

**CS FOR HOUSE BILL NO. 116(RES)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - SECOND SESSION

**BY THE HOUSE RESOURCES COMMITTEE**

**Offered: 2/11/00**  
**Referred: Finance**

**Sponsor(s): REPRESENTATIVES JAMES, Harris**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to the Board of Agriculture and Conservation, to the**  
2 **agricultural revolving loan fund, to the disposal of interests in state agricultural**  
3 **or grazing land; and providing for an effective date."**

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

5 **\* Section 1.** AS 03 is amended by adding new sections to read:

6 **Chapter 09. Board of Agriculture and Conservation.**

7 **Sec. 03.09.010. Board of Agriculture and Conservation established. (a)**

8 There is established in the department the Board of Agriculture and Conservation. The  
9 board consists of the commissioner and seven members appointed by the governor.

10 Appointed members shall have the following qualifications:

- 11 (1) one member shall have general business or financial experience;
- 12 (2) one member shall be a member of a statewide agriculture promotion
- 13 organization;
- 14 (3) one member shall be a member of a soil and water conservation

1 district established under AS 41.10.130(a) who is also engaged in commercial  
2 production agriculture;

3 (4) four members shall be engaged in commercial production  
4 agriculture, each shall represent a different agriculture enterprise from the others, such  
5 as livestock production, dairy, vegetable production, grain production, horticultural  
6 production, and greenhouse and hydroponic production.

7 (b) Appointed members of the board serve staggered three-year terms and until  
8 a successor is appointed. Appointed members may be removed from office by the  
9 governor only for cause. If a vacancy occurs, the governor shall immediately appoint  
10 a member for the unexpired portion of the term.

11 (c) Appointed members of the board receive no compensation, but are entitled  
12 to per diem and travel expenses authorized for boards and commissions under  
13 AS 39.20.180.

14 (d) While serving on the board and for one year after leaving that office, a  
15 board member or an immediate family member of the board member, may not obtain  
16 a lease, permit, or loan under AS 03.10 or under AS 38.05. Notwithstanding  
17 AS 39.52.150(a), a person may be appointed to the board even though, at the time of  
18 appointment, that person, or an immediate family member, has a lease, permit, or loan  
19 under AS 03.10 or AS 38.05. However, that person may not participate in any action  
20 by the board that directly affects that lease, permit, or loan. If a person with a lease,  
21 permit, or loan under AS 03.10 or AS 38.05 is appointed to the board, failure by that  
22 person to abide by all the terms and conditions of the lease, permit, or loan constitutes  
23 cause for removal under (b) of this section.

24 **Sec. 03.09.020. Officers and employees.** (a) The Board of Agriculture and  
25 Conservation shall elect a member to serve as chair and a member to serve as vice-  
26 chair for one-year terms. A member may be reelected to serve additional terms as  
27 chair or vice-chair.

28 (b) The board may appoint a director, who may employ staff and who is  
29 responsible for the daily operations of the agricultural revolving loan fund  
30 (AS 03.10.040). The director is in the exempt service under AS 39.25.110.

31 **Sec. 03.09.030. Quorum.** Five members of the Board of Agriculture and

1 Conservation constitute a quorum for the transaction of business or the exercise of a  
2 power or function at a meeting of the board.

3 **Sec. 03.09.040. Regulations.** (a) The Board of Agriculture and Conservation  
4 may adopt regulations under AS 44.62 (Administrative Procedure Act) to carry out its  
5 duties.

6 (b) The board may, by regulation, classify loan and marketing information and  
7 make some classes of loan or marketing information confidential.

8 **Sec. 03.09.050. Agricultural land.** The Board of Agriculture and  
9 Conservation may recommend to the commissioner that land in the land disposal bank  
10 established under AS 38.04.020 be classified as suitable for agriculture. The board  
11 may identify state land for agricultural disposal and request the commissioner to  
12 provide for the survey and disposal of the land.

13 \* **Sec. 2.** AS 03.10.020(a) is amended to read:

14 (a) The **Board of Agriculture and Conservation (AS 03.09.010)**  
15 [DEPARTMENT] may

16 (1) make a loan to

17 (A) an individual resident farmer, homesteader, or a partnership  
18 or corporation composed of farmers and homesteaders for

19 (i) clearing land for agricultural purposes;

20 (ii) development of farms;

21 (iii) storage and processing of farm produce; or

22 (iv) the purchase of livestock or machinery;

23 (B) an individual state resident, or a partnership or corporation  
24 for

25 (i) storage and processing plants for agricultural  
26 products;

27 (ii) the commercial production or processing of  
28 horticultural products in the state;

29 (iii) the commercial production or processing of animal  
30 feed in the state; or

31 (iv) the raising or care of animals in the state for the

- 1 purpose of marketing their fur;
- 2 (2) designate agents and delegate its powers to them as necessary;
- 3 (3) adopt regulations necessary to carry out its functions, including  
4 regulations to establish reasonable fees for services provided and charges for collecting  
5 the fees;
- 6 (4) establish amortization plans for repayment of loans, which may  
7 include delayed payments of principal and interest for not to exceed five years;
- 8 (5) enter into agreements with private lending institutions, other state  
9 agencies or agencies of the federal government, to carry out the purposes of this  
10 chapter;
- 11 (6) collect the fees and collection charges established under this  
12 subsection.

13 \* **Sec. 3.** AS 03.10.030(a) is amended to read:

- 14 (a) The farm development, chattel, or irrigation loan made under this chapter
- 15 (1) may not exceed a term of 30 years, except that a chattel loan may  
16 not exceed a term of seven years;
- 17 (2) may not, when added to the outstanding balance of other loans  
18 made under this chapter, exceed a total outstanding balance of \$1,000,000;
- 19 (3) shall be secured by a real estate or chattel mortgage of any priority,  
20 except that the portion of a loan that exceeds \$500,000, when added to prior  
21 indebtedness that is secured by the same property, must be secured by a first mortgage;
- 22 (4) shall bear interest at a rate **comparable to that charged by other**  
23 **agricultural** [THAT MAY NOT BE LESS THAN EIGHT PERCENT OR MORE  
24 THAN THE COMMERCIAL RATE, UNLESS THE COMMERCIAL RATE IS  
25 EIGHT PERCENT OR LESS; IN THIS PARAGRAPH, "COMMERCIAL RATE"  
26 MEANS THE PREVAILING RATE OF INTEREST AT PRIVATE] lending  
27 institutions in the state for loans similar to those referred to in this subsection.

28 \* **Sec. 4.** AS 03.10.030(c) is amended to read:

- 29 (c) A **short-term** [SHORT TERM] loan, to be amortized within one year, not  
30 to exceed \$350,000 to any one borrower may be made for operating purposes, except  
31 that a loan made under this subsection may not exceed \$200,000 unless the loan is

1 made to a borrower in a farm disaster area declared under AS 03.10.058. An applicant  
 2 for a **short-term** [SHORT TERM] loan may be required to purchase insurance through  
 3 the Federal Crop Insurance Act (7 U.S.C. 1501 - 1520) as a condition of the loan.  
 4 The term of a loan made under this subsection may be extended for up to three years  
 5 by the **Board of Agriculture and Conservation** [AGRICULTURAL REVOLVING  
 6 LOAN FUND BOARD], in the discretion of the board, upon application by the  
 7 borrower.

8 \* **Sec. 5.** AS 03.10.030(e) is amended to read:

9 (e) An installment payment is delinquent unless it is mailed by the borrower  
 10 on or before the 30th day after the date specified for payment in the loan agreement  
 11 or unless it is received by the **Board of Agriculture and Conservation**  
 12 [DEPARTMENT] on or before the 30th day after the date specified for payment in the  
 13 loan agreement. If an installment payment is delinquent, the director of the **board**  
 14 [DIVISION OF AGRICULTURE OF THE DEPARTMENT] may assess a delinquency  
 15 penalty. The delinquency penalty shall be an amount equal to seven percent of the  
 16 delinquent payment, but the combined delinquency penalty and loan interest may not  
 17 exceed 15 percent.

18 \* **Sec. 6.** AS 03.10.030(f) is amended to read:

19 (f) A farm product processing loan may not exceed \$250,000. A mortgage  
 20 that secures a farm product processing loan may be of any priority if the total  
 21 indebtedness on the real estate, including the secured farm product processing loan,  
 22 does not exceed \$250,000. A farm product processing loan that, if made, would raise  
 23 the existing indebtedness on the real estate securing the loan above \$250,000, or a  
 24 farm product processing loan on real estate that has a prior indebtedness of \$250,000  
 25 or more, may be made only if all prior mortgagees agree to subordinate their  
 26 mortgages to that of the state for the amount of the farm product processing loan that  
 27 exceeds the \$250,000 indebtedness limit on the real estate. A farm product processing  
 28 loan may not exceed a term of 30 years or bear interest **at a rate** that is less than **a**  
 29 **rate comparable to that charged by other agricultural lending institutions in the**  
 30 **state for similar loans,** [EIGHT PERCENT A YEAR] and shall be secured by a real  
 31 estate or chattel mortgage or both.

1 \* **Sec. 7.** AS 03.10.030(g) is amended to read:

2 (g) A loan for clearing land may not

3 (1) exceed \$250,000;

4 (2) bear interest **at a rate** that is less than **a rate comparable to that**  
 5 **charged by other agricultural lending institutions in the state for similar loans**  
 6 **[EIGHT PERCENT];**

7 (3) have a term in excess of 20 years; or

8 (4) be made for clearing land other than land that has been classified  
 9 by the United States Department of Agriculture, **Natural Resource** [SOIL]  
 10 Conservation Service, under the Land Capability Classification System as having  
 11 agricultural potential for the production of annual crops **or** [,] hay, or for pasture.

12 \* **Sec. 8.** AS 03.10.030(h) is amended to read:

13 (h) The **Board of Agriculture and Conservation** [COMMISSIONER] shall  
 14 adopt regulations to establish other terms for loans made under this chapter, consistent  
 15 with the provisions of this section, and may establish interest rates for loans under  
 16 (a)(4) of this section that

17 (1) encourage agricultural development;

18 (2) do not subsidize nonviable agricultural enterprises; and

19 (3) do not discriminate against viable existing agricultural enterprises.

20 \* **Sec. 9.** AS 03.10.033(a) is amended to read:

21 (a) To increase the return to the state, the **Board of Agriculture and**  
 22 **Conservation** [AGRICULTURAL REVOLVING LOAN FUND BOARD] may  
 23 restructure loans **(1)** in existence on January 1, 1987, made by the **former**  
 24 **Agricultural Revolving Loan Fund Board** [BOARD] or by the **former** Alaska  
 25 Agricultural Action Council based upon guidelines approved by the **Board of**  
 26 **Agriculture and Conservation; or (2) of a borrower who has experienced an**  
 27 **agricultural disaster as defined by regulations adopted by the Board of**  
 28 **Agriculture and Conservation** [BOARD]. The restructuring may only include  
 29 reduction of interest [TO RATES BELOW THOSE SPECIFIED BY AS 03.10.030],  
 30 an extension of the term of the loan, and an improvement to the security interest of the  
 31 state. It may not reduce the amount of principal and interest owed before the loan is

1 restructured. **AS 03.10.030(a)(1) does not apply to a loan that is restructured**  
 2 **under this section.**

3 \* **Sec. 10.** AS 03.10.033(c) is amended to read:

4 (c) Notwithstanding any other provision of this section, the **Board of**  
 5 **Agriculture and Conservation** [AGRICULTURAL REVOLVING LOAN FUND  
 6 BOARD] may approve an application for restructuring under this section only upon

7 (1) the applicant's written release of the state, including [THE  
 8 ALASKA AGRICULTURE ACTION COUNCIL, THE AGRICULTURAL  
 9 REVOLVING LOAN FUND, AND] the University of Alaska, from all potential  
 10 liability for actions and omissions occurring before the date of restructuring that relate  
 11 in any way to a state farm project, land sale, land sale relinquishment, farm loan, or  
 12 loan application or loan modification application, whether granted or denied by the  
 13 state; and

14 (2) assignment by the applicant to the board of the proceeds from the  
 15 federal government under 7 U.S.C. 1442 (Conservation Reserve Program) and P.L. 88-  
 16 26 (Feed Grain Act of 1963), as amended.

17 \* **Sec. 11.** AS 03.10.035(a) is amended to read:

18 (a) A borrower may not use farm land for a **nonfarm** [NON-FARM] use or  
 19 sell, lease, or otherwise dispose of farm land if that land is encumbered by a mortgage  
 20 given to secure the payment of a farm development, chattel, or irrigation system loan  
 21 under this chapter unless the borrower either

22 (1) pays the outstanding balance of the loan in a lump sum or under  
 23 other terms agreed to by the **Board of Agriculture and Conservation**  
 24 [COMMISSIONER] that accelerate payment of the loan; or

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

29 \* **Sec. 12.** AS 03.10.040(b) is amended to read:

30 (b) Money in the fund may be used by the legislature to make appropriations  
 31 for costs of administering this chapter **and for operations of the Board of**

1        **Agriculture and Conservation.**

2        \* **Sec. 13.** AS 03.10.050(a) is amended to read:

3                (a) The **Board of Agriculture and Conservation** [COMMISSIONER] shall  
4        administer the **agricultural revolving** loan fund [IN CONJUNCTION WITH THE  
5        AGRICULTURAL REVOLVING LOAN FUND BOARD]. **A** [NO] loan [IN EXCESS  
6        OF \$25,000] may **not** be made [BY THE COMMISSIONER] without the approval of  
7        a majority of the board, **except that emergency loans not to exceed \$50,000 may be**  
8        **made upon the approval, by majority vote, of a committee composed of the chair**  
9        **of the board, another board member, and the director of the board.**

10       \* **Sec. 14.** AS 03.10.050(c) is amended to read:

11                (c) A meeting of the [AGRICULTURAL REVOLVING LOAN FUND] board  
12        to act on applications for loans is exempt from the public meeting requirements of  
13        AS 44.62.310.

14       \* **Sec. 15.** AS 03.10.050(e) is amended to read:

15                (e) To encourage the prompt payment of loans, the **board** [DEPARTMENT]  
16        may establish a program of credits for persons who have a loan from the agricultural  
17        revolving loan fund and maintain good financial standing. The credits may be applied  
18        against no more than two percentage points a year of the interest due on agricultural  
19        revolving loan fund loans.

20       \* **Sec. 16.** AS 03.10.050(g) is amended to read:

21                (g) The **board** [DIRECTOR OF AGRICULTURE] may dispose of property  
22        acquired by the **agricultural revolving loan fund** [AGRICULTURAL REVOLVING  
23        LOAN FUND BOARD OR BY THE COMMISSIONER] through foreclosure, default,  
24        or other action arising out of agricultural loans or the sale of agricultural land.  
25        Disposals shall be conducted under regulations approved by the commissioner. The  
26        regulations must ensure that the property is disposed of so as to maximize the return  
27        to the state and must require that the parcels of land that are composed primarily of  
28        cropland soils be restricted to agricultural uses and disposed of only to persons who  
29        are residents of the state.

30       \* **Sec. 17.** AS 38.04.020(g) is amended to read:

31                (g) After July 1 of each year, the commissioner shall direct the expenditure of

1 money appropriated for the disposal of land in response to requests made under (e) and  
2 (f) of this section for the following:

3 (1) **land** [LAND] designated as suitable for homestead disposal shall  
4 be classified and surveyed under this chapter and AS 38.05 and made available for  
5 staking and lease under AS 38.09; [.]

6 (2) **land** [LAND] designated as suitable for subdivision and homesite  
7 disposal shall be surveyed, subdivided, classified, and disposed of under this chapter,  
8 AS 38.05, and AS 38.08; [.]

9 (3) **land** [LAND] designated [AGRICULTURAL,] commercial,  
10 industrial, or suitable for other disposal shall be sold under AS 38.05.055 or 38.05.057;

11 **(4) land designated agricultural shall be disposed of under**  
12 **AS 38.05.055 - 38.05.065, except the Board of Agriculture and Conservation**  
13 **(AS 03.09.010) shall receive notice of each proposed disposal and be given an**  
14 **opportunity to comment before the final disposal decision is made.**

15 \* **Sec. 18.** AS 38.04.030 is amended to read:

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

24 \* **Sec. 19.** AS 38.05.020(b)(7) is amended to read:

25 (7) **after consulting with the Board of Agriculture and Conservation**  
26 **(AS 03.09.010), to** waive, postpone, or otherwise modify the development requirements  
27 of a contract for the sale of agricultural land if

28 (A) the land is inaccessible by road; or

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

31 \* **Sec. 20.** AS 38.05.057(c) is amended to read:

1 (c) The commissioner, **after consulting with the Board of Agriculture and**  
 2 **Conservation (AS 03.09.010)**, may adopt regulations under the Administrative  
 3 Procedure Act (AS 44.62) **that** [WHICH] specify qualifications for lottery participants  
 4 different from those specified in (b) of this section if

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

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

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

12 \* **Sec. 21.** AS 38.05.059 is amended to read:

13 **Sec. 38.05.059. Sale of agricultural land.** The commissioner, **after**  
 14 **consulting with the Board of Agriculture and Conservation (AS 03.09.010)**, may  
 15 provide for the sale of land classified under AS 38.05.020(b)(6) for agricultural uses  
 16 in parcels or tracts described by aliquot parts. The parcels or tracts are subject to state  
 17 subdivision requirements and municipal ordinances.

18 \* **Sec. 22.** AS 38.05.065(h) is amended to read:

19 (h) The commissioner, **after consulting with the Board of Agriculture and**  
 20 **Conservation (AS 03.09.010)**,

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

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

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

30 (B) the commissioner certifies and the contract purchaser agrees  
 31 to perform farm development, crop production, and harvesting, not including

1 land clearing or related activity, requiring the expenditure of amounts  
 2 equivalent to the payments that would otherwise be made during the  
 3 moratorium;

4 (C) the sale of the agricultural land takes place after July 1,  
 5 1979; and

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

12 \* **Sec. 23.** AS 38.05.069(a) is amended to read:

13 (a) **After consulting with the Board of Agriculture and Conservation**  
 14 **(AS 03.09.010), on** [ON] a determination that the highest and best use of unoccupied  
 15 land is for agricultural purposes and that it is in the best interests of the state to sell  
 16 or lease the land, the commissioner shall grant to an **Alaska** [ALASKAN] resident  
 17 owning and using or leasing and using land for agricultural purposes a first option at  
 18 the auction to purchase or lease the unoccupied land situated adjacent to land presently  
 19 held by the **Alaska** [ALASKAN] resident for the amount of the high bid received at  
 20 public auction. If more than one **Alaska** [ALASKAN] resident qualifies for a first  
 21 option under this section, eligibility for the first option shall be determined by lot and  
 22 the option must be exercised on the conclusion of the public auction. A parcel of  
 23 agricultural land sold under this section may not be less than 20 acres, and a parcel of  
 24 agricultural land that is acquired by exercise of the option granted in this subsection  
 25 may not exceed 320 acres. Agricultural land that is acquired under this section must  
 26 be used for agricultural purposes as required by law.

27 \* **Sec. 24.** AS 38.05.321(e) is amended to read:

28 (e) A landowner may subdivide land classified for agricultural use and for  
 29 which the landowner obtained a patent under a homestead entry permit issued under  
 30 AS 38.09 so long as the resulting parcels are not in violation of the minimum parcel  
 31 size set out in (a) of this section. A landowner may subdivide other land classified for

1 agricultural use as authorized under (d)(3)(C) of this section. If the subdivision  
 2 involves land classified for agricultural use and for which the landowner obtained a  
 3 patent under a homestead entry permit issued under AS 38.09, or if the subdivision of  
 4 land authorized under (d)(3)(C) of this section results only in parcels of 640 acres or  
 5 more, the landowner may subdivide without payment as required by this subsection.  
 6 If subdivision of land authorized by (d)(3)(C) of this section would result in one or  
 7 more parcels of less than 640 acres, the landowner may subdivide only if the  
 8 landowner first tenders payment to the department for the right to construct housing  
 9 in each subdivided parcel of less than 640 acres. **Payments collected under this**  
 10 **subsection shall be separately accounted for and may be appropriated to the**  
 11 **agricultural revolving loan fund (AS 03.10.040).** For purposes of this subsection,  
 12 the value of the right to construct housing in a subdivided parcel

13 (1) is \$4,000 for the parcel, subject to adjustment under (h) of this  
 14 section; or

15 (2) shall be determined by an appraisal made by an appraiser under  
 16 contract to the landowner owning the parcel, and the appraisal must include the value,  
 17 determined as of the date of subdivision, of the right to construct housing by the  
 18 landowner under (d)(3) of this section.

19 \* **Sec. 25.** AS 38.05.035(b) is amended to read:

20 (b) The director may

21 (1) delegate the administrative duties, functions or powers imposed  
 22 upon the director to a responsible employee in the division;

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

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

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

- 1 (i) the occurrence of the error or omission;  
 2 (ii) the date of acquisition by the state of the land; or  
 3 (iii) the date of a court decision or settlement nullifying

4 a disposal of state land;

5 (3) grant a preference right to a claimant who shows bona fide  
 6 improvement of state land or of federal land subsequently acquired by the state and  
 7 who has in good faith sought to obtain title to the land but who, through error or  
 8 omission of others occurring within the three years before (A) the application for the  
 9 preference right, (B) the date of acquisition by the state of the land, or (C) the date of  
 10 a court decision or settlement nullifying a disposal of state land, has been denied title  
 11 to it; upon a showing satisfactory to the commissioner, the claimant may lease or  
 12 purchase the land at the price set on the date of original entry on the land or, if a price  
 13 was not set at that time at a price determined by the director to fairly represent the  
 14 value of unimproved land at the time the claim was established, but in no event less  
 15 than the cost of administration including survey; the error or omission of a predecessor  
 16 in interest or an agent, administrator, or executor which has clearly prejudiced the  
 17 claimant may be the basis for granting a preference right;

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

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

29 (6) **after consulting with the Board of Agriculture and Conservation**  
 30 **(AS 03.09.010)**, dispose of an interest in land limited to use for agricultural purposes  
 31 by lottery;

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

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

7 (B) the parcel does not exceed the minimum lot size under an  
 8 applicable zoning code; and

9 (C) the director and the platting authority having land use  
 10 planning jurisdiction agree that conveyance of the parcel to the adjoining  
 11 landowner will result in boundaries that are convenient for the use of the land  
 12 by the landowner and compatible with municipal land use plans;

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

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

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

22 (11) REPEALED].

23 \* **Sec. 26.** AS 38.07.010(b) is amended to read:

24 (b) The land **that is** [THUS] cleared or drained **under (a) of this section** shall  
 25 be put up for competitive lease in lots of not less than 320 acres each. **Lease**  
 26 **payments shall be separately accounted for and may be appropriated to the**  
 27 **agricultural revolving loan fund (AS 03.10.040).**

28 \* **Sec. 27.** AS 38.09.010(a) is amended to read:

29 (a) The commissioner shall designate and make available for homestead entry  
 30 state land, including, **after consulting with the Board of Agriculture and**  
 31 **Conservation (AS 03.09.010),** land classified for agricultural use. State land made

1 available for homestead entry under this chapter shall be distributed throughout the  
2 state.

3 \* **Sec. 28.** AS 39.25.110 is amended by adding a new paragraph to read:

4 (34) the director of the Board of Agriculture and Conservation.

5 \* **Sec. 29.** AS 39.50.200(b) is amended by adding a new paragraph to read:

6 (56) Board of Agriculture and Conservation (AS 03.09.010).

7 \* **Sec. 30.** AS 03.10.050(b), 03.10.050(d), 03.10.052; and AS 39.50.200(b)(1) are repealed.

8 \* **Sec. 31.** The uncodified law of the State of Alaska is amended by adding a new section  
9 to read:

10 **TRANSITION.** (a) Notwithstanding AS 03.09.010(b), enacted in sec. 1 of this Act,  
11 two initial appointed members of the Board of Agriculture and Conservation shall be  
12 appointed to one-year terms and two initial appointed members of the board shall be appointed  
13 to two-year terms.

14 (b) Notwithstanding AS 03.09.040, enacted in sec. 1 of this Act, AS 03.10.020(a), as  
15 amended in sec. 2 of this Act, AS 03.10.030(h), as amended in sec. 8 of this Act, and  
16 AS 03.10.033(a), as amended in sec. 9 of this Act, regulations that apply to the agricultural  
17 revolving loan fund and to loans from the fund remain in effect until amended or repealed by  
18 the Board of Agriculture and Conservation.

19 \* **Sec. 32.** This Act takes effect July 1, 2000.