



February 15, 2024

The Honorable Tom McKay
Chair, House Resources Committee
Alaska State Legislature
State Capitol, Room 128
Juneau, AK 99801

RE: Response to House Resources Committee questions on House Bill 296 / CROP Act

Dear Representative McKay,

Thank you for the opportunity to present HB 296, the CROP Act, Feb. 12 before the House Resources Committee. Several questions were asked at that hearing that required follow-up responses; please find those answers below.

1. Rep. Saddler asked about the Commercial Fishing and Agriculture Bank and its engagement with agricultural borrowers.

The Commercial Fishing and Agriculture Bank (CFAB) was created by the Legislature in 1980 with a \$32 million appropriation as 'seed money.' CFAB paid the state back in 1998 and is now 100% owned by its members; it is a private entity. In its early years CFAB made a number of loans for agricultural purposes; agricultural loans have dwindled over time and in 2023, CFAB had no loans for agricultural purposes. CFAB President and Chief executive Officer Lela Klingert relays that other agricultural lenders – specifically the State's Agricultural Revolving Loan Fund and a variety of federal programs – offer agricultural loans at lower interest rates, which are more appealing to potential borrowers. CFAB has had some interest from potential borrowers engaged in the marijuana industry but due to federal restrictions is unable to lend for that business. CFAB provides an annual report to the Legislature should members want additional information.

2. Rep. Saddler asked how often the Board of Agriculture and Conservation has been unable to meet due to a lack of quorum.

The Board of Agriculture and Conservation must meet in order to approve loans; thus loans may be delayed if the Board cannot meet quorum requirements. Board meetings canceled for the lack of a quorum totaled:

- One meeting in 2022

- Two meetings in 2023
- One meeting so far in 2024

3. Rep. Saddler asked how much interest there was in refinancing through the Agricultural Revolving Loan Fund.

Since September 2023, three people inquired about refinancing loans.

4. Rep. Saddler asked why the bill proposes to set some Agricultural Revolving Loan Fund loan limits by statute and some by regulation.

Alaska Statute 03.10.030 provides limitations on three types of loans by the Agricultural Revolving Loan Fund and provides a cumulative cap on the total loans to any one borrower. House Bill 296 would remove the statutory caps on cumulative loans; the cap on short-term operating loans to farmers in a disaster area; and the cap on loans for clearing land, and would rely on the Board of Agriculture and Conservation to set those limits. Limits would remain in statute for short-term operating loans for farmers not in disaster areas, and for farm product processing loans.

Generally, allowing the Board of Agriculture and Conservation to establish loan limits through regulation will provide greater flexibility to keep up with changing dynamics in the agricultural industry year to year and with inflation generally, without the need to seek statutory change. This is particularly important for the cumulative cap per borrower as the bill expands the types of activities eligible for loans and allows refinancing. The bill retains statutory caps for processing loans because a large amount of any one type of loan to a single sector can put principal at risk, especially as the cumulative cap is set higher in regulation. The bill also retains a statutory cap for short-term loans not in disaster areas; these are typically operating loans for planned activities and used by smaller-scale borrowers. Leaving a cap in statute signals to potential borrowers that these loans are not designed to be large.

Please do not hesitate to reach out with any further questions.

Regards,



Joe Byrnes
Legislative Liaison
Department of Natural Resources

CC: Laura Stidolph, Director, Governor's Legislative Office