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# MEMORANDUM

# State of Alaska

TO: The Honorable Bettye Fahrenkamp  
Alaska State Senate

DATE: March 21, 1984

FILE NO:

TELEPHONE NO:

FROM: Sharon L. Barton *B*  
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.

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. There 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 are 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.

CHANGES MADE IN THE HOUSE TO SB 47

(HOUSE) HCS CSSSSB 47(Res)

(SENATE) CSSSSB 47 (Fin)am  
5-10-84 Passed 19-01-00

SECTION 1

Page 1, Line 13  
moratorium up to three years on reimbursement payments  
by applying to the

moratorium up to three years on the payment of  
principal on the reimbursement

Page 1, Line 23  
remain in compliance with the development plan during  
the moratorium.

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

Page 1, Lines 24-27  
(d) Payments of interest on a contract for reimbursement  
to the state of the cost of clearing, draining, and breaking  
of land are subject to a moratorium under (a) of this section  
but interest continues to accrue during the moratorium.

Not in Senate Version.

# COMMITTEE REPORT

## SENATE

FURTHER:

FINANCE

4/2/84

Date \_\_\_\_\_

Mr. President

The Committee on RESOURCES considered SSSB 47

reimbursement for the cost of land clearing; and.

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 \_\_\_\_\_
- new title
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

William Stimpert  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
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MEMBERS HAVING  
OTHER RECOMMENDATIONS

William Stimpert  
Bill Maloney  
\_\_\_\_\_  
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Chairman

Chairman recommendation

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**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, p. 1135; 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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CHAIRMAN  
SENATE TRANSPORTATION  
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COMMITTEE  
LEGISLATIVE COUNCIL  
REAA BUDGET OVERSIGHT  
COMMITTEE

# Alaska State Legislature



## State Senate

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### 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 *ARM*

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.

SSSB 47 - AN ACT RELATING TO REIMBURSEMENT FOR THE COST OF LAND CLEARING: PROVIDING FOR AN EFFECTIVE DATE.

SPONSOR: MOSS

AUTHORIZES THE AG REVOLVING LOAN FUND BOARD TO GRANT A THREE YEAR PAYMENT MORATORIUM ON LAND CLEARING LOANS MADE BY THE ALASKA AG ACTION COUNCIL BEFORE JANUARY 1, 1984. TO QUALIFY, A LAND OWNER MUST HAVE AT LEAST 1000 ACRES OR 50% OF HIS TILLABLE ACREAGE IN PRODUCTION.

THERE IS A 40 YEAR PAYBACK PERIOD FROM THE DATE THE CONTRACTS WERE SIGNED. THE THREE YEAR MORATORIUM DOES NOT EXTEND THAT 40 YEAR PERIOD. 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 INTEREST PAID WILL BE SLIGHTLY REDUCED.

#### JUSTIFICATION

WILL ALLOW FARMERS MORE TIME TO GET THEIR LAND INTO PRODUCTION. WILL ALLOW MORE TIME TO DEVELOP AN ADEQUATE MARKETING INFRASTRUCTURE WHICH IS NOT YET IN PLACE.

#### FINANCE CS

In Section 1 (c), the Finance CS language says the applicant must "be in compliance with the development plan set out in the owner's contract".

The Resource CS says the applicant must "be in compliance with the development plan set out in the owner's contract WITH THE AK AG ACTION COUNCIL." The development plan is established by DNR, not AK AG ACTION

COUNCIL.

SO O.K.

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. Hoss  
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

MH Approved by Commissioner: *Mimi D. Hansen, 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

# Alaska State Legislature

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## Senate

### Committee on Resources

#### MEMORANDUM

TO: Senate Resources Committee Members

FROM: Senate Resources Committee Staff

RE: Committee Meeting, April 16, 1984

DATE: April 13, 1984

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On Monday, April 16th at 3:00 pm in the Beltz Room, the Senate Resources Committee will hear the following bill:

SSSB 47, An Act relating to reimbursement for the cost of land clearing.

SSSB 47 would authorize the Alaska Agricultural Action Council to grant a three year payment moratorium on land clearing loans made by the Council. To qualify for the moratorium the land owner must have at least 1000 acres or 50% of his tillable acreage in production.

Senator Moss will propose an amendment to:

- 1) Grant this authority to the Agricultural Revolving Loan Fund Board rather than to the Alaska Agricultural Action Council.
- 2) Require that the Board grant the moratorium to any qualified landowner.