

**HB**

**116**

**FISCAL NOTE** Bill Version: CSHB 116 (RES)

BIL (H) Publish Date: 2/11/00

**STATE OF ALASKA  
2000 LEGISLATIVE SESSION**

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

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

	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006
<b>OPERATING EXPENDITURES</b>						
PERSONAL SERVICES						
TRAVEL	9.0	9.0	9.0	9.0	9.0	9.0
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS & CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>9.0</b>	<b>9.0</b>	<b>9.0</b>	<b>9.0</b>	<b>9.0</b>	<b>9.0</b>
<b>CAPITAL EXPENDITURES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>CHANGE IN REVENUES (fund code)</b>	<b>(22.1)</b>	<b>(29.8)</b>	<b>(37.0)</b>	<b>(43.6)</b>	<b>(49.4)</b>	<b>0.0</b>

**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
<b>TOTAL</b>	<b>9.0</b>	<b>9.0</b>	<b>9.0</b>	<b>9.0</b>	<b>9.0</b>	<b>9.0</b>

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

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**COMMITTEE COPY**

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.

STATE OF ALASKA  
HOUSE OF REPRESENTATIVES

Representative Jeannette James



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## SPONSOR STATEMENT

### House Bill 116 Board of Agriculture and Conservation

3/27/00

House Bill 116 represents a cooperative effort and years of intensive work by the agriculture industry, the Legislature, and the Administration.

HB 116 creates a new eight-member board - The Board of Agriculture and Conservation - comprised of seven people involved in grass-roots commercial production agriculture, plus the Commissioner of DNR.

The new board submits names to the Commissioner of DNR for selection of its director, and that same person will serve as the Director of the Division of Agriculture.

The bill requires that the board be consulted prior to any disposal of agricultural land.

In addition, HB 116 extends the life of the Agriculture Revolving Loan Fund (ARLF) by insuring that the new board has 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. HB 116 allows flexibility for the new board to restructure loans in the event of a disaster, and it strengthens the emergency loan program.

House Bill 116 provides much-needed stability and allows long-term planning and growth for the agriculture industry in Alaska.

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Sectional Analysis  
CS HB 116 (FIN)

3/27/00

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 may be removed from office by the Governor only if the governor first provides a written statement of the reasons for removal.

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 director of agriculture shall be chosen by the Commissioner of DNR from a list of two or more names submitted by the Board. The director of agriculture shall also serve as the director of the new Board and shall be responsible for the daily operations of the agricultural revolving loan fund, as directed by the Board.

The Board 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 product processing loans comparable to that charged by other agricultural lending institutions in the state.

Section 7 amends existing statute, making the interest rate on loans for clearing land 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.

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

Section 29 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 30 outlines the transition process from existing boards to the new board.

Section 31 sets the effective date of this bill as July 1, 2000.

# ALASKA STATE LEGISLATURE

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House of Representatives  
House District 34

## Changes included in Senate CS for CS for House Bill 116 ( ) version F.

1. **The Commissioner of DNR**, at his own request, is no longer a member of the board.

2. **Ethics** changes:

[and for one year after leaving that office] is deleted.

Page 2, lines 9-10: the definition of a exempted family member is changed to include only "an immediate family member who does not share the same household and financial resources with the board member."

3. **Confirmation** by the Legislature:

Page 8, lines 24-25, amends existing statute which includes legislative confirmation for the ARLF board and applies it to the Board of Agriculture and Conservation.

4. **Proceeds** of agricultural land sales:

Page 11, lines 22-25 adds "Money from a sale of agricultural land shall be separately accounted for and may be appropriated to the agricultural revolving loan fund (AS 03.10.040)."

# SENATE COMMITTEE REPORT

DATE: 3/29/00

FURTHER: Finance

DATE TURNED  
IN TO OFFICE: 4/17/00

Resources Committee considered

CS FOR HOUSE BILL NO. 116(FIN)

"An Act relating to the Board of Agriculture and Conservation, to the director of agriculture, to the agricultural revolving loan fund and to loans from the fund, to the disposal of interests in state agricultural land; and providing for an effective date."

and recommends:

- be replaced with S CS HB 116 (RES)
- adopt previous      CS      (    )
- attached amendment(s)
- adopt Letter of Intent by      Committee
- further referral to the      Committee

- Senate Bill: same title
- new title
- House Bill: same title
- technical title
- new: SCR#

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Advis. L. Taylor</i>	✓				
<i>Sybil Tolbert</i>	✓				
<i>Steve Kelly</i>	✓				
CHAIR:		CHAIR: <i>Rick Harbord</i>	✓		

**NEW FISCAL NOTE(S):**

Department	Date	Zero	Fiscal

**PREVIOUS FISCAL NOTE(S):\***

Department	Date	Zero	Fiscal
DNR	2/7/00		✓

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

# FISCAL NOTE

**STATE OF ALASKA**  
**2000 LEGISLATIVE SESSION**

**BILL NO. SCSHB'116(RES)**

Revision Date/Tim 28-Mar-00  
 Title: Board of Agriculture and Conservation  
 Sponsor: Rep. James  
 Requestor: (S) RES

Dept Affected: Natural Resources  
 BRU: Agricultural Development and ARLF Admin.  
 Component: Agricultural Development, and ARLF Program Admin.  
 Component No 450 and 2235

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

OPERATING EXPENDITURES	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006
PERSONAL SERVICES						
TRAVEL	10.0	10.0	10.0	10.0	10.0	10.0
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS & CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>

<b>CAPITAL EXPENDITURES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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<b>CHANGE IN REVENUES (fund code)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1021 ARLF	10.0	10.0	10.0	10.0	10.0	10.0
<b>TOTAL</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>

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.

Per diem allowance language section 39.20.180 (2) is unclear as to rate of reimbursement.

Currently the Agricultural Revolving Loan Fund Board meeting expenses are approximately \$9.0 per year for travel related meeting expenses for 8 meeting 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 at least twice as many times or more (16) since the proposed board has an expanded mission. We estimate a potential \$10.0 increase in meeting expenses. This \$10.0 is reflected in the fiscal

note.  
 Prepared by: Robert Wells *[Signature]* Phone: 907-745-7200  
 Division: Division of Agriculture Date: 17-Apr-00  
 Approved by Commissioner: John Shively *[Signature]* Date: 17-Apr-00  
 Agency: Natural Resources

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Continuation of fiscal note for:      SCSHB116(RES)

Based on loans issued in FY99, each percent decline in the interest rate of 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.

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