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STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

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May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

HL+C

3-17-88

2:00 p.m.

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

400 WILLOUGHBY AVE.
JUNEAU, ALASKA 99801-1796
PHONE: (907) 465-2400

March 17, 1988

The Honorable Dave Donley
Chairman, House Labor and
Commerce Committee
P.O. Box V
Juneau, Alaska 99811

Dear Representative Donley:

Subject: **House Bill 456**, which extends the existing agricultural production credit program until 1991 and expands it to include loans from the Federal Land Bank and the Alaska Rural Rehabilitation Corporation (ARRC).

Position: The Department of Natural Resources opposes this bill because it establishes an open ended liability for the Commissioner of Natural Resources to provide funds or other "credits" to the ARRC, the Federal Land Bank, and the Department of Revenue (DOR) -- loans for which the Commissioner of Natural Resources has no controlling authority.

In addition, extending the term of the existing production credit program for the department's Agricultural Revolving Loan Fund (ARLF), and requiring ARLF borrowers to prove that other loan sources are not available, could have disastrous effects on the ARLF and its ability to service the loan needs of viable agricultural operations.

Background: The ARLF, within the Department of Natural Resources, has not received an appropriation of funds since FY 1986. Its current balance is approximately \$7.6 million which will be used to provide an estimated \$3 to 4 million in loans each year. Because the production credits program reduces or eliminates income to the ARLF, as do other farm debt relief programs such as debt restructuring and Delta debt renegotiation, unless additional dollars are appropriated or the fund begins to revolve, the ARLF balance will soon decline to zero.

March 17, 1988

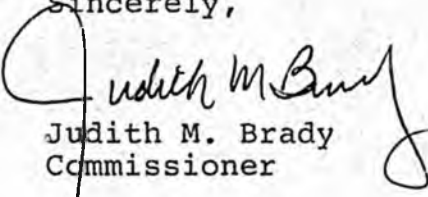
The Commissioner of Natural Resources has no say in the number or amounts of ARRC or Federal Land Bank loans, yet this bill would require her to provide credits to the AARC and the land bank towards past and future loans. If the credits are intended to be ARLF dollars, this bill would establish an open-ended drain on the ARLF. If the credits are state general funds, the bill establishes an open-ended liability for the department and the legislature to provide funds to the AARC, the DOR, and the Federal Land Bank.

Recommendation: Delete Sections 3 and 4 from this bill to remove the open-ended liability and to help ensure that all farmers have an opportunity to borrow from the ARLF.

To provide minimal protection to the ARLF if the production credits program is extended, change the program so that:

- 1) it applies to only a percentage of the ARLF interest owed by a borrower and;
- 2) it applies only to borrowers that are current on ARLF loan payments at the time the credit is applied.

Sincerely,


Judith M. Brady
Commissioner

cc: Sponsors
Requestors
Commissioner of Revenue
AARC Manager
Rod Swope
Bob Evans

FISCAL NOTE

REQUEST:

Revision Date: March 16, 1988
Title: Extending the Agricultural
Production Credit Program
Sponsor: Rep. Larson, Menard, et al
Requestor: House Labor and Commerce Comm.

Agency Affected: Natural Resources
BRU: Land & Water
Agriculture Management
Components: Public Use
ABLE

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES	68.0	68.0	68.0	68.0	68.0	68.0
TRAVEL						
CONTRACTUAL	4.0	4.0	4.0	4.0	4.0	4.0
SUPPLIES	2.0	2.0	2.0	2.0	2.0	2.0
EQUIPMENT	5.0	-0-	-0-	-0-	-0-	-0-
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	79.0	74.0	74.0	74.0	74.0	74.0
CAPITAL	--	--	--	--	--	--
REVENUE	*(506.4)	*(450.0)	*(510.0)	*(540.0)	*(550.0)	--0-

FUNDING: (Thousands of Dollars)

GENERAL FUND	79.0	74.0	74.0	74.0	74.0	74.0
FEDERAL FUNDS						
OTHER						
TOTAL	79.0	74.0	74.0	74.0	74.0	74.0

POSITIONS:

FULL-TIME	2	2	2	2	2	2
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

See attached explanation

Prepared by: Hal Ward Janet Burleson
Division: Div. of Agriculture, Div. of Land & Water

Phone: 465-2400
Date: 3/16/88

Approved by Commissioner: [Signature]
Agency: Natural Resources

Date: 3/17/88

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

Position Title Natural Resource Officer 1		No. of Positions 1	Range/Step 14A	Barg. Unit GGU
Time Status PFT	Staff Months 12	Location Anchorage		Election District
Type of Expenditure		Amount		
1	2	3		
Salary	28,000			
Benefits	10,000			
Premium Pay				
Other				
Total Personal Services		38,000		
Travel				
Contractual		2,000		
Commodities		1,000		
Equipment				
Other				
Total Cost		41,000		
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004	41,000		
GF Program Receipts	1005			
Other				
Justification: This position will be involved in annual credit calculations provided by the extension of credits under HB 456.				

**Request For
New Position**

Agency Natural Resources
 BRU Land and Water
 Component Public Use

Page 3 of 4
 Revised Date

FY 89

MEMORANDUM

October 27, 1987

SUBJECT: Work order 5-1421, relating to distinctions in loan refinancing for certain rural-related loans.

TO: Representative Curt Menard

FROM: Jack Chenoweth
Legislative Counsel

Your October 19 letter to Tam Cook, inquiring as to distinctions in loan refinancing practices between loans initiated by the Alaska Rural Rehabilitation Corporation and the Agricultural Revolving Loan Fund, has been referred to me for response.

Your letter inquires about "refinancing" practices of the Revolving Loan Fund and the Rehabilitation Corporation. Typically, the term "refinancing" is used in a technical sense, generally limited to instances in which the lending institution issues a loan to retire outstanding debt issued by the lending institution or another lending source. This memo speaks somewhat more broadly.

The Agricultural Revolving Loan Fund is a state-authorized loan program (AS 03.10). The fund makes loans from a loan fund to which the state legislature may make appropriations. By regulation [11 AAC 39.111(b)(9)], ARLF may not undertake to refinance "except in emergencies or when in the best interests of the loan fund." According to ARLF Manager Hal Ward, the loan fund is managed, as to refinancing, in accordance with that regulation, and the clauses providing for refinancing exceptions have not been regularly used. Current ARLF practice does allow a "restructuring" of outstanding ARLF debt--by extension of payments, modification of terms and conditions, or making of allowances--but I understand these to be mechanisms available to the loan fund manager, with the approval of the Agricultural Revolving Loan Fund Board, within the scope of management of a current loan under authority set out in 11 AAC 39.311.

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

Position Title Natural Resource Officer I		No. of Positions 1	Range/Step 14A	Barg. Unit GGU
Time Status PFT	Staff Months 12	Location Anchorage		Election District
Justification				
This position will be involved in annual credit calculations provided by the extension of credits under HB 456.				
Type of Expenditure		Amount		
1	2	3		
Salary	28,000			
Benefits	10,000			
Premium Pay				
Other				
Total Personal Services		38,000		
Travel				
Contractual		2,000		
Commodities		1,000		
Equipment				
Other				
Total Cost		41,000		
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004	41,000		
GF Program Receipts	1005			
Other				

**Request For
New Position**

Agency Natural Resources
 BRU Land and Water
 Component Public Use

Page 3 of 4
 Revised Date

FY 89

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

FISCAL NOTE

REQUEST:

Revision Date: March 16, 1988
Title: Extending the Agricultural
Production Credit Program
Sponsor: Rep. Larson, Menard, et al
Requestor: House Labor and Commerce Comm.

Agency Affected: Natural Resources
BRU: Land & Water
Agriculture Management
Components: Public Use
ARLF

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES	68.0	68.0	68.0	68.0	68.0	68.0
TRAVEL						
CONTRACTUAL	4.0	4.0	4.0	4.0	4.0	4.0
SUPPLIES	2.0	2.0	2.0	2.0	2.0	2.0
EQUIPMENT	5.0	-0-	-0-	-0-	-0-	-0-
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	79.0	74.0	74.0	74.0	74.0	74.0
CAPITAL	--	--	--	--	--	--
REVENUE	*(506.4)	*(450.0)	*(510.0)	*(540.0)	*(550.0)	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND	79.0	74.0	74.0	74.0	74.0	74.0
FEDERAL FUNDS						
OTHER						
TOTAL	79.0	74.0	74.0	74.0	74.0	74.0

POSITIONS:

FULL-TIME	2	2	2	2	2	2
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

See attached explanation

Prepared by: Hal Ward Janet Burlison
Division: Div. of Agriculture, Div. of Land & Water

Phone: 465-2400
Date: 3/16/88

Approved by Commissioner: [Signature]
Agency: Natural Resources

Date: 3/17/88

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

Additional Explanation HB 456

The operating expenditures are as follows:

100 --	1 Natural Resource Officer I	Range 14A	DL&WM	38.0
	1 Accounting Clerk II		D of Ag	30.0
200 --				-0-
300 --	2.0 for DL&WM, 2.0 for D. of Ag	--phone, mail, etc.		4.0
400 --	1.0 for DL&WM, 1.0 for Div of Ag			2.0
500 --	Computer equipment for the Div. of Ag to keep track of this program, including compiling information about AARC and Federal Land Bank loans.			5.0

Revenues indicated are negative. This represents interest receivable due on ARLF and agricultural land loans which would not be collected as a result of this bill. The amounts are based on the historical data available from the first two years of production credits under the existing program.

- * This bill also provides for payment from the state to the Alaska Rural Rehabilitation Corporation and Federal Land Bank for credits for ag loans in their portfolios. This contingent liability may be unlimited because we have no information on state farm income from IRS Schedule 1040-F from other lenders.

Position Title Natural Resource Officer I		No. of Positions 1	Range/Step 14A	Barg. Unit GGU
Time Status PFT	Staff Months 12	Location Anchorage		Election District
Type of Expenditure		Amount		
1	2	3		
Salary	28,000			
Benefits	10,000			
Premium Pay				
Other				
Total Personal Services		38,000		
Travel				
Contractual		2,000		
Commodities		1,000		
Equipment				
Other				
Total Cost		41,000		
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004	41,000		
GF Program Receipts	1005			
Other				
Justification This position will be involved in annual credit calculations provided by the extension of credits under HB 456.				

**Request For
New Position**

Agency Natural Resources
 BRU Land and Water
 Component Public Use

Page 3 of 4
 Revised Date

FY 89

Position Title Accounting Clerk II		No. of Positions 1	Range/Step 9B	Barg. Unit GGU
Time Status PFT	Staff Months 12	Location Palmer		Election District
Type of Expenditure		Amount		
1	2	3		
Salary	21,400			
Benefits	8,600			
Premium Pay				
Other				
Total Personal Services		30,000		
Travel				
Contractual		2,000		
Commodities		1,000		
Equipment				
Other				
Total Cost		33,000		
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004	33,000		
GF Program Receipts	1005			
Other				
Justification The production credits formulas create complex accounting problems which could not be handled by current accounting staff.				

**Request For
New Position**

Agency _____
BRU _____
Component _____

Page 4 of 4
Revised Date

FY 89

M E M O R A N D U M

October 27, 1987

SUBJECT: Work order 5-1421, relating to distinctions in loan refinancing for certain rural-related loans.

TO: Representative Curt Menard

FROM: Jack Chenoweth
Legislative Counsel

Your October 19 letter to Tam Cook, inquiring as to distinctions in loan refinancing practices between loans initiated by the Alaska Rural Rehabilitation Corporation and the Agricultural Revolving Loan Fund, has been referred to me for response.

Your letter inquires about "refinancing" practices of the Revolving Loan Fund and the Rehabilitation Corporation. Typically, the term "refinancing" is used in a technical sense, generally limited to instances in which the lending institution issues a loan to retire outstanding debt issued by the lending institution or another lending source. This memo speaks somewhat more broadly.

The Agricultural Revolving Loan Fund is a state-authorized loan program (AS 03.10). The fund makes loans from a loan fund to which the state legislature may make appropriations. By regulation [11 AAC 39.111(b)(9)], ARLF may not undertake to refinance "except in emergencies or when in the best interests of the loan fund." According to ARLF Manager Hal Ward, the loan fund is managed, as to refinancing, in accordance with that regulation, and the clauses providing for refinancing exceptions have not been regularly used. Current ARLF practice does allow a "restructuring" of outstanding ARLF debt--by extension of payments, modification of terms and conditions, or making of allowances--but I understand these to be mechanisms available to the loan fund manager, with the approval of the Agricultural Revolving Loan Fund Board, within the scope of management of a current loan under authority set out in 11 AAC 39.311.

By contrast, the Alaska Rural Rehabilitation Corporation is not a unit or entity of the state government. Federal laws in aid of agriculture first enacted in the 1930's, applicable to Alaska as a territory, authorized establishment of rural rehabilitation corporations to assist in the advancement of farms and farming practices. Typically, rural rehabilitation corporations that were established were sources of loans for improved farming practices, though in Alaska, with virtually no agricultural activity prior to establishment of the Matanuska colony, the program was available as a source of loans and financial support for new farmers.

Alaska officials who sought to take advantage of the federal authorizing act established the Alaska Rural Rehabilitation Corporation as a non-profit corporation in April, 1935. Though the original federal law underlying the program and authorizing loan financing assistance from federal sources was repealed in the mid-1940's, the repealing legislation allowed the rehabilitation corporations then operating in the several states and territories to "revolve" the principal and interest payments into new loans. In Alaska, the non-profit corporation has continued, serving as a source of credit assistance by which agricultural loans may be originated, approved, and serviced, and, in turn, selling the paper representing the outstanding debt of these loans to other financing sources. The sources that ARRC has used include (1) federal Farm Credit System-originated funds, the money from which is provided by the Farm Credit System from open market sources; (2) money of the corporation; and (3) money from loans purchased by the state.

As a nonprofit corporation, the Rural Rehabilitation Corporation's policy on loan refinancing is set by the board of directors of the corporation. The board is free to set its own terms and conditions on "refinancing" and does so without direction of state law.

In the past, the state has been a source of financial assistance to the Alaska Rural Rehabilitation Corporation.

AS 44.88.158(c), re-enacted in 1981, specifically authorized the state's industrial Development Authority (AIDA), operating through the small enterprise loan account, to "purchase loans originated by the Alaska Rural Rehabilitation Corporation which are made to agricultural enterprises." AIDA's authority to make these loan purchases was repealed, effective June 9, 1987, by sec. 44, ch. 42, SLA 1987.

The Department of Revenue may invest or use surplus state funds to purchase debt originated by lending institutions. Under AS 37.10.070(a)(13), the department may purchase mortgages of the Alaska Rural Rehabilitation Corporation. The department and ARRC have entered into a seller-servicer agreement for these loans. A copy of the agreement is enclosed.

Activity involving the Department of Revenue's purchase of ARRC-generated agricultural loans is not large. According to ARRC Loan Manager George Crowther, the Department of Revenue has purchased just under \$1.4 million of ARRC-initiated loans. The figure was confirmed in information provided to me by Deputy Commissioner of Revenue Milt Barker. Citing the toughness of current state requirements bearing on loan purchases, Mr. Crowther advises that ARRC is no longer selling debt instruments to the Department of Revenue.

The decision as to when to purchase ARRC mortgages (or any other investment purchase decision using surplus state funds) is committed to the discretion of the commissioner of revenue. I doubt very much that the commissioner considers the particular policy governing loan "refinancing" that a lending institution has established; rather, the commissioner more likely bases indebtedness purchasing decisions on the overall safety or security of the loans that the state is considering for purchase.

I see no particular legal problem arising out of the distinction between the refinancing practices of the two named lending programs. Different lending institutions are free to set their own refinancing practices and policies. In this case, the distinction turns, in part, on the different sources of operating authority for the two programs, and the different means by which state money is used to support these programs.

The question you raise is, in my view, primarily one of state policy. As corrective legislation, you may wish to consider an amendment to AS 37.10.030(a)(13) that limits the commissioner's authority to purchase ARRC-generated loans to those that essentially have been made on the same terms and conditions as money loaned by the Agricultural Revolving Loan Fund (AS 03.10). That ought to keep the two programs more closely aligned. However, that approach may also spark opposition from the ARRC board of directors, claiming unwar-

Representative Menard

Page 4

October 27, 1987

ranted intrusion into lending philosophy and practices of this corporation by the state, or it may prove to be of no value whatsoever, insofar as recent ARRC practice has not been to market loans to the department.

I trust this is responsive to your October 19 letter. If you have additional concerns or questions about ARRC loans or lending practices, or about this response, please contact me.

JC:mkr

m13/054

Enclosure

ALASKA RURAL REHABILITATION CORP.

GENERAL OFFICES

~~XXXXXXXX~~ 248 E. Dahlia St.

PALMER, ALASKA

99645

745-3390

HB 456

RECEIVED FEB 2 1988

January 26, 1988

Mr. Curtis Menard
House of Representatives
351 W. Swanson Ave.
Wasilla, AK. 99687

Dear Curt:

The ARRC loan portfolio averages about \$2,078,442, the Alaska Dept. of Revenue loans total \$997,280. and the Farm Credit System farm loans total \$1,081,162.

All of the above loans have variable tiered interest rates ranging from 10-12% probably averaging 11 1/4%. Total estimated compensation required \$450,000.

Thank you for your consideration and help.

Sincerely,


George S. Crowther
Manager

GSC:jdj

encl. 1/20/88 letter to Senator Rick Halford

ALASKA RURAL REHABILITATION CORP.

GENERAL OFFICES

~~XXXXXXXX~~ 248 E. Dahlia St.

PALMER, ALASKA

99645

745-3390

January 20, 1988

Senator Rick Halford
P.O. Box V
Juneau, AK. 99811

Dear Rick:

Hopefully you will remember talking to me at a reception at Big Lake for Representative Curtis Menard. At that reception I discussed with both of you, a request for borrowers of Farm Credit System and the Alaska Rural Rehabilitation Corporation to be included in the agricultural production credits program now available to those borrowers of the agricultural revolving loan fund program.

I wrote a letter to Representative Curtis Menard regarding this request. A copy of this request is also enclosed for your information.

You will also remember that I mentioned to you that as a representative of the Farm Credit System, our office makes short, intermediate (15 years), and long term (30 years) loans to the Alaskan fishing industry. We can therefore make loans for operating, gear, boats, storage sheds and housing needs. But we cannot make loans on the Alaska limited entry permits as only the State of Alaska and the Commercial Fishing and Agriculture Bank are authorized by Alaska law to lien limited entry permits.

We receive many requests to finance limited entry permits and also need to be able to loan on the permits as boats and permits are mostly sold as a package. We must therefore deny many, many worthy applicants loans.

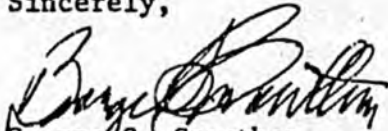
The Farm Credit System is a nationwide lender and has made loans in Alaska since 1959 and to Alaska's fishing industry since about 1972.

It is requested that you introduce and get passed, an amendment to the current Alaska Statute authorizing the Farm Credit System to lien Alaska's limited entry permits.

January 20, 1988
Senator Rick Halford
page 2

I will be on vacation and out of the State during the month of February. After March 1st, I will be available to travel to Juneau to discuss any of the above if necessary.

Sincerely,

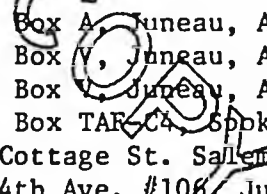

George S. Crowther
Manager

P.S. The Alaska Rural Rehabilitation Corporation represents the Farm Credit System, North of Yakutat via an agency agreement.

GSC:jdj

encl.

cc: Honorable Steve Cowper, Governor of Alaska
Senator Jan Faiks
Representative Ben Gussendorf
Chuck Harmon, F.C.S. Spokane
Phil Fidler, F.C.S. Salem
Kate Graham


P.O. Box A, Juneau, AK. 99811
P.O. Box V, Juneau, AK. 99811
P.O. Box C, Juneau, AK. 99811
P.O. Box TAR-CA, Spokane, WA 99220
475 Cottage St. Salem, OR 97308
211 4th Ave. #106, Juneau, AK. 99801

ALASKA RURAL REHABILITATION CORP.

GENERAL OFFICES

~~XXXXXX~~ 248 E. Dahlia St.

PALMER, ALASKA

99645

745-3390

HB 456

December 28, 1987

Mr. Curtis Menard
House of Representatives
351 W. Swanson Ave.
Wasilla, AK. 99687

Dear Curt:

Thank you for sending to me the response of Mr. Jack Chenoweth, Legislative Counsel, regarding the refinancing practices of ARRC and the ARLF. Mr. Chenoweth did a good job in outlining to you the differences between the two lending organizations.

The Alaska Rural Rehabilitation Corp., a non-profit corporation, which will hereinafter be referred to as the ARRC, has been making agricultural loans to Alaska's farmers since establishment of the Matanuska Colony in 1935. Sources of money to make these loans have been surpluses left over from the colonization project and modest profits each year that have been added to capital. As of this date total notes receivable and 5 parcels of land have a current value of about 2 1/2 million dollars.

The ARRC has also represented the Farm Credit System in Alaska since 1959. Through the Farm Credit System, long term and short term loans were made to Alaskas farmers. In 1972 the Farm Credit System started making rural housing loans to rural residents and recently the ARRC was given authority to make both long and short term loans to the fishing industry.

During the period when Alaska had large sums of oil money the Agricultural Revolving Loan Fund was appropriated large sums to lend to Alaska's farmers at subsidized interest rates. ARRC agricultural loaning activity to Alaskas farmers through the Farm Credit System has therefore declined to almost nothing. Subsidized housing loans through the AHFC has also completely stopped the rural housing lending activity through the Farm Credit System.

The ARRC in the past has always had more demands for loan money than it had money to loan. Recently, about 5 years ago, the ARRC entered into agreement to sell part of its loans to the Alaska Department of Revenue, under AS 37.10 070 (a) (13). This authority was introduced in the Legislature by Senator Jalmar Kerttula. At one time the ARRC's account with the Dept. of Revenue approximated \$1.7 million. Due to less demand for loan monies and tough policies of the Dept. of Revenue the ARRC is no longer selling its notes and mortgages to the Dept. of Revenue. The current balance of the Dept. of Revenue

A nonprofit Alaskan corporation dedicated to the permanent development of Alaskan agriculture

Mr. Curtis Menard
December 28, 1987
Page 2

account is now approximately \$1,000,000.00.

Two years ago Senator Coghill introduced and the Legislature passed an Agricultural Production Credit bill. This act permits up to 10% of a farmer's gross income as credit towards interest due on loans held by the Agricultural Revolving Loan Fund. If I remember correctly it was Mr. Coghill's original intent to give interest credit to those involved in the States development projects but was expanded to include all State agricultural loans.

Requests were made verbally to Mr. Coghill, Mr. Kerttula and to the Alaska Farmers and Stockgrowers organization, who lobbied heavily for passage of the Production Credit Act, to also include loans of the ARRC and Federal Land Bank for this State assistance. Answers to this request were that an appropriation would have to be made to include other loans which would jeopardize passage by the Legislature.

I recently approached Mr. Kerttula again who stated, "There is only one more year left to go."


During the last annual meeting of the Alaska Farmers and Stockgrowers Association a resolution was passed requesting continuation of the Production Credit Act. A copy of this resolution is enclosed.

The Production Credit Act is available only to those borrowing from the State of Alaska and therefore sets up a horribly unfair financial disadvantage to those farmers who are not borrowing from the State. An example is two neighboring farmers competing in the market place to sell their product. One receives interest free money through the Alaska Revolving Loan Fund. The other through the ARRC, Federal Land Bank and the Dept. of Revenue, pays interest at current rates (10-12%) on his loans. The Production Credit Act is a very unfair and discriminating subsidy.

Our request to you and the Legislature is to do several things.

1. Amend the Production Credit Act to include farmers borrowing from the ARRC, the Federal Land Bank and the Dept. of Revenue to include the farming year 1987 and future years.
2. Amend the Act of the Agricultural Revolving Loan Fund to require that applicants prove that other loan money sources are not available, therefore eliminating unfair competition in the agricultural lending business.
3. That interest rates on existing loans sold to the Department of Revenue be lowered to Agricultural Revolving Loan Fund interest rates to permit some relief to borrowers in our present economy. Interest rates on these loans are mostly 11-12%.

Sincerely,


George S. Crowther
Manager

GSC:jdj

encl.

HAWAII
808-883-9425
February 11pm 630am

ALASKA FARMERS AND STOCKGROWERS ASSOCIATION, INC.

1988 RESOLUTION PLATFORM

The following resolutions were adopted by the General Assembly of the Alaska Farmers and Stockgrowers Association, Inc., at its Annual Meeting November 20 and 21, 1987 in Wasilla, Alaska.

- 1) Requesting the Continuation of the Production Credit Act.
- 2) Requesting the institution of a State Board of Agriculture by statute, consisting of producers of agricultural products and a representative of the Governor's office, whose task is to act as a liaison between the industry, the Governor, and other local, state, and federal agencies.
- 3) Requesting that the administration (Governor's office) seek the recommendation of the Alaska Farmers and Stockgrowers Association, Inc., before a final resolution on the Seward Grain Terminal facilities is made.
- 4) Supporting the establishment of favorable agricultural rates, for Alaska grown products on the Alaska Marine Highway System and on the Alaska Railroad.
- 5) Endorsing the concept of a constitutional amendment which would protect agricultural rights on State land (SJR 5).
- 6) Encouraging the State to modify its land lease laws to better facilitate agricultural needs (including the incorporation of "option-to-renew" clauses based on utilization of grazing lands).
- 7) Requesting that duties related to the agricultural industry be transferred from the Department of Environmental Conservation to the Division of Agriculture.
- 8) Requesting that the Department of Natural Resources, Division of Agriculture be retained as separate entity, in its entirety, not to be merged with another State Department and leave the ARLF fund where it is and intact.
- 9) Requesting the State to continue its support and operation of the Mt. McKinley Meat and Sausage slaughter facility in Palmer by the Correctional Industries.
- 10) Requesting that, as the University of Alaska is a "Land Grant College," a person active in agriculture be appointed to the University Board of Regents.
- 11) Requesting the extension of the Alaska Grain Reserve Program. Also, recommend that the current reserve be dropped to \$0.5 million and the balance transferred to the ARLF.
- 12) Requesting that steps be taken to overhaul the Alaska Agricultural Revolving Loan Fund operation to:
 - A. Assure consistent policy.

- B. Develop policy for emergency situations, such as drought, grasshopper infestation, floods, etc
 - C. Improve communications with the agricultural industry as well as other lending institutions.
 - D. Establish a full time loan examiner position in Delta Junction.
- 13) Requesting that the ARLF Board and the Department of Natural Resources recognize that the current ARLF policy for restructuring of troubled debt was conceived and adopted in the form of guidelines, not as an inflexible formula. The ARLF Board should be permitted and encouraged to vary from the guidelines in cases where flexibility in adjusting the terms of an applicant's debt, or use of other refinancing techniques, appears financially appropriate for the individual and likely to prevent waste of ARLF assets.
- 14) Requesting the legislative creation of State Grazing Preserves, and that these preserves not be limited to the Seward Peninsula and Kodiak Island, but rather incorporate all lands with high grazing potential, as well as lands where grazing has historically taken place (i.e. Fox River, Deep Creek, Talkeetna Mountains, Copper River Basin, etc.).
- 15) Opposing HB 159 (an act relating to exemptions from Municipal property taxes) and urging the State to fund the tax differential on agricultural lands to Municipalities as established under AS 29.
- 16) Encouraging the passage of CSSB 105 (an act relating to the sale of certain milk products).
- 17) Opposing any law (current or future) that would make it illegal for animal owners to give medical treatment to their own animals.
- 18) Requesting legislative action to return the definition of a "legal fence" to the Alaska Statutes to facilitate the enforcement of Title 3 Chapter 25 (Controlled Livestock Districts).
- 19) Supporting Future Farmers of America and 4H programs throughout the State of Alaska.
- 20) Supporting the transfer and/or long term lease of 80 acres of land which adjoins the Susitna Valley High School and is currently owned by the University of Alaska, to the Upper Susitna Soil and Water Conservation District, for the development of a demonstration forest, plant materials, forage, and small grain research plots, and other extended community education programs.
- 21) Supporting the active enforcement of the Local Agricultural and Fisheries Product Preference Act as provided for in Chapter 62 SLA 1987 (HSC CSSB 201 SA), which becomes effective January 1, 1988.
- 22) Offering its continuing support to the current Director of the Division of Agriculture, Mark Weaver.



Snowcrest Farms, Inc.

P.O. Box 872406, Wasilla, AK 99687 • 376-3546

HB 456

RECEIVED MAR - 7 1988

Representative Curt Menard
Alaska State Legislature
P.O. Box V (MS 3100)
Juneau, Alaska 99811

March 4, 1988

Dear Curt,

Thankyou for sending me copies of HB 400, 415, 456, and SB 23 and for your request for my opinion.

I strongly favor passage of all four pieces of legislation as each is an important piece of the larger puzzle which hopefully will yield success for the agricultural industry and the dairy industry.

Please note that contrary to Mr. Chuck Forch's letter, dated February 12, 1988, to you that HB 415 will not reduce the current funds of the ARLF by 2 million dollars. It will reduce yearly the amount returning to ARLF.

We are concerned about the survival of the ARLF, as are they, but the board must remember that if the demands for repayment are to high and unrealistic that money will not revolve back anyway and if they are so concerned about the funds being bleed out maybe they ought to look at the 1.1 million it took to run the fund in 1986 and that near amount again in 1987 with a greater amount anticipated in 1988. The fund that was established to " establish and promote Agriculture in Alaska" is being bled dry to the tune of 1 million per year by the bureaucracy and they have the audacity to critique us in our desire to survive and be productive. I also find it very interesting that that the Loan Board encouraged us to take our plight to the legislature and are now opposing us after having done so.

I appreciate your efforts in helping us resolve these issues and I am certainly willing to provide you with any information needed to support these pieces of legislation.

Sincerely,


H. Ray Hendershot

COA

HB 456

State of Alaska
Agricultural Revolving Loan Fund Board
P. O. Box 2470
Palmer, Alaska 99645

STATE FUND
When next
RECEIVED FEB 15 1988
ISSUES
Come on

February 12, 1988

Curt Menard
Alaska House of Representatives
P. O. Box V (MS 3100)
Juneau, Alaska 99811

RE: Teleconference - Tuesday, February 9, 1988 with
ARLF Board

Dear Mr. Menard:

This letter is the promised follow-up to our teleconference.

HB 462
You inquired regarding the Board's reaction to a cash production credit payment to all agricultural producers. The Board is opposed to any disbursement of loan fund money to producers who are not borrowers.

We followed this with comments on three other pieces of legislation:

SB 353 Extension of Production Credits. First we point out that Loan Fund assets have already been reduced by production credits as follows: 1986 - \$346,000, 1987 - \$540,000, and to date in 1988 - \$322,000. These amounts have simply been wiped from our loanable funds under current legislation in force. If this legislation is extended this massive drain will continue.

The Board, in consultation with the Loan Fund Manager and the Director of Agriculture, offer this counter proposal for any renewal of production credits:

1. Limit production credits to borrowers in good standing, to borrowers who are current in their payments. Exclude restructured borrowers since they have already received substantial benefit in interest relief.

2. Limit the credit to only a portion of the interest so that the entire interest payment is not excused.

The thinking that goes into this counter proposal is that production credit then becomes an incentive to good borrowers by reducing their interest due. It is not a debt write-off as is the current legislation. It does not apply to restructures, they have already received substantial relief. This proposal is in the best interest of the State because it rewards borrowers in good standing with a reduced interest and an incentive to remain in good standing, and thus to keep funds revolving back into the Loan Fund.

Curt Menard
February 12, 1988
Page Two

HB 415 Retroactive Production Credit to Dairy Producers. The Board opposes this legislation. It is not in the best interest of the State. It is a debt relief program which rewards production without regard to efficiency and provides no payback to the loan fund. I am attaching "an analysis of the financial effect" on the Fund prepared by the Loan Fund Manager. Please be specifically aware that the Fund currently has loanable funds of about \$7 million. This proposal would wipe out almost \$2 million of that working balance.

SB 192 Expansion of the Loan Board from five to seven members. The Board is opposed to this legislation for the following reasons:

1. A seven member board increases from three to four the number of members that must be present for a working meeting.
2. Both of the added members must be producers. a) It is very difficult to find producers who do not have a disabling conflict of interest, i.e., a loan with the loan fund, or a financial interest that precludes them from acting on a particular loan application. b) This takes us back to the problem of a quorum on a particular application; and further c) the failure to fill these positions would leave us with a quorum requirement of four and less likelihood of meeting it.
3. An increase in the number of board members requires more preparation on the part of an already overburdened loan fund staff, lengthier meetings and more staff time spent on meetings, and a general increase in the cumbersomeness of the process.
4. Additional cost to the fund for per diem, travel expenses and other related costs, all of which must come from a shrinking operating budget.

The Board feels the current staff and board are dealing as efficiently as possible with the loan fund workload. Adding two functioning producer board members would be difficult to achieve and would reduce the efficiency and effectiveness of the process at this time. SB 192 is not in the best interests of the State.

Thank you for alerting us to the proposed legislation. We hope our comments on it and other ag legislation is understood to come from a group who have particular familiarity with the issues and their resolution in the best interest of the State.

Sincerely,



CHARLES G. FORCK, Chairman
Agriculture Revolving Loan Fund

Curt Menard
February 12, 1988
Page Three

cc: Judy Brady
Mark Weaver
Hal Ward
Senator Coghill
Senator Kertulla
Representative Herrmann
Representative Shultz
Member Dinkel
Member Stewart
Member Tatka
Member M. Ward

CGF/pd

MEMORANDUM

State of Alaska

DEPARTMENT OF NATURAL RESOURCES - DIVISION OF AGRICULTURE

TO:

Mark Weaver
Director

DATE:

February 4, 1986

FILE NO:

TELEPHONE NO:


745-7200

THRU:

SUBJECT:

BE 415

FROM:

Hal K. Ward // 
Loan Manager

An analysis of the financial effect on the ARLF as a result of the subject legislation is as follows:

1985.....\$511,241.28

1986.....\$636,047.83

1987.....\$823,626.61

Total retroactive loss \$1,970,917.72.

Assuming the milk production from Point Mackenzie remains stable with increase of 5% per year through the effective end of the bill as proposed, the cost would increase to a total amount of \$5,698,351. This represents over one half of the \$10,681,815 investment in current loan balances for ARLF and Land Clearing loans for the dairy farm parcels on Point Mackenzie.