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Sen Kerttula 1 of 2

MEMORANDUM

TO: Senator Jay Kerttula
FROM: Bill Heim
SUBJECT: Testimony on SB 803 & 804
DATE: March 25, 1982

SB 803: It is a real hardship on the farmers that are not in the agricultural special projects because they do not have land clearing loans. In the special projects there is no interest or principle payments for four years. This gives the farmer time to get the land into production and develop some cash flow before he has to start making clearing payments.

In the last four years the Division of Lands has sold over 50,000 acres of agricultural rights only land. On these lands there is no money set aside just for clearing. If a farmer goes to ARLF (Alaska Revolving Loan Fund) he must start paying on the land clearing loan before he can develop a cash flow. Also, the ARLF doesn't have enough funds to cover all the clearing cost and the development of these farms. If this special land clearing account would operate on the same principle as the Ag Council clearing loans it would accelerate the development of these farms. There is no reason to clear a few acres at a time (as many farmers do with limited resources) if they have a four year moratorium on interest payments. With no funds available for clearing it not only slows the development schedule of the farm, but costs the farmer more to clear because of inflation (it cost less to clear last year than it does this year) and mobilization. Each time they move equipment it cost money.

If the state doesn't make cheap clearing loans available much of the small farm's agricultural land will become country estates. The owner will clear a few acres, have a couple of horses, a few chickens and no commercial production.

SB 804: This bill will fund the special land clearing account with the loan payments from Delta I and Point Mackenzie Projects. The money from Delta I will start returning in 1984 and in 1985 from Point Mackenzie. Putting this money to use for land clearing will help agriculture get the needed critical mass of land into production.

BH/st

LEGISLATION SUMMARY

SB 803: An Act establishing the land clearing account in the agricultural revolving loan fund; and providing for an effective date.

Sec. 1: Establishes the land clearing account in the agricultural revolving loan fund for agricultural land clearing.

Sec. 2: Immediate effective date.

PRIME SPONSOR: Resources

CO-SPONOR(S): None

3/15/82

P. O. Box 10095
Fairbanks, Alaska 99701
10 March 1982

Honorable Bettye Fahrenkamp, Chairman
Senate Committee on Resources
Pouch V, State Capitol
Juneau, Alaska 99811

Dear Bettye:

I apologize for being so slow in responding to your letter regarding SB 803 and SB 804, but I wanted to talk with a few other people about the bills and see what their opinions were before sending you my opinion. After doing this, I still think that both bills make sense, if the state is clearly committed to helping get agriculture as a business get a good start in Alaska. Since land clearing is the first and probably the single most expensive item in getting land into production, and since it occurs so far in advance of any payback to the farmer, reasonable loans on reasonable terms seem essential. Since the ~~agricultural revolving loan fund~~ was set up to provide moneys for improvement and development of agriculture and to use repaid moneys and interest payments to continue to do so, it seems the ~~ideal way to fund land clearing loans.~~ If SB 803 makes sense and I believe that it does, then 804 is essential--otherwise, it would seem that loans from the revolving fund for land clearing would represent a continuing one-way drain on the fund. I gather the ~~administration of the revolving loan fund needs some improving relative to timeliness of action,~~ but surely this is a house-keeping problem.

Returning briefly to the item underlined above, for either bill to "make sense" requires that one support the idea that the state should subsidize beginning agriculture with low-cost, long-term loans of the type the commercial banks apparently will not make. I do support this idea, although not necessarily on the scale conceived by Bob Palmer, or even Jim Drew, and, at the same time, support the idea that ~~repayment monies eventually should constitute the main source of growth of the fund.~~

On a somewhat different topic, I ~~wish that the~~ ~~could incorporate into the development schedule~~ a recognition that under some circumstances managed and producing woodlot constitutes a productive use of Class II land. The percentage requirements might better be for the entire farm and not for the given specific amounts of the different land classes. Just sitting and "letting the trees grow" would not constitute woodlot management, but use of a woodlot for purposes on the farm and for sales would. I am not at all sure how "agriculture" and "farm forestry" got so divorced from each other up here; as originally an Oregon farm kid, I grew up accustomed to the two going together.

I hope the above may be of some use to you and again sorry about being so slow.

Sincerely,

who?

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

January 28, 1982

SUBJECT: Use of land clearing loan repayments
(Work Order Nos. 12-2360 and 12-2375)

TO: Senator Jalmar M. Kerttula

FROM: LHA Linn H. Asper
Legislative Counsel

I have drafted the legislation which you requested to use repayments of loans made for land clearing in Delta I and II and Point MacKenzie agricultural projects for a land clearing loan account in the Agricultural Revolving Loan Fund. To do this it was necessary to prepare two bills: a bill establishing the land clearing account; and an appropriation bill transferring the repayments to that account.

I am sure you are aware that there is a continuing controversy over the dedication of funds issue posed by Article IX, Sec. 7 of the Alaska Constitution. That section states in part that "the proceeds of any state tax or license shall not be dedicated to any special purpose . . ." On its face the dedication of money received by an entity of the state as repayment of loans made through that entity for land clearing is not the dedication of "the proceeds of any state tax or license". It is my opinion that your proposed legislation does not make a dedication prohibited by the constitution. Nevertheless, the Attorney General, in a May 2, 1975 opinion, concluded that the framers of the constitution intended that all state revenues, regardless of source, were to be included in the prohibition on dedicated funds. The opinion is well reasoned and apparently still represents the position of the administration, but the issue has yet to be resolved in the courts. Until such time that a dedication of funds case is decided by the court all dedications of state revenues are questionable.

LHA:ljb

Enclosures

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. SR 803
 Title Land Clearing Loan Fund
 Requested by Resources Committee Date 2/19/82

II. FISCAL DETAIL
 Agency Affected DNR/Division of Agriculture
 Program Category Affected Development
 BRU, Program, or Subprogram(s) Affected Financing/Marketing
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES	NONE					
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
GENERAL FUND	NONE					
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
FULL TIME	NONE					
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

No fiscal impact. Additional workload to staff in handling loan requests for clearing offset by excessive time spent on attempting to find alternate sources and responding to charges of inequities.

IV. DATE 2/19/82 PREPARED BY Nick Carney
 AGENCY DNR - Wasilla
 Original: Legislative Finance PHONE 376-3276
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)



Alaska State Legislature

SENATE Resources Committee

Official Business

BETTYE FAHRENKAMP, Chairman
VIC FISCHER, Vice-Chairman
BRAD BRADLEY
DICK ELIASON
DON GILMAN
BOB MULCAHY
ARLISS STURGULEWSKI

MEMBERS PRESENT

Senator Fahrenkamp
Senator Fischer
Senator Bradley
Senator Eliason
Senator Gilman
Senator Mulcahy
Senator Sturuglewski

POUCH V
STATE CAPITOL
JUNEAU, ALASKA 99811
(907) 465-3834
(907) 465-3835

March 26, 1982
1:40 p.m.

Beltz Room
Room 211 - Capitol

Hearing:

- SB 772 Making a special appropriation to the Department of Natural Resources for construction of a plant quarantine station at the plant material center operated in cooperation with the Institute of Agricultural Sciences.
- SB 803 Establishing the land clearing account in the agricultural revolving loan fund.
- SB 804 Making a continuing appropriation of repayments of the principal and interest on loans made by the Alaska Agriculture Action Council for land clearing to the land clearing account in the agricultural revolving loan fund.
- SB 843 Relating to surface coal mining and the underground effects of underground coal mining.
- SB 697 An Act relating to the Alaska Renewable Resources Corporation.

SB 772

Paul Huppert, Matanuska Valley farmer, explained that a quarantine center is needed at the latitudes of the Matanuska Valley for plants brought in from that latitude. This would require modification of existing facilities at the plant material center, and employment of a person to collect plant material worldwide.

Nick Carney, Director, Division of Agriculture, Department of Natural Resources, explained that the appropriation would pay for construction of a "screen house". Bud materials would be reproduced inside, with the screen restricting movement of insects, thus inhibiting the spread of disease. The long term fiscal needs are minor, as most of the infrastructure is already in place.

Bob Palmer, Alaska Agriculture Action Council, expressed support for the bill, stating that it was long overdue.

Senator Sturgulewski moved SB 772 with individual recommendations.

SB 803 and SB 804

Nick Carney expressed support for SB 803. It helps small farmers who do not presently qualify for land clearing loans.

Bob Palmer said he supports both SB 803 and SB 804.

Senator Sturgulewski pointed out that SB 804 has a negative impact on the general fund, by allowing repayment of principal and interest of loans to the revolving loan fund rather than to the general fund, and thinks this should be reflected in a fiscal note.

Senator Fahrenkamp stated this should be brought to the attention of the Finance Committee.

Ken Vassar, Assistant Attorney General, Department of Law, expressed concern over the constitutionality of SB 804, specifically the dedicated fund prohibition.

Paul Huppert supports SB 803 as curing the current inequity, by allowing all farmers to obtain land clearing loans.

Senator Mulcahy moved SB 803 and SB 804 with individual recommendations.

SB 843

Mark Wittow, Special Assistant to the Commissioner, Department of Natural Resources, discussed several amendments DNR is proposing, mostly of a technical nature.

Howard Roitman, Consultant to DNR, explained DNR's suggested solution to the issue raised by the Office of Surface Mining, namely the prepayment of penalties into an escrow account pending appeal. DNR's proposed alternative would require submitting a bond for the amount of the penalty.

Phil Holdsworth, COAL, expressed the coal operators support for the bond alternative.

Senator Gilman moved and asked unanimous consent for several amendments to SB 843. (For brevity's sake, please see attached copy of memo to Billy Berrier, Legal Division.)

Senator Fischer moved and asked unanimous consent for several amendments which serve to neuter SB 843. (Again, see attached copy of memo.)

Senator Mulcahy moved CSSB 843, as amended, with individual recommendations.

SB 697

Senator Fahrenkamp explained that three Committee Substitutes had been prepared for SB 697.

Senator Rodev testified in support of Committee Substitute #3, which reflects the work done by the Banking Committee.

Senate Resources Committee
March 26, 1982
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Dean Olson, Chairman of the Board, Alaska Renewable Resources Corporation,
endorsed Committee Substitute #3.

Senator Sturgulewski emphasized the drastic changes Committee Substitute #3 makes to the Corporation, and expressed concern over what impact these changes would have on the current investments made through ARRC.

Wayne Littleton, President, ARRC, stated that funding is adequate to continue the Corporation.

Senator Rodev explained that the sunset provision for ARRC, which is much longer than most other sunset provisions, is a traditional banking concept, as a longer period is required to adequately judge the competency of such a corporation. He also explained that there is a confusing section at the top of page 5, and that correct language will be prepared by the time the bill goes to Finance Committee.

Don Hostak, Director, Division of Business Loans, Department of Commerce, stated that a fiscal note is needed, because the Department of Commerce will need operating funds for ARRC.

Senator Fischer moved the acceptance of Committee Substitute #3.

Senator Sturgulewski moved CSSB 697 with individual recommendations.

The meeting was adjourned at 3:05 p.m.