

ALASKA LEGISLATURE COMMITTEE FILES, 2003-2004 8672

11319 SENATE RESOURCES

From The Desk Of



Charlie Boddy

Vice President Of Governmental Relations

17 May 2003

✓ Sen. Scott Ogan, Chairman
Senate Resources Committee
Alaska State Capitol, Room 128
Juneau, Alaska 99801

Subject: Your Question Regarding HB283 Language

Dear Senator Ogan,

I appreciated your question regarding possible impediments to oil and gas leasing by virtue of the existing statutory language currently contained in AS 38.05.140(a). The section of law however deals with coal lease applications, not coal leases.

When a company decides to petition the state for a coal lease, it files an application with the Alaska Department of Natural Resources (ADNR). Upon receipt of that application, the last sentence of AS 38.05.140(a) comes into play. ADNR is then by statute required to do the following. "On the filing of the application, except as provided by AS 38.05.177(a)(2)(C), the coal deposits in the land covered by the application shall be temporarily set aside and withdrawn from all other forms of disposal provided under AS 38.05.135 - 38.05.181."

When I talked with the Division of Mining Land & Water Director late yesterday, Mr. Loeffler informed me that the time between our filing of the application for a competitive coal lease sale to the northeast of our current mining operation, until the State opened the bids on November 6, 2000 was approximately six months. Thus, shallow gas leasing in the same area was set aside for six months.

After a coal lease is issued under AS 38.05.150, the coal lessee also has the right to apply for a shallow gas lease under the provisions of AS 38.05.177 (C). The coal mining regulatory program applies to the mining of the coal, and the shallow gas leasing program would govern development of the shallow gas. A coal lease only allows the lessee to remove the shallow gas for reasons associated with safety.

USIBELLI COAL MINE, INC. 100 ♦ Cushman St. - Suite 210 ♦ Fairbanks, Alaska 99701

Telephone 907-452-2625 ☎ Facsimile 907-451-6543

Mr. Pirtle Bates of the Division of Oil & Gas sent to your office late yesterday an e-mail explaining that the concern regarding the curtailment or closure to oil and gas leasing was not precluded by the language contained in HB 283. This opinion was concurred in by the Division of Oil & Gas Director Mark Meyers, Asst. Attorney General Larry Ostrovsky and others.

It is certainly not our companies desire to deprive the State of revenue that could be derived from the development of oil and gas on or near coal leases. Coal development in this State is still in its infancy, and this legislation would certainly be a boost to our maturation process.

Your support in allowing coal lessees the chance to expand their opportunities is appreciated. Mining will never supply the income to the State coffers that oil and gas does, but it does provide hard working men and woman with good paying jobs and steady employment.

Thank you for your attention to these points. Please let me know if I can further assist you or your staff in this most important matter With best regards, I remain,

Sincerely,

A handwritten signature in cursive script that reads "Boddy". The signature is written in dark ink and is positioned above the printed name.

Charlie Boddy

W/attachments

Cc: Senate Resource Committee Members
Rep. Bud Fate, Chairman House Resources
Sen. Gene Therriault, Senate President
Mr. Bob Stiles, ACA President
Mr. Joe Usibelli Jr., UCM President

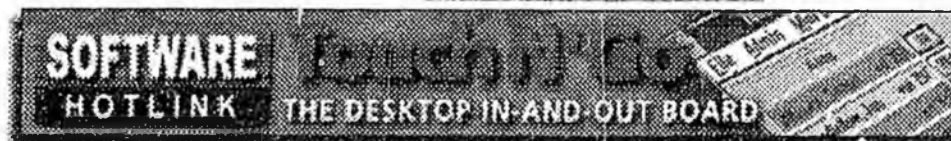
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Alaska Statutes.

Title 38. Public Land

Chapter 5. Alaska Land Act

Section 150. Coal.

previous: Section 145. Leasing Procedure.

next: Section 155. Phosphates.

AS 38.05.150. Coal.

(a) The commissioner may, and upon the petition of a qualified applicant, shall divide coal land or the deposits of coal owned by the state into leasing tracts of 40 acres each, or multiple of 40 acres, and in the form which will permit the economical mining of the coal in the tract.

(b) Thereafter the commissioner may, upon the request of a qualified applicant or otherwise, from time to time, offer the land or deposits of coal for leasing. Each lease shall be awarded to a qualified applicant by competitive bidding or by the method prescribed by regulation.

(c) Where prospecting or exploration work is necessary to determine the existence or workability of coal deposits in an unclaimed and undeveloped area, the commissioner may issue to qualified applicants prospecting permits for a term of three years, covering not more than 5,120 acres with each permit. The commissioner shall grant a two-year extension of the initial three-year term of the permit if the permittee has conducted reasonably diligent prospecting or exploration activities in the area covered by the permit, has not been able to determine the existence and workability of coal deposits in the area, and wishes to continue prospecting or exploring in the area. The commissioner may grant up to three two-year extensions of the initial three-year term of the permit. At any time during the period of the permit, the permittee is entitled to a lease after submitting a mining plan satisfactory to the commissioner for that portion of the land in the permit as is shown to the satisfaction of the commissioner to contain coal in commercial quantities or to be needed for mining, reclamation, or processing the coal.

(d) For the privilege of mining or extracting the coal in the land covered by the lease, the lessee

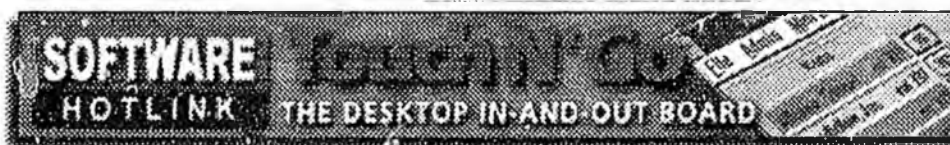
(1) shall pay to the state the royalties specified in the lease; the royalties shall be fixed before offering the lease, and shall be effective for a period of not more than 20 years; the royalties shall be not less than five cents a ton of 2,000 pounds; the royalty payment is subject to the exploration incentive credit authorized by AS 27.30;

(2) shall also pay an annual rental, payable at the date of the lease and annually thereafter, on the land or coal deposits covered by the lease, at a rate fixed by the commissioner before offering the lease; the annual rental shall be effective for a period of not more than 20 years; the annual rental shall be not less than 25 cents an acre for the first year of the lease, not less than 50 cents an acre for the second year, third year, fourth year and fifth year, and not less than \$1 an acre for each year thereafter during the continuance of the lease; the rental for each year shall be credited against the royalties as they accrue for that year; each lease shall provide that the annual rental payment is subject to adjustment at intervals of no more than 20 years and adjustments shall be based on the current rates for properties similarly situated.

(e) Each lease shall be for an indeterminate period upon condition of diligent development and continued operation of the mine, except when operation is interrupted by strikes, the elements, or casualties not attributed to the lessee.

(f) Notwithstanding AS 38.05.177 , a lease entered into under this section gives the lessee the right to vent or remove methane and other gas held in association with the coal in the land covered by the lease to ensure safe coal mining operations.

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Alaska Statutes.

Title 38. Public Land

Chapter 5. Alaska Land Act

Section 177. Shallow Natural Gas Leases.

previous: Section 175. Potassium.

next: Section 180. Oil and Gas Leasing.

AS 38.05.177. Shallow Natural Gas Leases.

(a) The provisions of this section

(1) apply to gas, whether methane associated with and derived from coal deposits or otherwise,
from a field if a part of the field is within 3,000 feet of the surface; and

(2) do not apply to authorize lease of

(A) land

(i) that is subject to an oil and gas exploration license or lease issued under AS
38.05.131 - 38.05.134; or

(ii) that is leased under AS 38.05.180 ;

(B) the land **(i)** that is proposed to be subject to an oil and gas exploration license or lease
issued under AS 38.05.131 - 38.05.134; or **(ii)** that is described in and part of a proposed
oil and gas leasing program prepared under AS 38.05.180 (b); however, the
commissioner may waive the limitations of this subparagraph;

(C) the land that is held under a coal lease entered into under AS 38.05.150, unless the

applicant for a shallow natural gas lease is also the lessee under AS 38.05.150 of that land; or

(D) the valid existing selections of the Alaska Mental Health Trust Authority made for the purpose of reconstituting the mental health trust established under the Alaska Mental Health Enabling Act, P.L. 84-830, 70 Stat. 709 (1956), that become subject to management under AS 38.05.801, or of land that has been designated by law for or is subject to designation for conveyance to the Alaska Mental Health Trust Authority; however, after consultation with the Alaska Mental Health Trust Authority, the commissioner may waive the limitations of this subparagraph.

(b) For the purpose of exploring for and developing shallow natural gas reservoirs, upon application, the director may lease to a person land for which the state owns the subsurface rights. A person applying for a lease under this subsection

(1) shall specify the area to be leased; the area to be leased may not exceed 5,760 acres; a lessee may not hold more than an aggregate of 138,240 acres of land under leases entered into under this section;

(2) may be required to pay a reasonable application fee of up to \$5,000.

(c) The director shall give notice under AS 38.05.945 of receipt of the lease application and call for comments from the public. The director's call for public comments must provide opportunity for public comment for a period of not less than 60 days. If, after review of information received during the public comment period, the director determines that the discovery of a local source of natural gas would benefit the residents of an area, the director shall execute a lease for the area described in **(b)** of this section. The director shall execute the lease after completion of a title search, the close of the public comment period, and, if review is required under AS 46.40, after the final consistency determination is made under AS 46.40. A lease entered into under this subsection gives the lessee the exclusive right to explore for, develop, and produce, for a term of three years, natural gas on the state land described in the lease; the right to explore for, develop, and produce is limited to gas from a field if a part of the field is within 3,000 feet of the surface.

(d) A lease shall be automatically extended if and for so long thereafter as gas is produced in paying quantities from the lease and the lessee continues to meet all requirements of the lease. A lease issued under this section covering land on which there is a well capable of producing gas in paying quantities does not expire because the lessee fails to produce gas unless the lessee is allowed reasonable time to place the well on a producing status. If drilling has commenced on the expiration date of the primary term of the lease and is continued with reasonable diligence, including such operations as redrilling, sidetracking, or other means necessary to reach the originally proposed bottom hole location, the lease is extended for one year and for so long thereafter as gas is produced in paying quantities. A gas lease issued under this section that is subject to termination by reason of cessation of production does not terminate if, within 90 days after production ceases or a longer period determined at the discretion of the director, reworking or drilling operations are commenced on the land under lease and are thereafter conducted with reasonable diligence during the period of nonproduction. In addition, upon application by the lessee, the director may once extend a lease issued under **(c)** of this section for a period of not more than three years.

(e) The director may, following the procedures described in **(c)** of this section, adjust the boundaries



Usibelli Coal Mine, Inc.

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May 8th, 2003

Sen. Scott Ogan, Chairman
Senate Resources Committee
Alaska State Capitol, Room 128
Juneau, Alaska 99801

Subject: HB283 Limitations On Coal Leases

Dear Senator Ogan,

Thank you for meeting with me last week in Juneau to discuss this important piece of legislation that our firm is supporting passage of this session. In fact, we believe this increase in acreage will encourage some sorely needed investment dollars.

As the only existing producer and past exporter of coal in the state, we will try and utilize the full effect of this legislation to pursue market opportunities both domestically and internationally as appropriate. With a majority of our coal holdings located in the interior of Alaska, this bill would allow us to acquire other regional coal property within the state.

Coal resources are undereniably well defined in our state. Future coal leases will be pursued on a competitive sale basis, bringing additional investment to the state coffers. This is good for a state that is blessed with an abundance of natural resources.

We hope the bill will be heard soon in your committee. If we can be of further assistance to you or staff in this matter, please don't hesitate to call on me. With my best regards,

Charlie P. Boddy
Vice-President of Governmental Relations

Cc: Sen. Ralph Seekins
Senate President Gene Therriault



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May 1st, 2003

Rep. Bud Fate, Chairman
House Resources Committee
Alaska State Capitol, Room 128
Juneau, Alaska 99801

Subject: HB283 Limitations On Coal Leases

Dear Chairman Fate,

Usibelli Coal Mine Incorporated offers their full encouragement for your legislation, HB283. We support your effort to establish parity between the present state and federal leasable coal acreage limitation. This change will assist the state in its quest to induce potential outlays in natural resource investment capital.

As the only existing producer and past exporter of coal in the state, we will try and utilize the full effect of this legislation to pursue market opportunities both domestically and internationally as appropriate. With a majority of our coal holdings located in the interior of Alaska, this bill would allow us to acquire other regional coal property within the state.

Coal resources are undeniably well defined at this point in time; consequently the state will most certainly be aided by new revenues involving future competitive lease sales. This can only be good news for Alaska.

If we can be of further assistance to you or your staff in this matter, please don't hesitate to call on me. With my best regards,

Charlie P. Boddy
Vice-President of Governmental Relations

From The Desk Of



Charlie Boddy
Vice President Of Governmental Relations

10 April 2003

Jim Pound
Office of Rep. Bud Fate
Capitol Building
Juneau, Alaska

Subject: Changes to AS 38.05.140 (a) Coal Lease Acreage Limitation

Jim,

I have attached some salient information regarding the requested change to the above listed statute. This proposed change has been discussed with Div. of Mining Land & Water Director Bob Loeffler and ADNR Commissioner Tom Irwin, both of them concur with the proposed change.

The proposal to increase the aggregate coal lease acreage from 46,080 to 92,160 will bring us closer in line with the single state federal maximum acreage limits that were included in the "Coal Market Competition Act of 2000," which amended the federal Mineral Leasing Act.

Let me know if I can be of further assistance you or Rep. Fate in this matter. With best regards, I remain,
Sincerely,

Cc: ✓ Sen. Scott Ogan
Sen. Ralph Seekins
Sen. Gene Therriault
Rep. David Guttenberg
Joe Usibelli Jr.



ALASKA COAL INDUSTRY

RECENT HISTORY, CURRENT STATUS,
FUTURE PROSPECTS



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- **Map of Alaska Coal Industry**
- **Land Ownership Status & Coal Resource Interests**
- **Private Sector Participants, Properties & Projects**
- **Government Policy, Administration & Development**
- **Infrastructure Participants, Facilities & Developments**
- **Technology Research & Demonstration Projects**



Northern Alaska Basin

Hypothetical Resource (10 ⁶ tonnes)	Identified Resource (10 ⁶ tonnes)	Measured Reserves (10 ⁶ tonnes)
3,630,000	136,100	73

Nenana Province

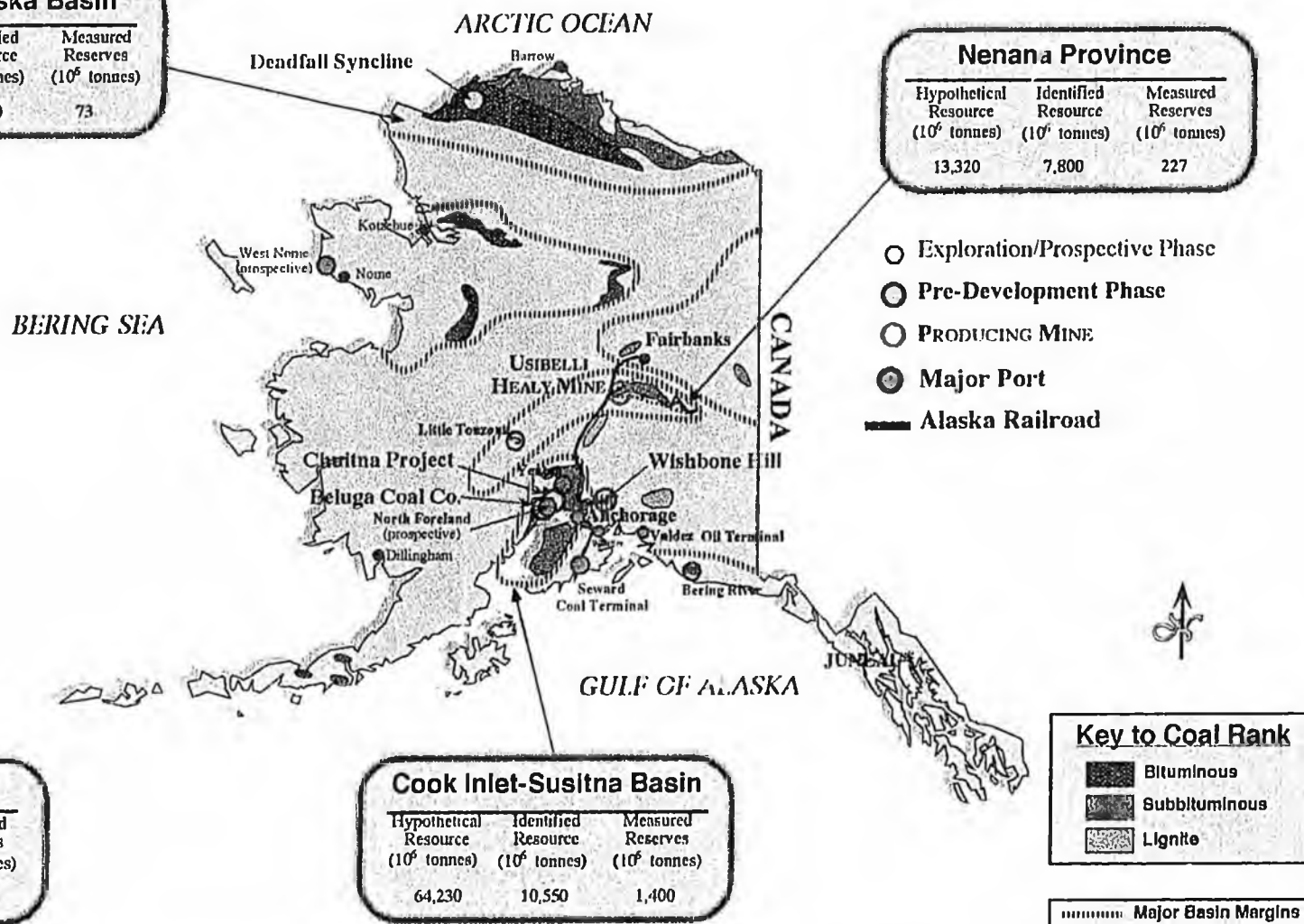
Hypothetical Resource (10 ⁶ tonnes)	Identified Resource (10 ⁶ tonnes)	Measured Reserves (10 ⁶ tonnes)
13,320	7,800	227

All Other Areas

Hypothetical Resource (10 ⁶ tonnes)	Identified Resource (10 ⁶ tonnes)	Measured Reserves (10 ⁶ tonnes)
8,660	520	0

Cook Inlet-Susitna Basin

Hypothetical Resource (10 ⁶ tonnes)	Identified Resource (10 ⁶ tonnes)	Measured Reserves (10 ⁶ tonnes)
64,230	10,550	1,400



- Exploration/Prospective Phase
- Pre-Development Phase
- PRODUCING MINE
- Major Port
- Alaska Railroad

ALASKA COAL RESOURCES, PROJECTS & INFRASTRUCTURE



LAND OWNERSHIP STATUS & COAL RESOURCE INTERESTS

	Total Area (km ²)	Restricted (km ²)	Potentially Available for Coal Leasing (km ²)	Private Sector Coal Leases (hectares)	COMMENTS
PUBLIC SECTOR OWNED LANDS					
US Federal	870,078	669,353	200,725	0	<ul style="list-style-type: none"> ➤ Annual Lease Rental negotiable ➤ Royalty 12.5% of Sale Price
State of Alaska	422,494	34,398	388,095	26,940	<ul style="list-style-type: none"> ➤ Annual Lease Rental \$3.00/acre (\$7.41/hectare) ➤ Royalty 5% of Mine Mouth Value
Total Public	1,292,572	703,751	588,820	26,940	
PRIVATE SECTOR OWNED LANDS					
ANCSA Corporations	184,538	NA	184,538	Unknown	<ul style="list-style-type: none"> ➤ All terms would be negotiable
Private Entities	2,023	NA	unknown	Unknown	
Total Private	2,023	NA	184,538	Unknown	
TOTAL ALASKA LANDS					
Total Alaska	1,479,133	703,751	773,358		

- Restricted Public Sector Lands are parks and other lands subject to conservation/preservation management practices.
- ANCSA Corporations are a special type of private corporation established under the Alaska Native Claims Settlement Act of 1972. The stockholders of these corporations must be native (aboriginal) Alaskan.
- All coal produced from either Public or Private land in Alaska is subject to a 7% severance tax (Mining Licensee Tax). The tax is assessed against the Net Income to the mine.



PRIVATE SECTOR PARTICIPANTS, PROPERTIES & PROJECTS

DEVELOPERS, MARKETERS, OPERATORS & PROPERTY OWNERS

Description

Projects, Properties & Activities

Usibelli Coal Mine, Inc.

- Privately held, vertically integrated coal company.

Items of Note:

- Operate the only producing coal mine in Alaska
- Shipped a 20,000 tonne test shipment to Madagan, Russia in December 1997.
- Exports up to 800,000 tonnes per year to Korea.

- Owner/Operator of the Usibelli Coal Mine at Healy and marketer of the coal.
- The Healy Mine produces approximately 1.5 MM tonnes per year of ultra low sulfur subbituminous coal.
- Owner/Operator (IPP) of a 28 MWe coal fired power plant in Fairbanks.
- Developer/Leaseholder of the Wishbone Hill Property (ultra low sulfur bituminous coal) in the Mat-Su Borough.

Chuitna Group/PacRim Coal

- Project Development (Chuitna Group) and Marketing Group (PacRim Coal) made up of Richard E. Bass, W. Herbert Hunt and the William Herbert Hunt Trust Estate.

- The Chuitna Group is the developer of the Chuitna Project, a greenfield coal export development, based on 8,000 hectares of coal leases with announced reserves of approximately 1,000 MMtonnes of ultra-low sulfur subbituminous coal. The Chuitna Group Coal Lease Area is located approximately 25 km from tidewater

DRven Corporation

- A privately held corporation providing project and market development management services to the Chuitna Group and PacRim Coal.

- PacRim Coal, with representatives in Anchorage, Tokyo and Hong Kong is actively pursuing market opportunities in Asia, Latin America and Europe.



PRIVATE SECTOR PARTICIPANTS, PROPERTIES & PROJECTS

DEVELOPERS, MARKETERS, OPERATORS & PROPERTY OWNERS

	Description	Projects, Properties & Activities
Beluga Coal Company	<ul style="list-style-type: none"> ➤ Company owned by Placer Dome U.S. Inc. and Cook Inlet Region Inc. ➤ Placer Dome U.S. Inc. is a wholly-owned subsidiary of Placer Dome Inc. one of the largest & most globally diverse international gold mining companies. ➤ Cook Inlet Region Inc. is one of the most successful ANCSA Regional Corporations. 	<ul style="list-style-type: none"> ➤ Owner of three State coal leasehold tracts (Center Ridge, Lone Ridge & Threemile) and the privately owned (CIRI) Capps tract, all in the Beluga Coal Field approximately 80 km west of Anchorage. Total land holdings approximately 10,350 hectares ➤ Announced total resource of approximately 1,000 MMtonnes of ultra-low sulfur subbituminous coal. Approximately 500 MMtonnes potentially surface minable.
Arctic Slope Regional Corporation	<ul style="list-style-type: none"> ➤ One of the largest and most successful ANCSA Regional Corporations. Arctic slope regions encompass all non-public sector lands north of the Brooks Range. ➤ Diversified corporation with interests in land & real estate, natural resources, oil field services, construction and professional services. 	<ul style="list-style-type: none"> ➤ Developer of the Deadfall Syncline property in north-west Alaska, inside the Arctic Circle. Extensive reserves of ultra-low sulfur high heating value bituminous coal ➤ Initial Deadfall Syncline production would be for local consumption with plans to export coal after 2000.
Doyon Native Corporation	<ul style="list-style-type: none"> ➤ ANCSA Regional Corporation with largest area region and largest population (shareholders) 	<ul style="list-style-type: none"> ➤ Owner/developer of Little Tonzona property in Interior Alaska. All production would be for fired in a small (25 MWe) power plant.



PRIVATE SECTOR PARTICIPANTS, PROPERTIES & PROJECTS

IN STATE CUSTOMERS

Description

Projects, Properties & Activities

Aurora Energy, LLC

- A utility with a true cogeneration power plant producing heating energy (steam & hot water) distributed to Fairbanks customers and electricity wholesaled to a local electric cooperative.

- Owner/operator of the Chena Power Plant (formerly owned by the City of Fairbanks) rated at 325,000 pounds of steam/hour or at 27.5 Mwe for electrical production.

Golden Valley Electric Association

- Electrical Generation, Transmission and Distribution Cooperative serving communities, businesses and industrial customers along northern portion of the "Alaska Railbelt".

- Operator of the existing 25 MWe Healy Plant and the new 50 MWe Healy Clean Coal Plant.

U.S. Department of Defense

- An agency of the U.S. Federal Government. A Public Sector entity

- Largest user of coal in the State
- Operator of 3 coal fired power plants at the military bases in the Fairbanks area.

University of Alaska-Fairbanks

- The original campus of the land grant University of Alaska and now the main campus of the University of Alaska System.

- Operator of a 13 MWe power plant serving the electrical and district heating needs of the Fairbanks campus.



PRIVATE SECTOR PARTICIPANTS, PROPERTIES & PROJECTS

TRADE ASSOCIATIONS & BUSINESS ORGANIZATIONS

	Description	Projects, Properties & Activities
Alaska Coal Association	➤ A trade association whose membership consists of all private sector participants in the Alaska Coal Industry	➤ Membership focuses on State policy, statutes and regulations, which effect the coal industry.
Alaska Coal Burners Group	➤ An informal group of representatives from permitted coal burning facilities in Interior Alaska and the coal supplier.	➤ Primary focus is to provide a forum to exchange operational ideas and to work as a group on environmental regulations
Alaska Miner Association	➤ A trade association with an Executive Director and staff and whose membership consists of most private sector parties involved in all facets of mining.	➤ Primary focus is U.S. Federal and State governmental policy, statutes and regulations, which effect mining.
Resource Development Council	➤ A uniquely Alaskan organization, who's membership includes representatives from oil & gas, mining, forestry, commercial fishing, tourism and local government.	➤ Primary activities are related to membership and public education and governmental policies, statutes and regulations which effect multiple sectors of the Alaskan resource dependant economy.



POLICY, ADMINISTRATION & DEVELOPMENT

U.S. FEDERAL GOVERNMENT

Overall Coal Policy ➤ No specific overall policy with regard to coal leasing, exploration, development, production or coal utilization within Alaska.

	Agency	Area of Responsibility
Regulatory & Resource Management Agencies	➤ Bureau of Land Management	➤ Responsible for Coal Leasing Program on federal lands.
	➤ Environmental Protection Agency	➤ Permitting agency for water discharges.
	➤ U.S. Army Corps of Engineers	➤ Permitting agency for activities affecting wetlands and/or offshore structures.
	➤ Mine Health & Safety Administration	➤ Protection of the health & safety of mine workers.
	➤ Office of Surface Coal Mining	➤ Oversee State implementation of Alaska Surface Coal Mining Program.
Development & Promotion Agencies	➤ U.S. Department of Commerce	➤ Provides assistance to U.S. companies doing business in foreign countries
	➤ U.S. Department of Energy	➤ Through its "Clean Coal" Program a strong supporter of coal production and coal use.



POLICY, ADMINISTRATION & DEVELOPMENT

ALASKA STATE GOVERNMENT

Overall Coal Policy ➤ Adopted a proactive Coal Policy in 1994. The Policy addresses all phases of coal leasing, development, production, transportation, utilization and export.

Agency

Area of Responsibility

Regulatory & Resource Management Agencies

- Department of Natural Resources
- Department of Environmental Conservation
- Department of Fish & Game

- Coal leasing on State Land.
- Implementation of Alaska Surface Coal Mining Program.
- Lead agency on all mining related permitting.
- Permitting agency for protection of air and water quality
- Permitting agency for activities which may effect wildlife habitat.

Development & Promotion Agencies

- Department of Commerce & Economic Development
- Alaska Industrial Development & Export Authority
- Alaska Science & Technology Foundation

- Responsible of Japan Alaska State Office.
- Export and trade assistance
- Participating funding source for financing of coal developments.
- Source low interest tax exempt financing of export infrastructure.
- Source of front-end funding of Alaska oriented R&D



INFRASTRUCTURE PARTICIPANTS, FACILITIES & DEVELOPMENTS

TRANSPORTATION

	Description	Coal Industry Related Role/Function
Alaska Department of Transportation & Public Facilities	<ul style="list-style-type: none"> ➤ Highway and secondary road development and maintenance agency of Alaska State Government. ➤ Air Terminal & Airport development, operating and maintenance agency of Alaska State Government. 	<ul style="list-style-type: none"> ➤ Provides overland road link among producing and development properties in the Denali and Mat-Su Boroughs and communities and air port facilities in Fairbanks, Anchorage and points in between.
Alaska Railroad Corporation	<ul style="list-style-type: none"> ➤ State owned for profit business enterprise. ➤ Operates a 760 km mainline railroad between Fairbanks and Seward with branches to Whittier on Prince William Sound and Eielson Air Force Base south of Fairbanks. ➤ Provides passenger and freight services. ➤ Substantial real estate holdings in and around Fairbanks, Anchorage, Seward and Whittier 	<ul style="list-style-type: none"> ➤ Transports approximately 700,000 tonnes of coal from Usibelli Mine to Seward Coal Terminal. ➤ Transports approximately 600,000 tonnes of coal from Usibelli Mine to coal fired power plants in the Fairbanks area.
Transportation Service Companies	<ul style="list-style-type: none"> ➤ Contract Trucking Companies ➤ Contract Marine & Barge Companies ➤ International Air Freight Operators ➤ Contract Air Carriers 	<ul style="list-style-type: none"> ➤ Provide coal, fuel, material, supplies and equipment transport services. ➤ Provide transport services along entire Alaska coastline and on major rivers. ➤ Provide ready access to time critical parts & supplies from anywhere in the world. ➤ Provide personnel and freight transport to remote locations.



INFRASTRUCTURE PARTICIPANTS, FACILITIES & DEVELOPMENTS

MARINE TERMINALS

	Description	Coal Industry Related Role/Function
Seward Coal Terminal	<ul style="list-style-type: none">➤ Ice Free Panamax Class Export Coal Terminal and Vessel loading facility located in Seward.➤ SunEel Shipping/Hyundai owner/operator.➤ Installed through-put capacity 3 MMtpy➤ Financed in part by the Alaska Industrial Development and Export Authority.	<ul style="list-style-type: none">➤ Provides storage and vessel loading of approximately 700,000 tonnes/year of coal from the Usibelli Healy Mine bound for Korean Electric Power Company's Honan Plant.➤ Could function as export terminal for coal produced in the Mat-Su Borough.
North Foreland Bulk Terminal	<ul style="list-style-type: none">➤ Prospective coal and other bulk commodities marine terminal located near the Village of Tyonek.➤ Alaska Industrial Development and Export Authority has legislative authorization to expend up to \$50 MM for development of a multi-user bulk terminal facility in the Cook Inlet	<ul style="list-style-type: none">➤ Would provide storage and vessel loading to of export coal from the producers in the Beluga Coal Field
Point MacKenzie Port	<ul style="list-style-type: none">➤ Prospective multi-user port development at Point MacKenzie, approximately 10 km due west of Anchorage.	<ul style="list-style-type: none">➤ With construction of rail spur from the Alaska Railroad mainline facility could provide storage and vessel loading of export coal from Interior Alaska and the Mat-Su Borough.



INFRASTRUCTURE PARTICIPANTS, FACILITIES & DEVELOPMENTS

SUPPORT SERVICES

	Description	Coal Industry Related Role/Function
Alaska Industrial Development & Export Authority	<ul style="list-style-type: none"> ➤ Development and Financing Agency of Alaska State Government. ➤ Provides firms doing business in Alaska with an entry into low-cost tax exempt bonding & financing markets. 	<ul style="list-style-type: none"> ➤ Provides Tax Exempt Bond Financing and in some cases functions as developer of multi-user infrastructure projects. ➤ Participates with Private Sector Banks in Private Sector Project Financing
Professional Services Firms	<ul style="list-style-type: none"> ➤ Engineering & Design Services ➤ Environmental & Laboratory Services ➤ Legal Services ➤ Logistics Services 	<ul style="list-style-type: none"> ➤ Virtually all professional support services required for the acquisition, exploration, development and operating phases are available from either Alaska based firms or national/international firms with a presence in Alaska.
Field Services Companies	<ul style="list-style-type: none"> ➤ Exploration Services ➤ Medium and Heavy Construction ➤ Marine Construction 	<ul style="list-style-type: none"> ➤ Virtually all the support field services required for exploration, development and operating phases of a coal project are available from Alaska based firms or national/international firms with a presence in Alaska.



TECHNOLOGY RESEARCH & DEMONSTRATION PROJECTS

Sponsors/Participants

Scope

Current Status

Public Sector

Private Sector

RESEARCH PROJECTS

Reclamation Study

➤ Reclamation Alternatives for Restoration of Moose Habitat

➤ Completed

➤ Alaska Science & Technology Foundation

➤ Idemestu Kosan

DEMONSTRATION PROJECTS

Healy Clean Coal Power Plant

\$242 MM

➤ 50 MWe Coal Fired Power Plant with an entrained slagging combustor.

➤ Started full-load operations in January 1998.

➤ Alaska Industrial Development Authority

➤ TRW Inc.
➤ Babcock & Wilcox Co.

➤ During 18-month demonstration test period plant will demonstrate advanced combustion and flue gas cleanup technologies.

➤ NO_x emissions levels less than 0.35lb/MM Btu

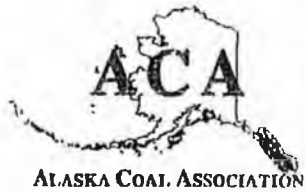
➤ US Department of Energy-Clean Coal Program

➤ Stone & Webster Engineering Corp

➤ Upon completion of demonstration program, plant will become a part of Railbelt power grid.

➤ Golden Valley Electric Association

➤ Usibelli Coal Mine Inc.



TECHNOLOGY RESEARCH & DEMONSTRATION PROJECTS

	Scope	Current Status	Sponsors/Participants	
			Public Sector	Private Sector
DEMONSTRATION PROJECTS				
LOW RANK COAL WATER FUEL	➤ Demonstrate technical & economic feasibility of Low Rank Coal Water Fuel production.	➤ 100% design complete for the Diesel-Engine-Generator building. Diesel engine received January 1999.	➤ US Department of Energy-Clean Coal Program	➤ Coaltec ➤ A.D. Little
	➤ Demonstrate technical & economic feasibility of firing Low Rank Coal Water Fuel in modified oil fired boiler.	➤ 65% design complete for LRCWF production plant.	➤ Alaska Science & Technology Foundation ➤ University of Alaska-Fairbanks	➤ R.W. Beck, Inc. ➤ Great Northern Engineering ➤ Usibelli Coal Mine Inc.
COAL – WATER FUELED DIESEL	➤ Demonstrate technical & economic feasibility of coal water fueling of specially designed medium speed diesel engines.	➤ Equipment procurement & facility construction underway.		➤ Coal Water Fuel Services ➤ DRven Corporation
\$48 MM				



ALASKA COAL POLICY

WHEREAS a healthy future for Alaska's coal industry depends on the perception among foreign and domestic buyers that the state supports coal development; and

WHEREAS a vibrant coal industry is a benefit to the state and its citizens; and

WHEREAS the export potential of Alaska coal and the maintenance of the coal industry's current small share of international coal exports are of vital importance to the future success of Alaska's coal industry; and

WHEREAS competition against Alaska coal exports is international rather than domestic in nature; and

WHEREAS in-state domestic use of coal can make a very important contribution to long-term power supplies and power supply costs; and

WHEREAS a vibrant coal industry will enhance receipts to the state in the form of mining license and corporate income taxes and lease rentals and royalties; and

WHEREAS the export of Alaska's coal will substantially enhance the gross state product and will have a positive effect on the trade balance of the United States;

BE IT RESOLVED by the Alaska State Legislature that it is the official policy of the state to foster the responsible development and expansion of its domestic and export coal industry; and be it

FURTHER RESOLVED that the state shall exercise all prudent and expeditious means to maintain and expand Alaska's current and future coal production and export market share; and be it

FURTHER RESOLVED that the Alaska State Legislature shall work diligently with the Governor and the Governor's administration to identify unwarranted impediments to the growth of Alaska's coal industry and shall develop strategies to eliminate or mitigate the adverse effects of these impediments; and be it

FURTHER RESOLVED that the state, in recognition of the benefits of a vibrant coal industry, shall endeavor to maintain stable royalty and coal industry taxation policies; and be it

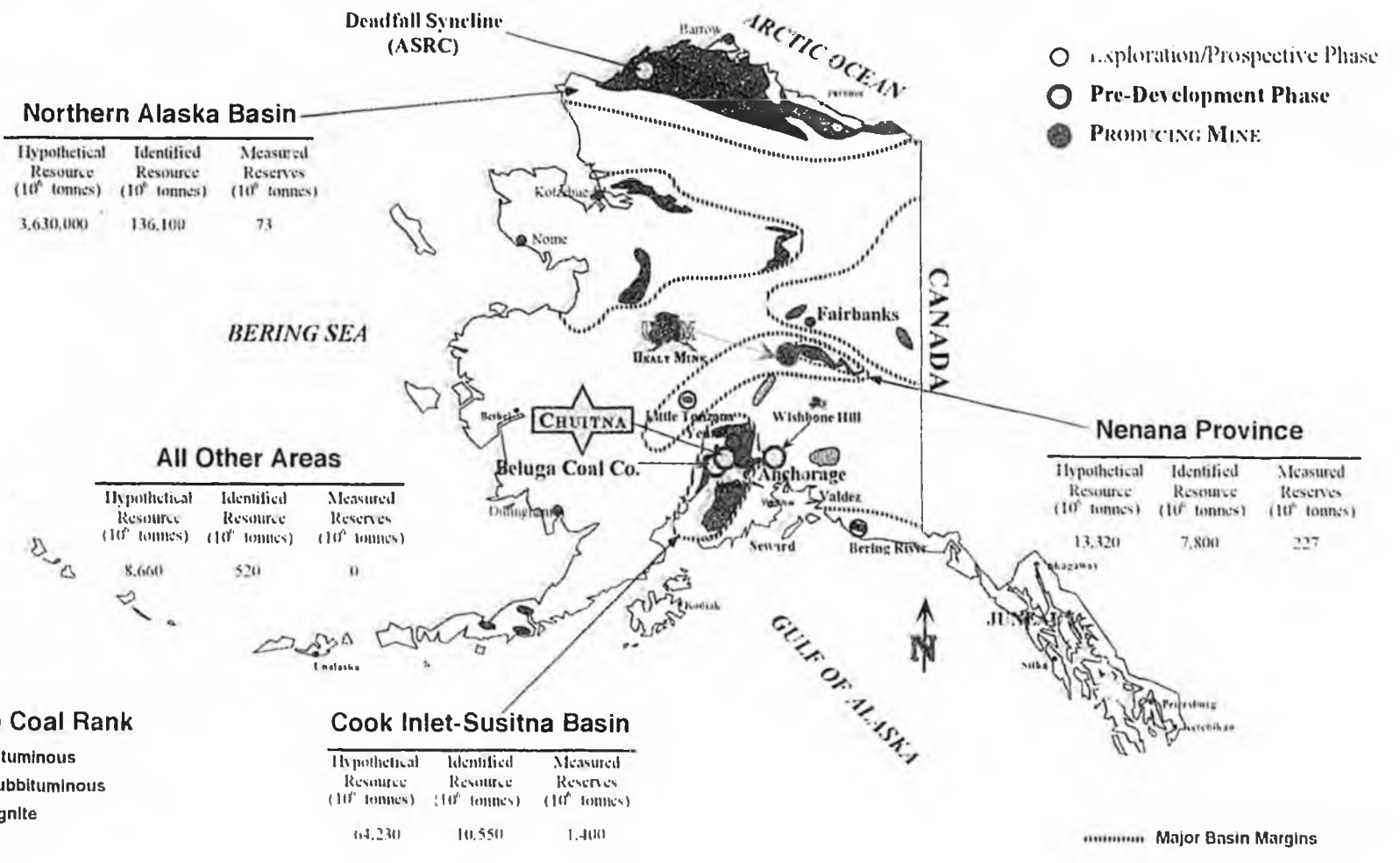
FURTHER RESOLVED that the Alaska State Legislature respectfully requests that the Governor and the Governor's administration, particularly the Department of Commerce and Economic Development, assist the Legislature in taking a leadership role in the planning and evaluation of existing infrastructure and the need for development of new infrastructure and in the review of transportation modes and rates in a effort to maximize efficient capacity utilization and reduce unit costs; and be it

FURTHER RESOLVED that the Alaska State Legislature respectfully requests the Governor to assist the Legislature in seeking a waiver to the Jones Act for bulk commodities of low unit value such as coal; and be it

FURTHER RESOLVED that the Alaska State Legislature respectfully requests the Governor and the administration to assist it in fostering demonstrations of new coal technologies that hold the potential to meet the state's energy needs and that can produce value-added products from Alaska coal; and be it

FURTHER RESOLVED that it is in the best interests of the state for the state to maintain control over the coal regulatory program, to adequately fund the management and enforcement of the program, and to continue to review and update the coal regulatory program to ensure that state primacy in coal regulation is maintained

HCR 16 Unanimously passed First Session of the 18th Legislature (1993)

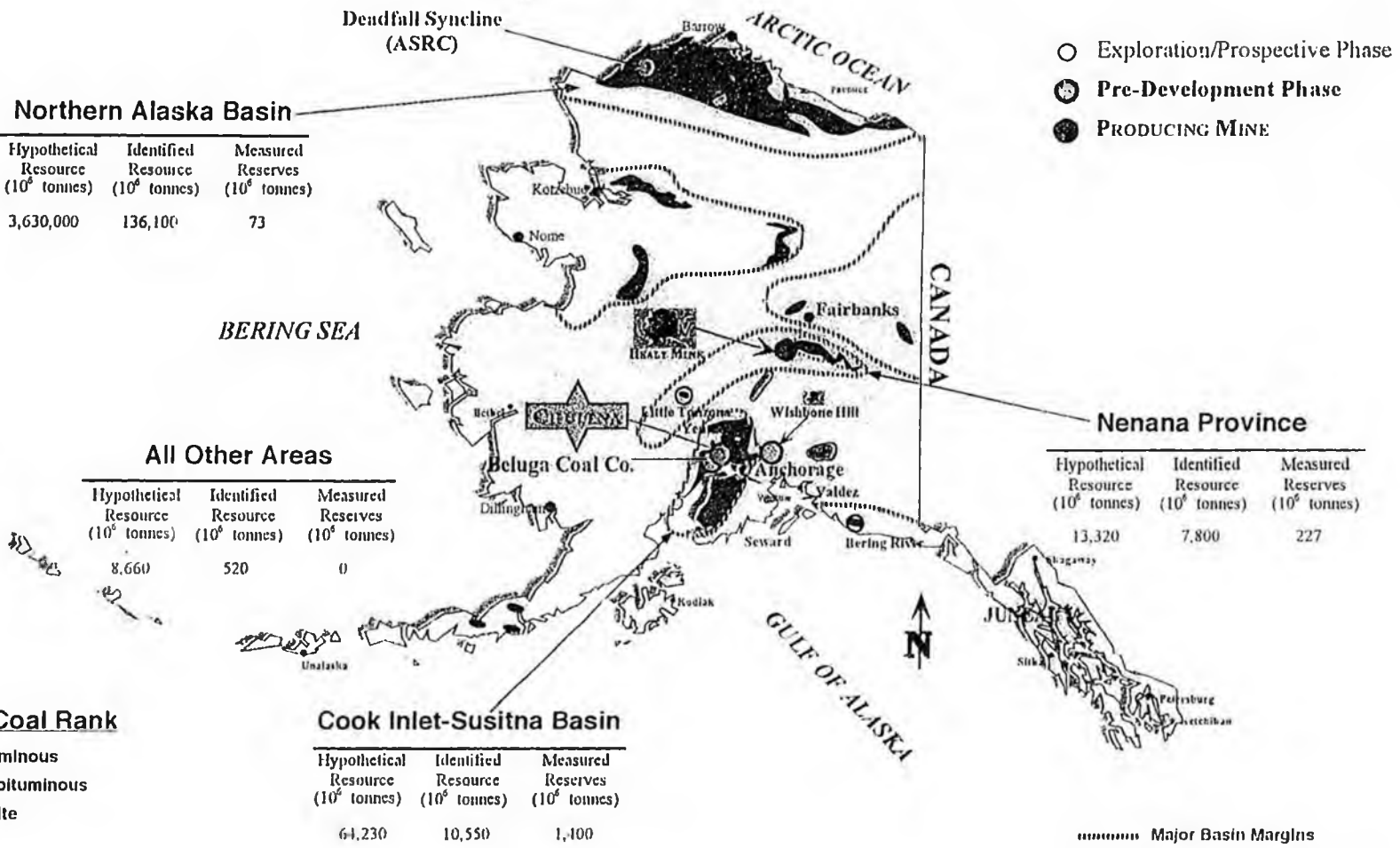


CORRECTION

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



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



HB

309

SENATE COMMITTEE REPORT

DATE: 5/2/04

FURTHER:

DATE TURNED
IN TO OFFICE: 5-7-04

Resources Committee considered CS FOR HOUSE BILL NO. 309(JUD) am

HB 309 PROHIBIT RELEASE OF PREDATORY FISH

"An Act relating to nonindigenous fish."

and recommends:

- be replaced with S CS CS#B 309 (RES)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:
 Same Title
 New Title

House Bill:
 Same Title
 Technical Title Change
 New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
PUR.SAF	3/19/04			✓	2
F&G	3/19/04			✓	1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	Do PASS	Do NOT PASS	NO REC	AMEND
<i>[Signature]</i>			✓	
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
CHAIR: <i>[Signature]</i>	✓			

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: CSHB 309(FSH)
 (H) Publish Date: 3/24/04

Revision Date/Time (Note if correction): _____ Dept. Affected: Fish and Game
 Title Prohibit Release of Predatory Fish RDU Sport Fisheries
 Component Sport Fisheries
 Sponsor Representative Wolf
 Requester House Fisheries Component No. 464

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

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

FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
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 (FY2004) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Passage of this legislation would have no fiscal impact.

Prepared by: Sarah Gilbertson, Legislative Liaison
 Division: Alaska Department of Fish & Game
 Approved by: Commissioner Kevin Duffy
 Agency: Alaska Department of Fish & Game

Phone 465-6137
 Date/Time 3/19/04 5:42 PM
 Date 3/19/2004

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: CSHB 309(FSH)
 (H) Publish Date: 3/24/04

Revision Date/Time (Note if correction): _____ Dept. Affected: Public Safety
 Title Act Relating to Non-Indigenous Fish Release RDU Alaska State Troopers
 Component Alaska Bureau of Wildlife Enforcement
 Sponsor Rep. Wolf
 Requester (H) Fisheries Component No. 2746

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

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

FUND SOURCE (Thousands of Dollars)

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

Estimate of any current year (FY2004) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Section 1 amends AS 16.35 by adding a new section that makes it illegal to transport, possess, import, export, or release into the water of the state live non-indigenous fish or live fertilized eggs of non-indigenous fish, unless the person holds a permit issued by the commissioner or the commissioner's designee to transport, possess, import, export, or release the fish or live eggs. This section does not apply to catch and release situations or ornamental fish. It does, however, make it illegal to rear live ornamental fish in or release them into the water of the state or to dump ornamental fish wastewater directly into the water of the state.

The bill provides a definition of non-indigenous fish, ornamental fish, and water of the state. Violations of this statute would be a class C felony.

It is not anticipated that the provisions of this bill will have a fiscal impact on the Alaska State Troopers.

Prepared by: Lt. Al Storey Phone 269-4532
 Division: Alaska State Troopers Date/Time 3/19/04 10:29 AM
 Approved by: Commissioner William Tandeske Date 3/19/2004
 Agency: Department of Public Safety

*adopted
u.c.*

AMENDMENT

#1

OFFERED IN THE SENATE

BY SENATOR WAGONER

TO: CSHB 309(JUD) am

1 Page 1, line 6:

2 Delete "(1)"

3 Delete "generally accepted practices associated with"

4

5 Page 1, lines 8 - 9:

6 Delete "; and

7 (2) the state enforce this Act with due regard for private property"

8 Insert "and do not cause significant harm to the continued perpetuation of native, wild,
9 or hatchery stocks of fish"

10

11 Page 2, following line 7:

12 Insert a new subsection to read:

13 "(d) In addition to the penalty imposed under (c) of this section, a person who
14 is convicted of violating this section may be ordered by the court to pay restitution, ~~up~~
15 ~~to a maximum of \$10,000;~~ to the state to cover the costs of damages to fishery
16 resources of the state and of removing the introduced fish species from the water of
17 the state."

18

19 Reletter the following subsection accordingly.

*Concept amend to amend #1
u.c.*

Alaska State Legislature

Session:
State Capitol Building, Room 418
Juneau, Alaska 99801-1182
Phone: (907) 465-2993
Fax: (907) 465-3835
Toll Free: 1-800-463-2693



Interim:
145 Main Street Loop Road
Suite 221
Kenai, AK 99611
Phone: (907) 283-2690
Fax: (907) 283-2763

Representative Kelly Wolf *House District 33*

Sponsor Statement HB 309

Transportation of nonindigenous predatory game fish has become a problem in some parts of Alaska. Currently it is a misdemeanor to transport live game fish in Alaska. By passing this bill Alaska will be able to send a message that bucket biology will not be tolerated in Alaska by unauthorized individuals who for their own desires wish to alter the ecosystems in Alaska.

When a person or group makes their mind up to take management of Alaska's fishery resources in to there own hand's. They put at risk the local economy's and place the burden of the expense of controlling the spread of these nonindigenous predatory fish which costs Alaska hundreds of thousands or even millions dollars for there self interests.

According to Lance Nelson, Assistant AG:

Intent Language

The legislative intent language Section 1 in CSHB 309 may cause some problems in prosecuting offenses of the legislation. The language in (1): "generally accepted practices" will be broadly construed against the state in a criminal prosecution, and could conceivably cause difficulties in successfully prosecuting some violations, although the qualifying language referencing artificial ponds should limit the range of potential problems.

The language in (2) may be more problematic because of its vagueness. The state is already required to follow state and federal constitutional guidelines on investigating crimes on private property. The meaning and effect of the language in (2) is unclear and could well lead to an increase in legal arguments and become an obstacle to successful prosecutions should this bill become law.

Penalties

It is currently illegal to release live fish in the waters of the state without a permit from the ADF&G commissioner. 5 AAC 41.005. It is also generally illegal to release imported fish at all. 5 AAC 41.070. Offenses of these regulations are punishable under AS 16.05.925(a) as class A misdemeanors, with fines up to \$10,000 and jail time of one year for individuals. These offenses are also made strict liability offenses under 5 AAC 39.002. If offenders are charged with a strict liability violation, the maximum fine is \$500. The decision to charge as a strict liability violation is made by either the state troopers or the District Attorney's office.

HB 309 would make it a Class A misdemeanor to violate the bill's provisions. There is currently no regulation or statute that would authorize reduction of such a violation to the strict liability violation level. An exception would occur if the state troopers and the court system listed the offense on the bail schedule. In that case, the resulting fine would be up to \$500, depending on what the court system listed on the bail schedule.

Alaska State Legislature

Session:
State Capitol Building, Room 418
Juneau, Alaska 99801-1182
Phone: (907) 465-2993
Fax: (907) 465-3835
Toll Free: 1-800-463-2693

Interim:
145 Main Street Loop Road
Suite 221
Kenai, AK 99611
Phone: (907) 283-2690
Fax: (907) 283-2763

Representative Kelly Wolf
House District 33

MEMORANDUM

May 1, 2004

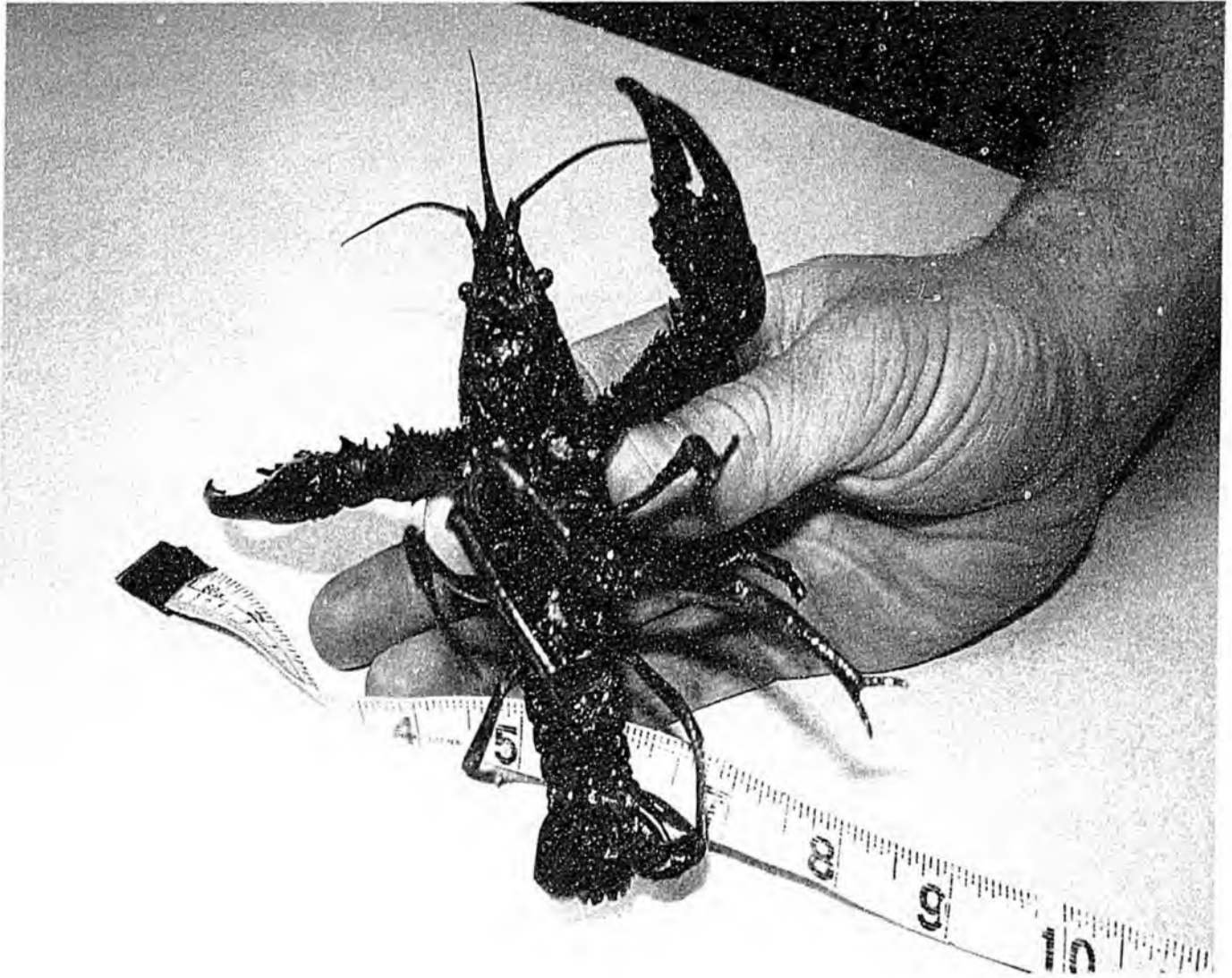
To: Senator Scott Ogan, Chair
Senate Resources Committee

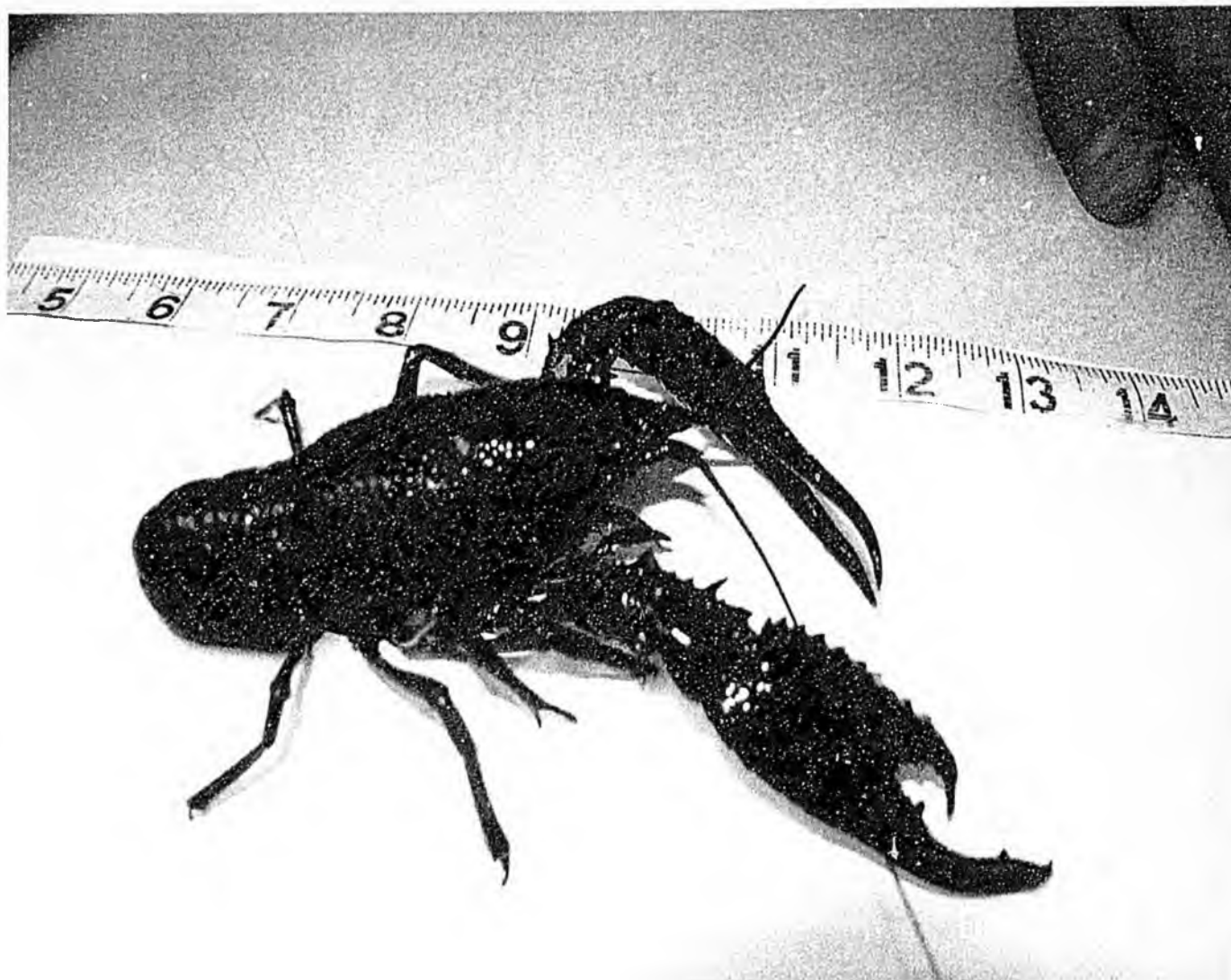
From: Representative Kelly Wolf

Re: Hearing request for CS HB 309

Please Schedule a hearing for CS HB 309 "An act relating to nonindigenous fish" at your earliest convenience. If you have any questions, please call my staff Neal DuPerron @ ext. 2693.

Thank You.







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30	31					

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Miss a day?

Web posted Thursday, May 6, 2004

Kenai man discovers crawfish in unlikely place

By **MATT TUNSETH**
Peninsula Clarion

On Wednesday afternoon, a group of Alaska Department of Fish and Game employees waded into a swamp between Fourth and Fifth avenues in Kenai. Armed with fine mesh nets and chest waders, the four state workers scoured the area in search of crawfish, a lobster-like crustacean most people associate more with gumbo than tundra.



Bob Pugh displays the crawfish he found in a drainage on the north side of the airport in Kenai Monday night.
Photo by M. Scott Moon

You could almost hear zydeco music playing the the background.

The state workers ended up in the swamp after a neighborhood resident reported Tuesday that he'd come across a live crawfish hiding there. Bob Pugh, who lives near the swamp, said Wednesday that he was out walking his dog when he noticed the unusual creature.

"We were just messing around, me and my dog, and that's when we found him," Pugh said.

After grabbing the somewhat lethargic < but very alive > crawfish, Pugh took the animal home and immediately reported his find to Fish and Game. Since crawfish are not native to Alaska, the department was a big skeptical at first.

"At first they didn't believe me," he said.

Once Pugh stopped by Fish and Game's offices between Kenai and Soldotna with his new pet, the biologists' skepticism turned to concern.

According to Tim McKinley, a sportfish biologist with the department, the state is very concerned with the chance that

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there could be more crawfish crawling around town.

"It's our mission to help preserve, maintain and enhance the fisheries around here, and this definitely doesn't fit with that," he said.

McKinley said after Pugh brought the critter in, biologists immediately went to work trying to figure out what they had on their hands.

"We sent a picture of it to experts in Louisiana and Florida to try and identify it for us," McKinley said.

Pugh, who is originally from Texas, said he's seen plenty of crawfish in his day. But the one he found is not only alive and well, it's also obviously well-fed.



Sandee Simons of the Alaska Department of Fish and Game uses a net to search for additional crawfish in the area where the one above was found.
Photo by M. Scott Moon

"It looks like a miniature lobster," Pugh said of the 6- to 7-inch crawfish, which Pugh is keeping in an aquarium at his home.

McKinley said he's certain the animal is a crawfish, and the department is now trying to figure out how it got there, and more importantly, if there's more.

"What we're trying to do is see if there's more and kill the ones we find," he said.

If there are more, he said, it could be a potentially serious situation. Since crawfish would have few natural predators in Alaska and are adaptable to a number of environments, it's possible they could establish a foothold in the area.

"Crawfish are really tough critters," McKinley said.

Bob Piorkowski heads the state's invasive species program in Juneau. He said Wednesday that the danger of crawfish moving into Kenai is that they're known to eat just about anything, and could pose a major threat to native wildlife in the area.

"They're incredible vacuum cleaners," Piorkowski said. "They eat everything."

Although crawfish are normally found far south of Alaska, Piorkowski said it's entirely possible that certain types of the

animal easily could find the peninsula a comfortable home.

"Some of them can live fairly far north," he said, pointing out that crawfish are known to live as far north as Vermont and Ontario < places with climates similar to the Kenai Peninsula's.

Once crawfish do establish themselves in a system, Piorkowski said they can essentially take over the entire area.

"The biomass of a system can get to as high as 70 to 90 percent (crawfish)," he said.

This is not the first instance of invasive species coming to the peninsula. Fish and Game already maintains an extensive northern pike eradication program to curb the spread of the nonnative predators. So the area is no stranger to unwanted visitors, and in an area like Kenai < which depends on its native salmon populations for tourism, commercial fishing and subsistence < that could mean big trouble.

"It won't be the Kenai we know and love anymore," Piorkowski said.

He said this is not the first time crawfish have been reported in Alaska. Dead crawfish have been spotted in both Kodiak and Anchorage, but this is the first time a live specimen has been captured and brought to the state's attention. Until more are located, however, no one has any idea how widespread the problem is.

Piorkowski said he'd like anyone with any information on crawfish < or any other invasive species in Alaska < to call his toll-free hot line at (877) INVASIVE, or 468-2748.

McKinley said there is a chance that someone simply released a single crawfish into the swamp. If that's the case, he said he hopes whoever is responsible will come forward. Although it's illegal to bring nonnative species into Alaska waters, he said the department isn't so concerned about prosecuting any possible offenders.

"We're way more concerned with finding out what the deal is here," he said.

As of Wednesday afternoon, the four Fish and Game employees who scoured the swamp had yet to find any signs of additional crawfish. Although the area is home to a beaver, some sticklebacks and even a few salmon smolt, no crawfish were found during the hunt < which is exactly what everyone was hoping for.

As for the little guy who caused all the commotion, Bob Pugh's pet crawfish is getting comfortable in his new home: an

aquarium Pugh set up in his classroom at Kenai Montessori School, where he teaches kids ages 2 to 12.

He's using the new find as a learning opportunity and is having his students do research as part of a class project.

Although Fish and Game would prefer to see any Alaska crawfish killed as soon as possible, this particular crawfish won't end up on anyone's dinner plate. In fact, Pugh said his students already have given the critter a name.

It's Crusty.

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HB

319

SENATE COMMITTEE REPORT

DATE: 04/26/04

FURTHER: Finance

DATE TURNED
IN TO OFFICE: 5-7-04

Resources Committee considered CS FOR HOUSE BILL NO. 319(FIN) am

HB 319 REMOTE REC.CABIN SITE SALES/LOTTERY SALE

"An Act relating to the disposal of state land by lottery; relating to the reservation of rights by the state in land contracts and deeds; relating to the disposal, including sale or lease, of remote recreational cabin sites; and providing for an effective date."

and recommends:

- be replaced with 5 CS CSHB 319 (RES)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
House Bill:	
<input checked="" type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
DOR		✓			

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Alph A. Lee</i>	✓			
<i>Ben Stevens</i>	✓			
<i>Ken ...</i>			✓	
CHAIR: <i>Scott ...</i>			✓	



SENATOR SCOTT OGAN

23RD Alaska State Legislature

Senate District H Lazy Mountain * Butte * Chugiak * Peters Creek * Fairview Loop

Knik-Goose Bay * Big Lake * Houston * Willow * Talkeetna * Trapper Creek

State Capitol, Room 103, Juneau Alaska 99801 * (907) 465-3878 * 1 (800) 862-3878 * Fax (907) 465-3265

Senator_Scott_Ogan@legis.state.ak.us

Http://www.akrepublicans.org/ogan

FACSIMILE TRANSMITTAL SHEET

TO: Leg Legal	FROM: LINDA HAY - Sen. Resources
COMPANY: Don Bullock	DATE: 5-7-04
FAX NUMBER:	TOTAL NO. OF PAGES INCLUDING COVER: 3
PHONE NUMBER:	RE: CS

URGENT
 FOR REVIEW
 PLEASE COMMENT
 PLEASE REPLY
 PLEASE RECYCLE

NOTES/COMMENTS:

Please prepare a Senate Resources CS for HB 319 as amended - Amend. #1. 23LS0477 X.A.3 is attached.

Call if there are questions - Bill next heads to Finance

Thank You

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR OGAN

TO: CSHB 319(FIN) am

1 Page 3, line 4:

2 Delete "entry"

3 Insert "lease issuance, unless an extension is found necessary by the
4 commissioner"

5
6 Page 3, line 14:

7 Delete "in regulations"

8
9 Page 3, lines 24 - 27:

10 Delete all material and insert:

11 "(f) A resident may nominate a parcel for disposal under this section. The
12 commissioner shall review the nomination and may

13 (1) offer the nominated parcel for sale;

14 (2) offer additional parcels within the surrounding area for sale; or

15 (3) find that the parcel or area is not appropriate for disposal."
16

17 Page 3, line 28, following "acres":

18 Insert "unless the commissioner determines that a larger site is necessary to comply
19 with municipal ordinances, because of the unique physical and natural characteristics of the
20 area, or to increase the return to the state from the sale of the parcel"

21

22 Page 4, line 3:

23 Delete ", in the public interest,"

1

2 Page 4, line 4:

3 Delete "adopts a regulation indicating"

4 Insert "finds that"

5

6 Page 4, line 5, following "frontage":

7 Insert "is in the public interest"

8

9 Page 4, line 20:

10 Delete "AS 38.05.600(f)"

11 Insert "AS 38.05.600(g)"

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB319SCS(RES)verX.e DN
 () Publish Date: _____

Revision Date/Time (Note if correction): 5/8/2004 Dept. Affected: Natural Resources
 Title: Remote Rec Cabin Site Sales/ RDU: Resource Development
Lottery Sale Component: Land Sales/Municipal Entitlements
 Sponsor: Rep. Fate
 Requester: (S) FIN Component No. 2456

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services	59.0	179.5	241.0	241.0	241.0	241.0
Travel	2.0	6.0	8.0	8.0	8.0	8.0
Contractual	8.0	28.0	28.0	28.0	28.0	28.0
Supplies		8.0	2.0	2.0	2.0	2.0
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	69.0	221.5	279.0	279.0	279.0	279.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (1153)			82.5	82.5	247.5	346.3
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	69.0	221.5	196.5	196.5	31.5	0.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (1153 Land Disp Income Fund)			82.5	82.5	247.5	279.0
TOTAL	69.0	221.5	279.0	279.0	279.0	279.0

Estimate of any current year (FY2004) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time	1	2	4	4	4	4
Part-time		2				
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill establishes a public nomination process for the Remote Recreational Cabin Program under AS 38.05.600. It leaves the existing Remote Recreational Cabin Program under that statute in place, although it modifies some of the requirements of the existing program (such as parcel size, river frontage, etc.). This fiscal note analyzes the impacts of these changes. The new program adds a maximum size restriction of 10 acres.

DETAILS ON FOLLOWING PAGES

Prepared by: Nancy Welch, Special Assistant to the Commissioner Phone 907-269-8431
 Division: Commissioner's Office Date/Time 5/7/04
 Approved by: Tom Irwin, Commissioner Date 5/8/04
 Agency: Natural Resources

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. HB319SCS(RES)verX.a-DN

ANALYSIS CONTINUATION

Assumptions.

The bill modifies the existing Remote Recreational Cabin Program. Thus, the fiscal note assumes that the existing program continues but at an expanded level and with some revision to comply with changes to this statute.

As a result of this legislation, DNR will undertake the following tasks:

- 1) prepare an annual schedule of remote recreation cabin offerings;
- 2) prior to preparation of the schedule, solicit public nominations of areas to offer for sale under this program;
- 3) assess proposed land offerings to ensure they were not selected for mineral potential or do not contain high value mineral lands. This will involve research into state land selection history for sale areas; review of published reports, geophysical surveys and geological evaluations for sale areas; and Division of Mining, Land and Water (DMLW) will coordinate a review of proposed sale areas by the DNR Division of Geological and Geophysical Surveys, DNR Division of Oil and Gas, and the Minerals Section of the DMLW; and
- 4) require that new purchasers of parcels under this program and any DNR lottery sale programs increase their deposits from 5% to 10% of the appraised value.

In FY05, DNR will also need to revise its regulation for this program to conform to certain changes proposed in HB319.

Program Impact: In response to the nominations process, DNR will offer additional areas and will offer up to 100 additional parcels under the Remote Recreation Cabin Program. Because some of these areas will be driven by public recommendations, we are assuming higher public interest and a higher response rate. This expansion of the program will result in increased survey and appraisal work starting in FY 06. Surveys will continue to be done by private sector surveyors, and applicants will pay for costs of survey and appraisal.

Expenditures

Personal Services. FY 05 - DNR estimates that to perform the tasks described above will require one (1) Natural Resource Specialist II (range 16) at a cost of \$59.0, for a total FY 05 personal services cost of \$59.0.

FY 06 - DNR will require funding for an additional NRS II to prepare additional areas nominated for sale, with the intention of offering 100 additional parcels; and 1/2 of an additional land survey position and 1/2 of an additional appraisal position to assist in this effort. An Appraiser II is \$65.0/year, or \$32.5 for 1/2 year. A Land Survey Assistant II is \$58.0 per year, or \$29.0 for 1/2 year.

Contractual Costs:

	FY 05	FY 06-FY 10
Phones, computer hook-ups, etc. @\$1000 ea	\$ 1.0	4.0
Office space rental	\$ 5.0	20.0
public notices, etc.	\$ 2.0	4.0
TOTAL	\$ 8.0	28.0

Forecast of Increases in Sales and Revenues

Assumptions - Number of parcels offered and sold: In response to the nominations process, DNR will offer 100 additional parcels each year starting in FY 07. Because some of these areas will be driven by public recommendations, we assume a high percentage, 75%, or 75 parcels, will actually be staked and eventually sold.

Timing of Sales. In FY 05, DNR will identify these new sale areas based upon public nominations. In FY 05-06, DNR will research land status, identify and reserve access, prepare best interest findings, conduct public notice and review, develop sale brochures, and other tasks to prepare areas to offer for staking. The areas will be offered for staking in FY 07. Parcels will be surveyed and appraised during FY 07-08. Final sales of parcels staked in FY 07 would occur in FY 09. These time frames are based upon an optimistic assessment of actual time required to implement the existing program.

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. HB319SCS(RES)verX.a-DN

Revenues from additional Offerings under HB 319. The following represents forecasted revenues based upon the assumption of 100 new parcels offered each year starting in FY 07, with 75% being sold (75 parcels). In addition, revenues under the existing program, which offers 250 parcels per year, will increase as the required down payment for parcels staked starting in FY 05 will increase from 5% to 10% of appraised value. Increased revenue comes from three sources as follows:

Increased Revenue from Increased Down Payments: FY 07 and following years, revenue will increase as a result of increasing the deposit for all remote recreation cabin parcels from 5% to 10%. This increased down payment will apply to parcels staked after the effective date of this act. Increasing the deposits from 5% to 10% will result in an estimated \$70,000 (the average of 5% of the FMV of the 2002 and 2003 parcels) starting in FY 07.

Revenue From Fees. DNR anticipates that offering more areas and parcels will increase the number of applications and revenue from associated fees. The fiscal note assumes DNR will collect the following additional fees at the time of applications, stakings, or processing of sale contracts/deeds:

Application fee: \$25/application - assume an additional 400 applications/year = \$10,000

Staking authorization fee: \$25 at time applicant submits staking diagram: \$25 x 100 parcels = \$2,500

Document processing fee: \$100 at time applicant requests contract or patent - assume 75 additional parcels go to purchase = \$7,500 starting in FY 08.

Total Increased Fee Revenue - FY 07: \$12,500
FY 08 and following years: \$20,000

Increased Revenue from Increased Sales. Starting in FY 09, DNR forecasts an increase of 100 parcels or stakings being offered with a much higher (75%) staking rate resulting from the combination of increased interest in offerings (because of nominations), increased number of stakings authorized, or increased areas. Assumptions used to estimate increased revenue follows:

Number of Additional Parcels Sold: 75

Parcel Size - assumed to be 10 acres, which is the maximum allowed by the program, but less than what most people have staked under the existing program (average 13.6 acres). Many municipalities have a 10 acre minimum parcel size.

Parcel Price - the selling price for parcels staked in FY 01 and 02 has averaged \$620/acre with an average size of 13.6 acres. Smaller parcels generally receive a higher per acre value, DNR has adjusted the per acre price for this FN analysis to \$750/acre.

Financing - The bill assumes the current practice for financing: approximately 20% of applicants purchase outright, and 80% finance their purchase over 5 years. The current interest rate is 7%.

Summary.

FY 07 and 08: Revenue will increase as a result of increased downpayments from parcels acquired under the existing program (\$70,000) and additional application fees (\$12,500), for a total of \$82,500.

FY 09: Revenue (\$247,500) will include:

- increased downpayments from the existing program sales (\$70,000/year)
- increased fees (now \$20,000)
- cash sales of 20% of the 75 additional parcels - 15 parcels/year (\$112,500)
- the 10% down payments from the 60 parcels financed (\$45,000) and an assumed increase in rate of sales.

FY 10 (Revenue of \$279,000) and following years - FY 09 revenue plus \$98,776 from previous year's contracts (60 parcels, interest rate of 7%, financed 5 years).

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB319CS(FIN)verWam-DNF
 () Publish Date: _____

Revision Date/Time (Note If correction): 4/19/2004 Dept. Affected: Natural Resources
 Title Remote Rec Cabin Site Sales/ RDU Resource Development
Lottery Sale Component Land Sales/Municipal Entitlements
 Sponsor Rep. Fale
 Requester (H) FIN Component No. 2456

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services	277.5	433.0	433.0	433.0	433.0	433.0
Travel	10.0	20.0	20.0	20.0	20.0	20.0
Contractual	88.0	95.0	79.0	79.0	79.0	79.0
Supplies	5.0	10.0	10.0	10.0	10.0	10.0
Equipment	10.0	10.0		5.0	5.0	
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	390.5	568.0	542.0	547.0	547.0	542.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (1153)		467.5	708.2	948.7	1,189.3	1,432.9
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	390.5	100.5	0.0	0.0	0.0	0.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (1153 Land Disp Income Fund)		467.5	542.0	547.0	547.0	542.0
TOTAL	390.5	568.0	542.0	547.0	547.0	542.0

Estimate of any current year (FY2004) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time	5	7	7	7	7	7
Part-time	1	1	1	1	1	1
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill establishes a new land disposal program within AS 38.05.600. It leaves the existing Remote Recreational Cabin Program under that statute in place, although it modifies some of the requirements of the existing program (such as parcel size, river frontage, etc.). This fiscal note analyzes the impacts of the proposed program. The new program adds a maximum size restriction of 10 acres and establishes other guidelines regarding parcel locations.

The schedule for the number of parcels that DNR can process and resultant revenues in this fiscal note are very optimistic in that they assume that survey, appraisal, platting board review, and approval occurs within one year. That process currently takes 3 years. DNR believes that it will be difficult to fulfill the revenue projections, particularly in FY 06 and 07.

Prepared by: Nancy Welch, Special Assistant to the Commissioner Phone 907-269-8431
 Division: Commissioner's Office Date/Time 4/19/04
 Approved by: Tom Irwin, Commissioner Date 4/19/04
 Agency: Natural Resources

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. HB319CS(FIN)verWam-DNF

ANALYSIS CONTINUATION

Assumptions. The fiscal note assumes that DNR would be able to process 250 applications per year under the new program which is established in Section 4(e) and 4(f) of the bill whereby DNR would accept and process parcels nominated by individuals. This assumption is on the high side, particularly for FY 06. It assumes none of DNR's best interest findings are appealed and there are no delays, including appeals, in surveying, borough approval of surveys, or appraisals. If more than 250 individuals apply, a backlog would be established or more staff would be needed.

The bill does not eliminate the existing program. Thus, the fiscal note also assumes that the existing program continues at its current level, although that program will require revision to comply with changes to this statute.

The New Program. Section 4(e) of the bill would result in individual processing for 10-acre parcels in locations throughout the state chosen by the applicants. This bill proposes that a member of the public can nominate a specific site and, if DNR determines through the best interest finding and public notice process that the land should be sold, it will be offered for sale. DNR would complete the processing: title search, survey review, appraisal review, best interest finding, public notice, easement decisions, etc. for that individual parcel.

In this fiscal note, DNR assumes that we could process some of the applications in batches. Exactly how many parcels or areas nominated that could be processed together would depend on two factors; 1) how many nominated parcels are in the same geographic area so that we could combine the parcels into one best interest finding and public notice; and 2) how many additional parcels DNR could identify for sale within the areas nominated by the individual. For this analysis, DNR assumes that we could batch process 100 applications, that is, 100 applications would be processed in batches of 10-20 parcels. We will assume that 150 parcels are processed separately, where each has a separate BIF and the applicants pay for individual survey and appraisal.

Cost for Section 4(e). Section 4(e) would result in a combination of individual and batch processing of nominations. Under the existing program, DNR identifies geographic areas open to staking, hence parcels are always processed in groups. For example, under the existing program, 250 parcels can be reviewed in six batches, combining survey reviews, appraisal reviews, best interest findings, and title searches. This fiscal note is based on an additional 250 parcels being processed, 100 in groups and 150 separately, with *separate* survey reviews, appraisal reviews, best interest findings, etc.

Personal Services. DNR estimates that this portion of the program will require the following staff:

FY 05 - Program start-up. The first year will entail drafting new regulations, preparing maps of areas open to staking, developing program guidelines and application forms, and accepting and initial processing of the first round of applications. Personal Services Cost will be \$277.5, for the following positions:

- 1 NRM I (6 months) = @\$32.5
- 1 NRS II - @\$59.0 = \$59.0
- 2 NRS I - @\$52.0/each = \$104.0
- 1 NRS I (part-time) - @\$26.0 = \$26.0
- 1 Cartographer II - @\$56.0 = \$56.0

FY 06 and following years - Subsequent years will entail processing of individual and batched applications, including: land title research for each site; drafting best interest findings and public notice for each parcel; issuing survey and appraisal instructions; review and approval of individual surveys and appraisals; preparing additional maps for the public depicting staking areas; updating maps and plats to show sites applied for and approved; issuing sale contracts and deeds; answering public questions about the program; and other tasks. Personal services cost increase to \$433.0, as a surveyor and appraiser will be added to the staffing levels identified for FY 05, and the NRM I becomes a full time position (additional 6 months @ \$32.5). These positions are needed to issue instructions for and review surveys and appraisals.

- 1 Appraiser II - @\$65.0 = \$65.0
- 1 Land Survey Assistant II - @\$58.0 = \$58.0

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. HB319CS(FIN)verWam-DNF

ANALYSIS CONTINUATION

Contractual Costs:

ITEM	FY 05	FY 06	FY 07 and following
Public Notices - 150 notices x \$250	\$0	\$37.5	\$37.5
Printing - brochures and maps	\$10.0	\$10.0	\$10.0
Phones, computer hook-ups, etc. @\$800 ea	\$ 5.0	\$ 6.5	\$ 6.5
Office space rental	\$25.0	\$25.0	\$25.0
New office construction/furniture @\$8.0 ea	\$48.0	\$16.0	\$ 0.0
TOTAL	\$88.0	\$95.0	\$79.0

Revenues. Revenue generated under this bill would be a function of parcel size, per-acre price, number of parcels sold, and scheduling assumptions as outlined below.

Parcel Size. This bill proposes to decrease the maximum size to 10 acres. Under the current program, applicants choose the size of their parcel, up to the 20 acre maximum currently in statute. The average size chosen under the current program is approximately 13.6 acres. The minimum size is 5 to 10 acres depending on the area. Minimum size is established to comply with local platting board or waste disposal requirements.

Parcel Price. Remote land in Alaska is inexpensive. The selling price for remote recreation cabin parcels staked in FY 01 and FY 02 is estimated to average \$620/acre. Small parcels sell for less than larger parcels, though the per-acre price is higher. Currently, the average size Alaskans chose to stake is 13.6 acres. Department appraisers estimate that all else being equal the per-acre price ratio between a 13-acre parcel and a 10 acre parcel is 1.2. Therefore, this fiscal note assumes that a 10-acre parcel will bring in \$750 per acre (= \$620/acre x 1.2). That is, each parcel brings in \$7,500 to the department (= \$750/acre x 10 acres).

Purchase Rate. In the current program, only 43% of the people issued staking authorizations go on to purchase their parcels. The remainder decide not to continue somewhere during the process. The Department is working to bring up the purchase rate. However, this rate is actually greater than similar historical programs. The Department's homestead/homesite programs allowed people to gain ownership through either purchase or prove-up. Only 33% of the people who initially sought parcels followed through to ownership: two-thirds dropped out. It is possible that those who apply in the program proposed by this bill will have a higher purchase rate than past programs. However, individuals do not understand the major cost in time and money until they try to hire a surveyor and appraiser, and so the purchase rate may actually be lower. This fiscal note assumes an optimistic 75% purchase rate or 188 parcels per year.

Financing. The bill assumes current practice for financing: approximately 20% of applicants purchase outright and 80% finance their purchase over 5 years. The current interest rate is 7%.

Schedule. Section 3 of the bill does not change DNR's existing survey and appraisal practice but requires that both be completed within two years. Currently, the Department contracts with private surveyors on behalf of the individuals and is able to complete the survey and appraisal process within two years after the lease is issued. Our experience is that individuals who are unfamiliar with surveyors and appraisers take far longer. Thus, the Department believes that the minimum time for the process is two years. During the first year, the parcels are staked, applications received, DNR issues the best interest finding and public review, and the parcel is surveyed in the summer (survey instructions from DNR, survey by a private contractor). During the second year, the survey is reviewed and approved by DNR and local platting authority (borough or city), the parcel is appraised (instructions from DNR, appraisal by a private contractor, then review by DNR), and then the applicant can purchase the parcel. Therefore, the minimum schedule is as follows: FY 05 to prepare the regulations for this new program, information for the public, and receive initial applications in the second half

(Continued)

Analysis Continued:

of FY 05. DNR processing of applications (title search, best interest finding, public notice, etc.) would occur in FY 05-06, the first land surveys would occur primarily in FY 06. DNR and Borough approval of surveys would occur in FY 06, and appraisals would be completed in late FY 06. Some parcels may be purchased or will enter into sale contracts by late FY 06, but for most parcels, sale will not occur until FY 07. Based on experience with past programs where applicants were required to get their own parcel surveyed and appraised, this is a very optimistic schedule.

Revenue From Fees. The fiscal note assumes DNR will collect the following additional fees at the time of applications or processing of applications or contracts:

Application fee: \$100/application - assume 500 applications/year = \$50,000

Staking authorization fee: \$25 at time applicant submits staking diagram: \$25 x 188 parcels = \$4,700

Document processing fee: \$100 at time applicant requests contract or patent - assume 188 parcels go to purchase = \$18,000

Total Fee Revenue - assuming 500 applications and 188 parcels purchased = \$73,500

Additional Fee Revenue - \$100 document processing fee paid at time when contracts are paid off and request patent, assume starting in FY 07, 20% of all existing purchasers payoff contracts and request patent (30x\$100 in FY 07.)

Summary. In summary, total value sold per year will be \$1,410,000 (188 parcels x \$7,500 per parcel).

FY 06: At best, some parcels may be ready to purchase late in FY 06. This fiscal note assumes that all parcels would be ready for purchase (cash sale or sale contract) in FY 06. If all 188 parcels were purchased by the end of FY 06, the revenues received in FY 06 will be \$394,800 (\$394,800 = \$282,000 through full purchase plus \$112,800 downpayment on the remainder). Fees collected in FY 06 total \$73,500. Total Revenue for FY 06 = \$467,500.

FY 07 and following: An additional \$240,588 will be paid each year through the following 5 years as individuals pay off the parcels assuming 7% interest. In FY 07, revenue is estimated to be \$768,188 (= \$467,500 + \$240,588). Revenue would level off in FY 10.

Technical Issues. This bill does not repeal the current program: Section 4(e) appears to provide that it continues. Therefore, this fiscal analysis assumes the existing program continues at its present level. However, the bill would put the current program out of compliance with the law. To maintain the current program, Section 4(g) should apply only to the new program: that outlined in Section 4(e).

If the new program does replace the existing program, the required additional cost would be somewhat less than outlined in this fiscal note as current staff could implement the new program (with some additions). However, total revenue to the state would be much less than indicated in the fiscal note, as the existing program is a much more cost-efficient and revenue-efficient method to offer lands to Alaska.

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSHB 319(STA)
(H) Publish Date: 2/23/04

Revision Date/Time (Note if correction): _____ Dept. Affected: Natural Resources
Title Remote Rec Cabin Site Sales/ RDU Resource Development
Lottery Sale Component Land Sales/Municipal Entitlements
Sponsor Rep. Fate
Requester (H) STA Component No. 2456

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services	368.0	368.0	368.0	368.0	368.0	368.0
Travel	20.0	20.0	20.0	20.0	20.0	20.0
Contractual	30.0	30.0	30.0	30.0	30.0	30.0
Supplies	15.0	15.0	15.0	15.0	15.0	15.0
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	433.0	433.0	433.0	433.0	433.0	433.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (1153)					82.6	112.8
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	433.0	433.0	433.0	433.0	350.4	320.2
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (1153 Land Disp Income Fund)					82.6	112.8
TOTAL	433.0	433.0	433.0	433.0	433.0	433.0

Estimate of any current year (FY2004) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time	6	6	6	6	6	6
Part-time	1	1	1	1	1	1
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill establishes a new land disposal program within AS 38.05.600. It leaves the existing Remote Recreational Cabin Program under that statute in place. This fiscal note analyzes the impacts of the proposed program.

The new program would have DNR negotiate private, non-competitive sales. (This is a significant change from the existing policy of only public, competitive land sales.) It also adds a maximum size restriction of 2.5 acres and establishes other guidelines regarding parcel locations.

Prepared by: Nancy Welch, Special Assistant to the Commissioner Phone 907-269-8431
Division: Commissioner's Office Date/Time 1/28/04
Approved by: Thomas Irwin, Commissioner Date 1/28/04
Agency: Natural Resources

FISCAL NOTE # 1

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. CSHB 319(STA)

ANALYSIS CONTINUATION

Assumptions. The fiscal note assumes that DNR would process 150 applications under the new program which is established in Section 4(g) of the bill whereby DNR must approve parcels nominated by individuals. (If more than 150 individuals apply, a backlog would be established or more staff would be needed.)

The bill does not eliminate the existing program. Thus, the fiscal note also assumes that the existing program continues at its current level. If the program established in Section 4(g) is meant to replace the existing program, the cost and revenues provided in this fiscal note would change. The Department is currently preparing an estimate of the fiscal effect of eliminating the costs and revenues of the existing program.

The New Program. Section 4(g) of the bill would require individual processing for 2.5-acre parcels in locations throughout the state chosen by the applicant. This bill proposes that a member of the public can nominate a specific site and, if the person can demonstrate past recreational or mining use, DNR would be required to offer that site to that individual without competition. DNR would complete the processing: title search, appraisal review, best interest finding, easement decisions, etc. for that individual. This process would be repeated for each individual parcel.

Cost for Section 4(g). The new aspect of the program, Section 4(g), requires individual processing. For example, under the existing program, 150 parcels can be reviewed in six batches, combining survey reviews, appraisal reviews, best interest findings, and title searches. Section 4(g) would require 150 separate survey reviews, appraisal reviews, best interest findings, etc.

DNR estimates that this portion of the program will require the following staff:

1 Appraiser II - @\$66.0 = \$66.0
1 NRS II - @\$58.0 = \$58.0
2 NRS I - @\$52.0/each = \$104.0
1 NRS I (part-time) - @\$26.0 = \$26.0
1 Land Survey Assistant II - @\$58.0 = \$58.0
1 Cartographer II - @\$56.0 = \$56.0

Revenues. Revenue generated under this bill would be a function of parcel size, per-acre price, number of parcels sold, and scheduling assumptions as outlined below.

Parcel Size. This bill proposes to decrease the maximum size to 2.5 acres. Under the current program, applicants choose the size of their parcel. The average size chosen under the current program is approximately 13.6 acres. (The minimum size is 5 to 10 acres depending on the area. Minimum size is established to comply with local platting board or waste disposal requirements. Maximum parcel size is 20 acres).

Parcel Price. Remote land in Alaska is inexpensive. The selling price for remote recreation cabin parcels staked in FY 01 and FY 02 is estimated to average \$620/acre. Small parcels sell for less than larger parcels, though the per-acre price is higher. Currently, the average size Alaskans chose to stake is 13.6 acres. Department appraisers estimate that all else being equal the per-acre price ratio between a 13-acre parcel and a 2.5 acre parcel is 1.9. Therefore, this fiscal note assumes that a 2.5-acre parcel will bring in \$1,180 per acre (= \$620/acre x 1.9). That is, each parcel brings in \$2,950 to the Department (= \$1,180/acre x 2.5 acres).

FISCAL NOTE #1

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. CSHB 319(STA)

ANALYSIS CONTINUATION

Purchase Rate. In the current program, only 43% of people issued staking authorizations go on to purchase their parcels. The remainder decide not to continue somewhere during the process. The Department is working to bring up the purchase rate. However, this rate is actually greater than similar historical programs. The Department's homestead/homesite programs allowed people to gain ownership through either purchase or prove-up. Only 33% of the people who initially sought parcels followed through to ownership: two-thirds dropped out. It is possible that those who apply in the program proposed by this bill will have a higher purchase rate than past programs. However, individuals do not understand the major cost in time and money until they try to hire a surveyor and appraiser, and so the purchase rate may actually be lower. This fiscal note assumes a 66% purchase rate or 100 parcels per year.

Financing. The bill assumes current practice for financing: approximately 20% of applicants purchase outright and 80% finance their purchase over 10 years. The current interest rate is 7%.

Schedule. Section 3 of the bill does not change DNR's existing survey and appraisal practice but requires that both be completed within one year. Currently, the Department contracts with private surveyors on behalf of the individuals and is able to complete the survey and appraisal process within two years. Our experience is that individuals who are unfamiliar with surveyors and appraisers take far longer. Thus, the Department believes that the minimum time for the process is two years: one for summer for survey (survey instruction from DNR, survey by a private contractor, then review by DNR), and a second for appraisal (instructions from DNR, appraisal by a private contractor, then review by DNR). Therefore, the minimum schedule is as follows: FY 05 to prepare the regulations and information for the public. The first applications could occur in FY 06 with one year for DNR processing (title search, best interest finding, public notice, etc.). Survey could occur in FY 07; appraisal in FY 08, and revenue would begin when parcels are purchased in FY 09.

Summary. In summary, total value sold will be \$295,000 (100 parcels x \$2,950 per parcel). Of that amount \$82,600 will be paid the first year (\$59,000 through full purchase plus \$23,600 downpayment on the remainder). An additional \$30,240 will be paid each year through the following 10 years as individuals pay off the parcels. Therefore, the first year of revenue will occur in FY 09 and will be \$82,600. In FY 10, revenue will be \$112,840 (= \$82,600 + \$30,240).

Technical Issues. This bill *does not* repeal the current program: Section 4(f) appears to provide that it continues. Therefore, this fiscal analysis assumes the existing program continue at its present level. However, the bill would put the current program out of compliance with the law. To maintain the current program, Sections 4(e) and (h) should apply only to the new program: that outlined in Section 4(g).

If the new program *does* replace the existing program, the required additional cost would be somewhat less than outlined in this fiscal note as current staff could implement the new program (with some additions). However, total revenue to the state would be much less than indicated in the fiscal note, as the existing program is a much more cost-efficient and revenue-efficient method to offer lands to Alaska. The Department is currently preparing this financial information, and it should be available within the next week.

Also, the bill mandates that survey and appraisal is completed in one year. As outlined above, many years of experience with this issue shows a one-year schedule to be almost impossible. A more realistic expectation is 2 to 5 years. Based on DNR's current practice, the minimum time to accomplish these tasks is two years: one for survey and one for appraisal. Therefore, the requirement in Section 3 (line 2 of page 3) should be removed.

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: CSHB 319(FIN)
(H) Publish Date: 4/21/04

Revision Date/Time (Note if correction): _____ Dept. Affected: Natural Resources
Title: Remote Rec. Cabin Site Sales/Lottery Sale RDU: Resource Development
Component: Oil and Gas Development
Sponsor: Rep. Fate, Wolf
Requester: House Finance Component No.: 439

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services	22.5	22.5	22.5	22.5	22.5	22.5
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	22.5	22.5	22.5	22.5	22.5	22.5

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	22.5	22.5	22.5	22.5	22.5	22.5
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	22.5	22.5	22.5	22.5	22.5	22.5

Estimate of any current year (FY2004) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

HB 319 establishes a new land disposal program under AS 38.05.600. Section 5 of the bill specifies that land offerings may not include mineral land selected by the state or lands identified by DNR as having high mineral potential. A petroleum geologist in the Division of Oil & Gas would need to review the proposed land disposals to ensure that high potential oil and gas were excluded from land offerings.

Prepared by: Mark D. Myers Phone 269-8800
Division: Oil and Gas Date/Time 3/15/04
Approved by: Thomas Irwin, Commissioner Date 3/15/04
Agency: Natural Resources

Representative
HUGH "BUD" FATE
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House District 7

House of Representatives Sponsor Statement

CS for HB 319 (FIN) am

"An Act relating to the disposal of state land by lottery; relating to the reservation of rights by the state in land contracts and deeds; relating to the disposal, including sale or lease, of remote recreation cabin sites; and providing for an effective date."

CS HB 319 is legislation to help move Alaska State land into the hands of private individuals. Presently, Alaska holds millions of acres of remote area land that is generating no revenue for the state, or local nearby governments.

By leasing or selling remote cabin sites, individuals will hold the surface rights to those lands. The initial cost will be minimal to residents through public sale or lease agreements. They will incur the costs of a survey and appraisal.

Since the majority of the sites are remote, the means of access could result in the purchase of off road vehicles, and in some cases boats and motors. Once improvements begin, the new landowner will be purchasing building materials, fuel, and other necessities to make the cabin as comfortable as possible. The economic trickle down effect could be huge, as it will also be felt in the real estate market.

CS HB 319 makes good economic sense for state government, local government, Alaska businesses and Alaskans. It will generate a source of revenue, and fulfill a promise to those Alaskans who want that remote cabin, a place to escape, to hunt and fish, or simply enjoy a mini-vacation. Passage will expand the opportunity to satisfy the dream of Alaskans by allowing them to secure in fee simple, a favored piece of property in a setting that epitomizes the reason we live in Alaska; to enjoy its wildlife, its beauty and its solitude

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House District 7

House of Representatives Sectional Analysis CS HB 319 (FIN) am

Section 1.

Existing statutory language is changed in reference to the amount of deposit required by a purchaser from five to ten-percent.

Section 2.

Adds AS 38.05.600 to the list of lands contract language that the state currently uses as part of the purchase agreement. The remainder of the section is devoted to correcting changes in legal grammar.

Section 3.

Allows the Commissioner to sell state land for remote cabins at fair market value based on a survey and appraisal done by either the department or an approved surveyor and appraiser. The purchaser is assessed these costs. The language gives the Department a maximum of 24 months to accomplish these tasks.

Section 4.

Directs the Commissioner to implement the Remote Cabin Language each year by preparing land offerings that are not considered high mineral potential lands based on scientific and technical data. The language further establishes guidelines for the Remote Cabin sites including maximum parcel sizes and, waterfront requirements on both lakes and rivers and that land purchased under this bill is subject to the "no more clause" of ANILCA. It also includes language to assure the state's right of way for access along navigable waters.

Section 5.

Applies language to parcels staked after January 1, 2005 so the law does not change existing parcels staking agreements.

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House of Representatives

Changes in CSHB 319 (FIN) am From RESOURCES Version

Section 1

Is unchanged

Section 2 & 3

Is contract language between the buyer and the State. The Resources version had penalty language for filing a suit, which was supported by Section 3 of the bill. That language, and its supporting legislation have been deleted.

After renumbering section 4 to Section 3.

Language that allowed for public and private sales in another section of the bill has been deleted.

Section 4

Language was changed to limit nominations to residents rather than the general public. The first right of refusal clause in section (g) was eliminated in favor of a lease application under existing statute. The buffer zones between parcels, was eliminated making it easier for surveyors, similar buffer language relating to rivers was also eliminated. Because of platting restrictions in some organized boroughs the size of a parcel may be up to 10 rather than five acres. Likewise, because of the potential increase in parcel size the amount of waterfront footage was increased from a maximum of 400 feet to 700 feet. It also includes language to assure the public right of way access to navigable water.

Section 5

The effective date of 01/01/05 was added to allow the department to continue with remote parcels already being staked that might be in excess of 10 acres.

HB 319 Revenue Assumptions

I. FINANCIAL ASSUMPTIONS

1) Ready Applicants/year	<u>YR1</u>	<u>YR2</u>	<u>YR3</u>	<u>YR4</u>	<u>YR5</u>
	1000	800	600	500	500

2) Ready Willing Buyers (66% Purchase Rate)	666	528	396	330	330
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A) Two (2) Categories of Buyers:

o 20 % 100% Cash Purchase/ 0 Financed

o 80 % 10% Down/90 % Financed

3) Average Minimum Price/Acre: \$ 900/acre

4) Investments:

A) 5% Annual Yield

5) Financing

A) 7% Annual Percentage Rate (Prime +3% on loans)

B) 10% Down Payment/90% Financed

C) 60 Month Term (10 years, loans 10,000 +)

II. PARCEL ASSUMPTIONS

1) Desirable Remote Parcels:

- a. River Frontage
- b. Ocean Frontage
- c. Lakeshore Frontage
- d. Highway Frontage
- e. View Properties

2) Land Characteristics

- a. Fee Simple Ownership
- b. 5.0 acres Parcels/Subdividable into (4) 1.25 acre lots
- c. Some Ground Trans Access (snowmobile, 4-wheeler, boat, vehicle)
- d. Contracts for Sale/Lease option to purchase
- e. No State of Alaska Fire Protection
- f. No State of Alaska "Trail construction or maintenance.

3) Purchasers bears ALL cost of acquiring Fee Simple Title

- o Appraisals
- o Surveys
- o Title Insurance
- o Recording Costs
- o Legal Expenses (documentation)

4) Purchaser will pay for all Site Improvements:

- a. Roads and trail access construction/maintenance
- b. Structures/Buildings
- c. Materials/Supplies
- d. Real Estate Improvements (wells, septic, power, etc.)

5) The land purchase has Value Added Benefits:

- a. Labor/Construction
- b. Materials purchase
- c. Fuel/energy consumption
- d. Future Real estate transactions(Resale/subdivision)

III. NARRATIVE DESCRIPTION

The program is a first come, first serve basis with a right to request first refusal. Applicants apply to DNR for selection of a 5.0 acre parcel. After a best interest finding and public notice, the applicant pays for staking, surveying, and appraisal of the parcel. This data is then submitted to DNR for review. Because HB 319 opens such large areas, there will be considerable public interest regarding what land is available.

Access concerns will be borne by the purchaser. DNR, or local governance authorities will not be expected to develop or maintain access routes or utilities. This new program will place considerable demands on DNR to provide information, particularly through the DNR public information offices in Anchorage, Fairbanks, and Juneau. At least one Natural Resource Tech II will be placed at each location to handle applications.

DNR will need to provide the public with accurate land status information for millions of acres of state land so the public knows what land is available, including the location of existing third-party interests, mining locations, Mental Health Trust Land, Native allotment locations, and trail and access information.

Specific tasks include:

- 1) DNR develops regulations to implement this disposal of land, establish qualifications, methods for resolving conflicting claims, etc.
- 2) DNR identifies land available for entry under this program-from state and federal status plats based upon state ownership, land classifications, municipal entitlements, existing private lands, Native allotments, etc. They would need to make available existing maps of several million acres available for selection.
 - a. Produce additional maps from existing supply.
 - b. Print and distribute maps
- 3) After the Notice period and once accepted by DNR, the purchaser orders and pays for: survey, appraisal, recordation and documentation.
- 4) DNR approves a list of qualified appraisers and surveyors acceptable to the State of Alaska. That list will be provided to the purchasers to choose these services. These individuals are already approved by DNR, therefore, a comprehensive review of their work will not be necessary. Appraisals and surveys will not be accepted by the State of Alaska from any individual who has not been qualified and accepted by the State of Alaska. The higher the designation of the contractor, the lower the amount of review time will be required by the State of Alaska to verify validity and accuracy.

FY04 and following years- The filing period starts in October of 2004 and continues indefinitely. In the first (12) months, funding for (4) Natural Resource Tech II's and (1) Natural Resource Officer II will be required to begin implementation of the new land disposal program. Beginning January 1, 2005 a Cartographer III will be hired and on April 1, 2005, an Appraiser II and a Land Survey Assistant II will be added to staffing. When applications begin 10/1/04, DNR will be fully staffed with (5) Full-time employees. By the end of FY05, (3) more Full-time employees will be added to implement the program. DNR will perform the following functions:

- 1) DNR Public Information Office staff to field program inquires.
- 2) DNR accepts applications, certifies they qualify.
- 3) DNR reviews and approves applications and land available for selection.
- 4) DNR performs a Best Interest finding and provide Public Notice.
- 5) DNR reviews appraisal and survey
- 6) DNR issues title documents and closes the land sales transaction.

The purchaser performs the remaining functions and pays for the cost of implementation and acquisition of fee simple title.

DNR Analysis Continuation

I. Assumptions

A. Applications

The fiscal note assumes that DNR would process 1000 applications in the first year under the new program. DNR must approve parcels nominated by individuals. (If more than 1000 individuals apply, a backlog could be established and more staff might be needed.) Application volume is anticipated to diminish in the ensuing years.

- ❖ In 2001-2002 Lottery Sales recorded 587 - 776 Applications ("Inferior parcels")
- ❖ In 2002-2003, Subdivision and OTC Sales recorded 894 - 1928 Applications ("Comparable parcels")

This New Land Disposal Program will undoubtedly be more popular than either the lottery or subdivision offerings. Regardless, it seems that DNR estimates 150 applications is extremely low and 1000 applications, is more realistic, based on historical participation regarding land disposal sales.

We anticipated the following application volume:

<u>Region</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>
South-Central Applications	500	400	300	250	250
Interior Applications	250	200	150	150	150
Southeast Applications	100	100	50	50	50
Other Applications	150	100	100	50	50
Total Applications	1000	800	600	500	500

This program does not replace the existing program and costs. Especially in platting and mapping, these costs have already been experienced in previous years.

B. Staffing

Based on current staffing levels, it is felt volume can be handled as follows:

A. Anchorage (South-Central)

250 work days x 2 Tech Staff = 500 work days
500 Applications/500 work days = **1.0 Application/day**

B. Fairbanks (Interior)

* 125 work days x 1 Officer = 125 work days * (Management Functions)
250 work days x 1 Tech Staff = 250 work days
250 Applications/250 work days = **1.0 Application/day**

C. Southeast and Other

* (Management Functions)
* 125 work days x (1) Officer = 125 work days
125 work days x 1 Tech Staff = 125 work days
250 Applications/250 work days = **1.0 Applications/day**

Our assumptions provide (4) Tech Staff positions and (1) Officer II positions. Under these proposed staffing levels, DNR would be expected to process and approve (1.0) Applications/day. That seems feasible and realistic.

The bill does not eliminate the existing program. Thus, the fiscal note also assumes that the existing program continues at its current level.

II. The New Program

The bill would require individual processing for **5.0** acres parcels in locations throughout the state chosen by the applicant. This bill proposes that a member of the public can nominate a specific site. DNR would process the title, conduct a best interest finding, and easement decisions, etc. for that individual. The process would be repeated for each individual parcel, with the exception of the best interest findings, which could be used for large areas containing many remote parcels.

III. Cost for HB 319

The new aspect of the program, the bill requires individual processing. For example, under the existing program, parcels can be reviewed in batches, combining survey reviews, appraisal reviews, best interest findings, and title searches. The bill would require prior separate survey reviews and appraisal reviews as state approved private individuals will be utilized.

DNR estimates that this portion of the program will require the following staff:

- 1 Appraiser II - @ \$66.0 FY06
- 1 NRS II - @ \$58.0
- 2 NRS I - @ \$52.0/each
- 1 NRS I (part time) - @ \$26.0
- 1 Land Survey Assistant - @ \$58.0 FY06
- 1 Cartographer II - @ \$56.0 FY06

Total Personal Services 369.0

DNR anticipates needing 4-5 positions in FY05 to begin implementation of this program. The Cartographer II, Appraiser II, and Land Survey Assistant II will be added in FY06 to consummate closings of applications in process for FY05.

We anticipate staff levels to be as follows:

PROJECTED DNR EXPENDITURES

A. STAFFING (7.5)

IV. Anchorage

		<u>Salary</u>	<u>Benefits</u>	<u>Totals</u>
1) Appraiser II	16c	48,000	18,000	66,000
2) Land Survey Asst II	15a	40,000	18,000	58,000
3) Nat. Resources Tech II	12a	36,000	16,000	52,000
4) Nat. Resources Tech II	12a	36,000	16,000	52,000
5) Cartographer III	15a	40,000	16,000	56,000

V. Fairbanks

1) Nat. Resource Off II	16c	42,000	17,000	59,000
2) Nat. Resource Tech II	12a	36,000	16,000	52,000

VI. Juneau

1) Nat. Resource Tech II (part- time)	12a	18,000	8,000	26,000
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TOTAL		\$296,000	\$125,000	\$421,000
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B. EQUIPMENT

Computers, Printers, Copiers, Fax
Office Furniture

TOTAL		10,000
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C. **CONTRACTUAL**

Map Services

Documentation Preparation/Recording

Printing Expenses

TOTAL

30,000

D. **TRAVEL**

10,000

E. **SUPPLIES**

5,000

TOTAL EXPENDITURES

**-----
(\$476,000)**

DNR assumes survey and appraisal reviews must be conducted "in-house." This is not necessary, but the private parties chosen are subject to review by the State of Alaska. Those on the approved list with high designations will require less "review" scrutiny.

This is the bottleneck now in Land Disposal Sales. Private industry is quick and more efficient, thus allowing closings and revenue to be realized within 12-18 months as opposed to 24-36 months as currently is the case with the department.

A Natural Resource Officer II position is needed to make decisions in Anchorage and Fairbanks on pending applications. A review surveyor and appraiser are needed and would allow the timing of the sales process to improve, as these people would be specifically assigned to this program, and would work **only** on those applications.

VII. Revenues

Revenue generated under this bill would be a function of parcel size, per-acre price, number of parcels sold and scheduling assumptions as outlined below. (See **Revenue Projections**)

FY06 REVENUE PROJECTIONS

(July 1, 2005 – June 30, 2006)

I. SALES REVENUE

A. CASH SALES (10/31/05 – 12/31/05) 250 Applications @ 66% Purchase Rate = 165 Closings @ 20% [33 Parcels x 5.0 acres/ parcel x \$900/acre] =	\$ 148,500
10% DOWN SALES (\$450/parcel) @ 80% [132 Parcels x \$450/parcel] =	\$ 59,400
B. CASH SALES (12/1/05 – 2/28/06) 100 Applications @ 66% Purchase Rate = 66 Closings @ 20% [13 Parcels x 5.0 acres/parcel x \$900/acre] =	\$ 58,500
10% DOWN SALES (\$450/parcel) @ 80% [53 Parcels x \$450/parcel] =	\$ 23,850
C. CASH SALES (3/1/06 – 6/30/06) 200 Applications @ 66% Purchase Rate = 132 Closings @ 20% [26 Parcels x 5.0 acres/parcel x \$900/acre] =	\$ 117,000
10% DOWN SALES (\$450/parcel) @ 80% [106 parcels x \$450/parcel] =	\$ 47,700
TOTAL FY06 CASH SALES REVENUE	\$ 454,950

II. INTEREST INCOME (5% return)

CASH DEPOSITS	
(10/1/05 – 12/31/05) [\$207,900; 6mo. @ 5% monthly] =	\$ 5,222
(12/1/05 – 2/28/06) [\$ 82,350; 4mo. @ 5% monthly] =	\$ 1,369
TOTAL FY06 INTEREST INCOME	\$ 6,591

III. FINANCE REVENUES (1/01/06 – 6/30/06)

A. 10% DOWN SALES/90% FINANCED (1/1/06 – 6/30/06) [132 Parcels; \$4,050 @ 7%, 60 mo.] (\$80.21/mo. x 6 months) =	\$ 63,526
B. 10% DOWN SALES/90% FINANCED (3/1/06 – 6/30/06) [53 Parcels; \$4,050 @ 7%, 60mo.] (\$80.21/mo. x 4 months) =	\$ 17,004
TOTAL OF PAYMENTS	\$ 80,530

TOTAL FY06 PROJECTED REVENUES = \$542,071

FY07 REVENUE PROJECTIONS
(July 1, 2006 – June 30, 2007)

IV. SALES REVENUE

D. CASH SALES (7/1/06 – 9/30/06) 150 Applications
@ 66% Purchase Rate = 100 Closings
@ 20% [20 Parcels x 5.0 acres/ parcel x \$900/acre] = \$ 90,000

10% DOWN SALES (\$450/parcel)
@ 80% [80 Parcels x \$450/parcel] = \$ 36,000

E. CASH SALES (10/1/06 – 12/31/06) 150 Applications
@ 66% Purchase Rate = 100 Closings
@ 20% [20 Parcels x 5.0 acres/parcel x \$900/acre] = \$ 90,000

10% DOWN SALES (\$450/parcel)
@ 80% [80 Parcels x \$450/parcel] = \$ 36,000

E. CASH SALES (1/1/07 – 4/30/07) 150 Applications
@ 66% Purchase Rate = 100 Closings
@ 20% [20 Parcels x 5.0 acres/parcel x \$900/acre] = \$ 90,000

10% DOWN SALES (\$450/parcel)
@ 80% [80 parcels x \$450/parcel] = \$ 36,000

F. CASH SALES (5/1/07 – 6/30/07) 100 Applications
@ 66% Purchase Rate = 66 Closings
@ 20% [13 Parcels x 5.0 acres/parcel x \$900/parcel] = \$ 58,500

10% DOWN SALES (\$450/Parcel)
@ 80% [53 Parcels x \$450/parcel] = \$ 23,850

TOTAL FY07 SALES REVENUE = \$460,350

**I. INTEREST INCOME (5% return)
CASH DEPOSITS**

A & B. (7/1/05 – 6/30/06)	\$290,250, 12 mo. @ 5% monthly]	=	\$14,807
C. (3/1/06 - 6/30/06)	\$126,000, 12 mo. @ 5% monthly]	=	\$ 8,402
D. (7/1/06 – 9/30/06)	\$126,000, 9 mo. @ 5% monthly]	=	\$ 4,786
E. (10/1/06 – 12/31/06)	\$126,000, 6mo. @ 5% monthly]	=	\$ 3,165
F. (1/1/07 – 4/30/07)	\$126,000, 2mo @ 5% monthly]	=	\$ 1,035
G. (5/1/07 – 6/30/07)	\$ -0-	=	<u>\$ -0-</u>

TOTAL INTEREST INCOME FY07 = \$32,195

II. FY06 FINANCE REVENUES (7/01/06 – 6/30/07)

a. 10% DOWN SALES/90% FINANCED (10/31/05 – 12/31/05) [132 Parcels; \$4,050 @ 7%, 60 mo.] (\$80.21/mo. x 12 months)	=	\$ 127,052
b. 10% DOWN SALES/90% FINANCED (12/1/05 – 2/28/06) [53 Parcels; \$4,050 @ 7%, 60mo.] (\$80.21/mo. x 12 months)	=	\$ 51,013
c. 10% DOWN SALES/90% FINANCED (3/1/06 – 6/30/06) [106 Parcels; \$4,050 @ 7%, 60mo.] (\$80.21/mo. x 12 months)	=	\$102,027

IV. FY07 FINANCE REVENUES (7/01/06 – 6/30/07)

d. 10% DOWN SALES/90% FINANCED (7/1/06 – 9/30/06) [80 Parcels; \$4,050 @ 7%, 60 mo.] (\$80.21/mo. x 9 months)	=	\$ 57,751
e. 10% DOWN SALES/90% FINANCED (10/1/06 – 12/31/06) [80 Parcels; \$4,050 @ 7%, 60mo.] (\$80.21/mo. x 6 months)	=	\$ 38,500
f. 10% DOWN SALES/90% FINANCED (1/1/07 – 4/30/07) [80 Parcels; \$4,050 @ 7%, 60mo.] (\$80.21/mo. x 2 months)	=	\$ 12,833
G. SALES (5/1/07 – 6/30/07) = No Closings proceeds	=	\$ -0-

TOTAL OF PAYMENTS \$389,176

TOTAL FY07 PROJECTED REVENUE = \$881,721

FY06 REVENUE PROJECTION SUMMARY

A.	CASH SALES	DEPOSIT	=	\$ 148,500
		DEPOSIT	=	\$ 58,500
		DEPOSIT	=	\$ 117,000
B.	10% DOWN SALES	DEPOSIT	=	\$ 59,400
		DEPOSIT	=	\$ 23,850
		DEPOSIT	=	\$ 47,700
		TOTAL DEPOSITS to PRINCIPAL	=	\$ 454,950
C.	INTEREST INCOME OF INVESTMENT (5%) 12 mo.			= \$ 6,591
E.	FINANCE INCOME ON LOANS (7%)			
	[132 parcels x 6 mos, \$(4,050 loans)		=	\$ 63,526
	[53 x 4 mos, \$(4,050 loans)		=	\$ 17,004
		TOTAL FINANCE INCOME	=	\$ 80,530
	TOTAL PROJECTED REVENUE FOR FY06			= <u>\$ 542,071</u>

FY07 REVENUE PROJECTION SUMMARY

A.	CASH SALES	DEPOSITS	=	\$ 328,500
B.	10% DOWN SALES	DEPOSITS	=	<u>\$ 131,850</u>
		TOTAL DEPOSIT to PRINCIPAL		<u>\$ 460,350</u>
C.	INTEREST INCOME ON DEPOSITS			= \$ 32,195
D.	FINANCE INCOME ON LOANS			
	FY06		=	\$127,052
			=	\$ 51,013
			=	\$102,027
	FY07		=	\$ 57,751
			=	\$ 38,500
			=	\$ 12,833
		TOTAL FINANCE INCOME	=	<u>\$389,171</u>
	TOTAL FY07 PROJECTED REVENUE			= \$881,721

A. Parcel Size

This bill proposes the maximum size of **5.0** acres. Under the current program, applicants choose the size of their parcel. The average size chosen under the current program is approximately 13.6 acres. (The minimum size is 5 to 10 acres depending on the area. Minimum size is established to comply with local platting board or waste disposal requirements. Maximum parcel size is 20 acres). **5.0** acres is the size associated with this legislation.

B. Parcel Price

Remote land in Alaska is inexpensive. The selling price for Remote Recreation Cabin Parcels staked in FY01 and FY02, which was the first by lottery offer, averaged **\$620/acre**. Small parcels sell for less than larger parcels, though the per-acre price is higher. Currently, the average size Alaskans chose to stake is 13.6 acres. Department appraisers estimate, that all else being equal, the per-acre price ratio between a 13-acre parcel and a 5.0 acre parcel is **1.45**. The **\$620/average price per acre** is the lowest ever realized. Current sales have averaged **\$1238 – 1432 per acre**.

This fiscal note assumes that a 5.0 acre parcel will bring in **\$900 per acre**. (DNR's Ratio Conversion is: $\$620/\text{acre} \times 1.45 = 900$). That is, each parcel brings in **\$4,500** to the Department ($=\$900/\text{acre} \times 5.0 \text{ acres}$).

Total Potential Revenues: $\$4500/\text{parcel} \times 1000 \text{ applicants} = \mathbf{\$4,500,000}$

This would assume **100%** "cash buyers." With only **20%** cash buyers, **\$900,000** would be generated by FY06. From "Financed" buyers, conservatively, **\$500,000** will be generated in revenue the first year that applications are received.

C. Purchase Rate

In the current program, only **43%** of people issued staking authorizations go on to purchase their parcels. We assume there is higher demand for these parcels and the Department estimates **66%** will purchase. Willing applicants will result in **666** purchasers (**66%**). The remainder decide not to continue somewhere during the process. The Department is working to bring up the purchase rate. However, this rate is actually greater than similar historical programs. The Department's homestead/homesite programs allowed people to gain ownership through either purchase or prove-up.

Only **33%** of the people who initially sought remote parcels followed through to ownership (two-thirds dropped out). It is possible that those who apply in the program proposed by this bill will have a higher purchase rate than past programs. However, individuals do not understand the major cost in time and money until they try to hire a surveyor and appraiser. This fiscal note assumes a **66%** purchase rate or **666** parcels the first year. This is **below** historical trends.

D. Financing

The bill assumes current State practices for financing: Approximately 20% of applicants purchase outright and 80% finance their purchase over 10 years. The current interest rate is 7%. We assumed 5 years due to small loan amounts. DNR's terms would produce higher revenues than we project.

E. Schedule

The bill does modify DNR's existing survey and appraisal practice, but requires that reviews be completed within two years. Currently, the department contracts with private surveyors, on behalf of the individuals, and is able to complete the survey and appraisal process within two years. Individuals who are familiar with surveyors and appraisers take far less time. The Department believes that the minimum time for the process is two years: one summer for survey (survey instruction from DNR, survey by a private contractor, then review by DNR), and a second year for appraisal (instructions from DNR, appraisal by a private contractor, then review by fiscal year end). The schedule is as follows:

FY 05 to prepare regulations for this new program, information for the public, and begin receiving initial applications in the first half of FY05. DNR processing of applications (title search, best interest finding, public notice, etc.) would occur in FY05-06. Land surveys would occur primarily in FY06. DNR and Borough approval of surveys would occur in FY06. Half (50%) of the parcels may be purchased or will enter into sale contracts in FY06. Based on experience with past programs where applicants were required to get their own parcel surveyed and appraised, this is a very optimistic schedule.

This Department's timing is unreasonable as a "review" process is not as extensive through utilization of "qualified, state approved, surveyors and appraisers." Private Sector Contractors, based on market demand and financial ventures will provide faster results. The prime function of state appraisal and survey is not in the field, but to review work in the office, which reduces time and expense within the Department.

Since these parcels are chosen by private individuals, we anticipate a faster schedule (See **TIMELINE**).

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“TIME LINE”

- I. **Regulations/Forms/Program Guidelines (90 Days)**
 - a. July 1, 2004 – September 30, 2004

- II. **Applications/Selections/Title Search/Staking Packets (1000 Applications)**
 - a. October 1, 2004 – December 31, 2004
* 250 Applications Received
 - b. January 1 – April 30, 2005
* 100 Applications Received
 - c. May 1 – July 31, 2005
* 350 Applications Received
 - d. August 1 – October 31, 2005
* 300 Applications Received

- III. **Best Interest Finding Period (90 days)**
 - a. January 1 – March 31, 2005- Remote Cabin Best Interest determined - 250
 - b. April 1 – June 30, 2005 – 100
 - c. July 1 – September 30, 2005 – 350
 - d. October 1 – December 31, 2005 – 300

- IV. **Public Notice Period (60 days)**
 - a. April 1 – May 31, 2005- Publish “Draft” of Best Interest Finding.
 - b. June 1 – June 20, 2005 - (20 days) Appeal period - 250
 - c. July 1 – August 31, 2005 – 100
 - d. September 1 – September 20, 2005 – (20 days) Appeal period
 - e. October 1 - November 30, 2005 – 350
 - f. December 1 – December 20, 2005 – (20 days) Appeal period
 - g. January 1, 2006 – February 28, 2006 – 300
 - h. March 1 – March 20, 2006 – (20 days) Appeal period

- V. **Appraisals/Surveys (30 days)**
 - a. April 1 - July 31, 2005 - Applicant orders fee simple appraisal/surveys (250)
 - b. August 1 – October 31, 2005 – Applicant orders fee simple appraisal/surveys – (100)
 - c. November 1, 2005 – February 28, 2006 – Applicants order fee simple appraisals/surveys – (350)
 - d. March 1, 2005 – May 31, 2006 - Applicants order fee simple appraisal/surveys – (300)

- VI. **DNR Review of Appraisal and Surveys (30 days)**
 - a. May 1 – September 30, 2005 – DNR accepts Appraisals/Surveys (250)
 - b. September 1 – November 30, 2005 - DNR accepts Appraisals/Surveys (100)
 - c. December 1 – April 30, 2006 - DNR accepts Appraisals/Surveys (350)
 - d. May 1 – September 30, 2006 - DNR accepts Appraisals/Surveys (300)

- VII. **Document Preparation (30 days)**
 - a. October 1, 2005- June 30, 2006- DNR performs title search and prepares (600) "contract for sale" documents or issues patent for cash purchasers
 - b. July 1, 2006 – April 30, 2007 – (400)

- VIII. **Closings (60 days)**
 - FY06**
 - a. October 1 – December 31, 2005 – DNR Closes the sale transaction of 250 Applications
 - b. December 1, 2005 – February 28, 2006 – Close (100) Applications
 - c. March 1, 2006 – June 30, 2006 – Close (200) Applications
 - FY07**
 - d. July 1, 2006 – September 30, 2006 – Close (150) Applications
 - e. October 1 – December 31, 2006 – Close (150) Applications
 - f. January 1 – April 30, 2007 – Close (150) Applications
 - g. May 1 – June 30, 2007 – Close (100) Applications

DNR collects revenue, with proceeds deposited to the Land Disposal Fund

FY05/FY06

- A. Prepare regulations and information to public July 1, 2004 – Sept. 30, 2004
- B. September 30, 2004 –October 31, 2005 – First 1000 applicants with one year for DNR processing (title search, best interest finding, public notice, etc.)
- C. November 1, 2005 – June 30, 2006 – 550 Cash buyers, in revenue by year end.
- D. July 1, 2006 – June 30, 2007 – 550 closings to begin January 1, 2006 –April 30, 2007 (estimated revenues by year end FY07).

*Revenues begin in FY06 (18 months from the effective date).

Summary

The total amount of parcels (20%) sold for "cash" will be \$542,071 in FY06 and \$460,350 in FY07 (1100 parcels at \$4500/parcel). The total value "financed" will be 425 (parcels at \$4500/parcel) at 80%.