

SB

484

5/4/88  
H(F.R.)

STATE OF ALASKA  
1988 LEGISLATIVE SESSION

BILL VERSION: HCSCSSB 484 (Resources)  
PUBLISH DATE: \_\_\_\_\_

FISCAL NOTE

REQUEST:

Revision Date: May 5, 1988  
Title: Powers of ARLF Board

Agency Affected: Natural Resources  
BRU: Ag Management

Sponsor: House Resources Committee  
Requestor: House Resources Committee

Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

[Empty box for analysis]

Prepared by: Carol Wilson Phone: 465-2400  
Division: Commissioner's Office Date: 5/5/88

Approved by Commissioner: Judith M. Brown Date: 5/5/88  
Agency: Natural Resources

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

RECEIVED  
MAY 6 1988

LEGISLATIVE FINANCE

# STATE OF ALASKA

STEVE COWPER, GOVERNOR

## DEPARTMENT OF NATURAL RESOURCES

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

OFFICE OF THE COMMISSIONER

May 5, 1988

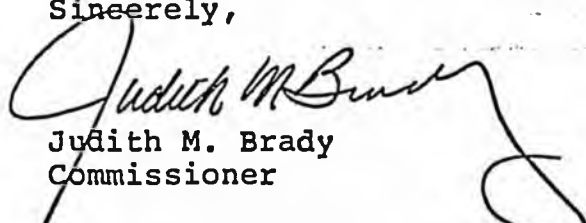
The Honorable Sam Cotten  
Co-Chair, House Resources Committee  
P.O. Box V  
Juneau, AK 99811

Dear Representative Cotten:

I appreciate the House Resources Committee's consideration of agricultural problems and support the committee's substitute of SB. 484. I assure you that the Department of Natural Resources and the Agricultural Revolving Loan Fund Board will not sell the Matanuska Maid Creamery during the one-year term of the creamery management agreement with Alaska Dairy, Inc. We hope that in one year Point MacKenzie farm operations will have stabilized to the point where dairy farmers are able to take on the obligation of a creamery purchase.

Please let me know if you would like additional information about the creamery.

Sincerely,



Judith M. Brady  
Commissioner

cc: Committee Members  
Rod Swope  
Ron Clarke  
Bob Evans  
Mark Weaver  
Senator Kerttula  
Senator Szymanski  
Representative Menard  
Representative Larson

SENATE COMMITTEE REPORT

FURTHER

4/6/88

DATE TURNED INTO OFFICE 4/29/88

Mr. President:

Finance Committee considered SB 484

restructuring the debt of certain dairy farmers; efd

and recommended

replace with \_\_\_\_\_ CS AB 484 (Finance)  same title  
 or adopt \_\_\_\_\_ CS \_\_\_\_\_  new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to \_\_\_\_\_

letter of intent adopted \_\_\_\_\_

Committee  attached or  adopted fiscal note(s)  
 new  updated or  previous  
 zero  fiscal impact

MEMBERS SIGNING DO PASS  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

OTHER RECOMMENDATIONS  
Paul ... No Rec  
Paul ... No Rec  
Jim ... No Rec  
Paul ... (No Rec)  
W. ... (No Rec)  
John ... No Rec  
Rich Halford - ~~to pass~~ No Rec  
Chairman signature and recommendation

STATE OF ALASKA  
1988 LEGISLATIVE SESSION

BILL VERSION: CS SB 484 (Finance)  
PUBLISH DATE: \_\_\_\_\_

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_  
Title: Powers of & loans made by  
Ag Revolving Loan Fund Board  
Sponsor: Senate Judiciary/Request  
Requestor: Senate Finance Committee

Agency Affected: Dept of Natural Resources  
BRU: Agricultural Management

Components: ARLF

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES		57.6	57.6	57.6	57.6	57.6
TRAVEL		3.0	3.0	3.0	3.0	3.0
CONTRACTUAL		-0-	-0-	-0-	-0-	-0-
SUPPLIES		1.0	1.0	1.0	1.0	1.0
EQUIPMENT		-0-	-0-	-0-	-0-	-0-
LAND & STRUCTURES		-0-	-0-	-0-	-0-	-0-
GRANTS, CLAIMS		-0-	-0-	-0-	-0-	-0-
MISCELLANEOUS		-0-	-0-	-0-	-0-	-0-
TOTAL OPERATING		61.6	61.6	61.6	61.6	61.6

CAPITAL						
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REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER		61.6	61.6	61.6	61.6	61.6
TOTAL		61.6	61.6	61.6	61.6	61.6

POSITIONS:

FULL-TIME		1	1	1	1	1
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Funds one Administrative Officer III, PFT/Palmer, at Range 21/A from the Agricultural Revolving Loan Fund.

*Rick Halford*

Prepared by: \_\_\_\_\_  
Division: Senator Rick Halford, Co-chairman  
Senate Finance Committee

Phone: 465-3753  
Date: April 29, 1988

Approved by Commissioner: \_\_\_\_\_  
Agency: \_\_\_\_\_

Date: \_\_\_\_\_

Distribution (by preparer):

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

Original sponsor: Judiciary Committee  
by Request

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 484 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the powers of and loans made by  
7 the Agricultural Revolving Loan Fund Board; and  
8 providing for an effective date."

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

10 \* Section 1. AS 03.10.050 is amended by adding new subsections to read:

11 (d) To facilitate execution of its duties, the Agricultural  
12 Revolving Loan Fund Board may appoint, supervise, and remove a finan-  
13 cial analyst.

14 (e) To encourage the prompt payment of loans, the department may  
15 establish a program of credits for persons who have a loan from the  
16 agricultural revolving loan fund and maintain good financial standing.  
17 The credits may be applied against no more than two percentage points  
18 a year of the interest due on agricultural revolving loan fund loans.

19 (f) A credit may not be granted under (e) of this section to  
20 reduce interest due on a loan if the borrower has an agricultural loan  
21 in default, has a loan that has been rewritten, restructured, rolled  
22 over, or otherwise had its term extended or interest rate reduced, or  
23 has had a land payment or land clearing loan restructured.

24 (g) The director of agriculture shall dispose of property ac-  
25 quired by the Agricultural Revolving Loan Fund Board or by the commis-  
26 sioner through foreclosure, default, or other action arising out of  
27 agricultural loans or the sale of agricultural land. Disposals shall  
28 be conducted under regulations approved by the board. The regulations  
29 shall ensure that the property is disposed of so as to maximize the

1 return to the state and shall require that the parcels of land that  
2 are composed primarily of cropland soils be restricted to agricultural  
3 uses.

4 \* Sec. 2. RESTRUCTURE OF AGRICULTURAL DEBT. (a) To increase the  
5 return to the state, the Agricultural Revolving Loan Fund Board may re-  
6 structure loans in existence on June 25, 1987, made by the board or by the  
7 Alaska Agricultural Action Council based upon guidelines approved by the  
8 board. The restructuring may only include reduction of interest to rates  
9 below those specified by AS 03.10.030, an extension of the term of the  
10 loan, and an improvement to the security interest of the state. It may not  
11 reduce the amount of principal and interest owed before the loan is re-  
12 structured.

13 (b) The maximum term of a loan modified under (a) of this section is  
14 30 years from the date of restructuring.

15 (c) Notwithstanding any other provision of this section, the Agricul-  
16 tural Revolving Loan Fund Board may approve an application for restructur-  
17 ing under this section only upon

18 (1) the applicant's written release of the state, including the  
19 Alaska Agriculture Action Council, the agricultural revolving loan fund,  
20 and the University of Alaska, from all potential liability for actions and  
21 omissions occurring before the date of restructuring that relate in any way  
22 to a state farm project, land sale, land sale relinquishment, farm loan, or  
23 loan application or loan modification application, whether granted or  
24 denied by the state; and

25 (2) assignment by the applicant to the board of the proceeds  
26 from the federal government under 7 U.S.C. 1442 (Conservation Reserve  
27 Program) and P.L. 88-26 (Feed Grain Act of 1963), as amended.

28 (d) In order to provide an incentive and opportunity to continue milk  
29 production, the board may restructure the debt of any dairy farm that has

1 produced at least 30,000 pounds of milk a month since November 15, 1985,  
2 and continues to produce 30,000 pounds of milk a month. If milk production  
3 falls below 30,000 pounds a month, the restructured debt shall become  
4 immediately due and payable. Restructure under this section is subject to  
5 the same limitations and conditions as provided in (a), (b), and (c) of  
6 this section.

7 \* Sec. 3. Section 2 of this Act is retroactive to June 25, 1987.

8 \* Sec. 4. This Act takes effect immediately under AS 01.10.070(c).  
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FISCAL NOTE

REQUEST:

Revision Date: April 29, 1988  
Title: Powers of ARLF

Agency Affected: Natural Resources  
BRU: Agricultural Management

Sponsor: Senate Finance Committee  
Requestor: Senate Finance Committee

Components: ARLF

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES		<del>79.4</del> 57.4	79.4	79.4	79.4	79.4
TRAVEL		3.0	3.0	3.0	3.0	3.0
CONTRACTUAL		-0-	-0-	-0-	-0-	-0-
SUPPLIES		1.0	1.0	1.0	1.0	1.0
EQUIPMENT		-0-	-0-	-0-	-0-	-0-
LAND & STRUCTURES		-0-	-0-	-0-	-0-	-0-
GRANTS, CLAIMS		0	0	0	0	0
MISCELLANEOUS		0	0	0	0	0
TOTAL OPERATING	-0-	<del>83.4</del> 61.6	83.4	83.4	83.4	83.4
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER	-0-	83.4	83.4	83.4	83.4	83.4
TOTAL	-0-	83.4	83.4	83.4	83.4	83.4

POSITIONS:

FULL-TIME	-0-	1	1	1	1	1
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

The financial analyst in Section 1 of this bill would be an Administrative Officer III and would be funded by the Agricultural Revolving Loan Fund. Since the ARLF is currently restructuring farm loans, which this bill allows, there would be no new revenues received by the state or lost by the state as a result of this bill that have not already been considered under existing programs. (Contd.)

Prepared by: Carol Wilson Phone: 465-2400  
Division: Commissioner's Office Date: 4/28/88

Approved by Commissioner: [Signature] Date: 4-29-88  
Agency: Natural Resources

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

21/A

Position Title Administrative Officer III		No. of Positions 1	Range/Step 21/B	Barg. Unit CCU
Time Status PFT	Staff Months 12	Location Palmer		Election District 16
Type of Expenditure		Justification		
		This position would serve as a financial analyst for the Agricultural Revolving Loan Fund and help the Board in the performance of its financial duties. It would also serve as an administrative agent for the Board and manage its business assets.		
Amount				
1	2	3		
Salary	52.4 44.0			
Benefits	27.0 13.0			
Premium Pay				
Other				
Total Personal Services		29.4 57.6		
Travel				
Contractual				
Commodities				
Equipment				
Other				
Total Cost		79.4		
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004			
GF Program Receipts	1005			
Other ARLE		79.4		

**Request For  
New Position**

Agency Natural Resources  
 BRU Agriculture Management  
 Component Agriculture Management

Page 3 of 3  
 Revised Date

**FY 89**

FN for CSCS SB 484 (Finance)

Continued

Improved financial analyses provided by the financial analyst position could result in improved financial performance of the fund. An improved return to the fund of 1% of the loan balance per year would result in revenue increases to the fund of more than \$350,000. This position could generate returns to the fund far in excess of annual costs for the position.

STATE OF ALASKA  
1988 LEGISLATIVE SESSION

BILL VERSION: CSSB 484 (Resources)  
PUBLISH DATE: Senate 4/6/88

FISCAL NOTE

REQUEST:

Revision Date: 4/5/88  
Title: Restructuring Agricultural Debt

Agency Affected: Natural Resources  
BRU: Agricultural Management

Sponsor: Senate Resources Committee  
Requestor: Senate Resources Committee

Components: ARLF

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL		202.5				
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	202.5	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	-0-	(8300.0)	(1300.0)	(1300.0)	(1300.0)	(1300.0)
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FUNDING: (Thousands of Dollars)

GENERAL FUND		202.5				
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	202.5	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

In FY 89 the revenue loss is due to the forgiveness of \$7 million in interest and penalties and \$1.3 million in reduced loan payments (based on \$30 million in total ARLF loans due). In FY 90 -FY 93 the revenue loss is because of the reduced amount in loan payments. The 202.5 thousand in operating funds will pay for a contractor to process the restructuring of 225 ARLF borrowers.

Prepared by: Hal Ward Phone: 745-7200  
Division: Agriculture *Jennifer Gorb* Division Comm. Date: 4/5/88

Approved by Commissioner: Judith M. Brady  
Agency: Natural Resources

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

RECEIVED  
APR 6 1988

LEGISLATIVE FINANCE  
page 1 of 1

FISCAL NOTE

REQUEST:

Revision Date: 3/ 29 /88  
Title: Restructure of Dairy Debt  
Sponsor: Senate Judiciary  
Requestor: Senate Resources Committee

Agency Affected: Natural Resources  
BRU: Agricultural Management

Components: ARLF

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES		-0-	-0-			
TRAVEL		2.0	2.0			
CONTRACTUAL		30.0	30.0			
SUPPLIES		1.0	1.0			
EQUIPMENT		-0-	-0-			
LAND & STRUCTURES		-0-	-0-			
GRANTS, CLAIMS		-0-	-0-			
MISCELLANEOUS		-0-	-0-			
TOTAL OPERATING	-0-	33.0	33.0	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	(183.6)	(183.6)	(183.6)	(183.6)	(183.6)	(183.6)
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FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	33.0	33.0	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	33.0	33.0	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

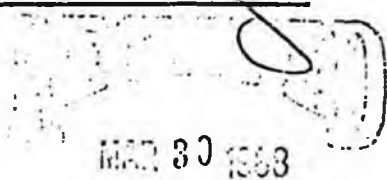
ANALYSIS : (Attach a separate page if necessary)

Operating expenses are for contract services to provide financial analyses for each dairy business and for establishment of a system to monitor the anticipated repayment program over the 40 year period. The negative revenue is a function of approximately one-half of the revenue otherwise available to the ARLF during the first 20 year period.

Prepared by: Hal Ward Phone: 745-7200  
Division: Division of Agriculture Date: 3/29/88

Approved by Commissioner: [Signature] Date: 3/29/88  
Agency: Natural Resources

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



LEGISLATIVE FINANCE

# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

400 WILLOUGHBY AVE.  
JUNEAU, ALASKA 99801-1798  
PHONE: (907) 465-2400

March 29, 1988

The Honorable Jack Coghill  
Chair, Senate Resource Committee  
P.O. Box V  
Juneau, Alaska 99811

Dear Senator Coghill:

Subject: Senate Bill 484, which would restructure the debt of certain dairy farmers.

Position: The Department of Natural Resources opposes this bill because it is not limited to farmers with troubled debt, it provides special financial benefits to only one sector of the agricultural community, and it is not necessary because a farm debt restructuring program is already in place.

Background: The Division of Agriculture and the Agricultural Revolving Loan Fund (ARLF) have developed and implemented a loan restructuring program for farmers with troubled debt. Dairy farmers are eligible for consideration under the existing program. Over a 20 year period, under the existing program, farms producing over 30,000 pounds of milk per month would provide interest income to the ARLF of approximately \$544,220. In addition, principal due of approximately \$6,802,780 would be recovered during the 20 year period.

Under the terms of this bill, dairy loans would be restructured without regard to the management ability of the farmer, or the capacity to repay. This bill could reward farmers for non-performance.

Recommendation: Charge this bill to reaffirm the existing ARLF debt restructuring program, but extend the maximum term allowable for restructuring from 20 to 30 years. This should meet the concerns of many farmers while preserving the integrity of the ARLF.

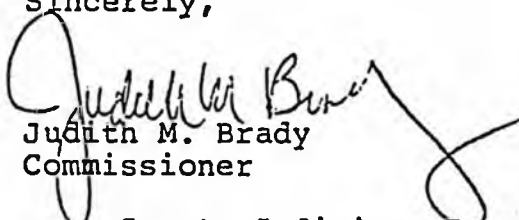
Senator Coghill

-2-

March 29, 1988

We would be happy to work with committee members to develop a substitute for this bill.

Sincerely,



Judith M. Brady  
Commissioner

cc: Senate Judiciary Committee  
Senate Resources Committee  
Bob Evans  
Rod Swope

# ALASKA STATE LEGISLATURE

5B484



373-CURT

## Curt Menard

351 W. Swanson Ave.  
Wasilla, Alaska 99687

— While in Session —

P.O. Box V  
Juneau, Alaska 99811

465-2679 Juneau



376-5855 Home

April 13, 1988

Rick Halford  
Johne Binkley  
Co-Chairs, Senate Finance  
Pouch V  
Juneau, AK 99811

Honorable Senators, o

I would like to submit this letter in support of restructuring Agricultural Revolving Loan Fund (ARLF) loans.

We all realize there has been a large public investment in agriculture; we all know agriculture in general, and the dairy industry in particular, is unable to service their debt to the state; now we have to determine what we can do to realize the best return on that investment and preserve local family farms.

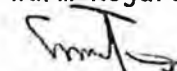
In my view, (1) when someone owes the state on an agricultural loan and could repay it all with interest on 30 years, (2) but will declare bankruptcy if forced to go with a strict 20 year schedule, and (3) there is no hope for the state to recoup the investment through resale, (4) then it just makes sense to negotiate a restructuring and extend repayment for 30 years.

If all we did was that, we just might salvage both our native farmers and the lion's share of public investment in that industry.

This is no band-aid, and to do otherwise may well be a penny wise and a pound foolish.

Thank you for allowing me to submit my comments to the Committee.

Warm Regards,

  
Curt Menard  
Representative

Original sponsor: Judiciary Committee  
by Request

1 IN THE SENATE BY THE RESOURCES COMMITTEE  
2 CS FOR SENATE BILL NO. 484 (Resources)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act restructuring agricultural debt; and provid-  
7 ing for an effective date."

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

9 \* Section 1. RESTRUCTURING AGRICULTURAL REVOLVING LOAN FUND DEBT. The  
10 Agricultural Revolving Loan Board shall restructure the debt of each bor-  
11 rower who has a loan from the board on July 1, 1988. The amount of any  
12 interest and penalties due to the agricultural revolving loan fund on  
13 July 1, 1988, is forgiven. The amount of the principal due to the agricul-  
14 tural revolving loan fund on July 1, 1988, shall be repaid in 30 equal  
15 payments of the principal that are due to the agricultural revolving loan  
16 fund on July 1, 1989, and each succeeding July 1 until the principal is  
17 repaid. The unpaid principal accrues interest at the following rates and  
18 shall be paid on the dates stated:

- 19 (1) On July 1, 1989: one percent of the unpaid principal;  
20 (2) On July 1, 1990: two percent of the unpaid principal;  
21 (3) On July 1, 1991: three percent of the unpaid principal;  
22 (4) On July 1, 1992: four percent of the unpaid principal;  
23 (5) On July 1, 1993: five percent of the unpaid principal;  
24 (6) On July 1, 1994: six percent of the unpaid principal;  
25 (7) On July 1, 1995: seven percent of the unpaid principal;  
26 (8) On July 1, 1996: eight percent of the unpaid principal;  
27 (9) On each succeeding July 1 until the principal is repaid:  
28 eight percent of the unpaid principal.

29 \* Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

1 IN THE SENATE  
2  
3 SENATE BILL NO. 484  
4 IN THE LEGISLATURE OF THE STATE OF ALASKA  
5 FIFTEENTH LEGISLATURE - SECOND SESSION  
6 A BILL  
7 For an Act entitled: "An Act restructuring the debt of certain dairy  
8 farmers; and providing for an effective date."  
9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:  
10 \* Section 1. RESTRUCTURING THE DEBT OF CERTAIN DAIRY FARMERS. (a) A  
11 person who has produced raw milk in the state at an average monthly rate of  
12 30,000 pounds or more of raw milk since November 16, 1986, may request the  
13 Agricultural Revolving Loan Fund Board to restructure 50 percent of the  
14 person's total debt to the agricultural revolving loan fund and the former  
15 Alaska Agricultural Action Council under the two-tier formula adopted by  
16 the board in its Guidelines of June 25, 1987. The remaining 50 percent of  
17 the total debt requires no payments for the first 20 years and shall be  
18 paid in equal monthly installments over the second 20-year period with  
19 interest at six percent per annum commencing with the first payment. The  
20 debt shall be secured as if it were restructured under the guidelines.  
21 (b) The board shall approve a request for a restructuring under (a)  
22 of this section if the applicant releases the state from any claim for  
23 liability the applicant may have based on state action under the Point  
24 McKenzie Project and for liability based on state action under the loan  
25 policies and programs of the agricultural revolving loan fund and under the  
26 former Alaska Agricultural Action Council.  
\* Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

SENATE COMMITTEE REPORT

5-1984 E  
(b)

FIRST COMMITTEE OF REFERRAL

Date of \_\_\_\_\_ 5-DAY NOTICE  
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: FINANCE

\*\*FISCAL NOTE(S) ATTACHED \_\_\_\_\_ \*\*  
IN ACCORDANCE WITH AS 24.08.035  
(see below)

2/29/88

DATE TURNED INTO OFFICE \_\_\_\_\_

Mr. President:

RESOURCES \_\_\_\_\_ Committee considered SB 484

restructuring the debt of certain dairy farmers; efd

and recommended:

replace with CS <sup>484</sup> SB (res) \_\_\_\_\_  same title  
 new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to \_\_\_\_\_

letter of intent adopted and attached

\*\* Committee  attached or  adopted fiscal note(s)  
 zero  fiscal impact

FN

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
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\_\_\_\_\_

*✓* Jim Duncan No Rec  
*✓* Burl Frick No Rec  
*✓* Paul R. Hancock No Rec  
*✓* Walter S. Long No Rec

*John R. DeLass*  
Chairman signature and recommendation

Committee Backup Attached

*Adopted*

5-1984P

Bradley  
4/29/88

Original sponsor: Judiciary Committee  
by Request

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 484 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the powers of and loans made by  
7 the Agricultural Revolving Loan Fund Board; and  
8 providing for an effective date."

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

10 \* Section 1. AS 03.10.050 is amended by adding new subsections to read:

11 (d) To facilitate execution of its duties, the Agricultural  
12 Revolving Loan Fund Board may appoint, supervise, and remove a finan-  
13 cial analyst.

14 (e) To encourage the prompt payment of loans, the department may  
15 establish a program of credits for persons who have a loan from the  
16 agricultural revolving loan fund and maintain good financial standing.  
17 The credits may be applied against no more than two percentage points  
18 a year of the interest due on agricultural revolving loan fund loans.

19 (f) A credit may not be granted under (e) of this section to  
20 reduce interest due on a loan if the borrower has an agricultural loan  
21 in default, has a loan that has been rewritten, restructured, rolled  
22 over, or otherwise had its term extended or interest rate reduced, or  
23 has had a land payment or land clearing loan restructured.

24 (g) The director of agriculture <sup>shall</sup> dispose of property ac-  
25 quired by the Agricultural Revolving Loan Fund Board or by the commis-  
26 sioner through foreclosure, default, or other action arising out of  
27 agricultural loans or the sale of agricultural land. Disposals shall  
28 be conducted under regulations approved by the board. The regulations  
29 shall ensure that the property is disposed of so as to maximize the

1 return to the state and shall require that the parcels of land that  
 2 are composed primarily of cropland soils be restricted to agricultural  
 3 uses.

4 \* Sec. 2. RESTRUCTURE OF AGRICULTURAL DEBT. (a) To increase the  
 5 return to the state, the Agricultural Revolving Loan Fund Board may re-  
 6 structure loans in existence on June 25, 1987, made by the board or by the  
 7 Alaska Agricultural Action Council based upon guidelines approved by the  
 8 board. The restructuring may only include reduction of interest to rates  
 9 below those specified by AS 03.10.030, an extension of the term of the  
 10 loan, and an improvement to the security interest of the state. It may not  
 11 reduce the amount of principal and interest owed before the loan is re-  
 12 structured.

13 (b) The maximum term of a loan modified under (a) of this section is  
 14 30 years from the date of restructuring.

15 (c) Notwithstanding any other provision of this section, the Agricul-  
 16 tural Revolving Loan Fund Board may approve an application for restructur-  
 17 ing under this section only upon

18 (1) the applicant's written release of the state, including the  
 19 Alaska Agriculture Action Council, the agricultural revolving loan fund,  
 20 and the University of Alaska, from all potential liability for actions and  
 21 omissions occurring before the date of restructuring that relate in any way  
 22 to a state farm project, land sale, land sale relinquishment, farm loan, or  
 23 loan application or loan modification application, whether granted or  
 24 denied by the state; and

25 (2) assignment by the applicant to the board of the proceeds  
 26 from the federal government under 7 U.S.C. 1442 (Conservation Reserve  
 27 Program) and P.L. 88-26 (Feed Grain Act of 1963), as amended.

28 (d) In order to provide an incentive and opportunity to continue milk  
 29 production, the board <sup>JB: -y,</sup> ~~[shall]~~ <sup>"may"</sup> restructure the debt of any dairy farm that has

[shall] to 'may'

1 produced at least 30,000 pounds of milk a month since November 15, 1985,  
2 and continues to produce 30,000 pounds of milk a month. [If milk production  
3 falls below 30,000 pounds a month, the restructured debt shall become  
4 immediately due and payable.] Restructure under this section is subject to  
5 the same limitations and conditions as provided in (a), (b), and (c) of  
6 this section.

7 \* Sec. 3. Section 2 of this Act is retroactive to June 25, 1987.

8 \* Sec. 4. This Act takes effect immediately under AS 01.10.070(c).  
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5-1984X  
Bradley  
4/12/88

Original sponsor: Judiciary Committee  
by Request

**DRAFT**

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 484 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the powers of the Agricultural  
7 Revolving Loan Fund Board; and providing for an  
8 effective date."

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

10 \* Section 1. AS 03.10.050 is amended by adding new subsections to read:

11 (d) To facilitate execution of its duties, the Agricultural  
12 Revolving Loan Fund Board may appoint, supervise, and remove a finan-  
13 cial analyst.

14 (e) To encourage the prompt payment of loans, the department  
15 shall establish a program of credits for persons who have a loan from  
16 the agricultural revolving loan fund and maintain good financial  
17 standing. The credits may be applied against no more than two per-  
18 centage points a year of the interest due on agricultural revolving  
19 loan fund loans.

20 (f) A credit may not be granted under (e) of this section to  
21 reduce interest due on a loan if the borrower has an agricultural loan  
22 in default, has a loan that has been rewritten, restructured, rolled  
23 over, or otherwise had its term extended or interest rate reduced, or  
24 has had a land payment or land clearing loan restructured.

25 \* Sec. 2. RESTRUCTURE OF AGRICULTURAL DEBT. (a) The Agricultural  
26 Revolving Loan Fund Board may restructure loans in existence on the effec-  
27 tive date of this Act based upon guidelines approved by the Department of  
28 Natural Resources. The restructuring may only include reduction of in-  
29 terest to rates below those specified by AS 03.10.030 and an extension of

**DRAFT**

1 the term of the loan. It may not reduce the amount of principal to be  
2 repaid.

3 (b) The maximum term of a loan compromised, adjusted, reduced, or  
4 modified under (a) of this section is 30 years.

5 (c) The Agricultural Revolving Loan Fund Board shall extend over a  
6 30-year term the debt of an applicant who has produced raw milk in the  
7 state at an average monthly rate of 30,000 pounds or more of raw milk since  
8 November 16, 1986.

9 (d) Recognizing that claims have been made against the state that  
10 arise out of the formulation and implementation of state farm projects or  
11 the granting or denial of farm loans, the Agricultural Revolving Loan Fund  
12 Board may approve an application for a restructuring under this section  
13 only upon the applicant's written release of the state, including the  
14 Alaska Agriculture Action Council, the agricultural revolving loan fund,  
15 and the University of Alaska, from all potential liability for actions and  
16 omissions occurring before the date of restructuring that relate in any way  
17 to a state farm project, land sale, land sale relinquishment, farm loan, or  
18 loan application or loan modification application, whether granted or  
19 denied by the state.

20 \* Sec. 3. This Act takes effect immediately under AS 01.10.070(c).  
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IN THE SENATE

BY THE \_\_\_\_\_ COMMITTEE

CS FOR SENATE BILL NO. 484

IN THE LEGISLATURE OF THE STATE OF ALASKA

FIFTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act permitting restructuring of debt due the Agriculture Revolving Loan Fund, providing for an effective date, and granting the Agriculture Revolving Loan Fund Board authority to hire employees and retain independent contractors."

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

Section 1.(a). This Legislature concurring in the findings of the Department of Natural Resources, Division of Agriculture, and Agriculture Revolving Loan Fund Board of Directors as set forth in the June 25, 1987 Agriculture Revolving Loan Fund Board Guidelines for Restructuring, hereby grants the Agriculture Revolving Loan Fund the authority to adopt and implement the June 25, 1987 Agriculture Revolving Loan Fund Board Guidelines for Restructuring, except to the extent inconsistent with this Act.

(b) The Agriculture Revolving Loan Fund may approve restructuring of a loan under (a) of this section for a term of 0 to 30 years, but shall not approve restructuring for a term in excess of 30 years unless authorized to do so by separate Act. Time elapsed between the date a loan was initially extended and the date of restructuring is not counted in calculating the maximum possible term for restructuring.

From

(c) An application for restructuring may be considered whether or not filed by November 1, 1987.

(d) An application for restructuring shall only be granted if deemed necessary by the Agriculture Revolving Loan Fund Board of Directors to maximize return to the Agriculture Revolving Loan Fund on its loans. The terms on which restructuring is granted shall also reflect the State's paramount goal of maximizing return on loans.

(e) Recognizing that claims have been made against the State, which claims arise out of the formulation and implementation of State farm projects or grant or denial of farm loans, but without making a finding on the merits of these and related claims, the Agriculture Revolving Loan Fund shall condition approval of an application for restructuring under (a) of this section upon the applicant's release of the State, including without being limited to, the Alaska Agriculture Action Council, the Agriculture Revolving Loan Fund, and the University of Alaska, from all liability for actions and omissions occurring prior to the date of restructuring which relate in any way to any State farm project, land sale, land sale relinquishment, farm loan, or loan application or loan modification application, whether granted or denied by the State.

Section 2. The authority granted in Section 1 is retroactive to June 25, 1987.

Section 3. AS 03.10.050 is amended by adding a new subsection to read:

(d) To facilitate execution of its duties, the agriculture revolving loan fund board may

(1) appoint, supervise, and remove an executive director, financial analyst, and other subordinate employees; and

(2) contract for the services of financial analysts and consultants.

ARLF BOARD GUIDELINES FOR RESTRUCTURING  
JUNE 25, 1987

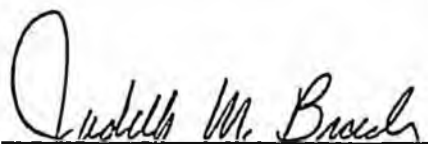
Because of a high incidence of ARLF delinquency, and because options of foreclosure and bankruptcy will in many instances lead to substantial loss of loan fund revenue, loss of loan fund collateral, and disruption of viable farm operations in Alaska, the Director of the Division of Agriculture and the Board of the ARLF are jointly adopting the following guidelines for restructuring of troubled debt.


It is the goal of the Division and of the Board to protect ARLF held collateral and ARLF revenues, and at the same time to encourage producing farmers to continue operating where their operations are financially feasible and can be made economically efficient. This plan is expected to minimize loss to the loan fund by permitting payback of outstanding debt under new terms. It is also expected to transfer the risk of financial failure, and the benefit of financial success, to the producer. It utilizes principles adopted by the American Farm Bureau and standards for troubled debt restructuring approved by the Comptroller of Currency for the US Treasury and by FDIC in their regulation of state and national banks. It is also consistent with Financial Accounting Standard Board Rule 15, and with Alaska statutes dealing with the administration of the ARLF.

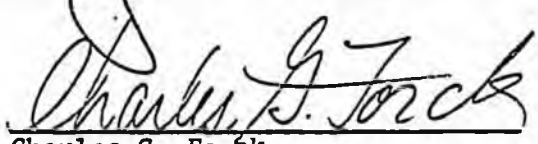
The major points of this plan are as follows:

1. The ARLF Board and the Department may originate or receive requests for restructuring. To be eligible the borrower must be in financial trouble.
2. Considerations for restructuring will include but not be limited to projected positive cash flow from operations and other sources after restructuring, documented where possible and with allowance for operating expenses, debt service, and living expenses.
3. Debt consisting of accrued interest and penalties may be wholly or partially extinguished at the discretion of the ARLF, however the borrower must deed to the ARLF assets of value equivalent to the extinguished debt. Assets given up may include both non-farm and farm assets. Upon repayment pursuant to the restructuring plan (see paragraphs 6 and 7 below) farm assets will be returned to the borrower.
4. Total debt after restructuring will include: principal balance plus accrued interest and penalty not extinguished.
5. Any candidate for restructuring must be willing to allow the ARLF to improve its collateral position and/or collateral documentation at the time of restructuring.
6. Two tier levels of debt will be established during the first year based on existing debt to ARLF. The percentage of debt allocated to these tiers and other terms of restructuring, including terms relating to conveyance of assets, lease and repayment, will be as indicated below. The Board may vary terms only if it finds that variance will provide a greater return to ARLF and remain consistent with Financial Accounting Standard Board Rule 15.
  - a. Tier I will be 5% of the Total ARLF Debt, accrue interest at 8% per year and be repaid on an annual basis, amortized with periodic payments compatible with the cash flow of the borrower.
  - b. Tier II will be the remaining 95% of the Total ARLF Debt, and will not accrue interest. However, upon any breach of conditions of restructuring by the borrower, interest on the entire remaining balance will begin accruing at the statutory interest rate on judgements in the State of Alaska.
7. At the end of the first year and annually thereafter and upon receipt of all the required payments for the prior year, 5% of the original debt will be shifted from Tier II to Tier I and begin accruing interest; the balance remaining in Tier II will not accrue interest. This will result in total repayment over a 20 year term.

8. Those farm assets given up pursuant to paragraph 3 above, may be leased during the term of the restructured loan for 1% annually of the value of assets applied to reduce debt at the time of restructuring.
9. The borrower may purchase the land and improvements from the State at any time during the period of the restructured loan at an amount equal to the unpaid principal balance of the Restructured ARLF Debt, minus a discount of 1% of each year remaining in the 20 year loan term.
10. At the option of the borrower, existing land clearing loans, both ARLF and AAAC, may be included in tiers 1 and 2 or be placed in moratorium at the time of restructuring. If placed in moratorium, they will accrue interest and will remain in moratorium only so long as the land is devoted to agricultural use.
11. All other loans will be taken off payment moratorium.
12. The restructured loan will have annual review.
13. Borrowers who wish to participate in the debt restructuring must apply by November 1, 1987 and are encouraged to apply immediately.
14. Borrowers who are in default and do not apply or do not qualify for the debt restructuring plan will be subject to immediate foreclosure and deficiency collection action. ARLF may allow a borrower to deed to the ARLF farm and non-farm assets and to retire without further liability, but will consider what efforts have been made by such borrowers to repay loans.

  
\_\_\_\_\_  
Judith M. Brady  
Commissioner of Natural Resources

  
\_\_\_\_\_  
Mark A. Weaver  
Director of Agriculture

  
\_\_\_\_\_  
Charles G. Forck  
Chairman, ARLF Board

TROUBLED DEBT RESTRUCTURING EXAMPLE # 1

NAME: A B C Farms.....DATE.....May 31, 1987.....

LOAN #	PRINCIPLE	INTEREST	PENALTY	EXPENSE	TOTAL
S-100	\$200,000.00	\$ 80,000.00	\$ 20,000.00		\$300,000.00
C-200	\$220,000.00	\$100,000.00	\$ 16,000.00		\$336,000.00
C-300	\$ 20,000.00	\$ 1,200.00	\$ 500.00		\$ 21,700.00
F-400	\$500,000.00	\$ 35,000.00	\$ 2,200.00		\$537,200.00
<b>TOTAL</b>	<b>\$940,000.00</b>	<b>\$216,200.00</b>	<b>\$38,700.00</b>	<b>\$ 0.00</b>	<b>\$1,194,900.00</b>

TOTAL DUE ARLF \$1,194,900.00

LESS ASSETS TRANSFERRED

LAND \$0.00  
IMPROVEMENTS \$0.00

TOTAL LESS ASSET TRANSFER \$0.00 \$1,194,900.00

LOAN BALANCE  
AFTER RESTRUCTURE \$1,194,900.00

TIER I DEBT \$ 59,745.00  
TIER II DEBT \$1,135,155.00

ANNUAL LEASE  
PAYMENT \$0.00

PROJECTED ANNUAL  
DEBT SERVICE \$ 59,745.00  
PROJECTED INTEREST \$ 4,779.60

TOTAL PROJECTED ANNUAL  
DEBT SERVICE ON  
RESTRUCTURED LOAN \$ 64,524.60

TROUBLED DEBT RESTRUCTURING EXAMPLE # 2

NAME: A B C Farms.....DATE.....May 31, 1987.....

LOAN #	PRINCIPLE	INTEREST	PENALTY	EXPENSE	TOTAL
S-100	\$200,000.00	\$ 80,000.00	\$ 20,000.00		\$300,000.00
C-200	\$220,000.00	\$100,000.00	\$ 16,000.00		\$336,000.00
C-300	\$ 20,000.00	\$ 1,200.00	\$ 500.00		\$ 21,700.00
F-400	\$500,000.00	\$ 35,000.00	\$ 2,200.00		\$537,200.00
					\$0.00
<b>TOTAL</b>	<b>\$940,000.00</b>	<b>\$216,200.00</b>	<b>\$ 38,700.00</b>	<b>\$0.00</b>	<b>\$1,194,900.00</b>

TOTAL DUE ARLF \$1,194,900.00

LESS ASSETS TRANSFERRED

LAND \$ 100,000.00  
 IMPROVEMENTS \$ 100,000.00

TOTAL LESS ASSET TRANSFER \$ 200,000.00 \$994,900.00  
 LOAN BALANCE AFTER RESTRUCTURE \$ 994,900.00

TIER I DEBT \$ 49,745.00  
 TIER II DEBT \$ 945,155.00

ANNUAL LEASE PAYMENT \$ 2,000.00

PROJECTED ANNUAL DEBT SERVICE \$ 51,745.00  
 PROJECTED INTEREST \$ 3,979.60

TOTAL PROJECTED ANNUAL DEBT SERVICE ON RESTRUCTURED LOAN \$ 55,724.60

TROUBLED DEBT RESTRUCTURING EXAMPLE # 3

NAME: ABC Farms.....DATE.....May 31, 1987

LOAN #	PRINCIPLE	INTEREST	PENALTY	EXPENSE	TOTAL
S-100	\$200,000.00	\$ 80,000.00	\$20,000.00		\$300,000.00
C-200	\$220,000.00	\$100,000.00	\$16,000.00		\$336,000.00
C-300	\$ 20,000.00	\$ 1,200.00	\$ 500.00		\$ 21,700.00
F-400	\$500,000.00	\$ 35,000.00	\$ 2,200.00		\$537,200.00

Total \$940,000.00 \$216,200.00 \$ 38,700.00 \$0.00 \$1,194,900.00

TOTAL DUE ARLF \$1,194,900.00

LESS ASSETS TRANSFERRED

LAND \$ 300,000.00  
 IMPROVEMENTS \$ 200,000.00

TOTAL LESS ASSET TRANSFER \$ 500,000.00 \$694,900.00

LOAN BALANCE AFTER RESTRUCTURE \$ 940,000.00

TIER I DEBT \$ 47,000.00  
 TIER II DEBT \$ 893,000.00

ANNUAL LEASE PAYMENT \$ 2,549.00

PROJECTED ANNUAL DEBT SERVICE \$ 49,549.00  
 PROJECTED INTEREST \$ 3,760.00

TOTAL PROJECTED ANNUAL DEBT SERVICE ON RESTRUCTURED LOAN \$ 53,309.00

FARM FINANCIAL ASSISTANCE TO THE DELTA AREA FARMERS  
THROUGH LEGISLATION AND ARLF RESTRUCTURING PLANS

TYPE OF OPERATION	-	POTATOES	-	
DEBT TO THE STATE OF ALASKA		PRIOR TO SB 349	AFTER RELINQUISHMENT SB 349	AFTER RESTRUCTURE OF ARLF DEBT
ARLF				
Principal		\$ 118,275.42	\$ 229,195.82	Does Not Apply Borrower Not in Trouble
Interest				
Penalty				
Expense				
SUBTOTAL		\$ 118,275.42	\$ 229,195.82	
GRAIN RESERVE				
Principal				
Interest				
Penalty				
SUBTOTAL				
CLEARING LOANS				
Principal		\$ 648,972.76		
Interest		\$ 20,104.02		
Admin. Fees				
SUBTOTAL		\$ 669,076.78		
ADL CONTRACTS				
Principal		\$ 600,702.59	\$ 162,899.56	
Interest				
Penalty				
SUBTOTAL		\$ 600,702.59	\$ 162,899.56	
TOTAL DEBT TO STATE		\$1,388,054.79	\$ 392,095.38	
ANNUAL DEBT SERVICE TO STATE		\$ 139,196.83	\$ 84,983.30	
ACRES IN OPERATION		4300	4300	
Owens 4345.38				

This borrower is a potato producer on the Delta Project. He has participated in relinquishment with repurchase of land and write off of most land and all clearing loan debt.

Total debt reduction is approximately 72% of the original debt.

Annual debt service after the relinquishment is 61% of the original debt service prior to participation in Delta Debt Relief. This includes a new loan approval after the relinquishment. Prior to the new loan approval, annual debt service was 39.1% of the original debt.

FARM FINANCIAL ASSISTANCE TO THE DELTA AREA FARMERS  
THROUGH LEGISLATION AND ARLF RESTRUCTURING PLANS

TYPE OF OPERATION	-	LIVESTOCK	-	DEBT TO THE STATE OF ALASKA	PRIOR TO SB 349	AFTER RELINQUISHMENT SB 349	AFTER RESTRUCTURE OF ARLF DEBT
ARLF							
Principal		\$ 146,056.41		N/A not in Delta project		\$ 146,056.41	
Interest		\$ 24,276.38				\$ 24,276.38	
Penalty		\$ 5,951.90				\$ 5,951.90	
Expense		-0-				-0-	
SUBTOTAL		\$ 176,284.69				\$ 176,284.69	
GRAIN RESERVE							
		N/A		N/A			
Principal							
Interest							
Penalty							
SUBTOTAL							
CLEARING LOANS							
		N/A		N/A			
Principal							
Interest							
Penalty							
SUBTOTAL							
ADL CONTRACTS							
Principal		\$ 282.15					Moratorium
Interest		\$ 11,789.43					
Penalty							
SUBTOTAL		\$ 40,004.43					
TOTAL DEBT TO STATE		\$ 216,289.12				\$ 216,289.12	
ANNUAL DEBT SERVICE TO STATE		\$ 48,899				\$ 9,519.37	

ACRES IN OPERATION - 602 Tillable

This borrower is located in the Delta area; raises livestock and is not a project farm in Delta I or Delta II.

Debt service after restructure equals 19.4% of the original debt service.

FARM FINANCIAL ASSISTANCE TO THE DELTA AREA FARMERS  
THROUGH LEGISLATION AND ARLF RESTRUCTURING PLANS

TYPE OF OPERATION	GRAIN		
DEBT TO THE STATE OF ALASKA	PRIOR TO SB 349	AFTER RELINQUISHMENT SB 349	AFTER RESTRUCTURE OF ARLF DEBT
<b>ARLF</b>			
Principal	\$ 400,767.13	\$ 400,767.13	\$ 400,767.13
Interest	\$ 28,464.54	\$ 28,464.54	\$ 28,464.54
Penalty	\$ 4,402.06	\$ 4,402.06	\$ 4,402.06
Expense	-0-	-0-	-0-
<b>SUBTOTAL</b>	<b>\$ 433,633.73</b>	<b>\$ 433,633.73</b>	<b>\$ 433,633.73</b>
<b>GRAIN RESERVE</b>			
Principal	\$ 94,080.70	\$ 94,080.70	\$ 94,080.70
Interest	\$ 474.27	\$ 474.27	\$ 474.27
Penalty	-0-	-0-	-0-
<b>SUBTOTAL</b>	<b>\$ 94,554.97</b>	<b>\$ 94,554.97</b>	<b>\$ 94,554.97</b>
<b>CLEARING LOANS</b>			
Principal	\$ 309,860.00		
Interest	\$ 11,037.67		
Admin. Fees	\$ 4,705.65		
<b>SUBTOTAL</b>	<b>\$ 325,603.32</b>	<b>-0-</b>	<b>-0-</b>
<b>ADL CONTRACTS</b>			
Principal	\$ 285,000.00		
Interest	\$ 145,140.30		
Penalty	-0-		
<b>SUBTOTAL</b>	<b>\$ 430,140.30</b>	<b>-0-</b>	<b>-0-</b>
<b>TOTAL DEBT TO STATE</b>	<b>\$ 1,283,932.32</b>	<b>\$ 528,188.70</b>	<b>\$ 528,188.70</b>
<b>ANNUAL DEBT SERVICE TO STATE</b>	<b>* \$ 171,334.00</b>	<b>* \$ 102,386.00</b>	<b>* \$ 23,416.22</b>
<b>ACRES IN OPERATION</b>	<b>1882</b>	<b>1882</b>	<b>1882</b>

\*Includes two operating loans due and past due. Does not include grain reserve loan due in full 11/20/89.

This borrower is a grain producer with Delta project land and is participating in relinquishment and has been offered restructuring. The total debt reduction through these plans equals 58%.

Annual debt service decreased from 171,334 per year to 23,416 per year, 13.6% of the original debt service.

AN ACT

Relating to the reorganization of private debt at a  
Delta Project.

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

- (1) the unforeseen difficulties with the limited growing seasons including the extremely short period in which the crops may be planted;
- (2) conflicts with the herds of bison located in the area;
- (3) the inadequate agricultural infrastructure in the area of the Delta Projects and in the state;
- (4) the depressed grain prices nationwide;
- (5) the unexpected problems with economic farm size.

\* Sec. 2. (a) The commissioner of natural resources shall, at the request of an individual who holds agricultural rights to land purchased from the state in a Delta Project,

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

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

Chapter 109

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 (a)(2) of this section 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.

Eff. 9/5/86

# Alaska Statutes

## Title 3. Agriculture and Animals

### Chapter

- 05. Powers and Duties of Commissioners of Natural Resources and Environmental Conservation (§ 03.05.015)
- 10. Alaska Agricultural Loan Act (§§ 03.10.020, 03.10.030)
- 12. Alaska Grain Reserve Program (§§ 03.12.020 — 03.12.040, 03.12.200)
- 13. Federal Crop Insurance Contributions (§§ 03.13.010 — 03.13.050)
- 19. Small Grain Incentive Program (Repealed)
- 22. Plant Materials Center (§ 03.22.030)
- 40. Brands and Marks (§§ 03.40.160, 03.40.170)
- 45. Diseased Livestock (§§ 03.45.060, 03.45.070)
- 55. Dogs (§ 03.55.070)

### Chapter 05. Powers and Duties of Commissioners of Natural Resources and Environmental Conservation.

#### Section

#### 15. Agricultural production credits

Sec. 03.05.015. Agricultural production credits [Repealed effective December 31, 1989]. (a) The commissioner of natural resources shall establish a program of agricultural production credits to be applied against interest due on agricultural loans made under this title and AS 44 and interest due on the sale of agricultural land under AS 38.05. The credits shall be based on agricultural products grown or raised in the state.

(b) The annual credit for the years 1986 — 1988 is 10 percent of the total sales as documented by the farmer on Internal Revenue Service Schedule F (form 1040).

(c) A credit granted under this section may not be transferred. (§ 1 ch 110 SLA 1986; r § 2 ch 110 SLA 1986)

Repeal of section. — Section 2, ch. 110, SLA 1986, repeals this section December 31, 1989.

Effective dates. — Section 3, ch. 110,

SLA 1986, makes this section effective June 8, 1986, in accordance with AS 01.10.070(c). -

## Chapter 10. Alaska Agricultural Loan Act.

### Section

20. Powers of the department

30. Limitations on loans

**Sec. 03.10.020. Powers of the department.** (a) The department may

(1) make a loan to

(A) an individual resident farmer, homesteader, or a partnership or corporation composed of farmers and homesteaders for

(i) clearing land for agricultural purposes;

(ii) development of farms;

(iii) storage and processing of farm produce; or

(iv) the purchase of livestock or machinery;

(B) an individual state resident, or a partnership or corporation for

(i) storage and processing plants for agricultural products;

(ii) the commercial production or processing of horticultural products in the state;

(iii) the commercial production or processing of animal feed in the state; or

(iv) the raising or care of animals in the state for the purpose of marketing their fur;

(2) designate agents and delegate its powers to them as necessary;

(3) adopt rules and regulations necessary to carry out its functions;

(4) establish amortization plans for repayment of loans, which may include delayed payments of principal and interest for not to exceed five years;

(5) enter into agreements with private lending institutions, other state agencies or agencies of the federal government, to carry out the purposes of this chapter.

(b) In this section "horticultural products" means vegetables, fruit plants, grass seed, sod, tree seedlings, ornamental plants, foliage, or flowering plants, grown in a greenhouse or nursery. (§ 4 ch 122 SLA 1953; am § 1 ch 156 SLA 1955; am § 1 ch 41 SLA 1961; am § 1 ch 113 SLA 1982; am §§ 1, 2 ch 82 SLA 1984)

**Effect of amendments.** — The 1984 present subsection (a) and added subsection (b). amendment rewrote paragraph (1) of

**Sec. 03.10.030. Limitations on loans.** (a) A farm development, chattel, or irrigation loan made under this chapter

(1) may not exceed a term of 30 years, except that a chattel loan may not exceed a term of seven years;

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(2) may not, when added to the outstanding balance of other loans made under this chapter, exceed a total outstanding balance of \$1,000,000;

department

(3) shall be secured by a real estate or chattel mortgage of any priority, except that the portion of a loan that exceeds \$500,000, when added to prior indebtedness that is secured by the same property, must be secured by a first mortgage;

partnership or

(4) shall bear interest at a rate that may not be less than eight percent or more than the commercial rate, unless the commercial rate is eight percent or less; in this paragraph "commercial rate" means the prevailing rate of interest at private lending institutions in the state for loans similar to those referred to in this subsection.

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ducts;

(b) [Repealed, § 72 ch 113 SLA 1982.]

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(c) A short term loan, to be amortized within one year, not to exceed \$350,000 to any one borrower may be made for operating purposes, except that a loan made under this subsection may not exceed \$200,000 unless the loan is made to a borrower in a farm disaster area declared under AS 03.10.058. An applicant for a short term loan may be required to purchase insurance through the Federal Crop Insurance Act (7 U.S.C. 1501 — 1520) as a condition of the loan. The term of a loan made under this subsection may be extended for up to three years by the agricultural revolving loan fund board, in the discretion of the board, upon application by the borrower.

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(d) [Repealed, § 72 ch 113 SLA 1982.]

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(e) An installment payment is delinquent unless it is mailed by the borrower on or before the 30th day after the date specified for payment in the loan agreement or unless it is received by the department on or before the 30th day after the date specified for payment in the loan agreement. If an installment payment is delinquent, the director of the division of agriculture of the department may assess a delinquency penalty. The delinquency penalty shall be an amount equal to seven percent of the delinquent payment, but the combined delinquency penalty and loan interest may not exceed 15 percent.

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(f) A farm product processing loan may not exceed \$250,000. A mortgage which secures a farm product processing loan may be of any priority if the total indebtedness on the real estate, including the secured farm product processing loan, does not exceed \$250,000. A farm product processing loan which, if made, would raise the existing indebtedness on the real estate securing the loan above \$250,000, or a farm product processing loan on real estate which has a prior indebtedness of \$250,000 or more, may be made only if all prior mortgagees agree to subordinate their mortgages to that of the state for the amount of the farm product processing loan which exceeds the \$250,000 indebtedness limit on the real estate. A farm product processing loan may not exceed a term of 30 years or bear interest that is less than eight percent a year and shall be secured by a real estate or chattel mortgage or both.

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(g) A loan for clearing land may not

- (1) exceed \$250,000;
- (2) bear interest that is less than eight percent;
- (3) have a term in excess of 20 years; or
- (4) be made for clearing land other than land that has been classified by the United States Department of Agriculture, Soil Conservation Service under the Land Capability Classification System as having agricultural potential for the production of annual crops, hay, or for pasture.

(h) The commissioner shall adopt regulations to establish other terms for loans made under this chapter, consistent with the provisions of this section, and may establish interest rates for loans under (a)(4) of this section that

- (1) encourage agricultural development;
- (2) do not subsidize nonviable agricultural enterprises; and
- (3) do not discriminate against viable existing agricultural enterprises.

(i) A person is not eligible for a loan under this chapter if the person has a past due child support obligation established by court order or by the child support enforcement division under AS 47.23.160 — 47.23.220 at the time of application. (§ 4 ch 122 SLA 1953; am § 1 ch 156 SLA 1955; am § 1 ch 41 SLA 1961; am § 1 ch 144 SLA 1966; am § 1 ch 78 SLA 1967; am § 1 ch. 135 SLA 1970; am § 1 ch 22 SLA 1974; am § 1 ch 18 SLA 1975; am §§ 1 — 4 ch 50 SLA 1979; am § 74 ch 106 SLA 1980; am §§ 1 — 3 ch 7 SLA 1982; am §§ 2 — 5, 72 ch 113 SLA 1982; am §§ 1, 2 ch 38 SLA 1983; am § 5 ch 6 SLA 1984; am §§ 3, 4 ch 82 SLA 1984; am § 1 ch 143 SLA 1984; am § 1 ch 116 SLA 1986)

**Effect of amendments.** — The first 1984 amendment inserted "of the division of agriculture of the department" in the second sentence of subsection (e).

The second 1984 amendment added the last sentence of subsection (c) and rewrote paragraph (4) of subsection (g).

The third 1984 amendment added the second sentence of subsection (c).

The 1986 amendment added subsection (i).

## Chapter 12. Alaska Grain Reserve Program.

**Section**  
 20. Duties of the department  
 30. Conditions on loans  
 40. Alaska grain reserve revolving loan fund

**Section**  
 200. Definition

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§ 03.12.020

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Sec. 03.12.020. Duties of the department [Repealed effective January 1, 1988]. In carrying out the purposes of this chapter the department shall

(1) make loans to state grain producers under the conditions set out in this chapter;

(2) administer and inspect stored grain held as collateral for loans made under this chapter; and

(3) administer the Alaska grain reserve revolving loan fund (AS 03.12.040). (§ 1 ch 100 SLA 1983; am § 1 ch 109 SLA 1984)

Sec. 03.12.030. Conditions on loans [Repealed effective January 1, 1988]. (a) The department may make a loan to a state grain producer secured by grain grown by that producer in 1983 — 1987. Grain that is used as collateral for a loan made under this chapter must be graded number four or better, except that hullless barley may be accepted as collateral under conditions determined by the commissioner.

(b) The amount of a loan made under this chapter is determined by multiplying 90 percent of the United States Department of Agriculture target price per ton for the type and grade of grain offered as collateral by the total tonnage of the collateral.

(c) The interest rate on a loan made under this chapter is equal to the interest rate on a loan made under AS 03.10.030(a).

(d) Grain that is held as collateral for a loan made under this chapter shall be stored in a storage facility approved by the department. The borrower may provide storage for the grain if the department determines that the storage provided by the borrower will adequately protect the department's interest in the grain. The department may inspect a storage facility provided by a borrower at any time and shall adopt regulations setting standards for storage facilities. Storage costs shall be paid to the borrower by the department during the term of the loan at the United States Department of Agriculture grain reserve loan storage rate.

(e) A borrower may not remove, sell, or otherwise dispose of grain held as collateral for a loan under this chapter without the consent of the department. All proceeds from the sale of collateral, up to an amount equal to the value originally assigned to that collateral under (b) of this section, plus accrued interest on the portion of the loan secured by that collateral, shall be applied to the outstanding balance of the loan.

(f) A loan made under this chapter shall be for a term that may not exceed three years. The borrower shall make annual payments of accrued interest during the term of the loan.

(g) In this section references to grain grading standards, target prices, volume or weight calculations and inspection standards, indi-

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cate standards, prices, or calculations that are in accordance with applicable United States Department of Agriculture standards.

(h) A loan may not be made under this chapter to a producer that is eligible to participate in federal grain reserve loan programs. (§ 1 ch 100 SLA 1983; am § 2 ch 109 SLA 1984; am § 1 ch 35 SLA 1986)

**Revisor's notes.** — In 1984, "of the Department of Natural Resources," added at the end of the second sentence in subsection (a) in 1984, was deleted.

**Effect of amendments.** — The 1984 amendment added "except that hullless barley may be accepted as collateral un-

der conditions determined by the commissioner" at the end of the second sentence in subsection (a).

The 1986 amendment, effective May 26, 1986, in subsection (a) substituted "1983 — 1987" for "1983 or 1984."

**Sec. 03.12.040. Alaska grain reserve revolving loan fund [Repealed effective January 1, 1988].** The Alaska grain reserve revolving loan fund is established in the department for the purpose of financing loans made under this chapter. The fund consists of appropriations made to it by the legislature and repayments of principal and accrued interest on loans made from the fund. (§ 1 ch 100 SLA 1983; am § 3 ch 109 SLA 1984)

**Effect of amendments.** — The 1984 amendment inserted "revolving" in the catchline and in the first sentence and

added "and repayments of principal and accrued interest on loans made from the fund" at the end of the second sentence.

**Sec. 03.12.200. Definitions [Repealed effective January 1, 1988].** In this chapter

- (1) "commissioner" means the commissioner of natural resources;
- (2) "department" means the Department of Natural Resources;
- (3) "fund" means the Alaska grain reserve revolving loan fund; and
- (4) "grain" means barley, wheat or oats. (§ 1 ch 100 SLA 1983; am § 4 ch 109 SLA 1984)

**Effect of amendments.** — The 1984 amendment inserted "revolving" in paragraph (3).

### Chapter 13. Federal Crop Insurance Contributions.

**Section**  
 10. Agreement with Federal Crop Insurance Corporation  
 20. Amount of contributions

**Section**  
 30. Limitation  
 40. Appropriations  
 50. Definitions

§ 03.12.200

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**Sec. 03.13.010. Agreement with Federal Crop Insurance Corporation.** The department shall enter into an agreement with the Federal Crop Insurance Corporation under which the department agrees to pay to the corporation a portion of federal crop insurance premiums paid by producers of agricultural commodities in this state. The agreement shall provide for a corresponding reduction in the federal crop insurance premium paid by those producers. (§ 2 ch 143 SLA 1984)

**Sec. 03.13.020. Amount of contributions.** Under the agreement, the department shall pay to the corporation for each covered producer an amount equal to the amount that the corporation pays for that producer under 7 U.S.C. 1508(b)(3) of the Federal Crop Insurance Act (7 U.S.C. 1501 — 1520), except as provided otherwise in this chapter. (§ 2 ch 143 SLA 1984)

**Sec. 03.13.030. Limitation.** Thirty percent of each producer's premium, as calculated by the corporation, on coverage of up to 65 percent of the recorded or appraised average yield, as adjusted, shall be paid by the state. (§ 2 ch 143 SLA 1984)

**Sec. 03.13.040. Appropriations.** (a) The payments to the corporation shall be made from funds appropriated from the general fund to the department for that purpose.

(b) If for any year the amount appropriated is insufficient to fully fund the contribution required by AS 03.13.020, the department shall allocate funds on a first come basis. (§ 2 ch 143 SLA 1984)

**Sec. 03.13.050. Definitions.** In this chapter, "corporation" means the Federal Crop Insurance Corporation (7 U.S.C. 1503). (§ 2 ch 143 SLA 1984)

### Chapter 19. Small Grain Incentive Program.

*[Repealed, § 6 ch 6 SLA 1984.]*

### Chapter 22. Plant Materials Center.

#### Section

30. Center site, buildings and equipment

**Sec. 03.22.030. Center site, buildings and equipment** [Effective July 1, 1987]. The department shall obtain a site, either by donation, lease, or purchase, and erect suitable buildings on the site, if they are needed for the use of the plant materials center. The department shall also acquire the agricultural land, scientific instruments and equipment necessary to carry on the work of the center. Acquisition of scientific instruments and equipment under this section is governed by AS 36.30 (State Procurement Code). (§ 1 ch 138 SLA 1972; am § 3 ch 106 SLA 1986)

**Effect of amendments.** — The 1986 amendment, effective July 1, 1987, added the last sentence.

### Chapter 40. Brands and Marks.

**Section**

160, 170. [Repealed]

**Sec. 03.40.160. Slaughter permit.** [Repealed, § 23 ch 81 SLA 1984.]

**Sec. 03.40.170. Penalty regarding slaughter permit.** [Repealed, § 1 ch 21 SLA 1985.]

### Chapter 45. Diseased Livestock.

**Section**

60. Procedure for quarantine and destruction of animals

**Section**

70. Compensation to owners of dairy cattle destroyed; records to be kept

**Sec. 03.45.060. Procedure for quarantine and destruction of animals.** (a) After inspection and test, the inspector described in AS 03.45.050 shall determine whether the animal inspected is subject to quarantine, slaughter or destruction.

(b) If the inspector determines that the animal is subject to quarantine, the inspector shall prescribe the conditions and the length of time the animal is subject to quarantine.

(c) If the inspector determines that the animal should be slaughtered or destroyed, the inspector may condemn and have the animal slaughtered or destroyed in the manner the inspector determines. Reimbursement may be allowed for the slaughter or destruction of dairy cattle only. In such case, the inspector and the owner shall appraise the dairy cattle at a fair valuation without regard to the disease. Where they cannot agree as to the value of the animal, the owner and

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inspector may select a disinterested third party to aid in the appraisal. Where they cannot agree on the selection of a third party, a peace officer in the judicial district where the inspection is made may designate a third disinterested party to act with the inspector and owner to determine the value of the animal. The amount realized from the sale of the carcass of the slaughtered animal shall be paid to the owner of the animal and the inspector shall certify to the commissioner of environmental conservation the name and address of the owner, the date the animal was condemned, the appraised value of the animal, together with the net sum realized from the salvage thereof, or which could have been realized. (§ 33-3-16 ACLA 1949; am § 2 ch 181 SLA 1955; am § 7 ch 6 SLA 1984)

Effect of amendments. — The 1984 conservation" in the last sentence in sub-amendment inserted "of environmental section (c).

Sec. 03.45.070. Compensation to owners of dairy cattle destroyed; records to be kept. The commissioner of environmental conservation may enter into cooperative agreements with the United States Department of Agriculture for controlling diseases among dairy cattle and may match federal indemnity payments for livestock slaughtered thereunder, from any funds available. The commissioner shall keep a record of all payments made, with a copy of the inspector's certification of appraised value and salvage value. (§ 33-3-17 ACLA 1949; am § 3 ch 181 SLA 1955; am § 8 ch 6 SLA 1984)

Effect of amendments. — The 1984 amendment inserted "of environmental conservation" in the first sentence.

## Chapter 55. Dogs.

### Section

70. Power of village council to control dogs

Sec. 03.55.070. Power of village council to control dogs. (a) A village council duly elected by residents of an unincorporated village not within an organized borough may destroy loose dogs in the village and may otherwise control dogs to the extent authorized first class cities.

(b) The council may impose and enforce the provisions of a dog control ordinance in the total area within 20 miles of the village. The ordinance must generally describe the area in which it is imposed. If

two villages having dog control ordinances lie within 40 miles of each other, the jurisdiction of each village terminates at a point midway between them. (§ 4 ch 120 SLA 1962; am § 7 ch 109 SLA 1966)

Revisor's notes. — Enacted as 18.75.040. Renumbered in 1986.

Cross references. — For power of municipalities to regulate licensing, impounding, and disposition of animals, see AS 29.35.210(a)(3).

Collateral references. — 4 Am. Jur. 2d, Animals, §§ 20-25, 40-45.

Justifiable destruction of animal, 37 Am. Jur. POF2d, pp. 711-738.

3A C.J.S., Animals, §§ 11-13, 287-289.

Police power as authorizing statute providing for destruction of dogs. 56 ALR2d 1033.

Construction and application of ordinances relating to unrestrained dogs, cats, or other domesticated animals. 1 ALR4th 994.

11 AAC 38.130. REPORTS AND FORMS  
REQUIRED. Repealed 9/1/82.

ARTICLE 3.  
IMPORTATION AND USE  
OF BIOLOGICAL PRODUCTS

Section

- 200. (Repealed)
- 210. (Repealed)

11 AAC 38.200. MANUFACTURE AND  
IMPORTATION RESTRICTIONS. Repealed  
9/1/82.

11 AAC 38.210. USE RESTRICTIONS.  
Repealed 9/1/82.

ARTICLE 4.  
GENERAL PROVISIONS

Section

- 300. (Repealed)

11 AAC 38.300. DEFINITIONS. Repealed  
9/1/82.

CHAPTER 39.  
AGRICULTURAL REVOLVING  
LOAN FUND

Article

- 1. Powers and Duties  
(11 AAC 39.010-11 AAC 39.100)
- 2. Loan Requirements  
(11 AAC 39.101-11 AAC 39.291)
- 3. Loan Approval Procedure  
(11 AAC 39.301-11 AAC 39.391)
- 4. Loan Administration  
(11 AAC 39.401-11 AAC 49.501)
- 5. General Provisions (11 AAC 39.911)

ARTICLE 1.  
POWERS AND DUTIES

Section

- 10. (Repealed)
- 11. Duties of department and board
- 12. Loans made by the commissioner
- 20. (Repealed)
- 21. Board officers
- 30. (Repealed)
- 31. Meetings of the board
- 40. (Repealed)
- 41. Board conflict of interests
- 50. (Repealed)
- 51. Employee conflict of interests
- 60. (Repealed)
- 61. Public and confidential records
- 71. (Reserved)
- 81. (Reserved)
- 91. (Reserved)
- 100. (Repealed)

11 AAC 39.010. TYPES AND TERMS OF  
LOANS AVAILABLE. Repealed 12/1/84.

11 AAC 39.011. DUTIES OF DEPART-  
MENT AND BOARD. (a) The department and  
the board jointly administer the fund. The  
respective duties of the department and board  
are set out in (b) and (c) of this section.

(b) The department will

(1) set policy, after consultation with the  
board, for the administration of the fund;

(2) provide administrative support and staff  
for the board;

- (3) receive and process loan applications;
- (4) disburse, receive, and audit fund money;
- (5) supervise and service loans;
- (6) provide information and services to the public; and
- (7) provide independent financial and management analyses of each loan application.

(c) The board will

- (1) formulate policy recommendations for department consideration, including the terms under which loans from the fund will be made;
- (2) make loans from the fund, except as provided in 11 AAC 39.012;
- (3) make changes in loan terms, and take action to authorize foreclosures and other legal actions; and
- (4) establish uniform broad criteria, standards, and procedures with respect to decisions on certain categories or classes of loans. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020  
AS 03.10.050

11 AAC 39.012. LOANS MADE BY THE COMMISSIONER. The commissioner will, in his or her discretion, make a loan of up to \$25,000 to an existing borrower of the fund who is in good standing, unless the loan request was previously disapproved by the board, the borrower has had a loan from the fund for less than one year, or the borrower has had a commissioner-approved loan within the previous year. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020  
AS 03.10.050

11 AAC 39.020. USE OF FUNDS. Repealed 12/1/84.

11 AAC 39.021. BOARD OFFICERS. The board will elect from its members a chair who will preside at its meetings and a vice chair who

will preside in the chair's absence. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020  
AS 03.10.050

11 AAC 39.030. APPLICATION REQUIREMENTS FOR A LOAN. Repealed 12/1/84.

11 AAC 39.031. MEETINGS OF THE BOARD. (a) The board will hold at least eight meetings a year. Additional meetings may be called by the chair or on the concurrence of any three members. In an emergency, the director of the division may call a meeting for the sole purpose of considering matters in executive session under (c) of this section.

(b) A majority of the members constitutes a quorum and business will not be transacted unless a quorum is present.

(c) Meetings of the board are open to the public, except that a meeting or those portions of meetings in which the board acts on applications for loans or changes in loan terms will be held in executive session. The public portion of any meeting will be recorded and a summary will be incorporated into the minutes of that meeting. Written minutes of the public portion of a meeting will be made available to the public under 11 AAC 39.061(b).

(d) Notice of meetings of the board which are open to the public under (c) of this section will be published in newspapers of general circulation within the agricultural communities of the state at least 15 days before the date of the meeting. The notice will provide the date, time, place of meeting, and purpose of the meeting. Notice of meetings will, in the board's discretion, also be posted in department offices and included in department newsletters and publications.

(e) In an emergency, the board will, in its discretion, meet by teleconference with respect to matters which may be discussed in executive session under (c) of this section. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020  
AS 03.10.050

**11 AAC 39.040. LOAN LIMITATIONS, TERMS, RATES, AND ELIGIBILITY.** Repealed 12/1/84.

**11 AAC 39.041. BOARD CONFLICT OF INTERESTS.** (a) No board member may discuss, consider, or vote on a loan in which that member has a direct or indirect financial interest or stake. A member has a direct or indirect financial interest or stake in the following:

(1) a loan to the member or member's immediate family;

(2) a loan to a corporation, partnership, or joint venture in which the member or anyone in the member's immediate family is an officer, director, or partner; or owns stock; or otherwise holds an ownership interest;

(3) a loan to a cooperative or other organization in which the member or anyone in the member's immediate family who is living in the same household is an officer or director;

(4) a loan the proceeds of which may be used in whole or in part to satisfy a debt or obligation to the member or someone in the member's immediate family; and

(5) a loan to a direct competitor of the member or anyone in the member's immediate family.

(b) If a member believes that he or she may have a conflict of interest with respect to a loan, the member shall declare the potential conflict of interests to the board before the loan is considered. If a member declares a potential conflict of interests, the board will discuss the potential conflict before the loan is considered, for the purpose of determining whether a conflict of interests exists.

(c) If a majority of the board determines that a member has a conflict of interests, or the appearance of a conflict of interests, with respect to a loan, and the member refuses to abstain, the board will, in its discretion, vote to disqualify that member from discussing, considering, or voting on the loan.

(d) If a member determines that he or she has a conflict of interest with respect to a loan, the

member shall abstain from discussing, considering, and voting on the loan.

(e) If a member determines that he or she does not have a conflict of interests with respect to a loan, but believes that there is an appearance of a conflict of interests, the member may abstain from discussing, considering, or voting on the loan. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020  
AS 03.10.050

**11 AAC 39.050. THE AGRICULTURAL REVOLVING LOAN FUND BOARD.** Repealed 12/1/84.

**11 AAC 39.051. EMPLOYEE CONFLICT OF INTERESTS.** (a) No employee may receive a loan under this chapter, except for a short-term loan, while employed by the division and for one year following the termination of his or her employment with the division.

(b) No later than April 15 of each year, an employee of the division shall file a report with the commissioner and the board, covering the previous calendar year, which lists the following:

(1) every interest in agricultural land in the state held by the employee or the employee's spouse;

(2) every source of in-state agricultural or farm-related income received by the employee or the employee's spouse which exceeds \$100;

(3) any membership and ownership interests in entities which are borrowers under this chapter;

(4) every source of income or other assets received by the employee or the employee's spouse from borrowers under this chapter; and

(5) any income in excess of \$100 received from sales of property, loans, and other business transactions between a borrower under this chapter and the employee or the employee's spouse.

(c) No employee of the division may discuss, review, consider, or approve an application for a loan in which the employee has a direct or

indirect financial interest or stake. An employee has a direct or indirect financial interest or stake in the following:

(1) a loan to the employee or the employee's immediate family;

(2) a loan to a corporation, partnership, or joint venture in which the employee or anyone in the employee's immediate family is a partner, officer, or director, or owns stock, or otherwise holds an ownership interest;

(3) a loan to a cooperative or other organization in which the employee or anyone in the employee's immediate family who is living in the same household is an officer or director; and

(4) a loan the proceeds of which may be used in whole or in part to satisfy a debt or obligation to the employee or someone in the employee's immediate family.

(d) If an employee, the board, or the department determines that the employee has a conflict of interests or the appearance of a conflict of interests with respect to a loan, the employee shall abstain from discussing, reviewing, considering, or approving the application for the loan.

(e) An employee who violates this section is, in addition to other penalties provided by law, subject to dismissal. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020  
AS 03.10.050

**11 AAC 39.060. APPROVAL BY BOARD AND COMMISSIONER.** Repealed 12/1/84.

**11 AAC 39.061. PUBLIC AND CONFIDENTIAL RECORDS.** (a) All records relating to the fund are public information, except for those which are confidential under (c) of this section.

(b) Notices of meetings and minutes of meetings will be made available to the public upon request.

(c) "Confidential records" means

(1) loan applications;

(2) income tax returns;

(3) financial statements, profit-and-loss statements, and cash-flow projections;

(4) business and personal history;

(5) financial farm plans;

(6) credit reports from consumer reporting agencies and other credit information obtained from banks and creditors;

(7) employment and bank account verifications;

(8) loan status information including payment history of borrowers, correspondence concerning status of loans, payments received, delinquent notices and payments less than 90 days in arrears, and notices of default, unless a matter of public record;

(9) loan resumes;

(10) executive session loan board reports;

(11) financial and management analysis of loan applications;

(12) appraisals;

(13) construction contracts, construction, and material bids and quotes;

(14) purchaser and supplier contracts;

(15) market surveys and marketing strategy information not a matter of public record;

(16) any information required to be kept confidential by state or federal statutes or regulations; and

(17) any other information that a person desires to keep private and that, if disseminated, would tend to cause substantial concern, anxiety, or embarrassment to a reasonable person.

(d) Requests to inspect and copy public records will be processed in accordance with 6 AAC 95.

(e) An employee who discloses information made confidential under (c) of this section is, in addition to other penalties provided by law, subject to dismissal. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020 AS 09.25.110  
AS 03.10.050 AS 09.25.120

11 AAC 39.071 – 11 AAC 39.091. Reserved.

11 AAC 39.100. DEFINITIONS. Repealed 12/1/84.

Editor's Note: Effective 12/1/84, definitions for 11 AAC 39 are located in 11 AAC 39.911.

## ARTICLE 2. LOAN REQUIREMENTS

### Section

- 101. Applications for loans
- 111. Qualifying loan purposes
- 131. Short-term loans
- 141. Farm development loans
- 151. Irrigation loans
- 161. Chattel loans
- 171. Farm product processing loans
- 181. Land clearing loans
- 191. Overall maximum loan limit
- 201. Application of loan limits
- 211. Loans to delinquent borrowers
- 221. Additional conditions for new farm development projects
- 231. Other conditions of loans
- 241. Terms of loans
- 251. Residency
- 261. (Reserved)
- 271. (Reserved)
- 281. (Reserved)
- 291. (Reserved)

11 AAC 39.101. APPLICATIONS FOR LOANS. (a) Each loan application must be submitted on a form prescribed by the department and accompanied by

(1) an application fee, set by the board, sufficient to cover the cost of a credit report and processing;

(2) a business history and tax returns, for the last three years, of the borrower and of any person owning 10 percent or more of the business for which the loan is to be used;

(3) proof that the applicant is a state resident, as defined in 11 AAC 39.251;

(4) current financial statements including, as a minimum, a balance sheet and a profit-and-loss statement for each of the persons specified in (2) of this subsection;

(5) a statement of intent stating the amount requested, a description detailing the proposed use of the loan proceeds, and the plan of repayment of the loan;

(6) a list of intended collateral, stating date of acquisition, cost, location, market value, and existing liens;

(7) pro forma financial statements which show the projected income and expenses for the following year;

(8) cash-flow projections demonstrating the ability to make loan payments;

(9) a five-year farm development plan including projected borrowing needs;

(10) a statement of whether the applicant has ever been the subject of a bankruptcy action; and

(11) a resume of agricultural experience and education.

(b) A loan application may be submitted to any loan office of the division. A loan application will be presented to the board at a meeting under 11 AAC 39.031, if it is complete, complies with this chapter, and, except in the case of emergencies, is received by the division at least 14 days before the date of the meeting.

(c) A corporation applying for a loan shall submit a current certificate of good standing in the state and a corporate resolution authorizing the corporation to borrow from the fund. A partnership or joint venture applying for a loan shall submit the partnership or joint venture agreement and proof of the authority to borrow from the fund. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020  
AS 03.10.030

**11 AAC 39.111. QUALIFYING LOAN PURPOSES.** (a) Loans may be made for, but are not limited to, the following purposes:

- (1) clearing land for farming purposes;
- (2) development of farms;
- (3) processing of agricultural products and animals;
- (4) storage of farm products, equipment, and machinery;
- (5) farm irrigation;
- (6) short-term farm operating money;
- (7) livestock;
- (8) crops;
- (9) farm machinery and equipment; and
- (10) other commercial farming purposes, including horse breeding and raising, fur breeding and farming, and greenhouses.

(b) Loans will not be made for the following purposes:

- (1) boats;
- (2) airplanes;
- (3) tracked vehicles;
- (4) pickups, automobiles, and multiple-use trucks, except specialized farming vehicles not readily convertible to personal or nonfarm use;
- (5) silviculture projects;
- (6) boarding stables and arenas, and riding academies and schools;
- (7) establishments which resell rather than produce, process, or add value to crops, livestock, and livestock products;
- (8) land purchases;
- (9) refinancing, except in emergencies or when in the best interests of the loan fund; and

(10) residential property. (Eff. 12/11/84, Reg. 92)

Authority: AS 03.10.020  
AS 03.10.030

**11 AAC 39.131. SHORT TERM LOANS.** (a) A short-term loan will not exceed the maximum term and maximum dollar limit established under AS 03.10. The loan will bear interest at eight percent. A short-term loan for seed, fertilizer, fuel, and other associated planting and harvesting expenses will not exceed the maximum dollar-per-acre-planted limit established under (b) of this section.

(b) No later than December 1 of each year, the board will establish a maximum dollar-per-acre-planted limit for short-term loans used for seed, fertilizer, fuel, and associated planting and harvesting expenses. The maximum dollar limit will be established by type of crop and area in the state. The maximum dollar limit will apply to loans made during the following calendar year unless the maximum dollar limit is changed during that year. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020  
AS 03.10.030  
AS 03.10.050

**11 AAC 39.141. FARM DEVELOPMENT LOANS.** (a) A farm development loan will not exceed the maximum term and maximum dollar limit established under AS 03.10. The loan will bear interest at eight percent.

(b) The amount of the loan will not exceed 75 percent of the appraised value of acceptable collateral offered to secure the loan minus the value of any liens on the collateral. The amount of the loan will not exceed 90 percent of the actual farm development costs for new projects or 100 percent of the actual farm development costs for existing projects.

(c) The loan must be secured by a mortgage of the priority specified in AS 03.10. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020  
AS 03.10.030  
AS 03.10.050

**11 AAC 39.151. IRRIGATION LOANS.** (a) An irrigation loan will not exceed the maximum term and maximum dollar limit

established under AS 03.10. The loan will bear interest at eight percent.

(b) The amount of the loan may not exceed 75 percent of the appraised value of the acceptable collateral offered to secure the loan minus the value of any liens on the collateral. The amount of the loan will not exceed 100 percent of the actual irrigation costs.

(c) The loan must be secured by a real estate or chattel mortgage of the priority specified in AS 03.10. (Eff. 12/11/84, Reg. 92)

Authority: AS 03.10.020  
AS 03.10.030  
AS 03.10.050

**11 AAC 39.161. CHATTEL LOANS.** (a) A chattel loan will not exceed the maximum dollar limit under AS 03.10, and will not exceed a term of seven years. The loan will bear interest at eight percent.

(b) The amount of the loan will not exceed 75 percent of the lower of the cost of the chattel offered as security or the appraised value of the acceptable collateral offered to secure the loan minus the value of any liens on the collateral. The amount of the loan will not exceed 100 percent of the actual chattel costs.

(c) The loan must be secured by a real estate or chattel mortgage of the priority specified in AS 03.10. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020  
AS 03.10.030  
AS 03.10.050

**11 AAC 39.171. FARM PRODUCT PROCESSING LOANS.** (a) A farm product processing loan will not exceed the maximum term and maximum dollar limit established under AS 03.10. The loan will bear interest at eight percent.

(b) The amount of the loan will not exceed 75 percent of the appraised value of acceptable collateral offered to secure the loan, minus the value of any liens on the collateral. The amount of the loan will not exceed 100 percent of the actual farm product processing costs.

(c) The loan must be secured by a mortgage

of the priority specified in AS 03.10. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020  
AS 03.10.030  
AS 03.10.050

**11 AAC 39.181. LAND CLEARING LOANS.** (a) A land clearing loan will not exceed the maximum term and maximum dollar limit established under AS 03.10. The loan will bear interest at eight percent. The loan will not exceed the maximum dollar-per-acre-cleared limit under (b) of this section and must be used for land qualifying for land clearing under (c) of this section:

(b) No later than July 1 of each year, the board will establish a maximum dollar-per-acre-cleared limit for land clearing loans. The maximum dollar limit will be established by type of clearing and area in the state. The maximum dollar limit will apply to loans made during the next 12 months unless the maximum dollar limit is changed during that time.

(c) A loan will not be made for clearing land unless the land meets the land classification specified in AS 03.10. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020  
AS 03.10.030  
AS 03.10.050

**11 AAC 39.191. OVERALL MAXIMUM LOAN LIMIT.** In addition to the specific loan limits in 11 AAC 39.131 – 11 AAC 39.181, no loan will be made for any purpose if, when the amount of the loan is added to the outstanding balance of other loans made to the applicant under this chapter, the total would exceed \$1,000,000. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020  
AS 03.10.030  
AS 03.10.050

**11 AAC 39.201. APPLICATION OF LOAN LIMITS.** The loan limits set by 11 AAC 39.131 – 11 AAC 39.191 apply to an applicant and any party related to the applicant. "Party related to the applicant" means

(1) members of the applicant's immediate family if the applicant has an ownership interest with respect to farming operations of the member's immediate family;

(2) a corporation, partnership, or joint venture of which the applicant is an officer, director, or partner, or is directly or indirectly the beneficial owner of 10 percent or more of an interest in the business; and

(3) a person who is, directly or indirectly, the beneficial owner of 10 percent or more of the business of the applicant. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020  
AS 03.10.030  
AS 03.10.050

\*11 AAC 39.211. **LOANS TO DELINQUENT BORROWERS.** Except for a borrower whose loans are under a moratorium under 11 AAC 39.501, or when the board and commissioner determine, in writing, that there is reasonable cause, a borrower who is delinquent on a loan made under this chapter will not be granted a new loan unless, at a minimum, the interest on the delinquent loan is brought current. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020  
AS 03.10.050

11 AAC 39.221. **ADDITIONAL CONDITIONS FOR NEW FARM DEVELOPMENT PROJECTS.** In addition to the limitations and other conditions established in 11 AAC 39.131 - 11 AAC 39.241, a borrower for a farm development loan for a new project must

(1) provide at least 10 percent cash equity for the farm development project, unless the board finds in an analysis of the applicant's farm experience, credit history, and collateral pledged that the cash equity requirement is not necessary to insure repayment of the loan;

(2) establish that the projected annual debt service payments do not exceed 25 percent of the expected annual cash flow from the project; and

(3) provide a market survey or other evidence of market feasibility. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020  
AS 03.10.030  
AS 03.10.050

11 AAC 39.231. **OTHER CONDITIONS OF LOANS.** (a) Except as otherwise provided by

the board, at the time that a loan that exceeds \$50,000 is approved, the borrower shall provide life insurance in the amount of the loan, payable to the fund. In the case of a partnership, the life insurance must be on the life of the managing partner. In the case of a corporation, the life insurance must be on the life of the key managerial person of the corporation.

(b) A borrower shall provide hazard insurance on all buildings and all vehicles, machinery, equipment, and livestock which are stored in buildings. The insurance must be in the amount of the value of the buildings, vehicles, machinery, equipment, and livestock, not to exceed the amount of the loan, and must be payable to the fund.

(c) In the case of a loan to a corporation, the board will, in its discretion, require a personal guarantee to the fund from each person owning stock in the corporation, if the board finds that the corporation's assets are not sufficient to adequately secure the loan. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020  
AS 03.10.030  
AS 03.10.050

11 AAC 39.241. **TERMS OF LOANS.** Terms of all loans will be fixed in relation to the needs of the applicant and the collateral offered. However, the terms will not exceed the limits stated in 11 AAC 39.131 - 11 AAC 39.191. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020  
AS 03.10.030  
AS 03.10.050

11 AAC 39.251. **RESIDENCY.** (a) A natural person is a resident if the individual has been physically present in the state for at least 30 consecutive days before submitting an application, and has the present intention of remaining in the state indefinitely. In addition to other proof that might be requested by the board, proof of residency may be shown by where the individual

(1) is registered to vote;

(2) maintains his or her permanent place of abode;

(3) files his or her tax returns;

(4) registers or licenses his or her personal property, including, but not limited to, cars, boats, trucks, and trailers;

(5) is licensed to drive;

(6) maintains bank accounts, savings accounts, lines of credit, and other financial relationships.

(b) A partnership or joint venture is a resident if all the partners or joint venturers are residents under (a) of this section.

(c) A corporation is a resident if it is currently registered to do business in the state, and persons holding the majority stock in the corporation are residents under (a) of this section.

(d) A trust is a resident if it is registered in the state, and all beneficial owners are residents under (a) of this section. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020  
AS 03.10.030  
AS 03.10.050

11 AAC 39.261 – 11 AAC 39.291. Reserved.

### ARTICLE 3. LOAN APPROVAL PROCEDURE

#### Section

- 301. Board approval of loans
- 311. Other loan actions by board
- 321. Commissioner approval of loans
- 331. Joint approval
- 341. Reconsideration of loan or change in loan terms
- 351. (Reserved)
- 361. (Reserved)
- 371. (Reserved)
- 381. (Reserved)
- 391. (Reserved)

11 AAC 39.301. BOARD APPROVAL OF LOANS. (a) Except as provided in 11 AAC 39.012 and 11 AAC 39.331, a loan will not be granted without the approval of a majority of the board. Approval of the loan by the board will be made by means of a motion and an affirmative vote by a majority of the board at a meeting held under 11 AAC 39.031. A loan may

also be disapproved or tabled by motion and majority vote. All loan actions of the board will be certified by the signature of the chair in a written report of the board.

(b) If a loan is approved, the board will record its action in a public meeting, and any conditions on the approval will be provided in a notice to the applicant under 11 AAC 39.401. If the loan is disapproved or tabled, the board will record its action in a public meeting, and the reasons for the board's action will be provided in a notice to the applicant under 11 AAC 39.401.

(c) In addition to the loan application, the board will, in its discretion, consider any of the following:

(1) a written summary prepared by employees of the department;

(2) an independent analysis of the project by employees of the department using average yield, gains, or increases for the area;

(3) any discussion by the board and employees of the department; and

(4) any other material or information submitted by the applicant to the department.

(d) Unless requested by the board, the applicant may not attend an executive session of the board to discuss the loan application. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020  
AS 03.10.050

11 AAC 39.311. OTHER LOAN ACTIONS BY BOARD. (a) Except as provided in 11 AAC 39.331, a change in loan terms will not be granted without the approval of a majority of the board. Approval of a change in loan terms will be made by means of a motion and an affirmative vote by a majority of the board at a meeting held under 11 AAC 39.031. A change in loan terms may also be disapproved or tabled by motion and majority vote. All actions of the board in changing loan terms will be certified by the chair in a written report of the board.

(b) A change in loan terms includes, but is not limited to, a change in interest rate, loan amount, maturity date, amortization schedule,

payment date, or collateral. Except in the case of a one-time-only extension of a loan payment, in the event of a change in loan terms, the interest rate on the remaining balance of the loan, if below the current interest rate charged on loans from the fund, will be raised to the current interest rate. In the event of a one-time-only extension of a loan payment, the interest rate on the payment being extended, if below the current interest rate charged on loans from the fund, will be raised to the current interest rate.

(c) If a change in loan terms is approved, the board will record its action in a public meeting, and notice of any conditions on the approval will be provided to the applicant under 11 AAC 39.401. If a change in loan terms is disapproved or tabled, the board shall record its action in a public meeting, and the reasons for the board's action will be provided in a notice to the applicant under 11 AAC 39.401.

(d) In addition to an application by a borrower for a change in loan terms, the board will, in its discretion, consider any of the following:

(1) a written summary prepared by employees of the department;

(2) any discussion by the board and employees of the department; and

(3) any other written material or information submitted by the applicant to the department.

(e) Unless requested by the board, an applicant for a change in loan terms may not attend an executive session of the board to discuss the application. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020  
AS 03.10.030  
AS 03.10.050

**11 AAC 39.321. COMMISSIONER APPROVAL OF LOANS.** In the case of a commissioner-approved loan, the loan decision will be recorded in writing by the commissioner and reported to the board at its next meeting. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020  
AS 03.10.030

**11 AAC 39.331. JOINT APPROVAL.** If there is not a majority of the board to vote on a loan or a change in loan terms because of an abstention by a member or members under 11 AAC 39.401, the commissioner, sitting as a member of the board ex-officio, will, in his or her discretion, vote on the loan or change in loan terms. The procedures for considering and recording actions of joint approval will be the same as those set out in 11 AAC 39.301 and 11 AAC 39.311. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020  
AS 03.10.030  
AS 03.10.050

**11 AAC 39.341. RECONSIDERATION OF LOAN OR CHANGE IN LOAN TERMS.** (a) If a loan or a change in loan terms is disapproved by the board, an applicant may, within 15 days after notification of the board's action, submit a written request for reconsideration to the department. The written request must address specifically the reasons given by the board for its disapproval of the loan or a change in loan terms, and must provide any additional information and additional reasons for reconsideration by the board.

(b) After consideration of the applicant's written request for reconsideration, the board will, in its discretion, reconsider its previous decision by motion and majority vote. The board will, in its discretion, also table or disapprove the request for reconsideration upon motion and majority vote. All reconsideration action of the board will be certified by the signature of the chair in a written report of the board.

(c) If the request for reconsideration is approved, the board will record its action in a public meeting, and notice of any conditions on its approval will be provided to the applicant under 11 AAC 39.401. If the request for reconsideration is tabled or disapproved, the board will record its action in a public meeting, and the reasons for the board's action will be provided in a notice to the applicant under 11 AAC 39.401.

(d) Unless requested by the board, an applicant submitting a request for reconsideration may not attend an executive session of the board to discuss the request for reconsideration.

(e) An applicant may submit only one request for reconsideration on any loan request. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020  
AS 03.10.030  
AS 03.10.050

11 AAC 39.351 – 11 AAC 39.391. Reserved.

#### ARTICLE 4. LOAN ADMINISTRATION

##### Section

- 401. Notice of loan-related actions
- 411. Loan closing procedures
- 421. Disbursement of loan money
- 431. Controlled accounts
- 441. Supervision of loans
- 451. Bankruptcy proceedings
- 461. Default
- 471. Penalty
- 481. False statements
- 491. Failure to comply with loan terms
- 501. Payment moratorium

11 AAC 39.401. NOTICE OF LOAN-RELATED ACTIONS. (a) Within five working days after a decision with respect to a loan or a change in loan terms, the department will give written notice to the applicant of the decision.

(b) In the case of an approval, the department will specify the terms and conditions under which the loan will be made. In the case of a disapproval or tabling action, the department will specify the reasons for the disapproval or tabling action. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020  
AS 03.10.030  
AS 03.10.050

11 AAC 39.411. LOAN CLOSING PROCEDURES. (a) Within 15 working days after a decision approving a loan or a change in loan terms, the department will notify the applicant in writing of a closing date on the loan or change in loan terms. The closing will be held within 30 days after the date of the letter of notification unless otherwise agreed to in writing by the department and the applicant.

(b) The notice of closing will specify the information, documents, and conditions which the applicant must meet or provide at the closing.

(c) At the closing the applicant shall

(1) meet all conditions imposed by the board;

(2) provide all information requested by the department; and

(3) execute promissory notes, real estate mortgages, deeds of trust, chattel mortgages, security agreements, financing statements, assignments, affidavits, insurance pay orders, and other instruments as the department may require.

\* (d) If a loan is not closed within 60 days following the date set for closing, the loan approval decision expires and a new loan application must be submitted. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020  
AS 03.10.030  
AS 03.10.050

11 AAC 39.421. DISBURSEMENT OF LOAN MONEY. (a) Loan money will not be disbursed to a borrower until

(1) security interests in the collateral securing the loan have been executed;

(2) the department is satisfied that the borrower has complied with all conditions imposed by the board;

(3) the department is satisfied that the borrower has provided all information requested by the department;

(4) all required instruments have been executed and all provisions in those instruments have been complied with; and

(5) the loan has been closed.

(b) All expenses incurred by the department in closing a loan and processing the loan application will be deducted from the loan proceeds except for those expenses paid in advance from an application fee submitted under 11 AAC 39.101. Those expenses include, but are not limited to, the cost of credit reports, title

reports and insurance, recording fees, appraisals, surveys. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020  
AS 03.10.030  
AS 03.10.050

#### 11 AAC 39.431. CONTROLLED ACCOUNTS.

(a) Except as otherwise provided in (b) of this section or by the board at the time of approval of a loan, all disbursements of loan money will be made through a controlled account. Under a controlled account, the department will disburse money to a borrower only as requested and in accordance with an invoice or other document calling for payment. Payment will be made by check directly to the vendor or by a check requiring the joint endorsement of the vendor and the borrower.

(b) Loans made by the commissioner under 11 AAC 39.012 are subject to the controlled account requirements of this section, unless the commissioner finds, in writing, that a controlled account is not necessary.

(c) In addition to the requirements of (a) of this section, in the case of loans for land clearing, payment will be made only after inspection of the land clearing by the department. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020  
AS 03.10.030  
AS 03.10.050

11 AAC 39.441. SUPERVISION OF LOANS. As long as there is an outstanding loan balance, the borrower shall

(1) submit to the department, on request, annual financial statements which consist of a balance sheet, profit-and-loss statement, cash-flow statement, and a schedule of change of owner's equity;

(2) submit to the department, on request, proof that insurance is being maintained in the amounts required by the loan terms; and

(3) agree to allow employees of the department or its agents access to the borrower's

books, records, and premises at all reasonable times. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020  
AS 03.10.030  
AS 03.10.050

11 AAC 39.451. BANKRUPTCY PROCEEDINGS. If a borrower files for voluntary bankruptcy or becomes the subject of an involuntary bankruptcy action, the borrower shall, within 48 hours, notify the board in writing by certified mail. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020  
AS 03.10.030  
AS 03.10.050

11 AAC 39.461. DEFAULT. If a borrower is delinquent on a loan, or is otherwise in default by reason of a failure to comply with the terms of the loan, the department will give written notice of the default to the borrower within 30 days after the delinquency or other matter giving rise to the delinquency. If, within 30 days after the written notice, the default is not cured, or arrangements are not made with the department for curing the default, the department will, after discussion with the board, exercise its rights and remedies under the loan documents, except that a loan foreclosure must be authorized by the board. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020  
AS 03.10.030  
AS 03.10.050

11 AAC 39.471. PENALTY. Except in case of a moratorium of loan payments under 11 AAC 39.501, when a borrower is delinquent, a seven-percent penalty will be assessed against the amount delinquent for all loans, including short-term loans, unless the commissioner determines in writing that there is reasonable cause for waiving the penalty. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020  
AS 03.10.030  
AS 03.10.050

11 AAC 39.481. FALSE STATEMENTS. An applicant who submits a false sworn or unsworn statement on or in support of a loan application is subject to AS 11.56.200 – AS 11.56.210 and will be denied any further loans. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020

**11 AAC 39.491. FAILURE TO COMPLY WITH LOAN TERMS.** Except as otherwise provided in 11 AAC 39.211, a borrower who fails to comply with the conditions under which a loan is made will be denied any further loans, unless the board and commissioner determine, in writing, that there is reasonable cause for the borrower's failure to comply. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020

**11 AAC 39.501. PAYMENT MORATORIUM.** (a) The commissioner will, in his or her discretion, declare a farming disaster. A declaration of a farming disaster will be in writing and will be based upon findings made by the board. The authority to declare a farming disaster will not be delegated. The declaration will indicate

(1) the circumstances giving rise to the farming disaster;

(2) the farming industries affected by the farming disaster; and

(3) the areas within the state affected by the farming disaster.

(b) A "farming disaster" includes

(1) area-wide crop failure due to disease, pests, severe weather conditions or other natural phenomenon;

(2) area-wide animal disease or animal destruction due to severe weather conditions or other natural phenomenon;

(3) a closing of a substantial portion of the market sources or processing facilities which are vital to a farming industry within an area in the state; and

(4) the destruction or closing of a transportation facility, route, or link which is vital to a farming industry within an area of the state.

(c) If a declaration of a farming disaster, covering a farming industry within an area of the state, is issued under (a) of this section, the board will declare a moratorium on loan payments due from borrowers within that farming industry and area of the state. The moratorium will be for a one-year period and will, in the

board's discretion, be extended on a year-by-year basis, not to exceed five years. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020  
AS 03.10.030  
AS 03.10.050

## ARTICLE 5. GENERAL PROVISIONS

### Section

#### 911. Definitions

**11 AAC 39.911. DEFINITIONS.** In this chapter

(1) "acceptable collateral" means adequate security, approved by the board to secure repayment of a loan in the event of default; it includes, but is not limited to, a mortgage, deed of trust, assignment, or other security instrument on real property, buildings, machinery and equipment, fixtures, livestock, crops, accounts receivable, and other assets;

(2) "applicant" means an individual, partnership, corporation, association, cooperative, or other entity applying for a loan;

(3) "board" means the Agricultural Revolving Loan Fund board;

(4) "borrower" means all persons liable for a loan or any part of a loan;

(5) "chair" means the chairperson of the Agricultural Revolving Loan Fund board;

(6) "chattel" means livestock, vehicles, and movable equipment and machinery;

(7) "commercial" means enterprises operated for profit rather than personal or recreational use or as hobbies;

(8) "commissioner" means the commissioner of the Department of Natural Resources or the commissioner's designee;

(9) "crops" means small grains, oil seeds, forages, fruits, and vegetables normally grown in northern latitudes;

(10) "department" means the Department of Natural Resources;

(11) "division" means the division of agriculture within the Department of Natural Resources;

(12) "emergency" means a situation which demands immediate attention to protect against a loss of income or property of the borrower, or the potential destruction of collateral of the fund;

(13) "employee" means an employee of the division;

(14) "farm" means a tract or tracts of land, improvements, and other appurtenances which are used in the production of crops, livestock, or livestock products;

(15) "farming" means the business of producing crops, or livestock and livestock products, through the use and management of land, water, labor, capital, and basic raw materials, including seed, feed, fertilizer, and fuel;

(16) "farm development" means buildings, storage facilities, fencing, stationary machinery and equipment, fixtures, and related appurtenances;

(17) "fund" means the Agricultural Revolving Loan Fund established by AS 03.10.040;

(18) "good standing" means a borrower who has complied with the terms of a loan;

(19) "immediate family" means spouse, mother, father, brothers, sisters, and children;

(20) "livestock" means beef cattle, dairy cattle, including dairy cattle raised and maintained primarily for the purpose of marketing dairy products, swine, sheep, goats, poultry, and other animals raised for human consumption;

(21) "member" means a member of the Agricultural Revolving Loan Fund board; and

(22) "new project" means a project which involves new acquisition or construction of farm development property but not including addi-

tions, extensions, improvements, or reconstruction of existing farm development property of the borrower. (Eff. 12/1/84, Reg. 92)

Authority: AS 03.10.020

AS 03.10.030

AS 03.10.050

RECEIVED

CONSERVATION RESERVE PROGRAM (CRP) PARTICIPATION

TRACT NO.	NAME	CONTRACT PERIOD	ACRES	COST SHARE	RENTAL PAYMENT	1986 PAYMENT REC.	1987 PAYMENT REC.	ESTIMATED 10 YEAR PAYMENT
A	WLASKY	N/A	-0-	-0-	-0-	-0-	-0-	-0-
B	RULE	86-9/95	520.0	51,900	18,200	70,100	18,200	182,000
B	RULE	87-9/96	759.0	75,900	26,565	-0-	102,465	265,560
B	RULE	88-9/97	98.5	6,895	3,645	-0-	-0-	36,450 1/
C	BANNON	87-9/96	1,394.0	139,400	50,000	-0-	189,400	500,000 2/
D	GIESE	87-9/96	766.0	75,900	28,342	-0-	104,242	283,420
E	WRIGHT	N/A	-0-	-0-	-0-	-0-	-0-	-0-
F	GREEN	87-9/96	228.0	22,800	7,302	-0-	30,102	73,020
G	OLSON	87-9/96	366.0	36,600	13,542	-0-	50,142	135,420
G	OLSON	88-9/97	1,061.0	74,270	36,458	-0-	-0-	364,580 1/
H	ENGELLANT	87-9/96	1,427.0	142,700	50,000	-0-	142,700	500,000
I	KARR	87-9/96	1,472.4	154,900	42,700	48,900	148,700	427,000
I	KARR	88-9/97	664.4	46,508	21,317	-0-	-0-	213,170 3/
J	EMERY	87-9/96	1,356.0	135,600	50,000	-0-	185,600	500,000
K	KELLY	N/A	-0-	-0-	-0-	-0-	-0-	-0-
L	FETT	87-9/96	921.0	92,100	34,077	-0-	126,177	340,770
M	MITCHELL	N/A	-0-	-0-	-0-	-0-	-0-	-0-
N	BREHMER	87-9/96	1,332.0	133,200	49,219	-0-	133,200	492,190
O	HOLLEBAEK	N/A	-0-	-0-	-0-	-0-	-0-	-0-
O	BUCK	87-9/96	598.0	59,800	22,126	-0-	81,926	221,260

CRP PARTICIPATION CONTINUED

TRACT NO.	NAME	CONTRACT YEAR	ACRES	COST SHARE	RENTAL PAYMENT	1986 PAYMENT REC.	1987 PAYMENT REC.	ESTIMATED 10 YEAR PAYMENT
P	CARLSON	88-9/97	304.0	30,400	11,248	-0-	9,720	112,480
P	THEURINGER	88-9/97	1,205.0	120,500	44,585	-0-	60,000	445,850
P	THEURINGER	88-9/97	105.0	7,350	5,415	-0-	-0-	54,150 1/
Q	STRONG	88-9/97	1,200.0	120,000	44,280	-0-	-0-	442,800
R	HELKENN	87-9/96	1,147.0	114,700	40,156	-0-	154,856	401,560 4/
S	GREEN	N/A	-0-	-0-	-0-	-0-	-0-	-0-
T	RUTT	88-9/97	1,071.3	74,991	39,638	-0-	-0-	396,380 1/
U	DODSON	N/A	-0-	-0-	-0-	-0-	-0-	-0-
V	NELSON	N/A	-0-	-0-	-0-	-0-	-0-	-0-

1/ CONTRACT STILL PENDING APPROVAL

3/ \$72,810 to the owner, \$140,360 to the operator

2/ \$210,000 to the operator, \$290,000 to the owner

4/ \$301,170 to the owner, \$100,390 to the operator

TRACT NO.	NAME	CONTRACT YEAR	ACRES	COST SHARE	RENTAL PAYMENT	1986 PAYMENT REC.	1987 PAYMENT REC.	ESTIMATED 10 YEAR PAYMENT
1	MAGEE	N/A	-0-	-0-	-0-	-0-	-0-	-0-
2	BROWN	87-9/96	108.0	10,800	3,942	-0-	14,742	39,420
3	MAGEE	N/A	-0-	-0-	-0-	-0-	-0-	-0-
4	TROWBRIDGE	87-9/96	881.0	88,100	32,597	-0-	120,697	325,970
5	SCHULTZ	88-9/97	972.0	97,200	35,964	-0-	45,000	359,640
6	NELSON	N/A	-0-	-0-	-0-	-0-	-0-	-0-

CRP PARTICIPATION CONTINUED

TRACT NO.	NAME	CONTRACT YEAR	ACRES	COST SHARE	RENTAL PAYMENT	1986 PAYMENT REC.	1987 PAYMENT REC.	ESTIMATED 10 YEAR PAYMENT
7	HOLCOMB	N/A	-0-	-0-	-0-	-0-	-0-	-0-
8	CHO	N/A	-0-	-0-	-0-	-0-	-0-	-0-
9	KIM	N/A	-0-	-0-	-0-	-0-	-0-	-0-
10	CHO	N/A	-0-	-0-	-0-	-0-	-0-	-0-
11	KRAUS	87-9/96	710.0	71,000	25,560	-0-	96,560	255,600
12	ORCUTT	N/A	-0-	-0-	-0-	-0-	-0-	-0-
13	KRAUS	86-9/97	<del>477.0</del> 447.0	<del>47,700</del> 44,700	14,751	59,451	14,751	147,510
14	GREEN	N/A	-0-	-0-	-0-	-0-	-0-	-0-
15	NELSON	N/A	-0-	-0-	-0-	-0-	-0-	-0-

\*All payments received are to date, further payments may be made before January 1988.

*CORRECTED PAGE*

1986 FEEDGRAIN PROGRAM PARTICIPATION

<u>TRACT NO.</u>	<u>NAME</u>	<u>ACRES</u>	<u>TOTAL PAYMENTS RECEIVED</u>
A	WALSKY	0	\$0
B	RULE	451.4	\$18,237.30
C	BANNON	648.6	\$31,484.40 1/
D	GIESE	0	\$0
E	WRIGHT	0	\$0
F	GREEN	525.5	\$20,760.50
G	OLSON	323.0	\$14,006.94
H	ENGELLANT	0	\$0
I	KARR	500.0	\$19,733.00 2/
J	EMERY	0	\$0
K	KELLY	0	\$0
L	FETT	0	\$0
M	MITCHELL	0	\$0
N	BREIMER	595.2	\$29,344.80
O	HOLLEMBAEK	211.3	\$11,023.80
O	BUCK	0	\$0
P	CARLSON	64.7	\$ 3,260.66
P	THEURINGER	596.0	\$3,0018.68
Q	STRONG	0	\$0
R	HELKENN	0	\$ 426.75
S	GREEN	229.6	\$11,348.85

1986 FEEDGRAIN PROGRAM PARTICIPATION CONTINUED

<u>TRACT NO.</u>	<u>NAME</u>	<u>ACRES</u>	<u>TOTAL PAYMENTS RECEIVED</u>
T	RUTT	0	\$0
U	DODSON	0	\$0
V	NELSON	0	\$0

1/ Payment to Rule

2/ \$7,717.94 to Karr  
\$12,015.06 to the operator

\*\*\*1986 Feed Grain program payments were made between November 1985 thru July 1987.\*\*\*

1986 FEEDGRAIN PROGRAM PARTICIPATION

TRACT NO.	NAME	ACRES	TOTAL PAYMENTS RECEIVED
1	MAGEE	0	\$0
2	BROWN	0	\$0
3	MAGEE	0	\$0
4	TROWBRIDGE	345.0	\$13,954.87 1/
5	SCHULTZ	570.2	\$23,086.79
6	NELSON	0	\$0
7	HOLCOMB	0	\$0
8	CHO, K.J.	0	\$0
9	KIM	0	\$0
10	CHO, S.S.	0	\$0
11	KRAUS	0	\$0
12	ORCUTT	0	\$0
13	KRAUS	380.9	\$16,542.50
14	GREEN	0	\$0
15	NELSON	0	\$0

1/ Payment to Schultz

1987 FEEDGRAIN PROGRAM PARTICIPATION

FY87 payments are made between Nov. 86 and July 88

TRACT NO.	NAME	ACRES	PAYMENTS MADE TO DATE	TOTAL ESTIMATED PROGRAM PAYMENT
A	WALSKY	-0-	-0-	-0-
B	RULE	120.0	6,900.25	9,198.32
C	BANNON	300.9	16,091.82	16,756.52 1/
D	GIESE	-0-	-0-	-0-
E	WRIGHT	-0-	-0-	-0-
F	GREEN	453.0	-0-	13,667.93
G	OLSON	75.0	-0-	6,882.04
H	ENGELLANT	-0-	-0-	-0-
I	KARR	159.6	3,767.82	10,337.44 2/
J	EMERY	38.0	-0-	2,356.38 2/
K	KELLY	-0-	-0-	-0-
L	FETT	-0-	-0-	-0-
M	MICHELL	-0-	-0-	-0-
N	BREHMER	185.0	4,290.61	12,854.97
O	HOLLEBAEK	210.0	6,487.41	13,207.64
O	BUCK	-0-	-0-	1,684.48
P	CARLSON	91.0	-0-	6,030.20
P	THEURINGER	500.0	14,983.79	37,106.28
Q	STRONG	-0-	-0-	-0-
R	HELKENN	281.7	6,762.36	13,236.09
S	GREEN	252.0	5,432.34	13,986.00

1987 FEEDGRAIN PROGRAM PARTICIPATION CONTINUED

TRACT NO.	NAME	ACRES	PAYMENTS MADE TO DATE	TOTAL ESTIMATED PROGRAM PAYMENT
T	RUIT	216.0	-0-	12,975.68
U	DODSON	-0-	-0-	-0-
V	NELSON	-0-	-0-	-0-

1/ Payment to Kanrath

2/ Payment to Schultz

TRACT NO.	NAME	ACRES	PAYMENTS MADE TO DATE	TOTAL ESTIMATED PROGRAM PAYMENT
1	MAGEE	-0-	-0-	-0-
2	BROWN	-0-	-0-	-0-
3	MAGEE	-0-	-0-	-0-
4	TROWBRIDGE	101.0	2,852.78	6,722.55
5	SCHULTZ	426.0	13,506.32	25,982.52
6	NELSON	-0-	-0-	-0-
7	HOLCOMB	-0-	-0-	-0-
8	CHIO	-0-	-0-	-0-
9	KIM	-0-	-0-	-0-
10	CHIO	-0-	-0-	-0-
11	KRAUS	218.0	9,476.10	15,478.08
12	ORCUTT	-0-	-0-	-0-
13	KRAUS	-0-	-0-	-0-
14	GREEN	-0-	-0-	-0-
15	NELSON	-0-	-0-	-0-