

HB

116

FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. HB 116 ver X

Revision Date/Time: _____	Dept Affected: <u>Natural Resources</u>
Title: <u>Board of Agriculture and Conservation</u>	BRU: <u>Agricultural Develop., ARLF Prog Admin.</u>
Sponsor: <u>Rep. James</u>	Component: <u>Agricultural Development, NL Plant</u>
Requestor: <u>(H)RES</u>	Component No <u>455, 2204 and 2235</u>

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	9.0	9.0	9.0	9.0	9.0	9.0
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS & CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	9.0	9.0	9.0	9.0	9.0	9.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES (fund code)	***	***	***	***	***	***

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1021 ARLF	9.0	9.0	9.0	9.0	9.0	9.0
TOTAL	9.0	9.0	9.0	9.0	9.0	9.0

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)

FY01 and future costs are difficult to quantify since proposed legislation creates a new level of government.

Currently the Agricultural Revolving Loan Fund Board meeting expenses are approximately \$9.0 per year for travel related meeting expenses for 8 meetings a year, the minimum set by statute. These costs can be higher depending on where a board member lives, the number of meetings held, or if all seven seats are filled during the year. There are no costs to the Division of Agriculture for the creamery corporation meetings. The new board of agriculture, it would be reasonable to assume, would need to meet initially at least twice as many times or more (16) since the proposed board has an expanded mission and operates as an independent unit. We estimate at least \$9.0 increase in meeting expenses. This \$9.0 is reflected in the fiscal note.

Prepared by: <u>Robert Wells</u> <i>[Signature]</i>	Phone: <u>907-745-7200</u>
Division: <u>Division of Agriculture</u>	Date: <u>31-Jan-00</u>
Approved by Commissioner: <u>John Shively</u> <i>[Signature]</i>	Date: <u>1-31-2000</u>
Agency: <u>Natural Resources</u>	

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

Until it is clarified what additional responsibilities (i.e. administer land sale contracts) we have to assume new administrative costs. It is unknown how many exempt staff the board may hire. Currently the Division of Agriculture - excluding the North Latitude Plant Materials Center has 16 full time positions and 2 part time positions. The new legislation allows for hiring of staff by a director appointed by the board. We do not know what staff this might include or the associated costs. We do not know if this staff would replace current staff or be an addition. Also, some Division of Mining, Land and Water functions are pulled into the proposed new organization.

*** Based on loans issued in FY99, each percent decline in the interest rate of ARLF loans will result in a corresponding decline in interest revenue that averages approximately \$20,000 annually over a five-year period.

Also the exiting portfolio could eventually participate in any offered reduction through requested loan modifications, which would further reduce interest income.

FISCAL NOTE

STATE OF ALASKA

BILL NO. HB 116 ver X

2000 LEGISLATIVE SESSION

Revision Date/Time: <u>07-Feb-00</u>	Dept Affected: <u>Natural Resources</u>
Title: <u>Board of Agriculture and Conservation</u>	BRU: <u>Agricultural Develop., ARLF Prog Admin.</u>
Sponsor: <u>Rep. James</u>	Component: <u>Agricultural Development</u>
Requestor: <u>(H)RES</u>	Component No <u>455, and 2235</u>

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	9.0	9.0	9.0	9.0	9.0	9.0
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS & CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	9.0	9.0	9.0	9.0	9.0	9.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES (fund code)	(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						
1021 ARLF	9.0	9.0	9.0	9.0	9.0	9.0
TOTAL	9.0	9.0	9.0	9.0	9.0	9.0

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)

FY01 and future costs are difficult to quantify since proposed legislation creates a new level of government.

Currently the Agricultural Revolving Loan Fund Board meeting expenses are approximately \$9.0 per year for travel related meeting expenses for 8 meetings a year, the minimum set by statute. These costs can be higher depending on where a board member lives, the number of meetings held, or if all seven seats are filled during the year. There are no costs to the Division of Agriculture for the creamery corporation meetings. The new board of agriculture, it would be reasonable to assume, would need to meet initially at least twice as many times or more (16) since the proposed board has an expanded mission and operates as an independent unit. We estimate at least \$9.0 increase in meeting expenses. This \$9.0 is reflected in the fiscal note.

Prepared by: <u>Robert Wells</u> <i>[Signature]</i>	Phone: <u>907-745-7200</u>
Division: <u>Division of Agriculture</u>	Date: <u>07-Feb-00</u>
Approved by Commissioner: <u>John Shively</u> <i>[Signature]</i>	Date: <u>2-7-00</u>
Agency: <u>Natural Resources</u>	

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

Until it is clarified what additional responsibilities (i.e. administer land sale contracts) we have to assume new administrative costs. It is unknown how many exempt staff the board may hire. Currently the Division of Agriculture - excluding the North Latitude Plant Materials Center has 16 full time positions and 2 part time positions. The new legislation allows for hiring of staff by a director appointed by the board. We do not know what staff this might include or the associated costs. We do not know if this staff would replace current staff or be an addition. Also, some Division of Mining, Land and Water functions are pulled into the proposed new organization.

Changes in Revenue:

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).

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.

ALASKA STATE LEGISLATURE

REPRESENTATIVE
JEANNETTE JAMES
PO Box 56622
North Pole, Alaska 99705
(907) 488-1546
FAX (907) 488-4271



While in Juneau
State Capitol
Juneau, Alaska
99801-1182
(907) 465-3743
FAX (907) 465-2381

House of Representatives
House District 34

HB 116 Changes from version X to version XX

1. To satisfy the needed "tie" between the board and the administration:

The Commissioner of D.N.R. is added as a board member. Legislative confirmation of the board is not required, but the Governor can remove a board member only for cause.

2. To solve the Title 38 lands issue:

Sole authority for the board to make decisions on Title 38 lands is removed, but the board must be consulted prior to any such decisions.

3. To satisfy the ethics questions:

A person may be appointed to the board even though that person or an immediate family member has an existing lease, permit, or loan for which the board is responsible, but that person may not participate in any board action that directly affects that lease, permit, or loan.

While serving on the board, and for one year after leaving that office, a board member or an immediate family member of a board member may not obtain a new lease, permit, or loan for which the board is responsible.

- (4. The board's authority to hire the Director of Agriculture is unchanged.)

STATE OF ALASKA
HOUSE OF REPRESENTATIVES

Representative Jeannette James



P.O. Box 56622
North Pole, AK 99701
TEL 488-1546, FAX 488-4271

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

Sectional Analysis
CS HB 116 (RES), Version LS0407XX

2/9/00

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

"CHAPTER 9. BOARD OF AGRICULTURE AND CONSERVATION."

The new Board of Agriculture and Conservation consists of the Commissioner of D.N.R. and seven members appointed by the Governor:

One with business or financial experience,
One from a statewide agriculture promotion organization,
One from Alaska Soil and Water Conservation Districts,
Four from different enterprises in commercial production agriculture.

Appointed members serve staggered three-year terms, and they may appoint a director who can employ staff and is responsible for daily operations of the ARLF.

Statutory duties of the Division of Agriculture are transferred to the new board.

A person may be appointed to the board even though that person or an immediate family member has an *existing* lease, permit, or loan for which the board is responsible, but that person may not participate in any board action that directly affects that lease, permit, or loan.

While serving on the board, and for one year after leaving that office, a board member or an immediate family member of a board member may not obtain a *new* lease, permit, or loan for which the board is responsible.

The board may adopt regulations and may make recommendations to the Commissioner of DNR regarding identification and disposal of agricultural land.

Section 2 amends existing statute, authorizing the new board (instead of DNR) to make loans.

Section 3 amends existing statute, making the interest rate on farm development, chattel, or irrigation loans comparable to that charged by other agricultural lending institutions in the state.

Section 4 amends existing statute, authorizing the new board, instead of the ARLF Board, to extend the term of a loan for up to three years.

Section 5 amends existing statute, authorizing the new board, in place of DNR and Division of Agriculture, to assess delinquency and penalties on loans.

Section 6 amends existing statute, making the interest rate on farm development, chattel, or irrigation loans comparable to that charged by other agricultural lending institutions in the state.

Section 7 amends existing statute, making the interest rate on farm development, chattel, or irrigation loans comparable to that charged by other agricultural lending institutions in the state..

Section 8 amends existing statute, authorizing the new board, instead of the Commissioner of DNR, to adopt regulations to establish other terms and interest rates for loans.

Section 9 amends existing statute, authorizing the new board to restructure loans by reducing interest and extending terms to a borrower who has experienced an agricultural disaster as defined by regulations adopted by the board.

Section 10 amends existing statute, authorizing the new board, rather than the ARLF Board, to approve an application for loan restructuring.

Section 11 amends existing statute, designating the new board, instead of the Commissioner of DNR, to be the recipient of out-standing balance payments.

Section 12 amends existing statute, authorizing the legislature to appropriate money from the ARLF for costs of administering the operations of the new board.

Section 13 amends existing statute, giving the new board, instead of the commissioner of DNR, authority to administer the ARLF. A loan may not be made without the approval of a majority of the board, except that emergency loans up to \$50,000 may be approved by majority vote of a committee composed of the board chair, another board member, and the director.

Section 14 amends existing statute, exempting the new board from public meeting requirements.

Section 15 amends existing statute, allowing the new board, rather than DNR, to establish credits for loans maintained in good financial standing.

Section 16 amends existing statute, allowing the new board, rather than the Director of Agriculture, to dispose of property acquired through foreclosure or default. It also allows money from such disposals to be appropriated to the ARLF.

Section 17 amends existing statute and adds a new subsection, specifying that the new board shall be given the opportunity to comment before disposal of any state land designated as agricultural.

Section 18 amends existing statute, specifying that the new board shall be consulted prior to conveyance of agricultural use rights.

Section 19 amends existing statute, specifying that the new board shall be consulted prior to any action to waive, postpone, or modify development requirements of a contract for sale of agricultural land.

Section 20 amends existing statute, specifying that the new board shall be consulted prior to any action to adopt regulations specifying qualifications for lottery participants involving agricultural land disposal.

Section 21 amends existing statute, specifying that the new board shall be consulted prior to any action to provide for the sale of agricultural land subject to state subdivision requirements and municipal ordinances.

Section 22 amends existing statute, specifying that the new board shall be consulted prior to any action to provide for maximum interest rates, to declare a moratorium of up to five years on payments, to certify agreements with purchasers to perform development and expenditures during a moratorium, and to assure compliance with development plans during a moratorium.

Section 23 amends existing statute, specifying that the new board shall be consulted prior to any action granting an Alaska resident first option on auctioned agricultural land.

Section 24 amends existing statute to allow payments collected under this section to be appropriated to the ARLF.

Section 25 amends existing statute, specifying that the new board shall be consulted before the Director of the Division of Mining, Land, and Water disposes of any land designated as agricultural.

Section 26 amends existing statute, allowing payments received under this section to be accounted for separately and appropriated to the ARLF.

Section 27 amends existing statute specifying that the new board shall be consulted prior to any action to dispose of homestead entry land designated as agricultural.

Section 28 amends existing statute, adding the new board's director to the list of exempt service employees.

Section 29 adds the new board to the list of boards defined in statute.

Section 30 *REPEALS* existing statutes which:

Define the ARLF Board,
Define a duty of the ARLF Board,
Define limitations on ARLF Board members,
Place the ARLF Board in statute.

Section 31 outlines the transition process from existing boards to the new board.

Section 32 sets the effective date of this bill as July 1, 2000.

CS FOR HOUSE BILL NO. 116()

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIRST LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES JAMES. Harris

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the Board of Agriculture and Conservation, to the
2 agricultural revolving loan fund, to the disposal of interests in state agricultural
3 or grazing land; and providing for an effective date."

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

5 * Section 1. AS 03 is amended by adding new sections to read:

6 Chapter 09. Board of Agriculture and Conservation.

7 Sec. 03.09.010. Board of Agriculture and Conservation established. (a)

8 There is established in the department the Board of Agriculture and Conservation. The
9 board consists of the commissioner and seven members appointed by the governor.

10 Appointed members shall have the following qualifications:

- 11 (1) one member shall have general business or financial experience;
- 12 (2) one member shall be a member of a statewide agriculture promotion
- 13 organization;
- 14 (3) one member shall be a member of a soil and water conservation

1 district established under AS 41.10.130(a) who is also engaged in commercial
2 production agriculture:

3 (4) four members shall be engaged in commercial production
4 agriculture, each shall represent a different agriculture enterprise from the others, such
5 as livestock production, dairy, vegetable production, grain production, horticultural
6 production, and greenhouse and hydroponic production.

7 (b) Appointed members of the board serve staggered three-year terms and until
8 a successor is appointed. Appointed members may be removed from office by the
9 governor only for cause. If a vacancy occurs, the governor shall immediately appoint
10 a member for the unexpired portion of the term.

11 (c) Appointed members of the board receive no compensation, but are entitled
12 to per diem and travel expenses authorized for boards and commissions under
13 AS 39.20.180.

14 (d) While serving on the board and for one year after leaving that office, a
15 board member or an immediate family member of the board member, may not obtain
16 a lease, permit, or loan under AS 03.10 or under AS 38.05. Notwithstanding
17 AS 39.52.150(a), a person may be appointed to the board even though, at the time of
18 appointment, that person, or an immediate family member, has a lease, permit, or loan
19 under AS 03.10 or AS 38.05. However, that person may not participate in any action
20 by the board that directly affects that lease, permit, or loan. If a person with a lease,
21 permit, or loan under AS 03.10 or AS 38.05 is appointed to the board, failure by that
22 person to abide by all the terms and conditions of the lease, permit, or loan constitutes
23 cause for removal under (b) of this section.

24 **Sec. 03.09.020. Officers and employees.** (a) The Board of Agriculture and
25 Conservation shall elect a member to serve as chair and a member to serve as vice-
26 chair for one-year terms. A member may be reelected to serve additional terms as
27 chair or vice-chair.

28 (b) The board may appoint a director, who may employ staff and who is
29 responsible for the daily operations of the agricultural revolving loan fund
30 (AS 03.10.040). The director is in the exempt service under AS 39.25.110.

31 **Sec. 03.09.030. Quorum.** Five members of the Board of Agriculture and

1 Conservation constitute a quorum for the transaction of business or the exercise of a
2 power or function at a meeting of the board.

3 **Sec. 03.09.040. Regulations.** (a) The Board of Agriculture and Conservation
4 may adopt regulations under AS 44.62 (Administrative Procedure Act) to carry out its
5 duties.

6 (b) The board may, by regulation, classify loan and marketing information and
7 make some classes of loan or marketing information confidential.

8 **Sec. 03.09.050. Agricultural land.** The Board of Agriculture and
9 Conservation may recommend to the commissioner that land in the land disposal bank
10 established under AS 38.04.020 be classified as suitable for agriculture. The board
11 may identify state land for agricultural disposal and request the commissioner to
12 provide for the survey and disposal of the land.

13 * **Sec. 2.** AS 03.10.020(a) is amended to read:

14 (a) The Board of Agriculture and Conservation (AS 03.09.010)
15 [DEPARTMENT] may

16 (1) make a loan to

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

19 (i) clearing land for agricultural purposes;

20 (ii) development of farms;

21 (iii) storage and processing of farm produce; or

22 (iv) the purchase of livestock or machinery;

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

24 for

25 (i) storage and processing plants for agricultural
26 products;

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

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

31 (iv) the raising or care of animals in the state for the

- 1 purpose of marketing their fur;
- 2 (2) designate agents and delegate its powers to them as necessary;
- 3 (3) adopt regulations necessary to carry out its functions, including
- 4 regulations to establish reasonable fees for services provided and charges for collecting
- 5 the fees;
- 6 (4) establish amortization plans for repayment of loans, which may
- 7 include delayed payments of principal and interest for not to exceed five years;
- 8 (5) enter into agreements with private lending institutions, other state
- 9 agencies or agencies of the federal government, to carry out the purposes of this
- 10 chapter;
- 11 (6) collect the fees and collection charges established under this
- 12 subsection.

13 * Sec. 3. AS 03.10.030(a) is amended to read:

- 14 (a) The farm development, chattel, or irrigation loan made under this chapter
- 15 (1) may not exceed a term of 30 years, except that a chattel loan may
- 16 not exceed a term of seven years;
- 17 (2) may not, when added to the outstanding balance of other loans
- 18 made under this chapter, exceed a total outstanding balance of \$1,000,000;
- 19 (3) shall be secured by a real estate or chattel mortgage of any priority,
- 20 except that the portion of a loan that exceeds \$500,000, when added to prior
- 21 indebtedness that is secured by the same property, must be secured by a first mortgage;
- 22 (4) shall bear interest at a rate comparable to that charged by other
- 23 agricultural [THAT MAY NOT BE LESS THAN EIGHT PERCENT OR MORE
- 24 THAN THE COMMERCIAL RATE, UNLESS THE COMMERCIAL RATE IS
- 25 EIGHT PERCENT OR LESS; IN THIS PARAGRAPH, "COMMERCIAL RATE"
- 26 MEANS THE PREVAILING RATE OF INTEREST AT PRIVATE] lending
- 27 institutions in the state for loans similar to those referred to in this subsection.

28 * Sec. 4. AS 03.10.030(c) is amended to read:

- 29 (c) A short-term [SHORT TERM] loan, to be amortized within one year, not
- 30 to exceed \$350,000 to any one borrower may be made for operating purposes, except
- 31 that a loan made under this subsection may not exceed \$200,000 unless the loan is

1 made to a borrower in a farm disaster area declared under AS 03.10.058. An applicant
2 for a short-term [SHORT TERM] loan may be required to purchase insurance through
3 the Federal Crop Insurance Act (7 U.S.C. 1501 - 1520) as a condition of the loan.
4 The term of a loan made under this subsection may be extended for up to three years
5 by the Board of Agriculture and Conservation [AGRICULTURAL REVOLVING
6 LOAN FUND BOARD], in the discretion of the board, upon application by the
7 borrower.

8 * Sec. 5. AS 03.10.030(e) is amended to read:

9 (e) An installment payment is delinquent unless it is mailed by the borrower
10 on or before the 30th day after the date specified for payment in the loan agreement
11 or unless it is received by the Board of Agriculture and Conservation
12 [DEPARTMENT] on or before the 30th day after the date specified for payment in the
13 loan agreement. If an installment payment is delinquent, the director of the board
14 [DIVISION OF AGRICULTURE OF THE DEPARTMENT] may assess a delinquency
15 penalty. The delinquency penalty shall be an amount equal to seven percent of the
16 delinquent payment, but the combined delinquency penalty and loan interest may not
17 exceed 15 percent.

18 * Sec. 6. AS 03.10.030(f) is amended to read:

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

1 * Sec. 7. AS 03.10.030(g) is amended to read:

2 (g) A loan for clearing land may not

3 (1) exceed \$250,000.

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

7 (3) have a term in excess of 20 years; or

8 (4) be made for clearing land other than land that has been classified
9 by the United States Department of Agriculture, Natural Resource [SOIL]
10 Conservation Service, under the Land Capability Classification System as having
11 agricultural potential for the production of annual crops or [,] hay, or for pasture.

12 * Sec. 8. AS 03.10.030(h) is amended to read:

13 (h) The Board of Agriculture and Conservation [COMMISSIONER] shall
14 adopt regulations to establish other terms for loans made under this chapter, consistent
15 with the provisions of this section, and may establish interest rates for loans under
16 (a)(4) of this section that

17 (1) encourage agricultural development;

18 (2) do not subsidize nonviable agricultural enterprises; and

19 (3) do not discriminate against viable existing agricultural enterprises.

20 * Sec. 9. AS 03.10.033(a) is amended to read:

21 (a) To increase the return to the state, the Board of Agriculture and
22 Conservation [AGRICULTURAL REVOLVING LOAN FUND BOARD] may
23 restructure loans (1) in existence on January 1, 1987, made by the former
24 Agricultural Revolving Loan Fund Board [BOARD] or by the former Alaska
25 Agricultural Action Council based upon guidelines approved by the Board of
26 Agriculture and Conservation; or (2) of a borrower who has experienced an
27 agricultural disaster as defined by regulations adopted by the Board of
28 Agriculture and Conservation [BOARD]. The restructuring may only include
29 reduction of interest [TO RATES BELOW THOSE SPECIFIED BY AS 03.10.030],
30 an extension of the term of the loan, and an improvement to the security interest of the
31 state. It may not reduce the amount of principal and interest owed before the loan is

1 restructured. AS 03.10.030(a)(1) does not apply to a loan that is restructured
2 under this section.

3 * Sec. 10. AS 03.10.033(c) is amended to read:

4 (c) Notwithstanding any other provision of this section, the Board of
5 Agriculture and Conservation [AGRICULTURAL REVOLVING LOAN FUND
6 BOARD] may approve an application for restructuring under this section only upon

7 (1) the applicant's written release of the state, including [THE
8 ALASKA AGRICULTURE ACTION COUNCIL, THE AGRICULTURAL
9 REVOLVING LOAN FUND, AND] the University of Alaska, from all potential
10 liability for actions and omissions occurring before the date of restructuring that relate
11 in any way to a state farm project, land sale, land sale relinquishment, farm loan, or
12 loan application or loan modification application, whether granted or denied by the
13 state; and

14 (2) assignment by the applicant to the board of the proceeds from the
15 federal government under 7 U.S.C. 1442 (Conservation Reserve Program) and P.L. 88-
16 26 (Feed Grain Act of 1963), as amended.

17 * Sec. 11. AS 03.10.035(a) is amended to read:

18 (a) A borrower may not use farm land for a nonfarm [NON-FARM] use or
19 sell, lease, or otherwise dispose of farm land if that land is encumbered by a mortgage
20 given to secure the payment of a farm development, chattel, or irrigation system loan
21 under this chapter unless the borrower either

22 (1) pays the outstanding balance of the loan in a lump sum or under
23 other terms agreed to by the Board of Agriculture and Conservation
24 [COMMISSIONER] that accelerate payment of the loan; or

25 (2) pays the outstanding principal balance for the remaining term of the
26 loan at the prevailing rate of interest that is charged by commercial banks in the state
27 during the calendar quarter in which the board [DEPARTMENT] receives notice of
28 the change of use, sale, lease, or other disposal of the farm land.

29 * Sec. 12. AS 03.10.040(b) is amended to read:

30 (b) Money in the fund may be used by the legislature to make appropriations
31 for costs of administering this chapter and for operations of the Board of

1 Agriculture and Conservation.

2 * Sec. 13. AS 03.10.050(a) is amended to read:

3 (a) The Board of Agriculture and Conservation [COMMISSIONER] shall
4 administer the agricultural revolving loan fund [IN CONJUNCTION WITH THE
5 AGRICULTURAL REVOLVING LOAN FUND BOARD]. A [NO] loan [IN EXCESS
6 OF \$25,000] may not be made [BY THE COMMISSIONER] without the approval of
7 a majority of the board, except that emergency loans not to exceed \$50,000 may be
8 made upon the approval, by majority vote, of a committee composed of the chair
9 of the board, another board member, and the director of the board.

10 * Sec. 14. AS 03.10.050(c) is amended to read:

11 (c) A meeting of the [AGRICULTURAL REVOLVING LOAN FUND] board
12 to act on applications for loans is exempt from the public meeting requirements of
13 AS 44.62.310.

14 * Sec. 15. AS 03.10.050(e) is amended to read:

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

20 * Sec. 16. AS 03.10.050(g) is amended to read:

21 (g) The board [DIRECTOR OF AGRICULTURE] may dispose of property
22 acquired by the agricultural revolving loan fund [AGRICULTURAL REVOLVING
23 LOAN FUND BOARD OR BY THE COMMISSIONER] through foreclosure, default,
24 or other action arising out of agricultural loans or the sale of agricultural land.
25 Disposals shall be conducted under regulations approved by the commissioner. The
26 regulations must ensure that the property is disposed of so as to maximize the return
27 to the state and must require that the parcels of land that are composed primarily of
28 cropland soils be restricted to agricultural uses and disposed of only to persons who
29 are residents of the state.

30 * Sec. 17. AS 38.04.020(g) is amended to read:

31 (g) After July 1 of each year, the commissioner shall direct the expenditure of

1 money appropriated for the disposal of land in response to requests made under (e) and
2 (f) of this section for the following:

3 (1) land [LAND] designated as suitable for homestead disposal shall
4 be classified and surveyed under this chapter and AS 38.05 and made available for
5 staking and lease under AS 38.09; [.]

6 (2) land [LAND] designated as suitable for subdivision and homesite
7 disposal shall be surveyed, subdivided, classified, and disposed of under this chapter,
8 AS 38.05, and AS 38.08; [.]

9 (3) land [LAND] designated [AGRICULTURAL.] commercial,
10 industrial, or suitable for other disposal shall be sold under AS 38.05.055 or 38.05.057;

11 (4) land designated agricultural shall be disposed of under
12 AS 38.05.055 - 38.05.065, except the Board of Agriculture and Conservation
13 (AS 03.09.010) shall receive notice of each proposed disposal and be given an
14 opportunity to comment before the final disposal decision is made.

15 * Sec. 18. AS 38.04.030 is amended to read:

16 Sec. 38.04.030. Land availability programs. Programs that may be used by
17 the director to make the state's land surface available for private use under
18 AS 38.04.020 - 38.04.055 include sale of whole or partial rights to the fee simple
19 estate, including conveyance of agricultural use rights; leasing; open-to-entry;
20 homesiting; homesteading; permitting for construction and occupation of cabins in
21 isolated locations on land retained in state ownership; and other methods as provided
22 by law. However, agricultural use rights may be conveyed only after consulting
23 with the Board of Agriculture and Conservation.

24 * Sec. 19. AS 38.05.020(b)(7) is amended to read:

25 (7) after consulting with the Board of Agriculture and Conservation
26 (AS 03.09.010), to waive, postpone, or otherwise modify the development requirements
27 of a contract for the sale of agricultural land if

28 (A) the land is inaccessible by road; or

29 (B) transportation, marketing, and development costs render the
30 required development uneconomic;

31 * Sec. 20. AS 38.05.057(c) is amended to read:

1 (c) The commissioner, after consulting with the Board of Agriculture and
2 Conservation (AS 03.09.010), may adopt regulations under the Administrative
3 Procedure Act (AS 44.62) that [WHICH] specify qualifications for lottery participants
4 different from those specified in (b) of this section if

5 (1) an interest in land limited to agricultural purposes is to be sold
6 under (a) of this section;

7 (2) the sale is a part of a program to develop agricultural land as a
8 renewable resource of the state; and

9 (3) the regulations include residency, skill, experience, and financial
10 requirements necessary to qualify persons who are competent and financially able to
11 develop the land as a successful agricultural enterprise.

12 * Sec. 21. AS 38.05.059 is amended to read:

13 Sec. 38.05.059. Sale of agricultural land. The commissioner, after
14 consulting with the Board of Agriculture and Conservation (AS 03.09.010), may
15 provide for the sale of land classified under AS 38.05.020(b)(6) for agricultural uses
16 in parcels or tracts described by aliquot parts. The parcels or tracts are subject to state
17 subdivision requirements and municipal ordinances.

18 * Sec. 22. AS 38.05.065(h) is amended to read:

19 (h) The commissioner, after consulting with the Board of Agriculture and
20 Conservation (AS 03.09.010),

21 (1) shall provide that, notwithstanding (a) and (b) of this section, in a
22 contract for the sale of land classified under AS 38.05.020(b)(6) for agricultural uses,
23 the interest rate to be charged on installment payments may not exceed 9.5 percent;
24 and

25 (2) may declare a moratorium of up to five years on payments on land
26 sold under this section for land classified under AS 38.05.020(b)(6) for agricultural
27 uses if

28 (A) the commissioner determines that the moratorium is in the
29 best interest of the state;

30 (B) the commissioner certifies and the contract purchaser agrees
31 to perform farm development, crop production, and harvesting, not including

1 land clearing or related activity, requiring the expenditure of amounts
2 equivalent to the payments that would otherwise be made during the
3 moratorium:

4 (C) the sale of the agricultural land takes place after July 1,
5 1979; and

6 (D) the contract purchaser is in compliance with the
7 development plan specified in the purchase contract at the time the purchaser
8 applies for a moratorium under this subsection and remains in compliance with
9 the development plan during the moratorium; for the payments subject to the
10 moratorium declared under this paragraph, interest payments are subject to the
11 moratorium but interest continues to accrue during the moratorium.

12 * Sec. 23. AS 38.05.069(a) is amended to read:

13 (a) After consulting with the Board of Agriculture and Conservation
14 (AS 03.09.010), on [ON] a determination that the highest and best use of unoccupied
15 land is for agricultural purposes and that it is in the best interests of the state to sell
16 or lease the land, the commissioner shall grant to an Alaska [ALASKAN] resident
17 owning and using or leasing and using land for agricultural purposes a first option at
18 the auction to purchase or lease the unoccupied land situated adjacent to land presently
19 held by the Alaska [ALASKAN] resident for the amount of the high bid received at
20 public auction. If more than one Alaska [ALASKAN] resident qualifies for a first
21 option under this section, eligibility for the first option shall be determined by lot and
22 the option must be exercised on the conclusion of the public auction. A parcel of
23 agricultural land sold under this section may not be less than 20 acres, and a parcel of
24 agricultural land that is acquired by exercise of the option granted in this subsection
25 may not exceed 320 acres. Agricultural land that is acquired under this section must
26 be used for agricultural purposes as required by law.

27 * Sec. 24. AS 38.05.321(e) is amended to read:

28 (e) A landowner may subdivide land classified for agricultural use and for
29 which the landowner obtained a patent under a homestead entry permit issued under
30 AS 38.09 so long as the resulting parcels are not in violation of the minimum parcel
31 size set out in (a) of this section. A landowner may subdivide other land classified for

1 agricultural use as authorized under (d)(3)(C) of this section. If the subdivision
2 involves land classified for agricultural use and for which the landowner obtained a
3 patent under a homestead entry permit issued under AS 38.09, or if the subdivision of
4 land authorized under (d)(3)(C) of this section results only in parcels of 640 acres or
5 more, the landowner may subdivide without payment as required by this subsection.
6 If subdivision of land authorized by (d)(3)(C) of this section would result in one or
7 more parcels of less than 640 acres, the landowner may subdivide only if the
8 landowner first tenders payment to the department for the right to construct housing
9 in each subdivided parcel of less than 640 acres. Payments collected under this
10 subsection shall be separately accounted for and may be appropriated to the
11 agricultural revolving loan fund (AS 03.10.040). For purposes of this subsection,
12 the value of the right to construct housing in a subdivided parcel

13 (1) is \$4.000 for the parcel, subject to adjustment under (h) of this
14 section; or

15 (2) shall be determined by an appraisal made by an appraiser under
16 contract to the landowner owning the parcel, and the appraisal must include the value,
17 determined as of the date of subdivision, of the right to construct housing by the
18 landowner under (d)(3) of this section.

19 * Sec. 25. AS 38.05.035(b) is amended to read:

20 (b) The director may

21 (1) delegate the administrative duties, functions or powers imposed
22 upon the director to a responsible employee in the division;

23 (2) grant preference rights for the lease or purchase of state land
24 without competitive bid in order to correct errors or omissions of a state or federal
25 administrative agency when inequitable detriment would otherwise result to a diligent
26 claimant or applicant due to situations over which the claimant or applicant had no
27 control; the exercise of this discretionary power operates only to divest the state of its
28 title to or interests in land and may be exercised only

29 (A) with the express approval of the commissioner; and

30 (B) if the application for the preference right is filed with the
31 director within three years from

- 1 (i) the occurrence of the error or omission;
2 (ii) the date of acquisition by the state of the land; or
3 (iii) the date of a court decision or settlement nullifying
4 a disposal of state land;

5 (3) grant a preference right to a claimant who shows bona fide
6 improvement of state land or of federal land subsequently acquired by the state and
7 who has in good faith sought to obtain title to the land but who, through error or
8 omission of others occurring within the three years before (A) the application for the
9 preference right, (B) the date of acquisition by the state of the land, or (C) the date of
10 a court decision or settlement nullifying a disposal of state land, has been denied title
11 to it; upon a showing satisfactory to the commissioner, the claimant may lease or
12 purchase the land at the price set on the date of original entry on the land or, if a price
13 was not set at that time at a price determined by the director to fairly represent the
14 value of unimproved land at the time the claim was established, but in no event less
15 than the cost of administration including survey; the error or omission of a predecessor
16 in interest or an agent, administrator, or executor which has clearly prejudiced the
17 claimant may be the basis for granting a preference right;

18 (4) sell land by lottery for less than the appraised value when, in the
19 judgment of the director, past scarcity of land suitable for private ownership in any
20 particular area has resulted in unrealistic land values;

21 (5) when the director determines it is in the best interest of the state
22 and will avoid injustice to a person or the heirs or devisees of a person, dispose of
23 land, by direct negotiation to that person who presently uses and who used and made
24 improvements to that land before January 3, 1959, or to the heirs or devisees of the
25 person; the amount paid for the land shall be its fair market value on the date that the
26 person first entered the land, as determined by the director; a parcel of land disposed
27 of under this paragraph shall be of a size consistent with the person's prior use, but
28 may not exceed five acres;

29 (6) after consulting with the Board of Agriculture and Conservation
30 (AS 03.09.010), dispose of an interest in land limited to use for agricultural purposes
31 by lottery;

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31

(7) convey to an adjoining landowner for its fair market value a remnant of land that the director considers unmanageable or a parcel of land created by a highway right-of-way alignment or realignment, or a parcel created by the vacation of a state-owned right-of-way if

(A) the director determines that it is in the best interests of the state:

(B) the parcel does not exceed the minimum lot size under an applicable zoning code; and

(C) the director and the platting authority having land use planning jurisdiction agree that conveyance of the parcel to the adjoining landowner will result in boundaries that are convenient for the use of the land by the landowner and compatible with municipal land use plans;

(8) for good cause extend for up to 90 days the time for rental or installment payments by a lessee or purchaser of state land under this chapter if reasonable penalties and interest set by the director are paid;

(9) quitclaim land or an interest in land to the federal government on a determination that the land or the interest in land was wrongfully or erroneously conveyed by the federal government to the state;

(10) negotiate the sale or lease of state land at fair market value to a person who acquired by contract, purchase, or lease rights to improvements on the land from another state agency or who leased the land from another state agency [;

(11) REPEALED].

* Sec. 26. AS 38.07.010(b) is amended to read:

(b) The land that is [THUS] cleared or drained under (a) of this section shall be put up for competitive lease in lots of not less than 320 acres each. Lease payments shall be separately accounted for and may be appropriated to the agricultural revolving loan fund (AS 03.10.040).

* Sec. 27. AS 38.09.010(a) is amended to read:

(a) The commissioner shall designate and make available for homestead entry state land, including, after consulting with the Board of Agriculture and Conservation (AS 03.09.010), land classified for agricultural use. State land made

1 available for homestead entry under this chapter shall be distributed throughout the
2 state.

3 * **Sec. 28.** AS 39.25.110 is amended by adding a new paragraph to read:

4 (34) the director of the Board of Agriculture and Conservation.

5 * **Sec. 29.** AS 39.50.200(b) is amended by adding a new paragraph to read:

6 (56) Board of Agriculture and Conservation (AS 03.09.010).

7 * **Sec. 30.** AS 03.10.050(b), 03.10.050(d), 03.10.052; and AS 39.50.200(b)(1) are repealed.

8 * **Sec. 31.** The uncodified law of the State of Alaska is amended by adding a new section
9 to read:

10 **TRANSITION.** (a) Notwithstanding AS 03.09.010(b), enacted in sec. 1 of this Act,
11 two initial appointed members of the Board of Agriculture and Conservation shall be
12 appointed to one-year terms and two initial appointed members of the board shall be appointed
13 to two-year terms.

14 (b) Notwithstanding AS 03.09.040, enacted in sec. 1 of this Act, AS 03.10.020(a), as
15 amended in sec. 2 of this Act, AS 03.10.030(h), as amended in sec. 8 of this Act, and
16 AS 03.10.033(a), as amended in sec. 9 of this Act, regulations that apply to the agricultural
17 revolving loan fund and to loans from the fund remain in effect until amended or repealed by
18 the Board of Agriculture and Conservation.

19 * **Sec. 32.** This Act takes effect July 1, 2000.

STATE OF ALASKA
HOUSE OF REPRESENTATIVES

Representative Jeannette James



P.O. Box 56622
North Pole, AK 99701
TEL 488-1546, FAX 488-4271

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

Sectional Analysis
CS HB 116 (RES), Version LS0407\X

1/24/00

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

"CHAPTER 9. BOARD OF AGRICULTURE AND CONSERVATION."

The new Board of Agriculture and Conservation consists of seven members appointed by the Governor and confirmed by the Legislature:

One with business or financial experience,
One from a statewide agriculture promotion organization,
One from Alaska Soil and Water Conservation Districts,
Four from different enterprises in commercial production agriculture.

Members serve staggered three-year terms, and they may appoint a director who can employ staff and is responsible for daily operations of the ARLF.

Essentially, all existing statutory duties of the Division of Agriculture are transferred to the new board.

This section also specifies that a board member may obtain an ARLF loan, and a person with an outstanding ARLF loan may be appointed as a board member, but a board member is prohibited from using the office for personal gain.

The board may adopt regulations and may make recommendations to the Commissioner of DNR regarding identification and disposal of agricultural land.

Once a parcel of land is classified as agricultural, the board may carry out disposal of that land, and the proceeds may be appropriated into the ARLF.

Section 2 amends existing statute, authorizing the new board (instead of DNR) to make loans.

Section 3 amends existing statute, making the interest rate on farm development, chattel, or irrigation loans comparable to that charged by other agricultural lending institutions in the state.

Section 4 amends existing statute, authorizing the new board, instead of the ARLF Board, to extend the term of a loan for up to three years.

Section 5 amends existing statute, authorizing the new board, in place of DNR and Division of Agriculture, to assess delinquency and penalties on loans.

Section 6 amends existing statute, making the interest rate on farm development, chattel, or irrigation loans comparable to that charged by other agricultural lending institutions in the state.

Section 7 amends existing statute, making the interest rate on farm development, chattel, or irrigation loans comparable to that charged by other agricultural lending institutions in the state..

Section 8 amends existing statute, authorizing the new board, instead of the Commissioner of DNR, to adopt regulations to establish other terms and interest rates for loans.

Section 9 amends existing statute, authorizing the new board to restructure loans by reducing interest and extending terms to a borrower who has experienced an agricultural disaster as defined by regulations adopted by the board.

Section 10 amends existing statute, authorizing the new board, rather than the ARLF Board, to approve an application for loan restructuring.

Section 11 amends existing statute, designating the new board, instead of the Commissioner of DNR, to be the recipient of out-standing balance payments.

Section 12 amends existing statute, authorizing the legislature to appropriate money from the ARLF for costs of administering the operations of the new board.

Section 13 amends existing statute, giving the new board, instead of the commissioner of DNR, authority to administer the ARLF. A loan may not be made without the approval of a majority of the board, except that emergency loans up to \$50,000 may be approved by majority vote of a committee composed of the board chair, the director, and a loan officer employed by the board.

Section 14 amends existing statute, exempting the new board from public meeting requirements.

Section 15 amends existing statute, allowing the new board, rather than DNR, to establish credits for loans maintained in good financial standing.

Section 16 amends existing statute, allowing the new board, rather than the Director of Agriculture, to dispose of property acquired through foreclosure or default. It also allows money from such disposals to be appropriated to the ARLF.

Sections 17 through 22 amend existing statute, giving the new board, rather than the Division of Agriculture, authority to control quarantine of bees and importation of bees into Alaska. (This is the only such authority designated to the Division of Agriculture under current statute, and thus it needs to be specifically transferred to the new board in HB 116.)

Section 23 amends existing statute and adds a new subsection, specifying that land designated agricultural shall be disposed of by the new board, and authorizing the new board to carry out the duties of the Commissioner or the Director in disposing of land into private ownership.

Section 24 amends existing statute, authorizing the new board to convey agricultural use rights.

Section 25 amends existing statute, permitting the new board to waive, postpone, or modify development requirements of a contract for sale of agricultural land.

Section 26 amends existing statute, requiring the new board to approve action necessary to protect the state's contractual or other property rights.

Section 27 amends existing statute, allowing the new board, rather than the Commissioner of DNR, to adopt regulations specifying qualifications for lottery participants involving agricultural land disposal.

Section 28 amends existing statute, authorizing the new board, instead of the Commissioner of DNR, to provide for the sale of agricultural land subject to state subdivision requirements and municipal ordinances.

Section 29 amends existing statute, allowing the new board, rather than the Commissioner of DNR, to provide for maximum interest rates, to declare a moratorium of up to five years on payments, to certify agreements with purchasers to perform development and expenditures during a moratorium, and to assure compliance with development plans during a moratorium.

Section 30 amends existing statute, authorizing the new board, rather than the commissioner of DNR, to grant an Alaska resident first option on auctioned agricultural land.

Section 31 amends existing statute, allowing the new board, rather than the Director of Agriculture, to transfer state agricultural land at public auction.

Section 32 amends existing statute, giving the new board, rather than DNR, authority to convey covenants.

Section 33 amends existing statute, allowing the new board, rather than the Commissioner of DNR, to require landowners' cooperation with soil and water conservation districts, and to require a development plan. The new board is also prohibited from limiting the landowners' rights to construct housing and other improvements and to subdivide and convey land, within statutory restrictions.

Section 34 amends existing statute, substituting the new board instead of DNR as the authority in dealing with landowners' subdivisions of agricultural land. It also allows payments collected under this section to be appropriated to the ARLF.

Section 35 amends existing statute, substituting the new board instead of DNR as the authority in dealing with landowners' subdivisions of agricultural land and conveying it to persons outside the immediate family.

Section 36 amends existing statute, authorizing the new board to put up for competitive lease lots of not less than 320 acres, payments for which may be appropriated to the ARLF.

Section 37 amends existing statute, authorizing the new board, rather than the Division of Agriculture, to determine the feasibility of clearing or draining agricultural land.

Section 38 amends existing statute, allowing the Commissioner of DNR to designate homestead entry state land that has been classified for agricultural use by the new board.

Section 39 amends existing statute, specifying conditions before homestead entry state land can be disposed of by the new board.

Section 40 amends existing statute, allowing either the Commissioner of DNR or the new board to give notice of land offered for homestead entry.

Section 41 amends existing statute, adding the new board's director to the list of exempt service employees.

Section 42 adds the new board to the list of boards defined in statute.

Section 43 *REPEALS* existing statutes which:

- Define the ARLF Board,
- Define a duty of the ARLF Board,
- Define limitations on ARLF Board members,
- Give the Director of Agriculture authority to dispose of agricultural land by lottery,
- Place the ARLF Board in statute.

Section 44 outlines the transition process from existing boards to the new board.

Section 45 sets the effective date of this bill as July 1, 2000.



Alaska Association of Soil and Water Conservation Districts

April 5, 1999

Representative Scott Ogan, Co-Chair
House Resources Committee
State Capital
Juneau, Alaska 99801-1182

APR 12 1999

RE: HB 116

Dear Representative Ogan;

A detailed review of HB 116 was held during the recent spring conference of the Alaska Association of Soil and Water Conservation Districts (AASWCD) in Anchorage. Based on the review of HB 116 by the general membership, the Board of Directors has adopted the following platform with regard to the proposed legislation:

*The AASWCD supports the concept of a Board of Agriculture. The Board however should be advisory in nature with delegated administrative oversight powers and should not be a policy setting organization.

*The AASWCD does not support the consolidation of the Alaska Natural Resource Conservation and Development Board and the incorporation of the powers and duties as outlined in AS 41.10 with the Board of Agriculture.

*The AASWCD does support the appointment of a member of the Alaska Soil and Water Conservation District movement to one of the nine member positions on the Board of Agriculture.

*The AASWCD does not recognize a cost savings to the State of Alaska as a result of consolidation under HB 116. HB 116 does not currently contain a fiscal note from which a financial savings to the State of Alaska can be determined.

The Alaska Association of Soil and Water Conservation Districts is a 501-c3 none-profit organization and supports the efforts of 13 independent Soil and Water Conservation Districts in Alaska. These thirteen Districts represent 65 locally elected supervisors and more than 850 private landowners. The Alaska Association of Conservation Districts and its individual member Districts are affiliated with the National Association of Conservation Districts and its 3,000 member Districts nationwide.

Since 1946 the Alaska Soil and Water Conservation movement has been affiliated with agricultural land development in Alaska. Agriculture however, is one of many private uses of land and associated natural resources. Over the years our organization has

developed strong partnerships with the USDA Natural Resources Conservation Service, the US Forest Service, the Alaska Div. of Forestry, the University of Alaska Cooperative Extension Service, and most recently the Alaska Dept. of Environmental Conservation. The cooperators we serve not only represent farmers; but owners of patented mine lands, owners of forest lands, urban and suburban homeowners, and owners of land in general who wish to enhance and or protect the resource values of their private property.

HB 116 will in essence narrow the focus the Soil and Water Conservation movement in Alaska. In 1992 we were recognized by then ADNR Commissioner Harold Heinz, as Alaska's best kept secret. Commissioner Heinz saw that bureaucracy in general did not have a link to the private sector and that implementing land and resource management policies was next to impossible without public involvement. The Alaska Dept. of Natural Resources now realizes that Districts are not single focused and that Districts are the conduit in the state, federal, private partnership.

Sincerely

Omar Stratman, President
Alaska Association of Soil and Water Conservation Districts

CC: Representative John Harris
Representative Jeannette James
Members of the House Resource Committee



Alaska State Legislature

Please enter into the record my testimony to the House Resources
committee on HB 116, dated April 14, 1999.
bill/ subject

THIS BILL IS THE BEST THING THAT HAS HAPPENED
TO THE AGRICULTURE SITUATION IN ALASKA SINCE THE
STATE SPONSORED THE AGRICULTURE PROJECT, I MANAGE
320 ACRES AND I BELIEVE THIS PROGRAM (BILL)
WILL HELP ALL THE FARMERS IN THE LONG RUN.
EXPERIENCED FARMERS CAN DO A BETTER JOB ~~THEY~~
FOR THE STATE AND THE FARMERS AS A WHOLE.

Signed:

[Signature]
Testifier

Phyllis Farms
Representing (Optional)

PO Box 261, Delta Junction, AK
Address

(907) 895-4047
Phone No.

April 15, 1999

House Resource Committee

RE: Transcript of testimony presented during Resource Committee teleconference on HB 116.

Although the Soil and Water Conservation Districts (SWCD) have cooperators and supervisors who are interested in the administrative affairs of the ADNR Div. of Agriculture, our mission is not concerned with:

(1) The operations and management of Matanuska Maid or Mt. MacKinley Meats or for that matter any other asset held in the ARLF portfolio.

(2) The day to day responsibilities of the marketing and inspection unit of the Div. of Ag.

(3) The policies and procedures which guide ARLF operating, development, and/or processing loans; or for that matter which loans are approved and which ones aren't.

The SWCD's only concern with regard to Alaskan agriculture is that the development of lands classified for agriculture, follow proven soil and water conservation methods and that the integrity of the farm and ranch resources are protected over time.

Until about two years ago the terms and conditions of agricultural land sale contracts as outlined under AS 38.05.321 required a farm development plan be part of the contract. The farm development plan outlined the location of farmstead and real property improvements such as fencing, access roads, windbreaks, livestock water facilities, areas to be retained and managed for commercial timber, etc. These decisions were obviously tied to physical features associated with the farm tract such as size and location of wetlands, slopes, depth of surface soil material, susceptibility of exposed soils to wind and water erosion etc., etc.. This information is easily expressed on a map base and is referred to as the conservation plan; the document we (the SWCD) are expected to provide the land contract holder (on a voluntary basis) under 11 AC 67.180. Although the requirement for farm development plans under

AS 38.05.321 was repealed by SB 109 two years ago, the requirement for the conservation plan under 11 AC 67.180 is still in effect.

Whether the land and resource concern is agriculture, timber, mining, recreation, critical habitat enhancement, flooding and stream bank protection, or urban / sub urban sprawl; recognizing the physical and environmental limitations is critical.. It's important to remember that this type of planning is not intended to stifle economic development but to support and to offer the kind of science and natural resource management assistance that is essentially unavailable to the average private landowner.

There is much more to say with regard to the fiscal elements of this proposed legislation but I want to close by expressing our full appreciation to the co sponsors of HB 116 ; Representative James and Representative Harris. We know that they and their staff have spent endless hours on this bill and for all the right reasons; (for the benefit of the agricultural industry in Alaska). We understand that there is a committee substitute to HB 116 and pledge our efforts to support future legislative and industry concerns.

Submitted by:

**Douglas A Witte
Program Coordinator
Alaska Assoc. of Soil and Water Conservation Districts**

This testimony is a follow up to letters sent to all House Resource Committee members dated April 5, 1999.

1-LS0407(N)
Cook
4/8/99

CS FOR HOUSE BILL NO. 116()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES JAMES, Harris

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the Board of Agriculture and Conservation, to the
2 agricultural revolving loan fund, to the disposal of state agricultural land, and to
3 the Alaska Natural Resource Conservation and Development Board; and providing
4 for an effective date."

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

6 * Section 1. AS 03 is amended by adding new sections to read:

7 Chapter 09. Board of Agriculture and Conservation.

8 Sec. 03.09.010. Board of Agriculture and Conservation established. (a)

9 There is established in the department the Board of Agriculture and Conservation. The
10 board consists of the commissioner of natural resources or the commissioner's designee
11 and eight other members appointed by the governor. Appointed members shall have
12 the following qualifications:

13 (1) one member shall have general business or financial experience;

14 (2) one member shall be a member of a statewide agriculture promotion

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31

organization;

(3) two members shall be members of soil and water conservation districts established under AS 41.10.130(a);

(4) four members shall be engaged in commercial production agriculture, each shall represent a different agriculture enterprise from the others, such as livestock production, dairy, vegetable production, grain production, horticultural production, and greenhouse and hydroponic production.

(b) Appointed members of the board serve staggered three-year terms and until a successor is appointed. Appointed members may be removed from office by the governor only for cause. If a vacancy occurs, the governor shall immediately appoint a member for the unexpired portion of the term.

(c) Appointed members of the board receive no compensation, but are entitled to per diem and travel expenses authorized for boards and commissions under AS 39.20.180.

(d) Notwithstanding AS 39.52.150 or other law, an appointed member of the board may obtain a loan under AS 03.10. A person with an outstanding loan under AS 03.10 may be appointed as a member.

Sec. 03.09.020. Officers and employees. (a) The Board of Agriculture and Conservation shall elect a member to serve as chair and a member to serve as vice-chair for one-year terms. A member may be reelected to serve additional terms as chair or vice-chair.

(b) The board may appoint a director, who may employ staff and who is responsible for the daily operations of the agricultural revolving loan fund (AS 03.10.040). The director and staff are in the exempt service under AS 39.25.110.

Sec. 03.09.030. Meetings. (a) Five members of the Board of Agriculture and Conservation constitutes a quorum for the transaction of business or the exercise of a power or function at a meeting of the board.

(b) The board may adopt procedures for the conduct of meetings. The board shall keep minutes of each meeting and send a copy of the minutes to the commissioner and to the Legislative Budget and Audit Committee.

Sec. 03.09.040. Regulations. The Board of Agriculture and Conservation may

1 adopt regulations under AS 44.62 (Administrative Procedure Act) to carry out its
2 duties.

3 **Sec. 03.09.050. Agricultural land.** (a) The Board of Agriculture and
4 Conservation may recommend to the commissioner that land in the land disposal bank
5 established under AS 38.04.020 be classified as suitable for agriculture. The board
6 may identify state land for agricultural disposal and request the commissioner to
7 provide for the survey and disposal of the land.

8 (b) Land designated for disposal for agricultural uses shall be disposed of by
9 the board in accordance with the requirements of AS 38.05.055 - 38.05.065, except
10 that the board shall carry out the duties of the commissioner and of the director of the
11 division of lands of the department under those sections to the extent those duties
12 apply to agricultural land. Proceeds from the disposals of agricultural land shall be
13 separately accounted for and may be appropriated to the agricultural revolving loan
14 fund (AS 03.10.040).

15 * Sec. 2. AS 03.10.020(a) is amended to read:

16 (a) The Board of Agriculture and Conservation (AS 03.09.010)
17 [DEPARTMENT] may

18 (1) make a loan to

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

21 (i) clearing land for agricultural purposes;

22 (ii) development of farms;

23 (iii) storage and processing of farm produce; or

24 (iv) the purchase of livestock or machinery;

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

26 for

27 (i) storage and processing plants for agricultural

28 products;

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

31 (iii) the commercial production or processing of animal

- 1 feed in the state; or
- 2 (iv) the raising or care of animals in the state for the
- 3 purpose of marketing their fur;
- 4 (2) designate agents and delegate its powers to them as necessary;
- 5 (3) adopt regulations necessary to carry out its functions, including
- 6 regulations to establish reasonable fees for services provided and charges for collecting
- 7 the fees;
- 8 (4) establish amortization plans for repayment of loans, which may
- 9 include delayed payments of principal and interest for not to exceed five years;
- 10 (5) enter into agreements with private lending institutions, other state
- 11 agencies or agencies of the federal government, to carry out the purposes of this
- 12 chapter;
- 13 (6) collect the fees and collection charges established under this
- 14 subsection.

15 * Sec. 3. AS 03.10.030(a) is amended to read:

- 16 (a) The farm development, chattel, or irrigation loan made under this chapter
- 17 (1) may not exceed a term of 30 years, except that a chattel loan may
- 18 not exceed a term of seven years;
- 19 (2) may not, when added to the outstanding balance of other loans
- 20 made under this chapter, exceed a total outstanding balance of \$1,000,000;
- 21 (3) shall be secured by a real estate or chattel mortgage of any priority,
- 22 except that the portion of a loan that exceeds \$500,000, when added to prior
- 23 indebtedness that is secured by the same property, must be secured by a first mortgage;
- 24 (4) shall bear interest at a rate that may not be less than five [EIGHT]
- 25 percent or more than the commercial rate, unless the commercial rate is five [EIGHT]
- 26 percent or less; in this paragraph, "commercial rate" means the prevailing rate of
- 27 interest at private lending institutions in the state for loans similar to those referred to
- 28 in this subsection.

29 * Sec. 4. AS 03.10.030(c) is amended to read:

- 30 (c) A short-term [SHORT TERM] loan, to be amortized within one year, not
- 31 to exceed \$350,000 to any one borrower may be made for operating purposes, except

1 that a loan made under this subsection may not exceed \$200,000 unless the loan is
2 made to a borrower in a farm disaster area declared under AS 03.10.058. An applicant
3 for a short-term [SHORT TERM] loan may be required to purchase insurance through
4 the Federal Crop Insurance Act (7 U.S.C. 1501 - 1520) as a condition of the loan.
5 The term of a loan made under this subsection may be extended for up to three years
6 by the Board of Agriculture and Conservation [AGRICULTURAL REVOLVING
7 LOAN FUND BOARD], in the discretion of the board, upon application by the
8 borrower.

9 * Sec. 5. AS 03.10.030(e) is amended to read:

10 (e) An installment payment is delinquent unless it is mailed by the borrower
11 on or before the 30th day after the date specified for payment in the loan agreement
12 or unless it is received by the Board of Agriculture and Conservation
13 [DEPARTMENT] on or before the 30th day after the date specified for payment in the
14 loan agreement. If an installment payment is delinquent, the director of the board
15 [DIVISION OF AGRICULTURE OF THE DEPARTMENT] may assess a delinquency
16 penalty. The delinquency penalty shall be an amount equal to seven percent of the
17 delinquent payment, but the combined delinquency penalty and loan interest may not
18 exceed 15 percent.

19 * Sec. 6. AS 03.10.030(f) is amended to read:

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

31 * Sec. 7. 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 that is less than five [EIGHT] percent;
4 (3) have a term in excess of 20 years; or
5 (4) be made for clearing land other than land that has been classified
6 by the United States Department of Agriculture, Soil Conservation Service, under the
7 Land Capability Classification System as having agricultural potential for the
8 production of annual crops or [,] hay, or for pasture.

9 * Sec. 8. AS 03.10.030(h) is amended to read:

10 (h) The Board of Agriculture and Conservation [COMMISSIONER] shall
11 adopt regulations to establish other terms for loans made under this chapter, consistent
12 with the provisions of this section, and may establish interest rates for loans under
13 (a)(4) of this section that

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

17 * Sec. 9. AS 03.10.033(a) is amended to read:

18 (a) To increase the return to the state, the Board of Agriculture and
19 Conservation [AGRICULTURAL REVOLVING LOAN FUND BOARD] may
20 restructure loans (1) in existence on January 1, 1987, made by the former
21 Agricultural Revolving Loan Fund Board [BOARD] or by the former Alaska
22 Agricultural Action Council based upon guidelines approved by the Board of
23 Agriculture and Conservation; or (2) of a borrower who has experienced three
24 years of agricultural disaster during the last five years as defined by regulations
25 adopted by the Board of Agriculture and Conservation [BOARD]. The
26 restructuring may only include reduction of interest [TO RATES BELOW THOSE
27 SPECIFIED BY AS 03.10.030], an extension of the term of the loan, and an
28 improvement to the security interest of the state. It may not reduce the amount of
29 principal and interest owed before the loan is restructured.

30 * Sec. 10. AS 03.10.033(c) is amended to read:

31 (c) Notwithstanding any other provision of this section, the Board of

1 Agriculture and Conservation [AGRICULTURAL REVOLVING LOAN FUND
2 BOARD] may approve an application for restructuring under this section only upon

3 (1) the applicant's written release of the state, including [THE
4 ALASKA AGRICULTURE ACTION COUNCIL, THE AGRICULTURAL
5 REVOLVING LOAN FUND, AND] the University of Alaska, from all potential
6 liability for actions and omissions occurring before the date of restructuring that relate
7 in any way to a state farm project, land sale, land sale relinquishment, farm loan, or
8 loan application or loan modification application, whether granted or denied by the
9 state; and

10 (2) assignment by the applicant to the board of the proceeds from the
11 federal government under 7 U.S.C. 1442 (Conservation Reserve Program) and P.L. 88-
12 26 (Feed Grain Act of 1963), as amended.

13 * Sec. 11. AS 03.10.035(a) is amended to read:

14 (a) A borrower may not use farm land for a nonfarm [NON-FARM] use or
15 sell, lease, or otherwise dispose of farm land if that land is encumbered by a mortgage
16 given to secure the payment of a farm development, chattel, or irrigation system loan
17 under this chapter unless the borrower either

18 (1) pays the outstanding balance of the loan in a lump sum or under
19 other terms agreed to by the Board of Agriculture and Conservation
20 [COMMISSIONER] that accelerate payment of the loan; or

21 (2) pays the outstanding principal balance for the remaining term of the
22 loan at the prevailing rate of interest that is charged by commercial banks in the state
23 during the calendar quarter in which the board [DEPARTMENT] receives notice of
24 the change of use, sale, lease, or other disposal of the farm land.

25 * Sec. 12. AS 03.10.040(b) is amended to read:

26 (b) Money in the fund may be used by the legislature to make appropriations
27 for costs of administering this chapter and for operations of the Board of
28 Agriculture and Conservation.

29 * Sec. 13. AS 03.10.050(a) is amended to read:

30 (a) The Board of Agriculture and Conservation [COMMISSIONER] shall
31 administer the agricultural revolving loan fund [IN CONJUNCTION WITH THE

1 AGRICULTURAL REVOLVING LOAN FUND BOARD]. A [NO] loan [IN EXCESS
2 OF \$25,000] may not be made [BY THE COMMISSIONER] without the approval of
3 a majority of the board, except that emergency loans not to exceed \$50,000 may be
4 made upon the approval, by majority vote, of a committee composed of the chair
5 of the board, the director of the board, and an employee of the board who is a
6 loan officer selected by the board to serve on the committee.

7 * Sec. 14. AS 03.10.050(c) is amended to read:

8 (c) A meeting of the [AGRICULTURAL REVOLVING LOAN FUND] board
9 to act on applications for loans is exempt from the public meeting requirements of
10 AS 44.62.310.

11 * Sec. 15. AS 03.10.050(e) is amended to read:

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

17 * Sec. 16. AS 03.10.050(g) is amended to read:

18 (g) The board [DIRECTOR OF AGRICULTURE] may dispose of property
19 it acquires [ACQUIRED BY THE AGRICULTURAL REVOLVING LOAN FUND
20 BOARD OR BY THE COMMISSIONER] through foreclosure, default, or other action
21 arising out of agricultural loans or the sale of agricultural land. Disposals shall be
22 conducted under regulations approved by the commissioner. The regulations must
23 ensure that the property is disposed of so as to maximize the return to the state and
24 must require that the parcels of land that are composed primarily of cropland soils be
25 restricted to agricultural uses and disposed of only to persons who are residents of the
26 state. Money from property disposed of under this subsection shall be separately
27 accounted for and may be appropriated to the agricultural revolving loan fund.

28 * Sec. 17. AS 03.47.020 is amended to read:

29 Sec. 03.47.020. Importation of bees. All bees imported into the state shall
30 be accompanied by a health certificate that states that the bees come from an apiary
31 apparently free of bee diseases and that is signed by an apiary inspector determined

1 to be qualified by the board [DIVISION].

2 * Sec. 18. AS 03.47.030(a) is amended to read:

3 (a) The board [DIVISION] shall investigate reported cases of diseased bees
4 and cases of diseased bees discovered by the board [DIVISION].

5 * Sec. 19. AS 03.47.030(b) is amended to read:

6 (b) The board [DIVISION] shall take action necessary to prevent the spread
7 of bee diseases. Bees or used beekeeping equipment found to contain the causative
8 organisms of American foulbrood (*Bacillus larvae*) or European foulbrood
9 (*Streptococcus pluton*) shall be immediately quarantined and treated within five days
10 by

11 (1) chamber fumigation using ethylene oxide or other gases approved
12 by the board [DIVISION];

13 (2) sterilization by boiling in lyewater for at least 15 minutes; or

14 (3) destruction of bees, bee combs, and frames by burning followed by
15 burying 18 inches deep.

16 * Sec. 20. AS 03.47.030(d) is amended to read:

17 (d) A quarantine imposed under this section may not be removed until infected
18 bees and used beekeeping equipment are destroyed or the board [DIVISION]
19 determines through testing that the used beekeeping equipment is free of the disease.

20 * Sec. 21. AS 03.47.030(e) is amended to read:

21 (e) The board [DIVISION] shall adopt regulations necessary to carry out the
22 purposes of this chapter.

23 * Sec. 22. AS 03.47.040(2) is amended to read:

24 (2) "board" ["DIVISION"] means the Board of Agriculture and
25 Conservation (AS 03.09.010) [DIVISION OF AGRICULTURE, DEPARTMENT OF
26 NATURAL RESOURCES];

27 * Sec. 23. AS 38.04.020(g) is amended to read:

28 (g) After July 1 of each year, the commissioner shall direct the expenditure of
29 money appropriated for the disposal of land in response to requests made under (e) and
30 (f) of this section for the following:

31 (1) land [LAND] designated as suitable for homestead disposal shall

1 be classified and surveyed under this chapter and AS 38.05 and made available for
2 staking and lease under AS 38.09; [.]

3 (2) land [LAND] designated as suitable for subdivision and homesite
4 disposal shall be surveyed, subdivided, classified, and disposed of under this chapter,
5 AS 38.05, and AS 38.08; [.]

6 (3) land [LAND] designated [AGRICULTURAL,] commercial,
7 industrial, or suitable for other disposal shall be sold under AS 38.05.055 or 38.05.057;

8 (4) land designated agricultural shall be disposed of by the Board
9 of Agriculture and Conservation (AS 03.09.010) in accordance with AS 38.05.055 -
10 38.05.065, except the board shall carry out the duties of the commissioner or the
11 director under those sections.

12 * Sec. 24. AS 38.04.030 is amended to read:

13 Sec. 38.04.030. Land availability programs. Programs that may be used by
14 the director to make the state's land surface available for private use under
15 AS 38.04.020 - 38.04.055 include sale of whole or partial rights to the fee simple
16 estate, including conveyance of agricultural use rights by the Board of Agriculture
17 and Conservation; leasing; open-to-entry; homesiting; homesteading; permitting for
18 construction and occupation of cabins in isolated locations on land retained in state
19 ownership; and other methods as provided by law.

20 * Sec. 25. AS 38.05.020(b)(7) is amended to read:

21 (7) permit the Board of Agriculture and Conservation
22 (AS 03.09.010) to waive, postpone, or otherwise modify the development requirements
23 of a contract for the sale of agricultural land if

24 (A) the land is inaccessible by road; or

25 (B) transportation, marketing, and development costs render the
26 required development uneconomic;

27 * Sec. 26. AS 38.05.035(a)(7) is amended to read:

28 (7) have jurisdiction over state land, except that land acquired by the
29 Alaska World War II Veterans Board and the Agricultural Loan Board or the
30 departments or agencies succeeding to their respective functions through foreclosure
31 or default; to this end the director possesses the powers and, with the approval of the

1 commissioner and, with respect to agricultural land, the Board of Agriculture and
2 Conservation, shall perform the duties necessary to protect the state's rights and
3 interest in state land, including the taking of all necessary action to protect and enforce
4 the state's contractual or other property rights;

5 * Sec. 27. AS 38.05.057(c) is amended to read:

6 (c) The Board of Agriculture and Conservation (AS 03.09.010)
7 [COMMISSIONER] may adopt regulations under the Administrative Procedure Act
8 (AS 44.62) that [WHICH] specify qualifications for lottery participants different from
9 those specified in (b) of this section if

10 (1) an interest in land limited to agricultural purposes is to be sold
11 under (a) of this section;

12 (2) the sale is a part of a program to develop agricultural land as a
13 renewable resource of the state; and

14 (3) the regulations include residency, skill, experience, and financial
15 requirements necessary to qualify persons who are competent and financially able to
16 develop the land as a successful agricultural enterprise.

17 * Sec. 28. AS 38.05.059 is amended to read:

18 Sec. 38.05.059. Sale of agricultural land. The Board of Agriculture and
19 Conservation (AS 03.09.010) [COMMISSIONER] may provide for the sale of land
20 classified under AS 38.05.020(b)(6) for agricultural uses in parcels or tracts described
21 by aliquot parts. The parcels or tracts are subject to state subdivision requirements and
22 municipal ordinances.

23 * Sec. 29. AS 38.05.065(h) is amended to read:

24 (h) The Board of Agriculture and Conservation (AS 03.09.010)
25 [COMMISSIONER]

26 (1) shall provide that, notwithstanding (a) and (b) of this section, in a
27 contract for the sale of land classified under AS 38.05.020(b)(6) for agricultural uses,
28 the interest rate to be charged on installment payments may not exceed 9.5 percent;
29 and

30 (2) may declare a moratorium of up to five years on payments on land
31 sold under this section for land classified under AS 38.05.020(b)(6) for agricultural

1 uses if

2 (A) the board [COMMISSIONER] determines that the
3 moratorium is in the best interest of the state;

4 (B) the board [COMMISSIONER] certifies and the contract
5 purchaser agrees to perform farm development, crop production, and harvesting,
6 not including land clearing or related activity, requiring the expenditure of
7 amounts equivalent to the payments that would otherwise be made during the
8 moratorium;

9 (C) the sale of the agricultural land takes place after July 1,
10 1979; and

11 (D) the contract purchaser is in compliance with the
12 development plan specified in the purchase contract at the time the purchaser
13 applies for a moratorium under this subsection and remains in compliance with
14 the development plan during the moratorium; for the payments subject to the
15 moratorium declared under this paragraph, interest payments are subject to the
16 moratorium but interest continues to accrue during the moratorium.

17 * Sec. 30. AS 38.05.069(a) is amended to read:

18 (a) On a determination by the commissioner that the highest and best use of
19 unoccupied land is for agricultural purposes and that it is in the best interests of the
20 state to sell or lease the land, the Board of Agriculture and Conservation
21 (AS 03.09.010) [COMMISSIONER] shall grant to an Alaska [ALASKAN] resident
22 owning and using or leasing and using land for agricultural purposes a first option at
23 the auction to purchase or lease the unoccupied land situated adjacent to land presently
24 held by the Alaska [ALASKAN] resident for the amount of the high bid received at
25 public auction. If more than one Alaska [ALASKAN] resident qualifies for a first
26 option under this section, eligibility for the first option shall be determined by lot and
27 the option must be exercised on the conclusion of the public auction. A parcel of
28 agricultural land sold under this section may not be less than 20 acres, and a parcel of
29 agricultural land that is acquired by exercise of the option granted in this subsection
30 may not exceed 320 acres. Agricultural land that is acquired under this section must
31 be used for agricultural purposes as required by law.

1 * Sec. 31. AS 38.05.069(c) is amended to read:

2 (c) Under this section,

3 (1) the Board of Agriculture and Conservation [DIRECTOR] may
4 transfer state land classified for agriculture only for agricultural purposes;

5 (2) the sale or lease shall be at public auction.

6 * Sec. 32. AS 38.05.321(a) is amended to read:

7 (a) The Board of Agriculture and Conservation (AS 03.09.010)
8 [DEPARTMENT] shall include in a document that conveys state land classified as
9 agricultural land

10 (1) a perpetual covenant for the benefit of all Alaska residents and
11 running with the land that restricts or limits the use of the land for agricultural
12 purposes; and

13 (2) one of the following, as appropriate:

14 (A) a perpetual covenant for the benefit of all Alaska residents
15 and running with the land permitting the owner of land that had been obtained
16 under homestead entry to subdivide and convey the land in parcels of not less
17 than 40 acres each; or

18 (B) a perpetual covenant for the benefit of all Alaska residents
19 and running with the land permitting the owner of land that had been obtained
20 by purchase to subdivide and convey not more than four parcels of the land of
21 not less than 40 acres each, subject to the restriction that a subdivided parcel
22 may not be further subdivided.

23 * Sec. 33. AS 38.05.321(d) is amended to read:

24 (d) For state land classified as agricultural land that is conveyed under (a) of
25 this section,

26 (1) the Board of Agriculture and Conservation [COMMISSIONER]
27 may require the landowner to cooperate with the appropriate soil and water
28 conservation district under AS 41.10 in the development and implementation of soil
29 conservation plans as authorized by AS 41.10.110(6);

30 (2) as a condition of the conveyance, the board [COMMISSIONER]
31 may not require preparation and implementation of a schedule of planned agricultural

1 development or a farm development plan specified in a land purchase contract unless
2 the board [COMMISSIONER] permits modification of a plan in cases of economic
3 hardship or other extenuating circumstances;

4 (3) the board [COMMISSIONER] may not

5 (A) limit the right of the landowner to use the land and
6 improvements for purposes that are incidental to and not inconsistent with the
7 primary use of the land for agricultural purposes;

8 (B) except as provided by (i) of this section, limit the right of
9 a landowner to construct housing for the landowner and farm laborers, to
10 construct improvements for animals, or to construct improvements that are
11 reasonably required for or related to agricultural use on the original parcel and
12 on additional subdivided parcels, not to exceed the limits and restrictions set
13 by (a)(2) of this section; and

14 (C) limit the right of the landowner to subdivide and convey the
15 land if the resulting parcels are not in violation of the limits and restrictions set
16 out in (a)(2) of this section.

17 * Sec. 34. AS 38.05.321(e) is amended to read:

18 (e) A landowner may subdivide land classified for agricultural use and for
19 which the landowner obtained a patent under a homestead entry permit issued under
20 AS 38.09 so long as the resulting parcels are not in violation of the minimum parcel
21 size set out in (a) of this section. A landowner may subdivide other land classified for
22 agricultural use as authorized under (d)(3)(C) of this section. If the subdivision
23 involves land classified for agricultural use and for which the landowner obtained a
24 patent under a homestead entry permit issued under AS 38.09, or if the subdivision of
25 land authorized under (d)(3)(C) of this section results only in parcels of 640 acres or
26 more, the landowner may subdivide without payment as required by this subsection.
27 If subdivision of land authorized by (d)(3)(C) of this section would result in one or
28 more parcels of less than 640 acres, the landowner may subdivide only if the
29 landowner first tenders payment to the Board of Agriculture and Conservation
30 [DEPARTMENT] for the right to construct housing in each subdivided parcel of less
31 than 640 acres. Payments collected under this subsection shall be separately

1 accounted for and may be appropriated to the agricultural revolving loan fund
2 (AS 03.10.040). For purposes of this subsection, the value of the right to construct
3 housing in a subdivided parcel

4 (1) is \$4,000 for the parcel, subject to adjustment under (h) of this
5 section; or

6 (2) shall be determined by an appraisal made by an appraiser under
7 contract to the landowner owning the parcel, and the appraisal must include the value,
8 determined as of the date of subdivision, of the right to construct housing by the
9 landowner under (d)(3) of this section.

10 * Sec. 35. AS 38.05.321(f) is amended to read:

11 (f) Notwithstanding (e) of this section, the landowner is not required to pay
12 an amount due under (e) of this section until the subdivided parcel is conveyed by the
13 owner to a person not a member of the person's immediate family. The board
14 [DEPARTMENT] has a lien on the parcel as security for payment of the amount due.
15 For purposes of this subsection, "immediate family" means

16 (1) the spouse of the person; or

17 (2) a parent, child, including a stepchild and an adoptive child, or
18 sibling of the person if the parent, child, or sibling resides with the person, is
19 financially dependent on the person, or shares a substantial financial interest with the
20 person.

21 * Sec. 36. AS 38.07.010(b) is amended to read:

22 (b) The land that is [THUS] cleared or drained under (a) of this section shall
23 be put up for competitive lease by the Board of Agriculture and Conservation
24 (AS 03.09.010) in lots of not less than 320 acres each. Lease payments shall be
25 separately accounted for and may be appropriated to the agricultural revolving
26 loan fund (AS 03.10.040).

27 * Sec. 37. AS 38.07.030(a) is amended to read:

28 (a) An owner of agricultural land, or a lessee from the state of agricultural
29 land, in the general vicinity of the land to be cleared or drained under AS 38.07.010(a)
30 may apply to the commissioner to have the land cleared or drained or both along with
31 the state land. The applicant's land shall be included in the contract of land to be

1 cleared or drained if, in the discretion of the commissioner, the inclusion is feasible
2 and furthers the agricultural policies of the Board of Agriculture and Conservation
3 [DIVISION OF AGRICULTURE].

4 * Sec. 38. AS 38.09.010(a) is amended to read:

5 (a) The commissioner shall designate and make available for homestead entry
6 state land, including land classified for agricultural use that may be disposed of by
7 the Board of Agriculture and Conservation (AS 03.09.010). State land made
8 available for homestead entry under this chapter shall be distributed throughout the
9 state.

10 * Sec. 39. AS 38.09.010(b) is amended to read:

11 (b) The commissioner shall complete a rectangular survey grid of homestead
12 entry state land under AS 38.04.045 before disposing of state land for homestead entry
13 or authorizing the Board of Agriculture and Conservation to dispose of it. A
14 homestead entry parcel shall be established in aliquot parts of a surveyed section or
15 as lots or tracts that are fractions of aliquot parts of a surveyed section. The
16 commissioner shall ensure practical access to each homestead entry parcel but the
17 commissioner may waive the rectangular survey grid if no more than one conveyance
18 is made for each section within a township.

19 * Sec. 40. AS 38.09.010(c) is amended to read:

20 (c) Notice of the designation and offering of land for homestead entry shall be
21 given by the commissioner under AS 38.05.945 or by the Board of Agriculture and
22 Conservation in a manner that complies with AS 38.05.945.

23 * Sec. 41. AS 39.25.110 is amended by adding a new paragraph to read:

24 (34) the director and staff of the Board of Agriculture and
25 Conservation.

26 * Sec. 42. AS 39.50.200(b) is amended by adding a new paragraph to read:

27 (56) Board of Agriculture and Conservation (AS 03.09.010).

28 * Sec. 43. AS 41.10.010 is amended to read:

29 **Sec. 41.10.010. Declaration of policy.** The farm, forest, [AND] grazing, and
30 other land of the state that is rich in natural resources is a basic asset of the state.
31 It is the policy of this chapter, in the interest of the health, safety, and general welfare

1 of the people of the state, to provide for the development, use, and conservation of this
2 land in accordance with its capabilities.

3 * Sec. 44. AS 41.10.030 is amended to read:

4 **Sec. 41.10.030. Purpose of chapter.** The purpose of this chapter is to provide
5 for the orderly development of land, for guiding settlement, [AND] for conserving soil
6 and water and soil resources, for [AND] controlling and preventing soil erosion, and
7 for protecting water quality.

8 * Sec. 45. AS 41.10.100(b) is amended to read:

9 (b) The board shall also

10 (1) receive and review reports concerning the use of soil resources of
11 the state;

12 (2) hold public hearings and meetings to determine whether land in the
13 state is being used in a manner consistent with sound soil and water conservation
14 practices;

15 (3) make recommendations for specific action necessary to provide for
16 the effective and orderly development of agricultural, forest, and grazing land in the
17 state;

18 (4) [REVIEW AN APPEAL BY AN APPLICANT OR LESSEE FROM
19 A DECISION OF THE DIRECTOR OF THE DIVISION OF LAND AND WATER
20 MANAGEMENT CONCERNING A SALE OR LEASE OF STATE
21 AGRICULTURAL OR GRAZING LAND AND SUBMIT ITS
22 RECOMMENDATIONS TO THE COMMISSIONER OR HEARING OFFICER;

23 (5)] act in an advisory capacity to the soil and water conservation
24 districts in the state;

25 (5) [(6)] act in an advisory capacity to the commissioner [AND
26 DIRECTOR OF THE DIVISION OF AGRICULTURE] in the review of farm
27 conservation plans for all state agricultural land sales in the state [ALASKA
28 DISTRICT].

29 * Sec. 46. AS 41.10.140(1) is amended to read:

30 (1) "board" means the Board of Agriculture and Conservation
31 (AS 03.09.010) [ALASKA NATURAL RESOURCE CONSERVATION AND

1 DEVELOPMENT BOARD];

2 * Sec. 47. AS 03.10.050(b), 03.10.050(d), 03.10.052; AS 38.05.035(b)(6);
3 AS 39.50.200(b)(1); AS 41.10.040, 41.10.045, 41.10.050, 41.10.060, 41.10.070, 41.10.080, and
4 41.10.090 are repealed.

5 * Sec. 48. TRANSITION. (a) Notwithstanding AS 03.09.010(b), enacted in sec. 1 of this
6 Act, two initial appointed members of the Board of Agriculture and Conservation shall be
7 appointed to one-year terms and three initial appointed members of the board shall be
8 appointed to two-year terms.

9 (b) Notwithstanding AS 03.09.040, enacted in sec. 1 of this Act, AS 03.10.020(a), as
10 amended in sec. 2 of this Act, AS 03.10.030(h), as amended in sec. 8 of this Act, and
11 AS 03.10.033(a), as amended in sec. 9 of this Act, regulations that apply to the agricultural
12 revolving loan fund and to loans from the fund remain in effect until amended or repealed by
13 the Board of Agriculture and Conservation.

14 (c) Notwithstanding AS 03.47.030(e), as amended in sec. 21 of this Act, regulations
15 that apply to bees and beekeeping equipment adopted by the division of agriculture remain
16 in effect until amended or repealed by the Board of Agriculture and Conservation.

17 * Sec. 49. This Act takes effect July 1, 1999.

STATE OF ALASKA
HOUSE OF REPRESENTATIVES

Representative Jeannette James



P.O. Box 56622
North Pole, AK 99701
TEL 488-1546, FAX 488-4271

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

SPONSOR STATEMENT

House Bill 116
Board of Agriculture and Conservation

4/8/99

If we are going to close our fiscal gap, Alaska needs to encourage development! We need to remove roadblocks and allow industry to grow and prosper, for the benefit of our state and all its citizens. We need to bridge the gap between urban and rural development, between agricultural and other resource development.

HB 116 helps achieve that goal by restructuring the way agricultural and conservation 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 and land users, in keeping with sound conservation policies. It provides much-needed stability and allows long-term growth.

It proposes a new board - The Board of Agriculture and Conservation.

The new board takes over all statutory duties of the existing Division of Agriculture and consolidates three existing boards into one.

Not only does this save the state money, it also extends the life of the Agriculture Revolving Loan Fund (ARLF) by instituting a grass roots, fiscally conservative board that has more control over ARLF funds. It changes the ARLF interest rate from eight to five percent, making it competitive with the Federal FSA (Farm Service Agency) loans which are currently drawing farmers away and shortening the life and income of the ARLF. The sale of ARLF assets and agriculture lands becomes the new board's responsibility, and proceeds would go back into the ARLF. Also, HB 116 bill allows flexibility for the new board to restructure loans if disaster is suffered three out of five years, and it establishes an emergency loan program.

The new board hires an executive director, which means long-term predictable continuity for that position. Putting decision-making power in the hands of a revolving board instead of a politically appointed director provides much-needed stability and allows long-term planning and growth.

By consolidating three existing boards and one division into this new board, soil and water conservation and agricultural efforts will be able to pool resources and expertise, present a unified instead of fragmented organization, and have a truly strong voice in the future development of Alaska.

And, especially important in this time of diminishing state revenue, the proposed consolidation helps eliminate duplicative government functions and saves the state money.

STATE OF ALASKA
HOUSE OF REPRESENTATIVES

Representative Jeannette James



P.O. Box 56622
North Pole, AK 99701
TEL 488-1546, FAX 488-4271

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

Sectional Analysis
CS HB 116 (), Version LS0407\N

4/8/99

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

"CHAPTER 9. BOARD OF AGRICULTURE AND CONSERVATION."

The new Board of Agriculture and Conservation consists of nine members:

The Commissioner of Natural Resources, or the Commissioner's designee,

plus eight members appointed by the Governor:

One with business or financial experience,
One from statewide agriculture promotion organization,
Two from Alaska Soil and Water Conservation Districts,
Four from different enterprises in commercial production agriculture.

Except for the Commissioner, they serve staggered three-year terms.

Members elect a chair and a vice-chair. They also may appoint a director who can employ staff and is responsible for daily operations of the ARLF.

Essentially, all existing statutory duties of the Division of Agriculture are transferred to the new board.

This section also specifies that a board member may obtain an ARLF loan, and a person with an outstanding ARLF loan may be appointed as a board member.

Five board members constitute a quorum, and the board shall keep minutes which are submitted to the Commissioner of DNR and to LB&A.

The board may adopt regulations to carry out its duties.

The board may make recommendations to the Commissioner of DNR regarding identification and disposal of agricultural land.

Once a parcel of land is classified as agricultural, the board may carry out disposal of that land, and the proceeds may be appropriated into the ARLF.

Section 2 amends existing statute, authorizing the new board (instead of DNR) to make loans.

Section 3 amends existing statute, changing the interest rate on farm development, chattel, or irrigation loans from eight percent to five percent.

Section 4 amends existing statute, authorizing the new board, instead of the ARLF Board, to extend the term of a loan for up to three years.

Section 5 amends existing statute, authorizing the new board, in place of DNR and Division of Agriculture, to assess delinquency and penalties on loans.

Section 6 amends existing statute, changing the interest on farm product processing loans from eight percent to five percent.

Section 7 amends existing statute, changing the interest on loans for clearing land from eight percent to five percent.

Section 8 amends existing statute, authorizing the new board, instead of the Commissioner of DNR, to adopt regulations to establish other terms and interest rates for loans.

Section 9 amends existing statute, authorizing the new board to restructure loans by reducing interest and extending terms to a borrower who has experienced three years of agricultural disaster during the last five years.

Section 10 amends existing statute, authorizing the new board, rather than the ARLF Board, to approve an application for loan restructuring.

Section 11 amends existing statute, designating the new board, instead of the Commissioner of DNR, to be the recipient of out-standing balance payments.

Section 12 amends existing statute, authorizing the legislature to appropriate money from the ARLF for costs of administering the operations of the new board.

Section 13 amends existing statute, giving the new board, instead of the commissioner of DNR, authority to administer the ARLF. A loan may not be made without the approval of a majority of the board, except that emergency loans up to \$50,000 may be approved by majority vote of a committee composed of the board chair, the director, and a loan officer employed by the board.

Section 14 amends existing statute, exempting the new board from public meeting requirements.

Section 15 amends existing statute, allowing the new board, rather than DNR, to establish credits for loans maintained in good financial standing.

Section 16 amends existing statute, allowing the new board, rather than the Director of Agriculture, to dispose of property acquired through foreclosure or default. It also allows money from such disposals to be appropriated to the ARLF.

Sections 17 through 22 amend existing statute, giving the new board, rather than the Division of Agriculture, authority to control quarantine of bees and importation of bees into Alaska. (This is the only such authority designated to the Division of Agriculture under current statute, and thus it needs to be specifically transferred to the new board in HB 116.)

Section 23 amends existing statute and adds a new subsection, specifying that land designated agricultural shall be disposed of by the new board,

and authorizing the new board to carry out the duties of the Commissioner or the Director in disposing of land into private ownership.

Section 24 amends existing statute, authorizing the new board to convey agricultural use rights.

Section 25 amends existing statute, permitting the new board to waive, postpone, or modify development requirements of a contract for sale of agricultural land.

Section 26 amends existing statute, requiring the new board to approve action necessary to protect the state's contractual or other property rights.

Section 27 amends existing statute, allowing the new board, rather than the Commissioner of DNR, to adopt regulations specifying qualifications for lottery participants involving agricultural land disposal.

Section 28 amends existing statute, authorizing the new board, instead of the Commissioner of DNR, to provide for the sale of agricultural land subject to state subdivision requirements and municipal ordinances.

Section 29 amends existing statute, allowing the new board, rather than the Commissioner of DNR, to provide for maximum interest rates, to declare a moratorium of up to five years on payments, to certify agreements with purchasers to perform development and expenditures during a moratorium, and to assure compliance with development plans during a moratorium.

Section 30 amends existing statute, authorizing the new board, rather than the commissioner of DNR, to grant an Alaska resident first option on auctioned agricultural land.

Section 31 amends existing statute, allowing the new board, rather than the Director of Agriculture, to transfer state agricultural land at public auction.

Section 32 amends existing statute, giving the new board, rather than DNR, authority to convey covenants.

Section 33 amends existing statute, allowing the new board, rather than the Commissioner of DNR, to require landowners' cooperation with soil and water conservation districts, and to require a development plan. The new board is also prohibited from limiting the landowners' rights to construct housing and other improvements and to subdivide and convey land, within statutory restrictions.

Section 34 amends existing statute, substituting the new board instead of DNR as the authority in dealing with landowners' subdivisions of agricultural land. It also allows payments collected under this section to be appropriated to the ARLF.

Section 35 amends existing statute, substituting the new board instead of DNR as the authority in dealing with landowners' subdivisions of agricultural land and conveying it to persons outside the immediate family.

Section 36 amends existing statute, authorizing the new board to put up for competitive lease lots of not less than 320 acres, payments for which may be appropriated to the ARLF.

Section 37 amends existing statute, authorizing the new board, rather than the Division of Agriculture, to determine the feasibility of clearing or draining agricultural land.

Section 38 amends existing statute, allowing the Commissioner of DNR to designate homestead entry state land that has been classified for agricultural use by the new board.

Section 39 amends existing statute, specifying conditions before homestead entry state land can be disposed of by the new board.

Section 40 amends existing statute, allowing either the Commissioner of DNR or the new board to give notice of land offered for homestead entry.

Section 41 amends existing statute, adding the new board's director and staff to the list of exempt service employees.

Section 42 adds the new board to the list of boards defined in statute.

Section 43 expands the declaration of policy for soil and water conservation to include other state land that is rich in natural resources.

Section 44 expands the purpose of soil and water conservation to include protection of water quality.

Section 45 amends existing statute, allowing the new board to act in an advisory capacity to the DNR Commissioner in the review of farm conservation plans for state agricultural land.

Section 46 amends the definition of "board" to mean the new Board of Agriculture and Conservation.

Section 47 *REPEALS* existing statutes which:

Define the ARLF Board,
Define a duty of the ARLF Board,
Define limitations on ARLF Board members,
Give the Director of Agriculture authority to dispose of agricultural land by lottery,
Place the ARLF Board in statute,
Define the Natural Resource Conservation and Development (NRCD) Board,
Authorize the DNR Commissioner to appoint an NRCD executive director,
Authorize the Governor to appoint NRCD Board members subject to legislative confirmation,
Define qualifications of NRCD board members,
Define board members' terms of office,
Authorize the Governor to fill vacancies, and
Allcws NRCD board members to collect per diem.

Essentially, all statutory duties of the ARLF and NRCD boards are transferred to the new board.

Section 48 outlines the transition process from existing boards to the new board.

Section 49 sets the effective date of this bill as July 1, 1999.



Alaska State Legislature

Please enter into the record my testimony to the House Resources
committee name

committee on HB 116, dated 4/21/99
bill # / subject

I presented written testimony for the previous
resources hearing. My position is the same
I believe that this is a good piece
of legislation and should be passed.

Thank you

Signed:

Bill D Ward

Testifier

Ward Farms

Representing (Optional)

Soldotna - Delta Jet.

Address

907-262-5135

895-5415

Phone number

FISCAL NOTE

STATE OF ALASKA
1999 LEGISLATIVE SESSION

BILL NO. HB 116

Revision Date: _____ Dept Affected: Natural Resources
 Title: Board of Agriculture and Conservation BRU: Agricultural Revolving Loan Program Admin
 Component: Agricultural Revolving Loan Program Admin
 Sponsor: Rep. James
 Requestor: (H) RES Component Serial No. #455

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

OPERATING EXPENDITURES	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	*	*	*	*	*	*

CAPITAL EXPENDITURES	*	*	*	*	*	*
-----------------------------	---	---	---	---	---	---

CHANGE IN REVENUES (fund code)	*	*	*	*	*	*
---------------------------------------	---	---	---	---	---	---

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	*	*	*	*	*	*

Estimate of any current year (FY99) cost: \$ none

POSITIONS

FULL-TIME	*	*	*	*	*	*
PART-TIME	*	*	*	*	*	*
TEMPORARY	*	*	*	*	*	*

ANALYSIS: (Attach a separate page if necessary)

* FY00 and future costs are unknown since proposed legislation creates a new level of government. Currently, in addition to the four full time employees, support and direction is provided by the Division of Agriculture. Present board received only per diem and travel expenses for meetings attended. No less than 8 meetings per year. No limit on the number of days that a 9 member board could perform duties. It is unknown how many exempt staff the board may hire. This new staff could replace the current staff of four with an unlimited number of staff. It is also unknown how much office space this new board would require for itself and associated staff. ARLF provides funding for other Division of Agriculture functions. It is unknown if funding source change would be required when newly created government entity is established. Interest rate reduction from 8% to 5% would reduce revenue to ARLF, amount is unknown at this time.

Prepared by: Robert Wells, Director *Robert Wells* Phone: 907-745-7200
 Division: Agriculture Date: 14-Apr-99
 Approved by Commissioner: *Michael Cannon* Date: 4/14/99
 Agency: Natural Resources

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

Alaska Assoc. of Conservation Districts
351 West Parks Hwy., Suite 101
Wasilla AK. 99645
Phone: 373-7923 FAX: 373-7192

January 3, 2000

Representative James and Harris
House Resources Committee, Co-chairs
State Capital
Juneau, Alaska 99801-1182

RE: House Bill 116 "An Act relating to the Board of Agriculture and Conservation".

Dear Representatives James and Harris;

On November 10, 1999 representatives from your office as well as staff from Senator Green and Representative Masek's office met with the Board of Directors of the Alaska Farm Bureau to discuss issues relating to HB 116. At that time Douglas Witte Executive Director of the Alaska Assoc. of Conservation Districts presented our position on this legislation. I have attached a copy of our organizations position sent to members of the House Resources Committee on April 5th last year.

At the close of the November 10th discussion the group came to consensus that the following action would be taken in any future draft of HB 116:

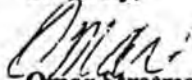
- 1.) The term "CONSERVATION" would remain in the title of the bill.
- 2.) The members of the Soil and Water Conservation organization appointed to the Board of Agriculture would be reduced from two to one; and that individual would be involved in production agriculture.
- 3.) No action would be taken that would amend or repeal A.S. 41.10.

I have reviewed the most recent draft of HB 116 (November 1999) and see a great deal of improvement to the language and intent. We appreciate the attention and response you have taken to address our concerns.

I do however have some concern with regard to action within HB 116 that amends existing A.S. 41.10 language. We are the first to agree that A.S. 41.10 needs updated and clarified and in fact have discussed additional changes with Senator Green in the past. I would ask that HB 116 drop any discussion of amending A.S. 41.10 and that we simply address your recommendations and ours "independent" of this Act. I want to reiterate that we do not object to the A.S. 41.10 amended language but simply have a concern toward addressing these issues within the format of HB 116. The Spring Conference of the Association will be held in Anchorage in April. Action toward amending A.S. 41.10 independent of HB 116 will be addressed in detail at that time.

In closing, I want to thank you for addressing our concerns.

Sincerely;



Omar Stratman, President
Alaska Assoc. of Conservation Districts

cc: Representative Masek
Senator Green.

April 5, 1999

House Resources Committee
State Capital
Juneau, Alaska 99801-1182

RE: HB 116

Dear Committee member,

A detailed review of HB 116 was held during the recent spring conference of the Alaska Association of Soil and Water Conservation Districts (AASWCD) in Anchorage. Based on the review of HB 116 by the general membership, the Board of Directors has adopted the following platform with regard to the proposed legislation:

*The AASWCD supports the concept of a Board of Agriculture. The Board however should be advisory in nature with delegated administrative oversight powers and should not be a policy setting organization.

*The AASWCD does not support the consolidation of the Alaska Natural Resource Conservation and Development Board and the incorporation of the powers and duties as outlined in AS 41.10 with the Board of Agriculture.

*The AASWCD does support the appointment of a member of the Alaska Soil and Water Conservation District movement to one of the nine member positions on the Board of Agriculture.

*The AASWCD does not recognize a cost savings to the State of Alaska as a result of consolidation under HB 116. HB 116 does not currently contain a fiscal note from which a financial savings to the State of Alaska can be determined.

The Alaska Association of Soil and Water Conservation Districts is a 501-c3 none-profit organization and supports the efforts of 13 independent Soil and Water Conservation Districts in Alaska. These thirteen Districts represent 65 locally elected supervisors and more than 850 private landowners. The Alaska Association of Conservation Districts and its individual member Districts are affiliated with the National Association of Conservation Districts and its 3,000 member Districts nationwide.

Since 1946 the Alaska Soil and Water Conservation movement has been affiliated with agricultural land development in Alaska. Agriculture however, is one of many private uses of land and associated natural resources. Over the years our organization has developed strong partnerships with the USDA Natural Resources Conservation Service,

the US Forest Service, the Alaska Div. of Forestry, the University of Alaska Cooperative Extension Service, and most recently the Alaska Dept. of Environmental Conservation. The cooperators we serve not only represent farmers; but owners of patented mine lands, owners of forest lands, urban and suburban homeowners, and owners of land in general who wish to enhance and or protect the resource values of their private property.

HB 116 will in essence narrow the focus the Soil and Water Conservation movement in Alaska. In 1992 we were recognized by then ADNR Commissioner Harold Heinz, as Alaska's best kept secret. Commissioner Heinz saw that bureaucracy in general did not have a link to the private sector and that implementing land and resource management policies was next to impossible without public involvement. The Alaska Dept. of Natural Resources now realizes that Districts are not single focused and that Districts are the conduit in the state, federal, private partnership.

Sincerely

Omar Stratman, President
Alaska Association of Soil and Water Conservation Districts

CC: Representative John Harris
Representative Jeannette James
Members of the House Resource Committee

STATE OF ALASKA
HOUSE OF REPRESENTATIVES

Representative Jeannette James



P.O. Box 56622
North Pole, AK 99701
TEL 488-1546, FAX 488-4271

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

Sectional Analysis
CS HB 116 (RES), Version LS0407X

1/11/00

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

"CHAPTER 9. BOARD OF AGRICULTURE AND CONSERVATION."

The new Board of Agriculture and Conservation consists of seven members appointed by the Governor and confirmed by the Legislature:

One with business or financial experience,
One from a statewide agriculture promotion organization,
One from Alaska Soil and Water Conservation Districts,
Four from different enterprises in commercial production agriculture.

Members serve staggered three-year terms, and they may appoint a director who can employ staff and is responsible for daily operations of the ARLF.

Essentially, all existing statutory duties of the Division of Agriculture are transferred to the new board.

This section also specifies that a board member may obtain an ARLF loan, and a person with an outstanding ARLF loan may be appointed as a board member, but a board member is prohibited from using the office for personal gain.

The board may adopt regulations and may make recommendations to the Commissioner of DNR regarding identification and disposal of agricultural land.

Once a parcel of land is classified as agricultural, the board may carry out disposal of that land, and the proceeds may be appropriated into the ARLF.

Section 2 amends existing statute, authorizing the new board (instead of DNR) to make loans.

Section 3 amends existing statute, making the interest rate on farm development, chattel, or irrigation loans comparable to that charged by other agricultural lending institutions in the state.

Section 4 amends existing statute, authorizing the new board, instead of the ARLF Board, to extend the term of a loan for up to three years.

Section 5 amends existing statute, authorizing the new board, in place of DNR and Division of Agriculture, to assess delinquency and penalties on loans.

Section 6 amends existing statute, making the interest rate on farm development, chattel, or irrigation loans comparable to that charged by other agricultural lending institutions in the state.

Section 7 amends existing statute, making the interest rate on farm development, chattel, or irrigation loans comparable to that charged by other agricultural lending institutions in the state..

Section 8 amends existing statute, authorizing the new board, instead of the Commissioner of DNR, to adopt regulations to establish other terms and interest rates for loans.

Section 9 amends existing statute, authorizing the new board to restructure loans by reducing interest and extending terms to a borrower who has experienced an agricultural disaster as defined by regulations adopted by the board.

Section 10 amends existing statute, authorizing the new board, rather than the ARLF Board, to approve an application for loan restructuring.

Section 11 amends existing statute, designating the new board, instead of the Commissioner of DNR, to be the recipient of out-standing balance payments.

Section 12 amends existing statute, authorizing the legislature to appropriate money from the ARLF for costs of administering the operations of the new board.

Section 13 amends existing statute, giving the new board, instead of the commissioner of DNR, authority to administer the ARLF. A loan may not be made without the approval of a majority of the board, except that emergency loans up to \$50,000 may be approved by majority vote of a committee composed of the board chair, the director, and a loan officer employed by the board.

Section 14 amends existing statute, exempting the new board from public meeting requirements.

Section 15 amends existing statute, allowing the new board, rather than DNR, to establish credits for loans maintained in good financial standing.

Section 16 amends existing statute, allowing the new board, rather than the Director of Agriculture, to dispose of property acquired through foreclosure or default. It also allows money from such disposals to be appropriated to the ARLF.

Sections 17 through 22 amend existing statute, giving the new board, rather than the Division of Agriculture, authority to control quarantine of bees and importation of bees into Alaska. (This is the only such authority designated to the Division of Agriculture under current statute, and thus it needs to be specifically transferred to the new board in HB 116.)

Section 23 amends existing statute and adds a new subsection, specifying that land designated agricultural shall be disposed of by the new board, and authorizing the new board to carry out the duties of the Commissioner or the Director in disposing of land into private ownership.

Section 24 amends existing statute, authorizing the new board to convey agricultural use rights.

Section 25 amends existing statute, permitting the new board to waive, postpone, or modify development requirements of a contract for sale of agricultural land.

Section 26 amends existing statute, requiring the new board to approve action necessary to protect the state's contractual or other property rights.

Section 27 amends existing statute, allowing the new board, rather than the Commissioner of DNR, to adopt regulations specifying qualifications for lottery participants involving agricultural land disposal.

Section 28 amends existing statute, authorizing the new board, instead of the Commissioner of DNR, to provide for the sale of agricultural land subject to state subdivision requirements and municipal ordinances.

Section 29 amends existing statute, allowing the new board, rather than the Commissioner of DNR, to provide for maximum interest rates, to declare a moratorium of up to five years on payments, to certify agreements with purchasers to perform development and expenditures during a moratorium, and to assure compliance with development plans during a moratorium.

Section 30 amends existing statute, authorizing the new board, rather than the commissioner of DNR, to grant an Alaska resident first option on auctioned agricultural land.

Section 31 amends existing statute, allowing the new board, rather than the Director of Agriculture, to transfer state agricultural land at public auction.

Section 32 amends existing statute, giving the new board, rather than DNR, authority to convey covenants.

Section 33 amends existing statute, allowing the new board, rather than the Commissioner of DNR, to require landowners' cooperation with soil and water conservation districts, and to require a development plan. The new board is also prohibited from limiting the landowners' rights to construct housing and other improvements and to subdivide and convey land, within statutory restrictions.

Section 34 amends existing statute, substituting the new board instead of DNR as the authority in dealing with landowners' subdivisions of agricultural land. It also allows payments collected under this section to be appropriated to the ARLF.

Section 35 amends existing statute, substituting the new board instead of DNR as the authority in dealing with landowners' subdivisions of agricultural land and conveying it to persons outside the immediate family.

Section 36 amends existing statute, authorizing the new board to put up for competitive lease lots of not less than 320 acres, payments for which may be appropriated to the ARLF.

Section 37 amends existing statute, authorizing the new board, rather than the Division of Agriculture, to determine the feasibility of clearing or draining agricultural land.

Section 38 amends existing statute, allowing the Commissioner of DNR to designate homestead entry state land that has been classified for agricultural use by the new board.

Section 39 amends existing statute, specifying conditions before homestead entry state land can be disposed of by the new board.

Section 40 amends existing statute, allowing either the Commissioner of DNR or the new board to give notice of land offered for homestead entry.

Section 41 amends existing statute, adding the new board's director and staff to the list of exempt service employees.

Section 42 adds the new board to the list of boards defined in statute.

Section 43 *REPEALS* existing statutes which:

- Define the ARLF Board,
- Define a duty of the ARLF Board,
- Define limitations on ARLF Board members,
- Give the Director of Agriculture authority to dispose of agricultural land by lottery,
- Place the ARLF Board in statute.

Section 44 outlines the transition process from existing boards to the new board.

Section 45 sets the effective date of this bill as July 1, 2000.

STATE OF ALASKA
HOUSE OF REPRESENTATIVES

Representative Jeannette James



P.O. Box 56622
North Pole, AK 99701
TEL 488-1546, FAX 488-4271

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

SPONSOR STATEMENT

House Bill 116 Board of Agriculture and Conservation

1/11/00

The latest draft of HB 116 (*Version "X"*) is the culmination of much intensive work during the 1999 interim by representatives from the legislature, administration, conservation boards, and the agriculture industry.

HB 116 proposes a new board - The Board of Agriculture and Conservation - comprised of people involved in grass-roots commercial production agriculture.

It extends the life of the Agriculture Revolving Loan Fund (ARLF) by instituting a grass-roots, fiscally conservative board that has more control over ARLF funds. It makes the ARLF interest rate competitive with other loans which are currently drawing farmers away and shortening the life and income of the ARLF. The sale of ARLF assets and agriculture lands becomes the new board's responsibility, and proceeds would go back into the ARLF. HB 116 bill allows flexibility for the new board to restructure loans in the event of a disaster, and it establishes an emergency loan program. HB 116 also saves money and time by combining two existing boards into one.

The new board takes over all statutory duties of the existing Division of Agriculture and hires an executive director, which means long-term predictable continuity for that position. Putting decision-making power in the hands of a revolving board instead of a politically appointed director provides much-needed stability and would at last allow long-term planning and growth for the agriculture industry in Alaska.

1-LS0407X
Cook ✓
1/14/00

CS FOR HOUSE BILL NO. 116()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - SECOND SESSION

BY

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVES JAMES, Harris

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the Board of Agriculture and Conservation, to the**
2 **agricultural revolving loan fund, to the disposal of interests in state agricultural**
3 **or grazing land; and providing for an effective date."**

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

5 *** Section 1. AS 03 is amended by adding new sections to read:**

6 **Chapter 09. Board of Agriculture and Conservation.**

7 **Sec. 03.09.010. Board of Agriculture and Conservation established. (a)**

8 **There is established in the department the Board of Agriculture and Conservation. The**
9 **board consists of seven members appointed by the governor and confirmed by the**
10 **legislature in joint session. Members shall have the following qualifications:**

- 11 (1) **one member shall have general business or financial experience;**
- 12 (2) **one member shall be a member of a statewide agriculture promotion**
- 13 **organization;**
- 14 (3) **one member shall be a member of a soil and water conservation**

1 district established under AS 41.10.130(a) who is also engaged in commercial
2 production agriculture;

3 (4) four members shall be engaged in commercial production
4 agriculture, each shall represent a different agriculture enterprise from the others, such
5 as livestock production, dairy, vegetable production, grain production, horticultural
6 production, and greenhouse and hydroponic production.

7 (b) Members of the board serve staggered three-year terms and until a
8 successor is appointed. Members may be removed from office by the governor only
9 for cause. If a vacancy occurs, the governor shall immediately appoint a member for
10 the unexpired portion of the term and submit the name of the appointee to the
11 legislature for confirmation under AS 39.05.080.

12 (c) Members of the board receive no compensation, but are entitled to per
13 diem and travel expenses authorized for boards and commissions under AS 39.20.180.

14 (d) Notwithstanding AS 39.52.150(a) or other law, a person serving on the
15 board, or an immediate family member of a person serving on the board, may obtain
16 a lease, permit, or loan under AS 03.10 or under AS 38.05. A person may be
17 appointed to the board even though that person, or an immediate family member, has
18 a lease, permit, or loan under AS 03.10 or AS 38.05. However, a board member may
19 not use or attempt to use the office for personal gain and may not intentionally secure
20 or grant unwarranted benefits or treatment for any person.

21 **Sec. 03.09.020. Officers and employees.** (a) The Board of Agriculture and
22 Conservation shall elect a member to serve as chair and a member to serve as vice-
23 chair for one-year terms. A member may be reelected to serve additional terms as
24 chair or vice-chair.

25 (b) The board may appoint a director, who may employ staff and who is
26 responsible for the daily operations of the agricultural revolving loan fund
27 (AS 03.10.040). The director is in the exempt service under AS 39.25.110.

28 **Sec. 03.09.030. Quorum.** Four members of the Board of Agriculture and
29 Conservation constitute a quorum for the transaction of business or the exercise of a
30 power or function at a meeting of the board.

31 **Sec. 03.09.040. Regulations.** (a) The Board of Agriculture and Conservation

1 may adopt regulations under AS 44.62 (Administrative Procedure Act) to carry out its
2 duties.

3 (b) The board may, by regulation, classify loan and marketing information and
4 make some classes of loan or marketing information confidential.

5 **Sec. 03.09.050. Agricultural land.** (a) The Board of Agriculture and
6 Conservation may recommend to the commissioner that land in the land disposal bank
7 established under AS 38.04.020 be classified as suitable for agriculture. The board
8 may identify state land for agricultural disposal and request the commissioner to
9 provide for the survey and disposal of the land.

10 (b) Land designated for disposal for agricultural uses shall be disposed of by
11 the board in accordance with the requirements of AS 38.05.055 - 38.05.065, except
12 that the board shall carry out the duties of the commissioner and of the director of the
13 division of lands of the department under those sections to the extent those duties
14 apply to agricultural land. Proceeds from the disposals of agricultural land shall be
15 separately accounted for and may be appropriated to the agricultural revolving loan
16 fund (AS 03.10.040).

17 * Sec. 2. AS 03.10.020(a) is amended to read:

18 (a) The Board of Agriculture and Conservation (AS 03.09.010)
19 [DEPARTMENT] may

20 (1) make a loan to

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

23 (i) clearing land for agricultural purposes;

24 (ii) development of farms;

25 (iii) storage and processing of farm produce; or

26 (iv) the purchase of livestock or machinery;

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

28 for

29 (i) storage and processing plants for agricultural

30 products;

31 (ii) the commercial production or processing of

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31

- horticultural products in the state;
- (iii) the commercial production or processing of animal feed in the state; or
- (iv) the raising or care of animals in the state for the purpose of marketing their fur;
- (2) designate agents and delegate its powers to them as necessary;
- (3) adopt regulations necessary to carry out its functions, including regulations to establish reasonable fees for services provided and charges for collecting the fees;
- (4) establish amortization plans for repayment of loans, which may include delayed payments of principal and interest for not to exceed five years;
- (5) enter into agreements with private lending institutions, other state agencies or agencies of the federal government, to carry out the purposes of this chapter;
- (6) collect the fees and collection charges established under this subsection.

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

- (a) The farm development, chattel, or irrigation loan made under this chapter
 - (1) may not exceed a term of 30 years, except that a chattel loan may not exceed a term of seven years;
 - (2) may not, when added to the outstanding balance of other loans made under this chapter, exceed a total outstanding balance of \$1,000,000;
 - (3) shall be secured by a real estate or chattel mortgage of any priority, except that the portion of a loan that exceeds \$500,000, when added to prior indebtedness that is secured by the same property, must be secured by a first mortgage;
 - (4) shall bear interest at a rate comparable to that charged by other agricultural [THAT MAY NOT BE LESS THAN EIGHT PERCENT OR MORE THAN THE COMMERCIAL RATE, UNLESS THE COMMERCIAL RATE IS EIGHT PERCENT OR LESS; IN THIS PARAGRAPH, "COMMERCIAL RATE" MEANS THE PREVAILING RATE OF INTEREST AT PRIVATE] lending institutions in the state for loans similar to those referred to in this subsection.

L

1 * **Sec. 4.** AS 03.10.030(c) is amended to read:

2 (c) A short-term [SHORT TERM] loan, to be amortized within one year, not
3 to exceed \$350,000 to any one borrower may be made for operating purposes, except
4 that a loan made under this subsection may not exceed \$200,000 unless the loan is
5 made to a borrower in a farm disaster area declared under AS 03.10.058. An applicant
6 for a short-term [SHORT TERM] loan may be required to purchase insurance through
7 the Federal Crop Insurance Act (7 U.S.C. 1501 - 1520) as a condition of the loan.
8 The term of a loan made under this subsection may be extended for up to three years
9 by the Board of Agriculture and Conservation [AGRICULTURAL REVOLVING
10 LOAN FUND BOARD], in the discretion of the board, upon application by the
11 borrower.

12 * **Sec. 5.** AS 03.10.030(e) is amended to read:

13 (e) An installment payment is delinquent unless it is mailed by the borrower
14 on or before the 30th day after the date specified for payment in the loan agreement
15 or unless it is received by the Board of Agriculture and Conservation
16 [DEPARTMENT] on or before the 30th day after the date specified for payment in the
17 loan agreement. If an installment payment is delinquent, the director of the board
18 [DIVISION OF AGRICULTURE OF THE DEPARTMENT] may assess a delinquency
19 penalty. The delinquency penalty shall be an amount equal to seven percent of the
20 delinquent payment, but the combined delinquency penalty and loan interest may not
21 exceed 15 percent.

22 * **Sec. 6.** AS 03.10.030(f) is amended to read:

23 (f) A farm product processing loan may not exceed \$250,000. A mortgage
24 that secures a farm product processing loan may be of any priority if the total
25 indebtedness on the real estate, including the secured farm product processing loan,
26 does not exceed \$250,000. A farm product processing loan that, if made, would raise
27 the existing indebtedness on the real estate securing the loan above \$250,000, or a
28 farm product processing loan on real estate that has a prior indebtedness of \$250,000
29 or more, may be made only if all prior mortgagees agree to subordinate their
30 mortgages to that of the state for the amount of the farm product processing loan that
31 exceeds the \$250,000 indebtedness limit on the real estate. A farm product processing

1 loan may not exceed a term of 30 years or bear interest at a rate that is less than a
2 rate comparable to that charged by other agricultural lending institutions in the
3 state for similar loans, [EIGHT PERCENT A YEAR] and shall be secured by a real
4 estate or chattel mortgage or both.

5 * Sec. 7. AS 03.10.030(g) is amended to read:

6 (g) A loan for clearing land may not

7 (1) exceed \$250,000;

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

11 (3) have a term in excess of 20 years; or

12 (4) be made for clearing land other than land that has been classified
13 by the United States Department of Agriculture, Natural Resource [SOIL]
14 Conservation Service, under the Land Capability Classification System as having
15 agricultural potential for the production of annual crops or [,] hay, or for pasture.

16 * Sec. 8. AS 03.10.030(h) is amended to read:

17 (h) The Board of Agriculture and Conservation [COMMISSIONER] shall
18 adopt regulations to establish other terms for loans made under this chapter, consistent
19 with the provisions of this section, and may establish interest rates for loans under
20 (a)(4) of this section that

21 (1) encourage agricultural development;

22 (2) do not subsidize nonviable agricultural enterprises; and

23 (3) do not discriminate against viable existing agricultural enterprises.

24 * Sec. 9. AS 03.10.033(a) is amended to read:

25 (a) To increase the return to the state, the Board of Agriculture and
26 Conservation [AGRICULTURAL REVOLVING LOAN FUND BOARD] may
27 restructure loans (1) in existence on January 1, 1987, made by the former
28 Agricultural Revolving Loan Fund Board [BOARD] or by the former Alaska
29 Agricultural Action Council based upon guidelines approved by the Board of
30 Agriculture and Conservation; or (2) of a borrower who has experienced an
31 agricultural disaster as defined by regulations adopted by the Board of

1 **Agriculture and Conservation** [BOARD]. The restructuring may only include
2 reduction of interest [TO RATES BELOW THOSE SPECIFIED BY AS 03.10.030],
3 an extension of the term of the loan, and an improvement to the security interest of the
4 state. It may not reduce the amount of principal and interest owed before the loan is
5 restructured. **AS 03.10.030(a)(1) does not apply to a loan that is restructured**
6 **under this section.**

7 * Sec. 10. AS 03.10.033(c) is amended to read:

8 (c) Notwithstanding any other provision of this section, the **Board of**
9 **Agriculture and Conservation** [AGRICULTURAL REVOLVING LOAN FUND
10 BOARD] may approve an application for restructuring under this section only upon

11 (1) the applicant's written release of the state, including [THE
12 ALASKA AGRICULTURE ACTION COUNCIL, THE AGRICULTURAL
13 REVOLVING LOAN FUND, AND] the University of Alaska, from all potential
14 liability for actions and omissions occurring before the date of restructuring that relate
15 in any way to a state farm project, land sale, land sale relinquishment, farm loan, or
16 loan application or loan modification application, whether granted or denied by the
17 state; and

18 (2) assignment by the applicant to the board of the proceeds from the
19 federal government under 7 U.S.C. 1442 (Conservation Reserve Program) and P.L. 88-
20 26 (Feed Grain Act of 1963), as amended.

21 * Sec. 11. AS 03.10.035(a) is amended to read:

22 (a) A borrower may not use farm land for a **nonfarm** [NON-FARM] use or
23 sell, lease, or otherwise dispose of farm land if that land is encumbered by a mortgage
24 given to secure the payment of a farm development, chattel, or irrigation system loan
25 under this chapter unless the borrower either

26 (1) pays the outstanding balance of the loan in a lump sum or under
27 other terms agreed to by the **Board of Agriculture and Conservation**
28 [COMMISSIONER] that accelerate payment of the loan; or

29 (2) pays the outstanding principal balance for the remaining term of the
30 loan at the prevailing rate of interest that is charged by commercial banks in the state
31 during the calendar quarter in which the **board** [DEPARTMENT] receives notice of

1 the change of use, sale, lease, or other disposal of the farm land.

2 * Sec. 12. AS 03.10.040(b) is amended to read:

3 (b) Money in the fund may be used by the legislature to make appropriations
4 for costs of administering this chapter and for operations of the Board of
5 Agriculture and Conservation.

6 * Sec. 13. AS 03.10.050(a) is amended to read:

7 (a) The Board of Agriculture and Conservation [COMMISSIONER] shall
8 administer the agricultural revolving loan fund [IN CONJUNCTION WITH THE
9 AGRICULTURAL REVOLVING LOAN FUND BOARD]. A [NO] loan [IN EXCESS
10 OF \$25,000] may not be made [BY THE COMMISSIONER] without the approval of
11 a majority of the board, except that emergency loans not to exceed \$50,000 may be
12 made upon the approval, by majority vote, of a committee composed of the chair
13 of the board, another board member, and the director of the board.

14 * Sec. 14. AS 03.10.050(c) is amended to read:

15 (c) A meeting of the [AGRICULTURAL REVOLVING LOAN FUND] board
16 to act on applications for loans is exempt from the public meeting requirements of
17 AS 44.62.310.

18 * Sec. 15. AS 03.10.050(e) is amended to read:

19 (e) To encourage the prompt payment of loans, the board [DEPARTMENT]
20 may establish a program of credits for persons who have a loan from the agricultural
21 revolving loan fund and maintain good financial standing. The credits may be applied
22 against no more than two percentage points a year of the interest due on agricultural
23 revolving loan fund loans.

24 * Sec. 16. AS 03.10.050(g) is amended to read:

25 (g) The board [DIRECTOR OF AGRICULTURE] may dispose of property
26 acquired by the agricultural revolving loan fund [AGRICULTURAL REVOLVING
27 LOAN FUND BOARD OR BY THE COMMISSIONER] through foreclosure, default,
28 or other action arising out of agricultural loans or the sale of agricultural land.
29 Disposals shall be conducted under regulations approved by the commissioner. The
30 regulations must ensure that the property is disposed of so as to maximize the return
31 to the state and must require that the parcels of land that are composed primarily of

1 cropland soils be restricted to agricultural uses and disposed of only to persons who
2 are residents of the state.

3 * **Sec. 17.** AS 03.47.020 is amended to read:

4 **Sec. 03.47.020. Importation of bees.** All bees imported into the state shall
5 be accompanied by a health certificate that states that the bees come from an apiary
6 apparently free of bee diseases and that is signed by an apiary inspector determined
7 to be qualified by the board [DIVISION].

8 * **Sec. 18.** AS 03.47.030(a) is amended to read:

9 (a) The board [DIVISION] shall investigate reported cases of diseased bees
10 and cases of diseased bees discovered by the board [DIVISION].

11 * **Sec. 19.** AS 03.47.030(b) is amended to read:

12 (b) The board [DIVISION] shall take action necessary to prevent the spread
13 of bee diseases. Bees or used beekeeping equipment found to contain the causative
14 organisms of American foulbrood (*Bacillus larvae*) or European foulbrood
15 (*Streptococcus pluton*) shall be immediately quarantined and treated within five days
16 by

17 (1) chamber fumigation using ethylene oxide or other gases approved
18 by the board [DIVISION];

19 (2) sterilization by boiling in lyewater for at least 15 minutes; or

20 (3) destruction of bees, bee combs, and frames by burning followed by
21 burying 18 inches deep.

22 * **Sec. 20.** AS 03.47.030(d) is amended to read:

23 (d) A quarantine imposed under this section may not be removed until infected
24 bees and used beekeeping equipment are destroyed or the board [DIVISION]
25 determines through testing that the used beekeeping equipment is free of the disease.

26 * **Sec. 21.** AS 03.47.030(e) is amended to read:

27 (e) The board [DIVISION] shall adopt regulations necessary to carry out the
28 purposes of this chapter.

29 * **Sec. 22.** AS 03.47.040(2) is amended to read:

30 (2) "board" ["DIVISION"] means the Board of Agriculture and
31 Conservation (AS 03.09.010) [DIVISION OF AGRICULTURE, DEPARTMENT OF

1 NATURAL RESOURCES];

2 * Sec. 23. AS 38.04.020(g) is amended to read:

3 (g) After July 1 of each year, the commissioner shall direct the expenditure of
4 money appropriated for the disposal of land in response to requests made under (e) and
5 (f) of this section for the following:

6 (1) land [LAND] designated as suitable for homestead disposal shall
7 be classified and surveyed under this chapter and AS 38.05 and made available for
8 staking and lease under AS 38.09; [.]

9 (2) land [LAND] designated as suitable for subdivision and homesite
10 disposal shall be surveyed, subdivided, classified, and disposed of under this chapter,
11 AS 38.05, and AS 38.08; [.]

12 (3) land [LAND] designated [AGRICULTURAL,] commercial,
13 industrial, or suitable for other disposal shall be sold under AS 38.05.055 or 38.05.057;

14 (4) land designated agricultural shall be disposed of by the Board
15 of Agriculture and Conservation (AS 03.09.010) in accordance with AS 38.05.055 -
16 38.05.065, except the board shall carry out the duties of the commissioner or the
17 director under those sections.

18 * Sec. 24. AS 38.04.030 is amended to read:

19 Sec. 38.04.030. Land availability programs. Programs that may be used by
20 the director to make the state's land surface available for private use under
21 AS 38.04.020 - 38.04.055 include sale of whole or partial rights to the fee simple
22 estate, including conveyance of agricultural use rights by the Board of Agriculture
23 and Conservation; leasing; open-to-entry; homesiting; homesteading; permitting for
24 construction and occupation of cabins in isolated locations on land retained in state
25 ownership; and other methods as provided by law.

26 * Sec. 25. AS 38.05.020(b)(7) is amended to read:

27 (7) permit the Board of Agriculture and Conservation
28 (AS 03.09.010) to waive, postpone, or otherwise modify the development requirements
29 of a contract for the sale of agricultural land if

30 (A) the land is inaccessible by road; or

31 (B) transportation, marketing, and development costs render the

1 required development uneconomic;

2 * Sec. 26. AS 38.05.035(a)(7) is amended to read:

3 (7) have jurisdiction over state land, except that land acquired by the
4 Alaska World War II Veterans Board and the Agricultural Loan Board or the
5 departments or agencies succeeding to their respective functions through foreclosure
6 or default; to this end the director possesses the powers and, with the approval of the
7 commissioner and, with respect to agricultural land, the Board of Agriculture and
8 Conservation, shall perform the duties necessary to protect the state's rights and
9 interest in state land, including the taking of all necessary action to protect and enforce
10 the state's contractual or other property rights;

11 * Sec. 27. AS 38.05.057(c) is amended to read:

12 (c) The Board of Agriculture and Conservation (AS 03.09.010)
13 [COMMISSIONER] may adopt regulations under the Administrative Procedure Act
14 (AS 44.62) that [WHICH] specify qualifications for lottery participants different from
15 those specified in (b) of this section if

16 (1) an interest in land limited to agricultural purposes is to be sold
17 under (a) of this section;

18 (2) the sale is a part of a program to develop agricultural land as a
19 renewable resource of the state; and

20 (3) the regulations include residency, skill, experience, and financial
21 requirements necessary to qualify persons who are competent and financially able to
22 develop the land as a successful agricultural enterprise.

23 * Sec. 28. AS 38.05.059 is amended to read:

24 Sec. 38.05.059. Sale of agricultural land. The Board of Agriculture and
25 Conservation (AS 03.09.010) [COMMISSIONER] may provide for the sale of land
26 classified under AS 38.05.020(b)(6) for agricultural uses in parcels or tracts described
27 by aliquot parts. The parcels or tracts are subject to state subdivision requirements and
28 municipal ordinances.

29 * Sec. 29. AS 38.05.065(h) is amended to read:

30 (h) The Board of Agriculture and Conservation (AS 03.09.010)
31 [COMMISSIONER]

1 (1) shall provide that, notwithstanding (a) and (b) of this section, in a
2 contract for the sale of land classified under AS 38.05.020(b)(6) for agricultural uses,
3 the interest rate to be charged on installment payments may not exceed 9.5 percent;
4 and

5 (2) may declare a moratorium of up to five years on payments on land
6 sold under this section for land classified under AS 38.05.020(b)(6) for agricultural
7 uses if

8 (A) the hoard [COMMISSIONER] determines that the
9 moratorium is in the best interest of the state;

10 (B) the board [COMMISSIONER] certifies and the contract
11 purchaser agrees to perform farm development, crop production, and harvesting,
12 not including land clearing or related activity, requiring the expenditure of
13 amounts equivalent to the payments that would otherwise be made during the
14 moratorium;

15 (C) the sale of the agricultural land takes place after July 1,
16 1979; and

17 (D) the contract purchaser is in compliance with the
18 development plan specified in the purchase contract at the time the purchaser
19 applies for a moratorium under this subsection and remains in compliance with
20 the development plan during the moratorium; for the payments subject to the
21 moratorium declared under this paragraph, interest payments are subject to the
22 moratorium but interest continues to accrue during the moratorium.

23 * **Sec. 30.** AS 38.05.069(a) is amended to read:

24 (a) On a determination by the commissioner that the highest and best use of
25 unoccupied land is for agricultural purposes and that it is in the best interests of the
26 state to sell or lease the land, the Board of Agriculture and Conservation
27 (AS 03.09.010) [COMMISSIONER] shall grant to an Alaska [ALASKAN] resident
28 owning and using or leasing and using land for agricultural purposes a first option at
29 the auction to purchase or lease the unoccupied land situated adjacent to land presently
30 held by the Alaska [ALASKAN] resident for the amount of the high bid received at
31 public auction. If more than one Alaska [ALASKAN] resident qualifies for a first

1 option under this section, eligibility for the first option shall be determined by lot and
2 the option must be exercised on the conclusion of the public auction. A parcel of
3 agricultural land sold under this section may not be less than 20 acres, and a parcel of
4 agricultural land that is acquired by exercise of the option granted in this subsection
5 may not exceed 320 acres. Agricultural land that is acquired under this section must
6 be used for agricultural purposes as required by law.

7 * Sec. 31. AS 38.05.069(c) is amended to read:

8 (c) Under this section,

9 (1) the Board of Agriculture and Conservation [DIRECTOR] may
10 transfer state land classified for agriculture only for agricultural purposes;

11 (2) the sale or lease shall be at public auction.

12 * Sec. 32. AS 38.05.321(a) is amended to read:

13 (a) The Board of Agriculture and Conservation (AS 03.09.010)
14 [DEPARTMENT] shall include in a document that conveys state land classified as
15 agricultural land

16 (1) a perpetual covenant for the benefit of all Alaska residents and
17 running with the land that restricts or limits the use of the land for agricultural
18 purposes; and

19 (2) one of the following, as appropriate:

20 (A) a perpetual covenant for the benefit of all Alaska residents
21 and running with the land permitting the owner of land that had been obtained
22 under homestead entry to subdivide and convey the land in parcels of not less
23 than 40 acres each; or

24 (B) a perpetual covenant for the benefit of all Alaska residents
25 and running with the land permitting the owner of land that had been obtained
26 by purchase to subdivide and convey not more than four parcels of the land of
27 not less than 40 acres each, subject to the restriction that a subdivided parcel
28 may not be further subdivided.

29 * Sec. 33. AS 38.05.321(d) is amended to read:

30 (d) For state land classified as agricultural land that is conveyed under (a) of
31 this section,

1 (1) the Board of Agriculture and Conservation [COMMISSIONER]
2 may require the landowner to cooperate with the appropriate soil and water
3 conservation district under AS 41.10 in the development and implementation of soil
4 conservation plans as authorized by AS 41.10.110(6);

5 (2) as a condition of the conveyance, the board [COMMISSIONER]
6 may not require preparation and implementation of a schedule of planned agricultural
7 development or a farm development plan specified in a land purchase contract unless
8 the board [COMMISSIONER] permits modification of a plan in cases of economic
9 hardship or other extenuating circumstances;

10 (3) the board [COMMISSIONER] may not

11 (A) limit the right of the landowner to use the land and
12 improvements for purposes that are incidental to and not inconsistent with the
13 primary use of the land for agricultural purposes;

14 (B) except as provided by (i) of this section, limit the right of
15 a landowner to construct housing for the landowner and farm laborers, to
16 construct improvements for animals, or to construct improvements that are
17 reasonably required for or related to agricultural use on the original parcel and
18 on additional subdivided parcels, not to exceed the limits and restrictions set
19 by (a)(2) of this section; and

20 (C) limit the right of the landowner to subdivide and convey the
21 land if the resulting parcels are not in violation of the limits and restrictions set
22 out in (a)(2) of this section.

23 * Sec. 34. AS 38.05.321(e) is amended to read:

24 (e) A landowner may subdivide land classified for agricultural use and for
25 which the landowner obtained a patent under a homestead entry permit issued under
26 AS 38.09 so long as the resulting parcels are not in violation of the minimum parcel
27 size set out in (a) of this section. A landowner may subdivide other land classified for
28 agricultural use as authorized under (d)(3)(C) of this section. If the subdivision
29 involves land classified for agricultural use and for which the landowner obtained a
30 patent under a homestead entry permit issued under AS 38.09, or if the subdivision of
31 land authorized under (d)(3)(C) of this section results only in parcels of 640 acres or

1 more, the landowner may subdivide without payment as required by this subsection.
2 If subdivision of land authorized by (d)(3)(C) of this section would result in one or
3 more parcels of less than 640 acres, the landowner may subdivide only if the
4 landowner first tenders payment to the Board of Agriculture and Conservation
5 [DEPARTMENT] for the right to construct housing in each subdivided parcel of less
6 than 640 acres. Payments collected under this subsection shall be separately
7 accounted for and may be appropriated to the agricultural revolving loan fund
8 (AS 03.10.040). For purposes of this subsection, the value of the right to construct
9 housing in a subdivided parcel

10 (1) is \$4,000 for the parcel, subject to adjustment under (h) of this
11 section; or

12 (2) shall be determined by an appraisal made by an appraiser under
13 contract to the landowner owning the parcel, and the appraisal must include the value,
14 determined as of the date of subdivision, of the right to construct housing by the
15 landowner under (d)(3) of this section.

16 * Sec. 35. AS 38.05.321(f) is amended to read:

17 (f) Notwithstanding (e) of this section, the landowner is not required to pay
18 an amount due under (e) of this section until the subdivided parcel is conveyed by the
19 owner to a person not a member of the person's immediate family. The board
20 [DEPARTMENT] has a lien on the parcel as security for payment of the amount due.
21 For purposes of this subsection, "immediate family" means

22 (1) the spouse of the person; or

23 (2) a parent, child, including a stepchild and an adoptive child, or
24 sibling of the person if the parent, child, or sibling resides with the person, is
25 financially dependent on the person, or shares a substantial financial interest with the
26 person.

27 * Sec. 36. AS 38.07.010(b) is amended to read:

28 (b) The land that is [THUS] cleared or drained under (a) of this section shall
29 be put up for competitive lease by the Board of Agriculture and Conservation
30 (AS 03.09.010) in lots of not less than 320 acres each. Lease payments shall be
31 separately accounted for and may be appropriated to the agricultural revolving

1 **loan fund (AS 03.10.040).**

2 * **Sec. 37.** AS 38.07.030(a) is amended to read:

3 (a) An owner of agricultural land, or a lessee from the state of agricultural
4 land, in the general vicinity of the land to be cleared or drained under AS 38.07.010(a)
5 may apply to the commissioner to have the land cleared or drained or both along with
6 the state land. The applicant's land shall be included in the contract of land to be
7 cleared or drained if, in the discretion of the commissioner, the inclusion is feasible
8 and furthers the agricultural policies of the **Board of Agriculture and Conservation**
9 **[DIVISION OF AGRICULTURE]**.

10 * **Sec. 38.** AS 38.09.010(a) is amended to read:

11 (a) The commissioner shall designate and make available for homestead entry
12 state land, including land classified for agricultural use **that may be disposed of by**
13 **the Board of Agriculture and Conservation (AS 03.09.010).** State land made
14 available for homestead entry under this chapter shall be distributed throughout the
15 state.

16 * **Sec. 39.** AS 38.09.010(b) is amended to read:

17 (b) The commissioner shall complete a rectangular survey grid of homestead
18 entry state land under AS 38.04.045 before disposing of state land for homestead entry
19 **or authorizing the Board of Agriculture and Conservation to dispose of it.** A
20 homestead entry parcel shall be established in aliquot parts of a surveyed section or
21 as lots or tracts that are fractions of aliquot parts of a surveyed section. The
22 commissioner shall ensure practical access to each homestead entry parcel but the
23 commissioner may waive the rectangular survey grid if no more than one conveyance
24 is made for each section within a township.

25 * **Sec. 40.** AS 38.09.010(c) is amended to read:

26 (c) Notice of the designation and offering of land for homestead entry shall be
27 given by the commissioner under AS 38.05.945 **or by the Board of Agriculture and**
28 **Conservation in a manner that complies with AS 38.05.945.**

29 * **Sec. 41.** AS 39.25.110 is amended by adding a new paragraph to read:

30 (34) the director of the Board of Agriculture and Conservation.

31 * **Sec. 42.** AS 39.50.200(b) is amended by adding a new paragraph to read:

1 (56) Board of Agriculture and Conservation (AS 03.09.010).

2 * Sec. 43. AS 03.10.050(b), 03.10.050(d), 03.10.052; AS 38.05.035(b)(6); and
3 AS 39.50.200(b)(1) are repealed.

4 * Sec. 44. The uncodified law of the State of Alaska is amended by adding a new section
5 to read:

6 TRANSITION. (a) Notwithstanding AS 03.09.010(b), enacted in sec. 1 of this Act,
7 two initial members of the Board of Agriculture and Conservation shall be appointed to one-
8 year terms and two initial members of the board shall be appointed to two-year terms.

9 (b) Notwithstanding AS 03.09.040, enacted in sec. 1 of this Act, AS 03.10.020(a), as
10 amended in sec. 2 of this Act, AS 03.10.030(h), as amended in sec. 8 of this Act, and
11 AS 03.10.033(a), as amended in sec. 9 of this Act, regulations that apply to the agricultural
12 revolving loan fund and to loans from the fund remain in effect until amended or repealed by
13 the Board of Agriculture and Conservation.

14 (c) Notwithstanding AS 03.47.030(e), as amended in sec. 21 of this Act, regulations
15 that apply to bees and beekeeping equipment adopted by the division of agriculture remain
16 in effect until amended or repealed by the Board of Agriculture and Conservation.

17 * Sec. 45. This Act takes effect July 1, 2000.