

H B

276

I. REQUEST

Bill/Resolution No.: HB 276
 Title: An act amending the ag loan act
 Sponsor: Schultz and others
 Requestor: _____

II. FISCAL DETAIL

Agency Affected: DNR
 Program Category Affected: ARLF
 BRU, Program of Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING		-0-	-0-	-0-		
CAPITAL		-0-	-0-	-0-		
REVENUE		-0-	-0-	-0-		

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Sharon Barton Phone: 465-2400
 Division: Commissioner's Office Date: 4-7-83
 Approved by Commissioner: _____ Date: 4-7-83
 Department: Natural Resources

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- (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 inserted "clearing land for agricultural amendment, effective June 25, 1982, 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;
- (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 by § 72 ch 113 SLA 1982.

(c) A short term loan, to be amortized within one year, not to exceed \$200,000 to any one borrower may be made for operating purposes.

(d) Repealed by § 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

APPENDIX A

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF AGRICULTURE
AGRICULTURAL REVOLVING LOAN FUND
TYPE OF LOANS AND TERMS
For the Fiscal Year Ended June 30, 1982

Loan Types and Terms

As specified by AS 03.10.030, the following six types of loans are made:

<u>Type</u>	<u>Limit</u>	<u>Current Interest Rate</u>	<u>Terms</u>	<u>Purpose</u>
Short-term	\$200,000	Not addressed	1 year	Operation of farm
Chattel	Total outstanding balance may not exceed \$1,000,000 when added to other loans	(Note 1)	30 years	Animals, equipment
Farm Development			30 years	Land, improvements, buildings
Irrigation			30 years	Irrigation equipment
Farm Product Processing	\$250,000	Not less than 8%	30 years	Processing of agricultural products
Land Clearing	\$250,000	Not less than 8%	20 years	Clear land for planting

Note 1: Chapter 113, SLA 1982, effective June 25, 1982, amended the statutory interest rate to not less than eight percent or more than commercial rate, unless the commercial rate is eight percent or less. The Commissioner may establish interest rates for loans within these statutory guidelines.

TELEGRAM

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02289

I AM IN RECEIPT OF YOUR LETTER CONVEYING RECOMMENDATIONS MADE BY THE AGRICULTURE TASK FORCE AT THEIR FIRST MEETING. AS YOU KNOW I HAVE ALREADY EXPRESSED SUPPORT OF THE RAISING OF THE LOAN LIMIT AS PROPOSED BY CSSB 124. WITH REGARD TO YOUR URGING SUPPORT OF THE GRAIN RESERVE LEGISLATION, I AM INCREASINGLY PURSUADED THAT SOME MARKET CERTAINTY IS IMPORTANT FOR THE UPCOMING PLANTING SEASONS AND THAT ACTION BE TAKEN PROMPTLY. I WOULD BE WILLING, THEREFORE, TO CONSIDER A ONE YEAR PROGRAM THAT WOULD PROVIDE THE ASSURANCE NEEDED FOR THIS YEARS PLANTING BUT WOULD TERMINATE AFTER ONE YEAR. THIS WILL ALLOW TIME FOR THE TASK FORCE AND THIS ADMINISTRATION TO FORMULATE A LONG TERM AGRICULTURAL POLICY FOR ALASKA. I HAVE INSTRUCTED THE APPROPRIATE COMMISSIONERS AND STATE OFFICIALS TO WORK TOGETHER TO DEVELOP A PROGRAM AND ADVISE ME THIS WEEK WHAT REASONABLE STEPS MIGHT BE TAKEN TO SOLVE THE IMMEDIATE NEEDS OF THE FARMERS.

BILL SHEFFIELD, GOVERNOR



MEMORANDUM

State of Alaska ¹⁴ 14 1983

TO: The Honorable Bettye Fahrenkamp
Alaska State Senate

DATE: March 14, 1983

FILE NO:

TELEPHONE NO

FROM: Sharon L. Barton *SB*
Special Assistant
Department of Natural Resources

SUBJECT: SB 124

While the Department does not have a big problem with the \$300,000 operating loan limit, we feel that under normal circumstances the \$200,000 is still sufficient. The ARLF Board concurs in this view. As an alternative to raising the maximum, we recommend leaving in the disaster provision of SB 124 and expanding it to authorize the waiving or raising of the \$200,000 maximum in case of a declared area disaster. To accomplish the purpose of this legislation, language should be drafted in such a way that offers relief in the current situation at Delta.

MAR 14 1983

STATE OF ALASKA
PRELIMINARY STATEMENT OF FISCAL IMPACT

Bill No: CSSE 124 Date of Bill: 2-14-83
Title: An Act amending the Alaska Agricultural Loan Act etc.
Sponsor: Moss
Requestor: _____

1. Estimated fiscal impacts on:

a. Expenditures:

(Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86
Capital				
Operating				
TOTAL		-0-	-0-	-0-

b. Revenues:

Revenue				
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2. Source of funds to offset fiscal impact of bill:

3. Assumptions:

4. Disclaimer:

This statement has not been reviewed by the OMB in the Office of the Governor. It therefore does not represent the final estimate of fiscal impact.

Prepared By: Sharon Barton Phone: 465-2400
Division: Commissioner's Office Date: 3-15-83

Approved ^{For} Commissioner: [Signature] Date: 3-15-83
Department: Natural Resources

5. Distribution:

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2/15/83

Alaska State Legislature



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JUNEAU, ALASKA 99811
(907) 465-3834
(907) 465-3835

Senate

Committee on Resources

TO: Senate Resources Committee Members
FROM: Senate Resources Committee Staff
RE: Committee Substitute for SB 124,
Amending the Alaska Agricultural Loan Act
DATE: March 11, 1983

Attached is a Committee Substitute for SB 124 which will be considered by the Committee at a meeting which will be held Monday, March 14 at 3:00 p.m. in the Beltz Room.

The Committee Substitute contains only the following provisions:

- 1) reduces the terms for chattel loans from 30 years to 7 years maximum;
- 2) increases the maximum short term loan for operating purposes from \$200,000 to \$350,000

The first provision was supported by the Administration and the bill's sponsor as being consistent with the normal life of "chattel". The second provision is intended to provide short-term relief for those farmers who cannot borrow additional monies for seed this spring without exceeding the maximum short-term borrowing limits.

All provisions relating to reduction in interest rates and changes in the composition and operations of the Loan Board were deleted.

It is hoped that final Committee action could be taken on SB 124 at the Monday meeting.

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

POUCH M
JUNEAU, ALASKA 99811
PHONE: (907) 465-2400

March 31, 1983

The Honorable Richard Shultz
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Representative Shultz:

In preparation for the House Resources Committee hearing on HB 276, I would like to offer the following comments on behalf of the Department of Natural Resources:

1. The proposed legislation reduces the term for chattel loans from thirty to ten years. While the Department supported the reduction of term to seven years in SB 124, we believe that fifteen years will exceed the expected useful life of most chattel. Therefore, we would prefer a term of seven years.

2. We support raising the maximum to \$300,000 (as proposed in SB 124) or \$350,000 for operating loans, since that would allow the Board the flexibility to offer larger loans if an operation is large enough to warrant that amount. It should be noted, however, that the \$200,000 maximum represents more than the maximum recommended debt burden for short term monies at the expected level of production on any one farm unit at Delta this year.

If the objective of HB 276 is to offer relief in the current situation at Delta, we would further recommend a disaster provision authorizing the Department to waive or extend the operating limit in times of a declared disaster. The Department is already authorized to waive payments of principal and interest for up to five years.

We will be available to testify on this bill as needed.

Sincerely,



Sharon L. Barton
Special Assistant
to the Commissioner

