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Martin
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CS FOR HOUSE BILL NO. 207()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVE FEIGE

A BILL

FOR AN ACT ENTITLED

1 **"An Act establishing the Board of Agriculture, Conservation, and Development;**
2 **transferring the powers and duties of the Board of Agriculture and Conservation and**
3 **the Natural Resource Conservation and Development Board to the Board of**
4 **Agriculture, Conservation, and Development; transferring to the Department of**
5 **Commerce, Community, and Economic Development the authority to approve loans**
6 **from the agricultural revolving loan fund; terminating the Board of Agriculture and**
7 **Conservation; terminating the Natural Resource Conservation and Development Board**
8 **and repealing statutes relating to the board; relating to loans from the agricultural**
9 **revolving loan fund; and providing for an effective date."**

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

11 *** Section 1.** AS 03.09.010(a) is repealed and reenacted to read:

12 (a) The Board of Agriculture, Conservation, and Development is established

1 in the department. The board is composed of 15 members as follows:

2 (1) 12 voting members appointed by the governor and subject to
3 confirmation by the legislature in joint session as follows:

4 (A) five members who are engaged in commercial production
5 agriculture, including at least one member from each of the four judicial
6 districts in the state;

7 (B) five members who are land users of a soil and water
8 conservation district established under AS 41.10.130(a); in this subparagraph,
9 "land user" has the meaning given in AS 41.10.140;

10 (C) one member who has general business or financial
11 experience who is not engaged in commercial production agriculture; and

12 (D) one member who has experience in the preparation,
13 storage, processing, handling, sale, or marketing of food products in a
14 wholesale or retail environment and is not engaged in commercial production
15 agriculture;

16 (2) three ex officio nonvoting members as follows:

17 (A) the commissioner or the commissioner's designee;

18 (B) the commissioner of environmental conservation or the
19 commissioner of environmental conservation's designee; and

20 (C) the chancellor of the University of Alaska Fairbanks or the
21 chancellor's designee from the Cooperative Extension Service or the School of
22 Natural Resources and Agricultural Sciences.

23 * **Sec. 2.** AS 03.09.010(d) is repealed and reenacted to read:

24 (d) Notwithstanding AS 39.52.150(a), a person with a lease, permit,
25 installment contract, or loan under AS 03.10 or AS 38.05, or who has an immediate
26 family member or owns a business with a lease, permit, installment contract, or loan
27 under AS 03.10 or AS 38.05, may be appointed to the board. Notwithstanding
28 AS 39.52.150(a), a board member may apply for and receive a lease, permit,
29 installment contract, or loan under AS 03.10 or AS 38.05. However, that person may
30 not take or withhold any official action that affects the lease, permit, installment
31 contract, or loan of that person or an immediate family member who shares the same

household and financial resources with that person. A person with a lease, permit, installment contract, or loan under AS 03.10 or AS 38.05, or who has an immediate family member who shares the same household and financial resources with the person or owns a business with a lease, permit, installment contract, or loan under AS 03.10 or AS 38.05, may not be appointed to the board and may be removed from the board if the person, or the person's immediate family member who shares the same household and financial resources of the person, or business, is in violation of the terms and conditions of the lease, permit, installation contract, or loan. In this section, "immediate family member" and "official action" have the meanings given in AS 39.52.960.

* **Sec. 3.** AS 03.09.010 is amended by adding new subsections to read:

(f) The board shall meet at least four times a year, with at least one meeting held in the state capital during the legislative session. Not more than two meetings may be held in the same judicial district in a calendar year. The chair of the board may call additional meetings as necessary.

(g) In this section, "commercial production agriculture" means agriculture engaged in with the intent to sell agricultural products with a value of \$5,000 or greater a year.

* **Sec. 4.** AS 03.09 is amended by adding a new section to read:

Sec. 03.09.015. Powers of the board. (a) The board shall

(1) advise the commissioner, the commissioner of environmental conservation, and the commissioner of fish and game on

(A) promotion, regulation, and protection of the agricultural and food industry to broaden the economic base of the state and to protect consumers;

(B) policy relating to

(i) agriculture;

(ii) land use;

(iii) resource conservation;

(iv) food safety and security;

(v) pesticides and herbicides;

- (vi) noxious and invasive plants;
- (vii) animals and pests;
- (viii) animal care;
- (ix) forestry; and
- (x) mariculture;

(2) at the request of an applicant for a loan under this chapter, review a loan request denied by the Department of Commerce, Community, and Economic Development; if the board determines that it is in the best interest of agricultural development in the state to approve the loan, and the loan does not unnecessarily place the assets of the agricultural revolving loan fund at risk, the board shall recommend to the commissioner that the loan be approved;

(3) consult with the director of the division of lands on modification to contracts for the sale or lease of agricultural land including waiving, postponing, or otherwise modifying the development requirements of a contract for the sale or lease of agricultural land if

(A) the land is inaccessible by road; or

(B) transportation, marketing, and development costs render the required development uneconomic;

(4) ensure the wise use of the state's natural resources through conservation of its soil and water;

(5) at the request of the commissioner, meet and advise the commissioner in the exercise of the powers, duties, and functions of the commissioner;

(6) receive and review reports concerning the use of soil resources of the state;

(7) hold public hearings and meetings to determine whether land in the state is being used in a manner consistent with sound soil and water conservation practices;

(8) recommend specific action necessary to provide for the effective and orderly development of agricultural, forest, and grazing land in the state;

(9) review an appeal by an applicant or lessee from a decision of the

1 director of the division of lands concerning a sale or lease of state agricultural or
2 grazing land and submit the board's recommendations to the commissioner or hearing
3 officer;

4 (10) advise and regulate the soil and water conservation districts in the
5 state;

6 (11) act in an advisory capacity to the commissioner and director of the
7 division of the department with responsibility for agriculture in the review of farm
8 conservation plans for all state agricultural land sales in the state;

9 (12) enter into agreements with private lending institutions, other state
10 agencies or agencies of the federal government, to carry out the purposes of this
11 chapter;

12 (13) collect the fees and collection charges established under this
13 chapter;

14 (14) recommend to the University of Alaska Cooperative Extension
15 Service or School of Natural Resources and Agricultural Sciences programs and
16 activities that will further the promotion, regulation, and protection of the agricultural
17 and food industry, broaden the economic base of the state, and protect consumers; and

18 (15) adopt regulations

19 (A) establishing guidelines for approval of loans made under
20 AS 03.10;

21 (B) establishing guidelines for approval of emergency loans in
22 an amount not to exceed \$50,000; and

23 (C) outlining the process for foreclosure on a loan, and
24 collecting on liens against security for the loan; the regulations must include a
25 requirement that any security collected shall become property of the
26 agricultural revolving loan fund (AS 03.10.040) and be disposed of by the
27 board.

28 * **Sec. 5.** AS 03.09.020(a) is amended to read:

29 (a) The director of the division of the department with responsibility for
30 agriculture shall serve as the director of the **board** [BOARD OF AGRICULTURE
31 AND CONSERVATION]. The director may employ staff and, as directed by the

board, is responsible for the overall management and policy [DAILY OPERATIONS] of the agricultural revolving loan fund (AS 03.10.040).

* **Sec. 6.** AS 03.09.030 is amended to read:

Sec. 03.09.030. Quorum. Five voting members of the board [BOARD OF AGRICULTURE AND CONSERVATION] constitute a quorum for the transaction of business [OR THE EXERCISE OF A POWER OR FUNCTION AT A MEETING OF THE BOARD].

* **Sec. 7.** AS 03.09.040(a) is amended to read:

(a) The board [BOARD OF AGRICULTURE AND CONSERVATION] may adopt regulations under AS 44.62 (Administrative Procedure Act) to carry out its duties, including regulations to establish reasonable fees for services provided and charges for collecting the fees.

* **Sec. 8.** AS 03.09.050 is amended to read:

Sec. 03.09.050. Agricultural land. The board [BOARD OF AGRICULTURE AND CONSERVATION] may recommend to the commissioner that land in the land disposal bank established under AS 38.04.020 be classified as suitable for agriculture. The board may identify state land for agricultural disposal and request the commissioner to provide for the survey and disposal of the land.

* **Sec. 9.** AS 03.09 is amended by adding a new section to read:

Sec. 03.09.090. Definitions. In this chapter,

(1) "agriculture" includes farming, ranching, grazing, and storage or control of crops or livestock, but does not include fishing, rearing of fish, or fisheries products;

(2) "board" means the Board of Agriculture, Conservation, and Development.

* **Sec. 10.** AS 03.10 is amended by adding a new section to read:

Sec. 03.10.025. Loans. (a) The department shall approve loans made from the agricultural revolving loan fund (AS 03.10.040).

(b) The department may approve a loan according to regulations adopted by the board to an individual state resident farmer, homesteader, or a partnership or corporation composed of farmers and homesteaders for

- (1) clearing land for agricultural purposes;
- (2) development of farms;
- (3) storage and processing of farm products;
- (4) the purchase of livestock or machinery;
- (5) storage and processing plants for agricultural products;
- (6) the commercial production or processing of horticultural products in the state;
- (7) the commercial production or processing of animal feed in the state;
- (8) the raising or care of animals in the state for the purpose of marketing their fur;
- (9) the commercial production or processing of lime products, or other minerals products if at least 50 percent of the production or process is for agricultural use; and
- (10) the supply, sale, manufacture, or repair of equipment, if at least 50 percent of the supply, sale, manufacture, or repair of equipment is for agricultural use.

(c) In this section, "horticultural products" means vegetables, fruit plants, grass seed, sod, tree seedlings, ornamental plants, foliage, or flowering plants, grown in a greenhouse or nursery.

* **Sec. 11.** AS 03.10.030(a) is amended to read:

(a) A [THE] farm development, chattel, or irrigation loan made under this chapter

(1) may not exceed a term of 30 years, except that a chattel loan may not exceed a term of seven years;

(2) may not, when added to the outstanding balance of other loans made under this chapter, exceed a total outstanding balance of \$1,000,000; **and**

(3) shall be secured by a real estate or chattel mortgage of any priority, except that the portion of a loan that exceeds \$500,000, when added to prior indebtedness that is secured by the same property, must be secured by a first mortgage [;

(4) SHALL BEAR INTEREST AT A FIXED RATE COMPARABLE

TO THAT CHARGED BY OTHER AGRICULTURAL LENDING INSTITUTIONS
IN THE STATE FOR LOANS SIMILAR TO THOSE REFERRED TO IN THIS
SUBSECTION].

* **Sec. 12.** AS 03.10.030(c) is amended to read:

(c) A short-term loan, to be amortized within one year, not to exceed \$350,000 to any one borrower may be made for operating purposes, except that a loan made under this subsection may not exceed \$200,000 unless the loan is made to a borrower in a farm disaster area declared under AS 03.10.058. The loan shall bear interest at a fixed rate comparable to that charged by other agricultural lending institutions in the state for loans similar to those referred to in this subsection. An applicant for a short-term loan may be required to purchase insurance through the Federal Crop Insurance Act (7 U.S.C. 1501 - 1520) as a condition of the loan. The term of a loan made under this subsection may be extended for up to three years by the department [BOARD OF AGRICULTURE AND CONSERVATION], in the discretion of the department [BOARD], upon application by the borrower.

* **Sec. 13.** AS 03.10.030(e) is amended to read:

(e) An installment payment is delinquent unless it is received by the Department of Natural Resources [BOARD OF AGRICULTURE AND CONSERVATION OR THE DIRECTOR OF THE BOARD] on or before the 30th day after the date specified for payment in the loan agreement. If an installment payment is delinquent, the Department of Natural Resources [DIRECTOR OF THE BOARD] may assess a delinquency penalty as established by the board.

* **Sec. 14.** AS 03.10.030(f) is amended to read:

(f) A farm product processing loan may not exceed \$250,000. A mortgage that secures a farm product processing loan may be of any priority if the total indebtedness on the real estate, including the secured farm product processing loan, does not exceed \$250,000. A farm product processing loan that, if made, would raise the existing indebtedness on the real estate securing the loan above \$250,000, or a farm product processing loan on real estate that has a prior indebtedness of \$250,000 or more, may be made only if all prior mortgagees agree to subordinate their mortgages to that of the state for the amount of the farm product processing loan that exceeds the \$250,000

indebtedness limit on the real estate. A farm product processing loan may not exceed a term of 30 years [OR BEAR INTEREST AT A RATE THAT IS LESS THAN A FIXED RATE COMPARABLE TO THAT CHARGED BY OTHER AGRICULTURAL LENDING INSTITUTIONS IN THE STATE FOR SIMILAR LOANS,] and shall be secured by a real estate or chattel mortgage or both.

* **Sec. 15.** AS 03.10.030(h) is amended to read:

(h) The **board** [BOARD OF AGRICULTURE AND CONSERVATION] shall adopt regulations to establish other terms for loans made under this chapter, consistent with the provisions of this section, and may establish interest rates for loans under **AS 03.10.050(h)** [(a)(4) OF THIS SECTION THAT

(1) ENCOURAGE AGRICULTURAL DEVELOPMENT;

(2) DO NOT SUBSIDIZE NONVIABLE AGRICULTURAL ENTERPRISES; AND

(3) DO NOT DISCRIMINATE AGAINST VIABLE EXISTING AGRICULTURAL ENTERPRISES].

* **Sec. 16.** AS 03.10.033(a) is amended to read:

(a) To increase the return to the state, the **department** [BOARD OF AGRICULTURE AND CONSERVATION] may restructure loans (1) in existence on January 1, 1987, made by the former Agricultural Revolving Loan Fund Board or by the former Alaska Agricultural Action Council based **on** [UPON] guidelines approved by the **board** [BOARD OF AGRICULTURE AND CONSERVATION]; (2) of a borrower in an area that has been declared a farm disaster area under AS 03.10.058; or (3) of a borrower who has experienced an agricultural disaster based **on** [UPON] regulations adopted by the **board** [BOARD OF AGRICULTURE AND CONSERVATION]. Notwithstanding any other provision of law that relates to loan terms, the restructuring may only include reduction of interest to a fixed rate not **more than one percent less than the current rate for similar loans made from the agricultural revolving loan fund** [LESS THAN FIVE PERCENT A YEAR], an extension of the term of the loan, and an improvement to the security interest of the state. It may not reduce the amount of principal and interest owed before the loan is restructured.

1 * **Sec. 17.** AS 03.10.033(c) is amended to read:

2 (c) Notwithstanding any other provision of this section, the **department**
3 [BOARD OF AGRICULTURE AND CONSERVATION] may approve an application
4 for restructuring under this section only upon

5 (1) the applicant's written release of the state, including the University
6 of Alaska, from all potential liability for actions and omissions occurring before the
7 date of restructuring that relate in any way to a state farm project, land sale, land sale
8 relinquishment, farm loan, or loan application or loan modification application,
9 whether granted or denied by the state; and

10 (2) assignment by the applicant to the **state** [BOARD] of the proceeds
11 from the federal government under 7 U.S.C. 1442 (Conservation Reserve Program)
12 and P.L. 88-26 (Feed Grain Act of 1963), as amended, **and other farm programs;**
13 **the proceeds collected under this paragraph shall be deposited in the agricultural**
14 **revolving loan fund (AS 03.10.040).**

15 * **Sec. 18.** AS 03.10.033(d) is repealed and reenacted to read:

16 (d) If the proceeds received under (c)(2) of this section exceed the amount
17 owed and credited to the loan during the year, the extra proceeds shall be refunded to
18 the applicant from the agricultural revolving loan fund (AS 03.10.040).

19 * **Sec. 19.** AS 03.10.035(a) is amended to read:

20 (a) A borrower may not use farm land for a nonfarm use or sell, lease, or
21 otherwise dispose of farm land if that land is encumbered by a mortgage given to
22 secure the payment of a loan under this chapter unless the borrower either

23 (1) pays the outstanding balance of the loan in a lump sum or under
24 other terms agreed to by the **department** [BOARD OF AGRICULTURE AND
25 CONSERVATION] that accelerate payment of the loan; or

26 (2) pays the outstanding principal balance for the remaining term of
27 the loan at the prevailing rate of interest that is charged by commercial banks in the
28 state during the calendar quarter in which the board receives notice of the change of
29 use, sale, lease, or other disposal of the farm land.

30 * **Sec. 20.** AS 03.10.035(b) is amended to read:

31 (b) In this section, "nonfarm use" means a use of land other than for

agricultural or related activities [THE PRODUCTION OF DOMESTICATED PLANTS AND ANIMALS USEFUL TO HUMANS], including **production of** forage and sod crops, grain and feed crops, fruits, vegetables, [AND] livestock, **and related activities.**

* **Sec. 21.** AS 03.10.040(b) is amended to read:

(b) Money in the fund may be **appropriated** [USED] by the legislature [TO MAKE APPROPRIATIONS] for costs of administering this chapter [AND FOR OPERATIONS OF THE BOARD OF AGRICULTURE AND CONSERVATION].

* **Sec. 22.** AS 03.10.050(a) is amended to read:

(a) The **board** [BOARD OF AGRICULTURE AND CONSERVATION] shall administer the agricultural revolving loan fund. [A LOAN MAY NOT BE MADE WITHOUT THE APPROVAL OF A MAJORITY OF THE BOARD, EXCEPT THAT EMERGENCY LOANS BASED UPON REGULATIONS ADOPTED BY THE BOARD AND NOT TO EXCEED \$50,000 MAY BE MADE UPON THE APPROVAL, BY MAJORITY VOTE, OF A COMMITTEE COMPOSED OF THE CHAIR OF THE BOARD, ANOTHER BOARD MEMBER, AND THE DIRECTOR OF THE BOARD.]

* **Sec. 23.** AS 03.10.050 is amended by adding new subsections to read:

(h) The board shall set interest rates on loans from the agricultural revolving loan fund established in AS 03.10.040. The interest rates must be set at fixed levels that

(1) encourage agricultural development;

(2) do not subsidize nonviable agricultural enterprises;

(3) do not discriminate against viable existing agricultural enterprises;

(4) are comparable to the rates charged by other agricultural lending institutions in the state for similar loans.

(i) Notwithstanding (h) of this section, the board may set an interest rate at a rate lower than the rates charged by other agricultural lending institutions if the loan

(1) has been denied by other lenders;

(2) falls within a particular geographic area; or

(3) is for an activity that is established by the board as a priority.

* **Sec. 24.** AS 03.10 is amended by adding a new section to read:

Sec. 03.10.090. Definitions. In this chapter,

(1) "agricultural" has the meaning given in AS 03.09.090;

(2) "board" has the meaning given in AS 03.09.090; and

(3) "department," notwithstanding AS 03.90.010, means the Department of Commerce, Community, and Economic Development.

* **Sec. 25.** AS 38.04.020(g) is amended to read:

(g) After July 1 of each year, the commissioner shall direct the expenditure of money appropriated for the disposal of land in response to requests made under (e) and (f) of this section for the following:

(1) land designated as suitable for homestead disposal shall be classified and surveyed under this chapter and AS 38.05 and made available for staking and lease under AS 38.09;

(2) land designated as suitable for subdivision and homesite disposal shall be surveyed, subdivided, classified, and disposed of under this chapter, AS 38.05, and AS 38.08;

(3) land designated commercial, industrial, or suitable for other disposal shall be sold under AS 38.05.055 or 38.05.057;

(4) land designated agricultural shall be disposed of under AS 38.05.055 - 38.05.065, except the Board of Agriculture, ~~[AND] Conservation,~~ and Development (AS 03.09.010) shall receive notice of each proposed disposal and be given an opportunity to comment before the final disposal decision is made.

* **Sec. 26.** AS 38.04.030 is amended to read:

Sec. 38.04.030. Land availability programs. Programs that may be used by the director to make the state's land surface available for private use under AS 38.04.020 - 38.04.055 include sale of whole or partial rights to the fee simple estate, including conveyance of agricultural use rights; leasing; open-to-entry; homesiting; homesteading; permitting for construction and occupation of cabins in isolated locations on land retained in state ownership; and other methods as provided by law. However, agricultural use rights may be conveyed only after consulting with the Board of Agriculture, ~~[AND] Conservation,~~ and Development.

* **Sec. 27.** AS 38.05.020(b) is amended to read:

(b) The commissioner may

(1) establish reasonable procedures and adopt reasonable regulations necessary to carry out this chapter and, whenever necessary, issue directives or orders to the director to carry out specific functions and duties; regulations adopted by the commissioner shall be adopted under AS 44.62 (Administrative Procedure Act); orders by the commissioner classifying land, issued after January 3, 1959, are not required to be adopted under AS 44.62 (Administrative Procedure Act);

(2) enter into agreements considered necessary to carry out the purposes of this chapter, including agreements with federal and state agencies;

(3) review any order or action of the director;

(4) exercise the powers and do the acts necessary to carry out the provisions and objectives of this chapter;

(5) notwithstanding the provisions of any other section of this chapter, grant an extension of the time within which payments due on any exploration license, lease, or sale of state land, minerals, or materials may be made, including payment of rental and royalties, on a finding that compliance with the requirements is or was prevented by reason of war, riots, or acts of God;

(6) classify tracts for agricultural uses;

(7) after consulting with the Board of Agriculture, [AND] Conservation, and Development (AS 03.09.010), waive, postpone, or otherwise modify the development requirements of a contract for the sale of agricultural land if

(A) the land is inaccessible by road; or

(B) transportation, marketing, and development costs render the required development uneconomic;

(8) reconvey or relinquish land or an interest in land to the federal government if

(A) the land is described in an amended application for an allotment under 43 U.S.C. 1617; and

(B) the reconveyance or relinquishment is

(i) for the purposes provided in 43 U.S.C. 1617; and

(ii) in the best interests of the state;

(9) lead and coordinate all matters relating to the state's review and authorization of resource development projects;

(10) exercise the powers and do the acts necessary to carry out the provisions and objectives of AS 43.90 that relate to this chapter.

* **Sec. 28.** AS 38.05.035(b) is amended to read:

(b) The director may

(1) delegate the administrative duties, functions, or powers imposed on [UPON] the director to a responsible employee in the division;

(2) grant preference rights for the lease or purchase of state land without competitive bid in order to correct errors or omissions of a state or federal administrative agency when inequitable detriment would otherwise result to a diligent claimant or applicant due to situations over which the claimant or applicant had no control; the exercise of this discretionary power operates only to divest the state of its title to or interests in land and may be exercised only

(A) with the express approval of the commissioner; and

(B) if the application for the preference right is filed with the director within three years from

(i) the occurrence of the error or omission;

(ii) the date of acquisition by the state of the land; or

(iii) the date of a court decision or settlement nullifying a disposal of state land;

(3) grant a preference right to a claimant who shows bona fide improvement of state land or of federal land subsequently acquired by the state and who has in good faith sought to obtain title to the land but who, through error or omission of others occurring within the three years before (A) the application for the preference right, (B) the date of acquisition by the state of the land, or (C) the date of a court decision or settlement nullifying a disposal of state land, has been denied title to it; upon a showing satisfactory to the commissioner, the claimant may lease or purchase the land at the price set on the date of original entry on the land or, if a price was not set at that time at a price determined by the director to fairly represent the

value of unimproved land at the time the claim was established, but in no event less than the cost of administration including survey; the error or omission of a predecessor in interest or an agent, administrator, or executor that has clearly prejudiced the claimant may be the basis for granting a preference right;

(4) sell land by lottery for less than the appraised value when, in the judgment of the director, past scarcity of land suitable for private ownership in any particular area has resulted in unrealistic land values;

(5) when the director determines it is in the best interest of the state and will avoid injustice to a person or the heirs or devisees of a person, dispose of land, by direct negotiation to that person who presently uses and who used and made improvements to that land before January 3, 1959, or to the heirs or devisees of the person; the amount paid for the land shall be its fair market value on the date that the person first entered the land, as determined by the director; a parcel of land disposed of under this paragraph shall be of a size consistent with the person's prior use, but may not exceed five acres;

(6) after consulting with the Board of Agriculture, [AND] Conservation, and Development (AS 03.09.010), dispose of an interest in land limited to use for agricultural purposes by lottery;

(7) convey to an adjoining landowner for its fair market value a remnant of land that the director considers unmanageable or a parcel of land created by a highway right-of-way alignment or realignment, or a parcel created by the vacation of a state-owned right-of-way if

(A) the director determines that it is in the best interests of the state;

(B) the parcel

(i) does not exceed the minimum lot size under an applicable zoning code; or

(ii) is smaller than 20 acres and is completely enclosed by property owned by the adjacent landowner; and

(C) the director and the platting authority having land use planning jurisdiction agree that conveyance of the parcel to the adjoining

landowner will result in boundaries that are convenient for the use of the land by the landowner and compatible with municipal land use plans;

(8) for good cause extend for up to 90 days the time for rental or installment payments by a lessee or purchaser of state land under this chapter if reasonable penalties and interest set by the director are paid;

(9) quitclaim land or an interest in land to the federal government on a determination that the land or the interest in land was wrongfully or erroneously conveyed by the federal government to the state;

(10) negotiate the sale or lease of state land at fair market value to a person who acquired by contract, purchase, or lease rights to improvements on the land from another state agency or who leased the land from another state agency.

* **Sec. 29.** AS 38.05.057(c) is amended to read:

(c) The commissioner, after consulting with the Board of Agriculture, [AND] Conservation, and Development (AS 03.09.010), may adopt regulations under AS 44.62 (Administrative Procedure Act) [THE ADMINISTRATIVE PROCEDURE ACT (AS 44.62)] that specify qualifications for lottery participants different from those specified in (b) of this section if

(1) an interest in land limited to agricultural purposes is to be sold under (a) of this section;

(2) the sale is a part of a program to develop agricultural land as a renewable resource of the state; and

(3) the regulations include residency, skill, experience, and financial requirements necessary to qualify persons who are competent and financially able to develop the land as a successful agricultural enterprise.

* **Sec. 30.** AS 38.05.059 is amended to read:

Sec. 38.05.059. Sale of agricultural land. The commissioner, after consulting with the Board of Agriculture, [AND] Conservation, and Development (AS 03.09.010), may provide for the sale of land classified under AS 38.05.020(b)(6) for agricultural uses in parcels or tracts described by aliquot parts. The parcels or tracts are subject to state subdivision requirements and municipal ordinances. Money from a sale of agricultural land shall be separately accounted for and may be appropriated to

the agricultural revolving loan fund (AS 03.10.040).

* **Sec. 31.** AS 38.05.065(h) is amended to read:

(h) The commissioner, after consulting with the Board of Agriculture, [AND] Conservation, and Development (AS 03.09.010),

(1) shall provide that, notwithstanding (a) and (b) of this section, in a contract for the sale of land classified under AS 38.05.020(b)(6) for agricultural uses, the interest rate to be charged on installment payments may not exceed 9.5 percent; and

(2) may declare a moratorium of up to five years on payments on land sold under this section for land classified under AS 38.05.020(b)(6) for agricultural uses if

(A) the commissioner determines that the moratorium is in the best interest of the state;

(B) the commissioner certifies and the contract purchaser agrees to perform farm development, crop production, and harvesting, not including land clearing or related activity, requiring the expenditure of amounts equivalent to the payments that would otherwise be made during the moratorium;

(C) the sale of the agricultural land takes place after July 1, 1979; and

(D) the contract purchaser is in compliance with the development plan specified in the purchase contract at the time the purchaser applies for a moratorium under this paragraph and remains in compliance with the development plan during the moratorium; for the payments subject to the moratorium declared under this paragraph, interest payments are subject to the moratorium but interest continues to accrue during the moratorium.

* **Sec. 32.** AS 38.05.069(a) is amended to read:

(a) After consulting with the Board of Agriculture, [AND] Conservation, and Development (AS 03.09.010), on a determination that the highest and best use of unoccupied land is for agricultural purposes and that it is in the best interests of the state to sell or lease the land, the commissioner shall grant to an Alaska resident

owning and using or leasing and using land for agricultural purposes a first option to purchase or lease the unoccupied land situated adjacent to land presently held by the Alaska resident for the amount of the high bid received at public auction or by sealed bid. If more than one Alaska resident qualifies for a first option under this section, eligibility for the first option shall be determined by lot, and the option must be exercised on the conclusion of the public auction or opening of sealed bids. A parcel of agricultural land sold under this section may not be less than 20 acres, and a parcel of agricultural land that is acquired by exercise of the option granted in this subsection may not exceed 320 acres. Agricultural land that is acquired under this section must be used for agricultural purposes as required by law.

* **Sec. 33.** AS 38.09.010(a) is amended to read:

(a) The commissioner shall designate and make available for homestead entry state land, including, after consulting with the Board of Agriculture, [AND] Conservation, and Development (AS 03.09.010), land classified for agricultural use. State land made available for homestead entry under this chapter shall be distributed throughout the state.

* **Sec. 34.** AS 39.50.200(b)(56) is amended to read:

(56) Board of Agriculture, [AND] Conservation, and Development (AS 03.09.010);

* **Sec. 35.** AS 41.10.140(1) is amended to read:

(1) "board" means the Board of Agriculture, Conservation, and Development established under AS 03.09.010 [ALASKA NATURAL RESOURCE CONSERVATION AND DEVELOPMENT BOARD];

* **Sec. 36.** AS 03.10.020, 03.10.050(b); AS 41.10.040, 41.10.045, 41.10.050, 41.10.060, 41.10.065, 41.10.070, 41.10.075, 41.10.080, 41.10.090, and 41.10.100 are repealed.

* **Sec. 37.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: TERMS AND INITIAL APPOINTMENTS. (a) Notwithstanding AS 03.09.010(a), the terms of the current members of the Board of Agriculture and Conservation expire on January 31, 2015. A person whose term expires on January 31, 2015, is eligible for appointment under AS 03.09.010(a) to a term beginning February 1, 2015.

1 Notwithstanding AS 03.09.010(b), a member of the Board of Agriculture and Conservation
2 whose term expires on January 31, 2015, and who is appointed under this subsection may
3 serve two successive terms on the Board of Agriculture, Conservation, and Development.

4 (b) A member of the Natural Resource Conservation and Development Board on
5 January 31, 2015, is eligible for appointment to the Board of Agriculture, Conservation, and
6 Development if the member otherwise meets the requirements of AS 03.09.010(a). A member
7 who is appointed to the board under this subsection may serve two successive terms on the
8 Board of Agriculture, Conservation, and Development.

9 (c) The governor may make the initial appointments to the Board of Agriculture,
10 Conservation, and Development immediately, but a member appointed under this subsection
11 may not take office until February 1, 2015.

12 (d) Notwithstanding AS 03.09.010(b), the terms of the members of the Board of
13 Agriculture, Conservation, and Development whose terms begin on February 1, 2015, are as
14 follows:

- 15 (1) three members serve for three years;
- 16 (2) three members serve for two years; and
- 17 (3) three members serve for one year.

18 * **Sec. 38.** The uncoded law of the State of Alaska is amended by adding a new section to
19 read:

20 TRANSITION: REGULATIONS. The Department of Commerce, Community, and
21 Economic Development and the Department of Natural Resources may adopt regulations
22 necessary to implement the changes made by this Act. The regulations take effect under
23 AS 44.62 (Administrative Procedure Act), but not before January 31, 2015.

24 * **Sec. 39.** Sections 37(d) and 38 of this Act take effect immediately under AS 01.10.070(c).

25 * **Sec. 40.** Except as provided in sec. 39 of this Act, this Act takes effect January 31, 2015.