

State of Alaska FY2002 Governor's Operating Budget

Department of Natural Resources
Agriculture Revolving Loan Program Administration
BRU/Component

Component: Agriculture Revolving Loan Program Administration

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Component Mission

Promote and encourage development of an agriculture industry in the state.

The Board of Agriculture and Conservation administers the Agricultural Revolving Loan Fund (ARLF) through the Director of Agriculture. The ARLF works to create agricultural opportunities through consistent and stable agricultural loan programs. The ARLF agricultural assets are managed to encourage privatization, maximize return to the state, and promote economically viable development.

Component Services Provided

The Board of Agriculture and Conservation provides various types of loans, including farm development, chattel, operating, irrigation, product processing, and clearing. The Board of Agriculture and Conservation also provides installment credit for the purchase of ARLF assets.

The main responsibilities of the Agricultural Revolving Loan Fund include: Processing new loan application/modification requests; closing loans/modifications; servicing loans/leases; servicing account delinquencies, collections, defaults, and facilitating settlements; providing asset management for real properties, livestock, and equipment; providing inspections and protection of ARLF collateral; and responding to requests by the public, legislature, and state agencies.

Component Goals and Strategies

The goal of the Board of Agriculture and Conservation is to provide direct, moderate interest rate loans to borrowers with good production history, assist the agricultural community, and expand production of Alaska grown products. An additional goal is to increase loan volume and make funds available for agricultural development and expansion in Alaska.

- Finance new farms as a result of an agricultural land disposal program.
- Service the ARLF \$27.4 million portfolio with a clientele of 128 borrowers and 193 accounts.
- Manage 29 asset properties until disposal by sale or lease.
- Process approximately 35 new loan applications with an expected \$2.2 million in new loans.
- Work with the Attorney General's Office through the director on an annual average of 10 cases involving delinquent borrowers to minimize loss through aggressive collection action.
- Coordinate a minimum of eight Board of Agriculture and Conservation meetings for a seven -member board.
- Provide billing and receipts for \$2.1 million cash payments from loans and leasing of ARLF assets.
- Attend agricultural lending functions and forums with other industry representatives.
- Continue servicing of the ARLF portfolio in order to maintain the present low percentage of loan delinquencies.
- Pursue regulatory changes to meet the needs of the agricultural community and industry and implement recent statutory revisions.
- Continue operation oversight of the Matanuska Maid Creamery and Mt. McKinley Meats operations. These facilities play a major role in the survival of the livestock industry in Alaska and operate with a business orientation. We continue to protect the interest of Alaska milk and meat producers.
- Expand the agricultural base by preparing new land disposal packages and property lease opportunities. This will ultimately reduce contractual costs. The property will be back in production and the Board of Agriculture and Conservation will not be required to maintain it in a saleable condition. A two year Agricultural Land Disposal Capital Project provides funding. A Loan/Collection Officer position oversees an Agricultural Land Sale and disposal of the Agricultural Revolving Loan Fund land asset inventory, creating sale revenue. Our land disposal plan for fiscal year 2002 includes ten parcels of land in the Kenai, Southcentral, and Northern Regions,

aggregating over 2,000 acres with an estimated new contract receivables value of \$1.6 million dollars. More properties may be offered when we receive title and accomplish the necessary surveys and appraisals. We expect at least \$1.55 million in new contract receivables.

Key Component Issues for FY2001 – 2002

Erosion of ARLF funds jeopardizes the continued operation of this project since funding is being used for program-wide division operation. The Board of Agriculture and Conservation through the Agricultural Revolving Loan Fund provides moderate interest rate loans for agricultural development. Conventional financing and federal loan programs are not generally available to agriculture in Alaska.

On going servicing of the ARLF portfolio will help to maintain the present low percentage of loan delinquencies.

Regulatory changes are in process to implement recent statutory revisions and to streamline the application process.

Matanuska Maid operates under the direction of the Creamery Corporation Board and is part of a highly competitive industry. Mat Maid creates jobs and revenue in the Alaska economy by marketing Alaska produced items. Using out of state raw milk to supplement the local product and a diverse market line, Matanuska Maid makes it possible for state producers to compete with industries in the Lower 48. This plant is critical to the survival of 10 dairy farm businesses, 45 plant employees, and all the related industries in the Interior and Southcentral Alaska, some with over 40 years of operation history in Alaska. These producers are economically stable and viable, but continue to be dependent on Matanuska Maid.

Major Component Accomplishments for FY2000

The delinquency rate of the ARLF portfolio has continued to be consistently low. Many cases in default have been settled and new buyers/producers have been found for repossessed property. Settlements of defaulted loans are accomplished in coordination with the Attorney General's Office through a Reimbursable Services Agreement with the Department of Law.

Low risk loans to borrowers with good repayment production history have been provided to develop industry stability.

Development of new resource opportunities in the agriculture industry has been expanded.

In FY 01 we have offered or are in the process of offering twelve parcels of land in the South Central and Northern Region of the state, privatizing over 6,000 acres of agricultural land with an estimated new contract receivables value of \$2.6 million dollars to the Agricultural Revolving Loan Fund.

Statutory and Regulatory Authority

AS 03.10

Key Performance Measures for FY2002

Measure: The loan to equity ratio in the Agricultural Revolving Loan Fund.

(Added by Legislature in FY2000 version.)

Current Status:

FY01 - 28.9%

FY02 - Too soon to measure

Benchmark:

The Board of Agriculture and Conservation has expressed interest in increasing the amount of funds loaned to generate additional income for the fund.

Background and Strategies:

Due to rapid development policies twenty years ago the Agricultural Revolving Loan Fund loaned money to borrowers who were unable to repay. A large repossessed portfolio resulted which required increased work to maintain the assets.

We continue to sell these assets at a responsible rate thus bringing them back into production. This helps maintain the fund balance through liquid assets and decreases maintenance responsibilities allowing us to focus on lending and program enhancement.

Status of FY2001 Performance Measures

	<i>Achieved</i>	<i>On track</i>	<i>Too soon to tell</i>	<i>Not likely to achieve</i>	<i>Needs modification</i>
• The loan to equity ratio in the Agricultural Revolving Loan Fund.		X			
• Maintain is saleable condition and dispose of repossessed properties.		X			
• Make Loans		X			

Agriculture Revolving Loan Program Administration
Component Financial Summary

All dollars in thousands

	FY2000 Actuals	FY2001 Authorized	FY2002 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	221.0	267.4	270.7
72000 Travel	14.7	28.0	30.4
73000 Contractual	332.5	395.9	394.9
74000 Supplies	7.0	15.8	11.9
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	575.2	707.1	707.9
Funding Sources:			
1021 Agricultural Loan Fund	557.5	652.5	653.7
1061 Capital Improvement Project Receipts	17.7	54.6	54.2
Funding Totals	575.2	707.1	707.9

Estimated Revenue Collections

Description	Master Revenue Account	FY2000 Actuals	FY2001 Authorized	FY2001 Cash Estimate	FY2002 Governor	FY2003 Forecast
Unrestricted Revenues						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
Restricted Revenues						
Capital Improvement Project Receipts	51200	17.7	54.6	54.6	54.2	54.2
Restricted Total		17.7	54.6	54.6	54.2	54.2
Total Estimated Revenues		17.7	54.6	54.6	54.2	54.2

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Proposed Changes in Levels of Service for FY2002

No proposed changes in levels of service.

Summary of Component Budget Changes

From FY2001 Authorized to FY2002 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2001 Authorized	0.0	0.0	707.1	707.1
Adjustments which will continue current level of service:				
-Year 2 Labor Costs - Net Change from FY2001	0.0	0.0	0.8	0.8
FY2002 Governor	0.0	0.0	707.9	707.9

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Personal Services Information

Authorized Positions			Personal Services Costs	
	FY2001 Authorized	FY2002 Governor		
Full-time	5	5	Annual Salaries	198,811
Part-time	0	0	COLA	2,432
Nonpermanent	0	0	Premium Pay	1,536
			Annual Benefits	77,924
			<i>Less 3.56% Vacancy Factor</i>	(10,003)
			Lump Sum Premium Pay	0
Totals	5	5	Total Personal Services	270,700

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant II	1	0	0	0	1
Administrative Clerk II	0	0	0	1	1
Loan/Collection Off I	0	0	0	3	3
Totals	1	0	0	4	5