

**STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE**

Revision Date: _____

REQUEST

Bill/Resolution No.: CSHB 193
 Title: Agricultural Production
Credits
 Sponsor: Schultz
 Requestor: House Resources Committee
 Date of Request: April 12, 1985

FISCAL DETAIL

Agency Affected: Natural Resources
 Program Category Affected: NRMEC
Agricultural Management
 BRU, Program or Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
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 **	(1,274.0)	(2,004.2)	(2,547.5)	(3,090.8)	(3,634.2)	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

** The proposed program could reduce state revenue, in the amounts shown, by reducing the amount of interest paid on state agricultural loans. However, these figures are based on the assumption that the program will increase production and sales of Alaska farm products according to the attached schedule. If sales do not increase, the amount of revenue lost to the state would decrease. (See attached analysis.)

Prepared By: Carol Wilson Phone: 465-2400
 Division: Commissioner's Office Date: 4/12/85

Approved by Commissioner: Anna D. Armstrong, Deputy Date: _____
 Agency: Natural Resources

Distribution (by Agency preparing fiscal note):

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

7/1/84

Continuation of Analysis for CSHB 193

The proposed production credit program could, if successful, reduce state revenues by reducing the total amount of interest paid on state agricultural loans. However, without a program of this type that provides some measure of debt relief to farmers, the state will lose millions of dollars through loan defaults.

The total amount of production credits that might be earned during the five years of the program, considering that not all farmers have borrowed from the state, and that agricultural land that is not currently in production is put into production, are estimated as follows:

Year	Projected Sales	Sales Available for Credits*	% Credit	Estimated Credits
1984	\$15,925,000	\$12,740,000	10	\$1,274,000
1985	\$25,053,000	\$20,042,400	10	2,004,240
1986	\$31,844,000	\$25,475,200	10	2,547,520
1987	\$38,635,000	\$30,908,000	10	3,090,800
1988	\$45,427,000	\$36,341,600	10	3,634,160
Five Year Total				\$12,550,720

* Projected sales reduced by 20% to account for non-borrowers.

The following chart gives estimated values for loan default and associated interest losses to the state if the production credit program is not established. Farmers in the Delta area have an especially heavy debt load. Approximately \$12,500,000 is due on clearing loans for the Delta I and Delta II agricultural project parcels. This is an average of \$337,837 of clearing loan debt per farm. Land payments for Delta II parcels average \$180 per acre at 12% interest per year. The average amount of principal owed for each Delta II parcel is approximately \$145,000.

Loan	Amount Outstanding	Possible Default	Collateral Value	Loss to State
ARLF	\$48.5 mill.	\$23 mill.	\$15 mill.	\$8 mill.
Clearing	\$17.5 mill.	\$8 mill.	0	\$8 mill.
Land	\$10 mill.	\$5 mill.	\$3 mill.	\$2 mill.

Interest on \$18 million loss at 8% x 5 years = \$7.2 mill.

Total estimated loss to state = \$25.2 million.

Offered: 4/12/85
Referred: Finance

Original sponsor: Shultz

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2

CS FOR HOUSE BILL NO. 193 (Resources)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act allowing agricultural production credits; and

7

providing for an effective date."

8

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

9

* Section 1. AS 03.05 is amended by adding a new section to read:

10

Sec. 03.05.015. AGRICULTURAL PRODUCTION CREDITS. (a) The

11

commissioner of natural resources shall establish a program of agri-

12

cultural production credits to be applied against interest due on

13

agricultural loans made under this title and AS 44 and interest due on

14

the sale of agricultural land under AS 38.05. The credits shall be

15

based on agricultural products grown or raised in the state.

16

(b) The annual credit for the years 1984 - 1988 is 10 percent of

17

the total sales as documented by the farmer on Internal Revenue Ser-

18

vice Schedule F (form 1040).

19

(c) A credit granted under this section may not be transferred.

20

* Sec. 2. AS 03.05.015 is repealed December 31, 1989.

21

* Sec. 3. This Act takes effect immediately in accordance with AS 01.-

22

10.070(c).

EXAMPLE of how a Delta barley farmer could be affected - this is the "horse case" scenario

Assumptions

1. 2500 acre farm
2. 1500 acres planted in barley
3. Production of 1 ton per acre - sells for \$125 per ton
4. Chattel loan of \$208,000 at 8%, first payment due in 1985.
5. Farm development loan of \$119,000 at 8% - first payment due in 1985
6. Land purchased for \$180 per acre at 12% interest - with moratorium, first payment due in 1989
7. Land clearing loan of \$300,000 at 8% interest - with moratorium, first payment due in 1989

Table 1. THE AFFECT OF PRODUCTION CREDITS ON LOAN PAYMENTS - FARMER BROWN Sales- \$187,500/ year

Total Loan Payment ³	Interest Portion of Loans ⁴	Credits Available	%	Interest Payment Following Credit Deduction	Total Loan Payment Following Credit Deduction
\$56,571	\$ 30,660	\$18,750	10	\$11,910	\$37,821
56,571	\$ 28,586	\$18,750	10	\$9,836	\$37,821
56,571	\$ 26,340	\$18,750	10	\$7,598	\$37,821
56,571	\$ 23,929	\$18,750	10	\$5,179	\$37,821
129,136	\$ 90,726	\$18,750	10	\$7,976	\$110,386

³ Land clearing and land purchases begin, n is paid-off in this year.
⁴ include operating loan.
 net operating loan interest of \$4,500.

Total interest forgiven \$93,750

Total Loans \$897,000 (principal)

Offered: 4/12/85
Referred: Finance

Original sponsor: Shultz

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2

CS FOR HOUSE BILL NO. 193 (Resources)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act allowing agricultural production credits; and
7 providing for an effective date."

8

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12 cultural production credits to be applied against interest due on
13 agricultural loans made under this title and 1 : 44 and interest due on
14 the sale of agricultural land under AS 38.05. The credits shall be
15 based on agricultural products grown or raised in the state.

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(b) The annual credit for the years 1984 - 1988 is 10 percent of

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the total sales as documented by the farmer on Internal Revenue Ser-
18 vice Schedule F (form 1040).

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(c) A credit granted under this section may not be transferred.

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21

* Sec. 3. This Act takes effect immediately in accordance with AS 01.-

22

10.070(c).

Introduced: 2/13/85
Referred: Resources and
Finance

1 IN THE HOUSE

BY SHULTZ

2

HOUSE BILL NO. 193

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act establishing an agricultural product incentive program."

7

8

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

9

* Section 1. AS 38.05 is amended by adding a new section to read:

10

Sec. 38.05.064. AGRICULTURAL PRODUCT INCENTIVE PROGRAM. (a)

11

The director shall establish an agricultural product incentive program to credit agricultural land purchasers on the basis of agricultural production. The credit may be based only on the production of grains, dairy products, and livestock on agricultural land purchased under this chapter.

12

13

14

15

16

(b) The amount of the credit shall be determined by the director, based on the Seattle price of the product credited, minus the freight cost to the production location.

17

18

19

(c) The credit may be applied only against principal due on a sale of agricultural land made under this chapter.

20

FURTHER:

5/12/85

Date 5/2/86

Mr. President

The Committee on FINANCE considered CSHB 193(RES)

allowing agricultural production credits; 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 5 CS for CS HB 193 (Finance)
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
DNR 1/22/86
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

Arthur NO REC

Rich Halld NO REC

Paul Frick N. Rec.

William " "

Ferguson " " "

Co - Jan Frick
Chairman

No Rec
Chairman recommendation

Offered: 4/12/85
Referred: Finance

Original sponsor: Shultz

1 IN THE HOUSE

Senate Finance Committee
BY THE ~~RESOURCES~~ COMMITTEE

2 *JCS* CS FOR HOUSE BILL NO. 193 (*Finance*
(~~Resources~~))
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act allowing agricultural production credits; and
7 providing for an effective date."

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

9 * Section 1. AS 03.05 is amended by adding a new section to read:

10 Sec. 03.05.015. AGRICULTURAL PRODUCTION CREDITS. (a) The
11 commissioner of natural resources shall establish a program of agri-
12 cultural production credits to be applied against interest due on
13 agricultural loans made under this title and AS 44 and interest due on
14 the sale of agricultural land under AS 38.05. The credits shall be
15 based on agricultural products grown or raised in the state.

16 (b) The annual credit for the years ~~1984~~¹⁹⁸⁶ - 1988 is 10 percent of
17 the total sales as documented by the farmer on Internal Revenue Ser-
18 vice Schedule F (form 1040).

19 (c) A credit granted under this section may not be transferred.

20 * Sec. 2. AS 03.05.015 is repealed December 31, 1989.

21 * Sec. 3. This Act takes effect immediately in accordance with AS 01.-
22 10.070(c).

**STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE**

Revision Date : 1-22-86

REQUEST

Bill/Resolution No.: CSHB 193 (Fix)
 Title: Agricultural Production Credits

Sponsor: Rep. Shultz
 Requestor: Senate Finance Committee
 Date of Request: January 22, 1986

FISCAL DETAIL

Agency Affected: Natural Resources
 BRU: Agricultural Management

Components: _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
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REVENUE **	(2,626.5)	(1,720.0)	(2,064.0)	(2,476.5)		
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FUNDING : (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

**The proposed program could reduce State revenues, in the amounts shown, by reducing the amount of interest paid on State agricultural loans. However, these figures are based on the assumption that the program will increase production and sales of farm products according to the attached schedule. If sales do not increase as projected, the amount of revenue lost will decrease.

Prepared by: Carol Wilson *Carol Wilson* Phone: 465-2400
 Division: Commissioner's Office Date: January 22, 1986

Approved by Commissioner: *Wm J. Dunbar, Deputy* Date: 1/22/86
 Agency: Natural Resources

Distribution (by Agency preparing fiscal note):

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

The amount of production credits that might be earned during the five years of the program, considering that not all farmers have borrowed from the state, and that agricultural land that is not currently in production is put into production, are estimated as follows:

Year	Projected Sales	Sales Available for Credits*	% Credit	Projected Credits
1984	\$15,925,000	\$11,945,000	10	\$1,194,500
1985	19,110,000	14,320,000	10	1,432,000
1986	22,932,000	17,200,000	10	1,720,000
1987	27,518,000	20,640,000	10	2,064,000
1988	33,022,000	24,765,000	10	2,476,500
Total				\$8,887,000

* Projected sales reduced by 25% to account for non-borrowers.

The following chart gives estimated values for loan default and associated interest losses to the state if the production credit program is not established. Farmers in the Delta area have an especially heavy debt load. Approximately \$12,500,00 is due on clearing loans for the Delta I and Delta II agricultural project parcels. This is an average of \$337,837 of clearing loan debt per farm. Land payments for Delta II parcels average \$180 per acre at 12% interest per year. The average amount of principal owed for each Delta II parcel is approximately \$145,000.

Loan	Amount Outstanding	Possible Default	Collateral Value	Loss to State
ARLF	\$48.5 million	\$23 million	\$15 million	\$8 million
Clear.	17.5 million	8 million	0	8 million
Land	10 million	5 million	3 million	2 million

Interest on \$18 million loss at 8% x 5 years = \$7.2 million

Total estimated loss to the state = \$25.2 million

Copy 47

REQUEST

Bill/Resolution No.: CSHB 193 (Res)
 Title: Agricultural Production Credits

FISCAL DETAIL

Agency Affected: Natural Resources
 Program Category Affected: Agricultural Management
 BRU, Program or Subprogram(s) Affected: _____

Sponsor: Shultz
 Requestor: House Resources Committee
 Date of Request: April 12, 1985

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
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						
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REVENUE **	(\$1,274.0)	(2,004.2)	(2,547.5)	(3,090.8)	(\$3,634.2)	-0-
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FUNDING: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

**The proposed program could reduce state revenues, in the amounts shown, by reducing the amount of interest paid on state agricultural loans. However, these figures are based on the assumption that the program will increase production and sales of Alaska farm products according to the attached schedule. If sales do not increase, the amount of revenue lost to the state would decrease.

Prepared By: BILL Heim, Director of Agriculture Phone: 745-7200
 Division: Division of Agriculture Date: March 25, 1985

Approved by Commissioner: Ann D. Amiel, Deputy Date: 7/12/85
 Agency: Department of Natural Resources

Distribution (by Agency preparing fiscal note):

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

7/1/84

The proposed production credit program could, if successful, reduce state revenues by reducing the total amount of interest paid on state agricultural loans. However, without a program of this type that provides some measure of debt relief to farmers, the state will lose millions of dollars through loan defaults.

The total amount of production credits that might be earned during the five years of the program, considering that not all farmers have borrowed from the state, and that agricultural land that is not currently in production is put into production, are estimated as follows:

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Five Year Total				\$12,550,720

* Projected sales reduced by 20% to account for non-borrowers.

The following chart gives estimated values for loan default and associated interest losses to the state if the production credit program is not established. Farmers in the Delta area have an especially heavy debt load. Approximately \$12,500,000 is due on clearing loans for the Delta I and Delta II agricultural project parcels. This is an average of \$337,837 of clearing loan debt per farm. Land payments for Delta II parcels average \$180 per acre at 12% interest per year. The average amount of principal owed for each Delta II parcel is approximately \$145,000.

Loan	Amount Outstanding	Possible Default	Collateral Value	Loss to State
ARLF	\$48.5 mill.	\$23 mill.	\$15 mill.	\$8 mill.
Clearing	\$17.5 mill.	\$ 8 mill.	0	\$8 mill.
Land	\$10 mill.	\$ 5 mill.	\$ 3 mill.	\$2 mill.

Interest on \$18 million loss at 8% x 5 years = \$7.2 mill.

Total estimated loss to state = \$25.2 million.

SECTIONAL ANALYSIS FOR HOUSE BILL 193

An Act allowing agriculture production credits and providing for an effective date

Section 1

Adds a new section to Chapter 5, Powers and Duties of the Commissioners of Natural Resources and Environmental Conservation under Title 3 (Agriculture). This new section states that the Commissioners of DNR shall establish a program of agricultural credits that would be applied against outstanding agricultural loans and interest due on the sale of agricultural land.

An amount equal to ten per cent of the producer's yearly sales would be credited against any outstanding state agricultural loans for the years 1984 to 1988.

The producer must provide verification of sales using income tax records. Credits may not be transferred.

Section 2

Repeals the production credits programs on December 31, 1989.

Section 3

Immediate effective date.

Comments

The sponsor is proposing a Finance Committee Substitute which would raise the production credit to 20 per cent and continue the program till 1994. However, the 20% rate would only apply through 1989 and would be reduced by 2% each year until it is phased out entirely.

Offered: 1/23/86
Referred: Finance

Original sponsor: Shultz

IN THE HOUSE

BY THE RESOURCES COMMITTEE

SENATE CS FOR HOUSE BILL NO. 193 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act allowing agricultural production credits;
and providing for an effective date."

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

* Section 1. AS 03.05 is amended by adding a new section to read:

Sec. 03.05.015. AGRICULTURAL PRODUCTION CREDITS. (a) The commissioner of natural resources shall be applied against interest due on agricultural loans made under this title and AS 44 and interest due on the sale of agricultural land under AS 38.05. The credits shall be based on agricultural products grown or raised in the state.

(b) The annual credit for the years 1984 - 1988 is 20 [10] percent of the total sales as documented by the farmer on Internal Revenue Service Schedule F (form 1040). The portion of total sales as documented by the farmer on Internal Revenue Service Schedule F (form 1040) that may be claimed as a credit under this section for 1989 and each subsequent year shall decrease by two percentage points each year.

(c) A credit granted under this section may not be transferred.

*Sec. 2. AS 03.05.015 is repealed December 31, 1994 [1989].

*Sec. 3. This Act takes effect immediately in accordance with AS 01.-

10.070(c)

Bradley
2/14/86 ✓

Original sponsor: Shultz

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 193 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

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7 providing for an effective date."

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14 the sale of agricultural land under AS 38.05. The credits shall be
15 based on agricultural products grown or raised in the state.

16 (b) The annual credit for the years 1984 - 1988 is 20 percent of
17 the total sales as documented by the farmer on Internal Revenue Ser-
18 vice Schedule F (form 1040). The portion of total sales as documented
19 by the farmer on Internal Revenue Service Schedule F (form 1040) that
20 may be claimed as a credit under this section for 1989 and each subse-
21 quent year shall decrease by two percentage points each year.

22 (c) A credit granted under this section may not be transferred.

23 * Sec. 2. Section 1 of this Act is retroactive to January 1, 1984.

24 * Sec. 3. AS 03.05.015 is repealed December 31, 1994.

25 * Sec. 4. This Act takes effect immediately in accordance with AS 01.-
26 10.070(c).

FACT SHEET - PRODUCTION CREDITS

1. Credits would be applied to the interest on State agricultural loans.
2. These State agricultural loans would be either loans for land purchased from the State or loans from the Agricultural Revolving Loan Fund (ARLF).
3. Since 1978, approximately 500 agricultural tracts have been sold by the State. Almost all of these tracts are still being financed by the State and production credits could be applied against the interest on these loans.
4. ARLF loans have been made to 276 borrowers. Ninety-nine borrowers are from the Matanuska area, 98 from Delta, 41 from the Tanana Valley, 26 from the Kenai area, and 12 borrowers are from other areas of Alaska. Production credits could be applied against the interest on these ARLF loans.

The Effect of Production Credits - Examples of Typical Farms

<u>Annual Income</u>			<u>Potential Production Credits</u>	
<u>Barley</u>				
Delta I Farmer	\$150,000	10% Credit = \$15,000; 20% Credit = \$30,000		
<u>Total State Loans</u>	<u>Annual Loan Payments</u>	<u>Annual Loan Payments</u>	<u>Interest Payment With 10% Credit</u>	<u>Interest Payment With 20% Credit</u>
\$925,600	\$206,976	\$52,637	\$37,637	\$22,637

<u>Annual Income</u>			<u>Potential Production Credits</u>	
<u>Barley</u>				
Delta II Farmer	\$150,000	10% Credit = \$15,000; 20% Credit = \$30,000		
<u>Total State Loans</u>	<u>Annual Loan Payments</u>	<u>Annual Loan Payments</u>	<u>Interest Payment With 10% Credit</u>	<u>Interest Payment With 20% Credit</u>
1,024,000	\$236,708	\$86,390	\$71,390	\$56,390

Annual IncomePotential Production CreditsMilk

1. Pt. MacKenzie Farmer \$375,000 10% Credit = \$37,500; 20% Credit = \$75,000

<u>Total State Loans</u>	<u>Annual Loan Payments</u>	<u>Annual Loan Payments</u>	<u>Interest Payment With 10% Credit</u>	<u>Interest Payment With 20% Credit</u>
\$1,148,100	\$209,633	\$78,357	\$40,857	\$ 3,357

Annual IncomePotential Production CreditsPotatoes

1. Matanuska Valley Farmer \$144,000 10% Credit = \$14,400; 20% Credit = \$28,800

<u>Total State Loans</u>	<u>Annual Loan Payments</u>	<u>Annual Loan Payments</u>	<u>Interest Payment With 10% Credit</u>	<u>Interest Payment With 20% Credit</u>
\$428,800	\$237,910	\$29,376	\$14,976	\$ 576

Annual IncomePotential Production CreditsHay

1. Fairbanks Area Farmer \$104,000 10% Credit = \$10,400; 20% Credit = \$20,800

<u>Total State Loans</u>	<u>Annual Loan Payments</u>	<u>Annual Loan Payments</u>	<u>Interest Payment With 10% Credit</u>	<u>Interest Payment With 20% Credit</u>
\$243,791	\$ 82,500	\$ 22,329	\$ 11,929	\$ 1,529

EF-10 5/10-86
HB 193 4/23/86

ACTUAL DELTA I FARMER

<u>Loan Type</u>	<u>Total Loan</u>	<u>Annual Loan Payment</u>	<u>Principal Payment</u>	<u>Interest Payment</u>
Land Purchase	\$ 0	\$ 0	\$ 0	\$ 0
Land Clearing	370,600	24,590	3,018	21,572
Chattel	300,000	57,621	45,741	11,879
Farm Development	154,000	15,685	4,578	11,106
Operating	<u>101,000</u>	<u>109,080</u>	<u>101,000</u>	<u>8,080</u>
TOTAL	\$925,600	\$206,976	\$154,337	\$52,637

ACTUAL DELTA II FARMER

Land Purchase	\$324,000	\$ 43,376	\$ 4,496	\$38,880
Land Clearing	307,000	25,745	1,612	24,132
Chattel	181,000	34,765	27,597	7,167
Farm Development	95,000	9,675	2,824	6,851
Operating	<u>117,000</u>	<u>126,360</u>	<u>117,000</u>	<u>9,360</u>
TOTAL	\$1,024,000	\$239,921	\$153,529	\$86,390

ACTUAL POINT MACKENZIE FARMER

Land Purchase	\$ 62,900	\$ 8,420	\$ 872	\$ 7,548
Land Clearing	94,200	7,899	494	7,404
Chattel	265,000	50,899	40,405	10,493
Farm Development	656,000	66,815	19,502	47,312
Operating	<u>70,000</u>	<u>75,600</u>	<u>70,000</u>	<u>5,600</u>
TOTAL	\$1,148,100	\$209,633	\$131,273	\$78,357

An average Delta I or Delta II farmer could expect a gross income (total sales) of approximately \$100,000 to \$125,000 per year, depending on weather conditions, market conditions and many other factors. A Point MacKenzie farmer could expect a gross income of approximately \$427,500 per year.

Based on these estimated yearly incomes and the terms of SB 40, the following amounts would be available each year for credit towards loan interest payments.

1984	20% x \$100,000	=	\$20,000
1985	20% x \$100,000	=	\$20,000
1986	20% x \$100,000	=	\$20,000
1987	20% x \$100,000	=	\$20,000
1988	20% x \$100,000	=	\$20,000
1989	18% x \$100,000	=	\$18,000
1990	16% x \$100,000	=	\$16,000
1991	14% x \$100,000	=	\$14,000
1992	12% x \$100,000	=	\$12,000
1993	10% x \$100,000	=	\$10,000

1984	20% x \$427,500	=	\$85,500
1985	20% x \$427,500	=	\$85,500
1986	20% x \$427,500	=	\$85,500
1987	20% x \$427,500	=	\$85,500
1988	20% x \$427,500	=	\$85,500
1989	18% x \$427,500	=	\$76,950
1990	16% x \$427,500	=	\$68,400
1991	14% x \$427,500	=	\$59,850
1992	12% x \$427,500	=	\$51,300
1993	10% x \$427,500	=	\$42,750

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BILL SHEFFIELD, GOVERNOR

REPLY TO:

1031 W 4th AVENUE
SUITE 200
ANCHORAGE, ALASKA 99501
PHONE: (907) 276-3550

1st NATIONAL CENTER
100 CUSHMAN ST.
SUITE 400
FAIRBANKS, ALASKA 99701
PHONE: (907) 452-1568

POUCH K - STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3600

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

February 14, 1986

The Honorable John B. Coghill
The Honorable Jalmar M. Kerttula
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Re: CSSB 349(Res)

Dear Senators Coghill and Kerttula:

This letter is to alert you to a possible constitutional problem with CSSB 349(Res), a bill which relates to the reorganization of private debt incurred as a result of agricultural activities in the Delta area.

Without more information in the bill, it is possible that it violates article II, section 19 of the Alaska Constitution, which provides in relevant part: "The legislature shall pass no local or special act if a general act can be made applicable." The Alaska Supreme Court has held that legislation does not become "local" merely because it operates only on one geographical area of the state; however, legislation is impermissibly "local" if there is nothing in the nature of the specific area which justifies a departure from making the legislation applicable to all similar areas. See Abrams v. State, 534 P.2d 91 (Alaska 1975) (ch. 145, SLA 1974, creating a new Eagle River-Chugiak Borough, held unconstitutional because nothing in the nature of Eagle River-Chugiak area justified departing from the general law scheme for incorporating a new borough).

Nothing in the text of CSSB 349(Res) indicates that there are special circumstances in the Delta area which would justify legislation directed only at agricultural operations in that location. There very well may be such circumstances. To avoid any constitutional difficulty, you may wish to consider including a section in the bill setting out legislative findings which would justify local and special legislation addressing only agricultural operations in that area. In the alternative, the bill could be amended to make it apply to agricultural operations anywhere in the state fitting certain criteria (e.g., lack of adequate transportation systems; lack of available local markets; severe weather-related crop damage; etc.).

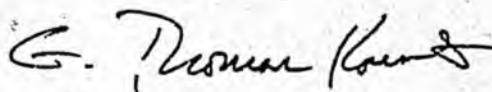
The Honorable John B. Coghill
The Honorable Jalmar M. Kerttula

February 14, 1986
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I am willing to meet with you, members of your staff, or a representative of the Division of Legal Services in the Legislative Affairs Agency to ensure that there are no constitutional problems with the bill.

Sincerely,

HAROLD M. BROWN
ATTORNEY GENERAL

By: 
G. Thomas Koester
Assistant Attorney General

GTK:dlm

cc: Senator Jan Faiks
Senator John C. Sackett
Senate Finance Committee

Commissioner Esther C. Wunnicke
Department of Natural Resources

Jim Ayers, Legislative Assistant
Office of the Governor

Tamara Cook, Director
Legal Services Division
Legislative Affairs Agency