



STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

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

**REQUEST**

Bill/Resolution No.: CSSSB 47 (Fin)  
 Title: Reimbursement for the cost of land clearing  
 Sponsor: Senator Moss  
 Requestor: Senate Finance Committee  
 Date of Request: May 7, 1984

**FISCAL DETAIL**

Agency Affected: Dept. of Natural Resources  
 Program Category Affected: \_\_\_\_\_  
 Division of Land and Water Management  
 BRU, Program or Subprogram(s) Affected: \_\_\_\_\_

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

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

**FUNDING: (Thousands of Dollars)**

GENERAL FUND	0	0				
FEDERAL FUNDS	0	0				
OTHER	0	0				
<b>TOTAL</b>	0	0				

**POSITIONS:**

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

**SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:**

**ANALYSIS:** Attach a separate page for analysis

Prepared By: John Sackett  
 Division: John Sackett, Co-chairman  
Senate Finance Committee

Phone: 465-3753

Date: May 7, 1984

Approved by Commissioner: \_\_\_\_\_  
 Agency: \_\_\_\_\_

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

Distribution (by Agency preparing fiscal note):

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

12/1/83

Original sponsor: Moss

1 IN THE SENATE BY THE FINANCE COMMITTEE  
2 CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 47 (Finance)  
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 and interest on the  
14 reimbursement 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.

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

22 (d) A moratorium under (a) of this section may not be granted after  
23 July 1, 1987.

24 \* Sec. 2. This Act takes effect immediately in accordance with AS 01.-  
25 10.070(c).  
26  
27  
28  
29

Offered: 4/18/84  
Referred: Finance

Original sponsor: Moss

1 IN THE SENATE BY THE RESOURCES COMMITTEE  
2 CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 47 (Resources)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
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26 10.070(c).

Offered: 4/2/84  
Referred: Resources and  
Finance

1 IN THE SENATE

BY MOSS

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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

May 4, 1984

TO: Senator John Sackett, Co-Chair  
Senate Finance Committee

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

RE: Amendment to Senate Bill 47

Due to a misunderstanding in Legal Services, the Senate Resources Committee Substitute for SSSB47 was drafted with an incorrect reference to the Alaska Agricultural Action Council.

The contract referred to on page 1, line 21, which contains the farmer's development plan, is administered by the Department of Natural Resources, Division of Land and Water Management, not the Alaska Agricultural action council.

This error may be most simply corrected by ending page 1, line 21, by putting a period after the word "contract" and deleting the reference to the Alaska Agricultural Action Council which follows.



Offered: 4/18/84  
Referred: Finance

Original sponsor: Moss

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SENATE AMENDMENT #1

By Haltford

To: \_\_\_\_\_ SENATE BILL No. 47 Finance

To: \_\_\_\_\_ HOUSE BILL No. \_\_\_\_\_

PAGE: 1 LINE: 13

*delete "and interest"*

Page 1 Line 21 after "contract"  
add £

*"and continue to remain in compliance with the development plan during the moratorium granted under this subsection."*

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  
contracted,  
Council for  
draining, a  
moratorium  
on the rein  
Council.

*Kathy -  
CS/SB 47 and  
back up - for SFC  
Monday, May 7th.  
9:30  
May*

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

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 SSSR 47 responds to that situation by allowing the farmers to have more time to find a solution to their dilemma.

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. Their 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.

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### MEMORANDUM

May 7, 1984

TO: All Members  
Senate Finance Committee

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

RE: CSSSSB 47(Res)

CSSSSB 47(Res) 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, and in order to qualify for the moratorium they must have at least 1,000 acres, or 50 percent, whichever is less, of their tillable acreage in production at the time of application. The land owner must also be in compliance with their original development plans.

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 will still have to be paid back, but over a period of 37 years.

Three more years will give Alaskan markets for Alaskan agricultural products more 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.

An extension of three years before land clearing payments become due does not deviate from the original intent of the legislation funding the agricultural projects. A high level of production, and compliance with a development plan, are required for the farmer to be eligible for this moratorium. CSSSSB 47(Res) will provide assistance to farmers who are working their land, and by doing so, improving both their, and the state's, investment in Alaska's developing agricultural industry.

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

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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.

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How will a three more moratorium help?

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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.

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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.

COMMITTEE REPORT  
SENATE

FURTHER:

FINANCE

4/2/84

Date 4-16-84

Mr. President

The Committee on RESOURCES considered SSSB 47  
reimbursement for the cost of land clearing; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- ~~do pass~~
- do pass with attached amendment(s)
- replace with/or adopt CS for SSSB 47 (Res)
- new title
- same title and recommends ~~DO PASS~~
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

1 Artis Stangulinski

1 Paul Gruber

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

MEMBERS HAVING  
OTHER RECOMMENDATIONS

2 Delia... no rec.

2 Bob Mulcahy N/R

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

1 VICE- 3 Chairman DO PASS

Chairman recommendation \_\_\_\_\_