

CS FOR HOUSE BILL NO. 296(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-THIRD LEGISLATURE - SECOND SESSION

BY THE HOUSE RESOURCES COMMITTEE

Offered: 3/1/24

Referred: Rules

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the Board of Agriculture and Conservation; relating to loans and
2 limitations under the Alaska Agricultural Loan Act; relating to federal crop insurance
3 contributions; relating to a report to the legislature on municipal and state procurement
4 preferences for agricultural products harvested in the state and fisheries products
5 harvested or processed in the state; and providing for an effective date."

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

7 * **Section 1.** AS 03.09.030 is amended to read:

8 **Sec. 03.09.030. Quorum. Four** [FIVE] members of the Board of Agriculture
9 and Conservation constitute a quorum for the transaction of business or the exercise of
10 a power or function at a meeting of the board.

11 * **Sec. 2.** AS 03.10.020(a) is amended to read:

12 (a) The Board of Agriculture and Conservation (AS 03.09.010) may
13 (1) make a loan to

(A) an individual resident farmer, homesteader, or a partnership or corporation composed of farmers and homesteaders for

(i) clearing land for agricultural purposes;

(ii) development of farms;

(iii) storage and processing of farm produce; [OR]

(iv) the purchase of livestock or machinery;

(v) the cost of shipping to and within the state for the purposes listed in (i) - (iv) of this subparagraph; or

(vi) in-state manufacturing of food or production of animal feed;

(B) an individual state resident, or a partnership or corporation for

(i) storage and processing plants for agricultural products;

(ii) the commercial production or processing of horticultural products in the state;

(iii) the commercial production or processing of animal feed in the state; [OR]

(iv) the raising or care of animals in the state for the purpose of marketing their fur;

(v) the cost of shipping to and within the state for the purposes listed in (i) - (iv) of this subparagraph; or

(vi) in-state manufacturing of food or production of animal feed;

(2) designate agents and delegate its powers to them as necessary;

(3) adopt regulations necessary to carry out its functions, including regulations to establish reasonable fees for services provided and charges for collecting the fees;

(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

1 agencies, or agencies of the federal government to carry out the purposes of this
2 chapter;

3 (6) collect the fees and collection charges established under this
4 subsection;

5 **(7) refinance a debt obligation incurred by a borrower under this**
6 **section or through another lender for a purpose authorized under (1) of this**
7 **subsection if the borrower otherwise qualifies for a loan under AS 03.10.010 -**
8 **03.10.060.**

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

10 (a) A [THE] farm development, chattel, or irrigation loan made under this
11 chapter

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

14 (2) may not, when added to the outstanding balance of other loans
15 made under this chapter, exceed a total outstanding balance of **\$3,000,000, adjusted**
16 **annually for inflation on July 1 of each year based on the percentage increase in**
17 **the Consumer Price Index for all urban consumers for urban Alaska during the**
18 **previous calendar year, as determined by the United States Department of**
19 **Labor, Bureau of Labor Statistics** [\$1,000,000];

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

24 (4) shall bear interest at a fixed rate comparable to that charged by
25 other agricultural lending institutions in the state for loans similar to those referred to
26 in this subsection.

27 * **Sec. 4.** AS 03.10.030(c) is amended to read:

28 (c) A short-term loan, to be amortized within one year, not to exceed, **for**
29 **[\$350,000 TO] any one borrower, an amount set by the Board of Agriculture and**
30 **Conservation in regulation,** may be made for operating purposes, except that a loan
31 made under this subsection may not exceed **\$500,000** [\$200,000] unless the loan is

made to a borrower in a farm disaster area declared under AS 03.10.058. The loan shall bear interest at a fixed rate comparable to that charged by other agricultural lending institutions in the state for loans similar to those referred to in this subsection. An applicant for a short-term loan may be required to purchase insurance through the Federal Crop Insurance Act (7 U.S.C. 1501 - 1520) as a condition of the loan. The term of a loan made under this subsection may be extended for up to three years by the Board of Agriculture and Conservation, in the discretion of the board, upon application by the borrower.

* **Sec. 5.** AS 03.10.030(f) is amended to read:

(f) A farm product processing loan may not exceed **\$500,000** [\$250,000]. A mortgage that 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 **\$500,000** [\$250,000]. A farm product processing loan that, if made, would raise the existing indebtedness on the real estate securing the loan above **\$500,000** [\$250,000], or a farm product processing loan on real estate that has a prior indebtedness of **\$500,000** [\$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 that exceeds the **\$500,000** [\$250,000] indebtedness limit on the real estate. A farm product processing loan may not exceed a term of 30 years or bear interest at a rate that is less than a fixed rate comparable to that charged by other agricultural lending institutions in the state for similar loans, and shall be secured by a real estate or chattel mortgage or both.

* **Sec. 6.** AS 03.10.030(g) is amended to read:

(g) A loan for clearing land may not

(1) exceed **an amount set by the Board of Agriculture and Conservation in regulation** [\$250,000];

(2) bear interest at a rate that is less than a fixed rate comparable to that charged by other agricultural lending institutions in the state for similar loans;

(3) have a term in excess of 20 years; or

(4) be made for clearing land other than land that has been classified by the United States Department of Agriculture, Natural Resources Conservation

Service, under the Land Capability Classification System as having agricultural potential for the production of annual crops or hay [,] or for pasture.

* **Sec. 7.** AS 03.13.030 is repealed and reenacted to read:

Sec. 03.13.030. State contribution; limitation. Except as provided in AS 03.13.040(b), the state shall pay a percentage of the covered producer's revenue protection policy premium, as calculated by the corporation, equivalent to the amount required to obtain

(1) 85 percent revenue protection for the first two policy years;

(2) 80 percent revenue protection for the third policy year;

(3) 75 percent revenue protection for the fourth policy year; and

(4) if a producer purchases a minimum of 55 percent revenue protection coverage, 70 percent revenue protection for a policy year after the fourth policy year.

* **Sec. 8.** AS 03.13.040(b) is amended to read:

(b) If for any year the amount appropriated is insufficient to fully fund the contribution required by AS 03.13.030 [AS 03.13.020], the department shall allocate funds on a first come basis.

* **Sec. 9.** AS 03.13 is amended by adding a new section to read:

Sec. 03.13.045. Regulations. The department may adopt regulations under AS 44.62 (Administrative Procedure Act) to carry out this chapter, including regulations to establish reasonable fees for services provided by the department.

* **Sec. 10.** AS 03.13.050 is amended to read:

Sec. 03.13.050. Definitions. In this chapter,

(1) "corporation" means the Federal Crop Insurance Corporation (7 U.S.C. 1503);

(2) "revenue protection" has the meaning given in 7 C.F.R. 457.8.

* **Sec. 11.** AS 03.13.020 is repealed.

* **Sec. 12.** The uncodified law of the State of Alaska is amended by adding a new section to read:

REPORT TO THE LEGISLATURE. Not later than the 30th legislative day of the First Regular Session of the Thirty-Fourth Alaska State Legislature, the Department of

Administration, with the assistance of the Department of Commerce, Community, and Economic Development, shall prepare and present to the legislative committees having jurisdiction over procurement a report evaluating the procurement preferences established under AS 29.71.040(a) and (b) and AS 36.15.050(a) and (b). The report must include

(1) annual data and year-over-year comparisons of

(A) the total value of Alaska products purchased;

(B) the type of products purchased, including raw and value-added products, and the amount purchased by volume or units;

(C) the number of businesses participating in the state; and

(D) the number of businesses in the state with sales to institutional buyers, including state agencies, school districts, or local governments; and

(2) a recommendation from the Department of Administration, with input from the Department of Commerce, Community, and Economic Development, addressing potential statutory changes to make purchase preference programs more effective at stimulating state agriculture.

* **Sec. 13.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: REGULATIONS. The Board of Agriculture and Conservation and the Department of Natural Resources may adopt regulations necessary to implement the changes made by secs. 2 - 11 of this Act. The regulations take effect under AS 44.62 (Administrative Procedure Act) but not before the effective date of the law implemented by the regulation.

* **Sec. 14.** Sections 1 and 13 of this Act take effect immediately under AS 01.10.070(c).

* **Sec. 15.** Section 3 of this Act takes effect July 1, 2024.

* **Sec. 16.** Sections 2 and 4 - 11 of this Act take effect July 1, 2025.