

ALASKA LEGISLATURE COMMITTEE FILES 2001-2002 8672

10650 SENATE RESOURCES

SB

240

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: SB 240
 (S) Publish Date: 1/16/02

Revision Date/Time (Note if correction): _____ Dept. Affected: Law
 Title "... to the crimes of damaging an oil and gas BRU Criminal Division
pipeline ... criminal mischief and terroristic threatening ..." Component 1st-4th Judicial Districts; Criminal
 Sponsor Rules Committee Appeals/Special Litigation
 Requester Governor Component No. 2198-99;2201-03;61;79

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

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

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill increases criminal penalties for acts of terrorism and adopts a class B felony offense for sending an imitation biological or chemical substance with the intent to frighten people. Specifically, the crime of intentional v damaging an oil or gas pipeline or supporting facility is raised to a class A felony from the class B felony under current law. Tampering with an oil and gas pipeline or supporting facility is raised to a class B felony from the class C felony under current law. The bill further provides that tampering with a water supply with intent to cause physical injury is the same level of crime (class B felony) as tampering with food or drugs, and makes it a class B felony to send or attempt to send an imitation biological or chemical substance with intent to frighten people or cause serious public inconvenience; depending on the circumstances. Under current law this would either not be a crime or it could be a class C felony.

Prepared by: Joan M. Kasson Phone (907) 465-5370
 Division Attorney General's Office Date/Time 1/10/02 8:55 AM
 Approved by: Kathryn Daughhete for Bruce M. Botelho, Attorney General Date 1/10/2002
 Agency Department of Law

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. SB 240

#1

ANALYSIS CONTINUATION

The Department of Law does not anticipate a significant fiscal impact from passage of this legislation. Because these are felony-level crimes that would be prosecuted under current law, the sections of the bill that increase penalties would not increase the department's workload. The new provisions that address imitation anthrax or other biological or chemical scares, and increase the penalty for tampering with the water supply from a misdemeanor to a felony, do represent potential new workload. However, the department is optimistic that few of these prosecutions will be required.

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: SB 240
 (S) Publish Date: 1/16/02

Revision Date/Time (Note if correction): _____ Dept. Affected: Administration
 Title "An act relating to terrorism criminal penalties..." BRU Legal and Advocacy Services
 Component Public Defender Agency
 Sponsor Rules
 Requester _____ Component No. 1631

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

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

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation would increase the penalty for intentionally damaging an oil or gas pipeline or supporting facility from a class B to class A felony. It would also add a higher degree to the crime of Terroristic Threatening (from class C to class B felony) for sending, delivering or attempting or soliciting to send or deliver an envelope, package or item containing an imitation biological or chemical substance with the intent to place a person in fear of physical injury or cause evacuation or serious public inconvenience. The Public Defender Agency believes this bill will have minimal fiscal impact on the Agency.

Prepared by: Barbara Brink, Director Phone (907) 334-4416
 Division: Public Defender Agency Date/Time 1/11/02 9:32 AM
 Approved by: Jim Duncan, Commissioner Date 1/11/2002
 Agency: Department of Administration

STATE OF ALASKA

DEPARTMENT OF LAW

CRIMINAL DIVISION

TONY KNOWLES, GOVERNOR

PLEASE REPLY TO:

CRIMINAL DIVISION CENTRAL
OFFICE
P.O. BOX 110300
JUNEAU, ALASKA 99811-0300
PHONE: (907) 465-3428
FAX: (907) 465-4043

OFFICE OF SPECIAL PROSECUTIONS
AND APPEALS
310 K STREET, SUITE 308
ANCHORAGE, ALASKA 99501-2064
PHONE: (907) 269-6250
FAX: (907) 269-6270

February 14, 2002

The Honorable John Torgerson
Chairman, Senate Resources Committee
State Capitol, Room 427
Juneau, Alaska

Re: CSSB 240 An Act relating to the crimes of murder, conspiracy, criminal mischief, and terroristic threatening

Dear Chairman Torgerson:

CSSB 240 was recently reported from the State Affairs Committee and referred to the Senate Resources Committee. I am writing to request that it be scheduled for a hearing at your earliest convenience. CSSB 240 amends Alaska's criminal code by increasing penalties and adding new provisions to respond to crimes of terrorism.

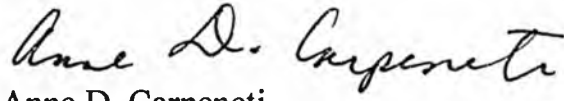
The bill increases the severity of criminal mischief in the first degree from a class B to a class A felony. Criminal mischief in the first degree in part prohibits intentionally damaging an oil or gas pipeline or supporting facility and damaging a public utility. It increases from a class C to a class B felony tampering with an oil or gas pipeline or supporting facility.

The bill amends the state's laws addressing conspiracy by prohibiting conspiring to commit criminal mischief in the first degree and terroristic threatening in the first degree. It provides that it is murder in the first degree to intentionally damage an oil or gas pipeline or commit terroristic threatening and, as a result, cause the death of another person. Terroristic threatening in the first degree, a class B felony, prohibits sending or delivering a biological or chemical substance, or an imitation biological or chemical substance, with the intent to cause fear of physical injury, evacuation of building, or other serious public inconvenience.

I will be sending a sectional analysis of the committee substitute. If there is any other information you would like, please let me know. Thank you for your consideration of this request.

Sincerely,

BRUCE M. BOTELHO
ATTORNEY GENERAL

By: 
Anne D. Carpeneti
Assistant Attorney General

CS FOR SENATE BILL 240(STA)

SECTIONAL ANALYSIS

Section 1 is a conforming amendment, that adds criminal mischief in the fourth degree to those that allow for full, reasonable attorney fees to a victim or the estate of a victim in a civil lawsuit to recover damages based on the criminal conduct.

Section 2 adds criminal mischief in the first degree (raised in this bill from a class B to a class A felony) and terroristic threatening in the first degree (a class B felony adopted in this bill) to those offenses for which a person can be charged with conspiracy to commit the offense.

Section 3 amends murder in the first degree to include conduct where a person commits or attempts to commit criminal mischief in the first degree by intentionally damaging an oil or gas pipeline or supporting facility and, in furtherance of the offense or in immediate flight, any person causes the death of a person other than a participant in the crime.

Section 3 also adds to murder in the first degree conduct where a person commits terroristic threatening in the first degree and in the furtherance of the offense or in immediate flight, any person causes death of a person other than one of the participants.

Section 4 is a conforming amendment that adds the conviction for terroristic threatening in the first degree as a predicate offense that would raise the offense of stalking in the second degree to stalking in the first degree.

Sections 5 and 6 change criminal mischief in the first degree in current law from a class B felony (maximum period of incarceration 10 years) to a class A felony (maximum period of incarceration 20 years). The conduct prohibited includes intentionally damaging an oil or gas pipeline, and causing damage to a utility or emergency responder resulting in substantial interruption in service to the public. **Section 5** also adds the prohibition of tampering with water or air to the prohibition of tampering with food or cosmetics, with intent to cause physical injury, to criminal mischief in the first degree.

Sections 7 and 8 make conforming amendments to the definitions of "deliver" and "distribute" for criminal mischief in the first degree, to add the delivery or distribution of air or water.

Section 9 enacts a new prohibition of criminal mischief in the second degree to prohibit tampering with an oil or gas pipeline or supporting facility. This conduct is prohibited in current law as criminal mischief in the second degree, but the bill makes this conduct a class B felony, rather than current law which provides that it is a class C felony.

Sections 10, 11, and 12 are conforming amendments that change what is currently criminal mischief in the second degree to criminal mischief in the third degree. This conduct remains a class C felony.

Section 13 and 14 are conforming amendments that change what is currently criminal mischief in the third degree to criminal mischief in the fourth degree. This conduct remains a class A misdemeanor.

Section 15 is a conforming amendment that changes what is currently criminal mischief in the fourth degree to criminal mischief in the fifth degree. This conduct remains a class B misdemeanor.

Section 16 is a conforming amendment to criminal mischief in the fourth degree.

Section 17 makes a conforming amendment to making a false information or report in violation of AS 11.56.800(a) to exclude conduct that rises to terroristic threatening in the second degree.

Section 18 adopts the crime of terroristic threatening in the first degree, that prohibits sending or delivering, or attempting or soliciting the sending or delivery of a biological or chemical substance or an imitation biological or chemical substance with the intent to place another in fear of physical injury to any person, cause the evacuation of a building or other facility, or cause serious public inconvenience. This is a class B felony.

Section 19 changes the current terroristic threatening to the second degree offense, and adds the prohibition of making a false report with the intent to cause an evacuation of a public place, business premises, or means of public transportation. It also adds the prohibitions of making a false report that claims that a biological or chemical substance harmful to a person's health has been sent or is present in specified places, or that threatens damage to an oil or gas pipeline or supporting facility.

Section 20 adds the definition of "oil or gas pipeline or supporting facility" to terroristic threatening in the second degree.

Section 21 is a conforming amendment that adds terroristic threatening in the first degree to those crimes that allow for the victim's or witness's address and telephone number to be kept confidential from the defendant if the court finds that the defendant may be a continuing threat to the victim or witness.

Section 22 makes a conforming amendment that adds terroristic threatening in the first degree to those crimes that may potentially be a crime involving domestic violence.

Section 23 repeals the provision in criminal mischief in the second degree for conduct that was added to criminal mischief in the first degree (tampering with an oil or gas pipeline).

Sections 24 and 25 are applicability and effective date clauses.

SB

255

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB 255
 () Publish Date: _____
 Dept. Affected: Natural Resources
 BRU: Parks & Recreation Mgt
 Component: Parks Management
 Component Number: 452

Revision Date/Time (Note if correction): _____
 Title: Land Exchanges: Gold Cord Development
 Sponsor: Senator Green
 Requester: (S) RES

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

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

FUND SOURCE (Thousands of Dollars)

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

Estimate of any current year (FY2002) cost: none
 Check this box (X) if funding for this bill is included in the Governor's FY2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

There is no fiscal impact associated with implementation of this legislation.

Prepared by: Jim Stratton Phone 269-8701
 Division: Parks & Outdoor Recreation Date/Time 28-Jan-02
 Approved by: Pat Pourchot Date 28-Jan-02
 Agency: Natural Resources

ALASKA STATE LEGISLATURE



Interim:
600 East Railroad Avenue
Wasilla, Alaska 99654
(907) 376-3370
(907) 376-3157 Fax

Session:
State Capitol
Juneau, Alaska 99801-1182
(907) 465-6600
(907) 465-3805 Fax

SENATOR LYDA GREEN SENATE DISTRICT N

Sponsor Statement Senate Bill 255

Unequal Land Exchange between the State of Alaska and Gold Cord, Inc Proposed change to land trade statutes to remove legislative approval for unequal land exchanges less than \$5 million.

Alaska State Parks has been working since 1978 to develop an opportunity for private reuse and management of historic buildings at Independence Mine State Park (IMSHP). To make such a private venture economical, the State has already completed or has in the works several projects. Parks completed paving the road to IMSHP, secured the underground mine tunnel (in a previous exchange) to allow for underground tours, and will complete rehabilitation of foundations and roofs on seven buildings (federal funds beginning in 2002), and several TRAAK projects to improve the trail system, parking lots, ADA access to existing visitor center, and interpretive panels on mine's history. An RFP seeking the private partner is scheduled for release in February 2002. Proposals will be due October 2002.

To facilitate road access to the underground mine tour, the State of Alaska sought an exchange with Gold Cord, Inc., the owner of a critical section of the road. While the State held an easement across the property, it was not of sufficient size to accommodate anticipated reconstruction to provide for bus access. In addition, Gold Cord held a federal mining claim that extended into the existing park boundaries.

The exchange has been agreed to by all parties as exemplified by the final exchange agreement that is anticipated to be signed by the DNR Commissioner on January 18, 2002. The State trades away no land, but provides the process by which Gold Cord can receive fee title to 19 acres of land valued at \$63,000 currently held by Gold Cord as federal mining claims. The State receives about six acres of land valued at \$68,500 from Gold Cord. Because the State brought no land to trade and because final values are not equal, the transaction requires legislative approval.

The Alaska Legislature approved another unequal value exchange at IMSHP between the State of Alaska and Alaska Hardrock, Inc. in 2000.

By statute, unequal exchanges that do not benefit the State of Alaska are not allowed. Only unequal exchanges that benefit Alaska are allowed. And any land exchange, whether equal or unequal in value involves only willing participants. Under existing statute, even though all parties agree and the state must come out ahead, unequal exchanges must receive legislative approval. Any exchange, equal or unequal over \$5 million in value must come before the legislature for approval. Since the exchange must benefit the state in any case, unequal value exchanges under the \$5 million level could be accomplished administratively to enhance efficiency.

**Final Exchange Agreement
Independence Mine SHP Exchange with
Gold Cord Development Corporation**

This Final Land Exchange Agreement for the unequal value exchange of land ("Agreement") is made and entered into this 22nd of January, 2002, by and between the State of Alaska, Department of Natural Resources, Division of Mining Land and Water, and Division of Parks and Outdoor Recreation ("State"), 550 W 7th Ave, Suite 1380, Anchorage, AK 99501-3561, and Gold Cord Development Corporation ("GCDC"), 519 W 8th Ave, Suite 209, Anchorage, AK 99501, pursuant to AS 38.50 and 11 AAC 67.200-280.

WITNESS:

WHEREAS, GCDC owns, in fee simple, Gold Cord 9, USMS 1093, in Sec. 28, T20N R1E SM, shown in Exhibit A. GCDC also owns two unpatented, surveyed, active federal mining claims on federal lands that have been State selected. These unpatented, active federal mining claims are Gold Cord Addition 1, United States Mineral Survey (USMS) 2069, and Gold Cord Addition 2, USMS 2090, excluding that portion overlapped upon USMS 1093, also in Sec. 28, T20N R1E SM and shown in Exhibit A. Federal regulation currently prevents GCDC from obtaining patent to these claims, and these claims are an impediment to the State receiving patent to the land under the State selection provisions of the Alaska Statehood Act.

WHEREAS, the State owns Snowbird 3, USMS 2045 and has state selection rights on Gold Cord Addition 1, USMS 2069 and Gold Cord Addition 2, USMS 2090, excluding that portion overlapped upon USMS 1093, in Sec. 28, T20N R1E SM, shown in Exhibit A. The State is not aware of any impediments to receiving patent to the state selected land, other than GCDC's federal mining claims. The State currently uses Gold Cord Mine Road, which crosses the southeast corner of Gold Cord 9, and the Independence Water Tunnel Road, which crosses Gold Cord Addition 2, to access part of Independence Mine State Historic Park (IMSHP). The State and the public currently use trails that cross the southern portion of Gold Cord Addition 2, USMS 2090. GCDC currently uses Gold Cord Mine Road and the Independence Water Tunnel Road to access its claims and mining operations.

WHEREAS, under this agreement, GCDC is willing to transfer to the State by warranty deed, the land estate, without mineral estate, of the to-be-surveyed southeast corner of Gold Cord 9 where the Gold Cord Road crosses Gold Cord 9. GCDC is also willing to quitclaim its federal mining claims on Gold Cord Additions 1 and 2 to the State, thereby removing any impediment to the State's acquisition of patent to the land. The State intends to retain the southern portion of Gold Cord Addition 2 and convey the land estate of Gold Cord Addition 1 and the northern portion of Gold Cord Addition 2, as well as the to-be-surveyed northwest corner of Snowbird 3, to GCDC. The State intends close Gold Cord Additions 1 and 2, and to-be-surveyed northwest corner of Snowbird 3, to new mining location under AS 38.05.185. Total acreage involved is 25,126, with the State receiving and retaining 6.125 acres and GCDC receiving 19,001. All lands in question are adjacent to IMSHP.

WHEREAS, it is the intention of the parties as soon as GCDC quitclaims to the State its active federal mining claims, the State will start the process by which the federal government awards land to the State. As soon as the State has received a federal patent for the land, the State will exchange deeds with GCDC.

A summary of the exchange is set out in the chart below. Value of active, unpatented federal mining claims not included. Appraised value is \$5,000 each for a total of \$10,000.

Parcel Description	Acreage/ Appraised Value	Current Legal Status	Proposed Action	Intended Owner
Gold Cord 9 USMS 1093 SE Corner	0.46 \$3,500	Owned by GCDC, subject to Gold Cord Mine Road R/W	GCDC conveys to the State by warrant; deed the land estate only	State of Alaska
Gold Cord +2 USMS 2090 Southern Portion	5.665 \$65,000	Owned by federal government, subject to Gold Cord Mine Road R/W, federal mining claim by GCDC, and State selection	GCDC quitclaims mining claims to State/ Federal conveyance of fee simple estate to the State subject to existing easements.	State of Alaska
Gold Cord +2 USMS 2090 Northern Portion	5.665 \$22,000	Owned by federal government, subject to Gold Cord Mine Road R/W, federal mining claim by GCDC, and State selection	GCDC quitclaims mining claims to State/ Federal conveyance of fee simple estate to the State subject to existing easements/ State conveys land estate to GCDC by quitclaim deed and will close the land to mining location.	GCDC
Gold Cord +1 USMS 2069	12.506 \$35,000	Owned by federal government, subject to Gold Cord Mine Road R/W, federal mining claim by GCDC, and State selection	GCDC quitclaims mining claims to State/ Federal conveyance of fee simple estate to the State subject to existing easements/ State conveys land estate to GCDC by quitclaim deed and will close the land to mining location.	GCDC
Snowbird 3 USMS 2045 NW Corner	0.83 \$6,000	Owned by State, subject to Gold Cord Mine Road R/W	State conveys land estate to GCDC by quitclaim deed and will close the land to mining location.	GCDC

WHEREAS, the benefits to the State of Alaska achieved by this exchange are as follows: Land to be acquired by the State is crossed by the Gold Cord Mine Road and the Independence Water Tunnel Road, which give access to an important portion of IMSHP. State of Alaska ownership of the land and management rights vested in the Division of Parks will allow the Division of Parks to make the necessary improvements needed to access the water tunnel both in terms of the safety and enjoyment of park visitors. Acquisition of the land will allow the Division to continue achieving its goal of preserving and interpreting Alaska's cultural heritage. Should the park be offered for private concession, the capability to improve the water tunnel access is crucial to a concession contract. This supports the Division's goal of providing support to the state's tourism industry.

WHEREAS, it is the intent of the parties that GCDC will receive title to land under its mining buildings, roads and adjacent to current mining operations. Also, prior to the negotiations with the state, GCDC had begun development of a safety adit to access flooded sublevels of the Gold Cord Mine. Portal for this safety adit is located within the north half of Gold Cord Addition No. 2. This location is critical to the safe access and drainage of sublevel development at the Gold Cord Mine. Since the adit will not be used to either develop or extract the mineral potential of the north half of Gold Cord Addition No. 2, continued development of this safety adit is a civil engineering project. Receiving title to these lands will solidify and consolidate ownership for the company and facilitate its business goals in gold mining.

WHEREAS, the State has followed specific procedures that are required to protect the public interest.

WHEREAS, the parties anticipate that the legislature will approve this agreement.

NOW THEREFORE, in consideration of their mutual covenants and promises and other good and valuable consideration, the receipt and sufficiency of which are acknowledged and confessed, the parties covenant and agree as follows:

1. **Ownership Determination.** GCDC currently owns and will quitclaim in full to the State, sole ownership of the two federal mining claims known as Gold Cord Addition 1, USMS 2069 and Gold Cord Addition 2, USMS 2090. The State, by previous action under the Statehood Act, has selected the lands of these mining claims. GCDC currently owns Gold Cord 9, USMS 1093 and the State currently owns Snowbird 3, USMS 2045. It is the parties understanding that these facts are essential to the land exchange.

2. **Legal Descriptions.** Because land status and ownership has historically been a major concern demanding precise boundaries, all parcels subject to this agreement have been surveyed by a deputy federal mineral surveyor as a part of the patenting process. These surveys were well monumented and made of record for the use and benefit of the general public. At the current time, extant monuments legally govern and control all claim boundaries. Where monuments are missing or disturbed, precise legal procedures govern replacement. For all these reasons, legal descriptions of the lands and interests which are the subject of this Agreement are fixed to the land as follows: Gold Cord Addition 1 has been fully described on the plat of USMS 2069 with monumentation existing on the ground as shown in detail on that drawing which represents the completed federal survey. Gold Cord Addition 2 has been fully described on the plat of USMS 2090 with monumentation existing on the ground as shown in detail on that drawing which represents the completed federal survey. Gold Cord 9 has been fully described on the plat of USMS 1093 with monumentation existing on the ground as shown in detail on that drawing which represents the completed federal survey. Snowbird 3 has been fully described on the plat of USMS 2045 with monumentation existing on the ground as shown in detail on that drawing which represents the completed federal survey.

3. **Taxes.** There are no outstanding taxes on the lands to be exchanged.

4. **Authority.** Each signatory to this Agreement has the authority to negotiate this exchange on behalf of its principals, subject to any necessary approval by a Board of Directors, the State Legislature, and the State's findings and approvals as may be required by law.

5. **Conveyance and Closing.** The State and GCDC will exchange their respective rights, titles and interests in the lands identified in Exhibit A on an unequal value basis, subject to valid existing rights and other reservations as may be required by law. GCDC will quitclaim to the State the active, unpatented federal mining claims Gold Cord Addition 1, USMS 2069 and Gold Cord Addition 2, USMS 2090, and the State will quitclaim to GCDC land estate for a portion of the land formerly encumbered by these active, unpatented federal mining claims and a portion of Snowbird 3, USMS 2045. The State will close Gold Cord Additions 1 and 2, and to-be-surveyed northwest corner of Snowbird 3, to new mining location under AS 38.05.185. The State will seek to receive patent from the federal government for Gold Cord Addition 1, USMS 2069 and Gold Cord Addition 2, USMS 2090, and will receive from GCDC a warranty deed for the land estate for the to-be-surveyed southeast corner of Gold Cord 9, with language specifying the intent that lands conveyed by GCDC are to be owned by the State of Alaska with management rights vested in the Division of Parks and Outdoor Recreation, and to be managed as part of IMSHP. The schedule for the remaining steps in the land exchange is as follows and is approximate. Failure to strictly comply with the following schedule is not necessarily fatal to this Agreement. However, each step of this Agreement is essential to the realization of the intention of the parties and the substantial failure of either party to meet the terms of the agreement in accordance with the schedule set out below within a reasonable period of time shall be grounds to reform or rescind the Agreement.

<u>Requirement</u>	<u>Completion Date</u>
Review of Agreement by Legislature	January 23 - May 16, 2002
GCDC quitclaims mining claims to the State for Gold Cord Addition 1 and Gold Cord Addition 2	June 5, 2002
State gives GCDC state survey instructions for Gold Cord Addition 1 and 2, Snowbird 3, and Gold Cord 9	June 5, 2002
Request Priority Conveyance of Land covered by Gold Cord Addition 1 and 2 from Federal Government	June 14, 2002
Conveyance of Land covered by Gold Cord Addition 1 and Gold Cord Addition 2 to State from the Federal Government with conversion of federal mining claims into state mining claims	August 14, 2002
State closes state mining claims over Gold Cord Addition 1 and Gold Cord Addition 2	August 30, 2002
Plat of Survey of Gold Cord Addition 1 and 2, Snowbird 3 and Gold Cord 9	August 30 2002
Plat Approval by the Mat-Su Borough	September 30, 2002
Exchange of Deeds between GCDC and the State with GCDC receiving Gold Cord Addition 1, the north half of Gold Cord Addition 2 and the NW corner of Snowbird 3 and the State receiving the SE corner of Gold Cord 9	October 31, 2002

6. Value of Land. The land and interest in land to be exchanged by the parties is of unequal appraised fair market value. According to the *Appraisal of Hatcher Pass Gold Cord Properties for a Land Exchange, Palmer, Alaska, Valuation Date of September 19, 2001, Appraiser: Eric G. Follett, MAI*, the value of the 19.001 acres going to GCDC is \$63,000, the value of the 6.125 acres going to the State is \$68,500 and the value of the two active, unpatented federal mining claims going to the State is \$10,000. GCDC agrees to receive land of less value, and that it does not expect compensation from the State for the \$5,500 difference in the land value nor the additional \$10,000 in excess valuation of the mining claims. The State agrees to receive land of less acreage, a difference of 12.876 acres.

7. Land Surveys. The completion of survey work will be necessary to conclude the exchange. GCDC will bear the cost of the surveys or accomplish the survey with its own staff. Surveys will conform to all applicable State of Alaska law. The survey shall include an as-built survey of Gold Cord Road over Gold Cord 9, and Gold Cord Addition 1 and 2. State survey instructions will be followed as appropriate. State survey instructions will be finalized and given to GCDC before survey work is expected to be done by GCDC during summer, 2002.

8. State Personnel Costs. The Division of Parks and Outdoor Recreation will cover 100% of the cost for state personnel, both in the Division of Parks and in the Division of Mining, Land and Water.

9. Mineral Closing and Land Classification Orders. The State will complete mineral closing and land classification orders that will go into effect when the State receives patent from the federal government for the lands identified in Exhibit A, and pursuant to AS 38.05.185(a) and 11 AAC 67.230(b).

10. ACMP. The property involved in this land exchange is outside the boundaries of the Alaska Coastal Management Program.

11. Third Party Interests. There are no known third party interests in the parcels belonging to each party, nor the federal land involved.

12. Entire Agreement. The parties agree that there are no promises, terms, conditions or obligations other than those contained or referred to in this Agreement. The parties agree that any oral representations made by either party during the negotiation of this Agreement, which are not incorporated by writing into this Agreement, are not binding. Quitclaim by GCDC is not to be interpreted as itself a revocation, relinquishment or extinguishments of any specific interest or all interests in the mining claims so conveyed. It is not intended by this Agreement that any prior recorded document be modified except as specifically set forth by this Agreement. All prior recorded documents will continue to be honored by all parties to this Agreement.

13. Definitions.

(a) "Management rights" is intended as a term of art assuring management authority as based upon AS 41.21.020(a)(3).

(b) "Adjacent to" is intended to include contiguous.

(c) "Selection rights" is intended to include all acts of state selection independent of time actually exercised.

(d) "Conveyance" and "convey" is intended to include the concept of apparent reconveyance.

(e) "Conservation easement" is intended assurance of uninterrupted access during the period preceding full conveyance of lands.

14. **Road Access.** (a) Prior to the completion of this exchange, the State may continue its use of the Gold Cord Road across Gold Cord 9 and the Independence Water Tunnel Road across Gold Cord Addition 2 for park purposes. GCDC shall continue to have unobstructed use of Gold Cord Road across Gold Cord Additions 1 and 2, and continued surface and subsurface use of Gold Cord Additions 1 and 2 not in unavoidable conflict with contracted improvements to Gold Cord Addition 2 and IMSHP by the State.

(b) Future use of the Gold Cord Road over the parcels to be received by Gold Cord Development Corporation in this exchange is intended to continue in the historic and current Gold Cord Road use pattern. Nothing in this Agreement, or through this exchange, is intended to change the historic pattern of Gold Cord Road use, and access, north of the new park boundary created by this land exchange.

15. **Immunity:** GCDC has conveyed to the State a conservation easement for public access across Gold Cord 9 in USMS 1093, Gold Cord Addition 1 in USMS 2069, and Gold Cord Addition 2 in USMS 2090. This conservation easement shall expire upon the state's acquisition of the land on which the conservation easement is located. GCDC shall be immunized from tort liability in accordance with AS 34.17.055 during the existence of the conservation easement.

16. **Binding Effect.** This Agreement shall be binding on and inure to the benefit of the respective parties hereto, their successors and assigns. This agreement shall be executed by an exchange of deeds intended to take place before December 31, 2002.

17. **Construction.** This Agreement shall be construed and enforced in accordance with the laws of the State of Alaska.

18. **Legislative Approval.** This final land exchange agreement is subject to approval by the Alaska Legislature under AS 38.50.140. Without legislative approval by the end of the legislative session in the year 2001, this Final Land Exchange Agreement is null and void.

**Final Report and Best Interest Findings
on Proposed Land Exchange between
Gold Cord Development Corporation
and the State of Alaska for the
Division of Parks and Outdoor Recreation
ADL 228152
January 18, 2002**

Introduction

This proposed land exchange between the State of Alaska, Department of Natural Resources, for the Division of Parks and Outdoor Recreation and Gold Cord Development Corporation proposes to trade two parcels of state land, totaling 19.001 acres, for two parcels of land totaling 6.125 acres. In addition, Gold Cord Development Corporation will trade two unpatented federal mining claims, allowing 23.836 acres of federal land to be transferred to the State. All parcels are in Independence Valley in the Hatcher Pass area of the Talkeetna Mountains, approximately 20 miles north of Palmer and within the Matanuska-Susitna Borough. Refer to the map enclosed with this report, and the detail descriptions below, for specific parcel locations.

The purpose of the exchange is for the State of Alaska, Division of Parks and Outdoor Recreation to acquire the access road to the water tunnel, the main tunnel of the old Independence Mine tunnel workings, for addition to Independence Mine State Historical Park. Gold mining is an integral part of Alaska's history and the Division of Parks and Outdoor Recreation would like to preserve and interpret this particular piece of Alaska's gold mining history.

The Division of Parks and Outdoor Recreation and Gold Cord Development Corporation started serious negotiations in 2000. On June 11, 2001, both parties signed a Preliminary Exchange Agreement. According to that agreement, appraisal and preliminary survey work was done in late summer and early fall of 2001. The draft appraisal was received in October, 2001. Based on the data in that document, the Division of Parks and Outdoor Recreation and Gold Cord Development Corporation returned to negotiations and altered the preliminary exchange agreement. On November 16, 2001, both parties signed an Amendment to the Preliminary Exchange Agreement. The final appraisal was received in December. In December and January, there will be public notice on the exchange and related mineral closures, area and management plan exceptions, and land classification changes. In January, the final report will be written based on public comment received and the exchange will go before the Alaska Legislature for review. Legislative review is required under Alaska Statute 3850.140 because the exchange is no longer for equal appraised fair market value. If approval is received, deeds will be exchanged within 6 months of legislative approval.

This report is the land exchange report required by Alaska Statute 38.50.130.

Public Notice and Comment Period

Public Notice for the land exchange starts Tuesday, December 18, 2001. Public comment must be received at either of the two Division of Parks and Outdoor Recreation offices listed below by 4:30 pm, Friday, January 18, 2002.

Parks Contact Person in Anchorage:

Kathryn Reid
Ph: (907) 269-8709
Fax: (907) 269-8907
Email: Kathryn_Reid@dnr.state.ak.us

Alaska State Parks
550 West 7th Avenue, Suite 1380
Anchorage, Alaska 99501-3561
(Downtown at 7th and F Streets)

Parks Wasilla/Palmer Office:

Mat-Su Area Office
Alaska State Parks
HC 32, Box 6706
Wasilla, Alaska 99654

Ph: (907) 745-3975
Fax: (907) 745-0938
Location: Mile 0.4 Bogard Road, Finger Lake SRS
Area Superintendent: Dale Bingham

The Appraisal

The appraisal contract was awarded to Follett & Associates of Anchorage, Alaska. The appraiser is Eric G. Follett, MAI. The appraisal is titled *Appraisal of Hatcher Pass Gold Cord Properties for a Land Exchange, Palmer Alaska*, herein referred to as the land exchange appraisal. The valuation date of the appraisal is September 19, 2001.

The State will be receiving 6.125 acres valued at \$68,500, plus two unpatented federal mining claims (no acreage) valued at \$10,000 for a total of \$78,500. Gold Cord Development Corporation will be receiving 19.001 acres valued at \$63,000.

All land involved in the exchange was appraised as land estate only. Mineral estate was not included since the State cannot deed the mineral estate in this circumstance. Gold Cord Development Corporation chose not to deed mineral estate due to possible loss of extra-lateral mining rights.

The land involved in the exchange has been divided into five parcels for appraisal purposes. Of these five, two parcels will go to the State of Alaska, Division of Parks and Outdoor Recreation, and three parcels (two are contiguous) will go to Gold Cord Development Corporation. The division of the parcels was based on location, topography and current land ownership.

There was one copy of the land exchange appraisal available for public review at each of the Division of Parks and Outdoor Recreation offices listed below.

Parks Contact Person in Anchorage:

Kathryn Reid	Alaska State Parks
Ph: (907) 269-8709	550 West 7 th Avenue, Suite 1380
Fax: (907) 269-8907	Anchorage, Alaska 99501-3561
Email: Kathryn_Reid@dnr.state.ak.us	(Downtown at 7 th and F Streets)

Parks Wasilla/Palmer Office:

Mat-Su Area Office	Ph: (907) 745-3975
Alaska State Parks	Fax: (907) 745-0938
HC 32, Box 6706	Location: Mile 0.4 Bogard Road, Finger Lake SRS
Wasilla, Alaska 99654	Area Superintendent: Dale Bingham

Legal and Physical Descriptions of Land Involved plus Appraised Value

Parcels to be Acquired by the State of Alaska, Division of Parks and Outdoor Recreation
The State of Alaska, Division of Parks and Outdoor Recreation will receive two parcels. One parcel is owned by Gold Cord Development Corporation. The other parcel is currently federal land, but will become state land as part of the land exchange. Both parcels are in Section 28, Township 20 North, Range 1 East, Seward Meridian (T20N R1E SM). Total acreage is 6.125. Legal descriptions of these two parcels are:

<u>Parcel</u>	<u>Acreage</u>	<u>Current Owner</u>
Lot 1 (SE corner), Gold Cord 9, USMS 1093	0.46	Gold Cord Development Corporation
South Half, Gold Cord Addition 2, USMS 2090	5.665	Federal Government, Federal Mining Claim held by Gold Cord Development Corp.

The water tunnel access road crosses both these parcels. Both parcels are adjacent to, and will be managed as part of, Independence Mine State Historical Park. See the map enclosed with this report. Formerly, the road was the old railroad track bed for Independence Mine and currently is a single lane, dirt road with no state maintenance.

The majority of the Lot 1, Gold Cord 9 is encumbered by the water tunnel access road, which makes a hairpin turn on the property. There is no other development on this parcel. The lot is gently sloping with good views of the surrounding mountains, but is too far from Independence Mine State Historical Park for commercial use. Platting by the Matanuska-Susitna Borough would require several variances and restrictions due to the small size of the parcel, including no habitable dwelling built on-site, and no on-site well and septic system would be allowed. Road access is seasonal. The appraised value for the Lot 1, Gold Cord 9 is \$3,500.

The south half of Gold Cord Addition 2 is in close proximity to Independence Mine State Historical Park, making this property very desirable for residential and commercial use. The southeast corner of the property is about 120 feet from the upper paved parking lot for the park. The southwest corner is bisected by a paved trail connecting historical buildings in the park with

the main mining tunnel and other facilities. The property has a gentle to moderate sloping hillside, with excellent views of the Independence Mine historical buildings, Independence Valley, and the surrounding mountains. Road access is seasonal, but the close proximity to the park makes walk-in relatively easy during the winter (8 months). The appraised value for southern half of Gold Cord Addition 2 is \$65,000.

Total appraised value for these two parcels is \$68,500.

In addition to these two parcels, the State will receive two unpatented federal mining claims from Gold Cord Development Corporation. This allows the federal land to be transferred to the State. The appraised value for the mining claim on Gold Cord Addition 1, USMS 2069 is \$5,000. The appraised value for the mining claim on Gold Cord Addition 2, USMS 2090 is \$5,000. Total appraised value for these two mining claims is \$10,000.

The total appraised value of both the parcels and the mining claims is \$78,500.

Parcels to be Acquired by Gold Cord Development Corporation

Gold Cord Development Corporation will receive three parcels. Two of the three parcels are contiguous. One parcel is currently owned by the State. The other two parcels are currently federal land, but will become state land as part of the land exchange. All three parcels are in Section 28, Township 20 North, Range 1 East, Seward Meridian (T20N R1E SM). Total acreage is 19.001. Legal descriptions of these three parcels are:

<u>Parcel</u>	<u>Acreage</u>	<u>Current Owner</u>
Lot 1 (NW corner), Snowbird 3, USMS 2045*	0.83	State
North Half, Gold Cord Addition 2, USMS 2090*	5.665	Federal Government, Federal Mining Claim held by Gold Cord Development Corp.
Gold Cord Addition 1, USMS 2069	12.506	Federal Government, Federal Mining Claim held by Gold Cord Development Corp.

* Contiguous parcels

The Lot 1, Snowbird 3 borders on the mining tunnel access road. This parcel is moderately sloping with good views of the surrounding mountains and the Independence Mine Historical Buildings, but is too far from these buildings for commercial use. Platting by the Matanuska-Susitna Borough would require several variances and restrictions due to the small size of the parcel, including no habitable dwelling built on-site, and no on-site well and septic system would be allowed. Road access is seasonal. There is no development on this parcel. The appraised value for Lot 1, Snowbird 3 is \$6,000.

The north half of Gold Cord Addition 2 has the private access road to the Gold Cord Mine. A very small portion of the southern corner of the Gold Cord Mill building crosses onto this parcel at the very north end. This parcel is slightly steeper the southern half of Gold Cord Addition 2, but still has excellent views of the Independence Mine historical buildings, Independence Valley,

and the surrounding mountains. The seasonal, private road is a winding, steep, one-lane gravel road. Private road access prohibits subdividing the parcel under borough code. The steeper slope and distance from the historical park precludes most types of commercial development. Possible development would be recreational cabin or residence/bed & breakfast with walk-in/ski/snowmachine access in the winter (8 months). The appraised value for the north half of Gold Cord Addition 2 is \$22,000.

Gold Cord Addition 1 is just above Independence Valley in the upper west Fishhook Creek Valley, with gently sloping terrain and good mountain views. Access is by a private, winding, steep, one-lane gravel road with seasonal use only. Private road access prohibits subdividing the parcel under borough code. Possible development is a single recreational cabin site with walk-in/ski/snowmachine access in the winter (8 months). The appraised value for Gold Cord Addition 1 is \$35,000.

Total appraised value for all three parcels is \$63,000.

Summary of Appraised Values and Land Involved

The charts below summarize the land acquired on both sides of the trade.

Summary of parcels and mining claims going to the Division of Parks and Outdoor Recreation

Parcels	Acreage	Total Value
Lot 1 (SE corner), Gold Cord 9, USMS 1093	0.46	\$3,500
South Half, Gold Cord Addition 2, USMS 2090	5.665	\$65,000
Total for Parcels	6.125	\$68,500
Unpatented Federal Mining Claims		
Gold Cord Addition 1, USMS 2069	N/A	\$5,000
Gold Cord Addition 2, USMS 2090	N/A	\$5,000
Total for Mining Claims	N/A	\$10,000
Total for All	6.125	\$78,500

Summary of parcels going to Gold Cord Development Corporation

Parcels	Acreage	Total Value
Lot 1 (NW corner), Snowbird 3, USMS 2045	0.83	\$6,000
North Half, Gold Cord Addition 2, USMS 2090	5.665	\$22,000
Gold Cord Addition 1, USMS 2069	12.506	\$35,000
Total	19.001	\$63,000

The state, federal, and Gold Cord Development Corporation lands are not in the coastal zone. Neither are the lands wetlands or in a floodplain. The parcels are within the Matanuska-Susitna Borough, but there is no zoning in the area.

The difference in the land value between what each party receives is \$5,500, and in favor of the State. With the additional value of the mining claims to the State, the difference in favor of the State increases to \$15,500. The acreage difference between what each party receives is 12.876, and in favor of Gold Cord Development Corporation. Both parties still agree to the exchange, subject to legislative review.

Legislative Review

Since this is an unequal value exchange, it must receive Legislative review.

Land Planning and Classification

The Willow Sub-Basin Area Plan, adopted October 1982, sets out general management intent and land classification for the Hatcher Pass area. The plan specifies that the area will be managed primarily for mining and recreation. The plan classified the land as mineral and public recreation land.

The Hatcher Pass Management Plan spells out more specific management intent for the area. The management intent for the Independence Valley subunit is to protect habitat, the scenic vistas and the historic character, and to encourage tourism and the continued mining on existing claims. The plan recognizes that a balance is needed between the protection of historic mining sites and the nourishing of current mining operations within the area. The Hatcher Pass Management Plan was adopted in 1986, and amended in 1989.

Both plans support the expansion of Independence Mine State Historical Park and the mineral closure for land going to the park. State regulations (11 AAC 67.220) require that land to be traded should be either unclassified, or classified as settlement, agriculture, or reserved use. Therefore, by classification, current and future state land in Independence Valley is not open for a land exchange. The intent of the plans is to support mining in the area, and the state land to be received by Gold Cord Development Corporation is for the support of their mining operation. In order to reclassify the land, a special exception to the land use plans allowing a change of classification for the state land going to Gold Cord Development Corporation is proposed. Please see the proposed special exception to the Willow Sub-Basin Area Plan and Hatcher Pass Management Plan, and the proposed land classification order #79-023-A01 enclosed with this report.

This reclassification is only for the 19.001 acres of state land going to Gold Cord Development Corporation. No other land in the Hatcher Pass area will be reclassified because of this land exchange.

The state land involved in this exchange will be closed to mineral entry under AS 38.05.185 because state mining claims could interfere with existing mining operations. The mineral closure is only for the land described in this report and part of this land exchange. No other land in the Hatcher Pass area will be closed to new mineral entry through the mineral closure related to this land exchange.

The Willow Sub-Basin Area Plan and the Hatcher Pass Management Plan support the mineral closure for the land going to the Division of Parks and Outdoor Recreation. Both plans support Independence Mine State Historical Park and the need to preserve historical land marks. The park already has a mineral closure on it. Independence Valley is listed for both active mining and mineral closures for public recreation purposes.

A mineral closure on the state land going to Gold Cord Development Corporation is for the support of their mining operation. This mineral closure prevents the disruption of their mining operation, facilities, and any improvements they may make, by anyone who might stake a state mining claim under these parcels. Since the intent of the plan is to support continued mining for existing operations in Independence Valley, and since the mineral closure on these parcels supports the existing mine operation in this valley, this mineral closure is consistent with the plan intent. Please see the proposed mineral order #773 enclosed with this report.

Benefits of the Exchange

Benefit to the State

In the 1999-2001 land exchange with Alaska Hardrock, Inc., State of Alaska, Division of Parks and Outdoor Recreation received title to the water tunnel for use in underground tunnel tours. In order to develop the underground tours, the access road to the water tunnel will need extensive upgrading to meet federal and state safety standards for public use. By owning this land, the Division of Parks and Outdoor Recreation can achieve this. Opening up the underground portion of Independence Mine State Historical Park to the public gives the park visitor a more complete picture and better understanding of an Alaskan hard rock gold mine in the first half of the twentieth century. This supports the Division of Parks and Outdoor Recreation's goal of preserving and interpreting Alaska's cultural heritage.

Acquiring tunnel access also supports the Division of Parks and Outdoor Recreation's goal of providing support to the state's tourism industry. Long term management plans for the historical park include the possibility of a private concession contract. The option of underground tours, either as part of a package, or by itself, make a concession contract much more viable.

Note: The goals for the Division of Parks and Outdoor Recreation are listed in the *Alaska State Park System: Statewide Framework*, June 1982

Benefit to Gold Cord Development Corporation

Gold Cord Development Corporation pays an annual fee to the federal government to keep their unpatented federal mining claims active. There is currently a moratorium on obtaining a federal patent for land occupied by unpatented federal mining claim. While it may be possible to obtain a patent to a claim in the future, the probability appears remote.

By entering into this land exchange with the State, Gold Cord Development Corporation can receive a deed for three quarters of the land currently covered by their unpatented mining claims, and would no longer pay the annual mining claim fee. This consolidates their property and

secures permanent ownership to land neighboring land already owned by Gold Cord Development Corporation, land with facilities on them, and land that provides road access to their mining operation

Alternatives

Independence Mine camp and underground tunnels are a unique resource for Alaskans. This is why the area was made into a historical park. There is no alternative land for purchase with access to the Independence Mine main tunnel entrance. While there is land inside the park that could provide access to the tunnel entrance, it has historic buildings on it, and is too steep to safely build a road on. The only alternative to a land exchange would be to purchase needed portions of Gold Cord Development Corporation's patented and unpatented mining claims. Gold Cord Development Corporation indicated that they would not want to sell, but would accept a land trade, since this enables them to solve certain issues that could not be dealt with in a purchase situation. Another alternative would be to forego the land exchange. As stated above, there is no alternative for the tunnel access road. And without access to the tunnel, the ability to develop the tunnel is lost.

Without the ability to develop the mine tunnel and the associated tours, the opportunity for a concession contract to operate and maintain the historical buildings at Independence Mine State Historical Park would be significantly diminished. The State is not in a position to continue funding the maintenance on these historical buildings. Preliminary contacts with potential private operators indicate that a tour opportunity is needed for the entire project to be economically viable. Without a public/private partnership, the mine buildings will continue to deteriorate.

It is in the State's best interest to obtain this property.

The parcels going to Gold Cord Development Corporation are also a unique resource for them. There is no alternative at this time to receive a deed for federal land occupied by unpatented mining claims. There is no alternative land to purchase that would provide road access to, and facilities for, their Gold Cord mining operation. While they might be able to build another access road on their existing patented land, to build a duplicate road so near an existing one over fragile tundra would be inefficient, wasteful, and destructive. In some places, the topography would prohibit a road, making it impossible to create the needed access.

This land exchange allows each party to attain what they want. No other alternative achieves this kind of win/win situation for either party.

Public Comment Received

The public notice and comment period ran from December 18, 2001, through January 18, 2002. Newspaper display ads appeared in the Anchorage Daily News on Friday, December 21, and Friday, December 28. Display ads also appeared in the Frontiersman on Friday, December 21, and Friday, December 28. Legal classified ads appeared in the Juneau Empire on Wednesday,

December 19 and Friday, December 21, and in the Fairbanks News Miner on Wednesday, December 19 and Saturday, December 22.

Documentation on the proposed land exchange was sent by postal mail or email on December 18, 2001 to the following: 1) all native corporations and villages within the Mat-Su Borough; 2) all community councils within the Mat-Su Borough; 3) all property owners within a six mile radius, including state and federal mining claim holders - this encompassed over four townships; 4) all members of the legislature; 5) all state department commissioners, the governor's office, and the Mat-Su Borough; 6) user groups of the area and other interested organizations.

Also, a public notice sign with map was mailed to every post office in the Mat-Su Borough and the Municipality of Anchorage for public posting. The public notice was also placed on the State of Alaska and Department of Natural Resources public notice web pages. This public notice was also emailed to the media by the Department of Natural Resources' Public Information Center in Anchorage. Further, the documentation on the land exchange was posted on the Division of Parks web site. Mailings and web postings were completed by December 18.

In addition to this, the Anchorage Daily News published an article on Thursday, January 3, 2002, on the land exchange and the underground tunnel tours Parks hopes to have if this exchange is completed.

Only a few comments were received. The land exchange appears to be non-controversial. Individual comments are addressed below.

The Division of Parks and Outdoor Recreation received four requests, by phone, email or in person, for either more information, or paper copies of the land exchange information. None of these individuals indicated if they were for or against the land exchange.

Two comments were received as letters by email, from the Mountaineering Club of Alaska, Inc. and Alaska Center for the Environment. The letter from the Mountaineering Club of Alaska, Inc., stated its support for the exchange, but opposed future development that would impact recreational activities in the area by their members. The only development planned for the land the State will receive in the exchange is improved water tunnel road access. While improvements to Independence Mine State Historic Park as a whole will likely increase visitation to the park itself, much of this increase will be confined to the area of the park with existing historic buildings and the water tunnel entrance. The surrounding area, both inside and outside the park, will remain open to hiking, climbing and skiing, and should receive little impact because of the exchange or related development.

The Alaska Center for the Environment letter asked that a title restriction be included on two parcels going to Gold Cord to "promote the mining use of the land." Both the Willow Sub-Basin Area Plan and the Hatcher Pass Management Plan recognize the importance of the existing mining operations in the area. The intent of both plans is to support continued mining for the existing operations in Independence Valley. They also asked that the parcels going to the

state of Alaska carry a title restriction dedicating the land for state park use in perpetuity. The land is to be included in the existing Independence Mine State Historic Park.

Comments were received from three individuals by email, the Gateway Community Council in Palmer, Habitat Division of the Alaska Department of Fish & Game by email, and the Mat-Su Borough by letter, stating support for the land exchange or the tours that this land exchange will enable Parks to have at Independence Mine State Historic Park. The Mat-Su Borough is preparing two resolutions supporting the land exchange to be turned in to the legislature when the legislature reviews this land exchange during the 2002 session. One resolution will be from the Mat-Su Parks, Recreation and Trails Advisory Board, and the second will be from the Mat-Su Borough Assembly.

In summary, the Division received no opposing comments to the exchange itself, but did receive one opposition to any potential related development on the land the State is acquiring. The opposition came from the Mountaineering Club of Alaska, Inc. Three of the five supporting comments of the exchange included support for the anticipated development in and around the existing historic structures and underground mine tour. One of these supporters is the Mat-Su Borough.

Given the supporting and opposing public comments received, the Department of Natural Resources plans to continue the land exchange process.

JAN 10 2002 PM 10 55 THE DNR BUREAU OF LAND MANAGEMENT
11 2001 1 051 200 0010

**Proposed Special Exception
to Willow Sub-Basin Area Plan
and the Hatcher Pass Management Plan
December 14, 2001 * ADL 228152**

The Department of Natural Resources (DNR) proposes to make a Special Exception to both the Willow Sub-Basin Area Plan and the Hatcher Pass Management Plan. The special exceptions are necessary to enable a land exchange between the Gold Cord Development Corporation and DNR. DNR has determined that the land exchange is in the State's interest and is consistent with the management intent contained in these plans. However, the land classification prevents the exchange. State land included in the exchange is currently classified Public Recreation and Minerals. New state land, transferred from the federal government as part of the exchange, will be classified Public Recreation and Minerals. State land must be classified Settlement, Agriculture, or Reserved Use, or be unclassified, in order to be included in a land exchange (11 AAC 67.220).

A Special Exception is a one-time, limited-purpose variation of a land use plan's provisions (see 11 AAC 55.030).

The specific exception to the Willow Sub-Basin Area Plan (adopted in 1982) is to change the classification of current state land proposed for the exchange to Gold Cord Development Corporation (GCDC) to Reserved Use Land, and have that portion of new state land proposed for the exchange to GCDC initially be classified as Reserved Use Land. This is an exception to the classifications spelled out in the Willow Sub-Basin Area Plan, Appendix 3, page 3-5, Table 1. The portion of exchanged land to be added to Independence Mine State Historic Park would receive the classification listed in the area plan, which would be Public Recreation and Minerals Lands. This classification will not affect any other state lands within the Hatcher Pass management unit of the plan, and will only be implemented if a final land exchange agreement is reached. If the exchange is not consummated, the original classification will be restored on current state land, and federal land will remain under federal jurisdiction, having no state classification on it.

The exception to the Hatcher Pass Management Plan is intended to enable the exchange of the state land, current and future, to be classified as Reserve Use. Land exchanges and the Reserved Use classification are not mentioned in the Primary or Secondary uses for the Independence Subunit (Subunit #5, page 227) of the Hatcher Pass Management Plan. The Hatcher Pass Management Plan was adopted by DNR in 1986 and amended in 1989.

DNR has determined that these Special Exceptions are consistent with the Management Intent for these lands as expressed in the two plans. DNR is making this exception because it is in the State's interest considering the overall public benefits of the exchange, specifically the state's acquisition of land with access to a valuable tourism and historic mining resource in Hatcher Pass. DNR generally does not classify the surface estate of state lands for disposal in order to facilitate mineral development. In making the determination that the different classification for state land, current and future, is in the state's interest, the exchange must be looked at as a whole.

Consistency with Plans' Management Intent - The following explains how these actions are consistent with the plans' management intent:

Willow Sub-Basin Plan: The exchange is consistent with the management intent for the Hatcher Pass Management Unit (page 209 of plan) - which emphasizes Mining and Recreation. More specific management intent is found in the Hatcher Pass Management Plan.

Hatcher Pass Management Plan, Independence Sub-Unit (subunit #5): The State's acquisition of their portion of the parcels is clearly consistent with the plan's management intent for this subunit, which is to protect the area's historic mining character and encourages tourism and education. Land within Independence Mine State Historical Park already has a mineral closure, which is stated in the plan. Therefore, the land added to the park would also receive a mineral closure. This protects the State's ability to develop this area for tourism and protect the historic value, part of the plan's management intent.

GCDC acquisition of their portion of the parcels is also clearly consistent with the plan's management intent for this subunit, which is to support existing private mining operations. The mineral closure to be placed on GCDC's parcels support the plan's management intent by not allowing any new mining interests to interfere with the existing mining operation.

**STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF LAND**

LAND CLASSIFICATION ORDER NO. 79-023-A01

I. Name Gold Cord Development Corporation/State of Alaska Land Exchange

II. The classifications in Part III are based on written justification contained in one of the following plans:

Area Plan: _____
 Adopted () Revised () Dated _____

Management Plan: _____
 Adopted () Revised () Dated _____

Site Specific Plan: Proposed (X)
 Adopted () Revised () Dated 12-14-2001

Preliminary Report and Best Interest Findings on Proposed Land Exchange between Gold Cord Development Corporation and the State of Alaska for the Div. of Parks/Outdoor Rec.

III. Legal Acquisition Existing Classification
Description Acreage Authority Classification by this action

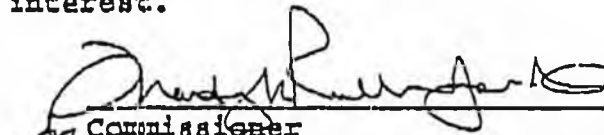
T20N R1E SM				
Section 28				
Lot 1 (NW Corner) Snowbird, USMS 2045				
	0.83 acres Pat., GS-1224		Public Recreation	Reserved Use
Gold Cord Addition 1, USMS 2069				
	12.506 acres Pat., GS-1224*		Mineral	Reserved Use
North Half, Gold Cord Addition 2, USMS 2090				
	5.665 acres Pat., GS-1224*		Mineral	Reserved Use

Total Acreage = 19.001

* Currently federal land, will become state land through this exchange by this acquisition authority

IV. This order is issued under the authority granted by AS 38.04.065 and AS 38.05.300 to the Commissioner of the Department of Natural Resources. The above described lands are hereby designated and classified as indicated. Nothing shall prevent the reclassification of these lands if warranted in the public interest.

Classified:


 Commissioner
 Department of Natural Resources

1/18/02
 Effective Date

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF LAND

MINERAL ORDER #773

XXX Closing Lands to Mineral Entry Opening Lands to Mineral Entry

I. Name Gold Cord Development Corporation/State of Alaska Land Exchange

II. This mineral order is based upon the attached Commissioner's Finding and the written documentation contained in:

Area Plan: _____ Dated _____

Management Plan: _____ Dated _____

Site Specific Plan: Preliminary Report and Best Interest Findings on Proposed Land Exchange between Gold Cord Development Corporation and Dated 12-14-2001

Other: _____ the State of Alaska for the Division of Parks and Outdoor Rec.

<u>File Number</u>	<u>Legal Description</u>	<u>Acreage</u>
ADL 228152	Gold Cord Addition 2, USMS 2090	11.330
	Gold Cord Addition 1, USMS 2069	12.506
	Lot 1 (SE corner), Gold Cord 9, USMS 1093	0.46
	Lot 1 (NW corner), Snowbird 3, USMS 2045	0.83
	All in Section 28, T20N R1E SM	Total acreage = 25.126

IV. This order is subject to valid existing rights and issued under the authority granted by AS 38.05.185 - 38.05.275 to the Department of Natural Resources. The above described lands are hereby XXX closed opened to entry under the locatable mineral and mining laws of the State of Alaska.

Concur: [Signature]
Director
Division of Mining, Land and Water

1/16/02
Date

Approved: [Signature]
Commissioner

1/18/02
Effective Date

SB

266

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB 266
 () Publish Date: _____
 Dept. Affected: DCED
 BRU Investments (122)
 Component Investments
 Component No. 383

Revision Date/Time (Note if correction): _____
 Title Fishery Enhancement Loans
 Sponsor Senator Stevens
 Requester (S) Labor and Commerce

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES (21615)	(1,714.9)	(1,632.7)	(1,543.0)	(1,443.8)	(1,334.3)	(1,213.2)
-------------------------------------	------------------	------------------	------------------	------------------	------------------	------------------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type—Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The reduction in revenues to the loan fund was based on an average portfolio interest rate of 9%, compared to a current rate of 6% that would be available under a refinancing program as provided for in SB 266. The impact also assumes that all loan payments would be made as scheduled. If loan payments are reduced because of payoffs or for other reasons the impact to the fund would be reduced.

Prepared by: Greg Winegar, Director
 Division Investments
 Approved by: Deborah B. Sedwick, Commissioner
 Agency Department of Community & Economic Development

Phone 465-2510
 Date/Time 2/8/02 10:11 AM
 Date 2/8/2002

CORRECTION

THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION



Central Microfilm Services
Department of Education & Early Development
State of Alaska

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB 266
 () Publish Date: _____
 Dept. Affected: DCED
 BRU: Investments (122)
 Component: Investments
 Component No.: 383

Revision Date/Time (Note if correction): _____
 Title: Fishery Enhancement Loans
 Sponsor: Senator Stevens
 Requester: (S) Labor and Commerce

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES

CHANGE IN REVENUES (21615)	(1,714.9)	(1,632.7)	(1,543.0)	(1,443.8)	(1,334.3)	(1,213.2)
-----------------------------------	------------------	------------------	------------------	------------------	------------------	------------------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type—Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
 The reduction in revenues to the loan fund was based on an average portfolio interest rate of 9%, compared to a current rate of 6% that would be available under a refinancing program as provided for in SB 266. The impact also assumes that all loan payments would be made as scheduled. If loan payments are reduced because of payoffs or for other reasons the impact to the fund would be reduced.

Prepared by: Greg Winegar, Director Phone 465-2510
 Division: Investments Date/Time 2/8/02 10:11 AM
 Approved by: Deborah B. Sedwick, Commissioner Date 2/8/2002
 Agency: Department of Community & Economic Development

22-LS1216/T
Utermohle
2/19/02

CS FOR SENATE BILL NO. 266(RES)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS STEVENS, Lincoln, Elton, Austerman, Taylor, Leman

A BILL

FOR AN ACT ENTITLED

1 **"An Act authorizing the commissioner of community and economic development to**
2 **refinance and extend the term of a fishery enhancement loan."**

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

4 *** Section 1. AS 16.10.510 is amended to read:**

5 **Sec. 16.10.510. Powers and duties of the commissioner. The commissioner**
6 **may**

7 (1) **make loans to permit holders, under AS 16.10.400 - 16.10.470,**
8 **including those holders issued permits before June 24, 1977, for the planning,**
9 **construction, and operation of hatchery facilities;**

10 (2) **make loans to qualified regional associations that have formed a**
11 **nonprofit corporation or a local nonprofit corporation approved by a qualified regional**
12 **association, for preconstruction activities necessary to obtain a permit;**

13 (3) **designate agents and delegate powers to them as necessary;**

14 (4) **adopt regulations necessary to carry out the provisions of**

1 AS 16.10.500 - 16.10.560, including regulations to establish reasonable fees for
2 services provided;

3 (5) establish amortization plans for repayment of loans, not to exceed
4 30 years unless the commissioner has extended the term of the loan beyond 30
5 years under (11) of this section;

6 (6) establish the rate of interest for loans: not to exceed nine and one-
7 half percent a year;

8 (7) establish regional and local offices and advisory groups to carry
9 out, or assist in carrying out, the duties and authority of the commissioner;

10 (8) [REPEALED]

11 (9) make grants for organizational and planning purposes to qualified
12 regional associations that have formed a nonprofit corporation, in amounts not
13 exceeding \$100,000 per region and up to an additional \$100,000 on a 50/50 cash
14 matching basis with the regional associations that have an authorized royalty
15 assessment under AS 16.10.540; the state portion of the matching share shall be
16 available when a final vote for assessments is made under AS 16.10.540; this
17 provision also applies to qualified regional associations that have formed a nonprofit
18 corporation before June 24, 1977;

19 (9) [(10)] make loans to qualified regional associations that have
20 formed a nonprofit corporation or to local nonprofit corporations approved by
21 qualified regional associations for planning and implementation of fisheries
22 enhancement and rehabilitation activities including, but not limited to, lake
23 fertilization and habitat improvement;

24 (10) refinance a debt obligation incurred by a borrower under this
25 section if the borrower otherwise qualifies for a loan under AS 16.10.500 -
26 16.10.560; the interest rate for a loan to refinance a debt obligation incurred
27 under this section may not exceed the interest rate that is in effect for new loans
28 under this section at the time that the loan commitment for the refinancing loan
29 is made; a loan made under this paragraph is not subject to AS 16.10.525;

30 (11) extend the term of a loan made under this section if the
31 commissioner finds that extension of the term of the loan would alleviate an

1
2
3
4
5

undue financial hardship on the borrower; the commissioner shall submit annually a report to the legislature summarizing the commissioner's decisions during the prior calendar year to approve or deny requests to extend loans under this paragraph and the reasons for the decisions;

(12) charge and collect the fees established under this section.

SB 266

Debt Restructuring for Statewide Hatchery System

- Those effected are: Armstrong-Keta (**Port Alexander**); Burro Creek Farms (**Skagway**); Cook Inlet Aquaculture Association (**Kenai**); Douglas Island Pink & Chum (**DIPAC-Juneau**); Kake Nonprofit Fisheries Corp. (**KNFC-Kake**); **Port Graham Hatchery Corp.**; **Prince of Wales Hatchery Assoc.**; Prince William Sound Aquaculture Corp. (**PWSAC-Cordova**); Sheldon Jackson College (**Sitka**); Southern Southeast Regional Aquaculture Association (**SSRAA-Ketchikan**); and Valdez Fisheries Development Association (**VFDA-Valdez**). Northern Southeast Regional Aquaculture Association (**NSRAA-Sitka**) and Kodiak Regional Aquaculture Association (**KRAA-Kodiak**) have also indicated support even though they have no debt at this time.
- A majority of hatchery loans are currently at the maximum permissible rate of 9.5% interest. Alaska Statutes allow for interest rates of 1% over prime, not to exceed 9.5%. New loans, if received today, would be at 6%. Hatcheries would like to take advantage of the lower interests rates to bring down their debt service, just as other business and homeowners are currently doing throughout Alaska and the Lower 48.
- The nearly one billion dollars of salmon created by these state financed private nonprofit hatcheries, have been invaluable to the economy of the many coastal communities so dependent on salmon for their survival, as well as to urban Alaskans working within the industry.
- Currently, the Department of Community and Economic Development (DCED) is unable to refinance loans from the Fisheries Enhancement Revolving Loan Fund for the hatchery system. Similarly, prior to 1993, loans from the other fund, the Commercial Fisheries Revolving Loan Fund, could not be refinanced. Legislation allowing that change for fishermen was enacted, and the hatcheries are now asking for comparable changes for their industry.
- DCED acknowledges the proposed change would not jeopardize the health of the revolving loan fund, which has a current balance of approximately \$8 million.
- Lower payments would help to insure financial stability for the hatcheries and allow them to take less cost recovery fish to make their loan payments. This would result in more fish to commercial and sports fishermen.
- Currently, approximately 40% of Alaska's entire salmon harvest is enhanced fish. Salmon are also produced that are taken by resident and non-resident sports fishermen and utilized in the personal use fisheries.
- Alaska's salmon enhancement industry is not unlike a public utility. They are operated for the common good and are non-profit corporations. From that perspective, favorable financing rates would be a normal business practice.
- The Department has indicated their workload would be small, as very few applicants would be involved. So, current DCED employees can handle the changes brought about by this legislation.



Alaska State Legislature

Please enter into the record my testimony to the Senate Labor & Commerce
committee name

Committee on SB 266 Fishery Enhancement Loans, dated February 14, 2002
bill # / subject

I would like to go on record as being **OPPOSED** to SB 266, which allocates **PUBLIC** money "making grants for organizational and planning purposes to qualified regional associations that have formed a nonprofit corporation, in amounts not exceeding \$100,000 per region and up to an additional \$100,000 on a 50/50 cash matching basis with the regional associations that have an authorized royalty assessment under AS 16.10.540; the state portion of the matching share shall be available when a final vote for assessments is made under AS 16.10.540; this provision also applies to qualified regional associations that have formed a nonprofit corporation before June 24, 1977;"

This **PRIVATE** industry may need periodic financial assistance to meet **THEIR** needs, but this should **NOT** be done with **OUR** tax dollars. There are currently many Banks and various other lending institutions in Alaska available to finance any sound business plan. Which leads me to wonder, "Why is the State using tax dollars to compete with these private businesses".

In the past two weeks alone the Alaska Legislature has considered spending bills with a price tag of over one **BILLION** dollars, the majority of which provide funding for non-essential government services, or to special interest groups such as the fishing and tourism industries. This money would be much better utilized elsewhere, or better yet, put away for future funding of essential state services.

The proposed \$7.5 **BILLION** dollar budget amounts to our state government spending over \$12,000.00 for every man, woman, and child in Alaska. At this rate, spending for a family of six amounts to over \$72,000.00! For each working person, this level of spending amounts to over \$26,000 each. That's a lot of tax money folks! I want to know how many average working people, or small business owners will be able to afford living here once the pipeline goes dry?

In my opinion SB 266 is nothing more than another "give a way" program designed to further deplete the budget reserve account, and a prime example of non-essential government spending. No Alaskan citizen will seriously consider any new taxes until all public funds given to private businesses, individuals, and special interest groups have been completely eliminated. Our public money would be better spent funding present and future essential government services such as education, roads, public health & safety.

Please vote NO on SB 266.

Thank you.

Signed: Mike McBride

Testifier

Self

Representing (optional)

PO Box 6 Kenai, Alaska 99611-0006

Address

907 776 5444

Phone number

CITY OF CORDOVA



February 4, 2002

Senator Ben Stevens
State Capitol
Juneau, AK 99801-1182

RE: SB 266/Refinancing of hatchery loans

Dear Senator Stevens:

The City of Cordova would like to thank you for your support of the Alaskan fishing industry by the introduction of SB 266. As you know, Cordova is a community built around fishing, and we see SB 266 as a logical financial solution that will help strengthen the hatchery segment of our industry.

This legislation would allow our regional aquaculture association, the Prince William Sound Aquaculture Corporation (PWSAC), to refinance their current loans, lower their debt burden and decrease payment size. PWSAC is a major economic engine in our community of 2500 Alaskans. In 2000, Cordova resident permit holders harvested over \$8 million in hatchery produced salmon, which added an estimated economic output in our city of over \$9.8 million. Seventy people from our area work for the corporation, from office staff to remote site biologists, and they have a local annual payroll of more than \$2.6 million.

SB 266 will have a very positive impact on a large segment of our community, as well as on the other areas of the state that depend, as we do, on hatchery produced salmon for their livelihood. The best of luck with this legislation, and please let me know if the City of Cordova can assist you in any way.

Sincerely,

Mayor Margy Johnson
City of Cordova

Cordova District Fishermen United

Celebrating 65 Years of Service to Commercial Fishermen in Cordova, Alaska

P.O. Box 939 Cordova, Alaska 99574 / phone (907) 424-3447 / fax (907) 424-3430 /
e-mail cdfu@ptialaska.net

February 9, 2002

Senate Labor & Commerce Committee
Alaska State Legislature
State Capitol (MS 3101)
Juneau, AK 99801-1182

SENT VIA FACSIMILE TO 907.465.3872

RE: SB 266 - An Act to Refinance Fishery Enhancement Loans

Dear Members,

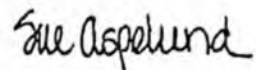
Cordova District Fishermen United represents the fishing fleets of Area E—Prince William Sound and the Copper River. CDFU fully supports SB 266, legislation to provide for hatchery debt restructuring.

The communities of Prince William Sound have benefited economically and socially from the hatchery production of the Valdez Fisheries Development Association and Prince William Sound Aquaculture Corporation. Both have provided important economic development opportunities for both sport and commercial fisheries in our region, as well as a valuable resource for subsistence and personal use harvesters. We are supportive of legislation which provides them the ability to take advantage of existing low interest rates—an opportunity enjoyed by most businesses and homeowners—especially given that present low ex-vessel values for salmon create the need to take a higher percentage of production as cost recovery in order to make loan payments. This legislation will allow a greater percentage of production to be available to subsistence, personal use, sport and commercial common property harvesters, as well as providing for a modicum of financial stability during this volatile time in the seafood industry.

Given that Alaska's salmon enhancement programs are non-profit and provide a valuable resource for the common good, we encourage your support for legislation that provides parity with the commercial fisheries' revolving loan fund (which was amended in 1993 to allow refinancing). Enhancement programs have provided direct dollars into the economies of many coastal Alaska communities, and require this statutory change in order to continue to provide the benefits described.

Thank you for your careful consideration of this important legislation.

Sincerely,



Sue Aspelund
Executive Director



Douglas Island Pink and Chum, Inc.

2697 Channel Dr. • Juneau, Alaska 99801

Telephone: (907) 463-5114 • Fax: (907) 463-3213

February 13, 2002

Senator Ben Stevens
Chair
Senate Labor & Commerce Committee
Alaska State Legislature
State Capitol
Juneau, Alaska 99801-1182

Dear Senator Stevens:

Re: SB 266 Fishery Enhancement Loans

On behalf of the DIPAC Board of Directors and the many supporters of the Douglas Island Pink & Chum hatcheries I would like to urge passage of SB 266.

The refinancing of existing high interest debt is definitely in the State's best interest and sound public policy. The enhancement program is unusual in that it is a public trust being run by private industry. This bill would enable hatcheries to take advantage of current low interest rates. Lowering the cost of debt service improves both the financial viability of the corporations and their ability to provide more fish to the common property users. The fact this can be done without financial impact to the State's General Fund definitely makes it a win-win situation.

The many Alaskans benefiting from hatchery produced fish (approximately 40% of the catch) both in commercial and sport harvest, thank you for your support. Once again, I would like to thank you for your sponsorship of SB 266 and offer any assistance you or your office might need in the passage of this bill.

Respectfully,

A handwritten signature in cursive script that reads "Jon Carter".

Jon Carter
Director



prince william sound
**ECONOMIC
DEVELOPMENT
COUNCIL**

February 8, 2002

Sen. Ben Stevens
State Capitol
Juneau, AK 99686

Dear Senator Stevens:

On behalf of Prince William Sound Economic Development District, I would like to strongly encourage your support of Senate Bill 266. It is of vital importance for the economic stability of the fishing industry in our region.

Thank you for your support in this matter.

Sincerely,

Sue Cogswell
Executive Director

Community of Kake

City of Kake
Kake Nonprofit Fisheries Corporation

Honorable Senator Stevens
State Capital Building
Juneau, Alaska 99801

February 12, 2002

We fully support Senate Bill 266 as it acknowledges the changing economic realities that we are dealing with. Gunnuk Creek Hatchery is the cornerstone of our fisheries economy. Years ago our community understood that we needed to diversify our economic base, as logging would not support us indefinitely. We believed so strongly in the potential of Gunnuk Creek Hatchery that we leveraged our community building to collateralize our initial loans.

Gunnuk Creek Hatchery is biologically successful and operationally sound. We are just beginning to realize increased run sizes from the expansion of our facility although it will take some time yet to annually generate revenue sufficient to support our operating needs while servicing our debt at the same time. Senate Bill 266 will enable us to restructure our debt while we continue supporting the common property fisheries and our local economy as well.

Gunnuk Creek Hatchery is invaluable to our community and is a significant contributor to thirty percent of our local workforce. The entire fisheries economy has changed since the establishment of hatchery program. This senate bill will give us valuable relief from immediate and insurmountable obligations while at the same time allowing us to fully acknowledge our debt to the State of Alaska.

Many Private Non-Profit Hatcheries are similarly positioned. They are major contributors to the state's fishing economy and benefit Alaska's fishermen. The cost recovery demands and debt repayment schedules threaten their viability, yet they are important to the state's fishing industry. This legislation will give us time to address these realities.

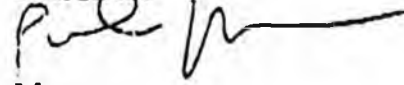
Thank you for sponsoring this legislation. You may certainly count on our support. Gunnuk Creek Hatchery is an excellent example of a hatchery that is a complete success, is a valuable asset to the State of Alaska and to a local community, but is buried in financial obligations that may be impossible to meet in the short term.

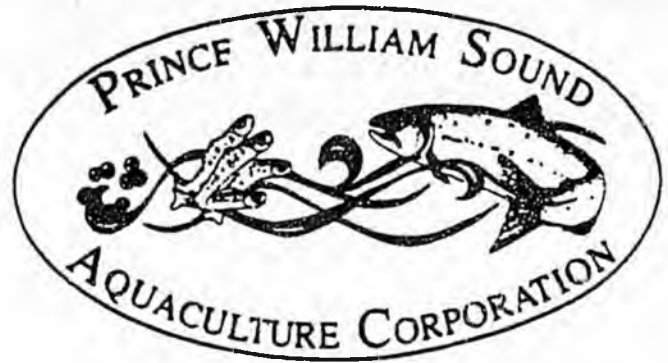
Sincerely,

Marvin Kadake


President
Kake Nonprofit Fisheries Corporation

Paul Reese


Mayor
City of Kake



February 11, 2002

Senator Ben Stevens
State Capitol
Juneau, AK 99801-1182

RE: SB 266 – Hatchery Debt Restructuring for Alaska's Nonprofit Hatcheries

Dear Senator Stevens:

The Board of Directors of the Prince William Sound Aquaculture Corporation (PWSAC) fully supports the enactment of SB 266, and conveys our genuine appreciation for your part in sponsoring this legislation.

The passage of SB 266 would benefit eleven private nonprofit hatcheries over a broad area of coastal communities. PWSAC was one of the first private nonprofit hatcheries to begin production after the enactment of the hatchery system in 1974, and has been among the leaders in this field.

PWSAC is one of the five "regional" private nonprofit hatcheries. This means that although it produces salmon for all user groups, the regional hatcheries are also supported financially by the commercial fishermen of our region (Area E) who voted in 1985 to voluntarily contribute 2% of their ex-vessel catch value to support PWSAC's operational costs.

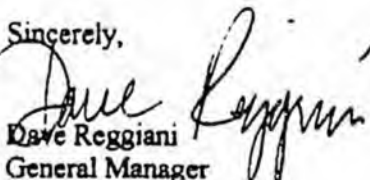
Our fisheries enhancement program benefits all the communities of Prince William Sound, and processing interests in Kenai, Cook Inlet and Kodiak as well. Our interior hatchery near Paxson, on the Gulkana River, brings sockeye salmon into an area heavily utilized by subsistence and personal use fisheries. Though the bulk of PWSAC's production benefits the commercial fisheries, a growing number of sport fishing interests come in from all over our state to fish salmon in Prince William Sound.

The Department of Community and Economic Development oversees the Fisheries Enhancement Revolving Loan fund from which PWSAC carries a number of long-term loans, mostly at the 9.5% rates, dating from the early 1980's. If SB 266 is adopted, it will allow PWSAC, and the other ten private nonprofit hatcheries, to refinance their loans at today's lower rates. This would bring our loan obligations into the current financing realm and more on a par with other Alaska businesses that are able to finance at rates in the 6% range.

For PWSAC, this would mean the "benefit" derived from lower interest rates would incur to all our constituents. Of course, the primary benefit would be to the commercial fisheries and processors, but by availing more enhanced salmon to the fleet to catch, benefits would impact the state's general funds and our economy in many positive ways.

Thank you once again for your steadfast support in sponsoring SB 266. Its passage would lower interest "income" to the Fisheries Enhancement Revolving Loan Fund, but it's widespread benefits to the communities and Alaska's people would return more to the state overall.

Sincerely,


Dave Reggiani
General Manager

PRINCE WILLIAM SOUND AQUACULTURE CORPORATION
Corporate Office • P. O. Box 1110, Cordova, AK 99574
Office: 907/424-7511 • Fax: 907/424-7514
Website: www.ctcak.net/~pwsac • Email: pwsac@ctcak.net

Southeast Alaska Fishermen's Alliance

9369 North Douglas Highway
Juneau, AK 99801



Phone 907-586-6652

Fax 907-586-5648

E-mail: seafa@gci.net

February 14, 2002

Senator Ben Stevens, Chair
Senate Labor & Commerce Committee
Alaska State Legislature
State Capitol, Room 103
Juneau, AK. 99801-1182

Re: SB 266

Dear Senator Stevens,

The Southeast Alaska Fishermen's Alliance supports SB 266, which will allow hatchery loans to be refinanced to take advantage of the lower interest rates that are available in today's economy. This makes good business sense by allowing the hatcheries to lower their cost of doing business and provide, in the long run, more fish for common property use in the commercial, sport, and personal use fisheries.

Hatcheries are facing some of the same difficulties as the salmon industry as a whole, with lower fish prices and competition with farmed salmon. Lowering the interest rate by as much as 3.5% in some cases will provide the hatcheries with a better chance of being able to repay their loans to the State of Alaska.

SB 266 will reduce the amount of cost recovery fishing that hatcheries must conduct in order to meet operating expenses. This will provide more hatchery fish to the common property fisheries, thus providing the State of Alaska with more fishery business tax revenue generated by commercial fishermen.

Again, thank you for sponsorship and support of SB 266, and for your consideration of our position.

Sincerely,

A handwritten signature in cursive script that reads "Kathy Hansen".

Kathy Hansen
Executive Director

CORRECTION

THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION



Central Microfilm Services
Department of Education & Early Development
State of Alaska

Southeast Alaska Fishermen's Alliance

9369 North Douglas Highway
Juneau, AK 99801



Phone 907-586-6652

Fax 907-586-5648

E-mail: seafa@gci.net

February 14, 2002

Senator Ben Stevens, Chair
Senate Labor & Commerce Committee
Alaska State Legislature
State Capitol, Room 103
Juneau, AK 99801-1182

Re: SB 266

Dear Senator Stevens,

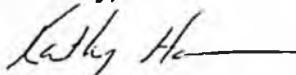
The Southeast Alaska Fishermen's Alliance supports SB 266, which will allow hatchery loans to be refinanced to take advantage of the lower interest rates that are available in today's economy. This makes good business sense by allowing the hatcheries to lower their cost of doing business and provide, in the long run, more fish for common property use in the commercial, sport, and personal use fisheries.

Hatcheries are facing some of the same difficulties as the salmon industry as a whole, with lower fish prices and competition with farmed salmon. Lowering the interest rate by as much as 3.5% in some cases will provide the hatcheries with a better chance of being able to repay their loans to the State of Alaska.

SB 266 will reduce the amount of cost recovery fishing that hatcheries must conduct in order to meet operating expenses. This will provide more hatchery fish to the common property fisheries, thus providing the State of Alaska with more fishery business tax revenue generated by commercial fishermen.

Again, thank you for sponsorship and support of SB 266, and for your consideration of our position.

Sincerely,


Kathy Hansen
Executive Director



Post Office Box 20761 • Juneau, Alaska 99802
Telephone: (907) 463-3830 • Fax: (907) 586-6020

Senator Ben Stevens, Chair
Senate Labor & Commerce Committee
Alaska State Legislature
State Capital Bldg. (MS3100)
Juneau, Alaska 99801-1182
FAX: (907)465-3872

February 13, 2002

Dear Senator Phillips:

Re: SB 266 – Fishery Enhancement Loans

The Territorial Sportsmen support passage of this bill allowing hatcheries to refinance their state loans at more favorable interest rates.

Fish produced by these enhancement programs are important to sportsmen across the State. Strengthening their financial position through refinancing not only improves their ability to survive and continue making fish for us all, but it also improves their ability to repay the State. This seems to be a win – win situation.

With nearly one third of the King and Coho Salmon caught during The Golden North Salmon Derby being produced by our local hatchery, we certainly support responsible opportunities to improve their viability.

If you have any questions concerning our position or if you need additional information, please contact me.

Sincerely,

Mal Linthwaite
President



UNITED FISHERMEN OF ALASKA

February 7, 2002

211 Fourth Street, Suite 110
Juneau, Alaska 99801-1172
(907) 586-2820
(907) 463-2545 Fax
E-Mail: ufa@ufa-fish.org
www.ufa-fish.org

Senator Ben Stevens
Alaska State Legislature
State Capitol (MS 3100)
Juneau, AK 99801-1182

Dear Senator Stevens,

Re: SB 266 Fishery Enhancement Loans

United Fishermen of Alaska supports passage of this bill to allow hatcheries to refinance their state loans at current interest rates. Thanks for being the sponsor.

Allowing DCED to refinance these hatchery loans (from the old rate of 9.5% to approximately 6%) makes good business sense, as it allows hatcheries to decrease their operating costs, which in turn allows fishermen to catch more fish in the common property harvest. Hatcheries enhanced fish account for 40% of Alaska's commercial salmon harvest, and also benefit sport and personal use fisheries throughout the state. Allowing the hatcheries to reduce interest rates, just as other businesses are doing during these financially volatile times, will not jeopardize the health of the fund, and will still allow for additional loans to be made as needed for future requests.

The twenty-nine member groups of UFA would appreciate your support in passing this bill.

If you have any questions about our position or if you need additional information, please feel free to contact me.

Sincerely,

Thomas M. Gemmell
Executive Director

MEMBER ORGANIZATIONS

Alaska Longline Fishermen's Association • Alaska Trollers Association • At-sea Processors Association • Bristol Bay Reserve
Chignik Regional Aquaculture Association • Concerned Area "M" Fishermen • Cook Inlet Aquaculture Association
Copper River Salmon Producers Association • Cordova District Fishermen United • Douglas Island Pink and Chum
Kenai Peninsula Fishermen's Association • Kodiak Regional Aquaculture Association • Kodiak Seiners Association • North Pacific Fisheries Association
Northern Southeast Regional Aquaculture Association • Old Harbor Fisherman's Association • Petersburg Vessel Owners Association
Prince William Sound Aquaculture Corporation • Purse Seine Vessel Owners Association • Seafood Producers Cooperative
Southeast Alaska Regional Dive Fisheries Association • Southeast Alaska Seiners Association • Southern Southeast Regional Aquaculture Association
United Cook Inlet Drift Association • United Salmon Association • United Southeast Alaska Gillnetters

**VALDEZ FISHERIES
DEVELOPMENT ASSOCIATION INC.**

P.O. Box 125
Valdez, Alaska 99686
Phone 835-4874 Fax 835-4831



The Honorable Ben Stevens
Senate
Capital Office Building
Room 119
Juneau, Alaska 99801-1182

Dear Senator Stevens;

On behalf of Valdez Fisheries Development Association, I would like to thank you for your sponsorship of SB 266, the "The Refinancing of Fishery Enhancement Loans" The refinancing of hatchery loans is a much needed tool for the survival of the hatchery program in Alaska. Being able to take advantage of lower interest rates puts all of us on a more level playing field as we struggle to make ends meet each year. One of the biggest beneficiaries of this bill will be the commercial fisherman. The need for the hatcheries to take a large share of the returning adult salmon for cost recovery will be diminished and the commercial fisherman will be the beneficiary of more available fish.

The annual loan payments that Valdez Fisheries makes to the State of Alaska often exceed \$800,000, of which 50% or more is interest payments. Your bill will help the hatchery programs in the state meet our financial obligations and still be able to produce the much-needed salmon for the common property fisheries of this state. Many of the hatcheries in the state are economic catalysts for the local coastal communities they are located in. The hatcheries provide jobs and support the local communities through the generation of raw fish taxes and other taxes that support the functions of the local government. Tourism dollars are generated both through the fishing that is available but also through being a tourist attraction such as the DIPAC hatchery located in Juneau. I believe very strongly that the hatchery system has met the obligations that were formulated in the organizational beginning of this system and will continue to do so long into the future.

Once again, I would like to thank you for your sponsorship of SB 266 and offer the assistance of Valdez Fisheries Development Association in the successful passage of this bill. If you need any further information please call me at (907) 835-4874.

Respectfully

David C. Cobb
David C. Cobb

**DEDICATED TO THE UTILIZATION, CONSERVATION,
AND REHABILITATION OF ALASKA'S FISHERY RESOURCE
WITHIN THE 200-MILE LIMIT**



THE CITY OF WHITTIER

Gateway to the Western Prince William Sound

P.O. Box 608 • Whittier, Alaska 99593 • (907) 472-2327 • Fax (907) 472-2404

February 7, 2002

Senator Ben Stevens
State Capital
Juneau, Alaska 99801-1182

RE: SB 266-Refinancing of hatchery loans

Dear Senator Stevens:

The City of Whittier would like to voice its support for HB 368, your legislation that will allow hatcheries to refinance their state loans.

Residents of Whittier have been benefiting from the salmon produced by the state hatchery system for many years. Since 1992, the Prince William Sound Aquaculture Corporation (PWSAC) has released 100,000 coho smolts annually near our community for the sportfishing enjoyment of the locals, as well as for our neighbors from Anchorage and other landlocked communities who travel to Whittier for boating and fishing opportunities.

Thank you for your support of the fishing community in Alaska by introduction of this legislation. Please let me know if the City of Whittier can help in any way with its passage.

Sincerely,

A handwritten signature in cursive script that reads "Ben Butler".

Ben Butler, Mayor
City of Whittier



**COOK INLET
AQUACULTURE ASSOCIATION**

40610 KALIFORNSKY BEACH ROAD
KENAI, AK 99611
(907) 283-8761
FAX: (907) 283-9433
email: ciaa@ptlaska.net
February 20, 2002

The Honorable Ben Stevens
State Capitol
Juneau, AK 99801-1182

Re: Senate Bill 266 – Refinance and Extend the Term of a Fishery Enhancement Loan

Dear Senator Stevens:

The Cook Inlet Aquaculture Association (CIAA) supports passage of Senate Bill 266, which allows the State's Aquaculture Associations to refinance and extend the terms of fishery enhancement loans.

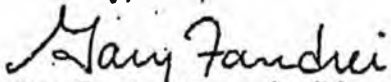
CIAA is a private nonprofit corporation whose purpose is salmon rehabilitation and enhancement in the Cook Inlet region. The Association operates Trail Lakes Hatchery and Tutka Bay Lagoon Hatchery, both State-owned facilities that provide fish to all users of the Cook Inlet salmon resource. Since CIAA began operating Trail Lakes and Tutka Bay Lagoon hatcheries, the Association has provided over 680,000,000 pink, 63,000,000 sockeye and 3,800,000 coho salmon fry and smolts for numerous rehabilitation and enhancement efforts from Big Lake to Homer to Seward.

CIAA currently has five fishery enhancement loans. The interest rate on each of these loans is the maximum permissible rate of 9.5%. Refinancing our operational loans, as other businesses are capable of doing, will allow the Association to take advantage of lower interest rates, reduce our debt service and provide more fish for all users of Cook Inlet's salmon resource.

As the price of salmon continues to decline and natural salmon returns continue to be lower than historical averages, *the effect of decreasing revenues challenges the Association's mission of "maximizing the value of self-perpetuating salmon stocks in Cook Inlet" for all user groups at a time when the Association should provide the greatest assistance to those that rely on this resource.*

Thank you for your help.

Sincerely,


Gary Fandrei, Executive Director

FAXed 2/20/02, original to follow

SALMON ENHANCEMENT TODAY MEANS BETTER SALMON FISHING TOMORROW



printed on recycled paper



THE CITY OF WHITTIER

Gateway to the Western Prince William Sound

P. O. Box 608 • Whittier, Alaska 99693 • (907) 472-2327 • Fax (907) 472-2404

February 7, 2002

Senator Ben Stevens
State Capital
Juneau, Alaska 99801-1182

RE: SB 266-Refinancing of hatchery loans

Dear Senator Stevens:

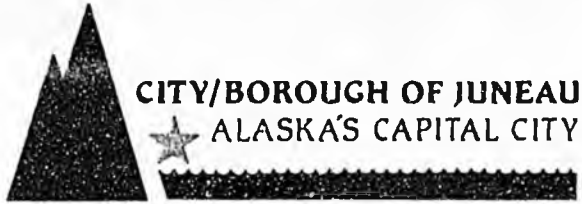
The City of Whittier would like to voice its support for HB 368, your legislation that will allow hatcheries to refinance their state loans.

Residents of Whittier have been benefiting from the salmon produced by the state hatchery system for many years. Since 1992, the Prince William Sound Aquaculture Corporation {PWSAC} has released 100,000 coho smolts annually near our community for the sportfishing enjoyment of the locals, as well as for our neighbors from Anchorage and other landlocked communities who travel to Whittier for boating and fishing opportunities.

Thank you for your support of the fishing community in Alaska by introduction of this legislation. Please let me know if the City of Whittier can help in any way with its passage.

Sincerely,

Ben Butler, Mayor
City of Whittier



CITY/BOROUGH OF JUNEAU
ALASKA'S CAPITAL CITY

OFFICE OF THE MAYOR

Telephone: (907) 586-5240; Facsimile: (907) 586-5385
Sally_Smith@ci.juneau.ak.us

February 15, 2002

The Honorable Ben Stevens
Alaska State Senator
Alaska State Capitol
Juneau, AK 99801-1182


Dear Senator Stevens:

The City and Borough of Juneau supports SB 266 and appreciates that you have introduced it. With passage, your bill will strengthen an important economic and educational segment of our community-- that of our fish hatchery and salmon enhancement programs.

Not only do these programs benefit commercial and sport fishing, they also benefit tourism and education. The Ladd Macaulay Visitor's Center, the home of DIPAC, annually hosts 125,000 guests who come to learn about an important part of Alaska's economy. Research partnerships with various agencies and the University of Alaska's School of Fisheries attracts grant monies while providing educational opportunities. DIPAC also provides facilities and staff for educational opportunities in Juneau's public and private school system by hosting field trips to the Macaulay Hatchery and by providing advisors for high school science projects.

Improving the financial stability of the hatcheries across the state by taking advantage of today's low interest environment is good for business and good for the communities who benefits from these facilities.

Sincerely,


Sally Smith
Mayor

cc: Kate Tesar

February 21, 2002

Senate Resources Committee
State Capitol - MS 3101
Juneau, AK 99801-1182

SENT VIA FACSIMILE TO 907.465.3872

RE: SB 266 - Fisheries Enhancement Loan Refinance

Dear Members,

I live at 6.5 mile of the Copper River Highway in Cordova. I was born and raised in Cordova and grew up on a family fishing operation in Prince William Sound. I am now raising my own family, and my wife and two sons help to make our commercial fishing operation a success. Having been involved with the fishing industry for over 30 years, I recognize that without our fish hatcheries we would not be able to compete on the world market with only the 2 to 5 million wild stock returns as during the pre-hatchery years.

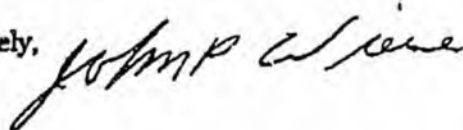
The whole commercial salmon industry in Alaska needs help and there are no quick fixes. Being able to refinance our hatchery debt at lower interest rates would be a big step in revitalizing our industry. Having lower loan payments, the hatcheries would be able to take less fish for cost recovery, therefore putting more money into the hands of fishermen who can then make boat and permit payments, hire crew, and sell fish to the processors in their communities. By refinancing, you will allow dollars to touch a larger base of people who do rely on the fisheries and whom you represent for the State of Alaska.

If the hatcheries are not refinanced at a lower interest rate the fishing industry's problems will only compound—they will not just go away. DCED acknowledges that reducing the interest rate from 9.5% to 6% will not jeopardize its financial stability, for it now gives new loans at 6%.

Refinancing also affects subsistence, personal use, sport and commercial sport users. Good examples of non-commercial user benefits are in the Copper River upriver sockeye fisheries and in the Port of Valdez sport utilization of pink and silver salmon.

I urge you to support SB 266 on refinancing our fishery enhancement loans and help make Alaska a better place to live.

Sincerely,



John Paul Wiese
P.O. Box 1031
Cordova, AK 99574

Southeast Alaska Fishermen's Alliance

9369 North Douglas Highway
Juneau, AK 99801



Phone 907-586-6652

Fax 907-586-5648

E-mail: seafa@gci.net

February 14, 2002

Senator Ben Stevens, Chair
Senate Labor & Commerce Committee
Alaska State Legislature
State Capitol, Room 103
Juneau, AK 99801-1182

Re: SB 266

Dear Senator Stevens,

The Southeast Alaska Fishermen's Alliance supports SB 266, which will allow hatchery loans to be refinanced to take advantage of the lower interest rates that are available in today's economy. This makes good business sense by allowing the hatcheries to lower their cost of doing business and provide, in the long run, more fish for common property use in the commercial, sport, and personal use fisheries.

Hatcheries are facing some of the same difficulties as the salmon industry as a whole, with lower fish prices and competition with farmed salmon. Lowering the interest rate by as much as 3.5% in some cases will provide the hatcheries with a better chance of being able to repay their loans to the State of Alaska.

SB 266 will reduce the amount of cost recovery fishing that hatcheries must conduct in order to meet operating expenses. This will provide more hatchery fish to the common property fisheries, thus providing the State of Alaska with more fishery business tax revenue generated by commercial fishermen.

Again, thank you for sponsorship and support of SB 266, and for your consideration of our position.

Sincerely,

A handwritten signature in cursive script that reads "Kathy Hansen".

Kathy Hansen
Executive Director

SB

277

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB 277
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Definitions of Fisheries Businesses BRU Revenue Operations
 Component Tax Division
 Sponsor Senator Austerman
 Requester Senate Resources Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
-----------------------------	------------	------------	------------	------------	------------	------------

CHANGE IN REVENUES* ()	0.0	(434.2)	(434.2)	(434.2)	(434.2)	(434.2)
--------------------------------	------------	----------------	----------------	----------------	----------------	----------------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

* We believe this estimate is extremely conservative because it does not account for any changes in business behavior by taxpayers. That is, this estimate assumes that taxpayers will continue to deploy their vessels in exactly the same way before and after passage of this legislation.

Please see revenue discussion on attached page for further details.

Prepared by: Chuck Harlamert and Brett Fried, Revenue Audit Supv. and Economist Phone 465-4773 or 3682
 Division: Tax Division Date/Time 02/21/2002 4 p.m.
 Approved by: Larry Perslly, Deputy Commissioner Date 02/21/2002
 Agency: Department of Revenue

Revenue

We assumed that if a vessel processed fish in only one location in 2000, it would qualify for the lower tax rate under this legislation. Using this method for the top 20 floating processors, we estimate that communities would lose approximately \$217,099 (50% share of state revenue loss) and the state also would lose approximately \$217,099. We used data from fisheries business tax returns received in FY 2001. We did not adjust for any changes in business behavior as a result of this act: For example, if a floating processor were to reduce the number of locations that its vessel uses to take advantage of the lower rate in this legislation.

Floating Processors	Pounds	Value	Current		Potential
			Tax @ 5%	Tax @ 3%	Tax Loss
Select Licensees Top 20*	163,791,655	\$ 21,709,902	\$ 1,085,495	\$ 651,297	\$ 434,198
Other Licensees**	228,793,697	\$ 98,048,961	\$ 4,902,448	\$ 2,941,469	
Total	392,585,352	\$ 119,758,863	\$ 5,987,943	\$ 3,592,766	

*Includes only licensed floating vessels that processed in Alaska in one location in 2000.

**All remaining taxpayers with a floating processing tax liability.

(Values based on calendar 2000 value and processing activity;
2001 data will not be available until late spring 2002.)

22-LS1371F
Utermohle
2/20/02

CS FOR SENATE BILL NO. 277()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY

**Offered:
Referred:**

Sponsor(s): SENATOR AUSTERMAN

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the tax levied on pollock processed by a floating fisheries business;**
2 **and providing for an effective date."**

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

4 *** Section 1.** AS 43.75.015(a) is amended to read:

5 (a) A person engaged in a fisheries business is liable for and shall pay the tax
6 levied by this section on the value of each of the following fisheries resources
7 processed during the year at the rate set out after each:

8 (1) salmon canned at a shore-based fisheries business - four and one-
9 half percent;

10 (2) salmon processed by a shore-based fisheries business, except
11 salmon for which the tax is due under (1) of this subsection, and all other fisheries
12 resources processed by a shore-based fisheries business - three percent;

13 (3) pollock processed by a floating fisheries business - three
14 percent;

- 1 (4) fisheries resources processed by a floating fisheries
- 2 business, except pollock - five percent.
- 3 * Sec. 2. This Act takes effect July 1, 2002.



SENATOR ALAN AUSTERMAN

Alaska State Legislature

Interim: 112 Mill Bay Road, Kodiak, Alaska 99615 (907) 486-8872 • Session: State Capitol, Juneau, Alaska 99801 (907) 465-2487
senator_alan_austerman@legis.state.ak.us

Sponsor Statement - SB 277

'An act relating to the tax levied on pollock processed by a floating fisheries business'

This bill seeks to ensure that all pollock processors are assessed at the same rate, regardless of the type or place of the processing operation. With the passage of the American Fisheries Act (AFA) by Congress in 1998, all pollock processors were required to pay fisheries taxes to the State of Alaska. However, the rates they are currently assessed are not equal under State statutes.

AFA was passed by Congress to rationalize the Bering Sea pollock industry. The Act divided the industry into three sectors: the off-shore catcher processors (factory trawlers), motherships processing at sea and onshore plants. The Act identified and limited each sector to a specific group of pollock processing facilities. And it prohibited any new pollock processors from entering the Bering Sea pollock business. In addition, it required that all pollock harvested under the Act but not landed in the State be subject to Alaska's Fishery Resource Landing tax.

Prior to the American Fisheries Act, the legislature enacted a revision of the tax code that applied the 3% fishery resource landing tax to factory trawlers, effectively charging them the same tax as that paid by shore based processors. Hearings on the legislation specifically stated that the purpose was to treat the offshore and shoreside taxpayers equally. However, given current state statutes coupled with the American Fisheries Act, the present situation does not provide equity amongst the pollock processors. The two qualified floating processors, which are statutorily defined in the Act as shore based processors and are limited to one location while processing pollock, are subject to a 5% rate under the Fisheries Business tax. These businesses find themselves in the inequitable situation of having a higher tax rate applied to them than any of their competitors.

Implementation of the American Fisheries Act has served to rationalize and stabilize the pollock fishery. By setting the tax rate for floating processors at 3%, the Committee Substitute for SB 277 will level the tax situation, thus providing equity for all sectors of the Bering Sea pollock industry.

DISTRICT C

Kodiak Archipelago • Southeast Islands

Southeast Alaska Fishermen's Alliance

9369 North Douglas Highway
Juneau, AK 99801



Phone 907-586-6652

Fax 907-586-5648

E-mail: seafa@gci.net

February 21, 2001

Senator John Torgerson, Chair
Senate Resources
Alaska State Legislature
State Capitol, Room 427
Juneau, AK 99801-1182

RE: SB 277

The Southeast Alaska Fishermen's Alliance does not have a position on this bill, but we do have questions and comments. While we understand the unique circumstances that prompted this legislation and the specific intent of this legislation, there are many issues that are unfair and need to be addressed within the Fishery Business tax statutes and regulations. In section 2 (c) the language says a facility that remains in the "same location" while engaged in processing fishery resources and that does not process fishery resources at another location in the state during the tax year, what is the definition of same location, a specific latitude/longitude or fishery region? Does a direct market vessel/fishermen that fishes in one region (SE or specifically Lynn Canal) only qualify under this new definition?

Thank you for taking the time to consider our questions regarding this legislation and if you have any additional questions please feel free to give us a call.

Sincerely,

Kathy Hansen
Executive Director

MEMORANDUM

Date: February 14, 2002
To: Senator John Torgerson, Chair
Senate Resources Committee
From: Senator Alan Austerman
Re: Hearing for SB 277

I respectfully request that the Resources Committee consider Senate Bill 277, an act relating to the definitions of 'floating fisheries business' and 'shore-based fisheries business' for the purposes of the fisheries business tax, at the next meeting of the committee.

This bill is a simple fix to accommodate operational needs of certain floating processors in the Pollock fishery. It will provide taxation equity to the businesses involved in this industry.

Please contact my office if you have any questions regarding this legislation.

Thank you for your consideration.

CITY OF UNALASKA

P.O. BOX 610
UNALASKA, ALASKA 99685-0610
(907) 581-1251 FAX (907) 581-1417



February 22, 2002

The Honorable Senator Torgerson
State Capitol, Room 427
Juneau, Alaska 99801-1182

VIA FACSIMILE (907) 465-4779

RE: SB 277

Dear Senator Torgerson:

We understand that there is a hearing today regarding SB 277 "an act relating to floating fisheries business and shore-based fisheries business' for the purposes of the fishery business tax." The City of Unalaska has concerns about the language in the bill due to the loss of business fish tax and revenues. The City Council has not taken a position as of yet. However, it will be scheduled for the next council meeting for review which may lead to the City taking a position on this bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Hladick".

Chris Hladick
City Manager

cc:

Senator Allen Austerman
Senator Lyman Hoffman
Representative Carl Moses
Mayor Fitch and City Council Members

SB

279

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB 279
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Fish and Game
 Title Complimentary sport fish licenses and tags for BRU Administration
September 11 responders Administration
 Sponsor Senator Wilken
 Requester Senate Resources Component No. 479

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
-------------------------------	------------	------------	------------	------------	------------	------------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Kevin Brooks Phone 465-5999
 Division: Administration Date/Time 3/5/02 11:51 AM
 Approved by: Commissioner Frank Rue Date 3/5/2002
 Agency: Department of Fish and Game

GARY WILKEN

SENATOR
West Fairbanks

Interim:
1851 Fox Ave.
Fairbanks, Alaska 99701
Tel: (907) 451-4347
Fax: (907) 456-8163



During Session:
State Capitol Building
Juneau, Alaska 99801-1182
Tel: 451-5501 (from Fbks)
Tel: (907) 465-3709 (outside Fbks)
Fax: (907) 465-4714
Website: www.garywilken.com
E-Mail: Senator_Gary_Wilken@legis.state.ak.us

Senate Bill 279 Sport Fishing Licenses for 9/11 Responders

SB 279 authorizes the Commissioner of Fish and Game to issue up to 250 complimentary sport fishing licenses and salmon tags, as appropriate, per year to fireman, police, and EMTs who responded to the events on September 11, 2001 at the World Trade Center in New York, and the Pentagon in Washington D.C., and their spouses. This section would be repealed December 31, 2003.