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Governor Mike Dunleavy
STATE OF ALASKA

January 24, 2024

The Honorable Cathy Tilton
Speaker of the House
Alaska State Legislature
Capitol Building, Room 208
Juneau, AK 99801-1182

Dear Speaker Tilton:

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill relating to agricultural loans issued under the Alaska Agricultural Loan Act, crop insurance premium subsidies under the Alaska Crop Insurance Support Program, and a five-year expansion of the Alaska Product Preference Program.

This bill promotes development of Alaska's agricultural economy through amendment of legacy programs. It does this by increasing access to and availability of agricultural loans, revising crop insurance premium subsidies for covered producers, and stimulating State spending on Alaskan agricultural and fisheries products through a temporary repeal of the percentage preference cap applicable to State purchases.

Specifically, this bill updates the Alaska Agricultural Loan Act by repealing outdated maximum loan limits for agricultural loans and allowing the Board of Agriculture and Conservation (Board) to set certain loan limits in regulation. It creates new powers for the Board that include making loans that cover shipping costs to and within the State and refinancing certain agricultural loans. The bill also reduces the number of members of the Board required for a quorum, thereby making it easier for the Board to conduct business.

The bill would amend the Alaska Crop Insurance Support Program to revise the subsidy provided for covered producers of agricultural products through participation in the Federal crop insurance program. Enacted in 1984, the Federal crop insurance support program requires the State to enter into an agreement with the Federal Crop Insurance Corporation under which the Department of Natural Resources (DNR) agrees to pay a portion of the Federal crop insurance program's premiums paid by producers of agricultural commodities in the State. The bill would amend the Federal crop insurance program's statutory payment structure to provide a staggered five-year subsidy to agricultural producers in the State whose crops are covered by revenue

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protection policies. The bill will incentivize increased planting by lowering risks for farmers; increase access to capital for farm improvements by guaranteeing revenue in the event of unfavorable growing or harvest conditions or price declines; and lead to a larger supply of in-state feedstocks that will enhance food security through reduced imports and end-use prices, larger herd sizes and therefore increased throughput that will improve the economic viability of meat processing facilities.

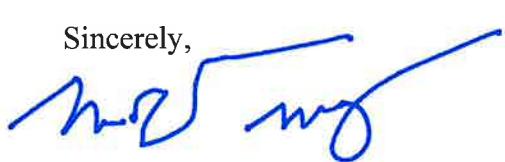
The bill would enact a five-year repeal of the procurement preference percentages applicable to the purchase of Alaskan agricultural and fisheries products under State and municipal product preference programs. In place of the percentages, the bill will require the State, school districts, and municipalities that purchase products with State funds to purchase an available Alaskan agricultural or fisheries product if the product is of “like quality” compared with a similar product harvested outside the State. To mitigate potential increased costs due to mandatory purchase of Alaskan products, the bill contains three protective measures: a five-year sunset that reverts the amended provisions back to current law, a requirement that Alaskan producers submit accurate wholesale pricing lists in response to solicitations, and an annual reporting requirement to the legislature. Alaska’s farmers often struggle to enter retail channels because of corporate requirements for regular and dependable deliveries to secure shelf space. By providing access to market through institutional buying power, Alaskan producers will have the ability to scale up with less risk and have the ability to reach a level of production that can meet the requirements of retail customers. The bill will also increase economic activity by keeping State funds circulating within Alaska rather than being sent to food producers based outside of Alaska.

Changes to the Alaska Agricultural Loan Act and the Alaska Crop Insurance Support Program contemplated by this bill have a July 1, 2025 delayed effective date to allow the respective agencies time to adopt implementing regulations. Amendments to the State and municipal product preference programs would be effective July 1, 2024, and sunset June 30, 2029.

In summary, this bill reduces risks for Alaska’s producers in three ways: by increasing access to capital, providing revenue protection for farmers, and providing a market for producers who wish to scale up their operations. By reducing these risks, the bill will incentivize increased Alaska grown and harvested production, create in-state economic activity, and strengthen overall food security for Alaskans.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in blue ink, appearing to read "m2 mw".

Mike Dunleavy
Governor

Enclosure