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Alaska State Legislature

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DICK ELIASON
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POUCH V
JUNEAU, ALASKA. 99811
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Senate Committee on Resources

M E M O R A N D U M

January 30, 1986

TO: All Members
Senate Resources Committee

FROM: Staff ^A Senate Resources Committee

RE: SB 349 "An Act relating to reorganization of private debt at the Delta Project"

SB 349 is directed at reducing the debt burden of the Delta farmers by allowing a credit on the return of agricultural land to the state. The bill requires that the Commissioner of Natural Resources renegotiate a loan upon request of a farmer who has purchased state land in the area. The renegotiation shall include a relinquishment of the land purchased, a fair market appraisal, a credit against the state debt, fee simple title to a five-acre parcel, a lease back arrangement, and a preference right to repurchase the land.

The Department of Natural Resources has provided a sectional analysis (attached) that shows, depending on the value of the land, a potential \$10 million credit against the outstanding state agricultural debt.

Enclosure:

Letter from Dept. of Natural Resources
with fiscal note

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

POUCH M
JUNEAU, ALASKA 99811
PHONE: 907-465-2400

January 29, 1986

The Honorable Arliss Sturgulewski
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Senator Sturgulewski:

As you have requested, the Department of Natural Resources has reviewed SB 349, which would provide debt relief for Delta agricultural project farmers. In general, we support the concept of debt relief embodied in this bill.

As you may know, the department has been considering administrative measures to relieve the debt load of Delta farmers and has developed a method to restructure Delta land debts. Under our proposal, Delta farmers could relinquish portions or all of their land to the State in return for forgiveness of the land purchase and clearing loan debt associated with the relinquished land. In addition, farmers would be allowed to lease the relinquished land for farming purposes and to repurchase it when financially able.

Most of the measures to assist Delta farmers proposed in SB 349, with the exception of Section 1.(4), are similar to our relinquishment plan. The following comments are specific to each section of the bill.

Section 1.(1). The Commissioner is currently able to do this under her general authority. A definition of the "Delta Project" is needed. It is not clear whether the Tanana Loop agricultural sale is included as part of the "Delta Project." Approximately 25 of the 37 parcels included in the Delta I and Delta II projects would be eligible for relinquishment under this bill. The remaining parcels have either been assigned to another individual or were purchased by a corporation and do not meet the requirement of being purchased from the State.

Section 1.(2). Appraisal of 25 parcels would cost approximately \$7,500. It should be noted that land appraisals would be for agricultural interest only.

Section 1.(3). Current fair market value of farm land in the Delta area is approximately \$200 per acre. This section should define whether the land contract debt, the clearing loan debt or the ARLF debt is to receive the credit. The land debt for Delta II farmers averages \$180 per acre. In addition, Delta II farmers have clearing loans of approximately \$180 an acre, and Agricultural Revolving Loan Fund loans for farm operations, development and chattel of up to \$500,000. Delta I farmers purchased land for approximately \$51 per acre, but the "homestead credit" program available at that time effectively reduced the price of Delta I land to a few dollars per acre. Delta I farmers have clearing loans averaging approximately \$165 per acre and are also eligible for ARLF loans totaling \$1,000,000.

If the appraised value of cleared Delta land is \$200 per acre, and 25 parcels averaging 2,000 acres each are relinquished to the State, a credit of \$10,000,000 would be granted. Some would view this as a loss of revenue to the State. For Delta II farmers this would essentially be a paper loss because the value of the land cleared is approximately equal to the amount the farmers agreed to pay for the uncleared land. The State would regain the land and be able to charge a nominal fee for its lease. In addition, at some future time the State could resell the land.

Since Delta I farmers paid only a few dollars for the land, the \$200 per acre land credit would need to be applied to some other debt owed to the State. Since the State would receive no collateral in return for a credit against clearing loans or ARLF loans, the credit for Delta I farmers would result in a loss of revenue to the State. If Tanana Loop farmers are included in the definition of "Delta Project" additional revenue losses would result.

Section 1.(4). In our analysis of Delta debt problems we have not viewed the sale of fee simple title to a five acre farmstead as contributing to the removal of the farmer's heavy burden of debt. Currently, AS 38.05.321 restricts the sale, lease or other disposal of State agricultural land to agricultural interest only. The intent of this statute is to protect the use of agricultural land for agricultural purposes. If Delta farmers are allowed to separate a five acre farmstead from the farm, the farmstead could be sold independently, leaving a large tract of farm land where no buildings or new farmstead could be constructed.

Currently, no loans are made for the purchase of State land, therefore a loan to purchase fee simple title could not be renegotiated. A simpler method would be to amend the existing land contract. The value of fee simple land in Delta is approximately \$1,000 per acre and the purchaser would be required to pay the difference between the original purchase price and the fee simple price. The five-acre

parcel would need to be surveyed at a cost of approximately \$1,800 per farm.

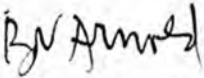
Section 1.(5). The fair market value for leasing should be related to the value of agricultural interest only land. An appraisal may be required before the value of the lease is determined. However, the appraisal required by Section 1.(2) should suffice.

Section 1.(6). The lessee should be able to exercise the preference right to purchase the relinquished land at any time during the 20-year term of the lease.

Section 2. If this act is to be repealed in 1988, the preference right provision would also be repealed. The date of repeal should apply only to the first section of the bill.

Please let me know if you need additional information related to this bill or the department's plans to assist Delta farmers.

Sincerely,


for Esther C. Wunnicke
Commissioner

cc: Senate Resources Committee
Senator Kerttula

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : _____

REQUEST

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

Sponsor : Sen. Coghill, 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-

CAPITAL						
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REVENUE	**					
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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

** See attached explanation

Prepared by : Carol Wilson *RMM*
 Division : Commissioner's Office

Phone : 465-2400
 Date : Jan. 28, 1986

Approved by Commissioner : *Mrs. D. Arnold Deputy*
 Agency : Natural Resources

Date : 1/29/86

Distribution (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.

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date : 2-4-86

REQUEST

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

Sponsor : Sen. Cognill, 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
ARLF

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	**					
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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

**See attached explanation.

Prepared by : Carol Wilson
Division : Commissioner's Office

Phone : 465-2400
Date : 2-4-86

Approved by Commissioner : Thomas D. Amundson, Deputy
Agency : Natural Resources

Date : 2/4/86

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

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.

Alaska State Legislature

SENATOR BETTYE FAHRENKAMP
CHAIRMAN, HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE
1117 LAKEVIEW TERRACE
FAIRBANKS, ALASKA 99701
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February 4, 1986

Maxine J. Miller
P.O. Box 74716
Fairbanks, AK 99707

Dear Maxine:

Thanks so much for your letter on SB 349. Your remarks flatter me. I do remember the tour and having a conversation with you.

Last week the Senate Resources Committee heard SB 349 relating to the reorganization of private debt at the Delta Barley Project. A committee substitute was considered, but not adopted. There were major objections to the provision on fee simple title for five acres. The committee directed the bill drafters to remove this section in the next version. Senator Coghill intends to introduce separate legislation on this issue.

I thought about your comment that this bill would give unfair advantages to farmers in the Delta area. Members of the committee feels this is a case when "special" help should be considered.

The thinking behind the bill goes something like this. The state actively encouraged barley production in Delta. Those farmers would have never taken bank loans otherwise. They counted on a foreign market the state predicted would materialize, but never did. There is a small but growing in-state market for grains that should be preserved. The state would still like the project to succeed rather than let farmers be forced into bankruptcy and receive no further payments on state loans.

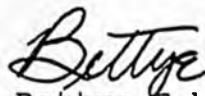
SB 349 will be heard again tomorrow. I have given a copy of your letter and my reply to the chairman, Senator Arliss Sturgulewski, for distribution to committee members. I have enclosed a copy of the latest draft, which has the support of

Maxine J. Miller
page two

the Department of Natural Resources.

I appreciate hearing from you, Maxine, and urge you to
keep participating.

Sincerely,

A handwritten signature in cursive script that reads "Bettye".

Bettye Fahrenkamp
Alaska State Senate

MAXINE J. MILLER
P.O. Box 74716
Fairbanks, AK 99707

January 2, 1986

Senator Bettye Fahrenkamp
Pouch V
Juneau, AK 99811

Dear Bettye:

I don't think you would remember me because I only met you once, a few years ago on a agricultural bus tour in Delta. You seemed to be a person who is easy to talk to so that's why it's easier for me to write to you than some of the other legislators.

I wondered if you have seen Senate Bill 349, where the purchasers of agricultural rights lands in Delta receive some very important advantages that the purchasers of ag rights in other areas, for instance on Chena Hot Springs Road and out by Eielson Airforce Base, do not? This seems awfully unfair to me. I wondered how the state can single out a certain group of ag rights purchasers for special favors and discriminate against all the others. I especially note paragraph 4, where these Delta ag rights purchasers are allowed to buy fee simple title to up to 5 acres on their farms. If they are allowed to do this, so should all the other purchasers of ag rights land in the state.

This fee simple title to 5 acres is so important. It would mean that you could get a loan from a bank to build a house and barn, where now you cannot, because no bank will lend you money on your ag rights land. Do you think it is possible that this bill could be altered to have this portion extend to all ag rights lands in Alaska?

I would sure appreciate hearing what you think about this. Thanks for taking the time to listen.

Sincerely yours,

Maxine J. Miller

Maxine J. Miller

*Can re-negotiate
paid until July 1, 87. Allow land to
be refinanced - at credit
against debt. Leave up opportunity
to re-purchase of applying
by July 1, 87. (or time only)*

Offered: 3/4/86
Referred: Rules

Original sponsors: Coghill and
Kerttula

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2

CS FOR SENATE BILL NO. 349 (Finance)

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. The provisions of this Act are not available to an individual
16 participating in a federal farm program that provides monetary or other
17 incentives for keeping agricultural land in a Delta Project out of produc-
18 tion.

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

Good

Testimony of Natural Resources Commissioner
Esther C. Wunnicke
Senate Resources Committee, January 31, 1986

Senate Bill 349
Reorganization of debt for the Delta agricultural project.

I appreciate the opportunity to testify before you today on SB349, a bill that would help relieve the debt load of Delta farmers.

As you may remember, when I testified before this committee last year on agricultural bills I described the financial difficulties that farmers in Alaska as well as in the Lower 48 were experiencing. The financial outlook for farmers has not improved since last year and the farmers in Delta, especially those with land in the Delta II project, are in a more critical situation than any in Alaska.

At least 22 states, including Alaska, are attempting to provide financial and other assistance to farmers in distress. The Department of Natural Resources has identified several programs that will help Alaskan farmers, including the production credit program heard by this committee last year. Many farmers in Alaska will be able to continue farming if they can bring their farms into full production and sell what they produce. The production credit program, if enacted, will improve farm cash flows and provide an opportunity for farmers to continue farming and pay off their debts.

The Delta farmers, however, need additional assistance. Production credits alone will not solve their problems. Most Delta farmers are delinquent on loan payments for agricultural operations, farm development and farm equipment. They are not delinquent on land payments or clearing loans only because of two legislatively granted moratoriums which will expire within the next few years.

Without additional assistance, many Delta farmers will soon be forced to declare bankruptcy. While bankruptcy would result in the State regaining possession of the land and other collateral, proceedings would take many years and the land could not be resold or leased in the interim. While bankruptcy may be the only solution for some Delta farmers, others can survive and continue to farm if some additional help is provided.

While special measures are needed to help solve the overwhelming debt problems of Delta farmers, whatever assistance is provided should clearly be in the best interests of the State. The Department is developing a land relinquishment program similar to the one described in this bill and we believe that in combination with the production credits program it will assist some Delta farmers to continue farming.

The Department supports the concepts of debt relief outlined in the original bill and in the committee substitute, but we have several specific concerns that need to be addressed.

In our consideration of Delta debt problems we have not viewed the sale of fee simple title to a five acre farmstead as a debt relief measure. Under AS 38.05.321 the Department may sell or lease only the agricultural interests in land classified for agriculture. This policy should continue if agricultural land is to be protected. We are aware of the home financing problems faced by Delta farmers, but believe the question should not be addressed as part of debt relief. Instead, if the Legislature so desires, the policy should be the subject of a separate piece of legislation.

While we do not object to the concept of renegotiating farm chattel and development loans, we believe that renegotiation should occur only when the farmer is near bankruptcy and the resulting loan terms will be beneficial to the State as well as the farmer. The loan board should be provided with the flexibility to renegotiate a loan when it is in the state's best interest. If rewriting the loan will provide the loan board with a greater return than foreclosure and resale, and the farmer will be able to continue farming under the new loan terms, it seems to me it would be in the State's interest to renegotiate the loan.

With me today is Frank Mielke, who can provide you with more detailed section by section comments on the committee substitute for SB 349 and answer your specific questions about agricultural land and loans.

SENATE BILL 349

ATTACHED YOU WILL FIND A SET OF FIGURES THAT SHOW WHAT A TYPICAL FARMERS DEBT LOAD CONSISTS OF. THESE FIGURES ARE REPRESENTATIVE OF DELTA I AND DELTA II FARMS. I AM ALSO INCLUDING A RECOMENDATION FOR CSSB349.

SENATE BILL 349 WILL GIVE THE STATE AN OPPORTUNITY TO START DIVESTING ITSELF FROM THE DELTA PROJECT. ONE THING THAT ALL PARTIES WILL AGREE WITH IS THAT THE PROJECT SHOULD STAND OR FALL ON ITS OWN MERITS. THERE ARE TWO ALTERNATIVES TO A SOLUTION FOR THE WOES OF THE DELTA PROJECT; ONE IS TO RESTRUCTURE THE DEBT LOAD IN REALISTIC TERMS OF WHAT CAN BE PRODUCED CONSIDERING THE PRESENT IN STATE MARKETS; THE OTHER IS TO DIVISE A PLAN TO DISMANTLE THE PROJECT. THE YEARS OF TOIL THAT THE FARMERS HAVE PUT INTO THE PROJECT CANNOT BE DISGARDED BY OUR LACK OF ACTION.

WHEN WE TALK ABOUT DISMANTLING THE DELTA PROJECT THE AMOUNT OF INVESTMENT THAT HAS BEEN MADE IN INFRASTRUCTURES (ABOUT 26 MILLION DOLLARS) WOULD BE LOST. THE LOSS WOULD BE MAGNIFIED BECAUSE WE ARE NOT LIKELY TO EVER SEE THE TIME AGAIN WHEN THE STATE CAN MAKE THOSE KINDS OF INVESTMENTS. REGROWTH WILL MEAN THAT THE TIME AND MONEY PUT INTO CLEARING VAST AMOUNTS OF LAND WILL ALL GO TO WASTE. THIS BILL WILL PUT INTO MOTION A PLAN TO SALVAGE INVESTMENT AND MINIMIZE LOSS.

RATHER THAN ARGUING ABOUT WHO IS RESPONSIBLE FOR THE PROBLEMS OF THE PAST, THIS IS A WAY FOR THE STATE TO RECOVER INVESTMENTS MADE INTO THE AGRICULTURE INDUSTRY. THIS BILL DOESN'T FORGIVE DEBT BUT IT DOES RESTRUCTURE THE DEBT TO REFLECT A MANAGABLE DEBT LOAD THAT A "GOOD" FARMER COULD SERVICE.

DEALING WITH THIS DILEMA IN REALISTIC TERMS WILL MEAN THAT AS THE MARKET INCREASES THE FARMERS WILL BE ABLE TO EXPAND ON THEIR OWN. THE STATE MARKET PRESENTLY IS BETWEEN 13,000 AND 17,000 TONS PER YEAR. AS THIS GROWS GRAIN PRODUCTION CAN EXPAND SPURRED ON BY THE LAW OF SUPPLY AND DEMAND IN THE PRIVATE SECTOR NOT BY STATE INVOLVEMENT OR DIRECTION. THE WHOLE PICTURE OF THE DELTA PROJECT CAN BE BROUGHT INTO PERSPECTIVE IN AN ANALOGY WITH ANY OTHER BUSINESS. YOU DON'T START OUT BIG AND HOPE TO CREATE A MARKET WITH A MINIMAL CASH FLOW. YOU START OUT SMALL AND EXPAND AS YOU ARE ABLE TO.

THE CONCEPT OF HOW THE REORGANIZATIONAL BILL WILL WORK IS THAT A FARMER WHO HAS AN UNMANAGEABLE DEBT LOAD WILL RELINQUISH A PERCENTAGE OF HIS LAND BACK TO THE STATE AND THE STATE WOULD THEN CREDIT THE LAND AND CLEARING LOANS THE SAME PERCENTAGE. USING AN EXAMPLE OF A TYPICAL FARMER CAN EXPECT TO GROSS BETWEEN \$125,000 AND \$150,000 PER YEAR, AFTER PAYING BACK OPERATING LOANS AT \$110,000 DOLLARS THE FARMER HAS \$15,000 TO \$40,000 TO SERVICE DEBT WITH. AT THE PRESENT TIME A FARMER WOULD NEED ROUGHLY \$96,000. BY TURNING BACK 50% OF HIS LAND AND RE-NEGOTIATING THE CHATTLE AND FARM DEVELOPMENT LOANS THE FARMER WOULD NEED \$49,000. THIS IS CLOSE TO WHAT HE COULD EXPECT TO SERVICE. THE FIGURES THAT I JUST MENTIONED DON'T REFLECT THAT THE FARMER AND HIS FAMILY STILL HAVE TO EAT. WITH A PER ACRE PRODUCTION INCREASE AND PRODUCTION CREDITS THE FARMER COULD MAKE IT.

THE COMMITTEE SUBSTITUTE TO SB 349 IS INTENDED TO SPELL OUT HOW THIS RESTRUCTURING PROCESS WILL WORK. A ZERO FISCAL NOTE WOULD ACCOMPANY THIS BILL SINCE THERE ARE NO SURVEY COSTS AND NO APPRAISALS OF LAND TO BE MADE.

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.

THE BILL BEFORE THE COMMITTEE TODAY WILL ADDRESS THIS DRASTIC SITUATION. SB 349. IT IS BROKE AND I THINK IT'S OUR JOB TO FIX IT.

SR 349 GIVES THE DEPARTMENT OF NATURAL RESOURCES THE FLEXIBILITY TO HELP RESTRUCTURE THE DEBT LOAD IN DELTA.

FIRST OF ALL, LAND THAT WAS PURCHASED IN DELTA ONE AND DELTA TWO CAN BE RETURNED TO THE STATE. AS AN EXAMPLE, FOR EVERY 10 PERCENT OF LAND PURCHASED AND RETURNED TO THE STATE, 10 PERCENT OF THE CLEARING AND LAND LOANS WOULD BE EXTINGUISHED.

CHattel AND FARM DEVELOPMENT LOANS WOULD BE REWRITTEN TO REFLECT CURRENT WORTH.

AND WITH PRODUCTION CREDITS IN PLACE, THESE MEASURES WOULD BRING THE DEBT LOAD TO A MANAGEABLE LEVEL.

WHY SHOULD WE 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 ITS DEVELOPED THESE FARMERS WILL GO UNDER.

THIS BILL ENABLES THOSE WHO WANT TO FARM TO BE ABLE TO DO SO WITH A MANAGEABLE PAYMENT STRUCTURE. I HAVE ALSO INCLUDED IN SB349 A PROVISION

TO SELL A 5-ACRE HOMESITE TO EACH FARMER IN THE PROJECTS. I BELIEVE THAT THIS WILL PROVIDE NOT ONLY AN INCENTIVE TO CONTINUE, BUT A MEANS OF EVENTUALLY USING LOCAL BANKS FOR LOANS AND NOT THE STATE TROUGH.

BANKRUPTCY IS NOT THE ANSWER TO THESE FARMERS SITUATION. BANKRUPTCY PROCEEDINGS WILL TAKE YEARS AND MANY OF THE FARMERS WILL JUST WALK AWAY FROM THE LAND. THE LAND WILL THEN RETURN TO ITS WILD AND WEEDED STATE. WE CAN NOT LOSE ALL THE EFFORT THAT'S BEEN PUT INTO THIS LAND.

I BELIEVE IN THIS SOLUTION AND HOPE THAT WE AS A COMMITTEE WILL UNDER TAKE THIS TASK TO FIX A THROUGHLY DESPARATE SITUATION.

THANK YOU.

Senator John B. (Jack) Coghill
Alaska State Legislature

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Juneau, Alaska 99811
(907) 465-4921

Box 55028
North Pole, Alaska 99705
(907) 488-7332



January 29, 1986

MEMORANDUM

TO: SENATOR STURGULEWSKI

RE: BACKGROUND INFORMATION SB 349

ATTACHED YOU WILL FIND A SET OF FIGURES THAT SHOW WHAT A TYPICAL FARMERS DEBT LOAD CONSISTS OF. THESE FIGURES ARE REPRESENTATIVE OF DELTA I AND DELTA II FARMS. I AM ALSO INCLUDING A RECOMENDATION FOR CSSB349.

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WHEN WE TALK ABOUT DISMANTLING THE DELTA PROJECT THE AMOUNT OF INVESTMENT THAT HAS BEEN MADE IN INFRASTRUCTURES (ABOUT 26 MILLION DOLLARS) WOULD BE LOST. THE LOSS WOULD BE MAGNIFIED BECAUSE WE ARE NOT LIKELY TO EVER SEE THE TIME AGAIN WHEN THE STATE CAN MAKE THOSE KINDS OF INVESTMENTS. REGROWTH WILL MEAN THAT THE TIME AND MONEY PUT INTO CLEARING VAST AMOUNTS OF LAND WILL ALL GO TO WASTE. THIS BILL WILL PUT INTO MOTION A PLAN TO SALVAGE INVESTMENT AND MINIMIZE LOSS.

RATHER THAN ARGUING ABOUT WHO IS RESPONSIBLE FOR THE PROBLEMS OF THE PAST, THIS IS A WAY FOR THE STATE TO RECOVER INVESTMENTS MADE INTO THE AGRICULTURE INDUSTRY. THIS BILL DOESN'T FORGIVE DEBT BUT IT DOES RESTRUCTURE THE DEBT TO REFLECT A MANAGABLE DEBT LOAD THAT A "GOOD" FARMER COULD SERVICE.

DEALING WITH THIS DILEMA IN REALISTIC TERMS WILL MEAN THAT AS THE MARKET INCREASES THE FARMERS WILL BE ABLE TO EXPAND ON THEIR OWN. THE STATE MARKET PRESENTLY IS BETWEEN 13,000 and 17,000 TONS PER YEAR. AS THIS GROWS GRAIN PRODUCTION CAN EXPAND SPURRED ON BY THE LAW OF SUPPLY AND DEMAND IN THE PRIVATE SECTOR NOT BY STATE INVOLVEMENT OR DIRECTION. THE WHOLE PICTURE OF THE DELTA PROJECT CAN BE BROUGHT INTO PERSPECTIVE IN AN ANALOGY WITH ANY OTHER BUSINESS. YOU DON'T START OUT BIG AND HOPE TO CREATE A MARKET WITH A MINIMAL CASH FLOW. YOU START OUT SMALL AND EXPAND AS YOU ARE ABLE TO.

THE CONCEPT OF HOW THE REORGANIZATIONAL BILL WILL WORK IS THAT A FARMER WHO HAS AN UNMANAGEABLE DEBT LOAD WILL RELINQUISH A PERCENTAGE OF HIS LAND BACK TO THE STATE AND THE STATE WOULD THEN CREDIT THE LAND AND CLEARING LOANS THE SAME PERCENTAGE. USING AN EXAMPLE OF A TYPICAL FARMER CAN EXPECT TO GROSS BETWEEN \$125,000 AND \$150,000 PER YEAR. AFTER PAYING BACK OPERATING LOANS AT \$110,000 DOLLARS THE FARMER HAS \$15,000 TO \$40,000 TO SERVICE DEBT WITH. AT THE PRESENT TIME A FARMER WOULD NEED ROUGHLY \$96,000. BY TURNING BACK 50% OF HIS LAND AND RE-NEGOTIATING THE CHATTLE AND FARM DEVELOPMENT LOANS THE FARMER WOULD NEED \$49,000. THIS IS CLOSE TO WHAT HE COULD EXPECT TO SERVICE. THE FIGURES THAT I JUST MENTIONED DON'T REFLECT THAT THE FARMER AND HIS FAMILY STILL HAVE TO EAT. WITH A PER ACRE PRODUCTION INCREASE AND PRODUCTION CREDITS THE FARMER COULD MAKE IT.

THE COMMITTEE SUBSTITUTE TO SB 349 IS INTENDED TO SPELL OUT HOW THIS RESTRUCTURING PROCESS WILL WORK. A ZERO FISCAL NOTE WOULD ACCOMPANY THIS BILL SINCE THERE ARE NO SURVEY COSTS AND NO APPRAISALS OF LAND TO BE MADE.

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

2/4
LATEST CS

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.
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Frank Muller
Ed

Bradley
01/30/86

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

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7 debt at the Delta Project."

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

Securities

9 * Section 1. The commissioner of natural resources shall, at the re-
10 quest of an individual who holds agricultural rights to land purchased from
11 the state in the Delta Project, *Delta 142?*

12 (1) accept the relinquishment of agricultural land purchased
13 from the state in the Delta Project and credit the percentage of the debt
14 owed to the state on land ^{*value*} purchased and land clearing loans that equals the
15 percentage of land relinquished under this section; *20% of land = 20% of debt*

16 (2) renegotiate a loan ^{*contract*} with the individual for the purchase of
17 fee simple title ^{*at fair market value*} to not more than five ^{*1 parcel including up to*} acres of the land on which residen-
18 tial and farm improvements exist; a survey required under this paragraph
19 shall be at the expense of the individual;

20 (3) 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; a survey required under this
23 paragraph shall be at the expense of the individual;

WHAT BECOMES OF OTHER LAND

24 (4) grant the individual a 20-year lease with a preference right
25 to repurchase the land ^{*rights*} relinquished under this Act at any time during the
26 term of the lease; *up to July 1, 1988*

*of Commission
can be used for...*

27 (5) renegotiate with the purchaser loans ^{*LOADS OTHER THAN LAND*} for chattels or farm
28 improvements located on the agricultural land in the Delta Project at the
29 fair market value of the chattels or farm improvements on the effective

*What is not
there*

*only when
near bankruptcy*

*loan-board
probably when in
state's best
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1 date of this Act.

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

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SITUATION AFTER LAND RELINQUISHMENT,
RENEGOTIATION OF CHATTEL AND FARM DEVELOPMENT
LOANS, AND 20% PRODUCTION CREDIT

INCOME PARAMETERS

1200 acres planted to barley
20% production credit

DEBT SERVICE

<u>LOAN TYPE</u>	<u>LOAN AMT</u>	<u>ANNUAL PAYMENT</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
LAND PURCHASE (all land returned)	0	0	0	0
LAND CLEARING	0	0	0	0
CHATTEL (renegotiated at 50%)	90,500	17,382	13,799	3,584
FARM DEVELOPMENT (renegotiated at 67%)	63,327	6,445	1,881	4,383
OPERATING	117,000	126,360	117,000	9,360
HOMESITE (5 acres fee simple)	9,500	1,600	800	800
totals	280,327	151,787	133,480	18,127

ANNUAL COST:

LOAN PAYMENT	151,987
LEASE PAYMENT	9,500 **
PRODUCTION CREDIT (reduction)	<u>-18,127</u>
	143,360

ANNUAL INCOME:

Barley @ 125 per ton 150,000

NET 6,640

**Land relinquished is leased at \$5/acre.

**Land relinquished to the state is leased back @ \$5.00 per acre.

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; [appropriate]

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} ~~or~~ that it is in the best
3 interest of the state.

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

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Delta Project if the commissioner determines that renegotiation is necessary to minimize financial losses to the state or that it is in the best interest of the state.

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

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Introduced: 2/3/86
Referred: Resources and
Finance

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

CS 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:

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*Section 1. The Commissioner of Natural Resources shall, at the
request of an individual who holds agricultural rights to land
purchased from the state in the two Delta Projects,

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(1) accept the relinquishment of the agricultural land
purchased in the Delta Projects and credit the percentage of the
debt owed to the state on the land purchased and clearing loans
that equals the percentage of the land by acreage or value
relinquished under this section, whichever is appropriate;

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(2) enter into an agreement with the individual for the
lease for agricultural purposes only of a portion of or all of the
land relinquished at the fair market value for a term of 20 years;
a survey if required under this paragraph shall be at the expense
of the individual;

AS Determined
By Comm

22 (3) If an individual^{who} has relinquished land under this
23 section applies[^] for a lease on all or part of the land
24 relinquished/prior to July 1, 1987 such lease shall provide the
25 ~~lesser~~^{of} an option to purchase the leased land at full fair market
26 value at the time of purchase (without reduction to reflect the
27 remaining lease term;)

28 (4) the Commissioner in consultation with the
29 Agricultural Revolving Loan Board may renegotiate with the
30 purchaser loans for chattel or farm improvements located on the
31 agricultural land in the Delta Projects if this action is essential
32 to minimize dollar losses to the state or is in the best
33 interest of the state;

34 * Section 2. This Act is repealed July 1, 1988.

CS ADOPTED

Bradley
01/30/86

Original sponsors: Coghill and Kerttula

(See Carol for minutes)

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 the Delta Project."

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 holds agricultural rights to land purchased from
11 the state in the Delta Project,

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

16 (2) renegotiate a loan with the individual for the purchase of
17 fee simple title ^{(M) AT FAIR MARKET VALUE} to not more than five acres of the land on which residen-
18 tial and farm improvements exist; a survey required under this paragraph
19 shall be at the expense of the individual;

20 (3) 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; a survey required under this
23 paragraph shall be at the expense of the individual;

24 (4) grant the individual a 20-year lease with a preference right
25 to repurchase the land relinquished under this Act at any time during the
26 term of the lease;

27 (5) renegotiate with the purchaser loans for chattels or farm
28 improvements located on the agricultural land in the Delta Project at the
29 fair market value of the chattels or farm improvements on the effective

(RIGHTS TO AG LAND)

(H) LAND VALUES

(VA) AG PURPOSES ONLY?

(AT FULL FAIR MARKET VALUE)

1 date of this Act.

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

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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

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

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STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: 2-4-86

REQUEST

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

Sponsor: Sen. Cognill, 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
ARLF

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	**					
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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

** See attached explanation.

Prepared by: Carol Wilson
Division: Commissioner's Office

Phone: 465-2400
Date: 2-4-86

Approved by Commissioner: Wm S D Spindler, Deputy
Agency: Natural Resources

Date: 2/4/86

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Interested Agencies

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.

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
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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.
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STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: 2-4-86

REQUEST

Bill/Resolution No.: CSSB 349
 Title: Reorganization of Delta Debt
 Sponsor: Sen. Coghill, Sen. Kerntula
 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
ARLF

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	**					
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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

**See attached explanation.

Prepared by: Carol Wilson
 Division: Commissioner's Office

Phone: 465-2400
 Date: 2-4-86

Approved by Commissioner: Thomas D. Spindel, Deputy
 Agency: Natural Resources

Date: 2/4/86

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agencies

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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.