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Alaska State Legislature

OFFICIAL BUSINESS

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RULES COMMITTEE



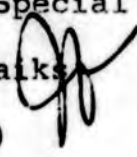
Senate

JAN FAIKS
POUCH V
CAPITOL BUILDING
JUNEAU, ALASKA 99811

MEMORANDUM

DATE: March 26, 1984

TO: Representative Rick Uehling
Chair, House Special Committee on State Loans

FROM: Senator Jan Faiks 

RE: CSSB 342 (FIN)

Senate Bill 342 has been referred to the House Special Committee on Loans. I would very much appreciate a hearing for this bill as soon as your committee schedule allows.

The purpose of the original bill was to amend the Alaska Agriculture Revolving Loan Act to allow loans for the commercial production or processing of horticultural products in the state, the commercial production of animal feed in the state, and the raising or care of animals in the state for the purpose of marketing their fur. The Senate Resources Committee added a definition of horticulture.

At Senator Kerttula's request, two other sections were added to the bill in the Resources Committee. One section would allow a short term loan to be extended at the Board's discretion. The other section would allow clearing loans to be made on any land classified as having agricultural potential. Current law limits clearing loans to Class I, II, or III soils. Some "lower class" soils, though not suitable for crop production, are suitable for growing hay or native grazing after they are cleared.

The Senate Finance Committee further defined the section dealing with short term loan extensions. In that version the short term loan may be extended for up to three years in the Board's discretion. During the Finance hearings the Department of Natural Resources proposed raising the statutory ceiling on the loan fund from its present \$75 million to \$100. There was some discussion about this as well as the delinquency rate of outstanding loans. However the committee decided against raising the loan ceiling, and I am working with the Attorney General's Office and the Division of Agriculture to determine the status of loans referred to the AG's office for collection.

These two items are really a tangent and do not directly impact the bill.

Attached for your reference are the following:

1. SB 342, CSSB 342 (RES), CSSB 342 (FIN)
2. Fiscal Note
3. Draft regulations for DNR governing the ARLF
4. Background information of fur farming
5. AS 03.10 Alaska Agricultural Loan Act
6. Minutes from the Senate Resource Committee and Senate Finance Committee when SB 342 was heard
7. Position paper from the Alaska Horticulture Association
8. Survey of Greenhouse and Nursery Production in Alaska

If you have any questions or need any clarification, please give me a call.

Thank you.

(4) current financial statements including as a minimum: a balance sheet and a profit-and-loss statement for each of the persons specified under (a)(2) of this section;

(5) a statement of intent stating the amount requested, a description detailing the proposed use of the loan proceeds and the plan of repayment of the loan;

(6) a schedule of acceptable collateral stating date of acquisition, cost, location, market value and existing liens;

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

(8) cash flow projections demonstrating the ability to make loan payments;

(9) a five year farm development plan including projected borrowing needs;

(10) a statement of whether the applicant has ever been the subject of a bankruptcy action; and

(11) a resume of agricultural experience and education.

(b) Loan applications may be submitted to any loan office of the division. A loan application may be presented to the board at a meeting under 11 AAC 39.031, if it is complete, complies with this chapter and is received by the division at least 14 days (except in the case of emergencies) before the date of the meeting.

(c) A corporation applying for a loan shall submit a current certificate of good standing in the State and a corporate resolution authorizing the corporation to borrow from the fund. A partnership or joint venture applying for a loan shall submit the partnership or joint venture agreement and proof of the authority to borrow from the fund. (Eff. / / , Reg.)

CHAPTER 39 - Ag. Revolving Loan Fund

Authority: AS 03.10.020
AS 03.10.030

11 AAC 39.111. QUALIFYING LOANS PURPOSES. (a) Loans may be made for, but not limited to, the following purposes

- (1) clearing land for farming purposes;
- (2) development of farms;
- (3) processing of agricultural products and animals;
- (4) storage of farming products, equipment and machinery;
- (5) farm irrigation;
- (6) short term farm operating money;
- (7) livestock;
- (8) crops;

- (9) farm machinery and equipment; and
- (10) other farming purposes.

(b) Loans will not be made for the following purposes

- (1) boats;
- (2) airplanes;
- (3) tracked vehicles;
- (4) pickups, automobiles, and multiple use trucks except on-farm trucks;
- (5) enterprises not operated primarily for human or livestock food production including but not limited to, horse breeding and raising operations, fur breeding and fur farming enterprises, silviculture projects and greenhouses not operated primarily for food production;
- (6) riding academies and schools;
- (7) establishments which resell rather than produce, process or add value to crops, livestock and livestock products.
- (8) land purchases;
- (9) refinancing except in emergencies or when in the best interests of the loan fund;
- (10) residential property; and

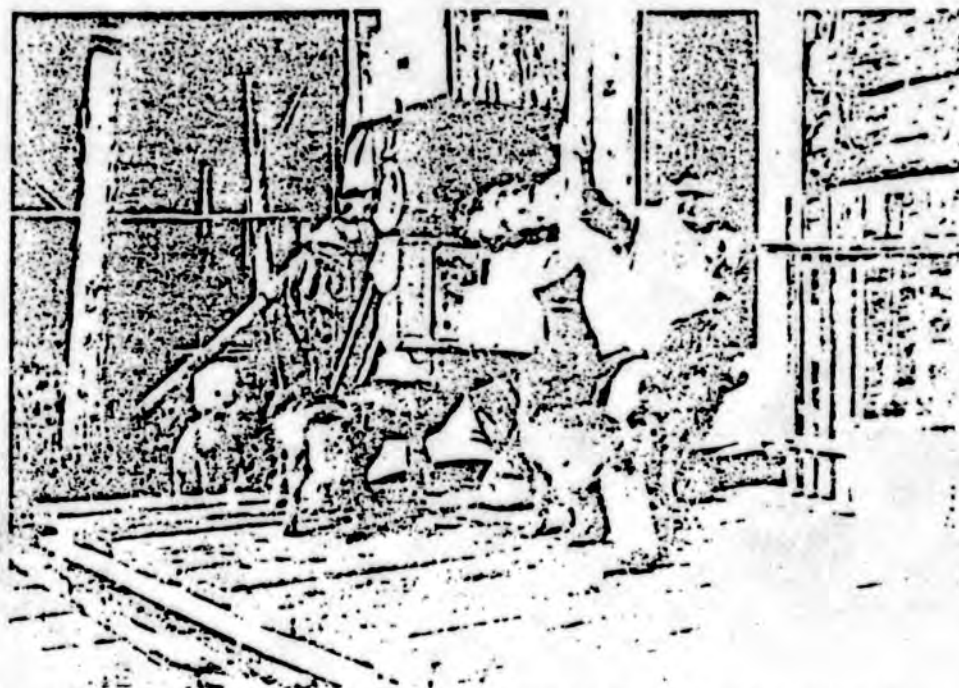
Authority: AS 03.10.020
AS 03.10.030

11 AAC 39.121. LOAN CATEGORIES. (a) Loans for the purposes specified in 11 AAC 39.111(a) shall be made under the following categories:

- (1) short term loans;
- (2) farm development loans;
- (3) irrigation loans;
- (4) chattel loans;
- (5) farm product processing loans; and
- (6) land clearing loans.

(b) A loan under each category specified in (a) of this section must meet the requirements for the loan category under 11 AAC 39.131 - 11 AAC 39.181, the overall maximum loan limit under 11 AAC 39.191, other conditions of loans under 11 AAC 39.211 - 11 AAC 39.231 and terms and conditions set by the board under 11 AAC 39.241. (Eff. / / , Reg.)

Authority: AS 03.10.020
AS 03.10.030
AS 03.10.050



Fox farming was still a profitable business back in the 1930s when these pictures were taken on Brother Island in Southeast Alaska. By 1939, fur prices fell drastically and fur farming nearly disappeared. (Alaska Historical Library)

fur farming

By Karen Cantillon

Fur farming, raising animals to harvest their pelts, has evolved over the years into an exacting science, although its beginnings in Alaska were less than scientific. Lately there has been renewed interest in the industry.

When people began farming furs in Alaska, intensive gold mining was still taking place in many cities and towns. As lodes started to dwindle, people looked for other ways to make money. Furs were valuable. Some people began trapping, while others decided to raise furbearers, breed them, and sell the pelts of the offspring. For some, fur farming was lucrative; for others, it meant bankruptcy.

The history of fur farming in the state was full of the same excitement found in other pioneer endeavors. In the case of Billy Gray, fox poacher, there was too much excitement. On March 7, 1924, according to an account in the *Alaska Daily Empire*, Billy was shot and killed by Ole Haynes and four companions. Haynes, the caretaker who lived on the San Juan Fox Ranch located at Pybus Bay, saw Billy Gray and a companion land on the island Wednesday, March 5. The

two men, armed with traps and weapons, set up camp on the beach. Haynes and his friends hid near the camp on Friday and waited for the men to appear.

Finally, Billy Gray came walking through the woods carrying a dead fox in one hand and a rifle in the other. Haynes and company yelled: "Throw up your hands."

The islands are still dotted with the ruins of these farms.

"All right, boys," he replied dropping the fox but not the gun. Haynes said he saw the barrel of Gray's rifle swing toward the woods where his four companions were hidden. He drilled Gray in the heart.

Haynes was exonerated by a coroner's jury. A local organization, the Southeastern Fox Farmer's Association, used the incident to call for rigid enforcement of the laws against poaching.

Around the turn of the century, the offshore islands in Southeast Alaska and small islands in the Aleutian Chain and around Kodiak were the sites of

numerous farms. The islands today are still dotted with the ruins of these fur farms, many of which failed during the 1930s, a decade that culminated in the fur market crash just before World War II.

Fox farmers leased islands from the federal government for \$100 to \$250 annually, and men with enough capital outlay began investing in the industry. Farms continued to grow until the 1930s. During the 1934-35 season, large numbers of blue fox and white fox pelts were sold. In 1938, mink ranching took a firm hold; an Alaskan mink, the Yukon, began to lead sales in the Lower 48 marketplaces.

The federal government appropriated funds to begin operation of an experimental fur farm at Petersburg. Its purpose was to determine the best and most economical ways to raise furbearers and to extend this information to all fur ranchers in the Territory. The farm operated as part of the University of Alaska until very recently.

In 1939, there were 273 fur farming licenses issued. By 1944 the total had dropped to 87, and by 1947 there



in alaska

were only 62 fur farms, some raising mink. By 1966, there were only four fur farms in Alaska.

The fur market remained weak until very recently, but now there is renewed interest in farming, evidenced by the number of permits granted. Permits for fur farming are issued by Dr. Bert Gore, State Veterinarian with the Alaska Department of Environmental Conservation. Dr. Gore said there are 14 permits currently issued to fur farmers in Alaska, and there may be 20 more operators in business without a permit.

The present enforcement effort, carried out only by Dr. Gore, consists of preventing escapes of domestic foxes into the environment and blocking the use of rabies vaccine. While the animals may be vaccinated for distemper and a host of other diseases, there is presently no approved rabies vaccine for foxes. Because the vaccine is live, vaccinated animals that escape could spread rabies among wild populations.

In addition to preventing escape and controlling rabies vaccine, state regulations require that animals be maintained in clean and sanitary con-

ditions. Since Dr. Gore is the only inspector in the state, and because fur farms are geographically spread across vast territories, inspections have been limited largely to Southcentral Alaska, where he is stationed.

One of the major problems facing potential fur farmers is a source of food. Over the course of a year, 80

Starting a fox farm is a costly proposition.

female red foxes and 20 males, a recommended number for starting a farm, would require 55,000 pounds of food.

Good breeding stock is critical to the success of a fur farm. The animals must have high reproductive potential, good color, and quality fur. Initial breeding stock is often purchased from other farms. Those animals having excellent characteristics may cost as much as several thousand dollars. One alternative would be trapping wild animals, but selectivity would be lost.

A farmer must take good care of his

animals. Their food supplies and living quarters must be of high quality; they won't produce a pelt good enough to be marketed. The method used to kill the animals is generally electrocution, a very fast and nearly painless death. Poison is sometimes used as an alternative to electrocution, but storing toxic substances can be dangerous.

Starting a fox farm is a costly proposition. A good breeding stock would number 100 animals. No return could be expected for two to four years, the investor would have to "float" it some time. In a 1981 paper titled "Feasibility of Fox Farming in the NANA Region," Dr. Lawrence Underwood calculated start-up costs at \$53,450. This included cage construction materials, freight, labor, and equipment for farms located in the northwestern portions of the state. The total food costs for the first year would be \$116,126 with freight costs of \$19,900.

Other species considered for farming have been lynx, mink, sable, and wolverine. There are problems with each type, and farming methods

Continued on page 42



Dripping wet, this swimming mink looks little like the valuable furbearer he is.

Leonard Lee Rue III photo

Mink, Markets and Money *continued from page 20*

point, our Alaskan minks, now all tanned, polished, and refined, will be intersorted with mink from many places to make the perfect match of the 25 to 50 skins required for one coat.

It is at this stage that the variables of fashion, manufacturing, marketing and merchandising make it difficult to follow exactly where or at what cost our Alaskan mink is affected. This is also where the largest increment of cost is added to the price of a coat, because it is the most labor intensive process.

Based on past trends in fashion, the styles that wear well and sell well, a manufacturer will have developed a line of coats for a given season. Each manufacturer might also have several lines: one for mass produced, more inexpensive coats, and another for individually tailored, luxury coats. Sometimes a manufacturer will team up with a designer to lend a "designer

name" and label to his goods. According to one furrier, this name will make the coat cost more, but it doesn't necessarily guarantee that the coat is top quality because "the manufacturer makes the coat, not the designer."

The manufacturing process involves work by designers, cutters and sewing machine operators who carefully match each skin to be part of the coat, choose certain parts of each pelt to be used in a particular part of the coat, then sew them together in a way that makes the coat appear to be one piece of fur instead of dozens of separate skins. One manufacturer suggests that a good way to tell if you are getting a quality mink coat is to look at the inside of the coat at the reverse or skin side of the pelts to see if they are carefully pieced and sewn in one direction.

After a manufacturer has made up several coats they will be displayed at

fashion shows where retailers view them and place orders. Other unveilings take place at international fur fairs and shows all over the world. To these coats, in addition to the cost of the labor and materials that go into production, the value of the manufacturer's name and the designer's name, costs of marketing and retailing are tacked on. By the time the coat appears in the store window, the difference between the wholesale and retail cost, the costs of advertising and all the other variables that go into a price tag are finally complete.

So if we began with 50 pelts costing \$56.80 each after dressing, for a total of \$2,840, the design, manufacture, marketing, and retailing of that full-length mink coat cost nearly \$8,000!

Suzanne Iudicello is ADF&G's Special Assistant in charge of the Public Communications Section.

Fur Farming in Alaska *continued from page 7*

change from animal to animal. The one constant in the fur farming business, from its beginnings to the present day, is that it is not an easy way to make a living. It requires constant attention to the animals. Some

things have changed, however. Since the early years of the century the required capital investment has risen, and the methods of farming have become increasingly scientific and exacting.

Karen Cantillon is a Publications Specialist for ADF&G's Public Communications Section.

SB 342

Chapter 10. Alaska Agricultural Loan Act.**Section**

10. Declaration of policy
 20. Powers of the department
 30. Limitations on loans
 35. Use or disposal of mortgaged farm land

Section

40. Creation of fund
 50. Administration of fund
 52. Limitation on board members
 58. Farm disaster area
 60. Short title

Collateral references. — 3 Am. Jur. 2d, Agriculture, § 19 et seq.; 55 Am. Jur. 2d, Mortgages, § 1 et seq.; 63 Am. Jur. 2d, Public Funds, § 1 et seq.
 3 C.J.S., Agriculture, § 57 et seq.; 81A C.J.S., States, § 208.

Power, under statute for stabilization of market for agricultural crops, in respect of crop loans by public agency and the security therefor, 157 ALR 338.

Sec. 03.10.010. Declaration of policy. It is the policy of this chapter to promote the more rapid development of agriculture as an industry throughout the state by means of long-term low-interest loans. (§ 2 ch 122 SLA 1953)

Sec. 03.10.020. Powers of the department. The department may

- (1) make loans to individual resident farmers, homesteaders, and partnerships or corporations composed of farmers and homesteaders, for clearing land for agricultural purposes, development of farms, storage and processing of farm produce, livestock and machinery and to individuals, partnerships or corporations, for storage and processing plants for agricultural products;

- (2) designate agents and delegate its powers to them as necessary;
- (3) adopt rules and regulations necessary to carry out its functions;
- (4) establish amortization plans for repayment of loans, which may include delayed payments of principal and interest for not to exceed five years;

- (5) enter into agreements with private lending institutions, other state agencies or agencies of the federal government, to carry out the purposes of this chapter. (§ 4 ch 122 SLA 1953; am § 1 ch 156 SLA 1955; am § 1 ch 41 SLA 1961; am § 1 ch 113 SLA 1982)

Effect of amendments. — The 1982 amendment inserted "clearing land for agricultural purposes" in paragraph (1).

Sec. 03.10.030. Limitations on loans. (a) A farm development, chattel, or irrigation loan made under this chapter

- (1) may not exceed a term of 30 years, except that a chattel loan may not exceed a term of seven years;

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§ 03.10.030

(2) may not, when added to the outstanding balance of other loans made under this chapter, exceed a total outstanding balance of \$1,000,000;

(3) shall be secured by a real estate or chattel mortgage of any priority, except that the portion of a loan that exceeds \$500,000, when added to prior indebtedness that is secured by the same property, must be secured by a first mortgage;

(4) shall bear interest at a rate that may not be less than eight percent or more than the commercial rate, unless the commercial rate is eight percent or less; in this paragraph "commercial rate" means the prevailing rate of interest at private lending institutions in the state for loans similar to those referred to in this subsection.

(b) [Repealed, § 72 ch 113 SLA 1982.]

(c) A short term loan, to be amortized within one year, not to exceed \$350,000 to any one borrower may be made for operating purposes, except that a loan made under this subsection may not exceed \$200,000 unless the loan is made to a borrower in a farm disaster area declared under AS 03.10.058.

(d) [Repealed, § 72 ch 113 SLA 1982.]

(e) An installment payment is delinquent unless it is mailed by the borrower on or before the 30th day after the date specified for payment in the loan agreement or unless it is received by the department on or before the 30th day after the date specified for payment in the loan agreement. If an installment payment is delinquent, the director may assess a delinquency penalty. The delinquency penalty shall be an amount equal to seven percent of the delinquent payment, but the combined delinquency penalty and loan interest may not exceed 15 percent.

(f) A farm product processing loan may not exceed \$250,000. A mortgage which secures a farm product processing loan may be of any priority if the total indebtedness on the real estate, including the secured farm product processing loan, does not exceed \$250,000. A farm product processing loan which, if made, would raise the existing indebtedness on the real estate securing the loan above \$250,000, or a farm product processing loan on real estate which has a prior indebtedness of \$250,000 or more, may be made only if all prior mortgagees agree to subordinate their mortgages to that of the state for the amount of the farm product processing loan which exceeds the \$250,000 indebtedness limit on the real estate. A farm product processing loan may not exceed a term of 30 years or bear interest that is less than eight percent a year and shall be secured by a real estate or chattel mortgage or both.

(g) A loan for clearing land may not

(1) exceed \$250,000;

(2) bear interest that is less than eight percent;

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

(4) be made for clearing land that is not classified as class III or better by the United States Soil Conservation Service under the land classification system used by the United States Soil Conservation Service.

(h) The commissioner shall adopt regulations to establish other terms for loans made under this chapter, consistent with the provisions of this section, and may establish interest rates for loans under (a)(4) of this section that

- (1) encourage agricultural development;
- (2) do not subsidize nonviable agricultural enterprises; and
- (3) do not discriminate against viable existing agricultural enterprises. (§ 4 ch 122 SLA 1953; am § 1 ch 156 SLA 1955; am § 1 ch 41 SLA 1961; am § 1 ch 144 SLA 1966; am § 1 ch 78 SLA 1967; am § 1 ch 135 SLA 1970; am § 1 ch 22 SLA 1974; am § 1 ch 18 SLA 1975; am §§ 1-4 ch 50 SLA 1979; am § 74 ch 106 SLA 1980; am §§ 1-3 ch 7 SLA 1982; §§ 2-5, 72 ch 113 SLA 1982; am §§ 1, 2 ch 38 SLA 1983)

Revisor's notes. — The director referred to in the second sentence of (e) of this section is the director of the division of agriculture, Department of Natural Resources.

Effect of amendments. — The 1979 amendment increased the farm development loan and indebtedness limit in subsection (a) from \$200,000 to \$500,000, increased the loan limit for chattel loans from \$100,000 to \$300,000 in former subsection (b), substituted "\$200,000" for "\$25,000" in subsection (c), and added subsection (e).

The 1980 amendment added subsection (f).

The first 1982 amendment raised the interest rate limit from six to eight percent in subsections (a) and (f) and in former subsection (b).

The second 1982 amendment rewrote subsection (a); repealed subsections (b) and (d), which read, respectively, "Except for loans for irrigation systems as provided in this subsection, a chattel loan may not exceed \$300,000 for each farm unit and may not run longer than seven years or the useful life of the chattel if more than seven years. It may not bear interest exceeding six per cent. It shall be secured by real

estate or chattel mortgage, or both. Loans and the real estate and chattel mortgage security on them for irrigation systems may be in amounts and for terms as determined by the commissioner" and "Farm development and chattel loans for irrigation systems may be for terms as determined by the commissioner"; substituted "30th day" for "15th day" in two places in the first sentence and "may assess" for "shall assess" in the second sentence, both in subsection (e); added the language beginning "but the combined delinquency penalty" to the end of the third sentence of subsection (e); substituted "\$250,000" for "\$2,500,000" throughout subsection (f); substituted "that is less than eight percent" for "exceeding eight percent" in the last sentence of subsection (f); and added subsections (g) and (h).

The 1983 amendment in paragraph (a)(1) added the language beginning with "except that" and in subsection (c) substituted "\$350,000" for "\$200,000" and added the language beginning with "except that."

Legislative history reports. — For report on ch. 78, SLA 1967 (HB 274), see 1967 Senate Journal, pp. 513-514.

Sec. 03.10.035. Use or disposal of mortgaged farm land. (a) A borrower may not use farm land for a non-farm use or sell, lease or otherwise dispose of farm land if that land is encumbered by a mortgage given to secure the payment of a farm development, chattel, or irrigation system loan under this chapter unless the borrower either

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(1) pays the outstanding balance of the loan in a lump sum or under other terms agreed to by the commissioner which accelerate payment of the loan; or

(2) pays the outstanding principal balance for the remaining term of the loan at the prevailing rate of interest which is charged by commercial banks in the state during the calendar quarter in which the department receives notice of the change of use, sale, lease or other disposal of the farm land.

(b) In this section, "non-farm use" means a use of land other than for the production of domesticated plants and animals useful to humans, including forage and sod crops, grain and feed crops, fruits, vegetables and livestock. (§ 5 ch 50 SLA 1979)

Sec. 03.10.040. Creation of fund. There ~~is~~ an agricultural revolving loan fund which shall not exceed \$75,000,000 to carry out the purpose of this chapter. (§ 5 ch 122 SLA 1953; am § 2 ch 41 SLA 1961; am § 1 ch 81 SLA 1970; am § 6 ch 50 SLA 1979; am § 4 ch 7 SLA 1982)

Effect of amendments. — The 1979 amendment substituted "\$20,000,000" for "\$5,000,000." The 1982 amendment substituted "\$75,000,000" for "\$20,000,000."

Sec. 03.10.050. Administration of fund. (a) The commissioner shall administer the loan fund in conjunction with the agricultural revolving loan fund board. No loan in excess of \$25,000 may be made by the commissioner without the approval of a majority of the board.

(b) The board is composed of five members appointed by the governor and confirmed by the legislature in joint session. Three members shall be persons with background and experience in Alaska agriculture. Members of the board serve for overlapping three-year terms. Members of the board are not entitled to receive compensation for their services, but shall receive the same travel pay and per diem as provided by law for boards and commissions.

(c) A meeting of the agricultural revolving loan fund board to act on applications for loans is exempt from the public meeting requirements of AS 44.62.310. (§ 6 ch 122 SLA 1953; am § 1 ch 119 SLA 1976; am § 6 ch 113 SLA 1982)

Revisor's notes. — Section 5, ch. 7, SLA 1982 added a subsection (c) to this section but the provisions of that subsection have been transferred to AS 03.10.052. Consequently, the subsection

added by § 6, ch. 113, SLA 1982, has been redesignated "(c)."

Effect of amendments. — The 1982 amendment added subsection (c).

Sec. 03.10.052. Limitation on board members. A member of the agricultural revolving loan fund board may not, during the member's term of office or within one year after ceasing to be a member of the board, obtain a loan under this chapter other than a short-term loan under AS 03.10.030(c). (§ 5 ch 7 SLA 1982)

Revisor's notes. — Enacted as AS
03.10.050(c). Renumbered in 1982.

*Sec. 03.10.054. Sale or transfer of mortgages and notes. [Repealed,
§ 14 ch 122 SLA 1980.]*

Sec. 03.10.058. Farm disaster area. The governor may declare a farm disaster in an area of the state if a natural disaster causes a crop failure. (§ 3 ch 38 SLA 1983)

Sec. 03.10.060. Short title. This chapter may be cited as the Alaska Agricultural Loan Act. (§ 1 ch 122 SLA 1953)

Chapter 12. Alaska Grain Reserve Program.

Section

- 10. Alaska grain reserve program established
- 20. Duties of the department
- 30. Conditions on loans
- 40. Alaska grain reserve loan fund

Section

- 50. Administration of fund
- 60. Regulations
- 70. Administrative Procedure Act
- 200. Definitions

Repeal of chapter. — Sections 4 and 5, ch. 100, SLA 1983 provide that this chapter is repealed effective January 1, 1988.

For termination and transition provisions, see § 3, ch. 100, SLA 1983, in the Temporary and Special Acts.

Sec. 03.12.010. Alaska grain reserve program established [Repealed effective January 1, 1988]. The Alaska grain reserve program is established in the Department of Natural Resources for the purpose of assisting state grain producers to develop markets for their products by making loans secured by grain reserves. (§ 1 ch 100 SLA 1983)

Sec. 03.12.020. Duties of the department [Repealed effective January 1, 1988]. In carrying out the purposes of this chapter the department shall

- (1) make loans to state grain producers under the conditions set out in this chapter;
- (2) administer and inspect stored grain held as collateral for loans made under this chapter; and
- (3) administer the Alaska grain reserve loan fund (AS 03.12.040). (§ 1 ch 100 SLA 1983)

Sec. 03.12.030. Conditions on loans [Repealed effective January 1, 1988]. (a) The department may make a loan to a state grain producer secured by grain grown by that producer in 1983 or 1984. Grain that is used as collateral for a loan made under this chapter must be graded number four or better.

SENATE FINANCE COMMITTEE

March 13, 1984

9:10 a.m.

SFC-84, #9, Side 2 (000-462)

CALL TO ORDER

Co-chairman Don Bennett convened the meeting at approximately 9:10 a.m.

PPRESENT

Members present were Senators Bennett, Sackett, Mulcahy, Ferguson and V. Fischer. Senator Josephson came in later and Senator Faiks was absent.

ALSO PRESENT were Senators Kerttula, Gilman, Paul Fischer, Representative Fritz; Gary Miller, Board of Directors, Alaska Lung Association; Deena J. Henkins, Reg. Env. Super. ADEC; Lisa P. Nelson, Assistant Attorney General, Department of Law; Don Kubley, Gov. Liaison, C.H.A.R.R.; Don Allan, Alaska Lung Association; E.S. Rabeau, Deputy Commissioner, Department of Health & Social Services; Dean Brown, Deputy Director, Division of Agriculture, Department of Natural Resources; Sharon Barton, Special Assistant, Department of Natural Resources; Marylou Burton, Fiscal Analyst, Legislative Finance; Janelle King, Legislative Affairs Agency; Don Magnuson, Alaska Retailers Assoc., Inc.; and aides to Senators and Representatives.

SUMMARY INFORMATION

SB 342

An Act relating to the Alaska Agricultural Loan Act.

Replaced with a Finance CS and reported out with individual recommendations.

SB 383

An Act making special appropriations to the Departments of Law and Education for miscellaneous claims; and providing for an effective date.

Replaced with Finance CS and reported out with a unanimous do pass recommendation.

SCSCSFB 691 (Finance) An Act making special appropriations for capital projects; and providing for an effective date

SCSCSHP 691 (Finance) reported out of committee with a majority do pass recommendation.

SB 342

Co-chairman Don Bennett moved that SB 342 (AN ACT RELATING TO THE ALASKA AGRICULTURAL LOAN ACT) be brought on for discussion and asked Co-chairman Sackett, who had been assigned this legislation, to give a brief history on the bill. Senator Sackett called the committee's attention to the proposed Committee Substitute which had been passed around to the members. He stated this was the same as the Resources Committee Substitute with the exception of Sec. 3. The concern from the testimony last time was in the language and has been changed so that the term of the loan made under this subsection may be extended for up to three additional years. The key words were "up to." He asked Senator Mulcahy if this would take care of the concerns he had. Senator Mulcahy replied it would.

With regard to Sec. 4, Senator Sackett recalled testimony from the Division of Agriculture last time, indicating they were interested in the terms of expansion and the type of land was Type 4 land. However, when the Division of Agriculture was called back, they said that was not correct and recommended keeping the new language there in terms of the clearing land for other than land that has been classified by the United States, Department of Agriculture Conservation under the Land Capability Classification System. The existing language reads that it is clearing land, that it is not classified as Class 3 or better by the United States Soil Conservation Service. So based on that, and after talking with Senator Kerttula, Senator Sackett left the language as is.

Senator Bennett asked if anyone in the audience had come to town to testify on this bill. There were none.

Senator Sackett said that Senator Kerttula had another request which was to increase the amount of indebtedness over and above \$75 million. However, he felt this could be done next year because the appropriation for this year just comes to under \$75 million.

Senator Kerttula

Senator Kerttula said he was in agreement with this. He said the Department of Natural Resources had brought this to his attention since the Senate had amended the authorization several times over the years, to accommodate the increased appropriation, that very shortly they would need to amend the authorization. Senator Kerttula further said he felt there was some discipline and the reason he didn't want to increase it some years ago to \$100

million was the very reason that the Finance Committee is speaking to it now.

Senator Sackett moved that the Committee Substitute for SB 342 (Finance) be adopted. Upon a show of hands, CS for SB 342 (Finance) was adopted.

Co-chairman Bennett asked Dean Brown if she wished to testify on this legislation.

Dean Brown

Dean Brown, Deputy Director of the Division of Agriculture in the Department of Natural Resources, addressed the committee. She commented in particular on the Committee Substitute, saying Senator Sackett had been correct when he stated Class 4 soils had been used as an example under Sec. 3 in previous testimony. She said the Soil Conservation Service does consider class 4 and 6 soils to be agricultural potential lands. She said the problem is the statutes state Class 3 lands would be the lowest number. One, two and three are excellent class lands and the higher the number gets, 4, 5, & 6, the more problems there are in farming the lands. She felt the wording should be changed to allow class 4, 5 and 6 lands but it would not mean lending on non-agricultural soils.

Senator Kerttula felt separate legislation should be written regarding this. He said that the bill does speak to a very serious problem and didn't feel it should be "bogged" down further.

Senator Sackett moved that CS for SB 342 (Finance) be passed from committee with individual recommendations. There being no objection, the bill passed from committee with Senators Sackett, Mulcahy and Bennett signing do pass and Senators Ferguson and V. Fischer signing no recommendation.

SB 383

Co-chairman Bennett moved that SB 383 (AN ACT MAKING SPECIAL APPROPRIATIONS TO THE DEPARTMENTS OF LAW AND EDUCATION FOR MISCELLANEOUS CLAIMS) be brought on for discussion and asked if anyone was present that wished to testify on this bill. There were none. Senator Bennett said SB 383 combined the outstanding court consent decrees to the Department of Law and the Department of Education into one bill. He said several consent decrees have been generated since the bill has been introduced and they will be presented as amendements at the Finance hearings.

Senator Ferguson called attention to the CS for SB 383 (Finance) which had been placed in all of the member's files and explained this would allow for the inclusion of Beaver and Wales schools.

SENATE FINANCE COMMITTEE
February 22, 1984
9:20 a.m.

SFC-84, #4, Side 1 (000-end)

CALL TO ORDER

Co-chairman Don Bennett convened the meeting at approximately 9:20 a.m.

PRESENT

All committee members (Senators Bennett, Aikens, Ferguson, V. Fischer, Josephson, Mulcahy, and Sackett) were present. Also attending were Dean Brown, Deputy Director, Division of Agriculture, Department of Natural Resources; Bill McIlroy, Chairman, Legislative Committee, Pioneers of Alaska; Wally Kubley, representing the Pioneers of Alaska; Michael Greaney, Director, Division of Legislative Finance; Marylou Burton, Fiscal Analyst, Division of Legislative Finance; aides to committee members and other members of the legislature; and representatives of the press and television media.

SUMMARY INFORMATION

SB 83	Act relating to court leave for nonpermanent and temporary employees of the state. Reported out with unanimous do pass recommendation and zero fiscal note.
SB 342	Act amending the Alaska Agricultural Loan Act Held in committee pending requested information from DNR and Dept. of Law regarding state action against delinquent loans.
SB 347	Act authorizing the use of Alaska permanent fund income to pay longevity bonuses; amending the longevity bonus program and the permanent fund dividend distribution program Held in committee pending receipt of a revised fiscal note from the Dept. of Administration.

SB 83

Co-chairman Bennett moved that SB 83 (ACT RELATING TO COURT LEAVE FOR NONPERMANENT AND TEMPORARY EMPLOYEES OF THE STATE) be brought on for discussion. Senator Ferguson explained that the bill was

introduced by the Blue Ribbon Commission on the State Personnel Act. It represents a technical amendment to state statutes which currently allow court leave for nonpermanent employees in one section while denying leave in another section. The bill will right existing contradiction in the statutes. A zero fiscal note accompanies the bill. Senator Ferguson moved for passage with individual recommendations. No objection having been raised, SB 83 passed from Senate Finance with a unanimous do pass recommendation.

SB 342

Co-chairman Bennett moved that SB 342 (ACT AMENDING THE ALASKA AGRICULTURAL LOAN ACT) be brought on for discussion. Co-chairman Sackett directed committee attention to backup in members' files including a handout demonstrating the difference between the proposed legislation and existing law. He also referred to a memorandum from Senate President Kerttula conveying a request by the Commissioner of Natural Resources for an increase in the limit of the loan fund. Co-chairman Sackett then asked that representatives from the department appear before committee to speak to the ceiling increase.

Dean Brown, Deputy Director of Agriculture, appeared on behalf of the department. Co-chairman Sackett advised that fiscal information relating to the program shows that \$10.0 million was added in FY 84 for total funding of \$62.5 million under a \$75 million ceiling. The governor has requested \$11.6 million for FY 85. Ms. Brown explained that the Commissioner of Natural Resources supports an increase in the loan ceiling to \$100 million since current land disposal and agricultural projects will require an injection of \$10 million for the next three years.

The fund presently receives approximately \$4 million per year in interest repayments which meet annual operating expenses for planting and fertilizer. This demonstrates that at the current level the fund is sustaining itself. However, in order to develop farms now underway, the capital limit needs to be increased beyond the present ceiling.

Co-chairman Sackett inquired concerning the need for an increase from \$75 to \$100 million when the department is only requesting \$11.6 million for FY 85, thus bringing the program total to \$74.1 million. Ms. Brown responded that the department has identified a demand to the extent of approximately \$31 million within the next eighteen months, based on upcoming development schedules for projects currently underway. Rather than requesting an increase in the fund limit and an appropriation up to that limit simultaneously, the department is at this time requesting only the increase in the ceiling. Appropriation requests will then be made in accordance with the development schedule.

Responding to a question from Co-chairman Sackett concerning audit recommendations and the loan fund's delinquency rate, Ms. Brown explained that the fund has been strengthened procedurally since growing from its initial \$8 million to the current \$62.5. Delinquencies have grown along with increased capitalization. The fund currently experiences some "built-in" delinquency in short-term loans. Under present law, the department may amortize these loans over a one-year period only. Such loans account for 41% of the fund's delinquency. If a farmer experiences a crop failure in a year, he immediately becomes delinquent since the department cannot legally extend his loan.

Senator Fischer voiced concern over situations highlighted in the audit report which indicate that delinquencies appear to be piling up (an individual may have one delinquent loan on top of another). How does the department handle these loans? Ms. Brown advised that in the past the loans were merely "rolled over." The board, within the last nine months, has taken an aggressive stand on delinquencies, has formulated a delinquency policy, and increased the number of loans being referred to the attorney general's office for foreclosure.

Following the years of rapid fund growth and large land disposals, the department is now beginning to identify those who have gotten into farming and demonstrated that they are not good managers. Their loans have become delinquent. The department and board have adopted the philosophy that delinquencies must be acted upon, the land repossessed by the state, and the farms gotten back into good farming hands. Under current board policies, a letter issues after 30 days of delinquency. The letter is followed by a visit by the "examiner" (the individual who initially made the loan) to the farmer. The board is currently re-examining "built-in" delinquency situations and attempting to come up with reasonable repayment schedules. Ms. Brown further explained that delinquency rates experienced by the fund represent a national trend in that agricultural loans have not traditionally been rewritten to hide delinquencies.

In response to a question from Senator Fischer concerning how much it costs the state to administer the program, Ms. Brown answered \$402 thousand. She noted that promotional funds are derived from revolving moneys returning to the fund. The only general funds involved are the yearly capital appropriations.

Intrigued by the zero fiscal note and the fact that the department is this year going to "hit the ceiling" while requesting only \$11.6 for FY 85, Senator Fischer asked for an explanation. Ms. Brown responded that the fiscal note was written prior to the proposed amendment raising the loan ceiling. However, the department believes demands on the fund can be met by the FY 85 capitalization request. The increased ceiling should not require additional funding until next fiscal year when increased funding will be included within the department's

regular request. Land disposal projections and development schedules required by law predict a larger demand than the department is requesting. The board grants loans on an individual basis, however, and a funding increase via fiscal note is not deemed warranted at this time. The \$11.6 request should be adequate.

Senator Fischer referred to language on page 2 of the bill which would allow the board to extend a short-term loan over a period as long as 20 years. He advised that he would propose an amendment which would permit extension for one year only. Ms. Brown stated that Senator Fischer's amendment should not create problems as long as it would allow for extension through an additional cropping season.

Senator Faiks advised of concern for the program and its 40% default rate. She further questioned the practice of giving additional loans to those already in default. Ms. Brown explained that there is a \$350 thousand loan limit. She further noted that the program has only 6 borrowers among 270 who are approaching the \$200 thousand limit. She concurred in the Senator's concern that successive crop failures seem to multiply delinquencies and perhaps indicate that the operation will never be successful. This represents a problem with which the board is currently faced.

Senator Faiks next asked how many files had been forwarded to the attorney general. Ms. Brown responded, "approximately 25." Senator Faiks asked how many of the 25 are in the process of prosecution. Ms. Brown answered, "probably a third of those." The Senator then asked how many lands had been won back for the state as a result of delinquency actions. Ms. Brown stated that she would have to research her files to make a determination since the department deals with both the Fairbanks and Anchorage branches of the attorney general's office. She noted, however, that not a significant number of foreclosure actions have reached completion at this time. Senator Faiks requested that the aforementioned information be provided to committee.

Senator Mulcahy, speaking to Senator Fischer's proposed amendment regarding extension of short-term loans, advised of need to amortize such loans over at least a five year period in order to provide enough time to "work out" the loan. A good crop year cannot be expected to pay off two crops if the previous year was poor.

Senator Josephson reiterated Senator's Faiks request for information regarding the number of cases forwarded to the attorney general, the dates referred, the cases in which the debtor regained good standing, the cases which were handled through judicial procedures resulting in money judgments, and cases which went to foreclosure through non-judicial procedures resulting in recapture of the land. Ms. Brown advised that she

would obtain the information. She further stated that since active referral to the attorney general's office had only begun within the last 9 months, most cases are likely to be in early stages of action. Co-chairman Sackett requested that the bill be held in committee pending receipt of the requested information.

Senator Vic Fischer also requested expert testimony on Section 4 of the legislation, dealing with the types of land for which clearing loans may be made. Citing the description of qualifying lands as those having "agricultural potential," the Senator questioned the implication of such broad wording. Ms. Brown commented that the section would allow clearing of Class 4 lands for grazing. Under present law the program is restricted to Class 2 and 3 lands based on soil type and slope. A significant percentage of Class 4 land (designated for agriculture only) is, due to slope and topographic conditions-- good grazing land. Under present statute the program has no latitude which would allow for clearing of such lands for grazing.

Co-chairman Bennett directed that the bill be held in committee pending receipt of requested information from the attorney general's office.

SB 347

Co-chairman Bennett moved that SB 347 (ACT AUTHORIZING THE USE OF ALASKA PERMANENT FUND INCOME TO PAY LONGEVITY BONUSES; AMENDING THE LONGEVITY BONUS PROGRAM AND THE PERMANENT FUND DIVIDEND DISTRIBUTION PROGRAM; AND PROVIDING FOR AN EFFECTIVE DATE) be brought on for discussion.

Senator Mulcahy explained that the legislature had a similar bill before it during the previous session. He then conducted the following sectional review:

Sec. 1 - Establishes a longevity bonus account within the permanent fund at 12.5% of the income stream. This money can be invested, and the legislature can add to the account through appropriation.

Sec. 2 - Changes percentage of disbursement to the permanent fund distribution fund from 50% to 37.5% as a result of the use of 12.5% for longevity bonuses.

Sec. 3 - Establishes one-year residency and 65-years of age as qualifications.

Sec. 4 - Establishes monthly payments of \$200 with a 3% per annum increase if funding is available.

Sec. 5 - Technical change substituting "recipient" for "his."



Alaska State Legislature

HOUSE OF REPRESENTATIVES COMMITTEE ON RESOURCES

JOHN RINGSTAD, CO-CHAIRMAN
RICHARD SHULTZ, CO-CHAIRMAN
POUCH-V
JUNEAU, ALASKA 99801
(907) 465-3715

TO: SENATOR BETTYE FAHRENKAMP, CHAIRMAN/ SENATE RES.
FROM: REP. JOHN RINGSTAD, CHAIRMAN/ HOUSE RES. *JR*
DATE: JANUARY 27, 1984
RE: FUR FARMING

THE SITUATION WITH THE FUR FARMERS IN THE STATE IS AS FOLLOWS:
1. PRESENTLY DEC AND F&G REGULATE THE INDUSTRY.

- A. DEC HAS AUTHORITY TO PERMIT THE FARMS AND INSPECT FOR HEALTH AND SANITARY STANDARDS.
- B. F&G PERMITS FOR THE CAPTURE OF WILD FUR BEARERS TO MIX WITH THE DOMESTIC ANIMALS TO ENHANCE GENETIC STOCK.
- C. (U.S. DEPT. OF AGRICULTURE INSPECTS ALL IMPORTED ANIMALS THAT ARE SHIPPED TO ALASKA)

2. I HAVE BEEN WORKING WITH DEC AND DNR TO MOVE FUR FARMING BACK INTO DNR WHERE IT HAD BEEN ORIGINALLY PLACED BEFORE AN EXECUTIVE ORDER BY GOVERNOR HAMMOND DEALING WITH DEC INSPECTION AUTHORITY ARBITRARILY SWEEPED THAT INDUSTRY INTO DEC.

3. I FEEL THAT THE FUR FARMERS, OF WHICH THERE IS A GROWING NUMBER, HAVE BEEN OVERLOOKED AND AS A RESULT LOST IN A MAZE OF MEANINGLESS REGULATIONS AND DEPARTMENTAL SHUFFLING. LAST YEARS HB 187 TOOK CARE OF A LOT OF THE REGULATORY PROBLEMS, BUT THERE REMAINS THE TRANSFER TO DNR IN HELPING TO HAVE FUR FARMING RECOGNIZED AS THE BONAFIDE AGRICULTURAL ACTIVITY THAT IT IS.

4. MANY OF US ARE UNAWARE THAT THIS INDUSTRY, SO WELL SUITED TO THE RURAL AREAS OF OUR STATE WAS ONCE A THRIVING ENTITY HERE IN ALASKA. WITH THE ADVENT OF BARLEY AND LARGE QUANTITIES OF FISH WASTE THE PROSPECTS FOR FUR FARMING AGAIN LOOK PLAUSIBLE FOR MANY ALASKANS. IT TRULY IS A UNIQUE PART OF AGRICULTURE AND MAY BY THAT VERY NATURE PROVIDE OPPORTUNITIES FOR ALASKANS THAT OTHERWISE WOULD NEVER HAVE THE CHANCE TO PARTICIPATE IN OUR GROWING AGRICULTURAL FUTURE.



green connection

Position Paper
Alaska Horticultural Association
Testimony By: Steven Shropshire
AHA Board Member: Owner Green Connection

Wednesday January 25 1984
Before: Senate Resource Committee

Good Afternoon,

I am Steve Shropshire owner of the Green Connection and board member of the Alaska Horticultural Association.

The Board of Directors of the Alaska Horticultural Association would like to express its support for senate bill # 342.

Although there are several chapters of our statutes that deal with the agricultural industry, definitions do not exist which provide clarity to the administration of our state's policy on agriculture. Accordingly, it is the recommendation of the Board of Directors of the Alaska Horticultural Association that this legislation be put into effect as soon as possible so as to provide a set of statutory definitions which accurately reflect existing practices in Alaska and common usage of terms in the industry, as well as existing laws of Alaska.

A review of the current statutes and regulations, indicates a distressing trend in how our industry is being restricted by the failure to properly define "agriculture". Agriculture is one of the very foundation blocks upon which settlement was encouraged in Alaska and this industry was one of the first to receive state support by means of long-term, low interest loans. The restrictive development of the term "agriculture," however, has now taken on the force of law as promulgated in Chapter 39 of the Alaska Administrative Code. The enabling legislation of 1953 declares that it is the policy of the state to "promote the more rapid development of agriculture as an industry..." The enabling statutes also set forth State policy which will

- 1) Encourage agricultural development:



green connection

Position Paper
Alaska Horticultural Association
Wednesday 25, 1984
Page 2

- 2) Do not discriminate against viable existing agricultural enterprises." (AS 03.10.030 (h), Limitations on Loans (1982 Amendment.)

Nonetheless, the regulations set forth in 11 AAC 39.010 are inconsistent with the provisions on the statute and establish an unprecedented restriction which, if left unchanged, will drastically affect the future of the entire agricultural industry in Alaska.

11 AAC 39.111, Qualifying Loan Purposes, provides in section b(6), loans will not be made for the following purposes: "Enterprises not operated primarily for human or livestock food production, including, but not limited to, horse breeding and raising operations, fur breeding and fur farming enterprises, silviculture projects and greenhouses not operated primarily for food production;" subsection 9 provides "establishments which resell rather than produce crops, livestock and livestock products."

Not only is the restrictive language of the regulations inconsistent with the Alaska Agricultural Loan Act itself, it is also inconsistent with every other statute of Alaska where "agricultural" terminology is used.

- A. The Standard Industrial Classification clearly includes horticulture as a subdivision of major group 01, Agricultural Production. This is a national classification of standard industrial codes and is used by every state, including Alaska. It includes short definitions.



green connection

Position Paper
Alaska Horticultural Association
Wednesday 25, 1984
Page 3

B. California law defines "growing agriculture crops" as follows:

In as much as the planned production of trees, vines, rosebushes, ornamental plants and other horticultural crops is distinguished from the production of other products of the soil only in relation to the time elapsing before maturity, plants being produced by nurseries shall be considered to be 'growing agricultural crops' for the purpose of and laws pertaining to the agricultural industry of the state.

C. Florida provides:

That where ever the terms 'agriculture, agricultural purposes, agricultural uses' or words of similar import are used in any of the statutes of the State of Florida, such terms shall include horticulture and floriculture, horticultural purposes and floricultural purposes, horticultural uses and floricultural uses, and words of similar import applicable to agriculture shall likewise be applicable to horticulture and floriculture.

Alaska's Horticultural Industry is a young vigorous industry, with estimated sales in 1984 at well over 8 million dollars. As is typical in most segments of agriculture the horticultural industry is a labor intense one. This relates to jobs for Alaskans, thus having a major economic impact in our state.

Currently, the Alaska Horticultural Association is made up of some eighty individuals and or organizations statewide, with membership classifications ranging within the following categories.

Alaska State Legislature

PO BOX V
JUNEAU, ALASKA 99811
(907) 465-4821



REPRESENTATIVE RICK UEHLING
CHAIRMAN
REPRESENTATIVE WALT FURNACE
REPRESENTATIVE NILO KOPONEN
REPRESENTATIVE JERRY WARD
REPRESENTATIVE RON WENDTE

House Special Committee on State Loans

MEMORANDUM

TO: Members,
House Special Committee on State Loans
FROM: Representative Rick Uehling, Chair
DATE: April 11, 1984

RE: Meeting Today, SB 342

The Special Committee on State Loans will meet this afternoon at 5 p.m. (Pending some cooperation with the recessed House Session).

We have only one bill on the agenda, SB 342, relating to the Alaska Agricultural Loan Act. Please refer to the letter from Senator Faiks and the background material provided by her office.

Please bring the folders to the meeting, if at all possible.

Thank you.

/as

A handwritten signature, likely of Representative Rick Uehling, consisting of stylized initials.

Alaska State Legislature

POUCH V
JUNEAU, ALASKA 99811
907/465-4821



REPRESENTATIVE RICK UEHLING
CHAIRMAN
REPRESENTATIVE WALT FURNACE
REPRESENTATIVE NILO KOPONEN
REPRESENTATIVE JERRY WARD
REPRESENTATIVE RON WENDTE

House Special Committee on State Loans

Wednesday, April 11, 1984
5:00 p.m.

Agenda

Call to Order

SB 342, relating to the Agricultural Loan Act
Witnesses to be heard

Senator Jan Faiks

Dean Brown Department of Natural Resources

Announcements

Adjournment

SB. 342

Horticulturists off the list ~~time around~~ ^{about 5 yrs ago.}
Fur farmers also added.

Faiks outlined her participation in
developing the Bill.
Primarily with the horticulturists
& fur farmers.

Richard Ramsey. - Sen Kertulla's Office.

Q on Intent lines 8-11 pg 2.
gives discretion to the Board to
make adjustments -

Q on allowances for horticulturists
& fur farming.

Q from Wendt. on amortization in one year
& extension to 3 years.

— change to ^{up to} 3 extension for 1 yr. each.
discretion rests with the Board.

Q. from Koponen on processing.

Q on Sec 4 from Pastinger.

Soil classification

Class 4. goldstream - perm. frozen.

Dean Brown. Deputy Dir. Div of Ag.
Spoke on extensions
horticulturists -

Statute does not prohibit greenhouses.

Regs. are outdated.

~~Q's~~ Comment. on appropriate crops in greenhouse
from Rick on hydroponic tomatoes.
etc.

Q. on priorities set in regs.

Dea Brown said not considering that
right now.

Q's on limits on \$ and immediate
family members.

COMMITTEE REPORT
HOUSE

(6)

FURTHER:

RESOURCES

FINANCE

Date: _____

3/23/84

The Committee on HOUSE SPECIAL COMMITTEE
ON STATE LOANS has had CSSB 342 (Fin)

"An Act relating to the Alaska Agricultural Loan Act."

under consideration and recommends:

☒ do pass ☐ do not pass

☐ do pass with attached amendments(s)

☐ replace with CS for _____ ☐ same title

and recommends _____ ☐ new title

☐ AND attaches a "Letter of Intent" ☐ New Fiscal Note

☐ reports it back without recommendation ☐ Zero Fiscal Note Attached

☐ referred to the _____ Committee

MEMBERS SIGNING
DO PASS

Bob [Signature]

Sam Pestinger

[Signature]

MEMBERS HAVING
OTHER RECOMMENDATIONS:

Rich [Signature] (Worlee)

Rich [Signature]

CHAIRMAN

**STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE**

Revision Date: _____

REQUEST

Bill/Resolution No.: SB 342
 Title: Amending the Ak. Ag.
Loan Act
 Sponsor: Faiks et al
 Requestor: _____
 Date of Request: 1-10-84

FISCAL DETAIL

Agency Affected: Natural Resources
 Program Category Affected: _____
Agricultural Revolving Loan Fund
 BRU, Program or Subprogram(s) Affected: _____
ARLF

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		-0-	-0-	-0-		
CAPITAL	-	-0-	-0-	-0-		
REVENUE		-0-	-0-	-0-		

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Sharon L. Barton Phone: 465-2400
 Division: Commissioner's Office Date: 1-24-84
 Approved by Commissioner: Wm D. Arnold, Deputy Date: 1-24-84
 Agency: Natural Resources

Distribution (by Agency preparing fiscal note):

Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

12/1/83

Alaska State Legislature

SB 342

BETTYE FAHRENKAMP, Chairman
ROBERT H. ZIEGLER, SR., Vice Chairman
DICK ELIASON
PAUL FISCHER
VIC FISCHER
BOB MULCAHY
ARLISS STURGULEWSKI



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

Senate

Committee on Resources

MEMORANDUM

TO: Senate Resources Committee Members

FROM: Senate Resources Committee Staff

RE: Committee Meeting, January 25, 1984

DATE: January 23, 1984

On Wednesday, January 25, the following bills will be heard:

SB 322, An Act relating to the Alaska Agricultural Loan Board

SB 322 would increase the membership of the Agricultural Revolving Loan Fund Board from five to seven members. All members are appointed by the Governor. At present, three of the five members must be persons with background and experience in agriculture. SB 322 would retain that ratio; four of the seven members would be involved in the industry.

SB 342, An Act amending the Alaska Agricultural Loan Act.

SB 342 would expand the agricultural loan program to include loans for the commercial production or processing of horticultural products and animal feed, and for the raising and care of animals for marketing fur. A Resources Committee Substitute has been prepared that would remove the restriction to in-state use of these products.

Loans are currently allowed for land clearing, farm development, storage and processing of farm produce, and purchase of livestock or machinery. Draft DNR regulations (11 AAC 39.111) would expressly prohibit loans from being made for "enterprises not operated primarily for human or livestock food production", which includes fur breeding and fur farming, and greenhouses not operated primarily for food production. Loans for processing feed are currently being made under the "farm product processing loans" authority.

Senator Kerttula has proposed an amendment that would allow land clearing loans to be made on all lands classified by the Soil Conservation Service as having agricultural potential. Current statute limits clearing loans to lands with Class I, II, or III soils.

SB 339, Repealing the expiration date of the Alaska Agricultural Action Council

SB 358, Amending the expiration date of the Alaska Agricultural Action Council

The Alaska Agricultural Action Council was established in 1979 for a set term of five years. The Council is due to expire July 1, 1984. SB 339 would extend the life of the Council for perpetuity; SB 358 would extend its life for five years. The Council is composed of five members appointed by the Governor, and is charged with administering the Delta agricultural project, making recommendations to the Commissioner of Natural Resources regarding the classification of state agricultural land, holding public hearings in areas being considered for agricultural development, and evaluating the need for farm conservation plans.

The meeting will be held at 3:00 pm in the Beltz Room, and will be teleconferenced to Anchorage, Wasilla/Palmer, and Delta, and Fairbanks.

Alaska State Legislature

BETTYE FAHRENKAMP, Chairman
ROBERT H. ZIEGLER, SR., Vice Chairman
DICK ELIASON
PAUL FISCHER
VIC FISCHER
BOB MULCAHY
ARLISS STURGULEWSKI



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Senate

Committee on Resources

MEMORANDUM

TO: Senate Resources Committee Members

FROM: Senate Resources Committee Staff

RE: SB 342, An Act amending the Alaska Agricultural Loan Act

DATE: January 31, 1984

Following the recent Resources Committee hearing on SB 342, the Chairman asked staff to follow up on the questions raised regarding the proposed uses of Agricultural Revolving Loan Fund (ARLF) monies.

1) Loan Fund

AS 03.10.040 places a limit on the ARLF of \$75 million. Appropriations to the fund to date total \$62.5 million; an additional \$12.5 million has been requested for FY 85. \$10 million is currently available for loans.

One fur farming loan and five horticulture loans were made several years ago. However, as demand on the fund increased, the Agricultural Loan Board established development of enterprises operated primarily for human or livestock food production as a priority use of the loan funds.

2) Limit Loans to Residents

Bill Heim, Director, Division of Agriculture, DNR, proposed that the term "individual residents" as used in AS 03.10.020(1)(a) be repeated in AS 03.10.020(1)(b). This proposal is contained on line 17 of the draft Committee Substitute. Residency requirements for "partnerships" and "corporations" are not contained in current statute. The proposed regulations on the Agricultural Revolving Loan Fund define partnership or joint venture as "a resident if all the partners or joint venturers are residents." A corporation is "a resident if it is currently registered to do business in the state and persons holding the majority stock in the corporation are residents." (proposed 11 AAC 39.251).

3) Limit to In-State Production

The phrase "in-state commercial production" has been added to lines 20, 22, and 24 of the draft Committee Substitute. Committee members suggested that a distinction should be made between establishments that raise and harvest horticultural crops and products in the state, and those that resell products received from other states. DNR's survey of greenhouse and nursery production in Alaska in 1982 indicates that there are many producers who do ship plants into the state for resale.

4) Definition of Horticulture

It was suggested that a definition of horticulture be placed in AS 03.10. Horticulture could be defined through a specific listing of products and crops:

"For the purpose of this section, horticulture is defined as the growing and production in greenhouses or nurseries of vegetables, fruit plants, grass seed, sod, tree seedlings, ornamental plants, foliage, and flowering plants."

5) Regulation of Fur Farming

AS 03.25.020 governs the involvement of Department of Environmental Conservation (DEC) veterinarians in the care and breeding of fur bearing animals. DEC has the authority to permit the farms and inspect them for health and sanitary standards. As of December, 1982, there were 14 permits issued to fur farmers in Alaska. In addition, the Alaska Department of Fish and Game (ADF&G), issues permits for the capture of wild fur bearers to mix with the domestic animals to enhance genetic stock.

SB 342, (Agricultural Revolving Loan Fund), SB 339 and SB 358 (Alaska Agricultural Action Council), and SB 322 (Agricultural Revolving Loan Board) will be heard on Wednesday, February 1, 1984 at 3:00 pm in the Beltz Room.

The following items are attached:

- 1) Proposed Committee Substitute for SB 339, which would put the Alaska Agricultural Action Council on a five year sunset provision.
- 2) Proposed Committee Substitute for SB 342, containing the changes noted in the memo.
- 3) A proposed amendment to SB 342 that would give the Agricultural Revolving Loan Board the discretion to extend the term of a short term loan beyond one year.
- 4) Background information on fur farming.



Alaska State Legislature House of Representatives

P.O. BOX 2716
ANCHORAGE, ALASKA 99510
(907) 276-4506

WHILE IN JUNEAU
POUCH V
JUNEAU, ALASKA 99811
(907) 465-4939

REPRESENTATIVE JERRY WARD
DISTRICT 13

MEMBER FINANCE COMMITTEE
CHAIRMAN OF SUBCOMMITTEE ON
COMMERCE & ECONOMIC DEVELOPMENT
CHAIRMAN OF SUBCOMMITTEE ON LABOR
MEMBER OF SUBCOMMITTEE ON STATE LOANS

MEMORANDUM

DATE: March 2, 1984

TO: Representative Rick Uehling, Chairman
House Special Committee on Loans

FROM: Representative Jerry Ward

RE: Alaska Agricultural Action Council Loans

The attached letter points out problems with AAAC loans which I would like the committee to explore.

1. Who will inherit operation of the loans if the AAAC is done away with?
2. The State should assume responsibility for increased costs of construction caused by lack of action by AAAC, and funding should be provided.
3. Some arrangements should be made for continuing the short term working capital loan program of AAAC.
4. Revisions should be considered to allow holders of long-term loans to also qualify for short term working capital loans.

In summary, I feel that we are leaving agricultural business people who trusted the States intentions out on a limb because of the poor performance of the AAAC and I feel we owe these people some consideration.

Attachment

February 1 1984

The Honorable Richard Lyon
Commissioner
Department of Commerce and Economic Development
Pouch D
Juneau, Alaska 99811

Re: McKinley Meat & Sausage Company
Our File No. 1351-1

Dear Commissioner Lyon.

In 1981, in furtherance of Alaska's policy of encouraging agriculture, it was decided that it was essential to have a meat processing plant in Alaska to purchase, slaughter, process, and market the livestock, which, it was hoped, Alaska farmers, encouraged by state assistance and subsidies, would produce. It was also clear to the State however, that (1) such a slaughterhouse and meat processing facility would be an extremely risky venture because of the initial low volume of livestock and that (2) a slaughterhouse and meat processing facility could not succeed as a privately financed business project. From these conclusions, two correlaries inevitably followed. (1) that there must be one centrally located facility to handle livestock produced all over the State; and (2) that the construction and operation of the facility would have to be subsidized by a low interest loan from the State, with a moratorium on all loan payments for a number of years.

Two or three years ago the State Legislature appropriated \$2.6 million to the Alaska Agricultural Action Council (AAAC) for a meat processing plant and the State solicited proposals. None of the first proposals submitted was considered feasible, so the State again solicited proposals. Don Donatello responded to this second solicitation. He had engineering marketing and other studies done and visited slaughterhouses in other parts of the country, including Modesto, California.

Commissioner Richard Lyon
February 1, 1984
Page 2

After careful study and evaluation McKinley Meat & Sausage Company, Inc., a new corporation, which Mr. Donatello caused to be formed submitted a written proposal to the AAAC entitled "Proposal for Construction and Operation of Livestock Processing Facility". This was a comprehensive document containing a complete and detailed proposal, including loan requirements, construction costs, and economic projections. Some of the significant requirements and conditions were the following:

1. In order to meet the completion date of October 15, 1983 which was required by the State, the proposal stated that both acceptance and the order to proceed with the work must be received by December 1, 1982. The proposal further stated that if there were any delays beyond this day, there could be additional costs of up to five (5) percent depending on the revised schedule. A copy of page 8 of the proposal, setting forth this condition, is attached.

2. Financing for the project required a \$2 million, long term loan from AAAC, and, an additional \$400,000.00 of long term financing for expanded freezer capacity anticipated for 1986, and a \$250,000.00 line of working capital from the AAAC revolving loan fund to assist with inventory and general operating expenses during the initial years. These requirements are set forth on pages 22, 23, and 30 of the proposal and page 14 of the application which was part of the proposal. Copies of these pages are attached.

McKinley Meat's proposal was not accepted by the State by December 1, 1982. In fact it was not until April 7, 1983 that Mr. Donatello received a letter informing him that his proposal was accepted.

Mr. Donatello was at this point faced with a rush construction project in order to come close to meeting the October 1983 start up target. Although no loan documents had been presented or even drafted, he proceeded immediately with all his personal and corporate resources to get the project underway and completed. The loan documents were not available for final signing until approximately August of

Commissioner Richard Lyon
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Page 3

1983. This delay was not the result of lack of diligence on the part of Mr. Donatello. Several times he signed "final" documents which were then superseded by the AAAC. He responded to every request from State officials in less than a week. By the time money was available from the \$2 million loan, the project was well along towards completion and Mr. Donatello had committed his liquid reserves and, in addition, had borrowed from conventional sources at substantial interest rates to meet the construction costs. Thus, his costs of construction were increased in two ways: (1) because he did not get the authorization to proceed until April of 1983, which required that construction proceed on an expedited basis with attendant increased costs, and (2) because of increased financing charges by reason of the delays by the State in processing the loan and releasing the funds.

The processing plant was substantially complete early in December of 1983, and the first livestock was slaughtered on December 10, 1983.

During the course of completing the design and construction, it became apparent to Mr. Donatello and his technical advisors that additional freezer space, which it had been projected would not be needed until 1985 or 1986, would be needed initially and should be incorporated in the original design and construction. This was done and Mr. Donatello expended approximately \$400,000.00 additional for increased freezer capacity.

While all of this was going on, two significant things occurred. First, the Legislature decided to authorize \$1 million for another State subsidized meat processing plant in Fairbanks to be constructed by Mr. McKee, which would be in competition with McKinley Meat. The sources of the \$1 million was designated to be \$600,000.00 from the \$2.6 million which had previously been appropriated for the McKinley plant in Palmer, plus \$400,000.00 additional money. Although I understand that Mr. McKee has not yet started construction on his plant in Fairbanks because of various problems and delays, the construction of a competing, subsidized slaughterhouse in Fairbanks is certainly not going to make it any easier to successfully operate the McKinley facility in Palmer. But

Commissioner Richard Lyon
February 1, 1984
Page 4

the decision has been made, and McKinley will have to compete, as required, against the facility in Fairbanks. if and when it is completed.

Second, the law, or the interpretation of the law, relative to eligibility for working capital loans from the AAAC funds was changed. As a result, it was ruled that McKinley, since it already had a \$2 million long term loan from AAAC, was ineligible for an additional short term, working capital loan. As stated above one of the requirements of McKinley's proposal was a \$250,000.00 working capital loan in addition to the \$2 million long term loan. To make matters worse for Mr. Donatello, this same interpretation has been applied to a working capital loan which another of his company's, Don Chemical Company, had applied for from the AAAC in the amount of \$200,000.00. Don Chemical has a long term loan from AAAC for the financing of its fertilizer plant in Anchorage. In addition, it had a \$200,000.00 working capital loan which came due and has been paid off. When Don Chemical Company applied for a new working capital loan of \$200,000.00, it was told it was ineligible.

McKinley and Mr. Donatello need and are entitled to the following in order to fulfill both the spirit and the letter of the contract existing between the State of Alaska and McKinley based on McKinley's proposal and its acceptance by the State.

1. A loan of \$250,000.00 to McKinley for working capital from AAAC's revolving loan fund at 8% per annum on terms and conditions customary for such loans;

2. An increase in the existing long term loan of \$2 million by an additional \$200,000.00, on the same terms and conditions, to cover the increased costs of construction by reason of the State's delay in giving McKinley the go-ahead until April 7th of 1983.

3. A further increase in the \$2 million long term loan by an additional \$400,000.00 to cover the cost of the additional freezer capacity which was included in the original construction by Mr. Donatello rather than waiting until 1985 or 1986.

Commissioner Richard Lyon
February 1, 1984
Page 5

An appropriation may be needed to fund the State's commitment to McKinley, and, in addition, it may be necessary to make changes in the law relative to eligibility for loans under the revolving loan fund. It is Mr. Donatello's hope and expectation that any needed legislation can be introduced and passed during the present session of the Legislature. Mr. Donatello has asked me to express to you his willingness to travel to Juneau to meet with you and any other officials you might wish to have present to discuss this matter and arrive at a solution. I have advised Mr. Donatello that the State of Alaska has a contractual commitment to McKinley for additional loan funds as discussed above. Mr. Donatello will do everything in his power to work out with you and the State an acceptable resolution.

If you are willing to discuss this problem with Mr. Donatello, would you please inform him of the earliest date when you can see him in Juneau, and he will be there to meet with you.

Very truly yours,

BURR, PEASE & KURTZ

Theodore M. Pease, Jr.

TMP:bd

cc: Mr. Don Donatello

Enclosures

A-HA

ALASKA HORTICULTURAL
ASSOCIATION NEWSLETTER

VOLUME 2, NO. 2

MARCH, 1984

AG REVOLVING LOAN FUND

NOW SERVES HORTICULTURE INDUSTRY

HURRAH! AND THANKS!!!

A.H.A. members' contacts with Commissioner of Natural Resources Esther Wunnicke has had a positive impact on Department policy. A recent letter to A.H.A. from the Commissioner stated that horticultural enterprises will now be eligible to receive loans through the Agricultural Revolving Loan Fund.

Thanks for your efforts in this letter campaign. A.H.A. President Doug Tryck has written a letter to Ms. Wunnicke to express the Association's appreciation.

ANNUAL MEETING

A.H.A.'s second annual meeting is to take place in August again. We need a volunteer to chair the planning committee for this event. Please contribute ideas and energy to make this event a special one.

Call Doug Tryck (phone 345-2148 or 345-2507) if you would like to volunteer as chair.

* * * PRIZES * * *

A.H.A. will contribute a dinner for two (value up to \$100.00) for two upcoming horticultural awards in the Anchorage area. The overall winners of the interior scape and the landscape contests will both enjoy a feast at Josephine's.

LEGISLATIVE UPDATES

* SB 342, which expands the existing Agricultural Revolving Loan Fund (ARLF) to include the horticultural industry, has passed the Senate and now begins its path in the House of Representatives. Even with Commissioner Wunnicke's commitment to include horticulture in the ARLF, this departmental policy may still be vulnerable to internal and external influences with each new administration. Only a change in the statute itself, such as SB 342, can safeguard our inclusion in the ARLF.

YOUR LETTERS, PHONE CALLS, OR PUBLIC OPINION MESSAGES ARE URGENTLY NEEDED TO PROPEL SB 342 THROUGH THE HOUSE AND TO THE GOVERNOR'S DESK. PLEASE ACT NOW!

* SB 322 would create an additional two seats (from 5 to 7) on the Agricultural Loan Board, which administers the ARLF. It specifies that four of the seven Board members must be "persons with background and experience in Alaska agriculture". A.H.A. members may feel the increase in seats is highly desirable but that the four persons with background in the area should include practitioners of agriculture and horticulture.

SB 339 - A.H.A. members may also wish to take an active stand in support of this bill, which provides for the continuation of the Agricultural Action Council. The AAC advocates for agricultural development and research in the State, as well as handling funds for special projects.

A.H.A. members are encouraged to express their opinions on these bills by contacting their legislators. Let's keep the momentum up--Let's be heard!

MEET A MEMBER by Flower

This introduction begins a new feature series in the A.H.A. Newsletter. Each issue we hope to introduce a different member to the readership in an ongoing effort to bring us all a little closer together as a group. We encourage your suggestions for future issues. Send your nominations to: Flower, A.H.A., P.O. Box 1909, Palmer, Alaska 99645.



WAYNE VANDRE needs no introduction to many readers. A man of diverse interests, Wayne is at once a husband and father of two, a sportsman, photographer, as well as holding the rank of Major in the Army Reserve. During the week Wayne can be found at the University of Alaska Cooperative Extension Service in Anchorage where he has worked since December, 1977. Wayne had previously been the extension agent with the University of Wisconsin for three years after receiving his Masters Degree there in 1975. A recent promotion to the position of State Horticultural Specialist for the University has Wayne still filling his former role as District Horticulture and Community Development Agent until the arrival of a replacement.

Among his many duties, Wayne helps publish two newsletters, *The Potting Bench*, a bimonthly with statewide circulation of over 3,000 copies, and also *The Alaska Pest Scout*, a biweekly in conjunction with the Alaska Pest Scout Program. Wayne has a keen interest in alternative forms of pest control, especially as it pertains to urban forestry and the battle against the dread Spruce Beetle.

Another pet project of Wayne's is the Master Gardner Classes which are growing through their sixth year and have expanded from Anchorage to Fairbanks, Palmer, Eagle River, Soldotna, Kenai, Kodiak, Sitka, and Juneau. This unique class is provided at no monetary cost to the student but asks in return that each person donate forty hours of related community service. This may take several forms, such as displays at local shopping malls, clinics at local greenhouses, and even classes given through local schools and community school programs.

The focus of all this community involvement is to provide a high quality dissemination of information via one-to-one contact between the trained Master Gardner and the citizen gardener. Wayne is pleased to note that many people retake the class and is proud of the many Master Gardeners who volunteer their time in excess of the required forty hours.

When asked to look into his crystal ball and remark on the future, Wayne replied that he would like to see Alaska become more self-reliant by building a diversified horticultural industrial base with an increased individual specialization. In Alaskan horticulture, Wayne believes that the sky is the limit and that greenhouses which utilize waste heat are a large step toward year-round growing in our state.

Wayne remarked that legislation such as SB 342 could go a long way in helping Alaska achieve horticultural self-sufficiency, as it would enable businesses to enter the market place at commercial levels. It is in this legislative area that he sees the importance of A.H.A. as a political force. Wayne believes the legislators in Juneau are rather uninformed as to the real potential of Alaskan horticulture and that, as a group, A.H.A. could do much to influence and educate our political leaders.

- cont. on page 6 -

UNUSUAL LOSS OF LARGE FICUS TREES REPORTED

An unusual loss of large numbers of large ficus trees has been reported by many interior landscape contractors during the past year, according to Dick Ott, Chairman of ALCA's Interior Landscape Division.

Most contractors have reported that the loss shows up among large ficus that had originally been grown in the fields in Florida and subsequently transplanted into large containers; the trees were then held by other Florida nurseries in acclimatizing houses and eventually sent to the contractors for installations. Where losses have occurred, an unusually large percentage of the trees installed have been lost.

Growers in Florida are generally aware of the problem, as are the research people at the University of Florida, although there is no consensus among them as to just what is specifically the cause of this developing problem - or, for that matter, whether there is a single cause.

One of the problems lies in the fact that there has been no concerted reporting from the contractors who have experienced the problem. Reports from them which detailed the size of the trees, the size of the containers, the nature of the soil content in the growing containers, as well as a description of the interior environmental conditions the dying trees experienced need to be collected and studied.

There is agreement on one thing: most of the trees which are giving trouble have been grown in fields of Florida marl before they have been transplanted. To deal with this marl problem, it is reported that diggers have developed a number of techniques:

- * Some trees have been dug and the marl has been removed completely by washing it off and then the trees have been transplanted into containers in a good soil mix.

Results. The washing is a messy and time-consuming job, there is considerable shock to the tree, and, consequently, the trees must remain in the containers a long time before they are ready to be installed by the interior contractor.

- * Some trees have been heavily root pruned in the ground, where they have been left until a flush of feeder roots grow off from the larger roots that have been cut; then the trees are dug with the feeder

roots and transplanted in the growing containers, where they are kept for acclimatization before being shipped.

Results: First of all, cutting back so close to the tree trunk necessarily removes 90% or more of the storage roots, depriving the trees of much of the food they need in the transplanting process. Secondly, if the final ball of marl that is dug is almost the size of the growing container, there is no room for a healthy new root system to grow and the tree is not able to survive the stress involved in the interior planting environment. Furthermore, the marl and the soil mix are very different in their ability to absorb moisture and oxygen. The marl is so tight and difficult to water in these conditions that some growers and contractors have resorted to plugging out many holes from the marl to let in the water and oxygen. The basic problems, however, continue to exist.

- * A method suggested by Bob DeNeve and approved, at least as a step forward, by Dr. Richard Henley suggests digging the trees in the first place with rather small balls and then transplanting them in containers large enough to allow for a large amount of prepared soil mix. Such trees would have to be kept in the acclimatizing area perhaps twice as long as is now the practice; but, when installed in the interior, they would have developed a root system large enough and mature enough to help the tree through its initial shock.

To further complicate the issue, in one instance at least, the marl and the tree leaves were found to contain high concentrations of aluminum - enough to be toxic.

It is known that many Florida nurseries have habitually fertilized with a "complete" formula, i.e. one containing the minor elements, and this may have led to the high boron concentration. The contractor who experienced this condition found it impossible to leach, due to the impervious nature of the marl. It has been reported that many of the nurseries are now using a fertilizer without trace elements.

- cont. on page 5 -

CONTROLLING WEEDS IN OR NEAR THE GREENHOUSE

Numerous experiments have been conducted at the Valley Laboratory over the past 10 years to evaluate the usefulness and potential hazards of herbicides in and around greenhouses. In addition, many grower problems involving herbicides in greenhouses have been investigated. The following is a brief summary of our findings.

To use herbicides effectively in or around greenhouses, it is essential to understand their potential hazards. These hazards include:

- A. Production of vapors toxic to plants.
- B. Contamination of ground water wells.
- C. Injury to plants in flats or pots from root uptake.
- D. Mistaking herbicides for other pesticides.
- E. Use of field soils that contain residues for potting mixes.
- F. Misuse of herbicides by gross over-application or by sabotage or vandalism.

- A. To be safely used under benches or under flats or pots in greenhouses, a herbicide should not produce phytotoxic vapors. Herbicides that we or others have found to produce phytotoxic vapors include:

2,4-D

Casoron

Diclomec dichlobenil

Norosac

Tordon - picloram

Lasso - slachlor

Dual - metolachlor

Scott's Ornamental Herbicide II

Spike - tebuthiruron

Treflan - trifluralin

Goal - oxyfluorfen

Pramitol - prometon

Vapam - metham

Dowfume - methyl bromide

Pentachlorophenol - PCP

Other herbicides in our tests that produced vapors that were mildly toxic to plants included:

Chloro IPC chlorpropham

Furloe

Devrinol - napropamide

Ronstar oxadiazon

Scott's Ornamental

All of these would be hazardous to use in greenhouses with live plants other than those listed on the labels.

In the case of the soil fumigants (Vapam, methylbromide), sufficient time and temperature of soil is necessary before planting to allow the vapors to dissipate. Low soil temperatures in the late fall or spring greatly delay dissipation. Plants placed into treated houses or soil under these conditions are killed. Using 2,4-D herbicides around greenhouses is hazardous because of potential drift of vapors and spray droplets into the houses.

Herbicides that we have found to cause no injury to plants in tests in plastic enclosures included:

Asulox	- asulam	Princap	- simazine
Dacthal	- DCPA	Roundup	- glyphosate
Diquat	- diquat	Surflan	- oryzalin
Parsquat	- paraquat	Tenoran	- chloroxuron
Gramoxone	- paraquat		

It is possible that even these could be hazardous if sprayed onto heating pipes, which would greatly increase vaporization. Many other herbicides have not been evaluated for indoor use and should be considered hazardous until proven otherwise.

If a greenhouse is contaminated with a herbicide producing phytotoxic vapors, it may be possible to decontaminate it with activated carbon (Gro-Safe or Aqua Nuchar). Our earlier research showed that 100 to 200 lbs of activated carbon will detoxify 1 lb of most organic herbicides. Thus, if a herbicide were applied at 4 lbs/A, up to 800 lb/A of activated carbon would be required. The carbon can be mixed with water and sprayed on. Sometimes it is necessary to incorporate the carbon into the soil.

Effective treatments to control established weeds and prevent regrowth under benches include:

<u>Herbicide</u>	<u>Per Gal. of Water</u>
Princap 80W	3 tablespoons
plus	plus
paraquat	2 tablespoons
Roundup	2 tablespoons may be substituted for the paraquat

- cont. on page 5 -

- cont. from page 4 -

Apply about 1 qt. of mix per 100 sq ft.
Avoid spraying of heat pipes.

An alternative treatment:

<u>Herbicide</u>	<u>Per Gal. of Water</u>
Surflan 75W	2-3 tablespoons
plus	plus
paraquat	2 tablespoons

Roundup or Diquat at 2 tablespoons may be substituted for the paraquat.

- B. Contamination of ground water can occur from soluble herbicides applied too heavily or dumped in the vicinity of wells. Two herbicides that have been involved in contamination of wells supplying greenhouses are Tordon (picloram) and Banvel (dicamba). Both are highly toxic to annual plants, highly water soluble, and neither has any place in or near greenhouses. Water from ponds or streams where Tordon is used on the watershed is best not used to irrigate plants without testing.
- C. Application of many residual herbicides in ground beds is hazardous to flats or pots of plants placed on the treated areas. Problems occur as roots grow into treated soil and absorb the herbicide or as ponding occurs and the herbicides dissolve in the water and penetrate the containers. Safe herbicides for pretreatment of ground beds include Diquat, Paraquat and Roundup for pre-plant control of established weeds and Surflan at 2 to 3 teaspoons per 100 ft for preemergence control under flats or containers. Surflan inhibits roots but does not translocate in the plant. Soil treated with Diquat, Roundup or Paraquat should be tilled before plants are

planted into the soil. A current experiment indicates that at least one week should elapse after Roundup application and placement of flats or pots with exposed roots.

- D. Mistaking herbicides for other pesticides can be minimized by storing herbicides apart from other pesticides and by reserving a separate sprayer for herbicides only.
- E. Contaminated field soil - If field soil is obtained for greenhouse use, it could be contaminated with herbicide residues such as strazine or simazine that are used in corn fields. If the cropping history of the soil is unknown, it is best to bioassay the soil using seeded and transplanted annuals as test plants. For a control planting, one can thoroughly mix 3 tablespoons of activated carbon (such as Gro-Safe) into a flat of the same soil. The carbon detoxifies most field residues of herbicides. If growth is much better in the carbon-treated flat than in the untreated one, herbicide contamination is suspected.
- F. Misuse of herbicides by gross over-application or by sabotage can occur with any herbicides. Sabotage has occurred with disgruntled (or fired) employees, where herbicides were readily available. Herbicides are best stored under lock and key and out of the greenhouse area. Diagnosing the problem often is very difficult.

J. F. Ahrens
Plant Physiologist
The Connecticut Agricultural
Experiment Station, Valley
Laboratory, Windsor, CT.
06095

SOURCE: Rutgers, CES, Cook College
Weed Notes III, Feb. 1984.

FICUS TREES

- cont. from page 3 -

Some growers have suggested that the recent appearance of the problem is due to severe winter injury "a few winters back". Other suggest the problem arises from root-

ing ficus from stock trees which are deteriorating or possess some systemic diseases.

SOURCE: Karl Korstad, President of Sedgfield Interior Landscape, Inc., Greensboro, N.D. For more information, contact Karl Korstad at (919) 299-5529.

VANDRE, cont. from page 2 -

At the end of the work day Wayne leaves the responsibilities of the Cooperative Extension Service to return to his family and their greenhouse and garden, a project that has mutual family enthusiasm. In addition to the usual staples to guarantee an adequate harvest, Wayne experiments with different varieties of seeds and plants. Last year's garden, for example, had 15 varieties of potatoes. Frito-Lay, eat your heart out!

KENAI PENINSULA MEMBERS TO MEET

Dr. Elizabeta Shadura is surveying A.H.A. members and potential members to determine the interest in regional meetings. Information sharing and input to the Association are enhanced in meetings such as this, and the A.H.A. Board welcomes this development of the Association.

For further information, call Dr. Shadura at 283-9256 or 283-4955.

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ALASKA HORTICULTURAL ASSOCIATION
P.O. BOX 1909, PALMER, AK. 99645

Representative Uehling
Pouch V (mail stop 3100)
Juneau, AK
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