

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990 8672
6422 SENATE LABOR & COMMERCE

824

Company (TTC), a subsidiary of KONCOR Forest Products Company.

- 1988 Citizens learn of proposed logging on SNA's park inholdings and request action from the State.
- October 1988 State approaches SNA and TTC and proposes a three party exchange. The State will exchange land for land with SNA and timber for timber with TTC.
- June 1989 Parties sign Preliminary Exchange Agreement describing appraisal process and mechanism for creating replacement pools of land and timber.
- Summer 1989 TTC completes a timber cruise and appraisal of its timber. Timber is valued at \$7.5 million dollars.
- Summer to Fall 1989 TTC, SNA, and State attempt to develop replacement pools of State land and timber. State has great difficulty finding sufficient land or timber to equalize values with SNA or TTC. State never does identify lands with a value equal to SNA's park inholdings. State is only able to find two tracts of replacement timber, both in Southeast Alaska. One is near Petersburg and one is near Thorne Bay.
- September 1989 SNA's appraiser, chosen from a list approved by the State, values SNA's inholdings (without TTC's timber) at \$25.6 million. State objects to this appraisal.
- November 1989 SNA is satisfied with original appraisal but requests appraiser to redo the appraisal solely to satisfy the State. Supplementary appraisal values SNA's lands (without TTC's timber) at \$22.7 million.
- Fall 1989 - Winter 1990 Petersburg residents object to inclusion of Petersburg timberlands in the replacement pool. Additional analysis of Thorne Bay timberland reveals a problem with the valuation of its Western Red Cedar, a species with rapidly declining market value. Moreover, southeastern residents assert that Thorne Bay timber should be used for trading stock to acquire park lands in Southeast.
- January 1990 State hires an appraisal of SNA's lands, which values the land at \$11.9 million. SNA objects to this appraisal.
- February 1990 State hires a panel of three appraisers to give a review of earlier appraisals. It is agreed that

this panel's findings are solely for the benefit of the State and are not binding on SNA. Panel concludes the value of SNA's lands without TTC's timber to be \$15.49 million.

- February 1990 SNA is unwilling to exchange its lands for State lands worth less than an aggregate of \$20 million. State land pool is nowhere near this large. State and SNA agree to a cash payment of \$15.49 million for SNA's park inholdings.
- March 1990 TTC and State unable to agree on a value for TTC's timber. Parties agree to arbitrate, and the arbitrators value the timber at \$6.4 million.
- March 1990 Because the State's only replacement timber is at Petersburg (politically unpopular) or Thorne Bay (economically unacceptable due to heavy percentage of low value red cedar, and politically unpopular if used to acquire park lands outside of Southeast Alaska), State and TTC agree to a \$4.5 million cash buy-out for timber.
- Week of March 26, 1990 Bill providing for cash purchase of SNA's park inholdings and TTC's timber is introduced by Governor Cowper.

SIGNIFICANT POINTS, KACHEMAK BAY
STATE PARK LAND AND TIMBER ACQUISITION

- * SNA is a Native village corporation organized pursuant to ANCSA. Its 24,000 acres of park inholdings are lands that have been used and occupied by the Native people of Seldovia for subsistence activities since time immemorial.
- * SNA's park inholdings are located in the heart of Kachemak Bay State Park. They are directly across the bay from Homer, and are the centerpiece of the view of the park which the public enjoys from Homer. TTC's timber is all Sitka spruce for which there is currently a very strong market.
- * Since 1975, the State and SNA have been discussing the possibility of the State's acquiring SNA's inholdings. On at least three occasions, negotiations between the parties have broken down. This is the first time that the State and SNA have agreed upon the terms of an acquisition.
- * TTC acquired most of the commercial forest on SNA's park inholdings in 1987. Ever since, TTC has refrained from logging its holdings because of State requests for a park trade. If TTC's timber is not purchased by the State this year, TTC cannot afford to wait any longer to receive a return on its investment and must commence logging operations. This is the State's last opportunity to obtain the SNA inholdings in pristine condition.
- * The State has not been able to identify sufficient replacement lands to equal the value of SNA's inholdings. The inadequate replacement lands which have been identified have not been the subject of public hearings. Public objection to many of these lands at the hearings is likely, further shrinking the pool. Replacement timber has been located in only two places, both in Southeast Alaska, and is politically undesirable, economically undesirable, or both.
- * Both SNA and TTC depend on money generated by leases of land and sales of timber for revenues used to fund programs for the shareholders of these companies.
- * Both SNA and TTC are responsible land managers with successful track records of recreational lot development and leasing (SNA) and timber management and harvesting (TTC). TTC and its parent company recently received an award from the Governor for excellence in land and timber management.
- * Because of the way that the sale of SNA's park inholdings will divide up its remaining lands and the remaining timber sold to TTC, both SNA and TTC will be left with isolated parcels which will be difficult if not impossible to develop. However, in the interest of completing the acquisition, SNA and TTC are prepared to accept this consequence.

Chronology of Timber Offered by The State of Alaska to Timber Trading Company

- November, 1988 Director of Division of Land and Water Management in conjunction with southeast Regional Office of Division of Forestry offers timber near Chilkoot Lake near Haines. Timber Trading Company using staff personnel and consultants examines and cruises this timber. Timber Trading Company is subsequently informed that the timber is in the Mental Health Trust and is unavailable.
- Spring 1989 Timber Trading Company using staff and consultants cruises its timber at China Poot Bay
- Summer 1989 Timber Trading Company travels to Fairbanks on two separate occasions to examine possible timber selections by airplane. Timber observed in first trip is of interest but Timber Trading Company is subsequently informed that it is part of Mental Health Trust portfolio and is not available. A portion of the timber observed on the second trip located near the confluence of the Kantishna River and the Tanana River is of interest.
- Timber Trading Company, using staff and consultants cruises the timber near the Kantishna River. This timber is subsequently withdrawn by the State due to political pressure.
- Timber Trading Company surveys by air the timber offered by State of Alaska on west side of Cook Inlet and in vicinity of Moose Pass. This timber is of questionable merchantability and of very low value.
- Timber Trading Company using consultants cruises timber on Mitkof Island near Petersburg and near Thorne Bay on Prince of Wales Island. Appraisal, firm of Cascade Appraisal Services subsequently appraises the Mitkof Island and Thorn Bay timber.
- October 1989 Appraisal firm of Cronk and Holmes completes appraisal of Timber Trading Company timber at China Poot Bay values this timber at 7.4 million dollars. Al Cronk and Charles Nash travel to Juneau to discuss appraisal with Division of Land and Water Director, Gary Gustafson and S.E. Regional forester, McAllister. State unwilling to accept appraisal value.
- March 1990 Agreed to arbitration process using Cascade Appraisal Services and Cronk and Holmes results in a value of 6.4 million dollars for the China Poot Bay timber. Upon learning of State's reluctance to convey timber near Petersburg or to fairly value timber at Thorne Bay, John Sturgeon, Chairman of Timber Trading Company agrees to take 4.5 million dollars cash for Timber Trading Company's China Poot Bay timber.

3.27.90

Dear Dick,

The following issues address the realities of the Kachemak Bay State Park. How much it cost the state per visitor in the Kachemak Bay State Park, how many are targeted for land use and how many are fishing in the saltwaters of the park, and what services are supplied by state parks for each of the interest groups.

Persons targeted for land use, hiking, glacier climbing etc. I will be using numbers taken by charter boats only. Because of our extreme tide and weather problems people seldom leave boats unattended.

Water taxi-----	1988-350	1989-309
Lodge -visitors---	1988- 72	1989- 72
Misc. -----	1988-100	1989- 75
Total land traffic-----	1988-532	1989-456

Motor boat traffic specifically headed for park waters not passing through to get to a summer cabin or residence, and kayaks. This is information from A.D.F. & G.

Claming by charter-	1989--120	1989---70
Tutka bay hatchery-	1988-2575	1989-3000
H.C. lagoon Kings--	2600	2200
Chinapoot Reds----	1200	1200
Humppy Creek --	very little activity	
(these I believe are slightly high numbers just by comparing H.C. Lagoon with local opinion)		
Kayaks who traveled, without water taxi, from Homer	1988-75	1989-120
Total Marine traffic	1988-6570	1989-6590

The actual mail survey shows approximately 11,000 finfish participants and 9,000 shell fish participants in Kachemak Bay, however, these two numbers probably have at least a 90% overlap. Of course Not all of the above are targeted for the KBSP. These are 1987 numbers so they may be off, if anything high.

Numbers of persons taken to the park is from information from actual charter persons.

-----Total traffic in the Kachemak Bay State Park-----	1988=7102	1989=7046
--	-----------	-----------

What does the ranger offer in terms of service to these visitors?

Trail enhancement-most park trails were built by locals over the years, and by the 4H kids. Trail system is confined to the Halibut Cove area. Refer to Exhibit (B)

Emergency assistance- It is difficult to reach the ranger by radio or boat because of location. Of course boat breakdowns are taken care of by RESQUE 21, and /or locals.

Informing visitors of dangers in the park. There is no information concerning the very dangerous tidal lagoons in the park. There basically is no verbal information unless you get into H.C. Lagoon, one of most dangerous lagoons in the Bay.

The ranger checks for fishing licenses in H.C. lagoon. That fishery is over the end of June.

Actually meeting a ranger on one of the Grewink Glacier trails would be unusual because their whaler is too large to be safely left beached. This confines the ranger to the lagoon trail system which get about 50-100 visitors per year, highest percent of traffic going to the Grewink Glacier area.

Information offered in Park Brochure pertains to land use only. The ranger himself is no seaman and seems oblivious to the dangers on the sea. Perhaps because he is operating a \$50,000 whaler that was designed to be safe for anyone. He is also hauling park voluneers, people who simply need a ride, and other rangers for free and with no Coast Guard license.

The Kachemak Bay State park cost the people of the state a very tidy sum of money.

Two boat stalls in the Homer harbor-----	888.30
This isn't extra tranicent fees	
1. 18' aluminum HN-3229	
2. 17'whaler AK1643k	- For one ranger-
3. 27' Blue aluminum	
Annual upkeep and deprciation would average---	15,000
Electricity at H.C.ranger cabin in 1989-----	1143.83
Jan and Feb of 1990 was	291.34
The New Ranger Cabin in H.C. lagoon -----	5000.00
Food and Fuel for Ranger&Volunteers-----	3000.00
Truck -depreciation and repairs-----	6000.00
Rangers part time salery & benefits 6 mo.---	23491.57
Hidden expenses, travel etc.-----	1000.00
Total expenses-----	55523.70
this is not including extra months or other rangers	

This looks like each visitor to the Kachemak Bay State Park costs the state of Alaska 7.88. I may remind you the

the Ranger is available to only 2300 persons so in all honesty it's 23.14 per person.

What has the Park Service actually accomplished over the past 4 years, in the KBSF? Two functioning trails were built and one of those parallels an existing trail. One other trail built up a mountain but has a dead end. Out houses were built in H.C. lagoon. Trail markers we put on all the existing trails, and annual brush out done. This cost the state approximately \$200,000 (being conservative), That is one heck of a lot of money. Many local persons would love to bid on a job like that.

Is the KBSF having a tremendous increase in traffic? NO, I feel the reason for no increase in park use is the tremendous increase in (destination) attractions around the bay. Four years ago I would have taken at least 300 people to the park many of which were student groups, large family outings, etc. There are now more accomodating facilities around the Bay. For example I have had a 40% increase in business over the past 2 years and a decrease in camper traffic. I believe this trend will continue as private enterprise developes.

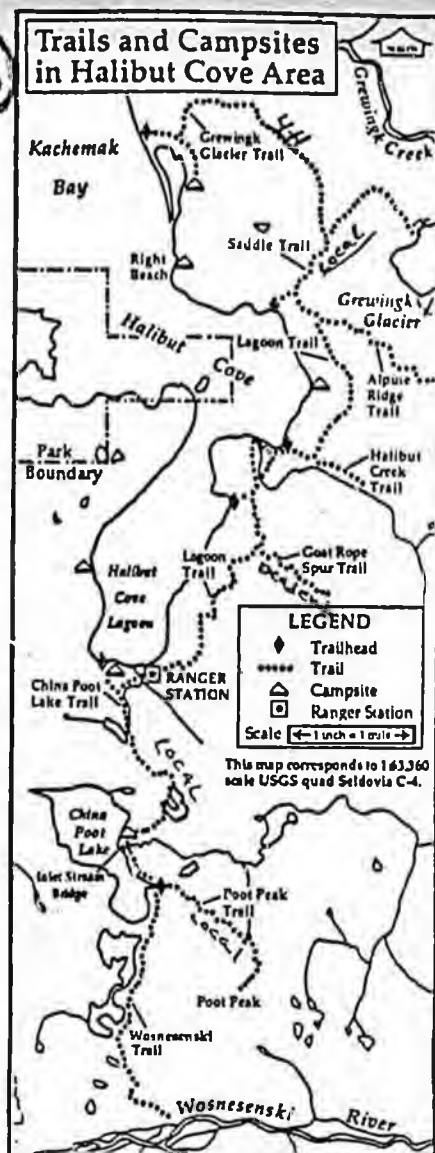
Also keep in mind our adverse weather and tide conditions. The majority of use in the KBSF is on the ocean not upland streams and lakes. Because of the unique problems here on the Bay development cannot take place like it has on the Kenai river for instance, and there for should not be subject to the same type of regulation. The parks persons stated that 11 AAC.12.340 (19) was adopted to satisfy regulation needs on the Kenai river. I feel that any (Commercial) activity associated to the KBSF is incidental (for example, on a rough day a halibut charter fishing off of Glacier Spit) and should fall under -ordinary- use. If Parks wants some information from park users have questionnaires available at the Homer chamber of commerce on Homer Spit. Currently the Ranger in Homer not only is not on the Spit but several miles out of town.

The example of the over blown STING that I recieved for taking a few people to the park for free, seems to indicate a frantic need to substanciate an existence. Another perception could be that the Kenai Rangers are over staffed and have a lot of extra cash. The sting cost approximately \$20,00, involved approximately 40 persons, and 9 of the 10 Rangers from the Kenai division.

Sincerely



Marian T. Beck



Access to the Park
 Access to the park is by boat or airplane, as there are no roads to the park. Air charters, water taxi services and boat rentals are available in Homer.

The park's trails receive little maintenance and often climb over steep, rugged terrain. Routes may be hidden at times by fallen trees or tall grass. Exposed rocks and roots, and wet, boggy areas are common. Depending on the trail taken, you may need to cross several glacial streams. Following is a partial list of the park's trails. Hiking times given are the minimum needed by a person in good physical condition without a pack to hike the trail one way. For more information, contact a state park ranger in Homer or Halibut Cove Lagoon.

Grewingk Glacier (3.5 miles)
 built by 4H Rating - easy
 Hiking Time - 1 hour, 20 minutes

This is an easy hike over flat terrain, through stands of spruce and cottonwood and across the outwash of the Grewingk Glacier. It offers superb views of the glacier and surrounding area. There is a small campground about ten minutes from the trailhead, and another at Right Beach, a favorite water taxi drop-off point. Right Beach is accessible by land only from the north and only at low tide. Rock cairns mark the trail across the outwash of the glacier. Access to the glacial ice is difficult and hazardous due to the slide area on the south and steep cliffs on the north. There is a stream near the junction of this trail and the Saddle Trail.

Saddle Trail (1.0 miles)
 built by Locals Rating - moderate
 Hiking Time - 25 minutes

This hike leads over the saddle between Halibut Cove and the Grewingk Glacier and is steep on the Halibut Cove side. The Saddle Trail accesses the Alpine Ridge and Lagoon Trails and also connects with the Grewingk Glacier Trail. No transportation is available from the trailhead to Glacier Spit or Halibut Cove unless you have made prior arrangements. It is not possible to hike the beach from the trailhead to the Right Beach campsite due to steep cliffs. The Saddle Trail trailhead is a popular spot to land boats during bad weather. Please respect private property near this trail.

Alpine Ridge Trail (2.0 miles)
 Rating - moderate to difficult
 Hiking Time - 1 hour, 40 minutes to

built by Locals get above timberline
 This steep hike begins at the high point on the Saddle Trail and follows a ridge up through spruce and alder stands to the alpine tundra and its many wildflowers. Slippery vegetation may make footing difficult on steeper slopes. Once above timberline, the views of the Grewingk Glacier on one side and a deep glacial valley on the other are spectacular. Rock cairns mark the alpine part of the trail, but picking out some landmarks will make it easier to find the end of the trail for the trip back down. Remember that alpine areas are extremely fragile; please practice minimum impact camping.

Lagoon Trail (5.5 miles)
 Rating - moderate to difficult
 Hiking Time - 5 hours

From the junction with the Alpine Ridge Trail, the Lagoon Trail winds along Halibut Cove and passes through a wet, boggy area to the Halibut Creek Trailhead and delta. You may be able to ford the river at the low tide line but the water can be high, depending on the weather. Pick up the trail again by walking upstream (on the south side) about 200 yards or walk around the delta on the tide flats. A series of steep switchbacks then leads through a spruce forest up to where the trail intersects Goat Rope Spur Trail at 1200 feet. The trail continues downhill and south, across Falls Creek and on to the end of the lagoon and the ranger station. Here you may take the stairs down to the stream where a sign directs you to the China Poot Lake Trail.

Goat Rope Spur Trail (0.5 miles)
 this is a Dead end Rating - difficult
 Hiking Time - 1 hour

This is a short, steep trail through alders that begins at the highest point on the Lagoon Trail. It leads hikers up through a "notch" and to the alpine areas where the trail ends. Take your camera for pictures of the view.

China Poot Lake (2.5 miles)
 built by Locals Rating - easy to moderate

Hiking Time - 1 hour, 15 minutes
 This trail begins at Halibut Cove Lagoon and passes three lakes beneath China Poot Peak. You reach the first lake after 15 minutes of hiking uphill. The trail crosses the lake outlet stream just before reaching the lake and continues through forest and bog for 30 minutes to the second lake - Two Loon Lake. China Poot Lake is another 30 minutes away through more spruce and muskeg.

Wosnesenski Trail (2 miles)
 built by Locals Rating - difficult

Hiking Time - 3 to 4 hours roundtrip
 This steep, slick, unmaintained route begins across the China Poot Lake inlet stream bridge and heads up to timberline. Climbing the 2100 foot peak is hazardous due to shifting scree and rotten rock. Hand and foot holds are poor at best and worse in wet weather. Your efforts will be rewarded above timberline with superb views of Wosnesenski Glacier and Kachemak Bay.

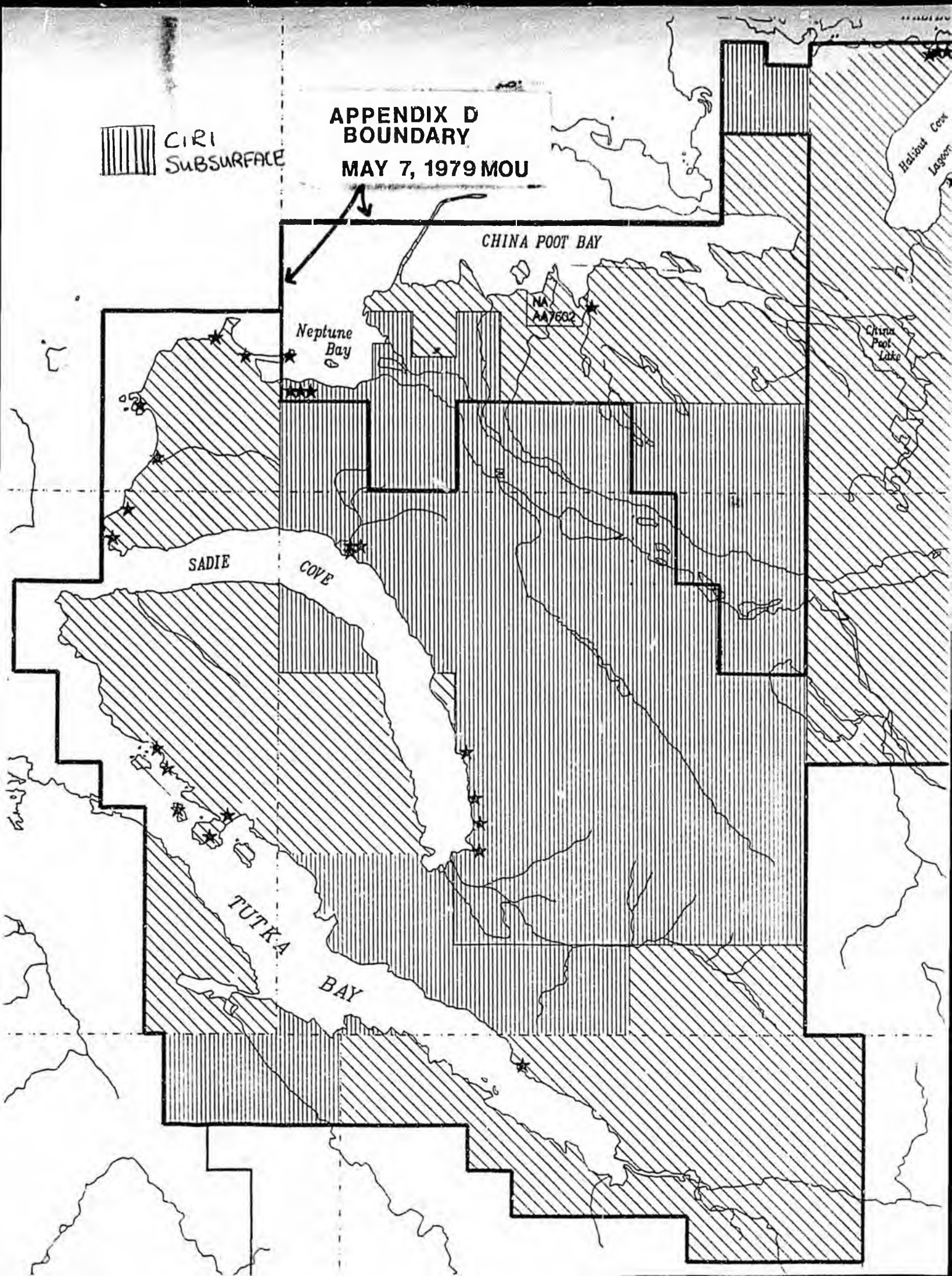
Wosnesenski Trail (2 miles)
 goes to nowhere Rating - easy to moderate

Hiking Time - 1 hour, 15 minutes
 Begins this trail where it meets the China Poot Peak Trail, about 10 minutes after crossing the inlet stream bridge at China Poot Lake. This fairly easy trail winds along the shoreline of three lakes formed by a geologic fault. You will find a good camping area in a stand of cottonwoods by the lake after about 25 minutes on the trail. After another 25 minutes of hiking, the trail climbs over a low saddle and drops down into the valley. Be careful if you decide to cross the rivers while exploring the valley. Glacial rivers vary in depth and current depending on the weather, but the water level is usually lower in early summer and much higher in July and August. Choose a slow-moving, shallow spot to cross; water above thigh level is too hazardous to cross. A pair of tennis shoes will make crossing these icy rivers easier.



CIRI
SUBSURFACE

**APPENDIX D
BOUNDARY
MAY 7, 1979 MOU**



RESOLUTION 1199-R

A RESOLUTION OPPOSING THE TRADE OF STATE OWNED LAND AND TIMBER RIGHTS IN THE PETERSBURG AREA TO ENLARGE KACHEMAK BAY STATE PARK

WHEREAS, the state of Alaska is proposing to exchange lands and/or timber rights within the City of Petersburg to a private corporation to enhance State land holdings in a remote area in another part of the State; AND

WHEREAS, the land and/or timber trade will merely transfer a problem from one part of the state to another; AND

WHEREAS, the lands proposed for trade were originally to be disposed of only to individual residents of the State of Alaska for homesite development; AND

WHEREAS, Kachemak Bay State Park contains over 320,000 acres, only a small parcel of State Recreation land is located in the immediate vicinity of the City of Petersburg; AND

WHEREAS, no public hearings have been held concerning the land and/or timber trade, no determination has been made regarding the consistency of development plans and land use proposals with the City's comprehensive plan, and no determination has been publicly made regarding the development plans, and no determination has been publicly made regarding the development plans or potential of the land to be traded; AND

WHEREAS, recreation and homesite development may be more compelling public uses for State lands situated within the City of Petersburg, than trading the land primarily for the value of its timber resources;

NOW THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PETERSBURG, ALASKA:

Section 1. The City of Petersburg opposes the trade of any State owned land to enlarge Kachemak Bay State Park unless such trade will not adversely impact the local public needs for the land proposed in the trade; AND

Section 2. the City of Petersburg opposes the proposed land trade until public hearings have been held on the matter in Petersburg and a determination has been made as to the proposed use of the land: the impact on the community; the consistency with applicable developmental codes; that alternatives to the land trade have been considered and that the proposal best meets the public need; and a finding is made that the proposed trade is made in the public interest with due consideration to the local effects.

PASSES and APPROVED by the City Council of the City of Petersburg, Alaska this _____ day of December, 1989.

Mayor

ATTEST:

City Clerk

Voting "Yes": Bartholomew
Holman
Tallman
Cote
Chenhall
Cruise
Westfall
Voting "No": None
Absent: None
4 votes required for passage
Effective date: 11/6/89

KETCHIKAN GATEWAY BOROUGH
RESOLUTION NO. 877

A RESOLUTION OF THE ASSEMBLY OF THE KETCHIKAN GATEWAY BOROUGH, ALASKA, OPPOSING THE TRADE OF STATE OWNED LAND TO ENHANCE KACHEMAK BAY STATE PARK UNLESS SUCH TRADE WILL NOT SUPERSEDE LOCAL NEEDS FOR RECREATIONAL LANDS, WATERSHED PROTECTION, WATER AND ELECTRICAL NEEDS, AND FUTURE TRADING OPPORTUNITIES; AND ESTABLISHING AN EFFECTIVE DATE.

RECITALS

A. While Kachemak Bay State Park contains over 320,000 acres, only 62 acres of State Park land is located in the immediate vicinity of the Ketchikan Gateway Borough.

B. The community of Ketchikan has a serious need for additional state park lands.

C. Those persons who would take advantage of any expansion of Kachemak Bay State Park already have far greater opportunities to visit state and federal parks than those in the community of Ketchikan.

D. Various members of the community of Ketchikan has already expressed an interest in placing the White River Corridor and additional land around Harriet Hunt Lake into public ownership, and in making the Leask Lake Drainage, the White River corridor, and Harriet Hunt Lake into a state park or managed with the priority of accessible roaded recreation.

E. The community of Ketchikan has additional water supply and electrical power needs and may in the future be requesting the state to trade for Mahoney Lake and Beaver Falls, native land selections, and other lands to meet other needs in the area.

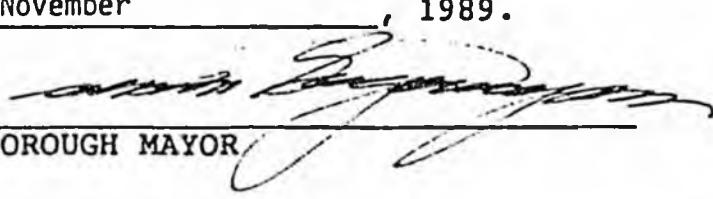
F. The additional of 50,000 acres to the Kachemak Bay State Park through the trading of state owned land could adversely impact the state's opportunity to trade state land for Ketchikan needs.

NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE KETCHIKAN GATEWAY BOROUGH, as follows:

Section 1. The Borough opposes the trade of any state owned land to enlarge Kachemak Bay State Park unless such trade will not adversely impact local needs for recreational lands, watershed protection, water and electrical needs, and future trading opportunities.

Section 2. Effective Date. This resolution is effective upon adoption.

ADOPTED this 6th day of November, 1989.


BOROUGH MAYOR

Mitkof timber still on state trading table

by Bob Tkacz

Petersburg City Council will consider, at its Dec. 4 meeting, a resolution opposing a state/native corporation land and timber trade which could include trees and property on Mitkof Island.

Concern is growing among Southeast communities that their lands here will be cleared by

municipal body.

Planning & Zoning Commissioner Kurt Hoelting, speaking as a representative of the Narrows Conservation Coalition, told council the city could be left behind in the decision making process.

His contact with the Ketchikan Bay Citizens Coalition, the group pushing

Continued
"pretty definitely" to be included in the land trade. State-owned timber within the city limits is also under consideration as part of the deal, but Alaska Department of Natural Resources (DNR) and SNC representatives disagree over the value of the timber the native corporation has to trade.

The basic bargain being developed proposes that the SNC exchange 24,000 acres of inholdings within Kachemak Bay State Park for state-owned land elsewhere. Timber on an estimated 4,435 acres within the park is considered commercially viable, according to the DNR, and SNC would receive one time logging rights to an equivalent amount of state-owned timber.

Trees along lower Cabin Creek, south of Frederick Point, have been surveyed by the state for possible inclusion in the timber trade. Impetus for the trade is coming from the Homer area where residents oppose logging of the SNC land within the park which is visible from the Kenai peninsula city.

The state is considering trading 19 parcels of land totaling about 4,000 acres on the Kenai Peninsula to SNC along with other lands on the

west side of Cook Inlet, in the Copper River Basin and Matanuska-Susitna Valley.

With the Mitkof Island, Southeast lands under consideration total 31 parcels, including property on Wrangell Island, Whale Passage and Upper George Inlet, near Ketchikan.

The disagreement over the value of the timber within the park has slowed a schedule which had called for public hearings in affected communities this month. Comment sessions will be held in January in communities near areas which are proposed for inclusion in the trade.

The Petersburg Planning & Zoning Commission took a renewed interest in the trade and was moving toward statement of its position on the proposed trade after the Ketchikan Gateway Borough approved a resolution opposing any trade for land in its vicinity which could adversely affect its needs "for recreational lands, watershed protection, water and electrical needs and future trading opportunities."

While the proposal has not been finalized a version advertised by the state in September would include three planned parcels totaling five acres

in the Frederick Point East subdivision as part of the property swap.

DNR Southeast resource allocation officer Dick Mylius said that lots "are pretty definitely in" the trade package. The lots have previously been designated for public sale and the SNC would offer them on the real estate market if the trade is completed, Mylius said.

Uncertain is whether 42.6 million board ft. (MB) of timber on Mitkof Island will be included in the trade. Mylius said a timber cruise determined 13 MB of spruce, 26 MB of hemlock and 1.5 million of yellow cedar is commercially viable.

Because DNR and SNC have not yet agreed on the value of the Kachemak Bay land and timber Mylius could not say yet whether the state needs the Mitkof Island land for its half of the bargain.

SNC first indicated its land was worth \$25.5 million and its timber worth \$7.4 million, an amount Mylius said the state considers "way high."

"We don't feel the land or timber appraisal substantiated those values," he said.

Last week an SNC representative said the corporation recomputed its values and suggests the property is worth almost \$23 million, but Mylius said the state will conduct its own value survey of the property.

He expects that research to be completed by the end of this year at which time a specific trade package could be publicized for comment.

"If we include the timber at Frederick Point we would very definitely hold a hearing in Petersburg," probably sometime in January, Mylius said.

At last week's meeting members of the Petersburg Planning & Zoning Commission were divided on when it would be appropriate to take a position on the matter, but the Ketchikan Gateway Borough's resolution moved commission chairman Brian Lynch to join those suggesting the city should not wait to take its stand.

PETERSBURG, ALASKA

Pilot, November 23, 1989

"Any time the city's confronted with something like this I think comment should be made, either pro or con, so the agency involved knows what the city's position is," Lynch said after last week's meeting.

At the Nov. 14 session he suggested the commission await determination of the final package before commenting. The Ketchikan Gateway Borough's resolution "puts the ball in our court, or may have put us behind the eight-ball," Lynch said.

The Ketchikan borough's statement notes that Kachemak Park contains over 320,000 acres while only 62 acres of state park land is in the immediate Ketchikan borough vicinity.

"The addition of 50,000 acres to Kachemak Bay State Park through the trading of state-owned land could adversely impact the state's opportunities to trade state land for Ketchikan needs," the resolution declares.

Hoelting was most vocal in favor of a "proactive" position statement from Petersburg. He suggested the commission could better protect Petersburg's interests by stating its position on the deal rather than "let it come down on us."

He was supported by Commissioner Richard Burrell, normally an avid backer of the timber industry, who said he is "totally against" logging on Mitkof Island by a native corporation.

Commissioner Karin Hopper opposed Hoelting's suggestion to develop a position and forward it to the city

council. She said any lobbying to the council should be on an individual basis and the commission "shouldn't take a political stand."

Hoelting was the only commissioner present at the council meeting, but he emphasized the most others opposed the land trade. Mayor D.A. Coon, who attended the commission meeting agreed with Hoelting.

"I think Petersburg should take a firm stand and let Fairbanks get logged off," the mayor said referring to property near there being also being considered in the trade package.

Coon twice asked for a motion from council members during the discussion before Councilwoman Marian Estelle moved that the resolution be drafted.

Assembly opposes land trade

By BELINDA CHASE
Daily News Staff Writer

A resolution objecting to trading state-owned land in Southeast to enhance Kachemak Bay State Park was approved unanimously Monday by the Ketchikan Gateway Borough Assembly.

Using a proposed resolution drafted by local citizen Bill Rotecke, the resolution opposes a trade that interferes with the state's ability to trade lands to meet the recreational, water and power needs of Ketchikan.

Kachemak Bay State Park, near Homer, has 320,000 acres compared to Ketchikan's 62 acres of state park land. Some land proposed for Kachemak Bay Park is located on Prince of Wales Island and other subdivisions in Southeast, said Rotecke.

"Ketchikan's needs may be ignored if Ketchikan doesn't speak up for its concerns," he said.

Dale Pihlman concurred with Rotecke, calling the proposed trade inappropriate.

Letter approved

In other natural resource issues, a letter to the Alaska Congressional Delegation regarding concerns with the National Forest Receipts Program was approved.

The U.S. Forest Service "charges" stumpage fee for timber harvests on federal land. The program allows timber stumpage fees to be allocated to organized boroughs, with the funds to be used for public schools and roads. A concern of the borough's is that substantial funds

are being placed in the state general fund instead of in the communities where the timber is being cut, according to Mayor Ralph Gregory's letter.

The letter suggests amending the federal law or allowing the state to create a formula which would allocate the money straight to the affected communities.

Timber stumpage fees should bring more than \$100,000 into Ketchikan's coffers this year, the most since 1982. For the current federal fiscal year, forest receipts only topped \$13,764.

Assemblyman Ralph Bartholomew had some objections to the letter, believing it could hamper Ketchikan's efforts to receive other resource funds.

"To me it's greater than just forest stumpage," he said. "I think it's bigger than what we're talking about."

Other business

In other business, a request for proposals to hire a community lobbyist was approved 7-0 Monday. It is hoped that a lobbyist will be hired by mid-December. Jim Ayers, the previous lobbyist, recently accepted a job as Alaska Marine Highway Service director and will no longer provide lobbying services for Ketchikan.

Disclosing clients and conflicts of interest, along with not having lobbying contracts with other communities are some of the stipulations listed in the contract.

While searching for a lobbyist, the assembly concurred that Ayers'

associate, Mary Lorence, be used for legislative monitoring and reporting services.

Contracting with Coopers & Lybrand of Anchorage to complete the borough's annual audit was approved 7-0. Services are not to exceed \$40,000. Hogan, Mecham, Richardson & Co. of Ketchikan recently withdrew its services after borough staff criticized a borough computer study that the firm had done.

As a result of the negative comments, the public could perceive that the auditing firm's objectivity is impaired, according to the firm.

Assemblyman Don Chenhall questioned if the local firm was interested in offering a proposal in the future.

"I'd like to make sure that we let them know that we would like to see a proposal for their services again," he said.

Bed tax proposal

Assemblywoman Cheryle Wolf-Tallman requested scheduling a future agenda item regarding a bed tax outside the city of Ketchikan. There is now a 4 percent bed tax (or transient room tax) within the city. The tax generated from hotels help fund Ketchikan Visitors Bureau. The proposed concept would include all resorts and bed and breakfasts outside the city, said Wolf-Tallman.

In Ketchikan International Airport news, the airport ferry Dick Borch was sold to locally-owned Crown for \$90,000. The ferry, the oldest of the airport ferry fleet, will be used as a staging deck for a floating camp.

Voting "Yes": Bartholomew
 Holman
 Tallman
 Cote
 Chenhall
 Cruise
 Westfall
 Voting "No": None
 Absent: None
 4 votes required for passage
 Effective date: 11/6/89

K E T C H I K A N G A T E W A Y B O R O U G H
 RESOLUTION NO. 877

A RESOLUTION OF THE ASSEMBLY OF THE KETCHIKAN GATEWAY BOROUGH, ALASKA, OPPOSING THE TRADE OF STATE OWNED LAND TO ENHANCE KACHEMAK BAY STATE PARK UNLESS SUCH TRADE WILL NOT SUPERSEDE LOCAL NEEDS FOR RECREATIONAL LANDS, WATERSHED PROTECTION, WATER AND ELECTRICAL NEEDS, AND FUTURE TRADING OPPORTUNITIES; AND ESTABLISHING AN EFFECTIVE DATE.

RECITALS

A. While Kachemak Bay State Park contains over 320,000 acres, only 62 acres of State Park land is located in the immediate vicinity of the Ketchikan Gateway Borough.

B. The community of Ketchikan has a serious need for additional state park lands.

C. Those persons who would take advantage of any expansion of Kachemak Bay State Park already have far greater opportunities to visit state and federal parks than those in the community of Ketchikan.

D. Various members of the community of Ketchikan has already expressed an interest in placing the White River Corridor and additional land around Harriet Hunt Lake into public ownership, and in making the Leask Lake Drainage, the White River corridor, and Harriet Hunt Lake into a state park or managed with the priority of accessible roaded recreation.

E. The community of Ketchikan has additional water supply and electrical power needs and may in the future be requesting the state to trade for Mahoney Lake and Beaver Falls, native land selections, and other lands to meet other needs in the area.

F. The additional of 50,000 acres to the Kachemak Bay State Park through the trading of state owned land could adversely impact the state's opportunity to trade state land for Ketchikan needs.

NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE KETCHIKAN GATEWAY BOROUGH, as follows:

Section 1. The Borough opposes the trade of any state owned land to enlarge Kachemak Bay State Park unless such trade will not adversely impact local needs for recreational lands, watershed protection, water and electrical needs, and future trading opportunities.

Section 2. Effective Date. This resolution is effective upon adoption.

ADOPTED this 6th day of November, 1989.



 BOROUGH MAYOR

RESOLUTION 1199-R

A RESOLUTION OPPOSING THE TRADE OF STATE OWNED LAND AND TIMBER RIGHTS IN THE PETERSBURG AREA TO ENLARGE KACHEMAK BAY STATE PARK

WHEREAS, the state of Alaska is proposing to exchange lands and/or timber rights within the City of Petersburg to a private corporation to enhance State land holdings in a remote area in another part of the State; AND

WHEREAS, the land and/or timber trade will merely transfer a problem from one part of the state to another; AND

WHEREAS, the lands proposed for trade were originally to be disposed of only to individual residents of the State of Alaska for homesite development; AND

WHEREAS, Kachemak Bay State Park contains over 320,000 acres, only a small parcel of State Recreation land is located in the immediate vicinity of the City of Petersburg; AND

WHEREAS, no public hearings have been held concerning the land and/or timber trade, no determination has been made regarding the consistency of development plans and land use proposals with the City's comprehensive plan, and no determination has been publicly made regarding the development plans, and no determination has been publicly made regarding the development plans or potential of the land to be traded; AND

WHEREAS, recreation and homesite development may be more compelling public uses for State lands situated within the City of Petersburg, than trading the land primarily for the value of its timber resources;

NOW THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PETERSBURG, ALASKA:

Section 1. The City of Petersburg opposes the trade of any State owned land to enlarge Kachemak Bay State Park unless such trade will not adversely impact the local public needs for the land proposed in the trade; AND

Section 2. the City of Petersburg opposes the proposed land trade until public hearings have been held on the matter in Petersburg and a determination has been made as to the proposed use of the land: the impact on the community; the consistency with applicable developmental codes; that alternatives to the land trade have been considered and that the proposal best meets the public need; and a finding is made that the proposed trade is made in the public interest with due consideration to the local effects.

PASSES and APPROVED by the City Council of the City of Petersburg, Alaska this _____ day of December, 1989.

Mayor

ATTEST:

City Clerk

Mitkof timber still on state trading table

by Bob Thacz

Petersburg City Council will consider, at its Dec. 4 meeting, a resolution opposing a state/native corporation land and timber trade which could include trees and property on Mitkof Island.

Concern is growing among Southeast communities that their lands here will be cleared by

municipal body.

Planning & Zoning Commissioner Kurt Hoelting, speaking as a representative of the Narrows Conservation Coalition, told council the city could be left behind in the decision making process.

His contact with the Ketchikan Bay Citizens Coalition, the group pushing

Continued
"pretty definitely" to be included in the land trade. State-owned timber within the city limits is also under consideration as part of the deal, but Alaska Department of Natural Resources (DNR) and SNC representatives disagree over the value of the timber the native corporation has to trade.

The basic bargain being developed proposes that the SNC exchange 24,000 acres of inholdings within Kachemak Bay State Park for state-owned land elsewhere. Timber on an estimated 4,435 acres within the park is considered commercially viable, according to the DNR, and SNC would receive one time logging rights to an equivalent amount of state-owned timber.

Trees along lower Cabin Creek, south of Frederick Point, have been surveyed by the state for possible inclusion in the timber trade. Impetus for the trade is coming from the Homer area where residents oppose logging of the SNC land within the park which is visible from the Kenai peninsula city.

The state is considering trading 19 parcels of land totaling about 4,000 acres on the Kenai Peninsula to SNC along with other lands on the

west side of Cook Lake, in the Copper River Basin and Matanuska Susitna Valley.

With the Mitkof Island, Southeast lands under consideration total 31 parcels, including property on Wrangell Island, Whale Passage and Upper George Inlet, near Ketchikan.

The disagreement over the value of the timber within the park has slowed a schedule which had called for public hearings in affected communities this month. Comment sessions will be held in January in communities near areas which are proposed for inclusion in the trade.

The Petersburg Planning & Zoning Commission took a renewed interest in the trade and was moving toward statement of its position on the proposed trade after the Ketchikan Gateway Borough approved a resolution opposing any trade for land in its vicinity which could adversely affect its needs "for recreational lands, watershed protection, water and electrical needs and future trading opportunities."

While the proposal has not been finalized a version advertised by the state in September would include three planned parcels totaling five acres

in the Frederick Point East subdivision as part of the property swap.

DNR Southeast resource allocation officer Dick Mylius said that lots "are pretty definitely in" the trade package. The lots have previously been designated for public sale and the SNC would offer them on the real estate market if the trade is completed, Mylius said.

Uncertain is whether 42.6 million board ft. (MB) of timber on Mitkof Island will be included in the trade. Mylius said a timber cruise determined 15 MB of spruce, 26 MB of hemlock and 1.5 million of yellow cedar is commercially viable.

Because DNR and SNC have not yet agreed on the value of the Kachemak Bay land and timber Mylius could not say yet whether the state needs the Mitkof Island land for its half of the bargain.

SNC first indicated its land was worth \$25.5 million and its timber worth \$7.4 million, an amount Mylius said the state considers "way high."

"We don't feel the land or timber appraisal substantiated those values," he said.

Last week an SNC representative said the corporation recomputed its values and suggests the property is worth almost \$23 million, but Mylius said the state will conduct its own value survey of the property.

He expects that research to be completed by the end of this year at which time a specific trade package could be publicized for comment.

"If we include the timber at Frederick Point we would very definitely hold a hearing in Petersburg," probably sometime in January, Mylius said.

At last week's meeting members of the Petersburg Planning & Zoning Commission were divided on when it would be appropriate to take a position on the matter, but the Ketchikan Gateway Borough's resolution moved commission chairman Brian Lynch to join those suggesting the city should not wait to take its stand.

PETERSBURG, ALASKA

Pilot, November 23, 1989

"Any time the city's confronted with something like this I think comment should be made, either pro or con, so the agency involved knows what the city's position is," Lynch said after last week's meeting.

At the Nov. 14 session he suggested the commission await determination of the final package before commenting. The Ketchikan Gateway Borough's resolution "puts the ball in our court, or may have put us behind the eight-ball," Lynch said.

The Ketchikan borough's statement notes that Kachemak Park contains over 320,000 acres while only 62 acres of state park land is in the immediate Ketchikan borough vicinity.

"The addition of 50,000 acres to Kachemak Bay State Park through the trading of state-owned land could adversely impact the state's opportunities to trade state land for Ketchikan needs," the resolution declares.

Hoelting was most vocal in favor of a "proactive" position statement from Petersburg. He suggested the commission could better protect Petersburg's interests by stating its position on the deal rather than "let it come down on us."

He was supported by Commissioner Richard Burrell, normally an avid backer of the timber industry, who said he is "totally against" logging on Mitkof Island by a native corporation.

Commissioner Karin Hopper opposed Hoelting's suggestion to develop a position and forward it to the city

council. She said any lobbying to the council should be on an individual basis and the commission "shouldn't take a political stand."

Hoelting was the only commissioner present at the council meeting, but he emphasized the most others opposed the land trade. Mayor D.A. Coon, who attended the commission meeting agreed with Hoelting.

"I think Petersburg should take a firm stand and let Fairbanks get logged off," the mayor said referring to property near there being also being considered in the trade package.

Coon twice asked for a motion from council members during the discussion before Councilwoman Marian Estelle moved that the resolution be drafted.

Assembly opposes land trade

By **BELINDA CHASE**
Daily News Staff Writer

A resolution objecting to trading state-owned land in Southeast to enhance Kachemak Bay State Park was approved unanimously Monday by the Ketchikan Gateway Borough Assembly.

Using a proposed resolution drafted by local citizen Bill Rotecke, the resolution opposes a trade that interferes with the state's ability to trade lands to meet the recreational, water and power needs of Ketchikan.

Kachemak Bay State Park, near Homer, has 320,000 acres compared to Ketchikan's 62 acres of state park land. Some land proposed for Kachemak Bay Park is located on Prince of Wales Island and other subdivisions in Southeast, said Rotecke.

"Ketchikan's needs may be ignored if Ketchikan doesn't speak up for its concerns," he said.

Dale Pihlman concurred with Rotecke, calling the proposed trade inappropriate.

Letter approved

In other natural resource issues, a letter to the Alaska Congressional Delegation regarding concerns with the National Forest Receipts Program was approved.

The U.S. Forest Service "charges" stumpage fee for timber harvests on federal land. The program allows timber stumpage fees to be allocated to organized boroughs, with the funds to be used for public schools and roads. A concern of the borough's is that substantial funds

are being placed in the state general fund instead of in the communities where the timber is being cut, according to Mayor Ralph Gregory's letter.

The letter suggests amending the federal law or allowing the state to create a formula which would allocate the money straight to the affected communities.

Timber stumpage fees should bring more than \$100,000 into Ketchikan's coffers this year, the most since 1982. For the current federal fiscal year, forest receipts only topped \$13,764.

Assemblyman Ralph Bartholomew had some objections to the letter, believing it could hamper Ketchikan's efforts to receive other resource funds.

"To me it's greater than just forest stumpage," he said. "I think it's bigger than what we're talking about."

Other business

In other business, a request for proposals to hire a community lobbyist was approved 7-0 Monday. It is hoped that a lobbyist will be hired by mid-December. Jim Ayers, the previous lobbyist, recently accepted a job as Alaska Marine Highway Service director and will no longer provide lobbying services for Ketchikan.

Disclosing clients and conflicts of interest, along with not having lobbying contracts with other communities are some of the stipulations listed in the contract.

While searching for a lobbyist, the assembly concurred that Ayers'

associate, Mary Lorence, be used for legislative monitoring and reporting services.

Contracting with Coopers & Lybrand of Anchorage to complete the borough's annual audit was approved 7-0. Services are not to exceed \$40,000. Hogan, Mecham, Richardson & Co. of Ketchikan recently withdrew its services after borough staff criticized a borough computer study that the firm had done.

As a result of the negative comments, the public could perceive that the auditing firm's objectivity is impaired, according to the firm.

Assemblyman Don Seahall questioned if the local firm was interested in offering a proposal in the future.

"I'd like to make sure that we let them know that we would like to see a proposal for their services again," he said.

Bed tax proposal


Assemblywoman Cheryle Wolf-Tallman requested scheduling a future agenda item regarding a bed tax outside the city of Ketchikan. There is now a 4 percent bed tax (or transient room tax) within the city. The tax generated from hotels help fund Ketchikan Visitors Bureau. The proposed concept would include all resorts and bed and breakfasts outside the city, said Wolf-Tallman.

In Ketchikan International Airport news, the airport ferry Dick Borch was sold to locally-owned Crown G. for \$90,000. The ferry, the oldest of the airport ferry fleet, will be used as a staging deck for a floating camp.

OPT

Anchorage Daily News

Gerald E. Grilly
Publisher

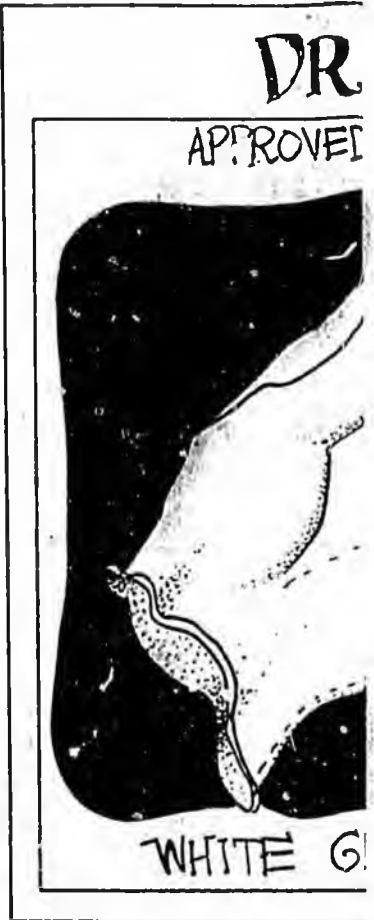


Howard Weaver
Editor

Michael Carey, Editorial Page Editor
Patrick Dougherty, Managing Editor

Katherine Fanning, Editor and Publisher 1971 to 1983
Lawrence Fanning, Editor and Publisher 1967 to 1971

Founded in 1946 by Norman C. Brown



Time to deal

State should buy Kachemak park inholdings

To appreciate how Homer-area residents feel about Kachemak Bay State Park, consider an analogy to Anchorage's Bicentennial Park. Several proposed developments in the city's midtown wilderness park have stirred angry opposition. But imagine the outcry if a private company owned Bicentennial Park's timber and wanted to turn loose the chainsaws.

That gives some sense of how people near Homer feel about the possibility that the jewel of a park across the bay will be logged. And that prospect is no idle threat. Seldovia Native Association owns some 25,000 acres in the park. The firm has already sold timber rights on one-sixth of the lands.

The state would like to protect the park. To do so, it's been trying to work a land exchange with the Seldovia firm for some 13 years without success.

But now comes hope a deal can be done. The state has dropped the idea of a land trade in favor of paying cash. A new state estimate of what Seldovia's land is worth has brought the two sides closer together than ever.

There's just one large hurdle left: The legislature must agree to fund the park purchase. Lawmakers should seize the moment.

Gov. Cowper is asking for \$17.8 million. That's not as much as the Seldovia firm and its timber partner want, but it's more than the land is worth as timber property. The three parties can fine-tune the price as the legislature reviews the funding proposal.

Failing to strike a deal will have bitter consequences. Any logging will disrupt China Poot Bay, one of the area's most popular and sensitive estuaries. A ugly scar will sit for all to see on the Homer side of the bay. As state parks director Neil Johannsen points out, the inevitable backlash could jeopardize public support for more appropriate logging projects.

But the situation needn't become so poisoned. Both sides agree the land's highest and best use is a park. The state is willing to pay a price that reflects that fact.

The legislature should give the parks division enough money to show the state is serious about a deal. If the two sides will then quit haggling over the price, Seldovia Native Association will have a solid deal for its shareholders and Kachemak Bay State Park will get the protection it deserves.

Freedom

OAKLAND — When U.S. Rep. Gus Savage of Chicago wants attention, he knows how to get it. He utters a string of unseamy attacks on Jews, "the white media" and homosexuals. In a manner similar to white "race baiting" politicians of a bygone era in old Dixie, Savage knows bigotry "sells" for its shock value.

Savage was re-elected to his seat from a mostly black district the other day, and he used tactics familiar to any journalist who covered the dying gasps of Jim Crow politics in the Deep South. Those similarities might have escaped Savage because subtlety has never been his strong suit.

The specter of a black anti-Semitic politician bursts afresh on the nation's consciousness at a peculiar moment. That is so for two reasons, one slightly hopeful, the other deeply ominous. Both have to do with bigotry in the nation and the world.

In Boston, a city tormented by racial tensions for decades, a new program promises hope. Called "Facing History," the program reaches Boston schoolchildren with a powerful mes-

**Purchase of Inholdings
within
Kachemak Bay State
Park**

HB 590

SB 536



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

The Honorable Tim Kelly
President of the Senate
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that enables the state to acquire 37 square miles of inholdings within Kachemak Bay State Park. The bill appropriates \$17,820,000 to the Department of Natural Resources (DNR) to purchase all of Seldovia Native Association's land and Timber Trading Company's timber on this land in the park.

For 15 years the state has been working on various land exchange proposals to acquire Seldovia Native Association's (SNA) 24,000 acres of inholdings that are within Kachemak Bay State Park. The land was state-owned when the park was established in 1970, but then it was subsequently acquired by SNA under the Alaska Native Claims Settlement Act of 1971. In 1987, the timber on a portion of SNA's land was sold to Timber Trading Company (TTC), a subsidiary of Koncor Forest Products.

This 24,000-acre parcel lies south and east of China Poot Bay, extending south to Sadie Cove. This land is in the center of Kachemak Bay State Park. China Poot Bay has high fish and wildlife habitat values. The land owned by SNA has high recreation and scenic values and lies directly across Kachemak Bay from Homer.

Commercial recreation development and timber harvest have been proposed on this land. Acquisition of SNA's land is crucial to protect the public recreation, wildlife, and scenic values of the park. Since October 1988, DNR, SNA and TTC have been actively involved in developing a land exchange. DNR was working towards separate exchanges with SNA for the land and TTC for the timber rights. Consistent with Alaska Statutes 38.50, we had intended to submit a final exchange agreement to the Legislature for approval this session. Efforts to develop a final exchange agreement were slowed because of significant disagreements over the appraised value of the land.

An appraiser hired by SNA arrived at two different values of SNA's land in the park -- \$22.7 million and \$25.6 million. We disagreed with both appraisals because the appraiser used only parkland as comparable properties to set the value of SNA land. The appraiser made few adjustments to comparables to address differences in size, location, and date of sale. DNR contracted for an independent appraisal that valued the land at \$12 million, which SNA disagreed with.

In February, DNR established an appraisal review panel to render their opinion of the value of SNA's land. The panel concluded the value of SNA's land, with the timber still in place, is \$17,820,000. Assuming that the timber was cut on a portion of the land, the panel arrived at values for SNA's land that ranged from \$11.62 to \$15.49 million.

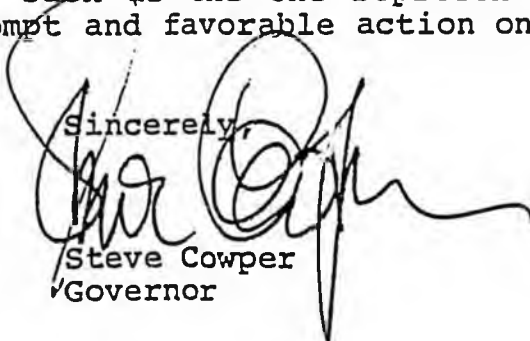
On February 28, after an exchange of offers, DNR offered SNA \$15.49 million, the highest value the panel arrived at assuming the timber was harvested on a portion of the land. SNA rejected this value unless the state was willing to pay the full value in cash. SNA would agree to a land exchange only if the state agreed to pay a higher value for SNA's land. DNR refused to consider an exchange that valued SNA's land higher than \$15.49 million because appraisals have not substantiated a higher value.

We agree that \$17.82 million is an acceptable value for SNA's land. This is at the high end of the appraised values, but this is a difficult parcel to appraise. This value should be the same whether SNA's land is acquired by exchange or through a cash purchase.

I support a cash purchase recognizing that past land trade efforts failed, in part, due to differing opinions of the value of SNA's land. SNA will not negotiate an exchange that is based on fair market value, but is willing to sell its land for cash at fair market value.

I request that the legislature appropriate the funds to purchase SNA's land and TTC's timber. The amount of time, effort, and money spent by the state, SNA, and the people of Alaska over fifteen years demonstrates that there is public support for making Kachemak Bay State Park whole. The length of time further demonstrates how difficult it has been to reach an agreement such as the one represented by this bill. I urge your prompt and favorable action on this measure.

Sincerely,



Steve Cowper
Governor

History:

Kachemak Bay State Park was created by the Alaska Legislature in 1970. The following year, the U.S. Congress passed the Alaska Native Claims Settlement Act (ANCSA), which entitled Alaska Natives to receive land as settlement of aboriginal land claims (including federal lands that had already been transferred to the state).

SNA selected and received title to over 29,000 acres of its ANCSA settlement from lands within Kachemak Bay State Park. The SNA selections included key coastline and other high public use areas, including lands near China Poot Bay, one of the most beautiful and accessible sites within the park.

In 1979, a Memorandum of Understanding between SNA and the state Department of Natural Resources (DNR) was executed. Among other things, the memorandum committed the state and SNA to exchange SNA's park inholdings for state land of equal value.

In 1983 and again in 1985, the state and SNA successfully completed two small land exchanges. Two larger exchange attempts were unsuccessful, and further negotiations waned. At this writing, SNA still owns 23,642 acres within the park.

Recent Developments:

Roughly two years ago, it was disclosed that SNA had sold timber cutting rights on 15,400 acres of its park inholdings as well as other nearby SNA land to Koncor Forest Products Company, through its subsidiary Timber Trading Company (TTC).

With a twelve year timber harvest contract (from May 30, 1987 until April 30, 1999), TTC planned to begin logging operations in the near future. These plans dismayed a number of people who appreciate the recreational and scenic values of Kachemak Bay State Park, and who want to see the integrity of the park preserved.

Almost immediately, a statewide grass roots effort to revive the trade started, and a new round of negotiations began. Participants included representatives from DNR, SNA, TTC, members of the Kachemak Bay Citizen's Coalition, and local representatives.

The first step in the revived exchange process was to assemble a pool of state land to offer SNA. Once DNR completed this, the next step was an appraisal of SNA's land within the park.

An independent appraiser, under contract to SNA, arrived at two different values for SNA's property within the park, depending on the potential for timber harvest was treated: \$22.7 million and \$25.6 million. Market value of timber was considered in addition to this, and at one point, the total value of the inholdings was estimated to be in the area of \$32 million.

DNR officials disagreed with the methods used by SNA's appraiser, maintaining that these values were not substantiated. DNR then contracted for its own independent appraisal, which placed the land values at \$12 million. SNA disagreed with this value.

In February, an arbitration panel of three independent appraisers was selected by DNR and SNA to review the appraisals and render an opinion of the value of SNA's property. Though SNA agreed to the panel, it did not agree to be bound by the panel's results.

After some deliberation, the panel concluded that the value of SNA's land, with the timber left in place, was \$17.82 million. If timber on a portion of those lands were harvested, the value

for the land alone ranged from \$11.62 to \$15.49 million, depending on what assumptions were made regarding the impact of any potential timber harvest. SNA still felt these values were too low, but agreed to negotiate.

After an exchange of offers and counter-offers, an agreement was reached on February 28, 1990. Under the terms of this accord, the state declared its willingness to purchase the balance of SNA's lands within Kachemak Bay State Park for \$15.49 million. Though the figure is at the high end of the arbitration panel's valuation, DNR concedes that it is a very difficult parcel to appraise. SNA has assented to this price only if the state makes an outright purchase of the property, not an exchange of land.

Timber:

TCC's timber within the park has been recently appraised as having a market value of \$6.4 million, and the DNR has been working on state acquisition of TTC's timber within the park through an equal value timber exchange. State timber available for an exchange is limited. After considerable effort, TTC and the state agreed on two suitable parcels for an exchange: one near Thorne Bay on Prince of Wales Island, and the other at Frederick Point on Mitkof Island, near Petersburg.

The Thorne Bay timber is primarily red cedar (44%) and western hemlock (41%), with some Sitka spruce (11%). At this time, market prices for red cedar are dropping, and it is expected this trend will continue. This price drop has affected negotiations between the state and TCC. Additionally, there is some objection by Thorne Bay residents to harvest in this area, though such objection may be lessened if harvest would result in construction of a road to Tolstoi Bay.

The Mitkof Island parcel is composed mainly of western hemlock (61%) and Sitka spruce (36%). The timber values are high, and the market for hemlock & spruce appears to be relatively stable. However, substantial portions of Mitkof Island have already been harvested, and there is strong objection by Petersburg residents to any further harvest.

In light of the political reality that without approval from area residents, any exchange of timber (and subsequent harvest by TTC) of the Thorne Bay and Mitkof Island areas will be very difficult to accomplish, another option has been chosen: the cash purchase of TTC's timber within Kachemak Bay State Park.

Legislation:

House Bill 590 (and a Senate companion bill, Senate Bill 536) was introduced by the Governor on March 28, 1990. The measure provides an appropriation of \$17.82 million for the outright purchase of both land and timber inholdings within Kachemak Bay State Park.

What the State will Gain:

Seldovia Native Association's 23,642 acres are in the center of Kachemak Bay State Park, lying south and east of China Poot Bay, and extending southward to Sadie Cove. This comprises the "heart" of the park, and is noted as one of the most beautiful scenic areas in the state. Because of its high recreational values as well, state acquisition of these inholdings will protect and preserve the integrity of the park for generations to come.

Scenic and Recreational Values

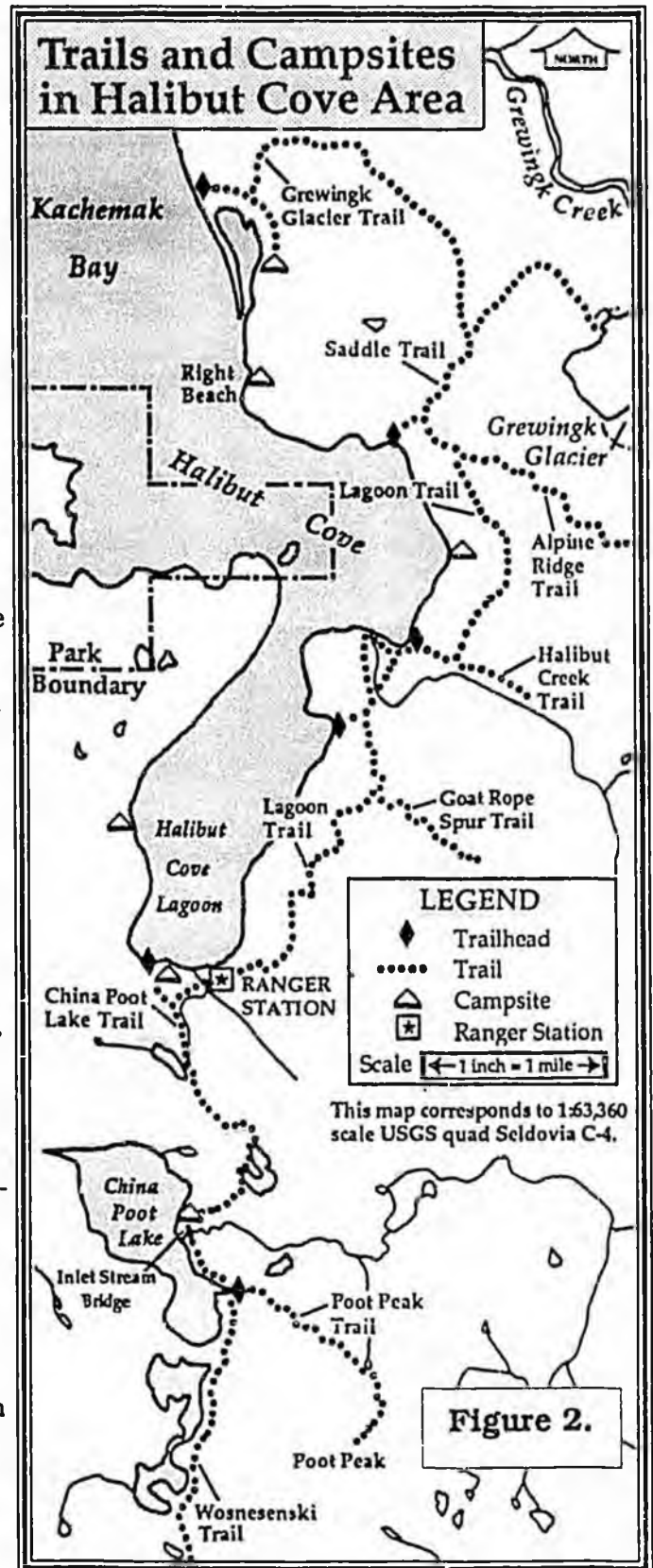
A large portion of SNA's park inholdings are highly visible from Homer and the Homer Spit, with China Poot Bay being the centerpiece for this breathtaking tableau. A photograph of China Poot, taken from the Homer side, was used by the Nation Geographic Society in its 1990 calendar, "Seashores of the World." The proposed timber harvest would include most of these scenic uplands.

Scenic flights and fly-in fishing trips are conducted by at least two Homer based flight services, and there are numerous charter boat operators offering scenic and fishing tours of the area. A major commercial lodge is located at China Poot Bay, directly across from SNA's land, and the Center for Alaska Coastal Studies is located on the Island Peninsula between Peterson bay and China Poot Bay. There are smaller lodges, private residences and cabins located along Peterson Bay, Neptune Bay, Sadie Cove and Halibut Cove. Most park users feel strongly that any logging of this pristine area would threaten the primary uses of the park, which are based on fishing and tourism. The common focus of the Homer and Kachemak Bay communities is to enhance and encourage greater recreational opportunities, while retaining the wilderness values of the park.

Most recreational use of Kachemak Bay State Park is concentrated on or adjacent to water - pleasure boating, sport fishing, clam digging, kayaking, crabbing, shrimping, beachcombing, photography, scuba diving and wildlife observation. Visitor use figures for Kachemak Bay State Park are hard to determine, and are incomplete, but annual visitor use day counts taken during periods from 1982 to 1989 range from 21,444 (seven-month period in 1982) to 27,134 (four-month period in 1987). A visit to the bay on any summer day makes it obvious that the park is one of the most heavily used recreational areas in southcentral Alaska.

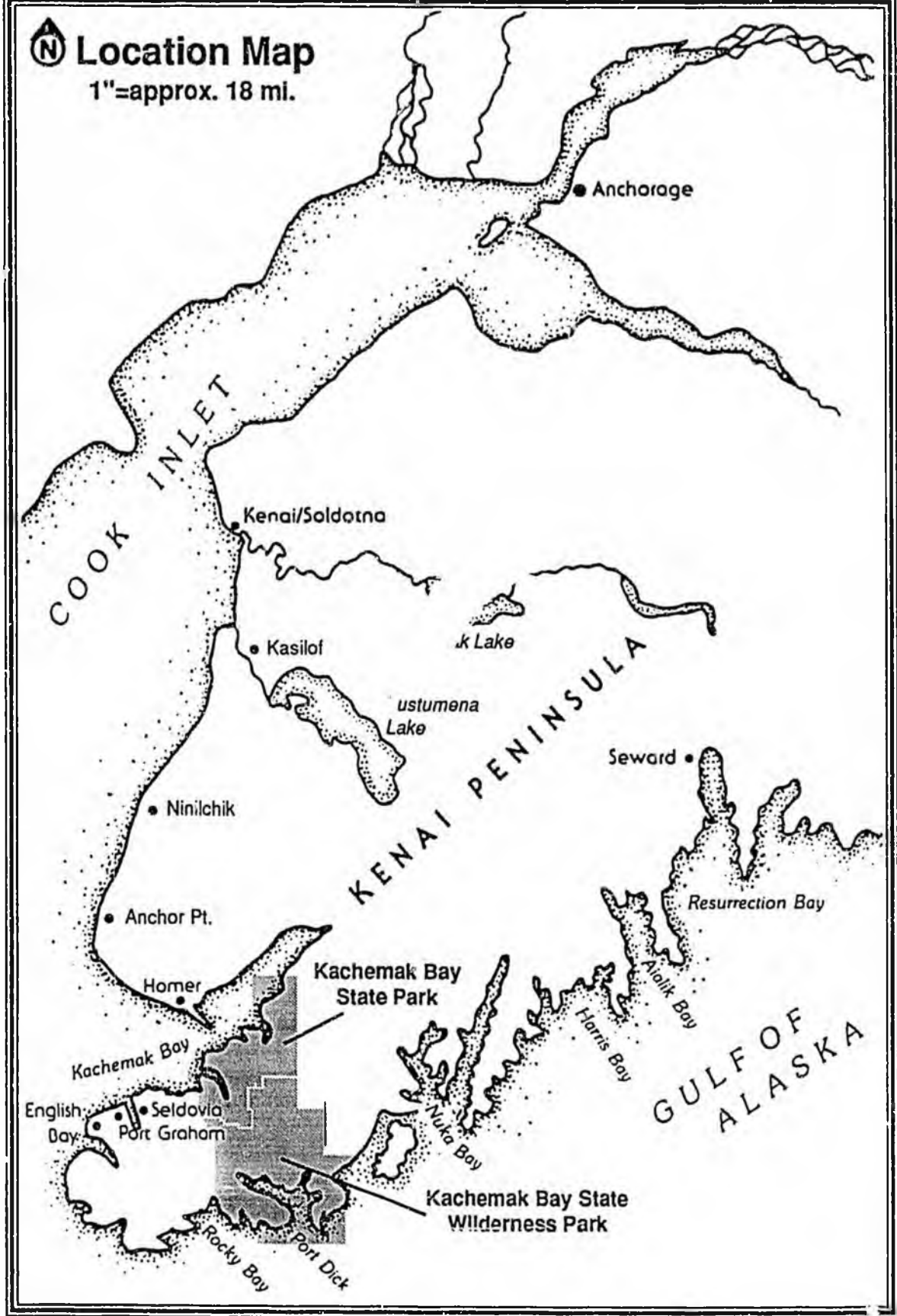
Since many beach areas provide firewood, tent sites, and occasional drinking water, they are important focal points for recreational activities, including picnicking, camping and hiking. Many of the existing trailheads in the park (see Fig. 2) are located on beaches, and thus are entry points for other upland activities - hunting, backpacking, mountaineering and skiing. As the trail system improves, backpacking is becoming more popular, and improved access has spurred an increase in mountaineering and skiing on the park's many snowfields and glaciers.

Natural fish runs, combined with Dept. of Fish & Game enhancement programs, provide fishing opportunities that attract large numbers of both sport and commercial fishermen to Kachemak Bay waters.



N Location Map

1"=approx. 18 mi.



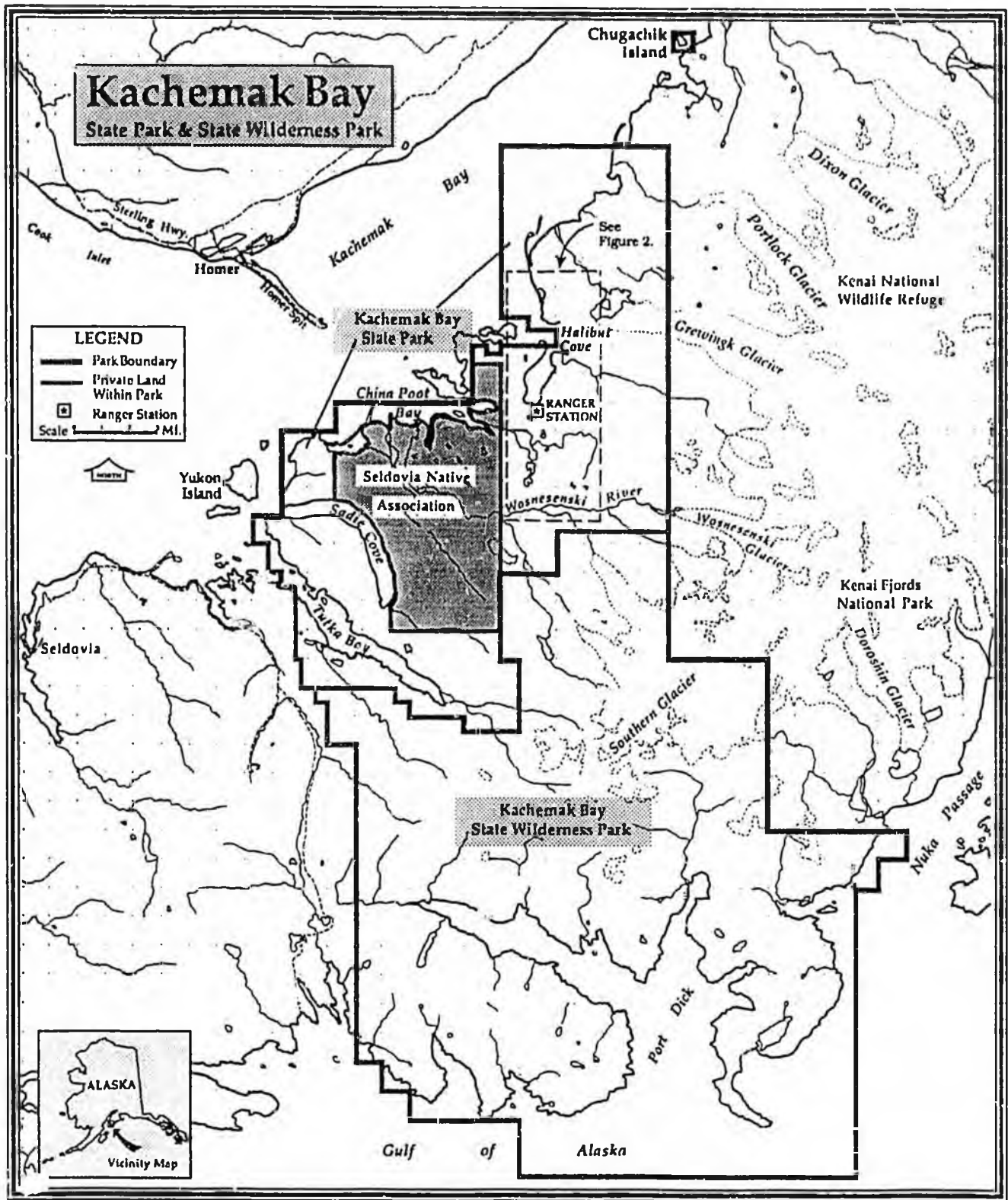


Figure 1.

S B

542

FIRST COMMITTEE OF REFERRAL

DATE: 4/3/90

FURTHER: Finance

Date of 5-Day Notice: 4/5/90
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 5/10/90

L & C

Committee considered

SB 542

Including employment of officials at certain amateur sports events for coverage under the Employment Security Act; efd.

and recommended:

- replace with _____ CS _____ same title
- attached amendment(s) new title
- _____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

ATTACHES NEW FISCAL NOTE(S):

Department(s)/Date:

Department(s)/Date:

fiscal note(s) _____

zero fiscal note(s) _____

appropriation-no fiscal note

Governor's bill w/fiscal note

SIGNING DO PASS:

[Handwritten signatures]

OTHER RECOMMENDATIONS:

[Handwritten signature]
Chair: Signature and Recommendation

STATE OF ALASKA
1990 LEGISLATIVE SESSION

BILL VERSION: SB 542
PUBLISH DATE: 4/3/90

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Labor
Title: "An Act including employment of
officials at amateur sports events for coverage..." BRU: Employment Security
Sponsor: Rules Committee Components: Employment Services
Requestor: Governor Youth Employment Services
Unemployment Insurance

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND&STRUCTURES						
GRANTS,CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

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

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Note: There is no fiscal impact in FY90.

(see attached)

Prepared by: Judy Knight, Deputy Director Phone: 465-2711
Division: Employment Security Date: 4/2/90
Approved by Commissioner: Jim Sampson Date: 4/2/90
Agency: Department of Labor

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

Fiscal Note Analysis
for

"An Act including employment of officials at amateur sports events..."

AS 23.20.526(a)(23) excludes sports officials at amateur sporting events from coverage under the Employment Security Act for unemployment insurance. This exclusion presents an issue with the requirements of section 3304(a)(6)(A) of the Federal Unemployment Tax Act.

Conformity proceedings against Alaska are presently pending. A final ruling by the U.S. Department of Labor that Alaska's law is out of conformity with federal law carries the penalty of loss of FUTA credit to all Alaska's employers (5.4 percent of the first \$7,000 of wages for each employee). Additional sanctions would be the loss of federal administrative funds for Employment Services (including Youth Employment Services) and Unemployment Insurance programs as well as federal program funds for Title III, Job Training Partnership Act.

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

April 3, 1990

The Honorable Tim Kelly
President of the Senate
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Mr. President:

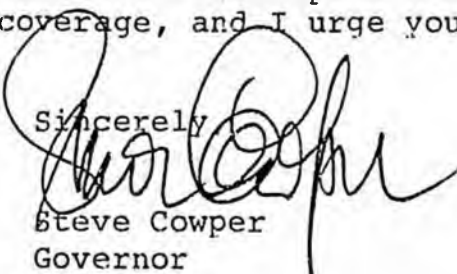
Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that removes the exclusion of officials at amateur sports events from unemployment insurance.

In the final hours of the 1989 legislative session, SCS CSHB 147(L&C) was amended to exclude those officials from unemployment insurance. (Ch. 100, SLA 1989.) Section 26 of the final bill amended AS 23.20.526(a) by adding a new paragraph (23) to the list of exclusions. The U.S. Department of Labor (USDOL) subsequently advised the Alaska Department of Labor that this provision creates an issue of conformity with federal law.

The Federal Unemployment Tax Act (FUTA) requires that all employees of government entities and nonprofit organizations be covered for unemployment insurance. Therefore, the exclusion of sports officials working for a government or nonprofit entity presents an issue of noncompliance with the requirements of sec. 3304(a)(6)(A) of FUTA.

Conformity proceedings against Alaska are presently pending. A final ruling by the USDOL that Alaska's law is out of conformity with FUTA carries the penalty of loss of FUTA credit to all Alaska's employers (5.4 percent of the first \$7,000 of wages), plus the loss of administrative money for our employment security division (which is federal money) and Job Training Partnership Act, Title III money. To avoid these punitive measures, I recommend repeal of the 1989 provision that excludes sports officials from unemployment insurance coverage, and I urge your early passage of this bill.

Sincerely,


Steve Cowper
Governor

SENATE BILL 542 - SPORTS OFFICIAL - U.I. BENEFITS

Senate Bill 542, introduced at the request of the Governor, repeals a provision that excludes sports officials from unemployment insurance coverage.

In the final hours of the 1989 legislative session, legislation was amended to exclude those officials from unemployment insurance. The U.S. Department of Labor subsequently advised the Alaska Department of Labor that this provision creates an issue ^{of} conformity with federal law.

The Federal Unemployment Tax Act (FUTA) requires that all employees of government entities and nonprofit organizations be covered for unemployment insurance. Therefore, the exclusion of sports officials working for a government or nonprofit entity presents an issue of noncompliance with the requirements of FUTA.

Conformity proceedings against Alaska are presently pending. A final ruling that Alaska's law is out of conformity with FUTA carries severe penalties. To avoid these punitive measures, it is necessary to repeal the 1989 provision which excludes sports officials from unemployment insurance coverage. I recommend passage of SB 542.

ADDITIONAL INFORMATION

1. The possible penalty includes ---
 - a) loss of FUTA credit to all Alaska's employers (5.4 percent of the first \$7,000 of wages)
 - b) loss of administrative money for our employment security division
 - c) loss of administrative money for the Job Training Partnership Act, Title III money

Sec. 23.20.526. Exclusions from definition of "employment".

(a) In this chapter, unless the context otherwise requires, "employment" does not include

(1) domestic service in a private home, except as provided in AS 23.20.525(a)(15);

(2) newsboys' services in selling or distributing newspapers on the street or from house to house;

(3) service not in the course of the employing unit's trade or business performed in a calendar quarter by an individual, unless the cash remuneration paid for the service is \$50 or more and the service is performed by an individual who is regularly employed by the employing unit to perform the service; an individual is here considered to be regularly employed to perform service not in the course of an employing unit's trade or business during a calendar quarter only if the individual performs the service for some portion of the day on each of some 24 days during the quarter or during the preceding calendar quarter.

(4) service performed by an individual in the employ of the individual's son, daughter, or spouse, and service performed by a child under the age of 18 in the employ of the child's father or mother;

(5) service with respect to which unemployment insurance is payable under an unemployment insurance program established by an Act of Congress;

(6) service performed in the employ of a foreign government including service as a consular or other officer or employee or a nondiplomatic representative;

(7) service performed in the employ of an instrumentality wholly owned by a foreign government if

(A) the service is of a character similar to that performed in foreign countries by employees of the United States government or its instrumentalities; and

(B) the department finds that the United States Secretary of State has certified to the United States Secretary of the Treasury that the foreign government, with respect to whose instrumentality exemption is claimed, grants an equivalent exemption with respect to similar service performed in the foreign country by employees of the United States government and its instrumentalities;

(8) service performed by an insurance agent, insurance solicitor, a real estate broker, a real estate salesman or a securities salesman to the extent the person is compensated by commission, unless the service is required to be covered under the Federal Unemployment Tax Act as amended.

(9) notwithstanding AS 23.20.525(a)(11), service performed by an officer or member of the crew of an American vessel on or in connection with the vessel, if the operating office, from which the operations of the vessel operating on navigable waters inside or inside and out-

side the United States are ordinarily and regularly supervised, managed, directed and controlled, is outside this state;

(10) service performed on or in connection with a vessel not an American vessel by an individual if the individual performed service on and in connection with the vessel when outside the United States;

(11) service performed in the employ of the United States government or an instrumentality of the United States exempt under the Constitution of the United States from the contributions imposed by this chapter, except that to the extent that the Congress of the United States permits states to require an instrumentality of the United States to make payments into an unemployment fund under a state employment security law, all of the provisions of this chapter apply to the instrumentalities, and to service performed for the instrumentalities in the same manner, to the same extent, and on the same terms as to all other employers, employing units, individuals, and service; however, if this state is not certified for any year by the Secretary of Labor under 26 U.S.C. 3304(c) (Federal Unemployment Tax Act, Internal Revenue Code), the payments required of the instrumentalities with respect to the year shall be refunded by the department from the fund in the same manner and within the same period as is provided in AS 23.20.225 with respect to contributions erroneously collected;

(12) service performed in the employ of another state, or political subdivision of another state, or an instrumentality of another state or political subdivision which is wholly owned by another state or its political subdivision, or a service performed in the employ of an instrumentality of another state or its political subdivisions to the extent that the instrumentality is, with respect to the service, exempt under the Constitution of the United States from the tax imposed by 26 U.S.C. 3301 (Federal Unemployment Tax Act, Internal Revenue Code);

(13) service performed in the employ of an international organization;

(14) service covered by an election approved by the agency charged with the administration of any other state or federal employment security law, in accordance with an arrangement under AS 23.20.090(a) during the effective period of the election;

(15) service performed by an individual in agricultural labor, except as provided in AS 23.20.525(a)(16); the term "agricultural labor" means remunerated service

(A) on a farm, in the employ of any person in connection with cultivating the soil, or in connection with raising or harvesting any agricultural or horticultural commodity, including the raising, shearing, feeding, caring for, training, and management of livestock, bees, poultry, and fur-bearing animals and wildlife;

(B) in the employ of the owner or tenant or other operator of a farm, in connection with the operation, management, conservation, im-

provement, or maintenance of the farm and its tools and equipment, or in salvaging timber or clearing land of brush and other debris left by a hurricane, if the major part of the service is performed on a farm;

(C) in connection with the production or harvesting of any commodity defined as an agricultural commodity in 12 U.S.C. 1141j (§ 15(g), Agricultural Marketing Act), as amended, or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways, not owned or operated for profit, used exclusively for supplying and storing water for farming purposes;

(D) in the employ of the operator of a farm in handling, planting, drying, packing, packaging, processing, freezing, grading, storing or delivering to storage or to market or to a carrier for transportation to market, in its unmanufactured state, any agricultural or horticultural commodity; but only if the operator produced more than one-half of the commodity with respect to which the service is performed except as stated in (b) of this section;

(E) in the employ of a group of operators of farms, or a cooperative organization of which the operators are members, in the performance of service described in (D) of this paragraph, but only if the operators produced more than one-half of the commodity with respect to which the service is performed;

(F) on a farm operated for profit if the service is not in the course of the employer's trade or business;

(16) *[Repealed, § 25 ch 122 SLA 1977.]*

(17) service performed after December 31, 1971, by nurses, technicians, and other professional employees of hospitals no part of the net earnings of which inures to the benefit of a private shareholder or individual, unless the service is required to be covered under the Federal Unemployment Tax Act;

(18) *[Repealed, § 25 ch 122 SLA 1977.]*

(19) *[Repealed, § 80 ch 9 SLA 1980.]*

(20) service performed by an individual on a boat engaged in catching fish or other forms of aquatic animal life under an arrangement with the owner or operator of that boat under which

(A) that individual does not receive any cash remuneration except as provided in (B) of this paragraph;

(B) that individual receives a share of the boat's, or the boats' in the case of a fishing operation involving more than one boat, catch of fish or other forms of aquatic animal life or a share of the proceeds from the sale of that catch; and

(C) the amount of that individual's share depends on the amount of the boat's, or the boats' in the case of a fishing operation involving more than one boat, catch of fish or other forms of aquatic animal life; but only if the operating crew of that boat, or each boat from which the individual receives a share in the case of a fishing operation involving more than one boat, is normally made up of fewer than 10 individuals;

(21) service performed as a prospective or impaneled juror in a court;

(22) service performed for a corporation by an employee of the corporation if

(A) the corporation is incorporated under AS 10.06;

(B) the corporation is not a government corporation; and

(C) the employee is an executive officer of the corporation;

(23) service performed as an official at an amateur sports event.

(b) Notwithstanding any other provision of this section, the provisions of (a)(15)(D) and (E) of this section are not applicable to service performed in connection with commercial canning or commercial freezing or in connection with any agricultural or horticultural commodity after its delivery to a terminal market for distribution for consumption.

(c) In (a)(15) of this section, "farm" includes stock, dairy, poultry, fruit, fur-bearing animal, and truck farms, plantations, ranches, nurseries, ranges, greenhouses or other similar structures used primarily for the raising of agricultural or horticultural commodities, and orchards.

(d) For the purposes of AS 23.20.525(a)(4) — (6) and (14), the term "employment" does not apply to service performed

(1) by a duly ordained, commissioned, or licensed minister of a church in the exercise of the person's ministry or by a member of a religious order in the exercise of duties required by the order;

(2) in a facility conducted for the purpose of carrying out a program of rehabilitation for individuals whose earning capacity is impaired by age or physical or mental deficiency or injury or providing remunerative work for individuals who, because of their impaired physical or mental capacity, cannot be readily absorbed in the competitive labor market by an individual receiving the rehabilitation or remunerative work;

(3) as part of an unemployment work-relief or work-training program assisted or financed in whole or in part by any federal agency or any agency of a state or political subdivision of the state, by an individual receiving work relief or work training;

(4) for a state hospital by an inmate of a prison or correctional institution;

(5) in the employ of a school, college, or university, if the service is performed by a student who is enrolled and is regularly attending classes at the school, college or university;

(6) by an individual under the age of 22 who is enrolled at a non-profit or public educational institution which normally maintains a regular faculty and curriculum and normally has a regularly organized body of students in attendance at the place where its educational activities are carried on as a student in a full-time program, taken for credit at the institution, which combines academic instruc-

S B

543

SENATE COMMITTEE REPORT

DATE: 4/20/90

FURTHER: Finance

DATE TURNED INTO OFFICE: 5/1/90

Labor & Commerce

Committee considered

SB 543

Authorizing the Alaska Industrial Development and Export Authority to issue bonds for an aircraft maintenance facility located at the Anchorage International Airport; granting the authority an exemption from the state procurement code for contracts relating to airports; efd.

and recommended:

- replace with _____ CS SB543 (L+C) same title
- or adopt _____ CS _____ new title
- attached amendment(s) technical title change (HB only)
- _____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

ATTACHES NEW FISCAL NOTE(S):

fiscal note(s) _____ Dept/Date: _____

zero fiscal note(s) _____ Dept of Commerce 4/2/90

appropriation-no fiscal note

APPROVES PREVIOUS:

fiscal note(s) _____ Dept/Date: _____

zero fiscal note(s) _____

Governor's bill w/fiscal note

SIGNING DO PASS:

Patricia Rodery
J. K. ...

OTHER RECOMMENDATIONS:

William ...
Chair: Signature and Recommendation

SENATE BILL 543 - AIRCRAFT MAINTENANCE FACILITY

Senate Bill 543 provides the necessary authorization for the Alaska Industrial Development and Export Authority to issue bonds to finance the acquisition, design, and construction of a multi-bay aircraft maintenance facility to be located at the Anchorage International Airport.

Currently, few facilities exist in the State to handle major and minor maintenance of the commercial jet aircraft that serve the State. Instead, most aircraft maintenance is conducted out of the state. An aircraft maintenance facility in Alaska would create jobs for Alaskans and could strengthen Alaska's role as an international air crossroads at a time when overflights are reducing some of Alaska's international passenger flights. The facility could also make maintenance activities more convenient for interstate and intrastate airlines by locating a maintenance base at the same airport through which many of the aircraft are routed.

The Senate Labor and Commerce Committee Substitute added sections 3 and 4 which modify AIDEA's current statute to facilitate this project. This aircraft maintenance facility will be an asset to the State and I recommend passage of Senate Bill 543.

ADDITIONAL INFORMATION

1. The Maintenance facility would include an enclosed hangar and associated support shops, and an aircraft parking apron for outdoor maintenance and equipment staging.
2. Currently while no major airlines have committed to lease the facility, both Alaska Airlines and Federal Express have officially notified AIDEA of their interest. SB 543 will give AIDEA the ability to move quickly to finance the facility once negotiations for leases with potential users are successfully concluded.
3. Sec. 2 contains an exemption from the state procurement code (AS 36.30). This exemption would give airport projects owned by AIDEA the same treatment under the state procurement code afforded to the Department of Transportation and Public Facilities. Airports projects are specialized facilities that must be tailored to industry standards.
5. Sections 3 and 4 are from HB 123 which are necessary to allow the aircraft maintenance facility to proceed.
6. Sec. 3 establishes the scope of the revolving fund. The revolving fund is currently made up of two separate accounts: the Enterprise Development Account where loans are originated and financed through banks, and the Economic Development Account designated for major development projects. The additions allow the Authority to create additional accounts within the unrestricted accounts of the revolving fund, and transfer monies between accounts subject to bond-holder agreements. The investment powers are moved into the revolving fund, allowing it to function as the general fund and be invested in accordance with Title 37.
7. Sec. 4 is a conforming change. The deletion in this section is in conjunction with the changes in Section 3 and moves the investment powers limitation into the revolving fund as opposed to applying only to an account within the fund.
8. AS 44.88.172(b) is deleted as the CS sets up a revolving fund and all accounts become part of the revolving fund.

**AIRCRAFT MAINTENANCE FACILITY
ANCHORAGE INTERNATIONAL AIRPORT**

I. PROJECT DESCRIPTION

The Alaska Industrial Development and Export Authority (AIDEA) has agreed to explore with the Alaska International Airport System (AIAS), Federal Express, Alaska Airlines and other airlines the feasibility of developing an aircraft maintenance facility at Anchorage International Airport. Contacts within the airline industry indicate there is a need for a maintenance facility to serve both widebody and narrowbody aircraft.

II. PROJECT SCOPE

The maintenance facility would include an enclosed hangar and associated support shops, and an aircraft parking apron for outdoor maintenance and equipment staging. The final scope would be subject to negotiations with facility users.

III. COST ESTIMATE

Preliminary cost estimates range from \$25 million to \$50 million, depending on the number of users and their requirements. In addition, up to \$8 million would be required for site preparation, an aircraft parking apron, and a possible taxiway extension.

Financing of the facility would be through the issuance of AIDEA debt backed and financial guarantees secured from the airlines that will use the facility.

IV. DEVELOPMENT SCHEDULE

The project development sequence is as follows:

- Phase I - Obtain Airline consensus and commitments.
- Phase II - Design development, permitting, and financing.
- Phase III - Construction

Phases I and II are expected to be complete in 1990 and early 1991 with construction (Phase III) activities scheduled to start during mid to late 1991.

V. OPTIONS FOR FACILITY USE, OWNERSHIP, AND OPERATION

There are a wide variety of options for use, ownership, and operation of the maintenance facility. Private sector users could include either airlines, nonairline users such as Boeing Co., or perhaps a consortium of users. Public sector ownership by AIDEA will be advantageous because of the financial benefits of tax exempt financing.

Options for operation include:

- a) operation by a single airline such as Federal Express, Alaska Airlines, or another airline;
- b) operation by multiple airlines who lease parts of the facility; or
- c) operation by a third party nonairline operator.

VI. FACILITY NEEDS AND BENEFITS ANALYSIS

Anchorage and Fairbanks International Airports handle over 75,000 commercial aviation flights per year. Yet few facilities exist in the state to handle major and minor maintenance of the commercial jet aircraft that serve or transit the state. Instead, most aircraft maintenance is conducted in facilities in the lower 48 states.

- ° An aircraft maintenance facility in Alaska would create a high-tech industry and a new income source for Alaskans.
- ° The facility could strengthen Alaska's role as an international air cross roads at a time when overflights are reducing some of Alaska's international passenger flight.
- ° The facility would help to attract new international air carriers and solidify the presence of existing airlines by providing one of the basic support services that the international airlines need.
- ° The facility could also make maintenance activities more convenient for interstate and intrastate airlines by locating a maintenance base at the place from which many of their aircraft are operated.
- ° Approximately 125 construction jobs will be created by the project.
- ° Approximately 100 direct and indirect permanent jobs would be created as a result of the project.

H.B. 594

AIRCRAFT MAINTENANCE FACILITY
ANCHORAGE INTERNATIONAL AIRPORT

OPPORTUNITY

Anchorage and Fairbanks International Airports handle over 75,000 commercial aviation flights per year. Yet few facilities exist in the State to handle major and minor maintenance of the commercial jet aircraft that serve the State. Instead, most aircraft maintenance is conducted in facilities in the Lower 48 States.

An aircraft maintenance facility in Alaska would create jobs and income for Alaskans. The facility could strengthen Alaska's role as an international air crossroads at a time when overflights are reducing some of Alaska's international passenger flights. The facility would help to attract new international air carriers and solidify the presence of existing airlines by providing one of the basic support services that the international airlines need. The facility could also make maintenance activities more convenient for interstate and intrastate airlines ~~such as Alaska and Markair~~ by locating a maintenance base at the same place as many of their aircraft are operated.

DEVELOPMENT CONCEPT

The Alaska Industrial Development and Export Authority (AIDEA) has agreed to explore with the Alaska International Airport System (AIAS), Federal Express, Alaska Airlines and other airlines the feasibility for development of an aircraft maintenance facility at Anchorage International Airport. Initial contacts within the airline industry indicate that there is a need for a maintenance facility to serve both widebody and narrowbody aircraft.

● Project Scope

The maintenance facility would include an enclosed hangar and associated support shops, and an aircraft parking apron for outdoor maintenance and equipment staging. ~~A schematic drawing of one possible hangar concept is attached. This concept shows a 2-bay hangar capable of holding 3 aircraft at one time.~~ The final scope would be subject to negotiations with hangar users.

● Cost Estimate

Preliminary cost estimates range from \$25 million to \$50 million, with the final cost depending on the number of users and their requirements. In addition, up to \$8 million would be required for site preparation, aircraft parking apron, and possible taxiway extension.

• Ownership and Use Options

There are a wide variety of options for ownership and use of the maintenance facility. Private sector users could include either an airline or nonairline user, or perhaps a consortium of users. Public sector ownership by AIDEA will be advantageous because of the financial benefits of tax exempt financing.

Operation and use options include: (a) operation by a single airline such as Federal Express, Alaska Airlines, or another airline, (b) operation by multiple airlines who lease parts of the facility, or (c) operation by a third party nonairline operator.

STEVE COWPER
GOVERNOR



523

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

April 4, 1990

The Honorable Tim Kelly
President of the Senate
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the development of an aircraft maintenance facility at the Anchorage International Airport. This bill provides the authorization necessary for the Alaska Industrial Development and Export Authority (AIDEA) to issue bonds to finance the acquisition, design, and construction of a multi-bay aircraft maintenance facility. The facility will be owned by AIDEA.

The maintenance facility would include an enclosed hangar and associated support shops, and an aircraft parking apron for outdoor maintenance and equipment staging. An aircraft maintenance facility in Alaska would create jobs and income for state residents. The facility could strengthen the state's role as an international air crossroads at a time when overflights are reducing some of the state's international passenger flights. The facility would help to attract new international air carriers and solidify the presence of existing airlines by providing one of the basic support services that the international airlines need. The facility could also make maintenance activities more convenient for interstate and intrastate airlines by locating a maintenance base at the same airport through which many of the aircraft are routed.

While no major airlines have committed to lease the facility, both Alaska Airlines and Federal Express have officially notified AIDEA of their interest. This bill will give AIDEA the ability to move quickly to finance the facility once negotiations for leases with potential users are successfully concluded. Out of respect for a coordinate branch of state government, I am seeking the authorization required by AS 44.88.172(c) to issue bonds to finance the maintenance facility; I have been advised by the attorney general that I am not required to obtain this

approval because sec. 172(c) is of doubtful constitutional validity.

The bill also contains an exemption from the state procurement code (AS 36.30). This exemption would give airport projects owned by AIDEA the same treatment under the state procurement code afforded to the Department of Transportation and Public Facilities (DOT/PF). Under AS 36.30.850(b)(8), contracts relating to airports are exempt from the code. Airport projects are specialized facilities that must be tailored to industry standards. DOT/PF has learned that the primary users of airport facilities are eager to take responsibility for facilities that they will ultimately be required to use under the terms of a long-term financing lease. Such a transfer of responsibility not only assures a satisfied customer, it also shifts the responsibility from the state to the user for liability stemming from the implementation of the project.

The Alaska International Airport System will be submitting a separate budget amendment that will authorize the expenditure of up to \$8,000,000 in airport revenue for site development for the maintenance facility.

I urge you to pass this bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Cowper", written over the typed name below.

Steve Cowper
Governor

34

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: An Act relating to issuance of bonds and procurement of an Aircraft Maint.
 Sponsor: Rules Committee
 Requestor: Governor

Agency Affected: Commerce & Economic Dev.
BRU: Alaska Industrial Development and Export Authority
 Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
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)

Analysis is attached as page 2.

Prepared by: William R. Snell, Deputy Director - Development Phone: (907) 561-8050
 Division: Alaska Industrial-Development and Export Authority Date: 4/2/90

Approved by Commissioner: Larry Mercier Date: 4/2/90
 Agency: Department of Commerce & Economic Development

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

LW/dg16663D/0402

Fiscal note - Analysis

ANALYSIS

Section 1 of this bill would give AIDEA the authority to issue up to \$50 million in bonds for the acquisition, design and construction of a multi-bay aircraft maintenance facility located at Anchorage International Airport to be owned by the authority.

Preliminary cost estimates range from \$25 million to \$50 million, with the final cost depending on the number of users and their requirements.

o Development Schedule

The project development sequence is as follows:

- Phase I - obtain airline consensus and commitments
- Phase II - design development and permitting
- Phase III - construction

It is expected that Phases I and II would be completed in 1990 and Phase III in 1991.

Section 2 of this bill would exempt AIDEA from the competitive bidding requirements of the state procurement code (AS 36.30) for contracts related to airport construction. The exemption would give the project the same status under the procurement code as other airport projects undertaken by the Department of Transportation and Public Facilities (see AS 36.30.850(b)(8)).

This would allow the delegation to users the responsibility for the design and construction facilities that are intended for a special airport use. This approach recognizes that the state and primary users are partners in the project and that the facility should be designed with the special needs of the user in mind. The state also benefits by extracting indemnification from the user for any liability related to the performance under the delegation.

No separate legislative appropriation is required for AIDEA to issue the revenue bonds; therefore, the fiscal note is zero.

PROJECT TITLE: AIAS DEVELOPMENT FUND

FISCAL YEAR 1991

REGION: A1

LOCATION: STATEWIDE

COMPLETION DATE:

ELECTION DISTRICT: 99

APPROPRIATION TO: DOT&PF

WORK TYPE:

PROGRAM: AVINTL

FUNDING	CAPITAL REQUEST	OPERATING COSTS	NEW POSITIONS (PFT)
1002 FEDERAL RECEIPTS:			
1003 GENERAL FUND MATCH:			0
1004 GENERAL FUND:		\$0.0
1005 PROGRAM RECEIPTS:		
1007 INTER-AGENCY RECEIPTS:			
1026 HWCF:			
1027 IARF:	\$8,000.0		
1061 CIP RECEIPTS:			
OTHER FUND:			
TOTALS:	\$8,000.0		

****PROJECT DESCRIPTION:**

DEVELOPMENT FUNDS WILL BE USED TO STIMULATE NEW PRIVATE SECTOR DEVELOPMENT AT ANCHORAGE AND FAIRBANKS INTERNATIONAL AIRPORTS. FUNDS WILL BE USED FOR DESIGN AND CONSTRUCTION OF BASIC SITE PREPARATIONS AND LAND IMPROVEMENTS INCLUDING, BUT NOT LIMITED TO, EXCAVATION AND BACKFILL OF LEASELOTS, UTILITIES, RAMP, TAXIWAY, ACCESS ROAD DEVELOPMENT, VEHICLE PARKING AREAS, LOT DRAINAGE, AND SECURITY FENCING. PRIVATE DEVELOPMENTS MAY INCLUDE SUCH FACILITIES AS AIRCRAFT FACILITIES, CARGO STORAGE AND HANDLING, AIRCRAFT PARKING AND REFUELING AND OTHER PRIVATE DEVELOPMENTS.

****PROJECT JUSTIFICATION:**

THE AIAS HAS HAD EXPRESSIONS OF INTEREST FROM A NUMBER OF TENANTS FOR MAJOR NEW DEVELOPMENTS AT ANCHORAGE AND/OR FAIRBANKS INTERNATIONAL AIRPORTS. DEVELOPMENT FUNDS ARE NEEDED TO RESPOND QUICKLY TO AIRPORT TENANT NEEDS FOR CONSTRUCTION OF SITE IMPROVEMENTS, SUCH AS WAS PROVIDED TO FEDERAL EXPRESS IN 1989 AND 1990. IF THE AIAS IS UNABLE TO RESPOND QUICKLY TO TENANT NEEDS, THE PROPOSED DEVELOPMENT MAY NOT OCCUR OR IT MAY OCCUR AT ANOTHER AIRPORT OUTSIDE ALASKA. THE ABOVE FUNDING AMOUNT HAS BEEN DETERMINED BASED ON INFORMATION FROM COMPANIES WHO HAVE INDICATED THEIR INTEREST IN DEVELOPMENT AT AIAS IN FY 91.

AIAS Budget amendment

Original sponsor(s): Rules/Governor

1 IN THE SENATE

BY THE LABOR & COMMERCE COMMITTEE

2 CS FOR SENATE BILL NO. 543 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act authorizing the Alaska Industrial Development
7 and Export Authority to issue bonds for an aircraft
8 maintenance facility located at the Anchorage Inter-
9 national Airport; relating to the accounts of the
10 authority and the financing of development projects
11 by the authority; granting the authority an exemption
12 from the State Procurement Code for contracts relat-
13 ing to airports; and providing for an effective
14 date."

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

16 * Section 1. The Alaska Industrial Development and Export Authority may
17 issue bonds to finance the acquisition, design, and construction of a
18 multi-bay aircraft maintenance facility located at Anchorage International
19 Airport, to be owned by the authority. The principal amount of the bonds
20 may not exceed \$50,000,000. This section grants the legislative approval
21 required by AS 44.88.090 and 44.88.172(c).

22 * Sec. 2. AS 36.30.850(b)(8) is amended to read:

23 (8) acquisitions or disposals of property or other con-
24 tracts relating to airports under AS 02.15.070, 02.15.090, [AND]
25 02.15.091, and AS 44.88;

26 * Sec. 3. AS 44.88.060 is amended to read:

27 Sec. 44.88.060. ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AU-
28 THORITY REVOLVING FUND. The Alaska Industrial Development and Export
29 Authority revolving fund is established in the authority. The

1 revolving fund consists of appropriations made to the revolving fund
2 by the legislature, money or other assets transferred to the revolving
3 fund by the authority, and unrestricted payments on loans made or
4 purchased by the authority. Unless otherwise expressly stated, the
5 accounts created in this chapter are accounts in the revolving fund.
6 The authority may create additional accounts either in the revolving
7 fund or outside the revolving fund. Subject to agreements made with
8 the holders of the authority's bonds or with other persons, the
9 authority may transfer amounts in an account in the revolving fund to
10 another account in the revolving fund. Amounts deposited in the
11 revolving fund may be pledged to the payment of bonds of the authority
12 or expended for the purposes of the authority under this chapter. The
13 authority has the powers and responsibilities established in AS 37.-
14 10.071 with respect to the investment of amounts held in the revolving
15 fund.

16 * Sec. 4. AS 44.88.155(c) is amended to read:

17 (c) Money and other assets of the enterprise development account
18 may be used to secure bonds of the authority issued to finance the
19 purchase of loans for projects [AND SHALL BE HELD AND INVESTED BY THE
20 AUTHORITY IN ACCORDANCE WITH AS 37.10.071] or shall be used to pur-
21 chase loans for projects.

22 * Sec. 5. AS 44.88.172(b) is repealed.

23 * Sec. 6. This Act takes effect immediately under AS 01.10.070(c).
24
25
26
27
28
29

S B

551

SENATE COMMITTEE REPORT
FIRST COMMITTEE OF REFERRAL

DATE: 5/1/90

FURTHER:

(Under 24-hr rule)
~~Date of 5-Day Notice:~~ May 1, 1990
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 5/2/90

Labor and Commerce Committee considered SB 551

Relating to the investments of financial institutions.

and recommended:

- replace with _____ CS SB 551 (L+C) same title
- attached amendment(s) new title
- _____ letter of intent adopted
- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to _____

ATTACHES NEW FISCAL NOTE(S):

- | | |
|---|---|
| Department(s)/Date: | Department(s)/Date: |
| <input type="checkbox"/> fiscal note(s) _____ | <input checked="" type="checkbox"/> zero fiscal note(s) _____ |
| _____ | <u>Dept of Commerce 5/1/90</u> |
| _____ | <u>(for CSSB 551(L+C) and SB 551)</u> |
| <input type="checkbox"/> appropriation-no fiscal note | <input type="checkbox"/> Governor's bill w/fiscal note |

SIGNING DO PASS:

[Handwritten signatures]

OTHER RECOMMENDATIONS:

[Handwritten signature]

[Handwritten signature]
Chair: Signature and Recommendation

STATE OF ALASKA

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

P. O. BOX D
JUNEAU, ALASKA 99811-0800
PHONE: (907) 465-2500

April 30, 1990

Honorable Lloyd Jones
Alaska State Senate
P.O. Box V
Juneau, AK 99811

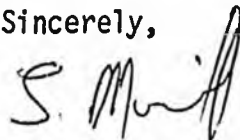
Attention Charlie Miller

Dear Senator Jones:

Re: A Senate Bill Entitled: "An Act relating to
the investments of financial institutions."

To our knowledge, the above-proposed legislation would only affect the program administered by the Division of Banking, Securities and Corporations, within the Department of Commerce and Economic Development.

Sincerely,



Larry Mercurieff
Commissioner

LM/WFK/mst1512m
043090a

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: Relating to the investments
of financial institutions
 Sponsor: Senate Transportation Committee
 Requestor: Senate Labor & Commerce

Agency Affected: Commerce & Economic Dev.
 BRU: Banking, Securities and
Corporations
 Components: Banking

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
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

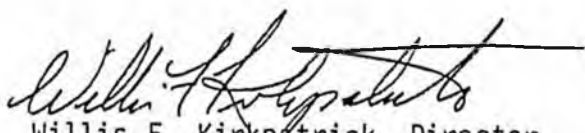
FUNDING: (Thousands of Dollars)

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)



Prepared by: Willis F. Kirkpatrick, Director Phone: 465-2521
 Division: Banking, Securities and Corporations Date: _____

Approved by Commissioner: Larry Mercurieff SM Date: 5/1/90
 Agency: Department of Commerce & Economic Development

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



**FIRST
BANK**

APR 27 1990

26 April 1990

Senator Lloyd Jones

Dear Lloyd:

I hate to bother you this late in the session with a request like this, and I am sure you hate to get letters that start like this, but we need some help.

What we need is a minor, technical amendment to the Alaska Banking Statutes to allow state chartered commercial banks to own stock in the Federal Home Loan Bank. More specifically, we need the language "or a Federal Home Loan Bank" added to paragraph (10) of subsection (a) of AS Sec. 06.05.270. Investments. I have attached a copy of the current statute with the appropriate section highlighted and the requested language written in. The Director of Banking, Willis Kirkpatrick, has told us that his department will support this change.

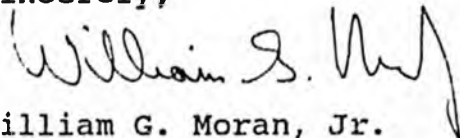
By way of background, the S & L bailout legislation known by the acronym FIRREA that was passed at the national level last fall contains a provision that allows commercial banks that meet certain qualifying asset tests to join the Federal Home Loan Bank system. However, membership in the system requires an investment in Federal Home Loan Bank stock. This is a common requirement for programs of this nature, and is the reason for the current section of State law that allows ownership of stock in a Federal Reserve Bank or the Federal National Mortgage Association.

We have several reasons why we want to join the Federal Home Loan Bank system, and why we think it will be of significant benefit to the communities we serve in Southeast Alaska. First of all, one of the primary functions of the FHLB is to finance and support the development of affordable housing for moderate and low-income families. There is no question of the need for programs of this nature in Southeast Alaska and the rest of the state. Second, the FHLB provides its members with extensive correspondent services that include providing reliable sources of short and long term funds at favorable rates, expanded residential lending opportunities, and an array of programs that improve opportunities for management of interest rate risk. In this regard, I have enclosed some supporting material that describes the benefits of membership in some detail.

I have sent this same letter to Representatives Robin Taylor and Cheri Davis. I apologize for bringing this matter up this late in the session and certainly understand that it may be too late to do anything this year. However, there shouldn't be any controversy associated with the proposed amendment, and if we can get it through this year we could start taking advantage of some of these programs this summer.

Thank you in advance for your consideration of this matter. Once you have had a chance to review this material, please let me know what your thoughts are.

Sincerely,

A handwritten signature in cursive script that reads "William G. Moran, Jr." The signature is written in dark ink and is positioned above the typed name.

William G. Moran, Jr.
President

Enclosures

Federal Home Loan Bank of Seattle

Profile

- Size:** \$10 billion
- Strength:** 7% capital to assets; Triple A rated by Moody's and S&P; Federal Agency status
- Profitability:** Dividends averaged 12.6% over last five years; 1990 dividends, under current FHLB System policy, will be approximately 100 basis points over Fed funds
- Mission:** Promote housing finance through services to community-based housing lenders
- Ownership:** Stock held by 101 member financial institutions
- Services Offered:**
- Fixed and variable rate credit up to 20 year terms; commitment programs enabling member to lock in rates up to six months
 - Interest rate swaps and caps
 - Letters of credit
 - Community Investment Fund (CIF), Affordable Housing Program loans, and other community investment programs
 - Overnight deposit accounts
 - Hard dollar interest bearing corporate demand accounts
 - Wire transfers
 - Certificate of deposits, 1 - 366 days
 - Securities safekeeping
 - Public funds collateral accounts
 - Retail check processing services
 - Official checks, money orders, cashier's checks
 - Federal Reserve settlement services
 - Management information services: financial services library, economic and financial research, deposit market share and other peer group reporting and seminars

Federal Home Loan Bank of Seattle
Organizational Structure

- Charter:

- One of twelve regional banks operating under federal charter. Privately owned by member financial institutions.

- Oversight Agency for FHLB Seattle and other eleven FHLBs:

- Federal Housing Finance Board (FHFB)

- FHLB of Seattle Board of Directors:

- Nine CEOs elected from member institutions
- Six public interest directors appointed by FHFB

(from AK Ed via Bottom AK Fed)

Balance Sheet
(\$ in millions)

	<u>12/31/89</u>	<u>12/31/88</u>
Advances (Member borrowings)	\$9,005	\$9,628
Cash & Investments	1,819	1,101
Other	110	113
Total Assets	\$10,934	\$10,842
Consolidated Obligations	\$9,074	\$9,067
Member Deposits	921	661
Other Liabilities	206	249
Total Liabilities	\$10,201	\$9,977
Equity	\$733	\$865

Affordable Housing

Finance Programs and Technical Assistance Services

FEDERAL HOME LOAN BANK OF SEATTLE

APRIL 1990

The Federal Home Loan Bank of Seattle is a private, wholesale bank serving lenders in the 12th District, which includes Alaska, Hawaii, Idaho, Montana, Oregon, Utah, Washington, Wyoming and the Territory of Guam. With assets of nearly \$10 billion, the FHLB of Seattle promotes housing finance by advancing mid- and long-term, triple-A rated credit to its member financial institutions. The FHLB of Seattle currently has advanced more than \$8 billion to housing lenders in the 12th District.

One important mission of the Bank is to finance and support the development of affordable housing for moderate- and low-income families in the 12th District. To meet this challenge, the Bank offers two specially priced advance programs to housing lenders, and provides an array of technical assistance services to financial institutions, local governments, and housing developers.

Advance Programs

The Bank's advance programs for affordable housing are the Community Investment Fund (CIF) and the Affordable Housing Program (AHP). Loans funded with CIF and AHP advances strengthen local communities and enhance lender compliance with the Community Reinvestment Act. Each one offers favorable interest rates on advances to member financial institutions that, in turn, are used to fund qualifying developments or home purchases. These programs are explained in detail on the following pages. Samples of housing developments funded by the CIF and the AHP are shown on the last page.

Technical Assistance

The Bank's Community Investment Officer provides technical assistance to financial institutions and community-based housing organizations that includes:

- Educational seminars on underwriting affordable housing and community investment loans;
- Conferences on the Community Reinvestment Act, often co-sponsored by federal financial regulators;
- *Solutions*, a quarterly newsletter addressing technical issues in community investment lending;
- Selected information on local housing markets, including properties in the Resolution Trust Corporation's (RTC) affordable housing inventory; and
- The Affordable Housing Clearinghouse to disseminate information to financial institutions about specific lending opportunities in affordable housing and community development.

For information about any of these programs or activities, please call:

Judith C. Chaney
Community Investment Officer
(206) 340-8737

Federal Home Loan Bank of Seattle CORRESPONDENT

VOL. 4, NO. 1

MARCH 1990

First Commercial Bank Joins FHLB

The Federal Home Loan Bank of Seattle has had the first commercial bank join its membership since the passage of FIRREA, which opened the door to commercial bank and credit union membership.

The National Bank of Bremerton, a \$24 million asset community bank in Bremerton, Washington is the first of two

commercial banks to join the FHLB system nationwide.

According to Ed Sheldon, the president of National Bank of Bremerton, "We believe that FHLB membership gives us increased options and will enable us to serve our customers better."

Under FIRREA, membership eligibility in the FHLB system

was expanded to include credit unions and commercial banks having a minimum of 10 percent of their total assets in residential mortgage loans.

National Bank of Bremerton's "pioneering" paves the way for future membership recruitment. Gary Martin, FHLB Marketing Officer, is responsible for generating new membership in the Seattle FHLB. ✪

New TB-13 Analysis

The Bank's Investment Banking Services Group, headed by Senior Vice President Pat McJoynt, announced a new product offering recently: TB-13 Analysis. No, TB-13 is not a new form of tuberculosis, but it's focus (interest rate risk) can be equally life threatening for some institutions.

The Office of Thrift Supervision's Thrift Bulletin 13 re-

quires all institutions to implement a formalized quarterly review of interest rate risk exposure. The new TB-13 Analysis is designed to be an effective, reasonably priced management tool. It not only provides information needed to comply with TB-13, but also furnishes detailed analysis for active management of interest rate risk exposure.

With TB-13 Analysis, you receive a quarterly report which shows both changes in net interest income and the market value of your portfolio equity in rising and falling interest rate environments. The report is customized to your institution, and you receive an additional packet showing peer group averages for comparison purposes.

Timeliness of the information is important, so your quarterly TB-13 reports will be mailed to you no later than fifteen working days after your Thrift Financial Report is "clean."

Our TB-13 Analysis is available at a very reasonable cost to your institution. The first report is \$500, and \$450 for each quarter thereafter. Subscriptions to this service may be charged to your FHLB Demand Account.

If you would like to subscribe to or request additional information about the Bank's TB-13 Analysis, feel free to call John Zmolek at (206) 340-2472 or Robin Hyerstay at (206) 340-2471 in the Investment Banking Services Group. ✪

In This Issue:

<i>Correspondent</i>	
CLOSE UP	2
Paper-work	2
Reporting Repos	3
FOI Disks	3
Check Specs	4

Making Housing Affordable

Ed. Note: The last issue of The Correspondent featured an article on our Community Investment Fund (CIF) advances. The Seattle FHLB has set aside \$250 million for this specially priced credit program for financing affordable housing and community development in the 12th District.

Continuing our focus on housing finance, this issue highlights the Affordable Housing Program.

What is the Affordable Housing Program?

The Affordable Housing Program is a Congressionally mandated program to make available credit, at below market rates, for the purchase, construction or rehabilitation of affordable housing.

How does it work?

The Affordable Housing Program, as established by FIRREA, requires each Federal Home Loan Bank to set aside 5% of its net income to subsidize advances to members who make loans on qualifying projects. The Federal Home Loan Bank of Seattle will have approximately \$4.066 million available for interest rate subsidies in 1990.

By 1995 the contribution will increase to 10% of our net income. The contribution is the total amount of the interest rate subsidy we'll be providing to our members on advances for funding affordable housing, not the total advances available.

Advances will be made to members at 200 to 500 basis points below standard advance rates. The maximum spread allowed the lender is 200 basis points, but normal fees may be charged.

How do I know if a project qualifies?

Advances subsidized through the Affordable Housing Program can be used to fund the purchase, construction, or rehabilitation of single or multi-family housing. In order to qualify, the homebuyers' income must not exceed 80% of area median income, or in the case of rental properties, a project must have at least 20% of the units set aside for very low-income families. All projects are approved by Judith Chaney, Community Investment Officer.

How can the FHLB help me promote the availability of these loans in my community?

The Board of Directors of each FHLB has appointed an Advisory Council from community-based housing organizations in its states. The Advisory Council meets quarterly and its responsibilities include: reviewing program policies, marketing the program to qualifying organizations, and sharing information on housing needs in their states.

The first Advisory Council meeting was held in early January. The Council recommended establishing specific amounts of the subsidy to be set aside for each state and for rural areas of Washington and Oregon. If the state set aside is not committed by September 30, 1990, the funds will be available to qualifying projects located elsewhere in the district.

My institution has enough liquidity. Can I still participate in the Affordable Housing Program if I don't borrow from the Bank?

Yes. Members who choose not to borrow from the FHLB may participate in the Affordable Housing Program by originating mortgages at below-market interest rates and completing an interest-rate swap with the Bank.

Who regulates the Affordable Housing Program?

The Affordable Housing Program is subject to regulation by the Federal Housing Finance Board, and the regulations should be available soon. These regulations will determine application and reporting requirements.

How can I apply?

We expect that the first applications will be due in early May, and we're requesting letters of interest from members and non-profit housing developers now. For more information on how the Affordable Housing Program can benefit your community, please contact Judith Chaney, Community Investment Officer at (206) 340-8737, or Kimberly Jenkins, Housing Analyst at (206) 340-8702. ✽

MAY 2 1990

05/02/90

11:43

KEY BANK AK.

NO. 004

002

Key Bank of Alaska

A KeyCorp Bank

101 West Benson Boulevard
Post Office Box 100420
Anchorage, Alaska 99510-0420
(907) 564-0280



Michael J. Burns
President and
Chief Operating Officer

May 2, 1990

The Honorable Lloyd Jones
Alaska State Legislature
P. O. Box V
Juneau, Alaska 99811

Dear Senator Jones:

As Legislative Chairman of the Alaska Bankers' Association, I am pleased to inform you that at today's meeting the Association enthusiastically and unanimously voted to support SB 551, "Investments of Financial Institutions."

If you have any questions regarding the Association's position, please feel free to contact either Wes Coyner or me directly.

Sincerely,

Michael J. Burns
Chairman
Alaska Bankers Association

MJB:jr

Sec. 06.05.005. General powers of department. The department may

(1) implement by regulation any provision of this chapter, and define any term not defined in this chapter, but a regulation may not conflict with any law;

(2) restrict the withdrawal of deposits from a state bank where the department finds that extraordinary circumstances make restriction necessary for the proper protection of the depositors;

(3) authorize a state bank

(A) to participate in a public agency created under the laws of this state or of the United States, for the purpose of affording advantages or safeguards to banks or to depositors and to comply with all requirements and conditions imposed upon such participants;

(B) *[Repealed, § 54 ch 169 SLA 1978.]*

(4) *[Repealed, § 54 ch 169 SLA 1978.]* (§ 2.104 A ch 129 SLA 1951; am § 1 ch 157 SLA 1970; am § 54 ch 169 SLA 1978)

Cross references. — For other powers of the department, see AS 06.01.020 and 06.01.030.

Collateral references. — 10 Am. Jur. 2d, Banks, § 1 et seq.
9 C.J.S. Banks and Banking § 1 et seq.

Sec. 06.05.010. Notice and hearing. *[Repealed, § 54 ch 169 SLA 1978. For current law, see AS 06.01.030.]*

Sec. 06.05.015. Powers over state banks. The department may require a state bank to

(1) maintain its accounts in accordance with regulations it may adopt, considering the size of the organization;

(2) observe methods and standards which it may adopt for determining the value of various types of assets;

(3) charge off the whole or part of an asset which has not been lawfully acquired;

(4) write down an asset to its market value;

(5) record liens and other interests in property;

(6) obtain a financial statement from a prospective borrower to the extent that the bank can do so;

(7) obtain insurance against damage to real estate taken as security;

(8) search, or obtain insurance of, the title to real estate taken as security;

(9) maintain adequate insurance against other risks as the department determines necessary and appropriate for the protection of depositors and the public;

(10) charge off that portion of an asset classified as loss in the FDIC report of examination or the state report of examination;

(11) charge off all debts owed to the bank in which interest due has been unpaid for a period of six months unless the debt principal is

(b) A creditor of a bank may not obtain any preference in the payment of or security for the creditor's debt by attachment, garnishment or other legal proceedings. All attachments, garnishments and judicial proceedings levied or taken against a bank shall be considered to be for the benefit of all creditors alike.

(c) A pledge, assignment or transfer of any of the assets of a bank in violation of this section is null and void against the creditors of the bank. (§ 3.172 ch 129 SLA 1951; am § 1 ch 108 SLA 1953; am § 5 ch 63 SLA 1969)

Sec. 06.05.265. Liability of directors for excessive loans. A loan in violation of AS 06.05.200 — 06.05.260 makes the officers and directors of the bank jointly and severally liable to the bank for the loan. (§ 3.162 ch 129 SLA 1951)

Sec. 06.05.270. Investments. (a) In addition to loans and acquisitions expressly authorized by this chapter, a state bank may deal in, underwrite, and invest in for its own account

(1) direct or guaranteed obligations of the United States, either directly or in the form of securities of, or other interests in, an open-end management type investment company or investment trust registered under 15 U.S.C. 80a-1 — 80a-64 (Investment Company Act of 1940), if

(A) the portfolio of the investment company or investment trust is limited to obligations of the United States government and repurchase agreements fully collateralized by the obligations; and

(B) the investment company or investment trust takes delivery of the collateral directly or through an authorized custodian;

(2) general obligations of the State of Alaska and its political subdivisions;

(3) general obligations of a state of the United States or its political subdivisions;

(4) revenue obligations of the State of Alaska or its political subdivisions subject to the limitation of (b) of this section;

(5) revenue obligations of a state of the United States or its political subdivisions subject to the limitation of (b) of this section;

(6) obligations of instrumentalities of the United States government including, but not limited to Federal Intermediate Credit Banks, Federal Land Banks, the Federal National Mortgage Association, and Banks for Cooperatives;

(7) commercial paper of prime or equivalent quality as rated by a recognized national rating service subject to the limitation of (b) of this section;

(8) secured corporate obligations rated within the three highest grades of a national rating service subject to the limitation of (b) of this section;

(9) obligations of the International Bank for Reconstruction and Development, the Inter-American Development Bank, or the African Development Bank, subject to the limitation of (b) of this section;

(10) stock in the Federal National Mortgage Association or a Federal Reserve Bank.

(b) A state bank may not underwrite or invest for its own account an amount exceeding 15 per cent of its combined capital, surplus and undivided profits in any one issue of securities authorized in (a) (4) and (5) of this section or with any one obligor of the securities authorized in (a) (7), (8) and (9) of this section.

(c) A state bank may purchase or sell, without recourse, any security upon the order of a customer and for the customer's account. (§ 1 ch 205 SLA 1968; am §§ 5, 6 ch 56 SLA 1971; am § 19 ch 169 SLA 1978; am § 2 ch 7 SLA 1988)

Effect of amendments. — The 1988 amendment, in subsection (a), substituted "Development, the Inter-American Development Bank, or the African Development Bank" for "Development or the Inter-American Development Bank" in paragraph (9) and, in paragraph (1), added subparagraphs (A) and (B) and added the language at the end of the introductory paragraph beginning with "either directly."

Sec. 06.05.275. Miscellaneous and incidental banking practices.

(a) A bank may issue and confirm letters of credit authorizing the principal or beneficiary to draw upon the institution or its correspondents. A letter of credit shall expire by its terms within one year of date of issuance, but may be renewed on written request of the principal.

(b) A bank may discount, invest in, negotiate and issue trade acceptances and bank acceptances if

(1) the terms of the draft require presentation for payment within 180 days of issuance, exclusive of days of grace, and it is drawn to finance the purchase of goods with maturity and payment in accordance with the terms of the purchase agreement;

(2) the terms of the draft require presentation for payment within 180 days of issuance, exclusive of days of grace, and it is secured by shipping documents transferring or securing title to goods, or by receipt of a licensed or bonded warehouse securing title to readily marketable goods;

(3) the draft is drawn by a bank outside the continental limits of the United States for the purpose of furnishing dollar exchange for trade and its terms require presentation for payment within 90 days of issuance.

(c) A bank may make available its data processing equipment or perform data processing services on such equipment for other banks and bank customers if the bank is adequately insured against any additional liability incurred through the sale of the services. (§ 10 ch 157 SLA 1970)

S C R

12

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE 1/25/89
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER

**FISCAL NOTE(S) MUST BE ATTACHED
IN ACCORDANCE WITH AS 24.08.035

1/25/89

DATE TURNED INTO OFFICE 2/3/89

Mr. President:

L&C

Committee considered SCR 12

Alliance Bank

and recommended:

- replace with CS SCR 12 (L+C) same title
- attached amendment(s) and new title
- _____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

FISCAL NOTE(S) attached zero
 appropriation no FN attached

fiscal impact
 Gov. FN introduced w/ bill

MEMBERS SIGNING DO PASS

Patrick Roden

OTHER RECOMMENDATIONS

Do Pass with Amendment
[Signature]

[Signature]
Chairman signature and recommendation

Committee backup attached

Original sponsor: Banking and Economic
Development

1 IN THE SENATE

BY THE LABOR AND
COMMERCE COMMITTEE

2 CS FOR SENATE CONCURRENT RESOLUTION NO. 12 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 Relating to Alliance Bank.

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

7 WHEREAS the concentration of commercial banks in the state has been
8 affected during the past two years by the closing of six banks; and

9 WHEREAS the legislature wants to ensure that a viable and competitive
10 banking system exists throughout the state; and

11 WHEREAS at the beginning of 1987, the Federal Deposit Insurance Corpo-
12 ration determined that public policy considerations in the state required
13 the financial restructuring of what are now known as the Alliance Bancorpor-
14 ation and its wholly-owned subsidiary Alliance Bank; and

15 WHEREAS these public policy considerations are still present in the
16 banking market and have become more acute due to the subsequent closing of
17 other commercial banks in the state; and

18 WHEREAS Alliance Bank operates an extensive network of branches in the
19 remote, rural, and scutheast parts of the state; in several locations
20 served by Alliance Bank, there is only one other bank, and the next closest
21 competitor is hundreds of miles away; and

22 WHEREAS there has been vocal community support in rural Alaska for
23 Alliance Bank, and there have been requests for Alliance Bank to service
24 additional rural communities; and

25 WHEREAS Alliance Bank, in conjunction with the Alaska Department of
26 Community and Regional Affairs, handles a majority of the outstanding loans
27 for rural borrowers of the state; and

28 WHEREAS Alliance Bank has been, and continues to be, a major provider
29 of mortgage servicing in the state and is servicing over \$1,500,000,000

1 worth of loans; the failure of Alliance Bank would severely disrupt the
2 servicing of these loans and would cause additional financial strain on
3 government agency loans, including loans from the state Department of
4 Community and Regional Affairs, the Alaska Housing Finance Corporation, the
5 public employees' retirement system (AS 39.35), and the teachers' retire-
6 ment system (AS 14.25); and

7 WHEREAS the failure of Alliance Bank would hinder the economic re-
8 covery of the state, and the closure of the bank would result in a loss of
9 jobs for the 460 employees of Alliance Bank and a loss of \$20,000,000 in
10 wages;

11 BE IT RESOLVED that the Alaska State Legislature encourages the Gover-
12 nor to support a stable and competitive banking environment in the state by
13 working closely with Alliance Bank and the Federal Deposit Insurance Corpo-
14 ration to ensure that every reasonable approach is taken to continue the
15 operation of the bank, consistent with prudent banking practices.

16 COPIES of this resolution shall be sent to the Honorable Willis Kirk-
17 patrick, the Director of the Division of Banking, Securities, and Corpo-
18 rations of the Alaska Department of Commerce and Economic Development; to
19 the Honorable L. William Seidman, Chair of the Board of Directors of the
20 Federal Deposit Insurance Corporation; and to the Honorable Alan Greenspan,
21 Chair of the Board of Governors of the Federal Reserve Board; and to the
22 Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and
23 the Honorable Don Young, U.S. Representative, members of the Alaska delega-
24 tion in Congress.



Alaska State Legislature

Please enter into the record my testimony to the Labor and Commerce
committee name
committee on Senate Concurrent Res. No. 9, dated 02-01-89
bill/subject

I would like to testify that Denali State Bank, the state's newest and smallest bank truly supports the competitive environment referred to in SCR#12 and that I do not desire to see any more financial institutions fail in the State of Alaska. However, I believe that the Regulators of the financial industry will confirm that poor management is the leading contributor to bank failures both in and out of Alaska. Even in a time of economic hardships, well-managed banks continue to show profitability and financial strength while some of their competitors fail in the same region.

I encourage the Committee and Legislature to thoroughly investigate the accuracy of statements made in SCR #12 and to consider the far-reaching implications of adopting any resolution relating to specific financial institutions in the State of Alaska. I urge you to consider changing the emphasis from Alliance Bank to the Alaskan Banking Industry. A competitive environment exists in almost all industries - not just the highly regulated financial industry. But as in most forms of competition, there are winners and losers. The important point is that the competition survives!

Let us not support the poor decision makers with government intervention as I fear that the Resolution as presented will have just the opposite effect desired. Once the Legislature starts endorsing individual financial institutions through resolutions of this nature, the "barn door" will have opened and true competition will have been eliminated from our industry.

Support the Alaskan Banking Industry as a whole so that those banks that are well-managed benefit equally from your efforts in the Legislature.

Thank you.

Signed: _____

Gary Roth

Testifier

DENALI STATE BANK

Representing (Optional)

119 North Cushman Street, P. O. Box 74568, Fairbanks, Alaska 99707

Address

(907) 456-1400

Phone No.

THE FOLLOWING DOCUMENT MAY NOT FILM
LEGIBLY BECAUSE OF THE POOR QUALITY OF THE
ORIGINAL

99009 NL ANCHORAGE ALASKA 97 01-30 510P AST

PMS HONORABLE DICK ELIASON CHAIRMAN LABOR AND COMMERCE COMMITTEE
POBOX 7 ALASKA STATE SENATE
JUNEAU AK 99811

GENTLEMAN,

WE HAVE STRONG DIFFERENCES WITH THE CONCLUSIONS CONTAINED IN
SENATE CONCURRENT RESOLUTION 12 RELATING TO ALLIANCE BANK, WE,
AT KEY BANK OF ALASKA, COMMEND YOUR COMMITTEE FOR ITS
COMMITMENT TO A STRONG, VIABLE AND COMPETITIVE BANKING SYSTEM

IN ALASKA. A BANKING SYSTEM WITH THOSE CHARACTERISTICS IS
BASIC TO THE ECONOMIC FUTURE OF THE STATE. CONCLUSIONS RELATING
TO THE ROLE OF ALLIANCE BANK IN THE ECONOMIC RECOVERY OF ALASKA
CONTAINED IN SR12 ARE BASED UPON MISREPRESENTATION OF FACT.
NEITHER THE STABILITY OF THE FINANCIAL SYSTEM OR THE ECONOMY,
AS A WHOLE, REQUIRE THE ASSISTANCE ENVISIONED IN SR12.

SINCERELY,

MICHAEL J. BURNS, PRESIDENT AND CHIEF OPERATING OFFICER

1948
1949
1950
1951
1952
1953
1954
1955
1956
1957
1958
1959
1960
1961
1962
1963
1964
1965
1966
1967
1968
1969
1970
1971
1972
1973
1974
1975
1976
1977
1978
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025

Jan 1 1957

1957
1958
1959
1960
1961
1962
1963
1964
1965
1966
1967
1968
1969
1970
1971
1972
1973
1974
1975
1976
1977
1978
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025



National Bank of Alaska

CORPORATE HEADQUARTERS • BOX 100600 • ANCHORAGE, ALASKA 99510-0600

ROBERT P. GRAY
PRESIDENT

January 31, 1989

Senator Pat Rodey
Alaska State Legislature
P. O. Box V (MS 3100)
Juneau, Alaska 99811

Re: SCR No. 12

Dear Senator Rodey:

The above referenced resolution, as introduced, contains factual errors which must be addressed prior to any sensible resolution being passed.

Comment No. 1 - (lines 18-20, Page 1) - It is alleged that the banking costs to the Alaska consumer would be increased if Alliance failed. That allegation would definitely need to be substantiated. NBA knows of no reason that that allegation would be true.

Comment No. 2 - (lines 26-28) - It is alleged that if Alliance Bank were closed "most consumers north of the Yukon River would be forced to travel long distances to find another bank." This statement is false. Alliance has only one bank north of the Yukon River - Nome. NBA has a bank in Nome on the same street. In fact, Alliance does not have a single location, anywhere in Alaska, where they are the only bank serving a community.

Comment No. 3 - (line 29, Page 1 and line 2, Page 2) - It is alleged that Alliance has vocal community support in rural Alaska. This should be substantiated in ways other than paid advertising.

Senator Pat Rodey
January 31, 1989
Page 2

Comment No. 4 - (lines 3-5, Page 2) - It is alleged that Alliance "handles over 50% of the outstanding loans for rural borrowers of the state." Neither Alliance Bank nor the State of Alaska nor the Comptroller of the Currency knows the total number or amount of rural loans handled by NBA. It is in none of our published reports. We make many different types of rural loans - DCRA, direct commercial loans, direct consumer loans, direct real estate loans, credit card loans, SBA loans, and etc. It is presumptuous of someone to state they know the percent of total rural loans Alliance has made when they do not know our totals.

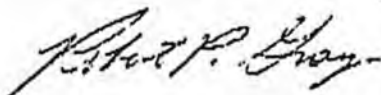
As far as DCRA loans are concerned, it is important to ascertain which institution actually made the loans.

Comment No. 5 - (lines 6-13, Page 2) - It is alleged that Alliance is "the premier provider of mortgage servicing in the State." To be the "premier provider" one must have both quantity and quality. I would suggest that Alliance's record for quality performance of the servicing function be investigated.

Comment No. 6 - (lines 14-16, Page 2) - It is alleged that "Alliance Bank has made a significant effort to support real estate values for bank owned real estate..." This has not been substantiated. There is a difference between attempting fast liquidation and supporting values.

With all due respect, it appears that SCR No. 12 is fraught with numerous deficiencies. If the legislature wishes to take the position that Alliance Bank should be vigorously supported, over and above the support given other troubled financial institutions and other troubled businesses of all sorts, then the legislature should so state without resorting to inaccuracies.

Sincerely,



Robert P. Gray
President

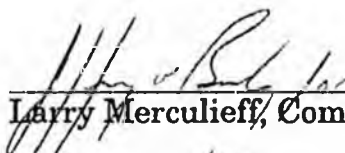
cc: Senators - Dick Eliason
Jan Faiks
Jay Kertulla
Jack Coghill
Arliss Sturgulewski
Tim Kelley

SCR 12: Relating to Alliance Bank

The department does not oppose passage of SCR 12. We recognize our statutory responsibility of promoting and maintaining a sound and competitive banking system (AS 06.05.075). It is and has been the department's effort and desire to do everything within its power to keep this and other banks open.

Examinations and reports filed by Alliance Bank show continued losses which have eroded its capital account. As a result, it is necessary for Alliance Bank to recapitalize the bank to return to a sound condition. To address this situation, Alliance Bank has made application to FDIC for assistance.

The assistance request and plan has been reviewed by the department and, for the most part, satisfies the provisions of the Alaska Banking Code. The department has encouraged FDIC to act favorably on Alliance Bank's application for assistance.



Larry Mercurieff, Commissioner
Date: 2/1/89

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Resolution relating to Alliance Bank
Sponsor: Senate Special Committee on
Requestor: Banking and Economic Development

Agency Affected: Commerce & Economic Dev.
BRU: Banking, Securities & Corp.
Components: _____

Senate Labor & Commerce

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)

Prepared by: Willis F. Kirkpatrick, Director *WFK*
Division: Banking, Securities & Corp.

Phone: 465-2521
Date: _____

Approved by Commissioner: Larry Merculieff *Larry Merculieff*
Agency: Commerce & Economic Development

Date: 1/27/89

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

PUBLIC OPINION MESSAGE

DEAR: SENATOR ELIASON

NAME: MICHELLE CARUFEL
TITLE:
ADDRESS: 8943 JOY CIRCLE
CITY: ANCHORAGE
PHONE: 264-2706
BILL NO: SCR 12
SUBJECT: ALLIANCE BANK
MESSAGE: I HAVE WORKED FOR ALLIANCE BANK FOR 5 YEARS AND AM ONE OF 460
EMPLOYEES. MY FAMILY'S LIVELIHOOD DEPENDS ON MY INCOME. YOUR SUPPORT OF OUR
RESTRUCTURE PLAN WILL SEND A POSITIVE MESSAGE TO THE GOVERNOR AND FDIC. THE
BANK IS NOT ASKING FOR MONEY FROM THE STATE. THANK YOU.

ZIP: 99502

POMID: 03092143
DATE: 02/02/89
TIME: 09:21:43
LIONAME: ANCHORAGE LIO

COPIES: SENATORS

RODEY
FAIKS
KERTTULA
COGHILL

PUBLIC OPINION MESSAGE

DEAR: SENATOR ELIASON

NAME: TAMMY SMITH

TITLE:

ADDRESS: 1984 WICKERSHAM

CITY: ANCHORAGE

ZIP: 99507

PHONE: 561-7121

BILL NO: SCR 12

SUBJECT: ALLIANCE BANK

MESSAGE: I WORK AT ALLIANCE BANK AND MY LIVELYHOOD DEPENDS ON MY INCOME. I AM ONE OF THE 460 EMPLOYEES STATEWIDE WHO DEPEND ON ALLIANCE BANK. I SUPPORT OUR RECONSTRUCTURE PLAN.

POMID: 03120932

DATE: 02/02/89

TIME: 12:09:32

LIONAME: ANCHORAGE LIO

COPIES: SENATORS

RODEY
FAIKS
KERTTULA
COGHILL

PUBLIC OPINION MESSAGE

DEAR: SENATOR ELIASON

NAME: JACQUELINE M. NORTON

TITLE:

ADDRESS: 611 WEST 47TH AVENUE C3

CITY: ANCHORAGE, ALASKA

ZIP: 99503

PHONE: 563-2993

BILL NO: SCR 12

SUBJECT: ALLIANCE BANK

MESSAGE: AS A RESIDENT OF ALASKA, A VOTER, AN EMPLOYEE OF ALLIANCE BANK, AND SOUL SUPPORT OF A FAMILY OF FOUR, I RESPECTFULLY REQUEST YOUR SUPPORT OF SCR 12. WITHOUT THEIR EMPLOYMENT, MANY LIKE ME WILL BE FACED WITH SEEKING NEW EMPLOYMENT, OR WORSE. PLEASE SUPPORT THIS RESOLUTION.

POMID: 03114323

DATE: 02/02/89

TIME: 11:43:23

LIONAME: ANCHORAGE LIO

COPIES: SENATORS

RODEY
FAIKS
KERTTULA
COGHILL