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COMMITTEE REPORT

HOUSE

3/2/81

FURTHER: FINANCE

(11)

Date: MARCH 25, 1981

Mr. Speaker:

The Committee on RESOURCES has had HB 237

"An Act increasing the maximum amount of the agricultural revolving loan fund; and providing for an effective date."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for _____ same title
 new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

Tom Gardiner
Paul D. Zboroff
Don Smith
at staff
at staff
at staff
at staff
at staff
at staff

MEMBERS HAVING
OTHER RECOMMENDATIONS:

Paul D. Zboroff
 CO-CHAIRMAN
Tom Gardiner
 CHAIRMAN

AGRICULTURAL LOAN FUND SUMMARY

The Agricultural Revolving Loan Fund (ARLF) is the primary source of low interest loans for farm development and associated processing facilities. The fund was established, in accordance with legislative and administrative policy, to allow reinvestment of income from non-renewable resources into the renewable resource of agriculture. The Fund has grown, since 1953, to a total capitalization of over \$20 million with the bulk of this capital (\$16 million) having been added as a part of the State's large scale development program which began in 1978 (see the attached summary of the progression of added capital).

Loans from ARLF are made to farms of all sizes, in all areas of the State. The amounts loaned range from less than \$10 thousand to amounts in excess of \$1 million with the greatest number of borrowers falling in the under-\$50 thousand category. The total of 12-31-80 outstanding loans made per farm is as follows:

<u>Range</u>	<u>Number of Borrowers</u>	<u>Total Amount Loaned</u>	<u>Average Indebtedness of Borrower</u>
Under \$50,000	118	\$ 2,193,807	\$ 11,699
50,001 to 100,000	23	1,760,625	76,548
100,001 to 150,000	15	1,586,321	122,024
150,001 to 250,000	10	1,971,728	197,173
250,001 to 500,000	16	5,618,019	351,126
500,001 to 1,000,000	6	4,640,171	773,362
1,000,001 and over	3	5,555,000	1,851,666
Totals	<u>189*</u>	<u>\$23,325,671</u>	

160 farms received loans totalling less than \$200,000 per farm with the average loan being \$41,187 per farm. Of this 160, 141 farms borrowed less than \$100,000 each for an average of \$28,045 per farm.

The balances of loans outstanding December 31, 1980, by areas of the State, are as follows:

<u>Area</u>	<u>Number of Borrowers</u>	<u>Number of Loans</u>	<u>Amount</u>
Matanuska	70	137	\$ 7,457,130
Tanana	90	230	11,586,425
Kenai	26	40	978,140
Other	6	14	697,509
Total	192*	<u>421</u>	<u>20,719,204</u>
Special loans administered by ARLF		<u>2</u>	<u>1,134,451</u>
Totals		<u>423</u>	<u>\$21,853,655</u>

*3 Borrowers have loans in 2 areas

The loan totals vary between the two charts in that the first chart reflects total loans made and the second chart reflects loan balances as they existed December 31, 1980. The difference in the number of borrowers is caused by several individuals having loans in more than one area.

Through December 1980, the Fiscal 80 appropriations of \$12,960,000 were loaned as follows:

<u>Loan Range</u>	<u>Number of Loans</u>	<u>Amount</u>
1,000 - 5,000	19	\$ 65,300
5,001 - 15,000	63	639,475
15,001 - 25,000	31	670,770
25,001 - 50,000	30	1,093,750
50,001 - 100,000	26	2,035,550
100,001 - 150,000	13	1,786,000
150,001 - 300,000	9	2,114,515
300,001 - 500,000	1	500,000
Over 500,001	<u>3</u>	<u>2,383,033</u>
Totals	<u>195</u>	<u>\$11,288,393</u>

As the State's development program proceeds, ARLF will continue to play a primary role in financing developing areas, farms and processors. This role is required by reluctance of other financing institutions to invest in an industry with no proven track record. Our agricultural industry is too new to have developed that track record, and, as an industry, is still incomplete. It is estimated that a developmental period of from five to ten years will be required before any substantial trend toward alternative financing sources can take place.

Once the industry has become established and has developed the needed performance record, the move to alternative financing sources can begin. In the long run, it is not in the best interest of the farm community for the industry to be based on the concept of continued low-interest loans from a single governmental source. Very soon ARLF must undergo structural and procedural changes which will ease these farm-related borrowers from reliance on the Fund and into the market for other types of financing. A decreasing role for ARLF is projected after the initial five-year development phase of each new enterprise and farm area.

The Division of Agriculture's FY 82 budget request as approved by the Governor adds \$27 million to the capitalized size of the Fund. This amount will fund the planned agricultural development needs for the next year as outlined in the Department's overall agricultural development schedule. In addition to this increase in capitalization of the Fund, the statutory fund size limit will have to be changed. We have recommended an increase to \$200,000,000, which will eliminate the need for annual fund size increases over the next three years, as additional capital is needed.

It would also be advisable to increase the maximum allowable loan size per farm. At the present time, the limit of \$500,000 per farm for farm development loans is often restrictive. A dairy, beef, or pork production unit will normally see a required investment of \$1,000,000 per farm. The allowable amounts for operating capital and chattel (equipment or livestock) are also restrictive for large, economic size units producing these products.

Through use of the Department of Revenue's willingness to purchase proven loans from the Fund, it will not be necessary for a supplemental appropriation to provide operating funds for already financed farms this spring. However, at this time, there are no funds available to finance new operations until additional capitalization is added.

FISCAL SUMMARY OF LOAN FUND

YEAR	APPROPRIATION	TOTAL FUND SIZE	STATUTORY AUTHORIZATION AND CHANGES
1953	\$200,000	\$ 200,000	Fund created; authorized up to \$1,000,000 short-term loans not to exceed \$2,000 on 1-year terms at 6%; chattel loans not to exceed \$10,000 for 5-year terms at 5%; farm development loans not to exceed \$15,000 with up to 20 years at 4.5%.
1955	150,000	150,000	Farm development limit raised to \$20,000 maximum.
1957	125,000	125,000	
1959	100,000	100,000	
1960	75,000	75,000	
1961	200,000	200,000	Authorized Fund increased to \$2,000,000; short-term limit \$5,000; chattel limit \$25,000; farm development to \$40,000.
1962	200,000	200,000	
1964			Authorized to utilize TR and PER Funds
1966	45,000	45,000	Short-term limit raised to \$10,000; chattel limit increased to \$40,000 for 7 years at 6%; farm development limit raised to \$50,000 for 30 years at 5%.
1967	45,000	45,000	Short-term limit raised to \$15,000; farm development limit raised to \$75,000 and 6%.
1968	300,000	300,000	
1969	100,000	\$1,540,000	
1970	500,000	500,000	Special irrigation fund established with up to 20 years at 4%; chattel limits raised to \$100,000; farm development limits raised to \$15,000; authority to sell loans to Department of Revenue.
	800,000	800,000	Fund limits raised to \$5,000,000
1971	200,000	3,040,000	
1974 FY75	200,000	3,240,000	Additional appropriation. Short-term loan limits raised to \$25,000
1975 FY76	200,000	3,440,000	

FISCAL SUMMARY OF LOAN FUND

YEAR	APPROPRIATION	TOTAL FUND SIZE	STATUTORY AUTHORIZATION AND CHANGES
1976 FY77	\$ 200,000	\$3,440,000	
1977 FY78	400,000	4,040,000	
1978 FY79	200,000	4,240,000	
1979 FY80	4,000,000 <u>(1,200,000)</u>	4,000,000	Taken for fire fighting
	2,800,000	7,040,000	
1980 4/80	6,800,000	6,800,000	
1981	<u>6,160,000</u> 20,000,000	<u>6,160,000</u> 20,000,000	

FISCAL SUMMARY OF LOAN FUND

YEAR	APPROPRIATION	TOTAL FUND SIZE	STATUTORY AUTHORIZATION AND CHANGES
1976 FY77	\$ 200,000	\$3,440,000	
1977 FY78	400,000	4,040,000	
1978 FY79	200,000	4,240,000	
1979 FY80	4,000,000	4,000,000	Taken for fire fighting
	<u>(1,200,000)</u> 2,800,000	7,040,000	
1980 4/80	6,800,000	6,800,000	
1981	<u>6,160,000</u> 20,000,000	<u>6,160,000</u> 20,000,000	

CRT MESSAGES ARE LIMITED TO 50 WORDS. THESE
MESSAGES ARE TRANSMITTED TO JUNEAU BY OUR STAFF
ON A TIME-AVAILABLE BASIS.

Date 3/10/81

Name (print) Mike Carlson

Representing Small farmers

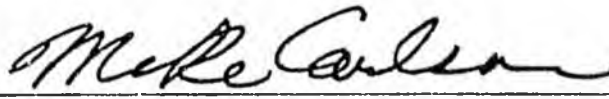
Address Box 953 Delta Jct. Alaska 99737

Phone Number 895-4697 (work)

To Com. or Res.; Rep. Rogers; Sen. Fackett; Rep. Moss

Re Small Farms - HB 237

Message The biggest problem in the Delta area is a lack of money in the revolving loan fund. We must have more money available if the small farmers are going to develop dairy, hog, & poultry, etc. I will start expanding immediately if there is money available in the revolving loan fund. Rep. Rogers comments in the News Minner 3-6-81 are on the right track. If money is not made available in the next 30 days, my expansion plan is set back at least one year.

Signature 

Can be contacted at following times 895-4819-7:00 am Delta time

Address and phone number if different
from above _____

AGRICULTURAL REVOLVING LOAN FUND STATUS 3/20/81

	<u>MATANUSKA AREA</u>	<u>TANANA AREA</u>	<u>KENAI AREA</u>	<u>OTHER AREAS</u>	<u>TOTAL</u>
LOANS OUTSTANDING	7,733,304	12,133,139	1,142,377	790,392	<u>21,718,212</u>
Types:					
Short-term					2,857,419
Chattel					7,365,783
Farm Development					8,364,618
Irrigation					310,391
Production Facility					<u>2,820,000</u>
LOANS IN PROCESS (Funds vouchered; loans not closed):					
Short-term	46,000	47,000			93,000
Chattel		68,500			68,500
Farm Development	192,081	15,650	10,000		222,731
Irrigation					
Production Facility	<u>36,000</u>	<u>250,000</u>			<u>286,000</u>
Totals	274,081	381,150	10,000		<u>670,231</u>
Total Loans Outstanding and vouchered funds:					<u>22,388,443</u>
LOAN BALANCES TO BE ISSUED (not vouchered):					
Short-term					73,000
Chattel	73,000				73,000
Farm Development	515,454	44,000	126,715		722,169
Irrigation					
Production Facility	<u>874,000</u>	<u>417,000</u>			<u>1,291,000</u>
Totals	1,498,454	461,000	126,715		<u>2,086,169</u>

AGRICULTURAL REVOLVING LOAN FUND STATUS 3/20/81 (continued)

	<u>HATANUSKA AREA</u>	<u>TANAMA AREA</u>	<u>K'NAI AREA</u>	<u>OTHER AREAS</u>	<u>TOTAL</u>
LOANS APPROVED:					
Short-term	240,000	851,450	10,000		1,109,450
Chattelle	54,000	579,417			633,417
Farm Development	40,000	116,100			156,100
Irrigation		16,000			16,000
Production Facility					
	<u>342,000</u>	<u>1,567,967</u>	<u>10,000</u>		<u>1,913,967</u>

LOAN REQUESTS NEEDING FURTHER INFORMATION:

Various types of loans	214,390	3,363,054	24,000	265,000	<u>4,416,444</u>
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Cash with Treasury and In Transit after latest transmittal and latest vouchers: 29,137.

Total anticipated immediate needs:

Balances of existing loans not disbursed	2,086,169
Loans approved	1,913,967
Loan Requests received, require additional information	<u>4,416,444</u>
	<u>8,416,520</u>

Additional anticipated seed and fertilizer requirements for 1981 crop year
- applications not received by 3/19/81



for file

Alaska State Legislature

House of Representatives

Committee on Resources

Terry Gardiner, Co-Chairman
Fred F. Zharoff, Co-Chairman
465-3715

Pouch V
State Capitol
Juneau, Alaska 99811

Mr. Beryl W. Houger
S. R. 90510
Fairbanks, Alaska 99701

Dear Mr. Houger:

Thank you for your letter of March 30th regarding H.B. 237. I am pleased to tell you the House Resources Committee passed a committee substitute of H.B. 237 out of committee on March 25th, and the bill subsequently passed the House of Representatives on April 3rd. I am enclosing a copy of C.S.H.B. 237 for your perusal.

I certainly recognize the time constraints many farmers are under at this time of year. I sincerely hope that the Senate will act on the bill in an expeditious manner.

Once again, thank you for writing.

Sincerely,

A handwritten signature in cursive script that reads "Fred F. Zharoff".

Fred F. Zharoff
Representative

FFZ/kh
Enclosure

letter reply 4-6

S R 90510

Fairbanks, Alaska

March 30, 1961

Mr. Fred F. Zharoff
House of Representatives
Co-Chairman of Resources Committee
Porch V
Juneau, Alaska 99811

Knis
Maybe
it could
draft
Miss
repp.

Dear Honorable Mr. Zharoff:

I am concerned about House Bill # 237. When will the bill possibly get out of the Resource Committee? A few pieces of machinery are coming to me from the factory. The Revolving Fund Loan Committee has OK'ed my loan. Spring farming is about here. But there is no money in the Fund. Whatever you can do to get the bill on the move will be deeply appreciated by me and the many others in the Delta Area who will be hurting if we don't get loans on or before June first. What can you do for us?? What will you do to help us? We need your help however small and we need it now in order to get in the fields in a few weeks. Spring is coming early and so we should be in the fields in a few weeks. Help Help Help. Right now about all we can expect is to get the bill moving. Will help doing this. Thanks for whatever you can do now.

Yours truly,
Beryl W. Houghey
Beryl W. Houghey

S R 90510

Fairbanks, Alaska 99701

**CHAPTER 39.
AGRICULTURAL REVOLVING
LOAN FUND**

Section

- 10. Types and terms of loans available
- 20. Use of funds
- 30. Application requirements for a loan
- 40. Loan limitations, terms, rates, and eligibility
- 50. The Agricultural Revolving Loan Fund Board
- 60. Approval by board and commissioner
- 100. Definitions

11 AAC 39.010. TYPES AND TERMS OF LOANS AVAILABLE. (a) Short term, working capital loans are available and may be secured or unsecured but may not be made for more than one-year terms.

(b) Secured chattel loans are available for terms not greater than seven years or the useful life of the chattel if more than seven years.

(c) Farm development loans are available for terms not greater than 30 years.

(d) Irrigation system loans are available for terms not greater than 10 years unless secured by real property. (Eff. 4/29/77, Reg. 62)

Authority: AS 03.10.020
AS 03.10.030

11 AAC 39.020. USE OF FUNDS. Funds received by the borrower under this program must be used for agricultural purposes. Controlled accounts are to be used to assure conformity to this requirement when considered necessary. (Eff. 4/29/77, Reg. 62)

Authority: AS 03.10.020

11 AAC 39.030. APPLICATION REQUIREMENTS FOR A LOAN. (a) All loan requests from the loan fund must be submitted in writing on a form prescribed by the commissioner. Additionally, any or all of the following information may be required:

(1) proof that the applicant is a resident of Alaska and meets the requirements of AS 03.10.020;

(2) that other sources of funds are not available to the loan applicant;

(3) a business history of all persons owning 10 percent or more of the business;

(4) either audited or unaudited financial statements, including balance sheets and profit-and-loss statements for the preceding three fiscal years, and/or copies of all federal and state income tax returns which have been filed by the applicant for those three fiscal years;

(5) pro forma financial statements which show the projected income and expense for the following year;

(6) proof that the applicant has the necessary skills and training to conduct the business as required;

(7) qualified collateral appraisal;

(8) a detailed written statement describing how the loan funds will be used and the borrower's plan of repayment from projected cash flow.

(b) Each applicant must provide necessary proof of insurance coverage naming the agricultural revolving loan fund as loss payee.

(c) Supporting documentation must reflect the extent to which the business will contribute to both the community and agriculture within Alaska.

(d) Applications shall be submitted to the Alaska Agricultural Revolving Loan Fund, Department of Natural Resources, P.O. Box 1088, Palmer, Alaska 99645. (Eff. 4/29/77, Reg. 62)

Authority: AS 03.10.020

11 AAC 39.040. LOAN LIMITATIONS, TERMS, RATES, AND ELIGIBILITY. Subject to the requirements of AS 03.10 and secs. 20 and 30 of this chapter, the board, after analyzing the loan request, shall fix terms of repayment, loan limitations, and the eligibility of prospective applicants. The loan board shall set interest rates, but those rates may not exceed the rate prescribed in AS 03.10.030. (Eff. 4/29/77, Reg. 62)

Authority: AS 03.10.020

11 AAC 39.050. THE AGRICULTURAL REVOLVING LOAN FUND BOARD. (a) The director and the loan administrator shall serve as staff to the Agricultural Revolving Loan Fund Board under the general administrative direction of the commissioner.

(b) Members of the board shall hold a minimum of three regular meetings each year. Other meetings may be called for at any time at the request of the commissioner or the loan administrator. Each board member shall be notified by the loan administrator at least one week in advance of a proposed meeting.

(c) Business may not be transacted at a board meeting unless three members are present.

(d) Approval of loans by the board shall be by a majority of votes of the board membership.

(e) Following board approval of an application for a loan, the application shall be forwarded for approval to the commissioner, along with all necessary supporting information in full or summary form, including a summary of the board action and reasons for it. The commissioner will in his discretion delegate all or part of his approval authority to the director. (Eff. 4/29/77, Reg. 62)

Authority: AS 03.10.020

11 AAC 39.060. APPROVAL BY BOARD AND COMMISSIONER. Loan applications must be approved by the board and the commissioner before lending commences. (Eff. 4/29/77, Reg. 62)

Authority: AS 03.10.020

11 AAC 39.100. DEFINITIONS. Unless the context requires otherwise, in this chapter and in the forms and instructions of the commissioner

(1) "applicant" means any individual, partnership, or corporation executing an application for a loan from the Alaska Agricultural Revolving Loan Fund;

(2) "board" means the Alaska Agricultural Revolving Loan Fund Board;

(3) "chattel" means property other than real property;

(4) "collateral" means adequate security without limitation as to real or personal property;

(5) "commissioner" means the commissioner of natural resources;

(6) "director" means the director of the division of agriculture;

(7) "loan fund" means the agricultural revolving loan fund;

(8) "loan administrator" means the supervising employee performing loan fund administrative activities. (Eff. 4/29/77, Reg. 62)

Authority: AS 03.10.020

— who?
has appointed?