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COMMITTEE REPORT

HOUSE

FURTHER: FINANCE

4/2/81

(11)

Date: MAY 15 1981

Mr. Speaker:

The Committee on RESOURCES has had HB 456

"An Act relating to agriculture; 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 HB 456 same title
- new title
- and recommends DO PASS
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

Terry Gardiner

Paul F. [unclear]

[unclear]

Rich [unclear]

Alan [unclear]

[unclear]

[unclear]

MEMBERS HAVING
OTHER RECOMMENDATIONS:

Terry Gardiner
CHAIRMAN

Paul F. [unclear]

Introduced: 4/2/81
Referred: Resources and
Finance

1 IN THE HOUSE

BY ROGERS, BROWN, CARNEY,
MOSS AND GARDINER

2 HOUSE BILL NO. 456

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to agriculture; and providing for an
7 effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 03.10.010 is repealed and reenacted to read:

10 Sec. 03.10.010. DECLARATION OF POLICY. It is the policy of this
11 chapter to promote the development of agriculture throughout the state
12 and to encourage greater self-sufficiency in food production by means
13 of low-interest loans.

14 * Sec. 2. AS 03.10.020(1) is repealed and reenacted to read:

15 (1) make loans

16 (A) for development of farms and greenhouses and for
17 the storage, processing, and marketing of farm produce, livestock,
18 and machinery

19 (i) to individual resident farmers, homesteaders,
20 greenhouse gardeners; and

21 (ii) to partnerships, cooperatives, and corporations
22 composed of resident farmers, homesteaders, and greenhouse
23 gardeners;

24 (B) for storage and processing plants for agricultural
25 products to resident individuals, partnerships, cooperatives, and
26 corporations;

27 * Sec. 3. AS 03.10.030(a) is repealed and reenacted to read:

28 (a) A loan may not run longer than 30 years or the useful life of
29 the chattel nor bear interest exceeding six percent, and it shall be

1 secured by a real estate or chattel mortgage, or both.

2 * Sec. 4. AS 03.10.030(b) is repealed and reenacted to read:

3 (b) A loan to an individual resident farmer, homesteader, or
4 greenhouse gardener may not exceed \$500,000 for farm development and
5 \$300,000 for chattels.

6 * Sec. 5. AS 03.10.030(d) is repealed and reenacted to read:

7 (d) A loan for an irrigation system under this chapter may be
8 made in an amount and for a term determined by the commissioner.

9 * Sec. 6. AS 03.10.030 is amended by adding a new subsection to read:

10 (g) A loan may not be made under this chapter unless the depart-
11 ment determines that sufficient capital is not available from other
12 sources on reasonable terms.

13 * Sec. 7. AS 03.10.040 is amended to read:

14 Sec. 03.10.040. CREATION OF FUND. There is an agricultural
15 [REVOLVING] loan fund [WHICH SHALL NOT EXCEED \$20,000,000] to carry out
16 the purpose of this chapter.

17 * Sec. 8. AS 03 is amended by adding a new chapter to read:

18 CHAPTER 12. ALASKA SMALL FARM DEVELOPMENT ACT.

19 Sec. 03.12.010. ESTABLISHMENT OF PROGRAM. The department shall
20 establish a program of cost sharing for the development of small farms
21 by offering financial assistance for clearing and breaking of land to
22 owners or holders of agricultural rights to eligible land.

23 Sec. 03.12.020. ELIGIBLE LAND. (a) Only land which the depart-
24 ment determines has a soil capability classification of II or III is
25 eligible for the cost-sharing program under this chapter.

26 (b) Land which contains timber with commercial value is not
27 eligible for the cost-sharing program under this chapter until the
28 timber has been harvested.

29 (c) Land which is the subject of a long-term agricultural loan

1 for clearing under AS 03.10 is not eligible for the cost-sharing program
2 under this chapter.

3 (d) In order for land to be eligible for the cost-sharing program
4 under this chapter all agricultural land controlled by the person
5 applying for the program must be managed in a manner consistent with
6 the principles of soil and water conservation determined by the depart-
7 ment or by the Agricultural Stabilization and Conservation Service of
8 the United States Department of Agriculture.

9 Sec. 03.12.030. ELIGIBLE PERSONS. If the agricultural rights to
10 eligible land are held by a person other than the owner of the land,
11 the holder of those agricultural rights is the person eligible to
12 submit the development plan and to receive the money under the cost-
13 sharing program.

14 Sec. 03.12.040. DEVELOPMENT PLAN. (a) In order to receive
15 cost-sharing money under this chapter the owner of the eligible land or
16 the holder of agricultural rights to the eligible land must submit a
17 development plan for approval by the department.

18 (b) In preparing the development plan the owner of the eligible
19 land or the holder of agricultural rights to the eligible land must
20 consult with and obtain technical services from the Agricultural
21 Stabilization and Conservation Service of the United States Department
22 of Agriculture.

23 Sec. 03.12.050. LIMITATION ON COST-SHARING MONEY. (a) The
24 department may pay cost-sharing money under an approved development
25 plan for

26 (1) up to 75 percent of the cost of clearing land but not to
27 exceed \$200 per acre; and

28 (2) up to 75 percent of the cost of breaking land but not to
29 exceed \$100 per acre.

1 (b) The money authorized to be paid under (a) of this section may
2 not exceed either

3 (1) \$7,500 per farm in one calendar year; or

4 (2) \$30,000 per farm.

5 Sec. 03.12.060. REPAYMENT OF COST-SHARING MONEY. (a) If eligible
6 land is not put into production as crop or pasture land within three
7 years after cost-sharing money is paid under this chapter, the cost-
8 sharing money shall be repaid to the department by the recipient.

9 (b) If eligible land does not remain in production as crop or
10 pasture land for seven consecutive years after cost-sharing money is
11 paid under this chapter, the cost-sharing money shall be repaid to the
12 department by the recipient. A portion of the eligible land may be
13 left fallow each year for soil improvement purposes without repayment
14 of cost-sharing money being required.

15 * Sec. 9. AS 03 is amended by adding a new chapter to read:

16 CHAPTER 16. SMALL GRAINS LOAN PROGRAM.

17 Sec. 03.16.010. ESTABLISHMENT OF PROGRAM. The Department of
18 Natural Resources shall establish and administer a small grains nonre-
19 course loan program under the provisions of this chapter. The depart-
20 ment may obtain or construct facilities to carry out the purposes of
21 this chapter and may operate a facility itself or may contract with
22 farm cooperatives, the Alaska Grain Exchange, or other suitable entities
23 to operate the facility.

24 Sec. 03.16.020. NONRECOURSE GRAIN LOANS. (a) The department may
25 make nonrecourse grain loans to individual resident farmers and part-
26 nerships or corporations composed of resident farmers as a means of
27 providing for orderly marketing of grain products grown in the state.
28 The loan amount shall be made on a per-ton basis and shall be in an
29 amount equal to the difference between the current local federal nonre-

1 course loan level and the current federal target price for the par-
2 ticular commodity, so that the federal target price is the effective
3 loan level in Alaska.

4 (b) A loan made under (a) of this section may not exceed \$50,000
5 and is repayable in one year.

6 (c) A person is not eligible for a loan under (a) of this section
7 if the person is delinquent on existing nonrecourse grain loan pay-
8 ments.

9 Sec. 03.16.030. REGULATIONS. The department shall issue regula-
10 tions to carry out the purposes of this chapter, including but not
11 limited to regulations to insure the equitable rights of participation
12 in the program and the right of appeal if the producer has information
13 indicating inequitable treatment or denial of rightful program benefits.

14 Sec. 03.16.040. CREATION OF FUND. A small grains revolving loan
15 fund is created to carry out the purposes of this chapter.

16 Sec. 03.16.050. ADMINISTRATION. (a) The department shall
17 administer the small grains revolving loan fund.

18 (b) The department may enter into a cooperative agreement with
19 the Agricultural Stabilization and Conservation Service of the United
20 States Department of Agriculture or other appropriate agency or organi-
21 zation for the performance of administrative functions related to the
22 small grains nonrecourse loan program.

23 Sec. 03.16.060. ADMINISTRATIVE PROCEDURE ACT. This chapter is
24 subject to the Administrative Procedure Act (AS 44.62).

25 * Sec. 10. AS 03 is amended by adding a new chapter to read:

26 CHAPTER 18. ALASKA AGRICULTURAL PRODUCTS BOARD.

27 Sec. 03.18.010. ALASKA AGRICULTURAL PRODUCTS BOARD. (a) There
28 is established in the Department of Natural Resources the Alaska Agri-
29 cultural Products Board consisting of 10 members appointed by the

1 governor. Members of the board shall be residents of the state. The
2 board shall consist of processors of agricultural products, designated
3 representatives of corporations, partnerships, or other business enti-
4 ties which perform the function of processing agricultural products in
5 the state and farmers who have actively engaged in farming in the state
6 during at least one of the three years preceding appointment. The
7 commissioner of natural resources is a nonvoting, ex officio member of
8 the board. Members of the board serve terms of four years. Six ap-
9 pointed members of the board constitute a quorum.

10 (b) The board shall elect a presiding officer annually and shall
11 hold at least one regular meeting a year. The board shall meet at the
12 call of the presiding officer or upon the written request of four
13 appointed members.

14 (c) Members of the board receive no salary, but are entitled to
15 per diem and travel expenses authorized by law for boards and commis-
16 sions under AS 39.20.180.

17 Sec. 03.18.J20. MEETINGS PUBLIC. Meetings of the board shall be
18 held under AS 44.62.310.

19 Sec. 03.18.030. DUTIES. The board shall

20 (1) conduct programs of education, research, advertising, or
21 sales promotion designed to accomplish the purposes of this chapter;

22 (2) contract with persons to promote the sale of agricultural
23 products;

24 (3) cooperate with any other local, state or national board,
25 organization or agency engaged in work or activities similar to the
26 work and activities of the board and contract with those organizations
27 or agencies for carrying on joint programs of consumer education, sales
28 promotion, quality promotion, advertising, and research in the product-
29 ion, processing, or distribution of agricultural products;

1 (4) conduct or contract for scientific research to develop
2 and discover the health, dietetic, or other uses of agricultural prod-
3 ucts;

4 (5) annually prepare a budget for the board;

5 (6) employ an executive director and other employees it
6 considers necessary and prescribe their duties and fix their compensa-
7 tion;

8 (7) establish offices and incur expenses incidental to their
9 establishment;

10 (8) present facts to, and negotiate with local, state, or
11 federal governmental agencies on matters affecting quality production,
12 processing, or distribution of agricultural products.

13 Sec. 03.18.040. ANNUAL REPORTS. The board shall prepare an
14 annual report suggesting methods to promote high quality and markets
15 for agricultural products. The report shall be submitted to the legis-
16 lature on February 15 of each year.

17 Sec. 03.18.050. DEFINITIONS. In this chapter

18 (1) "agricultural products" means plants and animals useful
19 to man which are produced in the state for human food and do not
20 include aquatic plants and animals;

21 (2) "board" means the Alaska Agricultural Products Board.

22 * Sec. 11. AS 29.53.035(c) is amended to read:

23 (c) In this section "farm use" means the use of land for raising
24 and harveting crops or for the feeding, breeding and management of
25 livestock or for dairying or another agricultural use for profit or any
26 combination of these [THEREOF]. To be farm use land, the owner or the
27 lessee must be actively engaged in farming the land [, AND DERIVE AT
28 LEAST 10 PERCENT OF HIS YEARLY GROSS INCOME FROM THE FARM USE LAND].
29 The provisions of this section do not apply to land respecting which

1 the owner has granted, and has outstanding, a lease or option to buy
2 the surface rights. A property owner wishing to file for farm use
3 classification for land having no history of farm use or of farm use
4 during fewer than three of the preceding five years [OF FARM-RELATED
5 INCOME] may submit a declaration of intent at the time of filing the
6 application with the assessor setting out the intended use of the land
7 [AND THE ANTICIPATED PERCENTAGE OF INCOME]. An applicant using this
8 procedure shall file with the assessor before February 1 of the follow-
9 ing year a notarized statement of the actual use of the land [PERCENT-
10 AGE OF GROSS INCOME ATTRIBUTABLE TO THE FARM USE LAND]. Failure to
11 make the filing required in this subsection or failure to maintain the
12 land in farm use for three of the five years following the filing of
13 the initial declaration of intent forfeits the exemption and subjects
14 the owner to liability for the tax which otherwise would have been due.

15 * Sec. 12. AS 38.05 is amended by adding a new section to read:

16 Sec. 38.05.059. FARM IMPROVEMENT CREDIT. (a) A person who con-
17 tracts to purchase the agricultural development rights ~~in~~ state land
18 may receive credit against the installment payments due under the land
19 sale contract for constructing an improvement listed in (b) of this
20 section. A credit may be allowed only if a plan for the construction
21 of the improvement is approved by the commissioner or his designee and
22 by any other regulatory agency required to inspect and approve improve-
23 ments to land. Credit granted under this section may not exceed 90
24 percent of the total purchase price of the agricultural land.

25 (b) The commissioner shall allow credit under this section for
26 the following improvements with the limitations set out after each:

27 (1) clearing, draining and breaking undeveloped agricultural
28 land -- \$80 per acre;

29 (2) fences -- \$500 per mile;

1 (3) permanent family dwelling -- \$10 per square foot, not to
2 exceed \$10,000;

3 (4) storage and livestock buildings -- \$4 per square foot,
4 not to exceed \$10,000;

5 (5) milk parlor and other buildings in which agricultural
6 products are processed for human consumption -- \$8 per square foot, not
7 to exceed \$10,000;

8 (6) farm-based energy production plant -- \$20 per million
9 Btu's of energy produced, not to exceed \$10,000;

10 (7) greenhouse -- \$10 per square foot, not to exceed \$10,000;

11 (8) water well which produces potable water -- \$8 per foot,
12 not to exceed \$1,000;

13 (9) irrigation well which produces a minimum of 300 gallons
14 per minute -- \$15 per foot, not to exceed \$3,000; and

15 (10) access road with a 20-foot crown and drainage -- \$1,500
16 per mile, not to exceed \$3,000.

17 (c) The director may allow credit for an improvement not listed
18 in (b) of this section which is constructed on or adjacent to the
19 agricultural land if he determines that the improvement is necessary
20 for the development of the land for agricultural purposes.

21 (d) The commissioner may adopt regulations under the Administra-
22 tive Procedure Act (AS 44.62) which are necessary to accomplish the
23 purpose of this section.

24 * Sec. 13. AS 38.05.069(c)(1) is amended to read:

25 (1) the director may convey or lease an interest in the land
26 only for agricultural purposes, and all other interests in the land
27 remain in the state; the sale or lease shall be at public auction and,
28 before the contract of sale or lease is signed, the purchaser or lessee
29 shall agree to a farm conservation plan which has been approved by the

1 director;

2 * Sec. 14. AS 38.05.069(e)(1) is amended to read:

3 (1) "agricultural purposes" includes farming [, RANCHING,
4 GRAZING,] and storage [OR CONTROL] of agricultural crops [OR LIVESTOCK];

5 * Sec. 15. AS 38.05.069(e) is amended by adding a new paragraph to read:

6 (3) "farm conservation plan" means an agreement which

7 (A) describes the location of the land that will be
8 cleared or cultivated;

9 (B) describes the location of buildings or other im-
10 provements that will be constructed on the land; and

11 (C) describes the soil conservation measures that will
12 be taken by the purchaser or lessee.

13 * Sec. 16. AS 38 is amended by adding a new chapter to read:

14 CHAPTER 60. ACQUISITION OF DEVELOPMENT RIGHTS.

15 Sec. 38.60.010. ACQUISITION OF DEVELOPMENT RIGHTS BY PURCHASE OR
16 EXCHANGE. (a) The director may acquire development rights in privately
17 owned agricultural land by purchase or by exchange under AS 38.50 if

18 (1) he receives a request for purchase or exchange from a
19 landowner;

20 (2) he determines that it is in the best interest of the
21 state to preserve the agricultural use of privately owned agricultural
22 land; and

23 (3) he notifies a municipality having land use planning
24 jurisdiction over the land of his determination and gives the munici-
25 pality an opportunity to review the determination.

26 (b) Agricultural land designated for preservation under (a) of
27 this section must have soils classified as classes I - III by the
28 United States Soil Conservation Service.

29 (c) The purchase price of the development rights acquired under

1 this section shall be determined by an independent appraisal contracted
2 by the department. The purchase price may not be less than the differ-
3 ence between the fair market value of the land with all development
4 rights intact and the fair market value of the land restricted to agri-
5 cultural uses, unless the owner of the agricultural land, after being
6 informed of the appraised value, agrees in writing to a lesser price.

7 Sec. 38.60.020. DEVELOPMENT RIGHTS PURCHASE AGREEMENT. The
8 director shall prepare a development rights purchase agreement suitable
9 for recordation which must include the following provisions:

10 (1) structures or other improvements may not be constructed
11 on the agricultural land except for use consistent with agricultural
12 operations;

13 (2) an interest in the agricultural land may not be sold,
14 traded, or otherwise transferred except for a scenic, access, or utility
15 easement which does not adversely affect agricultural operations;

16 (3) public access may not be permitted on the agricultural
17 land unless agreed to by the owner;

18 (4) any other condition or restriction on the use of the
19 agricultural land which is agreed to between the owner and the director
20 that is necessary to preserve land or portions of it as agricultural
21 land.

22 Sec. 38.60.030. CONVEYANCE OF DEVELOPMENT RIGHTS BY STATE. The
23 director shall convey or lease development rights acquired under this
24 chapter in the same manner as provided in AS 38.05.069(c)(2) - (4) for
25 the conveyance of the remaining interests in agricultural land formerly
26 owned by the state.

27 Sec. 38.60.040. RECORDATION OF DEVELOPMENT RIGHTS PURCHASE AGREE-
28 MENTS. The director shall record in the recording district in which
29 the agricultural land is situated a certified copy of the development

1 rights purchase agreement. The director shall notify the owner of the
2 agricultural land and the municipality having land use planning juris-
3 diction over the agricultural land that a development rights agreement
4 has been recorded. The notice must contain a legal description of the
5 land subject to the purchase agreement.

6 Sec. 38.60.050. DEVELOPMENT RIGHTS PURCHASE FUND. (a) The
7 development rights purchase fund is established in the department. The
8 director shall administer the fund. The fund may be financed by appro-
9 priations from the legislature.

10 (b) The director shall use the money in the development rights
11 purchase fund to classify and appraise land under this chapter and to
12 purchase development rights.

13 (c) Development rights held by an owner of agricultural land may
14 be exchanged for

- 15 (1) agricultural rights of equal value on state land;
- 16 (2) fee simple title to state land of equal value;
- 17 (3) money supplied by the state; or
- 18 (4) a combination of (1), (2), or (3) of this subsection.

19 Sec. 38.60.060. DEFINITIONS. In this chapter

20 (1) "agricultural operations" means the production of plants
21 and animals useful to man, including forage and sod crops; grains and
22 feed crops; dairy and dairy products; livestock, including breeding and
23 grazing; fruits; vegetables; and other similar uses and activities;

24 (2) "department" means the Department of Natural Resources;

25 (3) "development rights" means those rights belonging to the
26 fee owner of land that entitle the owner to subdivide or develop land
27 in a manner that adversely effects the agricultural use of the land;

28 (4) "director" means the director of the division of agri-
29 culture within the Department of Natural Resources.

1 * Sec. 17. AS 39.25.120 is amended by adding a new paragraph to read:

2 (19) an agricultural development project administrator under
3 the direction of the Alaska Agricultural Action Council in the Depart-
4 ment of Commerce and Economic Development.

5 * Sec. 18. AS 41.10.040 is amended to read:

6 Sec. 41.10.040. SOIL CONSERVATION BOARD. The district is governed
7 by the Alaska Soil Conservation Board composed of five [THREE] members.

8 * Sec. 19. AS 41.10.060 is repealed and reenacted to read:

9 Sec. 41.10.060. QUALIFICATIONS OF BOARD MEMBERS. The board shall
10 consist of resident farmers and ranchers and shall be geographically
11 representative of the state.

12 * Sec. 20. AS 41.10 is amended by adding a new section to read:

13 Sec. 41.10.095. DUTIES OF BOARD. The board shall

14 (1) receive and review reports concerning the use of soil
15 resources in the state;

16 (2) hold public hearings and meetings to determine whether
17 land in the state is being used in a manner consistent with sound soil
18 conservation practice;

19 (3) furnish the commissioner of natural resources with re-
20 ports of findings and make recommendations for specific action neces-
21 sary to provide for the effective and orderly development of farming
22 and grazing land in the state; and

23 (4) review an appeal by an applicant or lessee from a deci-
24 sion of the director of the division of lands or the commissioner of
25 natural resources concerning the leasing of state agricultural or
26 grazing land and submit its recommendations to the commissioner or
27 hearing officer.

28 * Sec. 21. AS 44.27.020 is amended by adding a new paragraph to read:

29 (4) develop and operate a comprehensive program of agricul-

1 tural education services to

2 (A) advise and assist school districts in the develop-
3 ment of vocational agricultural classes and programs;

4 (B) advise Alaska chapters of national organizations of
5 students studying vocational agriculture in the secondary schools
6 of the state;

7 (C) serve as a clearinghouse for information published
8 and distributed by the federal government, agricultural educational
9 service organizations of other states, and national and state
10 organizations;

11 (D) develop agricultural education programs which
12 relate to agricultural opportunities in cold climates and northern
13 latitudes;

14 (E) sponsor workshops, seminars, and meetings for
15 teachers and students of secondary and postsecondary agricultural
16 education programs;

17 (F) work with the University of Alaska to develop post-
18 secondary agricultural programs for students interested in voca-
19 tional agriculture; and

20 (G) assist, generally, in the development of vocational
21 agricultural opportunities for young men and women in the state.

22 * Sec. 22. AS 44.33.475 is amended by adding a new subsection to read:

23 (c) Ten percent of the land in an agricultural development project
24 must be made available in parcels of 10 acres or less and an additional
25 40 percent in parcels of 40 acres or less.

26 * Sec. 23. AS 44.33 is amended by adding new sections to read:

27 Sec. 44.33.480. SALE OF AGRICULTURAL LAND. (a) Before state
28 land located in an agricultural development project may be sold or
29 leased, the following procedures must be completed:

1 (1) the council shall determine the uses for agricultural
2 land located in an agricultural development project;

3 (2) the director shall, according to instructions from the
4 council, survey the agricultural land in an agricultural development
5 project into parcels consistent with criteria developed by the council;

6 (3) the council shall adopt criteria establishing residency,
7 skill, experience, and financial qualifications it considers necessary
8 for purchasers or lessees of agricultural land in an agricultural
9 development project;

10 (4) the director shall offer the agricultural land for
11 disposal under the procedures prescribed in the Alaska Land Act
12 (AS 38.05), in the manner and at the time consistent with criteria
13 adopted by the council, and subject to review and approval by the
14 council of the

15 (A) terms of sale,

16 (B) land values,

17 (C) farm development requirements, and

18 (D) requirements, terms, and administration of land
19 clearing contracts;

20 (5) the director shall transmit all lottery applications
21 received for the agricultural land and a statement of the qualifica-
22 tions of persons who wish to bid on the land to the council for evalua-
23 tion according to the residency, skill, experience, and financial
24 qualifications adopted by the council;

25 (6) the council shall advise the director which bidders or
26 lottery applicants are qualified to purchase the agricultural land; and

27 (7) if the other requirements of AS 38.05 are satisfied, the
28 director shall conduct the lottery or auction.

29 (b) A determination by the council that a bidder or lottery

1 applicant is not qualified to purchase agricultural land is a final
2 administrative order which is subject to judicial review under AS 44.-
3 62.560 and 44.62.570.

4 Sec. 44.33.485. PROJECT ADMINISTRATOR. The council shall employ
5 a project administrator who will be in charge of the detailed affairs
6 of each agricultural development project authorized under AS 44.33.475.
7 A project administrator serves at the direction and at the pleasure of
8 the council. A project administrator is authorized to employ and
9 determine the compensation of members of his staff within the limita-
10 tion of the budget approved by the council. A project administrator is
11 in the partially exempt service under AS 39.25.120.

12 Sec. 44.33.490. AGRICULTURAL PROCESSING FACILITIES REVOLVING LOAN
13 FUND. (a) The agricultural processing facilities revolving loan fund
14 is established in the Department of Commerce and Economic Development.
15 The council shall administer the fund. The fund may be financed by
16 appropriations from the legislature.

17 (b) The council shall use money in the fund to make loans to
18 individuals, partnerships, corporations, or agricultural cooperatives
19 for the construction, operation or purchase of agricultural processing
20 facilities.

21 (c) A loan made under this section
22 (1) may not exceed a term of 25 years;
23 (2) may not exceed \$2,500,000;
24 (3) shall bear interest at a rate not to exceed nine and
25 one-half percent;
26 (4) shall be secured by a first priority lien and appropri-
27 ate security agreement.

28 (d) In this section, "agricultural processing facilities" includes
29 port facilities for the storage and shipment of grain, centralized

1 grain handling facilities, slaughterhouses, dairy plants, and vegetable
2 processing plants.

3 * Sec. 24. AS 44.33.500 is amended by adding new paragraphs to read:

4 (3) "director" means the director of the division of lands
5 in the Department of Natural Resources;

6 (4) "fund" means the agricultural processing facilities
7 revolving loan fund.

8 * Sec. 25. AS 44.81.210(a) is amended by adding a new paragraph to read:

9 (22) make variable rate or fixed rate loans to corporations,
10 partnerships, or joint ventures for agricultural processing facilities
11 as provided in AS 44.81.215.

12 * Sec. 26. AS 44.81 is amended by adding a new section to read:

13 Sec. 44.81.215. AGRICULTURAL PROCESSING FACILITIES LOANS. (a)
14 The bank may make a loan for a purpose described in (b) of this section
15 to a corporation, partnership or joint venture which meets the follow-
16 ing conditions:

17 (1) the corporation, partnership or joint venture is a
18 shareholder of the bank;

19 (2) agricultural processing is the primary business of the
20 corporation, partnership or joint venture;

21 (3) the corporation, partnership or joint venture was created
22 or organized in the United States or under the laws of the United
23 States or of a state or territory of the United States;

24 (4) citizens of the United States are the beneficial owners
25 of the majority interest in the corporation, partnership or joint ven-
26 ture; and

27 (5) citizens of the United States are the majority of the
28 owners of the corporation, partners in the partnership or joint ven-
29 turers in the joint venture.

1 (b) A loan under this section may be made to provide financing
2 for

3 (1) the construction or improvement of agricultural proces-
4 sing facilities in the state;

5 (2) the working capital requirements of an agricultural
6 processing facility in the state.

7 * Sec. 27. AS 44.81.350 is amended by adding a new paragraph to read:

8 (5) "agricultural processing facilities" means facilities
9 which process agricultural products and includes but is not limited to
10 port facilities for the storage and shipment of grain, centralized
11 grain handling facilities, slaughterhouses, dairy plants, and vegetable
12 processing plants.

13 * Sec. 28. Within 90 days after the effective date of this Act the
14 governor shall appoint two additional members to the Alaska Soil Conserva-
15 tion Board under AS 41.10.040 amended in sec. 18 of this Act. The initial
16 terms of the additional members shall be two and three years respectively.
17 The present members of the board shall complete their terms of office. All
18 appointments, whether to fill vacancies or the new positions, shall be made
19 so as to bring about the composition of the board provided in AS 41.10.060
20 as amended by sec. 19 of this Act.

21 * Sec. 29. Of the members first appointed by the governor to the Alaska
22 Agricultural Products Board under AS 03.18.010 enacted in sec. 10 of this
23 Act, three members serve for one year, three members for two years, two
24 members for three years, and two members for four years.

25 * Sec. 30. The first report required under AS 03.18.040 by the Alaska
26 Agricultural Products Board enacted in sec. 10 of this Act shall be sub-
27 mitted to the First Session of the Thirteenth Legislature.

28 * Sec. 31. The Department of Health and Social Services may provide to
29 applicants who qualify for state assistance under AS 23.20 or AS 47.25

1 seeds, supplies, and tools for home gardens up to a value of \$100 for each
2 qualifying household.

3 * Sec. 32. AS 29.53.035(d) is repealed.

4 * Sec. 33. AS 03.12 is repealed.

5 * Sec. 34. AS 03.10.030(f); AS 03.19; AS 38.05.069(c)(4) and (c)(5) are
6 repealed.

7 * Sec. 35. Section 32 of this Act takes effect January 1, 1982.

8 * Sec. 36. Section 33 of this Act takes effect June 30, 1986.

9 * Sec. 37. Sections 1 - 31 and 34 of this Act take effect July 1, 1981.

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Technical Amendments to CSHB 456 (Res)

page 1, line 18

After "production" add "as well as production for export markets."

page 2, line 11

Add "Loans to partnerships, cooperatives, and corporations for loans under 03.10.020 may not exceed \$2,500,000."

page 4, line 14

Delete the entire Sec. 9. (Sec. 9 corresponds to HB 88, which has already passed the House.)

page 5, line 14

Delete Sec. 11. (This section was inadvertently carried over from an earlier draft which dealt with grazing. It does not apply to this bill.)

page 7, line 17

Delete Sec. 18, which is unnecessary.

page 7, line 22

Delete all of subsection (a), ending on page 8, line 9. (This subsection would expand CFAB membership for the purpose of obtaining ag processing loans beyond Alaskans to include all Americans.)

page 9, line 9

Delete "benefits under AS 23.20."

page 9, line 10

Delete "\$100" and insert in its place "\$50".

page 9, line 12

Delete Sec. 25. (This section accompanies Sec. 9, which corresponds to HB 88.)

page 9, line 13

Delete everything after the ";". (This is a mistake carried forward from another draft, relating to ag preferences.)

DRAFT CS FOR HB 456 (RESOURCES)
Sectional Analysis

- Sec. 1. Purpose of Act
- Sec. 2. Policy of Agriculture revolving loan fund. Changes emphasis from the development of agriculture "as an industry" to development for both greater self-sufficiency and export production.
- Sec. 3. Agriculture Revolving Loan Fund. Adds greenhouses and cooperatives as eligibles.
- Sec. 4. Maintains loan terms at 30 years and 6%.
- Sec. 5. Maintains existing loan limitations for individual borrowers
- Sec. 6. Maintains flexible terms for irrigation systems.
- Sec. 7. Identifies the fund as a "development fund", not an on-going source of capital.
- Sec. 8. Establishes an agricultural quality and marketing board with 11 members.
- Sec. 9. Same as CSHB88.
- Sec. 10. Require conservation plans for agricultural land.
- Sec. 11. Definition of agricultural purposes - DOES NOT APPLY TO THIS BILL.
- Sec. 12. Defines "farm conservation plan."
- Sec. 13. Enlarges membership of Soil Conservation Board to provide for better representation.
- Sec. 14. Adds ranchers as being eligible to serve on the board and requires geographical representation.
- Sec. 15. Adds duties section.
- Sec. 16. Directs the Department of Education to operate on agricultural education program.
- Sec. 17. Requires that 20% of the land in agricultural development projects be offered in small parcels.
- Sec. 18. Adds a power to CFAB. (See corresponding technical amendment.)
- Sec. 19. Provides for CFAB to make agricultural processing loans.
- Sec. 20. Defines "agricultural processing facilities."
- Sec. 21. Transition for Soil Conservation Board.
- Sec. 22 & 23. Transition for Agricultural Products Board.
- Sec. 24. Provides for a ^{one-time} "seed money" program in DHS for home gardens.

SECTIONAL ANALYSIS - HOUSE BILL 456

- Sec. 1 Amends the declaration of policy concerning the agricultural loans fund to change the emphasis from agriculture as an industry to agriculture for greater self-sufficiency.
- Sec. 2 Amends the loan fund to make financing available to small farmers, for greenhouses as well as farms, and to cooperatives.
- Sec. 3-5 Simplifies the loan limitations, requiring that the loans be secured and that they not exceed \$500,000 for farm development per individual, and \$200,000 for chattel per individual.
- Sec. 6 Restricts the loan fund to development purposes, so that it is not a continuing source of capital to those who can obtain financing elsewhere.
- Sec. 7 Removes the fund capitalization limit.
- Sec. 8 Essentially the same as HB 38.
- Sec. 9 Essentially the same as HB 38. Replaces the small grain incentive program with a nonrecourse loan program.
- Sec. 10 Creates an Agriculture Products Board to promote both quality and marketing.
- Sec. 11 Essentially the same as HB 88. Removes the requirement that a person derive 10% of his/her income from farming to benefit from an agricultural use tax assessment.
- Sec. 12 Reinstates the farm improvement credits which were available 2 years ago. Include a credit for farm-based energy production and greenhouses.
- Sec. 13-15 Requires conservation plans for land disposed of in agriculture rights sales.
- Sec. 16 Essentially the same as HB 280.
- Sec. 17 Adds an Agriculture Action Council Project Administration to the list of partially exempt personnel.
- Sec. 18-20 Expands the membership of the Soil Conservation Board from 3-5 and gives them specific duties.
- Sec. 21. Directs the Department of Education to operate an Agriculture Education Program.
- Sec 22 Specifies that 50% of the land in Agricultural development projects be for farms under 40 acres in size.
- Sec. 23 Authorizing language for the sale of Agriculture land and procedures to be followed by the Agriculture Action Council. Also provides for an agriculture processing facilities revolving loan fund in the Department of Commerce.
- Sec. 24 Definitions
- Sec. 25-27 Allows CFAB to make agricultural processing loans.
- Sec. 28-30 Transition
- Sec. 31 DH&SS shall provide "seed money".
- Sec. 32-37 Effective dates.