

LEG. FINANCE - BILLS 1983 - 1984 - 2090

/ / C / S / B / 3 / 2 / 5 / / C / Q / N / T / . / / - / / C / S / S / B / 3 / 4 / 2 / SB 336 cont. , - SB 342 2090

The recent improvements in crop insurance contracts and operational procedures make crop insurance more attractive than ever to producers. The need for financial protection in uncertain economic times is greater than ever. As a result, high levels of participation in crop insurance are vital to the protection and maintenance of the modern agricultural economy. The bill, which would provide additional incentives to participation in crop insurance, should benefit all segments of Alaska society.

We, at FCIC, are committed to working with you in any appropriate fashion in what we consider to be a major initiative to help Alaska producers. We commend you for your foresight and efforts. I thank you for this opportunity to appear before the committee.



United States
Department of
Agriculture

Federal Crop
Insurance
Corporation

Office of the
Manager

Washington, D. C.
20250

TO: Interested Parties
FROM: Manager
SUBJECT: State Participation in Federal Crop Insurance

Background:

The Federal Crop Insurance Act, as amended October 1, 1980, provides under Section 508(b) (5) that:

"The Board (of Directors) may enter in to agreements with any State or agency of a State under which such State or agency may pay to the Corporation additional premium subsidy to further reduce the portion of the premium paid by farmers in each State."

Discussion:

There are presently four methods available to the Corporation to accommodate states desiring to participate in this program:

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



The Federal Crop Insurance
Corporation is an agency of the
Department of Agriculture

Conclusion:

The Corporation will provide any information needed by states participating in this program in order to facilitate the process and will work directly with State officials to meet their particular needs. Following is an example of the Corporation's work with officials to establish a program in their State:

A State wished to explore the possibility of providing assistance to farmers. Officials contacted us and asked that we provide estimated premium volume in their State for the current and two succeeding years. They selected option 3 as their preferred method of compensating insured farmers. At their request, we met with budget personnel and the Comptroller of that State to assist them in arriving at dollar needs over the next two years and determining the mechanism and frequency of billing for amounts due the Corporation. We also offered suggestions concerning courses of action in the event that demand exceeded funds available. At this point in time a bill is now before the State Legislature for consideration.



United States
Department of
Agriculture

Federal Crop
Insurance
Corporation

Spokane
Field Actuarial
Office

W. 112 University Rd.
Suite 200
Spokane, Washington 99206

535-4031

To: Merritt W. Sprague, Manager
FCIC, Washington, D. C.

August 25, 1983

Attention: Dennis Lynn, Comptroller

Subject: Alaska Proposed Legislation
(Conversation Knox -- J. W. Ellis)


With regards to the proposed Congressional Affairs and Legislation Division of FCI meeting with Alaskan agriculture officials to explain the advantages of Alaskan legislation subsidizing premiums paid by farmers, it has come to our attention that specific crop acreage, yields, and historical data is unavailable to your office as Alaska does not have a strong data bank of such information as it is "new" on the agriculture scene.

The attached information was put together using existing Alaska Statistical Reporting Service (SRS) data, present insurance premium rates, participation levels, and the following assumptions:

1. FCI Management will approve additional crops for insurance purposes in Alaska 1982-1990.
2. Alaska cropland eligible for insurance purposes will expand at the rate of 10 percent per year 1982-1990 inclusive.
3. Projected actuarial information, i.e. percent of participation, production guarantee's, settlement price election, and crop premium rates are based upon existing programs and projected risk rate levels as viewed by SFAO Director Knox.

With regards to data shown on attachment 5, base year of 1981 was used as it more closely fits the "norm" than 1982 due to extreme climatic conditions during 1982 crop year.

If Mr. Lynn, or one of his staff, has any questions with regards to this situation or wishes further verification, please contact Mr. Knox.


Leroy F. Knox
Director

Attachments (5)



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Corporation is an agency of the
Department of Agriculture

BARLEY - ALASKA 1975-1981
(Total State Acres through 1982)

District	Year	Area Planted Acres	Area Harvested for Grain				Value (000)
			Acres	Yield Bu.	Bu. (000)	Production Cwt.	
Tanana Valley	1975	300	250	21.7	5.4	2,600	23.4
	1976	157	175	34.3	6.0	2,900	26.0
	1977	1,350	1,300	47.6	61.9	29,700	240.0
	1978	2,500	2,450	33.9	83.1	39,900	310.0
	1979	4,400	4,080	45.6	186.0	89,300	536.0
	1980	12,500	10,600	29.2	309.6	148,600	904.0
	1981	15,600	5,800	32.9	191.0	91,700	774.0
Matanuska Valley	1975	1,200	1,200	52.4	62.9	30,200	255.0
	1976	1,175	1,125	54.2	61.0	29,300	235.0
	1977	1,720	1,300	49.3	64.1	30,800	239.0
	1978	1,710	1,550	43.2	66.9	32,100	260.0
	1979	2,050	1,720	58.7	101.0	48,500	325.0
	1980	1,400	900	32.7	29.4	14,100	113.0
	1981	900	700	38.6	27.0	13,000	120.0
Kenai Peninsula	1975	100	50	33.3	1.7	800	8.6
	1976	50	-	-	-	-	-
	1977	30	-	-	-	-	-
	1978	90	-	-	-	-	-
	1979	50	-	-	-	-	-
	1980	100	-	-	-	-	-
	1981	-	-	-	-	-	-
State Total	1975	1,600	1,500	47.0	70.0	33,600	287.0
	1976	1,400	1,300	51.5	67.0	32,200	261.0
	1977	3,100	2,600	48.5	126.0	60,500	479.0
	1978	4,300	4,000	37.5	150.0	72,000	570.0
	1979	6,500	5,800	49.5	287.0	137,800	861.0
	1980	14,000	11,500	29.5	339.0	162,700	1,017.0
	1981	16,500	6,500	33.5	218.0	104,700	894.0
	1982	8,500					

OATS - ALASKA 1975-1981
(Total State Acres through 1982)

District	Year	Area Planted Acres	Area Harvested for Grain				Production Cwt.	Value (000)
			Acres	Yield Bu.	Bu.	(000)		
Tanana Valley	1975	3,000	250	37.2	9.3	3,000	24.5	
	1976	2,900	250	39.2	9.8	3,100	24.5	
	1977	1,500	300	44.8	13.4	4,300	35.5	
	1978	2,000	450	48.6	21.9	7,000	57.5	
	1979	400	150	54.2	8.1	2,600	19.0	
	1980	2,100	450	42.9	19.3	6,200	52.0	
	1981	5,100	300	47.7	14.3	4,600	39.0	
Matanuska Valley	1975	900	150	50.0	7.5	2,400	19.5	
	1976	700	50	43.8	2.2	700	5.5	
	1977	800	100	62.0	6.2	2,000	15.5	
	1978	600	150	45.8	6.9	2,200	21.5	
	1979	500	150	50.0	7.5	2,400	22.0	
	1980	600	150	45.3	6.8	2,200	29.0	
	1981	600	200	37.0	7.4	2,400	26.0	
Kenai Peninsula	1975	400	-	-	-	-	-	
	1976	400	-	-	-	-	-	
	1977	500	-	-	-	-	-	
	1978	500	-	-	-	-	-	
	1979	300	-	-	-	-	-	
	1980	400	-	-	-	-	-	
	1981	300	-	-	-	-	-	
State Total	1975	4,300	400	42.0	16.8	5,400	44.0	
	1976	4,000	300	40.0	12.0	3,800	30.0	
	1977	2,800	400	49.0	19.6	6,300	51.0	
	1978	3,100	600	48.0	28.8	9,200	79.0	
	1979	1,200	300	52.0	15.6	5,000	41.0	
	1980	3,100	600	43.5	26.1	8,400	81.0	
	1981	6,000	500	43.5	21.7	7,000	65.0	
	1982	3,200						

POTATOES - ALASKA 1975-1981
(Total State Acres through 1982)

District	Year	Area		Production	
		Harvested Acres	Yield Cwt.	Cwt.	Value (000)
Tanana Valley	1975	120	125	15,000	210.0
	1976	95	108	10,300	135.0
	1977	95	103	9,800	123.0
	1978	125	135	16,900	223.0
	1979	110	159	17,500	254.0
	1980	95	129	12,300	247.0
	1981	80	110	8,800	191.0
Matanuska Valley	1975	390	230	89,700	1,038.0
	1976	400	196	78,500	927.0
	1977	405	253	102,300	1,163.0
	1978	300	205	61,500	688.0
	1979	330	190	63,800	745.0
	1980	340	184	62,700	1,176.0
	1981	395	204	80,500	1,591.0
Kenai Peninsula	1975	20	200	4,000	56.0
	1976	15	147	2,200	30.0
	1977	20	145	2,900	37.0
	1978	25	105	2,600	21.0
	1979	20	185	3,700	47.0
	1980	25	80	2,000	40.0
	1981	25	228	5,700	118.0
State Total	1975	530	205	108,700	1,304.0
	1976	510	178	91,000	1,092.0
	1977	520	222	115,000	1,323.0
	1978	450	180	81,000	932.0
	1979	460	185	85,000	1,046.0
	1980	460	167	77,000	1,463.0
	1981	500	190	95,000	1,900.0
	1982	480			

FORAGE
ALL HAY - ALASKA 1975-1981
(Total State Acres through 1982)

District	Year	Area		Production	
		Harvested Acres	Yield Tons	Tons	Value (000)
Tanana Valley	1975	4,600	1.72	7,900	979.0
	1976	4,350	1.50	6,800	788.0
	1977	3,600	1.39	5,000	635.0
	1978	3,850	1.53	5,900	711.0
	1979	3,000	1.03	3,100	380.0
	1980	4,900	.86	4,200	580.0
	1981	6,200	1.39	8,600	1,317.0
Matanuska Valley	1975	7,600	1.45	11,000	1,420.0
	1976	7,350	1.33	9,800	1,268.0
	1977	6,570	1.92	12,600	1,670.0
	1978	6,600	1.00	11,900	1,578.0
	1979	6,200	1.73	10,700	1,420.0
	1980	6,250	1.34	8,400	1,160.0
	1981	6,200	1.55	9,600	1,595.0
Kenai Peninsula	1975	2,050	1.17	2,400	370.0
	1976	1,900	1.00	1,900	255.0
	1977	2,030	1.43	2,900	462.0
	1978	1,650	1.52	2,500	349.0
	1979	1,400	1.29	1,800	232.0
	1980	1,450	1.38	2,000	300.0
	1981	1,900	1.00	1,900	304.0
Southwest <u>1/</u>	1975	150	.67	100	13.0
	1976	100	1.00	100	14.0
	1977	100	1.00	100	14.0
	1978	100	1.00	100	14.0
	1979	200	1.00	200	22.0
	1980	200	2.00	400	60.0
	1981	100	1.00	100	16.0
State Total	1975	14,400	1.49	21,000	2,782.0
	1976	13,700	1.36	18,600	2,325.0
	1977	12,300	1.67	20,600	2,781.0
	1978	12,200	1.67	20,400	2,652.0
	1979	10,800	1.46	15,800	2,054.0
	1980	12,800	1.17	15,000	2,100.0
	1981	14,400	1.40	20,200	2,232.0
	1982	13,100			

1/ Includes Southeast.

Cr/Yr	Acres	80% Insured	Bushel Guarantee	Settlement Price Election	Premium Rate	Projected Premium Subsidy
<u>Barley</u>			30	\$2.60	.20	.30
1981	16,500	13,200	396,000	\$1,029,600 Liability		\$ 62,000
1985	24,000	19,200	576,000	1,497,600 Liability		90,000
1990	38,700	30,960	928,800	2,414,880 Liability		145,000
<u>Oats</u>			50	\$1.70	.20	.30
1981	6,000	4,800	240,000	\$ 408,000 Liability		\$ 24,500
1985	8,800	7,000	352,000	598,400 Liability		35,900
1990	14,200	11,400	568,000	965,600 Liability		58,000
<u>Potatoes</u>			150 Sacks	\$4.00	.25	.30
1981	500	400	60,000	\$ 240,000 Liability		\$ 18,000
1985	800	640	96,000	384,000 Liability		28,800
1990	1,300	1,040	156,000	624,000 Liability		46,800
<u>Forage (All Hay)</u>			.8 Tons	\$45.00	.25	.30
1981	14,400	11,520	9,200	\$ 414,000 Liability		\$ 31,000
1985	21,000	16,800	13,440	604,800 Liability		45,400
1990	33,800	27,040	21,600	972,000 Liability		72,900
<u>Total Acres -- all 4 crops</u>				Total Projected Premium Subsidy -- all 4 crops (based on our expansion assumptions)		
1981	37,400			1981		\$135,500
1985	54,600			1985		200,100
1990	88,000			1990		322,700

412.50

13.60

10.70

7.20

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).

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

BY MOSS, KERTTULA
AND FAHRENKAMP

1 IN THE SENATE

2

SENATE BILL NO. 336

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 state contributions toward the
7 premium for federal crop insurance; and providing for
8 an effective date."

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

10 * Section 1. AS 03 is amended by adding a new chapter to read:

11 CHAPTER 13. FEDERAL CROP INSURANCE CONTRIBUTIONS.

12 Sec. 03.13.010. AGREEMENT WITH FEDERAL CROP INSURANCE CORPO-
13 RATION. The department shall enter into an agreement with the Federal
14 Crop Insurance Corporation under which the department agrees to pay to
15 the corporation a portion of federal crop insurance premiums paid by
16 producers of agricultural commodities in this state. The agreement
17 shall provide for a corresponding reduction in the federal crop insur-
18 ance premium paid by those producers.

19 Sec. 03.13.020. AMOUNT OF CONTRIBUTIONS. Under the agreement,
20 the department shall pay to the corporation for each covered producer
21 an amount equal to the amount that the corporation pays for that
22 producer under 7 U.S.C. 1508(b)(3) of the Federal Crop Insurance Act
23 (7 U.S.C. 1501 - 1520), except as provided otherwise in this chapter.

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

28 Sec. 03.13.040. APPROPRIATIONS. (a) The payments to the corpo-
29 ration shall be made from funds appropriated from the general fund to

1 the department for that purpose.

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

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

7 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
8 10.070(c).

COMMITTEE REPORT
SENATE

FURTHER:

1/20/84

Date: 5/2/84

Mr. President:

The Committee on FINANCE has had SA 336

make contributions toward the premium for federal crop insurance; and,

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 SA 336 (Res) same title
 new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation 2-21-84 8 FY 85
800 FY 86
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

 CHAIRMAN

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
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL			80.0	90.0		
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-*	80.0	90.0		
CAPITAL	-0-	-0-	-0-	-0-		
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-*	80.0	90.0		
FEDERAL FUNDS						
OTHER						
TOTAL						

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: Wm D Amundson 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)

12/1/83

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: _____

REQUEST

Bill/Resolution No.: SB 336
 Title: State contributions to the Federal Crop Ins. Prog.
 Sponsor: Moss
 Requestor: _____
 Date of Request: 1-9-84

FISCAL DETAIL

Agency Affected: Department of Natural Resources
 Program Category Affected: Ag Management
 BRU, Program or Subprogram(s) Affected: Agricultural Management

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL	140.0	80.0	90.0			
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	140.0	80.0	90.0			
CAPITAL	-0-	-0-	-0-			
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	140.0	80.0	90.0			
FEDERAL FUNCS						
OTHER						
TOTAL	140.0	80.0	90.0			

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 Heim, Director Phone: 376-3276
 Division: Agriculture Date: 1-19-84

Approved by Commissioner: Alvin D. Arnold, Deputy Date: 1-20-84
 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

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.

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: SB 336
 Title: State contributions to the Federal Crop Ins. Prog.
 Sponsor: Moss
 Requestor: _____
 Date of Request: 1-9-84

FISCAL DETAIL

Agency Affected: Department of Natural Resources
 Program Category Affected: Ag Management
 BRU, Program or Subprogram(s) Affected: Agricultural Management

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL	140.0	80.0	90.0			
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	140.0	80.0	90.0			
CAPITAL	-0-	-0-	-0-			
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	140.0	80.0	90.0			
FEDERAL FUNDS						
OTHER						
TOTAL	140.0	80.0	90.0			

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 Heim, Director Phone: 376-3276
 Division: Agriculture Date: 1-19-84

Approved by Commissioner: Alvin D. Arnold, Deputy Date: 1-20-84
 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

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: SB 336
Title: State contributions
to the Federal Crop Ins. Prog.

Sponsor: Moss
Requestor:
Date of Request: 1-9-84

FISCAL DETAIL

Agency Affected: Department of Natural Resources
Program Category Affected: Ag Management

BRU, Program or Subprogram(s) Affected:
Agricultural Management

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL	140.0	80.0	90.0			
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	140.0	80.0	90.0			
CAPITAL	-0-	-0-	-0-			
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	140.0	80.0	90.0			
FEDERAL FUNDS						
OTHER						
TOTAL	140.0	80.0	90.0			

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

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Prepared By: Bill Heim, Director Phone: 376-3276
Division: Agriculture Date: 1-19-84

Approved by Commissioner: *Alvin D. Arnold, Jr.* Date: 1-20-84
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

SENATE

FURTHER: FINANCE

1/9/84

Date: _____

Mr. President:

The Committee on RESOURCES has had SB 336
state contributions toward the premium for federal crop insurance; 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 336 (Res) new title

and recommends may 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:

Zabin
Artis Stungulinski

Bob Bruley no Res

Debbie Johnson Do Pass
CHAIRMAN

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

BY MOSS, KERTTULA
AND FAHRENKAMP

1 IN THE SENATE

2

SENATE BILL NO. 336

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 state contributions toward the
7 premium for federal crop insurance; and providing for
8 an effective date."

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

10 * Section 1. AS 03 is amended by adding a new chapter to read:

11 CHAPTER 13. FEDERAL CROP INSURANCE CONTRIBUTIONS.

12 Sec. 03.13.010. AGREEMENT WITH FEDERAL CROP INSURANCE CORPO-
13 RATION. The department shall enter into an agreement with the Federal
14 Crop Insurance Corporation under which the department agrees to pay to
15 the corporation a portion of federal crop insurance premiums paid by
16 producers of agricultural commodities in this state. The agreement
17 shall provide for a corresponding reduction in the federal crop insur-
18 ance premium paid by those producers.

19 Sec. 03.13.020. AMOUNT OF CONTRIBUTIONS. Under the agreement,
20 the department shall pay to the corporation for each covered producer
21 an amount equal to the amount that the corporation pays for that
22 producer under 7 U.S.C. 1508(b)(3) of the Federal Crop Insurance Act
23 (7 U.S.C. 1501 - 1520), except as provided otherwise in this chapter.

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

28 Sec. 03.13.040. APPROPRIATIONS. (e The payments to the corpo-
29 ration shall be made from funds appropriated from the general fund to

1 the department for that purpose.

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

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

7 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
8 10.070(c).

COMMITTEE REPORT
SENATE

FURTHER:

2/23/84

Date 4/27/84

Mr. President

The Committee on FINANCE considered SB 337

Public Junction Bison range: etc.

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 337 (Res)
- new title
- same title and recommends Individual Recommendations
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
@ FN 2/16/84 DWR
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

Chairman _____

Chairman recommendation _____

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST
Bill/Resolution No.: SB 337
Title: Delta Junction Bison Range
Sponsor: Moss
Requestor: _____
Date of Request: 1/9/84

FISCAL DETAIL
Agency Affected: Natural Resources
Program Category Affected: Presuppression / North central Small Timber Sale
BRU, Program or Subprogram(s) Affected: Forest Management / Forest Management

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						
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:

SB 338 appropriates \$60,000 from the general fund to the Department of Natural Resources for administration of timber sales and fire suppression on the Delta Bison Range

ANALYSIS: Attach a separate page for analysis

Prepared By: Carol Wilson Phone: 465-2400
Division: Commissioner's Office Date: 2-16-84
Approved by Commissioner: William D. Arnold, 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

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: SB 337
Title: Delta Junction Bison Range

Sponsor: Moss
Requestor: _____
Date of Request: 1/9/84

FISCAL DETAIL

Agency Affected: Natural Resources
Program Category Affected: Presuppression / North central Small Timber Sale
BRU, Program or Subprogram(s) Affected: Forest Management / Forest Management

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						
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:

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Division: Commissioner's Office Date: 2-16-84

Approved by Commissioner: William D. Arnold, 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: 2/28/84
Referred: Finance

Original sponsor: Moss

1 IN THE SENATE BY THE RESOURCES COMMITTEE
2 CS FOR SENATE BILL NO. 337 (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 Delta Junction bison range;
7 and providing for an effective date."
8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
9 * Section 1. LEGISLATIVE FINDINGS. The legislature finds that
10 (1) the Delta Junction bison herd is a highly valued state
11 wildlife resource;
12 (2) drawing permits issued for the hunting of Delta Junction
13 bison constitute a valuable source of state revenue;
14 (3) the Delta Junction bison herd has established the Delta
15 agricultural project as a fall and winter range;
16 (4) the feeding, wallowing, and traveling by the Delta Junction
17 bison herd within the Delta agricultural project has resulted in damage to
18 crops, monetary loss to local farmers, legal conflicts, and physical harm
19 to the herd;
20 (5) the bison range concept is a proven means of keeping bison
21 in an area as long as adequate forage is available on the range;
22 (6) the current state of development of the Delta Junction bison
23 range area is inadequate to sustain bison for more than a few weeks;
24 (7) the expansion of available forage on the Delta Junction
25 bison range area is required to provide a winter range for the Delta Junc-
26 tion bison herd and to effectively keep the herd from grazing within the
27 Delta agricultural project; and
28 (8) a bison drift barrier must be constructed along the northern
29 boundary of the Delta Junction Bison Range to prevent the Delta Junction

1 bison herd from drifting onto the project and causing further harm to
2 crops.

3 * Sec. 2. AS 16.05.346 is repealed and reenacted to read:

4 Sec. 16.05.346. PERMIT APPLICATIONS. (a) If the Board of Game
5 establishes an open season for musk oxen and has not reduced or elimi-
6 nated the \$500 resident tag fee under AS 16.05.340(a)(16), the depart-
7 ment shall conduct a drawing for permits to take the musk oxen. If
8 the Board of Game establishes an open season for musk oxen for which
9 the Board of Game has reduced or eliminated the resident tag fee, the
10 department shall issue permits to take the musk oxen in the order in
11 which applications are received by the department. A person is not
12 eligible for more than one musk oxen permit a year. The department
13 may not charge a fee for an application for a musk oxen permit for an
14 open season in which the Board of Game has reduced or eliminated the
15 resident tag fee under AS 16.05.340(a)(16). In all other cases the
16 application fee for a musk oxen permit is \$10.

17 (b) The application fee for a drawing permit issued by the
18 department for the hunting of bison in the Delta Junction bison range
19 area is \$10.

20 (c) Except as provided in (a) and (b) of this section, the
21 permit application fee for all species for which a limited drawing is
22 conducted is \$5.

23 * Sec. 3. AS 16.05.346 is repealed and reenacted to read:

24 Sec. 16.05.346. PERMIT APPLICATIONS. (a) If the Board of Game
25 establishes an open season for musk oxen and has not reduced or elimi-
26 nated the \$500 resident tag fee under AS 16.05.340(a)(16), the depart-
27 ment shall conduct a drawing for permits to take the musk oxen. If
28 the Board of Game establishes an open season for musk oxen for which
29 the Board of Game has reduced or eliminated the resident tag fee, the

1 department shall issue permits to take the musk oxen in the order in
2 which applications are received by the department. A person is not
3 eligible for more than one musk oxen permit a year. The department
4 may not charge a fee for an application for a musk oxen permit for an
5 open season in which the Board of Game has reduced or eliminated the
6 resident tag fee under AS 16.05.340(a)(16). In all other cases the
7 application fee for a musk oxen permit is \$10.

8 (b) Except as provided in (a) of this section, the permit
9 application fee for all species for which a limited drawing is
10 conducted is \$5.

11 * Sec. 4. AS 16.20 is amended by adding new sections to read:

12 Sec. 16.20.311. BISON RANGE ADVISORY COMMITTEE. (a) The
13 governor shall appoint a seven-member Delta Junction Bison Range
14 Advisory Committee. The governor shall appoint members to represent
15 the following interests:

16 (1) two members representing the Delta agricultural proj-
17 ect;

18 (2) two members representing Delta Junction sport hunters
19 and the state fish and game advisory committee;

20 (3) one member representing nonconsumptive wildlife users;

21 (4) one member representing timber, mining and other con-
22 sumptive natural resource industries; and

23 (5) one member representing the tourism industry.

24 (b) The committee shall consult with and offer its advice to the
25 Department of Fish and Game, the Department of Commerce and Economic
26 Development, and the Alaska Agricultural Action Council, on matters
27 relating to the game management plan required under AS 16.20.310 and
28 the construction and maintenance of a bison drift barrier along the
29 northern boundary of the Delta Junction Bison Range.

1 (c) A member of the advisory committee is not entitled to per
2 diem, travel, or other compensation from the state for the performance
3 of acts as a committee member.

4 Sec. 16.20.312. BISON RANGE TIMBER SALES. The Department of
5 Natural Resources, division of forestry, shall provide for the sale of
6 timber in the Delta Junction bison range area in a manner that does
7 not delay implementation of the game management plan required under
8 AS 16.20.310.

9 * Sec. 5. AS 16.20.300, 16.20.310, 16.20.311, 16.20.312, and 16.20.320
10 are repealed.

11 * Sec. 6. Section 3, ch. 39, SLA 1979 and sec. 1, ch. 73, SLA 1980 are
12 repealed.

13 * Sec. 7. Sections 1, 2, 4, and 6 of this Act take effect July 1, 1984.

14 * Sec. 8. Sections 3 and 5 of this Act take effect August 1, 1995.

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
PO BOX 182
DELTA JUNCTION, ALASKA 99827
(907) 895-4384

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

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

SENATE BILL 337/338

February 17, 1984

- Senate Bill 337: "An Act relating to the Delta Junction bison range; and providing for an effective date."
- Senate Bill 338: "An Act making special appropriations for development of the Delta Junction bison range and construction of a bison herd drift barrier; and providing for an effective date."

Ever since agriculture was introduced into the Delta area there has been a conflict between the bison and the farmers. Senate Bills 337 and 338 are introduced to offer a lasting solution to the problems created by bison getting hungry at the same time that the farmers' crops are ripening in the fields.

These two bills would provide for the development of an alternative feeding area to the agricultural developments for the bison's fall and winter range. In addition to providing for forage for bison, SR 337 and 338 would provide for the construction of a bison drift barrier to aid in keeping the bison herd from drifting into the agricultural fields. These bills also provide for timber sales on the range, expansion of tourist facilities, and the creation of a Bison Range Advisory Committee.

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

NOTES ON THE DELTA JUNCTION BISON RANGE

February, 1984

BACKGROUND

The Delta Junction Bison Range was established by the Alaska Legislature in 1979 to "provide an adequate winter range for the bison," and to "diminish the damage caused by the herds to agriculturally developed land." The 70,000 acre Range grew out of the Delta Land Use Plan, in which citizens and agencies involved in resource management recommended that the land north of the mountains and south of the Alaska Highway should be used for recreation and wildlife, especially bison, and the land north of the highway should be developed for agriculture.

THE PROBLEM

Shortly after their arrival in the Delta area in 1928, a pattern of annual bison movements began to emerge. During summer, the animals spent their time on the gravel bars along the Delta River, and in fall they gradually moved to the Delta area to take advantage of the open forests. Later in the winter, they slowly moved back toward Delta River. This basic movement pattern continues today.

When small farms were developed in the Delta area in the early 1950's, the grain fields in the farming area became, and will continue to be until some alternative has been provided, a major part of the bison's winter range. The development of the Bison Range will provide diversion feed areas, and as they are increased in size, they will become able to support the bison throughout the winter periods.

THE SOLUTION

The effectiveness of providing an alternate range to the agriculture fields has been shown. As land on the Range has been cleared and planted, bison use of the range has increased and agricultural damage has been reduced. Implementation of Senate Bills 337 and 338 would provide fall bison range to reduce or eliminate crop depredations; increase bison winter range; and also provide a variety of habitats for game and nongame species. Recreational opportunities including hunting, trapping, viewing, and photography would be enhanced. Timber resources would be harvested, offsetting the costs of development over time and boosting the local economy.

QUESTIONS AND THOUGHTS ON THE BISON HERD
AND BISON RANGE DEVELOPMENT

Senator H. Pappy Moss
February, 1984

1. How many bison are in the herd today?

According to Dave Johnson, Fish and Game Biologist at Delta Junction, there are between 300 and 325 bison now in the herd. His approximate figure is 321. By the spring, immediately prior to calving, this number will have been reduced by roadkills and hunting to approximately 300.

2. How many farms are actually impacted by the bison damage?

Before development of the Delta I & II projects, the bison roamed the Clearwater/Big Delta agricultural areas. Since the Delta I & II projects have been producing crops, most of the damage done has occurred there. In 1983, the winter bison range supported the bison herd through September, significantly reducing the amount of damage to crops. However, by September, having depleted the forage on the winter range, the bison moved across the highway to the Brehmer tract and up the Gerstle River to the Mitchell and Rutt tracts where they still caused considerable damage to the crops.

The damage to the crops is caused by the bison eating, trampling, and wallowing in the fields, and also by contamination of certified fields through the introduction of non-certified grains and weeds via the bison's droppings.

3. Is there any barrier currently in place and what exactly is a bison drift barrier?

There is currently no bison drift barrier in place. The proposed bison drift barrier is a training device more than a physical barrier. It is a type of fence that is commonly used in bison and other wildlife management. The barrier is constructed of four high tensile strength smooth steel wires, two of which are electrified.

The barrier will not contain the herd, but will deflect their movement away from the agricultural areas.

4. How important is the barrier to the effectiveness of this bill?

The main emphasis of the bill is the development of the winter range for the bison. The development of the range will largely control the bison herd by providing a diversionary planting which will be an attractive alternative to the agricultural fields. The barrier reinforces the use of the bison range by the herd by deflecting their movement back into that area.

The conflict between the bison and the farmers develops between August and October. This harvesting time for the farmer coincides with the depletion of the bison's currently available winter forage.

5. Why is an Advisory Committee necessary?

There are few issues that an entire community can come to total agreement on. The City of Delta Junction, from a diversity of areas within the community, uniformly supports the bison herd. Input from Advisory Committee members representing the Delta agricultural project; nonconsumptive wildlife users; timber, mining and other consumptive natural resource industries; and tourism would offer local advice to the Department of Fish and Game, the Department of Commerce and Economic Development, and the Alaska Agricultural Action Council. Local participation in the development of a game management plan and the construction and maintenance of the bison drift barrier would help maintain the consolidated support for the bison projects within the community. The Advisory Committee, representing all concerned factions of the community would be of considerable help to the state departments in developing policies in a mood of compromise and single purpose, rather than in conflict.

Members of the Advisory Committee would not be entitled to per diem, travel, or other compensation from the state for their duties as committee members, so there would be no fiscal impact from this portion of the bill.

6. What tourist facilities exist at this time, and what type are being proposed?

There are currently no tourist facilities at the Bison Range. There is a general tourist information center in the City of Delta Junction about 13 miles to the northwest which is operated by the Chamber of Commerce. There is no special presentation there, or at the range, where the bison project and the bison range could be explained to the public at this time.

Simple viewing platforms are being proposed. There are two well sites on the range where pools would be developed and salt would be placed to attract the bison. In nearby groves of trees, elevated

platforms with slots or holes in plywood fronts facing the watering holes would be set up. These platforms would provide viewing and photography sites where tourists could observe the bison without disturbing them. These sites would be within reasonable walking distance from the highway. These facilities will be simple and relatively easy to build and maintain.

Future development of the tourist facilities at the range would be gradual and based upon the use and demand placed upon the existing facilities. A more elaborate facility might include an information station or an interpretation center at the range and special guided tours into the range. Any funds generated by offering these tours, or through sale of publications at the information center, could be fed back into the program to further develop walking trails or interpretive exhibits at the range.

7. What type of burning is required to clear the range?

Originally, naturally caused wildfires periodically swept the range, keeping it clear of brush and deciduous growth. The absence of brush allowed the winds to sweep the range clear of snow, enabling the bison to graze throughout the winter. When the area became populated, the wildfires were strictly controlled, and much of the grazing area became covered with dense brush. This allowed the snow to accumulate in drifts, burying what grazing range had been left available to the bison in their original winter range.

The burning which will be required to clear the range will duplicate the action of the natural wildfires by removing the brush thereby increasing light and moisture available to the natural grass seed. The natural grasses will be able to grow back and become re-established as a perennial. The low brush which does follow after such prescribed burning creates a browse for moose, which also inhabit the range area.

Prescribed burning takes place under strictly controlled conditions with extreme precautions against mishap. Only when wind and moisture conditions are exactly right for that operation, would the burning be allowed. Extensive measures are taken to insure safety during this operation which involves the use of a helicopter and over 60 people to monitor the burn. The cost of providing a range by this method of burning and natural seeding is approximately \$20/acre as compared to \$100/acre for conventional clearing and seeding.

8. Why are the hunt permit fees being raised, and who administers the Bison Hunt Permits?

The Alaska Department of Fish and Game issues the Bison Hunt Permits. There were 75 permits issued last year among 10,000 applicants. The plan to raise the fee for application from five dollars to ten dollars will increase the revenue from that sale to about \$100,000 to the state. The additional \$50,000 obtained is approximately the same amount as would be required to maintain the larger bison range. The increase in permit application fees is supported by the Alaska Outdoors Council.

9. Is there currently any timber harvesting on the bison range?

Within the bison range there has already been some small scale timber sales. Some areas within the bison range have been marked for timber sales, and the sales would be administered by the Division of Forestry. Approximately \$32,000 is expected to be derived from sales of firewood and pole cutting after burns. Increased revenues would be obtained by commercial sales. This combined personal use/commercial timber harvest sale would be managed by staff from the Delta area already employed by the Division of Forestry.

10. Is the range a bison reserve to be used exclusively by the bison?

No, in addition to serving as the bison's winter range, the area would also serve moose, caribou and other wildlife indigenous to the area. The range would provide a new habitat for sharp-tailed grouse and additional hunting opportunities for bison, moose, bear, grouse, hares, and furbearers. The area is also used for recreational purposes as well as for timber and firewood sales, with the public being encouraged to use the area for camping, fishing, hunting, trapping, hiking, viewing, photography, dog sled racing and so forth.

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

NOTES ON THE DELTA JUNCTION BISON RANGE

February, 1984

"DON'T FENCE ME IN"

While there is almost unanimous agreement that the development of the Delta Junction Bison Range is a good idea, the issue of whether, and where, to put up a bison barrier is the subject of much debate.

Opposition to placing the barrier along the northern boundary of the bison range is strongly felt by area sportsmen, who view that placement as the first step to fencing in the now free-roaming bison. It is important to consider several factors regarding placement of the bison barrier, including the fact that the barrier's main function is as a training device, rather than a physical barrier. It is designed to deflect the movement of the bison back into the Bison Range, not to contain them.

Placement of the bison barrier along the northern edge of the Delta Junction Bison Range is proposed for the following reasons:

1. Improved Alaska Highway safety for highway travelers and reduced roadkills of bison.
2. Reduction of bison trespass onto private property of residents living on the south side of the Highway.
3. The proposed Alaska Railroad extension is planned south of the highway, and the barrier should be south of the planned extension for the safety of the bison herd as well as the rail operations.



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

1 IN THE SENATE

BY MOSS

2

SENATE BILL NO. 337

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 Delta Junction bison range;
7 and providing for an effective date."

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

9 * Section 1. LEGISLATIVE FINDINGS. The legislature finds that

10 (1) the Delta Junction bison herd is a highly valued state
11 wildlife resource;

12 (2) drawing permits issued for the hunting of Delta Junction
13 bison constitute a valuable source of state revenue;

14 (3) the Delta Junction bison herd has established the Delta
15 agricultural project as a fall and winter range;

16 (4) the feeding, wallowing, and traveling by the Delta Junction
17 bison herd within the Delta agricultural project has resulted in damage to
18 crops, monetary loss to local farmers, legal conflicts, and physical harm
19 to the herd;

20 (5) the bison range concept is a proven means of keeping bison
21 in an area as long as adequate forage is available on the range;

22 (6) the current state of development of the Delta Junction bison
23 range area is inadequate to sustain bison for more than a few weeks;

24 (7) the expansion of available forage on the Delta Junction
25 bison range area is required to provide a winter range for the Delta Junc-
26 tion bison herd and to effectively keep the herd from grazing within the
27 Delta agricultural project; and

28 (8) a bison drift barrier must be constructed along the southern
29 boundary of the Delta agricultural project to prevent the Delta Junction

1 bison herd from drifting onto the project and causing further harm to
2 crops.

3 * Sec. 2. AS 16.20 is amended by adding new sections to read:

4 Sec. 16.20.311. BISON RANGE ADVISORY COMMITTEE. (a) The
5 governor shall appoint a seven-member Delta Junction Bison Range
6 Advisory Committee. The governor shall appoint members to represent
7 the following interests:

8 (1) two members representing the Delta agricultural proj-
9 ect;

10 (2) two members representing Delta Junction sport hunters
11 and the state fish and game advisory committee;

12 (3) one member representing nonconsumptive wildlife users;

13 (4) one member representing timber, mining and other con-
14 sumptive natural resource industries; and

15 (5) one member representing the tourism industry.

16 (b) The committee shall consult with and offer its advice to the
17 Department of Fish and Game, the Department of Commerce and Economic
18 Development, and the Alaska Agricultural Action Council, on matters
19 relating to the game management plan required under AS 16.20.310 and
20 the construction and maintenance of a bison drift barrier along the
21 southern boundary of the Delta agricultural project.

22 (c) A member of the advisory committee is not entitled to per
23 diem, travel, or other compensation from the state for the performance
24 of acts as a committee member.

25 Sec. 16.20.312. BISON HUNT PERMIT FEE. The application fee for
26 a drawing permit issued by the Department of Fish and Game for the
27 hunting of bison in the Delta Junction bison range area is \$10.

28 Sec. 16.20.313. BISON RANGE TIMBER SALES. The Department of
29 Natural Resources, division of forestry, shall provide for the sale of

1 timber in the Delta Junction bison range area in a manner that does
2 not delay implementation of the game management plan required under
3 AS 16.20.310.

4 * Sec. 3. AS 16.20.300, 16.20.310, 16.20.311, 16.20.312, 16.20.313, and
5 16.20.320 are repealed.

6 * Sec. 4. Section 3, ch. 39, SLA 1979 and sec. 1, ch. 73, SLA 1980 are
7 repealed.

8 * Sec. 5. Sections 1, 2 and 4 of this Act take effect July 1, 1984.

9 * Sec. 6. Section 3 of this Act takes effect August 1, 1995.

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: SB 337
 Title: Delta bison range
 Sponsor: Moss
 Requestor: _____
 Date of Request: 1-9-84

FISCAL DETAIL

Agency Affected: Natural Resources
 Program Category Affected: Forestry
Presuppression/Northcentral small timber
 BRU, Program or Subprogram(s) Affected: sales
Forest Management

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						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

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

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

SB 338 appropriates \$60,000 from the general fund to DNR for administration of the timber sale and fire suppression on the Delta bison range.

ANALYSIS: Attach a separate page for analysis

Prepared By: Sharon L. Barton Phone: 465-2400
 Division: Commissioner's Office Date: 2-13-84
 Approved by Commissioner: Wm. J. Arnold Deputy Date: 2-13-84
 Agency: Dept. 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

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST
Bill/Resolution No.: SB 337
Title: Delta bison range
Sponsor: Moss
Requestor: _____
Date of Request: 1-9-84

FISCAL DETAIL
Agency Affected: Natural Resources
Program Category Affected: Forestry
Presuppression/Northcentral small timber
BRU, Program or Subprogram(s) Affected: Forest Management sales

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						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
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Prepared By: Sharon L. Barton Phone: 465-2400
Division: Commissioner's Office Date: 2-13-84
Approved by Commissioner: Wm. D. Arnold Deputy Date: 2-13-84
Agency: Dept. 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: 3/13/84
Referred: Rules

Original sponsors: Faiks, Kerttula
and Halford

1 IN THE SENATE BY THE FINANCE COMMITTEE
2 CS FOR SENATE BILL NO. 342 (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 Agricultural Loan
7 Act."
8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
9 * Section 1. AS 03.10.020(1) is repealed and reenacted to read:
10 (1) make a loan to
11 (A) an individual resident farmer, homesteader, or a
12 partnership or corporation composed of farmers and homesteaders
13 for
14 (i) clearing land for agricultural purposes;
15 (ii) development of farms;
16 (iii) storage and processing of farm produce; or
17 (iv) the purchase of livestock or machinery;
18 (B) an individual state resident, or a partnership or
19 corporation for
20 (i) storage and processing plants for agricul-
21 tural products;
22 (ii) the commercial production or processing of
23 horticultural products in the state;
24 (iii) the commercial production or processing of
25 animal feed in the state; or
26 (iv) the raising or care of animals in the state
27 for the purpose of marketing their fur;
28 * Sec. 2. AS 03.10.020 is amended by adding a new subsection to read:
29 (b) In this section "horticultural products" means vegetables,

1 fruit plants, grass seed, sod, tree seedlings, ornamental plants,
2 foliage, or flowering plants, grown in a greenhouse or nursery.

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

4 (c) A short term loan, to be amortized within one year, not to
5 exceed \$350,000 to any one borrower may be made for operating pur-
6 poses, except that a loan made under this subsection may not exceed
7 \$200,000 unless the loan is made to a borrower in a farm disaster area
8 declared under AS 03.10.058. The term of a loan made under this
9 subsection may be extended for up to three years by the agricultural
10 revolving loan fund board, in the discretion of the board, upon appli-
11 cation by the borrower.

12 * Sec. 4. AS 03.10.030(g)(4) is repealed and reenacted to read:

13 (4) be made for clearing land other than land that has been
14 classified by the United States Department of Agriculture, Soil Con-
15 servation Service under the Land Capability Classification System as
16 having agricultural potential for the production of annual crops, hay,
17 or for pasture.

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No. CS SB 342 (FIN)
Title: Amending the Ak. Ag.

Loan Act
Sponsor: Faiks et al
Requestor: _____
Date of Request: 1-10-84

FISCAL DETAIL

Agency Affected: Natural Resources
Program Category Affected: _____
Agricultural Revolving Loan Fund
BRU, Program or Subprogram(s) Affected: _____
ARLF

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-		
CAPITAL		-0-	-0-	-0-		
REVENUE		-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: 1-24-84

Approved by Commissioner: William 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

Alaska State Legislature

OFFICIAL BUSINESS

CHAIRMAN
RULES COMMITTEE



Senate

JAN FAIKS
POUCH V
CAPITOL BUILDING
JUNEAU, ALASKA 99811

MEMORANDUM

DATE: April 19, 1984

TO: Representative Al Adams
Chair, House Finance Committee

FROM: Senator Jan Faiks

RE: CSSB 342 (FIN)

Senate Bill 342 has been referred to the House Finance Committee. I would very much appreciate a hearing for this bill as soon as your committee schedule allows.

The purpose of the original bill was to amend the Alaska Agriculture Revolving Loan Act to allow loans for the commercial production or processing of horticultural products in the state, the commercial production of animal feed in the state, and the raising or care of animals in the state for the purpose of marketing their fur. The Senate Resources Committee added a definition of horticulture.

At Senator Kerttula's request, two other sections were added to the bill in the Resources Committee. One section would allow a short term loan to be extended at the Board's discretion. The other section would allow clearing loans to be made on any land classified as having agricultural potential. Current law limits clearing loans to Class I, II, or III soils. Some "lower class" soils, though not suitable for crop production, are suitable for growing hay or native grazing after they are cleared.

The Senate Finance Committee further defined the section dealing with short term loan extensions. In that version the short term loan may be extended for up to three years in the Board's discretion. During the Finance hearings the Department of Natural Resources proposed raising the statutory ceiling on the loan fund from its present \$75 million to \$100. There was some discussion about this as well as the delinquency rate of outstanding loans. However the committee decided against raising the loan ceiling, and I am working with the Attorney General's Office and the Division of Agriculture to determine the status of loans referred to the AG's office for collection.

These two items are really a tangent and do not directly impact the bill.

Attached for your reference are the following:

1. SB 342, CSSB 342 (RES), CSSB 342 (FIN)
2. Fiscal Note
3. Draft regulations for DNR governing the ARLF
4. Background information of fur farming
5. AS 03.10 Alaska Agricultural Loan Act
6. Minutes from the Senate Resource Committee and Senate Finance Committee when SB 342 was heard
7. Position paper from the Alaska Horticulture Association
8. Survey of Greenhouse and Nursery Production in Alaska

If you have any questions or need any clarification, please give me a call.

Thank you.

DELIVER TO: <u>NED</u>	LOCATION: <u>TULSA CO</u>
FROM: <u>DAVID CREEKMAN</u>	LOCATION: <u>CO - Arch</u>
TELEPHONE/TELECOPIER # _____	TOTAL NUMBER OF PAGES: <u>3</u>
TRANSMITTING ON/SPEED _____	DATE: <u>4-17</u> TIME: <u>3:05</u>
PHONE FOR PROBLEMS NAME/NUMBER _____	
COMMENTS: <u>Section you are interested in and</u>	

Re

.111

(2) a three-year business history and tax returns for the last three years of the borrower and of any person owning 10 percent or more of the business for which the loan is to be utilized;

(3) proof that the applicant is a state resident, as defined in 11 AAC 39.251;

(4) current financial statements including as a minimum a balance sheet and a profit-and-loss statement for each of the persons specified under (a)(2) of this section;

(5) a statement of intent stating the amount requested, a description detailing the proposed use of the loan proceeds, and the plan of repayment of the loan;

(6) a schedule of acceptable collateral stating date of acquisition, cost, location, market value, and existing liens;

(7) pro forma financial statements which show the projected income and expenses for the following year;

(8) cash flow projections demonstrating the ability to make loan payments;

(9) a five year farm development plan including projected borrowing needs;

(10) a statement of whether the applicant has ever been the subject of a bankruptcy action; and

(11) a resume of agricultural experience and education.

(b) Loan applications may be submitted to any loan office of the division. A loan application may be presented to the board at a meeting under 11 AAC 39.031, if it is complete, complies with this chapter, and is received by the division at least 14 days (except in the case of emergencies) before the date of the meeting.

(c) A corporation applying for a loan shall submit a current certificate of good standing in the state and a corporate resolution authorizing the corporation to borrow from the fund. A partnership or joint venture applying for a loan shall submit the partnership or joint venture agreement and proof of the authority to borrow from the fund. (Eff. / /84, Register)

Authority: AS 03.10.020
AS 03.10.030



11 AAC 39.111. QUALIFYING LOANS PURPOSES. (a) Loans may be made for, but are not limited to, the following purposes

- (1) clearing land for farming purposes;
- (2) development of farms;
- (3) processing of agricultural products and animals;
- (4) storage of farming products, equipment, and machinery;
- (5) farm irrigation;
- (6) short term farm operating money;
- (7) livestock;
- (8) crops;
- (9) farm machinery and equipment; and
- (10) other commercial farming purposes, including horse breeding and raising, fur breeding and farming, and greenhouses.

(b) Loans will not be made for the following purposes

- (1) boats;
- (2) airplanes;
- (3) tracked vehicles;
- (4) pickups, automobiles, and multiple use trucks, except specialized farming vehicles not readily convertible to personal or non-farm use;
- (5) silvicultural projects;
- (6) boarding stables and arenas, riding academies and schools;
- (7) establishments which resell rather than produce, process or add value to crops, livestock and livestock products.
- (8) land purchases;
- (9) refinancing, except in emergencies or when in the best interests of the loan fund; and
- (10) residential property.

Authority: AS 03.10.020
AS 03.10.030

farming industry and area of the state. The moratorium will be for a one year period and may be extended on a year by year basis, not to exceed five years. (Eff. / /84, Register)

Authority: AS 03.10.020
AS 03.10.030
AS 03.10.050

ARTICLE 3. GENERAL PROVISIONS

Section

511. Definitions

11 AAC 39.511. DEFINITIONS. In this chapter

(1) "acceptable collateral" means adequate security approved by the board to secure repayment of a loan in the event of default and includes, but is not limited to, a mortgage, deed of trust, assignment or other security instrument on real property, buildings, machinery and equipment, fixtures, livestock, crops, accounts receivable, and other contracts;

(2) "applicant" means an individual, partnership, corporation, association, cooperative, or other organization applying for a loan;

(3) "board" means the Agricultural Revolving Loan Fund Board;

(4) "borrower" means all persons liable for a loan or any part of a loan;

(5) "chairperson" means the Chairperson of the Agricultural Revolving Loan Fund Board;

(6) "chattel" means livestock, vehicles, and movable equipment and machinery;

(7) "commercial" means enterprises operated for profit rather than personal or recreational use or as hobbies;

(8) "commissioner" means the Commissioner of the Department of Natural Resources or the Commissioner's designee;

(9) "crops" means small grains, oil seeds, forages, fruits, and vegetables normally grown in northern latitudes;



in alaska

were only 62 fur farms, some raising mink. By 1966, there were only four fur farms in Alaska.

The fur market remained weak until very recently, but now there is renewed interest in farming, evidenced by the number of permits granted. Permits for fur farming are issued by Dr. Bert Gore, State Veterinarian with the Alaska Department of Environmental Conservation. Dr. Gore said there are 14 permits currently issued to fur farmers in Alaska, and there may be 20 more operators in business without a permit.

The present enforcement effort, carried out only by Dr. Gore, consists of preventing escapes of domestic foxes into the environment and blocking the use of rabies vaccine. While the animals may be vaccinated for distemper and a host of other diseases, there is presently no approved rabies vaccine for foxes. Because the vaccine is live, vaccinated animals that escape could spread rabies among wild populations.

In addition to preventing escape and controlling rabies vaccine, state regulations require that animals be maintained in clean and sanitary con-

ditions. Since Dr. Gore is the only inspector in the state, and because fur farms are geographically spread across vast territories, inspections have been limited largely to Southcentral Alaska, where he is stationed.

One of the major problems facing potential fur farmers is a source of food. Over the course of a year, 80

Starting a fox farm is a costly proposition.

female red foxes and 20 males, a recommended number for starting a farm, would require 55,000 pounds of food.

Good breeding stock is critical to the success of a fur farm. The animals must have high reproductive potential, good color, and quality fur. Initial breeding stock is often purchased from other farms. Those animals having excellent characteristics may cost as much as several thousand dollars. One alternative would be trapping wild animals, but selectivity would be lost.

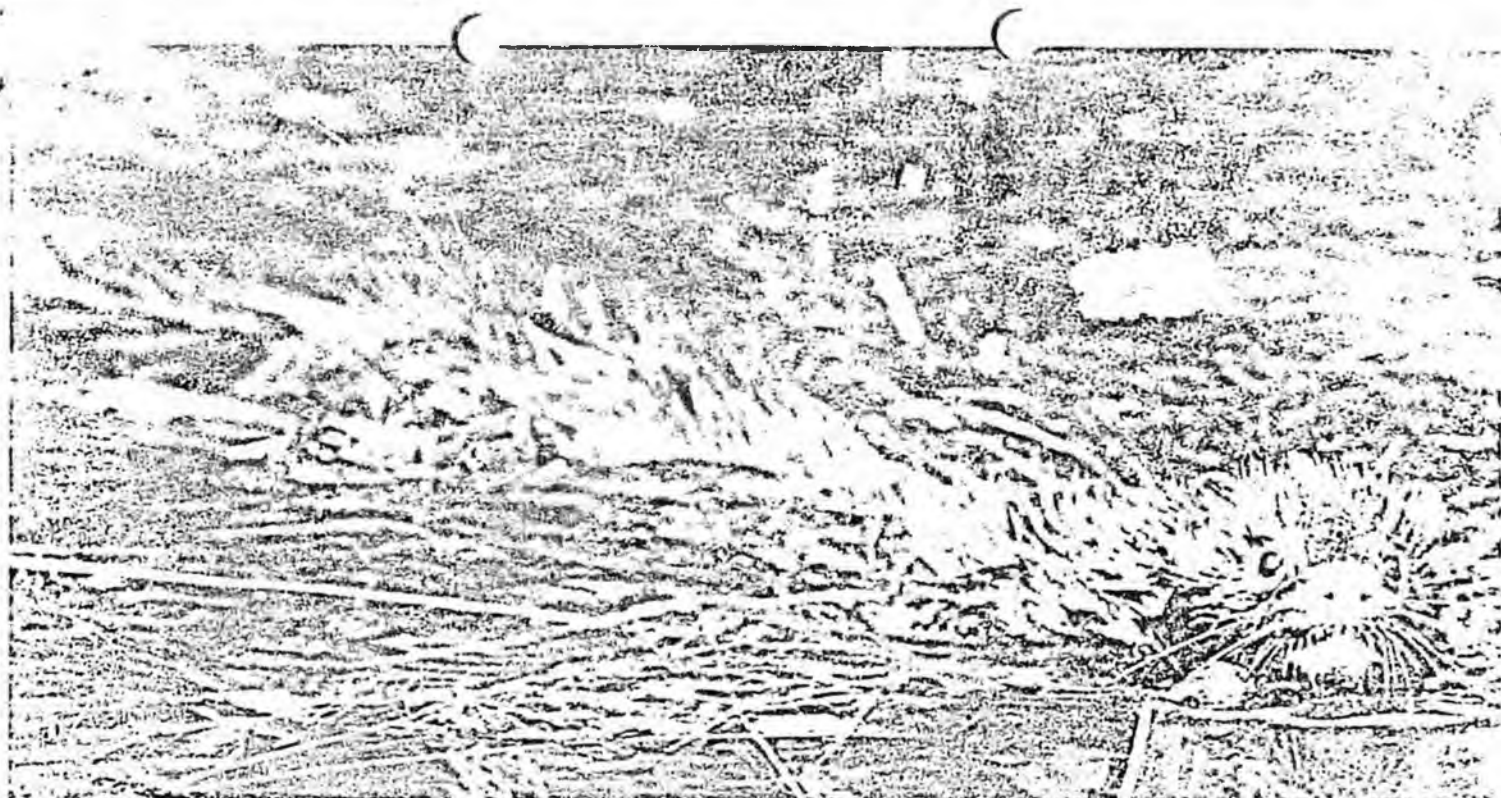
A farmer must take good care of his

animals. Their food supplies and living quarters must be of high quality or they won't produce a pelt good enough to be marketed. The method used to kill the animals is generally electrocution, a very fast and nearly painless death. Poison is sometimes used as an alternative to electrocution, but storing toxic substances can be dangerous.

Starting a fox farm is a costly proposition. A good breeding stock would number 100 animals. No return could be expected for two to four years, so the investor would have to "float" for some time. In a 1981 paper titled "Feasibility of Fox Farming in the NAN Region." Dr. Lawrence S. Underwood calculated start-up costs at \$53,450. This included cage construction materials, freight, labor, and equipment for farms located in the northwestern portions of the state. The total food costs for the first year would be \$116,126 with freight costs of \$19,900.

Other species considered for farming have been lynx, mink, sable, and wolverine. There are problems with each type, and farming methods

Continued on page 42



Dripping wet, this swimming mink looks little like the valuable furbearer he is.

Leonard Lee Rue III photo

Mink, Markets and Money *continued from page 20*

point, our Alaskan minks, now all tanned, polished, and refined, will be intersorted with mink from many places to make the perfect match of the 25 to 50 skins required for one coat.

It is at this stage that the variables of fashion, manufacturing, marketing and merchandising make it difficult to follow exactly where or at what cost our Alaskan mink is affected. This is also where the largest increment of cost is added to the price of a coat, because it is the most labor intensive process.

Based on past trends in fashion, the styles that wear well and sell well, a manufacturer will have developed a line of coats for a given season. Each manufacturer might also have several lines: one for mass produced, more inexpensive coats, and another for individually tailored, luxury coats. Sometimes a manufacturer will team up with a designer to lend a "designer

name" and label to his goods. According to one furrier, this name will make the coat cost more, but it doesn't necessarily guarantee that the coat is top quality because "the manufacturer makes the coat, not the designer."

The manufacturing process involves work by designers, cutters and sewing machine operators who carefully match each skin to be part of the coat, choose certain parts of each pelt to be used in a particular part of the coat, then sew them together in a way that makes the coat appear to be one piece of fur instead of dozens of separate skins. One manufacturer suggests that a good way to tell if you are getting a quality mink coat is to look at the inside of the coat at the reverse or skin side of the pelts to see if they are carefully pieced and sewn in one direction.

After a manufacturer has made up several coats they will be displayed at

fashion shows where retailers view them and place orders. Other unveilings take place at international fur fairs and shows all over the world. To these coats, in addition to the cost of the labor and materials that go into production, the value of the manufacturer's name and the designer's name, costs of marketing and retailing are tacked on. By the time the coat appears in the store window, the difference between the wholesale and retail cost, the costs of advertising and all the other variables that go into a price tag are finally complete.

So if we began with 50 pelts costing \$56.80 each after dressing, for a total of \$2,840, the design, manufacture, marketing, and retailing of that full-length mink coat cost nearly \$8,000!

Suzanne Ludicello is ADF&G's Special Assistant in charge of the Public Communications Section.

Fur Farming in Alaska *continued from page 7*

change from animal to animal. The one constant in the fur farming business, from its beginnings to the present day, is that it is not an easy way to make a living. It requires constant attention to the animals. Some

things have changed, however. Since the early years of the century the required capital investment has risen, and the methods of farming have become increasingly scientific and exacting.

Karen Cantillon is a Publications Specialist for ADF&G's Public Communications Section.

SB 312

Chapter 10. Alaska Agricultural Loan Act.

Section

- 10. Declaration of policy
- 20. Powers of the department
- 30. Limitations on loans
- 35. Use or disposal of mortgaged farm land

Section

- 40. Creation of fund
- 50. Administration of fund
- 52. Limitation on board members
- 58. Farm disaster area
- 60. Short title

Collateral references. — 3 Am. Jur. 2d, Agriculture, § 19 et seq.; 55 Am. Jur. 2d, Mortgages, § 1 et seq.; 63 Am. Jur. 2d, Public Funds, § 1 et seq.
 3 C.J.S., Agriculture, § 57 et seq.; 81A C.J.S., States, § 208.

Power, under statute for stabilization of market for agricultural crops, in respect of crop loans by public agency and the security therefor, 157 ALR 338.

Sec. 03.10.010. Declaration of policy. It is the policy of this chapter to promote the more rapid development of agriculture as an industry throughout the state by means of long-term low-interest loans. (§ 2 ch 122 SLA 1953)

Sec. 03.10.020. Powers of the department. The department may

- (1) make loans to individual resident farmers, homesteaders, and partnerships or corporations composed of farmers and homesteaders, for clearing land for agricultural purposes, development of farms, storage and processing of farm produce, livestock and machinery and to individuals, partnerships or corporations, for storage and processing plants for agricultural products;
- (2) designate agents and delegate its powers to them as necessary;
- (3) adopt rules and regulations necessary to carry out its functions;
- (4) establish amortization plans for repayment of loans, which may include delayed payments of principal and interest for not to exceed five years;
- (5) enter into agreements with private lending institutions, other state agencies or agencies of the federal government, to carry out the purposes of this chapter. (§ 4 ch 122 SLA 1953; am § 1 ch 156 SLA 1955; am § 1 ch 41 SLA 1961; am § 1 ch 113 SLA 1982)

Amendments

Effect of amendments. — The 1982 amendment inserted "clearing land for agricultural purposes" in paragraph (1).

Sec. 03.10.030. Limitations on loans. (a) A farm development, chattel, or irrigation loan made under this chapter

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

§ 03.10.030

§ 03.10.030

AGRICULTURE AND ANIMALS

§ 03.10.030

Act.

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

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

(4) shall bear interest at a rate 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

(4) be made for clearing land that is not classified as class III or better by the United States Soil Conservation Service under the land classification system used by the United States Soil Conservation Service.

(h) The commissioner shall adopt regulations to establish other terms for loans made under this chapter, consistent with the provisions of this section, and may establish interest rates for loans under (a)(4) of this section that

(1) encourage agricultural development;

(2) do not subsidize nonviable agricultural enterprises; and

(3) do not discriminate against viable existing agricultural enterprises. (§ 4 ch 122 SLA 1953; am § 1 ch 156 SLA 1955; am § 1 ch 41 SLA 1961; am § 1 ch 144 SLA 1966; am § 1 ch 78 SLA 1967; am § 1 ch 135 SLA 1970; am § 1 ch 22 SLA 1974; am § 1 ch 18 SLA 1975; am §§ 1-4 ch 50 SLA 1979; am § 74 ch 106 SLA 1980; am §§ 1-3 ch 7 SLA 1982; §§ 2-5, 72 ch 113 SLA 1982; am §§ 1, 2 ch 38 SLA 1983)

Revisor's notes. — The director referred to in the second sentence of (e) of this section is the director of the division of agriculture, Department of Natural Resources.

Effect of amendments. — The 1979 amendment increased the farm development loan and indebtedness limit in subsection (a) from \$200,000 to \$500,000, increased the loan limit for chattel loans from \$100,000 to \$300,000 in former subsection (b), substituted "\$200,000" for "\$25,000" in subsection (c), and added subsection (e).

The 1980 amendment added subsection (f).

The first 1982 amendment raised the interest rate limit from six to eight percent in subsections (a) and (f) and in former subsection (b).

The second 1982 amendment rewrote subsection (a); repealed subsections (b) and (d), which read, respectively, "Except for loans for irrigation systems as provided in this subsection, a chattel loan may not exceed \$300,000 for each farm unit and may not run longer than seven years or the useful life of the chattel if more than seven years. It may not bear interest exceeding six per cent. It shall be secured by real

estate or chattel mortgage, or both. Loans and the real estate and chattel mortgage security on them for irrigation systems may be in amounts and for terms as determined by the commissioner" and "Farm development and chattel loans for irrigation systems may be for terms as determined by the commissioner"; substituted "30th day" for "15th day" in two places in the first sentence and "may assess" for "shall assess" in the second sentence, both in subsection (e); added the language beginning "but the combined delinquency penalty" to the end of the third sentence of subsection (e); substituted "\$250,000" for "\$2,500,000" throughout subsection (f); substituted "that is less than eight percent" for "exceeding eight percent" in the last sentence of subsection (f); and added subsections (g) and (h).

The 1983 amendment in paragraph (a)(1) added the language beginning with "except that" and in subsection (c) substituted "\$350,000" for "\$200,000" and added the language beginning with "except that."

Legislative history reports. — For report on ch. 78, SLA 1967 (HB 274), see 1967 Senate Journal, pp. 513-514.

Sec. 03.10.035. Use or disposal of mortgaged farm land. (a) A borrower may not use farm land for a non-farm use or sell, lease or otherwise dispose of farm land if that land is encumbered by a mortgage given to secure the payment of a farm development, chattel, or irrigation system loan under this chapter unless the borrower either

03.10.035

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§ 03.10.040

AGRICULTURE AND ANIMALS

§ 03.10.052

(1) pays the outstanding balance of the loan in a lump sum or under other terms agreed to by the commissioner which accelerate payment of the loan; or

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

(b) In this section, "non-farm use" means a use of land other than for the production of domesticated plants and animals useful to humans, including forage and sod crops, grain and feed crops, fruits, vegetables and livestock. (§ 5 ch 50 SLA 1979)

Sec. 03.10.040. Creation of fund. There ~~is~~ an agricultural revolving loan fund which shall not exceed \$75,000,000 to carry out the purpose of this chapter. (§ 5 ch 122 SLA 1953; am § 2 ch 41 SLA 1961; am § 1 ch 81 SLA 1970; am § 6 ch 50 SLA 1979; am § 4 ch 7 SLA 1982)

Effect of amendments. — The 1979 amendment substituted "\$20,000,000" for "\$5,000,000." The 1982 amendment substituted "\$75,000,000" for "\$20,000,000."

Sec. 03.10.050. Administration of fund. (a) The commissioner shall administer the loan fund in conjunction with the agricultural revolving loan fund board. No loan in excess of \$25,000 may be made by the commissioner without the approval of a majority of the board.

(b) The board is composed of five members appointed by the governor and confirmed by the legislature in joint session. Three members shall be persons with background and experience in Alaska agriculture. Members of the board serve for overlapping three-year terms. Members of the board are not entitled to receive compensation for their services, but shall receive the same travel pay and per diem as provided by law for boards and commissions.

(c) A meeting of the agricultural revolving loan fund board to act on applications for loans is exempt from the public meeting requirements of AS 44.62.310. (§ 6 ch 122 SLA 1953; am § 1 ch 119 SLA 1976; am § 6 ch 113 SLA 1982)

Revisor's notes. — Section 5, ch. 7, SLA 1982 added a subsection (c) to this section but the provisions of that subsection have been transferred to AS 03.10.052. Consequently, the subsection added by § 6, ch. 113, SLA 1982, has been redesignated "(c)."

Effect of amendments. — The 1982 amendment added subsection (c).

Sec. 03.10.052. Limitation on board members. A member of the agricultural revolving loan fund board may not, during the member's term of office or within one year after ceasing to be a member of the board, obtain a loan under this chapter other than a short-term loan under AS 03.10.030(c). (§ 5 ch 7 SLA 1982)

Revisor's notes. — Enacted as AS 03.10.050(c). Renumbered in 1982.

Sec. 03.10.054. Sale or transfer of mortgages and notes. [Repealed, § 14 ch 122 SLA 1980.]

Sec. 03.10.058. Farm disaster area. The governor may declare a farm disaster in an area of the state if a natural disaster causes a crop failure. (§ 3 ch 38 SLA 1983)

Sec. 03.10.060. Short title. This chapter may be cited as the Alaska Agricultural Loan Act. (§ 1 ch 122 SLA 1953)

Chapter 12. Alaska Grain Reserve Program.

Section	Section
10. Alaska grain reserve program established	50. Administration of fund
20. Duties of the department	60. Regulations
30. Conditions on loans	70. Administrative Procedure Act
40. Alaska grain reserve loan fund	200. Definitions

Repeal of chapter. — Sections 4 and 5, ch. 100, SLA 1983 provide that this chapter is repealed effective January 1, 1988. For termination and transition provisions, see § 3, ch. 100, SLA 1983, in the Temporary and Special Acts.

Sec. 03.12.010. Alaska grain reserve program established [Repealed effective January 1, 1988]. The Alaska grain reserve program is established in the Department of Natural Resources for the purpose of assisting state grain producers to develop markets for their products by making loans secured by grain reserves. (§ 1 ch 100 SLA 1983)

Sec. 03.12.020. Duties of the department [Repealed effective January 1, 1988]. In carrying out the purposes of this chapter the department shall

- (1) make loans to state grain producers under the conditions set out in this chapter;
- (2) administer and inspect stored grain held as collateral for loans made under this chapter; and
- (3) administer the Alaska grain reserve loan fund (AS 03.12.040). (§ 1 ch 100 SLA 1983)

Sec. 03.12.030. Conditions on loans [Repealed effective January 1, 1988]. (a) The department may make a loan to a state grain producer secured by grain grown by that producer in 1983 or 1984. Grain that is used as collateral for a loan made under this chapter must be graded number four or better.

Alaska State Legislature

SB 342

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



POUCH V
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(907) 465-3834
(907) 465-3835

Senate

Committee on Resources

MEMORANDUM

TO: Senate Resources Committee Members

FROM: Senate Resources Committee Staff

RE: Committee Meeting, January 25, 1984

DATE: January 23, 1984

On Wednesday, January 25, the following bills will be heard:

SB 322, An Act relating to the Alaska Agricultural Loan Board

SB 322 would increase the membership of the Agricultural Revolving Loan Fund Board from five to seven members. All members are appointed by the Governor. At present, three of the five members must be persons with background and experience in agriculture. SB 322 would retain that ratio; four of the seven members would be involved in the industry.

SB 342, An Act amending the Alaska Agricultural Loan Act.

SB 342 would expand the agricultural loan program to include loans for the commercial production or processing of horticultural products and animal feed, and for the raising and care of animals for marketing fur. A Resources Committee Substitute has been prepared that would remove the restriction to in-state use of these products.

Loans are currently allowed for land clearing, farm development, storage and processing of farm produce, and purchase of livestock or machinery. Draft DNR regulations (11 AAC 39.111) would expressly prohibit loans from being made for "enterprises not operated primarily for human or livestock food production", which includes fur breeding and fur farming, and greenhouses not operated primarily for food production. Loans for processing feed are currently being made under the "farm product processing loans" authority.

Senator Kerttula has proposed an amendment that would allow land clearing loans to be made on all lands classified by the Soil Conservation Service as having agricultural potential. Current statute limits clearing loans to lands with Class I, II, or III soils.

SB 339, Repealing the expiration date of the Alaska Agricultural Action Council

SB 358, Amending the expiration date of the Alaska Agricultural Action Council

The Alaska Agricultural Action Council was established in 1979 for a set term of five years. The Council is due to expire July 1, 1984. SB 339 would extend the life of the Council for perpetuity; SB 358 would extend its life for five years. The Council is composed of five members appointed by the Governor, and is charged with administering the Delta agricultural project, making recommendations to the Commissioner of Natural Resources regarding the classification of state agricultural land, holding public hearings in areas being considered for agricultural development, and evaluating the need for farm conservation plans.

The meeting will be held at 3:00 pm in the Beltz Room, and will be teleconferenced to Anchorage, Wasilla/Palmer, and Delta, and Fairbanks.

Alaska State Legislature

BETTYE FAHRENKAMP, Chairman
ROBERT H. ZIEGLER, SR., Vice Chairman
DICK ELIASON
PAUL FISCHER
VIC FISCHER
BOB MULCAHY
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Senate Committee on Resources

MEMORANDUM

TO: Senate Resources Committee Members

FROM: Senate Resources Committee Staff

RE: SB 342, An Act amending the Alaska Agricultural Loan Act

DATE: January 31, 1984

Following the recent Resources Committee hearing on SB 342, the Chairman asked staff to follow up on the questions raised regarding the proposed uses of Agricultural Revolving Loan Fund (ARLF) monies.

1) Loan Fund

AS 03.10.040 places a limit on the ARLF of \$75 million. Appropriations to the fund to date total \$62.5 million; an additional \$12.5 million has been requested for FY 85. \$10 million is currently available for loans.

One fur farming loan and five horticulture loans were made several years ago. However, as demand on the fund increased, the Agricultural Loan Board established development of enterprises operated primarily for human or livestock food production as a priority use of the loan funds.

2) Limit Loans to Residents

Bill Heim, Director, Division of Agriculture, DNR, proposed that the term "individual residents" as used in AS 03.10.020(1)(a) be repeated in AS 03.10.020(1)(b). This proposal is contained on line 17 of the draft Committee Substitute. Residency requirements for "partnerships" and "corporations" are not contained in current statute. The proposed regulations on the Agricultural Revolving Loan Fund define partnership or joint venture as "a resident if all the partners or joint venturers are residents." A corporation is "a resident if it is currently registered to do business in the state and persons holding the majority stock in the corporation are residents." (proposed 11 AAC 39.251).

3) Limit to In-State Production

The phrase "in-state commercial production" has been added to lines 20, 22, and 24 of the draft Committee Substitute. Committee members suggested that a distinction should be made between establishments that raise and harvest horticultural crops and products in the state, and those that resell products received from other states. DNR's survey of greenhouse and nursery production in Alaska in 1982 indicates that there are many producers who do ship plants into the state for resale.

4) Definition of Horticulture

It was suggested that a definition of horticulture be placed in AS 03.10. Horticulture could be defined through a specific listing of products and crops:
"For the purpose of this section, horticulture is defined as the growing and production in greenhouses or nurseries of vegetables, fruit plants, grass seed, sod, tree seedlings, ornamental plants, foliage, and flowering plants."

5) Regulation of Fur Farming

AS 03.25.020 governs the involvement of Department of Environmental Conservation (DEC) veterinarians in the care and breeding of fur bearing animals. DEC has the authority to permit the farms and inspect them for health and sanitary standards. As of December, 1982, there were 14 permits issued to fur farmers in Alaska. In addition, the Alaska Department of Fish and Game (ADF&G), issues permits for the capture of wild fur bearers to mix with the domestic animals to enhance genetic stock.

SB 342, (Agricultural Revolving Loan Fund), SB 339 and SB 353 (Alaska Agricultural Action Council), and SB 322 (Agricultural Revolving Loan Board) will be heard on Wednesday, February 1, 1984 at 3:00 pm in the Beltz Room.

The following items are attached:

- 1) Proposed Committee Substitute for SB 339, which would put the Alaska Agricultural Action Council on a five year sunset provision.
- 2) Proposed Committee Substitute for SB 342, containing the changes noted in the memo.
- 3) A proposed amendment to SB 342 that would give the Agricultural Revolving Loan Board the discretion to extend the term of a short term loan beyond one year.
- 4) Background information on fur farming.

SENATE FINANCE COMMITTEE
February 22, 1984
9:20 a.m.

SFC-84, #4, Side 1 (000-end)

CALL TO ORDEP

Co-chairman Don Bennett convened the meeting at approximately 9:20 a.m.

PRESENT

All committee members (Senators Bennett, Faiks, Ferguson, V. Fischer, Josephson, Mulcahy, and Sackett) were present. Also attending were Dean Brown, Deputy Director, Division of Agriculture, Department of Natural Resources; Bill McIlroy, Chairman, Legislative Committee, Pioneers of Alaska; Wally Kubley, representing the Pioneers of Alaska; Michael Greany, Director, Division of Legislative Finance; Marylou Burton, Fiscal Analyst, Division of Legislative Finance; aides to committee members and other members of the legislature; and representatives of the press and television media.

SUMMARY INFORMATION

- SB 83 Act relating to court leave for nonpermanent and temporary employees of the state.
- Reported out with unanimous do pass recommendation and zero fiscal note.
- SB 342 Act amending the Alaska Agricultural Loan Act
- Held in committee pending requested information from DMP and Dept. of Law regarding state action against delinquent loans.
- SB 347 Act authorizing the use of Alaska permanent fund income to pay longevity bonuses; amending the longevity bonus program and the permanent fund dividend distribution program
- Held in committee pending receipt of a revised fiscal note from the Dept. of Administration.

SB 83

Co-chairman Bennett moved that SB 83 (ACT RELATING TO COURT LEAVE FOR NONPERMANENT AND TEMPORARY EMPLOYEES OF THE STATE) be brought on for discussion. Senator Ferguson explained that the bill was

introduced by the Blue Ribbon Commission on the State Personnel Act. It represents a technical amendment to state statutes which currently allow court leave for nonpermanent employees in one section while denying leave in another section. The bill will right existing contradiction in the statutes. A zero fiscal note accompanies the bill. Senator Ferguson moved for passage with individual recommendations. No objection having been raised, SB 83 passed from Senate Finance with a unanimous do pass recommendation.

SB 342

Co-chairman Bennett moved that SB 342 (ACT AMENDING THE ALASKA AGRICULTURAL LOAN ACT) be brought on for discussion. Co-chairman Sackett directed committee attention to backup in members' files including a handout demonstrating the difference between the proposed legislation and existing law. He also referred to a memorandum from Senate President Kerttula conveying a request by the Commissioner of Natural Resources for an increase in the limit of the loan fund. Co-chairman Sackett then asked that representatives from the department appear before committee to speak to the ceiling increase.

Dean Brown, Deputy Director of Agriculture, appeared on behalf of the department. Co-chairman Sackett advised that fiscal information relating to the program shows that \$10.0 million was added in FY 84 for total funding of \$62.5 million under a \$75 million ceiling. The governor has requested \$11.6 million for FY 85. Ms. Brown explained that the Commissioner of Natural Resources supports an increase in the loan ceiling to \$100 million since current land disposal and agricultural projects will require an injection of \$10 million for the next three years.

The fund presently receives approximately \$4 million per year in interest repayments which meet annual operating expenses for planting and fertilizer. This demonstrates that at the current level the fund is sustaining itself. However, in order to develop farms now underway, the capital limit needs to be increased beyond the present ceiling.

Co-chairman Sackett inquired concerning the need for an increase from \$75 to \$100 million when the department is only requesting \$11.6 million for FY 85, thus bringing the program total to \$74.1 million. Ms. Brown responded that the department has identified a demand to the extent of approximately \$31 million within the next eighteen months, based on upcoming development schedules for projects currently underway. Rather than requesting an increase in the fund limit and an appropriation up to that limit simultaneously, the department is at this time requesting only the increase in the ceiling. Appropriation requests will then be made in accordance with the development schedule.

Responding to a question from Co-chair Sackett concerning audit recommendations and the loan fund's delinquency rate, Ms. Brown explained that the fund has been strengthened procedurally since growing from its initial \$8 million to the current \$62.5. Delinquencies have grown along with increased capitalization. The fund currently experiences some "built-in" delinquency in short-term loans. Under present law, the department may amortize these loans over a one-year period only. Such loans account for 41% of the fund's delinquency. If a farmer experiences a crop failure in a year, he immediately becomes delinquent since the department cannot legally extend his loan.

Senator Fischer voiced concern over situations highlighted in the audit report which indicate that delinquencies appear to be piling up (an individual may have one delinquent loan on top of another). How does the department handle these loans? Ms. Brown advised that in the past the loans were merely "rolled over." The board, within the last nine months, has taken an aggressive stand on delinquencies, has formulated a delinquency policy, and increased the number of loans being referred to the attorney general's office for foreclosure.

Following the years of rapid fund growth and large land disposals, the department is now beginning to identify those who have gotten into farming and demonstrated that they are not good managers. Their loans have become delinquent. The department and board have adopted the philosophy that delinquencies must be acted upon, the land repossessed by the state, and the farms gotten back into good farming hands. Under current board policies, a letter issues after 30 days of delinquency. The letter is followed by a visit by the "examiner" (the individual who initially made the loan) to the farmer. The board is currently re-examining "built-in" delinquency situations and attempting to come up with reasonable repayment schedules. Ms. Brown further explained that delinquency rates experienced by the fund represent a national trend in that agricultural loans have not traditionally been rewritten to hide delinquencies.

In response to a question from Senator Fischer concerning how much it costs the state to administer the program, Ms. Brown answered \$402 thousand. She noted that promotional funds are derived from revolving moneys returning to the fund. The only general funds involved are the yearly capital appropriations.

Intrigued by the zero fiscal note and the fact that the department is this year going to "hit the ceiling" while requesting only \$11.6 for FY 85, Senator Fischer asked for an explanation. Ms. Brown responded that the fiscal note was written prior to the proposed amendment raising the loan ceiling. However, the department believes demands on the fund can be met by the FY 85 capitalization request. The increased ceiling should not require additional funding until next fiscal year when increased funding will be included within the department's

regular request. Land disposal projections and development schedules required by law predict a larger demand than the department is requesting. The board grants loans on an individual basis, however, and a funding increase via fiscal note is not deemed warranted at this time. The \$11.6 request should be adequate.

Senator Fischer referred to language on page 2 of the bill which would allow the board to extend a short-term loan over a period as long as 20 years. He advised that he would propose an amendment which would permit extension for one year only. Ms. Brown stated that Senator Fischer's amendment should not create problems as long as it would allow for extension through an additional cropping season.

Senator Faiks advised of concern for the program and its 40% default rate. She further questioned the practice of giving additional loans to those already in default. Ms. Brown explained that there is a \$350 thousand loan limit. She further noted that the program has only 6 borrowers among 270 who are approaching the \$200 thousand limit. She concurred in the Senator's concern that successive crop failures seem to multiply delinquencies and perhaps indicate that the operation will never be successful. This represents a problem with which the board is currently faced.

Senator Faiks next asked how many files had been forwarded to the attorney general. Ms. Brown responded, "approximately 25." Senator Faiks asked how many of the 25 are in the process of prosecution. Ms. Brown answered, "probably a third of those." The Senator then asked how many lands had been won back for the state as a result of delinquency actions. Ms. Brown stated that she would have to research her files to make a determination since the department deals with both the Fairbanks and Anchorage branches of the attorney general's office. She noted, however, that not a significant number of foreclosure actions have reached completion at this time. Senator Faiks requested that the aforementioned information be provided to committee.

Senator Mulcahy, speaking to Senator Fischer's proposed amendment regarding extension of short-term loans, advised of need to amortize such loans over at least a five year period in order to provide enough time to "work out" the loan. A good crop year cannot be expected to pay off two crops if the previous year was poor.

Senator Josephson reiterated Senator's Faiks request for information regarding the number of cases forwarded to the attorney general, the dates referred, the cases in which the debtor regained good standing, the cases which were handled through judicial procedures resulting in money judgments, and cases which went to foreclosure through non-judicial procedures resulting in recapture of the land. Ms. Brown advised that she

would obtain the information. She further stated that since active referral to the attorney general's office had only begun within the last 9 months, most cases are likely to be in early stages of action. Co-chairman Sackett requested that the bill be held in committee pending receipt of the requested information.

Senator Vic Fischer also requested expert testimony on Section 4 of the legislation, dealing with the types of land for which clearing loans may be made. Citing the description of qualifying lands as those having "agricultural potential," the Senator questioned the implication of such broad wording. Ms. Brown commented that the section would allow clearing of Class 4 lands for grazing. Under present law the program is restricted to Class 2 and 3 lands based on soil type and slope. A significant percentage of Class 4 land (designated for agriculture only) is, due to slope and topographic conditions-- good grazing land. Under present statute the program has no latitude which would allow for clearing of such lands for grazing.

Co-chairman Bennett directed that the bill be held in committee pending receipt of requested information from the attorney general's office.

SB 347

Co-chairman Bennett moved that SB 347 (ACT AUTHORIZING THE USE OF ALASKA PERMANENT FUND INCOME TO PAY LONGEVITY BONUSES; AMENDING THE LONGEVITY BONUS PROGRAM AND THE PERMANENT FUND DIVIDEND DISTRIBUTION PROGRAM; AND PROVIDING FOR AN EFFECTIVE DATE) be brought on for discussion.

Senator Mulcahy explained that the legislature had a similar bill before it during the previous session. He then conducted the following sectional review:

Sec. 1 - Establishes a longevity bonus account within the permanent fund at 12.5% of the income stream. This money can be invested, and the legislature can add to the account through appropriation.

Sec. 2 - Changes percentage of disbursement to the permanent fund distribution fund from 50% to 37.5% as a result of the use of 12.5% for longevity bonuses.

Sec. 3 - Establishes one-year residency and 65-years of age as qualifications.

Sec. 4 - Establishes monthly payments of \$200 with a 3% per annum increase if funding is available.

Sec. 5 - Technical change substituting "recipient" for "his."

Sec. 6 - Revises longevity bonus legislation in order that the account may receive funding from the permanent fund.

Sec. 7 - Allows Commissioner of Administration access to state records (driver and hunting or fishing licenses) to verify residency.

Sec. 8 - Defines "resident."

Sec. 9 - Defines purpose.

Sec. 10 - Repeals the current statutory definition of "residency."

Sec. 11 - Retroactive clause.

Sec. 12 - Contains backstop provisions.

Senator Mulcahy explained that the current bill differs from that of last year in that it reduces the monthly payment from \$250 to \$200. Further, current legislation contains retroactive provisions while that of last year did not. And Section 12 makes the program dependent upon the Supreme Court decision (if the state loses the Vest case, the bill becomes effective--if the state prevails, the bill will not be needed).

Senator Mulcahy advised of difficulties in tracking information presented on the fiscal note from the Dept. of Administration. Directing attention to the note dated 2/3/84, the Senator noted that funding shown in parenthesis represents deficit funding--general fund amounts which the Dept. of Administration would normally be requesting. However, because of the shift to the permanent fund for the flow of income, general funds will not be needed. The \$42.5 million shown under permanent funds does not represent the income flow into the account; it represents the projected cost of the program. The difference between the deficit funding and projected costs is shown under revenue and expenditures.

Co-chairman Sackett noted that the fiscal note presents information in an incorrect manner and requested that it be redone. The Co-chairman also questioned the great difference in FY 35 general funds (\$11 million to \$30 million) between the department's first and second fiscal note.

Co-chairman Bennett directed that the bill be held in committee pending appearance before committee of a representative from the department and updated, clarified fiscal information.

A brief discussion followed concerning the retroactive clause in the bill. Senator Mulcahy stated that last year the committee decided that it would not include retroactive provisions.

Referring to Section 12, Senator Josephson advised of his understanding that the proposed bill would go into effect only if the Vest suit is lost. He added that he wished it made clear that the legislature does not prefer the proposed program over the current program. The proposed legislation represents only a backstop or contingency in the event the current program is lost.

Senator Vic Fischer voiced opposition to the bill at the \$200 level and asked that a fiscal note be prepared showing costs under the bill if payments are \$250 a month.

ADJOURNMENT

The meeting was adjourned at approximately 9:50 a.m.

SFC-84, #4, Side 1 (000-end)

SENATE FINANCE COMMITTEE

March 13, 1984

9:10 a.m.

SFC-84, #9, Side 2 (000-462)

CALL TO ORDER

Co-chairman Don Bennett convened the meeting at approximately 9:10 a.m.

PRESENT

Members present were Senators Bennett, Sackett, Mulcahy, Ferguson and V. Fischer. Senator Josephson came in later and Senator Faiks was absent.

ALSO PRESENT were Senators Kerttula, Gilman, Paul Fischer, Representative Fritz; Gary Miller, Board of Directors, Alaska Lung Association; Deena J. Henkins, Reg. Env. Super. ADEC; Lisa P. Nelson, Assistant Attorney General, Department of Law; Don Kubley, Gov. Liaison, C.H.A.R.R.; Don Allan, Alaska Lung Association; E.S. Rabeau, Deputy Commissioner, Department of Health & Social Services; Dean Brown, Deputy Director, Division of Agriculture, Department of Natural Resources; Sharon Barton, Special Assistant, Department of Natural Resources; Marylou Furton, Fiscal Analyst, Legislative Finance; Janelle King, Legislative Affairs Agency; Don Magnuson, Alaska Retailers Assoc., Inc.; and aides to Senators and Representatives.

SUMMARY INFORMATION

SB 342

An Act relating to the Alaska Agricultural Loan Act.

Replaced with a Finance CS and reported out with individual recommendations.

SB 383

An Act making special appropriations to the Departments of Law and Education for miscellaneous claims; and providing for an effective date.

Replaced with Finance CS and reported out with a unanimous do pass recommendation.

SCSCSFB 691 (Finance) An Act making special appropriations for capital projects; and providing for an effective date

SCSCSHP 691 (Finance) reported out of committee with a majority do pass recommendation.

SE 342

Co-chairman Don Bennett moved that SE 342 (AN ACT RELATING TO THE ALASKA AGRICULTURAL LOAN ACT) be brought on for discussion and asked Co-chairman Sackett, who had been assigned this legislation, to give a brief history on the bill. Senator Sackett called the committee's attention to the proposed Committee Substitute which had been passed around to the members. He stated this was the same as the Resources Committee Substitute with the exception of Sec. 3. The concern from the testimony last time was in the language and has been changed so that the term of the loan made under this subsection may be extended for up to three additional years. The key words were "up to." He asked Senator Mulcahy if this would take care of the concerns he had. Senator Mulcahy replied it would.

With regard to Sec. 4, Senator Sackett recalled testimony from the Division of Agriculture last time, indicating they were interested in the terms of expansion and the type of land was Type 4 land. However, when the Division of Agriculture was called back, they said that was not correct and recommended keeping the new language there in terms of the clearing land for other than land that has been classified by the United States, Department of Agriculture Conservation under the Land Capability Classification System. The existing language reads that it is clearing land, that it is not classified as Class 3 or better by the United States Soil Conservation Service. So based on that, and after talking with Senator Kerttula, Senator Sackett left the language as is.

Senator Bennett asked if anyone in the audience had come to town to testify on this bill. There were none.

Senator Sackett said that Senator Kerttula had another request which was to increase the amount of indebtedness over and above \$75 million. However, he felt this could be done next year because the appropriation for this year just comes to under \$75 million.

Senator Kerttula

Senator Kerttula said he was in agreement with this. He said the Department of Natural Resources had brought this to his attention since the Senate had amended the authorization several times over the years, to accommodate the increased appropriation, that very shortly they would need to amend the authorization. Senator Kerttula further said he felt there was some discipline and the reason he didn't want to increase it some years ago to \$100

million was the very reason that the Finance Committee is speaking to it now

Senator Sackett moved that the Committee Substitute for SB 342 (Finance) be adopted. Upon a show of hands, CS for SB 342 (Finance) was adopted.

Co-chairman Bennett asked Dean Brown if she wished to testify on this legislation.

Dean Brown

Dean Brown, Deputy Director of the Division of Agriculture in the Department of Natural Resources, addressed the committee. She commented in particular on the Committee Substitute, saying Senator Sackett had been correct when he stated Class 4 soils had been used as an example under Sec. 3 in previous testimony. She said the Soil Conservation Service does consider class 4 and 6 soils to be agricultural potential lands. She said the problem is the statutes state Class 3 lands would be the lowest number. One, two and three are excellent class lands and the higher the number gets, 4, 5, & 6, the more problems there are in farming the lands. She felt the wording should be changed to allow class 4, 5 and 6 lands but it would not mean lending on non-agricultural soils.

Senator Kerttula felt separate legislation should be written regarding this. He said that the bill does speak to a very serious problem and didn't feel it should be "hogged" down further.

Senator Sackett moved that CS for SB 342 (Finance) be passed from committee with individual recommendations. There being no objection, the bill passed from committee with Senators Sackett, Mulcahy and Bennett signing do pass and Senators Ferguson and V. Fischer signing no recommendation.

SB 383

Co-chairman Bennett moved that SB 383 (AN ACT MAKING SPECIAL APPROPRIATIONS TO THE DEPARTMENTS OF LAW AND EDUCATION FOR MISCELLANEOUS CLAIMS) be brought on for discussion and asked if anyone was present that wished to testify on this bill. There were none. Senator Bennett said SB 383 combined the outstanding court consent decrees to the Department of Law and the Department of Education into one bill. He said several consent decrees have been generated since the bill has been introduced and they will be presented as amendments at the Finance hearings.

Senator Ferguson called attention to the CS for SB 383 (Finance) which had been placed in all of the member's files and explained this would allow for the inclusion of Beaver and Wales schools.

Senator Bennett moved that CS for SB 383 (Finance) be adopted as the working document. Upon a show of hands, the motion carried and the Senate Finance Committee Substitute was adopted by the committee as the working document.

Senator Ferguson moved that CS for SB 383 (Finance) be passed from committee with individual recommendation. There being no objection, the Finance Committee Substitute was passed from Committee with a unanimous do pass recommendation.

Co-chairman Bennett announced that there would be a five-minute recess at this time.

RECESS 9:20 a.m.

RECONVENE 9:35 a.m.

Announcement

Upon reconvening Co-chairman Bennett announced SP 471 was assigned to Senator Sackett.

SCS CS HB 691

Co-chairman Bennett then announced that the Committee had before it SCSCSPB 691 (Finance) and there was a run which also encompassed the Governor's portion of the budget, the figure was \$613,800,600, and he asked for the consent of the committee to use this as their working document. This was agreed by the committee.

Senator Bennett moved that Sec. 6 be amended to read " This Act takes effect July 1, 1984." Upon a show of hands the motion carried and the effective date was changed.

Senator Sackett passed out a memorandum dated March 12, 1984, listing revisions for HB 691 from him and Representative Hurlbert. He said the net affect of these revisions should be zero.

Senator Sackett made a motion to pull all purchases of mini computers and computer systems equipment until the legislature could get a figure on these purchases. By a show of hands, the motion carried and all mini computers will be removed from this budget document and the financial total will be adjusted accordingly.

Senator Sackett moved to delete from the Department of Corrections (page 69 of the working document) "statewide renovation and repair" and "combined facility leasing payment," which is a continuation of the Seward Jail. He asked that these

be removed until the question could be resolved. Upon a show of hands, the motion carried.

Senator Sackett moved that Stevens Village for 1.3 be changed to Quinahagak Phase I, 1.3. He said the reason was that in a bill that passed previously he had put in \$1 million and that will be used for Phase I for Stevens Village. Upon a show of hands, the motion carried.

Senator Josephson arrived at the meeting at this time.

Senator Sackett reverted back to his original motion on his specific changes which he had passed out to the committee and said it is a reduction deletion and informed the committee that what he needed to do was to go back to a bill that had previously passed and have the governor veto 1.5 million for Beaver from the appropriation. He moved for this reduction and the additions as he had listed. Upon a show of hands, the motion carried.

Senator Sackett then moved to change all "allocations" to "appropriations." Upon a show of hands, the motion carried.

Senator Ferguson moved to change Kotzebue City Streets \$1.2 million. He had placed \$500,000 in the Transportation bill and would like to reduce this by \$500,000 and provide that money for Noatak's streets and facility for \$500,000. Upon a show of hands, the motion carried.

Senator V. Fischer moved that on page 21, line 16 on the latest draft, after Anchorage Mountain View Elementary heating unit replacement, add "and other improvements." Upon a show of hands, the motion carried.


Senator Sackett moved that Senate CS for CS for HF 691 (Finance) be passed from committee with individual recommendations. There being no objection, SCS CS HF 691 (Finance) passed out of committee with Senators Mulcahy, Ferguson, Josephson, Sackett and Bennett signing do pass and Senator V. Fischer signing no recommendation.

Senator Bennett announced that HB 84 would be taken up the next day at 9:00 a.m.

ADJOURNMENT

There being nothing further to come before committee at this time, the meeting was adjourned at 9:45 a.m.

SFC-84, #9, Side 2 (000-462)



green connection

Position Paper
Alaska Horticultural Association
Testimony By: Steven Shropshire
AHA Board Member: Owner Green Connection

Wednesday January 25 1984
Before: Senate Resource Committee

Good Afternoon,


I am Steve Shropshire owner of the Green Connection and board member of the Alaska Horticultural Association.

The Board of Directors of the Alaska Horticultural Association would like to express its support for senate bill # 342.

Although there are several chapters of our statutes that deal with the agricultural industry, definitions do not exist which provide clarity to the administration of our state's policy on agriculture. Accordingly, it is the recommendation of the Board of Directors of the Alaska Horticultural Association that this legislation be put into effect as soon as possible so as to provide a set of statutory definitions which accurately reflect existing practices in Alaska and common usage of terms in the industry, as well as existing laws of Alaska.

A review of the current statutes and regulations, indicates a distressing trend in how our industry is being restricted by the failure to properly define "agriculture". Agriculture is one of the very foundation blocks upon which settlement was encouraged in Alaska and this industry was one of the first to receive state support by means of long-term, low interest loans. The restrictive development of the term "agriculture," however, has now taken on the force of law as promulgated in Chapter 39 of the Alaska Administrative Code. The enabling legislation of 1953 declares that it is the policy of the state to "promote the more rapid development of agriculture as an industry..." The enabling statutes also set forth State policy which will

- 1) Encourage agricultural development:



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Alaska Horticultural Association
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- 2) Do not discriminate against viable existing agricultural enterprises." (AS 03.10.030 (h), Limitations on Loans (1982 Amendment.)

Nonetheless, the regulations set forth in 11 AAC 39.010 are inconsistent with the provisions on the statute and establish an unprecedented restriction which, if left unchanged, will drastically affect the future of the entire agricultural industry in Alaska.

11 AAC 39.111, Qualifying Loan Purposes, provides in section b(5), Loans will not be made for the following purposes: "Enterprises not operated primarily for human or livestock food production, including, but not limited to, horse breeding and raising operations, fur breeding and fur farming enterprises, silviculture projects and greenhouses not operated primarily for food production;" subsection 9 provides "establishments which resell rather than produce crops, livestock and livestock products."

Not only is the restrictive language of the regulations inconsistent with the Alaska Agricultural Loan Act itself, it is also inconsistent with every other statute of Alaska where "agricultural" terminology is used.

- A. The Standard Industrial Classification clearly includes horticulture as a subdivision of major group 01, Agricultural Production. This is a national classification of standard industrial codes and is used by every state, including Alaska. It includes short definitions.



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- B. California law defines "growing agriculture crops" as follows:


In as much as the planned production of trees, vines, rosebushes, ornamental plants and other horticultural crops is distinguished from the production of other products of the soil only in relation to the time elapsing before maturity, plants being produced by nurseries shall be considered to be 'growing agricultural crops' for the purpose of and laws pertaining to the agricultural industry of the state.

- C. Florida provides:

That where ever the terms 'agriculture, horticultural purposes, agricultural uses' or words of similar import are used in any of the statutes of the State of Florida, such terms shall include horticulture and floriculture, horticultural purposes and floricultural purposes, horticultural uses and floricultural uses, and words of similar import applicable to agriculture shall likewise be applicable to horticulture and floriculture.

Alaska's Horticultural Industry is a young vigorous industry, with estimated sales in 1984 at well over 8 million dollars. As is typical in most segments of agriculture the horticultural industry is a labor intense one. This relates to jobs for Alaskans, thus having a major economic impact in our state.

Currently, the Alaska Horticultural Association is made up of some eighty individuals and or organizations statewide, with membership classifications ranging within the following categories.



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Types of Membership:

Florist
Garden Center
Nursery
Processors of fruit or vegetables

Greenhouse production
Interiorscape industry
Landscape industry
Production of fruit and vegetables

Alaska's greenhouse and nursery producers have an opportunity to enter the market for foliage and flowering plant production as well as for landscaping and ornamental plants. One of the advantages of in-state productions is to encourage reproduction of plants that are naturally well-suited to Alaska's environment. Although many of these plants can be produced in other parts of the country (or world), the genetic stock may become less-suited to Alaska's conditions if all propagation and production takes place in milder climates. However, Alaska's greenhouse and nursery producers cope with higher costs of energy, labor, fertilizers, and chemicals and a shorter growing season than do producers in other parts of the United States.

It was once said, "Man does not live by bread alone". Horticultural products are consumed by Alaskans. They are consumed psychologically by thousands on a daily basis. Providing a natural buffer to our home and work environment. Generally enhancing the quality of life for us all.

We trust that you also share with us in recognizing the significance of our contribution to the Alaska Agricultural Industry, and will join us in supporting Senate Bill 342.

Respectfully Submitted,



Steven M. Sinforshire

DEPARTMENT OF LAW

POUCH K - STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3600

OFFICE OF THE ATTORNEY GENERAL

March 16, 1984

The Honorable Jan Faiks
Alaska State Senate
Pouch V
Juneau, AK 99811

Dear Senator Faiks:

This responds to your request of March 5, 1984, for information regarding the status of certain Agricultural Revolving Loan Fund loans designated by the Department of Natural Resources as having been referred to the Department of Law for collection:

1. Bearson. The file was opened by Fairbanks AGO on June 14, 1983. In both November and December 1983, that office was advised by Division of Agriculture personnel to take no action in this matter as they felt Bearson might yet make a go of it. No further action has been requested of our office to date.

2. Beaver. The file was opened by Anchorage AGO on March 1, 1984. The file is currently under review by that office.

3. Burkett. The file was opened by Fairbanks AGO on June 14, 1983. The borrowers were killed in an auto accident. A claim was filed against the estate July 6, 1983. On February 17, 1984, the administrator of the estate indicated a distribution was anticipated between April 1 and May 1, 1984, and the loan should be paid off then.

4. Crowson. The file was opened by Fairbanks AGO on September 16, 1983. The borrower has filed for bankruptcy in federal court, and we have filed our claim in that proceeding.

5. Delta K Farms. The file was opened by Fairbanks AGO in July 1982. It was opened as a result of a lawsuit brought against Delta K Farms and the State by a third party for clearing contract money owed, not for collection of the loan. To date, no foreclosure or collection action has been requested by Division of Agriculture against Delta K Farms.

6. Far North Apiaries. The file was opened by Fairbanks AGO on June 14, 1983. In October, 1983, the equipment securing the borrower's loan was returned to the Division of Agriculture by the borrower. The Division indicated at that time that it would sell the property and that we should close our file. The file was closed on October 13, 1983.

7. Gilliland. The file was opened by Fairbanks AGO on December 17, 1982. A default sale was conducted at which there were no bidders. The State obtained five acres of road front Delta subdivision property for a \$10,000 bid. This file was closed on September 6, 1983, upon the recording of a Trustee's Deed.

8. Hartman. The file was opened by Anchorage AGO in November 1982. A demand letter was sent to the borrower on November 30, 1982. The borrower came in on January 7, 1983, and agreed to resume making monthly payments. We agreed to hold off foreclosure so long as he remained current in his payments. Borrower remained current in his payments through the end of 1983, however he failed to make the December 15, 1983, annual payment. Our office commenced foreclosure in late December, 1983.

9. Heather Farms. The file was opened by Fairbanks AGO on August 31, 1983. On February 27, 1984, that office was advised by the Division of Agriculture that there was a question as to the State's security position, and that communications and negotiations were going on with regard to it with a banking institution. Our office was instructed to do nothing further until the Division so advised.

10. Hins. The file was opened by Anchorage AGO on March 1, 1984. The file is currently under review by that office.

11. Joyce. The file was opened by Anchorage AGO in June 1983. The borrower is deceased. The loans were secured by a Deed of Trust and the property has been listed with a real estate agent, but has not yet sold. The borrower's father met with our office in August 1983, to work out a settlement on behalf of his son's estate. We requested input regarding that proposed settlement from the Division in August, and again in December 1983. On March 8, 1984, we received a memorandum from the Division authorizing us to renegotiate a repayment plan with the attorney for the estate.

12. Kachelmeier. The file was opened by Fairbanks AGO in 1980. Suit was initiated to enforce a \$25,000 note and judgment in the amount of \$27,000 (includes interest) was obtained. That judgment was satisfied in 1980, and the file was subsequently closed.

13. Kodiak Cattle Company. This filed was referred to the Anchorage AGO in 1982, but not for foreclosure or collection action.

14. OHM. This file was referred to the Anchorage AGO in 1983. However, the files were in such a bad state that we were unable to determine what it was the Division wanted us to do. The fil was subsequently returned to the Division of Agriculture.

15. Pedrick. The file was opened by the Fairbanks AGO in 1977. The borrower's debt was discharged in bankruptcy in 1979. The State was in a second position to another lender and lost all.

16. Schenk. The file was opened by the Fairbanks AGO in 1983. The borrower is presently in bankruptcy proceedings in federal court. The loan appears to be well protected.

17. Schmidt. The file was opened by the Fairbanks AGO on June 14, 1983. A note in the file by one of the attorneys in that office recites, "Hold in abeyance until after July 27 board meeting. Pete Probasco, loan officer, met with Schmidt and they may be able to resolve this." We have received no further communications from the Division regarding this file and have taken no further action, pending direction from the Division.

18. Smith. It is unclear when this file was opened by the Fairbanks AGO. A judgment in favor of the State was obtained in May 1982, and equipment which secured the loan was delivered to the State. Our office advised the Division of the judgment in June, 1982, and instructed it to process the recovery of the equipment and sell it. The balance of the judgment (portion not paid off through sale of equipment) is now a collections matter, requiring the location of additional unencumbered property and then seizure and sale of it by legal process.

19. Spears. This file was referred to the Anchorage AGO in 1983. However, as with OHM, the files were in such a bad state that we were unable to determine what it was the Division wanted us to do. The file was subsequently returned to the Division of Agriculture.

Honorable Jan Faiks
Senator

March 16, 1984
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As you have probably observed in reading the above case summaries, "success" in collecting on agriculture loan delinquencies is difficult to gauge. I think it is fair to say, however, that there are basically two factors which have a direct relationship to our ability to successfully enforce collection of these debts: 1) whether the Division obtained adequate unencumbered security to cover the amount of the loan in case of default, and 2) the condition of the loan file (completeness, organization and documentation) when it is referred to us for enforcement.

If you have any further questions in this regard, please let me know.

Sincerely,

NORMAN C. GORSUCH
ATTORNEY GENERAL

By:


Ronald W. Lorensen
Deputy Attorney General

RWL:vrh

cc: David LeBlond
Assistant Attorney General
Anchorage AGO

Randy Olsen
Assistant Attorney General
Fairbanks AGO

Sharon Barton
Special Assistant
Department of Natural Resources