

COMMITTEE REPORT

SENATE

5/18/81

FURTHER: None

Date: 4/5/82

Mr. President:

The Committee on FINANCE has had SJR 39

Proposing an amendment to the Constitution of State of Alaska relating to incurring general obligation indebtedness for housing

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for SJR 39 same title
 new title
- and recommends DO PASS
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

[Signature]

MEMBERS HAVING
OTHER RECOMMENDATIONS:

CHAIRMAN

Original sponsors: Rodey, Dankworth
and Kerttula

1 IN THE SENATE BY THE FINANCE COMMITTEE
2 CS FOR SENATE JOINT RESOLUTION NO. 39 (Finance)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 TWELFTH LEGISLATURE - SECOND SESSION

5 Proposing an amendment to the Consti-
6 tution of the State of Alaska relatir
7 to incurring general obligation
8 indebtedness for veterans housing.

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

10 * Section 1. Article IX, sec. 8, Constitution of the State of Alaska, is
11 amended to read:

12 SECTION 8. STATE DEBT. No state debt shall be contracted unless
13 authorized by law for capital improvements or unless authorized by law
14 for housing loans for veterans and ratified by a majority of the quali-
15 fied voters of the State who vote on the question. The State may, as
16 provided by law and without ratification, contract debt for the purpose
17 of repelling invasion, suppressing insurrection, defending the State in
18 war, meeting natural disasters, or redeeming indebtedness outstanding at
19 the time this constitution becomes effective

20 * Sec. 2. The amendment proposed by this resolution shall be placed
21 before the voters of the state at the next general election in conformity
22 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election
23 laws of the state.

PATRICK RODEY
ANCHORAGE

601 W. 5TH AVE. SUITE 820
ANCHORAGE, ALASKA 99501

Alaska State Senate
JUNEAU, ALASKA 99811

DURING SESSION
POUCH V
JUNEAU, ALASKA 99811

M E M O R A N D U M

DATE: April 2, 1982
TO: All Members, Senate Finance Committee
FROM: Senator Pat Rodey *P.M.R.*
RE: Proposed CS SJR 39 (Finance)

Enclosed you will find a proposed committee substitute for SJR 39, originally sponsored by myself. The change is requested to comply with recommendations made by our legal counsel and that of the Alaska Housing Finance Corporation (AHFC). I urge its adoption.

The purpose of the legislation is to allow AHFC to access a lower-cost source of funds for residential mortgages for qualifying state veterans. There is a zero fiscal note, and in fact, passage of SJR 39 will save the state money by reducing the necessary AHFC subsidy by 15 percent per year.

During the past 18 months, slightly more than 20 percent of all mortgages purchased by AHFC under its Special Mortgage Purchase Program have been made to eligible state veterans, or 2,464 of a total of 11,663 mortgages. It is estimated that 85 percent of qualifying veterans would use the new program if it were available, because it would be cheaper. Applying these percentages to estimated future demand, it appears that approximately \$100 million in mortgages could be purchased with the lower-cost tax-exempt money, per year. At present interest rates, these \$100 million in mortgages would require a \$11 million subsidy. That compares to the alternative of the status quo which is \$26 million in subsidy for \$100 million in mortgages. That's a savings of 15 percent to the state.

It should be noted for members' information that three separate pieces of legislation will have to be passed to realize these savings. (1) SJR 39 to amend the constitution to allow AHFC to pledge the state's General Obligation; (2) statutory changes in AS 18.56 to implement the program; and (3) a bond authorization bill to provide for the issuance of the bonds, subject to approval by the voters. It is my best estimate at this time that the bond authorization bill should total \$200 million for a two-year period. (Please note that these bonds will be repaid, not from state General Funds as is the case with other G.O. bonds, but from revenues generated by mortgage payments. The state's liability would be contingent, not paramount.)

Original sponsor: ~~_____~~ *RODEFY*

~~_____~~
~~_____~~
~~_____~~
~~_____~~
Finance Committee
~~_____~~
39
Finance
~~_____~~

1 IN THE HOUSE

2 CS FOR ~~HOUSE~~ *Senate* JOINT RESOLUTION NO. ~~71~~ *39*

BY THE

3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 TWELFTH LEGISLATURE - SECOND SESSION

5 Proposing an amendment to the Consti-
6 tution of the State of Alaska relating
7 to incurring general obligation
8 indebtedness for veterans housing.

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19 the time this constitution becomes effective.

20 * Sec. 2. The amendment proposed by this resolution shall be placed
21 before the voters of the state at the next general election in conformity
22 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election
23 laws of the state.

GENERAL OBLIGATION
VETERANS MORTGAGE BONDS

The Mortgage Subsidy Bond Tax Act of 1980 (The Ullman Bill) substantially restricted Alaska Housing Finance Corporation (AHFC) in its ability to issue Tax-Exempt Mortgage Revenue Bonds. As a consequence AHFC has accessed the taxable mortgage securities market as its primary source of funds. It has also taken full advantage of the State of Alaska's \$200 million calendar year 1981 Tax-Exempt Mortgage Revenue Bond allocation.

There is a substantial subsidy cost associated with providing below market mortgage rates from taxable bond proceeds. Currently, the spread between AHFC's cost of funds and the rate on the subsidized portion of a mortgage loan is seven percent.

There is a lower cost source of funds available under the Ullman Bill--The Tax-Exempt General Obligation Veterans Mortgage Bond. These bonds can be issued without regard to the State ceiling of \$200 million.

Last year AHFC staff estimated that about 30% of the loans purchased are made to veterans. A closer look at potential eligibility criteria has indicated that this figure is still fairly accurate. Thus, The General Obligation Veterans Mortgage Bonds can result in substantially reduced subsidy costs, by virtue of the lower interest rates paid for Tax-Exempt bonds.

ADVANTAGES

1. Substantially lower subsidy cost to the State.
2. Maximizes utilization of Tax-Exempt Bond issues.
3. Can be issued in unlimited amounts.
4. There is no "Sunset" on 12/31/83.

DISADVANTAGES

1. Requires implementation of an additional program by virtue of eligibility criteria.
2. Requires a constitutional amendment, additional enabling legislation and referendum approval of the amount of bonds to be issued.

57239

96TH CONGRESS }
1st Session

HOUSE OF REPRESENTATIVES

{ REPORT
No. 96-414

THE MORTGAGE SUBSIDY BOND
TAX ACT OF 1979

REPORT

OF THE

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

together with

DISSENTING, SEPARATE, ADDITIONAL, AND
MINORITY VIEWS

ON

H.R. 3712

[Including cost estimate of the Congressional Budget Office]



AUGUST 31, 1979.—Committed to the Committee of the Whole House on
the State of the Union and ordered to be printed

Dec. 5, 1979

HR 5741

U.S. GOVERNMENT PRINTING OFFICE

gagor who assumes a mortgage that had been made from proceeds of a qualified mortgage issue. Those requirements are the residence requirement (subsection (d)), the 3-year requirement (subsection (e)), the purchase price requirement (subsection (f)), and the income requirement (subsection (h)). These requirements are to be determined based upon the facts as they exist at the time of the assumption as if the loan were first being made at that time. For example, the average income of the statistical area is to be determined by the average income at the time of the assumption and not when the mortgage was originally made. Similarly, the purchase price requirement is determined by reference to the purchase price of the residence at the time of the assumption and not at the time the mortgage was originally made.

2. Qualified veterans' mortgage bonds

The bill also provides that qualified veterans' mortgage bonds shall not be treated as mortgage subsidy bonds. Under this provision, interest on a qualified veterans' mortgage bond will be exempt from Federal income taxation if the bond otherwise meets the general requirements of section 3.

In general, a bond is a qualified veterans' mortgage bond only if it meets certain specific requirements. First, the principal and interest on the bond must be secured by the general obligation of a State. Second, substantially all the proceeds of the bond must be used to provide residences for veterans.⁶ For purposes of this provision, the term "veteran" has the same meaning as in section 101 of Chapter 1 of Title 38 of the United States Code (relating to veterans' benefits). Under that provision the term veteran means a person who served in the active military, naval, or air service, and who was discharged or released therefrom under conditions other than dishonorable. Third, for bonds issued after the date of enactment of the bill, the bonds must be in registered form. (See above for a discussion of registered form.) Fourth, in order to be a qualified veteran's mortgage bond, no part of the proceeds of the bond may be used for acquiring or for refinancing of existing mortgages. The proceeds of a qualified veterans' mortgage bond are to be used solely for new mortgage loans.

4. Advance refunding

The bill prohibits the advance refunding of any bond if a significant portion of the proceeds are used for mortgages on owner-occupied housing. This provision applies to all bonds the proceeds of which are used for such purpose whether the bond was issued before, on, or after the date of enactment. Under this provision, no obligation may be issued for the advance refunding of any mortgage subsidy bonds, including qualified mortgage bonds and qualified veterans' mortgage bonds.

In general, an obligation issued for the refunding of a mortgage subsidy bond will be considered to be an advance refunding obligation if it is issued more than 180 days before the prior issue is redeemed.

⁶ The term "substantially all" has the same meaning as under section 103(b)(4) of the Code.

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

POUCH 5
JUNEAU, ALASKA 99811

May 5, 1981

The Honorable Patrick M. Rodey
Chairman
Senate Judiciary Committee
Room 207 - Capitol Building
Juneau, Alaska

Dear Senator Rodey:

Re: Senate Joint Resolution No. 39

Senate Joint Resolution No. 39, proposing an amendment to the Constitution of the State of Alaska relating to incurring general obligation indebtedness for housing, was introduced in the Senate on April 28, 1981 and was referred to the Senate Judiciary and Finance Committees.

For the consideration of the Senate Judiciary Committee, I am enclosing a copy of a Fiscal Note prepared by Mr. Anselm Staack, Treasury Comptroller, Department of Revenue concerning the proposed legislation.

Sincerely,

R. D. Stevenson
Special Assistant

RDS/rdh

cc: The Honorable Don Bennett
The Honorable M. E. Dankworth
Co-Chairmen
Senate Finance Committee

Joseph K. Donohue
Deputy Commissioner
Department of Revenue

Anselm Staack
Treasury Comptroller
Department of Revenue

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

S.F. 39

I. REQUEST

Bill/Resolution No. SENATE JOINT RESOLUTION NO. 39

Title Amendment to the Constitution of the State of Alaska relating to incurring general obligation debt for housing Date 4/28/81

Requested by Senate Judiciary Committee

II. FISCAL DETAIL

Agency Affected State Bond Committee, Dept. of Revenue

Program Category Affected General Fund Debt Service

BRU, Program, or Subprogram(s) Affected _____

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

Proposes an amendment to the Constitution of the State of Alaska to allow General Obligation bonds to be sold for housing for State residents. To be placed on the next general election ballot.

Any bonds sold will generate additional annualized debt service which would depend on the amount of bonds sold. Current Federal legislation would allow issuance of GO bonds for veterans housing; to a limit of about \$250 million per year.

There would probably be a rise in rates paid for all GO bonds because the volume of additional issuance.

Anselm C. Staack

IV. DATE May 4, 1981 PREPARED BY Anselm C. Staack, Treasury Comptroller
 AGENCY Dept. of Revenue/Treasury Division
 Original: Legislative Finance PHONE 465-2351
 cc: Budget and Management
Prime Sponsor (First Legislator Named)

STATE OF ALASKA

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OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

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DURING SESSION

POUCH V
JUNEAU, ALASKA 99811

Alaska State Senate

JUNEAU, ALASKA 99811

M E M O R A N D U M

DATE: April 2, 1982

TO: All Members, Senate Finance Committee

FROM: Senator Pat Rod *P.W.R.R.*

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ADVANTAGES

1. Substantially lower subsidy cost to the State.
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HR 5741

U.S. GOVERNMENT PRINTING OFFICE

25-082 0 - 79

WASHINGTON : 1979

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3. Qualified veterans' mortgage bonds

The bill also provides that qualified veterans' mortgage bonds shall not be treated as mortgage subsidy bonds. Under this provision, interest on a qualified veterans' mortgage bond will be exempt from Federal income taxation if the bond otherwise meets the general requirements of section 103.

In general, a bond is a qualified veterans' mortgage bond only if it meets certain specific requirements. First, the principal and interest on the bond must be secured by the general obligation of a State. Second, substantially all the proceeds of the bond must be used to provide residences for veterans.⁶ For purposes of this provision, the term "veteran" has the same meaning as in section 101 of Chapter 1 of Title 38 of the United States Code (relating to veterans' benefits). Under that provision the term veteran means a person who served in the active military, naval, or air service, and who was discharged or released therefrom under conditions other than dishonorable. Third, for bonds issued after the date of enactment of the bill, the bonds must be in registered form. (See above for a discussion of registered form.) Fourth, in order to be a qualified veteran's mortgage bond, no part of the proceeds of the bond may be used for acquiring or for refinancing of existing mortgages. The proceeds of a qualified veterans' mortgage bond are to be used solely for new mortgage loans.

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THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

SEE 39

I. REQUEST

Bill/Resolution No. SENATE JOINT RESOLUTION NO. 39

Title Amendment to the Constitution of the State of Alaska relating to incurring general obligation debt for housing Date 4/28/81

Requested by Senate Judiciary Committee

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Anselm C. Staack

IV. DATE May 4, 1981 PREPARED BY Anselm C. Staack, Treasury Comptroller
AGENCY Dept. of Revenue/Treasury Division
PHONE 465-2351

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

Introduced: 4/28/81
Referred: Judiciary and
Finance

1 IN THE SENATE

BY RODEY, DANKWORTH AND KERTTULA

2

SENATE JOINT RESOLUTION NO. 39

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

TWELFTH LEGISLATURE - FIRST SESSION

5

Proposing an amendment to the

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Constitution of the State of Alaska

7

relating to incurring general

8

obligation indebtedness for housing.

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this constitution becomes effective.

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* Sec. 2. The amendment proposed by this resolution shall be placed

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