

ALASKA LEGISLATURE COMMITTEE FILES, 2003 2004

10962 HOUSE RESOURCES

245

- Applicants must either:
 1. 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; **and** (Page 3, lines 2-5)
 2. Have actively participated in the fishery during that period of time; **or** (Page 3, lines 5-6)
 3. Does not have occupational opportunities available other than commercial fishing because of lack of training or other employment opportunities; **or** (Page 3, lines 7-9)
 4. Is economically dependent on commercial fishing and commercial fishing has been a traditional way of life. (Page 3, lines 2-12)
 5. Eliminates the refinancing loan origination charge of one-half percent on loans that qualify for refinancing. (Page 4, lines 6-11)

Section 2.

- Amends AS 16.10.320(d) to allow a borrower to obtain a secured loan for \$30,000 to satisfy past due tax obligations and describes this loans relationship to other loans the borrower may have under this program. (Page 4, lines 22-25)

Section 3.

- Amends AS 16.10.337(b) by removing the word "promptly" to allow the Division of Investments more flexibility on advertising and selling foreclosed permits. (Page 4, line 31)
- This change would allow the Division of Investments the ability to secure a better price on repossessed permits.

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:

ufal@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) whom 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 Park and Chum • Groundfish Forum • Kaniak 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

Journal Text



03-12-2003
HB 105

House Journal

0509

The House Special Committee on Fisheries has considered:

HOUSE BILL NO. 105

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

03-12-2003

House Journal

0510

The report was signed by Representative Seaton, Chair, with the following individual recommendations:

Do pass (3): Kott, Wilson, Seaton

No recommendation (3): Berkowitz, Samuels, Guttenberg

The following fiscal note(s) apply:

1. Fiscal, Dept. of Community & Economic Development

HB 105 was referred to the Resources Committee.

Bill Root:

Display Bill Root



TO REPORT PROBLEMS WITH BASIS INQUIRY

LIVE KTOO STREAMS



Return to Basis Main Menu (23rd Legislature)

Return to Legislature Home Page

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
		Approved By <i>Greg Winegar</i> Greg Winegar, Director	
DIVISION Investments		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
DIVISION Investments		Approved By <i>Greg Winegar</i> Greg Winegar, Director 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 ratio: (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. LB 1	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
		Approved By Greg Winegar, Director	
DIVISION Investments		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. LB1	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 turndown 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	Date July 30, 2000
		Approved By Greg Winegar, Director	
DIVISION Investments		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.

STATE OF ALASKA DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT		P & P No. LB2	Page 3 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	

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.

STATE OF ALASKA DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT		P & P No. LB2	Page 4 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
DIVISION Investments		Approved By Greg Winegar, Director SECTION Lending	

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.

STATE OF ALASKA DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT		P & P No. LB2	Page 5 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
DIVISION Investments		SECTION Lending	
<p>18. Vessel purchases and upgrades</p> <p>a. Vessel must be documented if it can be documented. Only U.S. citizens may own a documented vessel.</p> <p>b. Items that may be included in financing as part of the cost of a vessel are:</p> <ul style="list-style-type: none"> • origination fee • freight expenses • brokerage commissions if included in the purchase price <p>c. Items that may not be included in financing are:</p> <ul style="list-style-type: none"> • marine survey fee • insurance premiums • inspection fees <p>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.</p> <p>e. Applicants must have access to the fishery if a 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.</p> <p>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:</p> <ul style="list-style-type: none"> • 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. <p>19. Vessel upgrades to improve the quality of Alaska seafood products as authorized under AS 16.10.310(a)(1)(B).</p> <p>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.</p> <p>b. Refrigeration, RSW, insulating fish hold, expanding fish hold, and slider reels do qualify. (See Appendix D for description of a slider reel.)</p> <p>c. Second liens are allowed as long as the first lien requirement is met with other collateral.</p>			

STATE OF ALASKA DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT		P & P No. LB2	Page 6 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	

- 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.

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: HB 105
 (H) Publish Date: 3/12/03

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
 Title Commercial Fishing Loans BRU Investments (122)
 Component Investments
 Sponsor Representative Stevens
 Requester House Special Committee on Fisheries Component No. 383

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 (21608)	(30.2)	(13.4)	(13.4)	(13.4)	(13.4)	(13.4)
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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
 Check 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)

Please see analysis continuation.

Prepared by: Greg Winegar, Director Phone 907-465-2625
 Division Investments Date/Time 3/10/03 3:00 PM
 Approved by: Edgar Blatchford, Commissioner Date 3/10/2003
 Agency Department of Community & Economic Development

FISCAL NOTE #1

**STATE OF ALASKA
2003 LEGISLATIVE SESSION**

BILL NO. HB 105

ANALYSIS CONTINUATION

This legislation allows Alaska harvesters to refinance existing Commercial Fishing Revolving Loan Fund (CFRLF) loans. Current law requires the Division to charge a one-half percent fee to refinance.

Section 1 of HB 105 removes the one-half percent refinancing fee and that will result in a reduction of income to the CFRLF. Interest rates are currently at record lows and as a result, the Division anticipates that the majority of borrowers eligible to refinance will do so prior to the effective date of this legislation. We expect approximately 180 refinancing applications in FY 04 and then approximately 80 applications per year thereafter. This will result in a reduction to the fund in FY 04 of \$30,150 and a reduction of \$13,400 each year thereafter through FY 09. These reductions were calculated as follows:

180 loans x \$33,500 (average loan size) = \$6,030,000 x .005 = \$30,150

80 loans x \$33,500 = \$2,680,000 x .005 = \$13,400

These calculations are based on interest rates remaining relatively flat or increasing gradually through FY 09.

VOLUNTEER TAX AND LOAN PROGRAM



2002 IN REVIEW



ALASKA BUSINESS
DEVELOPMENT
CENTER, INC



**ALASKA BUSINESS
DEVELOPMENT CENTER, INC.**

Volunteer Tax and Loan Program

Annual Report

Cover photos taken by Program participants:

- ❖ Background – view from the Uyak Bay Lodge, Larsen Bay, Kodiak Island
- ❖ Inserts left to right: student volunteer from Ithaca College, NY, trying on a Native dress in Akhiok
- ❖ Program team walking to the store in Toksook Bay, Western Alaska
- ❖ Ice sculptures in Fairbanks
- ❖ Dog race witnessed by Program team in Interior
- ❖ Program volunteer riding from airstrip to village with a local resident in Western Alaska

Executive Summary

The following publication is the annual report for the Volunteer Tax and Loan Program (VTLP), organized and conducted by the Alaska Business Development Center, Inc.(ABDC), based in Anchorage, Alaska.

ABDC 's Volunteer Tax and Loan Program is the only non-profit and non-governmental program in Alaska that travels to the remote communities of the state to provide income tax assistance to rural residents, free of charge to individuals. It has now operated for seven seasons, and has acquired a wide recognition among rural entities.

By bringing together volunteers and sponsors throughout the state, in 2002 alone ABDC's VTLP generated the following results:

- ◆ **Traveled to 56 rural communities in seven regions within Alaska**
- ◆ **Assisted 3,628 individuals – within two months of the tax season**
- ◆ **Prepared and filed 1,881 current tax returns – *all free of charge to individuals***
- ◆ **Filed 83% of all current returns electronically, to ensure faster turnover and increased accuracy**
- ◆ **Prepared 89 tax returns from previous years**
- ◆ **Generated \$1,820,538 in tax refunds to the rural residents**
- ◆ **Attracted 21 student volunteers and 9 Team Supervisors; from accounting professionals in Anchorage to faculty members from the University of Alaska in Anchorage and Juneau, as well as Ithaca College in New York**

This Program is built on volunteer work and community involvement. We are proud of all the relationships the Program has developed over the years. ABDC' VTLP is supported by local banks, CDQs (Community Development Quota groups), Native entities, local IRS representatives, and other community members. The Program collaborates with different branches of the University of Alaska to give the accounting students a unique chance to travel to "bush" Alaska and use the acquired knowledge to provide assistance to rural residents. Many of our student participants come back the following years to lead the new teams back to the villages.

The Program also relies greatly on involvement of local village representatives. In the past seven years the Program has developed a wide network of contacts among multiple communities of the state.

This publication reports on Program design, resources, and results generated during the 2002 tax season, as well as Program history and implementation.

Table of Contents

PROGRAM CONCEPT	2
PROGRAM HISTORY	3
2002 IN REVIEW	5
LOGISTICS	5
PERSONNEL	7
TRAINING	9
IN THE VILLAGES	11
PROGRAM RESULTS	12
INDIVIDUAL AREAS	15
Western	15
Yukon Delta	16
Kodiak Island	17
Bristol Bay	18
Southeast	19
Interior	20
Pribilofs	21
CONCLUSION	22

Program Concept

Alaska Business Development Center, Inc. (ABDC) is a non-profit corporation established in 1978 for the purpose of providing business-consulting assistance to commercial harvesters and small business participants in the Alaska Seafood Industry. ABDC focuses on entities facing financial obstacles and those seeking to improve their operations by offering expanded employment in the industry, especially projects that promote value-added processing or improve product quality. ABDC assists in the survival and development of Alaskan fisheries by providing qualified business consulting, loan package preparation, customized business-related workshops and seminars, as well as low-income tax assistance to its clientele. ABDC works closely with its clients, utilizing a hands-on approach in providing personalized consulting services.

When the Volunteer Tax and Loan Program concept was developed in 1996, ABDC took on the responsibility to manage the Program. ABDC raises money to cover Program expenses in the form of grants, donations, and in-kind contributions from local banks, charitable organizations, Native entities, CDQs, and other sources. The University of Alaska perceives the Program as the unique opportunity for senior-level accounting students to volunteer their services for the community benefit, while receiving priceless hands-on experience of working in "bush" Alaska. Different branches of the University of Alaska now offer its students three upper-division credits towards a bachelor degree in accounting to volunteer their time for the Program.

The Program goal is defined as bringing together entities from all over the state to provide free tax preparation and business consulting services to Alaskan rural residents who have limited access to such services, due to geographic location, as well as income limitations. The Program teams are composed of senior level accounting student volunteers supervised by tax professionals, such as University faculty, ABDC consultants, or independent professionals from different regions of the state. The teams travel to multiple rural communities in the state and stay in each village for several days to assist taxpayers who need help preparing and filing their income tax returns, while educating village residents of their rights and responsibilities in regards to the IRS.

From the very beginning, ABDC's Volunteer Tax and Loan Program (VTLP) was created differently from common Volunteer Income Tax Assistance (VITA) IRS sites. Instead of setting up VITA sites in town for people to come to, the Program travels directly to the rural communities, bringing professional tax assistance, as well as business consulting and loan packaging services, to residents that would otherwise have limited or no access to such services. To this date, the Program continues to be the only non-IRS group who travels directly to remote villages of the state to bring free tax services to low-income clients and individuals with limited English language proficiency.

Program History

In the early nineties, the Alaska Division of Investments established the Tax Obligation Loan Program. The Tax Obligation Loan Program aimed at assisting commercial fishermen with their tax debt to the IRS. Commercial fishing is one of the primary income sources for many state residents, especially in the rural coastal communities. In order to engage in the commercial fishing industry within the state, limited entry permits are required. Such permits have a certain market value, and could be seized as assets by the IRS for back taxes owed. In such event, the permit would then be sold to the public, opening the possibility of the permit not only leaving the rural community, but the state as a whole. With each limited entry permit owned by a non-Alaskan resident, another employment opportunity for Alaska rural residents would be lost, which is why the Tax Obligation Loan Program was initiated.

To qualify for the State tax loan program, an individual had to be current on tax filing. When Division officers started working on the new Program, they became aware of alarming levels of non-compliance in rural communities. Some residents had not filed for years, many of them lacked an understanding of tax issues and their responsibilities to the IRS. The problem was aggravated by the state's unique geographic characteristics: many villages are very remote, there is no road infrastructure, and transportation options from remote villages to central cities with professional tax services are very limited. In most cases, to have a tax return prepared an individual would have to fly to a city in central parts of the state, which can be costly.

Even though some individuals in rural communities prepare their own tax returns (mainly school teachers and city administration officials), many residents find tax instructions complicated and hard to follow. In many Alaskan Native communities, residents primarily use their tribal languages and have limited English language proficiency. A significant part of the rural population is considered low-income, and many people cannot afford paying for tax services.

To deal with this grave situation, in 1996 the Director of Alaska Division of Investments, Martin Richard; President of ABDC, Gary Selk; and Head of the Accounting Department of the University of Alaska (UAA), Robert Maloney developed a concept for a program that would bring *free* professional tax preparation and business consulting services to Alaska rural residents.

During the 1996 Pilot Project, ABDC's Volunteer Tax and Loan Program served a total of seven communities, preparing roughly 185 tax returns. The project was funded through the Alaska Division of Investments and the Coastal Villages Region Fund (Western area CDQ).¹ The Pilot Project met statewide support and showed an existing demand for such services among all Alaskan rural residents, no matter what occupation.

Since 1996 the Program has continued to grow. New regions have continuously requested to be assisted by the Program. In the past seven years, the Program went from assisting seven communities in 1996 to 56 communities in 2002. The chart on the opposite page shows the Program's growth since the year of its inception.

¹ Community Development Quota groups (total of six), established to enable rural residents to participate in the groundfish fishery off their shores in a way that would bring significant economic development to the Bering Sea region.

PROGRAM YEAR	STATE REGIONS SERVICED	VILLAGES VISITED	TAXPAYERS ASSISTED
1996	Western Bristol Bay	Kodiak Aleutians	7 185
1997	Western Bristol Bay Aleutians	Kodiak Southeast	11 409
1998	Western Bristol Bay Aleutians	Kodiak Southeast	17 683
1999	Western Bristol Bay Aleutians	Kodiak Southeast	19 1,081*
2000	Western Bristol Bay Aleutians	Kodiak Southeast Yukon Delta	24 2,200
2001	Western Bristol Bay Interior	Kodiak Southeast Yukon Delta	33 2,943
2002	Western Bristol Bay Interior Pribilofs	Kodiak Southeast Yukon Delta	56 3,628

*Starting in 1999, the Taxpayers Assisted category includes children who must have their annual Alaska Permanent Fund Dividends reported for tax purposes, and who would otherwise not have to file.

2002 In Review

LOGISTICS

The main focus of the Program is bringing its services to remote villages of "bush" Alaska. One of the unique characteristics of the state of Alaska is the lack of state-wide road system. During winter, most of the state can only be accessed by flying or riding a snowmachine across the tundra. This factor not only limits access to professional tax services for rural residents, it also presents a unique challenge to the Program teams.



Program team boarding a plane in Shageluk

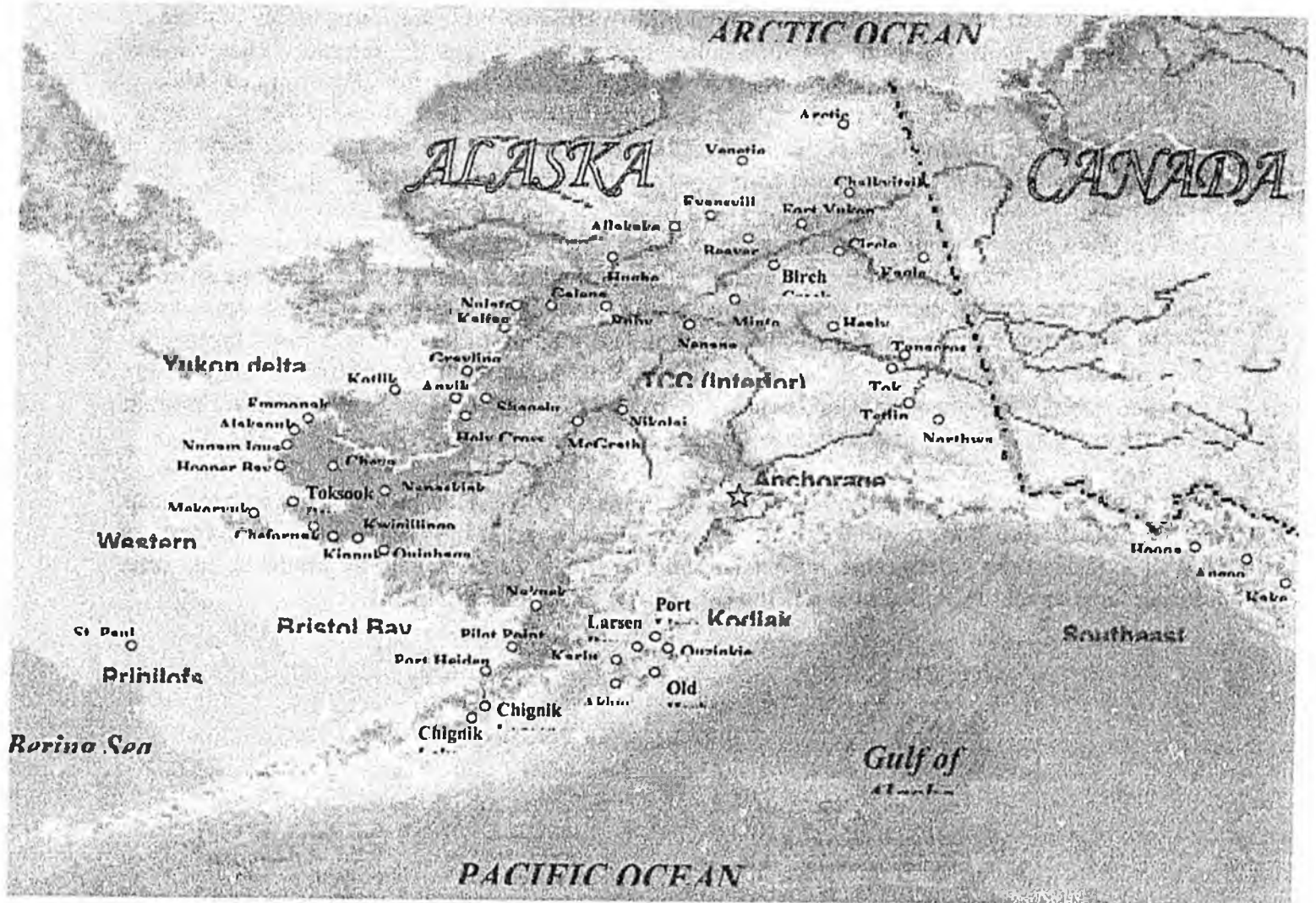
For all of its trips, the teams first take a jet flight to a hub town (Bethel, Juneau, Fairbanks, City of Kodiak, or King Salmon), where they switch to a smaller plane to get to a village. Very often those planes would be single-engine Cessnas or DeHavland six-sitters. These planes have weather limitations, which influences the Program schedule during frequent snow storms, as well as high winds typical for winter season in Alaska. In the Southeast area, the teams often take float planes to their final destination.

The cost of airfare for village flights presents a big challenge for the Program. For example, the regular roundtrip fare from Anchorage to St. Paul Island this winter was \$868 per person, costing the Program a total of \$3,472 for St. Paul airfare alone. The airfare cost of the village flights is the Program's largest expense. The Program usually request assistance from region CDQs or regional Native entities to cover this budget category.

Due to Program's the participants class schedules and other responsibilities, the teams are limited to travel during weekends or University Spring Break periods. On weekends, the teams leave early Friday morning, arriving in the village Friday afternoon, or later if changes occurred due to the weather. The teams usually leave the village on Sunday, arriving back home by the end of Sunday. Due to high cost of airfare, it is too costly to turn around due to weather problems and return to service the village the following weekend. Thus, there are no working hours set for Program teams – the objective is to assist all taxpayers in line before the flight back home. This season, several teams fell behind schedule due to weather delays and had to complete three days' work in a day or less when they finally got to the villages, working well into late hours of the night.

Another cost-saving strategy is grouping nearby villages into a single 10-day trip, which can be completed by a team during Spring Break periods, saving the airfare cost from the Anchorage to hub town. See the opposite page for a map of villages assisted by the Program in 2002.

Communities Assisted in 2002



PROGRAM PERSONNEL

The Program personnel consist of both year-round positions and seasonal positions. The Program is managed throughout the year by one of the ABDC's consultants, who is responsible for raising funds, promoting the Program, training the personnel, handling the logistics, and provide reports to different agencies. The Assistant Program Manager position is filled only during fall and spring university semesters,

During the tax season – mid-February through mid-April – the Program forms teams of three to five individuals to travel to rural communities to prepare income tax returns. These teams consist of senior level accounting student volunteers, mostly from the University of Alaska, accompanied by Team Supervisors. The Team Supervisors can be University faculty, ABDC representatives, or independent tax professionals. Team Supervisors manage team logistics in the field, as well as assist the students with more complicated tax returns.

The Program attracts student volunteers by offering them three credits towards their degree in accounting for participation of the Program. In order to complete the requirements, the students have to register for the elective course in accounting, and take either three weekend trips or one Spring Break trip for the Program. The selection and grading of student volunteers is done by the Professor of Record, assigned to the course by the Accounting Department. Most of the Program years, this position has been filled by Mr. Robert Maloney, one of the Program originators. Mr. Maloney also travels to villages as a Team Supervisor.

To provide additional informational support to the teams in the field, as well as to ensure access to any specific tax law knowledge they may need, the Program has an On-Call Tax Expert - a highly qualified, knowledgeable tax professional available to the teams by phone at any time during their travel. Provided below is the list of 2002 Program participants.



2002 Program Personnel

ABDC Staff

- Maria BuAhorina, Program Manager
- Janelle Thibart, Assistant Program Manager (Fall semester)
- Brenda Permore, Assistant Program Manager (Spring semester)

Tax Expert On-Call

- Leslie Schmitt, CPA

Itasca College, NY team

- Alan Cohen, Professor
- Matthew Micco, student volunteer
- Shannon Mustart, student volunteer

Team Supervisors

- Robert C. Maloney, Professor of Record, UAA
- Dave Aukerman, UAS
- P.J. Hill, UAA
- George Masek, UAS
- Carmen Frisby, prior year student
- Niki Little, prior year student
- Rebecca Bowen, prior year student

Student Volunteers

- Melissa Anderson, UAA
- Heather Bellis, UAA
- Jackie Blom, UAS
- Tamara Christou, UAA
- Melodie Jackson, UAA
- Andrea Johnstone, UAA
- Jesse Jones, UAS
- Margie Kaita, UAA
- Virginia Kiserick, UAA
- Sitthithanwongsa, UAA
- Svetlana Kirik, UAA
- Masim Mamontov, UAA
- Amanda Mason, UAS
- Monica Melon, UAA
- Chad Montgomery, UAA
- Jorge Perez-Garcia, UAA
- Pia Pennell, UAS
- Bill Schlegel, UAA
- Matthew Wood, UAS
- Nelkone Yarnat, UAA

In 2002, the Program hosted its first out-of-state team. During a professional conference in the previous year, the ABDC President Gary Selk and Program Manager Maria Bukhonina met with Professor Alan Cohen of Ithaca College, NY, who manages a VITA site for Ithaca College School of Business. Mr. Cohen showed interest in the Program, and suggested coming to Alaska during the tax season with a student team to provide assistance to the Program.

In March of 2002 the Ithaca College team arrived to Anchorage – Professor Alan Cohen, and student volunteers Matthew Misco and Shannon Mostert. They spent a day in Anchorage with ABDC staff training in Alaska-specific tax issues, such as claiming the Alaska Permanent Fund Dividend on income tax returns, filing Schedules C for commercial fishermen and other small business owners, as well as depreciation schedules for typical Alaskan assets.



ABDC President Gary Selk talking to NY team about his experiences in rural Alaska

Program Manager joined the New York team for a Spring Break trip to the Island of Kodiak, where the team assisted villages of Akhiok, Karluk, Larsen Bay, Old Harbor, Ouzinkie, and Port Lions. The team greatly enjoyed their trip to one of the spectacular regions of Alaska, where they had an opportunity to assist 196 taxpayers and prepare 116 returns.

The team also got a taste of real Alaska – beautiful and unpredictable. As the Program always encounters in Kodiak during the month of March, the trip schedule had to change on the spot several times due to heavy snow storms, which make flying conditions prohibiting for small planes, which are used to relocate around the Island. However, the New York participants enjoyed their adventure and promised to come back next year. The Program hopes to sustain and develop this relationship, as well as establish partnerships with other VITA sites from all over the country.

TRAINING

The University student volunteers are selected for participation in the Program based on several factors. The candidates are required to finish the personal income tax course with a high grade, as well as have good overall academic standing. After the students request to participate in the Program, the accounting faculty reviews the list and makes recommendations to the Program Manager.

Beside the accounting background, the Program considers personal characteristics, such as ability to work as a team, responsibility for their work, good customer skills, and love for adventure. The Program has developed a strong reputation in the state in the past seven seasons, and it places a great deal of emphasis on its level of customer service.



2002 UAA student volunteers with Program Manager (top row, first on the right), Assistant Program Manager (middle row, second on the left), and Professor of Record (bottom row, second on the right)

The candidates selected for participating in the Program first have to receive IRS VITA certification before being enrolled. After finalizing the list of participants, the Program provides both its student volunteers and team supervisors with special training. In 2002, the Program participants received about 25 hours of Program training.

The participants were trained in using the TaxWise software and preparing e-file returns for a current tax year, as well as other years using previous version of the software. A great deal of time was devoted to Alaska-specific issues and how to enter them into TaxWise correctly: claiming the PFD amounts for adults and children, filing for Alaska Native dividends, Schedule C for certain types of small businesses, filing status issues, etc. The training consisted of three theory and three practice sessions, along with some homework assignments. The Program used

real-life examples for its practice returns. Actual W-2s, 1099s, cannery statements, and other tax documents were sanitized of individual information to be used in training. The students were trained to recognize the hidden problems and to deal with them.

The student volunteers also had to pass the Program test upon completing the training. The test represented a comprehensive tax return to be prepared for a couple with multiple children, Alaska Permanent Fund dividends for some members of the family, both W-2 and 1099-Miscellaneous income, unemployment compensation from the state agency, small business income, etc. The final test return included most of the topics the teams would encounter in the field, and used copies of actual tax documents.

In 2002, the Program expanded the cultural portion of the training. Russian Orthodox priest, Father Michael Oleksa, was invited to speak with the UAA student volunteers. The Russian Orthodox Church is a prevailing religion in the Western parts of the state. Father Michael has lived and worked in different villages in Alaska most of his life and dealt with the Alaska Native population on a daily basis. Being married to an Alaska Native woman, Father Michael had an opportunity to closely explore gender and generation relationships within a Native family, as well as gain better understanding of many aspects of Alaska Native culture.

Father Michael talked to the UAA team about Alaska Native culture, its traditional values and centuries-old world perception, and how all that creates difficulties in cross-cultural communication. He talked to the students about linguistic differences, such as how the speech tempo and voice pitch used by non-Native individuals disagree with Alaska Native perception levels. He also explained how priorities differ between the two population groups, as well as how environment influences daily life of an Alaskan Native village resident. This part of the training was very unique and useful to the Program participants, and will be included in future years.

Throughout training sessions, emphasized to the Program participants was the Program priority – educating Alaska bush residents of their rights and responsibilities in regards to the IRS, as well as providing quality assistance to the taxpayers who would otherwise have no or limited access to income tax services. They are taught to be respectful and understanding, as it is a cornerstone of forming a trustful relationship with the clients.

One of the Program objectives is to bring out people who have fallen out of the system and are afraid to come back in. In the past seven years, the Program has brought many taxpayers back into compliance with the IRS, which shows the level of trust village residents have in the Program. Such trust is only gained after taxpayers realize that the Program teams are not IRS collection officers, and are there to help them.

IN THE VILLAGES



*Kallag team riding to the village
from the airstrip*

Upon landing at the village airstrip, the team is met by a local representative and transported to the village. Due to absence of paved roads in most of Western and Interior villages, the team is usually taken to a village in a wooden sled pulled by a snowmachine.

The teams usually work out of the village's Community Hall or Tribal Council office. Program teams bring with them laptops with TaxWise software, as well as printers. Upon completing a return, team participants print out a copy for the taxpayer, and then collect the taxpayers' signatures to accompany the electronic files they bring back to Anchorage. In Anchorage, the qualifying returns are filed electronically (e-filed) which increases return accuracy and provides faster turnover. In case of problems with SSN or other information, the Program contacts the taxpayer, corrects the return, and re-files it again.

While some villages are big enough to have a guest house or rooms for rent, most villages do not offer such services. In many cases, the teams are accommodated overnight in village schools or clinics. More often than not, teams bring along sleeping bags and other camping gear and sleep on the floor in school libraries or similar places. The meals are sometimes limited. Bigger villages have groceries stores that offer small selections of food and have limited working hours. Smaller villages sometimes do not have groceries stores, as their residents hunt and fish for food, and order other foods in bulk from Anchorage. Thus, the teams often bring their own food for the duration of the trip. This presents another logistic challenge – the small planes have weight limitations, yet team members have to bring their own camping gear, warm clothes, food, as well laptops and printers.



Tribal Council office in Venetie

The teams sometimes get weathered in the village. This means that the work is done, but the weather prohibits flying back to hub town to take a jet flight to Anchorage. At least once every season a team returns back to Anchorage late Monday night instead of Sunday, which causes team members to miss a day of work or school. However, the Program participants see all these factors as an interesting challenge, rather than an obstacle. Most people living in Alaska are familiar with the concept of "bush" travel, and appreciate the opportunity to experience rural Alaska in this unique way. Many of the Program teams go places in rural Alaska where they would never get to visit on their own.

PROGRAM RESULTS

The Program's results for tax year 2002 are provided on the following pages. The categories listed are *Returns Prepared*, *People Assisted*, *Multiple Years*, *Tax Owed*, *Refund Due*, and *Commercial Fisherman*.

Returns Prepared represents the actual number of returns that were prepared. This does not account for the number of family members on each return. For example, a joint return prepared for a couple with four children counts as one return.

The *People Assisted* category accounts for each individual assisted by the Program. For example, the return mentioned above would count as six people assisted. Each spouse on the return is counted as one person, as well as each child for whom their parents had to file Form 8814. As every Alaskan resident (with few exemptions) receives the annual Alaska Permanent Fund Dividend (PFD), there are two ways in which that amount can be reflected on income tax return. Residents over the age of fourteen simply add their PFD as other income on their returns. Parents of residents under the age of fourteen must include their children's income on their own return. To do so, they fill out form 8814, which taxes child's income at a lower rate. As children with PFD as their only income would otherwise not have to file, they are accounted by the Program as People Assisted.

The *Multiple Years* category represents tax returns prepared for years other than 2001. For different reasons, some residents do not submit their tax returns when due. Since the residents are now familiar with the Program and place their trust in Program staff, they use this opportunity to catch up on their filing. Returns prepared by the Program teams can go as far back as 1997.

The *Taxes Owed* and *Refund Due* columns are simply the amounts each village owes in taxes and expects to receive as refunds. The amounts of the Refund Due column are higher than Taxes Owed because most of the Program clientele are the low-income population and qualify for the Earned Income Tax Credit (EITC), which often constitutes the larger portion of the refund.

The Program also keeps track of *Commercial Fishermen* assisted. Commercial fishing is one of the primary income sources in many rural villages in Alaska. Being up-to-date on their filing is required for commercial fishermen to qualify for state loan funds, as well as allows them to keep their fishing permits from being seized for tax delinquency.

We are proud to report that due to increased participation in the villages and by adding new communities to the Program scope, the overall number of returns prepared in the year 2002 exceeds that of the year 2001 by 70%.

ABDC Volunteer Tax and Loan Program - 2002

Village Name	Returns Prepared	People Assisted	Multiple Years	Tax Owed	Refund Due	Commercial Fisherman Permit Holder	Crew
WESTERN							
Chevak	193	376	10	\$32,908	\$165,590	2	1
Hooper Bay	273	525	0	\$19,584	\$242,880	0	0
Kwigillingok	37	96	0	\$3,308	\$49,602	2	0
Mekoryuk	35	69	1	\$6,641	\$24,395	16	1
Napaskiak	73	170	3	\$8,429	\$79,273	8	0
Quinhagak	90	159	2	\$18,344	\$89,054	7	2
Toksook Bay	157	398	7	\$6,306	\$219,831	33	46
Kipnuk	37	87	7	\$3,661	\$28,791	2	2
Chefornak	33	79	0	\$1,911	\$44,065	0	0
TOTAL WESTERN	928	1,959	30	\$101,092	\$943,481	70	52
YUKON DELTA							
Alakanuk	85	201	3	\$3,229	\$130,393	3	0
Emmonak	62	125	3	\$4,537	\$77,546	0	0
Kotlik	36	87	0	\$1,052	\$29,327	1	2
Nunam Iqua	25	71	2	\$2,842	\$31,848	0	0
TOTAL YUKON	208	484	8	\$11,660	\$269,114	4	2
KODIAK							
Akhiok	17	28	3	\$584	\$20,105	0	1
Karluk	13	25	2	\$821	\$17,494	0	0
Larsen Bay	11	19	3	\$111	\$7,443	1	0
Old Harbor	40	67	1	\$16,316	\$37,705	0	4
Ouzinkie	20	30	0	\$845	\$38,028	0	1
Port Lions	15	27	1	\$6,919	\$13,732	0	5
TOTAL KODIAK	116	196	10	\$25,596	\$134,507	1	11
BRISTOL BAY							
Chignik Lagoon	10	15	0	\$7,888	\$3,596	2	6
Chignik Lake	15	22	0	\$1,866	\$15,316	0	1
Naknek	14	20	4	\$3,921	\$8,246	1	1
Pilot Point	12	25	0	\$5,610	\$11,744	2	3
Port Heiden	6	11	0	\$644	\$7,229	1	1
TOTAL BRISTOL BAY	57	93	4	\$19,929	\$46,131	6	12
SOUTHEAST							
Angoon	94	156	5	\$6,785	\$57,685	7	3
Hoonah	35	60	6	\$7,487	\$27,058	0	0
Kake	56	82	1	\$8,366	\$36,114	1	2
TOTAL SOUTHEAST	185	298	12	\$22,638	\$120,857	8	5

ABDC Volunteer Tax and Loan Program - 2002

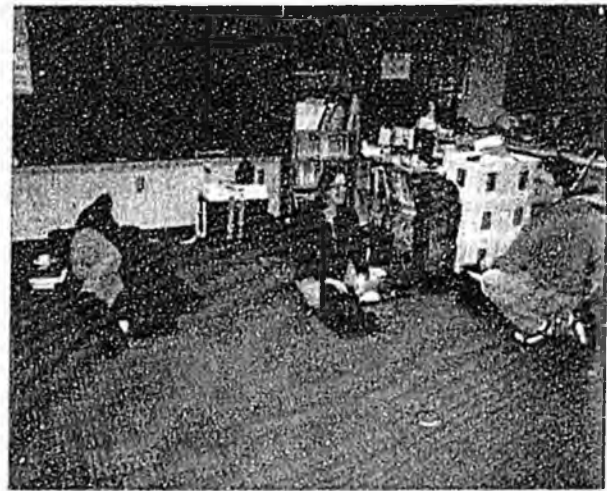
Village Name	Returns Prepared	People Assisted	Multiple Years	Tax Owed	Refund Due	Commercial Permit Holder	Fisherman Crew
TCC							
Allakaket	13	26	0	\$5,247	\$12,832	0	0
Anvik	7	15	2	\$2,889	\$6,236	0	0
Arctic Village	11	15	0	\$19	\$12,418	0	0
Beaver	20	28	2	\$10,106	\$14,045	0	0
Bettles	2	2	0	\$0	\$836	0	0
Birch Creek	7	8	1	\$1,784	\$1,015	0	0
Chalkyitsik	2	2	0	\$339	\$375	0	0
Circle	23	37	1	\$342	\$23,251	0	0
Eagle	16	35	0	\$941	\$12,209	0	0
Fort Yukon	13	22	0	\$2,753	\$13,113	0	0
Galena	26	32	0	\$3,888	\$16,073	0	1
Grayling	18	38	2	\$1,883	\$11,569	0	0
Healy Lake	1	1	0	\$0	\$452	0	0
Holy Cross	19	33	1	\$5,395	\$17,993	0	0
Hughes	18	25	0	\$3,620	\$16,399	0	0
Kaltag	13	20	0	\$243	\$8,489	0	0
McGrath	19	30	2	\$3,950	\$12,057	0	0
Minto	17	21	0	\$2,488	\$7,890	0	0
Nenana	7	10	0	\$1,700	\$11,298	0	0
Northway	5	9	4	\$268	\$3,377	0	0
Nikolai	2	2	0	\$0	\$525	0	0
Nulato	20	25	0	\$1,342	\$12,329	0	0
Ruby	11	16	0	\$1,171	\$10,230	0	0
Shageluk	24	41	0	\$1,620	\$19,290	0	0
Tanacross	4	6	0	\$121	\$1,903	0	0
Tetlin	4	5	0	\$0	\$3,407	0	0
Tok	2	2	0	\$503	\$0	0	0
Venetie	24	28	0	\$2,186	\$21,346	0	0
TOTAL TCC	348	534	15	\$54,798	\$270,957	0	1
PRIBILOFS							
St. Paul Island	43	64	10	\$5,385	\$35,491	0	4
TOTAL PRIBILOFS	43	64	10	\$5,385	\$35,491	0	4
TOTAL PROGRAM	1,881	3,628	89	\$241,098	\$1,820,538	0	94

INDIVIDUAL AREAS

Western. Western Alaska is where it all began. The Program first brought its services to residents of Western Alaska during the Pilot Project in 1996. The Program visited two villages in the area then, assisting over a hundred people. The Program proved to be so needed and helpful to area residents, it has been asked to return every year since then. It is also an area with very remote villages, where the closest tax preparation services are located in Bethel, hundreds of miles away.



Quinhagak team leaving the village



Chefornak team preparing for rest

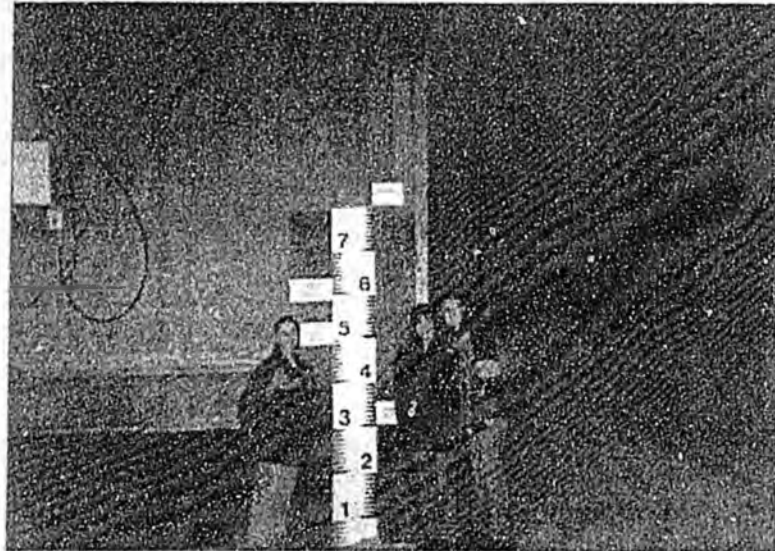
One of the reasons for the Program's success in the area is a major involvement by the area CDQ, Coastal Villages Region Fund (CVRF). This entity consistently helps the Program to cover the airfare cost to all seven communities in the region. The Program is working closely with CVRF representative, Mr. Moses Tulim in Chevak. Due to Mr. Tulim's efforts and participation, last year the Program had all accommodation costs in the area donated by local Tribal Councils and Native Villages.

Since the Program has provided services to this area for seven years now, local residents are now very familiar with the Program personnel on a first name basis. This makes it easier for delinquent individuals to trust the teams and bring their tax problems to the Program. A lot of local entities are also involved in bringing the Program to the area. The following is the complete list of local supporters.

COASTAL VILLAGES REGION FUND (CVRF)

- Chevak Traditional Council
- Chefornak Traditional Council
- Sea Lion Corporation
- Kipnuk Traditional Council
- Native Village of Kwigillingok
- Native Village of Kwinhagak
- City of Mekoryuk
- Napaskiak Tribal Council
- Napaskiak School
- Toksook Bay School

Yukon Delta. The Yukon Delta area joined the Program two years ago, due to interest shown by the area CDQ – Yukon Delta Fisheries Development Association (YDFDA). After YDFDA representative, Mr. Doug Redfox, had met with Program Manager at the annual Fish Expo in Seattle, the Association offered to provide support to the Program in the area. The Program assisted villages of Emmonak, Kotlik, and Alakanuk in 2000, and proved to be a very needed service. In 2001, a village of Nunam Iqua (former Sheldon Point) was added to the list. In 2002, the Program assisted all four of the villages.



Alakanuk team outside after a long day of work

Once again, the area CDQ plays the important role in Program's success in the area. The Association covers the airfare expenses associated with the travel to the area, and provides a network of contacts for the teams in each village, since many officials in the assisted communities are shareholders and employees of the Association. One of the most influential contacts in the area is Mr. Douglas Redfox, who has been continuously working with the Program on behalf of the Association. See the full list of local contributors below.

YUKON DELTA FISHERIES DEVELOPMENT ASSOCIATION (YDFDA)

- *Grant Aviation*
- *Alakanuk Native Corporation*
- *City of Alakanuk*
- *City of Emmonak*

- *Emmonak Native Corp.*
- *City of Kotlik*
- *Kotlik Native Corporation*
- *Native Village of Nunam Iqua*

Kodiak Island. The residents of Kodiak Island are very familiar with Alaska Business Development Center's staff due to multiple projects carried out by ABDC in the area. In 2002, the Island was assisted by a team from Ithaca College, NY.



Kodiak team at work in Port Lions



Approaching Akhiok, view from the plane

Kodiak Island is one of the areas where the Program schedule is greatly affected by ever-changing weather. Since the only transportation mode between the villages on the Island is by small planes, their flights are often re-scheduled due to difficult flying conditions. To be able to work around the weather and still service all the scheduled villages, the Program traditionally schedules a week-long trip to the Island during the University Spring Break period. This gives a team enough time to adjust the trip's schedule, if necessary, for the weather to change and a flight to the next village to become feasible.

The airfare from Anchorage to the City of Kodiak, as well as flights between villages, were covered by contribution from Kodiak Area Native Association, which has become the Program's largest partner in the area. Below is the complete list of local contributors in the area:

KODIAK AREA NATIVE ASSOCIATION (KANA)

- *Island Air*
- *City of Akhiok*
- *City of Karluk*
- *City of Larsen Bay*
- *City of Ouzinkie*
- *City of Port Lions*
- *Uyak Bay Lodge*
- *Old Harbor Native Corporation*

Bristol Bay. Bristol Bay is another area where ABDC's involvement expands beyond the Volunteer Tax and Loan Program. ABDC's Michelle Kern travels to the area on a regular basis to assist residents with various business projects, as well as a Team Supervisor during tax season. The Program has provided services to this area for seven years now, and many of its clients receive other kinds of assistance from ABDC staff. In 2002, the Program added a community of Naknek to the list its villages. Residents of nearby King Salmon were invited to come to Naknek to use Program's services, as well.



Program clients in Pilot Point



The beach view

Bristol Bay region also features notorious weather conditions. Based on previous experience with travel in this area, the Program makes a flexible schedule for assisting villages in Bristol Bay. These are combined into one Spring Break trip, where a team first travels by a jet from Anchorage to King Salmon. The order of trips and length of stay in each community is further decided based on weather conditions.

Bristol Bay residents are very involved with commercial fishing, which has been problematic in recent years. This makes area residents highly appreciate the Program's free tax services. In Bristol Bay, the Program is supported by many local entities, as well as the local CDQ, the Bristol Bay Economic Development Council. The Council covers airfare to some villages in the area. Due to many personal connections ABDC staff has made in the area over the years, and because area residents believe the Program provides a very valuable service, they frequently help the teams with their logistics and accommodations. Below is the list of local contributors in the Bristol Bay area.

BRISTOL BAY ECONOMIC DEVELOPMENT COUNCIL (BBEDC)

- *Chignik Lagoon Native Corporation*
- *Native Village of Chignik Lagoon*
- *Native Village of Chignik Lake*

- *City of Pilot Point*
- *Native Council of Port Heiden*
- *City of Naknek*

Southeast. The Southeast area of Alaska has been assisted by Program teams for the past six years. The Program recruits students and faculty from the Southeast branch of the University of Alaska in Juneau to travel to Southeast villages, to decrease the airfare cost. In 2002, all three of Southeast participating villages were assisted by UAS students. The UAS volunteers also participated in assisting multiple villages in the Interior area.



Program team working in Kake

The list of participating villages in Southeast keeps changing due to Program's impact in the area. After the Program showed substantial demand, two individuals in the community of Hydaburg are now offering tax preparation services to village residents. The Program can now change its schedule to include new villages with no professional tax preparation services available.

The Program is supported by Native Councils and City offices in every community in Southeast. However, the Program lacks support of large Native entities. In 2001, the Program received a one-time assistance with the airfare cost from the largest Native entity in the region – the Sealaska corporation. The Program did not receive similar support from the Corporation in 2002, but it's hoping to build this relationship in future years. The 2002 Program contributors in the area are listed below.

- *City of Angoon*
- *Chatnam School District*
- *City of Hoonah*

- *Huna Totem Corporation*
- *Kake Tribal Corporation*
- *Organized village of Kake*

Interior. In 2001, the Program expanded into a whole new area – Interior Alaska. The Program was approached by the area’s largest Native organization – Tanana Chiefs Conference (TCC). Most of TCC’s 38 villages are very small and remote, which makes professional tax assistance to be scarce, if available at all. The Program conducted its Pilot Project in the area in 2001, assisting a total of eight villages. The results showed a definite need of the Program services in the area, so the Program expanded significantly within the area in 2002.

In 2002, all 38 TCC villages were offered Program service, however only 28 communities requested and received Program services. The Program worked closely with Ms. Debra McCarter and Mr. Greg Dotzenko of the Tanana Chiefs Conference to coordinate the Program’s effort in the selected villages. The organization’s representatives in each community assisted with the team’s transportation within the villages, as well as setting up at the local offices.



Interior team on a Spring Break trip



Program volunteer catching up on her studies while on a flight to a village

One of the challenges for the Program in the area is the transportation. Since Program teams mostly travel on weekends, regularly scheduled flights often do not satisfy the Program’s schedule. For that reason, the Program in the area mostly uses charter flights which explains the high airfare expense in the area. However, the Program is completely supported by TCC – besides airfare, the entity offered to cover other Program expenses in the area. Such active participation in the Program by the area’s largest Native entity ensures the Program’s further development and success in the Interior Alaska.

TANANA CHIEFS CONFERENCE (TCC)

St. Paul Island. In 2002, the Program expanded into another new area of Alaska – Pribilofs, the Island of St. Paul. This is one of the most beautiful places in Alaska, a world-famous habitat of many species of sea life, as well as bird species. The Island of St. Paul encompasses slightly over 40 sq miles of land, and lies about 750 air miles from Anchorage. There are many commercial fishermen, both permit holders and crew members, living on the Island.

Due to its geographic location, the only means of transportation to and from the Island during winter is by plane. There is only one airline currently servicing the Island, and flights are sometimes limited to 3 times a week. In order to be able to assist the Island residents within Program scheduling limits, in 2002 the Program team had to travel to St. Paul Island on Saturday and stay through Monday.



*St. Paul team with local contact Debbie Lestenko.
(second from the right)*



St. Paul Russian Orthodox Church

The community of St. Paul was added to Program list after Aleut Community Tribal Government representative, Debbie Lestenkof, approached ABDC and requested the Program's assistance. The Program trip proved to be a success, with 64 people assisted and 43 returns prepared on the Island, including 10 past-due returns. The logistics of the Program trip to the Island were greatly facilitated by attention and efforts of Debbie Lestenkof and Faith Rukovishnikoff of the Tribal Government of Aleut Community of St. Paul Island.

In future years, the Program hopes to receive support from the area's CDQ – Central Bering Sea Fishermen's Association (CBSFA), especially in covering the airfare to the Island, which equaled a total of \$3,472 in year 2002. The 2002 Program contributors are listed below:

- *St. Paul Aleut Community Tribal Government*
- *Tanadgusix Corporation*

Conclusion

Year 2002 was another successful year for ABDC Volunteer Tax and Loan Program. In spite of logistical difficulties, the Program managed to expand again – by about 70% in returns prepared comparing to year 2001. Aside from adding 23 new villages, the Program assisted more taxpayers in villages serviced by the Program for several years now.

The Program expanded its staff by attracting its first volunteers from out of state – a team of three from Ithaca College, NY came to Alaska in mid-March to service six villages on Kodiak Island during their week-long stay in the state. The Ithaca College team helped the Program solve its staffing problem, while providing hands-on assistance to low income “bush” Alaskan residents, as well as experiencing the beauty and unpredictability of Alaska.

The Program staff is extremely proud of its results: increased awareness among Alaskan rural residents of their rights and responsibilities in regards to tax issues; amount of money returning to villages in the form of tax refunds; as well as number of University of Alaska graduates who will return next year to act as Team Supervisors to new teams, and hopefully join the Program’s volunteer staff for many years to come.

The Program is planning to expand even more – until all villages in Alaska are assisted with their tax problems one way or another. Every year, the Program continues to look for assistance of volunteer students, tax professionals, regional corporations, banks, granting organizations, tribal councils, and other entities to help realize the Program’s goals. The Program is also looking to establish collaboration with local legal firms to be able to provide pro bono legal representation in tax matters to low-income taxpayers.

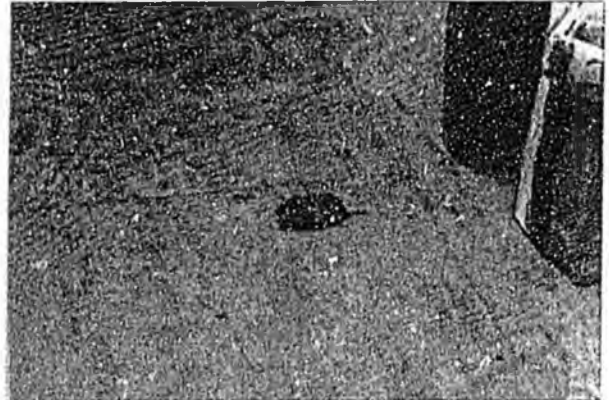
Please join the Program’s staff in our efforts, whether you would like to support the Program generally, contribute financially, volunteer your time, share your knowledge, or provide an in-kind donation.

The next tax season is approaching, and ABDC’s Volunteer Tax and Loan Program is preparing for another great year. The Program staff would like to congratulate all the partners and contributors with the success of the Program in 2002, and welcome them to join ABDC’s VTLP for its next season.

More pictures from the field...



Program volunteer (third in the back) with local kids in Western village



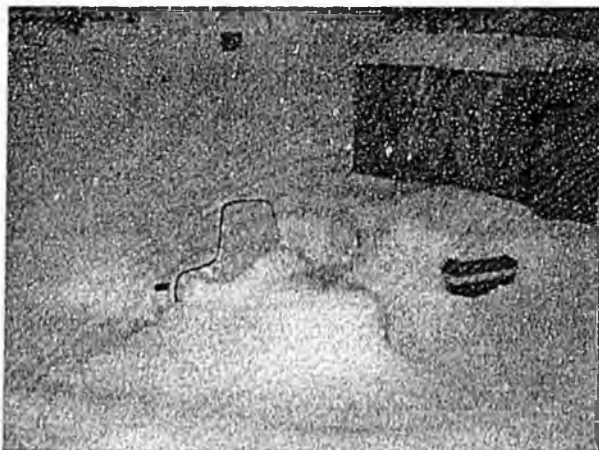
Team's roommate in Kipnuk



Pilot tying volunteer's luggage onto a plane's wing



Village delegation meeting team at the Kwigillingok airstrip



End of March in the village of Grayling



NY volunteer riding to Old Harbor airstrip in the back of the truck

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

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)*

- Applicants must either:
 1. 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; **and** (Page 3, lines 2-5)
 2. Have actively participated in the fishery during that period of time; **or** (Page 3, lines 5-6)
 3. Does not have occupational opportunities available other than commercial fishing because of lack of training or other employment opportunities; **or** (Page 3, lines 7-9)
 4. Is economically dependent on commercial fishing and commercial fishing has been a traditional way of life. (Page 3, lines 2-12)
 5. Eliminates the refinancing loan origination charge of one-half percent on loans that qualify for refinancing. (Page 4, lines 6-11)

Section 2.

- Amends AS 16.10.320(d) to allow a borrower to obtain a secured loan for \$30,000 to satisfy past due tax obligations and describes this loans relationship to other loans the borrower may have under this program. (Page 4, lines 22-25)

Section 3.

- Amends AS 16.10.337(b) by removing the word "promptly" to allow the Division of Investments more flexibility on advertising and selling foreclosed permits. (Page 4, line 31)
- This change would allow the Division of Investments the ability to secure a better price on repossessed permits.

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: HB 105
 (H) Publish Date: 3/12/03

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
 Title Commercial Fishing Loans BRU Investments (122)
 Component Investments
 Sponsor Representative Stevens
 Requester House Special Committee on Fisheries Component No. 383

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						
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CHANGE IN REVENUES (21608)	(30.2)	(13.4)	(13.4)	(13.4)	(13.4)	(13.4)
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FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
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
 Check 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)

Please see analysis continuation.

Prepared by: Greg Winegar, Director Phone 907-465-2625
 Division Investments Date/Time 3/10/03 3:00 PM
 Approved by: Edgar Blatchford, Commissioner Date 3/10/2003
 Agency Department of Community & Economic Development

FISCAL NOTE #1

STATE OF ALASKA
2003 LEGISLATIVE SESSION

BILL NO. HB 105

ANALYSIS CONTINUATION

This legislation allows Alaska harvesters to refinance existing Commercial Fishing Revolving Loan Fund (CFRLF) loans. Current law requires the Division to charge a one-half percent fee to refinance.

Section 1 of HB 105 removes the one-half percent refinancing fee and that will result in a reduction of income to the CFRLF. Interest rates are currently at record lows and as a result, the Division anticipates that the majority of borrowers eligible to refinance will do so prior to the effective date of this legislation. We expect approximately 180 refinancing applications in FY 04 and then approximately 80 applications per year thereafter. This will result in a reduction to the fund in FY 04 of \$30,150 and a reduction of \$13,400 each year thereafter through FY 09. These reductions were calculated as follows:

180 loans x \$33,500 (average loan size) = \$6,030,000 x .005 = \$30,150

80 loans x \$33,500 = \$2,680,000 x .005 = \$13,400

These calculations are based on interest rates remaining relatively flat or increasing gradually through FY 09.

HB

113

ALASKA STATE LEGISLATURE

Rep. Carl Gatto
Rep. David Guttenberg
Rep. Cheryll Heinze
Rep. Beth Kerttula
Rep. Bob Lynn
Rep. Kelly Wolf



State Capitol, Room 124
Juneau, AK 99801-1182

Chair

Rep. Hugh "Bud" Fate
(907) 465-2338 fax: 465-3883

Vice-Chair

Rep. Beverly Masek
(907) 465-2679 fax: 465-4822

House Resources Committee

MEMO

To: Committee Members

Fm: Staff

Date: March 11, 2003

Re: Committee Schedule for Resources

All meetings begin at 1:00pm in House Resources Committee, Room 124

Please bring your packets from Monday on HB 113.

+Wednesday, March 12, 2003

* HB 113- DISCHARGE PREVENTION & CONTINGENCY PLANS (PREVIOUSLY HEARD)

HB 78-UNIFIED PERMIT APPLICATION

HB 11-DEPOSITS TO THE PERMANENT FUND

Bills previously heard or scheduled

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February 18, 2003

The Honorable Pete Kott
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Kott:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill extending the renewal period for oil discharge prevention and contingency plans under AS 46.04.030 and 46.04.055 from three years to five years.

AS 46.04.030 requires that all operators of oil terminals, pipelines, exploration or production facilities, tank vessels, and oil barges have an approved oil discharge prevention and contingency plan in order to operate. AS 46.04.055 requires that operators of nontank vessels over 400 gross tons and railroad tank cars transporting oil also have an approved oil discharge prevention and contingency plan. Current law requires that these contingency plans be renewed every three years.

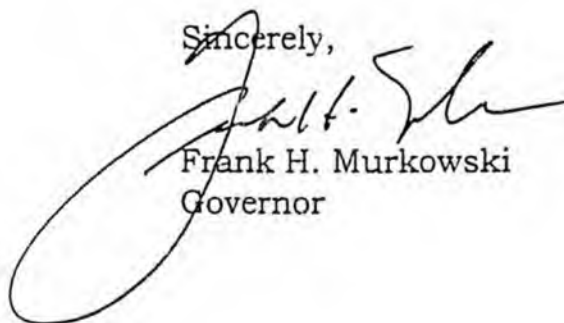
In contrast, federal oil spill response plans are reviewed and renewed every five years. However, there is no requirement that state contingency plans match the federal renewal cycle.

A five-year renewal period will streamline the review for both the state and industry, while maintaining Alaska's strong oil spill prevention and response standards. Focusing on the actual testing of oil spill prevention and response

readiness through in-the-field inspections, drills, and exercises is our most effective means of ensuring spill prevention and response readiness.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank H. Murkowski". The signature is stylized with a large, sweeping loop on the left side and a horizontal line extending to the right.

Frank H. Murkowski
Governor



RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

Tadd Owens, Executive Director
Resource Development Council
HB113 Testimony
House Oil & Gas Committee
February 27, 2003

Thank you, Mr. Chairman. For the record my name is Tadd Owens, executive director of the Resource Development Council. RDC is a private, non-profit, business association representing individuals and companies from Alaska's oil and gas, mining, timber, tourism and fisheries industries. Our mission is to help grow Alaska's economy through the responsible development of our state's natural resources.

RDC supports House Bill 113 and we encourage the Oil & Gas Committee to pass the legislation. HB113 makes a simple change to the renewal period for ADEC-required discharge and contingency plans, commonly referred to as C-Plans, from three to five years. C-plans are essential to spill response preparedness, however, the effort associated with the plan renewals is significant for both industry and the state. Based on our members' experiences, a three-year renewal cycle often does not result in meaningful improvements in environmental protection or regulatory compliance. Increasing the time between renewals from three to five years will bring the program's benefits in line with its costs.

A five-year renewal cycle will allow the state to focus its resources on site inspections rather than the office work associated with plan reviews. Currently, ADEC is responsible for more than 125 C-Plans in Alaska. Allowing agency staff

additional time in the field will provide them with a more thorough understanding of industry operations.

A five-year renewal period will give agency staff a better opportunity to determine the effectiveness of existing plans and to observe plan implementation prior to any incident. By utilizing this information and experience, subsequent plan renewals will have better oversight, incorporate more high-value improvements, and be less vulnerable to legal challenges.

Meanwhile industry will be able to shift its resources away from the largely administrative exercise of three-year renewals to additional prevention-specific activities. Improved networking and communication between industry and ADEC will further enhance the quality of plan renewals. Also, a five-year renewal cycle would mirror the federal requirement, allowing industry to consolidate its review process.

RDC's members believe that increasing the C-Plan renewal cycle from three to five years will result in a more thorough public process, the creation of more realistic and sophisticated plans, and establish a more efficient and predictable regulatory regime. HB113 deserves the committee's support.

Thank you, Mr. Chairman for the opportunity to testify this afternoon.

TESTIMONY OF
MARILYN CROCKETT
ALASKA OIL AND GAS ASSOCIATION
BEFORE
HOUSE SPECIAL COMMITTEE ON OIL AND GAS
RE: HB113
February 27, 2003

My name is Marilyn Crockett and I am Deputy Director of the Alaska Oil and Gas Association. AOGA is a trade association whose 17 member companies account for the majority of oil and gas exploration, development, production, transportation, refining and marketing activities in Alaska.

Every AOGA member conducting activities in Alaska is required to have an Oil Spill Prevention and Contingency Plan (or C-Plan) approved and in place. Therefore, AOGA has a significant interest in HB113, and we encourage the Committee to pass it.

AOGA spent a considerable amount of time over the past 12 months identifying permitting programs that were in need of updating and streamlining. Early on we adopted a guiding principle to guide us through this process. That principle reads: "accomplish updates and streamlining without compromising environmental protection or safety standards". HB113 fits perfectly within this principle.

The bill would extend the renewal cycle for C Plans from the current period of three years to five years—the cycle required by the federal government, west coast states, and other oil producing states we've studied.

Preparation and processing of a renewal application is expensive endeavor. Renewal costs can average between \$60,000 and \$100,000 for the renewal alone (legal challenges can increase these numbers by an additional \$200,000 to \$500,000).

The renewal process also is very time-intensive. Experience has shown that for some plans, even with submittals 180 days in advance of the expiration date, approvals still can average 360 days, essentially meaning that once a renewal is complete, work must begin on the next renewal.

It's important to recognize what purpose the C Plan serves. It is the "blueprint", if you will, describing how an operator will respond to an event. The proof of the effectiveness of the plan is not how often it is renewed; it's whether the response identified in the Plan can be delivered as promised. Demonstration of this effectiveness is accomplished through drills. It is in this area that we will see the biggest benefit of an extended renewal cycle by shifting the focus away from administrative processing to field performance.

It's also important to recognize that these Plans are evergreen documents. They are not simply placed on a shelf after approval to collect dust until the next renewal period. They are continually reviewed to ensure information is kept up-to-date and to ensure the Plan continues to reflect the current operation and state of readiness. ADEC regulations require that updates and amendments be submitted to the Department.

Finally, we understand the Administration will be proposing an amendment to HB113 providing a Transitional provision extending existing approved plans for two years or for a shorter period of time if requested by the plan holder. AOGA supports this amendment.

Thank you for allowing me to testify.

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Regional Citizens' Advisory Council / "Citizens promoting environmentally safe operation of the Alyeska terminal and associated tankers."

In Anchorage: 3709 Spenard Road / Anchorage, Alaska 99503 / (907) 277-7222 / FAX (907) 277-4523

In Valdez: P.O. Box 3089 / 339 Hazelet Avenue / Valdez, Alaska 99686 / (907) 835-5957 / FAX (907) 835-5926

February 26, 2003

MEMBERS

Alaska State
Chamber of
Commerce

Representative Vic Kohring
Chair, House Oil and Gas Committee
State Capitol, Room 24
Juneau, AK 99801-1182

Alaska Wilderness
Recreation & Tourism
Association

Subject: Opposition to House Bill 113 as Currently Drafted

Chugach Alaska
Corporation

Dear Representative Kohring:

City of Cordova

The Prince William Sound Regional Citizens' Advisory Council (PWSRCAC) is an independent non-profit corporation whose mission is to promote environmentally safe operation of the Valdez Marine Terminal and associated tankers. Our work is guided by the Oil Pollution Act of 1990, and our contract with Alyeska Pipeline Service Company. PWSRCAC's 18 member organizations are communities in the region affected by the 1989 Exxon Valdez oil spill, as well as commercial fishing, aquaculture, Native, recreation, tourism and environmental groups.

City of Homer

City of Kodiak

City of ...

City of ...

We have reviewed contingency plan (C-Plans) for the Valdez Marine Terminal and the Prince William Sound tanker trade for over a decade and speak from experience on this important issue.

City of Valdez

City of Whittier

We are opposed to House Bill 113 (HB113) as currently drafted. This bill would weaken Alaska's oil spill prevention and response capability by extending the C-Plans renewal cycle from a 3 to a 5-year period. While the stated purpose of HB113 is to align the State's 3-year renewal cycle with the federal 5-year renewal cycle for C-Plans, the actual benefit of this alignment is negligible.

Community of
Chugach Bay

Community of
Tatlinak

As written, HB113 would weaken Alaska's oil spill prevention and response capability in three ways:

Cordova District
Fishermen United

- 1) by extending the timeframe for updating and incorporating into the plan important "lessons learned" from drills and exercises;
- 2) by reducing the frequency of Best Available Technology analyses, which ensure that the best technology, equipment and/or procedures are utilized to prevent and respond to oil spills; and
- 3) by reducing the agency and planholder familiarization with the plan, which could result in complacency.

Kodiak Peninsula
Borough

Kodiak Island
Borough

La Jota Village Mayors
Association

Oil Spill Region
Environmental
Coalition

Since many of Alaska's oil spill planning requirements are more stringent than federal planning requirements, federal agencies (USCG, MMS, EPA) generally accept Alaska C-Plans as meeting federal requirements. Two separate plans are not required. Each planholder can submit one joint plan that meets both state and

Prince William Sound
Aquaculture
Corporation

federal requirements. There is currently no conflict between state and federal planning cycle requirements.¹ Hence the alignment this bill seeks to achieve has already been accomplished.

The sponsors of this bill may be unaware that HB113 actually introduces a discrepancy between state and federal oil spill programs. HB113 would misalign Alaska's C-Plan renewal cycle with the federal 3-year oil spill drill cycle. The federal National Preparedness for Response Exercise Program (NPREP) is set to a triennial cycle that requires a major oil spill equipment deployment drill once every three years to ensure that C-Plan personnel and equipment are fully tested. Many Alaskan C-Plan holders align their NPREP drills to coincide with Alaska's 3-year renewal cycle, so that improvements recommended from drills and exercises can be incorporated in their plan at renewal. Alignment between the State's C-Planning cycle and the federal drill program is important, since the state has not adopted any regulatory requirements for drills, and relies on the federal drill program to ensure the integrity of Alaska's oil spill response system.

While federal agencies are on a 5-year renewal cycle, they require that an annual review be conducted by the planholder and that the planholder submit amendments to keep the plan current². This annual review requirement forces the planholder to review their plan and make updates and improvements, such as may be identified from drills and exercises. The federal requirement ensures that the key plan elements are improved on a continuous basis and do not languish for a period of 5 years. Annual amendments are submitted for portions of the plan that require revision. The entire plan is submitted for renewal once every 5 years. Additionally, since the plan is maintained on an annual basis, major revisions are not typically required at the 5-year renewal cycle. If an annual update process were in place, there would be no incompatibility between the 3-year NPREP cycle and the 5-year cycle (with annual updates).

If Alaska seeks full alignment with the federal C-Plan review process, that alignment requires that Alaska not only adopt the 5-year renewal cycle, but also adopt the federal annual updating and amendment requirements.

In summary, we oppose the current version of HB113 for the following reasons:

1. HB113 is not consistent with Federal Oil Spill Planning or Drill Requirements
Retaining the 3-year C-Plan renewal cycle ensures consistency with the national oil spill exercise program, which is an important tool for ensuring that contingency plans are updated to reflect current innovations and lessons learned in a timely manner.
2. HB113 slows the implementation of Best Available Technology
Regular Best Available Technology (BAT) analyses are the cornerstone of the BAT regulations adopted by ADEC 1997 and agreed upon by citizens, industry

¹ USCG and MMS work collaboratively with the State of Alaska during Alaska's 3-year renewal cycle, and merely issue updated approval letters once every five years; an extensive plan update is not required, due to the stringency of Alaska's planning standards. EPA does not review and approve C-Plans, they only require a plan that meets federal requirements to be located at the facility. Annual plan amendments are also required by the federal agencies.

² 33CFR155.1070 United States Coast Guard, Oil or Hazardous Material Pollution Prevention Regulations for Vessels, Procedures for plan review, revision, amendment, and appeal.
Page 2 of 3

and government. Currently a BAT analysis for oil spill prevention and response is required at each plan renewal (every three years). The plan holder must adopt new equipment and/or procedures if the analysis determines that the existing technology utilized by the plan holder does not meet the BAT standards. Lengthening the 3-year renewal cycle without requiring an annual plan holder review, slows the process that ensures that BAT is being utilized to prevent and respond to oil spills.

More frequent BAT updates also provide incentives for Alaskan entrepreneurs and suppliers to develop and sell improved technology to the Alaska oil industry.

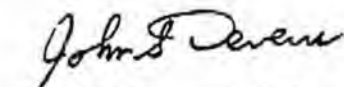
3. HB113 could lead to complacency and increased risks

Thirteen years after the Exxon Valdez Oil Spill (EVOS) tragedy we can look back and marvel at all we have accomplished together to improve Alaska's oil spill prevention and response capability. But we must not begin dismantling the very C-Plan laws that have prevented another major oil spill disaster without good reasons.

Retaining the 3-year C-Plan renewal cycle ensures that one of the greatest lessons learned from the EVOS is not repeated, that is, allowing regulators and industry to become complacent³.

We strongly oppose HB113 as drafted. Thank you for considering our views. Please contact me if you have any questions or if I can provide additional information on our position regarding HB113.

Sincerely,


John S. Devens, Ph.D.
Executive Director

Cc: Representative Mike Chenault
Representative Hugh "Bud" Fate
Representative Lesil McGuire
Representative Norman Rokeberg
Representative Harry Crawford
Representative Beth Kertua
Governor Frank Murkowski
Lt. Governor Loren Leman
Commissioner Ernesta Ballard, ADEC
Richard Ranger, Alyeska Pipeline
PWS RPG c/o Tom Colby, ATC
CDR Mark Swanson, US Coast Guard
Mike Munger, CIRCAC
PWSRCAC Member Organizations

³ "The Exxon Valdez Oil Spill, Final Report, State of Alaska", Alaska Department of Environmental Conservation, June 1993
Page 3 of 3

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: HB 113
 (H) Publish Date: 2/19/03

Revision Date/Time (Note if correction): _____ Dept. Affected: Environmental Conservation
 Title Cplan Renewal BRU Spill Prevention and Response
 Component Industry Preparedness &
 Sponsor Governor Murkowski Pipeline Operations
 Requester Resources Component No. 1922

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	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

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

Estimate of any current year (FY2003) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time	0	0	0	0	0	0
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)
 This bill changes the time between oil spill contingency plan approvals from the current three years to five years. Plans are required of operators of oil terminals, pipelines, exploration and production facilities, oil tank vessels, nontank vessels, oil barges, and railroad tank cars.

 This bill furthers the goal of permit streamlining and complements initiatives currently being undertaken by DEC to shift emphasis away from the administrative review and approval process, which can often become bogged down in legal and adjudicatory challenges from third parties, to actual inspection and verification of response capability, which falls under the purview of DEC's enforcement authority.

Continued on Page 2

Prepared by: Larry Dietrick, Director Phone 465-5250
 Division Spill Prevention and Response Date/Time 2/11/03 4:49 PM
 Approved by: Kurt Fredriksson Date 2/11/2003
 Agency Department of Environmental Conservation

FISCAL NOTE #1

STATE OF ALASKA
2003 LEGISLATIVE SESSION

BILL NO. HB 113

ANALYSIS CONTINUATION

Continuation from Page 1

The application, review and approval process for oil spill prevention and contingency plans has become unnecessarily burdensome to applicants and DEC. The ability to prevent and respond to spills will be improved by increasing the capacity to conduct on-site regulated facility and vessel inspections, spill drills and exercises, technical assistance, and interaction with regulated operators to enhance response preparedness.

The bill supports the Governor's goal of fostering clarity and certainty through clear and consistently applied industry requirements and providing a stable and predictable permitting process.

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: CSHB 113(O&G)
 (H) Publish Date: 3/3/03

Revision Date/Time (Note if correction): _____ Dept. Affected: Law
 Title "An Act extending the renewal period for oil BRU Civil Division
discharge and contingency plans; . . ." Component Environmental Law
 Sponsor Rules Committee by Request of the Governor
 Requester House Special Committee on Oil and Gas Component No. 2092

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						
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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

Check 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 extends the renewal period for oil discharge prevention and contingency plans (c-plans) from three to five years. Passage of this legislation is not anticipated to have a fiscal impact on the Department of Law. The department currently spends considerable time defending and advising the Department of Environmental Conservation on c-plan adjudications and appeals. The number and complexity of these challenges has steadily increased over time. The overall increase in the number and size of these challenges has been driven by the agendas of third-party litigants and the expanding availability of funding for these litigants. Extending the c-plan renewal cycle may reduce the rate of growth of this workload, but passage of this legislation may not result in an overall reduction of workload for the department in the area of c-plan adjudications and litigation.

Prepared by: Joan M. Kasson
 Division: Attorney General's Office
 Approved by: Kathryn Daughhete for Gregg D. Renkes, Attorney General
 Agency: Department of Law

Phone (907) 465-5370
 Date/Time 2/26/03 4:36 PM
 Date 2/26/2003



RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

Tadd Owens, Executive Director
Resource Development Council
HB113 Testimony
House Resources Committee
March 12, 2003

Thank you, Mr. Chairman. For the record my name is Tadd Owens, I'm the executive director of the Resource Development Council. RDC is a private, non-profit, business association representing individuals and companies from Alaska's oil and gas, mining, timber, tourism and fisheries industries. Our mission is to help grow Alaska's economy through the responsible development of our state's natural resources.

RDC supports the CS for House Bill 113 and we encourage the Resources Committee to move the legislation forward. HB113 makes a simple change to the renewal period for ADEC-required discharge and contingency plans, commonly referred to as C-Plans, from three to five years. C-plans are essential to spill response preparedness, however, the effort associated with the plan renewals is significant for both industry and the state. Based on our members' experiences, a three-year renewal cycle often does not result in meaningful improvements in environmental protection or regulatory compliance. Increasing the time between renewals from three to five years will bring the program's benefits in line with its costs.

A five-year renewal cycle will allow the state to focus its resources on site inspections rather than the office work associated with plan reviews. Currently, ADEC is responsible for more than 125 C-Plans in Alaska. Allowing agency staff

additional time in the field will provide them with a more thorough understanding of industry operations.

A five-year renewal period will also give agency staff a better opportunity to determine the effectiveness of existing plans and to observe plan implementation prior to any incident. By utilizing this information and experience, subsequent plan renewals will have better oversight, incorporate more high-value improvements, and be less vulnerable to legal challenges.

Meanwhile industry will be able to shift its resources away from the largely administrative exercise of three-year renewals to additional prevention-specific activities. Improved networking and communication between industry and ADEC will further enhance the quality of plan renewals. Also, a five-year renewal cycle would mirror the federal requirement, allowing industry the option of consolidating its review process.

Lastly, it is important to note that this bill does not affect the federal requirement for a three-year spill drill, nor does this legislation change the annual federal review requirements. Also this legislation does not change the requirement of C-Plan holders to submit plan amendments to DEC for approval whenever a change to the plan is made.

RDC's members believe that increasing the C-Plan renewal cycle from three to five-years will result in a more thorough public process, the creation of more realistic and sophisticated plans, and establish a more efficient and predictable regulatory regime. HB113 deserves the committee's support.

Thank you, Mr. Chairman for the opportunity to testify this afternoon.

House Oil and Gas Special Committee

House Bill 113

"An Act extending the renewal period for oil discharge prevention and contingency plans"

Testimony of Larry Dietrick

*Alaska Department of Environmental Conservation
Division of Spill Prevention and Response*

February 27, 2003

This bill supports the Governor's goal of improving regulatory efficiency by reducing the administrative burden while improving spill prevention, preparedness and protection of the environment.

House Bill 113 will streamline the states permitting process by lengthening the time for renewal of Oil Discharge Prevention and Contingency Plans from the current three years to five years.

A five year-year renewal period will streamline the contingency review process for industry while maintaining Alaska's strong spill prevention and response standards.

Focusing on the actual testing of oil spill prevention and response preparedness through in-the-field inspections, drills, and exercises is our most effective means of ensuring spill prevention and response readiness and protection of the environment.

Oil Discharge Prevention and Contingency Plans are public noticed, reviewed and approved by the Department of Environmental Conservation.

Oil Discharge Prevention and Contingency Plans are required for operators of oil terminals, refineries, crude oil transmission pipelines, oil exploration and production facilities, oil tank vessels, oil barges, nontank vessels of over 400 gross tons, and railroad tank cars.

There are multiple benefits from the change proposed by the bill.

The bill furthers the goal of permit streamlining with no loss of environmental protection, and complements initiatives currently being undertaken by the Department to shift the emphasis away from the administrative review and approval process to field verification of response capability.

The bill will significantly reduce the administrative burden on the regulated community and will shift the emphasis from paperwork to performance.

The reduction in paperwork will increase the ability of operators and the Department to focus on spill prevention and facility operation.

The change will allow operators more time to make practical enhancements to their spill prevention and response capabilities.

The change will improve environmental protection and preparedness through increased field presence and the ability to work directly with operators to ensure response readiness through on-site facility and vessel inspections, spill drills and exercises.

The change will make the state renewal cycle consistent with the five year renewal cycle for federal oil spill contingency plans required under the Oil Pollution Act of 1990, as well as those of other West Coast states.

House Resources

House Bill 113

"An Act extending the renewal period for oil discharge prevention and contingency plans"

Testimony of Larry Dietrick

*Alaska Department of Environmental Conservation
Division of Spill Prevention and Response*

March 10, 2003

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HB

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Alaska Minerals Commission FACT SHEET

- The Alaska Minerals Commission was established in 1986 to make recommendations to the Governor and the Legislature on ways to mitigate constraints on the development of minerals in Alaska¹.
- The Alaska Minerals Commission makes recommendations on various issues, including permitting, environmental regulation, infrastructure, access, navigable waters, land transfers, mapping, education, research and federal issues of state concern².
- The Alaska Minerals Commission will expire on February 1, 2004³.
- The Alaska Minerals Commission has been extended 3 times:
 - The original term was 3 years (1986-1989).
 - In 1988 for 5 years (1989-1994)⁴.
 - In 1993 for 5 years (1994-1999)⁵.
 - In 1998 for 5 years (1999-2004)⁶.
- Since 1986, many of the recommendations made by the Alaska Minerals Commission have been implemented⁷.
- The Alaska Minerals Commission's estimated annual cost of \$9,500⁸ is a small investment considering that the industry paid \$16.8 million to the state and municipalities in 2001⁹.

¹ AS 44.33.431, Chapter 98 SLA 86

² *Report of the 2003 Alaska Minerals Commission*, <http://www.dced.state.ak.us/cbd/minerals/pub/web03.pdf>

³ Chapter 98 SLA 86 as amended by Chapter 12 SLA 98

⁴ Chapter 71 SLA 88

⁵ Chapter 4 SLA 93

⁶ Chapter 12 SLA 98

⁷ *Report of the 2003 Alaska Minerals Commission*, Appendix D, pp. 19-20

⁸ Fiscal Note, DCED

⁹ *Alaska's Mineral Industry 2001*, p. 35, http://www.dced.state.ak.us/cbd/minerals/pub/AK_Mineral_Industry_2001.pdf

Alaska Department of Community and Economic Development

Office of the Commissioner

P.O. Box 110800, Juneau, AK 99811-0800

Telephone: (907) 465-2500 • Fax: (907) 465-5442 • Text Telephone: (907) 465-5437

Email: questions@dced.state.ak.us • Website: www.dced.state.ak.us/

28 February 2003

The Honorable Beth Kerttula
Alaska House of Representatives
State Capitol, Room 430
Juneau, AK 99801-1182

Dear Representative Kerttula:

In 1986, the Legislature established the Alaska Minerals Commission (AMC). The Commission recommends to the Governor and Legislature ways to mitigate constraints, including governmental constraints, on the development of minerals.

The Governor, President of the Senate, and Speaker of the House appoint AMC members. Current membership is representative of placer, hard rock and coal mining industries from diverse areas of the state. Each year since 1987, the Commission has held public meetings in Fairbanks and Anchorage to develop recommendations put forth in an annual report.

Recommendations from the Commission have ranged from those that come from family-owned placer mines, to recommendations impacting international mining operations. A sampling of successful Commission recommendations include:

- Changes in the Water Quality Standards
- Funding of Airborne Geophysical Surveys
- Accelerated Transfer of State Selected Lands
- Exemption of Minerals from In-Place Taxation
- Changes to the Alaska Mineral Policy Act (more flexible work hours for underground miners)
- Changes to the Exploration Incentives Act

Significant constraints remain to be addressed in order for Alaska's mining industry to reach its growth potential. The AMC has demonstrated itself to be an effective body in making positive changes to support on-going mineral development in Alaska. Such actions are consistent with the Murkowski Administration's promise to work toward opening up new areas to mining through providing access to major mining projects, reducing permitting time, lowering development costs, and encouraging value-added processing of minerals.

Thank you for sponsoring legislation to reauthorize the Alaska Minerals Commission. We look forward to continuing our partnership with the Alaska Minerals Commission.

Sincerely,


Edgar Blatchford,

Commissioner

Department of Community & Economic Development

"Promoting a healthy economy and s



Representative Beth Kerttula

Alaska State Legislature, District 3
State Capitol • Juneau, Alaska 99801-1182 • (907) 465-4766 • Fax (907) 465-4748
E-mail: Representative_Beth_Kerttula@legis.state.ak.us • <http://www.kerttula.net>

Sponsor Statement

House Bill 115 Alaska Minerals Commission

The Alaska Minerals Commission was established by the Alaska State Legislature in 1986 to make recommendations to the Governor and the Legislature on ways to mitigate constraints on the development of minerals in Alaska. Since that time, several of the Commission's recommendations have been implemented to the benefit of the minerals industry and the state. Some recommendations that have been implemented are the passage of the Exploration Incentives Act in 1995, providing for more flexible work hours for miners in 1996, and funding for updated equipment in the Records Offices in 1998.

The Alaska Minerals Commission is set to expire on February 1, 2004. House Bill 115 will extend the Alaska Minerals Commission until February 1, 2014.

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ALASKA MINERS ASSOCIATION, INC.

3105 Arctic Blvd., #202, Anchorage, Alaska 98503 • (907) 563-9229 • FAX (907) 563-9225 • www.alaskaminers.org

February 28, 2003

Honorable Hugh Fate
Chairman
House Resources Committee
Capitol Building
Juneau, AK 99801

RE: HB-115, Extending Alaska Minerals Commission

Dear Representative Fate,

I am writing in support of House Bill 115 which will extend the Alaska Minerals Commission thru the year 2014. The Minerals Commission has provided an excellent venue for identifying and communicating the needs of the mineral industry. Over the years since the Commission was established, numerous recommendations made by the Commission have been acted upon and have become state law or policy.

We urge that the Alaska Minerals Commission be extended.

Sincerely,

Steven C. Borell, P.E.
Executive Director

cc: Honorable Beth Kerttula

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 115
 () Publish Date: _____

Revision Date/Tirne (Note if correction): _____
 Title Extend Alaska Minerals Commission
 Sponsor Representative Kerttula
 Requester House Resources

Dept. Affected: DCED
 BRU Community Assist & Econ. Dev. (405)
 Component Community & Business Development
 Component No. 2486

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	8.0	8.0	8.0	8.0	8.0	8.0
Contractual	1.5	1.5	1.5	1.5	1.5	1.5
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	9.5	9.5	9.5	9.5	9.5	9.5

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	9.5	9.5	9.5	9.5	9.5	9.5
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	9.5	9.5	9.5	9.5	9.5	9.5

Estimate of any current year (FY2003) cost: 9.5

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 legislation would extend the existing Alaska Minerals Commission for an additional 10 years. Costs are expected to continue at current levels, \$9,500 per year. These costs consist of travel by Commission members to attend Commission meetings (\$8,000) and publication of the statutorily required annual Minerals Commission Report (\$1,500).

Prepared by: Gene Kane, Acting Director
 Division: Community & Business Development
 Approved by: Edgar Blatchford, Commissioner
 Agency: Department of Community & Economic Development

Phone 907-269-4580
 Date/Time 2/27/03 3:15 PM
 Date 2/27/2003

REPORT OF THE 2003

Alaska Minerals Commission

An aerial photograph of a large-scale industrial mining operation. The site is situated in a valley between steep, rocky mountains. Numerous large, white, dome-shaped structures, likely storage tanks or processing units, are scattered across the site. A network of roads and tracks crisscrosses the area, connecting various pieces of heavy machinery and infrastructure. The surrounding terrain is rugged and appears to be a high-altitude or arctic environment. The sky is overcast, and the overall scene conveys a sense of intense industrial activity in a remote, natural setting.

The Alaska Minerals Commission was created by the 14th Legislature and signed into law on June 5, 1986. The enabling legislation instructs the Commission to make recommendations to the Governor and Legislature on ways to mitigate constraints, including governmental constraints, of the

ALASKA MINERALS COMMISSION

JANUARY 2003

MEMBERS

Chairman	Irene Anderson	Sitnasuak Native Corporation P.O. Box 905, Nome, Alaska, 99762 Phone (907) 443-4023, Fax (907) 443-3063 E-mail ianderson@snc.org
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FOREWORD

The Alaska Minerals Commission again wishes to thank the Governor and the Legislature for implementing some of our recommendations during 2002. Highlights include substantial positive proposed changes in the Water Quality Standards, funding to study assumption of water quality primacy, continued funding of geophysical surveys and AMEREF, and accelerated transfer of State-selected lands. Partly as a result of the responsive actions of the Governor and the Legislature over the last few years, mining development opportunities are improving in Alaska as demonstrated by the recent growth in the industry.

However, there are still significant obstacles to overcome for Alaska to reach its growth potential and to gain a reputation as a predictable and favorable place to do business.

The Alaska Minerals Commission was created by the 14th Legislature and signed into law on June 6, 1986. The enabling legislation instructs the Commission to make recommendations to the Governor and Legislature on ways to mitigate constraints, including governmental constraints, on the development of minerals, including coal, in the state.

The Commission has presented reports to the Governor and Legislature annually since January 1987, and is authorized to do so until January 2004. Commission members are appointed by the Governor, the President of the Senate, and the Speaker of the House. The current members are representatives of placer, hard rock, and coal mining industries and come from diverse areas of the state.

During 2002, the Commission held meetings in Fairbanks and Anchorage. The recommendations in this report are the result of input at these meetings. All Commission meetings are open to the public, and members encourage comments from all interested parties at any time.

Following the list of recommendations in the executive summary, this report contains background information, or "findings", on each issue, followed by the related recommendation. These have been separated into Part A, which deals with issues mainly of State concern, and Part B that includes federal issues affecting the State that can be influenced by State participation.

On behalf of the members of the Commission, I would like to express our appreciation to those members of the public, the Alaska Miners Association, the Resource Development Council, and the many government agencies and private organizations that contributed to the preparation of the report. The Commission wishes to thank Commissioner Deborah B. Sedwick of the Department of Community and Economic Development and Dick Swainbank and Frankie Pillifant of the Division of Community & Business Development who have provided excellent administrative and professional support to the Commission.

Irene Anderson, Chair

**ALASKA MINERALS COMMISSION
2003 REPORT TO THE GOVERNOR
AND ALASKA STATE LEGISLATURE**

TABLE OF CONTENTS

(www.dced.state.ak.us/cbd/minerals/mining.htm)

EXECUTIVE SUMMARY	vii
FINDINGS AND RECOMMENDATIONS	1
PART A: ISSUES REQUIRING STATE ACTION	1
1) REGULATORY REFORM	1
1a Litigation Reform	1
1b Permit Efficiency	2
1c Water Quality Standards	3
1d Mixing Zones	4
1e Alaska's Clean Water Actions	4
2) ACCESS & INFRASTRUCTURE	5
2a Roads to Resources	5
2b Restricting Use of Mining Airstrips	6
2c Power Supplies	6
3) STATE'S RIGHTS ISSUES	7
3a RS 2477	7
3b Navigability	7
3c Expedited Land Transfers	8
4) DATA ACQUISITION	8
4a Geophysical & Geological Mapping	8
4b Baseline Data	9
5) REGIONAL ECONOMIC DEVELOPMENT	10
6) EDUCATION AND RESEARCH	11
6a AMEREF	11
6b School of Mineral Engineering	11
7) EXTENDING THE LIFE OF THE COMMISSION	12
PART B: FEDERAL ISSUES OF STATE CONCERN	12
B1) MARINE TRANSPORTATION TASK FORCE	12
B2) DETAILED GEOLOGIC MAPPING	13
B3) RESOLUTION OF OUTDATED SEGREGATIONS	13
B4) ESSENTIAL FISH HABITAT	14
B5) ANILCA PROVISIONS	14
APPENDIX A: Act Creating the Minerals Commission	16
APPENDIX B: Minerals Commission Statement of Purpose	17
APPENDIX C: Mineral Policy Act	18
APPENDIX D: Recommendations Implemented	19

EXECUTIVE SUMMARY

CURRENT RECOMMENDATIONS

The commission encourages the Governor and Legislature to act on the following recommendations in 2003:

- Eliminate frivolous litigation by limiting "public interest litigant" status;
- Increase the efficiency of mine project permitting;
- Update water quality standards;
- Assist in infrastructure development that benefits mining and other industries;
- Resolve land tenure, navigability and right of way access issues;
- Acquire baseline geological and environmental knowledge statewide;
- Promote industry education through support of relevant university programs and the Alaska Minerals & Energy Resource Education Fund.

INDUSTRY OVERVIEW

The mineral industry is one of three base industries of Alaska to show real growth since 1991. The industry currently has a gross value of approximately \$1 billion dollars, a milestone first reached in 1996. By virtue of several cornerstone operations, the industry has maintained this respectable level despite challenging economic conditions and depressed commodity prices. In the past year, exciting new discoveries have been made, the price of gold and platinum-group elements has risen, and a general feeling of optimism is starting to develop. Unfortunately over the same period the price of copper and zinc has fallen, and taken a toll on the base metal mines in Alaska.

However, while mining has shown growth over the past decade, the industry has been static in recent years. Exploration for new mines has diminished. Smaller hard-rock operations are absent, and placer mining is stagnant. Other countries, states, and provinces continue to surpass Alaska in the global competition for exploration dollars.

Red Dog, Fort Knox, Greens Creek, Usibelli Coal, Illinois Creek, and Anchorage Sand & Gravel are outstanding operations that contribute significantly at the local level. These mines are providing rewarding, long-term, high-paying careers in urban and remote areas alike. These operations have a profound, positive impact on their respective local communities, and serve as shining examples of what could be achieved in other regions of the state.

As the premier producing mine in the state, Red Dog continued to improve its efficiency in 2002 through its Mill Optimization Project, which translated to increased production through superior recovery and product grade. The increased production has been helpful in offsetting some of the financial impact related to decreased zinc prices, however the impact remained significant with a loss of \$10 million in the third quarter of 2002.

Three development projects, Pogo, Donlin Creek, and Kensington are poised to become viable mining operations in the near future.