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Eight timber sales focus of possible injunction

By JOANNA MARKELL
THE JUNEAU EMPIRE

Eight Southeast Alaska timber sales are getting much of the attention in federal courtroom this week.

U.S. Forest Service officials, timber industry advocates, conservationists Southeast community leaders were in court today for the second of three testimony about a possible Tongass logging injunction.

U.S. District Judge James Singleton ruled last year that the Forest Service violated federal law when it failed to consider some areas for wilderness designation when it issued its 1997 Tongass Land Management Plan. He two-month injunction last year and is presiding over this week's hearing determine the need for and possible scope of a new logging ban.

So far, much of the discussion has focused on timber sales in southern and central Southeast Alaska. Viking Lumber and Silver Bay Logging use five of the sales to fuel sawmills in Wrangell on Prince of Wales Island this year. Conservationists argue the sale areas are better off left alone.

The Forest Service is working on a supplemental environmental impact study to evaluate areas for wilderness designation, as required by the court. The study should be complete this fall, according to Department of Justice attorney Landon, who is representing the Forest Service.

The timber industry hopes to cut wood at Upper Carroll near Ketchikan, George on Etolin Island near Wrangell, South Arm on Prince of Wales Island, South Lindy near Petersburg and Four Leaf on southern Kupreanof Island this year. Testimony also has focused on the Crystal timber sale near Petersburg, Saook Bay on north Baranof Island and Canal Hoya near Wrangell.

Sitka Conservation Society Executive Director Pat Veasart testified Wednesday that timber harvest and road building would hurt wilderness values in the areas. The isolated sites provide wildlife habitat and opportunities for private recreation, he said.

"To me, wilderness is a place where one can experience a high degree of solitude," he said. "A place where one can see the Earth as created by it."

Alaska Forest Association attorney Jim Clark said the sites don't have the attributes required to be classified as wilderness. Roads already have been built and timber harvest has already occurred, he said.

"Each is a work in progress," he said. "None of the drainages is undeveloped."

Whether the Forest Service should continue planning timber sales as the wilderness review occurs also is an issue of dispute in the case. So is the Lake-Lake Tyee electric intertie. The 57-mile power line would link Ketchikan and Wrangell.

The hearing continues Friday in Juneau.

Joanna Markell can be reached at joannam@juneauempire.com.

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Forest Oil's Gary Carlson, on inlet's prospects

With pipeline to Redoubt Shoal now complete, Forest looks to begin production

Q&A on O&G Editor's Note: Gary Carlson, Alaska senior vice president for Forest Oil Corp., is interviewed by the Alaska Oil and Gas Reporter on the status of Forest's development of the Redoubt Shoal, the first new Cook Inlet oil field in years, and other issues.

Forest's Osprey platform was fabricated and put in place in the inlet to support exploration drilling into the Redoubt Shoal prospect. The platform is now being converted to a production facility. Pipelines to the platform from shore-based oil processing facilities have just been completed.

Forest has recently been the target of environmental lawsuits aimed at stopping drilling on Redoubt Shoal. The first suit involved the state's interpretation of Best Available Technology requirements in oil spill contingency plans. The Legislature passed a law last spring mooting the litigation.

In a second lawsuit, environmental groups challenged a state decision to rely on approval of a federal permit for discharges, instead of following a duplicate state procedure. For the second time last spring, the Legislature passed a law to moot the lawsuit.

Q What's the status of the lawsuits affecting the project?

A With the completion of the work on the remand from the Supreme Court, the ruling of the objection against our exploratory drilling is no longer in effect. We're drilling our fifth exploration well now. It's at 12,000 feet today, scheduled to go to 16,000 feet.

What is ironic is that at the time the injunction was granted to Cook Inlet Keeper (litigants), we were not disposing of the water-based cuttings overboard. We were grinding and injecting the drilling cuttings into our disposal well on the Osprey. Forest Oil had already agreed to inject all the drill cuttings during the development phase of Redoubt Shoal, and we were testing the system in the last exploratory well. This court action was not about the environment but legal process. But the injunction caused us to lay people off and send them home. It caused some real hardships.

Q Are they going to stop suing?

A We eventually reached an agreement with Cook Inlet Keeper on future

litigation on the exploration program. They asked us to inject our rainwater runoff rather than let that go overboard. Their concern, they said, was that there might be some toxins in the rainwater runoff. So, we applied for a permit and installed the necessary equipment, and we are set up to inject rainwater. However, they have already filed suit against the state for granting the permits to develop the field.

Q Do other Inlet operators do these things?

A The other operators are held to high standards by federal and state agencies' permits, which allow water-base cutting to be disposed overboard, along with produced water, once it had been conditioned. Forest decided early on, however, to design our facilities to inject our produced water. We're quite willing to spend money to deal with the real environmental issues, but we would also like to be treated like the rest of the industry. It may be because we're doing the newest development that we're attracting this attention.

Q What's the status of construction?

A We're working on final installation of the pipeline now. It was a challenge to drill the boreholes through the bluff, but the pipelines have been pulled through the boreholes and on to the platform.

Q How was this done?

A We used a large barge that was well anchored. The pipe string, which was previously welded, was pulled with winches on the barge. It took three long pulls to get the pipe to the platform. It was then jacked up to the platform itself. The contractors Conam Construction and Crowley Maritime, its subcontractor -- have done a superb job on it.

Q What are the dimensions of the pipe?

A There are three pipelines, two eight-inch diameter and one six-inch diameter. This is very heavy steel. Of the eight-inch pipelines, one has a wall thickness of 7/8 of an inch and the other is 3/4 of an inch. The pipe is intended to be heavy enough to remain stable on the inlet floor. Previous Cook Inlet pipelines, built in the 1960s and 1970s, had a concrete coating to keep them stable. We felt in this case, a concrete coating would have created a wider cross-section for the current to act against. Heavier steel is more expensive but creates a lower profile for the current to act against. We think


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Environmental Law

Alaska Oil & Gas Association

We represented Alaska Oil & Gas Association (AOGA), a consortium of national and multi-national companies involved in the exploration and development of oil and gas resources in Alaska, in the drafting and submission of comments to the National Marine Fisheries Service (NMFS) opposing designation of critical habitat in the Alaskan Beaufort Sea for the Western Arctic stock of the bowhead whale.

We represent AOGA in connection with an ongoing effort to comprehensively reform the Alaska Coastal Management Program (ACMP). The ACMP implements the provisions of the federal Coastal Zone Management Act (CZMA) and plays a direct and significant role in permitting processes throughout Alaska. We have drafted extensive comments to proposed revised regulations, facilitated related discussions with key state agencies and participated in development of legislative initiatives.

We represent AOGA and the Resource Development Council of Alaska, two consortiums of businesses active in the development of natural resources in Alaska, as intervenors in federal court litigation brought by environmental advocacy groups seeking to reverse the decision of NMFS that a listing of the Cook Inlet, Alaska population of beluga whales under the Endangered Species Act (ESA) is not warranted. Consistent with the intervenors' position, the Washington, D.C. federal court sustained NMFS' decision, and the litigation is now on appeal to the federal Court of Appeals for D.C. Circuit. This case is the first to consider the statutory exemptions in the ESA and in the Marine Mammal Protection Act that address Native Alaskan subsistence hunting. The district court's decision is also the first time NMFS' decision not to list a species has been sustained under challenge.

Blue Heron Paper Company

We defended Blue Heron Paper Company against two citizen suits under the Clean Water Act and the Endangered Species Act regarding the temperature and turbidity of the mill's wastewater discharge. At the same time, we negotiated with the Oregon Department of Environmental Quality (DEQ) the terms of a new National Pollutant Discharge Elimination System permit that is the first in Oregon to use a temperature management plan and the first to comprehensively regulate turbidity. This case shaped DEQ's current policies on temperature and turbidity and was closely watched throughout the Northwest. Blue Heron Paper Company is an integrated producer of newsprint and specialty papers using more than 50% recovered fiber and is located in Oregon City, Oregon.

Dry Creek Rancheria Band of Pomo Indians

We advised the Dry Creek Rancheria Band of Pomo Indians on their economic development and litigation strategies, primarily concerning their rights to use an easement for purposes of developing a casino. The Dry Creek Rancheria Band of Pomo Indians is a federally recognized tribe with tribal lands located north of San Francisco Bay in Sonoma County.

Gate-King Properties

We represent the owner of a proposed 500-acre industrial park development in Santa Clarita, California. The project involves the preparation of an environmental impact report, a development agreement, subdivision approval, conditional use permits, Section 404 approval and compliance with new SB 610 (water supply planning for large-scale projects).

Greenfield Monterey Park, LLC

We represent Greenfield Monterey Park, LLC, the master developer of a portion of the Oil Superfund site in Monterey Park, California, on which will be developed a 510,000 square-foot shopping center. The matter includes negotiations of agreements between our client and the landowner, the steering committee, the retail developer and the City of Monterey Park, as well as agreements and the negotiation of a 200-page consent decree with the Department of Justice and the Environmental Protection Agency.

Hawaii Longline Association

We represent the Hawaii Longline Association, a trade association representing Hawaii tuna and swordfish fisheries, in pending litigation in Washington, D.C. federal court challenging a biological opinion issued by the National Marine Fisheries Service concerning effects of these fisheries on pelagic sea turtle species. Our representation also includes nonlitigation representation in the ongoing ESA consultation processes concerning effects of the Hawaii fisheries on various species protected under the ESA.

Keenan Land Company

We provide litigation and land use counseling for Keenan Land Company, a high-end developer involved in residential and hotel development in Half Moon Bay, Scotts Valley and Hayward, California. The issues include compliance with the California Environmental Quality Act, the Subdivision Map Act, ESA, the California Coastal Act and the Clean Water Act (CWA).

L.D. McFarland Company, Ltd.

We assisted L.D. McFarland Company, Ltd. in developing and implementing a strategy to cost-effectively clean up and redevelop a former wood treating site in Milwaukie, Oregon. Through a comprehensive risk assessment and the application of an Oregon law that we helped develop, we were able to convince DEQ to accept a cost-effective remedial action. The site will be redeveloped for commercial and multifamily residential use. L.D. McFarland Company is a wood treatment and preservation company with operations throughout the Northwest.

The Newland Group

We represented The Newland Group in obtaining a Section 404 authorization from the U.S. Army Corps of Engineers for fill-in wetlands associated with a residential development. We also obtained approval from the Washington Department of Ecology and the local government, as well as concurrence from the federal government of compliance with ESA. The Newland Group is a developer of residential communities and is based in Vancouver, Washington.

Oregon Water Resources Congress

We worked with Oregon Water Resources Congress, a trade organization representing irrigation districts and water-delivery organizations throughout Oregon, to develop an agreement with DEQ that enabled irrigation districts to continue their use of aquatic herbicides while providing protection for natural waterways. The Ninth Circuit Court of

Appeals had issued an opinion requiring irrigation districts to obtain permits under CWA in order to use aquatic herbicides in irrigation ditches. Without the use of herbicides, many Northwest irrigation districts would have been unable to deliver water, thereby putting the irrigated agricultural users at serious risk. The groundbreaking agreement reached between Oregon Water Resources Congress and the DEQ has become a model for subsequent permits and similar agreements.

Outside In

We represented Outside In in obtaining final approvals for its youth shelter located in Portland, Oregon. The unusual architecture of the building raised many issues, including constitutional issues under the City of Portland Sign Code, that required careful discussion and negotiation with the city. The building has been identified as "one of the unique and notable buildings in Portland."

Phillips Alaska, Inc.

We represented Phillips Alaska, Inc., a subsidiary of Phillips Petroleum Company, in a successful defense against administrative petitions filed under ACMP regarding five North Slope oil development and exploration projects. Prevailing on these petitions in a quick manner was essential to allow the projects to proceed during the limited window of frozen ice/tundra winter conditions.

Portland General Electric

We represented Portland General Electric (PGE) in successfully negotiating an administrative settlement with NMFS and the Oregon Department of Fish & Wildlife arising out of the accidental killing of ESA-listed Chinook salmon at a PGE hydroelectric facility. Oregon's largest utility, PGE serves more than 730,000 customers in Portland, Salem and nearby communities.

Port of Oakland

We provide ongoing advice and consultation to the Port of Oakland, California in connection with public trust, land title and a variety of water-quality issues arising from Port operations and construction at marine terminals, real estate developments and the Oakland International Airport. The Port owns and operates the airport and the fourth largest container seaport facilities in the United States.

Port of Seattle

We successfully defended the Port of Seattle in ESA litigation brought by local organizations concerning construction of a third runway at Seattle-Tacoma International Airport. We likewise assisted the Port in obtaining federal approvals required under the ESA to permit construction of this project. The Third Runway Project is one of the largest public construction projects in the state of Washington.

Public Water District

We have advised a large public water district in Washington on developing an ESA compliance strategy. Our work has helped the district avoid potential liability under the ESA as a result of private lawsuits or governmental actions.

Sabroso, Inc.

We represented Sabroso, Inc., a Medford, Oregon fruit processor, in obtaining rights to dispose of industrial rinse water on exclusive farm use land. The process contributes to the full use of the water both for fruit processing and as irrigation for a farm crop. Approval was gained through

Jackson County and, in order to confirm the appropriateness of the process, we represented Sabroso in persuading the Oregon legislature to adopt Senate Bill 212, allowing for reuse of such water for crop irrigation.

SBA Communications Corporation

We represented SBA Communications Corporation, a leading developer of wireless communications structures, in successfully arguing that conditional land use permits could be issued to infrastructure providers with appropriate conditions. Deschutes County had consistently taken the position that conditional use permits for wireless communications facilities would be issued only to the providers of cellular service. We obtained a conditional land use permit for SBA's LaPine, Oregon site.

Snohomish River Regional Water Authority

We represent Snohomish River Regional Water Authority in a water rights appeal before the Washington Pollution Control Hearings Board. The Snohomish River Regional Water Authority is an entity consisting of the Woodinville Water District, the Northshore Utility District and the City of Everett.

Snowbird Ski and Summer Resort

On behalf of Snowbird Ski and Summer Resort, we successfully defended a citizen suit challenging the construction of a new ski lift connecting Snowbird with Alta Ski Resort. The suit was filed during the construction phase to block the installation of the interconnecting chairlift. We represented the client to the Tenth Circuit Court of Appeals, which subsequently denied the injunction. Snowbird installed the chairlift and implemented a joint-lift pass program with Alta, making the combined terrain the third largest ski area in North America. Snowbird owns and operates a ski and summer resort in the Wasatch mountain range outside of Salt Lake City, Utah.

South San Francisco Scavenger Company

We successfully represented South San Francisco Scavenger Company in zoning and environmental review matters for its development of a 100,000 square-foot solid-waste materials recycling and transfer facility to serve the communities of South San Francisco and Millbrae and the San Francisco International Airport. We were also successful in defeating a subsequent referendum raised against the project.

Trans-Alaska Pipeline System Owners

We represent the six direct operating companies of the Trans-Alaska Pipeline System (TAPS), regarding Alaska coastal zone consistency review, ESA consultation with NMFS and the U.S. Fish & Wildlife Service, and essential fish habitat consultation pertaining to a unique renewal process for the federal grant and state lease authorizing the existing TAPS right-of-way. TAPS transports approximately 17% of domestic U.S. crude oil production and 100% of Alaska North Slope crude oil to refineries via an 800-mile crude oil transportation system running from Prudhoe Bay on the North Slope of Alaska to the Port of Valdez. The TAPS owners are pipeline transportation subsidiaries of Amerada Hess, BP, ExxonMobil, Phillips Petroleum, Unocal and Williams.

Walla Walla River Irrigation District, Hudson Bay District

We assisted three irrigation districts in the Walla Walla basin in Oregon and Washington in reaching a settlement agreement with the U.S. Fish & Wildlife Service involving alleged violations of the ESA. The agreement enabled the districts to continue to deliver water to irrigators in the basin and put in place a process for ensuring long-term compliance with the

ESA.

Washington Public Utility Districts Association

We represented the Washington Public Utility Districts Association as amicus curiae in PUD No. 1 of Pend Oreille County v. Dept. of Ecology, a water rights appeal before the Washington Supreme Court. Washington PUD Association represents 28 nonprofit, community-owned utilities that provide electricity, water and sewer services and broadband telecommunications.

Client Name Withheld

We defended an undisclosed client in a federal criminal investigation involving an employee's falsification of monitoring records under a National Pollutant Discharge Elimination System permit. We conducted a comprehensive internal investigation that resulted in the U.S. Attorney declining to prosecute the company. We assisted the company in self disclosure of the matter and in settling a companion civil enforcement action. Based on the company's self disclosure and cooperation, we negotiated an 80% reduction in DEQ's penalty and convinced the agency to drop its economic benefit penalty.

Client Name Withheld

We advise the nation's largest luxury motor coach manufacturer on environmental issues at its five Oregon plants. One of these plants was the focus of a multimillion-dollar nuisance and trespass suit brought by its neighbors. We assisted the company in crafting a settlement that satisfied the neighbors' concerns and allowed the manufacturer to maintain its operational levels.

Client Name Withheld

We represented a major industrial client with manufacturing operations in Oregon that determined that a change in feedstock unexpectedly resulted in a substantial increase in sulfur dioxide emissions. This triggered the need to submit a joint Title V and new source review permit application and respond to state and federal information requests. As part of this effort, the facility was required to perform a complex best available control technology determination. DEQ initially proposed multimillion-dollar penalties related to the higher emissions. We assisted this client in preparing the application, responding to the information requests, addressing the control technology determination and ultimately negotiating a reasonable penalty.

Client Name Withheld

We successfully defended a petroleum refining company in two CWA citizen suits brought in the U.S. District Court for the Northern District of California. The cases presented the question of whether the sale of the facility met the test for "mootness" under recent U.S. Supreme Court precedent on the basis that there was no reasonable possibility that any CWA violations could be committed by the refining company at the sites. We prevailed on motions for summary judgment. The case is now on appeal and is a case of first impression in the Ninth Circuit.

Client Names Withheld

Many parts of the Northwest suffered from severe drought conditions during 2001. We assisted a number of clients, including industries, municipalities and private businesses such as golf courses and nursery operations, in obtaining water right diversion point changes, securing back-up sources of water and firming up existing water supplies. We also represented water suppliers in contract negotiations with water users to

address the many unique water supply needs created by the drought.

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ALASKA STATE LEGISLATURE

House of Representatives

Representative Hugh (Bud) Fate

State Capitol, Room 128
Juneau, AK 99801
Phone: (907) 465-4976
Fax: (907) 465-3883
Toll Free: (866) 465-4976



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House Bill 86

“An Act relating to permits issued by the state.”

House Bill 86 is a very brief piece of legislation that will be a major step in getting Alaska going. The language is an addition to the Permit Coordination and Extension statute giving some finality to that established and accepted process.

Many of Alaska's projects are stopped, or don't ever start, even though all of the permits are in place or issued. These projects are on hold because our current system allows individuals or entities to stop a project without a truly legitimate reason.

Adding this section to the existing language means that projects cannot be stopped without grounds. These grounds include new scientific information or newly recognized local traditional knowledge. This means that this information must be new or completely different than what was presented during the permitting process.

For Alaska to move forward we must have the ability to get projects started. Once permits are issued, the talk is over and it is time for the work to begin. HB 86 will assure that that happens.

While I remain open to other suggestions for improving the Board system, I ask that you remain open to this idea. Bear in mind that since the last time the regional board concept was discussed the salmon crisis has only grown in complexity and intensity.

4) Balance between sustainable fisheries and environmental lock up of the resource? How will you deal with competing points of view? What about Marine Protected areas?

Alaska has the best sustainable fisheries management in the United States, perhaps in the world, and we should be proud advocates of our strong record of protecting water quality and essential fish habitat. We should never forget that or let outside interest with extreme viewpoints misrepresent our management accomplishments. That doesn't mean we cannot improve. Indeed, it is the innovative drive of Alaskans that has constantly looked to strengthen and improve our management that has brought us to where we are today.

Sustainable fisheries and environmental protection go hand in hand. It need not be an either/or situation. As your Governor, I can credibly deliver this message to well meaning but misinformed environmental groups who may not know how responsibly we've managed our resources. The first part of delivering this message would be to ensure that Alaska gets credit for all the protective measures enacted since statehood. Many of these measures, such as stream buffers, reduced harvest levels, and no-trawl zones were initiated by fishermen. Just because we didn't call them marine protected areas does not mean that we should not get credit for being proactive and environmentally responsible. We've been doing it right all along and we will continue to do so.

There are some today who advocate setting aside certain waters as the preferred tool for protecting the marine environment, but I don't see it that way. We have many tools to protect the health of Alaska's fish and their habitat. Marine protected areas are only one tool, and often the last, that should be used. Given Alaska's strong environmental track record and sustainable fishery management techniques, it is rarely warranted here.

Anyone advocating more marine protected areas in Alaska must be able to demonstrate convincing scientific evidence that such an extreme action is necessary and not be driven by a simplistic desire to limit commercial fishing.

Paid for by Fran Ulmer for Governor

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Jay Hammond & Janie Leask, Co-Chairs •

**Gubernatorial Candidate Ulmer
On Convincing Scientific Evidence**

My experience has shown that if we can foster dialogue away from issue positions and toward goals and objectives, the competing points of view begin to fade. Protecting unique ecosystems vital to the productivity of multiple species, such as the Sitka pinnacles, is a goal we share. Sound science and coordinated research can point us in the right direction toward this goal.

We have the best-run commercial fisheries in the world. In fact, our salmon management is certified as sustainable. We should listen to competing points of view, of course, but we don't need to apologize or suffer from wrongheaded lawsuits. Alaska fishermen can be proud of their record as stewards of the resource, and I will work with you to continue to build on that record for the good of the fishery.

5) What will you do to continue the contribution of hatcheries to the Alaska economy?

Most Alaskans probably don't realize that in the year 2000, hatcheries produced 34 percent of the statewide commercial harvest of salmon, a total of some 40 million fish.

State supported hatcheries contribute another 7 million fish to the annual sport catch. Hatcheries are particularly important to the Kodiak area, Cook Inlet, Prince William Sound and Southeast. As a Southeast sport fisher, I know about the contribution that hatcheries make to many Alaskans first hand, and I have frequently spoken in support of the hatchery program.

Alaska has learned from problems in the Northwest and elsewhere, and has in place strong scientifically tested techniques for addressing salmon disease and conserving genetic diversity and vigor. Indeed Alaska hatcheries are a model of how to do the job responsibly.

I support legislation such as SB 266 to help hatchery operators weather tight financial times. The ability to refinance loans at lower rates is a good way to free up needed cash for hatcheries and continue their viability.

ALASKA: MORE THAN JUST A PRETTY FACE?

by Paula Easley, Senior Policy Analyst, Resource Development Council for Alaska

Is there more to the 49th State than incomparable scenery? With much of Alaska federally controlled, non-residents greatly influence decisions affecting it. The U.S. senate will decide whether to tap petroleum resources in ANWR's coastal plain or declare it wilderness.

Alaska's bigness is mind-boggling. Superimposed, it would cover 20% of the 48 contiguous states. Its Alaska Range boasts 23 peaks over 10,000 feet high, with Mount McKinley reaching nearly four miles high. America's largest glaciers—the Bering and Malaspina, each bigger than Delaware—are here, plus 5,000 others. Bordered by two oceans and three seas, there's plenty of water, with 3,000,000 lakes and 3,000 rivers.

America's largest national forests, the Tongass and the Chugach, are also here. The state is virtually all wilderness. However, if a new state were formed with just the 58 million acres of federal Wilderness, it would be larger than Minnesota, Idaho or Utah—with no roads, structures or development. As it is, Alaska is home to 62% of all federal Wilderness, 70% of national parks, 17% of national forests, and 85% of national refuge lands.

All told, 152 million acres of the state are federal parks, preserves, forests, scenic rivers, recreation and military lands, refuges, and national monuments. Most were withdrawn in the massive 1980 land reclassification. Millions more acres are managed as Wilderness. The legislature withdrew another 8.5 million acres, reflecting Alaskans' concerns for special places. Much remaining land is mountains, icefields or wetlands, unsuitable for development

Roads access but 12,000 of the state's 586,412 square miles, a railroad crosses 500 miles, and state ferries link primarily Southeastern communities. It has more coastline than all the other states combined, and 80% of the people live on the coasts. Individuals own far less than one percent of the land.

Alaska's tiny population (620,000) discourages instate manufacturing. Most materials, food and equipment come from other states or countries.

Development is hard to come by. Distances from markets, limited infrastructure, high operating costs and other roadblocks daunt most ventures. To be economic, projects must generally be world-class, like Prudhoe Bay. Others are ruled out because they are in, near, or blocked by federal conservation units. Transportation routes affecting key conservation units are forbidden without an Act of Congress.

Natural resources are bountiful: 29% of the nation's proved oil reserves; 20% of natural gas reserves, (excluding ANWR and NPR-A). Possibly half the nation's coal resources, some six trillion tons, are in Alaska. There's gold, silver, zinc, copper, lead, barite, iron, platinum, nickel, uranium, antimony, titanium, chromium, etc., but only the very wealthy

can outlive the "process" of trying to extract them. Many valuable deposits are in areas closed to development.

Through the efforts of countless "Save Alaska" fundraising groups, traditional fishing, forestry and mining opportunities have radically declined. New proposals, even recreation facilities, attract national opposition and environmental lawsuits. With little success diversifying Alaska's economy, unemployment rates remain higher than national averages. High-paying resource industry jobs are replaced with low-paying service jobs, ranking Alaska second-from-last in state growth rates.

Two projects could jumpstart the national and Alaska economics—(1) a natural gas pipeline from Prudhoe Bay to the Midwest, and (2) ANWR development. Yet preliminary studies of a gas line indicate its \$15-20 billion cost is too high. That leaves ANWR.

Prohibiting ANWR development means denying huge economic benefits and jobs to every state. It means more imports, a growing trade deficit, and a major blow to national security. It means putting un-elected special interest groups in charge of Alaska's economy.

Three-fourths of Alaska residents say they live here because of its pristine environment. Three-fourths of its residents also support opening ANWR. They know that, using 21st century arctic technology and great caution, ANWR's resource treasures and a pristine environment are compatible. More than 60% of Americans have now reached the same conclusion.

Here's the situation: Unless Americans convince the U.S. Senate to open ANWR, it will become Wilderness, and the greens will have seized control over national energy policy.

If special interests can gang up to prevent development of America's single-most promising oil and gas prospect, in remote Alaska, imagine how difficult it will be to develop energy projects in any other state.

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Easley Associates, January 2002

907-274-6800, fax 907-277-2844

email peasley@gci.net

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So far, much of the discussion has focused on timber sales in southern and central Southeast Alaska. Viking Lumber and Silver Bay Logging use five of the sales to fuel sawmills in Wrangell on Prince of Wales Island this year. Conservationists argue the sale areas are better off left alone.

The Forest Service is working on a supplemental environmental impact study to evaluate areas for wilderness designation, as required by the court. The study should be complete this fall, according to Department of Justice attorney Landon, who is representing the Forest Service.

The timber industry hopes to cut wood at Upper Carroll near Ketchikan, George on Etolin Island near Wrangell, South Arm on Prince of Wales Island, South Lindy near Petersburg and Four Leaf on southern Kupreanof Island this year. Testimony also has focused on the Crystal timber sale near Petersburg, Saook Bay on north Baranof Island and Canal Hoya near Wrangell.

Sitka Conservation Society Executive Director Pat Veesart testified Wednesday that timber harvest and road building would hurt wilderness values in these areas. The isolated sites provide wildlife habitat and opportunities for public recreation, he said.

"To me, wilderness is a place where one can experience a high degree of solitude," he said. "A place where one can see the Earth as created by it."

Alaska Forest Association attorney Jim Clark said the sites don't have the attributes required to be classified as wilderness. Roads already have been built and timber harvest has already occurred, he said.

"Each is a work in progress," he said. "None of the drainages is undeveloped."

Whether the Forest Service should continue planning timber sales as the wilderness review occurs also is an issue of dispute in the case. So is the Lake-Lake Tyee electric intertie. The 57-mile power line would link Ketchikan and Wrangell.

The hearing continues Friday in Juneau.

Joanna Markell can be reached at joannam@juneauempire.com.

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Forest Oil's Gary Carlson, on inlet's prospects

With pipeline to Redoubt Shoal now complete, Forest looks to begin production

Q&A on O&G Editor's Note: Gary Carlson, Alaska senior vice president for Forest Oil Corp., is interviewed by the Alaska Oil and Gas Reporter on the status of Forest's development of the Redoubt Shoal, the first new Cook Inlet oil field in years, and other issues.

Forest's Osprey platform was fabricated and put in place in the inlet to support exploration drilling into the Redoubt Shoal prospect. The platform is now being converted to a production facility. Pipelines to the platform from shore-based oil processing facilities have just been completed.

Forest has recently been the target of environmental lawsuits aimed at stopping drilling on Redoubt Shoal. The first suit involved the state's interpretation of Best Available Technology requirements in oil spill contingency plans. The Legislature passed a law last spring mooting the litigation.

In a second lawsuit, environmental groups challenged a state decision to rely on approval of a federal permit for discharges, instead of following a duplicate state procedure. For the second time last spring, the Legislature passed a law to moot the lawsuit.

Q What's the status of the lawsuits affecting the project?

A With the completion of the work on the remand from the Supreme Court, the ruling of the objection against our exploratory drilling is no longer in effect. We're drilling our fifth exploration well now. It's at 12,000 feet today, scheduled to go to 16,000 feet.

What is ironic is that at the time the injunction was granted to Cook Inlet Keeper (litigants), we were not disposing of the water-based cuttings overboard. We were grinding and injecting the drilling cuttings into our disposal well on the Osprey. Forest Oil had already agreed to inject all the drill cuttings during the development phase of Redoubt Shoal, and we were testing the system in the last exploratory well. This court action was not about the environment but legal process. But the injunction caused us to lay people off and send them home. It caused some real hardships.

Q Are they going to stop suing?

A We eventually reached an agreement with Cook Inlet Keeper on future

litigation on the exploration program. They asked us to inject our rainwater runoff rather than let that go overboard. Their concern, they said, was that there might be some toxins in the rainwater runoff. So, we applied for a permit and installed the necessary equipment, and we are set up to inject rainwater. However, they have already filed suit against the state for granting the permits to develop the field.

Q Do other Inlet operators do these things?

A The other operators are held to high standards by federal and state agencies' permits, which allow water-base cutting to be disposed overboard, along with produced water, once it had been conditioned. Forest decided early on, however, to design our facilities to inject our produced water. We're quite willing to spend money to deal with the real environmental issues, but we would also like to be treated like the rest of the industry. It may be because we're doing the newest development that we're attracting this attention.

Q What's the status of construction?

A We're working on final installation of the pipeline now. It was a challenge to drill the boreholes through the bluff, but the pipelines have been pulled through the boreholes and on to the platform.

Q How was this done?

A We used a large barge that was well anchored. The pipe string, which was previously welded, was pulled with winches on the barge. It took three long pulls to get the pipe to the platform. It was then jacked up to the platform itself. The contractors Conam Construction and Crowley Maritime, its subcontractor -- have done a superb job on it.

Q What are the dimensions of the pipe?

A There are three pipelines, two eight-inch diameter and one six-inch diameter. This is very heavy steel. Of the eight-inch pipelines, one has a wall thickness of 7/8 of an inch and the other is 3/4 of an inch. The pipe is intended to be heavy enough to remain stable on the inlet floor. Previous Cook Inlet pipelines, built in the 1960s and 1970s, had a concrete coating to keep them stable. We felt in this case, a concrete coating would have created a wider cross-section for the current to act against. Heavier steel is more expensive but creates a lower profile for the current to act against. We think



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Environmental Law

Alaska Oil & Gas Association

We represented Alaska Oil & Gas Association (AOGA), a consortium of national and multi-national companies involved in the exploration and development of oil and gas resources in Alaska, in the drafting and submission of comments to the National Marine Fisheries Service (NMFS) opposing designation of critical habitat in the Alaskan Beaufort Sea for the Western Arctic stock of the bowhead whale.

We represent AOGA in connection with an ongoing effort to comprehensively reform the Alaska Coastal Management Program (ACMP). The ACMP implements the provisions of the federal Coastal Zone Management Act (CZMA) and plays a direct and significant role in permitting processes throughout Alaska. We have drafted extensive comments to proposed revised regulations, facilitated related discussions with key state agencies and participated in development of legislative initiatives.

We represent AOGA and the Resource Development Council of Alaska, two consortiums of businesses active in the development of natural resources in Alaska, as intervenors in federal court litigation brought by environmental advocacy groups seeking to reverse the decision of NMFS that a listing of the Cook Inlet, Alaska population of beluga whales under the Endangered Species Act (ESA) is not warranted. Consistent with the intervenors' position, the Washington, D.C. federal court sustained NMFS' decision, and the litigation is now on appeal to the federal Court of Appeals for D.C. Circuit. This case is the first to consider the statutory exemptions in the ESA and in the Marine Mammal Protection Act that address Native Alaskan subsistence hunting. The district court's decision is also the first time NMFS' decision not to list a species has been sustained under challenge.

Blue Heron Paper Company

We defended Blue Heron Paper Company against two citizen suits under the Clean Water Act and the Endangered Species Act regarding the temperature and turbidity of the mill's wastewater discharge. At the same time, we negotiated with the Oregon Department of Environmental Quality (DEQ) the terms of a new National Pollutant Discharge Elimination System permit that is the first in Oregon to use a temperature management plan and the first to comprehensively regulate turbidity. This case shaped DEQ's current policies on temperature and turbidity and was closely watched throughout the Northwest. Blue Heron Paper Company is an integrated producer of newsprint and specialty papers using more than 50% recovered fiber and is located in Oregon City, Oregon.

Dry Creek Rancheria Band of Pomo Indians

We advised the Dry Creek Rancheria Band of Pomo Indians on their economic development and litigation strategies, primarily concerning their rights to use an easement for purposes of developing a casino. The Dry Creek Rancheria Band of Pomo Indians is a federally recognized tribe with tribal lands located north of San Francisco Bay in Sonoma County.

Gate-King Properties

We represent the owner of a proposed 500-acre industrial park development in Santa Clarita, California. The project involves the preparation of an environmental impact report, a development agreement, subdivision approval, conditional use permits, Section 404 approval and compliance with new SB 610 (water supply planning for large-scale projects).

Greenfield Monterey Park, LLC

We represent Greenfield Monterey Park, LLC, the master developer of a portion of the OII Superfund site in Monterey Park, California, on which will be developed a 510,000 square-foot shopping center. The matter includes negotiations of agreements between our client and the landowner, the steering committee, the retail developer and the City of Monterey Park, as well as agreements and the negotiation of a 200-page consent decree with the Department of Justice and the Environmental Protection Agency.

Hawaii Longline Association

We represent the Hawaii Longline Association, a trade association representing Hawaii tuna and swordfish fisheries, in pending litigation in Washington, D.C. federal court challenging a biological opinion issued by the National Marine Fisheries Service concerning effects of these fisheries on pelagic sea turtle species. Our representation also includes nonlitigation representation in the ongoing ESA consultation processes concerning effects of the Hawaii fisheries on various species protected under the ESA.

Keenan Land Company

We provide litigation and land use counseling for Keenan Land Company, a high-end developer involved in residential and hotel development in Half Moon Bay, Scotts Valley and Hayward, California. The issues include compliance with the California Environmental Quality Act, the Subdivision Map Act, ESA, the California Coastal Act and the Clean Water Act (CWA).

L.D. McFarland Company, Ltd.

We assisted L.D. McFarland Company, Ltd. in developing and implementing a strategy to cost-effectively clean up and redevelop a former wood treating site in Milwaukie, Oregon. Through a comprehensive risk assessment and the application of an Oregon law that we helped develop, we were able to convince DEQ to accept a cost-effective remedial action. The site will be redeveloped for commercial and multifamily residential use. L.D. McFarland Company is a wood treatment and preservation company with operations throughout the Northwest.

The Newland Group

We represented The Newland Group in obtaining a Section 404 authorization from the U.S. Army Corps of Engineers for fill-in wetlands associated with a residential development. We also obtained approval from the Washington Department of Ecology and the local government, as well as concurrence from the federal government of compliance with ESA. The Newland Group is a developer of residential communities and is based in Vancouver, Washington.

Oregon Water Resources Congress

We worked with Oregon Water Resources Congress, a trade organization representing irrigation districts and water-delivery organizations throughout Oregon, to develop an agreement with DEQ that enabled irrigation districts to continue their use of aquatic herbicides while providing protection for natural waterways. The Ninth Circuit Court of

Appeals had issued an opinion requiring irrigation districts to obtain permits under CWA in order to use aquatic herbicides in irrigation ditches. Without the use of herbicides, many Northwest irrigation districts would have been unable to deliver water, thereby putting the irrigated agricultural users at serious risk. The groundbreaking agreement reached between Oregon Water Resources Congress and the DEQ has become a model for subsequent permits and similar agreements.

Outside In

We represented Outside In in obtaining final approvals for its youth shelter located in Portland, Oregon. The unusual architecture of the building raised many issues, including constitutional issues under the City of Portland Sign Code, that required careful discussion and negotiation with the city. The building has been identified as "one of the unique and notable buildings in Portland."

Phillips Alaska, Inc.

We represented Phillips Alaska, Inc., a subsidiary of Phillips Petroleum Company, in a successful defense against administrative petitions filed under ACMP regarding five North Slope oil development and exploration projects. Prevailing on these petitions in a quick manner was essential to allow the projects to proceed during the limited window of frozen ice/tundra winter conditions.

Portland General Electric

We represented Portland General Electric (PGE) in successfully negotiating an administrative settlement with NMFS and the Oregon Department of Fish & Wildlife arising out of the accidental killing of ESA-listed Chinook salmon at a PGE hydroelectric facility. Oregon's largest utility, PGE serves more than 730,000 customers in Portland, Salem and nearby communities.

Port of Oakland

We provide ongoing advice and consultation to the Port of Oakland, California in connection with public trust, land title and a variety of water-quality issues arising from Port operations and construction at marine terminals, real estate developments and the Oakland International Airport. The Port owns and operates the airport and the fourth largest container seaport facilities in the United States.

Port of Seattle

We successfully defended the Port of Seattle in ESA litigation brought by local organizations concerning construction of a third runway at Seattle-Tacoma International Airport. We likewise assisted the Port in obtaining federal approvals required under the ESA to permit construction of this project. The Third Runway Project is one of the largest public construction projects in the state of Washington.

Public Water District

We have advised a large public water district in Washington on developing an ESA compliance strategy. Our work has helped the district avoid potential liability under the ESA as a result of private lawsuits or governmental actions.

Sabroso, Inc.

We represented Sabroso, Inc., a Medford, Oregon fruit processor, in obtaining rights to dispose of industrial rinse water on exclusive farm use land. The process contributes to the full use of the water both for fruit processing and as irrigation for a farm crop. Approval was gained through

Jackson County and, in order to confirm the appropriateness of the process, we represented Sabroso in persuading the Oregon legislature to adopt Senate Bill 212, allowing for reuse of such water for crop irrigation.

SBA Communications Corporation

We represented SBA Communications Corporation, a leading developer of wireless communications structures, in successfully arguing that conditional land use permits could be issued to infrastructure providers with appropriate conditions. Deschutes County had consistently taken the position that conditional use permits for wireless communications facilities would be issued only to the providers of cellular service. We obtained a conditional land use permit for SBA's LaPine, Oregon site.

Snohomish River Regional Water Authority

We represent Snohomish River Regional Water Authority in a water rights appeal before the Washington Pollution Control Hearings Board. The Snohomish River Regional Water Authority is an entity consisting of the Woodinville Water District, the Northshore Utility District and the City of Everett.

Snowbird Ski and Summer Resort

On behalf of Snowbird Ski and Summer Resort, we successfully defended a citizen suit challenging the construction of a new ski lift connecting Snowbird with Alta Ski Resort. The suit was filed during the construction phase to block the installation of the interconnecting chairlift. We represented the client to the Tenth Circuit Court of Appeals, which subsequently denied the injunction. Snowbird installed the chairlift and implemented a joint-lift pass program with Alta, making the combined terrain the third largest ski area in North America. Snowbird owns and operates a ski and summer resort in the Wasatch mountain range outside of Salt Lake City, Utah.

South San Francisco Scavenger Company

We successfully represented South San Francisco Scavenger Company in zoning and environmental review matters for its development of a 100,000 square-foot solid-waste materials recycling and transfer facility to serve the communities of South San Francisco and Millbrae and the San Francisco International Airport. We were also successful in defeating a subsequent referendum raised against the project.

Trans-Alaska Pipeline System Owners

We represent the six direct operating companies of the Trans-Alaska Pipeline System (TAPS), regarding Alaska coastal zone consistency review, ESA consultation with NMFS and the U.S. Fish & Wildlife Service, and essential fish habitat consultation pertaining to a unique renewal process for the federal grant and state lease authorizing the existing TAPS right-of-way. TAPS transports approximately 17% of domestic U.S. crude oil production and 100% of Alaska North Slope crude oil to refineries via an 800-mile crude oil transportation system running from Prudhoe Bay on the North Slope of Alaska to the Port of Valdez. The TAPS owners are pipeline transportation subsidiaries of Amerada Hess, BP, ExxonMobil, Phillips Petroleum, Unocal and Williams.

Walla Walla River Irrigation District, Hudson Bay District

We assisted three irrigation districts in the Walla Walla basin in Oregon and Washington in reaching a settlement agreement with the U.S. Fish & Wildlife Service involving alleged violations of the ESA. The agreement enabled the districts to continue to deliver water to irrigators in the basin and put in place a process for ensuring long-term compliance with the

ESA.

Washington Public Utility Districts Association

We represented the Washington Public Utility Districts Association as amicus curiae in PUD No. 1 of Pend Oreille County v. Dept. of Ecology, a water rights appeal before the Washington Supreme Court. Washington PUD Association represents 28 nonprofit, community-owned utilities that provide electricity, water and sewer services and broadband telecommunications.

Client Name Withheld

We defended an undisclosed client in a federal criminal investigation involving an employee's falsification of monitoring records under a National Pollutant Discharge Elimination System permit. We conducted a comprehensive internal investigation that resulted in the U.S. Attorney declining to prosecute the company. We assisted the company in self disclosure of the matter and in settling a companion civil enforcement action. Based on the company's self disclosure and cooperation, we negotiated an 80% reduction in DEQ's penalty and convinced the agency to drop its economic benefit penalty.

Client Name Withheld

We advise the nation's largest luxury motor coach manufacturer on environmental issues at its five Oregon plants. One of these plants was the focus of a multimillion-dollar nuisance and trespass suit brought by its neighbors. We assisted the company in crafting a settlement that satisfied the neighbors' concerns and allowed the manufacturer to maintain its operational levels.

Client Name Withheld

We represented a major industrial client with manufacturing operations in Oregon that determined that a change in feedstock unexpectedly resulted in a substantial increase in sulfur dioxide emissions. This triggered the need to submit a joint Title V and new source review permit application and respond to state and federal information requests. As part of this effort, the facility was required to perform a complex best available control technology determination. DEQ initially proposed multimillion-dollar penalties related to the higher emissions. We assisted this client in preparing the application, responding to the information requests, addressing the control technology determination and ultimately negotiating a reasonable penalty.

Client Name Withheld

We successfully defended a petroleum refining company in two CWA citizen suits brought in the U.S. District Court for the Northern District of California. The cases presented the question of whether the sale of the facility met the test for "mootness" under recent U.S. Supreme Court precedent on the basis that there was no reasonable possibility that any CWA violations could be committed by the refining company at the sites. We prevailed on motions for summary judgment. The case is now on appeal and is a case of first impression in the Ninth Circuit.

Client Names Withheld

Many parts of the Northwest suffered from severe drought conditions during 2001. We assisted a number of clients, including industries, municipalities and private businesses such as golf courses and nursery operations, in obtaining water right diversion point changes, securing back-up sources of water and firming up existing water supplies. We also represented water suppliers in contract negotiations with water users to

address the many unique water supply needs created by the drought.

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HB

87

REPRESENTATIVE ERIC CROFT

SPONSOR STATEMENT HB 87 MINING INFRASTRUCTURE INVESTMENT ACT

HB 87 is designed to promote Alaska's industry by creating an ordered process to evaluate and fund roads and other infrastructure to Alaska's isolated mineral deposits.

HB 87 creates a Mining Infrastructure Fund to receive all of the taxes, license fees and other payments made by the mining industry to the state. This fund pays for mining infrastructure with no increase in mineral or other taxes. The Mining Infrastructure Fund also assures continued mapping of Alaska's mineral wealth by reliably funding airborne geophysical surveys.

In addition, HB 87 relieves Alaska miners from burdensome regulation by assuring that mines do not have to put water back in a stream any cleaner than the natural condition of that stream.

Section 1 creates the Mining Infrastructure Fund within the Department of Natural Resources and gives the Commissioner the power to create criteria to prioritize the competing mining infrastructure projects.

Section 2 addresses mining operations in areas with naturally occurring levels of pollutants in the water. In the past, some mines have been forced to put water back cleaner than it was when they took it in. Currently, Alaska regulations allow a discretionary exemption for mines from this onerous requirement. HB 87 turns this regulatory discretion into a statutory right.

HB 87 will promote jobs for Alaskans and increase mineral investment in the state by allocating the money that comes into the state from mining to public uses that directly promote the mining industry and increased mineral development. It will further help the industry by easing the water quality requirements without harming the environment.



DGGS AIRBORNE GEOPHYSICAL/GEOLOGICAL MINERAL INVENTORY PROGRAM

WHY STATE-FUNDED AIRBORNE GEOPHYSICS?

- **Alaska is in competition with the rest of the world for exploration dollars.** Most other countries and provinces are ahead of Alaska in having geophysical data and detailed geologic maps available to the public. Many of these provincial governments, such as Ontario and many of the Australian governments, fund very similar geophysical and geologic projects.
- **These days exploration companies need to see this type of data prior to exploring regions largely covered by surficial deposits and vegetation.** Having data available is an enticement for exploration.
- **Individual mining companies have conducted their own surveys during the past several decades, but that data is not available to other companies.** These same companies don't explore as many places as they might, because airborne geophysical data is expensive. **Their proprietary surveys do not foster inter-company competition to move projects forward.**
- **Individual mining companies do not generally conduct regional geologic mapping.** They rely on geologic mapping in the public domain to guide their interests. Most of the geologic maps of Alaska are on a generalized level such that exploration companies have little guidance to help them determine where they should concentrate.
- **Individual prospectors and small companies cannot afford their own geophysical surveys.** Individual prospectors have an important role. It's typically the smaller operator that finds something and markets it to the larger companies.
- **Providing this "seed package" of data for numerous mining districts encourages companies to begin more detailed exploration in more areas than they could have afforded on their own.** Having the data already available **decreases their initial risk,** and presents more possibilities for their deposit exploration model.
- **The increased exploration competition causes more money to be spent on the ground and leads to more mineral discoveries.**
- **Acquiring and releasing geophysical data demonstrates to mining companies that Alaska encourages responsible mining.**
- **Drilling to find an ore body is an expensive process.** Companies use many techniques to pinpoint potential drill targets before drilling. Information and methods used include regional and detailed geologic mapping, airborne and ground geophysical surveys, geochemical surveys, and radiometric age dating. **The quarter-mile line spacing at which we acquire geophysical data provides the public with a level of information still termed "regional" by exploration companies.** The data we provide enable exploration companies and prospectors to refine exploration projects and more effectively spend their exploration dollars. **By helping them spend their money wisely, the potential for finding economic deposits is increased.**
- **And last, the geophysical data never go out of date and investment gains value as geological data are accumulated.**
- **Alaska's mineral industry was valued at slightly over \$1 billion in 2001. Exploration funds however are down both worldwide and in Alaska. If we want to encourage mining development in Alaska's future, we need to actively pursue exploration.**

WHY AIRBORNE GEOPHYSICS FOLLOWED BY GEOLOGIC MAPPING?

- **The geophysical data aid the geologists to trace rocks and structures under overburden and vegetation.** Other technology, such as remote sensing, do not yield information about the subsurface and aid little in geologic mapping for Alaska.
- **This method of acquiring detailed airborne geophysical data followed by ground-truth geologic mapping dramatically increases the rate new geologic knowledge is acquired and yields high quality data.**
- **Most cost-effective method for improving geologic knowledge of Alaska.** The geophysical data allow good geological maps to be produced in a fraction of the time it would take to make a geologic map without the geophysical data. Additionally, a geologic map made without the geophysical data must be based on guesswork for covered areas and in many places in Alaska, surficial deposits cover 98% of the land.
- **Geologic knowledge gained from a particular survey tract has direct implications to areas outside of the survey tract.** For example, by studying the geology of geophysical survey tracts in Interior Alaska, we understand structural complications all over Interior Alaska, not just in the survey tracts. This has had a profound impact on exploration in Interior Alaska.

HOW THIS PROGRAM DIFFERS FROM OUR PAST GEOPHYSICAL PROGRAMS

- **Concentrates on largely historical mining districts where there's good potential for undiscovered mineralization rather than on generalized academic coverage.**
- **Acquire electromagnetic (EM) data and/or radiometric data in addition to the aeromagnetic data.** These data are complementary. Some things that show up on EM data don't show up on aeromagnetic data, and vice-versa.
- **The data yield tremendous detail on stratigraphy, petrology (rock type), and structure that may be characteristic of mineralization.**
- **The relatively close flight spacing and the low altitude with which we fly geophysical surveys yields greater ability to distinguish rock units and structure.**
- **Data are offered digitally.** Computer enhancements that are available to everyone including individual prospector allows one to see very subtle details not visible in typical geophysical map presentations. Allows industry to leverage tremendous added value from the data to reach State's desired outcomes.
- **Variety of products available within 7 to 8 months of the project funding.** Fast turnaround for a wide range of products. Maintains the momentum of private-sector investment and technical participation.
- **The program is a success in part because the private sector, native corporations, local, state, and even federal agencies, have input into and directly benefit from the program.** Therefore, they have supported the program.

We compiled requests from a variety of organizational sources, including industry, Alaska Miners Association, Mineral Commission, borough governments, Native Corporations, smaller prospectors and miners to create the list of areas proposed for surveys. Of the proposed candidate areas, portions of 17 have been surveyed and about 36 remain unsurveyed.

- **We produce inch-to-the-mile geologic mapping of the survey tracts when funds and available personnel permit. These new geologic maps are significant improvements from earlier maps made without the benefit of geophysics.**

WHAT ARE THE RECENT AND IMMINENT PRODUCTS OF THE PROGRAM

- **Released geophysical data in March 2002 for about 670 sq. miles in the Broad Pass, Liberty Bell (Bonnifield), and southeast Pogo area. Released 55 products in map, text, and digital form. Funded by the State Legislature.**
- **Acquired data for 618 sq. miles in the Council area on the Seward Peninsula. Data will be released by mid-February 2003. Funded by the State Legislature.**
- **Released a bedrock geologic map, surficial geologic map, comprehensive geologic map, an engineering geologic map, and geochemical data for the Eagle A-1 Quadrangle, part of the Fortymile geophysical survey tract, in June 2002. Funded by the State Legislature and subsidized in part by matching money provided by the U.S. Federal STATEMAP program.**
- **By June 2003 we will release a bedrock geologic map, surficial geologic map, comprehensive geologic map, an engineering geologic map, and geochemical data for about 400 square miles of the Salcha River—Pogo survey tract. Funded by the State Legislature and subsidized in part by matching money provided by the U.S. Federal STATEMAP program.**
- **Because of the expertise we have developed over through this program, the U.S. Bureau of Land Management (BLM) asked DGGs to oversee acquisition and processing of their geophysical surveys to ensure data quality and compatibility with State data. These federal projects generally concentrate on Federal and Native land and are not regularly funded. As a result of the success of the DGGs surveys, the following two surveys were flown during the past year, with BLM funding, over largely federal lands.**

Acquired data for 350 sq. miles in the Mt. Hayes Quadrangle near Paxson in southcentral Alaska and monitored merging of that data with 250 sq miles of previously-acquired data. Data will be released by mid-February 2003.

Acquired data for 641 sq. miles near Sleetmute and Donlin in southwestern Alaska. Data will be released during summer 2003.

SOME INDICATIONS OF RESULTS FROM THE PROGRAM

- **Number of claims staked in most survey tracts increases both before and after the survey data are released. Claim staking starts in many areas as soon as the location of a future survey tract is announced, and in some areas, such as Fairbanks, the potential tract has been completely staked prior to acquisition of survey data. Dick Swainbank (DCED) compiled claim staking data for some of our survey tracts and these data support the belief that there is a rise in staking before and/or after data release. Unfortunately, no agency or person routinely compiles the numbers of claims in Alaska.**
- **Industry acquires and uses the data. Companies typically acquire the data immediately after release and begin analyzing it and acting on its content, at times immediately having crews ready to stake claims. Industry has written strong letters of support for the program.**

- **Exploration decisions and property acquisition have been based on the data.** Geochemical investigations and drilling by private companies proceed in many of the survey tracts.
- **Targets have been drilled, some picked solely from the geophysical data** such as in the Chulitna area, and some after further geologic and geochemical work. We cannot control what explorationists discover nor necessarily what they make public , but that they risked the funds to drill **indicates a serious level of commitment by industry, and the faith they have in the integrity of the survey products.**
- **Geologic knowledge gained from this geophysical/geological program in Interior Alaska has been applied to the general area surrounding the survey tracts.** For example, after determining that the gold near Circle was present in north-east trending shear zones visible in detailed magnetic data, a prospector used ground magnetics on his property elsewhere in interior Alaska and found the same pattern of gold enrichment. He was using this information to sell his property.
- **Unfortunately it typically takes several years before significant deposits in survey areas are realized. Success rarely occurs overnight. Though we cannot point to a major mine and assert that it was found solely from the geophysical data, we know that exploration decisions and property acquisition have been based on the data.**

DNR Operating Budget FY2003

Restricted Revenue Detail

Department of Natural Resources

Component: Geological Development (1031)

BRU: Minerals, Land, and Water Development (330)

Master Account	Revenue Description	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
51200	Capital Improvement Project Receipts	40.8	91.3	148.8	146.9	90.0

Detail Information

Revenue Account	Revenue Description	AKSAS Fund	Collocation Code	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
59101	CIP Rcpts from Natural Resources	11100	Airborne Geophysical	0.0	31.3	31.3	33.1	30.0
59101	CIP Rcpts from Natural Resources	11100	Coalbed Methane	0.0	30.0	30.0	30.0	30.0
59101	CIP Rcpts from Natural Resources	11100	Gas Pipeline Project	0.0	0.0	57.5	53.8	0.0
59101	CIP Rcpts from Natural Resources	11100	Holitna Basin	0.0	30.0	30.0	30.0	30.0
59101	CIP Rcpts from Natural Resources	11100	Sleetmute Airborne Geo Su	20.8	0.0	0.0	0.0	0.0
59240	CIP Rcpts from Transp & Public Fac	11100	Dalton Highway Mat Source	20.0	0.0	0.0	0.0	0.0

DNR Revenue Details

DNR Operating Budget FY 2005

Restricted Revenue Detail

Department of Natural Resources

Component: Geological Development (1031)

BRU: Minerals, Land, and Water Development (330)

Master Account	Revenue Description			FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
51010	Federal Receipts			1,163.8	1,501.5	1,725.0	1,511.9	1,196.0
Detail Information								
Revenue Account	Revenue Description	AKSAS Fund	Collocation Code	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
57790	Fed Proj Nat Resourc	11100	40 Mile Geological Map	78.4	0.0	0.0	0.0	0.0
57790	Fed Proj Nat Resourc	11100	Airborne Geophysics Delta	0.0	0.0	200.0	0.0	0.0
57790	Fed Proj Nat Resourc	11100	AK Data Conversion	70.8	0.0	0.0	0.0	0.0
57790	Fed Proj Nat Resourc	11100	AK GMC Renovation	15.0	0.0	0.0	0.0	0.0
57790	Fed Proj Nat Resourc	11100	AK GMC Sample Inventory	0.0	63.0	63.0	0.0	0.0
57790	Fed Proj Nat Resourc	11100	Anchorage Liquefaction	17.8	0.0	0.0	0.0	0.0
57790	Fed Proj Nat Resourc	11100	AVO	0.0	0.0	0.0	360.0	360.0
57790	Fed Proj Nat Resourc	11100	AVO Aleutian Expansion	0.0	221.0	221.0	221.0	221.0
57790	Fed Proj Nat Resourc	11100	AVO Supplement Year 4	481.9	0.0	0.0	0.0	0.0
57790	Fed Proj Nat Resourc	11100	AVO Supplement Year 5	43.9	353.8	353.8	0.0	0.0
57790	Fed Proj Nat Resourc	11100	Geochem Compilation	0.0	0.0	23.5	0.0	0.0

Geological Development

	Actuals FY93	Actuals FY94	Actuals FY95	Actuals FY96	Actuals FY97	Actuals FY98	Actuals FY99	Actuals FY00	Actuals FY01	Actuals FY02	Mgt Plan FY03
	3,189.3	3,001.4	2,651.2	2,365.6	3,601.6	2,702.0	3,616.5	3,283.2	3,543.7	3,741.3	4,024.6
Fed	283.8	477.3	272.3	300.7	1,201.7	681.4	1,394.3	1,086.2	1,163.8	1,232.7	1,511.9
GF	2,330.3	2,297.8	2,029.4	1,961.1	2,007.1	1,963.0	2,021.3	2,032.4	2,049.2	2,071.4	1,993.1
GF/PR	31.8	63.3	42.8	50.8	392.8	54.9	54.4	37.4	39.0	26.2	55.1
I/A	17.0	7.8	11.9	0.0			0.9	2.4	94.6	134.6	66.4
CIP Receipts	526.4	155.2	294.8	53.0			5.0	8.0	40.8	92.1	146.9
SDPR							140.6	116.8	148.3	184.3	251.2
Invst Loss									8.0		
Total:	3,189.3	3,001.4	2,651.2	2,365.6	3,601.6	2,699.3	3,616.5	3,283.2	3,535.7	3,741.3	4,024.6

HB

97

ALASKA STATE LEGISLATURE

Interim:

600 East Railroad Avenue
Wasilla, Alaska 99654
(907) 373-1842
Fax (907) 373-4729



Session:

State Capitol Building
Juneau, Alaska 99801-1182
(907) 465-2186
Fax (907) 465-3818

REPRESENTATIVE VIC KOHRING
DISTRICT 14

SPONSOR STATEMENT

HOUSE BILL 97

LONG-TERM LEASES OF ALASKA RR LAND

In 2002, the Legislature passed House Bill 298 to increase the maximum lease term without termination rights the Alaska Railroad can grant without Legislative approval to 55 years from the 35-year maximum set in 1984. The increase was to encourage economic development in communities along the Railbelt by making it easier for large commercial and residential developers to obtain financing through grants and other sources which require a longer lease. For example, the HUD 202 Senior Housing Grants required a minimum 40-year lease. The 55-year lease maximum set forth in HB 298 went into effect May 30, 2002.

Shortly after, the minimum lease requirement for Federal Housing and Urban Development (HUD) 202 grants increased from 40 years to 75 years, in effect putting developers back at square one. The Alaska Railroad can approve a lease in excess of 55 years; however, they must reserve the right to terminate the lease in the event the land is needed for railroad purposes.

A multi-family senior housing project has been planned for Government Hill in Anchorage and the developer was granted a 55-year lease by the Alaska Railroad Board for the project site. When HUD changed the terms of the 202 program, it disqualified the project for consideration for HUD 202 grants.

House Bill 97 will allow the Alaska Railroad to extend the developer's current 55-year lease without the termination clause allowing him to apply for HUD 202 funding.

updated 2-24-03
bill contact aide: Sharron O'Dell

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB 97
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
Title Long Term Leases of Alaska Railroad Land BRU Alaska Railroad Corporation
Component _____
Sponsor Representative Kohring
Requester House Transportation Component No. _____

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
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 (FY2003) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

House Bill 97 would authorize the Alaska Railroad Board of Directors to extend the term of a current lease under Alaska Railroad Contract No. 8371 beyond 55 years. If HB 97 bill passes, and the Alaska Railroad Board of Directors approves the lease proposal, revenue derived from the lease would be extended at the current fair market value rate, subject to the terms and conditions of the lease agreement.

Prepared by: Wendy Lindskoog, Director External Affairs Phone 907-265-2498
Division Alaska Railroad Corporation Date/Time 3/5/03 4:48 PM
Approved by: Edgar Blatchford, Commissioner Date 3/5/2003
Agency Department of Community & Economic Development

**DEPARTMENT OF HOUSING
AND URBAN DEVELOPMENT**

**SECTION 202 SUPPORTIVE HOUSING
FOR THE ELDERLY**

Billing Code 4210-32-C

categories of elderly persons the housing is intended to serve and evidence demonstrating sustained effective demand for supportive housing for that population in the market area to be served, taking into consideration the occupancy and vacancy conditions in existing Federally assisted housing for the elderly (HUD and RHS; e.g., public housing); State or local data on the limitations in activities of daily living among the elderly in the area; aging in place in existing assisted rentals; trends in demographic changes in elderly population and households; the numbers of income eligible elderly households by size, tenure, and housing condition; the types of supportive services arrangements currently available in the area; and the use of such services as evidenced by data from local social service agencies or agencies on aging. Also, a description of how information in the community's Analysis of Impediments to Fair Housing Choice was used in documenting the need for the project.

(4)(b) A description of how the proposed project will benefit the target population and the community in which it will be located.

(4)(c) A description of the project, including the following:

(4)(c)(i) A narrative description of the building design, including a description of the number of units with bedroom distributions, any special design features, amenities, and/or community space, and how this design will facilitate the delivery of services in an economical fashion and accommodate the changing needs of the residents over the next 10–20 years.

Note: If these community spaces, amenities, or features would not comply with the project design and cost standards of 24 CFR 891.120 and the special project standards of 24 CFR 891.210, you must state your ability and willingness to contribute both the incremental development cost and continuing operating cost associated with the community spaces, amenities, or features;

(4)(c)(ii) A description of whether and how the project will promote energy efficiency, and, if applicable, innovative construction or rehabilitation methods or technologies to be used that will promote efficient construction.

(4)(c)(iii) If applicable, a description of any plans and the actions you have taken to create a mixed-finance/mixed-use project by developing additional units (i.e., in addition to the Section 202 units) with the use of Section 202 capital advance funds in combination with other funding sources. Specify the number of Section 202 units and the number of additional units from non-Section 202 funding sources. Provide

copies of any letters you have sent seeking outside funding for the non-Section 202 units and any responses thereto. You also must demonstrate your ability to proceed with the development of a Section 202 project that will not involve mixed-financing or a mixed-use purpose, as proposed in your application, in the event you are later unable to obtain the necessary outside funding or HUD disapproves your proposal for mixed-financing or a mixed-use.

Note: Approval of the Section 202 capital advance will not necessarily be approval of the mixed-finance/mixed-use proposal. If approved for a reservation of capital advance funds, you will be required to submit, after reservation of capital advance funds, a detailed proposal outlining how you will fund both development and operation of the additional units in accordance with HUD instructions that will be issued later. Based on the strength of your organization and HUD's prior experience with your projects, as well as your outline of your intentions, at the time of making the fund reservation, HUD will determine whether you will be permitted to submit a mixed-finance/mixed-use proposal at a later time. Only those Sponsors that indicate in their application for a fund reservation an intention to propose additional units will be eligible to submit, at a later time, a mixed-finance/mixed-use proposal for additional units. (A mixed-finance/mixed-use project, as used here, does not include the development of Section 202 units using secondary/supplemental financing or the development of a mixed-use project in which the Section 202 units are mortgaged separately from the other uses of the structure).

(4)(c)(iv) Describe your plan for completing the proposed project within the initial 18-month term of the fund reservation (optional).

(4)(d) Evidence that the Sponsor has site control and permissive zoning, including the following:

(4)(d)(i) Acceptable evidence of site control is limited to any one of the following:

(A) Deed or long-term leasehold which evidences that you have title to or a leasehold interest in the site. If a leasehold, the term of the lease must be at least 75 years;

(B) Contract of sale for the site which is free of any limitations affecting ability to deliver ownership to you after you receive and accept a notice of Section 202 capital advance. The only condition for closing on the sale can be your receipt and acceptance of the capital advance. The contract of sale cannot require closing on a date earlier than the Section 202 closing.

(C) Option to purchase or for a long-term leasehold which must remain in effect for six months from the date on which the applications are due, and

must state a firm price binding on the seller. The only condition on which the option may be terminated is if you are not awarded a fund reservation. The option must be renewable at the end of the six months option period.

(D) Where the proposed site is subject to a mortgage under a HUD program (e.g., an earlier 202 or an FHA insured mortgage), you must submit evidence that consent to release of the site from that mortgage has been obtained or has been requested from HUD and from the mortgagee, if other than HUD.

(E) For sites to be acquired from a public body, evidence is needed that the public body possesses clear title to the site and has entered into a legally binding agreement to lease or convey the site to you after you receive and accept a notice of Section 202 capital advance. Where HUD determines that time constraints of the funding round will not permit all of the required official actions (e.g., approval of Community Planning Boards) that are necessary to convey publicly-owned sites, a letter in the application from the mayor or director of the appropriate local agency indicating that conveyance or leasing of the site is acceptable without imposition of additional covenants or restrictions and only contingent on the necessary approval action. Such a letter commitment will be considered sufficient evidence of site control.

Note: For this funding cycle, New York City-owned sites that are designated as community gardens and are involved in litigation will not meet site control requirements due to litigation involving those sites.

(4)(d)(ii) Whether you have title to the site, a contract of sale, an option to purchase, or are acquiring the site from a public body, you must provide evidence (a title policy or other acceptable evidence) that the site is free of any limitations, restrictions, or reverts which could adversely affect the use of the site for the proposed project for the 40-year capital advance period under HUD's regulations and requirements (e.g., reversion to seller if title is transferred). If the title evidence contains restrictions or covenants, copies of such covenants or restrictions must be submitted with the application. If the site is subject to any such limitations, restrictions, or reverts, the application will be rejected. Purchase money mortgages that will be satisfied from capital advance funds are not considered to be limitations or restrictions that would adversely affect the use of the site. If the contract of sale or the option agreement contains

Sec. 42.40.280. State oversight reports.

(a) The board shall provide a state oversight report to the governor and the legislature before undertaking

(1) expansion, reduction, or diversification of services provided by the railroad upon the date of transfer or as provided under this chapter that the board determines would represent a significant and permanent change in the level and nature of services provided; or

(2) an application for an appropriation to be used for providing any service that is not self-sustaining.

(b) The report under (a) of this section shall be in writing, describe the proposed undertaking in detail, and specify

(1) its financial impact on the corporation;

(2) its impact on the level and nature of services provided by the corporation;

(3) the reasons the action is necessary or desirable to achieve the purposes of this chapter;

(4) whether and when the undertaking or service is expected to be self-sustaining financially; and

(5) if the undertaking requires an appropriation to be used for providing a service that is not self-sustaining, that the amount of the appropriation has been strictly calculated in accordance with United States Interstate Commerce Commission standards for determining rail service subsidies.

Sec. 42.40.285. Legislative approval required.

Unless the legislature approves the action by law, the corporation may not

(1) exchange, donate, sell, or otherwise convey its entire interest in land;

(2) issue bonds;

(3) extend railroad lines; this paragraph does not apply to a spur, industrial, team, switching, or side track;

(4) lease land for a period in excess of 55 years unless the corporation reserves the right to terminate the lease if the land is needed for railroad purposes;

(5) apply for or accept a grant of federal land within a municipality; before approving an action under this paragraph, the legislature must determine that the federal land is required for

essential railroad purposes; this paragraph does not apply to the application for or acceptance of a grant of federal land associated with

(A) the Anchorage-Wasilla line change project on Elmendorf Air Force Base and Fort Richardson;

(B) the Fairbanks intermodal rail yard expansion project;

(C) a conveyance of rail properties of the Alaska Railroad under the original Alaska Railroad Transfer Act of 1982 as set out in Title VI, P.L. 97-468; in this subparagraph, "rail properties of the Alaska Railroad" has the meaning given in 45 U.S.C. 1202(10).

Sec. 42.40.290. Long-range capital improvement and program plan.

(a) The corporation shall prepare and the board shall adopt a long-range capital improvement and program plan. The plan must explain the manner in which the corporation intends to accomplish the purposes of this chapter and the corporation's anticipated capital improvements during each of the five years after the plan is adopted.

(b) The board shall annually review and approve revisions to the long-range capital improvement and program plan. The board shall provide copies of the updated plan to the governor and the legislature by December 1 of each year.

Alaska Enfranchise Facilities, Inc.

Providing safe,
Clean and affordable
Housing for Alaskan
Seniors.

Alaska Enfranchised Facilities, Inc. respectfully requests your assistance in providing legislation allowing for the development of senior housing, on land leased from the Alaska Railroad Corporation, using HUD's 202 program.

HUD's 202 program was initiated in the 1960's as a low interest loan program, designed to provide rental housing for low income persons sixty-two years of age and older. The program has evolved over the years and in the mid 1990's the program became a grant program whereby 501 C-3 not-for-profit applicants would receive the grant funds and use the money to build and operate housing for low income people sixty-two years of age and older.

Each year HUD uses a formula to determine how many housing units to assign to each of the fifty states in two categories. The categories are rural and urban. Once the allocation is made the opportunity to apply for the grant funds is advertised to all potential not-for-profit applicants with a NOFA (notification of funding availability). The NOFA is typically posted on the HUD website each April.

The last several years Alaska's annual allocation has been twenty urban units and five rural units. The grant program allows for grant funded buildings to be built on leased land. Before the 2002 grant cycle the rules called for the duration of the lease to be a minimum of forty years. In the April 2002 NOFA the duration of the lease, necessary to build on leased land, was increased to seventy-five years.

Alaska Enfranchised Facilities, Inc. has received seven grants in the past eight years. Four buildings are built and occupied in Anchorage. One building is under construction in Sutton, and later this summer another building will be built in Sutton and one in downtown Anchorage. These buildings total 115 housing units. Marc Marlow has acted as the contractor for most of the buildings built with the grants AEF has received to date. Mr. Marlow also acts as a facilitator for AEF, Inc., coordinating requirements for application in a timely manner as well as assisting in coordinating efforts after AEF, Inc. has received a grant.

Please find attached a brochure of the buildings AEF, Inc. has finished for Alaska's elderly to date.

Alaska Enfranchised Facilities, Inc. desires to apply for the 2003 HUD 202 grant and hopes to build the building on Government Hill in Anchorage, on a piece of land that the Alaska Railroad Corporation owns. The Alaska Railroad Corporation is only allowed to lease land for a period not to exceed fifty-five years, unless a longer period is approved by the legislature. In so far as the 202 program requires a lease period of at least seventy-five years, the legislature's approval is hereby requested to allow the Alaska Railroad Corporation to lease the portion of Section 8, Township 13 North, Range 3 West, Seward Meridian that is owned by the Alaska Railroad Corporation for a period in excess of fifty-five years.

HISTORY

Alaska Enfranchise Facilities, Inc., previously Alaska Evangelistic Fellowship, Inc., received its non-profit corporation status in 1991.

The purpose of the corporation as amended in March, 1999 states: "the purpose of this corporation is to (1) research community needs and target feasible projects; (2) build facilities to support programs by seeking incentives for developers; (3) organize and train program-specific management and volunteers; (4) coordinate the utilization of community-based services in the programs; (5) obtain support for quality-of-life improvements in completed facilities; (6) seek continuous evaluation of facility and program effects; and (7) involve local and regional leadership in the entire process."

Current activities include sponsoring and facilitating the development of owner corporations for seven (7) Section 202 Capital Advance, Supportive Housing for the Elderly, projects in Alaska.

CURRENT PROJECTS

Muldoon Manor

Project #176-EE007
20 units
2040 Muldoon Road
Anchorage, Alaska 99504
Funded 1995
Grant amount \$2,438,199
100% Occupied

Commodore Park Plaza

Project #176-EE010
25 units
10415 Jamestown Drive
Anchorage, Alaska 99507
Funded 1996
Grant amount \$3,034,440
100% Occupied

Russian Jack Manor

Project #176-EE015
20 units
1260 Delasala Place
Anchorage, Alaska 99508
Funded 1999
Grant amount \$2,821,200
100% Occupied

Sutton Manor

Project #176-EE025
5 units
15816 North Glenn Highway
Sutton, Alaska 99674
Funded 2001
Grant amount \$891,100
Under construction

Jewel Lake Plaza

Project #176-EE014
20 units
8300 Jewel Lake Road
Anchorage, Alaska 99502
Funded 1998
Grant amount \$2,351,000
100% Occupied

Sutton Annex

Project #176-EE028
5 units
15838 North Glenn Highway
Sutton, Alaska 99674
Funded 2002
Grant amount \$891,100
Design phase

Sullivan Manor

Project #176-EE027
20 units
Anchorage, Alaska
Funded 2002
Grant amount \$3,620,500
Design phase

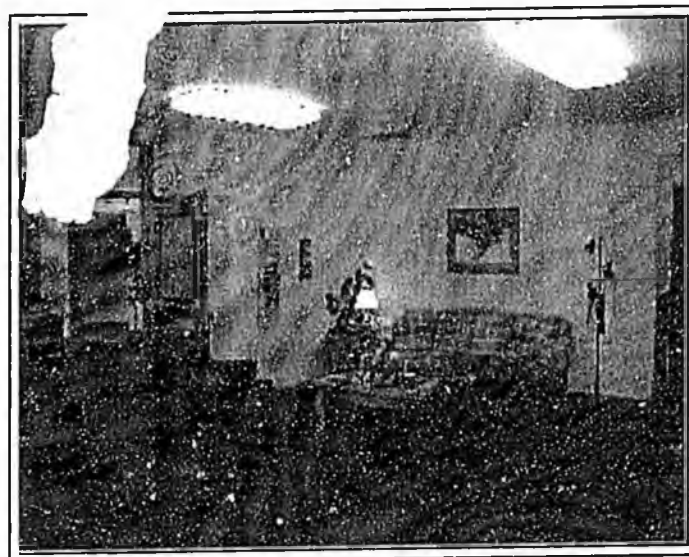
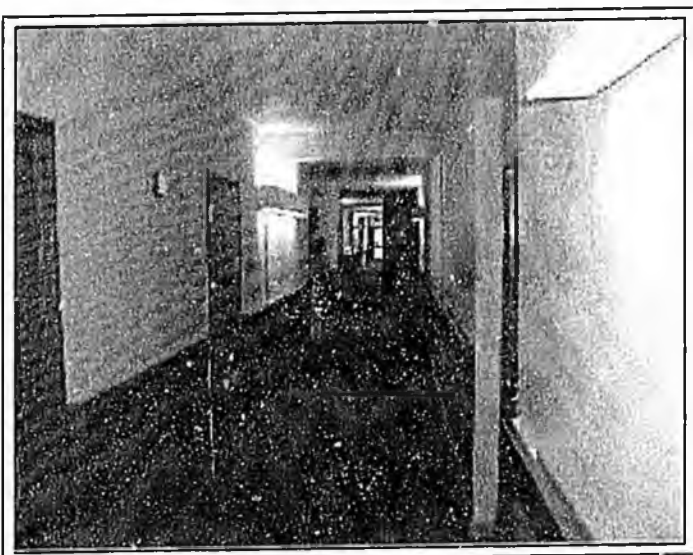
The Board of Directors works with Manor Management of Alaska, Inc. (MMA) on the development and operation of its current facilities as well as future projects. MMA was formed as a sister corporation to Manor Management Services, Inc. (MMS) specifically to provide housing and related services to seniors in Alaska. MMA was incorporated on July 29th, 1992.

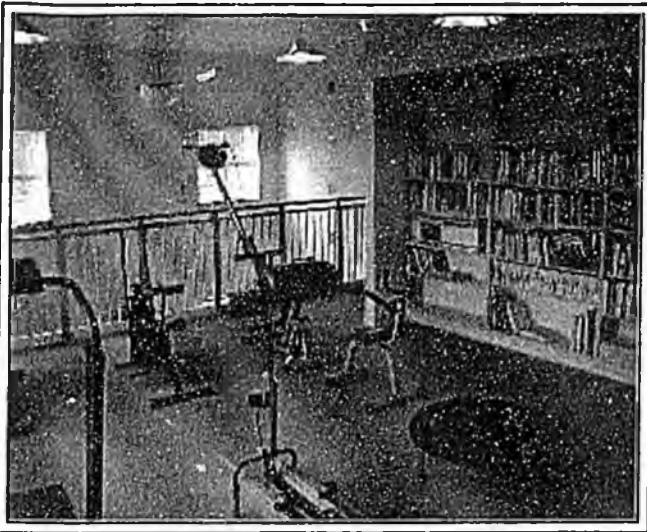
Board meetings are held on a quarterly basis with the management team. Board members are asked to review financial statements from each facility, comment on facility operations, and provide support for project funding, design phase to project completion.

Attached for your review are photographs from our current facilities. Should you have any questions please contact Patrick C. O'Toole, President, MMA, at 1-800-201-4922.



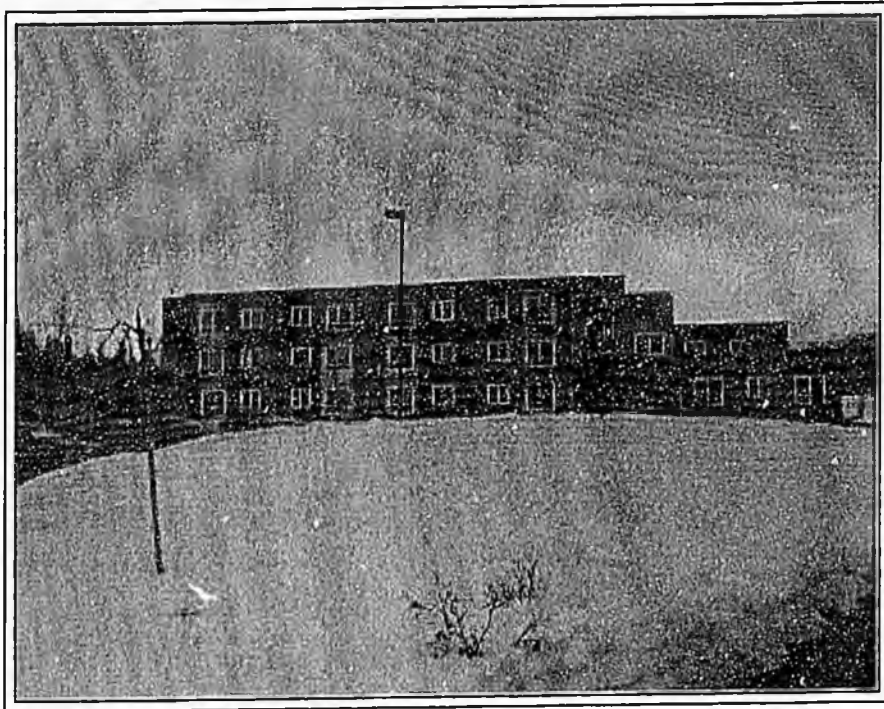
Muldoon Manor
#176-EE007



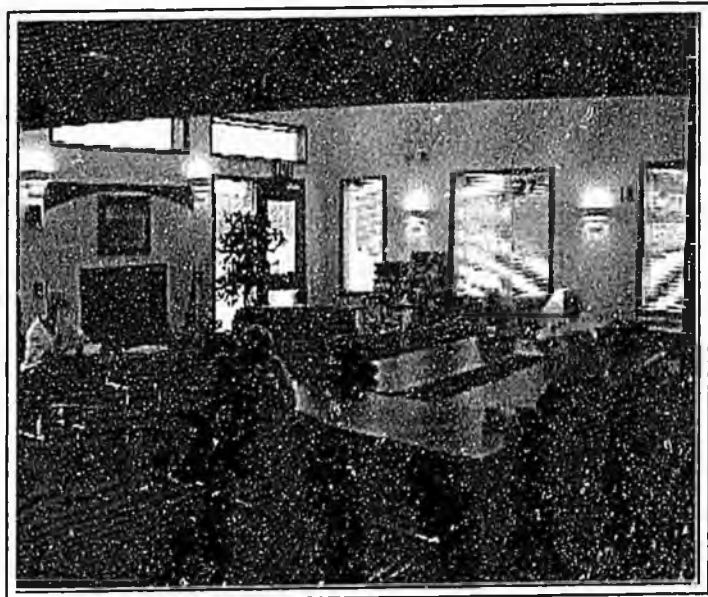
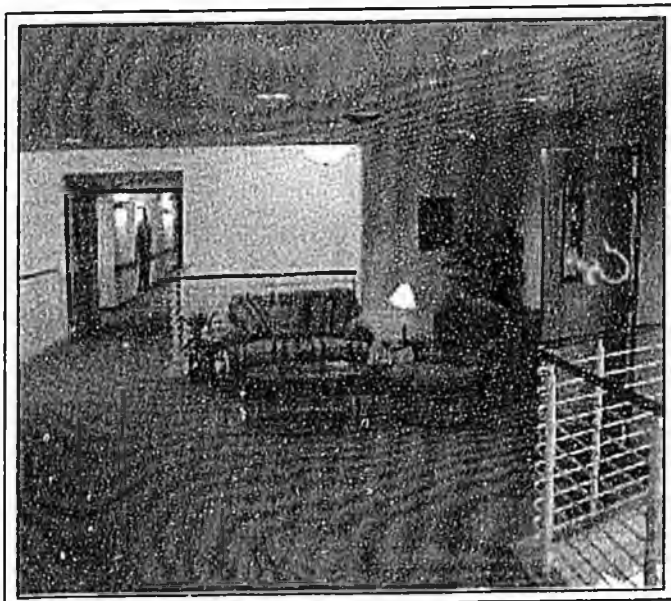
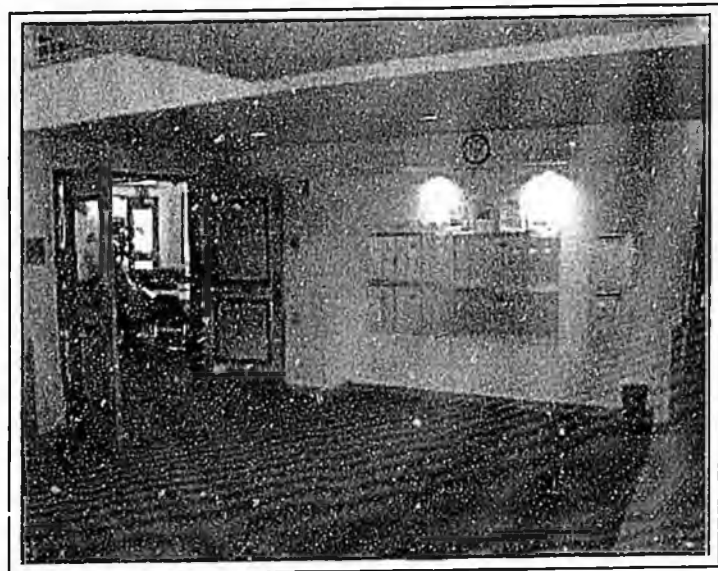


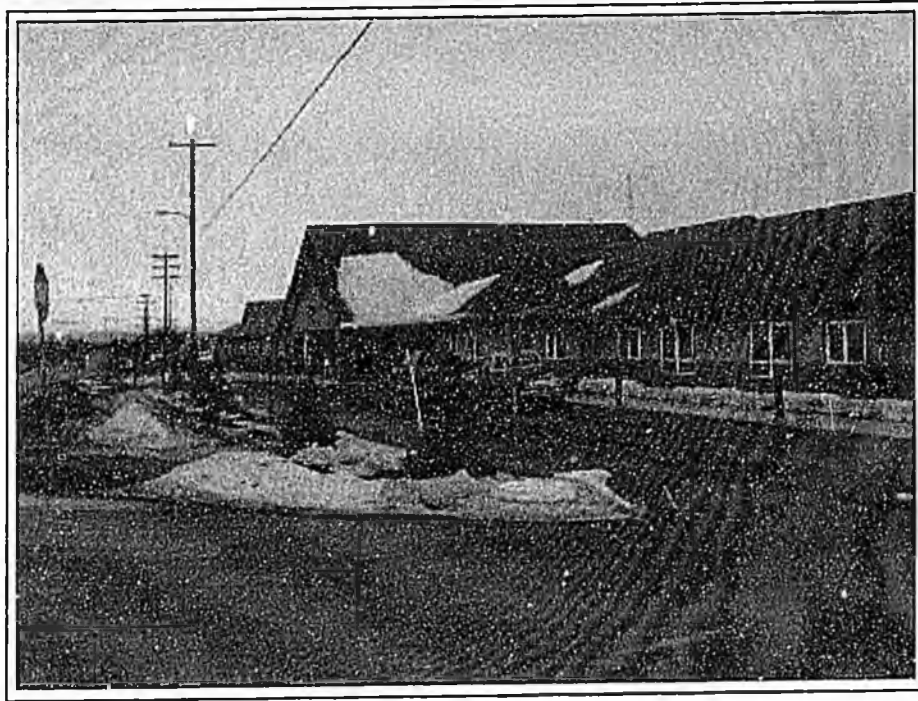
Russian
Jack
Manor
#176-EE015



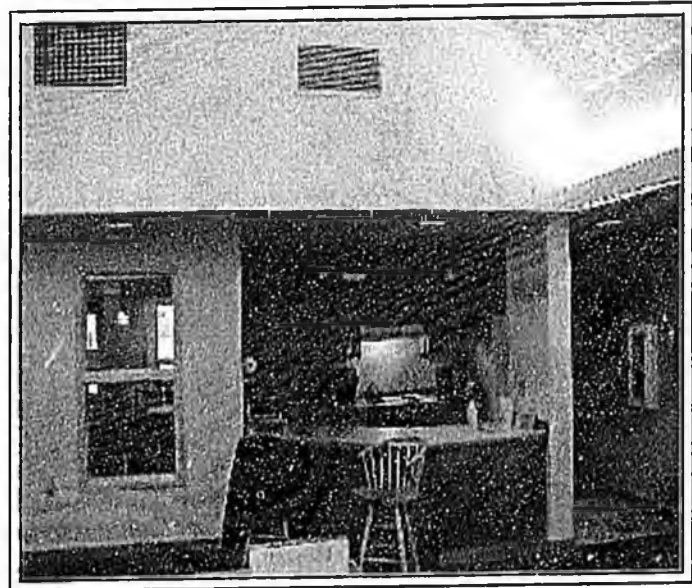


Commodore Park
Plaza
#176-EE010





Jewel Lake Plaza
#176-EE014



HB

98



REPRESENTATIVE RALPH SAMUELS

HOUSE DISTRICT 29

HB 98

Sponsor Statement

“An act relating to sport fishing seasons and areas for persons under 16 years of age”

House Bill 98 will encourage healthy outdoor activity for Alaska's youth by expanding fishing access, especially in urban areas. Fishing gives children an opportunity to enjoy and appreciate nature while getting fresh air and exercise. House Bill 98 will help to create more opportunities for Alaska's children to enjoy the sport of fishing.

House Bill 98 provides the Board of Fish with the authority to implement special fisheries for children under the age of 16. It will allow the board to manage fisheries with more flexibility. In turn, small fisheries could be implemented in areas where a fully open fishery is not practicable. The details of these specific fisheries will be left to the board's expertise.

A similar provision exists in statute for the Board of Game. It allows the board to establish age-specific youth hunts. House Bill 98 will grant the same type of authority to the Board of Fish.

Email: Representative_Ralph_Samuels@legis.state.ak.us

Session: Alaska State Capitol, Juneau, Alaska 99801-1182 • Phone: (907) 465-2095 Fax: (907) 465-3810

Interim: 716 W. 4th Ave., Anchorage, Alaska 99501-2133 • Phone: (907) 269-0240 Fax: (907) 269-0242

STATE OF ALASKA

BOARD OF FISHERIES

FRANK MURKOWSKI, GOVERNOR

P.O. BOX 25526
JUNEAU, AK 99802-5526
PHONE: (907) 465-4110
FAX: (907) 465-6094

March 25, 2003

The Honorable Ralph Samuels
Alaska State Legislature
State Capitol Bldg. Room 412
Juneau AK 99801-11822

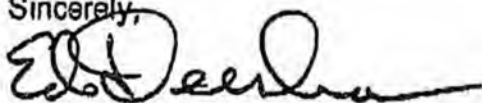
Dear Representative Samuels:

I am writing in regard to HB 98, which you introduced on February 14, 2003 entitled "An Act relating to sport fishing seasons and areas for persons under 16 years of age." The Board of Fisheries supports the intent of this bill that allows the board to establish seasons and areas for the exclusive use of young anglers.

The board frequently receives proposals from public groups and individuals, usually in urban areas, seeking sport fishing opportunities for youths where they can fish without being "overrun" by adult anglers. Unfortunately, the board does not currently have the legislative authority to establish regulations that would create such seasons and areas. Your bill would give the board that authority.

Once again, the board endorses HB 98 and we want to thank you for submitting it. I would be happy to provide additional support, if needed, during the legislative review of this bill.

Sincerely,



Ed Dersham, Chair
Alaska Board of Fisheries

Fish Board Support



REPRESENTATIVE RALPH SAMUELS

HOUSE DISTRICT 29

HB 98

Sponsor Statement

“An act relating to sport fishing seasons and areas for persons under 16 years of age”

House Bill 98 will encourage healthy outdoor activity for Alaska’s youth by expanding fishing access, especially in urban areas. Fishing gives children an opportunity to enjoy and appreciate nature while getting fresh air and exercise. House Bill 98 will help to create more opportunities for Alaska’s children to enjoy the sport of fishing.

House Bill 98 provides the Board of Fish with the authority to implement special fisheries for children under the age of 16. It will allow the board to manage fisheries with more flexibility. In turn, small fisheries could be implemented in areas where a fully open fishery is not practicable. The details of these specific fisheries will be left to the board’s expertise.

A similar provision exists in statute for the Board of Game. It allows the board to establish age-specific youth hunts. House Bill 98 will grant the same type of authority to the Board of Fish.

Email: Representative_Ralph_Samuels@legis.state.ak.us

Session: Alaska State Capitol, Juneau, Alaska 99801-1182 • Phone: (907) 465-2095 Fax: (907) 465-3810

Interim: 716 W. 4th Ave., Anchorage, Alaska 99501-2133 • Phone: (907) 269-0240 Fax: (907) 269-0242

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 98
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Fish and Game
 Title Relating to sport fishing seasons and BRU Sport Fisheries
areas for persons under 16 years of age Component Sport Fisheries
 Sponsor Representative Samuels
 Requester House Fisheries Component No. 464

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
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 (FY2003) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

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

Prepared by: Kelly Hepler, Director Phone 465-4180
 Division: Sport Fish Date/Time 3/25/03 2:12 PM
 Approved by: Kevin Duffy, Commissioner Date 3/25/2003
 Agency: Alaska Department of Fish and Game

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 98
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: DPS
 Title Sport fishing for users under 16 yoa. BRU Fish & Wildlife Protection
 Component Detachments
 Sponsor Representative Samuels
 Requester House Fisheries Component No. _____

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
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	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 (FY2003) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*
 This bill is consistent with the Department's program objectives and does not significantly impact our budget. It would allow the board of fisheries to establish open and closed seasons specifically for those people under the age of 16. This would not fiscally impact DPS and is viewed as allocative in nature.

Prepared by: Captain Howard Starbard Phone 269-5589
 Division: Fish and Wildlife Protection Date/Time 3/27/03 9:14 AM
 Approved by: William Tandeske, Commissioner Date 3/27/2003
 Agency: Department of Public Safety

STATE OF ALASKA

BOARD OF FISHERIES

FRANK MURKOWSKI, GOVERNOR

P.O. BOX 25526
JUNEAU, AK 99802-5526
PHONE: (907) 465-4110
FAX: (907) 465-6094

March 25, 2003

The Honorable Ralph Samuels
Alaska State Legislature
State Capitol Bldg. Room 412
Juneau AK 99801-11822

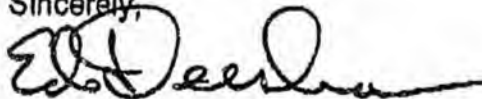
Dear Representative Samuels:

I am writing in regard to HB 98, which you introduced on February 14, 2003 entitled "An Act relating to sport fishing seasons and areas for persons under 16 years of age." The Board of Fisheries supports the intent of this bill that allows the board to establish seasons and areas for the exclusive use of young anglers.

The board frequently receives proposals from public groups and individuals, usually in urban areas, seeking sport fishing opportunities for youths where they can fish without being "overrun" by adult anglers. Unfortunately, the board does not currently have the legislative authority to establish regulations that would create such seasons and areas. Your bill would give the board that authority.

Once again, the board endorses HB 98 and we want to thank you for submitting it. I would be happy to provide additional support, if needed, during the legislative review of this bill.

Sincerely,



Ed Dersham, Chair
Alaska Board of Fisheries

Fish Board Support

Juneau Douglas Fish and Game Advisory Committee
Kathy Hansen, Chair
9369 North Douglas Hwy
Juneau, AK 99801
907-586-6652

March 27, 2003

House Special Committee on Fisheries
Representative Paul Seaton, Chair
State Capitol
Juneau, AK 99801

RE: Support HB 98

The Juneau Douglas Fish and Game Advisory Committee fully supports HB 98. This is legislation that is long overdue. We discussed this issue at our last meeting on February 28, 2003 and unanimously supported HB 98. This is an issue that we have discussed with sport fish many times over the years as we have dealt with Board of Fish proposals and opportunities for kids have been curtailed especially in urban areas.

Please support this very simple and straight forward legislation to allow the Board of Fish to make regulation for kids and pass this out of committee.

Thank you,

Kathy Hansen
Chair

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____
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 Title Sport fishing for users under 16 yoa. BRU Fish & Wildlife Protection
 Component Detachments
 Sponsor Representative Samuels
 Requester House Fisheries Component No. _____

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
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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	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 (FY2003) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*
 This bill is consistent with the Department's program objectives and does not significantly impact our budget. It would allow the board of fisheries to establish open and closed seasons specifically for those people under the age of 16. This would not fiscally impact DPS and is viewed as allocative in nature.

Prepared by: Captain Howard Starbard Phone 269-5589
 Division Fish and Wildlife Protection Date/Time 3/27/03 9:14 AM
 Approved by: William Tandeske, Commissioner Date 3/27/2003
 Agency Department of Public Safety

HB

105

Joint Legislative Salmon Industry Task Force

Legislative Members

Senator Ben Stevens, Chair
Representative Gary Stevens, Vice-Chair
Senator Kim Elton
Representative Bill Williams
Senator Alan Austerman, Alternate
Representative Drew Scalzi, Alternate



Public Members

Sue Aspelund
Sam Cotten
Duncan Fields
Don Giles
John Lowrance
Robin Samuelson
Gary Slaven
Stephanie Madsen, Alternate
Chris Moss, Alternate

SPONSOR STATEMENT

House Bill 105

"An Act relating to loans to satisfy past due federal tax obligations of commercial fishermen and to the commercial fishing loan program."

House Bill 105 will reenact a provision that was in effect in fiscal years 1995-1997 and 2001-2003. This provision allowed fishermen to obtain secured loans for Internal Revenue Service (IRS) debt retirement and was widely used during the time it was in effect.

The long-term crisis facing the Alaska salmon industry due to dramatic increases in world salmon production, coupled with the equally dramatic reductions in salmon prices, makes this provision all the more important. If Alaska fishermen are forced out of the water because creditors take their limited entry fishing privileges, everyone in Alaska loses.

The genesis of the original provision was prompted by actions of the IRS to seize limited entry permits that were in federal tax arrears. The IRS, through electronic means, was able to match fish tickets with their filing data base and they moved rapidly to seize limited entry permits whose holders were in arrears. This posed a significant problem for the state's and holders' interests.

The Division of Investments, Department of Community and Economic Development, in conjunction with the IRS, developed a very successful program called the "Tax Obligation Loan Program." The Tax Obligation Loan Program aimed at assisting commercial fishermen with their tax debt to the IRS. The success of this program can be measured. In FY 95-97, the Division of Investments issued 287 tax obligation loans. The program was established and in FY 2001-2003, 20 tax obligation loans were issued. This demonstrates the effectiveness of the program. The total number of loans issued in FY 1995-1997 and FY 2001-2003 is 307 and the average tax obligation loan is \$21,095.

If this measure were adopted, the Department of Community and Economic Development believes the number of applicants would be much smaller than in previous years. This prediction is due largely to the successes of the Tax Obligation Loan Program. In the past seven years, the program expanded from assisting 7 communities in 1996, to 56 communities in 2002.

Permit holders seeking a loan under the provision in House Bill 105 must have been a state resident for a continuous period of two years preceding application and a resident at the time of application. In addition, applicants must be current on their federal tax filings and have an agreement with the IRS for payment of past due taxes. Applicants must also have had a crewmember or commercial fishing license for the year immediately preceding the date of application and any other two of the past five years. They must have actively participated in the fishery during that period of time; not have occupational opportunities available other than commercial fishing because of lack of training or employment opportunities in the area where they live; or, be economically dependent on commercial fishing for a livelihood with commercial fishing having been a traditional way of life.

Another element of this measure is that it eliminates the one-half percent refinancing fee for debt refinanced by borrowers with state loans. These borrowers must meet the qualifications of the Division of Investments. This change was incorporated as a small means to assist fishermen who may want to take advantage of lower interest rates. The job of the Joint Legislative Salmon Industry Task Force is to seek means to alleviate, to the extent possible, some of the stresses affecting the commercial salmon industry. This change would provide some assistance.

The final provision of the measure is the elimination of the word "promptly" as it applies to the advertising and sale of repossessed permits. This provides some flexibility to the Department of Community and Economic Development and may prevent their having to sell a permit at a low price.

The Joint Legislative Salmon Industry Task Force seeks your support for this measure.

Subject:
HB 105
Date:
Tue, 11 Mar 2003 13:43:25 -0900
From:
"Gordon Jackson" <gjackson@ccthita.org>
To:
<Cheryl_Sutton@Legis.state.ak.us>

I just wanted to add our name for supporting HB 105. Several years ago, I worked with a committee of the Alaska Federation of Natives seeking a solution to the increasing problem of the State and Federal government seizing Limited Entry Permits to satisfy their Federal Income Tax liability. Many permits were seized and auctioned and many fishermen were left on the beach without work because they no longer have their permit to fish. The opportunity to apply for and use the loans and pay off the IRS liens stopped a lot of this activity. In Southeastern Alaska I know of at least four of my family and friends who have made good use of this law and satisfied their tax obligation. If it were not for this law, more rural Alaskans would be without their permits and would not have a way to make their living. We fully support this piece of legislation and urge its passage as soon as possible.

Thank you and if you need more information, please let us know.

Subject:

Re: FW: Task Force: On-line submission form

Date:

Tue, 11 Mar 2003 13:55:02 -0800 (PST)

From:

Bill Crump <bscrump@yahoo.com>

To:

ufa1@ufa-fish.org

CC:

Representative John Harris <representative_john_harris@legis.state.ak.us>, Representative Paul Seaton <Representative_Paul_Seaton@legis.state.ak.us>, Jerry McCune <ufa2@ufa-fish.org>, Cheryl Sutton <cheryl_sutton@legis.state.ak.us>, Phelan Straube <phelan_straube@legis.state.ak.us>, Sue Aspelund <cdfu@ptialaska.net>

Tom,

HB 105 is a misguided attempt to help the Salmon industry. Loaning State money to fishermen (to pay back federal taxes) who will have almost no chance in paying back the money is of little help to the industry and probably hurts it in the long run. The DOI already has many loans that are delinquent to the point that they will have to be written off. To continue to artificially inflate this already overcapitalized industry is the wrong approach. It will also be very unfair to the few fishermen who have been keeping up on their payments. How would you feel if you sacrificed to make your payment every year only to find that the State forgave everyone who made no payments in recent years?

There is no one Silver bullet that I know of that will save the Salmon Industry. It will no doubt take many changes, that when taken as a whole, will be enough to save the industry.

There is one small thing in this Section that if changed would help a little. Eliminating the refinance charge of .5% would be of some small help.

In general the Legislature must think in terms of legislating out inefficiencies and legislating in efficiencies. They must come to the realization that the industry will and must have fewer participants. The new Alaska Salmon industry will have fewer fishermen.

Regards, Bill



UNITED FISHERMEN OF ALASKA

March 10, 2003

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

Representative Paul Seaton
Chair
House Special Committee on Fisheries
Alaska State Legislature
State Capitol (MS 3100)
Juneau, AK 99801-1182

Dear Representative Seaton,

Re: HB 105 Commercial Fishing Loans

United Fishermen of Alaska supports HB 105.

This bill allows loans to individuals to obtain a loan to satisfy past due federal tax obligations. This is important to credit worthy individuals who have sound businesses and are in a crunch because of downturns harvest or market conditions.

A second feature of this bill eliminates the ½% refinance charge. This will more easily allow fishermen to take advantage of low interest rates and reduce their business expenses.

We look forward to working with you on this bill and hope you will expedite passage of this bill so that its positive impacts will help fishermen this season.

Sincerely,


Thomas M. Gemmell
Executive Director

MEMBER ORGANIZATIONS

Alaska Crab Coalition • Alaska Druggers Association • Alaska Longline Fishermen's Association • Alaska Trollers Association • At-sea Processors Association • Bristol Bay Reserve
Chignik Regional Aquaculture Association • Chignik Seiners Association • Concerned Alaskan Fishermen • Cook Inlet Aquaculture Association • Cordova District Fishermen United
Crab Rationalization and Buyback Group • Douglas Island Pink and Chum • Groundfish Forum • Ketchikan Peninsula Fishermen's Association • Kodiak Regional Aquaculture Association
Kodiak Seiners Association • North Pacific Fisheries Association • Northern Southeast Regional Aquaculture Association • Old Harbor Fishermen'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 • Western Gulf of Alaska Fishermen

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STATE OF ALASKA DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT		P & P No. LB5	Page 1 of 2
POLICY AND PROCEDURES		Effective Date January 1, 2002	
SUBJECT Processing TAX OBLIGATION LOANS Under Sections A and B of AS 16.10.310(a)(1)		Supersedes P & P No. LB5	Dated August 1, 2000
DIVISION Investments		Approved By <i>Greg Winegar</i> Greg Winegar, Director SECTION Lending	

POLICY

Tax Obligation loans may be considered and approved under certain conditions.

CONSIDERATIONS

1. Statutory and regulatory requirements (AS 16.10.300-370 and 3 AAC 80.010-.900);
2. Past fishing experience;
3. Financial capacity for repayment of the loan;
4. Collateral offered to secure the loan;
5. Credit history; and
6. Strengths added by addition of a guarantor (when applicable).
7. Applicable policies contained in LB1 and LB2.

GUIDELINES

1. **Past due taxes:** Considered past due after January 1 of the following year.
2. **Corporate taxes** are not eligible.
3. **Spouses** that meet eligibility requirements for tax obligations loans may also obtain a loan up to the \$30,000 limit provided the applicant and spouse own at least one limited entry permit that is in jeopardy of being seized by the IRS. Proceeds from these loans may be used to satisfy a single tax bill when the taxpayers have filed a joint return. If a spouse does not meet the income criteria under AS 16.10.310(a)(1)(B)(ii) and does not have other employment, the spouse may qualify under AS 16.10.31(a)(1)(B)(i).
4. **Credit:** Poor credit does not eliminate an applicant.
5. **Fees:** Origination fees may be included in the loan amount and subtracted from loan proceeds at closing. The application fee may be waived by the Director in extreme hardship cases.
6. **Collateral** should not exceed:
 - 80% on permits
 - 75% on documented vessels
 - 65% on AK vessels
 - 65% on Quota Shares
 - 85% on real estate
 - 25% on gear

STATE OF ALASKA DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT		P & P No. LB5	Page 2 of 2
POLICY AND PROCEDURES		Effective Date January 1, 2002	
SUBJECT Processing TAX OBLIGATION LOANS Under Sections A and B of AS 16.10.310(a)(1)		Supersedes P & P No. LB5	Dated August 1, 2000
		Approved By <i>Greg Winegar</i> Greg Winegar, Director	
DIVISION Investments	SECTION Lending		

7. **First lien requirement:**

- a. When the permit has been financed by CFAB, other collateral can be used as long as DOI is in first lien position.
- b. When an applicant and spouse both obtain loans and the permit has been financed by CFAB, a vessel may be used to meet this requirement as long as there are no other liens against it. The note must include language that the lien placed on the vessel is of co-equal priority for both loans and that default on one constitutes default on both. (See Appendix E for examples of write-up, minutes and supporting documents).

STATE OF ALASKA DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT		P & P No. LB 1	Page 1 Of 4
POLICY AND PROCEDURES		Effective Date January 1, 2002	
SUBJECT Processing Commercial Fishing Loans and Prequalifications Under SECTION A of AS 16.10.310(a)(1)		Supersedes P & P No. LB 1	Dated July 30, 2000
		Approved By Greg Winegar, Director	
DIVISION Investments		SECTION Lending	

POLICY

Commercial fishing loans and prequalifications for the purchase of limited entry permits and vessel upgrades to improve the quality of Alaska seafood product may be considered and approved under certain conditions.

CONSIDERATIONS

1. Statutory and regulatory requirements (AS 16.10.300 - .370 and 3 AAC 80.010 - .900);
2. Past fishing experience;
3. Financial capacity for repayment of the loan;
4. Collateral offered to secure the loan;
5. Credit history;
6. Strengths added by addition of a guarantor (when applicable);
7. Application of various financial ratios (see Appendix A);
8. Access to vessel and gear; and
9. Availability of down payment.

GUIDELINES

1. **Past due child support** includes payment plans for arrears even though current with those payments.
2. **Two-year residency:** use a 365-day year. See LB7.
3. **Active participation:** use a completed calendar year.
4. **Minors:** Applicants who are under 18 years of age may apply for loans if :
 - a. they meet all eligibility requirements;
 - b. a guarantor is provided;
 - c. the guarantor pledges separate collateral to fully secure the loan;
 - d. the asset being purchased is placed in the name of the applicant; and
 - e. the applicant and guarantor sign the appropriate loan documents.

STATE OF ALASKA DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT		P & P No. LB1	Page 2 OF 4
POLICY AND PROCEDURES		Effective Date January 1, 2002	
SUBJECT Processing Commercial Fishing Loans and Prequalifications Under SECTION A of AS 16.10.310(a)(1)		Supersedes P & P No. LB 1	Dated July 30, 2000
		Approved By Greg Winegar, Director	
DIVISION Investments		SECTION Lending	

5. **Deferred interest account** balances (280) do not reduce loan limit eligibility on new loans.
6. **Credit history:** a borrower should have:
 - a. no outstanding tax liens or unpaid collections or judgments;
 - b. no poor past payment record with State agencies;
 - c. no pending lawsuits that would adversely affect the borrower's ability to service the debt;
 - d. no past due credit accounts; and
 - e. no accounts that have been more than 60 days past due during the past year.
7. **Down payment:** Borrower should demonstrate availability of down payment required to finalize the transaction. If part of the down payment is borrowed, the payment amount must be included in debt-to-income calculations.
8. **Debt-to-income ratio** should not exceed 65%.
9. **Brokerage commissions** can be included in the purchase price.
10. **Collateral**
 - a. should not exceed:
 - 80% on permits
 - 75% on documented vessels
 - 65% on AK vessels
 - 65% on Quota Shares
 - 85% on real estate
 - 25% on gear
 - b. A more conservative ratio should be utilized when:
 - adding or financing permits that are declining in value
 - adding a vessel that is older than 10 years or is powered by a gasoline engine
 - part of the collateral involves a second lien position, especially if the lien that we will be subordinate to is a large dollar amount.
 - c. When determining the amount, the loan officer should use cost or appraisal, whichever is less. If the loan involves the purchase of a limited entry permit, the most current values issued by the Commercial Fisheries Entry Commission (CFEC) should be utilized; other sources of information such as the time weighted report and sales data from brokerage houses may also be used.

STATE OF ALASKA DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT		P & P No. LB1	page 3 of 4
POLICY AND PROCEDURES		Effective Date January 1, 2002	
SUBJECT Processing Commercial Fishing Loans and Prequalifications Under SECTION A of AS 16.10.310(a)(1)		Supersedes P & P No. LB 1	Dated July 30, 2000
DIVISION Investments		Approved By Greg Winegar, Director SECTION Lending	

- d. Valuations for vessels, skiffs, outboard motors, gear and equipment may be accepted from any qualified person not involved in the transaction.
 - e. When using real estate as collateral, a tax assessment, current market appraisal or letter of opinion from a qualified individual is required to document the value of real property.
11. **Terms of loan** should be fixed in accordance with the collateral offered and the needs of the applicant.
 12. **Guarantors** should be obtained when the loan needs additional strength. Guarantors, however, do not participate in the use of the loan proceeds and thus do not need to meet eligibility requirements and are not subject to the loan limits. The Promissory Note must indicate whether a signer is a co-borrower or guarantor. For the purpose of eligibility, a spouse is considered a guarantor. The guarantor should supply:
 - a. an application page;
 - b. a current financial statement;
 - c. a copy of their most recent tax return; and
 - d. if guarantor is providing additional collateral, documentation to verify the value of the collateral.
 13. **Co-borrower, co-signer, and co-applicant** are synonymous for the purposes of eligibility. Co-borrowers assume full liability for the full value of the note and must meet the same eligibility requirements as the borrower.
 14. **Permit purchases**
 - a. A borrower should have experience in either the gear type or area for which the loan is being made.
 - b. Vessel lease expense should not exceed 25% of projected gross income.
 - c. Permits and applicants must be cleared through the CFEC prior to the loan decision. Sellers and applicants must be checked for outstanding IRS liens that may adversely impact the collateral.
 - d. If a permit has already transferred to the applicant, obtain a copy of the transfer form from CFEC and purchase agreement.
 - e. Loans to purchase permits in areas where the fishery is closed can be made if the applicant intends to fish it when it opens.

STATE OF ALASKA DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT		P & P No. LB 1	Page 4 of 4
POLICY AND PROCEDURES		Effective Date January 1, 2002	
SUBJECT Processing Commercial Fishing Loans and Prequalifications Under SECTION A of AS 16.10.310(a)(1)		Supersedes P & P No. LB 1	Dated July 30, 2000
		Approved By Greg Winegar, Director	
DIVISION Investments		SECTION Lending	

15. **Prequalifications**
- a. More than one commitment can be issued to a borrower at the same time only if both permits can be fished during the same season.
 - b. The interest rate that is approved remains the same for the entire 60-day period regardless of any interest rate changes during that period. The interest rate may be adjusted downward at the time of converting a prequalification to a new loan if the rate changed between the prequalification approval and the new loan submittal.
 - c. When converting a prequalification to a new loan, the loan amount may be increased if:
 - The borrower has a signed purchase agreement for a specific permit
 - The borrower requests an increase
 - The limited entry value has gone up and the new amount meets the loan to value requirements contained in paragraph 10.
16. **Vessel upgrades to improve the quality of Alaska seafood products** as authorized under AS 16.10.310(a)(1)(A)(ii).
- a. Replacing or rebuilding an engine may qualify if the work is being done as a part of a vessel upgrade to improve the quality of Alaska seafood products.
 - b. Refrigeration, RSW, insulating fish hold, expanding fish hold, and slider reels do qualify. (See Appendix D for description of a slider reel.)
 - c. Second liens are allowed as long as the first lien requirement is met with other collateral.
 - d. Vessel must be documented if possible. Only U.S. citizens may own a documented vessel.
 - e. If ADI has the first on the vessel, the first lien requirement can be met by co-equaling the loan. The note must include language that the lien placed on the vessel is of co-equal priority for both loans and that default on one constitutes default on both.
 - f. In cases where a portion of the interim or construction loan was not used for eligible purposes, a loan may be made if 90% or more of the remaining balance was made for eligible purposes. If more than 10% of the remaining balance was used for a non-eligible purpose, a loan may only include that portion used for an eligible purpose.
 - g. In cases where the upgrade will be made to a vessel owned by a corporation the loan may only be approved under the following conditions:
 - All owners of the corporation must meet the eligibility requirements contained in AS 16.10.300 - 16.10.370.
 - The "borrower" will be all of the individuals owning the corporation.
 - The corporation must be registered as an Alaskan corporation.
 - The corporation must guarantee the loan and sign appropriate loan documents.

STATE OF ALASKA DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT		P & P No. LB2	Page 1 of 6
POLICY AND PROCEDURES		Effective Date January 1, 2002	
SUBJECT Processing Commercial Fishing Loans and Prequalifications Under SECTION B of AS 16.10.310(a)(1)		Supersedes P & P No. LB 2	Dated July 30, 2000
		Approved By Greg Winegar, Director	
DIVISION Investments		SECTION Lending	

POLICY

Commercial fishing loans and prequalifications for the purchase of limited entry permits, vessels and gear, and for vessel upgrades may be considered and approved under certain conditions.

CONSIDERATIONS

1. Statutory and regulatory requirements (AS 16.10.300 - .370 and 3 AAC 80.010 - .900);
2. Past fishing experience;
3. Financial capacity for repayment of the loan;
4. Collateral offered to secure the loan;
5. Credit history;
6. Strengths added by addition of a guarantor (when applicable);
7. Application of various financial ratios (see Appendix A);
8. Access to vessel and gear
9. Availability of down payment; and
10. Whether an applicant has alternative sources of financing.

GUIDELINES

1. **Past due child support** includes payment plans for arrears even though current with those payments.
2. **Two-year residency:** use a 365-day year. See LB7
3. **Alternative sources of financing.** Turn down letters from private lenders are not required to satisfy 3 AAC 80.055 (b) if:
 - a. the majority of the applicant's assets are already securing loans made under AS 16.10.300-.370;
 - b. the applicant has little or no past credit history with other private lenders;
 - c. the applicant's past earnings are not sufficient to service existing debt and payments on the new debt being requested; and /or
 - d. there are other factors present in the application that make it unlikely that a private lender would approve a loan to the applicant.

If a turn-down letter is not required, the Loan Officer should address the reason in the loan committee write-up.
4. **Economic dependence on fishing:** Utilize two-year period when evaluating 25% income requirement. When interpreting the phrase "total gross income" as used in 3 AAC 80.035(d), the following should be utilized:

STATE OF ALASKA DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT		P & P No. LB2	Page 2 of 6
POLICY AND PROCEDURES		Effective Date January 1, 2002	
SUBJECT Processing Commercial Fishing Loans and Prequalifications Under SECTION B OF AS 16.10.310(a)(1)		Supersedes P & P No. LB2	Dated July 30, 2000
DIVISION Investments		Approved By Greg Winegar, Director SECTION Lending	

- a. **RENTAL INCOME** The net profit from rentals found on Schedule E of the federal income tax return should be used. If the property is owned jointly by the applicant and a spouse, the net profit can be divided by two. If this is a negative figure, the rental income should be considered as zero.
 - b. **BUSINESS INCOME:** The business gross income listed on line 5 of Schedule C of the federal income tax return should be used for fishing. Use the net plus depreciation for other business.
 - c.. **CAPITAL GAINS:** Capital gains from the sale of assets should NOT be considered as income.
 - d. **OTHER MISCELLANEOUS INCOME:** Income from welfare, permanent fund dividends, other dividends and interest, native dividends, disability payments, social security, gambling, workers compensation, unemployment or retirement should not be considered as income.
5. **Minors:** Applicants who are under 18 years of age may apply for loans if:
 - a. they meet all eligibility requirements;
 - b. a guarantor is provided;
 - c. the guarantor pledges separate collateral to fully secure the loan;
 - d. the asset being purchased is placed in the name of the applicant; and
 - e. the applicant and guarantor sign the appropriate loan documents.
 6. **Deferred interest account** balances (280) do not reduce loan limit eligibility on new loans.
 7. **Credit history:** a borrower should have:
 - a. no outstanding tax liens or unpaid collections or judgments;
 - b. no poor past payment record with State agencies;
 - c. no pending lawsuits that would adversely affect the borrower's ability to service the debt;
 - d. no past due credit accounts; and
 - e. no accounts that have been more than 60 days past due during the past year.
 8. **Down payment:** Borrower should demonstrate availability of down payment required to finalize the transaction. If part of the down payment is borrowed, the payment amount must be included in debt-to income calculations.
 9. **Debt-to-income ratio** should not exceed 65%.
 10. **Brokerage commission** can be included in the purchase price.

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11. Collateral

- a. Should not exceed: 80% on permits
75% on documented vessels
65% on AK vessels
65% on Quota Shares
85% on real estate
25% on gear
- b. A more conservative ratio should be utilized when:
- adding or financing permits that are declining in value
 - adding a vessel that is older than 10 years or is powered by a gasoline engine
 - part of the collateral involves a second lien position, especially if the lien that we will be subordinate to is a large dollar amount.
- c. When determining the amount, the loan officer should use cost or appraisal, whichever is less. If the loan involves the purchase of a limited entry permit, the most current values issued by the Commercial Fisheries Entry Commission (CFEC) should be utilized; other sources of information such as the time weighted report and sales data from brokerage houses may also be used.
- d. Valuations for vessels, skiffs, outboard motors, gear and equipment may be accepted from any qualified person not involved in the transaction.
- e. When using real estate as collateral, a borough tax assessment, current market appraisal or letter of opinion from a qualified individual is required to document the value of real property.

12. **Terms** of loan should be fixed in accordance with the collateral offered and the needs of the applicant.

13. **Guarantors** should be obtained when the loan needs additional strength. Guarantors, however, do not participate in the use of the loan proceeds and thus do not need to meet eligibility requirements and are not subject to the loan limits. The Promissory Note must indicate whether a signer is a co-borrower or guarantor. For the purpose of eligibility, a spouse is considered a guarantor. The guarantor must supply:

- a. an application page;
- b. a current financial statement;
- c. a copy of their most recent tax return; and
- d. additional collateral and documentation to verify the value of the collateral.

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14. **Co-borrower, co-signer and co-applicant** are synonymous for the purposes of eligibility. Co-borrowers assume full liability for the full value of the note and must meet the same eligibility requirements as the borrower.
15. **Gear** is defined to include nets, pots, trawls, long line skates, anchors, buoys, hooks, leads, corks, EPERBS, survival suits, rafts, gen-sets, knives, boots, and rain gear. Gear does not include galley supplies, fuel, insurance or other upkeep expenses, cash advances, airplane tickets, moorage or Coast Guard fees.
16. **Permit purchases**
- A borrower should have experience in either the gear type or area for which the loan is being made.
 - Vessel lease expense should not exceed 25% of projected gross income.
 - Permits and applicants must be cleared through the CFEC prior to the loan decision. Sellers and applicants must be checked for outstanding IRS liens that may adversely impact the collateral.
 - If a permit has already transferred to the applicant, obtain a copy of the transfer form and purchase agreement from CFEC.
 - Loans to purchase permits in areas where the fishery is closed can be made if the applicant intends to fish it when it opens.
17. **Prequalifications**
- More than one commitment can be issued to a borrower at the same time only if both permits can be fished during the same season.
 - The interest rate that is approved remains the same for the entire 60-day period, regardless of any interest rate changes during that period. The interest rate may be adjusted downward at the time of converting a prequalification to a new loan if the rate changed between the prequalification approval and the new loan submittal.
 - When converting a prequalification to a new loan, the loan amount may be increased if:
 - the borrower has a signed purchase agreement for a specific permit
 - the borrower requests an increase
 - the limited entry value has gone up, in which case the loan amount cannot exceed the approved loan-to-value ratio times the purchase price or appraised value, whichever is less.

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18. **Vessel purchases and upgrades**
- a. Vessel must be documented if it can be documented. Only U.S. citizens may own a documented vessel.
 - b. Items that may be included in financing as part of the cost of a vessel are:
 - origination fee
 - freight expenses
 - brokerage commissions if included in the purchase price
 - c. Items that may **not** be included in financing are:
 - marine survey fee
 - insurance premiums
 - inspection fees
 - d. For a vessel upgrade, if ADI has the first on the vessel, the first lien requirement can be met by co-equaling the loan. The note must include language that the lien placed on the vessel is of co-equal priority for both loans and that default on one constitutes default on both.
 - e. Applicants must have access to the fishery the vessel being purchased with loan proceeds will be used for as described in 3 AAC 80.055 (f). Possession of an Interim Use Permit may be used to satisfy this requirement.
 - f. In cases where the upgrade will be made to a vessel owned by a corporation the loan may only be approved under the following conditions:
 - All owners of the corporation must meet the eligibility requirements contained in AS 16.10.300 - 16.10.370.
 - The "borrower" will be all of the individuals owning the corporation.
 - The corporation must be registered as an Alaskan corporation.
 - The corporation must guarantee the loan and sign appropriate loan documents.
19. **Vessel upgrades to improve the quality of Alaska seafood products as authorized under AS 16.10.310(a)(1)(B).**
- a. Replacing or rebuilding an engine may qualify if the work is being done as a part of a vessel upgrade to improve the quality of Alaska seafood products.
 - b. Refrigeration, RSW, insulating fish hold, expanding fish hold, and slider reels do qualify. (See Appendix D for description of a slider reel.)
 - c. Second liens are allowed as long as the first lien requirement is met with other collateral.

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- d. Vessel must be documented if possible. Only U.S. citizens may own a documented vessel.
- e. If ADI has the first on the vessel, the first lien requirement can be met by co-equaling the loan. The note must include language that the lien placed on the vessel is of co-equal priority for both loans and that default on one constitutes default on both.
- f. In cases where a portion of the interim or construction loan was not used for eligible purposes, a loan may be made if 90% or more of the remaining balance was made for eligible purposes. If more than 10% of the remaining balance was used for a non-eligible purpose, a loan may only include that portion used for an eligible purpose.
- g. In cases where the upgrade will be made to a vessel owned by a corporation the loan may only be approved under the following conditions:
 - All owners of the corporation must meet the eligibility requirements contained in AS 16.10.300 - 16.10.370.
 - The "borrower" will be all of the individuals owning the corporation.
 - The corporation must be registered as an Alaskan corporation.
 - The corporation must guarantee the loan and sign appropriate loan documents.

Joint Legislative Salmon Industry Task Force

Legislative Members

Senator Ben Stevens, Chair
Representative Gary Stevens, Vice-Chair
Senator Kim Elton
Representative Bill Williams
Senator Alan Austerman, Alternate
Representative Drew Scalzi, Alternate



Public Members

Sue Aspejund
Sam Cotten
Duncan Fields
Don Giles
John Lowrance
Robin Samuelson
Gary Slaven
Stephanie Madsen, Alternate
Chris Moss, Alternate

SPONSOR STATEMENT

House Bill 105

"An Act relating to loans to satisfy past due federal tax obligations of commercial fishermen and to the commercial fishing loan program."

House Bill 105 will reenact a provision that was in effect in fiscal years 1995-1997 and 2001-2003. This provision allowed fishermen to obtain secured loans for Internal Revenue Service (IRS) debt retirement and was widely used during the time it was in effect.

The long-term crisis facing the Alaska salmon industry due to dramatic increases in world salmon production, coupled with the equally dramatic reductions in salmon prices, makes this provision all the more important. If Alaska fishermen are forced out of the water because creditors take their limited entry fishing privileges, everyone in Alaska loses.

The genesis of the original provision was prompted by actions of the IRS to seize limited entry permits that were in federal tax arrears. The IRS, through electronic means, was able to match fish tickets with their filing data base and they moved rapidly to seize limited entry permits whose holders were in arrears. This posed a significant problem for the state's and holders' interests.

The Division of Investments, Department of Community and Economic Development, in conjunction with the IRS, developed a very successful program called the "Tax Obligation Loan Program." The Tax Obligation Loan Program aimed at assisting commercial fishermen with their tax debt to the IRS. The success of this program can be measured. In FY 95-97, the Division of Investments issued 287 tax obligation loans. The program was established and in FY 2001-2003, 20 tax obligation loans were issued. This demonstrates the effectiveness of the program. The total number of loans issued in FY 1995-1997 and FY 2001-2003 is 307 and the average tax obligation loan is \$21,095.

If this measure were adopted, the Department of Community and Economic Development believes the number of applicants would be much smaller than in previous years. This prediction is due largely to the successes of the Tax Obligation Loan Program. In the past seven years, the program expanded from assisting 7 communities in 1996, to 56 communities in 2002.

Permit holders seeking a loan under the provision in House Bill 105 must have been a state resident for a continuous period of two years preceding application and a resident at the time of application. In addition, applicants must be current on their federal tax filings and have an agreement with the IRS for payment of past due taxes. Applicants must also have had a crewmember or commercial fishing license for the year immediately preceding the date of application and any other two of the past five years. They must have actively participated in the fishery during that period of time; not have occupational opportunities available other than commercial fishing because of lack of training or employment opportunities in the area where they live; or, be economically dependent on commercial fishing for a livelihood with commercial fishing having been a traditional way of life.

Another element of this measure is that it eliminates the one-half percent refinancing fee for debt refinanced by borrowers with state loans. These borrowers must meet the qualifications of the Division of Investments. This change was incorporated as a small means to assist fishermen who may want to take advantage of lower interest rates. The job of the Joint Legislative Salmon Industry Task Force is to seek means to alleviate, to the extent possible, some of the stresses affecting the commercial salmon industry. This change would provide some assistance.

The final provision of the measure is the elimination of the word "promptly" as it applies to the advertising and sale of repossessed permits. This provides some flexibility to the Department of Community and Economic Development and may prevent their having to sell a permit at a low price.

The Joint Legislative Salmon Industry Task Force seeks your support for this measure.

Joint Legislative Salmon Industry Task Force

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Senator Kim Elton
Representative Bill Williams
Senator Alan Austerman, Alternate
Representative Drew Scalzi, Alternate



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SECTIONAL ANALYSIS

House Bill 105

"An Act relating to loans to satisfy past due federal tax obligations of commercial fishermen and to the commercial fishing loan program."

Intent

To make available through the state's commercial fishing revolving loan fund the option of securing a loan to satisfy past due federal taxes; to eliminate the loan refinancing origination charge; and, to provide some latitude to the Division of Investments on the time frame for advertising and selling foreclosed permits.

Sectional Analysis

Section 1.

- Amends AS 16.10.310 to add a loan option to the commercial fishing revolving loan fund to satisfy past due federal tax obligations and delineates the requirements that must be met to receive a "tax" loan. *(Page 2, lines 27-31; Page 3, line 1)*
 1. The fisherman must be a state resident at the time of application and must also have been a state resident for a continuous period of two years immediately preceding the loan application date. *(Page 2, lines 27-30)*
 2. Applicants must be current on all their federal tax filings. *(Page 2, lines 3-31)*
 3. Applicants must have an agreement with the federal government for repayment of past due taxes. *(Page 2, line 31 - page 3, line 1)*