

ALASKA LEGISLATURE COMMITTEE FILES 1997-1998 00/2

9384 HOUSE RESOURCES

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The meeting
that evening

To <i>Lovelorn</i>	From <i>Cartney</i>
Co. <i>1</i>	Co. <i>Leg. Budget</i>
Dept.	Phone #
Fax # <i>3517</i>	Fax #

at 5:00 p.m.

Chairman Terry Martin RECONVENED the January 8, 1996 meeting of the Legislative Budget and Audit Committee at approximately 5:02 p.m.

REVISED PROGRAMS

10-6-4011 Natural Resources Requesting \$42,000,000 of EVOS Trust Funds to Purchase Shuyak Island. Approved

Sen. Adams MOVED to approve the action and discussion ensued.

Sen. Zharoff explained that the project would entail one month and that the EVOS Trustee Counsel had completed a number of appraisals and approved of the investment for the State. Sen. Zharoff described the area as rich in fish and wildlife. Chairman Martin requested clarification regarding the agreement with the Trustee Counsel, in view that a number of special interest groups in the past have requested State monies to purchase land, and then have subsequently resold the land to another special interest group. Sen. Zharoff expressed his concern that the agreement would also allow for public use to continue.

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JEROME SELBY, Mayor of the Kodiak Island Borough, expressed his view that the land acquisition is the best land purchase that the Exxon Valdez Trustee Counsel will consider, and the best investment that the State of Alaska could make with the \$900 million settlement. He further explained that the State of Alaska owns the rest of Shuyiak Island, with the exception of the parcel in question; with the acquisition of the parcel, the State of Alaska will own the entire island, enabling the implementation of a comprehensive land management plan.

In terms of land restoration, Mr. Selby described the parcel as a prime habitat in terms of impact on species damaged by the Exxon Valdez oil spill, thereby maximizing the opportunity for recovery. The parcel is also a heavily used recreational property for the State of Alaska, with a great deal of hunting and fishing activity on Shuyiak Island from residents of Anchorage, the Kenai Peninsula, and Kodiak. Therefore, the acquisition presented a unique opportunity whereby the State may forward the recovery of fish and wildlife species, while encouraging public activities, and implement land management. One third of the island is a state park; one quarter of the island is a state wildlife refuge. The parcel is situated to the southwest of those two parcels and completes the island.

Mr. Selby expressed his view that the acquisition is in full keeping with the Municipal Lands Act as a means to convert a capital asset. He further explained that \$6 million of the funds will be used to develop the Near Island Research Facility, which is a part of a \$16 million dollar facility planned to provide fisheries research in the Gulf of Alaska. Scientists from Federal National Fisheries, Alaska Fish and Game, and the University of Alaska will be co-located into the facility, where they will share research efforts to produce "world class" fisheries data to be used to managed fisheries in the Gulf of Alaska. Mr. Selby expressed his concern that if a research project was not implemented, fisheries in Alaska would face long-term jeopardy. The Near Island facility would be completed at no additional cost to the State. The balance of the funds would then be placed in a Facilities Fund by the Kodiak Island Borough, in order to maintain school facilities, thereby preventing future appropriation requests for the purpose. Mr. Selby reiterated that the acquisition would convert a capital asset, an island parcel worth \$42 million, into programs which would benefit the State in many areas.

Sen. Frank recalled an earlier purchase of property of the Exxon Valdez Trustee Counsel that required its conversion into a State Park, and questioned if there were any such restrictions placed on the State in the current acquisition agreement.

MOLLY MC CAMMON, Executive Director of the Exxon Valdez Oil Spill Trustee Counsel, explained that the current acquisition proposal contained no such language as was put forth in the Seal Bay Acquisition, to which Sen. Frank referred. Ms. McCammon explained the intent of the Department of Natural Resources to manage the Shuyak Island parcel as State land for recreation and wildlife habitat, with no "blackmail clause" stating that if it is not placed in a State Park that it will be reverted to the Nature Conservancy or the Federal Government. In response to a question by Sen. Phillips, Ms. McCammon explained that the current acquisition proposal takes into account the legislature's response to language in the prior agreement.

Sen. Davis requested clarification as to whether there was written agreement guaranteeing that the balance of the funds, minus \$6 million for fisheries research, will be placed in a facilities fund, and whether annual earnings on the fund will be known to the public. Mr. Selby explained that the fund has already been established to manage the \$36 million, and that an ordinance restricted spending to interest only for the following uses: maintaining existing facilities, renovating existing facilities, and repaying bonded debt on existing facilities. In addition, he explained that 15% of the interest would return to the principal each year to keep the fund up with inflation. Responding to a question by Sen. Phillips, Mr. Selby explained that the ordinance required a public bill in order to be changed.

In response to a question by Sen. Phillips, Ms. McCammon pointed out that the Counsel was currently committed to spend approximately \$450 million, roughly half of the total settlement. Of that expenditure, close to \$200 million was spent on land acquisition. She further noted that in September, during her presentation on the Counsel's overall work plan, it was discovered that many people desired to spend the entire \$900 million on land acquisition, while others wanted to spend the entire amount on research projects. The Counsel adopted a plan three years ago committing approximately one third of the funds toward habitat protection. Following the commitment, they met with Federal counterparts to determine the priorities for Federal and State acquisitions. She explained that the Counsel continues to proceed according to the restoration plan.

Providing further clarification for Sen. Phillips, Ms. McCammon explained that approximately 60% of the settlement funds would be placed in research efforts. The Counsel has adopted a restoration reserve, in anticipation of further development over the next 15 to 20 years; currently \$36 million are placed in the restoration reserve earning interest, with a commitment of to place \$12 million in the reserve. By the year 2000, this amount would reach a total of \$150 million, and, if inflation-proofed, could provide \$5 to \$6 million a year of revenue for the Counsel.

Addressing Sen. Phillips' concern that the Counsel would once again approach the Legislature to request funding for land acquisition, Ms. McCammon confirmed the Counsel's intention to request a state, joint venture acquisition of a large parcel on Frog Neck Island. In addition, she explained that there are smaller, discreet areas which the Department of Natural Resources would like to use for marine parks and recreation. She also referenced the small parcel program for lands under one thousand acres, through which the Counsel has authorized agencies to make offers on approximately \$16 million's worth of small properties, in areas such as Seward, Palmer, and other locations along the Kenai River, which are key habitat areas. As the transaction progress, the Counsel intends to approach the Legislature for approval.

In response to a question by Sen. Bunde, Ms. McCammon explained the restrictions on the use of the land acquisition. Since the main purpose for the acquisition was to ensure protection of habitation, commercial timber harvest is restricted. Other activities on State Lands, such as hunting and fishing, would still be allowed.

CRAIG TILLERY, Assistant Attorney General, Civil Division, Environmental Section, Alaska Department of Law, responded to Sen. Halford's question about the language of these restrictions by referring to the Conservation Easement, on page 9 of Exhibit B. He also referenced the Warranty Deeds themselves, containing a covenant which states that "public use of land shall

be so guaranteed: hunting, fishing, trapping' etc. Mr. Tillery explained that all the language was subject to existing rights.

In response to a concern voiced by Sen. Phillips regarding restriction of motorized vehicles, Ms. McCammon clarified the use of motorized boats or planes was not prohibited. Mr. Tillery explained that the tide lands are not part of the acquisition, and therefore airplanes or boats would not be able to reach the acquired parcel. All access to the island is salt water borne; no ATV's or snow machines have ever gained access to the area.

Sen. Rieger raised a question as to how heavily the Near Island fisheries research project figured into the Trustees justification for the \$42 million acquisition. Mr. Tillery confirmed that the \$6 million for fisheries technology was a consideration in deciding to proceed with the current acquisition, since the State trustees viewed the research as a valid restoration benefit. Regarding the Federal Trustees, Ms. McCammon explained that they considered the fisheries facility as an added benefit, and not a driving factor in the acquisition. Mr. Tiller noted that the resolution adopted by all EVOS Trustees contains a statement that the Near Island Research Facility will have a positive benefit on natural resources injured by the Exxon Valdez oil spill.

Rep. Bunde expressed his concern regarding inflated appraisals which occurred in the past, and their reflection on future land acquisitions proposals. Rep. Bunde questioned whether the Conservation Easements applied to other state land already in the state park, and Mr. Tiller explained that it the defined terms applied only to the land transferred from the Kodiak Islands.

Chairman Martin raised a concern regarding the cost of managing these lands, and requested a list of long range and immediate cost to the State of land management. Ms. McCammon explained that the majority of current land acquisitions exist within Federal or State land holdings, thereby facilitating better quality and ease of land management. State Trustees believe that the proposed acquisition should be managed by personnel currently managing adjacent state lands, and would not increase management costs.

In response to Chairman Martin's suggestion that a portion of settlement funds be set aside for land management costs, it was pointed out that during 1995 such a motion was made regarding Seal Bay State Park, and was defeated; Federal Trustees did not agree to allocating such funds. The Department of Natural Resources do not believe that there will be any additional management costs with the proposed acquisition. Mr. Tiller agreed to inquire about language which would guarantee that, in the case that management costs did increase in the future, these monies would come from the settlement fund and not from the state.

In response to a question by Sen. Frank, Jerome Selby clarified that it was a unanimous decision by the Kodiak Island Assembly to approve the acquisition plan. He went on to explain that they did not consider a local designation of the land, because Shuyak is

not located near enough to Kodiak Island in order to adequately manage the land, making it more effective to delegate the management to state park personnel. Sen. Adams questioned whether current cash flow necessitated the payment plan proposed in the RPL, and it was explained that it was difficult to ascertain cash flow demands over the next eight years, and payment over time appears to be a more conservative course. Funds are currently earning interest, and there are plans to move them to a higher interest bearing account.

Rep. Kohring expressed concern over the intent behind the proposed acquisition, whether that be to assist programs for Kodiak Island or for the benefit of the entire State, and questioned whether there was an impending threat to the land or resources of the island that necessitated the proposed purchase. Mayor Selby pointed out that some of the greatest bird losses resulting from the oil spill occurred on the Barons Island to the north of Shuyak Island, making it critical habitat for these bird species, as well as for sea mammals in that area which were hard hit by the spill. From the standpoint of restoration of species damage, the area is a priority.

Regarding the fishing industry, it was pointed out that the area contains excellent salmon streams for preservation. Mayor Selby conceded that while Kodiak Island stood to benefit from the acquisition, the benefits clearly impact the entire state of Alaska. He also pointed out the opportunity for tourism development in the Kodiak archeopglio, which would benefit the economy of Kodiak and the State. In addition, Mayor Selby reiterated the benefit of adequate facilities to fisheries researchers in the State and University. Molly McCammon pointed out that the Seward research facility would be used predominantly for marine mammals, sea bird and fisheries genetics, while the facility in Kodiak is oriented toward commercial fisheries technology, byproducts, processing techniques, etc. Rep. Zharoff pointed out that the research facility in Kodiak is one of only five of its kind in the nation.

Molly McCammon explained that the Trustees have examined the expenditure of funds in order not only to address restoration needs, but to leave lasting benefit to communities within the spill area. Therefore, any major acquisitions and research projects implement not only restoration benefits, but also community benefits.

CARL ROSIER, retired Trustee Member and member of the Alaska Outdoor Council, explained that the Council believes there to be many benefits from the land acquisition. The benefits include state management of lands, hunting and fishing resources, restoration of wildlife species, and conservation of habitat. The Council believes that the benefits will be clarified during the years to come and strongly supports passage of the RPL.

Sen. Adam's MOTION on RPL 10-6-4011 to approve appropriation of \$42 million for the purchase of Shuyak Island was continued. No

objections being raised, the motion was APPROVED by unanimous consent.

Discussion Regarding Anchorage Data Center

Motion to Conduct Special Audit of Department of Information Systems, Amended to include Statewide Analysis of customer service.

Approved.

MARK BOYER, Commissioner, Department of Administration, supported by KAREN MORGAN, Deputy Director of Division of Information Services, and RON HENSLING, addressed concern over the decision to realign data processing in the State of Alaska. He explained that the realignment was a business decision, based on economics, and referenced two studies conducted relating to state data processing, pointing to the direction of consolidating into one center that utilized a client/server format for accessing data.

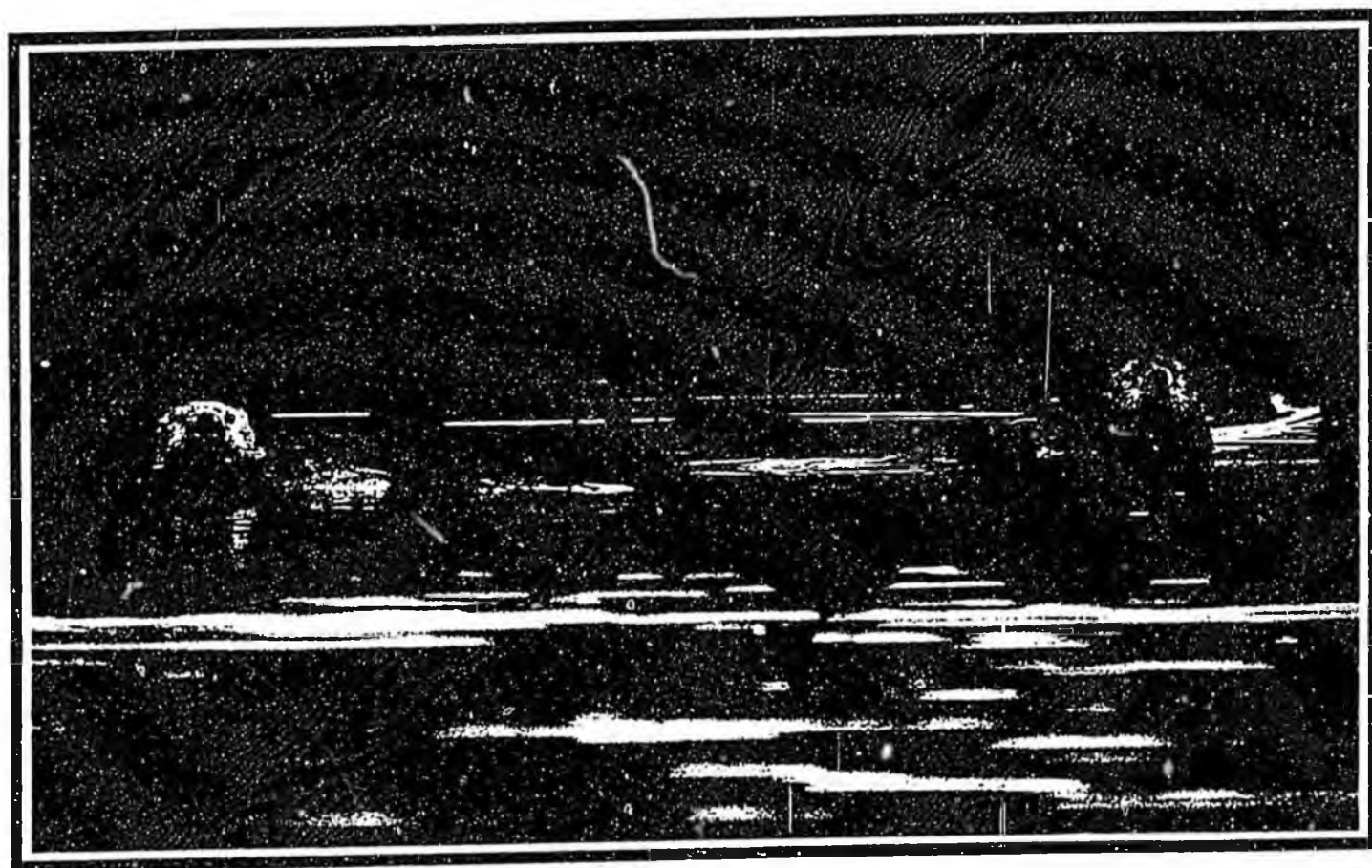
Mr. Boyer referred to a study reportedly done by an earlier administration, which indicated that a shift away from Anchorage to Juneau would cost millions of dollars; he and his staff have been unable to locate such a study in their research. Rep. Bunde requested that the search for the study be continued and offered the assistance of an outside auditor, questioning the long term operating expense involved in the realignment.

Mr. Boyer pointed out cost savings in the near term, stating that the long term situation was difficult to determine due to the nature of change in the computer industry. In the next fiscal year, the Department of Administration (DOE) anticipates cost savings of nearly \$1 million, manifested through a combination of factors -- not purchasing duplicate licenses, nor additional software caused by redundant operations in Anchorage, in addition to reducing four vacant PCNs in the 1997 budget. A total \$925,000 in anticipated savings would be reflected in the budget introduced by the Governor.

In addition to direct savings, Mr. Boyer noted costs avoided by a change in business methods, such as adding additional disc drive space which would cost \$250,000, and adding uninterrupted power supply to the Anchorage facility which would cost \$150,000, as well as ongoing hardware maintenance costs of \$21,000 per month, and \$48,000 per month of software expenses.

Rep. Bunde expressed concern over the Governor's increase in the budget of \$5.8 million for telecommunications. Chairman Martin clarified that the figure refers to the Department of Administration's increase of software and enhancement of telecommunication.

Shuyak Island State Park Management Plan



March 1995



Alaska Department of
**NATURAL
RESOURCES**



"... use levels do not diminish the values of the park's resources. Manipulation of the natural environment within a state park shall be limited to the immediate vicinity of a development."

OVERVIEW AND HISTORIC BACKGROUND OF THE PARK

Shuyak Island lies at the northern tip of the Kodiak Archipelago, about 50 miles north of the town of Kodiak. The island is small, with only about 44,000 acres of uplands, and a high point of 660 feet. Shuyak Island State Park encompasses approximately 11,000 acres in the northwestern part of the island. The most recent glacial recession, which occurred about 10,000 years ago, carved Shuyak's coastline into an intricate maze of protected bays and passages. Because the island is so small and much of the land area is connected through this series of bays and passes, activities occurring in one portion of the island can affect the whole island. A mature Sitka spruce forest blankets most of the island. This unique single species coniferous forest occurs on all forested islands of the Kodiak Archipelago. An exception to Shuyak Island's forested areas is the outer coastline of the north and west sides of the island, which have an alpine vegetation similar to that found at much higher elevations.

Shuyak Island has been used by humans for thousands of years. The earliest evidence of human use are village sites occupied by natives of the "Ocean Bay" tradition. Remnants of the "Koniag" and "Kachemak" native traditions can also be found on the island. Russian fur traders were probably the first non-natives to interact with the native people of Shuyak Island. The Russians arrived in search of trade goods in the 1700s and enlisted or coerced many natives to hunt sea otters for them. The subjugation of the area's residents by the fur traders led to the nearly complete disappearance of native people from Shuyak Island. Human activities around Shuyak increased again from the 1920s through the late 1960s and revolved around commercial fishing for salmon and herring. Pt. Williams cannery, active during this period, stopped canning in the 1960s and is now a wilderness lodge. A handful of people took up residence around the island during the 1970s and early 1980s, living a subsistence lifestyle. The island's protected bays are popular with the Kodiak area commercial seine fleet, especially during the silver salmon season. Shuyak Island has been a popular sport hunting and fishing destination over the past several decades.

Legislation was first introduced to create a state park on Shuyak Island in 1982. The state park was widely supported by Kodiak area residents and in 1984 the legislature passed the law that established Shuyak Island State Park.

Chapter 1: Introduction

PLAN PURPOSE

The purpose of this plan is to provide general guidance for management of Shuyak Island State Park. After public review and adoption of the plan, it will serve as a guide for anyone involved in the park, either as a visitor, commercial operator, local parks advisory board member or area manager. Background material included in this document will serve as a comprehensive source for information on the park. The plan will be useful only if reviewed carefully, read frequently and revised on an as needed basis to include any changes that may occur in the park or in the way it is used by the public.

ESTABLISHMENT OF THE PARK

Alaska's laws, as created and approved by the state's legislative and executive branches, provide the framework for management of the state's resources, including state parks. State parks that are larger than 640 acres are called "legislatively designated areas," because an act of the legislature is required to establish them. Each legislative act, or statute, that created a park lists the specific purposes for which the park was created. AS 41.21.170-178 established Shuyak Island State Park and lists the following as its purposes:

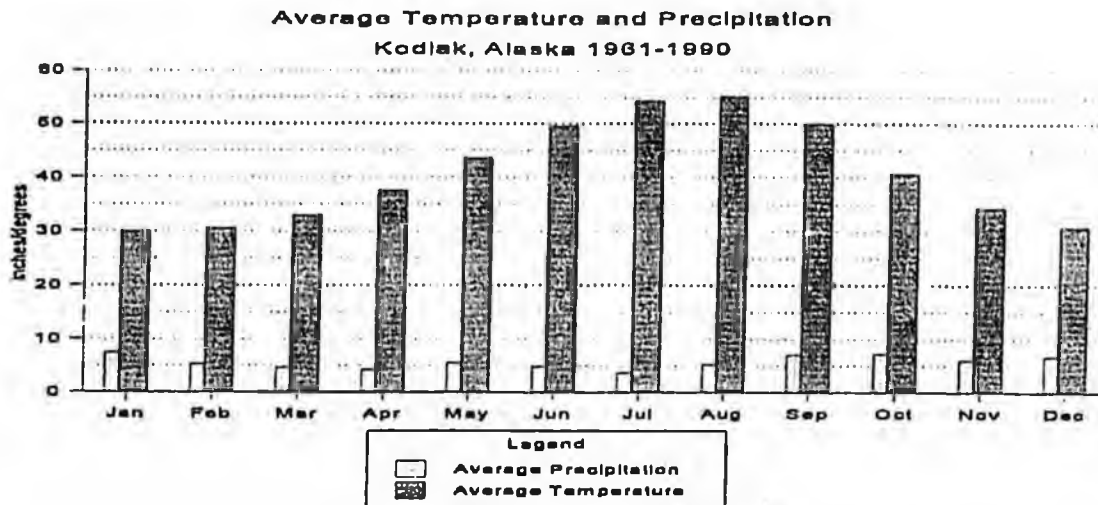
- protect the area's recreational and scenic resources;
- protect the area's fish and wildlife habitat; and
- preserve and enhance the continued use of the area for sport and subsistence hunting and fishing, trapping and recreational activities.

Management of Shuyak Island State Park must conform not only with the purposes set by the law that created the park, but also with the statutes that describe the purposes of Alaska State Parks (AS 41.21.010-040).

A management plan for the entire state park system, titled the "Statewide Framework," was adopted in 1982, based on AS 41.21.010-040 and states the following as purposes of Alaska's parks:

- providing for outdoor recreational needs of present and future generations;
- reserving and protecting areas of natural significance;
- preserving and interpreting Alaska's cultural heritage;
- protecting and managing areas of significant scientific or educational value; and
- providing support to the state's tourism industry.

The "Statewide Framework" also defined eight park unit classifications, such as state recreation sites, state historic parks, state trails and state parks. Park units like Shuyak Island State Park that are classified as "state parks" are managed to insure that:



Storms occur throughout the area frequently. February storms are the most frequent and intense while July offers calmer weather with the lowest frequency and intensity of storms.

Foggy conditions prevail from July through September when the air contains the most moisture and is warmer than the ocean. Clouds obscure an average of 70% of the sky throughout the year in Kodiak. Complete overcast conditions occur slightly less than half of the time.

The prevailing winds around Shuyak Island are northeast except in spring and late summer when they shift to southwest and west. Sustained, extreme wind speeds at weather reporting stations around the Kodiak Archipelago range from 50-75 knots with gusts as high as 100 knots.

To time recreational activities for the best possible weather, most people visit the park during the summer months. Few people venture to Shuyak between January and March, when fierce storms mean travel to and from the island can be restricted for weeks. However, any visitor, whether they arrive by boat or plane, must plan for weather delays due to the unpredictable nature of the area's weather.

GEOLOGY AND SOILS

Shuyak Island's substrate is comprised mainly of rock from either volcanic or marine sedimentary origins. A small band of intrusive granitic rock runs from the northern part of the island near Carshan Point to the southwest corner near Shuyak Harbor.

Shuyak Island was covered by glaciers until about 10,000 years ago. The island's intricate coastline is a result of the presence of these glaciers.

Chapter 2: Natural Environment and Cultural Resources

TOPOGRAPHY

Shuyak Island is the seventh largest island in the Kodiak Archipelago and has 69 square miles of uplands. The tallest point on Shuyak Island is 660 feet and is located in the southeastern corner of the island. Stevenson Entrance lies to the north of Shuyak Island, Shelikof Strait to the west and the Gulf of Alaska to the east. A narrow pass called Shuyak Strait separates Shuyak from Afognak Island to the south. Most of the island is covered with a dense growth of Sitka spruce and dotted with hundreds of lakes, ponds and small creeks.

Heavy currents and tide rips are found along the north coast of Shuyak Island and at Cape Current Narrows at the east end of Shuyak Strait, creating hazardous conditions for all boaters. Shuyak Island forms a pivot point between the currents of the Gulf of Alaska and those of the Shelikof Strait. The mixing of currents at the north end of Shuyak Island creates a nutrient rich environment for sea mammals, seabirds and other marine life.

Shuyak Island State Park encompasses uplands and freshwater bodies in the northwestern portion of the island. The highest elevation in the park is 258 feet. The intricate coastline in this part of Shuyak Island consists of outer cape areas with elevations of about 50 feet and gravel beaches of various lengths. Big Bay, the largest bay in the northwestern part of the island, has five arms, including its western-facing entrance. Western Inlet, Neketa Bay and Carry Inlet are all connected to Big Bay via short overland portages. Neketa Bay is actually connected to the southwest arm of Big Bay during high tides of nineteen feet or more. Skiff Passage can be negotiated by small boats at high tides of 17 feet or greater and connects the northeast arm of Big Bay to Carry Inlet and the northern coastline of the island.

CLIMATE

Shuyak Island's maritime climate is similar to that found throughout the Kodiak Archipelago. Cool temperatures, moderate precipitation and cloudy skies are typically experienced year-round.

The following graph depicts monthly averages for temperature and precipitation in Kodiak, as collected by the National Weather Service at the Kodiak airport. Annual precipitation averages 67 inches at the Kodiak weather station. Data collected at the Big Bay ranger station from June through September 1991-1993, indicates that Shuyak Island is generally cooler and wetter than Kodiak is during those months.

ago. Shuyak and Afognak Islands have the oldest trees, while much of Kodiak Island remains treeless. Thick layers of moss and a variety of shade tolerant shrubs make up the understory of Shuyak's mature spruce forests.

The state originally classified land on Shuyak as "timber lands." In 1968 the state scheduled a timber sale in Big Bay. Five qualified bidders responded to the sale and one was selected. However, the sale did not go through because the bid price was below the appraised value of the timber.

Botanists refer to studying the vegetation of the park's outer coast as "alpine botany at sea level." The alpine species are well suited for the exposure to the area's brutal storms. These small, ground-hugging plants probably established themselves shortly after the glaciers retreated. The outer coast areas are not exclusively the domain of a pine plants, however. Some small and sturdy Sitka spruce trees grow in protected areas of the outer coast and a few plant species that are tolerant of saltwater grow near the high tideline and along shallow estuaries.

WILDLIFE

Four of the six land mammals native to the Kodiak Island group are found in the park. These are the brown bear, little brown bat, tundra vole and river otter. In addition to the native species, a number of mammals introduced to the Kodiak Archipelago are found in the park. These are: the Sitka black-tailed deer, muskrat, red squirrel, Arctic ground squirrel and beaver. The Arctic ground squirrel has only been observed on Dark Island.

While the boundaries of the park do not include saltwater habitats used by seas mammals, these animals are commonly encountered during a visit to the park. The most common sea mammal observed around Shuyak Island, the sea otter, was almost completely removed from the Kodiak area by hunting pressure during the 1800's and early 1900's. Subsequent protection through federal law has resulted in a population rebound for the otter. An estimated 13,200 occupy waters in the Kodiak Island area. It is believed that because otters were not as heavily hunted in the North Afognak and Shuyak area, this population served as the source from which the pods are slowly repopulating areas to the south.

Other sea mammals that spend all or part of the year in the saltwater surrounding the park are: harbor seals, sea lions, dall and harbor porpoises, and minke, fin, killer, gray and humpback whales. Harbor seals regularly haul out in the northwest corner of Big Bay and along a line of rocks east of Green Island.

BIRDS

One hundred twenty-one species of birds have been observed in the northern portion of the Kodiak Archipelago, which includes Raspberry, Afognak, Shuyak, and Marmot Islands. Shorebirds and seabirds migrate to this area during the summer months to breed and make

Soils on Shuyak, as throughout the rest of the Kodiak area, are shallow and low in organic materials. An average cross section of soil would show a thin, slightly decomposed layer of organics at the top, followed by a thick layer of ash. The ash is a result of the eruption of Novarupta in 1912 that showered the Kodiak area with up to 18 inches of ash. Following the ash layer there is usually a deep layer of decomposed organics followed by a layer of weathered rock or unconsolidated materials.

The portion of Shelikof Strait between the Alaska Peninsula and Shuyak/Afognak Islands has potential for petroleum production. This petroleum province is considered a continuation of the oil-and-gas producing Cook Inlet basin.

Shuyak Island lies within a copper/chromium belt that stretches along the western side of the Kodiak Archipelago. There are several historic mining sites in the park. Two active gold mining claims are located within the park and are considered recreational claims.

EARTHQUAKES AND TSUNAMIS

Shuyak Island lies within a continuous, seismically active area that encompasses most of the Pacific region and is known as the "Ring of Fire." Eighty percent of the world's earthquakes occur within the Ring of Fire. A number of active volcanoes can be seen from Shuyak Island, including Augustine, Iliamna and Redoubt. Earthquakes, such as the huge 1964 quake centered near Valdez, can physically change coastal areas through the creation of tsunamis, large ocean waves caused by a sudden change in the ocean floor and the huge displacement of water. The tsunami created by the 1964 earthquake displaced a navigation aid in Shuyak Straits and damaged portions of the eastern coast of Shuyak Island. The 1964 earthquake also caused about four feet of subsidence in the western area of the island. Areas of subsidence can be identified easily by standing dead spruce trees located within the slumped areas.

Scientists predict the next major earthquake in Alaska will occur in one of three "gaps" in the North Pacific plate located along the coastline between the tip of the Aleutians and Southeast Alaska. These gaps are areas that have not produced any large earthquakes in recent decades. Any earthquake produced in one of the gaps would likely affect Shuyak Island either through the direct shocks of the quake or by triggering a large tsunami.

VEGETATION

Shuyak Island's plant communities are best described in two general forms:

- forested areas dominated by mature Sitka Spruce stands; and
- the outer coast, dominated by a variety of alpine plants associated with much higher elevations.

A total of 238 plant species representing 54 families has been recorded within the park.

Forested areas are located inland and along protected waterways. Sitka spruce may have spread to Shuyak and/or Afognak Islands from the Kenai Peninsula about eight hundred years

CULTURAL RESOURCES

Shuyak Island's native populations, both historic and prehistoric, left behind many clues about their love of the island. Many archaeological sites located within the park have been described and documented. By law, the location and details of these sites must remain confidential. Some excavations have been conducted in the park, most recently in 1991 to study impacts on cultural sites due to the Exxon-Valdez oil spill.

Like the rest of the Kodiak Archipelago, the size and density of prehistoric archaeological sites found in the park are greater than in most other areas in Alaska. Sites located in the park have changed little since the native people who lived on Shuyak Island first built their homes, or barabaras. Besides natural phenomena such as earthquakes and volcanic eruptions, the landscape remains unchanged.

Archaeological sites are most valuable if they remain undisturbed until scientific exploration and interpretation prove desirable. The "context" or placement of artifacts both vertically within the soil profile and laterally along the surface is as important as the actual artifact actually. An artifact's specific location within the context of a particular site helps portray the story of the people who used that place. Many of the island's archaeological sites are suffering from damage caused by natural erosion and by people illegally looting and digging. According to local archaeologist Rick Knecht "we're in a race against time."

use of the great amount of food available in the ocean currents at the north end of the island. Many upland birds encountered in the old-growth Sitka spruce forest are resident species. Yellow-billed, common and pacific loons reside in the park. Fifty species of birds were observed in the park by local birder, Richard MacIntosh, from May 13-15, 1992.

In July of 1986, the Alaska Department of Fish and Game transplanted 110 Vancouver Canada geese from Southeast Alaska to Shuyak Island. Biologists studying the geese in July, 1993 observed a total of 20 geese, some with young. One bird observed was a banded bird from the 1986 release. Biologists believe the Vancouver Canada geese are residents of the island and hope to map which locations they are using for nesting, feeding, and other activities.

Islands and islets located along the western and northern coastline of the park are used as nesting sites by gulls, kittiwakes, puffins, cormorants, and other seabirds. Four larger islands, Green, Shag, Gull, and Dark are also important avian habitat, especially for shorebirds such as black oystercatchers, sandpipers, and plovers. Dark Island has the largest population of nesting shorebirds, possibly because it is less accessible to one of the birds' major predators, the river otter.

A number of the bird species that suffered injury and/or decline in population due to the Exxon-Valdez oil spill are found in large numbers in and around the park. These include: bald eagles, harlequin ducks, black oystercatchers, pigeon guillemots, common murre, and marbled murrelets. The park's old growth forest provides prime nesting habitat for marbled murrelets.

FISH AND FRESH WATER

Shuyak Island's uplands include hundreds of small lakes and beaver ponds fed from runoff, springs, and seeps. These lakes in turn feed many small creeks and streams that serve as habitat for many fish species. Of the 18 anadromous streams identified on Shuyak Island, 15 of them are located either within or immediately adjacent to the park. These 15 streams are mainly located in four distinct areas which are utilized for sport, commercial and subsistence fishing. These areas are: the southeast and southwest arms of Big Bay, the southeastern portion of Carry Inlet, and Shangin Bay.

Three species of salmon utilize the island's anadromous streams: silver, red, and pink salmon. In addition, Dolly Varden and rainbow trout also inhabit these freshwater systems. Sport and commercial salmon harvest and timing are regulated by the Alaska Department of Fish and Game. Alaska State Park manages two fish weirs, one at Big Creek and one at Bear Creek, through a cooperative agreement with the Alaskan Department of Fish and Game.

The 1984 legislation that created Shuyak Island State Park called for an amendment to the consent decree between the Kodiak Island Borough and the state. As part of this amendment, the state relinquished title on about 1400 acres of land along the east side of Neketa Bay to the borough. In return, the borough relinquished title to approximately 1400 acres located between Carry Inlet and Shangin Bay.

Maps on the opposite page show the existing land ownership boundaries on Shuyak Island.

LAND STATUS WITHIN THE PARK

Native allotments: There are four native allotments totalling approximately 160 acres on Shuyak Island. Two are located within the state park boundaries. All four allotments have received tentative approval. One of the allotments located inside the park has a small cabin and sauna, and the owner spends part of each summer at the site.

Mining Claims: A 19-acre mining claim staked in 1980 is located near Carry Inlet and within the boundaries of the park. A small cabin and outbuildings are located on the claim. The claim is visited often during the summer and occasionally during other seasons.

Other private development within the park: A cabin and outbuildings were built at the northern end of the island near the entrance to Carry Inlet and before the park was created. Immediately following the passage of the Shuyak Island State Park legislation, a special use permit was issued to an individual who had used the site before the park was established. The use permit was granted based on the occupant's continued traditional use of the land, cabin and outbuildings. However, the permittee did not comply with the stipulations of the permit and in 1988 the yearly permit was not reissued.

A small cabin was built during the 1970s near Carry Inlet. The owner of the cabin applied for a trapping cabin construction permit which was denied. No other claims have been made on the cabin and when Shuyak Island State Park legislation passed, the cabin came under management of Alaska State Parks. The Alaska Department of Fish and Game and state park employees have used the cabin as a base of operations for their work on the north side of the park.

LANDS ADJACENT OR NEAR THE PARK

Most of Shuyak Island is in public ownership. Uplands adjacent to or near the boundaries of the park are owned and/or managed by the Federal Aviation Administration, the Kodiak Island Borough, the Division of Land or Alaska State Parks. All of the tidelands adjacent to the park are managed by the Department of Natural Resources, Division of Land.

Chapter 3: Land Ownership and Management

HISTORY OF LAND OWNERSHIP

As part of the Statehood Act, the newly created State of Alaska selected lands on Shuyak Island in December, 1961. The state received tentative approval to these selections from the federal government two years later.

As an incentive to organize under the laws of the State of Alaska, each new borough was entitled to select a certain acreage of "vacant, unappropriated or unreserved" land from the state. The intent of the land grant was to create a local economic base for the boroughs. The Kodiak Island Borough selected lands on Shuyak Island in 1968 because of the economic potential of the island's forests.

The state did not recognize the Kodiak Island Borough's selections on Shuyak Island, contending that the lands were not "vacant, unappropriated, or unreserved" as required by state law. The State of Alaska asserted that lands on Shuyak Island should be retained for public use. The Kodiak Island Borough challenged the state's decision in court and the two parties finally reached a negotiated out-of-court settlement in August, 1981. This agreement, called the "Agreement of Settlement and Consent Decree," required the state to relinquish title to certain lands on Shuyak Island and in the Kodiak area to the borough and required the borough to relinquish title to land in the Pillar Creek area on Kodiak Island to the state. In addition, the settlement placed a number of requirements on both the Kodiak Island Borough and the state concerning how land on Shuyak Island was to be managed, including:

- The Kodiak Island Borough would "obtain introduction and support passage" of legislation creating a state game refuge on state land located on the east side of the island and a state park on state land located in the northwest area of the island.
- Should state lands on Shuyak Island not become either a state park or a state game refuge, "such lands shall be at all times classified and managed by the state in a manner maintaining and enhancing such lands for wildlife habitat and public recreation purposes." If not managed in this manner, the Kodiak Island Borough would be able to select these lands away from the state.
- The Kodiak Island Borough is prohibited from allowing heavy industrial use of borough land located adjacent to Big Bay near the creek known as "Big Creek" (section 10, T 19S, R 20 W). The Kodiak Island Borough also agrees to guarantee "reasonable public access" through its land near Big Creek for "the purpose of utilizing adjacent park lands."
- The state would allow for public easements, 200 feet in width, giving access across state lands to borough lands on the east side of Shuyak Island.

Federal Aviation Administration: One small parcel of land located near the northeast park boundary was a General Aviation Administration site until the early 1960s. Remains left behind when the Federal Aviation Administration closed down this site include batteries, collapsed buildings and a large amount of debris. Probable hazardous and chemical contamination of the area poses a threat to wildlife and to visitors.

Kodiak Island Borough: The Kodiak Island Borough owns approximately 25,000 acres of land on Shuyak Island.

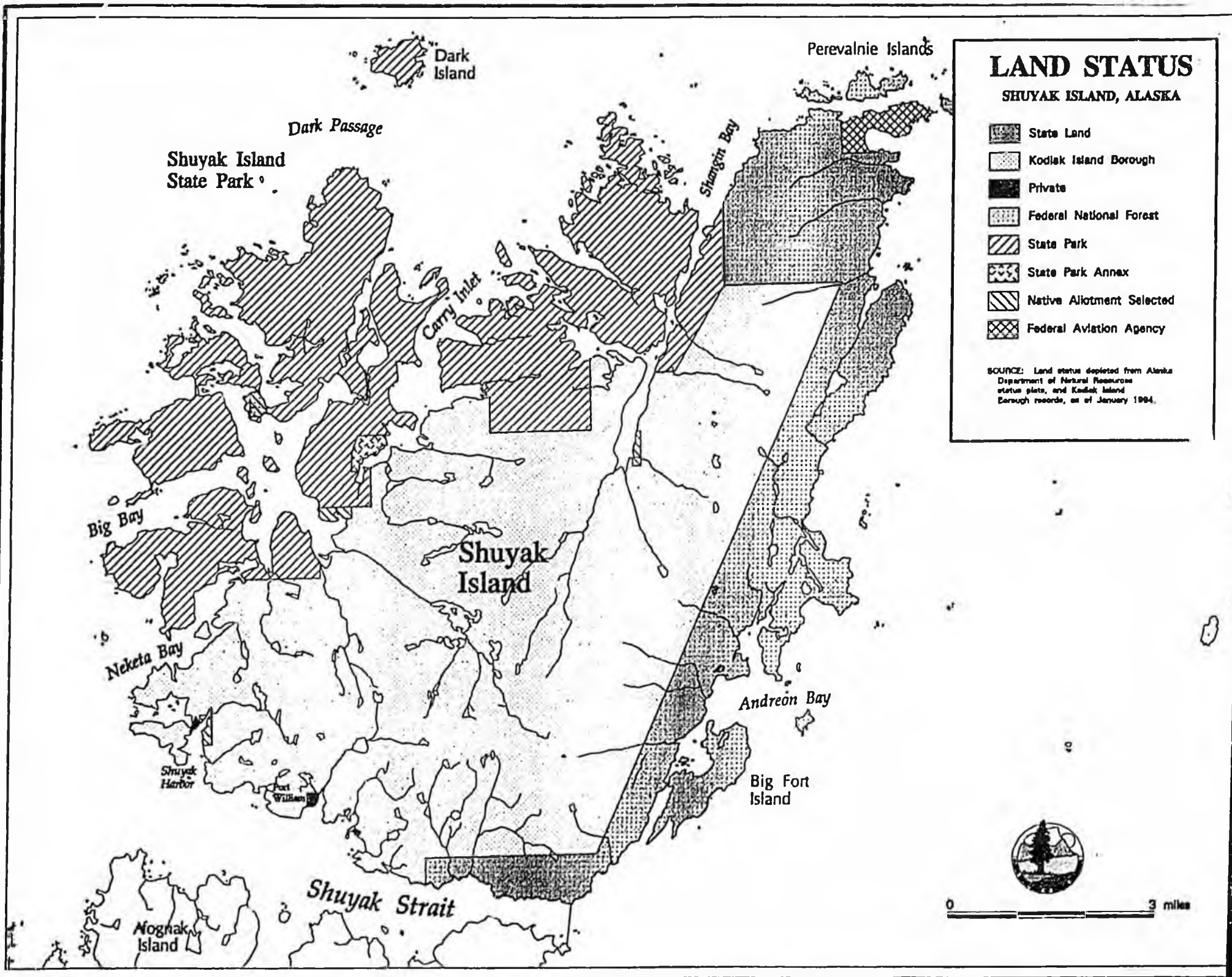
The Kodiak Island Borough Assembly passed a comprehensive plan for borough land located on Shuyak Island in 1986. Because of Shuyak Island's small size the plan recommends that the island be "managed as a whole and not along political boundaries." The plan further recommended:

- any proposed borough land disposal programs be limited to the Pt. Williams/Shuyak Straits area;
- acquisition of/or land exchange for native allotments;
- development of a comprehensive recreation plan;
- creation of a new zoning district to reflect proposed limits on uses allowed on Shuyak Island;
- a joint management agreement with the State of Alaska;
- mineral closure for the entire island;
- creation of a Shuyak Island Advisory Board; and
- encourage scientific research to fill resource information gaps.

No land disposal programs have been initiated for any borough land on Shuyak Island and there is no comprehensive recreation plan for the island yet. In 1989, the Kodiak Island Borough assembly adopted a limited use zoning district called "Natural Use." The assembly is currently considering an ordinance to rezone all public lands on Shuyak Island to Natural Use. The state and borough do not have any formal management agreement concerning Shuyak Island lands. While the borough has a Parks and Recreation Committee, there is no advisory board that specifically deals with Shuyak Island.

Discussions have occurred between the Kodiak Island Borough and Alaska State Parks to trade state land on the Kodiak Island road system for the borough's land on Shuyak Island so that most of Shuyak would be managed by one entity. In November, 1993, the Exxon-Valdez Oil Spill Trustee Council voted to pursue negotiations with the Kodiak Island Borough for the purchase of the Kodiak Island Borough's land on Shuyak with funds from the oil spill civil settlement. The borough would probably require that the lands be added to the state park system or to some other conservation designation.

Division of Land: The northeast boundary of the park at the entrance to Shangin Bay borders state lands which are classified as "wildlife habitat" and managed by the Department of Natural Resources, Division of Land. Legislation to create the "Alexander Baranov State



LAND STATUS

SHUYAK ISLAND, ALASKA

-  State Land
-  Kodiak Island Borough
-  Private
-  Federal National Forest
-  State Park
-  State Park Annex
-  Native Allotment Selected
-  Federal Aviation Agency

SOURCE: Land status depicted from Alaska Department of Natural Resources status plats, and Kodiak Island Borough records, as of January 1984.

0 3 miles



Game Refuge" in this area was introduced in the state legislature in the early 1980s, but it never passed.

All tidelands and submerged lands to three miles offshore of Shuyak Island are managed by the Division of Land. While most state park units located on saltwater include some tidal and submerged lands, such lands were specifically left out of Shuyak Island State Park. This was mostly to respond to commercial fishermen's concerns that inclusion of these lands in the state park may restrict their access to fisheries.

Alaska State Parks: Alaska State Parks manages a small parcel of state land adjacent to the park in the Carry Inlet area. This 85-acre area was part of the 1400 acres that the Kodiak Island Borough deeded to the State of Alaska as a result of the 1985 amendment to the Consent Decree. Since the parcel is outside the legislative boundary of the park, it cannot be added to the park without legislative action. However, according to the deed that transferred the land for the Kodiak Island Borough to the state, the land must be used for "park purposes." Alaska State Parks received management rights for this land from the Division of Land.

HB

109

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. HB109

Revision Date: _____ Dept Affected: Natural Resources
 Title: An Act relating to the management and disposal BRU: Resource Development
of state land and resources; relating to...remote parcels and... Component: Land Development
 Sponsor: Rep. Theriault
 Requestor: H(RES) Component Serial No. 431

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY98	FY99	FY00	FY01	FY02	FY03
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES (1005)	93.0	93.0	93.0	93.0	93.0	93.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY97) cost: \$ None

POSITIONS

FULL-TIME	0.0	0.0	0.0	0.0	0.0	0.0
PART-TIME	0.0	0.0	0.0	0.0	0.0	0.0
TEMPORARY	0.0	0.0	0.0	0.0	0.0	0.0

ANALYSIS: (Attach a separate page if necessary)

There is no fiscal impact associated with this legislation based on the assumption that the bill's improvements to land management and disposal laws will allow the division to focus on processing the existing backlog of applications more efficiently.

Change in revenue assumes 200 acres of new homesteads are purchased each year at \$350/acre, \$225/acre more than they would bring under current law (\$45.0), and ten existing homesteads or remote parcels "buy out" their conveyance restrictions at \$4.8 per parcel (\$48.0).

Prepared by: Jane Angvik, Director *[Signature]* Phone: 269-8503
 Division: Land Date: 15-Apr-97
 Approved by Commissioner: *[Signature]* Date: _____
 Agency: Natural Resources

Alaska State Legislature

REPRESENTATIVE
GENE THERRIAULT

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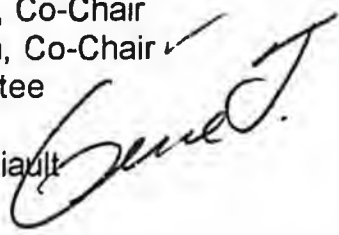
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House District 33

House Of Representatives

MEMORANDUM

TO: Representative Scott Ogan, Co-Chair
Representative Bill Hudson, Co-Chair ✓
House Resources Committee

FROM: Representative Gene Therriault 

DATE: March 17, 1997

SUBJECT: Scheduling of HB 109

I respectfully request House Bill 109, "An Act relating to the management and disposal of state land and resources" be scheduled for a hearing in the House Resources Committee.

House Bill 109 is a housekeeping measure primarily intended to clarify certain Title 38 statutes governing the Department of Natural Resources' management of state land and resources. This bill is intended to bring greater efficiency to the management of state lands by simplifying programs and reducing costs to DNR.

The following information is attached:

1. House Bill 109
2. Sectional analysis
3. Sponsor statement

I appreciate your consideration of my request.

Attachments (3)

Alaska State Legislature

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GENE THERRIAULT

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House District 33

House Of Representatives

House Bill 109

"An Act relating to the management and disposal of state land and resources; relating to certain remote parcel and homestead entry land purchase contracts and patents; and providing and effective date."

SPONSOR: Rep. Gene Therriault

SPONSOR STATEMENT:

House Bill 109 is a housekeeping measure intended primarily to clarify certain Title 38 statutes governing the Department of Natural Resources' management of state land and resources. This bill is intended to bring greater efficiency to the management of state lands by simplifying programs and reducing costs to DNR.

Some highlights of HB 109 include:

- rewrite of the "remote cabin permit program" to a program that would allow for either the sale or lease of land for a remote cabin site. The permit program was never implemented because of the associated administrative costs with only a minimal return to the state.
- Clarifies that the sale of state land does not obligate the state to provide additional services.
- Simplifies the methods to receive a homestead parcel title by requiring that within five years, a parcel must be lived on for 25 months or purchased at fair market value.

Although HB 109 is not intended to be a complete rewrite of Title 38, I believe it is a positive step in the effort to streamline state government.

Sectional Analysis of HB 109

Sec

- 1 adds new subsection, lifts six year statute of limitations for the state to bring action to confirm the state's interests in real property or protect public resources (AS 09.10.120)
- 2 clarifies that the department's consideration of timber, firewood, and water supplies before offering land for disposal does not imply that any person has exclusive use of those resources or constitute a limitation on future state disposals. (AS 38.04.010(b))
- 3-4 removes the requirement of a "land disposal bank." Under laws passed in the last decade, regional land use plans are used to identify land that will be offered for private ownership. More than 2,000,000 acres have been classified through this process, making the land bank obsolete. Subsections c, f, j, and k relating to the land disposal bank are repealed in Sec.41. (AS 38.04.020(a)-(b))
- 5 rewrites subsection: the report available to the legislature will contain information on the current inventory of state land available for disposal, tailored to the way the inventory is catalogued. Land is classified as suitable for settlement purposes including homestead, commercial, and industrial disposals; agricultural disposal; and grazing leases. (AS 38.04.020(d))
- 6 puts the state land disposal program on the same footing as other natural resource sale programs, submitting a budget request each year would not be mandatory. But each budget proposal would be complete. It would request the full funding needed to get the land disposal projects ready for sale, including any access roads or other capital improvements that might be required. (AS 38.04.020(e))
- 7 makes technical corrections, dropping an out-of-order classification reference (land must already be planned and classified for disposal before it is surveyed and platted), an erroneous reference to a homestead "lease" is removed, and a reference to homestead staking is removed to conform with repeals in sec 41. (AS 38.04.020(g))
- 8 clarifies the five-acre limit on subdivision lots applies to land sold for residential and recreational uses, not agricultural parcels, commercial parcels, etc. This clarification is needed because under current law, any division of a tract for purposes of sale constitutes a subdivision. The amendment would also allow larger lots if it would increase the return to the state. (AS 38.04.020(h))
- 9 updates a list of state land disposal programs by adding the homestead law and the remote recreational cabin site lease/sale program enacted by Sec. 27 of the bill. (AS 38.04.020(i))
- 10 clarifies that the commissioner's disposal funding request must go to the governor not to the legislature. (AS 38.04.021(a))
- 11 deletes a cross-reference to an annual land demand study, repealed by this bill. (AS 38.04.021(b))
- 12 allows the Department of Natural Resources to create new land disposal programs by regulation, provided they are competitive and produce at least fair market value for the land. (AS 38.04.030)
- 13 clarifies that sales of public land to private individuals shall be at fair market value unless specifically exempted, sale programs are preferred although lease programs may be used under certain circumstances, and removes a reference to remote cabin permits (repealed by this bill). (AS 38.04.035)
- 14 deletes language exempting random-staked homesteads and remote parcels from cadastral survey requirements. The remote parcel program was repealed in 1983, effective 1984, and the homestead program was changed in 1988 to preclude random staking. (Remote recreational cabin site leases, as enacted by Sec. 27 of the bill, would be exempt from this statute because they are short-term leases. The statute would not apply until the remote recreational cabin site was ready to sell.) (AS 38.04.045(b))
- 15 allows discretion on where to hold land auctions and lotteries. (AS 38.05.050)
- 16 deletes the personal-appearance requirement for land auctions, allowing bidders to be represented by an agent. (AS 38.05.055) (personal appearance requirement found unconstitutional)

- 17 along with repealer, deletes the requirement that purchasers appear in person at land lotteries and pay the down payment on the spot. Instead, they would have 30 days to make the payment. It also drops language about consulting with the local assessor to determine land values, which is unnecessary because AS 38.05.840 requires a formal appraisal before the land can be offered for sale. (AS 38.05.057(a), plus repeal of (g))
- 18- repeals the current system for sale contract interest rates that relies on the old Federal Land Bank's "prevailing" rate. (The Federal
19 Land Bank's successor now uses many different rate systems with multiple variables, rather than a single prevailing rate.) It would also change the point at which the rate is determined, solving the problem of the rate changing after the contract is mailed out for signature but before both parties have signed. (State land sale contracts are not signed in a face-to-face closing ceremony.) Sec. 18 would also let contracts for auction parcels be issued for less than 20 years, as already allowed for lottery parcels. (AS 38.05.065(a)-(b).)
- 20 replaces the old Federal Land Bank interest rate with a new system for state land sale contracts. Interest would be based on the prime rate, the widely quoted market rate used for a bank's most credit-worthy corporate loan customers. A four percent add-on would adjust for the unique circumstances of state land sale contracts, which do not involve any credit check. The total would be capped at 9.5% for agricultural use contracts and 13.5% for other contracts. The rate would be computed monthly and would apply to all contracts prepared that month. (AS 38.05.065(i))
- 21 corrects a 1984 error, restoring the original intent of the veterans' preference auction law. It clarifies that although that law does not apply to the lottery, homesite, or homestead programs, a veterans' preference auction must be held before restricted residential lots can be sold at auction to the general public. A combination of amendments in 1984 had made veterans' preference sales inapplicable to all subdivision sales. (AS 38.05.067(d))
- 22 updates the agricultural preference right law (see Sec. 21) by defining the term "adjacent," instead of "approximate vicinity." The latter was removed from the body of the law in 1984. (AS 38.05.069(e)(2))
- 23 updates programs exempt from the general standard that state land leases must be offered at auction. It removes a reference to remote cabin permits (repealed by this bill), and substitutes a reference to remote cabin site recreational leases (enacted by Sec. 27 of this bill) (38.05.075(a))
- 24 rewrites the aquatic farm site law to let standard state leasing laws be used. Sites could be offered directly at auction or by negotiated lease, rather than first being developed under a three-year permit process. As with other types of land disposals and leases, public hearings on the leasing decision would be held as needed, but would not be mandatory. (AS 38.05.083, plus repealers of AS 38.05.855, AS 38.05.856, AS 38.05.946(b))
- 25 modernizes requirements to restore surface lease sites after lease termination, protecting the state against liability and high cleanup costs. Because other provisions of AS 38 apply this leasing statute to terminated homesites, homesteads, remote cabin sites, etc., special measures of the existing AS 38.05.090 would be retained to compensate individuals for authorized private residential improvements that are not removed from the site and are worth more than \$10,000 net value. (AS 38.05.090)
- 26 conforming amendment needed due to repeal of 38.05.040 bonding requirement for the director of the statutory Alaska Division of Lands) would be repealed by Sec. of this bill. (AS 38.05.131(a))
- 27 creates a remote recreational cabin site lease/sale program for land disposals in remote, lightly populated areas. At any time during a total term of ten years, the lessee could purchase the site after getting it appraised and surveyed, just as in the former "open-to-entry" and "remote parcel" programs (repealed in 1979 and 1993 respectively). (AS 38.05.600)
- 28 allows "other public" facilities, beyond cemetery or solid waste facility that may be disposed of to a tax-exempt, non-profit corporation, or other organization to operate for a public purpose and allows the department to convey "common areas" in state subdivisions to the subdivision's homeowners' association for retention and management. Many state subdivisions were platted with certain lots reserved from disposal to provide open space and recreation for subdivision residents. The intention was eventually to transfer these reserved lots to local government. But where there is no local government or it does not want to assume management responsibility, conveyance to the homeowners' association is a logical substitute. The department would be required to ensure that the conveyance serves a public purpose. (AS 38.05.810(a))
- 29 clarifies that the division may allow livestock grazing, commercial berry picking or mushroom harvesting, and similar minimal-value consumptive uses by issuing permits, an authority the Department of Law recently questioned. (AS 38.05.850(a))

- 30- deletes references in the public notice law to special aquatic farm site permit procedures repealed by Sec. of the bill: mandatory
31 public hearings and preliminary findings before issuing permits. (AS 38.05.945(a)(5)-(6), d)
- 32 raises the application fee for homesites from the current \$10 to a maximum of \$25, the same as for lottery parcels. (AS 38.08.030(b))
- 33 adds a cross-reference to the lottery process used to select the winner of a homesite entry permit (see Sec.). It would also require a token annual rental of \$100 until the permit holder "proves up" or purchases the lot. Because a homesite entry permit is a contract, the rental requirement would not apply to existing entry permits. (AS 38.08.040(a))
- 34 adds a new subsection directing that homesite entry permits be offered at lottery. Using the lottery procedures of AS 38.05.057 was formerly a statutory requirement, but a 1984 amendment left the connection unclear. The department would be required to adopt regulations as consistent as possible with AS 38.05.057. (AS 38.08.040(f))
- 35 deletes the authority to make applicants appear in person at a homestead lottery. (AS 38.09.010(g))
- 36 Raises the fee to receive a non-agricultural homestead entry permit to \$20 per acre. This is a one-time rental fee, lasting for the entry permit's five-year term. The rental fee for agricultural homesteads would remain at the current \$5 per acre. In addition, combined with repealers in the bill, it would eliminate staking and legal-description requirements that became obsolete in 1988. In that year, the homestead law was changed to require the department to do a cadastral survey before offering the parcels, instead of making the homesteader survey it five years later. (AS 38.09.030(a), plus repealers of AS 38.09.010(e), 38.09.020, 38.09.040(a)(2), 38.09.040(a)(4), AS 38.09.060, AS 38.09.070, and 38.09.900(1))
- 37 along with repealers, reduces and simplifies the ways to receive title to a homestead parcel. (Currently there are three methods. A homesteader may obtain the land for free by living on it and building a house, plus meeting clearing requirements applicable to agricultural homesteads only. Or he can buy the parcel at almost-current fair market value without building a house and living on it, if he applies within two years. Or he can buy the parcel at current fair market value without living on the parcel, if he builds a house and applies to purchase within five years.) Repealers eliminate the house-building requirement and the distinction between two-year and five-year purchase. Within five years the homesteader either "proves up" by living on the parcel for 25 months, or purchases the parcel at fair market value. (As with all state land sales, the purchaser may pay cash for the homestead, or enter into an installment contract under AS 38.05.065.) With either method, the homesteader must reimburse the state for survey and platting costs, and must meet agricultural clearing requirements if the land is classified agricultural.
- 38 a conforming amendment eliminating a reference to a permanent dwelling. (AS 38.09.050(a)-(b), plus repealers of AS 38.09.040(a)(3), 38.09.090, 38.09.900(3), and 38.09.900(4))
- 39 New section along with repealers in Sec. 41 of the bill, affects both the remote parcel program and the homestead program. (The remote parcel law was repealed in 1983, effective in 1984, but the program will be alive until at least the year 2016. The last parcels were staked in 1984, and the last leases issued in 1985-1986. The lessees will have until 1996 or later to survey their parcels, and can then enter into 20-year purchase contracts.) This section would prohibit the department from imposing the conditions of the former AS 38.05.078(d) in new remote parcel purchase contracts. These conditions restricted the sale or subdivision of remote parcel land after it was conveyed into private ownership. It would also allow the department to amend existing remote parcel or homestead purchase contracts or patents to remove these restrictions if the holder consents and reimburses the state for the difference in value. (Each parcel's purchase price was cut by 50% to account for the resale restrictions.) (AS 38.09.105, plus repealers of AS 38.09.050(d)-(e))
- 40 the homesite disclaimer language is made applicable to all state land disposals: unless specifically provided, the state is not obligated to provide services to the grantee of a state land disposal. Also clarifies that the state is free to dispose of other land or resources in the future, without restrictions as to type, parcel density, etc. (38.95)

41 Repealers affecting the land disposal bank (AS 38.04.020) and down payments at land lotteries (AS 38.05.057(g))

Repealing AS 38.05.057(j) eliminates special lottery procedures for an agricultural project statute that was repealed in 1979.

Repealing AS 38.05.040 would eliminate the requirement for a \$150,000 bond for the director of the statutory Division of Lands, which was subsequently reorganized and subdivided into several different divisions.

Repealing AS 38.05.079 eliminates the remote cabin permit program, which provided for 25-year leases for cabin sites.

Repealing AS 38.05.855, AS 38.05.856, and AS 38.05.946(b) eliminates requirements associated with aquatic farm site permits

AS 38.08.090 is made unnecessary by Sec. 40 which broadens its language and expands it to other land disposals.

Repealing 38.09.010(e), 38.09.020, 38.09.040(a)(2), 38.09.040(a)(4), AS 38.09.060, AS 38.09.070, and 38.09.900(1) eliminates requirements related to staking, flagging, brushing, and filing a legal description on a homestead; see Sec. 36.

Repealing AS 38.09.040(a)(3), 38.09.090, 38.09.900(3), and 38.09.900(4) eliminates homestead dwelling requirements and the distinction between two- and five-year purchase;

Repealing AS 38.09.050(d) and (e) would remove restrictions on selling or subdividing land after it has been conveyed to a homesteader

42 would authorize railroad, highway, and utility line rights-of-way within Chugach State Park necessitated by a Seward Highway relocation project at Bird Point (between Anchorage and Girdwood)

43 adds a savings clause protecting homesite entry permits (and subsequent patents) granted by lottery after July 6, 1984. Which was the effective date of an amendment that dropped a reference to the lottery statute, leaving no statutory guidance on how to issue homesite entry permits.

44 specifies that the interest rate changes made by Secs. 18-20 of the bill apply to all contracts sent out to be signed after the bill's effective date.

45 allows the department to adopt regulations in advance of the bill's effective date, but may not take effect until July 1, 1997. Includes a savings clause for the existing homesite disposal regulations until they can be changed.

46 retroactive clause for sec 1

47- are effective dates

48

ALASKA RAILROAD CORPORATION



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VIA FACSIMILE

April 16, 1997

OFFICE OF THE GENERAL COUNSEL
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The Honorable Bill Hudson
Co-Chair, House Resources Committee
State of Alaska
Capitol Room 108
Juneau, Alaska 99801-1182

The Honorable Scott Ogan
Co-Chair, House Resources Committee
State of Alaska
Capitol Room 128
Juneau, Alaska 99801-1182

Dear Representatives Hudson and Ogan:

We understand that HB 109 will be considered by the House Resources Committee in a hearing scheduled for Thursday, April 17. The Alaska Railroad Corporation (ARRC) supports the enactment of HB 109 into law and urges the committee to pass it on for consideration by other members of the House. Our interest in the bill is limited to Section 42, which was added at the request of both DOT/PF and ARRC. This language modifies to a very limited extent the existing authority of the Commissioner of Natural Resources regarding Chugach State Park. The background for this request is as follows: DOT/PF is realigning and upgrading a portion of the Seward Highway south of Anchorage between Bird Point and Girdwood. In the process, it is relocating the railroad tracks off ARRC land in three locations so that railroad land may be used for the relocated highway and its required buffers. This provision would grant authority to DNR to convey Chugach State Park land to ARRC so that the railroad will still have a full 100-foot buffer on the north side of the tracks in those locations where the track has moved to accommodate the road. It also clarifies the status of the highway easement itself and of the Chugach Electric transmission and distribution lines being relocated by the same highway project.

The specific language of Section 42 was drafted with the involvement of DNR, DOT/PF, ARRC, and the Attorney General's office, and has the support of all affected departments. We would be happy to provide more detail on the history of this highway project or answer any questions if the committee so desires.

Very truly yours,

Phyllis C. Johnson
Vice President & General Counsel

Alaskan Shellfish Growers ASSOCIATION



April 16, 1997

**Honorable Gene Therriault
Capitol Building, Room 511
Juneau, AK 99801-1182**

Dear Representative Therriault:

The state's shellfish growers strongly support your efforts through House Bill 109 to simplify and reduce the cost of the state's aquatic farm permitting program. The proposed changes to the state's permitting program have been long sought by industry and permitting officials.

The Alaskan Shellfish Growers Association (ASGA) has been seeking reforms in the permitting process for years. Despite the difficulty of the initial siting process, ASGA's focus has been the amount of paperwork necessary to amend or renew permits. Consider this "typical" development scenario for a small oyster farm:

Initial Issuance - Submit applications during two-month annual opening. Agency reviews take several months, with much interaction between the agencies and applicants. Preliminary findings. Farmers pay for legal notices in two newspapers (statewide and regional). Public hearings conducted throughout Southcentral and Southeast by ADNR and ADF&G. Management plan developed for each site. Final decisions published. Three-year permits issued. Time: 1 year.

Renewal/Amendment - Many farmers make what the agencies classify as a major amendment (change the footprint, add a species, change type of gear (rafts to longlines, etc.) to their permits at or before the three-year lapse point. No farmer can meet the state's "prove up" conditions within a three-year period. Application (new to-scale drawings, etc.), agency review, preliminary findings, applicant-paid advertisements, public hearings, final decisions. Time: 8-12 months.

Renewal - While it is possible to obtain a lease within a six year-period, no farmer has yet done so, primarily because problems are inevitably incurred during start-up. Repeat renewal process. Time: 8-12 months.

Keep in mind that this assumes no problems are encountered during these long processes. Some farmers were in the initial siting process for three years before obtaining a permit. Farmers invest much time negotiating this red tape ensnared permitting path where surprises lurk around each bend. The fear of new user fees to pay for this costly system is a constant concern as budgets are

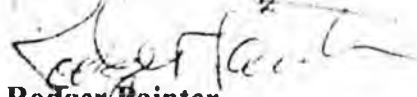
cut back.

Your legislation would subject the farmer to a single running of the full-fledged gauntlet. The lease would still have performance standards and there would be reviews by the agencies, but the two renewals would be eliminated and the amendment process would be condensed and simplified. The cost to the state and farmer would be lowered.

ASGA believes our permit reform pleas would be best answered by passage of your legislation. My farm's file at the two primary permitting agencies (ADNR and ADF&G) resembles the white and yellow page phone books of major U.S. cities. Cutting back on this unnecessary red tape is a primary goal of growers.

Thanks for your help in trying to reform the system. Please let us know if we can be of assistance.

Sincerely,

A handwritten signature in dark ink, appearing to read "Rodger Painter", written over a circular stamp or mark.

Rodger Painter
Vice President

HEB

123

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. HB 123

Revision Date: February 20, 1997
Title: An Act Relating to the Repeal of the Tax Obligation Loan Program

Department Affected: Commerce and Economic Development

BRU: _____
Component: _____

Sponsor: Representative Ivan
Requestor: House Special Committee on Fisheries

COMPONENT SERIAL NO. 0384

Expenditures/Revenues:

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL EXPENDITURES	0	0	0	0	0	0
----------------------	---	---	---	---	---	---

CHANGE IN REVENUES ()	0	0	0	0	0	0
------------------------	---	---	---	---	---	---

FUND SOURCE

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
Other	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

Estimate of current year (FY 97) cost: \$ 0

POSITIONS

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

ANALYSIS (Attach a separate page if necessary)

This legislation will remove the sunset provision for tax obligation loans made under the Commercial Fishing Revolving Loan Fund. The Department will continue to handle loan requests generated as a result of this legislation with existing staff.

Prepared by: Martin J. Richard, Director
Division: Investments
Approved by Commissioner: William L. Hensley
Agency: Commerce and Economic Development

Phone: (907) 465-2510
Date: February 20, 1997
Date: 2-20-97

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Interim

P.O. Box 137
Akiak, Alaska 99552
Phone: (907) 765-7526

Representative Ivan M. Ivan

MEMORANDUM

TO: Representative Bill Hudson, Co-Chair
Representative Scott Ogan, Co-Chair
House Resources Committee

FROM: Representative Ivan M. Ivan *IMI*

DATE: February 25, 1997

RE: Scheduling of House Bill 123

Please consider this request to hear House Bill 123: Repealing the termination date of the Tax Obligation Loan Program, before the House Resources Committee at your convenience.

This bill repeals the termination date of the federal tax obligation loan program that is under the Commercial Fishing Loan Act. This program is due to end on May 26, 1997. Thus far, 207 loans have been made to fishermen who, otherwise, would have lost or possibly could have lost their limited entry permits through actions taken by the Internal Revenue Service to seize permits for payment of delinquent taxes.

Thank you for consideration of my request. Please do not hesitate to contact my office if I can provide further information or answer any questions.

IMI/tw

Alaska State House of Representatives
House District 39

Session
Alaska State Capital
Juneau, Alaska 99801-1182
Phone: (907) 465-4942



Interim
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Akiak, Alaska 99552
Phone: (907) 765-7526

Representative Ivan M. Ivan

SPONSOR STATEMENT - HOUSE BILL 123

This bill repeals the termination date of the federal tax obligation loan program that is under the Commercial Fishing Loan Act. This program is due to sunset on May 26, 1997. Thus far, 207 loans have been made to fishermen who, otherwise, would have lost or possibly could have lost their limited entry permits through actions taken by the Internal Revenue Service to seize permits for payment for delinquent taxes.

D-I.S0538VA.1
Crutner/Utermohle
3/6/97

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE OGAN

TO: HB 123

1 Page 1, line 5:

2 Delete all material and insert:

3 **** Section 1.** Section 10, ch. 62, SLA 1994, is amended to read:

4 Sec. 10. Sections 2 and 9 of this Act take effect ~~eight~~ [THREE] years after
5 the effective date of sec. 1 of this Act."

SIX

George -

Please work up a CS Resumes
final for HB123.

* Note, this amendment was
amended to read on line 4 " take
effect six years after..."

Many Thanks -

Maiche

**THE FOLLOWING PAGES MAY
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THE POOR QUALITY OF THE ORIGINAL**

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WILLIAM S. COHEN MAINE
FRED THOMPSON TENNESSEE
THAD COTHRAN MISSISSIPPI
JOHN M. DAN ARIZONA
BUBB SMITH NEW HAMPSHIRE
MATE BRUHN COLORADO

JOHN GLENN OHIO
SAM NUNN GEORGIA
CARL LEVIN MICHIGAN
DAVID PRYOR ARKANSAS
JOSEPH I. LIEBERMAN CONNECTICUT
DANIEL K. AKAKA HAWAII
BYRON L. DORGAN NORTH CAROLINA

ALGER L. UNDERHILL STAFF DIRECTOR
LEONARD MISS. MINORITY STAFF DIRECTOR

United States Senate

COMMITTEE ON
GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510-6250

January 10, 1996

The Honorable Ivan Ivan
Alaska State Representative
Alaska State Capital
Juneau, Alaska 99801-1182

Dear Ivan:

Thank you for your letter expressing concern about the Internal Revenue Service's (IRS) December sale of a limited entry permit and requesting legislative or administrative action to address IRS permit sales.


I was also very disappointed in the IRS decision to conduct a sale of limited entry fishing permits. In March of 1996, as Chairman of the Governmental Affairs Committee I held a hearing which had addressed this specific issue as a matter of IRS tax administration oversight. Hearing witnesses included Susan Anderson of the Lower Yukon Economic Development Council and Steven Street of the Alaska Business Development Center, both of whom were effective advocates for the proper treatment of fishers in bush communities. The IRS District Director later held meetings in Anchorage on how to best address tax delinquencies among fishers. However, a number of people have expressed concern that the December sale signaled the end of the cooperative spirit that developed this year.

While the December sale is discouraging, my staff continues to work with the IRS and I will keep you informed of developments in this case. My staff is exploring ways to address the problem in the 105th Congress. Please telephone me or Chris Schabacker of my staff at (202) 224-3004 with any questions.

Thanks again for your letter.

With best wishes,

Cordially,


TED STEVENS

STATE OF ALASKA

COMMERCIAL FISHERIES ENTRY COMMISSION

TONY KNOWLES, GOVERNOR

8600 GLACIER HWY #109
JUNEAU, AK 99801
(907) 789-6150 Licensing Calls
(907) 789-6160 Other Business
(907) 789-6170 FAX
(907) 789-6160 BBS

December 26, 1996

The Honorable Ivan Ivan
Alaska State Representative
Room 503, State Capitol
Juneau, AK 99801-1182

Re: IRS Forced Sales of Alaska Limited Fishing Privileges

Dear Representative Ivan:

We appreciate receiving copies of your letters to the Alaska Congressional Delegation protesting IRS' pre-Christmas sale of an Alaska limited entry permit. Your letters are very timely and persuasive. Thank you.

We expect to have some additional information to share with you by next week. We are very grateful for your interest in this issue. Again, thank you.

We wish you and your family a happy new year.

Cordially,

COMMERCIAL FISHERIES ENTRY COMMISSION

Dale Anderson, Commissioner
Mariene Johnson, Commissioner
Bruce Twomley, Chairman

by: 

cc: The Honorable Ivan Ivan
Alaska State Representative
P.O. Box 137
Akiak, AK 99552

Mr. Tom Wright
c/o Representative Ivan Ivan
Room 503, State Capitol
Juneau, AK 99801-1182

Alaska State House of Representatives

House District 39



Session
Alaska State Capital
Juneau, Alaska 99801-1182
Phone: (907) 465-4942

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Akiak, Alaska 99552
Phone: (907) 765-7526

Representative Ivan M. Ivan

December 17, 1996

The Honorable Ted Stevens
522 Hart Building
Washington, DC. 20510-2201

Dear Senator Stevens:

I wish to express my concerns in regards to the Internal Revenue Service forcing the sale of Alaska limited entry fishing permits.

As you well know, in Alaska's rural communities limited fishing privileges are often the only means of earning cash as well as the fundamental way of life for thousands of Alaskans.

I was shocked to learn that on December 11, 1996, the IRS conducted a pre-Christmas sale of an Alaska limited entry permit held by a 54 year-old Alaska Native fisherman from a small Alaskan coastal community. Although the permit is valued at \$30,000, the IRS sold the permit for only \$5,000.

This to me is preposterous. The Alaska State Legislature enacted a special secured loan program to help such fishermen. Alaska is the only state to have made such a commitment. The IRS knows the State of Alaska is ready to help such individual fishers through our loan program. With the help of the Alaska Business-Development Center and others, the state has so far aided numerous individual fishers in meeting their tax obligations and generated more than \$4 million in revenue to the IRS. The IRS also knows many of our people do not have the capacity to secure these loans and to meet their tax obligations without intervention and help by the state. Despite this knowledge, the IRS gave the state only two days notice of its sale.

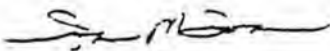
Christmas is a horrible time for the IRS to pick to destroy a fisherman. I thought all human beings generally recognized the fact that adverse actions taken at Christmas can cause tragic consequences. Additionally, the IRS' lack of advance notice destroyed any opportunity for the state to intervene and counsel the individual fisherman.

It is my understanding that Congress has directed the IRS to avoid inflicting hardship in its collection practices. Yet, this sale appears to be designed to inflict maximum hardship on a fisherman. Also, the IRS has recently announced it is targeting more fishing privileges held by rural Alaskans after the first of the year.

This is maddening, since the IRS knows Alaska is in the last months of our successful tax loan program. The state and the Alaska Business Development Center are systematically traveling throughout rural areas of the state to help secure the benefits of the program for Alaska fishermen most in need. The IRS' precipitous sale (with more to come) destroys these planned efforts and causes extreme hardship to the individual fishers. The IRS further knows it will be forcing more Alaskans onto public assistance.

I would welcome your administrative or legislative help in avoiding hardship. Any possible assistance you can provide would be deeply appreciated. If I can assist in any way, please do not hesitate to contact me.

Quvana,



Ivan M. Ivan
Representative

MI:rw

cc: Bruce Twomley, Chairman, Commercial Fisheries Entry Commission
Tom Hawkins, Executive Director, Bristol Bay Native Corporation
Terry Hoefflerle, Executive Director, Bristol Bay Native Association

STATE OF ALASKA
COMMERCIAL FISHERIES ENTRY COMMISSION

16 43 Sunday, February 15, 1997

PROJECT NUMBER : 96159
PROJECT NAME : IRS Selective Permit Information

Report #4 - Alaska Resident Permit Holders Subject To IRS Summons For 1993-94
By Alaska Census Area And City
(The Vast Majority Are Identified By The IRS As Non-Filers)

Census Area	City	# Per- mit Holders
ALEUTIAN ISLANDS	KING COVE	2
	NELSON LAGOON	2
	SAND POINT	4

ALEUTIAN ISLANDS		8
ANCHORAGE BOROUGH	ANCHORAGE	40
BETHEL	AKIACHAK	5
	AKIAK	5
	ATMAJULAK	2
	BETHEL	26
	CHEFORNAK	2
	EEL	3
	GOODNEWS BAY	13
	KALSKAG	1
	KASIGLUK	2
	KIPNUK	1
	KONGISANAK	2
	KWETHLUK	5
	KWIGILLINGOK	3
	MEKORYUK	2
	NAPAKTAK	10
	NAPAKTAK	3
	NEWTOK	1
	NIGHTMUTE	3
	NUNAPITCHUK	3
	OSCARVILLE	1
	QUIN-AGAK	11
	TONSOOK BAY	3
	TULLUKAK	3
TUNTUTULIAK	3	
TUNYAK	3	

BETHEL		127
BRISTOL BAY	KING SALMON	2
	NAKNEK	12
	SOUTH NAKNEK	6

BRISTOL BAY		20
DILLINGHAM	ALENASKAK	3
	CHITENAK	1
	CHITENAK LAGOON	1
	CLARKS POINT	2
	DILLINGHAM	24
	ESEKAK	5
	ILIAMNA	2
	LEVELOCK	1
	MANGOKTAK	3
	NEW STUYAOK	2
	NOHDALTON	3
	PEDRO BAY	1
	PILOT POINT	2
TOSKAK	10	
TWIN HILLS	3	

DILLINGHAM		59
FAIRBANKS NORTH STAR	FAIRBANKS	9

Exhibit A
(1 of 4)

STATE OF ALASKA
 COMMERCIAL FISHERIES ENTRY COMMISSION

16:48 Sunday, February 16, 1997

PROJECT NUMBER : 96139
 PROJECT NAME : IRS Selective Permit Information

Report #4 - Alaska Resident Permit Holders Subject To IRS Summons For 1993-94
 By Alaska Census Area And City
 (The Vast Majority Are Identified By The IRS As Non-Filers)

Census Area	City	# Per- -filers
HAINES	HAINES	1
JUNEAU	AUKE BAY	3
	JUNEAU	14

JUNEAU		17
KENAI PENINSULA	ANCHOR POINT	2
	HOMER	8
	KASLOF	3
	KENAI	3
	NIKISHKA	2
	NIKISKI	3
	NINILCHIK	3
	PORT GRAHAM	1
	SELDOVIA	1
	SEWARD	1
	SOLDOTNA	3
	TYONEK	1

KENAI PENINSULA		44
KETCHIKAN GATEWAY	KETCHIKAN	11
KOBUK	KOTzebue	19
	KOTLIK	2
	KOGRICK	1
	SELEWICK	2

KOBUK		24
KODIAK	KODIAK	9
	LARSEN BAY	2
	OLD HARBOR	5
	QUINTANCE	3

KODIAK		18
MATANUSKA-SUSITNA	PALMER	5
	TALKEETNA	2
	WASILLA	5

MATANUSKA-SUSITNA		13
NOME	ELDM	12
	SOLDOTNA	2
	KODIAK	1
	NOME	5
	SHANTELLOK	3
	STERRINS	5
	UNAKLEET	11
	WHITE MOUNTAIN	1

NOME		41
NORTH SLOPE	POINT HOPE	1
PR OF WALES-OUTER KETCHIKAN	CRABS	3
	MOOSEBURG	2
	KULADOK	2
	NETLAKATLA	3

Exhibit A
 (2 of 4)

STATE OF ALASKA
COMMERCIAL FISHERIES ENTRY COMMISSION

16-45 Sunday, February 16, 1997 3

PROJECT NUMBER : 96159
PROJECT NAME : IRS Selective Permit Information

Report #4 - Alaska Resident Permit holders Subject To IRS Summons For 1993-94
By Alaska Census Area And City
(The Vast Majority Are Identified By The IRS As Non-Filers)

Census Area	City	# Permt holders
PR OF WALES-OUTER KTKN	POINT BAKER	10
	PORT PROTECTION	1
-----		24
PR OF WALES-OUTER KTKN		24
SITKA	SITKA	17
SKAGWAY-YAKUTAT-ANGOON	ANGOON	5
	ELFIN COVE	2
	GUSTAVUS	1
	HODNAH	7
	PELICAN	6
	TENAKEE	1
	YAKUTAT	15
-----		58
SKAGWAY-YAKUTAT-ANGOON		58
SOUTHEAST FAIRBANKS	TANACROSS	1
VALDEZ-CORDOVA	CORDOVA	6
	WHITTIER	1
-----		7
VALDEZ-CORDOVA		7
WADE HAMPTON	ALAKANUK	17
	CHEVAK	1
	EMMONAK	14
	COOPER BAY	10
	KOTLIK	10
	MARSHALL	1
	MOUNTAIN VILLAGE	20
	PILOT STATION	2
	RUSSIAN MISSION	1
	SAIN'T MARYS	7
	SCAMMON BAY	11
	SHELDON POINT	11
-----		105
WADE HAMPTON		105
WRANGELL-PETERSBURG	KAKE	3
	PETERSBURG	6
	PORT ALEXANDER	2
	WRANGELL	5
-----		16
WRANGELL-PETERSBURG		16
YUKON-KOYUKUK	FORT YUKON	1
	SALENA	1
	GRAYLING	1
	KALTAG	3
	MAYLEY HOT SPRINGS	1
	WENAGA	1
	WULATO	5
	YUKON	1
-----		14
YUKON-KOYUKUK		14

		584

Exhibit A
(3 of 4)

2/18/97

STATE OF ALASKA
COMMERCIAL FISHERIES ENTRY COMMISSION
PROJECT NUMBER: 96159
1993-94 IRS SELECTIVE PERMIT INFORMATION

1993 COUNTS OF INCOME LEVELS FOR ALASKA RESIDENT PERMIT HOLDERS NAMED IN IRS SUMMONS:

EARN	Frequency	Cumulative Frequency
> 30	82	82
00-05	181	263
05-10	108	371
10-15	53	424
15-20	29	453
20-25	13	466
25-30	13	479
UNKNOWN	164	643

1994 COUNTS OF INCOME LEVELS FOR ALASKA RESIDENT PERMIT HOLDERS NAMED IN IRS SUMMONS:

EARN	Frequency	Cumulative Frequency
> 30	99	99
00-05	165	264
05-10	114	378
10-15	46	424
15-20	20	444
20-25	19	463
25-30	9	472
UNKNOWN	194	666

* Note: The number of unique permit holders represented in this report is 684.

Exhibit A
(4 of 4)

STATE OF ALASKA
COMMERCIAL FISHERIES ENTRY COMMISSION

PROJECT NUMBER : 94139

PROJECT NAME : IRS Selective Permit Information : Permit holders who failed to file in 1992

Report #6 - IRS Data by Area & Community

Geographic Areas	City	Permit Holders
ALEUTIANS EAST BOROUGH	AKUTAN	2
	ALEXANDER CREEK	1
	CHENEGA	3
	COLD BAY	1
	FALSE PASS	1
	KING COVE	9
	NELSON LAGOON	5
	OSCARVILLE	1
	SAND POINT	18
-----		-----
ALEUTIANS EAST BOROUGH		41
ALEUTIANS WEST CENSUS AREA	ANCHORAGE	17
	ATKA	1
	DUTCH HARBOR	16
	MOSER BAY	1
	NINILCHIK	14
	SAINT GEORGE ISL	1
	SAINT PAUL ISLAND	1
	UNALASKA	5
-----		-----
ALEUTIANS WEST CENSUS AREA		56
ANCHORAGE BOROUGH	ANCHORAGE	125
	CHUGIAK	7
	EAGLE RIVER	5
	GIRDWOOD	1
	INDIAN	1
-----		-----
ANCHORAGE BOROUGH		140
BETHEL CENSUS AREA	AKIACHAK	5
	AKIAK	7
	ANIAK	4
	ATMAUTLUAK	4
	BETHEL	44
	CHEFORNAK	8
	CHUATHBALUK	1
	EEL	10
	GOODNEWS BAY	26
	KASIGLUK	5
	KIPNUK	15
	KONGIGANAK	5
	KWETHLUK	14
	KWIGILLINGOK	8
	LOWER KALSKAG	2
	MEKORYUK	9
	NAPAKIAK	14
	NAPASKIAK	4
	NEWTOK	3
	NIGHTMUTE	2
	NUNAPITCHUK	3
	PLATINUM	2
	QUINHAGAK	22
	STONY RIVER	1
	TOKSOOK BAY	7
	TULUKSAK	18
	TUNTUTULIAK	16
	TUNUNAK	4
-----		-----
BETHEL CENSUS AREA		263
BRISTOL BAY BOROUGH	NAKNEK	27
	SOUTH NAKNEK	10
-----		-----
BRISTOL BAY BOROUGH		37
DILLINGHAM CENSUS AREA	ALEKNAGIK	16
	CLARKS POINT	9
	DILLINGHAM	81
	KOJIGANEK	3
	MANOKOTAK	27
	NEW STUYAHOK	9
	PORTAGE CREEK	1
	TOGIAK	69
	TWIN HILLS	4
-----		-----
DILLINGHAM CENSUS AREA		218
FAIRBANKS NORTH STAR BOROUGH	ESTER	1
	FAIRBANKS	13

Exhibit B
(1 of 6)

STATE OF ALASKA
COMMERCIAL FISHERIES ENTRY COMMISSION

PROJECT NUMBER : 94139

PROJECT NAME : IRS Selective Permit Information : Permit holders who failed to file in 1992

Report #6 - IRS Data by Area & Community

Geographic Areas	City	Permit Holders
FAIRBANKS NORTH STAR BOROUGH	NORTH POLE	2
FAIRBANKS NORTH STAR BOROUGH		16
HAINES BOROUGH	HAINES	10
JUNEAU BOROUGH	AUKE BAY	3
	DOUGLAS	3
	JUNEAU	50
JUNEAU BOROUGH		56
KENAI PENINSULA BOROUGH	ANCHOR POINT	23
	CLAM GULCH	9
	FRITZ CREEK	5
	HALIBUT COVE	1
	HOMER	66
	KASLOF	19
	KENAI	27
	NIKISHKA	2
	NIKISKI	8
	NIKOLAEVSK	1
	PORT GRAHAM	1
	SELDOVIA	7
	SEWARD	19
	SOLDOTNA	31
	STERLING	3
	TYONEK	3
KENAI PENINSULA BOROUGH		225
KETCHIKAN GATEWAY BOROUGH	KETCHIKAN	63
	SAXMAN	1
	WARD COVE	5
	WHALE PASS	1
KETCHIKAN GATEWAY BOROUGH		70
KODIAK ISLAND BOROUGH	CHINIAX	1
	KODIAK	115
	LARSEN BAY	1
	OLD HARBOR	3
	OUZINKIE	9
	PORT LIONS	4
KODIAK ISLAND BOROUGH		143
LAKE AND PENINSULA BOROUGH	CHIGNIK	1
	CHIGNIK LAGOON	3
	EGEGIK	18
	ILIAMNA	7
	KOKHANOK	4
	LEVELOCK	8
	NEWHALEN	1
	NONDALTON	7
	PEDRO BAY	1
	PILOT POINT	10
	PORT HEIDEN	5
	WOODLAND HILLS	1
	LAKE AND PENINSULA BOROUGH	
MATANUSKA-SUSITNA BOROUGH	BIG LAKE	5
	CHICKALOON	1
	PALMER	14
	TALKEETNA	2
	WASILLA	20
MATANUSKA-SUSITNA BOROUGH		42
NOME CENSUS AREA	ELIM	12
	GOLOVIN	3
	KOYUK	1
	NOME	7
	SAINT MICHAEL	5
	SHAKTOOLIK	11
	SHISHMAREF	1
	STEBBINS	10
	UNALAKLEET	36
	WHITE MOUNTAIN	2
NOME CENSUS AREA		88

Exhibit B
(2 of 6)

STATE OF ALASKA
COMMERCIAL FISHERIES ENTRY COMMISSION

PROJECT NUMBER : 94139

PROJECT NAME : IRS Selective Permit Information: Permit holders who failed to file in 1992

Report #6 - IRS Data by Area & Community

Geographic Areas	City	Permit Holders
NORTHWEST ARCTIC BOROUGH	KOTZEBUE	30
	HOATAK	1
	NOORVIK	2
-----		33
NORTHWEST ARCTIC BOROUGH		
PR OF WALES-OUTER KTN CENSUS AREA	CRAIG	27
	HYDABURG	10
	KLAWOCK	5
	METLAKATLA	20
	MEYERS CHUCK	2
	POINT BAKER	9
	THORNE BAY	2
-----		75
PR OF WALES-OUTER KTN CENSUS AREA		
SITKA BOROUGH	PORT ALEXANDER	7
	SITKA	66
	TENAKEE	4
-----		77
SITKA BOROUGH		
SKAGWAY-YAKUTAT-ANGOON CENSUS AREA	ANGOON	9
	ELFIN COVE	9
	GUSTAVUS	4
	HOONAH	20
	PELICAN	11
	SKAGWAY	1
	YAKUTAT	42
-----		96
SKAGWAY-YAKUTAT-ANGOON CENSUS AREA		
SOUTHEAST FAIRBANKS CENSUS AREA	HEALY	2
	TANACROSS	1
-----		3
SOUTHEAST FAIRBANKS CENSUS AREA		
VALDEZ-CORDOVA CENSUS AREA	COPPER CENTER	1
	CORDOVA	52
	GLENNALLEN	1
	TATITLEK	1
	VALDEZ	9
	WHITTIER	5
-----		69
VALDEZ-CORDOVA CENSUS AREA		
WADE HAMPTON CENSUS AREA	ALAKANUK	44
	CHEVAK	7
	EMMONAK	42
	FORTUNA LEDGE	3
	HOOPER BAY	18
	KOTLIK	22
	MARSHALL	12
	MOUNTAIN VILLAGE	37
	PILOT STATION	6
	RUSSIAN MISSION	4
	SAINT MARYS	16
	SCAMMON BAY	18
	SHELDON POINT	11
-----		242
WADE HAMPTON CENSUS AREA		
WRANGELL-PETERSBURG CENSUS AREA	KAKE	8
	PETERSBURG	31
	WRANGELL	27
-----		66
WRANGELL-PETERSBURG CENSUS AREA		
YUKON-KOYUKUK CENSUS AREA	ANVIK	1
	FORT YUKON	2
	GALENA	4
	GRAYLING	1
	HOLY CROSS	2
	KALTAG	8
	NEENANA	5
	NULATO	7
	RAMPART	1
	RUBY	1
	STEVENS VILLAGE	2
	TANANA	4
-----		38
YUKON-KOYUKUK CENSUS AREA		

Exhibit B
(3 of 6)

STATE OF ALASKA
COMMERCIAL FISHERIES ENTRY COMMISSION

PROJECT NUMBER : 94139

PROJECT NAME : IRS Selective Permit Information: Permit holders who failed to file in 1992

Report #6 - IRS Data by Area & Community

Geographic Areas	City	Permit Holders
ALASKA	EDNA BAY	2
WASHINGTON	ABERDEEN	8
	ACME	1
	AHANDA PARK	1
	ANACORTES	9
	ARLINGTON	2
	AUBURN	1
	BAINBRIDGE IS	1
	BATTLEGROUND	1
	BELLEVUE	1
	BELLINGHAM	19
	BLAINE	9
	BOTHELL	2
	BREMERTON	2
	BRINNON	1
	BURLINGTON	1
	CAMANO ISLAND	1
	CARNATION	1
	CATHLAMET	4
	CHEHALIS	2
	CHINOOK	1
	CLE ELUM	1
	CONWAY	1
	COPALIS BEACH	2
	COSMOPOLIS	1
	CUSTER	1
	DARRINGTON	1
	DEER PARK	1
	DUVALL	2
	EATONVILLE	1
	EDMONDS	10
	ELMA	1
	ENUMCLAW	1
	EVERETT	6
	FEDERAL WAY	2
	FERDALE	2
	FOX ISLAND	1
	FREELAND	1
	FRIDAY HARBOR	7
	GIG HARBOR	8
	GRAHAM	1
	HADLOCK	2
	HAMILTON	1
	HOOQUIAM	2
	HOOQUIUM	1
	HUMPTULIPS	1
	ISSAQUAH	5
	KENT	3
	KINGSTON	1
	KIRKLAND	1
	LAKE STEVENS	1
	LONG BEACH	1
	LONGBRANCH	1
	LONGVIEW	1
	LYMAN	1
	LYNOEN	1
	LYNNWOOD	2
	LYNNWOOD	1
	MAPLE VALLEY	1
	MARYSVILLE	2
	MILL CREEK	1
	MOCLEIPS	3
	MONTESANO	1
	MOUNT VERNON	4
	MT VERNON	4
	MUKILTEO	2
	NASELLE	1
	NEAH BAY	1
	NORTH BEND	1
	NORTH PORT	1
	PAK HARBOR	1
	OCEAN CITY	1
	OCEAN SHORES	1
	OLYMPIA	6
	OROVILLE	1
	POINT ROBERTS	1
	PORT ANGELES	4
	RAINIER	1
	SEATTLE	37
	SEBRO WOOLLEY	1

Exhibit B
(4 of 6)

STATE OF ALASKA
COMMERCIAL FISHERIES ENTRY COMMISSION

PROJECT NUMBER : 94139

PROJECT NAME : IRS Selective Permit Information : Permit holders who failed to file in 1992

Report #6 - IRS Data by Area & Community

Geographic Areas	City	Permit Holders
WASHINGTON	SEQUIM	1
	SHELTON	1
	SKAMOKAWA	1
	SNOMOMISH	1
	SNOQUALMIE	1
	SOUTH CLE ELUM	1
	SPANAWAY	3
	STANWOOD	1
	SUMAS	1
	TACOMA	5
	TAHOLAH	3
	TOKELAND	1
	TOLEDO	1
	TOPPENISH	1
	VANCOUVER	5
	VASHON	2
	VAUGHN	1
	WASHOUGAL	1
	WAUNA	1
	WESTPORT	2
	WOODINVILLE	1
YAKIMA	2	
YELM	2	
-----		-----
WASHINGTON		257
OREGON	ALBANY	1
	ASTORIA	8
	AURORA	1
	BEND	2
	CASCADE LOCKS	2
	CENTRAL POINT	1
	CLACKAMAS	1
	CORBETT	1
	CORVALLIS	1
	DALLAS	1
	EAGLE CREEK	1
	GERVAIS	3
	GLENEDEN BEACH	1
	HOOD RIVER	1
	MILWAUKIE	1
	NEWBERG	2
	NEWPORT	4
	NORTH POWDER	1
	OREGON CITY	1
	PORT ORFORD	3
	PORTLAND	6
	PRINEVILLE	2
	SALEM	1
SCAPPOOSE	1	
SILETZ	1	
SPRINGFIELD	1	
WARRENTON	1	
WARRINGTON	1	
WOODBURN	14	
-----		-----
OREGON		65
CALIFORNIA	ARCATA	1
	CONCORD	1
	EL GRANADA	1
	EUREKA	1
	FAIRFIELD	2
	FORT BRAGG	1
	GARBERVILLE	1
	LCOMIS	1
	LOS ANGELES	1
	MARTINEZ	1
	MCKINLEYVILLE	1
	MIDDLETOWN	1
	MIDDLETOWN	1
	MONTREY	4
	MORRO BAY	1
	MOSS BREACH	1
	NORTH RIDGE	1
	OAKHURST	1
	PACIFIC GROVE	1
PETALUMA	1	
PLACERVILLE	1	
RESEDA	1	
SAINT HELENA	1	

Exhibit B
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STATE OF ALASKA
 COMMERCIAL FISHERIES ENTRY COMMISSION

PROJECT NUMBER : 94139

PROJECT NAME : IRS Selective Permit Information : Permit holders who failed to file in 1992

Report #6 - IRS Data by Area & Community

<u>Geographic Areas</u>	<u>City</u>	<u>Permit Holders</u>
CALIFORNIA	SAN DIEGO	4
	SAN MATEO	1
	SANTA BARBARA	1
	SANTA ROSA	1
	SEASIDE	1
	THREE RIVERS	1
	WILMINGTON	1
	WOODLAND HILLS	1
-----		38
CALIFORNIA		
OTHER	ANTHONY	19
	BCCA RATON	1
	BOUNTIFUL	1
	BROADUS	1
	CAMP WOOD	1
	CEDAR PARK	1
	CHATTANOOGA	1
	CHESTERTOWN	1
	COERUDALENE	1
	DAVIE	1
	EAST BALDWIN	1
	ELMHURST	1
	ERIE	1
	EVANT	1
	FULTON	1
	GEDDES	1
	GLOUCESTER	1
	HONOLULU	2
	ISHINOMAKI	1
	JASPER	1
	KAPAA, KAUAI	1
	LENORE	1
	MAYPEARL	1
	MCALLEN	1
	MILAN	1
	NEOSHO	1
	OLATHE	1
PIQUA	1	
PRESCOTT	1	
RIGGINS	1	
SAANICHTON	1	
STATELINE	1	
SUN VALLEY	2	
TELLURIDE	1	
WESTPOINT	1	
-----		56
OTHER		-----
		2588

Internal Revenue Service

Department of the Treasury

District
Director

915 Second Ave., Seattle, Wash. 98174

FEB 12 1997

► Governor Tony Knowles
Office of the Governor
P.O. Box 110001
Juneau, AK 99811-001

Dear Governor Knowles:

The Internal Revenue Service (IRS) is pleased with the results of the State of Alaska's administered Tax Obligation Loan Program (SB251). During the 2-year period that we have worked with the Alaska Department of Commerce and Economic Development, and Division of Investments (DOI), many Alaska fishers have successfully resolved their tax problems. To date, the IRS has received more than four million dollars. However, it is our understanding that new loan applications must be received no later than February 28, 1997, to insure that the applications are processed and the funds disbursed prior to May 26, 1997, when the Bill's sunset provision takes effect.

The termination of this program could not have come at a worse time. Many fishers are in the process of completing their 1996 tax returns. Many rural Alaskans have been unable to obtain assistance to prepare their returns and loan packages. For example, IRS employees were accompanied by an employee from DOI during the week-long visit where we talked to fishers in Dillingham, Manokotak, Togiak, and New Stuyahok. However, we were unable to serve all residents wishing to resolve their problems. We have scheduled additional trips in March and April, but do not know whether these individuals will be able to avail themselves of the State's loan program in time. Tax Obligation Loan applications were received from 15 individuals. The total loan amount requested was approximately \$397,000.

The Tax Obligation Loan Program has been a positive step in minimizing the need for the IRS to take enforcement action. Over the past several years we have been working together with the State of Alaska to avoid the necessity of seizing and selling permits. In July of 1996, we met with various State agencies, members of the fishing community, Native organizations, and the Alaska congressional staff in a symposium format to look at alternatives to seizure action and various methods to improve compliance in the fishing industry. We believe progress is being made toward assisting fishers and minimizing the need for the IRS to administratively seize and sell permits. When we meet again on February 19, 1997, one of the proposals on the table for discussion is the extension of the Tax Obligation Loan Program. We believe this is critical to meeting our mutual goals and would like your support in extending the program. At this time, we have approximately 1200 delinquent permit holders of whom 900 could possibly qualify for the loan program. An extension would greatly assist these Alaskan fishers. While most of these individuals are not in jeopardy of losing their permits because of tax delinquencies, it would be an easy resolution of their tax problems and enable them to concentrate on what they do best, which is contributing to the commercial fishing industry in Alaska.

We firmly believe that our partnership efforts with key participants in this industry will resolve the issues that have divided us in the past. We look forward to working with the individuals representing the State of Alaska at the February meeting and to your support in extending the Tax Obligation Loan Program.

Sincerely,

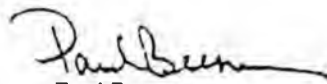

Paul Seena
District Director
Pacific-Northwest District

Exhibit C

STATE OF ALASKA

COMMERCIAL FISHERIES ENTRY COMMISSION

TONY KNOWLES, GOVERNOR

8800 GLACIER HWY, #109
JUNEAU, AK 99801
(907) 789-6150 Licensing Calls
(907) 789-6160 Other Business
(907) 789-6170 FAX
(907) 789-6180 BBS

February 14, 1997

Mr. Paul Beene
District Director
Internal Revenue Service
915 Second Avenue
Seattle, WA 98174

FAX: (206) 220-6045

Dear Paul:

As I stated in our February 7th phone conversation, my Co-Commissioner Marlene Johnson and I will attend the February 19th meeting in Anchorage to continue our dialogue, conditioned by the substance of this letter. There are fundamental issues we must address.

Our Existing Agreement

First, your January 14 letter acknowledges the State of Alaska has paid the IRS more than \$4.5 million in consideration under its existing agreement with the IRS. In fact, actual expenditures in human resources and dollars have been far greater. In our most recent commemoration of our agreement, the IRS committed its "best efforts" to ensure the benefits of the Tax Obligation Loan Program are available to Alaskans through meaningful intervention by the State and third parties.

We believe the two days' notice you provided the State of your pre-Christmas sale of Alaska limited fishing privileges is an actionable breach of our existing contract. With respect to contracts of which the U.S. is a party, the Federal Government has been held liable under ordinary principles of contract law. United States v. Winstar Corp., 512 U.S. ___, 116 S.Ct. 2432, 135 L.Ed.2d 964 (1996).

Our primary concern is IRS performance of its express duty to cooperate with the State in good faith under our existing agreement. This promise is virtually the only consideration given by the Federal Government in contrast to the substantial commitment of resources and money provided by the State. Now that the Federal Government has reaped the substantial rewards of the contract,

Exhibit D
(1 of 10)

including a shift of tax collection responsibilities from the Federal Government to the State, the IRS may not disregard its promises through a change of policy to obtain self relief from an agreement you may now view as improvident or to pressure the State into acting as you dictate.

Specifically, the IRS has the continuing duty to provide reasonable notice of IRS targets in order to allow for meaningful intervention and help well before an IRS seizure and attempted forced sale of a holder's interest in a permit. Under ordinary contract law, this duty precludes the IRS from taking opportunistic advantage of the State and, also, from acting in a manner which destroys or injures our right to receive the fruits of our agreement.

As your January 14 letter confirmed, the State has enjoyed notable success in assisting taxpayers to achieve IRS compliance with no loss of fishing privileges, a result which the IRS effort, alone, did not accomplish prior to our collaboration.

Your Recent Proposals

As a separate and secondary matter, your January 14 letter urges the State to respond to your recent proposals for a new, supplemental agreement.

To recount the background for your recent proposals, on May 16, 1996, during a phone conversation with former Commissioner Homan and me, you stated, in return for further commitments by the State, IRS would discuss not seizing entry permits. Subsequently, at our July 19, 1996 meeting, in the presence of more than 30 people, you offered to discuss eliminating forced sales of entry permits pursuant to an agreement under which the IRS would collect from the proceeds of fish sales instead of forcing the sale of Alaska limited fishing privileges. In consideration, I offered to discuss potential changes to state law that would support IRS' collections.

A group of participants (including at least one representative of our Congressional Delegation) met immediately following our July meeting and

confirmed receiving your offer. Shortly thereafter, I sent you a letter asking you to confirm your own statement. Instead, you responded, "I appreciate your sharing your reflections" on the meeting. Despite the fact your answer failed to confirm or qualify your statement, we gave you the benefit of the doubt and pursued discussions with you.

In November, the IRS sent the State four proposals to permanently change Alaska law to require the State of Alaska to assume various new responsibilities to achieve federal tax enforcement. Clearly, the Federal government seeks to shift the costs of meeting its statutory responsibilities to the State through those IRS proposals. For the State to elect to do so, the IRS must promise something meaningful in return. The confusing discussion that followed your proposals prompted us to seek written clarification as to what you are offering the State. After more than six months, you provided the clarification we first sought in July, and it is disturbing.

Your January 14 letter refers to your November proposals for Alaska to permanently change state law and assume responsibilities for the IRS, and you assert:

[t]hese proposals are what the IRS is offering the State.

The Federal government is not the creator of State law. Therefore, nothing is conveyed in IRS' purported offer to the State.

Additionally, in support of one IRS proposal for a change in Alaska law to require the Entry Commission to withhold all seasonal fishing permits until the IRS certifies each yearly applicant for a permit is in full compliance with his federal tax obligations, you represent that Alaska law already makes the same requirement for child support obligations. This is not true. The Alaska Legislature rejected the idea: both the Legislature and our Child Support Enforcement Division recognize that in order to collect from fishermen, fishermen need to be in the water catching fish.

Exhibit D
(3 of 10)

In any event, your January 14 clarification emphasizes no matter what the State may undertake to do for the IRS, you assert the unqualified right, without reasonable notice as our contract requires, to attempt to force the sale of any property interest a delinquent fisher may have in State fishing privileges, particularly in those cases IRS subjectively classifies as "egregious." On December 4, you represented to the Alaska Congressional Delegation that the targets of your pre-Christmas sales of entry permits were such "egregious" cases.

Under 26 USC §6343, Congress created an affirmative duty on the part of the IRS to release a levy when "such levy is creating an economic hardship due to the financial condition of the taxpayer" The clear requirement of §6343 mandates a levy release in all cases of economic hardship, regardless of whether or not the IRS has subjectively designated any such case as "egregious". Despite this mandate, you have insisted the State negotiate an agreement recognizing the purported right of the IRS to attempt the forced sale in cases the IRS determines are "egregious". From your pre-Christmas actions, this amounts to a demand on the State to accept a pledge to do less than Congress has already required.

In short, your January 14 letter clarifies the IRS is not offering the State of Alaska any consideration for the changes you would like to see in State law.

Recent Events

It is clear the IRS' recent actions are an improper attempt to pressure the State. In addition, those actions demonstrate a lack of best efforts with respect to our agreement and, also, a failure to act in good faith with respect to the current negotiations.

Consistent with Part 3 of IRS Form 4525, the IRS assured a taxpayer targeted for your pre-Christmas sale: "The minimum bid price is established to protect your interests in the property." This written representation was deceptive. The IRS set the minimum bid at \$3,375, which is a fraction of the average \$30,000 for an authorized State transfer. Affidavits provided to CFEC

Exhibit D
(4 of 10)

state a Revenue Officer under your direction advised possible buyers as follows: in order to pursue the IRS' present dispute with the State, the IRS intended to sell the particular permits for "substantially below the permits' fair market value" and, once a permit was transferred, it would "open the floodgates" of State permit seizures by the IRS. The affiants stated the Revenue Officer volunteered "the Commissioner of the IRS is aware of the situation and the matter is receiving attention at the highest levels at the IRS Washington D.C. headquarters" and, also, the IRS intended to pursue its disagreement with the State of Alaska "to a conclusion that is satisfactory to the IRS." Based on these affidavits, it appears the IRS willfully breached its duties to the State in an attempt to improperly coerce the State into acting as the IRS dictated.

Moreover, your December 6, 1996 letter states, if we fail to meet your expectations for future negotiations, "fishing entry permits will continue to be seized and sold [and thereby] endanger[] the interests of Alaska taxpayers (e.g., devalued fishing permits, permits sold to non-Alaskans)." Consistent with your letter, a Revenue Officer under your direction has announced he will resell an entry permit from the pre-Christmas sale on one day's notice. A Revenue Officer has threatened the seizure of seven limited entry permits in the Dillingham area at any moment. Additionally, we received a call from a widow in Anchorage who reported a Revenue Officer threatened to sell her fishing privileges and those of her deceased husband for as little as \$3,000.

In addition to disrupting orderly implementation of the Loan Program, IRS' pre-Christmas actions and threatened actions require the Entry Commission as Administrative Law Judges to rule on any claims that result. If we are in the midst of negotiating with you, and, on 2 days' notice, we are required to rule on a related claim, we face a conflict that creates at least an appearance of impropriety. We need sufficient warning from you to be able to withdraw from negotiations before such a conflict arises.

Apart from our requirements to function as Administrative Law Judges under State law, your pre-Christmas actions damaged the climate for cooperation between

the State and Federal Government. See the enclosed letter from our Governor to the Alaska Congressional Delegation.

Again, our agreement requires meaningful notice from you identifying your targets well in advance of an IRS forced sale.

Where Do We Go From Here

More than once in the past, we have discussed the possibility of extending the State's Tax Obligation Loan Program presently due to sunset this spring. We committed to explore that alternative. When we talked last Friday, you asked again about this possibility, and I told you the door was not closed to this option. Accordingly, you prepared a letter to Governor Knowles' advocating this alternative.

In contrast to the other IRS proposals, this option makes the most sense for several reasons.

First, the State-IRS "partnership" has proven effective to assist Alaskan fishers damaged by the post-1988 adverse market conditions not only in achieving federal tax compliance, but in ordering their other financial affairs.

Second, our joint cooperation has reaped rewards in cases in which the IRS, alone or through contractors, otherwise has been unsuccessful. In this regard, we are aware the IRS instituted a pilot program in 13 states, including Alaska, through which private collectors were to be hired by the IRS to collect delinquent taxes. According to a recent article, the IRS is disappointed in this program, because the five collection agencies hired by the IRS were able to contact only about 9% of the taxpayers and, according to the collection agencies involved, the poor results were "because the IRS was late in getting the files to them and the files were extremely old."

Third, our mutual cooperation has provided an opportunity to accomplish our respective goals, largely without counterproductive adversarial conflict. We

believe this effect has and continues to raise our citizens' confidence in our respective governments. Specifically, the process has become less threatening and less fearsome to the lone fisher with tax problems, because we are working together.

Fourth, our cooperation has identified many Federal and State tools available to assist fishers. As a result, these tools have been more fully utilized than has been the case in the past.

Fifth, our respective efforts have put a human face on what otherwise could be characterized as mechanical processing by the IRS in relative isolation from the community. In this time of shrinking federal budgets and operations, we believe our cooperative undertakings should serve as a model for the future. In short, we continue to achieve good results and, thus, should persist on the path we know to be productive.

This week, after conferring with the Commission and the Division of Investments, State Representative Ivan introduced HB 123 to extend the Tax Obligation Loan Program. While this is a positive first step, persuading the Legislature and the Administration of the merits of this legislation will be an extremely difficult task. As you well know, there are very many worthy and competing alternative uses for the same funds. We need meaningful numbers from the IRS to show (1) the extent of the current problem; (2) the extent to which Alaskans have been helped; and (3) the extent of improvement in tax compliance since the original information presented by the former IRS Chief of Collections in 1993. This is the same information we requested more than a year ago consistent with our agreement. The numbers you employed in your January 14 letter suggest a substantial improvement of at least 58%. However, the figures you employed in your more recent letter to the Governor appear inflated. We need some real information from the IRS to present to the Legislature and the Governor.

Exhibit D
(7 of 10)

Mr. Paul Beene

-8-

February 14, 1997

In the interim, we have to operate with the sunset of the Loan Program in mind. We must evaluate and coordinate our outreach efforts to ensure maximizing service to Alaskans and revenue to the federal government. To further this goal, I reported to your Chief of Examination, Mel Joseph, that, on the recommendation of the IRS, the State has already modified its regulations governing permanent fund dividend recipients. Mr. Joseph and I are discussing practical ways to make use of the information that will be generated. This is an experimental work in progress, and we do not yet know whether it will prove to be a practical tool. Nonetheless, we remain committed to working through the process as we promised IRS.

Finally, as we have stressed in this letter, we must have meaningful notice of IRS' targets for seizure and sale well in advance of any action by the IRS so as (1) not to disrupt our planned cooperative efforts, and (2) to allow sufficient time for intervention and help well before an IRS seizure and forced sale.

The Legislature is in session for only 120 days. We hope you will address these points at our meeting on Wednesday, February 19.

Yours truly,

COMMERCIAL FISHERIES ENTRY COMMISSION

Dale Anderson, Commissioner
Marlene Johnson, Commissioner
Bruce Twomley, Chairman

by:  _____

Enclosure

Exhibit D
(8 of 10)

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 21, 1997

The Honorable Ted Stevens
United States Senate
522 Hart Senate Office Building
Washington, DC 20510-2354

Dear Senator ~~Stevens~~:

I am writing to request your administrative or legislative assistance in stopping the Internal Revenue Service (IRS) from forcing the sale of Alaska limited fishing privileges.

As you know, the IRS has persistently attempted to force the sale of Alaska limited fishing privileges for some time. Last March, the Alaska Commercial Fisheries Entry Commission (CFEC), in its *Carle* decision, denied a demand by IRS to force transfer of privileges held by an elderly Alaska Native fisherman.

Notwithstanding the *Carle* decision, on December 11, 1996, the IRS snocked the State of Alaska by conducting a pre-Christmas sale of an Alaska limited entry permit. The Cook Inlet set net permit was held by a 54-year-old Alaska Native fisherman from a small coastal community and valued at \$30,000. The IRS sold the permit for only \$5,005.

The IRS is well aware the State of Alaska stands ready to cooperate and intervene to help such individual fishermen through Alaska's secured loan program. With the help of the Alaska Business Development Center and others, the state has so far aided numerous individual fishermen in meeting their tax obligations and generated more than \$4 million in revenue to the IRS. Yet the IRS gave the state only two days' notice of its sale.

The pre-Christmas timing of this sale is deplorable. People are especially vulnerable at Christmas, both financially and emotionally. Adverse actions taken at this time can cause tragic consequences. Additionally, two days' notice effectively precludes the state from meaningful intervention and counsel to the individual fisherman.

Despite congressional direction to the IRS to avoid hardship in its collection practices, this sale appears calculated to inflict maximum harm on the taxpayer.

Exhibit D
(9 of 10)

Senator Ted Stevens
January 21, 1997
Page 2

As you know, in Alaska's small coastal communities, fishing privileges represent a right to work and a way of life for thousands of Alaskans. You are also aware the IRS led the state into talks about this issue promising a "fresh start." This pre-Christmas sale represents a giant step backward.

As the IRS knows, Alaska is in the last months of our successful tax loan program. The state and the Alaska Business Development Center are systematically traveling throughout the state to help Alaska's fishermen secure the benefits of this program. IRS' precipitous action drops a grenade into these planned efforts and causes extreme hardship to the individual fisherman. Such action can destroy a small business and force a fishing family onto public assistance.

We would welcome your help in avoiding such hardship. I invite you to work with John Katz of my Washington office, and Bruce Twomley, Chairman of the CFEC, toward this end.

Sincerely,



Tony Knowles
Governor

Exhibit D
(10 of 10)

DIVISION OF INVESTMENTS
ALASKA DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

TAX OBLIGATION LOAN STATISTICS

January 24, 1997

Total dollar amount Tax Obligation Loans (Since Inception)	\$4.67 million
Total Tax Obligation Loans (Active Status)	207
Total Amount outstanding	\$3.78 million
Total Tax Obligation Loans Paid in Full	9
Delinquent Tax Obligation Loans with Extensions in Process*	18
Delinquent Tax Obligation Loans with Approved Workouts**	28
Delinquent Tax Obligation Loans Referred to the Collections Branch***	22
Total Delinquent Tax Obligation Loans	68
Percent of Tax Obligation Loans Delinquent	33%
Percent of Tax Obligation Loans Delinquent excluding Extensions in Process and approved Workouts	11%
Total Tax Obligation Foreclosures (since Program Inception)	0

It should be noted that delinquency rates typically elevate during the months of January and February because most loan payments are annual and are due toward the end of the calendar year. These numbers should decrease dramatically over the next few months as extension requests, workouts and various collection efforts take effect.

*These delinquent Tax Obligation borrowers have submitted loan extension requests which are being processed by the Division. Their loans will continue to show up as delinquent until a modified payment plan has been approved and the necessary documentation has been completed.

**These delinquent borrowers have approved workout agreements in place. A workout is utilized when the borrower needs some additional time to make the full payment. The agreement is approved and monitored by a Loan Officer. The loan will continue to show up as delinquent until the workout is complete and the loan is brought current.

***These delinquent loans have been referred to the Collections Branch for appropriate action. The Collections Branch will attempt to work with the delinquent borrower to arrive at an acceptable repayment plan. If arrangements for payment cannot be reached with the borrower foreclosure proceedings will be initiated.

GRW 1/23/97

Chapter 062
Chapter: CH062
Source: HCS CSSB 251(FIN)
Action Date: May 25, 1994
Effective Date: See Chapter

AN ACT

Relating to the commercial fishing revolving loan fund and the fisheries enhancement revolving loan fund; and providing for an effective date.

* Section 1. AS 16.10.310(a) is amended to read:

(a) The department may

(1) make loans to

(A) individual commercial fishermen who have been state residents for a continuous period of two years immediately preceding the date of application for a loan under AS 16.10.300 - 16.10.370 and have had a crewmember or commercial fishing license under AS 16.05.480 or a permit under AS 16.43 for the year immediately preceding the date of application and any other two of the past five years, and who actively participated in the fishery during those periods,

(i) for the purchase of entry permits;

(ii) to upgrade existing vessels and gear for the purpose of improving the quality of Alaska seafood products; or

(iii) to satisfy past due federal tax obligations that may result in the execution upon and involuntary transfer of the individual commercial fishermen's entry permits, to the extent allowed under (d) of this section;

(B) an individual for the repair, restoration, or upgrading of existing vessels and gear, for the purchase of entry permits and gear, [AND] for the construction and purchase of vessels, or, to the extent allowed under (d) of this section, to satisfy past due federal tax obligations that may result in the execution upon and involuntary transfer of the individual's entry permits, if the individual has been a state resident for a continuous period of two years immediately preceding the date of application for a loan under AS 16.10.300 - 16.10.370, and either

(i) because of lack of training or lack of employment opportunities in the area of residence, does not have occupational opportunities

available other than commercial fishing; or

(ii) is economically dependent on commercial fishing for a livelihood and for whom commercial fishing has been a traditional way of life in Alaska;

(2) designate agents and delegate its powers to them as necessary;

(3) adopt regulations necessary to carry out the provisions of AS 16.10.300 - 16.10.370, including regulations to establish reasonable fees for services provided;

(4) establish amortization plans for repayment of loans, which may include extensions for poor fishing seasons or for adverse market conditions for Alaskan products;

(5) enter into agreements with private lending institutions, other state agencies, or agencies of the federal government, to carry out the purposes of AS 16.10.300 - 16.10.370;

(6) enter into agreements with other agencies or organizations to create an outreach program to make loans under AS 16.10.300 - 16.10.370 in rural areas of the state;

(7) allow an assumption of a loan if

(A) the applicant has been a state resident for a continuous period of two years immediately preceding the date of the request for an assumption; and

(B) approval of the assumption would be consistent with the purposes of AS 16.10.300; an applicant for a loan assumption may not be disqualified because the applicant does not meet the loan eligibility requirements of (1) of this subsection;

(8) prequalify loan applicants for a limited entry permit loan and charge a fee not to exceed \$200 for prequalification;

(9) charge and collect the fees established under this subsection;

(10) refinance a debt obligation incurred by a borrower or borrowers under this section if the borrower or borrowers otherwise qualify for a loan under AS 16.10.300 - 16.10.370; the department shall collect a refinancing loan origination charge of one-half percent of the amount of the debt obligation that has been refinanced when the first refinancing payment is due;

(11) refinance debt obligations, not to exceed \$300,000, incurred by a borrower or borrowers for the purchase of a commercial fishing vessel or gear if the borrower or borrowers otherwise qualify for a loan under AS 16.10.300 - 16.10.370; the department may collect a refinancing loan origination charge as provided by regulation.

* Sec. 2. AS 16.10.310(a) is repealed and reenacted to read:

(a) The department may

(1) make loans to

(A) individual commercial fishermen who have been state residents for a continuous period of two years immediately preceding the date of application for a loan under AS 16.10.300 - 16.10.370 and have had a crew member or commercial fishing license under AS 16.05.480 or a permit under AS 16.43 for the year immediately preceding the date of application and any other two of the past five years, and who actively participated in the fishery

during those periods,

(i) for the purchase of entry permits;

or

(ii) to upgrade existing vessels and gear for the purpose of improving the quality of Alaska seafood products;

(B) an individual for the repair, restoration, or upgrading of existing vessels and gear, for the purchase of entry permits and gear, and for the construction and purchase of vessels, if the individual has been a state resident for a continuous period of two years immediately preceding the date of application for a loan under AS 16.10.300 - 16.10.370, and either

(i) because of lack of training or lack of employment opportunities in the area of residence, does not have occupational opportunities available other than commercial fishing; or

(ii) is economically dependent on commercial fishing for a livelihood and for whom commercial fishing has been a traditional way of life in Alaska;

(2) designate agents and delegate its powers to them as necessary;

(3) adopt regulations necessary to carry out the provisions of AS 16.10.300 - 16.10.370, including regulations to establish reasonable fees for services provided;

(4) establish amortization plans for repayment of loans, which may include extensions for poor fishing seasons or for adverse market conditions for Alaskan products;

(5) enter into agreements with private lending institutions, other state agencies, or agencies of the federal government, to carry out the purposes of AS 16.10.300 - 16.10.370;

(6) enter into agreements with other agencies or organizations to create an outreach program to make loans under AS 16.10.300 - 16.10.370 in rural areas of the state;

(7) allow an assumption of a loan if

(A) the applicant has been a state resident for a continuous period of two years immediately preceding the date of the request for an assumption; and

(B) approval of the assumption would be consistent with the purposes of AS 16.10.300; an applicant for a loan assumption may not be disqualified because the applicant does not meet the loan eligibility requirements of (1) of this subsection;

(8) prequalify loan applicants for a limited entry permit loan and charge a fee not to exceed \$200 for prequalification;

(9) charge and collect the fees established under this subsection;

(10) refinance a debt obligation incurred by a borrower or borrowers under this section if the borrower or borrowers otherwise qualify for a loan under AS 16.10.300 - 16.10.370; the department shall collect a refinancing loan origination charge of one-half percent of the amount of the debt obligation that has been refinanced when the first

refinancing payment is due;

(11) refinance debt obligations, not to exceed \$300,000, incurred by a borrower or borrowers for the purchase of a commercial fishing vessel or gear if the borrower or borrowers otherwise qualify for a loan under AS 16.10.300 - 16.10.370; the department may collect a refinancing loan origination charge as provided by regulation.

* Sec. 3. AS 16.10.310 is amended by adding a new subsection to read:

(d) The department may not make a loan to an individual under (a)(1) of this section to satisfy past due federal tax obligations unless the individual has filed past and current federal tax returns with the federal government and has executed an agreement with the federal government for repayment of past due federal tax obligations. An individual may receive only one loan under (a)(1) of this section to satisfy past due federal tax obligations during the individual's lifetime. A loan made under (a)(1) of this section to satisfy past due federal tax obligations may not exceed \$30,000.

* Sec. 4. AS 16.10.320(d) is amended to read:

(d) The total of balances outstanding on loans made to a borrower under AS 16.10.310(a)(1)(A) may not exceed \$300,000. The total of balances outstanding on loans made to a borrower under AS 16.10.310(a)(1)(B) may not exceed \$100,000. The total of balances outstanding on all loans, including debt refinancing under AS 16.10.310(a), made to a borrower under AS 16.10.300 - 16.10.370 may not exceed \$300,000.

* Sec. 5. AS 16.10.340 is amended by adding a new subsection to read:

(c) If the commissioner determines that the fund contains money that is excess to that needed to carry out the purpose of AS 16.10.300 - 16.10.370, then the commissioner may use the excess money to carry out the purpose of AS 16.10.500 - 16.10.560.

* Sec. 6. AS 16.10.505(a) is amended to read:

(a) There is created within the Department of Commerce and Economic Development a revolving fund to be known as the fisheries enhancement revolving loan fund. Except as provided in (b) and (c) of this section, the fund shall be used to carry out the purposes of AS 16.10.500 - 16.10.560 and for no other purpose. All principal and interest payments, and money chargeable to principal or interest that is collected through liquidation by foreclosure or other process on loans made under AS 16.10.500 - 16.10.560, shall be paid into the fisheries enhancement revolving loan fund.

* Sec. 7. AS 16.10.505 is amended by adding a new subsection to read:

(c) Money in the fund that the commissioner determines to be excess to that needed to carry out the purpose of AS 16.10.500 - 16.10.560 may be used to carry out the purpose of AS 16.10.300 - 16.10.370.

* Sec. 8. AS 16.10.520 is amended by adding a new subsection to read:

(f) The commissioner may not make a loan under AS 16.10.500 - 16.10.550 from funds available under AS 16.10.340(c), unless the commissioner determines, in consultation with the appropriate regional planning team established under AS 16.10.375, that the hatchery or other enhancement or rehabilitation activity for which the loan is requested will provide a significant contribution to common property fisheries, be operated in a manner beneficial to the public interest, and be managed in a financially viable manner that is reasonably expected to result in repayment of the loan.

* Sec. 9. AS 16.10.310(d) is repealed.

* Sec. 10. Sections 2 and 9 of this Act take effect three years after the effective date of sec. 1 of this Act.

* Sec. 11. Except for secs. 2 and 9 of this Act, this Act takes effect immediately under AS 01.10.070(c).

BRISTOL BAY NATIVE ASSOCIATION

P.O. BOX 310

Chief Executive Officer

DILLINGHAM, ALASKA 99576

PHONE (907) 842-5257

February 12, 1997

Representative Ivan Ivan
State Capitol, Room 204
Juneau, AK 99801-1182

Tribal Councils
Served by BBNA:

Aleknagik

Chignik Bay

Chignik Lagoon

Chignik Lake

Clarks Point

Dillingham

Egegik

Ekuk

Ekwok

Igiugig

Iliamna

Iskuf Bay

of Salmon

Kokhanok

Koliganek

Levelock

Manokotak

Naknek

New Stuyahok

Newhalen

Nondalton

Pedro Bay

Perryville

Pilot Point

Port Heiden

Portage Creek

South Naknek

Tograk

Twin Hills

Whit

RE: Commercial Fishing Revolving Loan fund

Dear Representative Ivan:

The Bristol Bay Native Association (BBNA) Board of Directors would like your consideration and support for the continuation of the State of Alaska Commercial Fishing Revolving Loan Fund (1994 -SB 251), which is due to expire during May of 1997.

This important program has assisted many Alaskan fishermen during the past three years. Approximately four million dollars in loans have been awarded to fishermen to pay delinquent taxes since the programs inception.


During this past week, \$334.00 in tax loan obligation applications were submitted to Division of Investments personnel who were traveling in our region. A total of 12 commercial fishermen will be assisted by this program if their applications are approved, and this was done in just one week!

BBNA's Business Assistance Program works closely with the IRS and Division of Investments, assisting resident fishermen in coming into compliance with their tax problems. This Commercial Fishing Revolving Loan fund is now beginning to be effective and residents are becoming aware of the benefits this program can have on their tax obligation problems. Our staff plans to visit many more of the villages in our region this year to assist with these types of tax problems. It would be a great disadvantage to our region's fishermen if this program expired as scheduled. As far as we know, no alternative loan funds are available for this purpose.

The remaining commercial fishing permits which are held by Alaska residents infuses millions of dollars into the Alaskan economy annually. If any other commercial fishing permits are lost by the sale or seizure for tax delinquencies in the future, all of Alaska will feel the effects.

Once again, BBNA, urges your support for the continuation of this most important program for our state's commercial fishermen. We encourage your immediate attention and support regarding this issue.

Sincerely,
BRISTOL BAY NATIVE ASSOCIATION


Terry Hoeffler
Chief Executive Officer

CITY OF ALEKNAGIK
P.O. Box 33
ALEKNAGIK, ALASKA 99555
(907) 842-5953

February 12 1997

Representative Ivan Ivan
State Capitol
Room 204
Juneau, AK 99801

RE: Commercial fishing Revolving Loan Fund

Dear Sir,


The Aleknagik City Council and Mayor would like to urge you to support the continuation of the Revolving Loan Fund (1994 - SB 251) which is due to expire May of 1997.

As you are aware our economy is based on our fishing business. Programs designed to help bridge possible revenue short falls that fisherman experience, can only help to stabilize, the rural Alaskan frail economy.

If rural Alaska is to have any chance of a independent self supporting economy, its fishing industry needs continuing oversight, to insure stable capital investment sources are available.

Thank you for your attention to this matter, we are sure your interests are parallel to those of our local residents.

Respectfully,


Roland Moody
Mayor

TRADITIONAL COUNCIL OF TOGIAK

P. O. Box 310
TOGIAK, ALASKA 99678-0310
907-493-5003
FAX: 907-493-5005

February 11, 1997

Representative Ivan Ivan
State Capitol
Room 204
Juneau, AK 99081-1182

Dear Representative Ivan:

The Traditional Council of Togiak do support for the continuation of the State of Alaska Commercial Fishing Revolving Fund (1994 - SB251), which is due to expire during May of 1997.

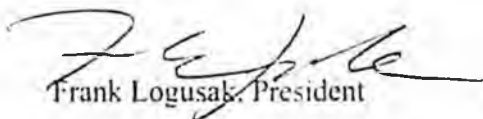
This important program has assisted many Alaskan fishermen during the past three years. Approximately four million dollars in loans have been awarded to fishermen to pay delinquent taxes since the programs inception.

This Commercial Fishing Revolving Loan Fund is now beginning to be effective and residents are becoming aware of the benefits this program can have on their tax obligation problems. It would be a great disadvantage to our region's fishermen if this program expired as scheduled. As far as we know, no alternative loan funds are available for this purpose.

The remaining commercial fishing permits which are held by Alaska residents infuses millions of dollars into the Alaska economy annually. If any other commercial fishing permits are lost by the sale or seizure for tax delinquencies in the future, all of Alaska will feel the effects.

Once again, the Traditional Council of Togiak urges your support for the continuation of this most important program for our state's commercial fishermen. We encourage your immediate attention and support regarding this issue.

Respectfully,


Frank Logusak, President

Traditional Council of Togiak

CC: H. Robin Samuelson, Jr., President
Bristol Bay Economic Development Corporation

Bristol Bay Economic Development Corporation

P.O. Box 1464 • Dillingham, Alaska 99576 • (907) 842-4370 • Fax (907) 842-4336 • 1-800-478-4370



February 5, 1997

Representative Ivan Ivan
State Capitol
Room 418
Juneau, Ak 99803

Re: Commercial Fishing Revolving Loan Fund

Dear Representative Ivan:

The Bristol Bay Economic Development Corporation (BBEDC) Board of Directors would like your consideration and support for the continuation of the State of Alaska Commercial Fishing Revolving Loan Fund (1994 - SB 251), which is due to expire during May of 1997.

This important program has assisted many Alaskan fishermen during the past three years. Approximately four million dollars in loans have been awarded to fishermen to pay delinquent taxes since the program's inception.

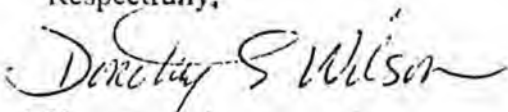
During this past week, \$334,000 in tax loan obligation applications were submitted to Division of Investments personnel who were traveling in our region. A total of 12 commercial fishermen will be assisted by this program if their applications are approved, and this was done in just one week!

The BBEDC's Permit Brokerage staff works closely with the IRS and Division of Investments, assisting resident fishermen in coming into compliance with their tax problems. This Commercial Fishing Revolving Loan Fund is now beginning to be effective and residents are becoming aware of the benefits this program can have on their tax obligation problems. Our staff plans to visit many more of the villages in our region this year to assist with these types of tax problems. It would be a great disadvantage to our region's fishermen if this program expired as scheduled. As far as we know, no alternative loan funds are available for this purpose.

The remaining commercial fishing permits which are held by Alaska residents infuse millions of dollars into the Alaskan economy annually. If any other commercial fishing permits are lost by the sale or seizure for tax delinquencies in the future, all of Alaska will feel the effects.

Once again, the BBEDC urges your support for the continuation of this most important program for our state's commercial fishermen. We encourage your immediate attention and support regarding this issue.

Respectfully,


H. Robin Samuelsen, Jr.,
President


January 19, 1997

TO: REP IVAN
FROM: KOLIGANEK VILLAGE CORPORATION
RE: DIVISION OF INVESTMENTS TAX OBLIGATION LOAN

One of the most useful State loan programs affecting our Bristol Bay area is the Tax Obligation Loan Program. This program has helped numerous village residents in Bristol Bay, as well as other parts of the State. Many fishing permits would have been lost to back IRS tax bills if we didn't have this program to help pay the IRS. And, as a result of this, village fishermen and the village economies around them have been saved.

This program will come to an end sometime this spring, unless it is extended by the State Legislature. Please help people in your region who are in trouble with the IRS, and the villages in which they live, save their permits from IRS seizure by extending this useful loan program.

Sincerely



Charlie Nelson- President Koliganek Village Corp.
Koliganek, Alaska 99576

HB

128

Anch. Daily News - Nov 10, 1996

SECTION C



TIM BRADNER

Mining's a growth industry

Zinc, gold, silver draw investors

Alaska miners in town last week for the annual meeting of the Alaska Miners Association were in a jolly mood. Mining is seeing a real renaissance in Alaska after slumbering for decades.

Three significant events in mining are occurring. Two new mines will start producing by the end of the year. These are the big Fort Knox gold mine near Fairbanks and Illinois Creek, a medium-sized gold mine near Galena on the Yukon River.

Also, the Greens Creek mine near Juneau, closed in 1992 when silver prices dropped, reopened. Greens Creek is the largest U.S. silver mine.

The mining firms moving into Alaska are solid companies. Fort Knox was developed by Amax Gold, a large and experienced U.S. minerals company. Illinois Creek was developed by USMX Inc., a small but aggressive Colorado-based company.

Anchorage-based Inlet Region Inc., the leaseholder at Illinois Creek, says it selected USMX to develop the mine partly because of the company's good operating and environmental record with several small western state mines.

Kennecott Minerals, an international company long established in Alaska, is the operating partner at Greens Creek. Kennecott is a part of the RTZ international minerals group of London.

Another positive development is that a relatively small mining project, opened in late 1995, continued producing through the year. Nixon Fork, an underground mine, is a signal to the industry that small mines also can do well in Alaska.

There will be more mining work in 1997 and 1998. A full-blown expansion of the big Red Dog Mine in Northwest Alaska will be under way. This \$200 million project, involving up to 300 construction workers, will let the mine expand its production by a third. Red Dog already is the largest lead-zinc mine in the world. The mine is a partnership between Cominco Alaska Inc., a Canadian minerals company, and NANA Regional Corp., the landowner.

In Southeast, Coeur D'A.

Please see Page C-8, BRADNER

Post-it [®] Fax Note	7671	Date	# of pages 2
To	Dancy	From	Marche
Co./Dept.		Co.	
Phone #		Phone #	
Fax #		Fax #	

MEMORANDUM

State of Alaska
Department of Law

TO Al Ewing
Deputy Commissioner
Department of Environmental Conservation

DATE March 4, 1997

FILE NO

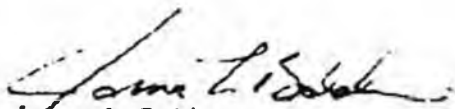
TEL NO

465-3600

SUBJECT

HB 128 (water science oversight
board)

FROM



James L. Baldwin
Assistant Attorney General
Governmental Affairs - Juneau

You requested me to review a version of HB 128 which proposes the establishment of a water science oversight board. The board would consist of one member appointed by the Chancellor of the University of Alaska and three members appointed by the governor. Two of the governor's appointments would be from a slate of persons nominated by the presiding officers of each house of the legislature. Specifically, you ask whether this scheme violates the Alaska Constitution.

In my opinion, the involvement of other officers in appointing or nominating candidates and limiting the governor to appointing from those nominated constitutes an unreasonable limitation on the executive power of appointment. This would be a usurpation of the governor's power of appointment by officers of the legislature. While there is no Alaska case directly on point, I believe that a court would find that proposed sec. 46.03 085 violates the separation of powers doctrine by granting legislators control over the discretion of the governor to this extent. See Baldner v. Hammond, 553 P.2d 1 (Alaska 1976) (power of appointment of executive branch officers is vested in governor to prevent diffusion of executive power and vesting too great a concentration of power in legislative branch). It is appropriate to prescribe by law objective professional qualifications for persons appointed by the governor. These qualifications must be reasonable so that the governor's discretion is not unduly restricted.

JLB:cln

ISSUE	APPROACH	TO WQWG	TO COMMISSIONER
petroleum hydrocarbons -- re-evaluate Total Aromatic Hydrocarbon, Total Aqueous Hydrocarbon, and oil & grease standard	Research and report available information, including background of current standards, alternative compound specific data, and other states' criteria.	4/30/97	5/15/97
dissolved metals -- criteria for metals should be based on dissolved metal and bioavailable metal species	Research and report on derivation of EPA criteria, federal guidance, evolution of EPA conversion factors, and bioavailability of dissolved vs. Particulate metals.	3/31/97	4/15/97
reclassification -- define in detail the process and requirements for petitioners to follow	Draft reclassification guidance document for petitioners, including a decision tree and application information.	5/1/97	5/15/97
fecal coliform -- sampling frequency should be changed from 5/month to once/week.	Review origin of fecal coliform sampling requirements in permits and make changes in DEC written guidance on monitoring requirements, as appropriate.	2/3/97	3/5/97
total dissolved solids -- State should re-evaluate the TDS standards	Review TDS information on other states, Canada, DEC paper, and DPA TDS research ... look at differences between WQS and DW regs, review in-state TDS studies ... report results and recommendations for TDS changes to consider regs changes.	5/15/97	6/5/97
compliance schedules -- change regulations to allow DEC and/or EPA to enter into water quality compliance schedules in permits	Review court decisions on need for compliance schedule language in standards and propose language for regulation change.	2/3/97	2/28/97
National Toxics Rule -- Alaska needs to get out from under the NTR	DEC to discuss approaches with EPA and make appropriate request, after conceptual approval given.	12/19/96	letter signed by Commissioner
303(d) Listing -- develop science-based criteria and guidelines for adding and removing streams from the listing of impaired water bodies	Review federal and other states regulations and guidance ... develop guidance document for Alaska.	4/22/97	5/6/97
Arsenic -- State should adopt its own human health criteria	Petition EPA for exemption during interim period of EPA research, allowing Alaska standard to be in effect.	Advised @ 12/19 meeting	ongoing Commissioner discussions w/EPA
acute toxicity -- consider an acute whole effluent toxicity criterion for effluents	Review and report on whole effluent toxicity information and make recommendations for changes.	2/1/97	2/15/97
pH -- re-evaluate the State's pH criteria	Review regulations and resolve discrepancies with State and federal regulations.	2/14/97	3/5/97
non-indigenous species -- address this issue and consider adopting WQS to protect State waters from such a threat	Assemble information about the issue and consult with federal agencies on situation ... make recommendations.	1/20/97	2/21/97

wqwglst.wpd (2/18/97)

WQS Review Process

