

Fiscal Note

State of Alaska
2013 Legislative Session

Bill Version: HB 166
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB166-DCCED-DCRA-04-04-13
Title: BULK FUEL REVOLVING LOAN FUND
Sponsor: FOSTER
Requester: House Community and Regional Affairs

Department: Department of Commerce, Community and
Economic Development
Appropriation: Community and Regional Affairs
Allocation: Community and Regional Affairs
OMB Component Number: 2879

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2014	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2014 Request	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
OPERATING EXPENDITURES	FY 2014	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

1004 Gen Fund	(9,854.0)						
1074 Bulk Fuel	9,854.0						
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues							
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Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 0.0

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 02/01/14

Why this fiscal note differs from previous version:

Not applicable, initial version.

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Division	Community and Regional Affairs	Date:	04/04/2013 06:00 PM
Approved By:	Jo Ellen Hanrahan, Director	Date:	04/06/13
	Administrative Services Division		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2013 LEGISLATIVE SESSION

BILL NO. HB166

Analysis

This bill will increase the maximum amount of a loan that may be issued under the Bulk Fuel Loan Account from \$750,000 to \$1.5 million. The maximum amount under the Bulk Fuel Bridge Loan Account will remain at \$750,000. This bill will also amend the eligibility criteria of both loan programs. Currently, only entities in communities with a population under 2,000 are eligible to apply; this bill will increase that population limit to entities in communities under 4,000.

There are no anticipated fiscal impacts to the operating budget of the Division of Community and Regional Affairs from this bill.

This bill would require the Division to amend existing regulations to conform with the changes to the statute and regulations and will take approximately six months to be finalized.

If this bill were to pass, it is likely that the funding available within the Bulk Fuel Loan Program would not be sufficient to meet the demand for loans under the revised program. To prevent having to reject borrowers due to a lack of funds, a fund capitalization to the Bulk Fuel Revolving Loan Fund estimated at \$9,854.0 would be required. The estimate was derived by:

Total funding in the *Bulk Fuel Loan* account is \$15.4 million. In FY 2012, \$13.2 million in loans were approved. The account had 44 borrowers.

Only three of the six newly eligible communities are likely to participate, since three of them have year round barge delivery available. However, multiple entities in a community could request loans. If maximum loans were requested in three of these communities, \$4.5 million would be needed to fund these loans.

Historically, fuel and/or electrical cooperatives have not participated in the loan program. We feel this is because of the relatively small amount of the loans available, and the relatively high interest rate charged. Under the new program, after two years, the interest rate would drop to 2%. This rate, along with the higher maximum loan, may make it attractive to cooperatives such as AVEC. If only one cooperative borrowed the maximum amount of funding, \$3.6 million would be needed.

The price of fuel continues to rise. If a 5% increase in existing loans were required due to fuel price increases, \$660.0 would be needed to cover the existing loans.

All of these scenarios considered together:

Existing loans (FY 2012 history)	\$13,200.0
Increase in existing loans by 5% due to cost increases	\$ 660.0
Three individual communities requesting a maximum loan	\$4,500.0
One Electric Cooperative representing 3 communities	<u>\$3,600.0</u>
Total of Requests	\$21,960.0
Existing funding in Loan Account	\$15,400.0
Deficit in Bulk Fuel Loan Account	\$6,560.0

To provide a buffer for fluctuations in the cost of oil or borrowers over the next several years, it is recommended there a 15% buffer be maintained over expected loans. This would raise the deficit of funds to \$9,854.0 (\$21,960.0 * 1.15 = \$25,254.0 - \$15,400.0 = \$9,854.0).