

LEG. FINANCE - BILLS 1983 - 1984 2089

SB 322 - ~~CS\$B~~ / 325 thru SB 336 2089

COMMITTEE REPORT  
HOUSE

(11)

FURTHER:

4/17/84

Date: 5-16-84

The Committee on FINANCE has had SB 322

An Act relating to the Alaska Agricultural Loan Board; and providing for an effective date.

under consideration and recommends:

- do pass  do not pass
- do pass with attached amendments(s)
- replace with CS for \_\_\_\_\_  same title  
 new title
- and recommends 322
- AND attaches a "Letter of Intent"  New Fiscal Note 1-24-84
- reports it back without recommendation  Zero Fiscal Note Attached
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

Robert B. Anderson

\_\_\_\_\_

\_\_\_\_\_

11-12

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\_\_\_\_\_

\_\_\_\_\_

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

1-24-84

1-24-84

1-24-84

1-24-84

1-24-84

Robert B. Anderson

CHAIRMAN

Introduced: 1/9/84  
Referred: Resources

1 IN THE SENATE

BY KERTTULA

2

SENATE BILL NO. 322

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to the Alaska Agricultural Loan

7

Board; and providing for an effective date."

8

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

9

\* Section 1. AS 03.10.050(b) is amended to read:

10

(b) The board is composed of ~~seven~~ [FIVE] members appointed by

11

the governor and confirmed by the legislature in joint session. Four

12

[THREE] members shall be persons with background and experience in

13

Alaska agriculture. Members of the board serve for overlapping three-

14

year terms. Members of the board are not entitled to receive compen-

15

sation for their services, but shall receive the same travel pay and

16

per diem as provided by law for boards and commissions.

17

\* Sec. 2. This Act takes effect immediately in accordance with AS 01.-

18

10.070(c).

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

REQUEST

Bill/Resolution No.: SB 322  
Title: ARLF Board

FISCAL DETAIL

Agency Affected: Natural Resources  
Program Category Affected: ARLF

Sponsor: Kerttula  
Requestor: \_\_\_\_\_  
Date of Request: 1/23/84

BRU, Program or Subprogram(s) Affected: \_\_\_\_\_  
Agriculture Revolving Loan Fund

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL		5.0	5.0	5.0		
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>		5.0	5.0	5.0		
<b>CAPITAL</b>		0	0	0		
<b>REVENUE</b>						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (ARLF)		5.0	5.0	5.0		
<b>TOTAL</b>		5.0	5.0	5.0		

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Bill L. Heim, Director Phone: 376-3276  
Division: Agriculture Date: 1/24/84

Approved by Commissioner: James D. Arnold, Deputy Date: 1/24/84  
Agency: Natural Resources

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

12/1/83

SENATE  
JOURNAL SUPPLEMENT

2/16/84

No. 54

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

SB  
322

**REQUEST**

Bill/Resolution No.: SB 312  
Title: ARLF Board

**FISCAL DETAIL**

Agency Affected: Natural Resources  
Program Category Affected: ARLF

Sponsor: Kerttula  
Requestor: \_\_\_\_\_  
Date of Request: \_\_\_\_\_

BRU, Program or Subprogram(s) Affected: \_\_\_\_\_  
Agriculture Revolving Loan Fund

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL		5.0	5.0	5.0		
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>		5.0	5.0	5.0		
<b>CAPITAL</b>		0	0	0		
<b>REVENUE</b>						

**FUNDING: (Thousands of Dollars)**

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
GENERAL FUND		5.0	5.0	5.0		
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>		5.0	5.0	5.0		

**POSITIONS:**

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
FULL-TIME						
PART-TIME						
TEMPORARY						

**SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:**



**ANALYSIS:** Attach a separate page for analysis

Prepared By: \_\_\_\_\_ Phone: 465-3714  
 Division: Don Bennett, Co-chairman Date: 2/16/84  
 Approved by Senate Finance Committee  
 Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
 Agency: \_\_\_\_\_



Official Business

# Alaska State Legislature

Senate

Office of the President

Pouch V  
State Capitol  
Juneau, Alaska 99811

## MEMORANDUM

TO: Representative Al Adams  
Chairman, House Finance Committee

FROM: Senator Jay Kerttula  
Senate President

SUBJECT: SB 322: Justification

DATE: May 14, 1984

*bc Jay*

This bill would expand the Agricultural Revolving Loan Fund (ARLF) Board from 5 to 7 members. One of the particularly important characteristics of the ARLF Board is the members know the specific needs of the agricultural areas of the state. Growing conditions, frost dates, and clearing costs all vary across Alaska. The present board members know the variable conditions confronting producers and are often personally familiar with the loan applications. This may be viewed as one of the positive aspects of the ARLF.

The ARLF is expanding in several ways. More activities are coming under the administration of the ARLF. A larger loan fund board will enable the members to represent, with some expertise, the increasing activities which have been acknowledged as agricultural including, but not limited to, fur farming and horticulture, which are included in a bill already passed by this committee.

The corpus of the loan fund has increased significantly since its establishment in 1953, through the creation of the board to manage the fund in the 1960-s with \$200,000 to \$75 million, today. In all probability, the Department of Natural Resources will ask the Legislature to raise the limit on the ARLF to \$100 million next session.

SB 322: Justification

April 14, 1984

Page 2

The expansion of the board is also warranted to obtain a better state-wide representation. At present, only one of the five members comes from north of the Alaska Range, yet 55% of the funds loaned go to this area.

JK/rjr/s

Introduced: 1/9/84  
Referred: Resources

1 IN THE SENATE

BY KERTTULA

2

SENATE BILL NO. 322

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to the Alaska Agricultural Loan

7

Board; and providing for an effective date."

8

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

9

\* Section 1. AS 03.10.050(b) is amended to read:

10

(b) The board is composed of seven [FIVE] members appointed by

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the governor and confirmed by the legislature in joint session. Four

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[THREE] members shall be persons with background and experience in

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Alaska agriculture. Members of the board serve for overlapping three-

14

year terms. Members of the board are not entitled to receive compen-

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sation for their services, but shall receive the same travel pay and

16

per diem as provided by law for boards and commissions.

17

\* Sec. 2. This Act takes effect immediately in accordance with AS 01.-

18

10.070(c).

COMMITTEE REPORT  
SENATE

FURTHER:

2/13/84

Date 2/24/84

Mr. President

The Committee on FINANCE considered SB 323.  
Relating to income of Alaska Pioneers' home residents.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for SB 323 (Fin)
- new title
- same title and recommends Do Pass
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE
- reports it back without recommendation 2/17/84  
\$ 133.0
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS

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Chairman \_\_\_\_\_

Chairman recommendation \_\_\_\_\_

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: February 17, 1984  
Page 1 of 2

REQUEST

Bill/Resolution No.: CSSB 323 (State Affairs)  
Title: Income of Pioneers' Homes Residents

Sponsor: V. Fisher  
Requestor: \_\_\_\_\_  
Date of Request: \_\_\_\_\_

FISCAL DETAIL

Agency Affected: Administration  
Program Category Affected: Social Servcs

BRU, Program of Subprogram(s) Affected:  
Pioneers' Homes

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS		133.0	133.0	133.0	133.0	133.0
800 MISCELLANEOUS						
TOTAL OPERATING	0	133.0	133.0	133.0	133.0	133.0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	133.0	133.0	133.0	133.0	133.0
FEDERAL FUNDS	0					
OTHER (Specify Source)	0					
TOTAL	0	133.0	133.0	133.0	133.0	133.0

POSITIONS:

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

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Not indicated by sponsor.

ANALYSIS: Attach a separate page for any analysis

Prepared By: E. Louis Keller, Director  
Division: Pioneers' Benefits

Phone: 465-4401  
Date: February 17, 1984

Approved by Commissioner: Lisa Rudd  
Department: ADMINISTRATION

Date: 2/23/84  
Revised: \_\_\_\_\_

FISCAL NOTE/BDGSF2

Distribution:  
Legislative Finance  
Legislative Sponsor  
Registrar  
Office of Management and Budget  
Impacted Agency(ies)

12/1/83

CSSB 323 (State Affairs)  
Fiscal Note Analysis  
Prepared by Division of Pioneers' Benefits  
Department of Administration  
February 17, 1984

ASSUMPTIONS

1. The bill would become effective on July 1, 1984.
2. The Pioneers' Home populations would remain stable, but the total number of residents receiving the stipend would increase from 154 to 165 due to inclusion of the persons who have less than \$100 monthly income.
3. The stipend payments would continue to be paid from the General Fund.
4. The rates for cost of care would remain at the present level of \$425 per month for residential care and \$525 per month for skilled nursing care.



Original sponsors: V.Fischer, Ziegler,  
Kerittula, et al

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 323 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Pioneers' Home."

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

8 \* Section 1. AS 47.25.020(b) is amended to read:

9 (b) Every person admitted to the Pioneers' Home, except a person  
10 admitted under AS 47.25.030, who receives income from any source in  
11 excess of \$100 per [\$35 A] month may be required by the Department of  
12 Administration to pay the excess to the Department of Administration  
13 immediately upon receipt of the money in payment, or part payment, of  
14 the cost of the person's [HIS] maintenance.

15 \* Sec. 2. AS 47.25.020(c) is amended to read:

16 (c) At the end of each month the payments made under (b) of this  
17 section shall be transmitted to the commissioner of revenue together  
18 with the names of the persons making them and the amount paid by each.  
19 The Department of Administration may pay [THE SUM OF \$35 A MONTH] to a  
20 resident without funds th. sum of \$100 per month.

21 \* Sec. 3. AS 47.25.030 is amended by adding a new subsection to read:

22 (b) The Department of Administration shall adopt regulations  
23 establishing a daily or monthly rate for the compensation a resident  
24 is to be charged under (a) of this section. The commissioner of  
25 administration shall review this rate not less than once every two  
26 years.

27 \* Sec. 4. AS 47.25 is amended by adding a new section to read:

28 Sec. 47.25.045. NOTICE OF RATE INCREASES. The Department of  
29 Administration shall provide to all residents of the Alaska Pioneers'

1 Home written notice of any proposed increase in the rate charged for  
2 care and support of persons at the home. Notice under this section  
3 shall be given not less than 60 days before an increase is adopted.

4 \* Sec. 5. AS 47.25.070 is repealed and reenacted to read:

5 Sec. 47.25.070. INDEBTEDNESS OF PIONEERS' HOME RESIDENT TO  
6 STATE. (a) The following expenses incurred for a Pioneers' Home  
7 resident under AS 47.25.010 - 47.25.110 are a debt to the state and  
8 may be recovered during the life of the resident:

9 (1) allowances paid under AS 47.25.020(c);

10 (2) costs of standard or nursing care provided in the  
11 Pioneers' Home each month to the resident not exceeding the rate  
12 established by the Department of Administration under AS 47.25.030,  
13 with credit given for any amounts paid by or collected from the resi-  
14 dent;

15 (3) arrearages in fees for ancillary charges in the  
16 Pioneers' Home;

17 (4) prescription medicine; and

18 (5) burial and related expenses.

19 (b) The debt is a first, prior and preferred claim against the  
20 estate of the Pioneers' Home resident after the resident's death, and  
21 after all claims for food, clothing, fuel, shelter, medical aid, or  
22 burial expenses are paid. Hei ooms without regard to value are  
23 exempt from a claim by the state under this section.

24 (c) Money left in charge of the Department of Administration by  
25 a deceased Pioneers' Home resident may be used for the burial and  
26 funeral expenses of the resident and for the improvement of the burial  
27 plot of the Pioneers' Home.

28 (d) If the clothing and other personal effects of a deceased  
29 Pioneers' Home resident are not claimed by a person designated by the

1 resident, or by a relative of the resident if no designee survives  
2 within 60 days after the home notifies the person or relative of th  
3 death of the resident then the clothing and effects may be used fo  
4 the benefit of other residents, or they may be sold and the proceed  
5 applied in the manner provided for money left by a deceased resident.

6 (e) For purposes of this section, "heirloom" means personal  
7 property of sentimental value to a Pioneers' Home resident that has  
8 been in the possession of the resident's family for 10 years or more  
9 or was a gift to the resident.  
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Introduced: 1/9/84  
Referred: State Affairs and  
Finance

BY V.FISCHER, ZIEGLER, KERTTULA,  
RODEY, JOSEPHSON, RAY AND  
STURGULEWSKI

1 IN THE SENATE

2 SENATE BILL NO. 323

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to income of Alaska Pioneers' Home  
7 residents."

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

9 \* Section 1. AS 47.25.020(b) is amended to read:

10 (b) Every person admitted to the Pioneers' Home, except a person  
11 admitted under AS 47.25.030, who receives income from any source in  
12 excess of \$100 per [\$35 A] month may be required by the Department of  
13 Administration to pay the excess to the Department of Administration  
14 immediately upon receipt of the money in payment, or part payment, of  
15 the cost of the person's [HIS] maintenance.

16 \* Sec. 2. AS 47.25.020(c) is amended to read:

17 (c) At the end of each month the payments made under (b) of this  
18 section shall be transmitted to the commissioner of revenue together  
19 with the names of the persons making them and the amount paid by each.  
20 The Department of Administration may pay [THE SUM OF \$35 A MONTH] to a  
21 resident without funds the sum of \$100 per month, adjusted annually in  
22 accordance with the consumer price index for Anchorage, published by  
23 the United States Department of Labor, Bureau of Labor Statistics.



# Alaska State Legislature

## Senate Committee on State Affairs

Vic Fischer, Chair • Pouch V  
Juneau, Alaska 99811  
(907) 465-4954

Official Business

### MEMORANDUM

TO: Senate Finance Committee  
FROM: Senator Vic Fischer *VF*  
RE: SB 323 Pioneer home residents  
DATE: February 23, 1984

Attached you will find a copy of a proposed finance committee substitute for SB 323. The proposed CS amends the State Affairs version of SB 323 by adding a provision that would require the Department of Administration to give written notice to all pioneer home residents 60 days before a rate increase is adopted. This language comes from lines 10-15 of SB 405.

The State Affairs Committee recently heard SB 405. It was the consensus of the committee and Senator Josephson that the notice requirement to Pioneer Home residents in SB 405 be included in SB 323. This decision resulted from the fact that CSSB 323 (State Affairs) already included a procedural section on rate increases for Pioneer Home residents.

In effect, then, the finance CS addresses the problem of rate increases by requiring the department to:

- 1) establish in regulation the compensation to be charged pioneer home residents,
- 2) review the rate every two years,
- 3) give notice to residents of the homes 60 days before an increase.

### Fiscal information

FY 85	133.0 thousand
FY 86	139.1 thousand
FY 87	145.5 thousand

*FEB 17, 1984*  
*FISCAL*  
*2/23/84*

### Back up information

#### Sectional analysis

All version of SB 323

Copy of SB 405

Department of Administration position paper and fiscal note for SB 405

Department of Administration position paper and fiscal note for CSSB 323 (State Affairs)

A copy of relevant statutes

February 23, 1984

Sectional Analysis for CSSB 323 (Finance)

- Section 1: Increases the allowance to qualifying Pioneer Home residents from \$35 to \$100 a month; states that any money in excess of the stipend may be required by the Department of Administration.
- Section 2: States that the money collected by the Department of Administration shall be transferred to the Commissioner of Revenue; raises from \$35 to \$100 the amount paid to Pioneer Home Residents without funds.
- Section 3: Requires the Department of Administration to establish in regulation the daily or monthly rate charged to the resident to compensate the state, and requires the department to review the regulations at least every two years. This section also requires the department to give 60 day notice before a rate increase is adopted.
- Section 4: Outlines the expenses for which the resident of the home is responsible; states that the debt to the state is the first claim against the residents estate; exempts heirlooms from a claim by the state; defines that money left in charge of Dept. of Admin. by a deceased resident shall be used for burial purposes; outlines the method by which personal effects of the deceased resident are to be dispersed; defines heirloom as personal property of sentimental value to the resident that has been in possession of the resident's family for 10 or more years or was a gift to the resident.

CS OR SENATE BILL 323 An Act relating to the Alaska Pioneers' Home

1/9/84

Introduced by Senator V. Fischer  
Referred: State Affairs, Finance

2/13/84

State Affairs passed Committee Substitute, 5-0  
Fiscal Note in Senate Supplement #52

Fiscal Note:

FY85 \$133,000

Summary:

Section 1 increases the allowance to qualifying Pioneer Home residents from \$35 to \$100 a month. It further states that money in excess of the stipend may be required by the Department of Administration.

Section 2 states that the money collected by the Department of Administration shall be transferred to the Commissioner of Revenue. It also raises from \$35 to \$100 the amount paid to Pioneer Home Residents without funds.

Section 3 requires the Department of Administration establish, in regulation, the daily or monthly rate charged to residents to compensate the state, and requires the Department to review the regulations at least every two years.

- Section 4:
- 1) outlines the expenses that residents are responsible for;
  - 2) states that the debt to the state is the first claim against the residents estate;
  - 3) exempts heirlooms from a claim by the state;
  - 4) specifies that money left by a deceased resident by used for burial;
  - 5) outlines how personal effects of the deceased are to be dispersed;
  - 6) defines the term "heirloom".

2/22/84


POSITION PAPER  
SB 323

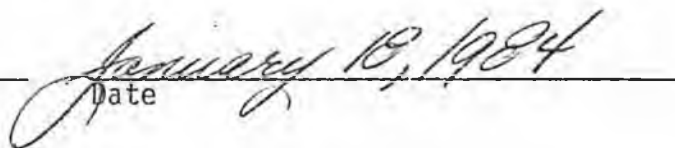
This bill would increase the monthly stipend paid to certain residents (who are otherwise without funds) of Alaska's Pioneers' Homes from the current \$35 to \$100, and would also cause that sum (\$100) to be adjusted annually in accordance with the consumer price index for Anchorage. The current \$35 stipend is clearly too little. An increase is indicated.

Sixty-one residents, or just under 10% of all the residents of the Pioneers' Home system presently receive the \$35 stipend. However, the full effect of the recent monthly rate increase has not yet been felt, and it is anticipated that the estimates of stipend needed for FY 85 are more accurately reflected in the operating budget which includes funds for 154 persons (\$65,000). The Division of Pioneers' Benefits estimates that should this bill become law, the number of residents who would qualify for the monthly stipend would be increased to as many as 165 residents, due to more people having less than \$100 in monthly income.


It would be more difficult to prepare annual budgets if the annual adjustment clause of this bill should become law. Also with each adjustment more residents would qualify for the stipend.

The department supports an increase in the monthly stipend, but cautions that \$100 is a 286% increase over the current \$35, and there is uncertainty about how many more residents will be eligible. The department does, however, support increasing the stipend to somewhere between \$75 and \$100.

  
\_\_\_\_\_  
E. Louis Keller, Director  
Division of Pioneers' Benefits

  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Lisa Rudd, Commissioner of  
Administration

  
\_\_\_\_\_  
Date

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

Page 1 of 2

REQUEST

Bill/Resolution No.: S.B. 323  
Title: Income of Pioneers' Homes Residents

Sponsor: Fischer  
Requestor: \_\_\_\_\_  
Date of Request: \_\_\_\_\_

FISCAL DETAIL

Agency Affected: Administration  
Program Category Affected: Social Servcs

BRU, Program of Subprogram(s) Affected:  
Pioneers' Homes

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS		133.0	139.1	145.5	152.2	159.2
800 MISCELLANEOUS						
TOTAL OPERATING		133.0	139.1	145.5	152.2	159.2
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		133.0	139.1	145.5	152.2	159.2
FEDERAL FUNDS						
OTHER (Specify Source)						
TOTAL		133.0	139.1	145.5	152.2	159.2

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Not indicated by sponsor.

ANALYSIS: Attach a separate page for any analysis.

Prepared By: George A. Michael  
Division: Pioneers' Benefits

Phone: 465-4401  
Date: January 13, 1984

Approved by Commissioner: Lisa Rudd  
Department: ADMINISTRATION

Date: 1/19/84

FISCAL NOTE/BDGSF2

Distribution:  
Legislative Finance  
Legislative Sponsor  
Registrar  
Office of Management and Budget  
Impacted Agency(ies)

12/1/83

ASSUMPTIONS

1. The bill will become effective on July 1, 1984.
2. The Pioneers' Home populations will remain stable, but the total number of residents receiving the stipend will increase from 154 to 165 due to inclusion of the persons who have less than \$100 monthly income.
3. The amount of the monthly stipend will increase by 4.6% each year after FY 85. This rate of increase is the average of the last 3 years' increase in the Consumer Price Index for the Anchorage area for "all urban consumers," as determined by the United States Department of Labor, Bureau of Labor Statistics. It is assumed, (for lack of better indicators) that this average rate of increase will continue.
4. The stipend payments will continue to be paid from the General Fund.
5. The rates for cost of care will remain at the present level of \$425 per month for residential care and \$525 per month for skilled nursing care.

COMMITTEE REPORT

SENATE

FURTHER: FINANCE

1/9/84

Date: 2/9/84

Mr. President:

The Committee on State Affairs has had SB 323

Relating to income of Alaska Pioneers' Home residents.

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

[ ] do pass [ ] do not pass

[ ] do pass with attached amendments(s)

[X] replace with CS for SB 323 (SA) [X] same title new title and recommends

[ ] AND attaches a "Letter of Intent" [X] New Fiscal Note

[ ] reports it back without recommendation

[ ] referred to the Committee

MEMBERS SIGNING DO PASS

Tim Kelly
Cecil Stangor
Robert Bradley
Bice Ray

MEMBERS HAVING OTHER RECOMMENDATIONS:

[Empty lines for other recommendations]

[Signature]

CHAIRMAN

Offered: 2/13/84  
Referred: Finance

Original sponsors: V.Fischer, Ziegler,  
Kerttula, et al

1 IN THE SENATE BY THE STATE AFFAIRS COMMITTEE  
2 CS FOR SENATE BILL NO. 323 (State Affairs)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 THIRTEENTH LEGISLATURE - SECOND SESSION  
5 A BILL  
6 For an Act entitled: "An Act relating to the Alaska Pioneers' Home."  
7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:  
8 \* Section 1. AS 47.25.020(b) is amended to read:  
9 (b) Every person admitted to the Pioneers' Home, except a person  
10 admitted under AS 47.25.030, who receives income from any source in  
11 excess of \$100 per [\$35 A] month may be required by the Department of  
12 Administration to pay the excess to the Department of Administration  
13 immediately upon receipt of the money in payment, or part payment, of  
14 the cost of the person's [HIS] maintenance.  
15 \* Sec. 2. AS 47.25.020(c) is amended to read:  
16 (c) At the end of each month the payments made under (b) of this  
17 section shall be transmitted to the commissioner of revenue together  
18 with the names of the persons making them and the amount paid by each.  
19 The Department of Administration may pay [THE SUM OF \$35 A MONTH] to a  
20 resident without funds the sum of \$100 per month.  
21 \* Sec. 3. AS 47.25.030 is amended by adding a new subsection to read:  
22 (b) The Department of Administration shall adopt regulations  
23 establishing a daily or monthly rate for the compensation a resident  
24 is to be charged under (a) of this section. The commissioner of  
25 administration shall review this rate not less than once every two  
26 years.  
27 \* Sec. 4. AS 47.25.070 is repealed and reenacted to read:  
28 Sec. 47.25.070. INDEBTEDNESS OF PIONEERS' HOME RESIDENT TO  
29 STATE. (a) The following expenses incurred for a Pioneers' Home

1 resident under AS 47.25.010 - 47.25.110 are a debt to the state and  
2 may be recovered during the life of the resident:

3 (1) allowances paid under AS 47.25.020(c);

4 (2) costs of standard or nursing care provided in the  
5 Pioneers' Home each month to the resident not exceeding the rate  
6 established by the Department of Administration under AS 47.25.030,  
7 with credit given for any amounts paid by or collected from the  
8 resident;

9 (3) arrearages in fees for television services provided in  
10 the Pioneers' Home;

11 (4) prescription medicine; and

12 (5) burial and related expenses.

13 (b) The debt is a first, prior and preferred claim against the  
14 estate of the Pioneers' Home resident after the resident's death, and  
15 after all claims for food, clothing, fuel, shelter, medical aid, or  
16 burial expenses are paid. Heirlooms without regard to value are  
17 exempt from a claim by the state under this section.

18 (c) Money left in charge of the Department of Administration by  
19 a deceased Pioneers' Home resident may be used for the burial and  
20 funeral expenses of the resident and for the improvement of the burial  
21 plot of the Pioneers' Home.

22 (d) If the clothing and other personal effects of a deceased  
23 Pioneers' Home resident are not claimed by a person designated by the  
24 resident, or by a relative of the resident if no designee survives,  
25 within 60 days after the home notifies the person or relative of the  
26 death of the resident then the clothing and effects may be used for  
27 the benefit of other residents, or they may be sold and the proceeds  
28 applied in the manner provided for money left by a deceased resident.

29 (e) For purposes of this section, "heirloom" means personal

1 property of sentimental value to a Pioneers' Home resident that has  
2 been in the possession of the resident's family for 10 years or more  
3 or was a gift to the resident.

*3/23/84  
2207 revised  
in committee  
already incorporated  
to 3/23/84*

A M E N D M E N T

Offered in the SENATE

By Josephson

TO: CSSB 323(SA)

Page 1, after line 26, insert a new section to read:

"\* Sec. 4. AS 47.25 is amended by adding a new section to read:

Sec. 47.25.045. NOTICE OF RATE INCREASES; HEARINGS. (a) The Department of Administration shall provide to all residents of the Alaska Pioneers' Home written notice of any proposed increase in the rate charged for care and support of persons at the home. Notice under this section shall be given not less than 60 days before an increase is adopted. The notice shall include the time, date, and place of a hearing to be held by the Department of Administration under (b) of this section.

(b) Not less than 30 days before a proposed rate increase is adopted, the Department of Administration shall conduct a hearing at which interested persons shall be given the opportunity to submit written or oral testimony, statements, arguments or contentions relating to the proposed rate increase. The department shall consider all relevant matter presented to it before adopting a rate increase."

Renumber remaining sections accordingly.



Offered: 1/30/84  
Referred: Finance

Original sponsors: Ferguson and Faiks

1 IN THE SENATE BY THE JUDICIARY COMMITTEE

2 CS FOR SENATE BILL NO. 331 (Judiciary)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the preparation of the executive  
7 budget; and providing for an effective date."

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

9 \* Section 1. AS 37.07.020(a) is amended to read:

10 (a) The governor shall prepare and submit to the legislature  
11 before the fourth legislative day a budget for the succeeding fiscal  
12 year which shall cover all estimated receipts, including all grants,  
13 loans, and money received from the federal government, and all pro-  
14 posed expenditures of the state government. The budget submitted by  
15 the governor shall be organized so that the proposed expenditures for  
16 each agency are presented separately. The budget shall be accompanied  
17 by a general appropriation bill to authorize the proposed expendi-  
18 tures, and a bill or bills covering recommendations in the budget for  
19 new or additional revenues. The proposed general appropriation bill  
20 shall become public information on December 15 of each year at which  
21 time the governor shall submit copies to the legislature and make  
22 copies available to the public.

23 \* Sec. 2. This Act takes effect immediately in accordance with AS 01.-  
24 10.070(c).

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

REQUEST

Bill/Resolution No.: CSSB 331 (JUD)  
Title: Preparation of Executive Budget

FISCAL DETAIL

Agency Affected: All  
Program Category Affected: All

Sponsor: Ferguson  
Requestor: House Finance  
Date of Request: March 14, 1984

BRU, Program or Subprogram(s) Affected: All

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		0	0	0	0	0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL		0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

The Senate Judiciary Committee CS calling for the Governor's proposed general appropriation bill to be made public information on December 15th of each year causes minimal fiscal impact that can be covered within the OMB budget.

ANALYSIS: Attach a separate page for analysis

Prepared By: [Signature]  
Division: Budget Review

Phone: 465-3568  
Date: March 14, 1984

Approved by Commissioner: [Signature]  
Agency: Office of Management and Budget

Date: March 14, 1984

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Offered: 1/30/84  
Referred: Finance

Original sponsors: Ferguson and Faiks

1 IN THE SENATE BY THE JUDICIARY COMMITTEE  
2 CS FOR SENATE BILL NO. 331 (Judiciary)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the preparation of the executive  
7 budget; and providing for an effective date."

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

9 \* Section 1. AS 37.07.020(a) is amended to read:

10 (a) The governor shall prepare and submit to the legislature  
11 before the fourth legislative day a budget for the succeeding fiscal  
12 year which shall cover all estimated receipts, including all grants,  
13 loans, and money received from the federal government, and all pro-  
14 posed expenditures of the state government. The budget submitted by  
15 the governor shall be organized so that the proposed expenditures for  
16 each agency are presented separately. The budget shall be accompanied  
17 by a general appropriation bill to authorize the proposed expendi-  
18 tures, and a bill or bills covering recommendations in the budget for  
19 new or additional revenues. The proposed general appropriation bill  
20 shall become public information on December 15 of each year at which  
21 time the governor shall submit copies to the legislature and make  
22 copies available to the public.

23 \* Sec. 2. This Act takes effect immediately in accordance with AS 01.-  
24 10.070(c).

Introduced: 1/9/84  
Referred: Judiciary and  
Finance

1 IN THE SENATE

BY FERGUSON

2

SENATE BILL NO. 331

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to the preparation of the executive budget; and providing for an effective date."

7

8

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

9

\* Section 1. AS 37.07.020(a) is amended to read:

10

(a) By November 15, the [THE] governor shall prepare and submit to the legislative finance division [LEGISLATURE BEFORE THE FOURTH LEGISLATIVE DAY] a budget for the succeeding fiscal year which shall cover all estimated receipts, including all grants, loans, and money received from the federal government, and all proposed expenditures of the state government. This budget is not public information until December 1 at which time the governor shall submit copies to the legislature and make copies available to the public. The budget submitted by the governor shall be organized so that the proposed expenditures for each agency are presented separately. The budget shall be accompanied by a general appropriation bill to authorize the proposed expenditures, and a bill or bills covering recommendations in the budget for new or additional revenues.

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\* Sec. 2. AS 37.07.020 is amended by adding a new subsection to read:

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29

(e) In a year following a gubernatorial election in which the incumbent governor does not retain office the newly elected governor shall submit a summary budget to the legislature on the first day of the legislative session and a detailed budget by February 1. This subsection does not relieve the outgoing governor of the obligation to submit a budget to the legislature under this section.

1 \* Sec. 3. AS 37.07.050(a) is amended to read:

2 (a) By September 1 of each fiscal year, each [EACH] state agen-  
3 cy, [ON THE DATE AND] in the form and content prescribed by the of-  
4 fice, shall prepare, make available to the public, and forward to the  
5 office and the legislative finance division

6 (1) the goals and objectives of the agency programs, to-  
7 gether with proposed supplements, deletions and revisions;

8 (2) its proposed plans to implement the goals and objec-  
9 tives, including estimates of future service needs, planned methods of  
10 administration, proposed modification of existing program services and  
11 establishment of new program services, and the estimated resources  
12 needed to carry out the proposed plan;

13 (3) the budget requested to carry out its proposed plans in  
14 the succeeding fiscal year, including information reflecting the  
15 expenditures during the last fiscal year, those authorized for the  
16 current fiscal year, those proposed for the succeeding fiscal year, an  
17 explanation of the services to be provided, the number of total posi-  
18 tions for all persons employed or under contract by the agency for  
19 personal services including those rendered for capital improvement  
20 projects, the need for the services, the cost of the services, and any  
21 other information requested by the office;

22 (4) a report of the receipts during the last fiscal year,  
23 an estimate of the receipts during the current fiscal year, and an  
24 estimate for the succeeding fiscal year;

25 (5) a statement of legislation required to implement the  
26 proposed programs and financial plans; and

27 (6) an evaluation of the advantage and disadvantages of  
28 specific alternatives to existing or proposed program policies or  
29 administrative methods.

1 \* Sec. 4. This Act takes effect immediately in accordance with AS 01.-  
2 10.070(c).

COMMITTEE REPORT  
SENATE

FURTHER:

1/30/84

Date: 2/24/84

Mr. President:

The Committee on FINANCE has had SB 331

*appropriation of the executive budget fund.*

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

[ ] do pass [ ] do not pass

[ ] do pass with attached amendments(s)

[  ] replace with CS for SB 331 (Jud.) [  ] same title  
[ ] new title  
and recommends Do Pass

[ ] AND attaches a "Letter of Intent" [ ] New Fiscal Note

[ ] reports it back without recommendation

[ ] referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

*[Handwritten signatures]*

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

CHAIRMAN

Offered: 1/30/84  
Referred: Finance

Original sponsors: Ferguson and Faiks

1 IN THE SENATE

BY THE JUDICIARY COMMITTEE

2

CS FOR SENATE BILL NO. 331 (Judiciary)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to the preparation of the executive

7

budget; and providing for an effective date."

8

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

9

\* Section 1. AS 37.07.020(a) is amended to read:

10

(a) The governor shall prepare and submit to the legislature

11

before the fourth legislative day a budget for the succeeding fiscal

12

year which shall cover all estimated receipts, including all grants,

13

loans, and money received from the federal government, and all pro-

14

posed expenditures of the state government. The budget submitted by

15

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16

each agency are presented separately. The budget shall be accompanied

17

by a general appropriation bill to authorize the proposed expendi-

18

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19

new or additional revenues. The proposed general appropriation bill

20

shall become public information on December 15 of each year at which

21

time the governor shall submit copies to the legislature and make

22

copies available to the public.

23

\* Sec. 2. This Act takes effect immediately in accordance with AS 01.-

24

10.070(c).

COMMITTEE REPORT  
SENATE

FURTHER FINANCE

1/9/84

Date: JAN 27, 1984

Mr. President:

The Committee on JUDICIARY has had SB 331

Relating to the preparation of the executive budget; efd.

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass  do not pass
- do pass with attached amendments(s)
- replace with CS for SB 331 (Jud)  same title  
 new title
- and recommends \_\_\_\_\_
- AND attaches a "Letter of Intent"  New Fiscal Note
- reports it back without recommendation
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

3

Joe Josephson

[Signature]

[Signature]

\_\_\_\_\_

\_\_\_\_\_

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\_\_\_\_\_

\_\_\_\_\_

Bill Ray

CHAIRMAN

NO REC

Introduced: 1/9/84  
Referred: Judiciary and  
Finance

1 IN THE SENATE

BY FERGUSON

2

SENATE BILL NO. 331

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to the preparation of the executive  
7 budget; and providing for an effective date."

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

9 \* Section 1. AS 37.07.020(a) is amended to read:

10 (a) By November 15, the [THE] governor shall prepare and submit  
11 to the legislative finance division [LEGISLATURE BEFORE THE FOURTH  
12 LEGISLATIVE DAY] a budget for the succeeding fiscal year which shall  
13 cover all estimated receipts, including all grants, loans, and money  
14 received from the federal government, and all proposed expenditures of  
15 the state government. This budget is not public information until  
16 December 1 at which time the governor shall submit copies to the  
17 legislature and make copies available to the public. The budget  
18 submitted by the governor shall be organized so that the proposed  
19 expenditures for each agency are presented separately. The budget  
20 shall be accompanied by a general appropriation bill to authorize the  
21 proposed expenditures, and a bill or bills covering recommendations in  
22 the budget for new or additional revenues.

23 \* Sec. 2. AS 37.07.020 is amended by adding a new subsection to read:

24 (e) In a year following a gubernatorial election in which the  
25 incumbent governor does not retain office the newly elected governor  
26 shall submit a summary budget to the legislature on the first day of  
27 the legislative session and a detailed budget by February 1. This  
28 subsection does not relieve the outgoing governor of the obligation to  
29 submit a budget to the legislature under this section.

1 \* Sec. 3. AS 37.07.050(a) is amended to read:

2 (a) By September 1 of each fiscal year, each [EACH] state agen-  
3 cy, [ON THE DATE AND] in the form and content prescribed by the of-  
4 fice, shall prepare, make available to the public, and forward to the  
5 office and the legislative finance division

6 (1) the goals and objectives of the agency programs, to-  
7 gether with proposed supplements, deletions and revisions;

8 (2) its proposed plans to implement the goals and objec-  
9 tives, including estimates of future service needs, planned methods of  
10 administration, proposed modification of existing program services and  
11 establishment of new program services, and the estimated resources  
12 needed to carry out the proposed plan;

13 (3) the budget requested to carry out its proposed plans in  
14 the succeeding fiscal year, including information reflecting the  
15 expenditures during the last fiscal year, those authorized for the  
16 current fiscal year, those proposed for the succeeding fiscal year, an  
17 explanation of the services to be provided, the number of total posi-  
18 tions for all persons employed or under contract by the agency for  
19 personal services including those rendered for capital improvement  
20 projects, the need for the services, the cost of the services, and any  
21 other information requested by the office;

22 (4) a report of the receipts during the last fiscal year,  
23 an estimate of the receipts during the current fiscal year, and an  
24 estimate for the succeeding fiscal year;

25 (5) a statement of legislation required to implement the  
26 proposed programs and financial plans; and

27 (6) an evaluation of the advantages and disadvantages of  
28 specific alternatives to existing or proposed program policies or  
29 administrative methods.

1 \* Sec. 4. This Act takes effect immediately in accordance with AS 01.-  
2 10.070(c).

# COMMITTEE REPORT

## SENATE

FURTHER:

3/29/86

Date 5/2/84

Mr. President

The Committee on FINANCE considered SB 335

*regarding the Alaska Trail Reserve Program bill.*

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for SB 335 (Fin)
- new title
- same title and recommends Do Pass
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE  
2/10/84
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS

\_\_\_\_\_  
\_\_\_\_\_  
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\_\_\_\_\_

Chairman

Chairman recommendation

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

REQUEST  
 Bill/Resolution No.: SB 335  
 Title: Grain Reserve Program  
Amendments  
 Sponsor: Moss  
 Requestor: \_\_\_\_\_  
 Date of Request: 2-16-84

FISCAL DETAIL  
 Agency Affected: Natural Resources  
 Program Category Affected: \_\_\_\_\_  
Agriculture development  
 BRU, Program or Subprogram(s) Affected: \_\_\_\_\_  
Agriculture development

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Sharon L. Barton Phone: 465-2400  
 Division: Commissioner's Office Date: 2-16-84

Approved by Commissioner: Anna D. Amund, Deputy Date: 2-16-84  
 Agency: Department of Natural Resources

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

12/1/83

Offered: 2/29/84  
Referred: Finance

Original sponsor: Moss

1 IN THE SENATE

*Finance*  
BY THE RESOURCES COMMITTEE

2 CS FOR SENATE BILL NO. 335 *Finance*  
(Resources)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Grain Reserve Program;  
7 and providing for an effective date."

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

9 \* Section 1. AS 03.12.020 is amended to read:

10 Sec. 03.12.020. DUTIES OF THE DEPARTMENT. In carrying out the  
11 purposes of this chapter the department shall

12 (1) make loans to state grain producers under the condi-  
13 tions set out in this chapter;

14 (2) administer and inspect stored grain held as collateral  
15 for loans made under this chapter; and

16 (3) administer the Alaska grain reserve revolving loan fund  
17 (AS 03.12.040).

18 \* Sec. 2. AS 03.12.030(a) is amended to read:

19 (a) The department may make a loan to a state grain producer  
20 secured by grain grown by that producer [IN 1983 OR 1984]. Grain that

21 is used as collateral for a loan made under this chapter must be  
22 graded number four or better, ~~except that grain that is non-standard-~~

23 ~~ized may be accepted as collateral under conditions determined by the~~  
24 ~~director of the division of agriculture.~~

25 \* Sec. 3. AS 03.12.040 is amended to read:

26 Sec. 03.12.040. ALASKA GRAIN RESERVE REVOLVING LOAN FUND.

27 The Alaska grain reserve revolving loan fund is established in the  
28 department for the purpose of financing loans made under this chapter.

29 The fund consists of appropriations made to it by the legislature and

*Insert  
(attached)*

1        repayments of principal and accrued interest on loans made from the  
2        fund.

3        \* Sec. 4. AS 03.12.200 is amended to read:

4                Sec. 03.12.200. DEFINITIONS. In this chapter

5                    (1) "commissioner" means the commissioner of natural  
6        resources;

7                    (2) "department" means the Department of Natural Resources;

8                    (3) "fund" means the Alaska grain reserve revolving loan  
9        fund; and

10                   (4) "grain" means barley, wheat or oats.

11        \* Sec. 5. Sections 3 - 5, ch. 100, SLA 1983 are repealed.

12        \* Sec. 6. This Act takes effect immediately in accordance with AS 01.-  
13 10.070(c).

Introduced: 1/9/84  
Referred: Resources and  
Finance

1 IN THE SENATE

BY MOSS

2

SENATE BILL NO. 335

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act amending the Alaska Grain Reserve Program;

7

and providing for an effective date."

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

9

\* Section 1. AS 03.12.030(a) is amended to read:

10

(a) The department may make a loan to a state grain producer

11

secured by grain grown by that producer in 1983 or 1984. Grain that

12

is used as collateral for a loan made under this chapter must be

13

graded number four or better, except that grain that is not graded may

14

be accepted as collateral under conditions determined by the director

15

of the division of agriculture.

16

\* Sec. 2. This Act takes effect immediately in accordance with AS 01.-

17

10.070(c).

COMMITTEE REPORT  
SENATE

FURTHER: FINANCE

1/9/84

Date: 2-27-84

Mr. President:

The Committee on RESOURCES has had SB 335  
amending the Alaska Grain Reserve Program; efd.

under consideration and (a majority of the committee) (the committee)  
reports it back with the following recommendations:

- do pass  do not pass  
 do pass with attached amendments(s)  
 replace with CS for SB 335 Res  same title  
 new title  
and recommends \_\_\_\_\_  
 AND attaches a "Letter of Intent"  New Fiscal Note  
 reports it back without recommendation  
 referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS.

Ellis Furgerson  
3-11  
Paul Grah  
Bob Mulcahy

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

George Fiksenberg  
CHAIRMAN

# Alaska State Legislature

SENATOR  
**John C. Sackett**

CO-CHAIRMAN  
SENATE FINANCE COMMITTEE

MEMBER  
COMMUNITY & REGIONAL AFFAIRS COMMITTEE  
LABOR & COMMERCE COMMITTEE  
BUDGET & AUDIT COMMITTEE  
REGULATION REVIEW COMMITTEE



**Senate**

5/2/84  
SFC-84

84  
Sen. Ferguson

HOME ADDRESS  
P.O. BOX 11  
RUBY, ALASKA 99768

WHILE IN JUNEAU  
POUCH V  
JUNEAU, ALASKA 99811  
TELEPHONE 465-3753

## AMENDMENT

CSSB 335 (Resources)

Page 1, line 22-24

After the word "better" DELETE ALL MATERIAL through the end of line 24

### Insert:

,except that grain that is non-standardized under the regulations  
of the United States Department of Agriculture may be accepted as  
collateral if the grain satisfies standards established in regulation  
by <sup>the</sup>director of the division of agriculture and such other conditions  
as the director may require.

COMMITTEE REPORT  
HOUSE

FURTHER:

(11)

5/15/84

Date: 5-30-84

The Committee on FINANCE has had CRSB 336 (R08)

"An Act relating to federal crop insurance; and providing for an effective date."

under consideration and recommends:

- do pass  do not pass
- do pass with attached amendments(s)
- replace with CS for \_\_\_\_\_  same title  
 new title
- and recommends \_\_\_\_\_
- AND attaches a "Letter of Intent"  New Fiscal Note
- reports it back without recommendation  Zero Fiscal Note Attached
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

CHAIRMAN

Offered: 1/26/84  
Referred: Finance

Original sponsors: Moss, Kerttula  
and Fahrenkamp

1 IN THE SENATE BY THE RESOURCES COMMITTEE  
2 CS FOR SENATE BILL NO. 336 (Resources)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 THIRTEENTH LEGISLATURE - SECOND SESSION  
5 A BILL  
6 For an Act entitled: "An Act relating to federal crop insurance; and  
7 providing for an effective date."  
8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:  
9 \* Section 1. AS 03.10.030(c) is amended to read:  
10 (c) A short term loan, to be amortized within one year, not to  
11 exceed \$350,000 to any one borrower may be made for operating  
12 purposes, except that a loan made under this subsection may not exceed  
13 \$200,000 unless the loan is made to a borrower in a farm disaster area  
14 declared under AS 03.10.058. An applicant for a short term loan may  
15 be required to purchase insurance through the Federal Crop Insurance  
16 Act (7 U.S.C. 1501-1520) as a condition of the loan.  
17 \* Sec. 2. AS 03 is amended by adding a new chapter to read:  
18 CHAPTER 13. FEDERAL CROP INSURANCE CONTRIBUTIONS.  
19 Sec. 03.13.010. AGREEMENT WITH FEDERAL CROP INSURANCE CORPO-  
20 RATION. The department shall enter into an agreement with the Federal  
21 Crop Insurance Corporation under which the department agrees to pay to  
22 the corporation a portion of federal crop insurance premiums paid by  
23 producers of agricultural commodities in this state. The agreement  
24 shall provide for a corresponding reduction in the federal crop insur-  
25 ance premium paid by those producers.  
26 Sec. 03.13.020. AMOUNT OF CONTRIBUTIONS. Under the agreement,  
27 the department shall pay to the corporation for each covered producer  
28 an amount equal to the amount that the corporation pays for that  
29 producer under 7 U.S.C. 1508(b)(3) of the Federal Crop Insurance Act

1 (7 U.S.C. 1501 - 1520), except as provided otherwise in this chapter.

2 Sec. 03.13.030. LIMITATION. Thirty percent of each producer's  
3 premium, as calculated by the corporation, on coverage of up to 65  
4 percent of the recorded or appraised average yield, as adjusted, shall  
5 be paid by the state.

6 Sec. 03.13.040. APPROPRIATIONS. (a) The payments to the corpo-  
7 ration shall be made from funds appropriated from the general fund to  
8 the department for that purpose.

9 (b) If for any year the amount appropriated is insufficient to  
10 fully fund the contribution required by AS 03.12.020, the department  
11 shall allocate funds on a first come basis.

12 Sec. 03.13.050. DEFINITIONS. In this chapter, "corporation"  
13 means the Federal Crop Insurance Corporation (7 U.S.C. 1503).

14 \* Sec. 3. This Act takes effect immediately in accordance with AS 01.-  
15 10.070(c).

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: 1-26-84

**REQUEST**  
 Bill/Resolution No.: CS SB 336 (Request)  
 Title: Crop insurance  
 Sponsor: Moss  
 Requestor: \_\_\_\_\_  
 Date of Request: 1-26-84

**FISCAL DETAIL**  
 Agency Affected: Dept. of Natural Resources  
 Program Category Affected: Agriculture Management  
 BRU, Program or Subprogram(s) Affected: Agriculture Management

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL			80.0	90.0		
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>	-0-	-0-*	80.0	90.0		
<b>CAPITAL</b>	-0-	-0-	-0-	-0-		
<b>REVENUE</b>						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-*	80.0	90.0		
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

POSITIONS:

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

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

\* FY 85 funding (\$140.0) appears in the Governor's budget.

ANALYSIS: Attach a separate page for analysis

Prepared By: Sharon L. Barton Phone: 465-2400  
 Division: Commissioner's Office Date: 2-21-84

Approved by Commissioner: William D. Smyth Deputy Comm. Date: 2-21-84  
 Agency: Department of Natural Resources

Distribution (by Agency preparing fiscal note):  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

CHAIRMAN  
SENATE TRANSPORTATION  
COMMITTEE  
SENATE SPECIAL AGRICULTURE  
COMMITTEE

MEMBER  
HEALTH, EDUCATION AND  
SOCIAL SERVICES  
COMMITTEE  
LEGISLATIVE COUNCIL  
REAA BUDGET OVERSIGHT  
COMMITTEE

# Alaska State Legislature



## State Senate

SENATOR  
H. PAPPY MOSS  
P.O. BOX 182  
DELTA JUNCTION, ALASKA 99737  
(907) 895-4384

JUNEAU OFFICE:  
POUCH V  
JUNEAU, ALASKA 99801  
(907) 465-4921

### SENATE SPECIAL COMMITTEE ON AGRICULTURE

MEMORANDUM

May 16, 1984

RE: Senate Bill 336

TO: Representative Al Adams  
House Finance Committee

FROM: Senator H. Pappy Moss *HPM*  
Senate Special Committee on Agriculture

Senate Bill 336, "An Act relating to federal crop insurance; and providing for an effective date."

The Federal Crop Insurance Program has been available in Alaska since 1982. It protects farmers against low crop yields due to natural disasters. The federal government now subsidizes 30% of each farmer's premium payment. Under Senate Bill 336, the state would provide an additional 30% subsidy, and the remaining 40% of the premium would be paid by the farmer. Administrative costs for the program are paid by the federal government.

In addition to providing for a premium subsidy, Senate Bill 336 also provides that Agricultural Revolving Loan Fund Board may require that a borrower obtain federal crop insurance as a condition of obtaining a loan. The Department of Natural Resources maintains that this puts into the statutes what is already Department policy.

The fiscal note for Senate Bill 336 is zero for FY 85, \$80,000 for FY 86, and \$0,000 for FY 87. Costs for this program were included in the Governor's operating budget for DNR at \$140,000 which provides funding for crop years 1984 and 1985.

The passage of Senate Bill 336 should lead to greater participation by Alaskan producers in the Federal Crop Insurance Program which will serve to protect the state's investment in agriculture by providing a means for farmers to repay their state loans even in bad crop years. I respectfully request that this bill be placed on the House Finance Committee as soon as possible.

SENATE SPECIAL COMMITTEE ON AGRICULTURE  
Senator H. Pappy Moss, Chairman

NOTES ON SENATE BILL 336 "An Act relating to federal crop insurance;  
and providing for an effective date."

What is Federal Crop Insurance?

Federal Crop Insurance is offered to farmers of this nation to promote the national welfare by improving the economic stability of agriculture through a sound system of crop insurance. Since 1980, when the FCIC expanded the availability and coverage of crop insurance, the program has grown significantly. Federal crop insurance protects against losses due to adverse weather conditions, insect infestation, plant disease and other natural disasters.

What Will Senate Bill 336 Do?

Currently, the Federal government subsidizes the cost of Federal Crop insurance to the farmer by 30%. Senate Bill 336 provides for the state to further subsidize the Federal Crop insurance premium up to another 30%.

SB 336 also requires that an applicant for a short term loan may be required to purchase insurance through the Federal Crop Insurance Program as a condition of loan. Farmers are not alone in suffering financial loss when crop disaster strikes. Crop insurance will also help protect creditors, lending institutions, businesses supplying agricultural needs and the entire community from risks associated with crop disasters.

Nation wide, more lenders are requiring crop insurance as a condition for farm operating loans because such insurance helps protect their investment in agriculture.

What Is The Benefit To The State?

Federal Crop Insurance protection adds guarantees that farmers in the state will be able to meet loan repayment obligations and to pay cash costs even when crops fail. Farmers participating in the program are assured of recovering, at a minimum, the lost capital they must have in order to continue farming--to buy the seed, fuel, and fertilizer that are required to assure the next year's crop.

Currently the Alaska Revolving Loan Fund will cover operating costs, but not insurance. SB 336, helping the farmer with an additional premium subsidy, helps protect the farmer, and the state's investment in agriculture, against both area and individual disasters.

### What Is The Cost To The State?

The Department of Natural Resources has projected a cost of \$140,000.00 for the first two years of participation in the Federal Crop Insurance program. This amount appears in the Governor's budget for FY '85. For FY 86 and FY 87, the expenditures would be 80 and 90 thousand dollars respectively, and would come from the general fund.

The State contribution need not be seen totally as a subsidy. This form of insurance may partially replace other public safety nets by providing insurance premiums in lieu of reimbursement to farmers for damage by wildlife, etc.

The FCIC will work with the state of Alaska to minimize administrative expenses to the state. Those that are incurred will be low, and related only to the preparation and transmission of payments by the state to FCIC on the behalf of Alaska producers.

### How Will The Program Work?

The FCIC is encouraging participation by Alaskan farmers. It has expanded its program for Alaska beyond barley, to include wheat and oats, and will soon include potatoes among the crops covered by this protection.

Each farmer may select the percent of average yield he would like to have guaranteed and the price he would like to be paid for his deficiency if he falls below the guaranteed level. Depending on his selection, a federally subsidized premium is established which he must pay. There are three different levels that a farmer may choose from in selecting a coverage rate (50, 65, and 75 %). There are also three different price election rates (\$2.00, 2.25, and 2.60). Federal legislation now permits the State to pay a matching subsidy, up to 30%.

### Justification

The Federal Crop Insurance Program will insure a farmer against low crop yields rather than low price. In Alaska, this program will help protect against mid-summer frosts, early rain during harvest, and bison damage to barley, which has occurred in the past. Even after a year without disaster, farmers face an everpresent concern for the next crop year. In this sense, FCIC and the State of Alaska can help to provide Alaskan agriculture with more than just business security.

The passage of SB 336 should lead to greater participation by Alaska producers in the Federal Crop Insurance program. The needs of producers for risk protection will be better met. This increased protection will have a beneficial impact on other segments of the economy whose viability depends on a healthy agriculture, helping to stabilize the economic activity of local communities and strengthen the surrounding rural economy, and, to a lesser degree, the urban economy.

Sectional Analysis

for CSSB 336 (Res): "An Act relating to federal crop insurance; and providing for an effective date."

Section 1. Provides that the Agricultural Revolving Loan Fund Board may require crop insurance as a condition of a loan.

Section 2. Establishes the program:

- \* Agreement with Federal Crop Insurance Corporation
- \* Amount of contributions (matches federal contribution)
- \* Limitations on state subsidy (30% of premiums)
- \* Provides for appropriations from general fund; allocation on first come basis
- \* Definitions

Section 3. Provides an immediate effective date.

# Senator Vic Fischer

(907) 465-4954

Alaska State Legislature  
Pouch V • Juneau, Alaska 99811 • (907) 465-4954



## MEMORANDUM

May 2, 1984

TO: Members, Senate Finance Committee  
FROM: Senator Vic Fischer *Vic F.*  
RE: CSSB 336 (Res) An act relating to federal crop insurance;  
effective date.

The purpose of SB 336 is to support Alaska agriculture by subsidizing farmers' premiums paid to the Federal Crop Insurance Program. A secondary purpose is to protect the state's investment in agriculture by providing insurance coverage of crops supported by Agriculture Revolving Loan Fund loans.

The federal government now will pay 30% of a farmer's crop insurance. Under this program the state will pay an additional 30%, leaving 40% to be paid by the individual farmers.

Virtually all of the administrative costs of the program are paid by the federal government. All of the costs of working with the individual farmers are covered. The only expense left for the state is that of making one lump-sum payment to the Federal Crop Insurance Corporation.

Section 1 provides that the Ag Revolving Loan Fund may require crop insurance as a condition of a loan.

Section 2 establishes the program:

- Agreement with Federal Crop Insurance Corporation
- Amount of contributions (matches feds contribution)
- Limitations on state subsidy (30% of premiums)
- Provides for appropriations from general fund; allocation on first come basis
- Definitions

Section 3 provides an immediate effective date.

The fiscal note is zero for FY 85 and 80.0 per year starting in FY 86. Costs for this program were included in the Governor's FY 85 operating budget for DNR at 140.0, which provides funding for two crop years - 1984 and 1985. At this time, both Senate and House DNR budgets include crop insurance funding.

The bill is favored by the Administration. Sharon Barton of the DNR is expected to be here to answer questions from the Committee.

# Alaska State Legislature

BETTYE FAHRENKAMP, Chairman  
ROBERT H. ZIEGLER, SR., Vice Chairman  
DICK ELIASON  
PAUL FISCHER  
VIC FISCHER  
BOB MULCAHY  
ARLISS STURGULEWSKI



POUCH V  
STATE CAPITAL  
JUNEAU, ALASKA 99811  
(907) 465-3834  
(907) 465-3835

## Senate

### Committee on Resources

#### MEMORANDUM

TO: Senate Resources Committee Members

FROM: Senate Resources Committee Staff

RE: SB 336, An Act relating to state contributions toward the premium for federal crop insurance.

DATE: January 20, 1984

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On Monday, January 23, 1984 the Senate Resources Committee will hear SB 336, An Act relating to state contributions toward the premium for federal crop insurance.

In effect in Alaska since 1982, the Federal Crop Insurance Program protects against losses from natural disasters. During 1983, approximately 75% of the 12,000 Delta barley acres were insured, at an average cost of \$12 per acre. The federal government subsidizes 30% of each farmer's premium payment.

Under SB 336, the state would provide an additional 30% subsidy, which would reduce the insurance premium paid by the farmer. The corporation would calculate the state's premium share, and payments to the corporation would be through appropriations from the general fund.

The Division of Agriculture, Department of Natural Resources, estimates the cost to the state for its participation at \$140,000 for FY 85 (for the 1984 and 1985 crop years), \$80,000 for FY 86, and \$90,000 for FY 87. These figures are based on a total premium of \$12 per acre, with the state's share figured at \$4 per acre.

The meeting will be held at 3:00 pm in the Beltz Room.

# MEMORANDUM

# State of Alaska

TO: Senator Bettye Fahrenkamp

DATE: 1/19/84

FILE NO:

TELEPHONE NO:

FROM: *Bill Heim*  
Bill Heim, Director  
Division of Agriculture  
Department of Natural Resources

SUBJECT: S.B. 336

The administration requests that the following amendment be added to S.B. 336.

03.10.030 (c) An applicant for a short term loan may be required to purchase insurance through the Federal Crop Insurance program.

The Agricultural Revolving Loan Fund Board (ARLF) has been doing this on a selective basis during the past year. If this amendment was part of the statute it would give the ARLF Board a more solid base to require certain borrowers to participate in the Crop Insurance Program. Since the State is the major lender of operating funds to small grain farmers, the ARLF should make every effort to protect its collateral through the Crop Insurance Program.

cc: Sharon Barton, Special Assistant  
Dean Brown, Deputy Director

# CORRECTION

THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY

# MEMORANDUM

State of Alaska

TO: Senator Bettye Fahrenkamp

DATE: 1/19/84

FILE NO:

TELEPHONE NO:

FROM: *Bill Heim*  
Bill Heim, Director  
Division of Agriculture  
Department of Natural Resources

SUBJECT: S.B. 336

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cc: Sharon Barton, Special Assistant  
Dean Brown, Deputy Director

ct.

(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;

bers

(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;

bilization of  
in respect of  
and the secu-

(4) shall bear interest at a rate 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.

(b) *[Repealed, § 72 ch 113 SLA 1982.]*

(c) A short term loan, to be amortized within one year, not to exceed \$350,000 to any one borrower may be made for operating purposes, except that a loan made under this subsection may not exceed \$200,000 unless the loan is made to a borrower in a farm disaster area declared under AS 03.10.058.

(d) *[Repealed, § 72 ch 113 SLA 1982.]*

(e) An installment payment is delinquent unless it is mailed by the borrower on or before the 30th day after the date specified for payment in the loan agreement or unless it is received by the department on or before the 30th day after the date specified for payment in the loan agreement. If an installment payment is delinquent, the director may assess a delinquency penalty. The delinquency penalty shall be an amount equal to seven percent of the delinquent payment, but the combined delinquency penalty and loan interest may not exceed 15 percent.

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

(g) A loan for clearing land may not

- (1) exceed \$250,000;
- (2) bear interest that is less than eight percent;
- (3) have a term in excess of 20 years; or

# Alaska State Legislature

BETTYE FAHRENKAMP, Chairman  
ROBERT H. ZIEGLER, SR., Vice Chairman  
DICK ELIASON  
PAUL FISCHER  
VIC FISCHER  
BOB MULCAHY  
ARISS STURGULEWSKI



POUCH V  
STATE CAPITAL  
JUNEAU, ALASKA 99811  
(907) 465-3834  
(907) 465-3835

## Senate

### Committee on Resources

#### MINUTES

January 11, 1984  
3:13 pm

House Resources  
Room 118, Capitol

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#### MEMBERS PRESENT

Senator Fahrenkamp, Chair	Rep. Ringstad, Co-Chair
Senator Ziegler, Vice Chair	Rep. Shultz, Co-Chair
Senator P. Fischer	Rep. Liska
Senator Mulcahy	Rep. Larson
Senator Sturgulewski	Rep. Cowdery
	Rep. Uehling

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#### CALENDAR

Overview of Federal Crop Insurance Program

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Merritt W. Sprague, Manager, Federal Crop Insurance Corporation, U.S. Department of Agriculture, explained how the program protects farmers against the adverse economic impact of severely reduced crop production due to natural disasters. The U.S. Department of Agriculture now subsidizes 30% of the premiums (at the 65% coverage level). The administrative costs of the program are paid from appropriated funds. 1982 was the first year the program was used in Alaska. In 1983, nearly two-thirds of Alaska's barley acres were insured. In 1984, the program will include wheat and oats. In the future, other commodities, including potatoes in the Tanana Valley, could be included.

Jack Knox, Federal Crop Insurance Corporation, Spokane, Washington, described how rates were set in Alaska and how they related to other parts of the country.

Bill Heim, Department of Natural Resources, Division of Agriculture, spoke in support of the program. He felt it would strengthen the Agricultural Revolving Loan Fund by guaranteeing that a producer will always be able to service his debt. The Governor supports the idea of state participation in the program.

Bill Beardsley, Department of Commerce and Economic Development, supported the idea of state participation because of the low administrative costs, the leveraged use of state funds, and the increased incentive to farmers to join. He was concerned that it was limited to barley, wheat and oats, and encouraged the inclusion of hay into the program.

Senator Rick Halford supported the idea of state participation in the program.

The meeting was adjourned at 4:12 pm.

# Alaska State Legislature

BETTYE FAHRENKAMP, Chairman  
ROBERT H. ZIEGLER, SR., Vice Chairman  
DICK ELIASON  
PAUL FISCHER  
VIC FISCHER  
BOB MULCAHY  
ARLISS STURGULEWSKI



POUGH V  
STATE CAPITAL  
JUNEAU, ALASKA 99811  
(907) 465-3834  
(907) 465-3835

## Senate

### Committee on Resources

#### MEMORANDUM

DATE: January 9, 1984

TO: Senate Resources Committee Members

FROM: Senate Resources Committee Staff

RE: Federal Crop Insurance Program

On Wednesday, January 11, at 3:00pm in the House Resources Committee Room (Room 118, Capitol), the Senate and House Resources Committees will be briefed on the Federal Crop Insurance Program.

The Federal Crop Insurance Program provides risk protection for crop producers nationwide. In effect since 1939, the program initially provided coverage on wheat, cotton, and flax. In 1980, Federal Crop Insurance was overhauled by the Federal Crop Insurance Act, which expanded the scope of the program, both in terms of crops insurable and areas insured, and authorized state participation in the program.

The current program protects against losses from natural disasters, freeze, wind, disease, drought, excess moisture and animal damage, and covers barley, oats, potatoes, forage, and nearly 30 other major crops. It essentially guarantees the farmer a certain income despite his actual crop yield. A guaranteed yield is determined based on average historical yields. Insurance coverage is provided on this guaranteed yield, which is limited to 50, 60, or 75% of the farm's average yield. In the event of a poor crop year, indemnities are paid on the difference between the producer's actual yield and his guaranteed yield. The settlement price, which is the dollar amount that will be paid on each bushel or pound that is not harvestable, is limited to 90% of the estimated harvest price.

Coverage of Delta area farmers' barley crop began with the 1981 crop year. (Coverage of the Pt. MacKenzie area and of oats and wheat is expected to begin in 1984.) During 1983, approximately 75% of the 12,000 Delta barley acres were insured, at an average insurance cost of \$12 per acre. Under the program, the federal government subsidizes 30% of each farmer's premium payment, on coverage of up to 65% of the farm's average yield. The 1980 Act authorized state participation in the program by allowing states to provide an additional subsidy (up to 30%) over and above the federal contribution.

Authorizing the State of Alaska to provide an additional 30% subsidy to Alaskan farmers would reduce the cost of crop insurance to the farmers, and since most farms are initially financed through the Agricultural Revolving Loan Fund, would conceivably help protect the state's collateral against natural disaster. The Division of Agriculture, Department of Natural Resources, estimates the cost to the state for its participation at \$140,000 for FY 85 (for the 1984 and 1985 crop years), \$80,000 for FY 86, and \$90,000 for FY 87. These figures are based on a total premium of \$12 per acre, with the state's share figured at \$4 per acre.

To date, Texas is the only other state to have introduced legislation that would authorize state participation in the Federal Crop Insurance Program.

## A CROP INSURANCE PRIMER

### BACKGROUND

The Federal Crop Insurance Corporation (FCIC), some 45 years old, is the Federal agency charged with administering a nationwide crop insurance program which is the American producer's primary source of risk protection.

The program, initially very limited, was overhauled by the Federal Crop Insurance Act of 1980, which authorized crop insurance coverage of every commercially grown crop in the U.S., plus timber, livestock, and aquiculture. Today, crop insurance coverage is offered on over 30 major crops in 3,000 U.S. counties. Virtually all former "disaster crop" acreage is or soon will be covered.

### HOW DOES IT WORK

A crop insurance policy can be designed to accommodate a producer's individual needs; more than 50 different coverage options are available.

**YIELD GUARANTEES.** The 1980 FCI Act limits crop insurance coverage to 75 percent of a producer's average yield. Crop insurance offers yield guarantees at 50, 65, or 75 percent of average yield.

Although the average yield on most crops is determined on an "area coverage" basis, FCIC's Board of Directors recently approved using a producer's actual production history as the sole basis for yield guarantees. Producers have often complained that area coverages are substantially lower than the production expectations on their farms, making crop insurance less desirable.

Actual production history will be used to determine guarantees on cotton and rice beginning in 1984; other insured crops will join the program by 1987.

**PRICE SELECTIONS.** A producer may select one of three different prices for his policy. Price selections are made for each crop by estimating the harvest price for the crop, and pegging the top value at 90 percent of that price. Price selections change annually and represent high, medium and low harvest price estimates.

**PREMIUMS.** Premiums are calculated to cover risk of loss and are adjusted periodically to account for changes in loss history. The FCI Act of 1980 requires that the crop insurance program be actuarially sound. To accomplish this, FCIC maintains a loss ratio (indemnities paid vs. premiums collected) goal of .90, with the remainder intended to cover catastrophic losses.

The Federal Government subsidizes producer premiums at 30 percent up to the 65 percent coverage level. The dollar subsidy at the 75 percent coverage level remains the same, but the percentage is understandably lower.

**INDEMNITIES.** Indemnities are paid whenever the producer's actual yield falls below his yield guarantee. The difference between the two yields is multiplied by the price election and the number of acres insured. The result is the indemnity due.

HAIL-FIRE OPT OUT. A producer carrying private hail-fire coverage may exclude such coverage from his policy and receive a commensurate premium reduction. Private hail-fire coverage, however, must be in an amount equal to or greater than that which would be provided under an FCIC policy.

CROP INSURANCE-POLICIES. Crop insurance policies are continuing contracts which renew automatically unless specifically cancelled in writing by the insured or insurer. Unpaid premiums may result in the cancellation of a policy if the account is not settled by a predetermined "termination date."

#### HOW IS IT DELIVERED

The FCI Act of 1980 established a dual delivery system for crop insurance, with each system utilizing the insurance resources of the private sector.

MASTER MARKETERS. General Sales and Service Agencies (known as Master Marketers) with at least 25 agents contract with FCIC to write policies on FCIC paper. Master Marketers provide management, supervision, contract servicing and quality control, and the Federal Government compensates the agencies on a commission basis.

Training for Master Marketing agents is provided by FCIC, and all such agents must be licensed and certified in the crops they intend to sell.

Additionally all loss adjustment functions on master marketer policies are carried out by FCIC.

REINSURED COMPANIES. Under this system, private Multi-Peril Crop Insurance Companies write crop insurance policies under their own brand names, but in identical terms and conditions as Master Marketers. The Federal Government reinsures the private companies against catastrophic loss and compensates them for sales and loss adjustment functions.

Reinsured companies provide marketing, distribution, servicing, training, quality control, premium collection and loss adjustment functions.

ASCS. In a small number of counties with marginal agricultural activity, ASCS will continue to provide crop insurance sales and service. As private delivery systems become available in these counties, it is anticipated that ASCS activity will be phased out.

SHARE OF BUSINESS. As more private companies handle the crop insurance line, the share of business written by reinsured companies will continue to grow. In crop year 1982, when relatively few MPCIC companies were writing crop insurance, reinsured companies accounted for only 20 percent of FCIC's total book of business. Although final crop year 1983 figures are not yet in, it is estimated that the reinsured share will increase to approximately 35 percent. For 1984, we expect reinsurance to continue to grow and account for approximately 45 percent of all crop insurance business.

## State Participation in Federal Crop Insurance

Unlike most other businesses, individual farmers have only limited control over the quantity of production or the prices received from their products. Farm income is more variable than any other national income category--six times more than non-farm proprietor's income. It takes only a 5 percent change in the aggregate quantity of production to cause a 25 percent change in net farm income.

The Federal Crop Insurance Act administered by USDA's Federal Crop Insurance Corporation (FCIC) complements provisions of the Farm Act which provides protection for farmers against price risk through its commodity loan and target price provisions. FCIC protects farmers against losses from natural disasters not provided for in the Farm Act. Farmers are assured of recovering, at a minimum, the lost capital they must have in order to continue farming--to buy the seed, fuel, and fertilizer that are the inputs of next year's food supply.

The Federal government through its system of ad hoc disaster assistance programs has accepted a role in providing assistance to farmers with the overriding purpose of stabilizing agriculture income which, in turn, benefits the entire economy by maintaining agricultural purchasing power for products produced by non-farmers which translates into increased food security for the American consumer.

The same logic can be applied to state governments which often provide programs and benefits to support various segments of the state economies.

This type of support in agriculture is not unprecedented. There are many combined local, state, and federal programs operating now involving research programs, informational programs, and direct aid programs all within the sphere of agriculture.

The insurance concept provided by FCIC provides a unique mechanism for such state-federal cooperation in the area of farm disaster and does not require exhaustive or expensive state systems of regulation.

Basically, the new law provides that state governments be given the opportunity to increase participation within their individual states in the comprehensive insurance program by providing additional subsidy incentive for farmers over and above the Federal contribution.

The Federal contribution is 30 percent of the premium cost up through the 65 percent of yield coverage level. An additional subsidy from a state for those farmers within that state would make the insurance more affordable and might encourage participation to be increased thus assuring a strong farm economy regardless of risk conditions.

This type of support could be accomplished by the states in a number of ways:

1. The state could make direct payments to the producers for a specified share of the farmer-paid portion of his premium which is paid to the Federal Crop Insurance Program. This would be in the form of a state "refund" for a pre-determined portion of that premium.
2. The state could provide tax credits for participating farmers on its State Income Tax returns. This would be regulated strictly within each state and would have no direct Federal connection other than added incentive.
3. The Federal government could bill each cooperating state for its share of the additional subsidy--to be determined initially by each state--at the time the acreage reports are processed and the extent of farmer participation in each state is determined for the crop year.

This would be similar to the Canadian plan, only the Federal Government bills the State, instead of the Province billing the Federal Government.

4. The State could offer the entire insurance plan, similar to the Canadian program, and FCIC or a Federal agency could act as a reinsurer and share in the cost to a pre-determined extent.

The side benefits beyond the farm sector to rural communities and urban areas would be enormous. The additional guarantees that farmers in the state would have to meet loan repayment obligations and to pay cash costs, even when crops fail, would stabilize the economic activity of local communities and strengthen the surrounding rural economy and, to a lesser degree, the urban economy.

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Statement of Merritt W. Sprague, Manager  
Federal Crop Insurance Corporation  
U.S. Department of Agriculture  
before the  
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The crop insurance program administered by the Federal Crop Insurance Corporation (FCIC), and agency of the U.S. Department of Agriculture, is the first line of defense against the adverse economic impact of severely reduced crop production due to natural disasters. Crop insurance replaces many of the disaster payment programs of the past. It is the kind of user-supported program, making maximum involvement of private sector participation, that is favored by many in today's society.

The crop insurance program is expected by Congress to be conducted as a business which follows sound insurance practices and principles. It is designed to provide farmers with dependable, equitable protection that utilizes taxpayer's support in the most cost-effective manner possible.

In keeping with the mandates of the 1980 Federal Insurance Act, much progress has been made toward expanding participation, increasing number and adequacy of insurance offers, building a professional, well-trained delivery system, and developing an effective agency which meets its responsibilities in a timely and efficient manner.

Crop insurance premiums are almost entirely used to pay losses or build reserves to cover future catastrophic loss situations. The premiums are cost-shared by the U.S. Department of Agriculture to a maximum extent of 30 percent at the 65 percent coverage level. The administrative costs of the crop insurance program, including all expenses related to sales, loss adjustment, and operations of the FCIC, are paid from appropriated funds and in effect, are a further indirect subsidy to the program.

Even without state subsidy, the cost of crop insurance to the producer is often less than the cost of the seed planted. Crop insurance is a

high-value, reasonably-priced package of protection which each and every producer needs to fully consider.

The Federal Crop Insurance program seems particularly designed for and should be very useful to farmers in Alaska considering the known risks of crop production in the Alaskan areas presently producing field crops.

Mid-summer frosts, early fall rain during harvest, and the acquired taste for barley by Buffalo seems to occur with some regularity in at least the Delta Junction area where the major portion of our insurance experience has been. Federal Crop Insurance has, since the 1982 crop year, been able to help Alaskan farmers respond to these unavoidable risks to crop production in the Delta Junction and Hatanuska Valley areas. Our 1983 program provided for protection from all of the natural risks on approximately 70 percent of the planted acres in the primary crop producing areas of the state. This was accomplished through a partnership between the Federal Crop Insurance Corporation and insured farmers -- both sharing in the premium costs.

As I indicated earlier, our current legislation provides for the Federal Government to participate in approximately 30 percent of the total premium payment. The intent of the proposed Alaska legislation is to provide this same premium partnership between the Alaska State Government and Alaskan farmers. This is a long range plan for a risk sharing partnership between Alaskan farmers and the legislative body which also created the legislation which provided for the development of cropland from forest ground. It is my understanding most of the area producing field crops (barley) has been developed from native forest land during recent years and much more cropland development is planned for the future.

It would be our intent that this long range partnership and risk management plan should not become a tax burden to the citizens in the great state of Alaska. Rather, this proposal would allow the Alaska State Government to make an annual investment in a three-way partnership along with Alaskan farmers and the Federal Government to help manage the considerable risks of growing field crops.

Today's crop insurance is greatly improved and can serve as a very important part of producer's risk management plan. Everyone would benefit from greater

participation; farmers most especially. Lenders are in greater numbers requiring crop insurance as a condition for farm operating loans because such insurance helps protect their investment in agriculture.

Crop insurance provides individual farmers significant help in resolving cash flow problems when production problems arise. This will further strengthen the local agricultural economies. For example, farmers will be able to meet financial obligations to the Alaska Revolving Loan Fund by insuring against crop loss due to natural hazards.

We in crop insurance have increased our level of commitment to Alaskan farmers as we have expanded the areas and crops insurable in Alaska effective for the 1984 crop year. During 1984, for the first time Federal Crop Insurance may be obtained by any Alaskan farmer producing wheat or oats, wherever they are located in the state, simply by letting us know his need.

The ultimate result of this proposed legislation will be to provide Alaskan State Government support for the tremendous efforts of individual Alaskan farmers to produce field crops on a commercial basis to meet future needs.

The FCIC will work with the State of Alaska to minimize administrative expenses associated with state support for crop insurance. The only required administrative costs to the state should relate to the preparation and transmission of payments by the state to FCIC on the behalf of Alaska producers.

In summary, the bill being discussed today should lead to greater participation by Alaska producers in the crop insurance program. The reduced cost to the producer should make it far more attractive to individual farmers. It will be a higher value package in relation to its cost.

Increased participation will mean that the needs of producers for risk management protection will be better met. This is particularly significant in view of the absence of other disaster payment programs. Also, increased risk protection for more Alaskan farmers will have a beneficial impact on other segments of your economy whose viability depends on a healthy agriculture.