

STATE  
of ALASKA

# MEMORANDUM

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT  
DIVISION OF VETERANS' AFFAIRS

TO:  James D. Fennel  
Staff Assistant  
Senate Finance Committee

DATE : January 5, 1976

FROM: Jack L. <sup>1</sup>Winsley, Director  
Division of Veterans' Affairs

SUBJECT: Fiscal Note HCR-13

As per our telephone conversation regarding House Concurrent Resolution, the Fiscal Note no longer applies.

Please disregard.

February 28, 1975

MEMORANDUM

TO: The Honorable John Rader  
Senate Finance Committee

FROM: Milt Barker, Fiscal Analyst  
Legislative Finance

SUBJECT: SCR 13

The cost to the State from accepting a 7% interest rate on Veterans' loans rather than 8% will be a loss of 1% in annual interest plus a difference in discount that varies with the prevailing market rate at the time of a sale of the loans:

	<u>Market Rate</u>	
	<u>8%</u>	<u>10%</u>
Discount on 8% loans	0	20%
Discount on 7% loans	<u>12.5%</u>	<u>30%</u>
Difference in Discount	12.5%	10%

These factors applied to the Department of Revenue's projections of new loans to be made after January 31, 1975 yield the following costs in millions of dollars assuming the loans are to be sold at the end of FY-76.

	<u>FY 75</u>	<u>FY 76</u>	<u>Total</u>
Loans Made	23.0	20.0	43.0
SCR 13 costs @ 8% Market rates	3.2	2.7	5.9
SCR 13 costs @ 10% Market rates	2.6	2.2	4.8

MB:mw

AMENDMENT

OFFERED IN THE SENATE:

SCR

By: Commerce Committee

To: \_\_\_\_\_

SENATE BILL No. 13

HOUSE BILL No. \_\_\_\_\_

PAGE: 1

LINE: 12

After "the", insert "interest rate on"

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Introduced: 2/20/75  
Referred: Commerce

1 IN THE SENATE

BY MILLER, CROFT,  
HUBER AND KERTTULA

2

SENATE CONCURRENT RESOLUTION NO. 13

3

IN THE LEGISLATURE OF THE STATE OF ALASKA.

4

NINTH LEGISLATURE - FIRST SESSION

5

Relating to the interest rates on veteran  
6 housing loans.

6

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BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

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WHEREAS the administration has recently increased the interest rates for  
9 veteran housing loans from seven to eight per cent; and

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WHEREAS the whole purpose of the veteran loan program is to enable  
11 qualified veterans to obtain housing at a reasonable rate of interest; and

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WHEREAS the national money market is currently decreasing; and

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WHEREAS it is in the best interests of Alaska to be able to have quali-  
14 fied veterans obtain housing with as low mortgage payments as is possible;

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BE IT RESOLVED by the Alaska State Legislature that the Governor is  
16 respectfully requested to immediately cancel the announced increase in  
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18 per cent.

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The Legislature of the State of Alaska  
FISCAL NOTE

First Session - Ninth Legislature

I. REQUEST

Bill No. HCR 13  
 Title: Relating to the Interest Rates on Veterans Loans  
 Requested by: Senator Rav Date: 2/28/75  
 Return Date Requested: \_\_\_\_\_  
 Agency: Commerce Program: Veterans' Affairs

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Veterans' Affairs  
 A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 75	FY 76	FY 77	FY 78	FY 79	FY 80
100 PERSONAL SERVICES		-0-	-0-	-0-		
200 TRAVEL		-0-	-0-	-0-		
300 CONTRACTUAL		-0-	-0-	-0-		
400 COMMODITIES		-0-	-0-	-0-		
500 EQUIPMENT		-0-	-0-	-0-		
600 LAND & STRUCTURES		-0-	-0-	-0-		
700 GRANTS, CLAIMS, ETC.		-0-	-0-	-0-		
				-0-		
TOTAL						

B. FUNDING: (Thousands of dollars)

GENERAL FUND		3.6 mil	5.75 mil	6.8 mil		
FEDERAL FUNDS		-	-	-		
OTHER		-	-	-		

C. POSITIONS:

PERMANENT/TEMPORARY	/	0/0	0/0	0/0	/	/
MAN MONTHS (P./T.)	/	0/0	0/0	0/0	/	/

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

II Assumptions: Money market average 9%  
 Average: \$36 million annually

I History: Current "bank" value of State owned Vet's Loans = \$48.1 million  
 Current "average" interest rate  
 Current "market" value of State owned Vet's Loans = \$35.6 million

(see back)

IV. ATTACHMENTS

V. DATE: 2/28/75 PREPARED BY: Bill Miles

Original: Legislative Finance ✓  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

III Assuming \$36 million in Vets Loans annually, the value of an annual loan program progresses as follows:

<u>Market Value at End of year</u>	<u>7%</u>	<u>8%</u>	<u>Loss to the State</u>
1st	\$27 million	\$30.6 million	\$ 3.6 million
2nd	20.25	26.0	5.75
3rd	15.2	22.1	6.9
			<u>\$16.25 million</u>

IV Notes

1. Average cost-per-year to State is \$5.42 million.
2. 8% rate is still below prevailing market rate and Federal Veterans Administrator rate.

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