

HB

203

HFIN

FILE

(11)

HOUSE COMMITTEE REPORT

Date Referred to Committee: April 29, 1999

FURTHER REFERRALS:

Date of Committee Action: 2/4/00

The FINANCE Committee considered:

2d SSHB 203

2d SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 203

AGRICULTURE LOANS

"An Act relating to loans from the agricultural revolving loan fund; and providing for an effective date."

recommends it be replaced with the following committee substitute CS 2d SSHB 203 the same title a new title

additional referral to _____ Committee
 attached amendment(s)

(Fin)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____

APPROVES PREVIOUS: (Dept/Date) _____

fiscal note(s) DNR

fiscal note(s) _____

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Gene Herrmann</i>			X	
<i>Edon W. Field</i>	X			
<i>Earl Beards</i>			✓	
<i>Alan Austin</i>			✓	
<i>John N. ...</i>	X			
<i>[Signature]</i>			✓	
<i>[Signature]</i>	X			
<i>[Signature]</i>	✓			

CHAIR'S SIGNATURE

Gene Herrmann *Edon W. Field*

FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. CS 2nd SS HB203(FIN)

Revision Date/Tim 04-Feb-00

Dept Affected: Natural Resources

Title: Agriculture Loans

BRU: Agricultural Revolving Loan Program Admin.

Component: Agricultural Revolving Loan Program Admin.

Sponsor: Rep. HARRIS

Requestor: (H) FIN

Component No. 2235

Expenditures/Revenues (Thousands of Dollars)
 Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006
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 (1021)	(22.1)	(29.8)	(37.0)	(43.6)	(49.4)	0.0
---------------------------	--------	--------	--------	--------	--------	-----

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2000) 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)

Based on loans issued in FY99, each percent decline in the interest rate of the Agricultural Revolving Loan Fund loans will result in a corresponding decline in interest revenue that averages approximately \$20.0 annually over a five-year period. The revenue projections above reflect an estimated 2% reduction in interest.

Under Sec. 03.10.050 (e), the department has the authority to establish credits for persons who have a loan from the Agricultural Revolving Loan Fund and maintain good financial standing. The credits may be applied against no more than 2 percentage points a year of the interest due on Agricultural Revolving Loan Fund loans. (If a loan to a good borrower was at an interest rate of 5 percent, a 2 percent credit would set the annual interest rate for the year at 3 percent).

Prepared by: Robert Wells *[Signature]* Phone: (907)745-7200
 Division: Division of Agriculture Date: 04-Feb-00
 Approved by Commissioner: John Shively *[Signature]* Date: 02-04-2000
 Agency: Natural Resources

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
 For further distribution information call the Governor's Legislative Office

Interest increase and (losses) for various changes in the interest rate:					
RATE	FY2001	FY2002	FY2003	FY2004	FY2005
10%	22,078.32	29,819.24	37,016.28	43,594.98	49,383.04
9%	11,039.16	14,909.62	18,508.14	21,797.49	24,691.52
8%	0.00	0.00	0.00	0.00	0.00
7%	(11,039.16)	(14,909.62)	(18,508.14)	(21,797.49)	(24,691.52)
6%	(22,078.32)	(29,819.24)	(37,016.28)	(43,594.98)	(49,383.04)
5%	(33,117.48)	(44,728.86)	(55,524.42)	(65,392.47)	(74,074.56)
4%	(44,156.64)	(59,638.48)	(74,032.56)	(87,189.96)	(98,766.08)
3%	(55,195.80)	(74,548.10)	(92,540.70)	(108,987.45)	(123,457.60)

PLEASE NOTE: These projections are based on FY99 actuals and reflect estimated increases and decreases in interest revenues.

2-1-2000

INSP

conceptual

Amendment

2

adopted

called in 4:00

Offered in House Finance

BY REPRESENTATIVE JOHN DAVIES

To: CS for 2nd SSB 203 (FIN)

1. Page 3~~7~~, line 14,
2. After "loans"
3. Insert "under terms set by the Agricultural Revolving Loan Fund and"

Board
^

Adopted -

CS FOR 2d SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 203(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVES HARRIS, James

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to loans from the agricultural revolving loan fund; and
2 providing for an effective date."

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

4 * **Section 1.** AS 03.10.030(a) is amended to read:

5 (a) The farm development, chattel, or irrigation loan made under this chapter

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

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

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

13 (4) shall bear interest at a fixed rate comparable to that charged by
14 other agricultural [THAT MAY NOT BE LESS THAN EIGHT PERCENT OR

1 MORE THAN THE COMMERCIAL RATE, UNLESS THE COMMERCIAL RATE
2 IS EIGHT PERCENT OR LESS; IN THIS PARAGRAPH, "COMMERCIAL RATE"
3 MEANS THE PREVAILING RATE OF INTEREST AT PRIVATE] lending
4 institutions in the state for loans similar to those referred to in this subsection.

5 * Sec. 2. AS 03.10.030(c) is amended to read:

6 (c) A short term loan, to be amortized within one year, not to exceed \$350,000
7 to any one borrower, may be made for operating purposes, except that a loan made
8 under this subsection may not exceed \$200,000 unless the loan is made to a borrower
9 in a farm disaster area declared under AS 03.10.058. The loan shall bear interest at
10 a fixed rate comparable to that charged by other agricultural lending institutions
11 in the state for loans similar to those referred to in this subsection. An applicant
12 for a short term loan may be required to purchase insurance through the Federal Crop
13 Insurance Act (7 U.S.C. 1501 - 1520) as a condition of the loan. The term of a loan
14 made under this subsection may be extended for up to three years by the agricultural
15 revolving loan fund board, in the discretion of the board, upon application by the
16 borrower.

17 * Sec. 3. AS 03.10.030(f) is amended to read:

18 (f) A farm product processing loan may not exceed \$250,000. A mortgage
19 that secures a farm product processing loan may be of any priority if the total
20 indebtedness on the real estate, including the secured farm product processing loan,
21 does not exceed \$250,000. A farm product processing loan that, if made, would raise
22 the existing indebtedness on the real estate securing the loan above \$250,000, or a
23 farm product processing loan on real estate that has a prior indebtedness of \$250,000
24 or more, may be made only if all prior mortgagees agree to subordinate their
25 mortgages to that of the state for the amount of the farm product processing loan that
26 exceeds the \$250,000 indebtedness limit on the real estate. A farm product processing
27 loan may not exceed a term of 30 years or bear interest at a rate that is less than a
28 fixed rate comparable to that charged by other agricultural lending institutions
29 in the state for similar loans [EIGHT PERCENT A YEAR] and shall be secured by
30 a real estate or chattel mortgage or both.

31 * Sec. 4. AS 03.10.030(g) is amended to read:

- 1 (g) A loan for clearing land may not
 2 (1) exceed \$250,000;
 3 (2) bear interest at a rate that is less than a fixed rate comparable to
 4 that charged by other agricultural lending institutions in the state for similar
 5 loans [EIGHT PERCENT];
 6 (3) have a term in excess of 20 years; or
 7 (4) be made for clearing land other than land that has been classified
 8 by the United States Department of Agriculture, Soil Conservation Service, under the
 9 Land Capability Classification System as having agricultural potential for the
 10 production of annual crops or [,] hay, or for pasture.

11 * Sec. 5. AS 03.10.033(a) is amended to read:

12 (a) To increase the return to the state, the Agricultural Revolving Loan Fund
 13 Board may restructure loans (1) in existence on January 1, 1987, made by the board
 14 or by the Alaska Agricultural Action Council based upon guidelines approved by the
 15 board; (2) of a borrower in an area that has been declared a farm disaster area
 16 under AS 03.10.058; or (3) of a borrower who has experienced an agricultural
 17 disaster based upon regulations adopted by the department. Notwithstanding any
 18 other provision of law that relates to loan terms, the [THE] restructuring may only
 19 include reduction of interest to a fixed rate not less than five percent a year [TO
 20 RATES BELOW THOSE SPECIFIED BY AS 03.10.030], an extension of the term
 21 of the loan, and an improvement to the security interest of the state. It may not reduce
 22 the amount of principal and interest owed before the loan is restructured.

23 * Sec. 6. AS 03.10.050(a) is amended to read:

24 (a) The commissioner shall administer the agricultural revolving loan fund
 25 in conjunction with the Agricultural Revolving Loan Fund Board. A [NO] loan [IN
 26 EXCESS OF \$25,000] may not be made by the commissioner without the approval of
 27 a majority of the board, except that emergency loans based upon regulations
 28 adopted by the department and not to exceed \$50,000 may be made upon the
 29 approval, by majority vote, of a committee composed of the director of
 30 agriculture, a board member selected by the board to serve on the committee,
 31 and the chair of the board or the chair's designee.

1

* Sec. 7. This Act takes effect immediately under AS 01.10.070(c).

1-LS0871M-
Cook
1/21/00

*Replaced
adopted 2/1/00*

CS FOR 2d SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 203()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - SECOND SESSION

BY

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVES HARRIS, James

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to loans from the agricultural revolving loan fund; and
2 providing for an effective date."

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

4 * **Section 1.** AS 03.10.030(a) is amended to read:

5 (a) The farm development, chattel, or irrigation loan made under this chapter

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

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

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

13 (4) shall bear interest at a rate comparable to that charged by other
14 agricultural [THAT MAY NOT BE LESS THAN ⁵EIGHT] PERCENT OR MORE

1 THAN THE COMMERCIAL RATE, UNLESS THE COMMERCIAL RATE IS
 2 EIGHT PERCENT OR LESS; IN THIS PARAGRAPH, "COMMERCIAL RATE"
 3 MEANS THE PREVAILING RATE OF INTEREST AT PRIVATE] lending
 4 institutions in the state for loans similar to those referred to in this subsection.

5 * Sec. 2. AS 03.10.030(f) is amended to read:

6 (f) A farm product processing loan may not exceed \$250,000. A mortgage
 7 that secures a farm product processing loan may be of any priority if the total
 8 indebtedness on the real estate, including the secured farm product processing loan,
 9 does not exceed \$250,000. A farm product processing loan that, if made, would raise
 10 the existing indebtedness on the real estate securing the loan above \$250,000, or a
 11 farm product processing loan on real estate that has a prior indebtedness of \$250,000
 12 or more, may be made only if all prior mortgagees agree to subordinate their
 13 mortgages to that of the state for the amount of the farm product processing loan that
 14 exceeds the \$250,000 indebtedness limit on the real estate. A farm product processing
 15 loan may not exceed a term of 30 years or bear interest at a rate that is less than a
 16 rate comparable to that charged by other agricultural lending institutions in the
 17 state for similar loans [EIGHT]PERCENT A YEAR] and shall be secured by a real
 18 estate or chattel mortgage or both.

19 * Sec. 3. AS 03.10.030(g) is amended to read:

20 (g) A loan for clearing land may not

21 (1) exceed \$250,000;

22 (2) bear interest at a rate that is less than a rate comparable to that
 23 charged by other agricultural lending institutions in the state for similar loans
 24 [EIGHT PERCENT];

25 [5] (3) have a term in excess of 20 years; or

26 (4) be made for clearing land other than land that has been classified
 27 by the United States Department of Agriculture, Soil Conservation Service, under the
 28 Land Capability Classification System as having agricultural potential for the
 29 production of annual crops or [,] hay, or for pasture.

30 * Sec. 4. AS 03.10.033(a) is amended to read:

31 (a) To increase the return to the state, the Agricultural Revolving Loan Fund

1 Board may restructure loans (1) in existence on January 1, 1987, made by the board
2 or by the Alaska Agricultural Action Council based upon guidelines approved by the
3 board; (2) of a borrower in an area that has been declared a farm disaster area
4 under AS 03.10.058; or (3) of a borrower who has experienced an agricultural
5 disaster based upon guidelines approved by the board. The restructuring may only
6 include reduction of interest to a rate not less than five percent a year [TO RATES
7 BELOW THOSE SPECIFIED BY AS 03.10.030], an extension of the term of the loan,
8 and an improvement to the security interest of the state. It may not reduce the amount
9 of principal and interest owed before the loan is restructured.

10 * Sec. 5. AS 03.10.050(a) is amended to read:

11 (a) The commissioner shall administer the agricultural revolving loan fund
12 in conjunction with the Agricultural Revolving Loan Fund Board. A [NO] loan [IN
13 EXCESS OF \$25,000] may not be made by the commissioner without the approval of
14 a majority of the board, except that emergency loans not to exceed \$50,000 may be
15 made upon the approval, by majority vote, of a committee composed of the
16 director of agriculture, a board member selected by the board to serve on the
17 committee, and the chair of the board or the chair's designee.

18 * Sec. 6. This Act takes effect immediately under AS 01.10.070(c).

FISCAL NOT

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. SSHB203

Revision Date: 31-Jan-00 Dept Affected: Natural Resources
 Title: An Act relating to loans from the agriculture BRU: Agricultural Revolving Loan Program Admin
revolving loan fund and to contracts for the sale of state ... Component: Agricultural Revolving Loan Program Admin
 Sponsor: Rep. Harris
 Requestor: (H)RES Component Serial No. #2235

Expenditures/Revenues (Inflation not included unless otherwise noted below)

(Thousands of Dollars)

OPERATING EXPENDITURES	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006
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 (1021)	(24.5)	(126.0)	(244.9)	(382.4)	(535.3)	(707.3)
----------------------------------	---------------	----------------	----------------	----------------	----------------	----------------

FUND SOURCE

(Thousands of Dollars)

FUND SOURCE	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY00) cost: \$ none

POSITIONS

POSITIONS	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006
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)

An interest rate reduction from 8% to 5%, and farm disaster changes would reduce revenue to ARLF. See attached information for detail on difference between 8% and 5%.

Prepared by: Robert Wells, Director Phone: 907-745-7200
 Division: Agriculture Date: 31-Jan-00
 Approved by Commissioner: John Shively Date: 1-31-2000
 Agency: Natural Resources

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
 For further distribution information call the Governor's Legislative Office

**Agricultural Revolving Loan Fund
Cash Flow Projection
July 1, 1998**

	Actuals	Estimates						
	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
Beginning Cash Balance	\$6,304,655	\$6,421,719	\$5,664,321	\$4,362,149	\$3,525,677	\$2,792,406	\$2,031,887	\$1,286,356
Cash Inflows:								
Principal & interest payments - Note 1	2,817,903	2,452,487	2,502,912	2,746,855	2,803,411	2,807,092	2,828,973	2,822,068
Leases	94,552	69,212	46,651	44,749	12,025	9,345	9,345	9,345
Late payment penalties - Note 2	7,054	14,224	14,517	15,932	16,260	16,281	16,408	16,368
Settlements on defaulted loans - Note 3		24,638	1,100	1,100	0	0	0	0
Trsfr from original Mntl Health Fund - Note 7	76,459							
Sale of Assets, Misc - Note 4	628,236	819,147	448,048	315,293	376,683	334,350	316,783	316,783
Cash Outflows:								
New loans - Note 5								
Current year disbursements	(1,618,950)	(1,800,000)	(1,980,000)	(1,980,000)	(1,980,000)	(1,980,000)	(1,980,000)	(1,980,000)
Disbursements on prior year loans	(42,794)	(280,703)	(200,000)	(220,000)	(220,000)	(220,000)	(220,000)	(220,000)
ARLF Operating expenses - Note 6	(418,947)	(638,600)	(638,600)	(613,600)	(594,850)	(580,788)	(570,241)	(562,330)
Division expenditures paid by ARLF - Note 6	(912,840)	(1,146,800)	(1,146,800)	(1,146,800)	(1,146,800)	(1,146,800)	(1,146,800)	(1,146,800)
CIP expenditures - Note 8	(218,236)	(250,000)	(350,000)					
Pymts on prior year encumbrances - Note 9	(265,374)	(21,003)						
Ending Cash Balance	\$6,421,719	\$5,664,321	\$4,362,149	\$3,525,677	\$2,792,406	\$2,031,887	\$1,286,356	\$541,789

Note 1 - Principal & interest payments based on 8% interest rate for loans issued from FY99 through FY05, less 4% bad debt allowance.

Note 2 - Late payment penalties represents FY93-FY98 historical assessment rate of 0.58% of total payments.

Note 3 - Conservative estimate of expected recovery from accounts assigned to the Attorney General's office for collection.

Note 4 - Estimates provided by Div. of Ag. Assume 20% sold for cash; 80% financed (10% cash down; finance bal @ 8%, 20yrs.)

Planned sales: FY99-12 parcels; FY00-9 parcels; FY01-1 parcel; FY02-1 parcel; FY03-1 parcel

Starling FY99, sell 2 Pt. MacKenzie parcels each year for \$200,000 each (10% down, balance at 8% for 20 years)

Note 5 - Loans are assumed to be disbursed 90% in the current fiscal year and 10% in the subsequent fiscal year. Estimates provided by Division of Agriculture.

Allocated as follows:

C-loans = 10% of total loans per year, amortized over 5 years

F-loans = 29% of total loans per year, amortized over 14 years

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

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

Note 6 - Annual expenditure estimates - same as FY99 budget per Division of Agriculture, except gradual decrease in asset management costs as assets are sold.

Note 7 - Lease revenues on original Mental Health lands held in trust pending final resolution of all appeals in FY98.

Note 8 - 1998: Mt. McKinley Meat Plant renovations; 1999: Land disposal (\$100,000) and Mt. McKinley Meat Plant roof (\$150,000); 2000: Land Disposal (\$150,000) and Mt. McKinley Meat Plant upgrades (\$200,000)

Note 9 - 1998: property taxes '92-'98(\$127,317); Mt. McKinley Meat Plant renovations (\$87,044); seed potato project (\$32,570)
1999: seed potato project (\$21,003)

**Agricultural Revolving Loan Fund
Cash Flow Projection
July 1, 1998**

Assuming 8% for FY99 loans, 5% on all subsequent loans, refinance all existing Delta loans at 5% eff 7/1/99

	Actuals	Estimates						
	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
Beginning Cash Balance	\$6,304,655	\$6,421,719	\$5,664,321	\$4,337,611	\$3,399,651	\$2,547,485	\$1,649,458	\$751,069
Cash Inflows:								
Principal & Interest payments - Note 1	2,817,903	2,452,487	2,478,516	2,658,749	2,700,112	2,690,237	2,698,171	2,672,190
Leases	94,552	69,212	46,651	44,749	12,025	9,345	9,345	9,345
Late payment penalties - Note 2	7,054	14,224	14,375	15,421	15,661	15,603	15,649	15,499
Settlements on defaulted loans - Note 3		24,638	1,100	1,100	0	0	0	0
Trsfr from original Mntl Health Fund - Note 7	76,459							
Sale of Assets, Misc - Note 4	628,236	819,147	448,048	302,421	361,687	314,375	295,486	295,486
Cash Outflows:								
New loans - Note 5								
Current year disbursements	(1,618,950)	(1,800,000)	(1,980,000)	(1,980,000)	(1,980,000)	(1,980,000)	(1,980,000)	(1,980,000)
Disbursements on prior year loans	(42,794)	(280,703)	(200,000)	(220,000)	(220,000)	(220,000)	(220,000)	(220,000)
ARLF Operating expenses - Note 6	(448,947)	(638,600)	(638,600)	(613,600)	(594,850)	(580,788)	(570,241)	(562,330)
Division expenditures paid by ARLF - Note 6	(912,840)	(1,146,800)	(1,146,800)	(1,146,800)	(1,146,800)	(1,146,800)	(1,146,800)	(1,146,800)
CIP expenditures - Note 8	(218,236)	(250,000)	(350,000)					
Pymts on prior year encumbrances - Note 9	(265,374)	(21,003)						
Ending Cash Balance	\$6,421,719	\$5,664,321	\$4,337,611	\$3,399,651	\$2,547,485	\$1,649,458	\$751,069	(\$165,542)

Note 1 - Principal & Interest payments based on 8% interest rate for loans approved in FY99, then 5% for loans issued from FY00 through FY05, less 4% bad debt allowance.

Note 2 - Late payment penalties represents FY93-FY98 historical assessment rate of 0.58% of total payments.

Note 3 - Conservative estimate of expected recovery from accounts assigned to the Attorney General's office for collection.

Note 4 - Estimates provided by Div. of Ag. Assume 20% sold for cash; 80% financed (10% cash down; finance bal @ 5%, 20yrs.)

Planned sales: FY99-12 parcels; FY00-9 parcels; FY01-1 parcel; FY02-1 parcel; FY03-1 parcel

Note 5 - Loans are assumed to be disbursed 90% in the current fiscal year and 10% in the subsequent fiscal year. Estimates provided by Division of Agriculture.

Allocated as follows:

C-loans = 10% of total loans per year, amortized over 5 years

F-loans = 29% of total loans per year, amortized over 14 years

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

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

Note 6 - Annual expenditure estimates - same as FY99 budget per Division of Agriculture, except gradual decrease in asset management costs as assets are sold.

Note 7 - Lease revenues on original Mental Health lands held in trust pending final resolution of all appeals in FY98.

Note 8 - 1998: Mt. McKinley Meat Plant renovations; 1999: Land disposal (\$100,000) and Mt. McKinley Meat Plant roof (\$150,000); 2000: Land Disposal (\$150,000) and Mt. McKinley Meat Plant upgrades (\$200,000)

Note 9 - 1998: property taxes '92-'98(\$127,317); Mt. McKinley Meat Plant renovations (\$87,044); seed potato project (\$32,570)
1999: seed potato project (\$21,003)



Alaska State Legislature

REPRESENTATIVE JOHN HARRIS

District 35 - Valdez, Cordova, Whittier, Glennallen, Delta Junction, Tatitlek, Kenny Lake, Paxson, Gakona, Chenega Bay

MEMORANDUM

January 25, 2000

To: Representative Gene Therriault, co-chair
Representative Eldon Mulder, co-chair
House Committee on Finance

From: Representative John Harris

Subject: HB 203 – Relating to the agricultural revolving loan fund

Thank you for considering HB 203 for scheduling before the Finance committee. The bill would make beneficial changes to the ARLF to make it more competitive, useful and, I hope, self-sustaining into the future.

Over the interim, my staff and I have received input on the bill from many members of the agricultural community, so I would ask that the committee consider the following changes:

- 1) On page 1, line 13 (et al) change the interest rate from 5 percent to a rate "comparable to that charged by other agricultural lending institutions in the state..."

This will put the ARLF on the same footing relative to interest charged as the Farm Service Agency (FSA) and Alaska Rural Rehabilitation Corp (ARRC).

- 2) On page 2, line 29 delete the requirement that an area be declared a farm disaster area for 3 out of 5 preceding years to allow loan restructuring. New suggested language would allow board to set guidelines to allow restructuring for individual farmers who have experienced an agricultural disaster.

This change would give the ARLF greater flexibility to restructure loans based on the situations individual farmers find themselves in, thus increasing the likelihood that the loan will be repaid. This provision enhances the revolving function of the ARLF.

- 3) On page 3, line 16 delete "an employee of the board who is a loan officer" and replace it with "a board member".

Reps. Mulder and Therriault
January 25, 2000
Page 2

This change redefines the composition of the loan committee to replace a loan officer with a board member, since the loan application would have been previously processed by the loan officer. It would be more prudent to have the loan committee comprised of officers at a policy making level.

- 4) Change the effective date to immediately.

This change will give the ARLF board the authority to begin restructuring distressed farm loans right away, rather than waiting for a specific date or for 90 days after the Governor signs the bill.

Thank you again for your consideration of HB 203. If you have questions about the changes requested or any other aspect of HB 203, please contact me or Pete Fellman in my office.