

20 (4) by reducing or eliminating hazardous waste before it is
21 generated, hazardous waste source reduction efforts can be more effective
22 than traditional "end-of-the-pipe" pollution abatement strategies;

23 (5) hazardous waste reduction can improve workplace safety as
24 well as lower waste management and regulatory compliance costs;

25 (6) while some large businesses have successfully undertaken
26 hazardous waste reduction initiatives, small businesses have a particular
27 need for information and technical assistance regarding opportunities to
28 reduce the generation of hazardous waste; and

29 (7) hazardous waste reduction and recycling efforts are

1 increasingly recognized by both business interests and the general public
2 as an economically and environmentally effective response to the increasing
3 costs and liabilities resulting from hazardous waste generation.

4 * Sec. 2. AS 46.03.299 is amended by adding a new subsection to read:

5 (f) In order to minimize the present and future threat to human
6 health and the environment, the department shall promote the following
7 hazardous waste management practices in the following order of pri-
8 ority:

- 9 (1) waste source reduction;
- 10 (2) recycling of waste;
- 11 (3) waste treatment; and
- 12 (4) waste disposal.

13 * Sec. 3. AS 46.03 is amended by adding new sections to read:

14 Sec. 46.03.316. OFFICE OF HAZARDOUS WASTE REDUCTION AND RE-
15 CYCLING. (a) There is established within the department an office of
16 hazardous waste reduction and recycling. The office shall

17 (1) coordinate department efforts to reduce the production
18 of hazardous waste, including air and water emissions;

19 (2) in order to implement the priorities set out in AS 46.-
20 03.299(f)(1) - (2), promote hazardous waste source reduction and
21 on-site recovery of resources from hazardous waste streams and through
22 materials recycling;

23 (3) provide for source reduction and recycling technical
24 assistance and consultation to hazardous waste generators at their
25 request;

26 (4) sponsor or co-sponsor with public or private organiza-
27 tions technical workshops and seminars on hazardous waste reduction;

28 (5) develop a hazardous waste reduction technical reference
29 center and data base;

1 (6) establish and maintain a hazardous waste reduction
2 information referral service;

3 (7) identify and evaluate hazardous waste reduction re-
4 search needs for state businesses and industry, local governments, and
5 state agencies;

6 (8) develop, in consultation with institutions of higher
7 education in the state, courses and curricula related to hazardous
8 waste reduction; and

9 (9) administer the hazardous waste reduction grants program
10 established under AS 46.03.317.

11 (b) In response to a request of a hazardous waste generator, a
12 representative of the department may visit the hazardous waste genera-
13 tor's site for the purpose of observing a waste generating process,
14 obtaining information relevant to waste reduction, rendering advice,
15 and making recommendations. A visit under this subsection may not be
16 regarded as an inspection or investigation, and a notice or citation
17 may not be issued, or civil penalties assessed, as a result of the
18 visit. A representative of the department designated to render ad-
19 visory or consultative services may not have enforcement authority.

20 (c) The office of hazardous waste reduction and recycling shall
21 prepare and submit an annual progress report to the legislature in-
22 cluding recommendations for legislation regarding source reduction and
23 recycling.

24 Sec. 46.03.317. HAZARDOUS WASTE REDUCTION MATCHING GRANTS. (a)
25 A hazardous waste reduction grant account is established in the gen-
26 eral fund. It consists of appropriations made to it.

27 (b) The department may issue matching grants from money in the
28 account to businesses, local governments, industry trade associations,
29 labor organizations, or nonprofit organizations for the purpose of

1 feasibility analysis and evaluation of ways to implement hazardous
2 waste reduction.

3 (c) Grants under this section

4 (1) must be matched on a dollar-for-dollar basis by the
5 grantee in cash or in kind;

6 (2) may not exceed \$10,000 for any single proposal or
7 project.

8 (d) The department shall establish an advisory committee, con-
9 sisting of five members, to assist the department in reviewing and
10 evaluating grant applications under this section. The advisory com-
11 mittee must include

12 (1) an officer or employee of the department;

13 (2) a representative of the University of Alaska;

14 (3) a professional civil or chemical engineer with experi-
15 ence in environmental engineering;

16 (4) an owner or representative of a small business; and

17 (5) a public member.

18 * Sec. 4. AS 46.03.900 is amended by adding a new paragraph to read:

19 (34) "hazardous waste reduction" means decreasing, avoiding,
20 or eliminating wastes that are hazardous to human health or the envi-
21 ronment through source reduction or recycling; the term does not
22 include hazardous waste treatment or hazardous waste disposal.

23 * Sec. 5. The first report required under AS 46.03.316(c), enacted by
24 sec. 3 of this Act, is due January 15, 1990.

25 * Sec. 6. This Act takes effect July 1, 1989.
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27
28
29
30



Alaska State Legislature

HOUSE OF REPRESENTATIVES

Committee on Finance

Official Business

P.O. Box V
State Capitol
Juneau, Alaska 99811

TO: Representative Curt Menard, Co-Chair
Representative Cliff Davidson, Co-Chair
House Resources Committee

FROM: Representative Kay Brown

DATE: February 6, 1989 *Kay*

SUBJ: Amendment to HB 106 - Hazardous Waste Reduction

On the basis of comments I have received since the introduction of HB 106, I would like to offer an amendment to the bill during its consideration by the Resources Committee.

The proposed amendment would consist of the following language, added as a new subsection (b) on page 3, line 11:

(b) Pursuant to a request of a waste generator, a representative of the department may visit the waste generator's site for the purpose of observing a waste generating process, obtaining information relevant to waste reduction, rendering advice, and making recommendations. A visit under this subsection may not be regarded as an inspection or investigation, and a notice or citation may not be issued, or civil penalties assessed as a result of the visit. A representative of the department designated to render advisory or consultative services may not have any enforcement authority.

Existing subsection (b) would become a new subsection (c).

Discussion

This proposed amendment is offered in response to the concern that hazardous waste generators potentially interested in the non-regulatory technical assistance program could be apprehensive about the potential for citations or fines as consequence of a site visit.

~~Attachment #1~~

2-6-89



Alaska State Legislature


HOUSE OF REPRESENTATIVES

Committee on Finance

Official Business

P.O. Box V
State Capitol
Juneau, Alaska 99811

TO: Interested Parties

FROM: Representative Kay Brown 

DATE: January 31, 1989

SUBJ: HB 106/107 - Hazardous Waste Reduction Legislation

Please find attached a copy of House Bill 106, legislation that would establish a hazardous waste reduction program for Alaska. The proposed legislation, which is modeled after similar programs in other states, would establish a non-regulatory, technical assistance and matching grants program to help hazardous waste generators reduce their generation of hazardous wastes. Also attached is House Bill 107, a companion appropriation measure for \$50,000 that would capitalize the matching grants fund.

In contrast to the conventional approach to hazardous waste management and control that relies on regulation of hazardous waste after it has been generated, waste reduction efforts focus on the reduction and elimination of hazardous waste streams before they are created. As proposed in the legislation, "waste reduction" includes a wide range of practices that reduce, avoid, or eliminate the generation of hazardous wastes at the source of generation and the recycling of hazardous materials in order to compliment regulatory strategies which target "end-of-the-pipe" control or treatment. Fundamentally, waste reduction concerns the conservation and more efficient use of hazardous materials in order to reduce waste streams.

The bills have been referred to the House Resources Committee and are scheduled to be heard on February 6th.

* * * * *

If you have questions about the legislation, please contact Eric Myers of my staff at 465-4998.

1/31/89 Rep. Kay Brown

HAZARDOUS WASTE REDUCTION
House Bill 106
Sectional Analysis

Section 1: A statement of findings by the legislature.

Section 2: Directs the Department of Environmental Conservation to promote hazardous waste management practices according to a hierarchy that recognizes waste reduction as a priority.

Section 3: Creates an Office of Hazardous Waste Reduction and Recycling within the Department of Environmental Conservation and prescribes responsibilities of the Office. Responsibilities include providing for non-regulatory hazardous waste source reduction and recycling technical assistance upon request; developing and providing information concerning hazardous waste reduction opportunities; and administration of a hazardous waste reduction matching grants program. The Office is directed to report annually to the legislature concerning the progress of hazardous waste reduction efforts.

Section 3 also establishes a hazardous waste reduction matching grants program (\$10,000 maximum) for the purpose of feasibility analysis and evaluation of ways to implement hazardous waste reduction. An advisory committee is also established.

Section 4: Provides a definition of "hazardous waste reduction."

Section 5: Establishes the due date for the first annual progress report as January 15, 1990.

Section 6: Effective date.

CORRECTION

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



Alaska State Legislature

HOUSE OF REPRESENTATIVES

Committee on Finance

Official Business

P.O. Box V
State Capitol
Juneau, Alaska 99811

TO: Representative Curt Menard, Co-Chair
Representative Cliff Davidson, Co-Chair
House Resources Committee

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(b) Pursuant to a request of a waste generator, a representative of the department may visit the waste generator's site for the purpose of observing a waste generating process, obtaining information relevant to waste reduction, rendering advice, and making recommendations. A visit under this subsection may not be regarded as an inspection or investigation, and a notice or citation may not be issued, or civil penalties assessed as a result of the visit. A representative of the department designated to render advisory or consultative services may not have any enforcement authority.

Existing subsection (b) would become a new subsection (c).

Discussion

This proposed amendment is offered in response to the concern that hazardous waste generators potentially interested in the non-regulatory technical assistance program could be apprehensive about the potential for citations or fines as consequence of a site visit.

Attachment #1

2-12-89

The language would make it clear that site visits made in response to a request from a waste generator would be for the exclusive purpose of providing non-regulatory technical assistance.

The proposed amendment is modeled after language in Washington State statutes.



Alaska State Legislature


HOUSE OF REPRESENTATIVES

Committee on Finance

Official Business

P.O. Box V
State Capitol
Juneau, Alaska 99811

TO: Interested Parties

FROM: Representative Kay Brown 

DATE: January 31, 1989

SUBJ: HB 106/107 - Hazardous Waste Reduction Legislation

Please find attached a copy of House Bill 106, legislation that would establish a hazardous waste reduction program for Alaska. The proposed legislation, which is modeled after similar programs in other states, would establish a non-regulatory, technical assistance and matching grants program to help hazardous waste generators reduce their generation of hazardous wastes. Also attached is House Bill 107, a companion appropriation measure for \$50,000 that would capitalize the matching grants fund.

In contrast to the conventional approach to hazardous waste management and control that relies on regulation of hazardous waste after it has been generated, waste reduction efforts focus on the reduction and elimination of hazardous waste streams before they are created. As proposed in the legislation, "waste reduction" includes a wide range of practices that reduce, avoid, or eliminate the generation of hazardous wastes at the source of generation and the recycling of hazardous materials in order to compliment regulatory strategies which target "end-of-the-pipe" control or treatment. Fundamentally, waste reduction concerns the conservation and more efficient use of hazardous materials in order to reduce waste streams.

The bills have been referred to the House Resources Committee and are scheduled to be heard on February 6th.

* * * * *

If you have questions about the legislation, please contact Eric Myers of my staff at 465-4998.

1/31/89 Rep. Kay Brown

HAZARDOUS WASTE REDUCTION
House Bill 106
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Section 3 also establishes a hazardous waste reduction matching grants program (\$10,000 maximum) for the purpose of feasibility analysis and evaluation of ways to implement hazardous waste reduction. An advisory committee is also established.

Section 4: Provides a definition of "hazardous waste reduction."

Section 5: Establishes the due date for the first annual progress report as January 15, 1990.

Section 6: Effective date.

America North Inc.

Environmental Consulting/Natural Resources Management

February 3, 1989

Representative Kay Brown
P.O. Box V
State Capitol
Juneau, Alaska 99811

Dear Representative Brown:

I would like to express my strong support for HB 106/107. This legislation would provide both an important message and a valuable service to waste generators in Alaska.

As co-owner of an environmental consulting firm, I can assure you that several large industrial corporations in Alaska have taken serious steps to reduce generation of hazardous waste. Their interest in this is great, because through minimization they reduce their liability from potential mis-management, and reduce their costs for out-of-state waste disposal. After Hawaii, Alaska has the greatest distance to cover of any state to reach an EPA-permitted disposal site.

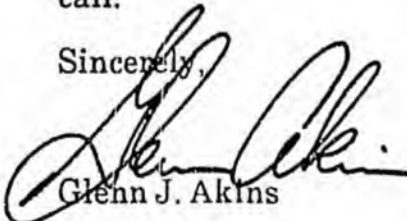
Industry's waste minimization efforts are aided by environmental engineers and industrial hygienists on-staff, and also by consultants such as ourselves. For example, we are in the second year of waste management training for one company, and have trained over 300 of their staff.

Most small businesses do not have these resources. Your legislation, if enacted, will greatly improve the transfer of information and technology to small businesses. The growth of product substitution, waste minimization, and recycling hardware and services over the past two years has been truly amazing. There is a great opportunity to get this information into the hands of those who can use it, along with follow-up technical assistance.

I would like to repeat my recommendation that waste minimization successes be recognized in an annual award. The Anchorage award program has secured valuable publicity for the feasibility and cost effectiveness of waste minimization efforts by small businesses.

Please let me know if I can help in any other way to secure this legislation. If any questions come up on programs underway within large businesses, do not hesitate to call.

Sincerely,



Glenn J. Akins

GJA:wr

Rep. Kay Brown
Testimony on HB 106 and 107
February 6, 1988

Hazardous Waste Reduction Legislation HB 106 and HB 107

Mr. Chairman, members of the Committee, thank you for the opportunity to discuss HB 106 and 107, concerning the establishment of a Hazardous Waste Reduction program for Alaska.

General Perspective on Hazardous Waste Problem

The federal Office of Technology Assessment has estimated that several thousand pounds of hazardous waste is added to the nation's environment for every person in the United States each year. As many of the members appreciate, Alaska is only beginning to reckon with its legacy of improper hazardous waste disposal sites. To date, we are aware of several hundred known or suspected problem sites throughout the state, including 40 regulated public drinking water supply systems that have been contaminated. The list of sites is still growing and I am sure that the members are most familiar with problems in their own districts.

Mr. Chairman, the proposed legislation would establish an Office of Hazardous Waste Reduction and Recycling within the Department of Environmental Conservation in order to help address this growing problem.

Waste Reduction: A New Direction in Hazardous Waste Management

In contrast to the conventional approach to hazardous waste management and control that relies on regulation of hazardous waste after it has been generated, waste reduction efforts focus on the reduction and elimination of hazardous waste streams before they are created.

By "waste reduction" practices, I refer to a wide range of practices that reduce, avoid, or eliminate the generation of hazardous wastes at the source of generation and the recycling of hazardous materials in order to compliment regulatory strategies which target "end-of-the-pipe" control or treatment.

Fundamentally, waste reduction concerns the conservation and more efficient use of hazardous materials in order to reduce waste streams and includes such things as:

- in-process recycling
- process technology and equipment changes
- plant operation improvements
- process input modifications
- end-product changes

Significantly, some of the most ardent supporters of waste reduction are major US corporations such as DuPont and 3M which have estimated cost savings in the hundreds of millions of dollars as the result of numerous individual pollution prevention projects. (OTA 1986)

By way of example, one 3M electronics plant cut 40,000 pounds from its liquid hazardous waste output by altering the way it cleaned copper sheeting. The company saved \$15,000 a year in raw materials, disposal and labor costs. The investment was amortized in three years.

Closer to home, a small dry cleaning business operation in Anchorage developed a solvent recovery system that helped reduce its waste streams and cut costs.

Federal Policy and the Need for Waste Reduction

Alaska is not alone in confronting the serious problems resulting from improper hazardous waste management practices. At the federal level, Congress recognized the seriousness of the situation with the 1984 amendments to the Resource Conservation and Recovery Act (or "RCRA"). These amendments declared that reliance upon land disposal of hazardous wastes must be reduced and established certain land disposal restrictions for hazardous wastes.

Two years later, in 1986, Congress amended the federal Comprehensive Environmental Response, Compensation and Liability Act (CERCLA or "Superfund") with the Superfund Amendment and Reauthorization Act (SARA). In section 104(k) of the "SARA" amendments, Congress established a state hazardous waste "capacity certification requirement" which mandates that each state certify, by October of 1989, that it has sufficient treatment, storage and disposal capacity to handle all hazardous wastes expected to be generated within the state over the next twenty (20) years.

Failure to meet the "SARA" certification requirement could lead to a loss of federal Superfund cleanup funds.

As part of the effort to ensure that sufficient hazardous waste disposal capacity will be available in the future and to make sure that existing or newly developed disposal capacity is used most efficiently, states across the country have established or are developing waste reduction programs similar to the one proposed by HB 106 and HB 107.

Pacific Northwest Hazardous Waste Advisory Council

Over the last several months, I have had the opportunity to become somewhat familiar the hazardous waste problems confronted across the country as one of four representatives from Alaska appointed to serve on the Pacific Northwest Hazardous Waste Advisory Council. The Council was established cooperatively by the four Pacific Northwest states of Alaska, Washington, Oregon, Idaho to help develop common strategies to deal with hazardous waste problems generally, and to address the SARA 104 (k) capacity certification requirement specifically. In its initial deliberations, the Council has quickly concluded that waste reduction efforts must be integral part of responsible and effective hazardous waste management efforts.

Summary of HB 106 and HB 107

While the federal government has established the fundamental legal framework for hazardous waste management, it is ultimately up to the states to make effective hazardous waste management a reality. This legislation will help with that objective.

Briefly, the proposed legislation is patterned after similar programs in numerous states across the country. HB 106 would establish an Office of Hazardous Waste Reduction and Recycling to provide non-regulatory, on-site technical assistance to help businesses reduce the generation of hazardous waste.

The legislation would also establish a small matching grants program to help provide an incentive to businesses and others to try and identify waste reduction opportunities. The companion measure would provide for a small appropriation to capitalize the matching grant program.

This proposed waste reduction legislation has particular significance for small Alaska businesses that are confronted by the high cost of compliance

with laws and regulations regarding hazardous waste disposal. As a practical matter, many of these businesses are simply unaware of existing regulatory requirements and do not have the financial or technical resources to take advantage of waste reduction opportunities.

As a result, the public treasury is often called upon to pay for expensive clean-up efforts as demonstrated with the Kenai Clean-Up project.

Justification for New Program at Time of Fiscal Constraint

National spending for pollution control has been estimated at approximately \$70 billion annually, with two-thirds of this amount spent by industry. The federal Office of Technology Assessment found that while there are many economic and environmental advantages to waste reduction (ie, pollution prevention) over 99 percent of spending is devoted to controlling pollution after waste is generated and less than 1 percent is spent to reduce or prevent the generation of waste.

Mr. Chairman, the value of preventative investments has been well established -- whether in medicine, in highway maintenance or children's programs. The same is true for hazardous waste management. The proposed legislation would require a modest investment to this end; one I feel would be more than repaid in the long run.

Finally, Mr. Chairman, on the basis of comments I have received since the introduction of HB 106, I would like to offer an amendment to the bill as shown in the memorandum distributed to committee members. This proposed language is offered in response to the concern that hazardous waste generators potentially interested in the non-regulatory technical assistance program could be apprehensive about the potential for citations or fines as consequence of a site visit.

The proposed amendment, which is modeled after language from Washington State, would make it clear that site visits made in response to a request from a waste generator would be for the exclusive purpose of providing non-regulatory technical assistance.

Thank you for the opportunity to address the committee today.

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPT. OF ENVIRONMENTAL CONSERVATION

POSITION PAPER FOR HB 106

Title

An Act relating to hazardous waste; and providing for an effective date.

Effect of the Bill

The bill would establish an office of hazardous waste reduction and recycling within the Department of Environmental Conservation. This office would manage a program that coordinates efforts and promotes reduction of hazardous waste generation in Alaska. The Department would conduct the following activities under the proposed legislation:

- Provide for source reduction and recycling technical assistance information and consultation to hazardous waste generators at their request;
- Sponsor technical workshops and seminars on hazardous waste reduction;
- Develop and maintain a hazardous waste reduction reference center and information referral service;
- Identify and evaluate hazardous waste reduction research needs;
- Participate in the development of hazardous waste reduction courses and curricula;
- Administer a hazardous waste reduction grants program; and
- Report annually to the legislature on hazardous waste reduction progress, including recommendations for legislation on source reduction and recycling.

Department Position

Waste reduction is increasingly recognized as an important component in the overall management strategy for hazardous wastes. Reducing the amount of wastes generated often is the most cost effective waste management technique that can be instituted. For hazardous wastes that are generated, the potential for reuse or recycling should be explored prior to waste treatment and disposal. This is especially true for hazardous wastes, because of the higher risks and liabilities associated with waste handling and disposal, and in Alaska, where both new product and hazardous waste disposal costs are high.

The Department strongly supports waste reduction and recycling as part of Alaska's hazardous waste management efforts. DEC has undertaken individual hazardous waste reduction and recycling projects in the past when funding from federal grants and legislative appropriations have been provided. This bill establishes a continuing waste reduction and recycling emphasis within the Department.

In order for businesses and institutions to begin waste reduction and recycling efforts, information on hazardous waste reduction and recycling methods must be provided. This is appropriately done through provision of technical assistance and consultation with waste generators and through workshops, seminars, or courses on waste reduction and recycling. This availability of information is particularly important to small businesses that do not have the independent capacity to research appropriate waste reduction and recycling techniques. This bill provides a mechanism to meet those needs. The Department would use contractors to provide technical assistance and consultation to waste generators and thereby avoid potential conflicts that may occur between provision of technical assistance and enforcement of Alaska's pollution laws.

The Department believes the bill should provide the authority to adopt regulations necessary to administer and disburse funds from the hazardous waste reduction grants account.

Fiscal Effect

The Department proposes to add two staff positions, along with funds for travel, contractual services, equipment, and supplies, to undertake the activities described in Section 3 of the bill. Travel funds are included for the four non-DEC members of the proposed hazardous waste grant program advisory committee to meet once each year. The fiscal note submitted includes \$50,000 in contractual funds, in part to provide approximately 8 on-site technical assistance visits to hazardous waste generators, assuming that audits cost \$ 5,000 each and the contractor requires 20% overhead. The contractual services funds also includes funds for the sponsorship or co-sponsorship of one or more waste reduction technical workshops or seminars. The balance of the

contractual funds will be used for staff office expenses and the establishment of a hazardous waste reduction reference library. In Alaska, there are more than 300 facilities that have notified EPA as hazardous waste generators and there probably are several hundred more small businesses that could request these services.

A handwritten signature in black ink, appearing to read "Dennis D. Kelso", is written over a horizontal line. The signature is stylized and somewhat cursive.

Dennis D. Kelso, Commissioner



OTA REPORT BRIEF

September 1986

Serious Reduction of Hazardous Waste

Waste reduction is an economically sensible response to what many people see as a hazardous waste crisis. Several thousand pounds of hazardous waste are generated annually for every person in the Nation. Many thousands of people have lost their drinking water because of contamination by toxic waste. Across the country there are thousands of sites contaminated by hazardous waste that require billions of dollars for cleanup. An increasing number of lawsuits are being brought by people who claim to have suffered adverse health effects from living near toxic waste sites. Also the number of lawsuits being instituted by the government is mounting rapidly. These suits claim that certain waste generators have not complied with regulations and that generators who have used waste management facilities now on the Superfund list must pay for cleanups.

Waste reduction is critical to the prevention of future hazardous waste problems. By reducing the generation of waste, industry can use materials more efficiently and achieve more certain protection for health and the environment. At the same time, industry can lower waste management and regulatory compliance costs, liabilities, and risks.

Although there are many environmental and economic benefits to waste reduction, over 99 percent of Federal and State environmental spending is devoted to controlling pollution after waste is generated. Less than 1 percent is spent to reduce the generation of waste. The current level of national spending for pollution control is about \$70 billion. Two-thirds of this is spent by industry. Since many hazardous substances are not yet regulated, annual expenditures will, in all likelihood, continue to increase.

OTA finds that reducing waste to prevent pollution from being generated at its source is now a practical way to complement this costly pollution control regulatory system. Because of sporadic and uneven enforcement, the current regulatory system weakens the incentive to reduce waste. Waste reduction, no matter how far it is taken, cannot eliminate all wastes, but it can help to lower costs for environmental protection as regulations continue to expand.

Current pollution control methods often do little more than move waste around. For example: air and water pollution control devices typically generate solid, hazardous waste that goes to landfills and too often leaches from there into groundwater. Many hazardous wastes, such as most toxic air emissions, are

not yet regulated, and regulatory standards for permissible emissions legally sanction the generation of some wastes. Thus, OTA finds that establishing a comprehensive, multimedia approach to reducing wastes going into the air, land, and water is essential.

OTA finds that there is no common definition of waste reduction; there are few or no data on the extent of industrial waste reduction; waste reduction is usually measured incorrectly; and the information that the government collects on waste generation is not useful for waste reduction. If waste reduction is defined to include waste treatment, companies will naturally pay more attention to treatment, which is a familiar activity, than to the reduction of waste. Problems of definition and lack of information should be addressed and ongoing waste reduction efforts should be documented by government, even if decisions to reduce waste remain at the discretion of individual companies.

Despite some claims to the contrary, industry has not taken advantage of all effective waste reduction opportunities that are available. Reducing waste involves more than buying a black box, reading the directions, and plugging it in. Even a simple step toward waste reduction can seem difficult to a company with few technical resources and no obvious place to go for guidance. Reducing waste in an industrial process requires intimate knowledge of all aspects of that specific production process, in contrast to waste treatment, which is essentially an add-on to the end of the process. There are also clear pressures to reduce waste tomorrow, rather than today. The attention and resources given to required pollution control activities limit the amount of thought, time, and money that industry can devote to waste reduction. Some U.S. companies, however, have verified the fact that waste reduction pays for itself relatively quickly, especially when compared to the time needed to comply with regulations, obtain regulatory permits, or site waste management facilities. Some companies are even beginning to sell new products and services that help others to reduce waste.

Waste reduction succeeds when it is part of the everyday consciousness of all workers and managers involved with production—where the waste reduction opportunities are—rather than when it is a job only of those responsible for complying with environmental regulations. A few people with end-of-pipe, pollution control jobs are not in a position to reduce waste by themselves; such efforts must involve upstream workers and facilities.

(over)

There are five distinct approaches that industry can take to reduce hazardous waste: 1) change the raw materials of production, 2) change production technology and equipment, 3) improve production operations and procedures, 4) recycle waste within the plant, and 5) redesign or reformulate end-products. Among the opportunities that exist for common processes and wastes are: a) using mechanical techniques rather than toxic organic solvents to clean metal surfaces, b) using water-based raw materials instead of materials based on organic solvents, and c) changing plant practices to generate less hazardous wastewater.

So far government has not required waste reduction. OTA finds that it would be extraordinarily difficult for government to set and enforce waste reduction standards for a myriad of industrial processes. The impact on industry, particularly on troubled manufacturing sectors, could be substantial. Alternatively, the United States could move to an economically sensible environmental protection strategy based on both pollution control (waste management) and pollution prevention (waste reduction) with the Federal Government providing leadership and assistance in the following ways.

First, through policy development, education, and oversight, Congress could help industry and the Nation profit from seeing waste reduction not as some unique technology, but as a field ready for innovative engineering and management. These opportunities are embedded in every part of the industrial produc-

Definitions Used in This Report

Waste Reduction:

In-plant practices that reduce, avoid, or eliminate the generation of hazardous waste so as to reduce risks to health and environment. Actions taken away from the waste generating activity, including waste recycling or treatment of wastes after they are generated, are not considered waste reduction. Also, an action that merely concentrates the hazardous content of a waste to reduce waste volume or dilutes it to reduce degree of hazard is not considered waste reduction. This definition is meant to be consistent with the goal of preventing the generation of waste at its source rather than controlling, treating, or managing waste after its generation.

Hazardous Waste:

All nonproduct hazardous outputs from an industrial operation into all environmental media, even though they may be within permitted or licensed limits. This is much broader than the legal definition of hazardous solid waste in the Resource Conservation and Recovery Act, its amendments, and subsequent regulations. Hazardous refers to harm to human health or the environment and is broader than the term "toxic." For example, wastes that are hazardous because of their corrosivity, flammability, explosiveness, or intoxicousness are not normally considered toxic.

Waste Reduction and National Policy

"The Congress hereby declares it to be the national policy of the United States that, wherever feasible, the generation of hazardous waste is to be reduced or eliminated as expeditiously as possible. Waste nevertheless generated should be treated, stored, or disposed of so as to minimize the present and future threat to human health and the environment."

From the *Resource Conservation and Recovery Act*, as amended by U.S. Congress in November 1984. This policy statement is supported by *waste minimization* provisions also added to the Act.

tion system. There is no way to predetermine the amount of waste reduction that is possible; its technical and economic feasibility depend on the characteristics, circumstances, and goals of specific waste generators. Success in reducing waste depends on the ability of organizations to modernize, innovate, and cut costs, thereby increasing profits and reducing long-term liabilities. Thus waste reduction could be used as a measure of performance as energy efficiency and productivity often are.

Second, there are a number of possible legislative actions that could clarify the definition of waste reduction, spur better collection of information on waste reduction, and encourage waste generators to devote more attention to the subject. If the Federal public policy goal is rapid and comprehensive hazardous waste reduction, then a strategy based on government leadership and assistance rather than on prescriptive requirements is likely to be the most effective. For example, Congress could: 1) create an Office of Waste Reduction with an Assistant Administrator within EPA, 2) create a grants program to develop generic or widely transferable technical support for waste reduction, 3) through new comprehensive waste reduction legislation require detailed reporting by industry on past waste reduction actions and plans for future efforts, 4) reward and facilitate waste reduction by offering industry concessions from existing pollution control regulatory requirements, or 5) create and use independent State Waste Reduction Boards to implement programs. Setting a national waste reduction goal of perhaps 10 percent annually could help convert the long stated importance of waste reduction into a true priority and reduce annual environmental spending substantially, ultimately by billions of dollars.

Copies of the OTA report, "Serious Reduction of Hazardous Waste: For Pollution Prevention and Industrial Efficiency," are available from the U.S. Government Printing Office. The GPO stock number is 052-003-01048-8; the price is \$12.00. Copies of the report for congressional use are available by calling 4-8996. Summaries of reports are available at no charge from the Office of Technology Assessment.

Hazardous & Solid WASTE MINIMIZATION & RECYCLING REPORT

Code 7025

December 1988

Issue 25

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Federal Report

Federal Waste Reduction Policy, 1989 and Beyond: A Look Ahead

by David R. Jones

On January 20, 1989, George Bush will become the 41st president of the United States. In the years to come, will observers look back upon this date as the beginning of a new era in hazardous waste reduction policy? Or will the man who campaigned to become the "environmental president" be remembered for continuing the weak, fragmented federal policies of recent years?

President-elect Bush takes office with a campaign commitment to reduce pollution. Indeed, his statements on the environment make specific mention of the need for waste minimization and recycling (see box on next page). The question is: Will the Bush administration make waste reduction a cornerstone, or even a major component, of its environmental policy plans?

Legislation in Congress

Congress begins the 1989 session with its own

agenda for hazardous waste reduction and recycling. In the House, the Waste Reduction Act (H.R. 2800 in the previous congressional session) will be reintroduced by Rep. Howard Wolpe (D-Mich.). H.R. 2800 breezed through the House last year, boasting 230 co-sponsors, despite opposition from the Chemical Manufacturers Association (CMA). Though the Wolpe bill must now wind its way through the legislative process all over again, swift approval appears likely.

A different story may be taking shape in the Senate. Sen. Frank Lautenberg (D-N.J.) returns after a tough reelection campaign to sponsor the Senate version of the Hazardous Waste Reduction Act. Last year, Lautenberg's bill had 23 co-sponsors, including seven Republicans, yet died in committee.

In 1989, the Senate probably will have a more liberal tilt; though Senate Democrats increased their numbers by just one, two moderate-to-liberal

(continued on next page)



Case Study

The Alaska Health Project: Selling Small Businesses on Hazardous Waste Reduction

by David R. Jones

At times, both professionals involved in waste minimization and those reporting on the subject take on the trappings of religious zealots in their advocacy. Reducing hazardous wastes in business and government operations is often so practical, and the economic and environmental benefits so obvious, that those of us in the field occasionally sound like television preachers proclaiming the dawn of a new age.

In short, we sometimes speak of hazardous waste reduction more as a moral imperative and less as a business, engineering and management strategy. And while reducing wastes is undoubtedly the key, long-term solution to toxic pollution, few business managers are willing to commit substantial time and resources to waste reduction simply because it is the "right" thing to do.

Preaching the Bottom Line

The Alaska Health Project (AHP) was established in 1980 with the purpose of providing information and education about hazardous materials in the work place and in the community. AHP conducts seminars on occupational safety and health for business operators and employees; develops training manuals; and provides information to individuals, businesses, health professionals, and state and local governments. Information is offered through publications, a Small Business Hazardous Materials Resource Library, research assistance and referral services to additional resources in the state and the nation.

For AHP, promoting waste reduction in the private sector means speaking the language of the business professional, not that of the environmentalist or the scientist. Consider the introduction to its promotional brochure:

"Effective material management is key to any successful business. And when it comes to hazardous materials and waste reduction, sound management is crucial to protecting your business investment."

AHP goes on to list the benefits of proper hazardous materials and waste reduction management, focusing on economic opportunities:

- "Reduce injuries and costly spills"
- "Reduce liabilities, such as future clean-ups, regulatory and noncompliance problems"
- "Help maintain a safe and healthy work place and community"
- "Improve your public image with your customers and your community," and

- "Reduce hazardous waste production and thereby reduce or eliminate regulatory costs, disposal costs and insurance costs."

Unlike many technical assistance programs (TAPs) for reducing hazardous wastes, AHP is not state-operated; rather, it is a nonprofit organization that taps into the resources of state and local government, academia, foundations and the business community. What further sets AHP from TAPs in other states is its exclusive focus on the needs of small business.

Program Components

AHP launched its waste reduction efforts in 1986 with the development of the Waste Reduction Assistance Program (WRAP) and the Small Business Hazardous Materials Management Project (HMNF). Both programs target small business.

The Waste Reduction Assistance Program focuses on providing on-site consultation for small business. Like Minnesota's Technical Assistance Program, WRAP arranges internships for engineering graduate students. These students, recruited from the University of Alaska School of Engineering, assist AHP staff in conducting waste reduction audits at work sites. Audit reports concentrate on the elimination of waste through source reduction and recycling wherever possible.

After on-site audits are conducted, individual reports are written describing the processes used and waste produced by the particular business. Each report recommends methods for reducing these wastes. The identity of the business remains confidential. While geared to specific sites, the audits are intended to be applicable to similar businesses in the state. Audit reports are available to interested parties upon request.

In addition, WRAP has produced a set of on-site consultation audits for dry cleaners, photofinishing shops, auto body and repair shops, automotive repair shops, printing shops, aviation facilities and electroplaters. Audit reports also are being prepared for dairies, fur tanning shops and bottle making/chemical manufacturing sites. Each audit includes practical, low-cost techniques that businesses can use in current operations, or in planning future expansion.

The success of WRAP was recognized last year when Anchorage Mayor Tony Knowles bestowed the 1987 Mayor's Pollution Prevention Award to AHP for the program. In a letter to AHP, Mayor Knowles noted that WRAP "is a truly outstanding example of



Case Study(continued)

providing needed on-site advice and help to businesses on pollution prevention" that "provides an example for others to follow." WRAP "not only has raised an awareness of the environmental and economic benefits" of waste reduction, write the mayor, but also "has provided practical technical assistance to many businesses that would otherwise not have the money or expertise for such programs."

WRAP is funded by a RCRA 8001 grant from the U.S. Environmental Protection Agency, Region 10.

The Hazardous Materials Management Project focuses on providing technical assistance and education to small firms. This includes developing waste reduction fact sheets; producing other educational materials; conducting seminars; and responding to information requests.

An example of HMMP's program materials is the manual *Profiting from Waste Reduction in Your Small Business*. In the introduction, author David Wigglesworth observes that it is designed to help small business managers and their employees work together to identify and implement methods" of waste reduction, as well as "help managers and employees see their industrial wastes as financial resources rather than as unavoidable byproducts of their business process."

Profiting from Waste Reduction—which could be used by small firms in Alaska and the lower 48 alike—is a highly readable, easy-to-use guide that takes the business owner step-by-step through the process of creating an in-house waste reduction program. After reviewing the financial benefits of such a program, the manual outlines how to:

1. Organize a business to promote waste reduction by forming an audit team.
2. Review business plans and procedures for waste reduction potential. This includes assessing a firm's market plan, financial plan and record-keeping plan and operations plan (which includes process, receiving, delivery and inventory procedures and personnel policies).
3. Carry out a waste reduction audit in four steps: conduct a preliminary walkthrough; conduct a facility walkthrough; identify waste reduction opportunities; and document findings.
4. Evaluate a waste reduction program and implement options.

Also included is a chart that highlights nine common business processes (such as dry cleaning, equipment maintenance and purchasing); the types of businesses that use particular processes; the types of wastes generated; and selected low-cost and higher-cost options for waste reduction. The manual concludes with an extensive listing of waste

reduction resources for small businesses.

A major feature of *Profiting from Waste Reduction* is its ready-to-use business forms, complete with instructions. For example, the chapter on conducting a waste reduction audit includes forms for process identification, materials identification, waste identification and cost identification. It even has a walk-through schematic drawing for diagramming a facility and highlighting waste-generating processes.

HMMP works closely with the Small Business Development Center of Alaska, which helps AHP reach small business operators and serves as a distribution center for program materials. The Charles Stewart Mott Foundation in Flint, Mich. funds HMMP.

Signposts to Success

Though AHP's waste reduction efforts were initiated just two years ago, its two small business programs have provided program materials to numerous businesses and government agencies, both in Alaska and in other states (AHP also conducts regional waste-reduction activities as part of EPA Region 10's waste management initiatives in the Pacific Northwest). It also has offered free, confidential, on-site assistance to firms involved in printing, dry-cleaning, auto body and automobile repair and aircraft maintenance.

Will AHP succeed in helping Alaskan small businesses substantially reduce their waste generation? This question will be answered in the next few years, as the organization expands its outreach and technical assistance efforts. Nevertheless, several factors indicate that AHP may evolve into a model program for hazardous waste reduction.

- AHP combines "generic" technical assistance with information geared to specific types of businesses. AHP's manual *Profiting from Waste Reduction* is a general guide to establishing an industrial waste reduction program that all types of firms can use. This generic manual is complemented by on-site consultation to individual businesses and detailed audits and fact sheets applicable to particular kinds of work sites—dry cleaners, aviation facilities and others.

- AHP taps a wide array of public and private sector resources to bolster its efforts. The Waste Reduction Assistance Program follows the lead of Minnesota's Technical Assistance Program in placing engineering graduate students in individual firms for on-site consultation. To ensure its outreach efforts succeed, AHP works closely with the Small Business Development Center of Alaska, which helps AHP reach small businesses and distributes program materials. In addition, AHP draws upon the

(continued on next page)



Case Study (continued)

advice and expertise of a statewide, 40-member Professional Resource Committee and a Small Business Hazardous Materials Advisory Committee.

- AHP targets Alaskan firms—that is, small businesses—with the greatest need for waste reduction technical assistance. Alaska's economy is dominated by large oil companies. But, as the congressional Office of Technology Assessment has pointed out, "The size of a firm—in terms of annual sales or number of employees—is not necessarily indicative of the amount and/or toxicity of wastes being produced....In certain states small firms may be more prone than large ones to poor waste practices, i.e., they may create problems out of proportion to their hazardous waste generation rates."

- AHP taps nongovernmental sources of funding. While most technical assistance programs for industrial waste reduction rely on state or federal funds, HMMP is funded by the Flint, Michigan-based Charles Stewart Mott Foundation. This

foundation has long supported innovative programs around the country that take new approaches to solving social problems. In addition, publication of AHP's manual was partially funded by the municipality of Anchorage, the Anchorage Water and Wastewater Utility, the state Department of Environmental Conservation and the U.S. Environmental Protection Agency.

Selling to the Sellers

It remains to be seen whether AHP can have a long-term impact on waste reduction in Alaska. Yet, in just two years, the organization has made its mark. With the motto "Waste Reduction is Good Business Sen\$e [sic], AHP has sold many Alaskan small businesses on the *economics* of waste reduction, whose environmental benefits become readily apparent upon implementation.

Contact David Wigglesworth, Alaskan Health Project, 431 West 7th Ave., Suite 101, Anchorage, AK 99501; (907) 276-2864. #DRJ

Recycling News

Steel Can Recycling Seen in Future by Scrap Metal Processors—But Not Now

Scrap metal processors don't believe a ready market exists for steel can scrap, according to a survey of members by the Institute of Scrap Recycling Industries (ISRI). The survey showed, however, that many processors expect such recycling to be a viable option for their business in the future—not just yet.

Robert Garino, director of commodities for ISRI, said only about 100 processors responded to the survey. "We assume the lack of response reflects a low present interest in the subject," Garino said, "but we believe the survey is a valid insight." Most respondents—more than 95 percent—now process aluminum can scrap, Garino said, and 30 percent also process bi-metallic cans.

Asked whether processors have recently tried to sell steel can scrap to steel mills, 83 percent of those responding said "no." Of the 17 percent answering yes, only a couple noted positive mill interest. Almost 70 percent of the companies surveyed said no ready market exists for the steel in can scrap.

When asked about any processing problems, most respondents answered "no" and also saw no transportation or environmental problems. Some, however, expressed concern about the lack of specialized processing equipment, anticipated high freight rates, and health problems associated with residual food in cans.

Asked whether steel can recycling was a "viable option for your business in the future," about 60 percent of the respondents said "yes." Thirty-five percent said "no," however, and five percent answered "maybe." For more information, contact Dean Reed, ISRI, 1627 K St., NW, Washington, D.C. 20006; (202) 466-4050. #

Amoco, Big Mac Attack Polystyrene Waste

A joint project of Amoco Foam Products, McDonald's Corporation, and the city and state of New York is investigating the feasibility of recycling polystyrene foam containers into home construction materials. The impetus of the project was New York Governor Cuomo's request to McDonald's to use substitute biodegradable materials for plastic foam packaging in restaurants in the state, as well as New York City Mayor Koch's stated opposition to forms of plastic packaging.

A pilot project will be conducted at 20 McDonald's outlets in New York City, with a companion recycling project for corrugated paperboard boxes also being tested in the city. For more information, contact the Council on Plastics and Packaging in the Environment, 1275 K St., N.W., Washington, D.C. 20005; (202) 789-1310. # AHP





Alaska Health Project

Providing information about hazardous materials on the job and in the community.
431 West 7th Ave., Suite 101, Anchorage, AK 99501 (907) 276-2864

Testimony Supporting House Bill 106 And House Bill 107
Acts Relating To Hazardous Waste
And A Waste Reduction Matching Grant Program

by
David Wigglesworth
Deputy Director
Alaska Health Project

January 24, 1989

Alaska Health Project is a private non-profit organization providing information and education about hazardous materials on the job and in the community. In 1986, AHP established the Waste Reduction Assistance Program (WRAP). WRAP is a non-regulatory multi-media program providing information, technical assistance, and on-site audits for Alaskan businesses. The Small Business Development Center of Alaska and the University of Alaska, School of Engineering are keyed into selected components of WRAP. Funding for AHP's waste reduction services come from a variety of public and private sources.

AHP strongly supports both House Bill 106, "an act relating to hazardous waste and providing for an effective date," and House Bill 107, "an act making a special appropriation for hazardous waste reduction grant program; and providing for an effective date." We urge the Legislature to act quickly on these bills because of their enormous benefit to Alaskan businesses and the general public.

Waste reduction offers environmental quality with economic benefits. It is the most economically sensible approach to solid and hazardous waste management. By reducing the generation of waste at the source before it becomes a pollutant or a "lost" resource, businesses can use resources more efficiently, decrease regulatory compliance costs, reduce liabilities, and create additional revenues from the recovery of waste materials.

To date, several businesses in Alaska have implemented active waste reduction programs. Two local businesses, One Hour Fireweed and PhotoWright Laboratories, have received Pollution Prevention Awards for their efforts in reducing waste. Many other businesses in Alaska are also beginning to see the value in eliminating waste at the source and recycling waste that is created.

Moreover, waste reduction makes sense for all Alaskans by helping to:

- * Protect public health through the reduction of environmental pollution.
- * Reduce state cleanup costs associated with illegal waste disposal and abandoned sites.
- * Increase the capacity (life span) of state solid waste management facilities.
- * Promote economic development and the well being of all Alaskans by improving the operating efficiency of business activities.

A significant barrier to active business involvement in waste reduction has been the lack of technical assistance and other positive incentives to help business owners identify waste reduction opportunities. Alaska needs the institutional support provided by both House Bill 106 and 107 to help overcome these technical and behavioral barriers to waste reduction. For instance,

- * The policy statement in HB 106 prioritizing waste management practices provides the framework and the leadership needed to further enhance waste reduction opportunities in Alaska.
- * The proposed creation of the Office of Hazardous Waste and Recycling institutionalizes waste reduction within the State's environmental management programs and commits the state to an active program.
- * The provisions for education and technical assistance offer the positive, non-regulatory incentives that businesses have requested and need to properly manage their industrial wastes.
- * The Matching Grant Program offers additional incentive for business to identify waste reduction opportunities. At the same time the structure of the matching grant program is fiscally responsible--ensuring that funding goes to only those businesses, or other entities truly interested in developing a waste reduction program and willing to utilize some of their own capital to do so.
- * The funding support for the Matching Grant Program identified in HB 107 allows components of Alaska's waste reduction program to become reality today--not in the future.

Alaska Health Project congratulates the Legislature, in particular, bill sponsor Representative Kay Brown and bill cosponsors Representatives M. Davis, Ellis, Goll, Koponen, Menard, Navarre, and Ulmer for their forward thinking. Both bills should receive broad support from all Alaskans.

Given our current economy, the Legislature may find it difficult to support appropriation of dollars from the General Fund to create a new program. AHP urges the Legislature to consider this legislation not as an expenditure, but as a cost savings investment for the future. The state is already spending millions of public dollars to cleanup abandoned waste sites across the state. An active waste reduction program will help reduce future state expenses in this area and help reduce the size, scope and costs for new waste management facilities. Moreover, the competitiveness of Alaskan industries will be enhanced as businesses improve their operating efficiency through the implementation of waste reduction programs.

As stated in a recent article in Waste Minimization & Recycling Report, a national waste reduction newsletter produced by Government Institutes, Inc.: "it has been demonstrated numerous times that waste minimization can reduce economic expenditures, that there can be significant economic leverage factors in waste minimization. The Ventura County (California) experience shows a whopping leverage factor of over 50--i.e., more than fifty dollars can be saved for each dollar invested in waste minimization." (September 1988, page 11).

The bottom line is that waste reduction works and makes sense for Alaskan business and for the state as a whole. Further, there is demonstrated need for sustained programs to assist industry in developing waste reduction programs, and to build into our state government the capability to maintain a waste reduction program over time.

AHP looks forward to providing further comment on this legislation during committee hearings. We also are available to provide any additional technical assistance that the Legislature might need in the area of waste reduction. Enclosed is some additional information about AHP's Waste Reduction Assistance Program (WRAP). Please keep us informed of the progress of this legislation. Thank you.

cc. Governor Steve Cowper
Representatives:
Brown
M. Davis
Ellis
Goll
Koponen
Menard
Navarre
Ulmer

PROGRAM SUMMARY OF ALASKA HEALTH PROJECT'S
WASTE REDUCTION ASSISTANCE PROGRAM (WRAP)

January 20, 1989

Alaska Health Project's Waste Reduction Assistance Program (WRAP) was established in 1986. WRAP is a non-regulatory multi-media program providing information, technical assistance, and on-site audits to Alaskan businesses, small business in particular. WRAP information and technical assistance has also been provided to businesses and other waste reduction programs through out the United States. WRAP activities focus on source reduction and recycling. Specific program activities include:

- * Information clearinghouse/research
- * Technical assistance (including an 800 number)
- * Seminars
- * Education outreach (news articles, public speaking)
- * On-site waste reduction audits
- * Waste reduction publications (fact sheets, manuals, audits)
- * Waste reduction resource library
- * Graduate engineering students intern program
- * Referrals

To date, WRAP staff have responded to several hundred technical assistance inquiries and have completed 14 detailed waste reduction audit reports for selected Alaskan businesses. A total of 8 graduate interns have assisted WRAP staff conduct the on-site audits and prepare audit reports. In addition, WRAP staff have completed over two dozen informational articles for Alaskan newspapers, presented 10 waste reduction seminars, produced 6 technical waste reduction information fact sheets for selected businesses, and published a 46-page manual entitled "Profiting From waste Reduction In Your Small Business."

The Small Business Development Center of Alaska, the University of Alaska, and the State Department of Environmental Conservation are keyed into selected components of WRAP. Funding for WRAP comes from a variety of public and private sources including the Charles Stewart Mott Foundation ,the Alaska Department of Environmental Conservation, and US EPA Region 10.

AHP is a private non-profit organization established in 1980. The WRAP program contact is David Wigglesworth, 907-276-2864.

LIST OF CURRENT WASTE REDUCTION PUBLICATIONS
PRODUCED BY ALASKA HEALTH PROJECT

January 1989

Detailed Audit Reports

- * Auto Body Repair and Paint Shop
- * Automotive Repair Shop
- * Aviation
- * Chemical Manufacturing (and plastic bottle production)
- * Dairy Foods
- * Dry Cleaners
- * Electroplating
- * Fur Tanning
- * High School
- * Laboratory
- * Newspaper Manufacturing
- * Photofinishing
- * Print Shop
- * Publishing House

Waste Reduction Fact Sheets

- * General Industry
- * Dry Cleaners
- * Local Government
- * Newspaper Manufacturing
- * Photofinishers
- * Print Shop
- * Vehicle Repair

Other Publications

- * News articles
- * "Profiting From Waste Reduction In Your Small Business", 46 pages. Designed to help small business identify and implement and industrial waste reduction program.

OTHER SELECTED WASTE REDUCTION ACTIVITIES
PERFORMED BY ALASKA HEALTH PROJECT

January 1989

- * Member, National Roundtable for State Waste Reduction Programs.
- * Member, Technical Advisory Committee providing review of the "EPA Manual for Waste Minimization Opportunity Assessments."
- * Manuscript contributions to "Hazardous Waste Minimization" to be published by McGraw-Hill Inc.
- * Past member, Pacific Northwest Regional Waste Management Steering Committee.
- * Participant, survey evaluating waste reduction audit protocols conducted by CHEMCYCLE for the State of New Jersey.
- * Recipient, Mayors Pollution Prevention Award, 1987, Anchorage, Alaska.



KENAI PENINSULA BOROUGH

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PHONE (907) 262-4441

DON GILMAN
MAYOR

POSITION PAPER HB 106 & 107 HAZARDOUS WASTE REDUCTION

The Administration of the Kenai Peninsula Borough supports the passage of HB 106 & 107, establishing and funding a hazardous waste reduction grant program.

The implementation of a state policy to address hazardous waste source reduction is critical to the future health and safety of the public and environment of Alaska. The Kenai Peninsula Borough, as well as the entire state, is facing ever increasing occurrences of hazardous waste contamination. A recent inventory done on the Kenai Peninsula revealed over 200 potential sites.

Our hazardous waste management policies can no longer simply deal with disposal and treatment practices, but must begin to focus on reduction at the source to the greatest extent possible, as well as recycling of those wastes.

This legislation begins that process by establishing priorities and creating an Office of Hazardous Waste Reduction and Recycling within the Department of Environmental Conservation to implement those priorities. The technical and financial assistance for private industry and local governments provided by this legislation is essential to the success of the program. Through this assistance, they will see that source reduction of hazardous waste is not only environmentally sound, but economically beneficial as well.



Alaska Environmental Lobby, Inc.

P.O. Box 22151 Juneau, Alaska 99802

907-586-2345

HB 106 and 107 HAZARDOUS WASTE REDUCTION

THE Alaska Environmental Lobby wholeheartedly supports HB 106 and HB 107 as very sensible and economical steps toward the prevention of pollution. Dealing with hazardous wastes as they are created, and planning to reduce, avoid, or eliminate their release into the environment is sound management.

HB 106 would set a state priority order of: 1.) reduction of wastes at the source, 2.) recycling, 3.) waste treatment and 4.) waste disposal. HB 107 would provide assistance for waste generators to help analyze and evaluate their situation. By offering information and technical assistance, this program will appeal to businesses who would like to be responsible citizens but may not be aware of alternatives.

The Alaska Environmental Lobby strongly supports the proposed legislation. This far-sighted prevention bill could save time, money, and significantly reduce the health risks we will be confronted with in the future. We need to take an active role to control pollution rather than only react to it after the fact.

Issue paper prepared by Lenore Sappington 2/6/89

ALASKA CENTER FOR THE ENVIRONMENT • ALASKA CHAPTER, SIERRA CLUB • JUNEAU GROUP, SIERRA CLUB • SITKA GROUP, SIERRA CLUB
KNIK SIERRA CLUB • DENALI GROUP, SIERRA CLUB • ANCHORAGE AUDUBON SOCIETY • ARCTIC AUDUBON SOCIETY
DEN. COUNCIL • ALASKA FRIENDS OF THE EARTH • JUNEAU AUDUBON SOCIETY • KACHEMAK BAY CONSERVATION SOCIETY
KENAI PENINSULA AUDUBON SOCIETY • KODIAK AUDUBON SOCIETY • LYNN CANAL CONSERVATION • ALASKA WILDLIFE ALLIANCE
SITKA CONSERVATION SOCIETY • NORTHERN ALASKA ENVIRONMENTAL CENTER • SOUTHEAST ALASKA CONSERVATION COUNCIL
KNIK KANOERS AND KAYAKERS

HB

107

HOUSE COMMITTEE REPORT

(9)

Date Referred: January 20, 1989

FURTHER REFERRALS: FINANCE

Date of Committee Action: 2-6-89

The RESOURCES Committee recommends that:

HOUSE BILL NO. 107

"An Act making a special appropriation for a hazardous waste reduction grant program; and providing for an effective date."

- [] be replaced with _____ [] the same title
[] a new title
- [] have attached amendment(s)
- do pass
[] do not pass
[] no recommendation
[] individual recommendations
[] additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- [] fiscal impact
[] zero fiscal note
[] zero with analysis

APPROVES PREVIOUS:

- [] fiscal note(s) published:

[] zero fiscal notes(s) published:

SIGNING DO PASS:

Conrad McManus
Chip Dawson
Sumner Jr
Mike ...
Richard (Toby)
B. ...
...

SIGNING OTHER THAN DO PASS:
(Do Not Pass, No Recommendation, Amend)

11 Fulliers Do Not Pass
Ben ... Do Not Pass

Conrad McManus
Chairman's signature

FISCAL NOTE

REQUEST:

Revision Date: 2/21/89
Title: An Act relating to hazardous waste; and providing for an effective date.
Sponsor: Brown, Davis, et. al.
Requestor: Menard (House Resources)

Agency Affected: Environmental Conservation
RRU: Environmental Quality

Components: Environmental Quality

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	-0-	87.3	87.3	87.3	87.3	87.3
TRAVEL	-0-	5.0	5.0	5.0	5.0	5.0
CONTRACTUAL	-0-	75.0	75.0	75.0	75.0	75.0
SUPPLIES	-0-	2.0	2.0	2.0	2.0	2.0
EQUIPMENT	-0-	10.0	2.0	2.0	2.0	2.0
LAND & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
GRANTS, CLAIMS	-0-	-0-	-0-	-0-	-0-	-0-
MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL OPERATING	-0-	179.3	173.9	173.9	173.9	173.9

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

GENERAL FUND	-0-	179.3	173.9	173.9	173.9	173.9
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	179.3	173.9	173.9	173.9	173.9

POSITIONS:

FULL-TIME	-0-	2.0	2.0	2.0	2.0	2.0
PART-TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

ANALYSIS : (Attach a separate page if necessary)

See attached page

Prepared by: Jeff Mach
Division: Environmental Quality

Phone: 465-2671
Date: 2/17/89

Approved by Commissioner: A. D. Kyle
Agency: DEC

Date: 2/21/89

Distribution (by preparer):

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

HB 106 FISCAL NOTE ANALYSIS

The proposed legislation directs DEC to establish a hazardous waste reduction and recycling office to coordinate, promote, and assist efforts to reduce hazardous waste efforts in Alaska. This bill designates several activities that the Department will conduct, including the administration of a hazardous waste reduction and recycling grant program.

The fiscal note includes funds to establish the hazardous waste reduction and recycling office within DEC's Solid and Hazardous Waste Management Program. During FY 90, two positions would be established: an Ecologist II (Range 18) to provide overall coordination and administration of the Department's waste reduction efforts and to develop the necessary policies, procedures, regulations, contracts, reference information, grant awards, and progress report; and an Administrative Assistant (Range 12) to assist with the development of program policies and procedures, contract documents, grant awards, reports, and assist with implementation of the other aspects of the program.

FY 91 and future years will continue implementation of the program at the same level of service. One-time equipment costs, included in FY 90, are not required in subsequent years.

Position Title <u>Ecologist II</u>		No. of Positions <u>1</u>	Range/Step <u>18A</u>	Barg. Unit <u>GGU</u>
Time Status <u>PFT</u>	Staff Months <u>12</u>	Location <u>Juneau</u>		Election District <u>4</u>
		Justification		
		See attached page		
Type of Expenditure		Amount		
1	2	3		
Salary	37400			
Benefits	14000			
Premium Pay	-0-			
Other	-0-			
Total Personal Services		51400		
Travel		2800		
Contractual		2600		
Commodities		1000		
Equipment		5000		
Other		-0-		
Total Cost		62800		
Funding Source for Total Cost				
Federal Receipts	1002	-0-		
G. F. Match	1003	-0-		
General Fund	1004			
GF Program Receipts	1005	-0-		
Other				

**Request For
New Position**

Agency Environmental Conservation
 BRU Environmental Quality
 Component Environmental Quality

Page 1 of 2
 Revised Date

FY 90

HB 106
JUSTIFICATION FOR ECOLOGIST II

The incumbent will work on a largely independent basis, under the supervision of the Solid and Hazardous Waste Program Chief, to coordinate and promote the Department's efforts pursuant to HB 106, to reduce the production of hazardous wastes, including the following specific tasks:

- Prepare, evaluate, and select one or more contractors to provide technical assistance services to waste generators;
- Arrange for the Department's sponsorship or co-sponsorship of technical workshops or seminars on waste reduction;
- Evaluate and select materials and equipment necessary to establish and maintain a hazardous waste reduction technical reference center and data base;
- Establish and maintain a hazardous waste reduction referral service;
- Identify and evaluate hazardous waste reduction research needs for government agencies and private businesses;
- Assist with the development of courses and curricula for hazardous waste reduction; and
- Develop regulations for the administration of, advertise the availability of, evaluate proposals for, award, monitor, and closeout grants made pursuant to the hazardous waste reduction matching grant account.
- Prepare annual hazardous waste reduction progress reports to the Legislature.

This position will supervise an Administrative Assistant I.

Position Title Administrative Assistant I		No. of Positions 1	Range/Step 12A	Barg. Unit GGU
Time Status PFT	Staff Months 12	Location Juneau		Election District 4
Justification See attached page				
Type of Expenditure		Amount		
1	2	3		
Salary	24900			
Benefits	11000			
Premium Pay	-0-			
Other	-0-			
Total Personal Services		35900		
Travel		-0-		
Contractual		2600		
Commodities		1000		
Equipment		5000		
Other		-0-		
Total Cost		44500		
Funding Source for Total Cost				
Federal Receipts 1002		-0-		
G. F. Match 1003		-0-		
General Fund 1004				
GF Program Receipts 1005		-0-		
Other				

**Request For
New Position**

Agency Environmental Conservation
 BRU Environmental Quality
 Component Environmental Quality

Page 1 of 2
 Revised Date

FY 90

HB 106
JUSTIFICATION FOR ADMINISTRATIVE ASSISTANT I

The incumbent will work under the supervision of the Ecologist II (Hazardous Waste Reduction Office) to assist the Department's efforts, pursuant to enactment of HB 106, to reduce the production of hazardous wastes, including the following specific tasks:

- Assist with preparation of one or more contracts and account for contractual funds for the provision of technical assistance services to waste generators;
- Assist with arrangements for the Department's sponsorship or co-sponsorship of technical workshops or seminars on waste reduction;
- Assist procurement of materials and equipment necessary to establish and maintain a hazardous waste reduction technical reference center and data base;
- Assist the establishment and maintenance of a hazardous waste reduction referral service;
- Assist with the development of regulations and assist with the administration and disbursement of grant funds from the hazardous waste reduction matching grant account.
- Assist with the preparation of annual hazardous waste reduction progress reports to the Legislature.



Alaska Environmental Lobby, Inc.

P.O. Box 22151 Juneau, Alaska 99802

907-586-2345

HB 106 and 107 HAZARDOUS WASTE REDUCTION

THE Alaska Environmental Lobby wholeheartedly supports HB 106 and HB 107 as very sensible and economical steps toward the prevention of pollution. Dealing with hazardous wastes as they are created, and planning to reduce, avoid, or eliminate their release into the environment is sound management.

HB 106 would set a state priority order of: 1.) reduction of wastes at the source, 2.) recycling, 3.) waste treatment and 4.) waste disposal. HB 107 would provide assistance for waste generators to help analyze and evaluate their situation. By offering information and technical assistance, this program will appeal to businesses who would like to be responsible citizens but may not be aware of alternatives.

The Alaska Environmental Lobby strongly supports the proposed legislation. This far-sighted prevention bill could save time, money, and significantly reduce the health risks we will be confronted with in the future. We need to take an active role to control pollution rather than only react to it after the fact.

Issue paper prepared by Lenore Sappington 2/6/89

ALASKA CENTER FOR THE ENVIRONMENT • ALASKA CHAPTER, SIERRA CLUB • JUNEAU GROUP, SIERRA CLUB • SITKA GROUP, SIERRA CLUB
KNIK GROUP, SIERRA CLUB • DENALI GROUP, SIERRA CLUB • ANCHORAGE AUDUBON SOCIETY • ARCTIC AUDUBON SOCIETY
DENALI CITIZENS COUNCIL • ALASKA FRIENDS OF THE EARTH • JUNEAU AUDUBON SOCIETY • KACHEMAK BAY CONSERVATION SOCIETY
KENAI PENINSULA AUDUBON SOCIETY • KODIAK AUDUBON SOCIETY • LYNN CANAL CONSERVATION • ALASKA WILDLIFE ALLIANCE
SITKA CONSERVATION SOCIETY • NORTHERN ALASKA ENVIRONMENTAL CENTER • SOUTHEAST ALASKA CONSERVATION COUNCIL
KNIK KANOES AND KAYAKERS

HB

108

HOUSE COMMITTEE REPORT

2/15

(9)

Date Referred: January 23, 1989

FURTHER REFERRALS: LABOR & COMMERCE
FINANCE

Date of Committee Action: 2-14-89

The RESOURCES Committee recommends that:

HB 108

HOUSE BILL NO. 108

"An Act relating to loans and lending practices of the Alaska Commercial Fishing and Agriculture Bank; providing an exemption for the bank's membership stock and certain other securities issued by the bank from registration under the Alaska Securities Act; and providing for an effective date."

[] be replaced with _____ [] the same title
[] a new title

[] have attached amendment(s)

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

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

APPROVES PREVIOUS:

- fiscal impact
- zero fiscal note C + E D
- zero with analysis

- fiscal note(s) published: _____
- zero fiscal notes(s) published: _____

SIGNING DO PASS:

SIGNING OTHER THAN DO PASS:
(Do Not Pass, No Recommendation, Amend)

Cliff Davidson DAVIDSON

George Tacko TACKO

Mike Navarre NAVARRE

W. L. Furnace FURNACE

Scott Sharp SHARP

Bill Hudson HUDSON

Mike Davis M. DAVIS

Scott [unclear]

Cliff Davidson
CO - Chairman's signature

TALKING POINTS ON HB 108 (CFAB)

- Permit drain is a potential problem

-- Studies by the Commercial Fisheries Entry Commission show that in Bristol Bay, there has been a steady loss of permits by local residents since limited entry permits were first issued in 1975

-- In at least some cases, the permits are being sold for the simple reason that some among the first generation of permit holders are beginning to reach retirement age

-- Many would prefer to sell the permit to a family member or other local resident, but find that the local person doesn't have the assets necessary to secure a regular bank loan

-- So, the permit gets sold to someone who can come up with the cash --often someone from outside the rural area or from another state

-- The entry commission says the base of the local fisheries economy in Bristol Bay, to use that area as an example again, is still strong and not yet threatened. But the number of local residents holding permits is declining and it's a situation that requires close watching

-- The documented loss of permits also is a key reason the commission is supporting this bill. It won't end permit drain by itself, but it would be one tool to keep the local economy strong

- How the bill would work

-- This bill would allow CFAB to make a loan to the buyer, with the seller only taking half the proceeds from the sale and joining CFAB as co-lender

-- The seller would earn the market interest rate on the deferred portion of the loan

-- Also, the seller can require the buyer to designate him to retrieve the permit in the event of foreclosure, so there would still be a good chance to keep the permit in the hands of a local fisherman

-- Lastly, the bill would also allow borrowers to pledge more than one permit as security. This would help those holding multiple permits -- but have little ready cash -- who need to borrow money to buy equipment



2550 Denali Street, Suite 1201
P. O. Box 92070
Anchorage, Alaska 99509-2070
(907) 276-2007

RECEIVED FEB 3 1988

February 2, 1989

DELIVERED BY HAND

Representative Cliff Davidson, Co-Chairman
Representative Curt Menard, Co-Chairman
House Resources Committee
Alaska State Legislature
Juneau, Alaska

Dear Co-Chairman Davidson and Menard,

House Bill 108 has been referred to the House Resources Committee for consideration.

This legislation affects the interests of the Alaska Commercial Fishing and Agriculture Bank (CFAB) and its borrowing members, who are resident Alaska commercial fishermen. More specifically, it will create new opportunities or alternative mechanisms through which Alaska residents can acquire or retain limited entry permit ownership.

CFAB is the only private financial institution, and the only entity other than the State of Alaska itself, with the statutory ability to finance the purchase of a limited entry permit and/or to acquire a valid permit lien for collateral purposes. Among the dynamic factors affecting the Alaska commercial fishing industry are a few which increasingly and inexorably tend to create barriers to the purchase of permits by new and/or younger entrants, particularly in Alaska's rural communities. CFAB has developed a concept which can address these barriers in many instances, but the concept cannot be implemented without certain enabling provisions of HB 108.

Our first purpose in writing is to place the matter within a timing context. While there is trafficking in limited entry permits throughout the year, there is an extensive and sharply-defined annual peak of such activity from early March through May. If HB 108 is ultimately to be enacted into law, its benefits to rural Alaska fishermen will be deferred for a year if that enactment is not timely. We respectfully urge that HB 108 receive early consideration.

Our second purpose in writing is to express to you CFAB's willingness and readiness to provide whatever additional information and insights which you believe may enhance the Committee's ability to timely

Alaska Commercial Fishing and Agriculture Bank

Co-Chairmans Davidson and Menard
February 2, 1989
Page 2

and effectively consider HB 108. CFAB's Board of Directors and its management take very seriously their responsibility to carry out the mandates which have been expressed for CFAB by the Legislature; and we view the Legislature as the primary personification of "the State" in its relationship with CFAB. We are most anxious to be responsive. Please understand that we do not presume any particular conclusion to consideration of HB 108 by the Committee or by the Legislature as a whole, but we believe it to be of great importance to Alaska fishermen for those considerations to be both objective and premised on the best information we can provide.

Congratulations for your appointment to this important chair, and best wishes to you and your colleagues for a productive Legislative Session.

Very truly yours,

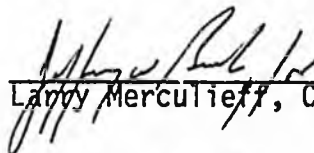


Edward E. Crane
President

EEC:dmy

HB 108: An Act relating to loans and lending practices of the Alaska Commercial Fishing and Agriculture Bank.

The banking section is neutral on this measure. The intent is to facilitate transfers of Limited Entry Permits held as loan security by CFAB. This bill will remove CFAB from securities law regulation for issue of its stock and/or other securities in conjunction with loans to members.


Larry Mercuri, Commissioner

Date: 2/13/89

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: Commercial Fishing and Agriculture Bank
 Sponsor: Jacko, Grussendorf, et al
 Requestor: House Resources

Agency Affected: Commerce & Econ. Dev.
 BRU: Banking and Securities

Components: Securities

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

No fiscal impact.

Prepared by: L.P. Carroll, Senior Securities Examiner Phone: 465-2521
 Division: Banking and Securities Date: 02/13/89

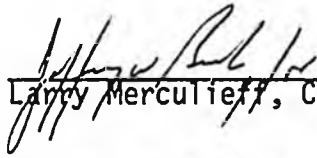
Approved by Commissioner: Larry Mercurieff Date: 2/13/89
 Agency: Dept. of Commerce and Economic Development

Distribution (by preparer):

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

HB 108: An Act relating to loans and lending practices of the Alaska Commercial Fishing and Agriculture Bank.

The banking section is neutral on this measure. The intent is to facilitate transfers of Limited Entry Permits held as loan security by CFAB. This bill will remove CFAB from securities law regulation for issue of its stock and/or other securities in conjunction with loans to members.


Larry Merculieff, Commissioner

Date: 2/13/09



Qualitative Examination

License or Certificate Number

ALASKA COMMERCIAL FISHING AND AGRICULTURE BANK

(P.O. BOX 92070, 2550 Denali St., Ste. 1201, Anchorage, AK 99509-2070)

Examiner-in-charge

Frank Ruschak

Examined close of business 12/30/87

WILLIS L. KIRKPATRICK

Director

DIVISION OF BANKING, SECURITIES, SMALL LOANS AND CORPORATIONS
STATE OF ALASKA

In compliance with Chapter 81 of the Alaska Statutes as amended June 6, 1987, an examination of the Alaska Commercial Fishing and Agricultural Bank was performed by the Department of Commerce and Economic Development, Division of Banking, Securities and Corporations, that contains financial information prepared in accordance with generally accepted accounting principles.

LOAN PORTFOLIO

Analysis of the examination ratios indicate improvement in the quality of the loan portfolio since the first examination on April 29, 1985. The ratio of adversely classified loans to total loans decreased from 43.70% to 34.98% and the ratio of overdue loans to gross loans decreased from 41.54% to 37.36%. While these ratios are still considered to be above the norms, the trend shows definite improvement.

Of the \$13,965,552 in adversely classified loans, \$12,761,018 are nonearning loans (nonaccrual loans), and of that total, seven borrowers account for \$10,814,726. These seven lines were all granted from 1981 to 1984, prior to the arrival of the present management team. Since four of the seven lines are involved in bankruptcy proceedings, there is little that present management can do to accelerate resolution of these problem lines.

The reserve for loan losses has been increased to \$3,427,597, or 7.70% of total loans, and given loss classifications of \$1,891,586 appear adequate to provide the necessary loss protection.

BANK POLICIES AND PRACTICES

Since 1984, the senior management of the bank has been entirely replaced. As evidenced by the examination ratios and trends, there has been significant improvement in the bank's performance. The problem loans have been identified and are being handled as well as circumstances permit. In addition, a new loan policy was adopted, and the loan approval procedure is more closely controlled and monitored.

It is difficult, at best, to make the higher credit-risk loans as mandated by statute and still remain a viable business. The nonearning loans are the largest impediment to more profitable operations and the accumulation of capital to provide for growth and to meet statutory obligations. The increased competition from commercial banks and other state programs has taken some of the better quality customers, and the bank must contend with borrowers of greater credit-risk, a higher cost-of-funds, and the nonearning loans. Given the depressed economy, there is little more that can be done. However, with the present policies and practices, the condition of the bank is such that it appears capable of withstanding the current economic depression.

State Banking Authority (Signature) Frank J. Puschak by: Terry L. Lutz	State Banking Authority (Signature) William F. [Signature]
Examiner (Signature) Frank J. Puschak	Regional Director (Signature)

ASSETS	AMOUNT	%	LIABILITIES AND CAPITAL	AMOUNT	%
Net loans and leases	41,113	84	Core deposits		
Securities over one year			Time deposits over 100M		
Subtotal	41,113	84	Deposits held in foreign offices		
Interest bearing depository balances			Federal funds purchased and repos		
Federal funds sold and repos			Other borrowings (includes note option)	20,213	41
Telling account assets			Volatile liabilities	20,213	41
Debt securities one year and less	5,390	11	Acceptances outstanding		
Temporary investments	5,390	11	Other liabilities	878	2
TOTAL EARNING ASSETS	46,503	95	TOTAL LIABILITIES	21,091	43
Cash and noninterest bearing depository balances	961	2	Mortgages and capitalized leases		
Acceptances (customers' liability)			Subordinated notes and debentures		
Premises, fixed assets, and capitalized leases	250	nil	TOTAL LIABILITIES AND DEBT	21,091	43
Other real estate owned			Limited life preferred stock	31,800	65
Investments in unconsolidated subsidiaries			TOTAL EQUITY CAPITAL	(3,671)	8
Intangible assets					
Other assets	1,506	3			
TOTAL ASSETS	49,220	100%	TOTAL LIABILITIES AND CAPITAL	49,220	100%

MEMORANDUM INFORMATION (Include the amounts of brokered deposits maturing in one year or less and over one year.)

* Matures on or before July 20, 2000

SUMMARY OF ASSETS SUBJECT TO ADVERSE CLASSIFICATION OR SPECIAL MENTION

ASSET CATEGORY	Special Mention	Substandard	Doubtful	Loss	Total Classified
Loans		12,283		1,682	13,965
Receivables		1,615			1,615
Other Assets		83		209	292
Totals - Current Examination		13,981		1,891	15,872
Totals at 4/29/85 examination		35,891		3,317	39,208
Totals at examination					
Totals at examination					

EXAMINATION RATIOS AND TRENDS

RATIOS	Current Exam.	Prior Exam.	Prior Exam.	Prior Exam.
	11/30/87	4/29/85		
Adversely Classified Assets Total Assets	32.25%	38.78%		
Adversely Classified Loans and Leases Total Loans and Leases	34.98%	43.70%		
Overdue Loans and Leases Gross Loans and Leases	37.36%	41.54%		

COMMENTS:

Examination ratios indicate improvement in reducing adversely classified loans and assets.

Interest Expense	2,240	3,766	6,267	8,387
Net Interest Income	<u>3,334</u>	<u>2,518</u>	<u>4,237</u>	<u>4,524</u>
Non-interest Income				
Overhead Expense	2,440	1,932	2,888	3,260
Provision for Loan and Lease Losses	<u>75</u>	<u>50</u>	<u>1,235</u>	<u>11,242</u>
Provision for Allocated Transfer Risk				
Securities Gains (Losses)				
Net Operating Income (Pre-Tax)	819	536	114	(9,978)
Applicable Taxes	<u>19</u>	<u>226</u>	<u>32</u>	<u></u>
Net Operating Income (After Tax)	800	310	82	(9,978)
Extraordinary Credits (Charges), Net of Tax Effect	<u>19</u>	<u>226</u>	<u>32</u>	<u></u>
Net Income	819	536	114	(9,978)
Other Increases/Decreases	209	220	(348)	(234)
Cash Dividends				
Net Change in Equity Capital Accounts	1,028	756	(234)	(10,212)

COMPONENT RATIOS AND TRENDS

RATIOS	BANK			
	11-30-87	1986*	1985*	1984*
Net Operating Income to Average Assets	1.59%	0.48%	0.09%	(8.72)%
Net Interest Income (TE) to Average Earning Assets	6.51%	4.14%	4.87%	4.22%
Overhead Expense to Average Assets	4.85%	3.02%	3.12%	2.85%
Net Income to Average Total Equity	3.00%	2.01%	0.43%	(31.49)%

COMMENTS:

* Based upon year-end data.

Trend analysis indicates improved earnings, but the increasing trend in overhead expenses means that overhead should be reviewed with the goal of reducing expenses.

ANALYSIS OF LOAN AND LEASE RESERVES

RECONCILEMENT	TO DATE	1986	1985	1984
Beginning Balance	3,291	3,442	5,318	4,140
Gross Loan and Lease Losses	125	889	3,486	10,534
Recoveries	<u>187</u>	<u>688</u>	<u>375</u>	<u>470</u>
Net Loan and Lease Losses (Recoveries)	(62)	201	3,111	10,064
Provision for Loan and Lease Losses	75	50	1,235	11,242
Other Increases (Decreases)				
Ending Balance	3,428	3,291	3,442	5,318

COMPONENT RATIOS AND TRENDS

RATIOS	BANK			
	11-30-87	1986	1985	1984
Loss Reserve to Total Loans and Leases	7.70%	7.41%	5.22%	5.61%
Net Losses to Average Total Loans and Leases	(0.14)%	N/A	N/A	N/A
Recoveries to Prior Period Losses	21.03%	19.74%	3.56%	N/A
Earnings Coverage of Net Losses (X)	(13.20)	2.67	0.37	N/A

COMMENTS:

N/A - Not Available.

A ratio of 7.70% for loss reserve to total loans indicates a conservative and adequate level of reserves.



UNITED FISHERMEN OF ALASKA

211 4th Street, Suite 106
Juneau, AK 99801
907-586-2820

UNITED FISHERMEN OF ALASKA

Resolution 89-1

WHEREAS Alaska has a system of limited entry that regulates participation in many of the commercial fisheries of the state, and

WHEREAS in many of the rural areas of the state there has been a permit drain caused by sales of locally owned permits to persons living outside of the area, and

WHEREAS the permit drain is detrimental to the economies of rural Alaska, and

WHEREAS the opportunity for some Alaskans to obtain financing for the purchase of permits is limited by lending requirements that they cannot satisfy, and

WHEREAS the Alaska Commercial Fishing and Agriculture Bank was created to serve the credit needs of resident Alaska fishermen, and

WHEREAS CFAB has developed a concept that would increase the opportunities for Alaskans to obtain permit financing, and

WHEREAS the implementation of the CFAB concept will require changes to the statute that governs the cooperative,

NOW THEREFORE BE IT RESOLVED that United Fishermen of Alaska endorses and supports the creation of a loan program that will increase the opportunities for more Alaskans to purchase limited entry permits, and

BE IT FURTHER RESOLVED that United Fishermen of Alaska supports the purposes and intents of Senate Bill 82 and House Bill 108.

Theo Matthews
Theo Matthews
President

Feb 14, 1989
Date