

S B

4 8 4

FISCAL NOTE

REQUEST:

Revision Date: 4/5/88
Title: Restructuring Agricultural Debt
Sponsor: Senate Resources Committee
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						
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-
---------	-----	-----	-----	-----	-----	-----

REVENUE	-0-	(8300.0)	(1300.0)	(1300.0)	(1300.0)	(1300.0)
---------	-----	----------	----------	----------	----------	----------

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 Date: 4/5/88

Approved by Commissioner: _____ Date: 4/5/88
Agency: Natural Resources

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

5-1984B
Bradley
3/30/88

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.

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

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

March 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: Change 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.

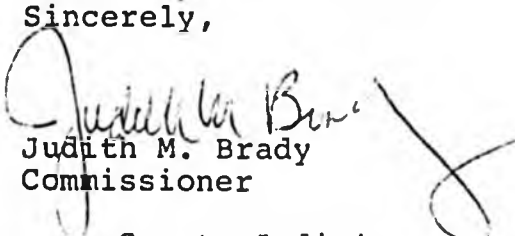
Senator Coghill

-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

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-
REVENUE	(183.6)	(183.6)	(183.6)	(183.6)	(183.6)	(183.6)

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: William Hill Date: 3/29/88
Agency: Natural Resources

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