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47

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: 4/16/84

REQUEST

Bill/Resolution No.: SSSB 47
Title: Reimbursement for land clearing

Sponsor: Sen. Moss
Requestor: _____
Date of Request: _____

FISCAL DETAIL

Agency Affected: Natural Resources
Program Category Affected: NRMEC

BRU, Program or Subprogram(s) Affected: Agriculture Management

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	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	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:

The delay in payments will reduce revenues in near term but all loans will remain payable in full.

ANALYSIS: Attach a separate page for analysis

Prepared By: Ed Kern Phone: 745-7200
Division: Agriculture Date: 4/16/84

MA Approved by Commissioner: Wm D. Amodeo, Deputy Date: 4/16/84
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

Sectional Analysis
of CSSSB 47(Res)am:

"An Act relating to reimbursement for the cost of land clearing; and providing for an effective date."

Section 1. Describes the conditions which must be met for a land owner to be granted a moratorium up to three years on the principal payments for reimbursement to the state of the cost of land clearing activities.

- (a) A land owner must have contracted before January 1, 1984 with the Alaska Agricultural Action Council under AS 44.33.470(8) and must apply to the agriculture revolving loan fund board.
- (b) The land owner must have 1,000 acres of 50 percent of their tillable acres, whichever is less, in production at the time of application for and during the moratorium granted.
- (c) The land owner must be in compliance with the development plan set out in the owners contract at the time of application for and during the moratorium granted.
- (d) A moratorium may not be granted after July 1, 1987.

Section 2. Provides that the Act is effective immediately.

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

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Sponsor: Sen. Moss
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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:

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ANALYSIS: Attach a separate page for analysis

Prepared By: Ed Kern Phone: 745-7200
Division: Agriculture Date: 4/16/84

MH Approved by Commissioner: Wm D. James, Deputy Date: 4/16/84
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

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

SENATE BILL 47

"An Act relating to reimbursement for the cost of land clearing; and providing for an effective date "

This bill provides for a three year moratorium on the principal payments for reimbursement to the state of the cost of land clearing activities contracted through the Alaska Agricultural Action Council.

The first section of the bill describes the following conditions which must be met for a land owner to be granted the moratorium:

- (a) A land owner must have entered their contract with the AAAC before January 1, 1984 and must apply to the agriculture revolving loan fund board for the moratorium.
- (b) The land owner must have 1,000 acres or 50 percent of their tillable acres, whichever is less, in production at the time of application for and throughout the moratorium.
- (c) The land owner must be in compliance with the development plan set out in the original contract at the time of application for and throughout the moratorium.
- (d) The moratorium may not be granted after July 1, 1987.

These conditions ensure that only those who are working their land and, by doing so, improving both their, and the state's, investment in Alaska's agricultural industry, will be eligible.

This legislation will cover the Ag Action Council's land clearing contracts on the Delta and Point McKenzie projects as they become due this year and in 1986. By the July 1, 1987 deadline, all land owners meeting the requirements will have had the opportunity to take advantage of the moratorium, and the program will be ended.

The fiscal note for this bill is zero. The three year moratorium will not extend the original 40 year payback period. The entire land clearing reimbursement and interest due will still have to be paid back but over a period of 37 years.

The three more years granted to the farmers by this moratorium will give Alaskan markets for Alaskan agricultural products time to grow. Original repayment schedules were based on a market for grain which has not yet been realized, but which, through increased hog and dairy operations, is growing fast. The moratorium increases the chances for Alaska's agricultural projects' success, through which farmers will be able to repay their debts to the state.

What is the original schedule for repayment on the land clearing?

The first land clearing reimbursements are due to the state on May 31st, 1984. These payments would be from the 22 Delta I farmers, who entered their contracts with the state in 1978. There are 15 Delta II farmers and 31 Pt. McKenzie farmers that entered their contracts in 1982, whose first payments will not be due until 1986.

There is 40 year payback period from the date the contracts were signed. The three year moratorium does not extend that 40 year period. The entire amount will still have to be paid back by the end of forty years from the signing of the contract. In effect, the moratorium makes the land clearing reimbursement due over a 37 year payback period by pushing back the starting date for repayment. The yearly payments will be slightly increased, while the amount of interest paid will be slightly reduced.

Is 40 years an excessively long loan period?

No. In the lower 48, most agricultural land loans have a term of 30 years. On Delta I and II, the buyers were given an 20 year term on their land payments. To balance their payments to equal the 30 year national average, the Agricultural Action Council decided on a 40 year term for their land clearing payments.

How will a three more moratorium help?

Three more years will give the farmers more time to get their land into good condition, and to get their farms into production. They have been unanticipated problems in getting the land cleared. Among them is the difficulty in obtaining burning permits to remove the berms of logs and organic matter that is piled up in the clearing process. This problem is now being worked out. More effective controls and new burning processes are being developed which will allow more efficient burning in the summer season, rather than in winter as is now required.

Another problem where improvement can be foreseen in the next few years is the area of marketing. Last year the establishment of the Grain Reserve Loan Program created a back-up market for grain producers. The state, through that program, can accept grain as collateral for a loan for \$100 per ton of grain. If the farmer has not been able to find a better price than that within three years, the state becomes the owner of the grain, and the farmer has in effect sold his grain to the state.

Meanwhile, the increase in hog farms and dairy farming within the

state is creating an increased in-state market. Within three years the in-state demand for grain will have increased to reflect, for example, the fact that where there is one dairy farm at Pt. McKenzie in production today, by 1985 it is estimated that there will be 19 in production.

Meanwhile, the foreign market is also available for Alaskan grain marketing as soon as a marketing system is in place. The legislature has previously provided for a grain transfer facility at North Pole and a grain terminal at Seward. While these projects are currently on hold, their completion seems to be just a matter of time.

How does SB 47 fit into the original plan for the Ag projects?

The intent of the original legislation funding the Alaska Agricultural Action Council was for the purpose of administering the agricultural projects in the best possible way to develop an agricultural industry in Alaska while at the same time protecting the state's investment. An extension of three years before land clearing payments become due does not deviate from the intent of that legislation.

This legislation is designed to assist the working farmers who are actually producing crops on their land. A high level of production is required for the farmer to be eligible for this moratorium. Senate Bill 47 will provide no assistance to farmers who are not working their land, and by doing so, improving both their, and the state's, investment in Alaska's developing agriculture industry.

Sponsor Substitute for Senate Bill 47

"An Act relating to reimbursement for the cost of land clearing; and providing for an effective date."

The Sponsor Substitute for SB 47 provides relief to farmers who have contracted, before January 1, 1984, with the Alaska Agricultural Action Council for reimbursement to the state of the cost of clearing, draining, and breaking of land. This legislation would allow for a moratorium of up to three years on the payment of principal and interest on the reimbursement by application to the Alaska Agricultural Action Council.

SSSB 47 requires that a land owner must have at least 1,000 acres or 50 percent of the land owner's tillable acreage, whichever is less, in production at the time of application for the moratorium. This legislation would go into effect immediately upon passage and would make this moratorium available until July 1, 1987.

This legislation was developed with the aid of the Director of the Division of Agriculture and the Executive Director of the Alaska Agricultural Action Council. It was first dealt with as an amendment to Senate Bill 298, and was introduced as SSSB 47 on the Senate Floor on April 2, 1984.

The original schedule of payment on land clearing was based on the premise that there would be an adequate market for the barley produced

on the projects by 1984, when the first payments become due. This prediction was based on a plan which assumed large-scale export production of the grain. However, in the absence of the marketing, transfer and export facilities that had been promised by the state, project farmers have not been able to move into large-scale crop production, and are now unable to make their payments. It has since been seen that there is not adequate in-state demand for the barley to support the planting of the amount of acreage that is necessary for economical farm operation.

Delta I was a test project, and as a learning experience, it has shown that more time is required to clear and prepare land for production and for farmers to get mobilized than was originally considered. It has also shown that the state's original plans to develop a marketing infrastructure may have been overly ambitious for such a young industry. In any case, the state has been unable to meet its end of the bargain, and SSSB 47 responds to that situation by allowing the farmers to have more time to find a solution to their dilemma.

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
P.O. BOX 182
DELTA JUNCTION, ALASKA 99737
(907) 895-4384

JUNEAU OFFICE
POUCH V
JUNEAU, ALASKA 99811
(907) 465-4921

SENATE SPECIAL COMMITTEE ON AGRICULTURE

MEMORANDUM

April 12, 1984

TO: Senator Bettye Fahrenkamp, Chair
Senate Resources Committee

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

RE: Sponsor Substitute for Senate Bill 47

Sponsor Substitute for Senate Bill 47 is offered to assist those farmers who have actually gotten their farms into production to preserve their, and the state's, investment in time, money, and energy in Alaska's developing agricultural industry.

SSSB 47 provides for a three year moratorium on payments of principal and interest to the state on the cost of land clearing activities as contracted by the Alaska Agricultural Action Council. The land owners must have entered contracts before January 1st, 1984.

In order to qualify for the moratorium, the land owner must have at least 1,000 acres, or 50 percent of the land owner's tillable acreage, whichever is less, in production at the time of application.

The original schedule of payment on land clearing was based on the premise that there would be an adequate market for the barley produced on the projects by 1984, when the first payments became due. This prediction was based on a plan which assumed large-scale export production of the grain. However, in the absence of the marketing, transfer and export facilities that had been promised by the state, project farmers have not been able to move into large-scale crop production, and are now unable to make their payments. It has since been seen that there is not adequate in-state demand for the barley to support the planting of the amount of acreage that is necessary for economical farm operation.

Delta I was a test project, and as a learning experience, it has shown that more time is required to clear and prepare land for production and for farmers to get mobilized than was originally considered. It has also shown that the state's original plans to develop a marketing infrastructure may have been overly ambitious for such a young industry. In any case, the state has been unable to meet its end of the bargain, and SSSB 47 is in response to that situation. A three year moratorium on payments will allow the farmers more time to find a solution to their dilemma.

The attached amendment to SSSB 47 proposes that the land owner shall be granted a moratorium provided the specified qualifications are met, and specifies that the application for the moratorium would be made to the Department of Natural Resources Agricultural Revolving Loan Board rather than the Alaska Agricultural Action Council.

MEMORANDUM

State of Alaska

TO: The Honorable Bettye Fahrenkamp
Alaska State Senate

DATE: March 21, 1984

FILE NO:

TELEPHONE NO:

FROM:

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

SUBJECT:

SB 297 and SB 298
Requested
Information

The following is a summary of the AAAC loans made to date:

Delta I - 22 tracts with 21 loans made to date, 5-year moratorium on payments, 40-year contract, 6% interest on loans from the original appropriation and 8% on the 1983 supplemental, first payments due in July 1984.

Delta II - 15 tracts with 15 loans to date, 4-year moratorium on payments, 40-year contract, 8% interest, first payments due in 1986.

Pt. MacKenzie - 31 tracts with 30 loans made to date, 4-year moratorium on payments, 40-year contract, 8% interest, first payments due in 1986.

During 1984 a total of \$25,000 is scheduled for repayment. DNR does not have a breakdown of payment schedules beyond 1984. That information is available through the AAAC.

Financial summary of AAAC loans:

	<u>Funds encumbered</u>	<u>Drawn to date</u>
Total Clearing Funds	\$16,048,154.00	\$11,837,980.00
Delta I Original Loan	8,964,170.00	8,547,716.00
Delta I Supplemental	370,168.00	68,609.00
Delta II	4,125,600.00	2,241,207.00
Pt. MacKenzie	2,958,384.00	1,049,054.00

If you have further questions, please let me know.

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§ 44.33.455

STATE GOVERNMENT

§ 44.33.470

Editor's note. — Section 2, ch. 75, SLA 1979, terminating July 1, 1984, provides: "Notwithstanding the terms of office specified for members of the Alaska Agricultural Action Council in AS 44.33.450(c), enacted in sec. 1 of this Act, the terms of the first appointees shall be one member serving a term ending June 30, 1980, one member serving a term ending June 30, 1981, one member serving a term ending June 30, 1982, one member

serving a term ending June 30, 1983, and one member serving a term ending June 30, 1984."

Section 4 of ch. 75 provides that this article terminates July 1, 1984.

Legislative history report. — For adoption of the Free Conference Committee letter of intent on Senate Bill No. 14 (ch. 75, SLA 1979), see 1979 Senate Journal, . . . 138; 1979 House Journal, p. 1373.

Sec. 44.33.455. Compensation of members. (a) Members of the council who are not state officers or employees are entitled to per diem and travel expenses provided for boards and commissions under AS 39.20.

(b) State officers or employees appointed as members of the council serve without compensation but are entitled to receive per diem and travel expenses from council funds. (§ 1 ch 75 SLA 1979)

Editor's note. — Section 4 of ch. 75 provides that this article terminates July 1, 1984.

Sec. 44.33.460. Meetings. The council shall schedule regular meetings during the year, and may hold special meetings upon the call of the chairman or four members of the council. (§ 1 ch 75 SLA 1979)

Editor's note. — Section 4 of ch. 75 provides that this article terminates July 1, 1984.

Sec. 44.33.465. Quorum. Three members of the council constitute a quorum. An affirmative vote of at least three members is necessary to approve any action of the council. (§ 1 ch 75 SLA 1979)

Editor's note. — Section 4 of ch. 75 provides that this article terminates July 1, 1984.

Sec. 44.33.470. Powers and duties of the council. (a) The council has the power to

(1) adopt and amend bylaws for the management and regulation of its affairs; and

(2) maintain an office at any place or places in the state.

(b) The council has the duty to

(1) hold public hearings in areas of the state considered for agricultural development;

(2) evaluate the need for farm conservation plans for land under agricultural production in the state;

- (3) serve as coordinator for gathering information and data relating to agriculture;
- (4) recommend appropriate activities for the promotion of agriculture in the state;
- (5) provide technical information and make recommendations to the commissioner of natural resources regarding the classification of state land having a potential for agricultural use;
- (6) act as administrator of the Delta agricultural development project and any other agricultural development project authorized under AS 44.33.475;
- (7) contract for the clearing, draining and breaking of agricultural land located in the Delta agricultural development project;
- (8) contract with the owners of land prepared for agricultural use under (7) of this subsection for reimbursement to the state of the cost of the clearing, draining and breaking of the land;
- (9) contract for the construction of access roads in the Delta agricultural development project;
- (10) conduct studies and carry out experimental and pilot projects to develop markets for agricultural products produced in the state; and
- (11) recommend legislation to the governor to improve agricultural development in the state. (§ 1 ch 75 SLA 1979)

Editor's note. — Section 4 of ch. 75 provides that this article terminates July 1, 1984.

Sec. 44.33.475. Agricultural development projects. (a) Before January 15 of each year the council shall report to the governor and the legislature concerning the activities of the council during the current fiscal year. The report shall contain recommendations for the development of agriculture in the state during the next fiscal year.

(b) An agricultural development project recommended under (a) of this section may not be implemented unless authorized by law. The report required by (a) of this section shall include recommended legislation which

- (1) sets out the type of agricultural development to be accomplished and, if state land is to be developed for agricultural production, describes the boundaries of the land to be developed;
- (2) defines specific tasks to be performed by appropriate state agencies to the extent the tasks are identifiable at that time; and
- (3) grants to the council sufficient authority to insure cooperation of all state agencies involved in the implementation of the agricultural development project. (§ 1 ch 75 SLA 1979)

Editor's note. — Section 4 of ch. 75 provides that this article terminates July 1, 1984.

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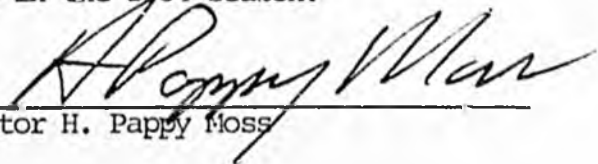
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PROPOSED LETTER OF INTENT FOR CSSSSB 47(Fin) am:

CSSSSB 47 (Fin) am: "An Act relating to reimbursement for the cost of land clearing; and providing for an effective date.

It is the intent of the sponsor of this bill that land owners who have established a record of production, and have consistently maintained 1,000 acres or 50 percent of their tillable acreage in production in previous years, may be eligible for a moratorium under SB 47 in 1984 even if they have not planted in the 1984 season.



Senator H. Pappy Moss

COMMITTEE REPORT

HOUSE

(9)

FURTHER:

5/11/84

Date: MAY 14 1984

The Committee on RESOURCES has had CS SSSB 47(Fin) am

"An Act relating to reimbursement for the cost of land clearing; and providing for an effective date."

under consideration and recommends:

do pass ~~with attached amendments~~ 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

MEMBERS HAVING
OTHER RECOMMENDATIONS:

SHULTZ [Signature]
LARSON [Signature]
GILL [Signature]
RUBINSTEIN [Signature]

VASKA [Signature]
LISKA [Signature] No Rec
WEALING [Signature] (No Rec)

[Signature]

CO-CHAIRMAN

COMMITTEE REPORT

HOUSE

(9)

FURTHER:

(Returned to Resources 5/19/84)

5/19/84

Date: MAY 21, 1984

The Committee on RESOURCES has had CSSSSB 47 (Fin)

"An Act relating to reimbursement for the cost of land clearing; 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 CSSSSB 47 (RESOURCES) 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

MEMBERS HAVING
OTHER RECOMMENDATIONS:

SHULTZ

RINGSTAD

CHURCH

LARSON

BUSSELL

COIL

VASKA

LISKA

WEHLING

[Signature]
CHAIRMAN

Offered: 5/7/84
Referred: Rules

Original sponsor: Moss

1 IN THE SENATE BY THE FINANCE COMMITTEE
2 CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 47 (Finance) am
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 reimbursement for the cost of
7 land clearing; and providing for an effective date."
8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
9 * Section 1. LAND CLEARING REIMBURSEMENT MORATORIUM. (a) A land owner
10 who has contracted before January 1, 1984, with the Alaska Agricultural
11 Action Council under AS 44.33.470(8) for reimbursement to the state of the
12 cost of clearing, draining, and breaking of land, may be granted a mora-
13 torium up to three years on the payment of principal on the reimbursement
14 by applying to the agriculture revolving loan fund board.
15 (b) A land owner may not qualify for a moratorium under (a) of this
16 section unless at least 1,000 acres or 50 percent of the land owner's till-
17 able acreage, whichever is less, is in production at the time of applica-
18 tion for the moratorium and continues to remain in production during the
19 moratorium granted under this subsection.
20 (c) In order to qualify for a moratorium under (a) of this section a
21 land owner must, at the time of application for the moratorium, be in
22 compliance with the development plan set out in the owner's contract and
23 continue to remain in compliance with the development plan during the
24 moratorium granted under this subsection.
25 (d) A moratorium under (a) of this section may not be granted after
26 July 1, 1987.
27 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
28 10.070(c).

Original sponsor: Moss

1 IN THE SENATE BY THE RESOURCES COMMITTEE
2 HOUSE CS FOR CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 47 (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 reimbursement for the cost of
7 land clearing; and providing for an effective date."

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

9 * Section 1. LAND CLEARING REIMBURSEMENT MORATORIUM. (a) A land owner
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11 Action Council under AS 44.33.470(8) for reimbursement to the state of the
12 cost of clearing, draining, and breaking of land, may be granted a mora-
13 torium up to three years on reimbursement payments by applying to the
14 agriculture revolving loan fund board.

15 (b) A land owner may not qualify for a moratorium under (a) of this
16 section unless at least 1,000 acres or 50 percent of the land owner's till-
17 able acreage, whichever is less, is in production at the time of applica-
18 tion for the moratorium and continues to remain in production during the
19 moratorium granted under this subsection.

20 (c) In order to qualify for a moratorium under (a) of this section a
21 land owner must, at the time of application for the moratorium, be in
22 compliance with the development plan set out in the owner's contract and
23 remain in compliance with the development plan during the moratorium.

24 (d) Payments of interest on a contract for reimbursement to the state
25 of the cost of clearing, draining, and breaking of land are subject to a
26 moratorium under (a) of this section but interest continues to accrue
27 during the moratorium.

28 (e) A moratorium under (a) of this section may not be granted after
29 July 1, 1987.

1 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
2 10.070(c).
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