

COMMITTEE REPORT  
HOUSE

FURTHER:

(11)

5/15/84

Date: 5-30-84

The Committee on FINANCE has had CRSB 336 (R08)

"An Act relating to federal crop insurance; and providing for an effective date."

under consideration and recommends:

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

MEMBERS SIGNING  
DO PASS

\_\_\_\_\_

\_\_\_\_\_

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MEMBERS HAVING  
OTHER RECOMMENDATIONS:

\_\_\_\_\_

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\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

CHAIRMAN

Offered: 1/26/84  
Referred: Finance

Original sponsors: Moss, Kerttula  
and Fahrenkamp

1 IN THE SENATE BY THE RESOURCES COMMITTEE  
2 CS FOR SENATE BILL NO. 336 (Resources)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 THIRTEENTH LEGISLATURE - SECOND SESSION  
5 A BILL  
6 For an Act entitled: "An Act relating to federal crop insurance; and  
7 providing for an effective date."  
8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:  
9 \* Section 1. AS 03.10.030(c) is amended to read:  
10 (c) A short term loan, to be amortized within one year, not to  
11 exceed \$350,000 to any one borrower may be made for operating  
12 purposes, except that a loan made under this subsection may not exceed  
13 \$200,000 unless the loan is made to a borrower in a farm disaster area  
14 declared under AS 03.10.058. An applicant for a short term loan may  
15 be required to purchase insurance through the Federal Crop Insurance  
16 Act (7 U.S.C. 1501-1520) as a condition of the loan.  
17 \* Sec. 2. AS 03 is amended by adding a new chapter to read:  
18 CHAPTER 13. FEDERAL CROP INSURANCE CONTRIBUTIONS.  
19 Sec. 03.13.010. AGREEMENT WITH FEDERAL CROP INSURANCE CORPO-  
20 RATION. The department shall enter into an agreement with the Federal  
21 Crop Insurance Corporation under which the department agrees to pay to  
22 the corporation a portion of federal crop insurance premiums paid by  
23 producers of agricultural commodities in this state. The agreement  
24 shall provide for a corresponding reduction in the federal crop insur-  
25 ance premium paid by those producers.  
26 Sec. 03.13.020. AMOUNT OF CONTRIBUTIONS. Under the agreement,  
27 the department shall pay to the corporation for each covered producer  
28 an amount equal to the amount that the corporation pays for that  
29 producer under 7 U.S.C. 1508(b)(3) of the Federal Crop Insurance Act

1 (7 U.S.C. 1501 - 1520), except as provided otherwise in this chapter.

2 Sec. 03.13.030. LIMITATION. Thirty percent of each producer's  
3 premium, as calculated by the corporation, on coverage of up to 65  
4 percent of the recorded or appraised average yield, as adjusted, shall  
5 be paid by the state.

6 Sec. 03.13.040. APPROPRIATIONS. (a) The payments to the corpo-  
7 ration shall be made from funds appropriated from the general fund to  
8 the department for that purpose.

9 (b) If for any year the amount appropriated is insufficient to  
10 fully fund the contribution required by AS 03.12.020, the department  
11 shall allocate funds on a first come basis.

12 Sec. 03.13.050. DEFINITIONS. In this chapter, "corporation"  
13 means the Federal Crop Insurance Corporation (7 U.S.C. 1503).

14 \* Sec. 3. This Act takes effect immediately in accordance with AS 01.-  
15 10.070(c).

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: 1-26-84

REQUEST

Bill/Resolution No.: CS SB 336 (Re)  
Title: Crop insurance

FISCAL DETAIL

Agency Affected: Dept. of Natural Resources  
Program Category Affected: Agriculture Management

Sponsor: Moss

BRU, Program or Subprogram(s) Affected:

Requestor: \_\_\_\_\_

Agriculture Management

Date of Request: 1-26-84

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL			80.0	90.0		
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>	-0-	-0-*	80.0	90.0		
<b>CAPITAL</b>	-0-	-0-	-0-	-0-		
<b>REVENUE</b>						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-*	80.0	90.0		
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

POSITIONS:

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

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

\* FY 85 funding (\$140.0) appears in the Governor's budget.

ANALYSIS: Attach a separate page for analysis

Prepared By: Sharon L. Barton Phone: 465-2400  
Division: Commissioner's Office Date: 2-21-84

Approved by Commissioner: William D. Smyth Deputy Comm. Date: 2-21-84  
Agency: Department of Natural Resources

Distribution (by Agency preparing fiscal note):

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

12/1/83

CHAIRMAN  
SENATE TRANSPORTATION  
COMMITTEE  
SENATE SPECIAL AGRICULTURE  
COMMITTEE  
MEMBER  
HEALTH, EDUCATION AND  
SOCIAL SERVICES  
COMMITTEE  
LEGISLATIVE COUNCIL  
REAA BUDGET OVERSIGHT  
COMMITTEE

# Alaska State Legislature



## State Senate

SENATOR  
H. PAPPY MOSS  
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### SENATE SPECIAL COMMITTEE ON AGRICULTURE

MEMORANDUM

May 16, 1984

RE: Senate Bill 336

TO: Representative Al Adams  
House Finance Committee

FROM: Senator H. Pappy Moss *HPM*  
Senate Special Committee on Agriculture

Senate Bill 336, "An Act relating to federal crop insurance; and providing for an effective date."

The Federal Crop Insurance Program has been available in Alaska since 1982. It protects farmers against low crop yields due to natural disasters. The federal government now subsidizes 30% of each farmer's premium payment. Under Senate Bill 336, the state would provide an additional 30% subsidy, and the remaining 40% of the premium would be paid by the farmer. Administrative costs for the program are paid by the federal government.

In addition to providing for a premium subsidy, Senate Bill 336 also provides that Agricultural Revolving Loan Fund Board may require that a borrower obtain federal crop insurance as a condition of obtaining a loan. The Department of Natural Resources maintains that this puts into the statutes what is already Department policy.

The fiscal note for Senate Bill 336 is zero for FY 85, \$80,000 for FY 86, and \$0,000 for FY 87. Costs for this program were included in the Governor's operating budget for DNR at \$140,000 which provides funding for crop years 1984 and 1985.

The passage of Senate Bill 336 should lead to greater participation by Alaskan producers in the Federal Crop Insurance Program which will serve to protect the state's investment in agriculture by providing a means for farmers to repay their state loans even in bad crop years. I respectfully request that this bill be placed on the House Finance Committee as soon as possible.

SENATE SPECIAL COMMITTEE ON AGRICULTURE  
Senator H. Pappy Moss, Chairman

NOTES ON SENATE BILL 336 "An Act relating to federal crop insurance;  
and providing for an effective date."

What is Federal Crop Insurance?

Federal Crop Insurance is offered to farmers of this nation to promote the national welfare by improving the economic stability of agriculture through a sound system of crop insurance. Since 1980, when the FCIC expanded the availability and coverage of crop insurance, the program has grown significantly. Federal crop insurance protects against losses due to adverse weather conditions, insect infestation, plant disease and other natural disasters.

What Will Senate Bill 336 Do?

Currently, the Federal government subsidizes the cost of Federal Crop insurance to the farmer by 30%. Senate Bill 336 provides for the state to further subsidize the Federal Crop insurance premium up to another 30%.

SB 336 also requires that an applicant for a short term loan may be required to purchase insurance through the Federal Crop Insurance Program as a condition of loan. Farmers are not alone in suffering financial loss when crop disaster strikes. Crop insurance will also help protect creditors, lending institutions, businesses supplying agricultural needs and the entire community from risks associated with crop disasters.

Nation wide, more lenders are requiring crop insurance as a condition for farm operating loans because such insurance helps protect their investment in agriculture.

What Is The Benefit To The State?

Federal Crop Insurance protection adds guarantees that farmers in the state will be able to meet loan repayment obligations and to pay cash costs even when crops fail. Farmers participating in the program are assured of recovering, at a minimum, the lost capital they must have in order to continue farming--to buy the seed, fuel, and fertilizer that are required to assure the next year's crop.

Currently the Alaska Revolving Loan Fund will cover operating costs, but not insurance. SB 336, helping the farmer with an additional premium subsidy, helps protect the farmer, and the state's investment in agriculture, against both area and individual disasters.

### What Is The Cost To The State?

The Department of Natural Resources has projected a cost of \$140,000.00 for the first two years of participation in the Federal Crop Insurance program. This amount appears in the Governor's budget for FY '85. For FY 86 and FY 87, the expenditures would be 80 and 90 thousand dollars respectively, and would come from the general fund.

The State contribution need not be seen totally as a subsidy. This form of insurance may partially replace other public safety nets by providing insurance premiums in lieu of reimbursement to farmers for damage by wildlife, etc.

The FCIC will work with the state of Alaska to minimize administrative expenses to the state. Those that are incurred will be low, and related only to the preparation and transmission of payments by the state to FCIC on the behalf of Alaska producers.

### How Will The Program Work?

The FCIC is encouraging participation by Alaskan farmers. It has expanded its program for Alaska beyond barley, to include wheat and oats, and will soon include potatoes among the crops covered by this protection.

Each farmer may select the percent of average yield he would like to have guaranteed and the price he would like to be paid for his deficiency if he falls below the guaranteed level. Depending on his selection, a federally subsidized premium is established which he must pay. There are three different levels that a farmer may choose from in selecting a coverage rate (50, 65, and 75 %). There are also three different price election rates (\$2.00, 2.25, and 2.60). Federal legislation now permits the State to pay a matching subsidy, up to 30%.

### Justification

The Federal Crop Insurance Program will insure a farmer against low crop yields rather than low price. In Alaska, this program will help protect against mid-summer frosts, early rain during harvest, and bison damage to barley, which has occurred in the past. Even after a year without disaster, farmers face an everpresent concern for the next crop year. In this sense, FCIC and the State of Alaska can help to provide Alaskan agriculture with more than just business security.

The passage of SB 336 should lead to greater participation by Alaska producers in the Federal Crop Insurance program. The needs of producers for risk protection will be better met. This increased protection will have a beneficial impact on other segments of the economy whose viability depends on a healthy agriculture, helping to stabilize the economic activity of local communities and strengthen the surrounding rural economy, and, to a lesser degree, the urban economy.

Sectional Analysis

for CSSB 336 (Res): "An Act relating to federal crop insurance; and providing for an effective date."

Section 1. Provides that the Agricultural Revolving Loan Fund Board may require crop insurance as a condition of a loan.

Section 2. Establishes the program:

- \* Agreement with Federal Crop Insurance Corporation
- \* Amount of contributions (matches federal contribution)
- \* Limitations on state subsidy (30% of premiums)
- \* Provides for appropriations from general fund; allocation on first come basis
- \* Definitions

Section 3. Provides an immediate effective date.

# Senator Vic Fischer

(907) 465-4954

Alaska State Legislature  
Pouch V • Juneau, Alaska 99811 • (907) 465-4954



## MEMORANDUM

May 2, 1984

TO: Members, Senate Finance Committee  
FROM: Senator Vic Fischer *Vic F.*  
RE: CSSB 336 (Res) An act relating to federal crop insurance;  
effective date.

The purpose of SB 336 is to support Alaska agriculture by subsidizing farmers' premiums paid to the Federal Crop Insurance Program. A secondary purpose is to protect the state's investment in agriculture by providing insurance coverage of crops supported by Agriculture Revolving Loan Fund loans.

The federal government now will pay 30% of a farmer's crop insurance. Under this program the state will pay an additional 30%, leaving 40% to be paid by the individual farmers.

Virtually all of the administrative costs of the program are paid by the federal government. All of the costs of working with the individual farmers are covered. The only expense left for the state is that of making one lump-sum payment to the Federal Crop Insurance Corporation.

Section 1 provides that the Ag Revolving Loan Fund may require crop insurance as a condition of a loan.

Section 2 establishes the program:

- Agreement with Federal Crop Insurance Corporation
- Amount of contributions (matches feds contribution)
- Limitations on state subsidy (30% of premiums)
- Provides for appropriations from general fund; allocation on first come basis
- Definitions

Section 3 provides an immediate effective date.

The fiscal note is zero for FY 85 and 80.0 per year starting in FY 86. Costs for this program were included in the Governor's FY 85 operating budget for DNR at 140.0, which provides funding for two crop years - 1984 and 1985. At this time, both Senate and House DNR budgets include crop insurance funding.

The bill is favored by the Administration. Sharon Barton of the DNR is expected to be here to answer questions from the Committee.

# 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 336, An Act relating to state contributions toward the premium for federal crop insurance.

DATE: January 20, 1984

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On Monday, January 23, 1984 the Senate Resources Committee will hear SB 336, An Act relating to state contributions toward the premium for federal crop insurance.

In effect in Alaska since 1982, the Federal Crop Insurance Program protects against losses from natural disasters. During 1983, approximately 75% of the 12,000 Delta barley acres were insured, at an average cost of \$12 per acre. The federal government subsidizes 30% of each farmer's premium payment.

Under SB 336, the state would provide an additional 30% subsidy, which would reduce the insurance premium paid by the farmer. The corporation would calculate the state's premium share, and payments to the corporation would be through appropriations from the general fund.

The Division of Agriculture, Department of Natural Resources, estimates the cost to the state for its participation at \$140,000 for FY 85 (for the 1984 and 1985 crop years), \$80,000 for FY 86, and \$90,000 for FY 87. These figures are based on a total premium of \$12 per acre, with the state's share figured at \$4 per acre.

The meeting will be held at 3:00 pm in the Beltz Room.

# MEMORANDUM

# State of Alaska

TO: Senator Bettye Fahrenkamp

DATE: 1/19/84

FILE NO:

TELEPHONE NO:

FROM: *Bill Heim*  
Bill Heim, Director  
Division of Agriculture  
Department of Natural Resources

SUBJECT: S.B. 336

The administration requests that the following amendment be added to S.B. 336.

03.10.030 (c) An applicant for a short term loan may be required to purchase insurance through the Federal Crop Insurance program.

The Agricultural Revolving Loan Fund Board (ARLF) has been doing this on a selective basis during the past year. If this amendment was part of the statute it would give the ARLF Board a more solid base to require certain borrowers to participate in the Crop Insurance Program. Since the State is the major lender of operating funds to small grain farmers, the ARLF should make every effort to protect its collateral through the Crop Insurance Program.

cc: Sharon Barton, Special Assistant  
Dean Brown, Deputy Director

ct.

(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;

bers

(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;

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in respect of  
and the secu-

(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

# Alaska State Legislature

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## Senate

### Committee on Resources

#### MINUTES

January 11, 1984  
3:13 pm

House Resources  
Room 118, Capitol

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#### MEMBERS PRESENT

Senator Fahrenkamp, Chair	Rep. Ringstad, Co-Chair
Senator Ziegler, Vice Chair	Rep. Shultz, Co-Chair
Senator P. Fischer	Rep. Liska
Senator Mulcahy	Rep. Larson
Senator Sturgulewski	Rep. Cowdery
	Rep. Uehling

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#### CALENDAR

Overview of Federal Crop Insurance Program

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Merritt W. Sprague, Manager, Federal Crop Insurance Corporation, U.S. Department of Agriculture, explained how the program protects farmers against the adverse economic impact of severely reduced crop production due to natural disasters. The U.S. Department of Agriculture now subsidizes 30% of the premiums (at the 65% coverage level). The administrative costs of the program are paid from appropriated funds. 1982 was the first year the program was used in Alaska. In 1983, nearly two-thirds of Alaska's barley acres were insured. In 1984, the program will include wheat and oats. In the future, other commodities, including potatoes in the Tanana Valley, could be included.

Jack Knox, Federal Crop Insurance Corporation, Spokane, Washington, described how rates were set in Alaska and how they related to other parts of the country.

Bill Heim, Department of Natural Resources, Division of Agriculture, spoke in support of the program. He felt it would strengthen the Agricultural Revolving Loan Fund by guaranteeing that a producer will always be able to service his debt. The Governor supports the idea of state participation in the program.

Bill Beardsley, Department of Commerce and Economic Development, supported the idea of state participation because of the low administrative costs, the leveraged use of state funds, and the increased incentive to farmers to join. He was concerned that it was limited to barley, wheat and oats, and encouraged the inclusion of hay into the program.

Senator Rick Halford supported the idea of state participation in the program.

The meeting was adjourned at 4:12 pm.

# Alaska State Legislature

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ROBERT H. ZIEGLER, SR., Vice Chairman  
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## Senate

### Committee on Resources

#### MEMORANDUM

DATE: January 9, 1984

TO: Senate Resources Committee Members

FROM: Senate Resources Committee Staff

RE: Federal Crop Insurance Program

On Wednesday, January 11, at 3:00pm in the House Resources Committee Room (Room 118, Capitol), the Senate and House Resources Committees will be briefed on the Federal Crop Insurance Program.

The Federal Crop Insurance Program provides risk protection for crop producers nationwide. In effect since 1939, the program initially provided coverage on wheat, cotton, and flax. In 1980, Federal Crop Insurance was overhauled by the Federal Crop Insurance Act, which expanded the scope of the program, both in terms of crops insurable and areas insured, and authorized state participation in the program.

The current program protects against losses from natural disasters, freeze, wind, disease, drought, excess moisture and animal damage, and covers barley, oats, potatoes, forage, and nearly 30 other major crops. It essentially guarantees the farmer a certain income despite his actual crop yield. A guaranteed yield is determined based on average historical yields. Insurance coverage is provided on this guaranteed yield, which is limited to 50, 60, or 75% of the farm's average yield. In the event of a poor crop year, indemnities are paid on the difference between the producer's actual yield and his guaranteed yield. The settlement price, which is the dollar amount that will be paid on each bushel or pound that is not harvestable, is limited to 90% of the estimated harvest price.

Coverage of Delta area farmers' barley crop began with the 1981 crop year. (Coverage of the Pt. MacKenzie area and of oats and wheat is expected to begin in 1984.) During 1983, approximately 75% of the 12,000 Delta barley acres were insured, at an average insurance cost of \$12 per acre. Under the program, the federal government subsidizes 30% of each farmer's premium payment, on coverage of up to 65% of the farm's average yield. The 1980 Act authorized state participation in the program by allowing states to provide an additional subsidy (up to 30%) over and above the federal contribution.

Authorizing the State of Alaska to provide an additional 30% subsidy to Alaskan farmers would reduce the cost of crop insurance to the farmers, and since most farms are initially financed through the Agricultural Revolving Loan Fund, would conceivably help protect the state's collateral against natural disaster. The Division of Agriculture, Department of Natural Resources, estimates the cost to the state for its participation at \$140,000 for FY 85 (for the 1984 and 1985 crop years), \$80,000 for FY 86, and \$90,000 for FY 87. These figures are based on a total premium of \$12 per acre, with the state's share figured at \$4 per acre.

To date, Texas is the only other state to have introduced legislation that would authorize state participation in the Federal Crop Insurance Program.

## A CROP INSURANCE PRIMER

### BACKGROUND

The Federal Crop Insurance Corporation (FCIC), some 45 years old, is the Federal agency charged with administering a nationwide crop insurance program which is the American producer's primary source of risk protection.

The program, initially very limited, was overhauled by the Federal Crop Insurance Act of 1980, which authorized crop insurance coverage of every commercially grown crop in the U.S., plus timber, livestock, and aquiculture. Today, crop insurance coverage is offered on over 30 major crops in 3,000 U.S. counties. Virtually all former "disaster crop" acreage is or soon will be covered.

### HOW DOES IT WORK

A crop insurance policy can be designed to accommodate a producer's individual needs; more than 50 different coverage options are available.

**YIELD GUARANTEES.** The 1980 FCI Act limits crop insurance coverage to 75 percent of a producer's average yield. Crop insurance offers yield guarantees at 50, 65, or 75 percent of average yield.

Although the average yield on most crops is determined on an "area coverage" basis, FCIC's Board of Directors recently approved using a producer's actual production history as the sole basis for yield guarantees. Producers have often complained that area coverages are substantially lower than the production expectations on their farms, making crop insurance less desirable.

Actual production history will be used to determine guarantees on cotton and rice beginning in 1984; other insured crops will join the program by 1987.

**PRICE SELECTIONS.** A producer may select one of three different prices for his policy. Price selections are made for each crop by estimating the harvest price for the crop, and pegging the top value at 90 percent of that price. Price selections change annually and represent high, medium and low harvest price estimates.

**PREMIUMS.** Premiums are calculated to cover risk of loss and are adjusted periodically to account for changes in loss history. The FCI Act of 1980 requires that the crop insurance program be actuarially sound. To accomplish this, FCIC maintains a loss ratio (indemnities paid vs. premiums collected) goal of .90, with the remainder intended to cover catastrophic losses.

The Federal Government subsidizes producer premiums at 30 percent up to the 65 percent coverage level. The dollar subsidy at the 75 percent coverage level remains the same, but the percentage is understandably lower.

**INDEMNITIES.** Indemnities are paid whenever the producer's actual yield falls below his yield guarantee. The difference between the two yields is multiplied by the price election and the number of acres insured. The result is the indemnity due.

HAIL-FIRE OPT OUT. A producer carrying private hail-fire coverage may exclude such coverage from his policy and receive a commensurate premium reduction. Private hail-fire coverage, however, must be in an amount equal to or greater than that which would be provided under an FCIC policy.

CROP INSURANCE-POLICIES. Crop insurance policies are continuing contracts which renew automatically unless specifically cancelled in writing by the insured or insurer. Unpaid premiums may result in the cancellation of a policy if the account is not settled by a predetermined "termination date."

#### HOW IS IT DELIVERED

The FCI Act of 1980 established a dual delivery system for crop insurance, with each system utilizing the insurance resources of the private sector.

MASTER MARKETERS. General Sales and Service Agencies (known as Master Marketers) with at least 25 agents contract with FCIC to write policies on FCIC paper. Master Marketers provide management, supervision, contract servicing and quality control, and the Federal Government compensates the agencies on a commission basis.

Training for Master Marketing agents is provided by FCIC, and all such agents must be licensed and certified in the crops they intend to sell.

Additionally all loss adjustment functions on master marketer policies are carried out by FCIC.

REINSURED COMPANIES. Under this system, private Multi-Peril Crop Insurance Companies write crop insurance policies under their own brand names, but in identical terms and conditions as Master Marketers. The Federal Government reinsures the private companies against catastrophic loss and compensates them for sales and loss adjustment functions.

Reinsured companies provide marketing, distribution, servicing, training, quality control, premium collection and loss adjustment functions.

ASCS. In a small number of counties with marginal agricultural activity, ASCS will continue to provide crop insurance sales and service. As private delivery systems become available in these counties, it is anticipated that ASCS activity will be phased out.

SHARE OF BUSINESS. As more private companies handle the crop insurance line, the share of business written by reinsured companies will continue to grow. In crop year 1982, when relatively few MPCIC companies were writing crop insurance, reinsured companies accounted for only 20 percent of FCIC's total book of business. Although final crop year 1983 figures are not yet in, it is estimated that the reinsured share will increase to approximately 35 percent. For 1984, we expect reinsurance to continue to grow and account for approximately 45 percent of all crop insurance business.

## State Participation in Federal Crop Insurance

Unlike most other businesses, individual farmers have only limited control over the quantity of production or the prices received from their products. Farm income is more variable than any other national income category--six times more than non-farm proprietor's income. It takes only a 5 percent change in the aggregate quantity of production to cause a 25 percent change in net farm income.

The Federal Crop Insurance Act administered by USDA's Federal Crop Insurance Corporation (FCIC) complements provisions of the Farm Act which provides protection for farmers against price risk through its commodity loan and target price provisions. FCIC protects farmers against losses from natural disasters not provided for in the Farm Act. Farmers are assured of recovering, at a minimum, the lost capital they must have in order to continue farming--to buy the seed, fuel, and fertilizer that are the inputs of next year's food supply.

The Federal government through its system of ad hoc disaster assistance programs has accepted a role in providing assistance to farmers with the overriding purpose of stabilizing agriculture income which, in turn, benefits the entire economy by maintaining agricultural purchasing power for products produced by non-farmers which translates into increased food security for the American consumer.

The same logic can be applied to state governments which often provide programs and benefits to support various segments of the state economies.

This type of support in agriculture is not unprecedented. There are many combined local, state, and federal programs operating now involving research programs, informational programs, and direct aid programs all within the sphere of agriculture.

The insurance concept provided by FCIC provides a unique mechanism for such state-federal cooperation in the area of farm disaster and does not require exhaustive or expensive state systems of regulation.

Basically, the new law provides that state governments be given the opportunity to increase participation within their individual states in the comprehensive insurance program by providing additional subsidy incentive for farmers over and above the Federal contribution.

The Federal contribution is 30 percent of the premium cost up through the 65 percent of yield coverage level. An additional subsidy from a state for those farmers within that state would make the insurance more affordable and might encourage participation to be increased thus assuring a strong farm economy regardless of risk conditions.

This type of support could be accomplished by the states in a number of ways:

1. The state could make direct payments to the producers for a specified share of the farmer-paid portion of his premium which is paid to the Federal Crop Insurance Program. This would be in the form of a state "refund" for a pre-determined portion of that premium.
2. The state could provide tax credits for participating farmers on its State Income Tax returns. This would be regulated strictly within each state and would have no direct Federal connection other than added incentive.
3. The Federal government could bill each cooperating state for its share of the additional subsidy--to be determined initially by each state--at the time the acreage reports are processed and the extent of farmer participation in each state is determined for the crop year.

This would be similar to the Canadian plan, only the Federal Government bills the State, instead of the Province billing the Federal Government.

4. The State could offer the entire insurance plan, similar to the Canadian program, and FCIC or a Federal agency could act as a reinsurer and share in the cost to a pre-determined extent.

The side benefits beyond the farm sector to rural communities and urban areas would be enormous. The additional guarantees that farmers in the state would have to meet loan repayment obligations and to pay cash costs, even when crops fail, would stabilize the economic activity of local communities and strengthen the surrounding rural economy and, to a lesser degree, the urban economy.

\*\*\*\*

28/07/82

Statement of Merritt W. Sprague, Manager  
Federal Crop Insurance Corporation  
U.S. Department of Agriculture  
before the  
ALASKA HOUSE & SENATE COMMITTEE ON RESOURCES  
Juneau, Alaska  
January 11, 1984

The crop insurance program administered by the Federal Crop Insurance Corporation (FCIC), and agency of the U.S. Department of Agriculture, is the first line of defense against the adverse economic impact of severely reduced crop production due to natural disasters. Crop insurance replaces many of the disaster payment programs of the past. It is the kind of user-supported program, making maximum involvement of private sector participation, that is favored by many in today's society.

The crop insurance program is expected by Congress to be conducted as a business which follows sound insurance practices and principles. It is designed to provide farmers with dependable, equitable protection that utilizes taxpayer's support in the most cost-effective manner possible.

In keeping with the mandates of the 1980 Federal Insurance Act, much progress has been made toward expanding participation, increasing number and adequacy of insurance offers, building a professional, well-trained delivery system, and developing an effective agency which meets its responsibilities in a timely and efficient manner.

Crop insurance premiums are almost entirely used to pay losses or build reserves to cover future catastrophic loss situations. The premiums are cost-shared by the U.S. Department of Agriculture to a maximum extent of 30 percent at the 65 percent coverage level. The administrative costs of the crop insurance program, including all expenses related to sales, loss adjustment, and operations of the FCIC, are paid from appropriated funds and in effect, are a further indirect subsidy to the program.

Even without state subsidy, the cost of crop insurance to the producer is often less than the cost of the seed planted. Crop insurance is a

high-value, reasonably-priced package of protection which each and every producer needs to fully consider.

The Federal Crop Insurance program seems particularly designed for and should be very useful to farmers in Alaska considering the known risks of crop production in the Alaskan areas presently producing field crops.

Mid-summer frosts, early fall rain during harvest, and the acquired taste for barley by Buffalo seems to occur with some regularity in at least the Delta Junction area where the major portion of our insurance experience has been. Federal Crop Insurance has, since the 1982 crop year, been able to help Alaskan farmers respond to these unavoidable risks to crop production in the Delta Junction and Hatanuska Valley areas. Our 1983 program provided for protection from all of the natural risks on approximately 70 percent of the planted acres in the primary crop producing areas of the state. This was accomplished through a partnership between the Federal Crop Insurance Corporation and insured farmers -- both sharing in the premium costs.

As I indicated earlier, our current legislation provides for the Federal Government to participate in approximately 30 percent of the total premium payment. The intent of the proposed Alaska legislation is to provide this same premium partnership between the Alaska State Government and Alaskan farmers. This is a long range plan for a risk sharing partnership between Alaskan farmers and the legislative body which also created the legislation which provided for the development of cropland from forest ground. It is my understanding most of the area producing field crops (barley) has been developed from native forest land during recent years and much more cropland development is planned for the future.

It would be our intent that this long range partnership and risk management plan should not become a tax burden to the citizens in the great state of Alaska. Rather, this proposal would allow the Alaska State Government to make an annual investment in a three-way partnership along with Alaskan farmers and the Federal Government to help manage the considerable risks of growing field crops.

Today's crop insurance is greatly improved and can serve as a very important part of producer's risk management plan. Everyone would benefit from greater

participation; farmers most especially. Lenders are in greater numbers requiring crop insurance as a condition for farm operating loans because such insurance helps protect their investment in agriculture.

Crop insurance provides individual farmers significant help in resolving cash flow problems when production problems arise. This will further strengthen the local agricultural economies. For example, farmers will be able to meet financial obligations to the Alaska Revolving Loan Fund by insuring against crop loss due to natural hazards.

We in crop insurance have increased our level of commitment to Alaskan farmers as we have expanded the areas and crops insurable in Alaska effective for the 1984 crop year. During 1984, for the first time Federal Crop Insurance may be obtained by any Alaskan farmer producing wheat or oats, wherever they are located in the state, simply by letting us know his need.

The ultimate result of this proposed legislation will be to provide Alaskan State Government support for the tremendous efforts of individual Alaskan farmers to produce field crops on a commercial basis to meet future needs.

The FCIC will work with the State of Alaska to minimize administrative expenses associated with state support for crop insurance. The only required administrative costs to the state should relate to the preparation and transmission of payments by the state to FCIC on the behalf of Alaska producers.

In summary, the bill being discussed today should lead to greater participation by Alaska producers in the crop insurance program. The reduced cost to the producer should make it far more attractive to individual farmers. It will be a higher value package in relation to its cost.

Increased participation will mean that the needs of producers for risk management protection will be better met. This is particularly significant in view of the absence of other disaster payment programs. Also, increased risk protection for more Alaskan farmers will have a beneficial impact on other segments of your economy whose viability depends on a healthy agriculture.

The recent improvements in crop insurance contracts and operational procedures make crop insurance more attractive than ever to producers. The need for financial protection in uncertain economic times is greater than ever. As a result, high levels of participation in crop insurance are vital to the protection and maintenance of the modern agricultural economy. The bill, which would provide additional incentives to participation in crop insurance, should benefit all segments of Alaska society.

We, at FCIC, are committed to working with you in any appropriate fashion in what we consider to be a major initiative to help Alaska producers. We commend you for your foresight and efforts. I thank you for this opportunity to appear before the committee.



United States  
Department of  
Agriculture

Federal Crop  
Insurance  
Corporation

Office of the  
Manager

Washington, D. C.  
20250

TO: Interested Parties  
FROM: Manager  
SUBJECT: State Participation in Federal Crop Insurance

Background:

The Federal Crop Insurance Act, as amended October 1, 1980, provides under Section 508(b) (5) that:

"The Board (of Directors) may enter in to agreements with any State or agency of a State under which such State or agency may pay to the Corporation additional premium subsidy to further reduce the portion of the premium paid by farmers in each State."

Discussion:

There are presently four methods available to the Corporation to accommodate states desiring to participate in this program:

1. The State could make direct payments to the producers for a specified share of the farmer-paid portion of his premium which is paid to the Federal Crop Insurance Program. This would be in the form of a State "refund" for a pre-determined portion of that premium.
2. The State could provide tax credits for participating farmers on its State Income Tax returns. This would be regulated strictly within each State and would have no direct Federal connection other than added incentive.
3. The Federal government could bill each cooperating State for its share of the additional payment--to be determined initially by each State--at the time the acreage reports are processed and the extent of farmer participation in each State is determined for the crop year.
4. The State could offer the entire insurance plan and FCIC or a Federal agency could act as a reinsurer and share in the cost to a pre-determined extent.



The Federal Crop Insurance  
Corporation is an agency of the  
Department of Agriculture

**Conclusion:**

The Corporation will provide any information needed by states participating in this program in order to facilitate the process and will work directly with State officials to meet their particular needs. Following is an example of the Corporation's work with officials to establish a program in their State:

A State wished to explore the possibility of providing assistance to farmers. Officials contacted us and asked that we provide estimated premium volume in their State for the current and two succeeding years. They selected option 3 as their preferred method of compensating insured farmers. At their request, we met with budget personnel and the Comptroller of that State to assist them in arriving at dollar needs over the next two years and determining the mechanism and frequency of billing for amounts due the Corporation. We also offered suggestions concerning courses of action in the event that demand exceeded funds available. At this point in time a bill is now before the State Legislature for consideration.



United States  
Department of  
Agriculture

Federal Crop  
Insurance  
Corporation

Spokane  
Field Actuarial  
Office

W. 112 University Rd.  
Suite 200  
Spokane, Washington 99206

535-4031

To: Merritt W. Sprague, Manager  
FCIC, Washington, D. C.

August 25, 1983

Attention: Dennis Lynn, Comptroller

Subject: Alaska Proposed Legislation  
(Conversation Knox -- J. W. Ellis)


With regards to the proposed Congressional Affairs and Legislation Division of FCI meeting with Alaskan agriculture officials to explain the advantages of Alaskan legislation subsidizing premiums paid by farmers, it has come to our attention that specific crop acreage, yields, and historical data is unavailable to your office as Alaska does not have a strong data bank of such information as it is "new" on the agriculture scene.

The attached information was put together using existing Alaska Statistical Reporting Service (SRS) data, present insurance premium rates, participation levels, and the following assumptions:

1. FCI Management will approve additional crops for insurance purposes in Alaska 1982-1990.
2. Alaska cropland eligible for insurance purposes will expand at the rate of 10 percent per year 1982-1990 inclusive.
3. Projected actuarial information, i.e. percent of participation, production guarantee's, settlement price election, and crop premium rates are based upon existing programs and projected risk rate levels as viewed by SFAO Director Knox.

With regards to data shown on attachment 5, base year of 1981 was used as it more closely fits the "norm" than 1982 due to extreme climatic conditions during 1982 crop year.

If Mr. Lynn, or one of his staff, has any questions with regards to this situation or wishes further verification, please contact Mr. Knox.

  
Leroy F. Knox  
Director

Attachments (5)



The Federal Crop Insurance  
Corporation is an agency of the  
Department of Agriculture

BARLEY - ALASKA 1975-1981  
(Total State Acres through 1982)

District	Year	Area Planted Acres	Area Harvested for Grain				Value (000)
			Acres	Yield Bu.	Bu. (000)	Production Cwt.	
Tanana Valley	1975	300	250	21.7	5.4	2,600	23.4
	1976	157	175	34.3	6.0	2,900	26.0
	1977	1,350	1,300	47.6	61.9	29,700	240.0
	1978	2,500	2,450	33.9	83.1	39,900	310.0
	1979	4,400	4,080	45.6	186.0	89,300	536.0
	1980	12,500	10,600	29.2	309.6	148,600	904.0
	1981	15,600	5,800	32.9	191.0	91,700	774.0
Matanuska Valley	1975	1,200	1,200	52.4	62.9	30,200	255.0
	1976	1,175	1,125	54.2	61.0	29,300	235.0
	1977	1,720	1,300	49.3	64.1	30,800	239.0
	1978	1,710	1,550	43.2	66.9	32,100	260.0
	1979	2,050	1,720	58.7	101.0	48,500	325.0
	1980	1,400	900	32.7	29.4	14,100	113.0
	1981	900	700	38.6	27.0	13,000	120.0
Kenai Peninsula	1975	100	50	33.3	1.7	800	8.6
	1976	50	-	-	-	-	-
	1977	30	-	-	-	-	-
	1978	90	-	-	-	-	-
	1979	50	-	-	-	-	-
	1980	100	-	-	-	-	-
	1981	-	-	-	-	-	-
State Total	1975	1,600	1,500	47.0	70.0	33,600	287.0
	1976	1,400	1,300	51.5	67.0	32,200	261.0
	1977	3,100	2,600	48.5	126.0	60,500	479.0
	1978	4,300	4,000	37.5	150.0	72,000	570.0
	1979	6,500	5,800	49.5	287.0	137,800	861.0
	1980	14,000	11,500	29.5	339.0	162,700	1,017.0
	1981	16,500	6,500	33.5	218.0	104,700	894.0
	1982	8,500					

OATS - ALASKA 1975-1981  
(Total State Acres through 1982)

District	Year	Area Planted Acres	Area Harvested for Grain				Production Cwt.	Value (000)
			Acres	Yield Bu.	Bu.	(000)		
Tanana Valley	1975	3,000	250	37.2	9.3	3,000	24.5	
	1976	2,900	250	39.2	9.8	3,100	24.5	
	1977	1,500	300	44.8	13.4	4,300	35.5	
	1978	2,000	450	48.6	21.9	7,000	57.5	
	1979	400	150	54.2	8.1	2,600	19.0	
	1980	2,100	450	42.9	19.3	6,200	52.0	
	1981	5,100	300	47.7	14.3	4,600	39.0	
Matanuska Valley	1975	900	150	50.0	7.5	2,400	19.5	
	1976	700	50	43.8	2.2	700	5.5	
	1977	800	100	62.0	6.2	2,000	15.5	
	1978	600	150	45.8	6.9	2,200	21.5	
	1979	500	150	50.0	7.5	2,400	22.0	
	1980	600	150	45.3	6.8	2,200	29.0	
	1981	600	200	37.0	7.4	2,400	26.0	
Kenai Peninsula	1975	400	-	-	-	-	-	
	1976	400	-	-	-	-	-	
	1977	500	-	-	-	-	-	
	1978	500	-	-	-	-	-	
	1979	300	-	-	-	-	-	
	1980	400	-	-	-	-	-	
	1981	300	-	-	-	-	-	
State Total	1975	4,300	400	42.0	16.8	5,400	44.0	
	1976	4,000	300	40.0	12.0	3,800	30.0	
	1977	2,800	400	49.0	19.6	6,300	51.0	
	1978	3,100	600	48.0	28.8	9,200	79.0	
	1979	1,200	300	52.0	15.6	5,000	41.0	
	1980	3,100	600	43.5	26.1	8,400	81.0	
	1981	6,000	500	43.5	21.7	7,000	65.0	
	1982	3,200						

POTATOES - ALASKA 1975-1981  
(Total State Acres through 1982)

District	Year	Area		Production	
		Harvested Acres	Yield Cwt.	Cwt.	Value (000)
Tanana Valley	1975	120	125	15,000	210.0
	1976	95	108	10,300	135.0
	1977	95	103	9,800	123.0
	1978	125	135	16,900	223.0
	1979	110	159	17,500	254.0
	1980	95	129	12,300	247.0
	1981	80	110	8,800	191.0
Matanuska Valley	1975	390	230	89,700	1,038.0
	1976	400	196	78,500	927.0
	1977	405	253	102,300	1,163.0
	1978	300	205	61,500	688.0
	1979	330	190	63,800	745.0
	1980	340	184	62,700	1,176.0
	1981	395	204	80,500	1,591.0
Kenai Peninsula	1975	20	200	4,000	56.0
	1976	15	147	2,200	30.0
	1977	20	145	2,900	37.0
	1978	25	105	2,600	21.0
	1979	20	185	3,700	47.0
	1980	25	80	2,000	40.0
	1981	25	228	5,700	118.0
State Total	1975	530	205	108,700	1,304.0
	1976	510	178	91,000	1,092.0
	1977	520	222	115,000	1,323.0
	1978	450	180	81,000	932.0
	1979	460	185	85,000	1,046.0
	1980	460	167	77,000	1,463.0
	1981	500	190	95,000	1,900.0
	1982	480			

FORAGE  
ALL HAY - ALASKA 1975-1981  
(Total State Acres through 1982)

District	Year	Area		Production	
		Harvested Acres	Yield Tons	Tons	Value (000)
Tanana Valley	1975	4,600	1.72	7,900	979.0
	1976	4,350	1.50	6,800	788.0
	1977	3,600	1.39	5,000	635.0
	1978	3,850	1.53	5,900	711.0
	1979	3,000	1.03	3,100	380.0
	1980	4,900	.86	4,200	580.0
	1981	6,200	1.39	8,600	1,317.0
Matanuska Valley	1975	7,600	1.45	11,000	1,420.0
	1976	7,350	1.33	9,800	1,268.0
	1977	6,570	1.92	12,600	1,670.0
	1978	6,600	1.00	11,900	1,578.0
	1979	6,200	1.73	10,700	1,420.0
	1980	6,250	1.34	8,400	1,160.0
	1981	6,200	1.55	9,600	1,595.0
Kenai Peninsula	1975	2,050	1.17	2,400	370.0
	1976	1,900	1.00	1,900	255.0
	1977	2,030	1.43	2,900	462.0
	1978	1,650	1.52	2,500	349.0
	1979	1,400	1.29	1,800	232.0
	1980	1,450	1.38	2,000	300.0
	1981	1,900	1.00	1,900	304.0
Southwest <u>1/</u>	1975	150	.67	100	13.0
	1976	100	1.00	100	14.0
	1977	100	1.00	100	14.0
	1978	100	1.00	100	14.0
	1979	200	1.00	200	22.0
	1980	200	2.00	400	60.0
	1981	100	1.00	100	16.0
State Total	1975	14,400	1.49	21,000	2,782.0
	1976	13,700	1.36	18,600	2,325.0
	1977	12,300	1.67	20,600	2,781.0
	1978	12,200	1.67	20,400	2,652.0
	1979	10,800	1.46	15,800	2,054.0
	1980	12,800	1.17	15,000	2,100.0
	1981	14,400	1.40	20,200	2,232.0
	1982	13,100			

1/ Includes Southeast.

Cr/Yr	Acres	80% Insured	Bushel Guarantee	Settlement Price Election	Premium Rate	Projected Premium Subsidy
<u>Barley</u>			30	\$2.60	.20	.30
1981	16,500	13,200	396,000	\$1,029,600 Liability		\$ 62,000
1985	24,000	19,200	576,000	1,497,600 Liability		90,000
1990	38,700	30,960	928,800	2,414,880 Liability		145,000
<u>Oats</u>			50	\$1.70	.20	.30
1981	6,000	4,800	240,000	\$ 408,000 Liability		\$ 24,500
1985	8,800	7,000	352,000	598,400 Liability		35,900
1990	14,200	11,400	568,000	965,600 Liability		58,000
<u>Potatoes</u>			150 Sacks	\$4.00	.25	.30
1981	500	400	60,000	\$ 240,000 Liability		\$ 18,000
1985	800	640	96,000	384,000 Liability		28,800
1990	1,300	1,040	156,000	624,000 Liability		46,800
<u>Forage (All Hay)</u>			.8 Tons	\$45.00	.25	.30
1981	14,400	11,520	9,200	\$ 414,000 Liability		\$ 31,000
1985	21,000	16,800	13,440	604,800 Liability		45,400
1990	33,800	27,040	21,600	972,000 Liability		72,900
<u>Total Acres -- all 4 crops</u>				Total Projected Premium Subsidy -- all 4 crops (based on our expansion assumptions)		
1981	37,400			1981	\$135,500	
1985	54,600			1985	200,100	
1990	88,000			1990	322,700	

412.50

13.60

10.70

7.20

Offered: 1/26/84  
Referred: Finance

Original sponsors: Moss, Kerttula  
and Fahrenkamp

1 IN THE SENATE BY THE RESOURCES COMMITTEE  
2 CS FOR SENATE BILL NO. 336 (Resources)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 THIRTEENTH LEGISLATURE - SECOND SESSION  
5 A BILL

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

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

9 \* Section 1. AS 03.10.030(c) is amended to read:

10 (c) A short term loan, to be amortized within one year, not to  
11 exceed \$350,000 to any one borrower may be made for operating  
12 purposes, except that a loan made under this subsection may not exceed  
13 \$200,000 unless the loan is made to a borrower in a farm disaster area  
14 declared under AS 03.10.058. An applicant for a short term loan may  
15 be required to purchase insurance through the Federal Crop Insurance  
16 Act (7 U.S.C. 1501-1520) as a condition of the loan.

17 \* Sec. 2. AS 03 is amended by adding a new chapter to read:

18 CHAPTER 13. FEDERAL CROP INSURANCE CONTRIBUTIONS.

19 Sec. 03.13.010. AGREEMENT WITH FEDERAL CROP INSURANCE CORPO-  
20 RATION. The department shall enter into an agreement with the Federal  
21 Crop Insurance Corporation under which the department agrees to pay to  
22 the corporation a portion of federal crop insurance premiums paid by  
23 producers of agricultural commodities in this state. The agreement  
24 shall provide for a corresponding reduction in the federal crop insur-  
25 ance premium paid by those producers.

26 Sec. 03.13.020. AMOUNT OF CONTRIBUTIONS. Under the agreement,  
27 the department shall pay to the corporation for each covered producer  
28 an amount equal to the amount that the corporation pays for that  
29 producer under 7 U.S.C. 1508(b)(3) of the Federal Crop Insurance Act

1 (7 U.S.C. 1501 - 1520), except as provided otherwise in this chapter.

2 Sec. 03.13.030. LIMITATION. Thirty percent of each producer's  
3 premium, as calculated by the corporation, on coverage of up to 65  
4 percent of the recorded or appraised average yield, as adjusted, shall  
5 be paid by the state.

6 Sec. 03.13.040. APPROPRIATIONS. (a) The payments to the corpo-  
7 ration shall be made from funds appropriated from the general fund to  
8 the department for that purpose.

9 (b) If for any year the amount appropriated is insufficient to  
10 fully fund the contribution required by AS 03.12.020, the department  
11 shall allocate funds on a first come basis.

12 Sec. 03.13.050. DEFINITIONS. In this chapter, "corporation"  
13 means the Federal Crop Insurance Corporation (7 U.S.C. 1503).

14 \* Sec. 3. This Act takes effect immediately in accordance with AS 01.-  
15 10.070(c).

Introduced: 1/9/84  
Referred: Resources and  
Finance

BY MOSS, KERTTULA  
AND FAHRENKAMP

1 IN THE SENATE

2

SENATE BILL NO. 336

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to state contributions toward the  
7 premium for federal crop insurance; and providing for  
8 an effective date."

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

10 \* Section 1. AS 03 is amended by adding a new chapter to read:

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12 Sec. 03.13.010. AGREEMENT WITH FEDERAL CROP INSURANCE CORPO-  
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