

# FISCAL NOTE

No: 1

**STATE OF ALASKA**  
**1999 LEGISLATIVE SESSION**

Bill Version: 2d SSHB 203  
 (H) Publish Date: 4/29/99

Revision Date: \_\_\_\_\_ Dept Affected: Natural Resources  
 Title: An Act relating to loans from the agriculture BRU: Agricultural Revolving Loan Program Admin  
revolving loan fund and to contracts for the sale of state ... Component: Agricultural Revolving Loan Program Admin  
 Sponsor: Rep. Harris  
 Requestor: (H)RES Component Serial No. #2235

Expenditures/Revenues (Inflation not included unless otherwise noted below) (Thousands of Dollars)

OPERATING EXPENDITURES	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>CAPITAL EXPENDITURES</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>CHANGE IN REVENUES (1021)</b>	(24.5)	(126.0)	(244.9)	(382.4)	(535.3)	(707.3)

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY99) cost: \$ none

**POSITIONS**

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

**ANALYSIS:** (Attach a separate page if necessary)

An interest rate reduction from 8% to 5%, and farm disaster changes would reduce revenue to ARLF. See attached information for detail on difference between 8% and 5%.

Prepared by: Robert Wells, Director *[Signature]* Phone: 907-745-7200  
 Division: Agriculture Date: 27-Apr-99  
 Approved by Commissioner: John Shively *[Signature]* Date: 4-27-99  
 Agency: Natural Resources

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**Agricultural Revolving Loan Fund  
Cash Flow Projection  
July 1, 1998**

	Actuals		Estimates						
	FY 98		FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
<b>Beginning Cash Balance</b>	\$6,304,655		\$6,421,719	\$5,664,321	\$4,362,149	\$3,525,677	\$2,792,406	\$2,031,887	\$1,286,356
<b>Cash Inflows:</b>									
Principal & interest payments - Note 1	2,817,903		2,452,487	2,502,912	2,746,855	2,803,411	2,807,092	2,828,973	2,822,068
Leases	94,552		69,212	46,651	44,749	12,025	9,345	9,345	9,345
Late payment penalties - Note 2	7,054		14,224	14,517	15,932	16,260	16,281	16,408	16,368
Settlements on defaulted loans - Note 3			24,638	1,100	1,100	0	0	0	0
Trsfir from original Mntl Health Fund - Note 7	76,459								
Sale of Assets, Misc - Note 4	628,236		819,147	448,048	315,293	376,683	334,350	316,783	316,783
<b>Cash Outflows:</b>									
New loans - Note 5									
Current year disbursements	(1,618,959)		(1,800,000)	(1,980,000)	(1,980,000)	(1,980,000)	(1,980,000)	(1,980,000)	(1,980,000)
Disbursements on prior year loans	(42,794)		(280,703)	(200,000)	(220,000)	(220,000)	(220,000)	(220,000)	(220,000)
ARLF Operating expenses - Note 6	(448,947)		(638,600)	(638,600)	(613,600)	(594,850)	(580,788)	(570,241)	(562,330)
Division expenditures paid by ARLF - Note 6	(912,840)		(1,146,800)	(1,146,800)	(1,146,800)	(1,146,800)	(1,146,800)	(1,146,800)	(1,146,800)
CIP expenditures - Note 8	(218,236)		(250,000)	(350,000)					
Pymts on prior year encumbrances - Note 9	(265,374)		(21,003)						
<b>Ending Cash Balance</b>	\$6,421,719		\$5,664,321	\$4,362,149	\$3,525,677	\$2,792,406	\$2,031,887	\$1,286,356	\$541,789

**Note 1** - Principal & interest payments based on 8% interest rate for loans issued from FY99 through FY05, less 4% bad debt allowance.

**Note 2** - Late payment penalties represents FY93-FY98 historical assessment rate of 0.58% of total payments.

**Note 3** - Conservative estimate of expected recovery from accounts assigned to the Attorney General's office for collection.

**Note 4** - Estimates provided by Div. of Ag. Assume 20% sold for cash; 80% financed (10% cash down; finance bal @ 8%, 20yrs.)

Planned sales: FY99-12 parcels; FY00-9 parcels; FY01-1 parcel; FY02-1 parcel; FY03-1 parcel

Starting FY99, sell 2 Pt. MacKenzie parcels each year for \$200,000 each (10% down, balance at 8% for 20 years)

**Note 5** - Loans are assumed to be disbursed 90% in the current fiscal year and 10% in the subsequent fiscal year. Estimates provided by Division of Agriculture.

**Allocated as follows:**

C-loans = 10% of total loans per year, amortized over 5 years

P-loans = 3% of total loans per year, amortized over 10 years

F-loans = 29% of total loans per year, amortized over 14 years

S-loans = 58% of total loans per year, amortized over 1 year

**Note 6** - Annual expenditure estimates - same as FY99 budget per Division of Agriculture, except gradual decrease in asset management costs as assets are sold.

**Note 7** - Lease revenues on original Mental Health lands held in trust pending final resolution of all appeals in FY98.

**Note 8** - 1998: Mt. McKinley Meat Plant renovations; 1999: Land disposal (\$100,000) and Mt. McKinley Meat Plant roof (\$150,000); 2000: Land Disposal (\$150,000) and Mt. McKinley Meat Plant upgrades (\$200,000)

**Note 9** - 1998: property taxes '92-'98 (\$127,317); Mt. McKinley Meat Plant renovations (\$87,044); seed potato project (\$32,570) 1999: seed potato project (\$21,003)

**Agricultural Revolving Loan Fund  
Cash Flow Projection  
July 1, 1998**

**Assuming 8% for FY99 loans, 5% on all subsequent loans, refinance all existing Delta loans at 5% eff 7/1/99**

	Actuals		Estimates						
	FY 98		FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
<b>Beginning Cash Balance</b>	\$6,304,655		\$6,421,719	\$5,664,321	\$4,337,611	\$3,399,651	\$2,547,485	\$1,649,458	\$751,069
<b>Cash Inflows:</b>									
Principal & interest payments - Note 1	2,817,903		2,452,487	2,478,516	2,658,749	2,700,112	2,690,237	2,698,171	2,672,190
Leases	94,552		69,212	46,651	44,749	12,025	9,345	9,345	9,345
Late payment penalties - Note 2	7,054		14,224	14,375	15,421	15,661	15,603	15,649	15,499
Settlements on defaulted loans - Note 3			24,638	1,100	1,100	0	0	0	0
Trsrfr from original Mntl Health Fund - Note 7	76,459								
Sale of Assets, Misc - Note 4	628,236		819,147	448,048	302,121	361,687	314,375	295,486	295,486
<b>Cash Outflows:</b>									
<b>New loans - Note 5</b>									
Current year disbursements	(1,618,950)		(1,800,000)	(1,980,000)	(1,980,000)	(1,980,000)	(1,980,000)	(1,980,000)	(1,980,000)
Disbursements on prior year loans	(42,794)		(280,703)	(200,000)	(220,000)	(220,000)	(220,000)	(220,000)	(220,000)
ARLF Operating expenses - Note 6	(448,947)		(638,600)	(638,600)	(613,600)	(594,850)	(580,788)	(570,241)	(562,330)
Division expenditures paid by ARLF - Note 6	(912,840)		(1,146,800)	(1,146,800)	(1,146,900)	(1,146,800)	(1,146,800)	(1,146,800)	(1,146,800)
CIP expenditures - Note 8	(218,236)		(250,000)	(350,000)					
Pytmts on prior year encumbrances - Note 9	(265,374)		(21,003)						
<b>Ending Cash Balance</b>	<b>\$6,421,719</b>		<b>\$5,664,321</b>	<b>\$4,337,611</b>	<b>\$3,399,651</b>	<b>\$2,547,485</b>	<b>\$1,649,458</b>	<b>\$751,069</b>	<b>(\$165,542)</b>

**Note 1** - Principal & interest payments based on 8% interest rate for loans approved in FY99, then 5% for loans issued from FY00 through FY05, less 4% bad debt allowance.

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1999: seed potato project (\$21,003)

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