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342



# Alaska State Legislature

## House of Representatives

Official Business

Pouch V  
State Capitol  
Juneau, Alaska 99811

### M E M O R A N D U M

TO: House Resources Committee Members

FROM: Committee Staff

DATE: April 18, 1984

RE: Sectional Analysis of CS SB 342(finance), Alaska Agricultural Loan Act

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Section 1. Establishes two new categories which can receive loans under this act; horticultural businesses and fur farming businesses. The bill also reorganizes AS 03.10.010(1).

Section 2. Defines exactly in the definition section of this act "horticultural products". "Horticultural products" means vegetables, fruit plants, grass seed, sod, tree seedlings, ornamental plants, foliage, or flowering plants, grown in a greenhouse or nursery.

Section 3. Allows for an extension to a short term loan made under this act. A loan may be extended for up to three years by the agricultural revolving loan fund board.

Section 4. Redefines the qualifications for a loan for clearing land. Allows loans to be made for all land having agricultural potential for the production of annual crops, hay, or for pasture. Current statutes allow loans for clearing land classified only as class III or better.



# Alaska State Legislature

HOUSE OF REPRESENTATIVES  
COMMITTEE ON RESOURCES

JOHN RINGSTAD, CO-CHAIRMAN  
RICHARD SHULTZ, CO-CHAIRMAN  
POUCH V  
JUNEAU, ALASKA 99911  
(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.

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

REQUEST

Bill/Resolution No.: SB 342  
 Title: Amending the Ak. Agr. 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
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>		-0-	-0-	-0-		
<b>CAPITAL</b>		-0-	-0-	-0-		
<b>REVENUE</b>		-0-	-0-	-0-		

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

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. Small, 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

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

### Committee on Resources

#### MINUTES

January 25, 1984  
3:03 pm

Beltz Room  
Room 211, Capitol

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#### MEMBERS PRESENT

Senator Fahrenkamp, Chairman  
Senator Ziegler, Vice Chair  
Senator V. Fischer  
Senator Paul Fischer  
Senator Mulcahy  
Senator Sturgulewski

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#### CALENDAR

- SB 322 An Act relating to the Alaska Agricultural Loan Board; and providing for an effective date.
- SB 342 An Act amending the Alaska Agricultural Loan Act.
- SB 339 An Act repealing the expiration date of the Agricultural Action Council; and providing for an effective date.
- SB 358 An Act amending the expiration date of the Alaska Agricultural Action Council.

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#### TELECONFERENCED TO:

Fairbanks  
Delta  
Palmer/Wasilla

Anchorage  
Homer  
Soldotna

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Senator Kerttula testified in support of SB 322. He said the geographic areas where agricultural development exists have expanded and suggested the Governor appoint two more members to represent farmers from those areas.

Senator Faiks testified in favor of SB 342. She answered questions about the bill and also supported the Kerttula amendment regarding soil classification.

Bob Arnold, Deputy Commissioner, Department of Natural Resources, acknowledged that SB 342 would create a greater demand on the Agricultural Revolving Loan Fund and asked for clarification from the Legislature on granting loans for non-food products.

Steve Shroopshire, Alaska Horticulture Association, spoke in support of SB 342. He felt the definition of "agriculture" should include horticulture.

Mavor Bill Allen, Fairbanks North Star Borough, supported all the bills before the Committee. He urged the continuation of the Alaska Agricultural Action Council and the expansion of the agricultural loan program.

Frank Geiger, Mavor, Delta Junction, spoke in support of all four bills. He recommended that two Boards be established, one for the Interior and one for the rest of the state.

Richard Ramsey, Aide to Senator Kerttula, testified in support of Kerttula's proposed amendment to SB 342. This amendment would allow more lands to be eligible for clearing loans.

Edna Anderson, Homer, recommended passage of SB 339 and SB 358 and said she agreed with Mavor Allen's comments.

Pete Roberts, Homer, supported Kerttula's proposed amendment to SB 342.

Ed Merdes, Fairbanks, supported all the bills being heard. He introduced the idea of "production incentives" to lower costs of production and make our crops more competitively priced.

Pat Mulligan, President, Alaska Farmers and Stock Growers, spoke in support of SB 342 and horticulture.

Bill Heim, Director, Division of Agriculture, DNR, wanted legislative guidance, through SB 342, on the expansion of the loan program. He supported Kerttula's proposed amendment to SB 342. Regarding SB 322, he recommended that the two new members be from Delta and Fairbanks.

Ken Ulz, Kobuk Fuel and Feed, spoke in support of all the bills being heard. He felt fur ranching was just as valid as any other ranching enterprise.

Bruce Willard, Homer, supported the continuation of the Alaska Agricultural Action Council.

Harry Wassink, Anchorage, proposed raising the cap on ARLF loans, particularly for dairy farmers.

Sig Restad, Agricultural Experimental Station, Palmer, testified in support of the four bills before the Committee.

Burton L. Clifford, U.S Department of Agriculture (USDA).  
spoke in support of all of the bills.

Carrol Martin, Soldotna, testified in support of all the bills heard today.

Jerry Giaucue, Palmer, spoke in support of all the bills.

Terry Weiland, Palmer, supported SB 339 and SB 358 and also wanted the cap raised on ARLF loans.

Jerry Brehmer, Delta, was in favor of all of the bills.

Vincent O'Reilly, Deputy Commissioner, Department of Commerce and Economic Development, testified that the Administration supports agricultural development. They are currently reexamining the program, trying to focus on in-state market needs. He felt that coordinating that effort should be done by the line agencies, specifically the Department of Natural Resources and the Department of Commerce and Economic Development, rather than the Alaska Agricultural Action Council.

Annelv Girard, Palmer, testified that farmers need to diversify. She felt the passage of SB 342 would allow them to do that. She spoke of growing shrubs and fast growing trees such as poplars in greenhouses for use as windbreaks.

Bob Arnold, Deputy Commissioner, Department of Natural Resources, spoke again to concur with Vincent O'Reilly, Deputy Commissioner, Department of Commerce and Economic Development, that the functions of the Alaska Agricultural Action Council can be better carried out by the line agencies, particularly the Department of Natural Resources.

The meeting adjourned at 4:42 pm.

SB 312

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

Section	Section
10. Declaration of policy	40. Creation of fund
20. Powers of the department	50. Administration of fund
30. Limitations on loans	52. Limitation on board members
35. Use or disposal of mortgaged farm land	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)

*Amendments*

**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;

(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 1982)

**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

(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	Section
10. Alaska grain reserve program established	50. Administration of fund
20. Duties of the department	60. Regulations
30. Conditions on loans	70. Administrative Procedure Act
40. Alaska grain reserve loan fund	200. Definitions

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**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.

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**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.