

HB

203



Alaska State Legislature

REPRESENTATIVE JOHN HARRIS

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

Sponsor Statement

HB 203 – “An Act relating to loans from the agriculture revolving loan fund and to contracts for the sale of state agriculture land; and providing for an effective date.”

Agriculture is important to Alaska, but because state statutes have not kept pace with changing needs and outside financial pressures, our agriculture loan program is in jeopardy. HB 203 works to answer these needs, protect the state's interest in the ARLF by making it more attractive to borrowers and continue to help Alaska's farmers by making the following three changes:

- It reduces the interest rate on ARLF loans from 8 percent to 5 percent, in line with federal Farm Service Agency loans. Normal FSA loans are at 5 percent, while FSA emergency loans have an interest rate of 3.75 percent. Bank loans are available at under 8 percent.
- It increases emergency loan provision limits from \$25,000 to \$50,000, with approval by a committee of the director of the division of agriculture, the ARLF board chairman, and a loan officer.
- It provides farmers the ability to reschedule their farm loans if they experience disasters, such as drought, in three years out of a five year period.

Alaska's agriculture revolving loan fund has approximately \$5 million continuing to revolve to and from the farmers, with about five years of useful life left at the rate it is being used. A reduction in the rate of interest will reduce the returning income to the fund; however, other changes in HB 203 should help to ensure that distressed farmers will be able to continue to make their payments on schedule. In addition to funding loans, the ARLF is used to fund the operations of the division of agriculture, which is a significant reason why the loan fund is not performing ideally. However, some additional income to the ARLF is expected through the sale of agricultural land.

AGRICULTURAL REVOLVING LOAN FUND
Fiscal Summary

FISCAL YEAR	APPROPRIATION		INCEPTION TO DATE TOTAL	STATUTORY AUTHORIZATION AND CHANGES
	ADDITION	WITHDRAWAL		
1953	\$200,000		\$200,000	Fund created; authorized up to \$1,000,000 short-term loans not to exceed \$2,000 for 1-year terms at 6%; chattel loans not to exceed \$10,000 for 5-year terms at 5%; farm development loans not to exceed \$15,000 for up to 20-year terms at 4.5%
1955	150,000		350,000	Farm development limit raised to \$20,000 maximum
1957	125,000		475,000	
1959	100,000		575,000	
1960	75,000		650,000	
1961	200,000		850,000	Authorized fund increased to \$2,000,000; short-term limit raised to \$5,000; chattel limit raised to \$25,000; farm development limit raised to \$40,000
1962	200,000		1,050,000	
1964				Authorized to utilize TR and PER Funds
1966	45,000		1,095,000	Short-term limit raised to \$10,000; chattel limit raised to \$40,000 for 7 years at 6%; farm development limit raised to \$50,000 for 30 years at 5%
1967	45,000		1,140,000	Short-term limit raised to \$15,000; farm development limit raised to \$75,000 at 6%
1968	300,000		1,440,000	
1969	100,000		1,540,000	
1970	500,000 800,000		2,840,000	Special irrigation fund established with up to 20 years at 4%; chattel limits raised to \$100,000; farm development limit raised to \$150,000; authority to sell loans to Dept of Revenue Authorized fund increased to \$5,000,000
1971	200,000		3,040,000	Agreement with Ccmmissioner for sale/purchase of loans @ 0.5% service fee
1975	200,000		3,240,000	Short-term limit raised to \$25,000; farm development loans @ 6%
1976	200,000		3,440,000	Farm development limit raised to \$200,000
1977	200,000		3,640,000	Loan Board re-established
1978	400,000		4,040,000	Irrigation loans @ 6%

AGRICULTURAL REVOLVING LOAN FUND
Fiscal Summary

FISCAL YEAR	APPROPRIATION		INCEPTION TO DATE TOTAL	STATUTORY AUTHORIZATION AND CHANGES
	ADDITION	WITHDRAWAL		
1979	200,000		4,240,000	Farm development limit raised to \$500,000; chattel limit raised to \$300,000; short-term limit raised to \$100,000 AS 03.10.030(e) 15-day delinquency; 7% penalty; AS 03.10.035 Use or Disposal of Mortgaged Farm Land
1980	4,000,000 6,800,000	(1,200,000)	13,840,000	\$1.2 million taken for fire fighting AS 03.10.030(f) Product processing loans with \$2,500,000 limit; repeal authority to sell loans
1981	6,160,000 8,500,000		28,500,000	
1982	14,000,000		42,500,000	
1983	10,000,000		52,500,000	
1984	10,000,000		62,500,000	Appropriated \$1 million for Grain Reserve Loan Program
1985	5,000,000		67,500,000	
1986	2,500,000		70,000,000	
1988		(6,762,000)	63,238,000	AS 03.10.050 Good Borrower Credit program instituted; AS 03.10.033 Restructure of agricultural debt
1989		(1,462,000) (460,314)	61,315,686	\$460,314 in GF expenditures paid by ARLF
1990		(1,000,000) (253,888)	60,061,797	Moratorium on loans - Delta Area \$253,888 in GF expenditures paid by ARLF
1993		(180,500)	59,881,297	\$180,500 in GF expenditures paid by ARLF
1994		(180,900)	59,700,397	\$180,900 in GF expenditures paid by ARLF
1995		(203,361)	59,497,036	\$203,361 in GF expenditures paid by ARLF
1996		(455,487)	59,041,549	\$455,487 in GF expenditures paid by ARLF
1997		(1,110,730)	57,930,818	\$1,110,730 in GF expenditures paid by ARLF
1998		(951,222)	56,979,596	Moratorium on loans affected by Mt. McKinley Meat Plant fire \$951,222 in GF expenditures paid by ARLF

Subject: HB203 5% cash flow projection

Date: Fri, 23 Apr 1999 13:37:56 -0900


From: Candy Easley <candye@dnr.state.ak.us>

To: Peter Fellman <Peter_Fellman@legis.state.ak.us>

Pete,

Pursuant to your request,

Attached is a cash flow projecting the possible effects of HB203 (reducing the interest rate to 5% on all agreements approved after 7-1-99; reamortizing all Delta loans to 5% effective 7-1-99). Even if Delta has another disaster this year, not all borrowers will refinance, and they certainly won't do so all at once on 7-1-99; however, the cash flow is prepared by fiscal year, so this was easiest. It's also probably a "worst case" scenario.

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

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

	Actuals	Estimates						
	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
Beginning Cash Balance	\$6,304,655	\$6,421,719	\$5,663,081	\$4,336,371	\$3,398,411	\$2,546,245	\$1,648,218	\$749,829
Cash Inflows:								
Principal & interest payments - Note 1	2,817,903	2,451,254	2,478,516	2,658,749	2,700,112	2,690,237	2,698,171	2,672,190
Leases	94,552	69,212	46,651	44,749	12,025	9,345	9,345	9,345
Late payment penalties - Note 2	7,054	14,217	14,375	15,421	15,661	15,603	15,649	15,499
Settlements on defaulted loans - Note 3		24,638	1,100	1,100	0	0	0	0
Trsr from original Mntl Health Fund - Note 7	76,459							
Sale of Assets, Misc - Note 4	628,236	819,147	448,048	302,421	361,687	314,375	295,486	295,486
Cash Outflows:								
New loans - Note 5								
Current year disbursements	(1,618,950)	(1,800,000)	(1,980,000)	(1,980,000)	(1,980,000)	(1,980,000)	(1,980,000)	(1,980,000)
Disbursements on prior year loans	(42,794)	(280,703)	(200,000)	(220,000)	(220,000)	(220,000)	(220,000)	(220,000)
ARLF Operating expenses - Note 6	(448,947)	(638,600)	(638,600)	(613,600)	(594,850)	(580,788)	(570,241)	(562,330)
Division expenditures paid by ARLF - Note 6	(912,840)	(1,146,800)	(1,146,800)	(1,146,800)	(1,146,800)	(1,146,800)	(1,146,800)	(1,146,800)
CIP expenditures - Note 8	(218,236)	(250,000)	(350,000)					
Pymts on prior year encumbrances - Note 9	(265,374)	(21,003)						
Ending Cash Balance	\$6,421,719	\$5,663,081	\$4,336,371	\$3,398,411	\$2,546,245	\$1,648,218	\$749,829	(\$166,782)

Note 1 - Principal & interest payments based on 6% interest rate for loans issued from: FY99 through FY05, less 4% bad debt allowance.

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

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

Note 4 - Estimates provided by Div. of Ag. Assume 20% sold for cash; 80% financed (10% cash down; finance bal @ 5%, 20yrs.)
Planned sales: FY99-12 parcels; FY00-9 parcels; FY01-1 parcel; FY02-1 parcel; FY03-1 parcel

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

Allocated as follows:

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

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

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

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

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

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

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

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

TRYTTEN FARMS
Craig D. & Vicki L. Trytten

Tract 15 & 22A
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Phone 1-907-373-0340
Fax 1-907-373-1043

April 22, 1999

To Whom It May Concern,

I would like to give my support for HB 203. As a past borrower of the Agriculture Revolving Loan Fund (ARLF), because of the higher interest rate, and other restrictions that ARLF puts on its borrowers, we have opted to do *all* of our agriculture loans through FSA (Farm Service Agency, formerly FmHA).

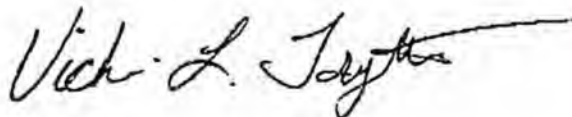
It is a shame to have access to a state agricultural loan fund, and be turned away for the very reasons it was originated...to help farmers in the state.

I do, however, have a son, 18, and a daughter, 12, and I foresee them needing agricultural loans (and my son has already done so through ARRC) in the very near future, and I would like them to be able to choose ARLF for their banking needs. I would like them to be able to support Alaska, and its state loan fund, as one way of many ways of doing so. It (ARLF) also allows the state a method of determining the agricultural needs of its Alaska farmers, through a steady operating, land, chattel, and other farm loan programs, that can accumulate the present and future needs of its farmers first hand.

Therefore, I would wholeheartedly support HB 203, as I see that this bill could address those issues herein discussed, that could make it a competitive agricultural loan fund for farmers to utilize, thus making the ARLF a stronger, more constant source through banking support for its farmers.

Thank you for your time and support!

Respectfully yours,



Vicki L. Trytten

Representative John Harris
District 35 Room 110
State Capitol
Juneau, Alaska, 99801

Scott Miller-President Alaska Farm Bureau
Delta Chapter
HC 60 box 4140
Delta Junction, Alaska, 99737

Dear, Representative Harris

The Delta Chapter of the Alaska Farm Bureau supports H.B.203 and thanks you for sponsoring such needed Agricultural legislation. Alaska needs to update its agricultural statutes to keep its growth and development on track.

There's no reason why farmers should have to go to other lenders to get better interest rates. The current interest rate of 8% is not consistent with the state's efforts to promote agricultural development. The 5% is much more in line and will reattract more borrowers.

By increasing emergency loan provisions the need for moneys to offset an unexpected disaster will be more readily available, and more in line with today's costs. It also should speed up the process.

Given the past three years of drought that Delta has experienced. The need for a meaningful way for the state to reschedule loan payments is an absolute must. Many of our farmers are at the verge of going under without some relief. When things out of the control of a farmer hit year after year, it's in the state's best interest to protect the industry and reschedule the loan payments.

Please consider this issue as urgent as most Delta's farmers won't survive another year of drought. Thank you for your consideration.

Sincerely,
Scott Miller, Delta Farm Bureau

Mr. Robert
PO Box 75184

H Franklin

488-7738

			Distribution	Affiliation	Reg Voter
Fairbanks	AK	99707	60	Alaska	Y
Date POM Sent	Constituency	Bill Number	Response	Subject	
04/07/1999	N			UNIVERSITIES	

ALASKA FARM BUREAU SUPPORTS THE INCREASE OF FUNDING OF 16.3 MILLION TO U.A.F. GIVE MARK HAMILTON A CHANCE TO IMPROVE AND PUT THE U.A.F. BACK ON TRACK.

Mr. Robert
PO Box 75184

Franklin

488-7738

			Distribution	Affiliation	Reg Voter
Fairbanks	AK	99707	02	Alaska	Y
Date POM Sent	Constituency	Bill Number	Response	Subject	
04/22/1999	N	SB 161	Supports		

ALASKA FARM BUREAU SUPPORTS THE FARMER RELIEF BILL AND ESPECIALLY THE INTEREST RATE REDUCTION. A LETTER WILL FOLLOW WITH MORE EXPLANATION.

ARLF BORROWERS - April 21, 1999

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ARLF BORROWERS - April 21, 1999

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April 27, 1999

SUBJECT: Proposal to Lower the Interest Rate on ARLF Loans**TO:** Representative John Harris**FROM:** Charles W. Thompson
Farm Loan Chief

A handwritten signature in cursive script, appearing to read "CWT", written in dark ink.

We understand that there is an initiative in the legislature that is intent on lowering the interest rate on ARLF loans to farmers and ranchers in the State of Alaska. We would support such a change on the basis that support for the Agricultural economy in Alaska will more than pay for any revenue loss due to lower interest rates.

Agriculture is still in its infancy in Alaska and it will need our support for it to grow. However, growth is presently rapid and we believe our support now is critical. Therefore, providing a lower interest rate to the farmers through the State loan program is prudent at this stage.

Support in many other ways should also be considered, but certainly as time and resources permit.

An Equal Opportunity Employer

FISCAL NOTE

STATE OF ALASKA
1999 LEGISLATIVE SESSION

BILL NO. SSHB203

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

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

OPERATING EXPENDITURES	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES (1021)	(24.5)	(126.0)	(244.9)	(382.4)	(535.3)	(707.3)

FUND SOURCE (Thousands of Dollars)

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

Estimate of any current year (FY99) 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)

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

Prepared by: Robert Wells, Director *[Signature]* Phone: 907-745-7200
 Division: Agriculture Date: 27-Apr-99
 Approved by Commissioner: John Shively *[Signature]* Date: 4-27-99
 Agency: Natural Resources

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

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

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

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

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

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

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

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

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

Allocated as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 4 - Estimates provided by Div. of Ag. Assume 20% sold for cash; 80% financed (10% cash down; finance bal @ 5%, 20yrs.)
Planned sales: FY99-12 parcels; FY00-9 parcels; FY01-1 parcel; FY02-1 parcel; FY03-1 parcel

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

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1999: seed potato project (\$21,003)

To: Elizabeth Snyder
From: Sig Restad
Re: S.B. 116 Ag Loans +
Companion bill H.B. 203

FAX 465-3883
Elizabeth Snyder

I am Master of Northland Pioneer Grange No 1 and at the request of the grange I testified against the bill S.B. 116 (Board of Agriculture and Conservation) for several reasons even though it had provisions for reducing interest rates for farm loans and restructuring loans for farmers after disaster conditions.

S.B. 116 and H.B. 203 provide for lowering interest rates and restructuring loans after extreme conditions which should be a big help for Alaskan Agriculture.

Northland Pioneer Grange No 1 has been a supporter of the Agricultural Revolving Loan Fund since its formation in 1953 and would encourage legislative action that would make the program even more workable.

Sincerely
Sig Restad
Master Northland Pioneer Grange No 1

P.S. Sorry about
the hand writing.
Had no secretary available.

P.O. Box 2304
Palmer, AK 99645

Fax 465-3883

Elizabeth Snyder

To: Elizabeth Snyder
From: Sig Restad
Re: SB 116 Ag Loans.

I am writing in support of SB116 regarding lowering ARRF interest rates and restructuring loans after disastrous seasons.

I was director of the Division of Agriculture for six years during the Egan administration and part of the Hickel Administration so I am quite familiar with the purpose and importance of the Agricultural Revolving Loan Fund. I worked closely with agriculture as an administrator in Alaska's agricultural research program from 1968 until 1987.

This experience plus my agricultural training at the University of Minnesota provides a background that supports the need of agricultural financing that is long term and has a relatively low interest rate. ARRF was established because that type of financing was not available for many developing farms in Alaska. This situation has improved somewhat from 1953 but not a lot.

The option of restructuring loans after disastrous crop season is very desirable. A full time farm operation is extremely dependent on the farms ability to have a successful growing season. The potential for restructuring loans could save experienced hard working operations which assist the industry, the farm operator and in the long run the ARLF.

As a member of the Northland Plover Grange No 1, I testified against proposed legislation that would completely reorganize the Division of Agriculture but strongly support the ARLF proposals in this legislation.

Sincerely,

Sig Kestad

Rt 03, Box 9571

Palmer AK 99645

P.S. Sorry about the handwriting. Some of us retired folk don't have good secretarial service.