

LEG. FINANCE - BILLS 1983 - 1984 2091
CSSB 342 cont. - SB 342 2091

MEMORANDUM

State of Alaska

DEPARTMENT OF NATURAL RESOURCES - DIVISION OF AGRICULTURE

TO: Sharon Barton
Special Assistant

THRU: Bill Heim *JBH*
Director

FROM: Dean Brown *DB*
Deputy Director

DATE: February 29, 1984

FILE NO:

TELEPHONE NO:

SUBJECT: Senate Finance
Questions

In the Senate Finance hearing on 2/22/84, specific questions were asked by Senator Jan Faiks regarding the ARLF delinquencies which required researching our response.

1) Is the A.G. process working?

The ARLF feels that the A.G. process will work, however it is only recently that the ARLF Board has taken aggressive action in both foreclosures and developing a streamlined processing system to facilitate A.G. actions on loan files. It has been only during the past eight months that systematic action on defaults has occurred. In many cases loan files which had been in default with the fund for some years were addressed. Upon advice from the auditors and A.G., the fund developed the necessary record of notice and documentation required to legally proceed. Consequently, the process is in the early stages of realizing results.

2) Provide a list of cases referred to the A.G. Office and dates referred.

The following list shows all cases that have been referred to the A.G., however, dates on some of the cases were not well documented in the files and may reflect dates of earliest correspondence rather than transmittal.

Name	Area	Date
Bearson	Tanana	6/10/83
Beaver	Mat-Su	2/28/84
Burkett	Tanana	3/3/83
Crowson	Delta	9/16/83
Delta K Farms	Delta	7/28/82
Far North Apiaries	Delta	6/15/83
Gilliland	Delta	10/11/82
Hartman	Mat-Su	9/1/82
Heather Farms	Delta	8/23/83
Hins	Mat-Su	2/28/84
Joyce	Kenai	6/3/83
Kachelmeier	Delta	3/18/80
Kodiak Cattle Co	Kodiak	3/82
OHM	Delta	3/31/83
Pedrick	Tanana	7/25/77
Schenk	Delta	2/25/83
Schmidt	Delta	3/3/83
Smith	Delta	7/25/77
Spears	Delta	3/31/83

February 29, 1984

3) How many loans were repaid at the point of foreclosure?

Three borrowers repaid their complete loans to ARLF at the point of foreclosure.

4) How many loans have been actually foreclosed?

One since 11/14/81

5) How many borrowers paid ARLF after judicial action?

None to date.

cc: James K Barnett, Deputy Commissioner
John Messenger, ARLF Chairman

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: Wm D. Small, 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

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.

Offered: 2/8/84
Referred: Finance

Original sponsors: Faiks, Kerttula
and Halford

1 IN THE SENATE BY THE RESOURCES COMMITTEE

2 CS FOR SENATE BILL NO. 342 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

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17 or for pasture.

Introduced: 1/10/84
Referred: Resources and
Finance

BY FAIKS, KERTTULA
AND HALFORD

1 IN THE SENATE

2 SENATE BILL NO. 342

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

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STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

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 Title: Amending the Ak. Ag. Loan Act
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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. Small, 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

COMMITTEE REPORT
SENATE

FURTHER:

Date 6/1/77

Mr. President

The Committee on Finance considered SB 377

amending the Alaska Agricultural Loan Act

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 _____
- new title _____
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

Chairman

Chairman recommendation

Offered: 3/12/84
Referred: Finance

Original sponsors: Faiks, Kerttula
and Halford

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Official Business

Alaska State Legislature

Senate

Committee on Finance

Pouch V
State Capitol
Juneau, Alaska 99811

March 12, 1984

M E M O R A N D U M

To: MEMBERS, Senate Finance Committee

FROM: Max Gifford, A.A.
SENATOR JOHN SACKETT

SUBJ: SB-342, Agricultural Loan Act, Finance CS.

Attached is Finance CS for SB-342, which is before the finance committee, tomorrow, March 13, 1983.

The CS is the same as the Resources committee CS first discussed earlier this year in finance with the exception that Section 3 (page two, line 9) has language limiting the extension of the term of a loan "for up to three additional years."

FEB 14 1984

SB 342



Official Business

Alaska State Legislature

Senate

Office of the President

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

To: Senator Don Bennett
Senator John Sackett
Cc-Chairman
Senate Finance Committee

From: Senator Jay Kerttula
Senate President

A handwritten signature in cursive script, appearing to read "Jay", written over the printed name of Senator Jay Kerttula.

Date: February 9, 1984

Subject: ARLF

With appropriations included in the Governor's budget for the Department of Natural Resources of \$12 million for the corpus of the Agriculture Revolving Loan Fund (ARLF), the fund is rapidly approaching its statutory limit of \$75 million.

The Commissioner of Natural Resources has asked that we amend SB 342, which has a Finance Committee referral, to raise the ceiling of the ARLF to \$100 million.

Attached is a potential amendment which would accomplish this.

Thank you for your consideration of this request.

Attachment

A M E N D M E N T

#3 ✓

Offered in the SENATE

TO: SB 342

Page 1, after line 25, insert a new section to read:

"* Sec. 2. AS 03.10.040 is amended to read:

Sec. 03.10.040. CREATION OF FUND. There is an agricultural revolving loan fund that may [WHICH SHALL] not exceed \$100,000,000 [\$75,000,000] to carry out the purpose of this chapter."

EXISTING LAW

§ 03.10.010

ALASKA STATUTES

§ 03.10.030

Chapter 10. Alaska Agricultural Loan Act.

Section	Section
10. Declaration of policy	40. Creation of fund
20. Powers of the department	50. Administration of fund
30. Limitations on loans	52. Limitation on board members
35. Use or disposal of mortgaged farm land	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)

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;

(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

(1) pay other tax of the loan
(2) pay the loan
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Sec. 03.10.035
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Effect of
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Sec. 03.10.035
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under AS 03

10.0 million added in FY84 to 62.5 million total in fund
11.6 m for FY85

A SPECIAL REPORT ON THE
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF AGRICULTURE
AGRICULTURAL REVOLVING LOAN FUND

For the Fiscal Year Ended June 30, 1983

Audit Control Number

10-4170-84-S

Commissioner, Department of
Natural Resources

Esther Wunnicke

Deputy Commissioners, Department
of Natural Resources:

Juneau
Anchorage

Robert Arnold
James K. Barnett

Agricultural Revolving Loan Fund Board of Directors

Chairman
Member
Member
Member
Member

John P. Messenger
Robert J. Gillas
Steven K. Hamilton
Don Breedon
Dennis D. Green

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PURPOSE OF THE REPORT

In accordance with the provisions of Title 24 of the Alaska Statutes and a special request of the Legislative Budget and Audit Committee, an examination of the Department of Natural Resources, Division of Agriculture, Agricultural Revolving Loan Fund (ARLF) was conducted to:

1. Determine if the financial statements for the 1983 Fiscal Year are fairly presented.
2. Determine the compliance by the ARLF with the applicable State statutes and regulations governing fiscal activities of the Fund.

ORGANIZATION AND FUNCTION

ARLF was established by AS 03.10.040 for the purpose of providing low interest financing to individual resident farmers, homesteaders, and partnerships or corporations composed of farmers and homesteaders. Capitalization for ARLF has been made by direct appropriations from the General Fund currently totalling \$52,500,000. Total contributions to ARLF are limited by statute to \$75,000,000.

The Commissioner of the Department of Natural Resources in conjunction with the Agricultural Revolving Loan Fund Board is responsible for the administration of the fund. No loans in excess of \$25,000 may be made by the commissioner without the approval of the majority of the Board. See Appendix A for ARLF loan types and terms.

FINDINGS AND RECOMMENDATIONS

Recommendation No. 1

Improvement is needed in ARLF loan processing system.

In our prior audits (1978-1982), we made several recommendations which addressed the establishment of policies and procedures to improve ARLF loan processing system. The problems noted during those audits included; incomplete applications, deficiencies in the execution of legal documents, violations of statutory limits, lack of insurance, lack of Board approval, and questionable compliance with residency requirements.

Although ARLF has made improvements in its system and pending regulations should clarify loan processing requirements, we found that the problems noted in prior years still exist. A review of 20 new loan files showed:

1. Eleven of the files reviewed did not have completed applications. Pro forma financial statements and evidence of credit checks were missing.
2. The residency status of two of the borrowers was questionable. One of the borrowers residency status was questioned in our prior audit. However, the borrower was given additional loans although the file does not reflect Alaska residency.
3. Four of the files did not contain properly executed security documents.
4. Nine of the files did not contain evidence of insurance on collateral naming ARLF as loss payee. Additionally, four of the applicable files did not contain evidence of a collateral appraisal.
5. Two of the loans reviewed exceeded allowable loan limits. One loan exceeded the statutory limit by \$27,000 and the other exceeded Board approval by \$665. We also found that two loans exceeded the seven year term established by the Board on chattel loans.

In our opinion, the reoccurrence of these errors supports the need for closer supervision and review of the loan examining and loan closing functions. The importance of perfection cannot be overemphasized in light of ARLF's increasing delinquency rate. As of June 30, 1983, there were 234 loans over 30 days delinquent totalling \$15,497,595 (40%). This represents an increase of \$9,284,941 over Fiscal Year 1982 (see Appendix B for loans over 90 days delinquent).

As the delinquency rate increases the possibility of fore-

FY 83 Delinquent = 6,212,614
FY 84 Delinquent = 15,497,595

*DNR has
an explanation
for some
of these.
Attached at
the end of
this report.*

*→
SEE p. 32*

loan files to the AG's office. In addition, the loan files should be updated periodically with a status report describing AG action to date.

Recommendation No. 3

ARLF should perform an annual collectibility analysis of its loans receivable.

ARLF's increasing delinquency rate emphasizes the need for an accurate estimation of the allowance account to ensure a fair presentation of loans receivable and loan loss expense in its financial statements.

We recommend that ARLF review all delinquent loan files annually and make an assessment of the outstanding loan amount which is unlikely to be collected. To aid ARLF in this assessment, an aging schedule of loans receivable should be prepared. Aging involves an analysis of each loan to determine the amount not yet due, moderately past due and considerably past due. Classification of the amounts by age (i.e. current, 30 days, 60 days, 90 days, 6 months, etc.) is deemed important because experience has shown that the older the account the higher the probability of uncollectibility. Thus, loans greater than one year past due should be reviewed closely. Consideration should also be given to those loans which were refinanced, reamortized, or extended during the year for inclusion in the analysis.

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

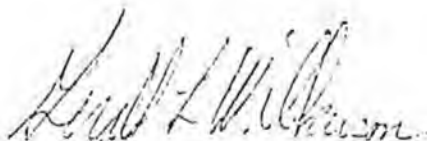
JUNEAU, ALASKA 99811

October 31, 1983

Members of the
Legislative Budget and Audit Committee:

We have examined the Balance Sheets of the Agricultural Revolving Loan Fund as of June 30, 1983 and 1982, and the related statements of Revenues, Expenses, and Changes in Retained Earnings, and Changes in Financial Position for the years then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Agricultural Revolving Loan Fund as of June 30, 1983 and 1982, and the results of operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principals applied on a consistent basis.



Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF AGRICULTURE
AGRICULTURAL REVOLVING LOAN FUND
COMPARATIVE BALANCE SHEET
June 30, 1983 and 1982

	1983	1982
<u>Assets</u>		
<u>Current Assets</u>		
Cash in Transit	\$ 429,053	\$ 260,474
Cash in Treasury	16,892,310	11,645,781
Accrued Interest Receivable	2,179,223	1,209,522
Appropriation Receivable	-0-	10,000,000
<u>Total Current Assets</u>	<u>19,500,586</u>	<u>23,115,777</u>
<u>Loans Receivable</u>		
Agricultural Loans Receivable	38,285,019	33,119,263
Irrigation Loans Receivable	324,376	344,946
Subtotal	38,609,395	33,464,209
Less: Loans Sold to State Treasurer	(1,067,664)	(1,203,415)
Allowance for Uncollectible Loans	(2,120,465)	(1,318,675)
Net ARLF Loans Receivable	35,421,266	30,942,119
Loans in Progress	406,677	521,210
Repossessed Property	68,607	44,225
Kodiak Slaughterhouse Loan	133,293	134,451
Alaska Farmers' Cooperative Loan	1,350,000	1,000,000
<u>Total Loans Receivable (Long-Term)</u>	<u>37,379,843</u>	<u>32,642,005</u>
<u>Office Furniture and Equipment</u>		
At Cost	21,429	9,635
Less: Accumulated Depreciation	(3,239)	(2,467)
<u>Total Office Furniture and Equipment</u>	<u>18,190</u>	<u>7,168</u>
<u>Total Assets</u>	<u>\$56,898,619</u>	<u>\$55,764,950</u>
<u>Liabilities and Fund Balance</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 40,490	\$ 65,611
Interest Payable	9,566	6,597
<u>Total Current Liabilities</u>	<u>50,056</u>	<u>72,208</u>
<u>Other Liabilities</u>		
Due to the General Fund	1,483,293	1,134,451
<u>Fund Balance</u>		
Contributions from General Fund	52,500,000	52,500,000
Retained Earnings	2,865,270	2,058,291
<u>Total Fund Balance</u>	<u>55,365,270</u>	<u>54,558,291</u>
<u>Total Liabilities and Fund Balance</u>	<u>\$56,898,619</u>	<u>\$55,764,950</u>

The Notes to the Financial Statements are an integral part of this Statement.

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF AGRICULTURE
AGRICULTURAL REVOLVING LOAN FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
For the Fiscal Years Ended June 30, 1983 and 1982

	1983	1982
<u>Revenues</u>		
<u>Interest Income</u>		
Agricultural Loans	\$2,028,964	\$1,602,725
Irrigation Loans	12,685	15,809
Kodiak Slaughterhouse Loan	5,342	5,378
<u>Total Interest Income</u>	2,046,991	1,623,912
<u>Other Income</u>	18,369	24,809
<u>Total Revenues</u>	2,065,360	1,648,721
<u>Expenses</u>		
<u>Administrative Expenses</u>		
Loan Losses	803,342	549,054
Personal Services	353,101	277,204
Travel and Per Diem	44,652	30,277
Contractual Services	46,519	35,632
Commodities	9,995	4,324
Depreciation	772	489
<u>Total Expenses</u>	1,258,381	896,980
<u>Net Income</u>	806,979	751,741
<u>Retained Earnings, July 1</u>	2,058,291	1,306,550
<u>Retained Earnings, June 30</u>	\$2,865,270	\$2,085,291

The Notes to the Financial Statements are an integral part of this Statement.

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF AGRICULTURE
AGRICULTURAL REVOLVING LOAN FUND
COMPARATIVE STATEMENT OF CHANGES IN FINANCIAL POSITION
For the Fiscal Years Ended June 30, 1983 and 1982

	1983	1982
<u>Sources of Working Capital</u>		
<u>Operations</u>		
Net Income	\$ 806,979	\$ 751,741
Items not Requiring Working Capital		
Depreciation Expense	772	489
Loan Loss Expense	303,342	549,054
<u>Working Capital from Operations</u>	1,611,093	1,301,284
<u>Sale of Repossessed Property</u>	23,618	-0-
<u>Contributions from General Fund</u>	-0-	24,000,000
<u>Total Sources of Working Capital</u>	1,634,711	25,301,284
<u>Uses of Working Capital</u>		
Increase in Repossessed Property	48,000	-0-
Net Increase in Loans Receivable	5,495,580	10,959,384
Decrease in Loans Sold to State Treasurer	135,751	93,005
Loans in Progress	(114,533)	(3,306,352)
Increase in Equipment	11,794	2,862
Increase in Due to the General Fund	(348,842)	-0-
<u>Total Uses of Working Capital</u>	5,227,750	7,748,899
<u>Net Increase (Decrease) in Working Capital</u>	\$ (3,593,039)	\$17,552,385
 <u>Elements of Net Increase (Decrease)</u> <u>In Working Capital</u>		
<u>Increase (Decrease) in Current Assets</u>		
Cash in Transit	\$ 168,579	\$ 222,324
Cash in Treasury	5,246,529	6,848,068
Accrued Interest Receivable	969,701	539,096
Appropriation Receivable	(10,000,000)	10,000,000
<u>Total Increase (Decrease) in Current Assets</u>	(3,615,191)	17,609,488
<u>(Increase) Decrease in Current Liabilities</u>		
Accounts Payable	25,121	(56,202)
Accrued Interest Payable	(2,969)	(901)
<u>Total (Increase) Decrease in Current Liabilities</u>	22,152	(57,103)
<u>Net Increase (Decrease) in Working Capital</u>	\$ (3,593,039)	\$17,552,385

The Notes to the Financial Statements are an integral part of this Statement.

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF AGRICULTURE
AGRICULTURAL REVOLVING LOAN FUND
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 1983 and 1982

Note 1 - Summary of Significant Accounting Policies of the
Agricultural Revolving Loan Fund

Alaska Statute 37.05.150 requires accounting policies to be in accordance with generally accepted principles of governmental accounting. The following is a summary of significant policies applicable to the Agricultural Revolving Loan Fund (ARLF), an Enterprise Fund.

A. Basis of Accounting

The ARLF annual financial statements are prepared on an accrual basis of accounting. Accrual accounting provides that:

1. Revenues are reported when earned.
2. Expenses are reported based upon a direct association with specific revenues or when the obligation to pay is incurred.
3. Furniture and equipment is stated at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

B. Interest of Loans

The accrual of interest income on loans is discontinued when, in management's opinion, there is doubt as to the collectibility of such income.

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

JUNEAU, ALASKA 99811

October 31, 1983

Members of the
Legislative Budget and Audit Committee:

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information in Appendixes A and B is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements; and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit

APPENDIXES

APPENDIX A

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF AGRICULTURE
AGRICULTURAL REVOLVING LOAN FUND
TYPE OF LOANS AND TERMS
For the Fiscal Year Ended June 30, 1983

Loan Types and Terms

As specified by AS 03.10.030, the following six types of loans are made:

<u>Type</u>	<u>Current Limit</u>	<u>Rate</u>	<u>Interest Terms</u>	<u>Purpose</u>
Short-term	\$200,000	Not addressed	1 year	Operation of farm
Chattel		(Note 1)	30 years	Animals, equipment
Farm Development	Total outstanding balance may not exceed \$1,000,000 when added to other loans		30 years	Land, improvements, buildings
Irrigation			30 years	Irrigation equipment
Farm Product Processing	\$250,000	Not less than 8%	30 years	Processing of agricultural products
Land Clearing	\$250,000	Not less than 8%	20 years	Clear land for planting

Note 1: Chapter 113, SLA 1982, effective June 25, 1982, amended the statutory interest rate to not less than eight percent or more than commercial rate, unless the commercial rate is eight percent or less. The Commissioner may establish interest rates for loans within these statutory guidelines.

APPENDIX B

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF AGRICULTURE
AGRICULTURAL REVOLVING LOAN FUND
SCHEDULE OF DELINQUENT LOANS
AS OF JUNE 30, 1983

<u>Borrower</u>	<u>Loan Number</u>	<u>Delinquent Balance</u>		
		<u>Over 90 days</u>	<u>6 months To 1 year</u>	<u>Over 1 year</u>
Alamasu	S-1161	\$9,381	\$	\$
	C-875		71,000	
	C-965		2,500	
	F-439		29,000	
	F-458		50,000	
	F-481		100,000	
Alaska Crop	C-750	12,669		
Alaska Fur	S-1151		50,000	
	C-930		90,000	
	F-487		60,000	
Bannon A.	S-1008			80,000
	S-1041			7,000
	S-1051			100,000
	S-1104		13,000	
	C-753			300,000
	F-392			508,012
Bannon J.	S-1058			50,000
	S-1120		55,000	
	S-1148		19,000	
	C-836			300,000
Beaver	S-1068	6,000		
	C-849			84,603
	C-850			21,800
Boyd	S-1113		50,000	
	F-409			44,343
Brasier	F-442		120,901	
Brehmer	C-928		299,934	
	F-475		131,358	

APPENDIX B

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF AGRICULTURE
AGRICULTURAL REVOLVING LOAN FUND
SCHEDULE OF DELINQUENT LOANS
AS OF JUNE 30, 1983

<u>Borrower</u>	<u>Loan Number</u>	<u>Delinquent Balance</u>		
		<u>Over 90 days</u>	<u>6 months To 1 year</u>	<u>Over 1 year</u>
Golden Valley	S-1103 C-909 F-438	\$	\$ 59,055 160,000 236,230	\$
Gordon	S-1157 C-878		1,177	3,200
Heather Farms	S-1126 C-917 F-460		101,000 72,773 119,000	
Heaton	C-1001 F-550	168,630 599,994		
Hinns	S-1071 S-1136		16,604	39,000
Hohn	S-957			2,700
Ingalls	C-820			40,723
Jacobson	C-951	21,680		
Jenn	C-654 C-767 C-859 C-1002 F-361 F-366	34,441 114,859 38,427 62,232 166,282 169,184		
Jurgens	F-416			16,062
Karr	S-1037 C-743 C-822		115,320	66,522 37,500

APPENDIX B

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF AGRICULTURE
AGRICULTURAL REVOLVING LOAN FUND
SCHEDULE OF DELINQUENT LOANS
AS OF JUNE 30, 1983

<u>Borrower</u>	<u>Loan Number</u>	<u>Delinquent Balance</u>		
		<u>Over 90 days</u>	<u>6 months To 1 year</u>	<u>Over 1 year</u>
Muth & Sons	F-252 F-318	\$	\$	\$ 67,127 113,935
O'Donnell	C-988	8,966		
Olson A.	S-1137		3,500	
Olson M.	S-1032 S-1043 C-669 C-756 F-293 F-377 F-398	2,325	5,595	33,175 5,000 257,784 9,484 53,000
Peninsula Greenhouse Inc.	C-948 F-317 F-362	301,132	181,845	290,059
Porter	F-485		19,034	
Richards	S-1018			15,000
Risse	S-1155	33,297		
Robertson B.	S-1128 C-742		26,000	46,649
Sandvik	F-346	21,366		
Saylor	S-1139 C-915 F-470		80,000 76,037 98,685	
Scweigert	C-817 C-993		21,271 20,142	

APPENDIX B

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF AGRICULTURE
AGRICULTURAL REVOLVING LOAN FUND
SCHEDULE OF DELINQUENT LOANS
AS OF JUNE 30, 1983

<u>Borrower</u>	<u>Loan Number</u>	<u>Delinquent Balance</u>		
		<u>Over 90 days</u>	<u>6 months To 1 year</u>	<u>Over 1 year</u>
<u>Attorney General Referrals (continued)</u>				
Nash	S-932	\$	\$	\$15,318
Pedrick	S-859			8,711
	S-867			15,000
Schenk	S-1019			16,296
	S-1118		50,000	
	S-1120		6,500	
	C-766			21,700
	C-793			12,000
	C-811			2,000
	C-837			27,000
	C-843			93,400
	C-885		55,500	
	C-966		6,500	
	F-401			98,500
F-445			55,000	
Smith	S-918			11,600
	S-928			8,500
	C-661			19,500
	C-682			6,000
Burkett	C-773			5,723
Bearson	S-1219	6,000		
Far North Apiaries	C-684			25,212
OHM	C-512			22,015
	F-220			37,000
	F-228			16,000
	F-244			40,000
	F-266			32,103
	IR-23			79,989

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

PO BOX M
JUNEAU, ALASKA 99811
PHONE: 907-465-2400

February 3, 1984

Mr. Gerald Wilkerson, CPA
Legislative Auditor
Pouch W
Juneau, AK 99811

Re: Preliminary Audit Report
Agricultural Revolving Loan Fund

Dear Mr. Wilkerson:

I was pleased to see that the Division of Legislative Audit determined that substantial improvements have been made in the ARLF over the last year. I realize that it is imperative that we strengthen procedures as the loan fund increases in capitalization and complexity, and you can be assured that I will personally track the implementation of your recommendations and other changes my staff has recommended.

We have reviewed your findings and offer the following specific comments:

Recommendation No. 1: Improvement is needed in ARLF loan processing system.

1. Eleven of the files reviewed did not have completed applications. Pro forma financial statements and evidence of credit checks were missing.

Of the eleven files in question, we concur that six of the applications should have been more complete. Tighter review procedures and submission deadlines initiated over the last half of the audit period should virtually eliminate this problem in the future.

Five applications are considered complete by ARLF. During the period being audited, the application form was revised. A short form version was approved by the ARLF Board and Director as an acceptable application for borrowers having filed a complete application and financial statement within the previous year. The ARLF manual will be brought up to date to reflect this new procedure over the next 45 days. This should eliminate the problem identified by the auditor.

Our review of these files showed no financial statements missing, but there was one instance which was not written on the application form, but rather was submitted on a separate paper.

February 3, 1984

location, etc. The ARLF did indicate in the last audit response that criteria would be developed for the insurance decision and that the Board would make a finding in each case. This has not been done consistently. The ARLF board will develop criteria and written policy by April 1, 1984.

Collateral appraisals are generally performed by the loan examiner and are not always considered necessary by the ARLF when other information on estimated value is available. Collateral being appraised, type of appraisal and loan to value ratios are now included on the Board report form.

5. Two of the loans reviewed exceeded allowable loan limits. One loan exceeded the statutory limit by \$27,000 and the other exceeded Board approval by \$665. We also found that two loans exceeded the seven year term established by the Board on chattel loans.

The loan which appeared to exceed the statutory limit by \$27,000 was not an operating loan. The minutes and Board Report both indicate that it was approved as a chattel loan, but it was ordered and closed by the examiner as an operating loan. The file has now been corrected. It does not, in fact, exceed the statutory limit for its proper category.

The two chattel loans made for longer than seven years did not, in fact, violate statutory authority or board policy in effect at the time. However, they were written by staff in excess of the term authorized by the Board for those specific loans. The new central closing system was established to minimize these errors.

Recommendation No. 2: ARLF should improve its communications with the Attorney General's Office.

Prior to the audit, the Board had formulated and implemented procedures similar to those recommended by the auditor. The ARLF Board now instructs the staff to summarize loan status and actions when referrals are made to the Attorney General's Office. We believe these new procedures will resolve the problems identified by the auditor.

Recommendation No. 3: ARLF should perform an annual collectibility analysis of its loans receivable.

In the past, the collectability analysis of loans was performed as part of the audit. In the future, the ARLF will perform the analysis annually prior to the audit.

FINDINGS AND RECOMMENDATIONS

Recommendation No. 1

ARLF should establish procedures to ensure that loans are issued to Alaskan residents.

ARLF may have issued loans, totalling \$2,053,750 as of June 30, 1982, to non-Alaskan residents. The loans were issued to two individuals and two partnerships. We question the residency of these individuals and entities due to the following:

1. Out-of-state addresses were given by the applicants.
2. Out-of-state telephone numbers were given by the applicants.
3. Out-of-state banks were listed by the applicants for their checking and savings accounts.
4. Correspondence between ARLF and the borrowers is to and from out-of-state addresses.
5. ARLF staff stated these borrowers own large farm operations out-of-state and commute between their home state and Alaska.

Alaska Statute 03.10.020 states that loans may be made to individual resident farmers, homesteaders, partnerships or corporations. Under AAC 39.030 ARLF may require proof that the loan applicant is a resident of Alaska and meets the requirements of AS 03.10.020.

The borrowers in question were not required to indicate whether they were Alaskan residents on their loan applications. ARLF has since revised the loan application form to include a statement on Alaskan residency which the applicant certifies is true and correct. However, procedures have not been established to specify the documentation necessary for proof of Alaskan residency.

In addition to the non-residency question, we noted the statutory loan limits were exceeded by a non-resident borrower. Prior to June 25, 1982, Alaska Statutes limited farm development loans to \$500,000. On July 1, 1981, ARLF issued a \$236,500 farm development loan to one of the non-resident partnerships mentioned above. However, one of its partners already had a \$500,000 farm development loan outstanding in his own name. The loans issued under the partnership's name and the individual's name, for all types of loans totalled \$1,124,559 as of June 30, 1982, and were utilized for the same farm unit.

Recommendation No. 3

ARLF should improve its loan processing procedures.

ARLF improved its loan processing procedures during Fiscal Year 1982. A major contribution was the completion of a procedures manual. Our review of loan files concentrated on loans issued during the second half of the fiscal year when the new procedures were to be in effect. Based on our review, we noted the following areas which need additional emphasis for improvement:

A. ARLF should ensure loans are approved in accordance with law and loan board decisions are documented.

We noted a loan for \$40,000 which was denied by the Board was subsequently issued by the ARLF staff despite the denial. Another loan was issued for an amount different from the amount approved by the Board. Additionally, we could find no record of Board or Director approval for two other loans totalling \$43,500.

Alaska Statute 03.10.050(a) requires approval by a majority of the Board for loans in excess of \$25,000. Further, the Alaska Administrative Code, 11 AAC 39.040(e), states that following the Board approval of an application for a loan, the application shall be forwarded for approval to the Commissioner of Natural Resources. The Commissioner will, in his discretion, delegate all or part of his approval authority to the Director of the Division of Agriculture.

The Loan Board Report forms should be completed, signed by the Board Chairman or the Director of the Division of Agriculture depending on the loan amount, and filed in the related loan file.

B. Loan applications should be complete.

ARLF should improve the documentation of the following:

1. Applications or application updates should be submitted with each loan request.
2. Financial statements should be submitted with a borrower's initial application and on an annual basis thereafter in order to receive additional loans.
3. Pro forma financial statements projecting the income and expenses of the following year should be submitted.

CORRECTION

THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY

FINDINGS AND RECOMMENDATIONS

Recommendation No. 1

ARLF should establish procedures to ensure that loans are issued to Alaskan residents.

ARLF may have issued loans, totalling \$2,053,750 as of June 30, 1982, to non-Alaskan residents. The loans were issued to two individuals and two partnerships. We question the residency of these individuals and entities due to the following:

1. Out-of-state addresses were given by the applicants.
2. Out-of-state telephone numbers were given by the applicants.
3. Out-of-state banks were listed by the applicants for their checking and savings accounts.
4. Correspondence between ARLF and the borrowers is to and from out-of-state addresses.
5. ARLF staff stated these borrowers own large farm operations out-of-state and commute between their home state and Alaska.

Alaska Statute 03.10.020 states that loans may be made to individual resident farmers, homesteaders, partnerships or corporations. Under AAC 39.030 ARLF may require proof that the loan applicant is a resident of Alaska and meets the requirements of AS 03.10.020.

The borrowers in question were not required to indicate whether they were Alaskan residents on their loan applications. ARLF has since revised the loan application form to include a statement on Alaskan residency which the applicant certifies is true and correct. However, procedures have not been established to specify the documentation necessary for proof of Alaskan residency.

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We noted a similar case in our Fiscal Year 1981 audit report in which loans were issued in the name of a borrower's son in order to circumvent the statutory loan limits. We recommended ARLF obtain an opinion from the Attorney General to clarify whether loan limitations should be on a per farm unit basis. In a memorandum dated January 19, 1982, the Attorney General stated the loan limitations should be applied on a per farm unit basis. This prevents one individual through multiple loans from exhausting the loan fund to the detriment of other potential borrowers.

We recommend ARLF promulgate regulations which define and clarify the per farm unit loan limitations. ARLF should also establish specific written procedures for verification of Alaskan residency. These procedures should include, but not be limited to, requesting documentation of Alaskan driver's license, voter's registration, and vehicle registration.

Recommendation No. 2

ARLF should ensure loan notes are properly executed.

We examined 100 percent of the notes held by ARLF as of June 30, 1982, to determine that the notes were signed, notarized, and included all necessary information. We found 23 notes for loans with outstanding balances totalling \$5,076,211 were executed without written repayment terms and maturity dates.

A signed note is proof of the contractual agreement between ARLF and the borrower. If the notes are not complete with the amount of the loan, issue date, interest rate, repayment terms, and maturity date, and a notarized signature of the borrower, the collectibility of the loan may be jeopardized. For example, ARLF presently plans to foreclose on a loan for which the note has no stated repayment terms or maturity date. The borrower has departed from Alaska. ARLF may have difficulties foreclosing on this loan due to the incomplete note.

In addition, we noted five delinquent loans which were not shown as delinquent on the June 30, 1982 loan resume. This was due to the staff being informed that loan extension and/or reamortization agreements were in process. However, no written agreements were ever executed with the borrowers.

ARLF should review the incomplete notes with the Attorney General to determine the proper course of action and ensure future notes are properly completed. The loans for which there may have been verbal extension and/or reamortization agreements should be reviewed. If ARLF determines the terms of the notes need to be modified, approval should be obtained from the Board and written agreements should be executed.

Recommendation No. 3

ARLF should improve its loan processing procedures.

ARLF improved its loan processing procedures during Fiscal Year 1982. A major contribution was the completion of a procedures manual. Our review of loan files concentrated on loans issued during the second half of the fiscal year when the new procedures were to be in effect. Based on our review, we noted the following areas which need additional emphasis for improvement:

A. ARLF should ensure loans are approved in accordance with law and loan board decisions are documented.

We noted a loan for \$40,000 which was denied by the Board was subsequently issued by the ARLF staff despite the denial. Another loan was issued for an amount different from the amount approved by the Board. Additionally, we could find no record of Board or Director approval for two other loans totalling \$43,500.

Alaska Statute 03.10.050(a) requires approval by a majority of the Board for loans in excess of \$25,000. Further, the Alaska Administrative Code, 11 AAC 39.040(e), states that following the Board approval of an application for a loan, the application shall be forwarded for approval to the Commissioner of Natural Resources. The Commissioner will, in his discretion, delegate all or part of his approval authority to the Director of the Division of Agriculture.

The Loan Board Report forms should be completed, signed by the Board Chairman or the Director of the Division of Agriculture depending on the loan amount, and filed in the related loan file.

B. Loan applications should be complete.

ARLF should improve the documentation of the following:

1. Applications or application updates should be submitted with each loan request.
2. Financial statements should be submitted with a borrower's initial application and on an annual basis thereafter in order to receive additional loans.
3. Pro forma financial statements projecting the income and expenses of the following year should be submitted.

4. A statement by the applicant as to the intent of the use of loan proceeds should accompany each loan request.
5. Credit verifications should be performed for all new loan applicants.
6. Real estate appraisals or other reasonable evidence of the loan collateral value should accompany each loan request submitted to the Board.
7. Proof of insurance coverage on loan collateral should be received prior to disbursement of the loan proceeds.

The Alaska Administrative Code 11 AAC 39.030 states all loan requests from the loan fund must be submitted in writing in a form prescribed by the Commissioner. Information that may be required includes: financial statements; pro forma financial statements which show projected income and expense for the following year; a written statement describing how the loan funds will be used; a qualified collateral appraisal; and proof of insurance coverage, naming ARLF as loss payee. The procedures manual adopted by ARLF requires all the aforementioned information and credit verifications to be included in a loan application.

Recommendation No. 4

ARLF should strengthen its guaranteed loan procedures.

When funds are not readily available for an approved loan, ARLF requests interim financing from a local financing institution in an effort to accommodate the needs of its borrowers. To ensure financing, the request includes a guarantee of repayment from ARLF loan proceeds.

Our review of guaranteed loans showed that ARLF does not maintain adequate documentation of its loan guarantee agreements. The following exceptions were noted:

1. ARLF guaranteed loan records are not current.

The ledger cards which list guaranteed loans have not been posted with Fiscal Year 1982 loan information. Additionally, ARLF does not request written confirmation from the lending institution, thus, the borrower's files do not contain documentation to support interim financing approval and repayment.

2. Loan proceeds are made payable to the borrower only.

Since a portion or all of the loan proceeds are guaranteed to the lending institution, ARLF should make checks payable to both the borrower and the lending institution.

This procedure would ensure fulfillment of ARLF's obligation to the lending institution. In our review we noted one case in which a borrower misused interim financing funds. The borrower received \$56,000 in October 1981 of which \$20,000 was to be paid to a lending institution in repayment of a 60-day loan. Due to the borrower's failure to honor his obligation, the loan was not paid until April 1982 by ARLF. Although the funds used by ARLF to pay off the loan were deducted from the borrower's account, the additional controls mentioned above would have prevented the delinquency.

Recommendation No. 5

Loan inspections should be performed by Division of Agriculture personnel.

Loan inspections which include a survey of the farm buildings and equipment are infrequently performed by the ARLF staff. Inspections of ARLF loan collateral should not only be performed before a loan is issued but should also be made on a regular basis to determine the location, continued existence, and condition of loan collateral.

In order to make more efficient use of division personnel, ARLF loan inspections could also be performed by other personnel within the division who make farm visits in conjunction with their regular duties. These staff members could aid ARLF by performing loan inspections during their farm visits. The description of collateral items, including serial numbers, if applicable, could be listed on the ARLF Loan Inspection form. This form then could be given to the staff members for verification of the existence and condition of ARLF collateral.

SENATE AMENDMENT

*2/22/84
Not adopted
by committee*

BY Sen. Vic Fischer

To: Sec 3 SENATE BILL No. CSSB 342 (Res)

To: _____ HOUSE BILL No. _____

PAGE: 2 LINE: 9

After "extended" add:

"for up to one additional year"

Alaska State Legislature

OFFICIAL BUSINESS

CHAIRMAN
RULES COMMITTEE



JAN FAIKS
POUCH V
CAPITOL BUILDING
JUNEAU, ALASKA 99811

Senate

MEMORANDUM

TO: All Members
Senate Finance Committee

FROM: Senator Jan Faiks

RE: CSSB 34? (Resources)

DATE: February 20, 1984

The Resources Committee substitute for Senate Bill 34? makes the following changes to the Alaska Agricultural Loan Act:

1. allows loans to be made to resident Alaskans for fur farming and horticulture, and defines horticulture;
2. allows loans to be made for the commercial production or processing of animal feed;
3. grants the Board the discretion to extend a short term loan beyond one year;
4. allows clearing loans to be made on any land classified as having agricultural potential.

Loans from the Agricultural Revolving Loan Fund are currently allowed for land clearing, farm development, storage and processing of farm produce, and the purchase of livestock or machinery. Draft DNR regulations would expressly prohibit loans from being made for "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;". Loans for processing feed are currently made under the "farm product processing loans" authority.

The Agricultural Revolving Loan Fund did make one fur farming loan and five horticulture loans several years ago. However, as demand on the fund increased, the Agriculture Loan Board established "development of enterprises operated primarily for human or livestock food production" as a priority use of the loan fund.

The statutory limit on the loan fund is \$75 million. Appropriations to date total \$62.5 million and there is currently \$10 million available for loans. The Governor has requested \$12.5 million for the coming fiscal year. The interest rate on these loans is 8%.

The Resources Committee added three sections to the original bill. Section 2 provides a definition of horticulture. This is important because there is not a definition of agriculture anywhere in the statutes which has created a lot of problems.

Section 3 gives the Agricultural Revolving Loan Fund Board the discretion to extend the term of a short term loan beyond one year.

Section 4 would allow land clearing loans to be made on all lands classified by the Soil Conservation Service as having agricultural potential. Current statutes limit clearing loans to Class I, II, or III soils. Some lands are class IV only because they're wet. Once they are cleared and dried out, they become suitable for agriculture. Other "lower class" soils, though not suitable for crop production, are suitable for hay production or native grazing after they are cleared.

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

Attached for your reference are the following:

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

Offered: 2/8/84
Referred: Finance

Original sponsors: Faiks, Kerttula
and Halford

1 IN THE SENATE BY THE RESOURCES COMMITTEE
2 CS FOR SENATE BILL NO. 342 (Resources)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL
6 For an Act entitled: "An Act relating to the Alaska 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,

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date:

REQUEST

Bill/Resolution No.: SB 342
 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: Wm D. Small, 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)

(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. / / , Reg.)

CHAPTER 39 - Ag. Revolving Loan Fund Authority: AS 03.10.020
AS 03.10.030

11 AAC 39.111. QUALIFYING LOANS PURPOSES. (a) Loans may be made for, but 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;

CORRECTION

THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY

Offered: 2/8/84
Referred: Finance

Original sponsors: Faiks, Kerttula
and Halford

1 IN THE SENATE BY THE RESOURCES COMMITTEE

2 CS FOR SENATE BILL NO. 342 (Resources)

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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 by the agricultural revolving loan fund
10 board, in the discretion of the board, upon application by the borrow-
11 er.

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.: SB 342
 Title: Amending the Ak. Ag. Loan Act
 Sponsor: Faiks et al
 Requestor: _____
 Date of Request: 1-10-84

FISCAL DETAIL

Agency Affected: Natural Resources
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Agricultural Revolving Loan Fund
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ARLF

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	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
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FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
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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. Smith, Deputy Date: 1-24-84
 Agency: Natural Resources

Distribution (by Agency preparing fiscal note):

- Legislative Finance
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12/1/83

(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;

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- (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 farming purposes.

(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 on-farm trucks;

(5) 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;

(6) 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;

(10) residential property; and

Authority: AS 03.10.020
AS 03.10.030

11 AAC 39.121. LOAN CATEGORIES. (a) Loans for the purposes specified in 11 AAC 39.111(a) shall be made under the following categories:

(1) short term loans;

(2) farm development loans;

(3) irrigation loans;

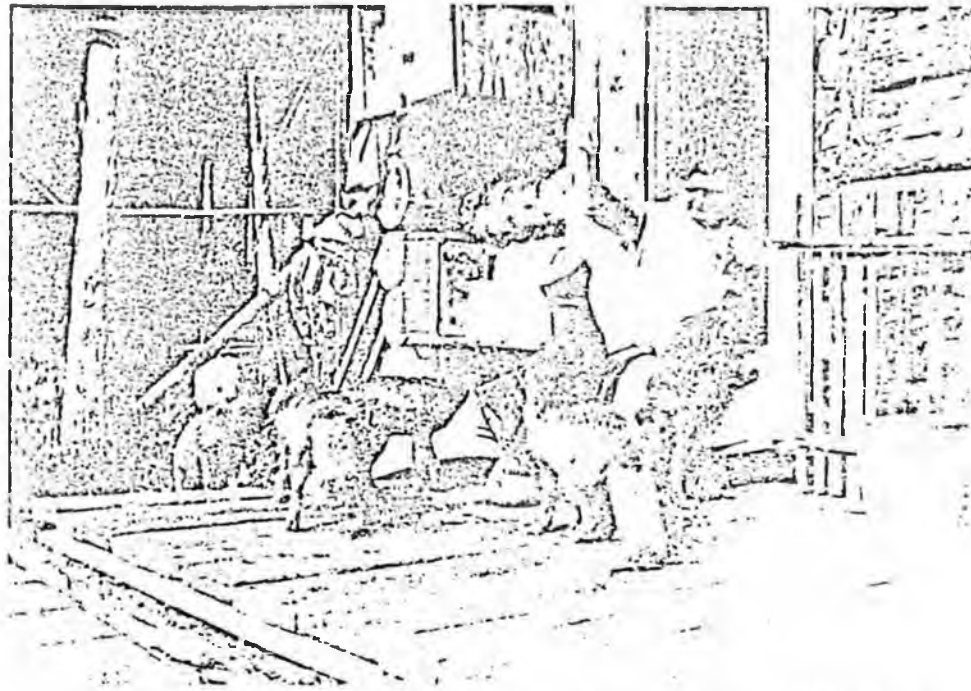
(4) chattel loans;

(5) farm product processing loans; and

(6) land clearing loans.

(b) A loan under each category specified in (a) of this section must meet the requirements for the loan category under 11 AAC 39.131 - 11 AAC 39.181, the overall maximum loan limit under 11 AAC 39.191, other conditions of loans under 11 AAC 39.211 - 11 AAC 39.231 and terms and conditions set by the board under 11 AAC 39.241. (Eff. / / , Reg.)

Authority: AS 03.10.020
AS 03.10.030
AS 03.10.050



Fox farming was still a profitable business back in the 1930s when thousands of pictures were taken on Brother Island in Southeast Alaska. By 1939, the foxes had drastically and fur farming nearly disappeared. (Alaska Historical Library)

fur farming

By Karen Cantillon

Fur farming, raising animals to harvest their pelts, has evolved over the years into an exacting science, although its beginnings in Alaska were less than scientific. Lately there has been renewed interest in the industry.

When people began farming furs in Alaska intensive gold mining was still taking place in many cities and towns. As lodes started to dwindle, people looked for other ways to make money. Furs were valuable. Some people began trapping, while others decided to raise furbearers, breed them, and sell the pelts of the offspring. For some, fur farming was lucrative; for others, it meant bankruptcy.

The history of fur farming in the state was full of the same excitement found in other pioneer endeavors. In the case of Billy Gray, fox poacher, there was too much excitement. On March 7, 1924, according to an account in the *Alaska Daily Empire*, Billy was shot and killed by Ole Haynes and four companions. Haynes, the caretaker who lived on the San Juan Fox Ranch located at Pybus Bay, saw Billy Gray and a companion land on the island Wednesday, March 5. The

two men, armed with traps and weapons, set up camp on the beach. Haynes and his friends hid near the camp on Friday and waited for the men to appear.

Finally, Billy Gray came walking through the woods carrying a dead fox in one hand and a rifle in the other. Haynes and company yelled: "Throw up your hands."

The islands are still dotted with the ruins of these farms.

"All right, boys," he replied dropping the fox but not the gun. Haynes said he saw the barrel of Gray's rifle swing toward the woods where his four companions were hidden. He drilled Gray in the heart.

Haynes was exonerated by a coroner's jury. A local organization, the Southeastern Fox Farmer's Association, used the incident to call for rigid enforcement of the laws against poaching.

Around the turn of the century, the offshore islands in Southeast Alaska and small islands in the Aleutian Chain and around Kodiak were the sites of

numerous farms. The islands today are still dotted with the ruins of these fur farms, many of which failed during the 1930s, a decade that culminated in the fur market crash just before World War II.

Fox farmers leased islands from the federal government for \$100 to \$250 annually, and men with enough capital outlay began investing in the industry. Farms continued to grow until the 1930s. During the 1934-35 season, large numbers of blue fox and white fox pelts were sold. In 1936 mink ranching took a firm hold; an Alaskan mink, the Yukon, began to lead sales in the Lower 48 marketplaces.

The federal government appropriated funds to begin operation of an experimental fur farm at Petersburg. Its purpose was to determine the best and most economical ways to raise furbearers and to extend this information to all fur ranchers in the Territory. The farm operated as part of the University of Alaska until very recently.

In 1939, there were 273 fur farming licenses issued. By 1944 the total had dropped to 87, and by 1947 there



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 NANA 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.



Alaska State Legislature

HOUSE OF REPRESENTATIVES
COMMITTEE ON RESOURCES

JOHN RINGSTAD, CO-CHAIRMAN
RICHARD SHULTZ, CO-CHAIRMAN
POUCH V
JUNEAU, ALASKA 99811
(907) 465-3715

TO: SENATOR BETTYE FAHRENKAMP, CHAIRMAN/ SENATE RES.
FROM: REP. JOHN RINGSTAD, CHAIRMAN/ HOUSE RES. *JR*
DATE: JANUARY 27, 1984
RE: FUR FARMING

THE SITUATION WITH THE FUR FARMERS IN THE STATE IS AS FOLLOWS:
1. PRESENTLY DEC AND F&G REGULATE THE INDUSTRY.

- A. DEC HAS AUTHORITY TO PERMIT THE FARMS AND INSPECT FOR HEALTH AND SANITARY STANDARDS.
- B. F&G PERMITS FOR THE CAPTURE OF WILD FUR BEARERS TO MIX WITH THE DOMESTIC ANIMALS TO ENHANCE GENETIC STOCK.
- C. (U.S. DEPT. OF AGRICULTURE INSPECTS ALL IMPORTED ANIMALS THAT ARE SHIPPED TO ALASKA)

2. I HAVE BEEN WORKING WITH DEC AND DNR TO MOVE FUR FARMING BACK INTO DNR WHERE IT HAD BEEN ORIGINALLY PLACED BEFORE AN EXECUTIVE ORDER BY GOVERNOR HAMMOND DEALING WITH DEC INSPECTION AUTHORITY ARBITRARILY KEPT THAT INDUSTRY INTO DEC.

3. I FEEL THAT THE FUR FARMERS, OF WHICH THERE IS A GROWING NUMBER, HAVE BEEN OVERLOOKED AND AS A RESULT LOST IN A MAZE OF MEANINGLESS REGULATIONS AND DEPARTMENTAL SHUFFLING. LAST YEARS HB 187 TOOK CARE OF A LOT OF THE REGULATORY PROBLEMS, BUT THERE REMAINS THE TRANSFER TO DNR IN HELPING TO HAVE FUR FARMING RECOGNIZED AS THE BONAFIDE AGRICULTURAL ACTIVITY THAT IT IS.

4. MANY OF US ARE UNAWARE THAT THIS INDUSTRY, SO WELL SUITED TO THE RURAL AREAS OF OUR STATE WAS ONCE A THRIVING ENTITY HERE IN ALASKA. WITH THE ADVENT OF BARLEY AND LARGE QUANTITIES OF FISH WASTE THE PROSPECTS FOR FUR FARMING AGAIN LOOK PLAUSIBLE FOR MANY ALASKANS. IT TRULY IS A UNIQUE PART OF AGRICULTURE AND MAY BY THAT VERY NATURE PROVIDE OPPORTUNITIES FOR ALASKANS THAT OTHERWISE WOULD NEVER HAVE THE CHANCE TO PARTICIPATE IN OUR GROWING AGRICULTURAL FUTURE.

SB 342

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)

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;

Act.

(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;

members

(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;

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(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.

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(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.

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(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.

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(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.

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(g) A loan for clearing land may not

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(1) exceed \$250,000;

may

(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 (d).

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 (d); 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

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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 STIIRGULEWSKI



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

Senate

Committee on Resources

M E M O R A N D U M

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
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Senate

Committee on Resources

M E M O R A N D U M

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 358 (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.



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:



green connection

Position Paper
Alaska Horticultural Association
Wednesday 25, 1984
Page 2

- 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(6), 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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Alaska Horticultural Association
Wednesday 25, 1984
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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, agricultural 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.



green connection

Position Paper
Alaska Horticultural Association
Wednesday 25, 1984
Page 4

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 foilage 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. Sirofshire

SURVEY OF GREENHOUSE AND NURSERY PRODUCTION

IN ALASKA

1982

Prepared by

Department of Natural Resources
Division of Agriculture
Kathryn Eberhart, Agricultural Economist
Catherine Wright, Horticulturist

January 1984

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INTRODUCTION

During the spring of 1983 the Department of Natural Resources, Division of Agriculture surveyed the greenhouse and nursery industry in Alaska. The purpose of this study was to update and expand on research done in the past and to estimate the current size of in-state greenhouse and nursery production. The greenhouse and nursery industry forms a vital link between the agricultural sector and consumers. It includes retail and wholesale outlets that sell both plants produced in the state and plants produced in other states and countries. There are, in all likelihood, many untapped markets for the specialized plants that are raised in Alaska.

The survey was directed to commercial greenhouses and nurseries that raise most or all of their plants produced for sale to wholesale or retail buyers or individual customers. Public (institutional) greenhouses and nurseries were not included.

Difficulties in doing this survey were encountered due to a reluctance by some producers to share information on their enterprises. However, many people did respond and expressed interest in receiving a copy of the results. This study provides basic information on the needs of the greenhouse and nursery industry and summarizes production statistics in terms of number of operations, acres of land or square feet of greenhouse space, number of plants, and value of production during 1982.

Alaska's greenhouse and nursery producers have an opportunity to enter the market for landscaping and ornamental plants. One of the advantages of in-state production 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, fertilizer, and chemicals and a shorter growing season than do producers in other parts of the U.S.

OTHER STUDIES

In 1979 the Cooperative Extension Service, Anchorage, Alaska, surveyed greenhouses in Alaska for estimates of square footage and volume of retail sales. The ten greenhouses that disclosed both size and retail sales had a total of 349,645 square feet of space and approximately \$3 million in retail sales. Based on estimated average sales per square foot and knowledge of size of non-reporting greenhouses, total retail sales for greenhouses in Alaska during 1979 were estimated at \$5,612,414.

In fall 1982 Agresources, Palmer, Alaska, surveyed greenhouse production in the Matanuska Valley. There were 18 commercial and institutional greenhouses identified in the borough. Dr. Logsdon found that 10 of the 15 commercial greenhouses known to be in operation had a total area of 44,000 square feet. The average gross return was \$3.75 per square foot. Sales by Matanuska Valley greenhouses usually are a combination of both retail and wholesale sales.

RETAIL VERSUS WHOLESALE SALES

Many considerations affect whether a nursery or greenhouse business will opt for wholesale or retail sales or a combination of both. Although retail sales are usually made at higher prices, the customer usually expects additional services (convenient hours, friendly and knowledgeable salespeople, attractive packaging, expanded selection, and longer sales seasons) and an accessible location. On the other hand, wholesale businesses often have a more remote location, less expensive land, larger volume, longer-term production with less finishing and packaging, and an owner who may not wish to deal directly with the public. A well-managed wholesale operation will earn higher income from the land than typical field and row crops and a well-managed retail business will generally earn a greater return per square foot than will a similar wholesale business.

Survey respondents were asked to estimate the percentage of retail and wholesale sales during 1982. Out of a total of 47 respondents, 18 (39 percent) had all retail sales and 6 (13 percent) had all wholesale sales.

Twenty-one (45 percent) respondents had 90 percent or more of retail sales and 11 (23 percent) had 90 percent or more of wholesale sales. The remaining 32 percent had a more equal proportion of wholesale and retail sales.

GREENHOUSE PRODUCTION

Twenty-nine greenhouse producers responded to the greenhouse portion of the survey and it is estimated that there are approximately 15 additional commercial greenhouses in the state. Survey respondents had approximately 412,000 square feet in greenhouse crop production during 1982 (Table 1). Total value of production was approximately \$2.6 million. Average gross sales were \$6.23 per square foot. Respondents' greenhouse space ranged from less than 1,000 square feet to greater than 100,000 square feet. The mean was about 14,200 square feet.

Table 1
Alaska Greenhouse Space and Value of Production:
Summary of Survey Results
1982

Type of Production	Number of Respondents ^a	Total Square Ft.	Total Value	Value Per Square Foot
Flowering Bedding Plants	17	\$ 163,570	\$1,117,015	\$ 6.83
Vegetable Bedding Plants	19	54,301	188,952	3.48
Flowering Plants	8	53,110	143,250	2.70
Cut Flowers	0	0	0	
Foliage Plants	4	66,200	1,014,200	15.32
Hardy Plants/Container				
Nursery Stock	3	66,200	95,000	5.57
Hardy Plants/Tree Seedlings	2	1,410	b	b
Other	1	1,080	4,600	4.26
Vegetables ^c	7	60,000	b	b
TOTAL ^d		\$ 411719	\$2,563,017	\$ 6.23

- ^a Survey respondents may have produced more than one type of crop.
- ^b Insufficient data.
- ^c Estimates from non-survey sources.
- ^d Total greenhouse space is estimated at 625,000 Square feet and total value of greenhouse plants produced in Alaska exceeded \$4 million.

It is estimated that there are an additional 213,000 square feet of commercial greenhouse space in Alaska with a crop value of about \$1.4 million. Thus, total commercial greenhouse space is estimated at approximately 625,000 square feet; total value of production is approximately \$4 million. This figure does not include plants that are shipped to Alaska. Other studies of Alaska's greenhouse industry have shown higher dollar values because value was placed on all plants and related products rather than only plants produced in Alaska.

Respondents were further categorized according to size of greenhouse space and value of production. Fifty-nine percent had less than 5,000 square feet in greenhouse production in 1982 (Table 2). Twenty-four percent had between 5,000 and 19,999 square feet in production, and 10 percent had between 20,000 and 49,999 square feet. Seven percent had greater than 50,000 square feet of greenhouse space in production.

Table 2
Greenhouse Space and Value
of Production: Distribution
1982

	Square Feet Greenhouse Space					TOTAL
	0-999	1,000-4,999	5,000-19,999	20,000-49,999	50,000+	
Number	8	9	7	3	2	29
Percent	28%	31%	24%	10%	7%	100%

	Greenhouse Value of Production (dollars)							Total
	\$0-999	\$1,000-4,999	\$5,000-14,999	\$15,000-29,999	\$30,000-49,999	\$50,000-99,999	\$100,000+	
Number	3	5	5	4	0	5	2	24
Percent	12%	21%	21%	17%	0	21%	8%	100%

Most respondents had a relatively low value of production. Twelve percent showed less than a \$999 value of greenhouse production and 21 percent each fell within the range of \$1,000 to \$4,999 and \$5,000 to \$14,999. Seventeen percent had between \$15,000 and \$29,999 and 21 percent had between \$50,000 and \$99,999. Eight percent showed greater than a \$100,000 value of production (Table 2). Expenses are not deducted from the value of production figure.

Bedding Plants--Flowering

Flowering bedding plants had an average of four months in the greenhouse with a range of one to six months. Seventeen respondents had a total of 163,570 square feet of greenhouse space producing flowering bedding plants with a mean of 9,622 square feet per respondent. The average value was \$6.83 per square foot and total value was estimated at \$1.11 million.

Bedding Plants--Vegetable

Nineteen respondents grew vegetable bedding plants covering 54,000 square feet of greenhouse space. Plants were in the greenhouse an average of 2.94 months, the range was one and one-half to four months. The average value per square foot was estimated at \$3.49. Total value of vegetable bedding plants raised by survey respondents in 1982 was approximately \$189,000.

Flowering Plants

Flowering plants had an average of 5.6 months in the greenhouse with a range of four to ten months. Eight respondents devoted 53,100 square feet of greenhouse space to flowering plant production during 1982. Average value per square foot was estimated at \$2.70 and total sales were estimated at \$143,250.

Cut Flowers

No survey respondents reported production of cut flowers.

Foliage Plants

Foliage plants had an average of 8.75 months in the greenhouse with a range of three to 12 months. Foliage plants used 66,200 square feet of greenhouse space and had a total estimated value of approximately \$1.014 million. Average value per square foot was \$15.32.

Hardy Plants--Container Nursery Stock

Three respondents reported greenhouse production of hardy plants-- container nursery stock. Average time in the greenhouse was 3.8 months with a range of two to six months. Total greenhouse space devoted to hardy plant production was 17,000 square feet. It is estimated that total value of production was \$95,000.

Hardy Plants--Tree Seedlings

Total greenhouse space devoted to production of tree seedlings by survey respondents was 1,400 square feet. Insufficient information was available to estimate value of production.

Greenhouse Vegetable Production

Greenhouse space is also used to produce vegetables. These are usually high value crops that require a closely controlled environment. Survey results showed that tomatoes, cucumbers, and a lesser amount of celery and lettuce were produced. Time in the greenhouse ranged from 3.5 to six months. It is estimated that about 60,000 square feet of greenhouse space was devoted to vegetable production. Data was insufficient to estimate value of production.

NURSERY PLANTS

Nurseries produce high value specialty crops. Plants may be propagated in Alaska or shipped in from other states. They are either lined-out in nursery rows or transplanted into containers. Plants are often in the nursery two years or longer before being sold. (Institutional nurseries such as the state forestry nursery, the Plant Materials Center (PMC), the