

Alaska State Legislature

REPRESENTATIVE
ERIC FEIGE
House District 12

House Resources Committee Co-Chair
Education Committee
Transportation Committee
Joint Armed Services Committee



During Session:
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House of Representatives

TO: Representative Mike Hawker
Chairman, Legislative Audit & Budget Committee

FROM: Representative Eric Feige
House Resources Co-Chair 

DATE: March 21, 2012

RE: Audit Request

I respectfully request that an audit be performed on the Agricultural Revolving Loan Fund (ARLF). The ARLF was set up by the Territorial Legislature in 1953 to promote the more rapid development of agriculture by means of long-term, low-interest loans. The fund is administered by the Division of Agriculture and the Division of Support Services in the Department of Natural Resources. Lending decisions are made by the seven-member Board of Agriculture & Conservation (BAC).

Given the extensive changes to both the agricultural industry and state government since ARLF was created, the time has come to examine the administration of the fund and to look for efficiencies. It is my understanding that five previous audits of ARLF were done in an eleven year period with the last one being in 1998. Specifically, I request the audit include the following objectives:

- Evaluate the performance of ARLF's loan portfolio. Identify types of ARLF loans and the degree to which each loan is performing.
- Identify the duties performed by DNR employees in the administration of ARLF and identify areas where efficiencies could be gained to improve the administration of the program.
- Determine whether DNR should continue to administer ARLF or should all or part of ARLF's administration be carried out by a different state department, agency or private entity to improve performance and/or reduce costs.
- Compare ARLF's program structure, including the Board's involvement in lending decisions, to other Alaska and non-Alaska governmental lending programs. Identify potential changes that could improve the program. Are there any inherent conflicts with respect to Board members approving these loans?

I have had several conversations with the Department of Natural Resources and they would welcome this audit. I appreciate the Committee's consideration of this request.

AGRICULTURAL REVOLVING LOAN FUND

"Financing for The Future"

"Established 1953"

Attached is the Agricultural Revolving Loan Fund (ARLF) application and supporting documents. The objective of the ARLF is to promote the development of agriculture as an industry throughout the State by means of moderate interest rate loans.

- **SHORT TERM** - loans to finance annual operating expenses such as seed, feed, fertilizer, harvesting or planting activities.
- **CHATTEL** - loans to purchase equipment or livestock.
- **FARM DEVELOPMENT** - loans to purchase real property and construct non-residential improvements for agricultural purposes.
- **IRRIGATION** - loans to purchase and install irrigation systems.
- **PRODUCT PROCESSING** - loans to build and equip facilities to process Alaska agricultural products.
- **CLEARING** - loans to provide for land clearing.

Loan Type	Maximum Loan	Maximum Term	Fixed Rate
Short Term	\$200,000	1 year	3.00%
Chattel	\$1,000,000	7 years	4.00%
Farm Development	\$1,000,000	30 years	4.50%
Irrigation	\$1,000,000	30 years	4.50%
Product Processing	\$250,000	30 years	4.50%
Clearing	\$250,000	20 years	4.50%

Total outstanding balances of ARLF loans for a borrower may not exceed \$1,000,000

APPLICATION PROCEDURE

Loan applications must be submitted on ARLF forms. **Required information provided on forms other than those provided by ARLF are subject to ARLF Loan Officer review.** Applications are processed and reviewed by the ARLF staff. Completed applications are submitted to the Board of Agriculture and Conservation (BAC) for consideration monthly.

ELIGIBILITY

Loans may be made to individuals, partnerships, joint ventures, corporations or other business entities. Proof of current Alaska residency must be provided by applicants at loan closing. A statement of Agricultural and other business experience with evidence of necessary related skills and training is required.

CONDITIONS

Loan funds may only be used for agricultural production or processing operations in Alaska. Loans may not exceed 75% of the value of the collateral, less existing liens.

COLLATERAL

Loans must be secured by adequate collateral as appraised by the ARLF or an independent appraiser. Collateral for consideration may include land, improvements, machinery, equipment, crops, or livestock. Property insurance, naming ARLF as loss payee, is required on buildings and all vehicles, machinery, equipment and livestock that are stored in buildings and used as collateral..

PAYMENT TERMS

Loan terms, including payment terms, will be based on applicant's ability to service the loan. Payment terms may be monthly, quarterly, semi-annual, annual or variable.

RATES & FEES

Fixed interest rates are comparable to rates charged by other Alaska agricultural lenders and established by the BAC. A non-refundable \$50 application fee is required. If you have any questions, please contact an ARLF Loan Officer.

**STATE OF ALASKA
Division of Agriculture
Agricultural Revolving Loan Fund
1800 Glenn Highway, Suite 12
Palmer, Alaska 99645-6736
Phone: (907) 745-7200
Fax: (907) 745-7242**

Web: www.dnr.alaska.gov/ag

Payment Fact Sheet

Good Borrower Credit Fact Sheet

AGRICULTURAL REVOLVING LOAN FUND APPLICATION

ARLF Application Checklist

Loan Application

Financial Statement

Collateral List

Annual Income and Expense

Five Year Operating Plan

Child Support Verification

Bank Verification

Operating Budget - MAY BE REQUIRED BY LOAN OFFICER FOR APPLICATIONS SUCH AS NEW OR LARGE PROJECTS

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