

S B

S B

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-MAY NOTICE  
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: Finance

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

1/18/88 DATE TURNED INTO OFFICE  
Mr. President:

Resources Committee considered SB 353

extending the agricultural production credit law

and recommended:

[ ] replace with CS \_\_\_\_\_ [ ] same title  
[ ] attached amendment(s) and [ ] new title

[ ] do pass

[ ] do not pass

[ ] no recommendation

[x] individual recommendations

[ ] further referral to \_\_\_\_\_

[ ] letter of intent adopted and attached

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

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

*[Signature]*  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*Ed Duncan - No Rec.*  
*Sen. Fournier No Rec*  
*Paul Fitch No Rec.*  
\_\_\_\_\_  
\_\_\_\_\_

*[Signature]*  
Chairman signature and recommendation

[ ] Committee Backup Attached

# 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

January 21, 1988

The Honorable Jack Coghill  
Chairman, Senate Resources Committee  
Alaska State Legislature  
P.O. Box V  
Juneau, Alaska 99811

Dear Senator Coghill:

### Subject

Senate Bill 353, which extends the agricultural production credit law.

### Position

The Department of Natural Resources is concerned that this extension of the existing agricultural production credit program for sales through 1991 could have disastrous effects on the Agricultural Revolving Loan Fund (ARLF) and its ability to service the loan needs of viable agricultural operations.

### Background

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

### Recommendation

To provide minimal protection to the ARLF if the production credits program is extended, change the program so that:  
(1) it applies to no more than 50% of the total ARLF interest owed by any one borrower and; (2) it applies only to borrowers that are current on ARLF loan payments at the time the credit is applied.

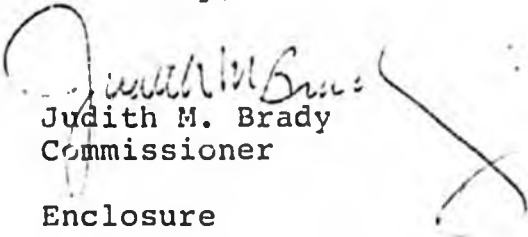
Senator Coghill

-2-

January 21, 1988

I have enclosed information about costs to the ARLF of the production credit program. Please let me know if you have additional questions.

Sincerely,

  
Judith M. Brady  
Commissioner

Enclosure

cc: Senator Kerttula  
Senator Szymanski  
Rod Swope  
Bob Evans

FISCAL NOTE

REQUEST: \_\_\_\_\_

Revision Date: 1/21/88  
Title: Extending Agricultural Production Credits  
Sponsor: Sen. Cochill, Berttula, Sz, manski  
Requestor: Senate Resources Committee

Agency Affected: Natural Resources  
BRU: Agricultural Management  
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-
REVENUE	*	*	*	*	*	*

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

\*Extending the production credit program will not result in additional operating expenses for DNR but could result in the attached estimated loss in revenues to the Agricultural Revolving Loan Fund.

Prepared by: Carol Wilson  
Division: Commissioner's Office

Phone: 465-2400  
Date: 1/21/88

Approved by Commissioner: *Indira W. B...*  
Agency: Department of Natural Resources

Date: 1/21/88

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

LOSS IN ARLF REVENUES  
FROM PRODUCTION CREDITS

1986	Production Credits	\$340,055	
1987	Production Credits	\$539,997	
1988	Production Credits	\$322,135	YTD*
Total Cost to ARLF		\$1,208,187	
1989	Estimated Credits	\$450,000	
1990	Estimated Credits	\$510,000	
1991	Estimated Credits	\$540,000	

\*YTD - Year to Date

Extending the production credit program will effectively eliminate most interest income to the loan fund for all loans that are restructured, within the proposed extension period. This could result in an ARLF with insufficient dollars to fund loan requests or operating costs.