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Introduced: 2/14/83  
Referred: Resources and  
Finance

*ONE amendments*

1 IN THE SENATE

BY MOSS

2

SENATE BILL NO. 124

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act amending the Alaska Agricultural Loan Act

7

(AS 03.10); and providing for an effective date."

8

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

9

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

10

(a) A farm development, chattel, or irrigation loan made under

11

this chapter

12

(1) may not exceed a term of 30 years, except that a

13

chattel loan may not exceed a term of seven years;

14

(2) may not, when added to the outstanding balance of other

15

loans made under this chapter, exceed a total outstanding balance of

16

\$1,000,000;

17

(3) shall be secured by a real estate or chattel mortgage

18

of any priority, except that the portion of a loan that exceeds

19

\$500,000, when added to prior indebtedness that is secured by the same

20

property, must be secured by a first mortgage;

21

(4) shall bear interest at a rate that may not be less than

22

six [EIGHT] percent or more than the commercial rate, unless the

23

commercial rate is six [EIGHT] percent or less; in this paragraph

24

"commercial rate" means the prevailing rate of interest at private

25

lending institutions in the state for loans similar to those referred

26

to in this subsection.

27

\* Sec. 2. AS 03.10.030(c) is amended to read:

28

(c) A short term loan, to be amortized within one year, not to

29

exceed \$1,000,000 [\$200,000] to any one borrower may be made for

*delete*

*leave at 8%*

*delete*

operating purposes.

*delete*  
\* Sec. 3. AS 03.10.030(F) is amended to read:

(F) A farm product processing loan may not exceed \$2,500,000 [\$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 \$2,500,000 [\$250,000]. A farm product processing loan which, if made, would raise the existing indebtedness on the real estate securing the loan above \$2,500,000 [\$250,000], or a farm product processing loan on real estate which has a prior indebtedness of \$2,500,000 [\$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 \$2,500,000 [\$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 six [EIGHT] percent a year and shall be secured by a real estate or chattel mortgage or both.

\* Sec. 4. AS 03.10.030(g) is amended to read:

(g) A loan for clearing land may not

- leave at 8%*
- (1) exceed \$1,000,000 [\$250,000];
  - (2) bear interest that is less than six [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.

\* Sec. 5. AS 03.10.050(b) is amended to read:

*delete*  
(b) The board is composed of five members. The governor shall appoint one member and one member shall be elected from each of the

1 four Agricultural Stabilization and Conservation Service counties in  
2 the state by the farmers registered with the soil conservation service  
3 in that county [APPOINTED BY THE GOVERNOR AND CONFIRMED BY THE  
4 LEGISLATURE IN JOINT SESSION. THREE MEMBERS SHALL BE PERSONS WITH  
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6 board serve for overlapping two-year [THREE-YEAR] terms. Members of  
7 the board are not entitled to receive compensation for their services,  
8 but shall receive the same travel pay and per diem as provided by law  
9 for boards and commissions.

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12 person whose loan application is disapproved by the board under (a) of  
13 this section to make a personal appearance before the board to have  
14 the board review the loan application decision.

15 (e) The agricultural revolving loan fund board may declare a  
16 farm disaster in an area of the state because of crop failure due to a  
17 natural disaster and, if the decision is concurred in by the commis-  
18 sioner, may declare a two-year moratorium on principal and interest  
19 payments on a loan made under this chapter to a person whose crops  
20 have failed because of the natural disaster.

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22 Sec. 03.15.052. LIMITATION ON BOARD MEMBERS. A member of the  
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24 a loan applied for by that member [, DURING THE MEMBER'S TERM OF  
25 OFFICE OR WITHIN ONE YEAR AFTER CEASING TO BE A MEMBER OF THE BOARD,  
26 OBTAIN A LOAN UNDER THIS CHAPTER OTHER THAN A SHORT-TERM LOAN UNDER  
27 AS 03.10.030(c)].

28 \* Sec. 8. ~~Terms of the members of the agricultural revolving loan board~~  
29 ~~that are first appointed and elected under AS 03.10.050(b), amended by sec.~~

delete

leave original language

delete

1 5 of this Act, shall be as follows: (1) member appointed by the gover-  
2 nor--two years; (2) two elected members--one year; (3) one elected  
3 member--two years; (4) one elected member--three years. The commissioner  
4 of natural resources shall determine which elected members hold the one,  
5 two, and three-year terms in the initial board.

6 \* Sec. 9. This Act takes effect immediately in accordance with AS 01.-  
7 10.070(c).

SENATE RESOURCES COMMITTEE  
LEGISLATION CHECKLIST

IDENTIFICATION:

BILL NUMBER: SB 124

BILL NAME: Amending Alaska Agricultural Loan Act.

SPONSOR(S): MOSS

RELATED BILLS PENDING:

DATE INTRODUCED: 2-14-83

REFERRALS: Resources  
Finance

INITIAL RESEARCH:

BILL SUMMARY COMPLETED:

SUMMARY BY LEGAL DIVISION:

SPONSOR CONTACTED FOR  
BACKUP MATERIALS:

DEPT. OF LAW SUMMARY:

FISCAL NOTE:

AGENCY RESPONSE:

OTHER INTERESTED SENATORS OR  
REPS. NOTIFIED:

BACKGROUND RESEARCH:

SIMILAR BILLS INTRODUCED IN PREVIOUS LEGISLATURES:

RESPONSES FROM INTERESTED PERSONS/GROUPS:

OTHER STATE OR FEDERAL PRECEDENTS, REGULATIONS, LAWS:

HEARING PREPARATION:

CHAIRMAN BRIEFED:

DATE AND PLACE SET:

STAFF MEMO TO COMMITTEE:

TELECONFERENCE:

BACKGROUND MATERIAL DISTRIBUTED:

PSA/PRESS RELEASE:

LIST OF WITNESSES:

SUGGESTED AMENDMENTS/COMMITTEE  
SUBSTITUTES DRAFTED:

Sharon Bauton, OLR - ~~Barbara Brown?~~ Bob Arnold, Deputy Commissioner

Sen. Moss (or staff)

Carl Amstrup, Exec. Dir, AAAC

Terry Elden, Div. Loans

written  
testimony  
only

# Alaska State Legislature

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ROBERT H. ZIEGLER, SR.  
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VIC FISCHER - BOB M'JLCAHY  
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POUCH V  
STATE CAPITOL  
JUNEAU, ALASKA 99811  
(907) 465-3834  
(907) 465-3835

## Senate Committee on Resources

TO: Senate Resources Committee Members

FROM: Senate Resources Committee Staff

RE: March 9 Hearing

DATE: March 7, 1983

-----

On Wednesday, March 9 at 3:00 p.m. in the Beltz Room the Senate Resources Committee will be hearing SB 124, An Act amending the Agricultural Loan Act. Major points are as follows:

### Changes in the existing Agricultural Revolving Loan Fund:

1. Reduces maximum term of chattel loan from 30 to 7 years.
2. Lowers minimum interest rate on farm development, chattel, or irrigation loan from 8% to 6%.
3. Raises limit on short term loan (for operating purposes, amortized in 1 year) from \$200,000 to \$1,000,000.
4. Raises limit on farm product processing loan from \$250,000 to \$2,500,000.
5. Lowers minimum interest rate on farm product processing loan from 8% to 6%.
6. Raises limit on loans for clearing land from \$250,000 to \$1,000,000.
7. Lowers minimum interest rate on loans for clearing land from 8% to 6%.

### Changes in the Agricultural Revolving Loan Fund Board:

1. One board member will be appointed by the Governor; the other 4 will be elected from each of the 4 Agricultural Stabilization and Conservation Service Counties in the state by farmers registered with the Soil Conservation Service in that county.

Members will serve for overlapping 2-year terms. (Under current statute, all members are appointed by the Governor and confirmed by the legislature. All serve 3-year terms.)

2. Requires the board to permit a person whose loan application has been disapproved to make a personal appearance before the board to have the decision reviewed.
3. Allows the board to declare a farm disaster in an area of the state because of crop failure due to a natural disaster, and, if concurred in by the Commissioner (DNR), may declare a 2-year moratorium on principal and interest payments on a loan to a person whose crops have failed because of the natural disaster.
4. Allows a board member to obtain a loan from the agricultural revolving loan fund, but prohibits the member from voting on his own application.

Immediately following the hearing on SB 124, the Committee will be briefed on the Admiralty Island Greens Creek mining project. Background information is attached.

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The Convention of Alaskan Farmers, at its December 5th and 6th, 1981 meeting, held in Glenallen, after discussing problems and solutions on the following topics went into committees and formed the following resolutions and recommendations. These resolutions and recommendations were amended, voted on, and accepted by the entire convention as the Platform of the Convention of Alaskan Farmers.

See IV - Resolving land issues

Received from Senator Moss's office, 3/7/83

[REDACTED]

Whereas, the loan fund has experienced a shortage of capital to lend to developing agriculture in Alaska; be it resolved that the Convention of Alaskan Farmers request the following changes be made:

1. The legislature reinstate the loan funds former ability to sell off some of its loans to the Department of Revenue.
2. The ceiling on the size of the loan fund be removed.
3. The probable impact on the loan fund of each new agricultural land disposal be assessed and then new funds be transferred to the R.L.F. at the time of each new agricultural land disposal.

Whereas, first mortgage rights are not available on Agricultural lands with state clearing loans and land purchase contracts; be it resolved that the Convention of Alaskan Farmers requests the state subordinate this first mortgage position to other agricultural on-farm loans.

Whereas, developing agricultrue is a higher than normal risk and the R.L.F. will reflect this by higher than normal bank accepted delinquency; be it resolved the Legislature direct the Legislative Budget and Audit Committee to take this into consideration when making a determination that legislative intent is being carried out.

Whereas, the loan fund board does not appear to be responsive to all areas of the state; be it resolved the Convention of Alaskan Farmers requests the following changes be made:

1. Length of service on the board be established at two years with one half of the board elected each November.
2. The board members be elected by the farmers with (R.L.F.) loans.
3. That no more than one board member be from each soil subdistrict. *ASCS Com. 4; malines*
4. A loan applicant have the privilege of personal appearance before the board at the next regularly scheduled meeting after his loan has been rejected.
5. The board establish regularly scheduled monthly meetings at a predetermined time and place, and that at least once each year a regularly scheduled meeting is to be held at the location of each loan office.

Whereas, the loan officers do not appear to be adequately familiar with the farmers' requirements; be it resolved the Convention of Alaskan Farmers requests the following changes:

1. The number of loan officers be increased to adequately service loan applicants and administer each loan in a timely manner.
2. A loan officer is to have regularly scheduled visits to each farming area of the state where a loan office does not exist.

Whereas, the loan fund policy does not appear consistent throughout the state and from year to year; be it resolved the Convention of Alaskan Farmers requests the following:

1. A five year plan be required of each applicant and once approved, the R.L.F. commits to fund that plan if funds are available and if the plan is adhered to.

V. REVOLVING LOAN FUND - PAGE TWO

Whereas, the loan fund has restrictive limits; be it resolved the Convention of Alaskan Farmers recommends that the limits be removed and that each loan request be judged on its own merits.

Whereas, a conflict of interest can occur in any program dispersing public funds; be it resolved the Convention of Alaskan Farmers request the R.L.F. should adopt written policy governing such conflict.

Following is a rough draft of an informational fact sheet put together by Dr. Jim Drew, Dean of the School of Agricultural Science, U. of A., Fairbanks. While it is purely technical in nature it does point out the need for initial investment in the industry.

See page 4.

Received from Senator Moss's office, 3/7/83.

## AGRICULTURAL DEVELOPMENT

IN

ALASKA'S TANANA VALLEY

QUESTIONS AND ANSWERS

Q. What are the advantages of agricultural development for the Tanana Valley of Alaska?

A. Agriculture is a renewable resource industry that offers many long-term benefits. Approximately 1.8 million acres of potential agricultural land are in state and Native ownership in Alaska's Tanana Valley.

Development of land for agriculture can provide jobs both on the farm and in supporting industries. It can stabilize food costs by establishing self-sufficiency in the production of adapted crops and livestock.

Agriculture encourages the private ownership of land for use in producing income. It produces "value-added" commodities through the feeding of grain to raise livestock, and through the processing of crop and animal products.

Geographically, Fairbanks' central location permits it to provide transportation, services, and supplies for existing and proposed agricultural development projects in the Tanana Valley from Delta Junction to Nenana.

Q. For what crops is the Tanana Valley best suited?

A. Cereal grains, forages, and vegetables that are produced in other northern countries are adapted to the climate and soils of the Tanana Valley. For an expanding agriculture, however, a crop is needed that

will grow well on newly cleared land and that will stimulate the "value-added" production of other farm products.

Barley is a feed grain and human food that is well suited for production on newly cleared land. It thrives in cool climates and is a major crop in the farming areas of northern Canada and Finland. In fact, it is the fourth most important grain crop in the world.

The production of barley on an efficient scale in Alaska can provide an important part of the feed base necessary to produce "value-added" commodities such as meat and milk.

Q. Are there examples of successful agriculture in Alaska?

A. Yes. Since the early 1900s, field and vegetable crops, meat, and milk have been produced successfully in the Tanana and Matanuska Valleys; beef and sheep have been raised on the Kenai Peninsula, Kodiak Island, and the Aleutians; and reindeer herds thrive in western Alaska.

From 1915 to 1935, farming was a major economic activity in the Tanana Valley. Dairy farming in the Matanuska Valley continues to supply a portion of Alaska's needs for milk. Meat, eggs, and vegetables are produced locally.

Recently, farms near Delta Junction, equivalent in size to farms in major grain-producing states, have produced barley at a cost no higher than in other states.

Q. Then why does Alaska's current agricultural production provide less than 5% of the food consumed within the state?

A. Alaska's agriculture has not yet attained the volume of production necessary to support the integrated system of production, processing,

marketing, and financing that characterizes successful agricultural industries elsewhere. Alaska has just begun to develop this system.

In the absence of sufficient processing and marketing systems, Alaskan farmers cannot make the investment necessary to expand their production. And current farm production in Alaska is not yet large enough to support cost-effective processing and marketing systems for agricultural commodities.

Q. Is that why we hear about the goal of 500,000 acres of cropland in Alaska by the end of the 1980s?

A. Yes. Production from this acreage would provide sufficient farm business to permit Alaskan farmers to employ the economies of scale available in other agricultural states. *In fact there are more than* ~~Moreover, approximately~~ 500,000 acres of state land with agricultural potential ~~are available~~ near the *transportation systems in the Tanana Valley.* ~~existing road and railbelt in Alaska.~~ Single counties in northern agricultural states are often about this size.

Production from 500,000 acres ~~in Alaska~~ would support the farm implement firms, fertilizer distributors, seed dealers, and other businesses that provide inputs for farm production. It would support the storage facilities, feed mills, and processing plants for meat and milk, and the transportation system necessary to market farm commodities. With a cost-effective agribusiness system, production costs on the farm will decrease and financing will become easier to obtain.

Q. Why has Alaskan agriculture not been able to supply food to Alaskans at prices comparable to other areas of the United States?

A. Alaska's relatively small population and market as well as the "one-way haul" transportation systems serving Alaska tend to increase

the price of food shipped to the state. At the same time, the low volume of agricultural production in Alaska does not permit cost-effective inputs such as fertilizer and machinery maintenance or the development of economically efficient processing systems. Consequently, food prices are higher than in other areas of the United States.



Q. Will Alaskan agriculture continue to depend on state subsidies?

A. No. Experience in producing cereal grain, meat, and milk in Alaska indicates that production costs in the state will be comparable to production costs elsewhere when a fully developed agricultural system is in place.

However, in the initial years of agricultural development, the front-end costs of clearing land, building roads, providing electrical power, constructing farms, and developing processing and marketing systems place considerable financial burden and risk on new farmers and processors. State programs aimed at offsetting these pressures can result in a viable agricultural industry.

When the critical volumes of agricultural production are reached, well managed commercial farms and efficient processing and marketing systems will operate at a profit without state subsidy.

Q. Can we expect substantial increases in the production of red meat and milk in Alaska?

A. Yes. The cost of feed grain represents 75% of the cost of producing pork, and 20% of that of producing milk.

As the acreage of grain production increases in interior Alaska and the efficiency of grain processing, storage, and marketing improves, livestock producers will pay less for feed grain. This will stimulate the production of such "value-added" products as meat and milk.

Q. What about the production of other agricultural commodities?

A. The development of new farms will encourage other agricultural enterprises. A nucleus for the expansion of poultry and vegetable production exists in the Tanana Valley. Commercial greenhouses will benefit from the general expansion of agriculture. Grain production and the availability of by-products from meat and fish processing will provide a feed base for the expansion of fur farming. Historically, Alaskan furs have maintained a top position in the market place.

Q. What advantage does Fairbanks offer as a service, supply and transportation center for agricultural development in interior Alaska?

A. Fairbanks is a growing metropolitan center with the facilities and labor force to handle service and supply industries for Alaska's developing agriculture. The University of Alaska-Fairbanks is the headquarters for the agricultural research and extension services necessary to support agricultural development.

Fairbanks is the hub of Alaska's transportation system. Highways tie Fairbanks to extensive areas of potential agricultural soils. The state highway system and the Alaska Railroad provide routes from Fairbanks to the coastal seaports of Anchorage, Seward, Whittier, and Valdez. The Fairbanks International Airport handles worldwide needs for air transportation.

Attractive local and state tax structures, efficient support services, and the encouragement of agricultural development by local government make Fairbanks a positive environment for agricultural businesses.

*to you for  
Richard  
ag. Dept.*

Box 168  
Palmer, Alaska 99645  
March 1, 1983

*1/21/83*

Sen. Jalmar Kerttula  
Pouch V  
Juneau, Alaska 99801

Dear Jay,

In order to assure a high success rate on the Point MacKenzie Agricultural Project, it is evident that the total loan funds authorized on dairy tracts should be raised from the present \$1.0 million to \$1.5 million. Specific disbursement should, of course, remain based on financial and experience requirements on the part of the prospective loan recipients.

Karen Lee's dairy at Point MacKenzie is nearing completion and the following cost summary is available.

Sitework, barn and parlor, manure system, young stock facilities, well	\$932,500 ?
Feed Storage (bunker silos)	17,000
Power generation system and distribution	17,500
Equipment shop and tools	32,900
Employee housing	58,000
Field and yard machinery	235,000 ?
Stock	216,000
First year operating advance	140,000 ?
	<hr/>
	\$1,648,900

This is for a 220-cow dairy. Therefore, within limits, it is reasonable to say that the average cost per animal to get into operation is \$7495/cow.

The highest minimum stocking rate on the Point MacKenzie project is about 120, yielding a minimum loan requirement of \$899,400, adjusted upward because of the fact that machinery requirements for a small facility are nearly identical to those of the larger facilities.

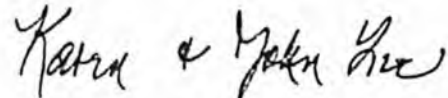
Prudent farmers will likely opt for facilities that are larger than the stocking minimums in order to widen the margin between gross revenue and operating cost/debt service.

If the tract owner can meet the financial and managerial criteria, and has a good business plan consistent with sound lending practice, the State of Alaska should not hesitate to extend the additional funds.

The farmer will find no other choices for financing, since the state is and must be in the position of first deed of trust holder. Commercial banks remain extremely reluctant to advance funds for any agricultural endeavor in Alaska, even one as time-proven as a dairy farm. This reluctance, coupled with the state's need for a first position, makes it very difficult, if not impossible, to make up the shortfall on a new dairy facility from conventional sources.

We strongly urge an increase in the individual Agricultural Revolving Loan Fund maximum loan limit.

Sincerely,

Handwritten signature of Karen and John Lee in cursive script.

Karen and John Lee

# Alaska State Legislature

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## 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

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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.



# Alaska State Legislature

## Senate

### Resources Committee

Official Business

Senator Bettye Fahrenkamp  
Chairman

Pouch V  
State Capitol  
Juneau, Alaska 99811

March 9, 1983  
3:10 p.m.

Beltz Room 211

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#### MEMBERS PRESENT

Senator Fahrenkamp ✓  
Senator Ziegler  
Senator Eliason

Senator Paul Fischer  
Senator Vic Fischer  
Senator Mulcahy  
Senator Sturgulewski

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SB 124 - An Act amending the Alaska Agricultural Loan Act (AS 03.10); and providing for an effective date.

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Senator Kerttula appeared before the Committee to state that he would have amendments at a later date and would like to come back to testify at that time.

Sharon Barton, Special Assistant to the Commissioner Department of Natural Resources testified that DNR does not support the bill as written, however, they do want to work with Senator Moss and members of the Committee. Recommended Amendments to SB 124 are as follows:

1. Page 1, lines 14 and 15 - delete "when added to the outstanding balance of other loans made under this chapter,"
2. Page 1, lines 22 and 23 - delete six, add eight
3. Page 1 - delete section 2
4. Page 2 - delete section 3
5. Page 2 - line 21 - delete six, add eight
6. Page 2, delete section 5
7. Page 3 - delete section 6
8. Page 3 - lines 24-27, restore deleted language.
9. Page 3 - delete section 8.

Other subjects discussed were the following proposed changes in the existing Agricultural Revolving Loan Fund:

1. Reduction of maximum term of chattel loan from 30 to 7 years.
2. Lowering of minimum interest rate on farm development, chattel, or irrigation loan from 8% to 6%.
3. Raising of limit on short term loans for operating purposes from \$200,000 to \$1,000,000.
4. Raising of limit on farm product processing loan from \$250,000 to \$2,500,000.

5. Lowering of minimum interest rate on farm product processing loan from 8% to 6%.
6. Raising of limit on loans for clearing land from \$250,000 to \$1,000,000.
7. Lowering of minimum interest rates on loans for clearing lands from 8% to 6%.
8. Changes in the composition and procedures of the Revolving Loan Fund Board.

A briefing and slide show were presented by Noranda Mining, Inc. on the proposed Greens Creek Mine on Admiralty Island.

Meeting adjourned 4:15 p.m.

# MEMORANDUM

State of Alaska MAR 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: CSSB 124 Date on 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 <sup>for</sup> Commissioner: *Mary Halloran* Date: 3-15-83  
Department: Natural Resources

5. Distribution:

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2/15/83

# Alaska State Legislature



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## Senate

### Committee on Resources

TO: Senate Resources Committee Members  
FROM: Senate Resources Committee Staff  
RE: March 9th Hearing on SB 124  
DATE: March 8, 1983

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Attached for your information are proposed amendments and fiscal information prepared by DNR on SB 124, An Act amending the Agricultural Loan Act.

This fiscal note does not reflect the fiscal impacts to the State of lowering interest rates and increasing limits on amounts borrowed (as outlined in SB 124). We have asked DNR to supply this information at the hearing, if possible.

The hearing will be held at 3:00 p.m. in the Beltz Room.



STATE OF ALASKA  
OFFICE OF THE GOVERNOR

REC. SRC 3/8  
2:30 pm

BILL ANALYSIS

Department Natural Resources	Sponsor (Principal) Moss	Bill Number SB 124
Department Position Do not support in current form; see recommended amendments.		
Division Director Bill Heim	Date 3/8/83	Commissioner's Signature <i>Arthur C. Williams</i>
		Date 3/8/83

GOVERNOR'S OFFICE USE

Comments
Position Noted
By
Date

SUMMARY

1. a) Related Bills (Similar or Conflicting) None	1. b) Other Agencies Affected by Bill
2. a) Organizational Support for Bill	2. b) Organizational Opposition to Bill
3. Program Effects of Bill <ul style="list-style-type: none"> <li>-lowers chattel term from 30 years to 7 years</li> <li>-lowers interest rate minimum from eight to six percent</li> <li>-raises short term loan maximum to \$1,000,000 (from 200,000)</li> <li>-raises maximum processing loan to \$2,500,000 (from 250,000)</li> <li>-raises maximum clearing loan from \$250,000 to 1,000,000</li> <li>-changes ARLF Board from Governor appointed members to one Governor appointed member and four elected</li> </ul>	

4. Fiscal Impact	Fiscal Note Attached
5. Amendments Proposed (see attachment)	

6. Comments
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Recommended Amendments:

1. Page 1, lines 14 and 15 - delete "when added to the outstanding balance of other loans made under this chapter,"
2. Page 1, lines 22 and 23 - delete six, add eight
3. Page 1 - delete section 2
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8. Page 3 - lines 24-27, restore deleted language.
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The Department of Natural Resources's amendments will gut the bill; the only thing the bill will do if all their amendment's go into effect is cut the time limit for a chattel loan from 30 to 7 years; and allow a loan for clearing of land to be up to \$1,000,000 instead of \$250,000.

STATE OF ALASKA  
PRELIMINARY STATEMENT OF FISCAL IMPACT

Bill No: SB 124 Date on Bill: 2-14-83  
 Title: An Act amending the Alaska Agricultural Revolving Loan Fund Act.  
 Sponsor: Moss  
 Requestor: \_\_\_\_\_

1. Estimated fiscal impacts on:

a. Expenditures:

(Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86
Capital	1	1	1	1
Operating		2.5	1.2	1.0
TOTAL		2.5	1.2	1.0

b. Revenues:

Revenue \_\_\_\_\_

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

3. Assumptions:

Fiscal note required to cover costs involved in handling elections for ARLF board members.

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: Bill Heim Phone: 376-3276  
 Division: Agriculture Date: 3-7-83

Approved <sup>for</sup> Commissioner: *Margitallora* Date: 3-8-83  
 Department: Natural Resources

5. Distribution:

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2/15/83

STATE OF ALASKA  
PRELIMINARY STATEMENT OF FISCAL IMPACT

Bill No: SB 124 Date on Bill: 2/14/83  
 Title: "An Act amending the Alaska Agricultural Loan Act (AS 03.10); .....  
 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: Terry Elder, Deputy Commissioner *Terry Elder* Phone: 465-2501  
 Division: \_\_\_\_\_ Date: \_\_\_\_\_

Approved by Commissioner: Richard A. Lvon *[Signature]* Date: \_\_\_\_\_  
 Department: Department of Commerce & Economic Development

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2/15/83

AGRICULTURAL REVOLVING LOAN FUND  
Interest Rate Comparison

	<u>Term</u>	<u>Total Loans</u>	<u>6% Interest</u>	<u>8% Interest</u>	<u>Difference</u>
<u>1982</u>					
Operating	1 yr.- 1 payment	\$ 4,088,982	\$ 225,349	\$ 327,119	\$ 81,780
Chattel	7 yrs.-annual payment	1,313,503	333,604	452,581	118,977
Development	20 yrs.- monthly payment	5,841,706	4,202,724	5,885,262	1,682,539
<u>1983</u> (actual July-Feb. projected Mar-June)					
Operating	1 yr.- 1 payment	1,834,720	110,083	146,778	36,695
Chattel	7 yrs.-annual payment	1,995,397	506,791	687,534	180,743
Development	20 yrs.-monthly payment	1,905,810	1,371,104	1,920,120	549,016
<u>1984</u> (projected)					
Operating	1 yr.- 1 payment	1,834,720	110,083	146,778	36,695
Chattel	7 yrs.-annual payment	2,525,280	641,371	870,110	228,739
Development	20 yrs.-monthly payment	5,640,000	<u>4,057,610</u>	<u>5,682,053</u>	<u>1,624,443</u>
			\$ 11,578,709	\$ 16,118,336	\$ 4,539,627

# Alaska State Legislature

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## Senate

### Committee on Resources

TO: Bettye  
FROM: Sandra  
RE: Committee Hearing on SB 124  
DATE: March 8, 1983

SB 124 (An Act amending the Agricultural Loan Act) is being heard at the request of Senator Moss. You should mention that you do not plan to pass this bill out today.

A summary and copy of the bill are attached. In short, the bill amends the Agricultural Loan Act by changing the terms of and limits on loans, and changing the set-up of the Loan Fund Board.

DNR has proposed some substantial amendments (also attached) that delete most sections of the bill (in which case the statute would remain as currently written). DNR does support two aspects of SB 124: 1) Reduce the maximum term of a chattel loan from 30 years to 7 years (chattel is any property other than real estate); 2) Increase the limit on loans for clearing land from \$250,000 to \$1,000,000.

The fiscal note prepared by DNR does not reflect the fiscal impacts to the State of lowering interest rates and increasing limits on amounts borrowed. We have asked DNR to supply this information at today's hearing if possible.

The following people have indicated that they will testify:

- Senate President Kerttula
- Bob Arnold, Deputy Commissioner, DNR
- Senator Moss (or staff) - Rick Johnson is here.

\*\*Some questions need to be answered. (See next page.)

Questions.

1. What is the fiscal impact on the State of lowering interest rates and increasing limits on amounts borrowed?
2. Is this kind of support comparable to that given by the State to other major developing sectors, like mining and fisheries?
3. Why is the restructuring of the Board necessary?

Immediately following the hearing on SB 124, the Committee will be briefed by Peter Richardson, Manager, Noranda Mining Company, on the Greens Creek mining development on Admiralty Island.

\*\* REMEMBER THAT AT 4:00 P.M. YOU HAVE A MEETING WITH THE GOVERNOR ON SUBSISTENCE AND THE CITIZENS' ADVISORY COMMISSION.