

COMMITTEE REPORT
SENATE

FURTHER:

2/7/86

Date 3/4/86

Mr. President

The Committee on FINANCE considered SB 349
relating to the reorganization of private debt at the Delta Project.

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 SB 349 (Fin)
new title
- same title and recommends "DO PASS"
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
DNR & B
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

[Signature]
[Signature]
[Signature]

MEMBERS HAVING
OTHER RECOMMENDATIONS

[Signature]
Co-Chairman
do pass
Chairman recommendation

2/10/86 AB
 = (R13)

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date: 2-4-86

REQUEST

Bill/Resolution No.: CSSB 349 (Fin.)
 Title: Reorganization of Delta Debt

Sponsor: Sen. Coghill, Sen. Kerttula
 Requestor: Senate Resources Committee
 Date of Request: February 4, 1986

FISCAL DETAIL

Agency Affected: Natural Resources
 BRU: Land and Water Management
Agricultural Management

Components: Public Use
AKLP

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						
REVENUE	**					

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
 **See attached explanation.

Prepared by: Carol Wilson *[Signature]* Phone: 465-2400
 Division: Commissioner's Office Date: 2-4-86

Approved by Commissioner: Thomas D. Spinguel, Deputy Date: 2/4/86
 Agency: Natural Resources

Distribution (by Agency preparing fiscal note):

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

6/8/86

Analysis for Fiscal Note, Senate Bill 349
Reorganization of Delta Agricultural Project Debt

Revenue

A paper loss of as much as \$14,800,000 could be realized if 37 parcels of 2000 acres each are relinquished to the State.

37 parcels x 2,000 acres per parcel x \$200 per acre =
\$14,800,000.

However, since the clearing loans and land contract payments may not be collectable under current Delta financial conditions, and because the State would receive cleared land in lieu of land and loan payments under this bill, it could also be argued that no revenue loss would occur.

In addition, renegotiating ARLF chattel and farm improvement loans could result in reductions in loan principal and interest due the State. However, since foreclosure and resale of farm chattel and improvements could generate less income than could be realized from loan renegotiations, it could be argued that no revenue loss would occur.

SENATE FINANCE COMMITTEE

LETTER OF INTENT

TO ACCOMPANY CSSB 349 (*Finance*)

It is the intent of the legislature that farmers effected under this legislation be limited solely to those individuals and entities not participating in any federal program which has the effect of keeping agricultural land out of production. It is further the intent of the legislature that contracts, leases, development plans or other state documents amended under this law prohibit joint participation in the provisions of this bill and federal non-production subsidies for the term of the lease, plan, contract or other agreement.

Amendment to CSSB 349 (Finance)

Page 2, Line 15 Insert new Section 3

"The provisions of this Act are not available to any individual participating in any federal farm program which provides monetary or other incentives for keeping agricultural land in Delta Projects out of production".

Renumber remaining sections accordingly.

Bradley
2/28/86 ✓

Original sponsors: Coghill and
Kerttula

1 IN THE SENATE

2 CS FOR SENATE BILL NO. 349 ()

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the reorganization of private
7 debt at (a) Delta Project."

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

9 * Section 1. LEGISLATIVE FINDINGS. The legislature finds that the
10 large grain farms that were developed on state agricultural land in the
11 Delta Projects are subject to a personal debt load that is unmanageable
12 because of a coincidence of unique and unforeseen circumstances:

13 (1) the unforeseen difficulties with the limited growing seasons
14 including the extremely short period in which the crops may be planted;

15 (2) conflicts with the herds of bison located in the area;

16 (3) the inadequate agricultural infrastructure in the area of
17 the Delta Projects and in the state;

18 (4) the depressed grain prices nationwide;

19 (5) the unexpected problems with economic farm size.

20 * Sec. 2. (a) The commissioner of natural resources shall, at the re-
21 quest of an individual who holds agricultural rights to land purchased from
22 the state in a Delta Project,

23 (1) accept the relinquishment of agricultural land purchased
24 from the state in a Delta Project and credit the percentage of the debt
25 owed to the state on land purchased and land clearing loans that equals the
26 percentage of land relinquished under this section, either by acreage or by
27 value, as determined by the commissioner;

28 (2) enter into an agreement with the individual for the lease
29 for agricultural purposes only of a portion of or all of the land

1 relinquished for a term of 20 years at the full fair market value of the
2 land; a survey under this paragraph, if required, shall be at the expense
3 of the individual.

4 (b) If an individual who has relinquished land under this section
5 applies before July 1, 1987 for a lease on all or part of the land relin-
6 quished, the lease shall provide the lessee an option to purchase the land
7 leased under sec. 2(a)(2) of this Act at full fair market value at the time
8 of purchase without reduction to reflect the remaining lease term.

9 (c) The commissioner of natural resources in consultation with the
10 Agricultural Revolving Loan Board may renegotiate with the individual loans
11 for chattels or farm improvements located on the agricultural land in a
12 Delta Project if the commissioner determines that renegotiation is neces-
13 sary to minimize financial losses to the state and that it is in the best
14 interest of the state.

15 * Sec. 3. This Act is repealed July 1, 1988.
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Senate Finance Committee

Senator Jan Faiks, Co-Chairman Senator John Sackett, Co-Chairman

DATE: March 4, 1986

TO: Lynn Barnes

FROM: Vicki Wilson (4935)
Cap Bldg Rm 413

RE: CSSB 349 (Finance)

Please have a Senate Finance Committee Substitute for SB 349 prepared incorporating a new Section 3 (per attached).

The bill was reported out of Finance this morning and was read across during the Senate floor session at 11 am.

Please return to me asap.

THANX!

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

March 4, 1986

The Honorable Jan Faiks
Senate Finance Committee
Alaska State Legislature
P. O. Box V
Juneau, AK 99811

Re: CSSB 349(Res)

Dear Senator Faiks:

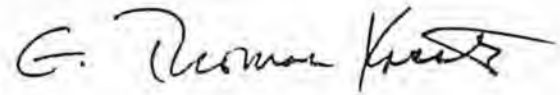
I have reviewed the February 27, 1986 memorandum from Senators Coghill and Halford to you regarding CSSB 349(Res), and the proposed Finance Committee Substitute which would add a new Section 1 containing Legislative Findings regarding problems encountered in the Delta Area. After reviewing the transcript of testimony before the Committee on February 20, 1986 and the additional material contained in the February 27, 1986 memorandum, it is my opinion that there is sufficient evidence in the record to support a determination by the legislature that legislation addressing the unique circumstances facing farmers in the Delta Area would not violate the prohibition against local and special legislation contained in article II, section 19 of the Alaska Constitution.

If I can be of further assistance, I am available at your convenience.

Sincerely,

HAROLD M. BROWN
ATTORNEY GENERAL

By:



G. Thomas Koester
Assistant Attorney General

GTK:dllm

cc: Senator John B. Coghill
Senator Rick Halford
Senator Jalmar M. Kerttula
Commissioner Esther C. Wunnicke
Jim Ayers, Office of the Governor
Tamara Cook, Legislative Affairs Agency



Official Business

Alaska State Legislature

Pouch V
State Capitol
Juneau, Alaska 99811

February 27, 1986

MEMORANDUM

TO: Senator Faiks, Senate Finance Committee

FROM: Senators Coghill and Halford

RE: Findings on "uniqueness" of the Delta Agricultural Projects

On February 25, 1986 testimonies were taken from four individuals on the question of a unique situation in the large agricultural projects in the Delta area. The four individuals were; Mike Carlson, President of the Alaska Soil and Water Conservation Association; Mike Schultz, Board Member of the Alaska Stockgrowers and Farmers Association; Barney Hollembaek, farmer; and Sid Nelson, farmer. There was also written testimony accepted from the Department of Natural Resources.

The findings were that the large grain farms developed on state agricultural land prior to the precipitous decline in oil prices and state revenues are subject to a debt load which is unmanageable. This situation is the result of a number of unique and unforeseen circumstances including but not limited to:

- 1) The Delta Project was originally intended to provide grain for the export market. That market never materialized.
- 2) Proposed marketing infrastructures were never completed. Examples: the Seward grain facility, the North Pole grain terminal, and utilization of the railroad grain cars purchased by the Division of Agriculture.
- 3) The decision on the size of the plots was made with little or no data available on subarctic grain production. It has now been determined after several years of experience that the parcels and subsequent debt load were too large.

- 4) The growing season in Delta, although hot, has proven to be short. The planting window last year was from May 25 to June 1. This was not enough time to plant a large parcel since on a good day only approximately 200 acres can be planted.
- 5) Farmers in Delta geared up to provide grain to Point Mackenzie dairy farms but Point Mackenzie was delayed because of court challenges and only now are the dairy farmers starting to use the grain from the Delta area.
- 6) The Delta grain farms are 345 miles or \$35.00 per ton away from the major market within the state.
- 7) The development of the project was severely hampered by habitat conflicts with bison.
- 8) There was a three year delay in electrification of Delta I and there is no electrification in Delta II; there are no phones in either project.

Attached is a Committee Substitute for SB 349 which deals with the findings of this hearing.

cc Tom Koester, Department of Law
Beth Kerttula
Commissioner Wunnicke, Department of Natural Resources

Senator John B. (Jack) Coghill
Alaska State Legislature

Pouch V
Juneau, Alaska 99811
(907) 465-1715

Box 158
Nenana, Alaska 99760
(907) 852-5471



MEMORANDUM

TO: SENATE FINANCE COMMITTEE
FROM: SENATOR COGHILL
DATE: February 19, 1986
RE: SB 349

A handwritten signature in dark ink, appearing to be "JBC", written over the "FROM" line of the memorandum.

Today some farmers at Delta One and Delta Two have an annual debt load of over \$200,000 per year. Their income in a good year only approaches \$100,000 per year. SB 349 is intended to address this drastic situation and help correct the problems Delta farmers are having.

SB 349 gives the Department of Natural Resources the flexibility to help restructure the debt load in Delta.

The farmer can relinquish land to the state and receive credit either on a percentage basis or on a value basis on the purchase and clearing loans. In addition to this the chattel and farm development (farm improvements) loans could be written down if it will minimize dollar loss to the state and is in the best interest of the state.

An example would be that a farmer could return one half of his land to the state. Then one half of clearing and land purchase loans would be forgiven if the land returned is representative of the farm as a whole. The notes on chattel and farm development could be written down to a level that the farmer could service and would insure that the state will come out in a better position than it would have if the loans wouldn't have been rewritten.

We need to do this because the farmers in Delta assumed this debt load on the premise that the state would be supporting an export market infrastructure. This did not occur, but their debt remained. The in-state grain market will take time to develop, and before it's developed, these farmers will go under. SB 349 enables those who want to farm to do so with a manageable payment structure.

Bankruptcy is not the answer to the farmer's situation. Bankruptcy proceedings will take years and many of the farmers will just walk away from the land. We can not lose all the effort that's been put into this land.

I believe in this solution and hope that the committee will help me fix this desperate situation.



United States
Department of
Agriculture

1986 Conservation Reserve Program

Farm Program
Fact Sheet

February, 1986

AUTHORITY

The Food Security Act of 1985, enacted December 23, 1985.

PURPOSE

The Conservation Reserve Program encourages farmers to stop growing crops on highly erodible cropland and plant it to grass or trees through 10 year contracts with USDA.

SIGN-UP PERIOD

The Agricultural Stabilization and Conservation Service will administer the program. The sign-up period is March 3 through March 14, 1986.

RENTAL PAYMENTS

Producers must submit bids for annual rental payments at the time of application. Annual rental payments of up to \$50,000 per year will be made to farm owners or operators who enter a contract to convert eligible land to permanent vegetative cover. Payment will be made in cash or negotiable payment-in-kind certificates. Rental payments will not affect the total amount of payments a farmer is eligible to receive through other programs. Applicants will submit bids stating the rental payment they would accept to convert their highly erodible cropland to permanent vegetative cover.

**COST-SHARING FOR
CONVERSION**

The Commodity Credit Corporation will pay up to 50% of the cost of establishing permanent vegetative cover. The cover must be established by the end of the next growing season following contract approval. Eligible practices are Permanent Tame Specie Cover Establishment, Permanent Native Specie Cover Establishment, Forest Tree Plantations, Permanent Wildlife Habitat, and Field Windbreak Establishment, and Shallow Water Areas for Wildlife.

ELIGIBLE LAND

Eligibility is limited to highly erodible cropland in land capability class II-V eroding at three times the soil loss tolerance or higher, or land capability class VI-VIII (highly erodible soils not generally well suited for use as cropland, even after application of conservation practices). Cropland is defined as land that has been tilled to produce an agricultural commodity other than orchards, vineyards, or ornamental planting or has been set aside in a production adjustment program in two of the crop years from 1981-1985 and is suitable for crop production. Set-aside or diverted acres are not eligible.

CONSERVATION PLAN

A conservation plan must be approved by the local conservation district for the offered acreage. The plan will set forth the conservation measures and maintenance to be carried out by the owner or operator during the term of the contract.

BASE REDUCTION

Bases, quotas, and allotments will be reduced by the ratio of cropland on the farm to the acreage put into the program. The producer will choose which bases, quotas, or allotments will be reduced over the life of the contract, and this history will be preserved over the life of the contract.

HAYING AND GRAZING

Haying and grazing are not permitted during the contract period.

**OWNERSHIP
CONSIDERATIONS**

Tenants and sharecroppers will share payments with owners on a fair and equitable basis. Farms which have had an ownership change since January 1, 1986, are generally NOT eligible. Participants who lose control of reserve land must refund payments unless the new owner or operator continues the contract.

**COOPERATING
AGENCIES**

Agencies involved in the Conservation Reserve Program are: Agricultural Stabilization and Conservation Service, Soil Conservation Service, Extension Service, State forestry agencies and local soil and water conservation districts. A landowner may obtain further information from any of these agencies.

2/3/86
5 (10)

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: SB 349
 Title: Reorganization of Delta Debt

 Sponsor: Sen. Cochill, Sen. Kerttula
 Requestor: Senate Resources Committee
 Date of Request: January 24, 1986

FISCAL DETAIL

Agency Affected: Natural Resources
 BRU: Land and Water Management

 Components: _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	\$52.5					
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	\$52.5	-0-	-0-	-0-	-0-	-0-

SB 349

CAPITAL						
REVENUE	**					

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

** See attached explanation

Prepared by: Carol Wilson *RW* Phone: 465-2400
 Division: Commissioner's Office Date: Jan. 28, 1986

Approved by Commissioner: *Mrs. D. Amal Deputy* Date: 1/29/86
 Agency: Natural Resources

Distribution (by Agency preparing fiscal note):

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

Analysis for Fiscal Note, Senate Bill 349
Reorganization of Delta Agricultural Project Debt

Contractual Funds

Appraisal of eligible parcels

25 parcels x \$300 per parcel = \$ 7,500

Survey of 5 acre fee simple homesites

25 parcels x \$1800 per parcel = \$45,000

Total \$52,500

Revenue

A paper loss of as much as \$10,000,000 could be realized if 25 parcels of 2000 acres each are relinquished to the State.

25 parcels x 2,000 acres per parcel x \$200 per acre =
\$10,000,000.

However, since the clearing loans and land contract payments may not be collectable under current Delta financial conditions, and because the State would receive cleared land in lieu of land and loan payments under this bill, it could also be argued that no revenue loss would occur.

Offered: 2/7/86
Referred: Finance

Original sponsors: Coghill and
Kerttula

1 IN THE SENATE BY THE RESOURCES COMMITTEE

2 CS FOR SENATE BILL NO. 349 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the reorganization of private
7 debt at a Delta Project."

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

9 * Section 1. (a) The commissioner of natural resources shall, at the
10 request of an individual who holds agricultural rights to land purchased
11 from the state in a Delta Project,

12 (1) accept the relinquishment of agricultural land purchased
13 from the state in a Delta Project and credit the percentage of the debt
14 owed to the state on land purchased and land clearing loans that equals the
15 percentage of land relinquished under this section, either by acreage or by
16 value, as determined by the commissioner;

17 (2) enter into an agreement with the individual for the lease
18 for agricultural purposes only of a portion of or all of the land relin-
19 quished for a term of 20 years at the full fair market value of the land; a
20 survey under this paragraph, if required, shall be at the expense of the
21 individual.

22 (b) If an individual who has relinquished land under this section
23 applies before July 1, 1987 for a lease on all or part of the land relin-
24 quished, the lease shall provide the lessee an option to purchase the land
25 leased under sec. 1(a)(2) of this Act at full fair market value at the time
26 of purchase without reduction to reflect the remaining lease term.

27 (c) The commissioner of natural resources in consultation with the
28 Agricultural Revolving Loan Board may renegotiate with the individual loans
29 for chattels or farm improvements located on the agricultural land in a

1 Delta Project if the commissioner determines that renegotiation is neces-
2 sary to minimize financial losses to the state and that it is in the best
3 interest of the state.

4 * Sec. 2. This Act is repealed July 1, 1988.

Introduced: 1/20/86
Referred: Resources and
Finance

1 IN THE SENATE

BY COGHILL AND KERTTULA

2

SENATE BILL NO. 349

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to the reorganization of private
debt at the Delta Project."

7

8

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

9 * Section 1. The commissioner of natural resources shall, at the re-
10 quest of an individual who purchased land from the state in the Delta
11 Project,

12 (1) accept the relinquishment of the land purchased from the
13 state;

14 (2) appraise the relinquished land at fair market value;

15 (3) credit the value of the land to the total agricultural debt
16 owed to the state on a per acre basis;

17 (4) renegotiate a loan with that individual for the purchase of
18 fee simple title to not more than five acres of the land on which residen-
19 tial and farm improvements exist;

20 (5) enter into an agreement with the individual for the lease
21 for agricultural purposes only of a portion of or all of the land relin-
22 quished at the fair market value of the land;

23 (6) grant the individual a 20-year lease with a preference right
24 to repurchase after the lease expires.

25 * Sec. 2. This Act is repealed July 1, 1988.

COMMITTEE REPORT

SENATE

FURTHER:

FINANCE

1/20/86

Date

2/6/86

Mr. President

The Committee on RESOURCES considered SB 349

relating to the reorganization of private debt at the Delta Project.

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

SB 349 (Res)

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

MEMBERS HAVING
OTHER RECOMMENDATIONS

[Handwritten signatures: Robert, Richard Halpern, William, Fred R. Haupt, Bettye Johnson King]

[Handwritten signature: Arthur Stungelentz]
Chairman
[Handwritten signature: Do Pass]
Chairman recommendation