

HB

228

STATE OF ALASKA
HOUSE OF REPRESENTATIVES

Representative Jeannette James



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Sectional Analysis

House Bill 228

Board of Agriculture,
Agriculture Development Corporation

4/3/97

Section 1 adds an entire new chapter to Title 3, "Agriculture and Animals":

"CHAPTER 9. BOARD OF AGRICULTURE."

New Sec.03.09.010 establishes a 5-member Board of Agriculture:

One member shall be a member of a chartered statewide agriculture promotion organization;

One shall be a member of a chartered statewide agriculture conservation organization;

Two shall be engaged in two different commercial production agriculture enterprises, from two different geographic areas;

One shall have general business or financial experience.

Board members will serve staggered three-year terms, and will receive \$100 per day compensation plus authorized per diem and travel expenses when on official board business.

New Sec.03.09.020 authorizes the Board of Agriculture to elect a chair and a vice-chair, and to appoint an executive director and employ staff.

New Sec.03.09.030 defines a quorum and procedures for board meetings.

New Sec.03.09.040 authorizes the Board of Agriculture to make recommendations to the Commissioner of Natural Resources regarding the classification of land as agricultural.

Once a parcel of land is classified as agricultural, this section also authorizes the Board of Agriculture to actually dispose of the land.

The Director of the D.N.R. Division of Lands is thus removed from the process of disposing of agricultural land, while the existing Title 38 lottery and auction provisions remain the same.

Section 2 adds a new section, Sec.03.10.015

This establishes the Agriculture Development Corporation, as a public corporation of the state. The Board of Agriculture serves as the corporation's Board of Directors.

Sections 3 - 13 make changes to existing law, substituting:

Agriculture Development Corporation for [Department]

Board of Agriculture for [Department]

Corporation for [Director of the Division of Agriculture of the Department]

Board of Agriculture for [Commissioner]

Board of Agriculture for [Agricultural Revolving Loan Fund Board]

and transferring the associated authorities to the Board of Agriculture and the Agriculture Development Corporation.

Section 14 adds the Board of Agriculture's executive director and staff to the list of state service positions exempt from the State Personnel Act, Title 39.

Section 15 adds the Board of Agriculture to the Definitions in Title 39, "Public Officers and Employees."

Section 16 repeals sections in existing law defining the Agricultural Revolving Loan Fund Board and its duties and obligations. The ARLF Board is thus eliminated and replaced with the Board of Agriculture.

Section 17 allows for staggered terms of initial Board of Agriculture members: one initial members shall serve one year, and two shall serve two years.

Section 18 sets the effective date for this bill as July 1, 1998.

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S P O N S O R S T A T E M E N T

House Bill 228

**Board of Agriculture,
Agriculture Development Corporation**

4/3/97

I submitted this bill in response to numerous requests from members of the agricultural industry in Alaska. It restructures the way state agricultural services will function in our state, making them more responsive to the industry's needs and more in touch with the grass-roots operations of our producing farmers.

Alaska needs to encourage agricultural development! We need to remove roadblocks and allow the industry to grow and prosper, for the benefit of our state and all its citizens.

This bill is just a starting point, and we plan to expand the duties and authorities of the Agriculture Development Corporation once we agree upon its formation. We welcome all input and suggestions.

STATE OF ALASKA LEGISLATURE
Senator Lyda Green
Representative Jeannette James



Alaska State Legislature
State Capitol Building

Juneau, AK 99801
TEL 465-3743, FAX 465-2381

DATE: April 4, 1997

TO: Alaska's Congressional Delegation

Senator Ted Stevens
522 Hart Building
Washington D.C. 20510

Senator Frank Murkowski
706 Hart Building
Washington D.C. 20510

Congressman Don Young
2331 Rayburn Building
Washington D.C. 20515

RE: Agricultural Restructuring in Alaska

Dear Senators Stevens and Murkowski, and Congressman Young:

We are writing to update you on recent developments in Alaskan agriculture.

On March 19 we held a state-wide teleconference work-session to discuss formulating a plan for restructuring agricultural services in Alaska. Following is a list of participants.

Representative Jeannette James, North Pole
Senator Lyda Green, Wasilla
Commissioner John Shiuey, Department of Natural Resources
Deputy Commissioner Marty Rutherford, Dept of Natural Resources
Bill Ward, Alaska Farm Bureau, Kenai
Allen Mitchell, Director, Ag & Forestry Exp. Station, U of A, Palmer
Hollis Hall, Director, Coop. Ext, U of A, Fairbanks
Chuck Bell, State Conservationist, Natural Res. Cons Service,
U.S.D.A.
Mike Swan, Soil & Water Conservation Districts, State of Alaska
Scott Miller, Delta-Greely Community Coalition, & Red Meat Co-op
Bob Franklin, Alaska Farm Bureau, Fairbanks
Laure Knopp, Knopp Dairy, Delta Junction
Bryce Wrigley, Delta Junction
Jerry Marlow, North Pole
Herb Simon, Nelchina
Bonnie Williams, Finance Committee Staff for Rep. Pete Kelly
Tam Cook, Legislative Legal Services, State of Alaska

Our agenda was to determine:

1. WHAT DO WE HAVE NOW?

Brief presentation by each group:

- a. What services do you currently provide?
- b. Where do you fit into the future of Agriculture in Alaska?
- c. What are your federal, State, private funding sources, and how do they inter-relate?
- d. Statutory authority: What causes you to exist?

2. WHAT ELSE DO WE NEED?

GROUP DISCUSSION: Are there services other than the above which need to be provided to advance agricultural interests in Alaska?

3. WHAT ARE OUR PRIORITIES?

GROUP DISCUSSION: Prioritize these services to avoid duplications.

The long-term goals agreed upon by the group were to:

Draft a bill incorporating these discussions into a restructuring of all agriculture services in Alaska.

Hold hearings during the 1997 Interim to fine-tune the bill.

By January 1998, have the bill ready to move through the process.

We also agreed it was time to invite our Congressional Delegation in Washington D.C. to participate in these efforts, particularly in relationship to University-affiliated services which receive federal funding (the Agriculture and Forestry Experiment Station, and the Cooperative Extension Service), plus the United States Department of Agriculture, the Natural Resource Conservation Service and Farm Services Agency. It would be helpful if you could formally request the participation of these federal agencies in our discussions.

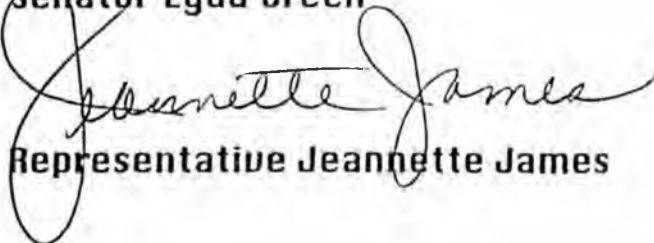
We can only succeed in assuring a bright future for agriculture in Alaska if we work together on a local, state, and national level to avoid duplications, streamline services, and keep lines of communication open between all three levels. It would also be helpful if you could designate a point person for us to work with. In addition to being the point of contact for us, that person could help assure that we take no actions which would collapse or threaten federally funded programs.

As a result of the March 19 work session, House Bill 228 has been introduced. The bill, sponsor statement, and sectional analysis are enclosed. Our next work session will be April 12. There is a great deal of enthusiastic participation in the project. We know that you as representatives of the State are well aware of the important role agriculture plays in the economic future and well-being of Alaska. Your input and participation are sincerely requested, and we look forward to your assistance in our efforts.

Sincerely,



Senator Lyda Green



Representative Jeannette James

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AGRICULTURE RESTRUCTURING

Work Session

Wednesday, March 19, 1997

3:00-5:00 p.m., Room 102 Capitol Building, Juneau, Alaska

Participants:

Representative Jeannette James, North Pole
Senator Lyda Green, Wasilla
Commissioner John Shively, Department of Natural Resources
Deputy Commissioner Marty Rutherford, Dept of Natural Resources
Bill Ward, Alaska Farm Bureau, Kenai
Allen Mitchell, Director, Ag & Forestry Exp. Station, U of A, Palmer
Hollis Hall, Director, Coop. Ext, U of A, Fairbanks
Chuck Bell, State Conservationist, Natural Res. Cons Service, U.S.D.A.
Mike Swan, Soil & Water Conservation Districts, State of Alaska
Scott Miller, Delta-Greely Community Coalition, & Red Meat Coop
Bob Franklin, Alaska Farm Bureau, Fairbanks
Laure Knopp, Knopp Dairy, Delta Junction
Bryce Wrigley, Delta Junction
Jerry Marlow, North Pole
Herb Simon, Nelchina
Bonnie Williams, Finance Committee Staff for Rep. Pete Kelly
Tam Cook, Legislative Legal Services, State of Alaska

Representative Jeannette James called the meeting to order, and thanked Bill Ward for his efforts. She asked him to speak first.

Bill Ward said the driving force behind bringing this group together was basically the deterioration of the relationship between state government and the agriculture industry, through representation in the Division of Agriculture and some of the support groups which are relied on for cooperative assistance, specifically the Plant Materials Center, the School of Agriculture, the Experiment Station, and the Cooperative Extension Service.

He stated his goal in initiating the agricultural restructuring is to provide some stability to the industry and provide a clarification of the services state government should provide, what aspects the industry should assume on its own, and what relationship between the two is required.

Bill Ward added he sensed a real erosion within the industry of confidence in the future. Without some confidence in the stability of the future, no one can make the long term commitment which agriculture requires. He also believes the private sector should be able to manage their business without too much interference from government. Government services should thus be limited to what is necessary to protect the state's interest, such as inspection of food products, and the environment. Beyond that, most of it should be left to the private sector, for example marketing, education, and basic research. The reason he wanted to include the University in this discussion is because their services are critical. He hoped we wouldn't talk the problem to death, but would get down to basic solutions.

Representative James said she appreciated his comments, and agreed. She added this is her fifth year in the Legislature, and they have been talking about this for five years. Everyone is trying to protect what they have, and she felt if the agricultural interests could all get together there would be strength in numbers for protecting what they have. Without that, they will all lose. They must have a unanimous voice. Her eyes and ears are open to any help and any suggestions.

Hollis Hall outlined what the Alaska Cooperative Extension is and what it does. It provides non-classroom education in agriculture and natural resources, youth development, home economics, and community and economic development. They provide this non-formal education through work shops, meetings, and consultations. They have specialists in horticulture, animal science, plant science, forestry, human nutrition, energy and housing, food product development and safety. Agents are located in Juneau, Ketchikan, Sitka, Kodiak, Soldotna, Nome, Anchorage, Palmer, Fairbanks, Delta, and Bethel.

He continued, agents working specifically on agriculture and natural resources are located in Juneau, Sitka, Kodiak, Soldotna, Nome, Palmer, Fairbanks, and Delta.

Sources of funding for the Alaska Cooperative Extension are \$2.9 million in state general funds, \$1.2 million in Federal funds, and a small amount

from private sources.

Their charter as a Cooperative Extension Service is in the Smith-Lever Act of 1914, which established extension services at land grant universities. He is not aware of any state charter which addresses the extension service.

Allen Mitchell, Director of the Agriculture and Forestry Experiment Station, spoke next. He stated the statutory authority for agriculture experiment stations was established by the Hatch Act of 1887, and amended in 1955 and possibly again more recently. The stations were funded by federal formula funds, which required a one-to-one match by state appropriations. In March, 1935, the Alaska Territorial Legislature established the funds through the University of Alaska, which at the time was Alaska A&M University. The hatch funds are primarily for agricultural research, and they come directly to the director of the experiment station rather than through the University.

In addition, they also receive forestry research funds which were created by the MacIntire-Stennis Forestry Research Act of 1962. These funds also require a one-to-one match by the states, and they go directly to the president of the University.

Allen Mitchell said in total, the experiment station receives \$1.3 million in formula funds, approximately \$900,000 from Hatch for agriculture, and the remaining \$400,000 for forestry research.

In addition to state and federal formula funds, the experiment station also receives \$1.3 million in grants and contracts. Some of these are federal grants, National Science Foundation or other United States Department of Agriculture grants. They also receive money from private sources, in particular British Petroleum and Usibelli Coal Mine. Since 1985, they have received about \$3 million from British Petroleum for work on the North Slope. About \$500,000 comes in from live animal sales at the dairy, housing income, and income to the soil and plant analysis laboratory in Palmer.

In terms of accountability, the director of the experiment station each year submits an annual report to the Governor, with copies to the Legislature, listing all the research projects, funding sources, and other pertinent information. On the federal side, they report through the Cooperative Research Information System.

Allen Mitchell discussed services to the state by the experiment station and its parent school, the School of Agriculture and Land Resources Management. It performs research, teaching, and public service for the students of Alaska. They currently have two research centers, the primary one in Fairbanks, with 17 faculty, and another in Palmer with 7 faculty members. They respond to both the industry and agencies in providing research information that will promote environmentally sound development of resources ranging from agriculture to oil and coal development to timber. They have the only degree program in Resources Management in the state of Alaska, offering both undergraduate and

masters degrees.

Representative James asked him to explain the exact relationship between the School of Agriculture and Forestry, and the Ag and Forestry Experiment Station. She wondered if the faculty members were the same.

Allen Mitchell replied they were the same, except for two positions in Fairbanks who taught but did not have experiment station appointments.

Representative James asked Commissioner Shively if he had anything he would like to add regarding the Division of Agriculture's services.

Commissioner John Shively said the Division of Agriculture gets over \$2 million, which comes almost totally from the Agriculture Revolving Loan Fund. In addition, the revolving loan fund itself has about \$7 - \$8 million worth of cash assets and a variety of other assets, such as the meat packing plant and Matanuska Maid. The Division is involved in the Alaska Grown Program, giving general education assistance, managing the revolving loan fund, doing some inspections, although that is split between the Division and D.E.C. They do get some federal funding. In addition they have the soil and water conservation program, which is run mostly from his office.

He shares the concern about the Ag Revolving Loan Fund (ARLF) and continuing to fund the agricultural program from that. He said he has no magic solution, but he thinks it is appropriate to discuss the alternatives together, such as combining services and coming up with new structures. He commended Bill Ward for taking the step and doing the work of establishing this dialog.

Representative James asked if the Soil and Water Conservation Districts were federally funded.

Commissioner Shively said there was one position in his office which was funded from the ARLF. The Districts themselves are funded with federal funds, and there are ten of those.

Representative James asked if those federal funds were managed by the state.

Hollis Hall replied the districts get no federal funds, but they get technical assistance from the Federal Natural Resource Conservation Service.

Representative James asked about the structure of the district boards.

Hollis Hall replied the boards were elected by the land users of an area. There are ten of those. Also there is the State Soil and Water Conservation Board that is appointed by the Governor, to represent DNR's interests in land use management.

Representative James commented that the budget from all those functions could be identified, and added one of the things this group will

need to do is figure out how much is being spent of state, local, and private funds, and what we are getting from that, and where we need to go. We don't want two different people doing the same things. Everything needs to be put under an umbrella. She had been discussing the Matanuska Maid Dairy which is adding products other than milk, and its public image. She added that is the other element we have to deal with: the public. She noted the Constitution says all the government comes from the people. It is the people that move the system, so whatever is done must have public support and public acceptance.

She opened the discussion to the entire group.

Hollis Hall noted the agriculture industry is only asking for the types of services that farmers and ranchers have in other states in the country. Agriculture is growing, agriculture in the sub-arctic has a place in filling the demand for food Alaska currently has to import. Associated with each of the agriculture operations is a family. It's not a corporate-owned factory, but a farm family.

He said one concern of his is that he and Dr. Mitchell are not there to ask for more money for extension and experiment stations, they are merely asking that money which the legislature has appropriated to them be used for those purposes and not for other functions of the University.

Representative James said that is a valid concern, and added the University is not necessarily in the public favor when it comes to these issues, so everyone needs to take a look at their own operations and see how they can be more acceptable to the public. She observed that agriculture in the last five to ten years has taken giant steps and become very successful, but it can't compete with oil and gas and other more acceptable industries in Alaska.

Bill Ward mentioned the need for responsible regulations to protect the commodities being produced. He would like to identify what regulations need to stay within DNR and DEC to accomplish that. That is one of government's unavoidable jobs. The second thing to identify is what the private sector can and is able to do on their own, and where combined efforts are needed, such as in marketing which is a collective function. There also needs to be infrastructure that is dependable. All of this requires a land base, which requires dealing with the government that owns the land. There must be a mechanism to release the land into private ownership so it can be used.

The last thing he sees as a need for the industry is the outside expertise to be successful. This requires services from the University and the Plant Materials Center, so agriculture can keep up with technology.

Representative James agreed, and referred to the fact that funds for tourism marketing and seafood marketing are being threatened in the current budget process, and required to justify their existence. Agriculture will have to do that too.

She also noted the need for the Department of Natural Resources to be actively parceling out land and responding to regulations, acting as the

orchestrator for managing Alaska's lands and resources.

Hollis Hall said there are some statutory limitations which must be addressed. Department of Natural Resources operates out of the center of state government. By federal statutes, and possibly some state statutes, the experiment station and the extension service are associated with the University. The argument has still not been settled whether that sits with the University system or with the UAF. All the memorandums he has seen that have been signed between the federal government and the educational institutions of this state have been signed with the University of Alaska and not with one of the three campuses.

Representative James said that was a good point to clarify. She added the public is distressed with the University for putting the community colleges and the University together. People now expect the University to provide both blue collar and white collar educations, and these needs are not being met in a sensitive way. The University needs to define itself and be sure both missions are being addressed. Since the University is under attack, the experiment station and cooperative extension service are threatened. We need to define exactly what agriculture in Alaska is and what we want to accomplish. THEN we'll figure out how to pay for it. The industry will have to make a contribution for some things, and state funds will have to pay for other things.

Bill Ward asked if we need to identify the value of agriculture, and what it contributes to the economy and lifestyle at this point to justify the services being requested.

Representative James said certainly we do, and those numbers are available as to what has been produced and the value. We do need to include that in part of the overall planning. We also need to set some anticipated goals and how long they will take to achieve, as well as where we are compared to where we were ten years ago.

Bill Ward added we need to identify quality of life issues, environmental issues, habitat improvement issues for fish and game, and rural diversity.

Chuck Bell, State Conservationist for the U.S.D.A. Natural Resource Conservation Service, arrived and was the next person to speak. Originally their organization was known as the Soil Conservation Service. They have been in Alaska for quite awhile, though he has only been here about seven months. U.S.D.A. has expanded beyond just agriculture to include watershed planning and flood prevention. Agriculture is their critical client and their primary area of emphasis. Their agency does not manage nor own public lands. He works on private lands through the Soil and Water Conservation Districts. He believes agriculture is absolutely critical to Alaska. His staff is small and he would like to expand it and be able to attack issues on a broader basis.

Representative James asked Chuck Bell to define what the public reaction is to the things happening in other states. She wondered if the Natural

Resource Conservation Service is widely accepted, or is it criticized?

Chuck Bell replied they are a federal agency, which answers part of the question. He added they have been really fortunate though, in that their service has not been regulatory, but rather technical assistance applied to conservation. Their role has been widely accepted, largely because their base is in the soil and water conservation districts which represent the local community. They have had difficulties, however, in the issue of wetlands. They have been U.S.D.A.'s agency to determine whether private lands are wetlands.

Representative James related growing up in an agriculture community, in the middle of wetlands. The land was later tilled, drained, and now grows all manner of things, like flax and fruit trees. If that had happened today, the land would probably still be sitting there covered with standing water. That makes her feel negative against the wetland issue.

Mike Swan, with the Alaska Soil and Water Conservation Districts, testified from the Kenai L.I.O. He gave a profile of the Soil and Water Conservation Districts. They are composed of local land owners, whom they call co-operators, from within each district. They are legal subdivisions of state government that can be administered from Natural Resource programs, self-governed by local elected supervisors who set policy and assign priorities. They are grass roots rural land owners assisting in managing and developing Alaska's natural resources, established in territorial days to encourage residents to settle the lands, particularly for agriculture development.

Funds come from grants and a limited amount of state funds, as well as from income-producing projects such as equipment rental and office rental. They are supported by federal funds from N.R.C.S., and from D.N.R.

Some services are land conservation plans at the request of the land owner, emergency erosion protection through programs with N.R.C.S., flood control projects, water quality protection projects, and three-way communication between community, state, and federal governments.

There are eleven districts in the state of Alaska. Each board has five supervisors. They work closely with DNR, Fish and Game, DEC, and various other state departments, and with federal partners NRCS, US Forest Service, Farm Service Administrations, Army Corps of Engineers, and EPA.

Their statutory authority comes from Section 41.10.130, the Alaska law authorizing the Commissioner of Natural Resources to create the Soil and Water Conservation Districts in Alaska. It delegates the district supervisors the power to do whatever the Commissioner considers necessary to accomplish the purposes of its chapter.

Scott Miller, with the Red Meat Co-op and the Delta-Greely Coalition, spoke next from the Delta L.I.O. He stated that agriculture in Alaska is still in the 1970's, and it must begin a challenging journey into the 21st century. All journeys, large or small, begin with a single step, and he considers this meeting our first step.

He noted he came to the meeting wearing many hats. First, he is a Delta barley farmer and cattle feeder. He owns Misty Mountain Farms in Delta. They annually crop 1000 acres, and last year they produced close to 400 head of finished beef. They grossed over a quarter of a million dollars in 1996. He chaired the Delta Chapter of the Alaska Farm Bureau for the past four years, and in 1995 he began serving on the newly formed Delta-Greely Coalition. Recently he became the steering committee chair for the Alaska Red Meat Cooperative, whose goals are to stabilize the production, slaughter, processing, and marketing of red meat animals in Alaska. They have hired a consulting firm to review their strategy.

Scott Miller continued, outlining the items in their strategy: One, expand production of red meat, cattle and hogs; two, expand dairy production and processing; three, develop buffalo and other game ranching and processing; four, pursue potato and vegetable processing. Their key component is to build Delta's agricultural base, economic base, and infrastructure.

He next referred to a December 1996 feasibility study done by Tesoro Alaska, given to him by the Division of Agriculture, in regard to ethanol production. He noted Alaska has recently developed an in-state demand for ethanol, in an attempt to address urban winter air pollution problems. He stated this is the kind of vision and scope we need to be considering.

Scott Miller observed that the agricultural system in Alaska has been run bureaucratically and not by farmers. The leadership in the Division of Agriculture has been too much a politically appointed bureaucrat position, not someone tied closely to agricultural production.

His second criticism was that it has been a cumbersome and inefficient agency. Third, he asked where were the markets and infrastructure they had been promised for their barley back in the early 1980's. He noted that much of the crisis in the industry today is due to growing pains. There have been no developments in the way of infrastructure since 1984.

He supports a State Board of Agriculture, and a Director-at-Large half-time position, filled by a farmer who would answer to the State Board of Agriculture. Then we would see some progress.

Laure Knopp, of Knopp Dairy, testified from the Delta L.I.O. She stated she agreed with everything Scott Miller had said and would expand on his presentation. She said not only is red meat production in Delta ready to address processing, but the dairy producers in Delta are forming a corporation to address dairy processing. Deltana Community Corporation is receiving grants to build a vegetable processing plant in Delta because their production has increased to the point of needing to address processing. Thus each production segment of the industry is at the point of addressing processing. She is concerned that the current momentum not be crippled by the political process, and hopes this group can address that in an expedient manner.

Bryce Wrigley testified next from the Delta L.I.O. He raises barley and

feeds hogs in Delta. He sees a tremendous market in Alaska for agricultural products, and believes it is an advantage for Alaska to produce its own food. The ARLF is critical, and there are some basic services government needs to provide until private industry is able to provide them. One is seed potato testing, which is necessary in order to export seed potatoes. Another is inspection of meat and produce. Promotion of those products should continue being handled largely under the Division of Agriculture's Alaska Grown Campaign, which is a good program.

He noted many people in Alaska's larger cities may be surprised at how much agriculture has grown in Alaska in the last few years, and he said Scott has been instrumental in raising awareness through various newspaper articles. It seems counter-productive for the legislature to cut deeply into areas where there are opportunities for economic growth, especially in the Delta area with Fort Greely closing where agriculture provides the best and most stable renewable resource, something that can be tapped into for many years. Agriculture is here and it is a viable operation.

Representative James again opened the meeting for group discussion.

Bill Ward presented his re-organization plan. (See attached reorganization chart). He stated his intent was not to get entirely away from state government, because a strong division of agriculture is a necessary function in Alaska as well as in all states. He was driven to present this plan by the realities of the last few years: The Division of Agriculture has been reduced in importance and funding to the point it can no longer operate in the manner intended. He does not blame this on the Division's staff, and he understands their frustrations. The reality today is the Legislature, the Governor, and the Department of Natural Resources are not in a position to commit funding to the Division of Agriculture. The FY 98 budget will show even further reductions to the Division. The ARLF was promised to the agricultural community as a revolving loan fund, and the theft that has occurred over the years is breaking that commitment.

He noted there are certain regulatory functions that must stay in state government, and they will have to be dealt with in either DNA, DEC, or both, so his plan advocates keeping all those inspection jobs there.

Next he referred to his concept of a Board of Agriculture, which has long been supported by the agricultural community because those in the industry are in the best position to understand the importance of maintaining a relationship between government and the private sector, and they have a vested interest in seeing agriculture succeed. The Administration must have the ability to appoint people to represent administrative policy, and any Governor must recognize the importance of representation from the Alaska Farm Bureau and the Soil and Water Conservation Districts because those people are elected from within the industry. The Board of Agriculture is critical to maintain a link between the industry and government. Services needed from the government are expanded infrastructure, markets, and testing programs, and the Alaska Grown Program.

The proposed Alaska Development Corporation, under the Board of Agriculture, is not totally private, so the public interest is protected, yet it is driven by private industry needs.

This plan would release the State from providing funding for basic services, but the industry in return should receive the agriculture land as an endowment, via the Agricultural Development Corporation and the trusteeship of the Board of Agriculture. That is the industry's future and security. The land is worthless as it stands now, and could become productive.

Agriculture cannot survive without outside expertise and services, and that is why the extension service, the experiment station, and the plant materials center are necessary in the proposed plan.

Bill Ward continued that the industry has taken a stand that the single most important issue is protecting the AALF assets. He does not believe any government should be in the lending business, so the proposed plan takes those cash assets and creates a private farm credit bank, using the borrowers as stock-holders. Borrowers would be required to buy stock in the bank, giving them a vested interest in the success of the bank.

Mt. McKinley Meat Plant and the Matanuska Maid Dairy would be managed by the Board of Agriculture, along with any other infrastructure assets in which the state has a capital interest.

The plan requires a lot of statutory change and a lot of public input to determine whether it is in the best interest of the State, but the important thing is that the private sector is allowed to control its destiny, the government sector maintains its obligation to protect the food and the environment, and there is an on-going communication link between the two through the Board of Agriculture.

One important thing not spelled out in the plan would be statutory authority for the Board to have a closer working relationship with the federal agencies. Currently there is very little communication between the NRCS, state government, and farm services agencies, and this is a real shame. If the Board of Agriculture could have ex-officio representation within these federal agencies, and vice versa, it would benefit everyone concerned.

He concluded by inviting questions or suggested improvements to the plan.

Representative James thanked him for all his work, and for giving us a place to start. She noted Fairbanks was on line.

Bob Franklin testified next from the Fairbanks LIO, as president of the Alaska Farm Bureau. He noted Fairbanks had been on line and listening the whole time, though Juneau had not been informed. He stated the farm bureau is here to pull agriculture together. He agreed a restructure of some sort is necessary, as is increased infrastructure. It will take much hard work and input, and the farm bureau will help in any way it can.

He next discussed his role as owner of B.Y. Farms, a red meat processing facility in Fairbanks, the only one in operation that does slaughter. With the new slaughter house coming on in Delta, this is a charge to the industry to provide animals so the infrastructures can survive. Making Mt. McKinley Meats into a private co-op would be a plus for the industry, and a step in the right direction.

In the Interior, he does custom processing for individual Back Yard farmers. He stated he does all out-of-pocket funding, without relying on any state or federal funding. Last year Bryce Wrigley moved about 300 pigs from back yard farmers, which helped his business as well as the grain business. This shows how the whole thing works together, and has to work together.

Bob Franklin stated the farm bureau is here to help, not to hinder or tear apart. It is here to help organize and pull together to do what must be done for this industry to move forward into the 21st century. Agriculture in Alaska is 20 years behind the Lower 48, and we need to close that gap. We need to produce more within the state, and we can do it. This legislative session can be the turning point for the industry. He thanked Representative James for her work on this issue.

Jerry Marlow, at the Fairbanks LIO, added his thanks to everyone for the work being done. He noted a lot of what is being done won't have an effect on him at his age, but his children or his nephew can benefit. He emphasized the need for infrastructure and offered his assistance.

Representative James again opened the meeting to group discussion, and announced the next meeting would be a State Affairs Committee hearing on Saturday, April 12, from 10:00 a.m. until 12:00 noon. She said she would like to have legislation ready by January of 1998 to solve all these problems, including structure, finances, and all aspects of the issue. This will require intensive work during this session as well as during the interim. She invited questions and comments.

Barbara Cotting, staff person for Representative James, noted Tam Cook, the legislative bill drafter, had stated that drafting the bill would be very difficult, partly because so many components of the plan are federal, and Alaska cannot legislate anything which assumes any control over what the federal agencies do. Getting the legislation drafted will be the big hang-up.

Representative James stated she didn't think it would be a big problem once we got it organized. There is always a way to tap into the federally funded people by giving them a position and some input, as opposed to sweeping them in. The issue is to keep them involved in the process, and to keep from duplicating efforts so as to maximize their participation and make every dollar count, with the fundamental goal of advancing agriculture.

Hollis Hall offered to leave copies of the Smith-Lever Act and the Hatch Act, which are written in the spirit of cooperation with the states

because the legislation has to work with cooperative federal-state management.

Representative James added we must be sure not to duplicate services also with the University, and that we have all bases covered.

Bill Ward asked a question about protocol. Would there be any advantage to having a bill in the hopper before this session adjourns?

Representative James replied it would certainly be nice to file a bill before she goes home in the middle of May, but if that is not possible we can still go forward, and legislation can be drafted throughout the interim as a working document even if it not a filed document. The only real advantage to having a filed bill is that people can pick up copies from any Legislative Information Office.

Bill Ward noted he makes both of the University people nervous with his radical ideas, but his concern comes from the industry's need for both research and extension services. He wondered if they could provide a better service for the industry if they were not affiliated with the University but had a relationship with another state agency such as DNR. He also asked if they could do a better and more efficient job if the Ag and Forestry Experiment Station and the Cooperative Extension Service merged into one unit. What is the best mechanism for them to meet their mission and maximize their service to the agricultural community?

Representative James replied it is a matter of communication, and that any legislation will have to stay within the parameters of what we are allowed to do.

Hollis Hall responded to Bill Ward's two questions. He did not think that operating outside the University community would be possible, because of federal funding constraints. The answer to the second question is, Yes.

Representative James noted we can look at all suggestions, and nothing will be restricted in our discussions.

Allen Mitchell added some movement within the University would be more available and comfortable, and he agreed with Hollis Hall that their two operations could merge.

Hollis Hall said he had worked in a state where the two functions were managed by one person.

Bill Ward noted that Alaska's Congressional Delegation has a keen interest in the services provided by these entities, though they may not be fully aware of the problems occurring within the University. At some point in time, he would like to bring the Congressional Delegation into the discussion, so they can participate in the process as well.

Senator Lyda Green said she thought we were coming to an appropriate time where we could draft a letter to let the Congressional Delegation

know where we are, what the discussion is, what concerns have been expressed, and what we are trying to do, and asking what room there is for adjustments, particularly with the University-affiliated organizations, so the Legislature can enhance their future and provide a lasting effect.

Representative James said Barbara could draft such a letter and run it by her office, then send it from both of them.

Senator Green commented on how difficult it is for anyone who steps forth with a plan to instigate change and she thanked Bill Ward for the work he did.

Herb Simon testified from Nelchina, commenting that the public political reality of agriculture needs to be addressed. Other private sector industries have a large network of support services. Nationwide there is a lack of understanding of the importance of agriculture, and its economic contributions. In our current efforts, we need to generate both public and political acceptance of agriculture, and we need all 60 legislators to understand the total economic impact within our state.

Hollis Hall added his thanks to the Wards for bringing this matter to light.

Representative James said she does not want to lose the School of Agriculture, or the Ag and Forestry Experiment Station, or the regulation of efforts and inspections by the state, or we will lose everything. We must learn to be publicly and politically correct, and we have to have support.

Bill Ward remarked about the letter which will be written to the Congressional Delegation, saying it might address not only the University aspects but possibly they could make a formal request to the USDA that the Natural Resource Conservation Service and Farm Services Agency be brought into this discussion in a formal capacity.

He also wanted to put on the record that this cannot be only an industry-public-legislative solution. It requires the Administration to be an equal partner. Though Commissioner Shively left, he had publicly stated he was committed to working with the industry and the Legislature to find a solution.

Bill Ward stated he wanted the Governor to see this as a non-partisan issue.

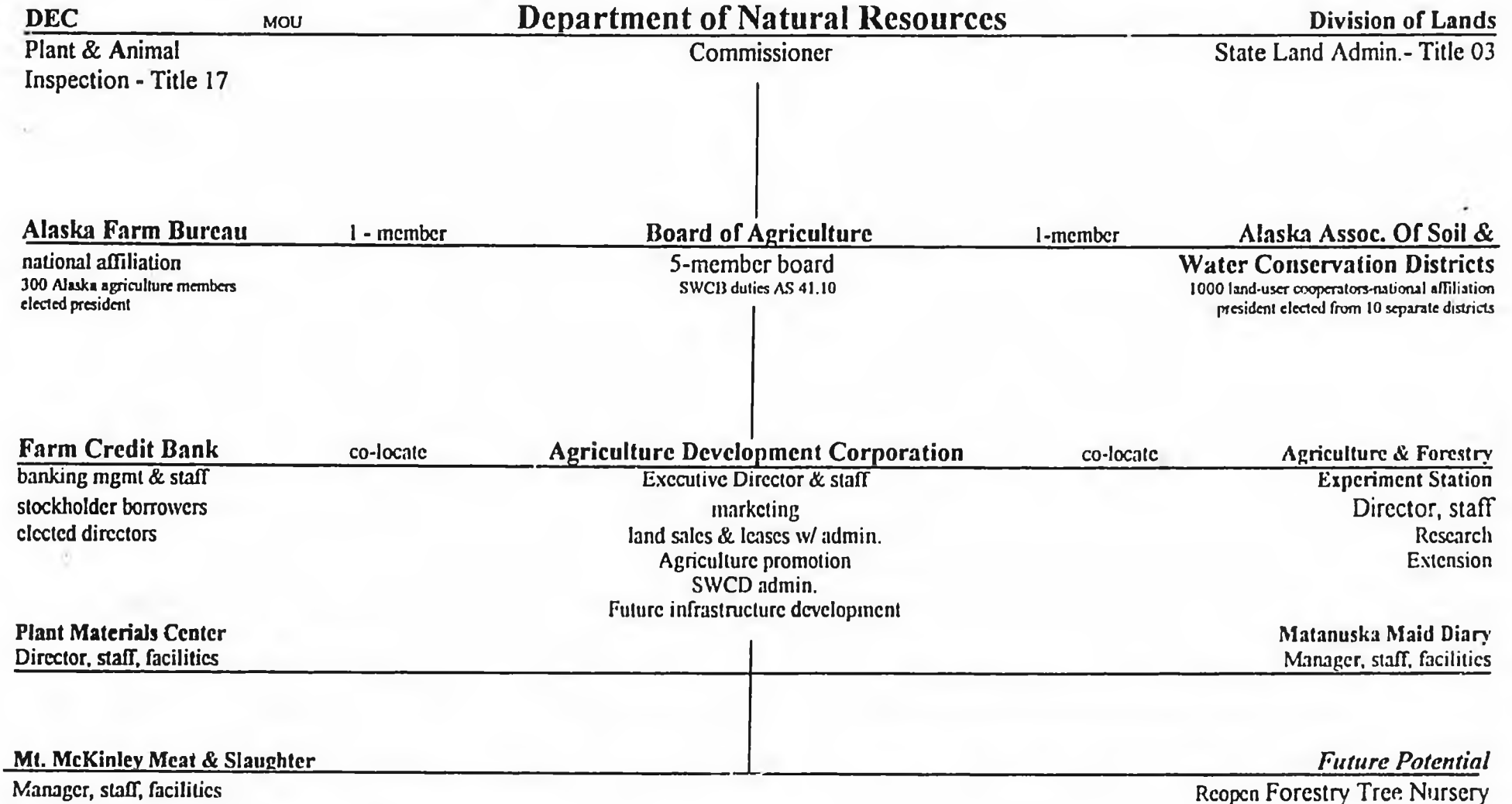
Marty Rutherford, Deputy Commissioner of Department of Natural Resources, spoke from the Anchorage LIO, insuring the group that DNR is very committed to working on this reorganization proposal and coming up with a solution everyone can support, by January of next year.

Bonnie Williams, Finance Committee Staff for Representative Pete Kelly, said she had several questions when she looked at the reorganization plan, and suggested someone might have answers by the next meeting:

1. Does the plan eliminate the Division of Agriculture?
2. The proposed Farm Credit Bank contains the Agriculture Development Corporation which is losing money and will continue to lose money, a plant materials center which is not making money, a Mt. McKinley Meat and Slaughter that is not out of the red, a Matanuska Maid Dairy which is losing money. How will the quasi-public development corporation be funded?
3. Will the Agriculture and Forestry Experimental Station give up its land grant status?
4. How will the Legislature be persuaded to turn over to a non-governmental entity the property of the state, in transferring the assets of the bank?
5. The University's budget close-out had a cap of \$2.5 million, and one of the things they did was cut that portion of the School of Agriculture and Forestry that is funded out of Science and Technology, and something might need to be done.
6. Regarding land sales, she wondered if the land that is taken over by the bank is coming out of the Division of Lands, which doesn't like to release any land to anybody.

Representative James noted those were good questions which needed to be answered. She thanked everyone for participating, and adjourned the meeting.

Agriculture Reorganization Plan



AGRICULTURE REORGANIZATION PLAN

- A) Close the Division of Agriculture under its present structure.
 - 1) Transfer the statute & regulatory functions of state government to other agencies.
 - a) food & animal health to DEC - Statute authority already exists
 - b) land regulation to Division of Lands - basically already there
 - 2) Transfer ARLF cash assets to member owned cooperative bank (see para. F)
 - 3) Transfer the Plant Materials Center to the Agriculture Development Corp (ADC).
 - 4) Transfer the infrastructure and land assets of ARLF to the ADC for management.
 - 5) Transfer existing employees to other divisions where talents are best served.
 - 6) Disband the ARLF & SWCB boards.

 - B) Create under state statute a Board of Agriculture
 - 1) Board of Agriculture consists of a 5 - member board under DNR
 - a) Seat 1 Automatic - Farm Bureau President (option: or designee)
 - Seat 2 Automatic - Ak. Assoc. of Soil & Water Conservation Districts President
(Option: or designee)
 - Seat 3 & 4 Commercial production agriculture persons-represent diverse industry & geographic elements
 - Seat 5 At Large - general business or financial background
 - b) Seats 1 & 2 are automatic and selected by electoral process in place in each organization
 - c) Seats 3,4,&5 are appointed by the governor for staggered three year terms. Serve full terms to insure continuity between administrations. (Option: confirmed by legislature)
 - 2) Provide statute authority to:
 - a) official representative of state agriculture under authority of statute & DNR commissioner
 - b) meet and provide advisory guidance to any state agency with agriculture oversight.
 - c) act as liaison with federal agencies with agriculture oversight.
 - d) act as governing body for the Agriculture Development Corporation (ADC)
 - e) act as a liaison between agriculture producers, state, and ADC
 - 3) Act in the capacity of the DNR, Soil & Water Conservation Board
 - 4) Report to the Administration and Legislature on agriculture, the Board, and the ADC.
 - 5) Provide for Per Diem, Travel, & Other Expenses from state government
-
- C) Create an Agriculture Development Corporation (ADC)
 - 1) Under state statute create a public/private (for-profit or non-profit?) corporation, somewhat like the Ak Railroad Corp, AIDA, or??
 - 2) Guide the development, growth, & stability of agriculture in Alaska
 - 3) Sell or Lease and administer contracts for state agriculture designated lands in Alaska
 - a) work closely with the Soil & Water Conservation Districts in this effort.
 - b) dedicate state lands with agriculture classification to a pool w/ ADC access.
 - c) conduct all activities in advance of sale: public comment, appraisal, disposal method, etc.
 - d) work with Div of Lands to conduct actual land sale if required.
 - e) monitor terms of land sale contract for compliance (use the supervisors of the SWCD's to periodically inspect and report on compliance of the fee simple title w/ covenant agriculture lands.)
 - f) report to AG & other appropriate agencies when lands are in non-compliance
 - g) evaluate the need and scope of future agriculture land sales
 - h) manage the land endowment for the security of the industry and the corporation

- 4) Manage state assets like Matanuska Maid & Mt McKinley Meats under contract.
- 5) Evaluate and conduct an agriculture marketing program and stimulate markets as required.
- 6) Oversee the activities of the PMC & direct their research efforts.
- 7) Advise on agriculture research & extension needs to the Ag & Forestry Experiment Station
- 8) Oversee the activities of the new Farm Credit Bank. (replacement for ARLF)
- 9) Oversee and coordinate the activities of the SWCD's in their roles under AS 41.10

D) Consolidate the Agriculture & Forestry Experiment Station and Cooperative Extension Service and co-locate with the Agriculture Development Corp.

- 1) Create statute authority to allow the Agriculture & Forestry Experiment Station and the Cooperative Extension Service to separate from the University and to operate in partnership with the ADC as a public/private entity.
 - a) Leave the School of Agriculture as a University program in Fairbanks.
 - b) Note: The Invermay Institute of AgResearch in New Zealand has successfully transformed from a total state run research facility to a partially private entity which uses some public funds while competing as a private research facility. It may be useful to study their program.
 - c) Structure the Station and CES so they are still able to maintain the federal Hatch, Stennis, & McEntire funds as well as the matching state funds.
- 2) Locate the offices for all entities in the buildings at the Palmer Research Farm on Trunk Rd.
 - a) There are enough buildings with plenty of office space, state of the art labs, and centrally located for research, extension, and agriculture activities. The University is planning on closing the Palmer farm in the near future.
 - b) The laboratory can be used to continue soils work, research, PMC work, and contract with the DEC, F&G, and other agencies for lab work.
- 3) Co-location and partial combination of these entities will result in better and more efficient service to the agriculture community.

E) ADC Structure and Funding

- 1) ADC to be governed by the Board of Agriculture acting as the directors of corporation.
- 2) ADC managed by an Executive Director who is hired by the Board of Agriculture.
- 3) Other staff hired and supervised by Executive Director
- 4) Employees are not state employees and are managed under personnel policies of ADC
- 5) Ag & Forestry Station, Extension Service, & PMC retains it's own staff & management
- 6) Exec. Director & Board work with other directors on scope & direction of programs
- 7) FUNDING - *all important issue*
 - a) buildings & grounds provided by University, existing Ag & Forestry Station budget should provide for building maintenance & operations.
 - b) income from ag land sales & contracts drawn from land pool
 - c) pursue grants and donations as private corporation.
 - d) establish fee structure for services provided to industry & other entities.
 - e) use volunteer efforts of SWCD's and other entities
 - f) contract with other state agencies for services performed like lab work, PMC materials & information, land & habitat studies,
 - g) perform contractual services for state, federal, local, & private entities on any activity where agriculture, conservation, and land use expertise can be provided.
 - h) seek legislative appropriation for activities when its in the state's interest.
 - i) request a one time appropriation to create ADC & fund start-up costs.

- j) bid on management contracts, feasibility studies, and anyplace else where it can make a buck
- k) NOTE: The ability to fund operations relies heavily on the qualifications and abilities of the executive director who's hired to seek out and obtain sources of funding as well as manage the corporation.

F) Farm Credit Bank

- 1) Establish a member owned cooperative bank similar in structure to the Production Credit Associations (PCA's) which are evident throughout the US.
 - a) each borrower buys stock in bank with every loan.
 - b) directors of bank are elected from stockholders & in turn govern bank policies
- 2) Provide initial capital from the cash assets of ARLF and transfer loan portfolios to new entity.
- 3) Staff with banking management & agriculture loan officers to administer loans, est 1 or 2 people
- 4) Oversee state investment through Board of Ag, but with no interference to operations or loans
- 5) House in ADC building and pay rent to ADC

cc:Mail for: Barbara Cotting

Subject: Re: fiscal note

From: Shari Kochman at Gov_Juneau_Capitol 04/04/1997 02:40 PM

To: Barbara Cotting at LAA_TRANS

request made

thanks

..... Reply Separator

Subject: Fiscal note

Author: Barbara Cotting at JNU_LAA

Date: 4/4/97 11:34 AM

I have published HB 309, Board of Agriculture, in State Affairs for Saturday, April 12, and need fiscal notes. over LNK probably, and I don't know who else. Thanks.

cc:Mail for: Barbara Cotting

Subject: fiscal note

From: Barbara Cotting 04/04/1997 02:34 PM

To: SHARI_KOCHMAN@GOV.STATE.AK.US at CC2MHS1

I have scheduled HB 228, Board of Agriculture, in State Affairs for Saturday, April 12, and need fiscal notes, from DNR probably, and I don't know who else. Thanks.

STATE OF ALASKA

5

ROUTE SLIP

Sponsor

TO: Mail Station 3100	Department Legislature	Division RM # 102
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Attention (H) STA - Rep. James

- | | |
|--|--|
| <input type="checkbox"/> Approval | <input type="checkbox"/> Note & Return |
| <input type="checkbox"/> Signature | <input type="checkbox"/> Initial & Return |
| <input type="checkbox"/> Comment | <input type="checkbox"/> Return as Requested |
| <input type="checkbox"/> Contact Me | <input type="checkbox"/> Return for Approval |
| <input type="checkbox"/> Prepare Reply | <input type="checkbox"/> Necessary Action |
| <input type="checkbox"/> For Your File | <input checked="" type="checkbox"/> For Your Information |

Remarks:

Hearing Date:

Apr. 12

Time:

10:00 AM

Room:

102

FROM: Mail Station 1000	Department DNR/DMVA	Division Comm's Off
By Nico Bus & Carrol Carroll		Date 4-11-97

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. HB228

Revision Date: _____ Dept Affected: Natural Resources
 Title: An Act relating to the Board of Agriculture, to BRU: Agricultural Development
the Agriculture Development Corporation, to the ... Component: Agricultural Development
 Sponsor: Rep. James
 Requestor: (H)STA Component Serial No. 455

Expenditures/Revenues	(Thousands of Dollars)					
	FY98	FY99	FY00	FY01	FY02	FY03
OPERATING EXPENDITURES						
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE	(Thousands of Dollars)					
	FY98	FY99	FY00	FY01	FY02	FY03
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
OTHER						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY97) cost: \$ none

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary)

Analysis assumes FY98 Governor's request amounts of \$855.1 for ARLF management and \$257.5 for Ag Land Management will be transferred to the newly established corporation. A copy of the original budget requests for these projects is attached.

Analysis assumes remaining activities in the Division of Agriculture currently funded by ARLF funding will continue to be funded with ARLF.

As this legislation continues to be clarified we will provide additional fiscal analysis and impact.

Copies of the ARLF Cash Flow Projection and Comparative Balance Sheet are attached.

Prepared by: Jay Kerttula, Director *[Signature]* Phone: _____
 Division: Agriculture Date: 11-Apr-97
 Approved by Commissioner: *[Signature]* Date: 4-11-97
 Agency: Natural Resources

PROJECT NUMBER: 74	PROJECT TITLE: Agr Land Conser & Contract Mgmt	LOCATION: Palmer
	AUTHORITY: AS 03	CONTACT: Jay Kerttula 745-7200

	FY96 ACTUAL	FY97 AUTHORIZED	FY98 ADJUSTED BASE	FY98 GOVERNOR
71000 Personal Services	257.3	242.3	242.3	244.9
72000 Travel	3.7	3.7	3.7	3.7
73000 Contractual Services	21.9	7.0	7.0	7.0
74000 Supplies and Materials	1.3	1.9	1.9	1.9
75690 Equipment				
75025 Lands/Buildings				
77000 Grants, Claims				
TOTAL	284.2	254.9	254.9	257.5

1002 Federal Receipts	4.1			
1003 General Fund Match				
1004 General Fund				
1005 General Fund Program Receipts	235.7	224.2	224.2	224.2
1091 General Fund Des. Program Receipts				
1007 IA Receipts				
1061 CIP Receipts				
1021 ARLF	44.4	30.7	30.7	33.3
TOTAL	284.2	254.9	254.9	257.5

Full-Time	3.75	3.75	3.75	3.75
Part-Time				
Temporary				
Staff Months	45.00	45.00	45.00	45.00

PROJECT DESCRIPTION:
 Make agricultural land available in a range of parcel sizes as dictated by regional and local demand for land sales, leases, and permits as funding allows.

Emphasis will be on selling previously sold land, returned to the state through foreclosure. It is important to resell these parcels before they regrow and the clearing investment is lost.

PROJECT DETAIL
 Form P2
 Revised 8/5/96

AGENCY NATURAL RESOURCES
 BRU AGRICULTURAL DEVELOPMENT

Page 1 of 2
 Revised Date: FY98

CONTINUATION OF FORM: P2

Maintain inventory of unsold lands, classified for agriculture, for future sale. Prior to offering land for sale, the Agricultural Land and Contract Management Section reviews parcels for legal survey and status, provides for appraisal, conducts Title 38.945 notice, formulates terms and conditions of sale, and issues land sale and lease contracts. After sale or lease, this section monitors contract holders for compliance with their contractual requirements including farm conservation plans and development requirements annually.

Payment schedules are monitored. If development or payments fall behind schedule and are not corrected certain specified times, this section initiates collection and foreclosure actions. This section also monitors patented agriculture lands for compliance with statutory and regulatory requirements to maintain the agriculture potential of classified agriculture land. Minimally one quarter of patented agricultural land is to be inspected each year.

Goals:

- Monitor approximately 197 land sale contracts for compliance with the sales contract.
- Monitor approximately 248 patented farms to ensure they comply with use restriction regulations.
- Continue to work with local Soil and Water Districts to establish land disposal projects.
- Monitor 29 grazing leases and permits on 178,630 acres for compliance with terms and conditions of the lease.
- Continue to refine and develop a new statewide grazing policy for public lands classified for grazing purposes.
- Issue approximately 12 seasonal land use permits in Pt. MacKenzie available for hay operation.
- Review status of unsold land classified for agricultural and participate in state and local land planning projects.
- Respond to daily written and verbal request for agricultural land disposal and leasing information.
- Continue management of foreclosed properties to maintain production capabilities and comply with Federal farm program requirements.

PCN	CLASSIFICATION	RANGE	LOCATION	TS	COMMENTS
10-3013	Development Specialist	20	Palmer	PFT	50% Shared w/Alaskan Grower
10-3071	Planner	19	Fairbanks	PFT	50% Shared w/ARLF
10-1388	Natural Resource Officer	16	Fairbanks	PFT	
10-1727	Natural Resource Officer	16	Palmer	PFT	25% Shared w/ARLF
10-1795	Natural Resource Officer	16	Palmer	PFT	

**ADDITIONAL
EXPLANATION
FORM**

Revised 8/5/96

P26 Printed 12/03/96 7:37

AGENCY NATURAL RESOURCES

BRU AGRICULTURAL DEVELOPMENT

COMPONENT AGRICULTURAL DEVELOPMENT #455

Page 2 of 2

Revised Date:

FY98

000764

PROJECT NUMBER: 76	PROJECT TITLE: Agriculture Revolving Loan Fund	LOCATION: Palmer
	AUTHORITY: AS 03.10	CONTACT: Jay Kerttula 745-7200

	FY96 ACTUAL	FY97 AUTHORIZED	FY98 ADJUSTED BASE	FY98 GOVERNOR
71000 Personal Services	341.1	393.4	393.4	332.9
72000 Travel	19.1	38.6	38.6	38.6
73000 Contractual Services	300.0	439.2	439.2	439.2
74000 Supplies and Materials	15.8	44.4	44.4	44.4
75690 Equipment	24.8			
75025 Lands/Buildings				
77000 Grants, Claims				
TOTAL	700.8	915.6	915.6	855.1

1002 Federal Receipts				
1003 General Fund Match				
1004 General Fund				
1005 General Fund Program Receipts				
1091 General Fund Des. Program Receipts				
1007 IA Receipts				
1061 CIP Receipts				
1021 ARLF	700.8	915.6	915.6	855.1
TOTAL	700.8	915.6	915.6	855.1

Full-Time	7.75	7.25	6.75	6.75
Part-Time				
Temporary				
Staff Months	93.00	87.00	93.00	93.00

PROJECT DESCRIPTION:
 Erosion of ARLF funds jeopardize the continued operation of this project since funding is being used for program wide division operation. The Agricultural Revolving Loan Fund (ARLF) provides moderate interest rate loans for agricultural development. Conventional financing and federal loan programs are not generally available to agriculture in Alaska. ARLF provides loans for farm development, chattel, operation, and product processing. The ARLF provides staff and administrative support for a seven-member loan board appointed by the governor.

PROJECT DETAIL
 Form P2
 Revised 8/5/96

AGENCY NATURAL RESOURCES
 BRU AGRICULTURAL DEVELOPMENT

Page 1 of 2
 Revised Date:

FY98

Loan demands continue to expand. Old cases in default as a result of agriculture projects 80s are being settled and new buyer/producers found for repossessed properties.

The major performance objective has been to improve the delinquency rate of the ARLF portfolio through restructuring those existing loans which are in default and litigation. Most settlements are now accomplished through the Attorney General's Office. Although RSA to the Department of Law was reduced in FY95 and again in FY96, asset maintenance continues to require funding. The second performance objective is to provide low risk loans to borrowers with good productive history to develop industry stability. The third objective is for ARLF to expand its efforts to focus on development of new resource opportunities in the agriculture industry.

Goals:

Provide direct moderate interest rate loans to assist the agricultural community expand production of Alaska grown products.

Service the ARLF \$31 million portfolio with 180 borrowers and 230 loans.

Provide management of foreclosed 15 foreclosed and leased properties until resale or lease.

Provide for disposal of 15 ARLF asset parcels.

Process 80 new loan applications with an expected \$2.5 million in new loans to 35 approved borrowers.

Continue to work with the ARLF Board and Attorney General's Office on an average of ten delinquent borrowers as to minimize defaulted loans through aggressive collection action.

Coordinate eight ARLF board meetings with a statewide seven-member board.

Provide billing and receipts for \$3.5 million cash payments from borrowers and leasing ARLF assets.

PCN	CLASSIFICATION	RANGE	LOCATION	TS	COMMENTS
10-3096	Accountant II	16	Anchorage	PFT	
10-3064	Loan/Collection Officer	16	Palmer	PFT	
10-3070	Loan/Collection Officer	16	Palmer	PFT	
10-3020	Loan/Collection Officer	16	Palmer	PFT	
10-3030	Administrative Clerk II	8	Palmer	PFT	
10-3052	Administrative Clerk II	8	Palmer	PFT	
10-3071	Planner III	19	Fairbanks	PFT	50% Shared with Ag Land
10-1727	Natural Resource Officer	16	Palmer	PFT	75% Shared with Ag Land

ADDITIONAL EXPLANATION FORM
Revised 8/5/96

AGENCY NATURAL RESOURCES

BRU AGRICULTURAL DEVELOPMENT

COMPONENT AGRICULTURAL DEVELOPMENT #455

Page 2 of 2
Revised Date:

FY98

000769

Cash Flow Statement
July 31, 1996

	Actuals	Estimates						
	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
Beginning Cash Balance	\$6,682,575	\$6,377,568	\$4,604,529	\$2,564,484	\$550,292	(\$1,305,367)	(\$2,604,308)	(\$3,990,196)
Cash Inflows:								
Principal & interest payments - Note 1	2,789,131	2,719,933	3,166,894	3,727,141	4,058,551	4,321,658	4,229,820	4,270,236
Leases	173,358	116,944	120,168	83,368	44,229	33,579	8,825	8,825
Late payment penalties - Note 2	13,692	16,048	18,685	21,990	23,945	25,498	24,956	25,194
Settlements on defaulted loans - Note 3		1,500	121,000	25,000	25,000	25,000	25,000	24,000
Sale Assets, Misc - Note 4	157,363	194,000						
Cash Outflows:								
New loans - Note 5								
Current year disbursements	(1,924,432)	(2,430,000)	(3,060,000)	(3,330,000)	(3,420,000)	(3,150,000)	(3,150,000)	(3,150,000)
Disbursements on prior year loans	(361,316)	(254,672)	(270,000)	(340,000)	(370,000)	(380,000)	(350,000)	(350,000)
ARLF Operating expenses - Note 6	(652,439)	(915,600)	(915,600)	(980,500)	(980,500)	(930,000)	(930,000)	(940,000)
GF expenditures paid by ARLF - Note 6	(455,397)	(1,175,000)	(1,175,000)	(1,175,000)	(1,190,000)	(1,200,000)	(1,200,000)	(1,200,000)
Payments to the General Fund - Note 7	(44,967)	(46,191)	(46,191)	(46,191)	(46,884)	(44,677)	(44,485)	(44,488)
Ending Cash Balance	\$6,377,568	\$4,604,529	\$2,564,484	\$550,292	(\$1,305,367)	(\$2,604,308)	(\$3,990,196)	(\$5,346,428)

Note 1 - Principal & interest payments based on 8% interest rate for loans issued from FY97 through FY03, less 4% bad debt allowance and less 1.89% Good Borrower Credits.

Note 2 - Late payment penalties represents FY92-FY96 historical assessment rate of 0.59% of total payments.

Note 3 - FY97 = Expected recovery from accounts assigned to the Attorney General's office for collection. Estimates provided by AAG Douglas Lottridge 1-8-97.

Note 4 - FY97 = Assets sold as of 1-10-97 (\$194,000). No estimates available.

Note 5 - Loans are assumed to be disbursed 90% in the current fiscal year and 10% in the subsequent fiscal year.

Estimates

FY97 & FY98 estimates based on FY98 L1 & L2 budget document.

FY99 - FY03 provided by Jay Kerttula 11/96.

Allocated as follows:

C-loans = 12% of total loans per year, amortized over 5 years.

P-loans = 3% of total loans per year, amortized over 10 years.

F-loans = 27% of total loans per year, amortized over 14 years.

S-loans = 58% of total loans per year, amortized over 1 year.

Note 6 - Annual expenditure estimates provided by Jay Kerttula.

Note 7 - Payments to the General Fund for settlement agreements where ARLF & GF loans are consolidated into one ARLF loan.

AGRICULTURAL REVIVING LOAN FUND
Comparative Balance Sheet
November 30, 1996

ASSETS	November 30, 1996	October 31, 1996	LIABILITIES	November 30, 1996	October 31, 1996
Current Assets			Short Term Liabilities		
Cash, less outstanding warrants	\$6,604,503	\$6,703,952	Accounts Payable	\$228,640	\$228,640
Receivables			Accrued Payables	0	0
ARLF Loans	10,014,235	10,033,255	Trust Account	1,600	1,600
Land Sale Contracts	474,188	480,822	Total Short Term Liabilities	230,240	230,240
Notes Receivable	328,147	329,181			
Judgments	3,133,789	3,133,901	Due to Other Funds		
Accrued Interest -1-	197,483	197,483	Due to General Fund	-4- 1,678,644	1,678,644
Accrued Penalties -1-	1,550	1,550	Allow for AFC stock	-4- (1,044,421)	(1,044,421)
Leases/Misc Receivable	0	0	Due to School Fund	-4- 3,187	3,187
Protection of Collateral	2,296	2,296	Total Due to Other Funds	637,410	637,410
Less Allowances:					
Doubtful Accounts -2-	(3,990,268)	(3,990,268)	TOTAL LIABILITIES	867,650	867,650
Net Receivables	10,161,419	10,188,219			
Loans in Process	56,248	0			
Repossessed Inventory	1,830,977	1,830,977	FUND EQUITY		
Total Current Assets	18,653,147	18,723,148	Fund Equity, Beginning	29,643,379	29,643,379
			Current Year Earnings (Loss)	(476,799)	(406,798)
Due from Other Funds			TOTAL FUND EQUITY	29,166,580	29,236,581
Due from GF (Court System)	0	0			
Due from Mental Health	55,429	55,429	TOTAL LIABILITIES & FUND EQUITY	\$30,034,230	\$30,104,231
Total Due from Other Funds	55,429	55,429			
Fixed Assets					
Furniture & Office Equipment	107,153	107,153			
Less Accum. Depreciation	(69,129)	(69,129)			
Net Fixed Assets	38,024	38,024			
Other Assets					
Investments: Mat Maid & AFC -3-	6,962,581	6,962,581			
Repossessed Property	5,083,862	5,083,862			
Less Accum. Deprec	(758,813)	(758,813)			
Net Other Assets	11,287,631	11,287,631			
TOTAL ASSETS	\$30,034,230	\$30,104,231			

Footnotes:

1. Accrued Interest and Penalties are adjusted only on June 30
2. The Allowance for Doubtful Accounts applies only to the principal balance
3. Adjustments to record changes in Mat Maid's equity are posted only on June 30

4. Includes amounts due to other funds from: a) outstanding land sale contracts on repossessed prop b) preferred stock issued to ARLF for ARLF and General Fund loans.

AGRICULTURAL REVOLVING LOAN FUND
SUMMARY OF RESUME
January 31, 1997

Area		Number of Borrowers		Number of Loans		Principal Loan Balance		TOTAL ARLF LOANS		
			%		%		%	% of Borrowers	% of # Loans	% of Principal
COASTAL	Current	6	100.0%	9	100.0%	\$777,578	100.0%	5.3%	6.0%	7.5%
	Delinquent	0	0.0%	0	0.0%	0	0.0%	0.0%	0.0%	0.0%
	Default (AG)	0	0.0%	0	0.0%	0	0.0%	0.0%	0.0%	0.0%
	TOTAL	6	100.0%	9	100.0%	777,578	100.0%	5.3%	6.0%	7.6%
DELTA	Current	43	87.8%	64	92.8%	\$3,080,859	97.8%	38.1%	42.7%	30.1%
	Delinquent	6	12.2%	5	7.2%	69,952	2.2%	5.3%	3.3%	0.7%
	Default (AG)	0	0.0%	0	0.0%	0	0.0%	0.0%	0.0%	0.0%
	TOTAL	49	100.0%	69	100.0%	3,150,811	100.0%	43.4%	46.0%	30.7%
MATANUSKA	Current	32	82.1%	41	78.8%	\$4,184,974	77.7%	28.3%	27.3%	40.8%
	Delinquent	5	12.8%	4	7.7%	138,787	2.6%	4.4%	2.7%	1.4%
	Default (AG)	2	5.1%	7	13.5%	1,059,180	19.7%	1.8%	4.7%	10.3%
	TOTAL	39	100.0%	52	100.0%	5,382,941	100.0%	34.5%	34.7%	52.5%
TANANA	Current	18	94.7%	19	95.0%	\$812,326	86.6%	15.9%	12.7%	7.9%
	Delinquent	1	5.3%	1	5.0%	126,103	13.4%	0.9%	0.7%	1.2%
	Default (AG)	0	0.0%	0	0.0%	0	0.0%	0.0%	0.0%	0.0%
	TOTAL	19	100.0%	20	100.0%	938,429	100.0%	16.8%	13.3%	9.2%
AREA TOTALS	Current	99		133		\$8,855,738		87.6%	88.7%	86.4%
	Delinquent	12		10		334,841		10.6%	6.7%	3.3%
	Default (AG)	2		7		1,059,180		1.8%	4.7%	10.3%
Subtotal ARLF Loans		113		150		\$10,249,759		100.0%	100.0%	100.0%
Land Sale Contracts		20		13		468,943				
Notes Receivable		11		9		326,541				
ARLF Judgments		14		15		3,133,548				
Total ARLF Agreements		158		187		\$14,178,791				
GF Judgment & Clearing Loans		7		9		1,275,315				
Total Agreements Administered by ARLF		165		196		\$15,454,106				

STATE OF ALASKA
HOUSE OF REPRESENTATIVES

10/23/97 ✓
10/30/97

Representative Jeannette James



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S P O N S O R S T A T E M E N T

House Bill 228

**Board of Agriculture,
Agriculture Development Corporation**

10/15/97

Please be aware this bill is just a starting point, submitted in response to numerous requests from members of the agricultural industry in Alaska. It restructures the way state agricultural services will function in our state, making them more responsive to the industry's needs and more in touch with the grass-roots operations of our producing farmers.

Alaska needs to encourage agricultural development! We need to remove roadblocks and allow the industry to grow and prosper, for the benefit of our state and all its citizens.

Again, this is just a starting point. We plan to expand the duties and authorities of the Agriculture Development Corporation once we agree upon its formation. We welcome all input and suggestions.

Section 1 adds an entire new chapter to Title 3, "Agriculture and Animals":

"CHAPTER 9. BOARD OF AGRICULTURE."

New Sec.03.09.010 establishes a 5-member Board of Agriculture:

One member shall be a member of a chartered statewide agriculture promotion organization;

One shall be a member of a chartered statewide agriculture conservation organization;

Two shall be engaged in two different commercial production agriculture enterprises, from two different geographic areas;

One shall have general business or financial experience.

Board members will serve staggered three-year terms, and will receive \$100 per day compensation plus authorized per diem and travel expenses when on official board business.

New Sec.03.09.020 authorizes the Board of Agriculture to elect a chair and a vice-chair, and to appoint an executive director and employ staff.

New Sec.03.09.030 defines a quorum and procedures for board meetings.

New Sec.03.09.040 authorizes the Board of Agriculture to make recommendations to the Commissioner of Natural Resources regarding the classification of land as agricultural.

Once a parcel of land is classified as agricultural, this section also authorizes the Board of Agriculture to actually dispose of the land.

The Director of the D.N.A. Division of Lands is thus removed from the process of disposing of agricultural land, while the existing Title 38 lottery and auction provisions remain the same.

Section 2 adds a new section, Sec.03.10.015

This establishes the Agriculture Development Corporation, as a public corporation of the state. The Board of Agriculture serves as the corporation's Board of Directors.

Sections 3 - 13 make changes to existing law, substituting:

Agriculture Development Corporation for [Department]

Board of Agriculture for [Department]

Corporation for [Director of the Division of Agriculture of the Department]

Board of Agriculture for [Commissioner]

Board of Agriculture for [Agricultural Revolving Loan Fund Board]

and transferring the associated authorities to the Board of Agriculture and the Agriculture Development Corporation.

Section 14 adds the Board of Agriculture's executive director and staff to the list of state service positions exempt from the State Personnel Act, Title 39.

Section 15 adds the Board of Agriculture to the Definitions in Title 39, "Public Officers and Employees."

Section 16 repeals sections in existing law defining the Agricultural Revolving Loan Fund Board and its duties and obligations. The ARLF Board is thus eliminated and replaced with the Board of Agriculture.

Section 17 allows for staggered terms of initial Board of Agriculture members: one initial members shall serve one year, and two shall serve two years.

Section 18 sets the effective date for this bill as July 1, 1998.