

SCOMM

#34:21

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: March 21, 1984

REQUEST

Bill/Resolution No.: CSHB 574

Title: An Act relating to state
loan programs

Sponsor:

Requestor:

Date of Request:

FISCAL DETAIL

Agency Affected: Commerce & Economic Development

Program Category Affected:
Economic Development

BRU, Program or Subprogram(s) Affected:
Accounting & Collections

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES		213.8	224.5	235.7	247.5	259.9
200 TRAVEL		4.0	6.0	8.0	10.0	12.0
300 CONTRACTUAL		29.3	38.3	47.3	56.3	65.3
400 SUPPLIES		6.8	11.2	15.6	20.0	24.4
500 EQUIPMENT		23.4				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		277.3	280.0	306.6	333.8	361.6
CAPITAL						
REVENUE		331.1	953.5	1,244.3	1,634.4	1,880.5

FUNDING: (Thousands of Dollars)

GENERAL FUND		809.5	800.0	800.6	793.2	779.6
FEDERAL FUNDS						
OTHER 1035 VRLF		[532.2]	[520.0]	[494.0]	[459.4]	[418.0]
TOTAL		277.3	280.0	306.6	333.8	361.6

POSITIONS:

FULL-TIME		6.0	6.0	6.0	6.0	6.0
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

General Fund: earnings from various State loan programs.

ANALYSIS: Attach a separate page for analysis

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Division: Accounting & Collections

Phone: 465-2555

Date: 3-21-84

Approved by Commissioner: Richard A. Lyon

Agency: Commerce and Economic Development

Date: 3/21/84

Distribution (by Agency preparing fiscal note):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

12/1/83

EXPENDITURE AND FUNDING ANALYSIS CSHB 574

An Act Relating to State Loan Programs Division of Accounting and Collections

	<u>FY '85</u>	<u>FY '86</u>	<u>FY '87</u>	<u>FY '88</u>	<u>FY '89</u>
<u>Personal Services</u>					
Loan Examiner II (Range 18A)					
Collections Officer x 2.0					
Salary \$2,965/mo. x 2.0	\$ 71,160	\$ 74,718	\$ 78,454	\$ 82,377	\$ 86,495
Benefits	21,348	22,415	23,536	24,713	25,949
Accounting Tech. II (Range 14A)					
Subsidiary Ledger/Customer Service					
(Loan Servicing Payoff Quotes,					
Credit Histories)					
Salary \$2,241/mo.	26,892	28,236	29,648	31,130	32,686
Benefits	8,067	8,470	8,893	9,338	9,805
Accounting Tech. I (Range 12B)					
General Ledger (Reconciliations,					
Cash Distributions, New Loan					
Setups)					
Salary \$2,033/mo.	24,396	25,615	26,896	28,241	29,653
Benefits	7,318	7,683	8,068	8,471	8,895
Accounting Clerk III (Range 10B)					
Daily Operations (Payoffs, Cash					
Receipts, Insurance)					
Salary \$1,803/mo.	21,636	22,717	23,853	25,046	26,298
Benefits	6,490	6,814	7,155	7,512	7,888
Clerk IV (Range 09B)					
Daily Operations (Records and File					
Maintenance, Phones, Workflow and					
Performance Logs)					
Salary \$1,700/mo.	20,400	21,420	22,491	23,615	24,796
Benefits	6,120	6,426	6,747	7,084	7,438
TOTAL LINE 100	<u>\$213,827</u>	<u>\$224,514</u>	<u>\$235,741</u>	<u>\$247,527</u>	<u>\$259,903</u>
<u>Travel</u>					
Collections Travel	4.0	6.0	8.0	10.0	12.0
TOTAL LINE 200	<u>\$ 4.0</u>	<u>\$ 6.0</u>	<u>\$ 8.0</u>	<u>\$ 10.0</u>	<u>\$ 12.0</u>
<u>Contractual</u>					
Telephone					
Postage					
Printing	4.0	8.0	12.0	16.0	20.0
Nonlitigation Legal					
Services	10.0	15.0	20.0	25.0	30.0
New Space Expense	15.3	15.3	15.3	15.3	15.3
TOTAL LINE 300	<u>\$ 29.3</u>	<u>\$ 38.3</u>	<u>\$ 47.3</u>	<u>\$ 56.3</u>	<u>\$ 56.3</u>

	<u>FY '85</u>	<u>FY '86</u>	<u>FY '87</u>	<u>FY '88</u>	<u>FY '89</u>
<u>Commodities</u>					
Payment Coupon Forms	1.4	2.8	4.2	5.6	7.0
Microfiche Supplies	3.4	4.4	5.4	6.4	7.4
Envelopes	<u>2.0</u>	<u>4.0</u>	<u>6.0</u>	<u>8.0</u>	<u>10.0</u>
TOTAL LINE 400	\$ 6.8	\$ 11.2	\$ 15.6	\$ 20.0	\$ 24.4

Equipment

Calculators 6 @ \$300	1.8
Microfiche Readers 6 @ \$300	1.8
Workstations 6 @ \$2,800	16.8
Telephones 6 @ \$500	<u>3.0</u>
	\$ 23.4

FUNDING

Historically, this division and its predecessors funded the operations of the veterans loan program with service fees and earnings of the veterans revolving loan fund. Since these funds now will be deposited directly into the general fund, the portion of this division's operating expenses formerly funded by restricted interagency receipts (budgeted veterans revolving loan fund service fees) must be funded by the general fund.

REVENUE ANALYSIS CSHB 574

Division of Accounting and Collections

		<u>FY '85</u>	<u>FY '86</u>	<u>FY '87</u>	<u>FY '88</u>	<u>FY '89</u>
(1) Income to General Fund from market-tied interest rates using 75/125/(300) formula. Income Will be generated from new loans only.	GF	Minimal	\$ 492.9	\$ 681.4	\$ 983.5	\$1,149.0
(2) "Transfer" of income from various revolving loan funds to General Fund, outstanding loans only.	RLF	(8,656.6)	(7,957.6)	(8,265.1)	(7,820.7)	(7,236.9)
	GF	8,656.6	7,957.6	8,265.1	7,820.7	7,236.9
(3) Income to General Fund from new S.B. loans, using original \$5,000.0 appropriation and principal repayments from defunct S.B. loan program loans.	GF	512.5	708.6	866.0	1,001.4	1,125.4
Less 35% loss on earned but estimated uncollectable income.	GF	<u>(179.4)</u>	<u>(248.0)</u>	<u>(303.1)</u>	<u>(350.5)</u>	<u>(393.9)</u>
SUBTOTAL	GF	8,989.7	8,911.1	9,509.4	9,455.1	9,117.4
SUBTOTAL	RLF	<u>(8,656.6)</u>	<u>(7,957.6)</u>	<u>(8,265.1)</u>	<u>(7,820.7)</u>	<u>(7,236.9)</u>
NET IMPACT		<u>\$ 333.1</u>	<u>\$ 953.5</u>	<u>\$1,244.3</u>	<u>\$1,634.4</u>	<u>\$1,880.5</u>

Note: This analysis does not attempt to consider the following:

- (1) opportunity cost to the State as a result of investing original \$5,000.0 and repayments of principal from loans made under the defunct S.B. program in this program vs. "standard" Division of Treasury investment; and
- (2) increased revenue to the State as a result of broadened tax base and broadened economic base.

FISCAL NOTE ADDENDUM

Summary of Fiscal Impacts Resulting from Loans Closed after 7-1-84

	FY '85			FY '86			FY '87			FY '88			FY '89		
	GF	RLF	NET	GF	RLF	NET	GF	RLF	NET	GF	RLF	NET	GF	RLF	NET
Alter. Tech. & Energy	*	*	*	1,009.9	(654.3)	355.6	1,563.4	(1,087.9)	475.5	2,068.8	(1,352.8)	716.0	2,453.8	(1,631.0)	822.8
Bulk Fuel	*	*	*	-	-	0	-	-	0	-	-	0	-	-	0
Child Care	*	*	*	56.5	(38.9)	17.6	104.1	(73.3)	30.8	150.7	(106.0)	44.7	196.4	(139.5)	56.9
Commercial Fishing	*	*	*	3,103.2	(3,062.0)	41.2	3,702.3	(3,656.9)	45.4	4,983.7	(4,921.8)	61.9	6,134.7	(6,056.5)	78.2
Fish Enhancement	*	*	*	-	-	-	-	-	-	-	-	-	-	-	-
Historical District	*	*	*	24.0	(17.5)	6.5	39.9	(29.2)	10.7	55.6	(40.7)	14.9	71.2	(54.0)	17.2
Mining		*	*	1,119.4	(1,050.0)	69.4	1,865.6	(1,750.0)	115.6	2,549.5	(2,408.0)	141.5	3,164.1	(2,995.4)	168.7
Resid. Energy Cons.	*	*	*	209.3	(206.7)	2.6	270.8	(267.4)	3.4	322.5	(318.0)	4.5	346.0	(340.8)	5.2
TOTALS \$	*	*	*	5,522.3	(5,029.4)	492.9	7,546.1	(6,864.7)	681.4	10,130.8	(9,147.3)	983.5	12,366.2	(11,217.2)	1,149.0

* = Minimal

Summary of Fiscal Impacts Resulting from Loans Closed prior to 7-1-84

	FY '85			FY '86			FY '87			FY '88			FY '89		
	GF	RLF	NET	GF	RLF	NET	GF	RLF	NET	GF	RLF	NET	GF	RLF	NET
Alter. Tech. & Energy	625.0	(625.0)	0.0	577.3	(577.3)	0.0	526.9	(526.9)	0.0	473.5	(473.5)	0.0	416.9	(416.9)	0.0
Bulk Fuel	0.0	0.0	0.0	0.0	(0.0)	0.0	0.0	0.0	0.0	0.0	(0.0)	0.0	0.0	(0.0)	0.0
Child Care	67.4	(67.4)	0.0	65.8	(65.8)	0.0	64.1	(64.1)	0.0	62.2	(62.2)	0.0	60.3	(60.3)	0.0
Commercial Fishing	4,310.3	(4,310.3)	0.0	3,847.7	(3,847.7)	0.0	3,340.7	(3,340.7)	0.0	2,786.7	(2,786.7)	0.0	2,181.2	(2,181.2)	0.0
Fish Enhancement	11.0	(11.0)	0.0	12.1	(12.1)	0.0	1,140.0	(1,140.0)	0.0	1,800.0	(1,800.0)	0.0	2,300.0	(2,300.0)	0.0
Historical District	28.4	(28.4)	0.0	27.5	(27.5)	0.0	26.7	(26.7)	0.0	25.8	(25.8)	0.0	24.9	(24.9)	0.0
Mining	2,203.0	(2,203.0)	0.0	2,100.0	(2,100.0)	0.0	1,989.0	(1,989.0)	0.0	1,669.3	(1,669.3)	0.0	1,450.0	(1,450.0)	0.0
Resid. Energy Cons.	383.1	(383.1)	0.0	327.8	(327.8)	0.0	251.9	(251.9)	0.0	172.1	(172.1)	0.0	88.2	(88.2)	0.0
Veterans	1,028.4	(1,028.4)	0.0	999.4	(999.4)	0.0	925.8	(925.8)	0.0	831.1	(831.1)	0.0	715.4	(715.4)	0.0
TOTALS \$	8,656.6	(8,656.6)	0.0	7,957.6	(7,957.6)	0.0	8,265.1	(8,265.1)	0.0	7,820.7	(7,820.7)	0.0	7,236.9	(7,236.9)	0.0
	GF	RLF	NET	GF	RLF	NET	GF	RLF	NET	GF	RLF	NET	GF	RLF	NET

Fiscal Note Addendum
Market-Tied Interest Rates

Bulk Fuel Revolving Loan Fund
Year Average Term
Monthly Payments

Proposed Cash Flow

0.1013 6-Month Rolling Average Treasury Yield
for 1-yr. Term
+0.0125 Risk Factor
+0.0075 Administrative Fee Factor
(0.0300) Subsidy Factor

0.0913 Net Rate for 1-yr. Term

Special Considerations: The first loan will accrue 0% interest; the second 5%; the third, the net rate shown at the left which will vary. There will be very little, if any, fiscal impact on this loan fund, since interest is presently paid into the general fund, and all other terms will remain relatively the same.

Present Cash Flow

HK1 Interest Rate
No Risk Factor
No Administrative Fee

Special Considerations: Interest rate on first loan a village receives is 0%; second is 5%; third is market rate. Interest currently is deposited to the general fund rather than the loan fund. Loans must be paid in full before a new loan is made. Generally, all loans are made and paid off within a single fiscal year.

	FY '85 G.F.	FY '85 R.L.F.	FY '86 G.F.	FY '86 R.L.F.	FY '87 G.F.	FY '87 R.L.F.	FY '88 G.F.	FY '88 R.L.F.	FY '89 G.F.	FY '89 R.L.F.
<u>Proposed</u>										
Estimated New Loans	1,700.0		1,700.0		1,700.0		1,700.0		1,700.0	
Principal Bal. Forward		0.0		0.0		0.0		0.0		0.0
Principal Repayments										
Net Interest Earnings										
Risk Factor Earnings										
Admin. Fee Earnings										
Estimated Totals	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
<u>Present</u>										
Estimated New Loans	1,700.0		1,700.0		1,700.0		1,700.0		1,700.0	
Principal Bal. Forward		0.0		0.0		0.0		0.0		0.0
Principal Repayments										
Interest Earnings	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Estimated Totals	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Net Fiscal Impact	0	0	0	0	0	0	0	0	0	0

Note: This analysis reflects fiscal impact only from loans closed after the proposed bill becomes law and assumes that date to be 7-1-84.

Fiscal Note Addendum
Market-Tied Interest Rates

Residential Energy Conservation Loan Fund
5 Year Average Term
Monthly Payments

AS 45.89.010 - 45.89.040, .500

Proposed Cash Flow

0.1142 6-Month Rolling Average Treasury Yield
for 5 yr. Term
+0.0125 Risk Factor
+0.0075 Administrative Fee Factor
(0.0300) Subsidy Factor

Special Considerations: _____

0.1042 Net Rate for 5 yr. Term

Present Cash Flow

.1025 Interest Rate (1-84 market-tied, varies)
No Risk Factor
No Administrative Fee

Special Considerations: A monthly market-tied interest rate went into effect 1-1-84. (Prior to that, the rate was 5%.) The rate for loans closed in January, 1984 is 10.25%.

	FY '85 G.F.	FY '85 R.L.F.	FY '86 G.F.	FY '86 R.L.F.	FY '87 G.F.	FY '87 R.L.F.	FY '88 G.F.	FY '88 R.L.F.	FY '89 G.F.	FY '89 R.L.F.
<u>Proposed</u>										
Estimated New Loans	1,500.0		1,200.0		1,200.0		1,200.0		1,200.0	
Principal Bal. Forward		0.0		1,258.8		1,998.4		2,494.6		2,721.0
Principal Repayments		*		241.2		460.4		703.8		973.6
Net Interest Earnings	*		169.1		218.8		260.6		279.6	
Risk Factor Earnings	*		25.1		32.5		38.7		41.5	
Admin. Fee Earnings	*		15.1		19.5		23.2		24.9	
Estimated Totals	*	*	209.3	241.2	270.8	460.4	322.5	703.8	346.0	973.6
<u>Present</u>										
Estimated New Loans	1,500.0		1,200.0		1,200.0		1,200.0		1,200.0	
Principal Bal. Forward		0.0		1,257.9		1,996.2		2,491.2		2,716.8
Principal Repayments		*		242.1		461.7		705.0		974.4
Interest Earnings		*		205.8		266.1		316.8		340.0
Estimated Totals	*	*	0.0	447.9	0.0	727.8	0.0	1,021.8	0.0	1,314.4
Net Fiscal Impact	*	*	209.3	(206.7)	270.8	(267.4)	322.5	(318.0)	346.0	(340.8)
* = Minimal			GF	RLF	GF	RLF	GF	RLF	GF	RLF

Note: This analysis reflects fiscal impact only from loans closed after the proposed bill becomes law and assumes that date to be 7-1-84.

Fiscal Note Addendum
Market-Tied Interest Rates

Alternative Energy Loan Fund
10 Year Average Term
Monthly Payments

AS 45.88.010 - 45.88.040, .500

Proposed Cash Flow

0.1166 6-Month Rolling Average Treasury Yield
for 10 yr. Term
+0.0125 Risk Factor
+0.0075 Administrative Fee Factor
(0.0300) Subsidy Factor

0.1066 Net Rate for 10 yr. Term

Special Considerations: _____

Present Cash Flow

5.75% Interest Rate (current average)
No Risk Factor
No Administrative Fee

Special Considerations: Maximum loan amount is \$30,000. The first \$15,000 accrues interest at 5%; the second at 15%. Relatively few loans are made over \$15,000; the current overall average interest earned is 5.75%. There are several changes in this program, effective 6-30-84, but they should not affect this analysis.

	FY '85 G.F.	FY '85 R.L.F.	FY '86 G.F.	FY '86 R.L.F.	FY '87 G.F.	FY '87 R.L.F.	FY '88 G.F.	FY '88 R.L.F.	FY '89 G.F.	FY '89 R.L.F.
<u>Proposed</u>										
Estimated New Loans	6,881.3		6,000.0		6,000.0		6,000.0		6,000.0	
Principal Bal. Forward		0.0		6,473.2		11,666.3		16,407.1		20,654.0
Principal Repayments		*		408.1		806.9		1,259.2		1,753.1
Net Interest Earnings	*		820.4		1,270.1		1,680.7		1,993.5	
Risk Factor Earnings	*		118.4		183.3		242.6		287.7	
Admin. Fee Earnings	*		71.1		110.0		145.5		172.6	
Estimated Totals	*	*	1,009.9	408.1	1,563.4	806.9	2,068.8	1,259.2	2,453.8	1,753.1
<u>Present at 5.75%</u>										
Estimated New Loans	6,881.3		6,000.0		6,000.0		6,000.0		6,000.0	
Principal Bal. Forward		0.0		6,356.9		11,344.4		15,814.7		19,737.5
Principal Repayments		*		524.4		1,012.5		1,530.2		2,076.7
Interest Earnings		*		538.0		824.8		1,081.8		1,307.4
Estimated Totals	*	*	0.0	1,062.4	0.0	1,894.8	0.0	2,612.0	0.0	3,384.1
Net Fiscal Impact	*	*	1,009.9	(654.3)	1,563.4	(1,087.9)	2,068.8	(1,352.8)	2,453.8	(1,631.0)
* = Minimal			GF	RLF	GF	RLF	GF	RLF	GF	RLF

Note: This analysis reflects fiscal impact only from loans closed after the proposed bill becomes law and assumes that date to be 7-1-84.

Fiscal Note Addendum
Market-Tied Interest Rates

Child Care Facility Loan Fund
20 Year Average Term
Monthly Payments

AS 44.33.240 - 44.33.275

Proposed Cash Flow

0.1185 6-Month Rolling Average Treasury Yield
for 20 yr. Term
+0.0125 Risk Factor
+0.0075 Administrative Fee Factor
(0.0300) Subsidy Factor

Special Considerations: None

0.1085 Net Rate for 20 yr. Term

Present Cash Flow

.07 Interest Rate
No Risk Factor
No Administrative Fee

Special Considerations: None

	FY '85 G.F.	FY '85 R.L.F.	FY '86 G.F.	FY '86 R.L.F.	FY '87 G.F.	FY '87 R.L.F.	FY '88 G.F.	FY '88 R.L.F.	FY '89 G.F.	FY '89 R.L.F.
<u>Proposed</u>										
Estimated New Loans	300.0		450.0		450.0		450.0		450.0	
Principal Bal. Forward		0.0		295.5		733.9		1,164.2		1,585.6
Principal Repayments		*		4.5		11.6		20.2		28.1
Net Interest Earnings	*		46.1		84.9		122.9		160.2	
Risk Factor Earnings	*		6.5		12.0		17.4		22.6	
Admin. Fee Earnings	*		3.9		7.2		10.4		13.6	
Estimated Totals	*	*	56.5	4.5	104.1	11.6	150.7	20.2	196.4	28.1
<u>Present</u>										
Estimated New Loans	300.0		450.0		450.0		450.0		450.0	
Principal Bal. Forward		0.0		292.9		724.5		1,144.1		1,550.8
Principal Repayments		*		7.1		18.4		30.4		43.3
Interest Earnings		*		36.3		66.5		95.8		124.3
Estimated Totals	*	*	0.0	43.4	0.0	84.9	0.0	126.2	0.0	167.6
Net Fiscal Impact	0.0	0.0	56.5	(38.9)	104.1	(73.3)	150.7	(106.0)	196.4	(139.5)
* = Minimal			GF	RLF	GF	RLF	GF	RLF	GF	RLF

Note: This analysis reflects fiscal impact only from loans closed after the proposed bill becomes law and assumes that date to be 7-1-84.

Fiscal Note Addendum
Market-Tied Interest Rates

Commercial Fishing Loan Fund
10 Year Average Term
Annual Payments

AS 16.10.300 - 16.10.370

Proposed Cash Flow

0.1166 6-Month Rolling Average Treasury Yield
for 10 yr. Term
+0.0125 Risk Factor
+0.0075 Administrative Fee Factor
(0.0300) Subsidy Factor

0.1066 Net Rate for 10 yr. Term

Special Considerations: Requests for payment extensions will
impact both the proposed and the present cash flow.

Present Cash Flow

0.105 Interest Rate
No Risk Factor
No Administrative Fee

Special Considerations:

	FY '85 G.F.	FY '85 R.L.F.	FY '86 G.F.	FY '86 R.L.F.	FY '87 G.F.	FY '87 R.L.F.	FY '88 G.F.	FY '88 R.L.F.	FY '89 G.F.	FY '89 R.L.F.
<u>Proposed</u>										
Estimated New Loans	15,000.0		15,000.0		15,000.0		15,000.0		15,000.0	
Principal Bal. Forward		0.0		14,110.5		27,231.0		39,252.0		50,049.0
Principal Repayments		*		889.5		1,879.5		2,979.0		4,203.0
Net Interest Earnings	*		2,521.0		3,007.7		4,048.7		4,983.7	
Risk Factor Earnings	*		363.9		434.1		584.4		719.4	
Admin. Fee Earnings	*		218.3		260.5		350.6		431.6	
Estimated Totals	*	*	3,103.2	889.5	3,702.3	1,879.5	4,983.7	2,979.0	6,134.7	4,203.0
<u>Present</u>										
Estimated New Loans	15,000.0		15,000.0		15,000.0		15,000.0		15,000.0	
Principal Bal. Forward		0.0		14,104.5		27,213.0		39,217.5		49,995.0
Principal Repayments		*		895.5		1,891.5		2,995.5		4,222.5
Interest Earnings		*		3,056.0		3,644.9		4,905.3		6,037.0
Estimated Totals	0.0	*	0.0	3,951.5	0.0	5,536.4	0.0	7,900.8	0.0	10,259.5
Net Fiscal Impact	0.0	*	3,103.2	(3,062.0)	3,702.3	(3,656.9)	4,983.7	(4,921.8)	6,134.7	(6,056.5)
* = Minimal			GF	CFRLF	GF	CFRLF	GF	RLF	GF	RLF

Note: This analysis reflects fiscal impact only from loans closed after the proposed bill becomes law and assumes that date to be 7-1-84.

Fiscal Note Addendum
Market-Tied Interest Rates

Fish Enhancement Loan Fund
30 Year Average Term
Annual Payments

Proposed Cash Flow

.1168 6-Month Rolling Average Treasury Yield
for 30-yr. Term
+0.0125 Risk Factor
+0.0075 Administrative Fee Factor
(0.0300) Subsidy Factor

.1068 Net Rate for 30-yr. Term

Special Considerations: 6-10 year principal deferment and interest forgiveness. All fiscal impact will occur at the seventh year forward.

Present Cash Flow

.095 Interest Rate
No Risk Factor
No Administrative Fee

Special Considerations: 6-10 year principal deferment and interest forgiveness.

	FY '85 G.F.	FY '85 R.L.F.	FY '86 G.F.	FY '86 R.L.F.	FY '87 G.F.	FY '87 R.L.F.	FY '88 G.F.	FY '88 R.L.F.	FY '89 G.F.	FY '89 R.L.F.
<u>Proposed</u>										
Estimated New Loans	11,602.7		N/A		N/A		N/A		N/A	
Principal Bal. Forward		0.0		11,602.7		11,602.7		11,602.7		11,602.7
Principal Repayments		0.0		0.0		0.0		0.0		0.0
Net Interest Earnings	0.0		0.0		0.0		0.0		0.0	
Risk Factor Earnings	0.0		0.0		0.0		0.0		0.0	
Admin. Fee Earnings	0.0		0.0		0.0		0.0		0.0	
Estimated Totals	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0
<u>Present</u>										
Estimated New Loans	11,602.7		N/A		N/A		N/A		N/A	
Principal Bal. Forward		0.0		11,602.7		11,602.7		11,602.7		11,602.7
Principal Repayments		0.0		0.0				0.0		0.0
Interest Earnings		0.0		0.0				0.0		0.0
Estimated Totals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Fiscal Impact	0	0	0	0	0	0	0	0	0	0.0

Note: This analysis reflects fiscal impact only from loans closed after the proposed bill becomes law and assumes that date to be 7-1-84.

Fiscal Note Addendum
Market-Tied Interest Rates

Mining Loan Fund
10 Year Average Term
Annual Payments

AS 27.09.010 - 27.09.060

Proposed Cash Flow

0.1166 6-Month Rolling Average Treasury Yield
for 10 yr. Term
+0.0125 Risk Factor
+0.0075 Administrative Fee Factor
(0.0300) Subsidy Factor

0.1066 Net Rate for 10 yr. Term

Special Considerations: (see below)

Present Cash Flow

0.1000 Interest Rate
No Risk Factor
No Administrative Fee

Special Considerations: 15-year maximum term. 10-year average.
Principal payments are deferred for two mining seasons (up to two
years). For this analysis, we are assuming principal is deferred
two full years and is amortized over eight years.

	FY '85 G.F.	FY '85 R.L.F.	FY '86 G.F.	FY '86 R.L.F.	FY '87 G.F.	FY '87 R.L.F.	FY '88 G.F.	FY '88 R.L.F.	FY '89 G.F.	FY '89 R.L.F.
<u>Proposed</u>										
Estimated New Loans	7,000.0		7,000.0		7,000.0		7,000.0		7,000.0	
Principal Bal. Forward		0.0		7,000.0		14,000.0		20,416.2		26,182.1
Principal Repayments		0.0		0.0		*		583.8		1,234.1
Net Interest Earnings	*		909.3		1,515.5		2,071.1		2,570.5	
Risk Factor Earnings	*		131.3		218.8		299.0		371.0	
Admin. Fee Earnings	*		78.8		131.3		179.4		222.6	
Estimated Totals	*	0.0	1,119.4	0.0	1,865.6	*	2,549.5	583.8	3,164.1	1,234.1
<u>Present</u>										
Estimated New Loans	7,000.0		7,000.0		7,000.0		7,000.0		7,000.0	
Principal Bal. Forward		0.0		7,000.0		14,000.0		20,398.0		26,131.7
Principal Repayments		0.0		0.0		*		602.0		1,266.3
Interest Earnings		*		1,050.0		1,750.0		2,389.8		2,963.2
Estimated Totals	0.0	*	0.0	1,050.0	0.0	1,750.0	0.0	2,991.8	0.0	4,229.5
Net Fiscal Impact	*	*	1,119.4	(1,050.0)	1,865.6	(1,750.0)	2,549.5	(2,408.0)	3,164.1	(2,995.4)
* = Minimal			GF	RLF	GF	RLF	GF	RLF	GF	RLF

Note: This analysis reflects fiscal impact only from loans closed after the proposed bill becomes law and assumes that date to be 7-1-84.

Fiscal Note Addendum
Market-Tied Interest Rates

Historical District Revolving Loan Fund
30 Year Average Term
Monthly Payments

AS 45.98.010 - 45.98.070

Proposed Cash Flow

0.1168 6-Month Rolling Average Treasury Yield
for 30 yr. Term
+0.0125 Risk Factor
+0.0075 Administrative Fee Factor
(0.0300) Subsidy Factor

0.1068 Net Rate for 30 yr. Term

Special Considerations: _____

Present Cash Flow

7.5% Interest Rate
No Risk Factor
No Administrative Fee

Special Considerations: _____

	FY '85 G.F.	FY '85 R.L.F.	FY '86 G.F.	FY '86 R.L.F.	FY '87 G.F.	FY '87 R.L.F.	FY '88 G.F.	FY '88 R.L.F.	FY '89 G.F.	FY '89 R.L.F.
<u>Proposed</u>										
Estimated New Loans	150.0		150.0		150.0		150.0		150.0	
Principal Bal. Forward		0.0		149.3		297.8		445.4		591.9
Principal Repayments		*		.7		1.5		2.4		3.5
Net Interest Earnings	*		19.5		32.4		45.2		57.9	
Risk Factor Earnings	*		2.8		4.7		6.5		8.3	
Admin. Fee Earnings	*		1.7		2.8		3.9		5.0	
Estimated Totals	*	*	24.0	.7	39.9	1.5	55.6	2.4	71.2	3.5
<u>Present</u>										
Estimated New Loans	150.0		150.0		150.0		150.0		150.0	
Principal Bal. Forward		0.0		148.6		295.7		441.3		583.2
Principal Repayments		*		1.4		2.9		4.4		8.1
Interest Earnings		*		16.8		27.8		38.7		49.4
Estimated Totals	*	*	0.0	18.2	0.0	30.7	0.0	43.1	0.0	57.5
Net Fiscal Impact	*	*	24.0	(17.5)	39.9	(29.2)	55.6	(40.7)	71.2	(54.0)
* = Minimal			GF	RLF	GF	RLF	GF	RLF	GF	RLF

Note: This analysis reflects fiscal impact only from loans closed after the proposed bill becomes law and assumes that date to be 7-1-84.

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: CSHB 574
 Title: An Act relating to State
loan programs
 Sponsor: Rules/Governor
 Requestor: House Spec. Com. on Loans
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Commerce and Economic Development
 Program Category Affected: _____
Development
 BRU, Program or Subprogram(s) Affected: _____
Investments

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES		296.8	296.8	296.8	296.8	296.8
200 TRAVEL		23.7	23.7	23.7	23.7	23.7
300 CONTRACTUAL		25.0	20.0	20.0	20.0	20.0
400 SUPPLIES		1.8	1.8	1.8	1.8	1.8
500 EQUIPMENT		27.3				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		374.6	342.3	342.3	342.3	342.3

LOANS		9,750.3				
--------------	--	---------	--	--	--	--

REVENUE						
----------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND		10,409.3	342.3	342.3	342.3	342.3
FEDERAL FUNDS						
OTHER		(284.4)				
TOTAL		10,124.9	342.3	342.3	342.3	342.3

POSITIONS:

FULL-TIME		6	6	6	6	6
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis (See Attachment)

Prepared By: Paul B. Arnoldt, Director
 Division: Investments

Phone: 465-2510
 Date: 3/21/84

Approved by Commissioner: Richard A. Lyon
 Agency: Commerce and Economic Development

Date: 3/21/84

Distribution (by Agency preparing fiscal note):

Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

12/1/83

ATTACHMENT
CSHB 574

LOAN BUDGET (\$9,750.3)

- \$4,130.3 In the FY '85 Loan Budget, \$4,130.3 in collected interest payments was to be deposited into the Commercial Fishing Loan Fund (AS 16.10.300-.370) and used to make new loans. As a result of this bill, interest payments will now be deposited into the General Fund and must be appropriated back to the Commercial Fishing Loan Fund. This procedure removes the question of the constitutionality of dedicated funds, i.e., the direct deposit and use of the interest payments. (See Attorney General Opinion dated November 30, 1982. Subject: The dedicated funds prohibition applied to various funds and accounts. Our file numbers J66-785-81 and J66-649-80.)
- \$620.0 In the FY '85 Loan Budget, \$620.0 in collected interest payments was to be deposited into the Alternative Technology and Energy Revolving Loan Fund (AS 45.88.010-.500) and used to make new loans. As a result of this bill, interest payments will now be deposited into the General Fund and must be appropriated back to the Alternative Technology and Energy Revolving Loan Fund in order to meet the budgeted demand for new loans. This procedure also removes the question of the constitutionality of dedicated funds (see the discussion above).
- \$5,000.0 Initial appropriation to the Small Business Development Revolving Loan Fund. Then funds would be combined with the existing balance of the Small Business Revolving Loan Fund; AS 45.95.060.

OPERATING BUDGET (\$284.4)

- \$96.7 In the FY '85 Operating Budget request, \$96.7 in service fees (late charges, service charges, assumption fees, and mortgage life insurance fees) received under the Veterans' Loan Fund would be appropriated as program receipts to cover the administrative costs involved in processing loan assumptions. As a result of this bill, service fees will now be deposited into the General Fund and will no longer be identified as program receipts. This funding will now be requested as General Funds.
- \$187.7 In the FY '85 Operating Budget request, \$187.7 in service fees (service charges and late fees) received under the Commercial Fishing Loan Program would be appropriated as program receipts to cover the administrative costs involved in making new loans under this program. As a result of this bill, these service fees will now be deposited into the General Fund and will no longer be identified as program receipts. This funding will now be requested as General Funds.

ATTACHMENT
CSHB 574
(Continued)

SMALL BUSINESS DEVELOPMENT LOANS (\$374.6)

\$374.6 The Division of Investments estimates that the average loan under this program would be \$20,000. Assuming a \$5 million initial appropriation in FY '85, coupled with approximately \$3.7 million that will accumulate under the existing Small Business Revolving Loan Fund, 435 loans would ultimately be approved. The restriction in the proposed AS 45.95.130(a) that loans would be available only if private financial institutions are unable to provide funds would have little effect in limiting requests for loans from new small businesses. Several times, as many applications would be received and processed and a large number of inquiries would be handled by the division.

Loans under this program would be available for virtually any business enterprise except farming, fishing and mining. Accordingly, requests would be received for manufacturing services and distribution activities utilizing all levels of technologies and workers. This variety of proposals would require a high level of scrutiny of loan applications by loan examiners. Specialization by loan examiners would be necessary to adequately assess loan applications calling for use of advanced technologies. When combined with a targeted 10 day turn-around time for each application, personnel expenses to administer the program would be substantial. The division anticipates that two additional loan examiners would be required in each of the existing regional offices in Anchorage, Fairbanks and Juneau to respond to public inquiries, process loan applications and counsel applicants. Loan applications would be monitored on a daily basis.

Approval of the program will require close coordination between the Division of Investments and the Office of Enterprise. Efforts to inform the public regarding the program will be carried out by both the Office of Enterprise and this division. It is expected that these outreach efforts will generate some additional interest in other loan programs administered by the department.

In administering the program, 25 percent of loan funds would be targeted to construction-related applicants. Special efforts would be made to encourage applications from women and minorities.

Under the contractual line item, \$7.0 is included for the design and printing of the application and loan closing forms. This funding is specific to the program and was not detailed under the following request for new positions. \$18.0 is added for space rental and will be transferred to the Department of Administration by RSA.

1.	POSITION TITLE Loan Examiner II	RANGE/STEP 17A	BARG. UNIT G			
2.	TYPE OF POSITION PFT	STAFF MONTHS 12		LOCATION Juneau		
3.						
4.	TYPE OF EXPENDITURE		AMOUNT			
	1	2	3			
	PERSONAL SERVICES					
5.	Salary	35,580				
6.	Benefits	10,719				
7.						
8.						
9.	TOTAL PERSONAL SERVICES	01	46,299			
10.	Travel	02	3,950			
11.	Contractual	03	3,000			
12.	Commodities	04	300			
13.	Equipment	05	4,555			
14.	Other					
15.	TOTAL COST		58,104			
	RECEIPT CODE	FUNDING SOURCE				
16.		Federal Receipts 1002				
17.		G.F. Match 1003				
18.		General Funds 1004		58,104		
19.		I-A Receipts 1005				
20.		Program Receipts 1028				
21.		Other				
FOR B&M USE ONLY						
4A KEY NUMBER - - - - -						

Estimates for other line items assume that the new employee required for this new loan program will require support at levels similar to that actually being incurred by the division on other loan programs.

Travel: To inspect collateral, interview applicants, and inform public on program.

Contractual: Space Rental: \$3,000
\$2.50 sq./ft. x 100 sq./ft. x 12 months RSA to Department of Administration

Commodities: General supplies.

Equipment: Calculator \$ 365
Microfiche Reader 300
Workstation 3,890
\$4,555

REQUEST FOR NEW POSITION

01-1136 (7/82) - 13

AGENCY Commerce & Economic Development

PROGRAM Development

BRU Investments

COMPONENT _____

Page 1 of 6

Date 3/21/84

CSHB 574

1.	POSITION TITLE Loan Examiner III			RANGE/STEP 19A	BARG. UNIT G			
2.	TYPE OF POSITION PET	STAFF MONTHS 12			LOCATION Juneau			
3.								
4.	TYPE OF EXPENDITURE			AMOUNT				
	1	2		3				
	PERSONAL SERVICES							
5.	Salary	38,124						
6.	Benefits	11,291						
7.								
8.								
9.	TOTAL PERSONAL SERVICES	01		49,415				
10.	Travel	02		3,950				
11.	Contractual	03		3,000				
12.	Commodities	04		300				
13.	Equipment	05		4,555				
14.	Other							
15.	TOTAL COST			61,220				
	RECEIPT CODE	FUNDING SOURCE						
16.		Federal Receipts	1002					
17.		G.F. Match	1003					
18.		General Funds	1004	61,220				
19.		I-A Receipts	1005					
20.		Program Receipts	1028					
21.		Other						
FOR B&M USE ONLY								
4A KEY NUMBER								

AGENCY Commerce & Economic Development

Page 2 of 6

Date 3/21/84

CSHB 574

1.	POSITION TITLE Loan Examiner II	RANGE/STEP 17A	BARG. UNIT G			
2.	TYPE OF POSITION PFT	STAFF MONTHS 12		LOCATION Anchorage		
3.						
4.	TYPE OF EXPENDITURE		AMOUNT			
	1	2	3			
	PERSONAL SERVICES					
5.	Salary	35,580				
6.	Benefits	10,719				
7.						
8.						
9.	TOTAL PERSONAL SERVICES	01	46,299			
10.	Travel	02	3,950			
11.	Contractual	03	3,000			
12.	Commodities	04	300			
13.	Equipment	05	4,555			
14.	Other					
15.	TOTAL COST		58,104			
	RECEIPT CODE	FUNDING SOURCE				
16.		Federal Receipts 1002				
17.		G.F. Match 1003				
18.		General Funds 1004	58,104			
19.		I-A Receipts 1005				
20.		Program Receipts 1028				
21.		Other				
FOR B&M USE ONLY						
4A KEY NUMBER _____						

Estimates for other line items assume that the new employee required for this new loan program will require support at levels similar to that actually being incurred by the division on other loan programs.

Travel: To inspect collateral, interview applicants, and inform public on program.

Contractual: Space Rental: \$3,000
\$2.50 sq./ft. x 100 sq./ft. x 12 months RSA to Department of Administration

Commodities: General supplies.

Equipment: Calculator \$ 365
Microfiche Reader 300
Workstation 3,890
\$4,555

**REQUEST FOR
NEW POSITION**

AGENCY Commerce & Economic Development

PROGRAM Development

BRU Investments

COMPONENT _____

Page 3 of 6

Date 3/21/84

CSHB 574

1.	POSITION TITLE Loan Examiner II			RANGE/STEP 17A	BARG. UNIT G			
2.	TYPE OF POSITION PFT	STAFF MONTHS 12			LOCATION Fairbanks			
3.								
4.	TYPE OF EXPENDITURE			AMOUNT				
	1	2	3					
	PERSONAL SERVICES							
5.	Salary	38,124						
6.	Benefits	11,291						
7.								
8.								
9.	TOTAL PERSONAL SERVICES	01	49,415					
10.	Travel	02	3,950					
11.	Contractual	03	3,000					
12.	Commodities	04	300					
13.	Equipment	05	4,555					
14.	Other							
15.	TOTAL COST		61,220					
	RECEIPT CODE	FUNDING SOURCE						
16.		Federal Receipts	1002					
17.		G.F. Match	1003					
18.		General Funds	1004	61,220				
19.		I-A Receipts	1005					
20.		Program Receipts	1028					
21.		Other						
FOR B&M USE ONLY								
4A KEY NUMBER - - - - -								

Estimates for other line items assume that the new employee required for this new loan program will require support at levels similar to that actually being incurred by the division on other loan programs.

Travel: To inspect collateral, interview applicants, and inform public on program.

Contractual: Space Rental: \$3,000
\$2.50 sq./ft. x 100 sq./ft. x 12 months RSA to Department of Administration

Commodities: General supplies.

Equipment: Calculator \$ 365
Microfiche Reader 300
Workstation 3,890
\$4,555

**REQUEST FOR
NEW POSITION**

AGENCY Commerce & Economic Development

PROGRAM Development

BRU Investments

COMPONENT _____

Page 5 of 6

Date 3/21/84

CSHB 574

1.	POSITION TITLE Loan Examiner III			RANGE/STEP 19A	BARG. UNIT G			
2.	TYPE OF POSITION PFT	STAFF MONTHS 12			LOCATION Anchorage			
3.								
4.	TYPE OF EXPENDITURE			AMOUNT				
	1	2	3					
	PERSONAL SERVICES							
5.	Salary	38,124						
6.	Benefits	11,291						
7.								
8.								
9.	TOTAL PERSONAL SERVICES	01	49,415					
10.	Travel	02	3,950					
11.	Contractual	03	3,000					
12.	Commodities	04	300					
13.	Equipment	05	4,555					
14.	Other							
15.	TOTAL COST		61,220					
	RECEIPT CODE	FUNDING SOURCE						
16.		Federal Receipts 1002						
17.		G.F. Match 1003						
18.		General Funds 1004		61,220				
19.		I-A Receipts 1005						
20.		Program Receipts 1028						
21.		Other						
FOR B&M USE ONLY								
4A KEY NUMBER - - - - -								

Estimates for other line items assume that the new employee required for this new loan program will require support at levels similar to that actually being incurred by the division on other loan programs.

Travel: To inspect collateral, interview applicants, and inform public on program.

Contractual: Space Rental: \$3,000
\$2.50 sq./ft. x 100 sq./ft. x 12 months RSA to Department of Administration

Commodities: General supplies.

Equipment: Calculator \$ 365
Microfiche Reader 300
Workstation 3,890
\$4,555

**REQUEST FOR
NEW POSITION**

AGENCY Commerce & Economic Development

PROGRAM Development

BRU Investments

COMPONENT _____

Page 4 of 6

Date 3/21/84

CSHB 574

1.	POSITION TITLE Loan Examiner III			RANGE/STEP 19A	BARG. UNIT G			
2.	TYPE OF POSITION PFT	STAFF MONTHS 12			LOCATION Fairbanks			
3.								
4.	TYPE OF EXPENDITURE			AMOUNT				
	1	2	3					
	PERSONAL SERVICES							
5.	Salary	43,560						
6.	Benefits	12,392						
7.								
8.								
9.	TOTAL PERSONAL SERVICES	01	55,952					
10.	Travel	02	3,950					
11.	Contractual	03	3,000					
12.	Commodities	04	300					
13.	Equipment	05	4,555					
14.	Other							
15.	TOTAL COST		67,757					
	RECEIPT CODE	FUNDING SOURCE						
16.		Federal Receipts	1002					
17.		G.F. Match	1003					
18.		General Funds	1004	67,757				
19.		I-A Receipts	1005					
20.		Program Receipts	1028					
21.		Other						
FOR B&M USE ONLY								
4A KEY NUMBER - - - - -								

Estimates for other line items assume that the new employee required for this new loan program will require support at levels similar to that actually being incurred by the division on other loan programs.

Travel: To inspect collateral, interview applicants, and inform public on program.

Contractual: Space Rental: \$3,000
\$2.50 sq./ft. x 100 sq./ft. x 12 months RSA to Department of Administration

Commodities: General supplies.

Equipment: Calculator \$ 365
Microfiche Reader 300
Workstation 3,890
\$4,555

**REQUEST FOR
NEW POSITION**

AGENCY Commerce & Economic Development

PROGRAM Development

BRU Investments

COMPONENT _____

Page 6 of 6

Date 3/21/84

CSHB 574

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: March 21, 1984

REQUEST

Bill/Resolution No.: CSHB 574

Title: An Act relating to State
loan programs

Sponsor: _____

Requestor: _____

Date of Request: _____

FISCAL DETAIL

Agency Affected: Commerce & Economic Development

Program Category Affected:
Economic Development

BRU, Program or Subprogram(s) Affected:
DP BRU

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		96.0	20.0	22.0	25.0	27.0
400 SUPPLIES		4.0	2.5	3.0	3.5	4.0
500 EQUIPMENT		22.5				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		122.5	22.5	25.0	28.5	31.0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND		201.1	101.1	103.6	107.1	109.6
FEDERAL FUNDS						
OTHER 1035 VRLF		[78.6]	[78.6]	[78.6]	[78.6]	[78.6]
TOTAL		122.5	22.5	25.0	28.5	31.0

POSITIONS:

FULL-TIME		-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

General Funds: earnings from various State loan programs.

ANALYSIS: Attach a separate page for analysis

Prepared By: Margaret I. Hamley, Director

Division: Accounting and Collections

Phone: 465-2555

Date: 3-21-84

Approved by Commissioner Richard A. Lyon

Agency: Commerce and Economic Development

Date: 3/21/84

Distribution (by Agency preparing fiscal note):

Legislative Finance

Legislative Sponsor

Requestor

Office of Management and Budget

Impacted Agency(ies)

MIH/wfs3/2184B

12/1/83

EXPENDITURE ANALYSIS CSHB 574

Data Processing BRU

	<u>FY '85</u>	<u>FY '86</u>	<u>FY '87</u>	<u>FY '88</u>	<u>FY '89</u>
<u>Contractual</u>					
One-time DP Systems modification for mar- ket-tied interest rate, based on formula.	48.0				
One-time DP Systems design/enhancement for new loan program re- quiring extremely fast service	30.0				
DP Chargeback	<u>18.0</u>	<u>20.0</u>	<u>22.0</u>	<u>25.0</u>	<u>27.0</u>
TOTAL LINE 300	<u>96.0</u>	<u>20.0</u>	<u>22.0</u>	<u>25.0</u>	<u>27.0</u>
<u>Commodities</u>					
DP Supplies	4.0	2.5	3.0	3.5	4.0
<u>Equipment</u>					
Intelligent Terminal (3) @ \$4,000	12.0				
Printer, remote	4.0				
Hard disk 26 meg.	3.5				
(3) 512K memory @ \$975	<u>3.0</u>				
TOTAL LINE 500	<u>\$22.5</u>				

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: CSHB 574
Title: "An Act relating to State
Loan Programs..."
Sponsor: Governor
Requestor: _____
Date of Request: _____

FISCAL DETAIL

Agency Affected: Commerce and Economic Development
Program Category Affected: _____
Development
BRU, Program or Subprogram(s) Affected: _____
Office of Enterprise

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES		60.0	60.0	63.0	66.2	69.5
200 TRAVEL		12.5	12.5	13.1	13.7	14.4
300 CONTRACTUAL		480.0	480.0	504.0	529.2	555.6
400 SUPPLIES		1.0	1.0	1.0	1.0	1.0
500 EQUIPMENT		2.5	0.5	0.5	0.7	0.7
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		556.0	554.0	581.6	610.8	641.2

CAPITAL						
----------------	--	--	--	--	--	--

REVENUE						
----------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND		556.0	554.0	581.6	610.8	641.2
FEDERAL FUNDS						
OTHER						
TOTAL		556.0	554.0	581.6	610.8	641.2

POSITIONS:

FULL-TIME		1	1	1	1	1
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: James E. Wiedeman Phone: 465-2018
Division: Office of Enterprise Date: 3/21/84
Approved by Commissioner: Richard A. Lyon Date: 3/21/84
Agency: Commerce and Economic Development

Distribution (by Agency preparing fiscal note):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

12/1/83

BUSINESS TECHNICAL ASSISTANCE CENTERS

The Office of Enterprise, Department of Commerce and Economic Development, is proposing the development of business assistance offices in three locations in the State: Juneau, Anchorage and Fairbanks. The purpose of these centers is to provide "hands-on" and "on-site" help to new and existing businesses including, but not limited to, assistance in securing long and short term financing, in preparing loan packages; in assessing and analyzing their business; and in developing various accounting and other systems for better management. A detailed description of the services to be provided is attached as Appendix A.

The three centers will be staffed by consultants selected through the normal contracting procedures. The three centers will be offered individually for contract and it is presently intended to have a different contractor for each center. Each of the three centers will service a regional market: Juneau will cover all of southeast, Anchorage will service south central, western and most of northern Alaska, and Fairbanks will cover central Alaska and the pipeline corridor.

Proposed Funding

The three development centers will cost a total of \$556.0 thousand for the first year period. The contractual costs can be broken down as:

Juneau	\$130 (FY '85)
Anchorage	200 (FY '85)
Fairbanks	150 (FY '85)
	<u>\$480</u>

The differentials between centers reflect the anticipated number of clients to be served and the area to be covered.

In addition to the contractual amounts to establish the centers, there is an additional \$76.0 in administrative costs. This includes funding for a new Development Specialist II position to supervise the contracts and provide professional assistance to the centers where needed, as well as necessary travel and operating funds for that position.

APPENDIX A

The Contractor agrees to perform the following services for existing and potential minority business enterprises in Alaska's rural areas:

1. The Contractor will provide financial and other related counseling services, including, but not limited to, those subjects specified below. The Contractor will identify those entrepreneurs most in need of assistance. Service will be provided statewide.

Scope of Work. Business assistance services are to be provided in the following areas:

1. loan and working capital arrangements;
2. accounting procedures;
3. administrative coordination;
4. developing of self-motivation;
5. bonding assistance;
6. job costing and auditing procedures;
7. bidding;
8. comprehensive information on business resources and plans;
9. liaison with other State and private agencies; and
10. follow-up, advertising and historical records.

2. The Contractor will maintain accurate and appropriate client and financial records and will keep them and report them separate from any other contracts in which the Contractor is involved. These records are to be available to the State for inspection at all times. A performance and financial audit will be conducted at the Contractor's expense at the end of this contract. Records will be kept by the Contractor for a period of no less than six (6) weeks upon completion of this contract, and the Contractor will make them available to the auditor chosen. Records may not be removed from the State of Alaska before completion of the audit.
3. Budget and activity reports shall be submitted to the State on a quarterly basis. These reports shall include, but not be limited to, the following kinds of information: number and location of clients served, hours spent in actual client service, number of project bids submitted, number of bids awarded and dollar value of the bids, number of financial packages submitted, number of financial packages approved and dollar value of the financial packages.

WORKING DRAFT

NOT FOR
PUBLIC USE
OR DISSEMINATION

As an additional performance measure, the State requires that the Contractor design a client questionnaire for use quarterly for each client's assistance program. The questionnaire shall contain the following information (as well as any other considered necessary or desirable by the Contractor) and be completed and signed by the client: type of assistance required; was service satisfactory; number of hours spent with the Contractor's representative; will client need additional assistance in this area; will client need assistance in other areas, and, if so, what areas; any suggestions client might have for the program. The questionnaire is subject to approval by the State before use by the Contractor. Any changes or additions must be approved by the State. The Contractor shall collect all questionnaires and submit them to the State with each quarterly report.

WORKING DRAFT

NOT FOR
PUBLIC USE
OR DISSEMINATION

SECTIONAL ANALYSIS -- CSHB 574 (LOANS)
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

Section 1.

This section would replace the current fixed interest rate of 10.5 percent for loans under the Commercial Fishing Loan Act, AS 16.10.300-16.10.370, with an interest rate that is established at the time the loan is made. The new interest rate would be based on a six-month average for U.S. Treasury bills of comparable duration and adjusted for risk, administration cost and the subsidy provided by the State. Interest rates would not change during the term of the loan. Existing loans would not be affected.

The proposed language represents an effort to introduce two important concepts to the administration of State loan programs. First, interest on State loans would vary with overall lending market rates. The degree of subsidy offered by the State through the affected loan programs, in this case, the commercial fishing loan program, would not depend on the interest rates prevailing in the marketplace at a given time. Rather, the subsidy, in the form of reduced interest rates, would remain constant to the borrower at 300 basis points or three percentage points. Second, the proposed change reflects an effort to quantify the risk to the State in making loans under the various programs, the cost of administration and the total State subsidy. Should any of these measures change over time, or if the Legislature should want to change the degree of subsidy, this can easily be accomplished. The department intends to use monthly averages of interest rates for U.S. Treasury securities of from one to thirty years' duration, updated weekly in a publication of the Federal Reserve System, "Selected Interest Rates." Interest rates for loan terms not reflected in this data would be interpolated from the nearest two figures available. An example of this monthly calculation and its effect on a typical commercial fishing loan is attached.

Section 2.

For fishermen who apply jointly under the commercial fishing loan program for a gear or vessel loan, this section would conform the language to the changes made in Section 1 (Market-Tied Interest Rates). It is identical in scope and effect to that section.

Section 3.

The second major change proposed by the bill is shown in this section. The new language provides that repayments of principal under the Commercial Fishing Loans Act will be made to the fund established for that purpose but interest, service charges, late fees, assumption fees and administrative fees will be paid over to the Department of Revenue for deposit in the General Fund. The Legislature may then appropriate

from the General Fund an amount to the Department of Commerce and Economic Development to fund operating expenses of the loan programs. The procedure avoids problems from the constitutional prohibition against dedicated funds. See the opinion of the Attorney General dated November 30, 1982.

Section 4.

The section is identical to Section 1 (Market-Tied Interest Rates) but the changes are made to the Fisheries Enhancement Loan Program, AS 16.10.500-16.10.620. The present interest rate for loans under this program is 9.5 percent.

Section 5.

The section is identical to Section 3 (General Fund Deposits) but the changes are made to the Fisheries Enhancement Loan Program, AS 16.10.500-16.10.620.

Sections 6, 7 & 9.

The changes proposed in these sections are identical to those proposed in Section 1 (Market-Tied Interest Rates) but are made to the Veterans' Loan programs, AS 26.15.010-26.15.170. The present interest rate is 9.5 percent.

Sections 8 & 10.

These sections are identical in effect to Section 3 (General Fund Deposits) but the changes are made to the Veterans' Loans programs, AS 26.15.010-26.15.070.

Section 11.

The section is identical to Section 3 (General Fund Deposits) but the changes are made to the Mining Loan program, AS 27.09.010-27.09.060.

Section 12.

The section is identical to Section 1 (Market-Tied Interest Rates) but the changes are made to the Mining Loan program, AS 27.09.010-27.09.060. The present interest rate is 10 percent.

Section 13.

The section clarifies that the Child Care Facility Revolving Loan Fund, AS 44.33.240-44.33.275, consists of legislative appropriations and repaid principal amounts and that these funds do not lapse at the end of a fiscal year.

Section 14.

The section is identical to Sections 1 (Market-Tied Interest Rates) and 3 (General Fund Deposits) but the changes are made to the Child Care Facility Revolving Loan Fund, AS 44.33.240-44.33.275. The present interest rate is 7 percent.

Section 15.

The section is generally the same in effect as Section 1 (Market-Tied Interest Rates) but the changes are made to the Bulk Fuel Revolving Loan program, AS 45.87.010-45.87.500. The present interest rates under this program are tied to an average of municipal bond yields. The change, therefore, is largely for the purposes of uniformity. Municipal bond yields are presently 10.03 percent. The commissioner retains the authority to reduce or eliminate interest charges for communities facing hardship.

The section also includes the changes with regard to principal and other repayments found in Section 3 (General Fund Deposits).

Section 16.

The section is identical to Section 3 (General Fund Deposits) but the changes are made to the Alternative Technology and Energy program, AS 45.88.010-45.88.500.

Section 17.

The section is identical to Section 1 (Market-Tied Interest Rates) but the changes are made to the Alternative Technology and Energy program, AS 45.88.010-45.88.500.

Section 18.

The section is generally the same in effect as Section 1 (Market-Tied Interest Rates) but the changes are made to the Residential Energy Conservation Loan program, AS 45.89.010-45.89.500. As in the case of the Bulk Fuel Revolving Loan program, the interest rates under this program are tied to an average of municipal bond yields presently that rate is 10.03 percent. Again, the change is largely for the purposes of uniformity.

Section 19.

The section is identical to Section 3 (General Fund Deposits) but the changes are made to the Residential Energy Conservation Fund program, AS 45.89.010-45.89.500.

Section 20.

This section would reestablish a loan program for small businesses. New loans under the original program ceased with the passage of Section 71, Chapter 106, SLA 1980.

The new program would permit loans "to acquire, operate, equip or finance a business." Existing loan programs already cover farming, fishing and mining; therefore, loans under this new loan program would not be permitted for those purposes. Authority is delegated to the department to adopt regulations establishing procedures for making loans. If approved, loans would be for a minimum of \$5,000 and a maximum of \$50,000. As is provided for in the other sections of this bill, interest would be tied to the U.S. Treasury rate adjusted for administrative fees, risk and a state subsidy. Repayments could extend for up to ten years. Loan payments could be deferred for up to two years. One year of Alaskan residence would be required to be eligible for a loan.

Assumption of loans made under the program would be permitted under certain circumstances. The commissioner would be given the authority to sell or transfer mortgages and notes to the Department of Revenue or private financial institutions. The department would be given the express authority to dispose of property acquired through default or foreclosure and finance that disposal.

Section 21.

The section includes provisions identical to those contained in Section 3 (General Fund Deposits) but the changes are made to the Historical District Loan Fund, AS 45.98.010-45.98.070. Language clarifying that the fund consists of legislative appropriations and repayments of principal is included.

Section 22.

The section is identical to Section 1 (Market-Tied Interest Rates) but the changes are made to the Historical District Loan Fund, AS 45.98.010-45.98.070. The present interest rate is 7.5 percent.

Section 23.

This section would replace the present fixed interest rate assessed as a penalty for inconsistent use of historical district loan funds with the proposed new flexible interest rate and provide that the penalty would consist of removal of the State subsidy for such loans. The present interest rate is fixed as 10.5 percent by AS 45.45.010.

Section 24.

The section is identical to Section 3 (General Fund Deposits) but the changes are made to the Fisherman's Mortgage and Note program, formerly AS 16.10.650-16.10.720. This program was repealed in 1982 so no new loans are being made. Repayments under existing loans continue.

Section 25.

This section would transfer funds from the small business revolving loan fund, AS 45.95.060, to the new small business development revolving loan fund established in section 20. Accumulated deposits to the small business revolving loan fund are expected to be approximately \$3,700,000 in FY '85. Repayments of loans under the former program would be made to the new fund as well as repayments from new loans granted under the program established in section 20 of this bill.

Section 26

This section would clarify that if this measure, containing the proposed sections 20 and 25, becomes law, the provisions of this bill relating to the small business revolving loan fund. AS 45.95.060 will govern over any contrary provisions contained in HB 536, should that measure be approved by the Legislature.

Section 27.

The effective date for this legislation is proposed for July 1, 1984, the beginning of the new fiscal year.

MJ/shB/23
32284a

ATTACHMENT TO SECTIONAL ANALYSIS OF CSHB 574 (LOANS)

(MARKET-TIED INTEREST RATES)

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

	Average Loan Term	Present Interest Rate	SSHB 574 Rate
Commercial Fishing	10 yrs.	10.5%	10.70
Fisheries Enhancement	30 yrs.	9.5%	10.76
Child Care	20 yrs.	7.0%	10.89
Alternative Technology	10 yrs.	9.5%	10.70
Alternative Energy	10 yrs.	5.0% (first \$15,000) 15.0% (amount over \$15,000)	10.70
Residential Energy Cons.	5 yrs.	10.01% (presently)	10.43
Bulk Fuel	1 yr.	10.01%*(presently)	8.99
Mining	10 yrs.	10.0%	10.70
Historical District	30 yrs.	7.5%	10.76
Veterans' Loans	Varies	9.5%	10.70 (10-yr.) 10.89 (20-yr.) 10.76 (30-yr.)

* when charged

ATTACHMENT TO SECTIONAL ANALYSIS OF CSHB 574 (LOANS)

(MARKET-TIED INTEREST RATES)

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

	U.S. Treasury Bills Rate				
	1 yr.	5 yrs.	10 yrs.	20 yrs.	30 yrs.
June 1983	9.66	10.63	10.85	11.12	10.93
July	10.20	11.21	11.38	11.59	11.40
August	10.53	11.63	11.85	11.96	11.82
September	10.16	11.43	11.65	11.82	11.63
October	9.81	11.28	11.54	11.77	11.58
November	9.94	11.41	11.69	11.92	11.75
December 1983	10.11	11.54	11.83	12.02	11.88
January 1984	9.90	11.37	11.67	11.82	11.75
February 1984	10.04	11.54	11.84	12.00	11.95
Average - Last 6 Mos.	9.99	11.43	11.70	11.89	11.76
Plus Risk	1.25	1.25	1.25	1.25	1.25
Plus Admin.	.75	.75	.75	.75	.75
Minus Subsidy	3.00	3.00	3.00	3.00	3.00
Rate to Be Used for March 1984	8.99	10.43	10.70	10.89	10.76

Alaska State Legislature

POUCH V
JUNEAU, ALASKA 99811
(907) 465-4821



REPRESENTATIVE RICK UEHLING
CHAIRMAN
REPRESENTATIVE WALT FURNACE
REPRESENTATIVE NILO KOPONEN
REPRESENTATIVE JERRY WARD
REPRESENTATIVE RON WENDTE

House Special Committee on State Loans

MEMORANDUM

To: Members, House Special Committee on State Loans
From: Rep. Rick Uehling, Chairman
Date: March 27, 1984
Subject: CS for HB 574

This DRAFT Committee Substitute for HB 574, relating primarily to interest rates also incorporates a new section pertaining to the reestablishment of a loan program for small businesses.

Please refer to the new sectional analysis (which is marked in red on the first page) for specific information on the bill. Section 20 is the part which refers to the SMALL BUSINESS DEVELOPMENT LOANS.

Additionally, there are four new fiscal notes which go along with CSHB 574. One is for Accounting & Collections, one for Data Processing, one for Investments, and one for the Office of Enterprise.

Alaska State Legislature

POUCH V
JUNEAU, ALASKA 99811
(907) 465-4821



REPRESENTATIVE RICK UEHLING
CHAIRMAN
REPRESENTATIVE WALT FURNACE
REPRESENTATIVE NILO KOPONEN
REPRESENTATIVE JERRY WARD
REPRESENTATIVE RON WENDTE

House Special Committee on State Loans

SPECIAL COMMITTEE ON STATE LOANS
Wednesday February 8, 1984
5 o'clock p.m.

Agenda

Call to Order

HB 536, "An Act relating to continuing appropriations for bond debt service; making special appropriations from certain defunct revolving loan funds; ED."

HB 574, "An Act relating to state loan programs; and providing for an effective date."

Presentation by Commissioner Dick Lyons
Department of Commerce & Economic Development

Adjournment

COMMITTEE REPORT
HOUSE

(5)

FURTHER: FINANCE

2/2/34

Date: April 9, 1934

The Committee on HOUSE SPECIAL COMMITTEE
ON STATE LOANS has had HB 574

"An Act relating to state loan programs; and providing for an effective date."

under consideration and recommends:

- ☐ do pass ☐ do not pass
- ☐ do pass with attached amendments(s)
- ☒ replace with CS for HB 574 (LOANS) ☒ same title
☐ new title
- and recommends _____
- ☐ AND attaches a "Letter of Intent" ☒ New Fiscal Note
- ☐ reports it back without recommendation ☐ Zero Fiscal Note Attached
- ☐ referred to the _____ Committee

MEMBERS SIGNING
DO PASS

Paul Kelly
Ray W. Clark
Sam Vestinger

MEMBERS HAVING
OTHER RECOMMENDATIONS:

W. H. Furnace NO REC
~~Sam Vestinger~~
Ray W. Clark NO REC

Paul Kelly
CHAIRMAN

HB 574 -

Dick Lyon.

To sever the connection between the law a specific number for the interest rate.
Allowing the states leading capacity to float ^{interest rate}

Terry Elder.

base rate plus.

- an adjustment for admin. fees.

the borrower supporting this -

means the States subsidy. 300 basis points

"A good deal for the borrower."

< Treasury rate - 1. formula. >

↓
The base rate (standard) for the credit market.

Deposit all earnings into the loan fund -
not principal just interest.

Avoids the dedicated fund issue while
permitting a "wash" or appropriations
eventually.

Original sponsor: Rules/Governor

See page 14

IN THE HOUSE

BY THE HOUSE SPECIAL
COMMITTEE ON STATE LOANS

CS FOR HOUSE BILL NO. 574(Loans)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to state loan programs; and providing for an effective date."

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

* Section 1. AS 16.10.320(a) is amended to read:

Sec. 16.10.320. LIMITATIONS ON LOANS. (a) A loan under AS 16.-
10.310 -- 16.10.370

(1) may not exceed a term of 15 years;

(2) bears a fixed, market-tied interest rate that is based on the United States Treasury rate plus an administrative fee and a subsidy, and is adjusted for risk; the interest rate is established as follows:

(A) the United States Treasury rate is calculated for the term of the loan, interpolated as necessary, based on a six-month moving average for six consecutive months within the seven-month period immediately preceding the approval of the loan;

(B) 125 basis points are added to the calculated United States Treasury rate to account for risk;

(C) 75 basis points are added to the calculated United States Treasury rate to account for administrative costs of loan programs; and

(D) 300 basis points are subtracted from the calculated United States Treasury rate as adjusted in (B) and (C) of this paragraph to account for the state's subsidized share of the loan

1 [MAY NOT BEAR AN INTEREST RATE EXCEEDING 10-1/2 PERCENT];

2 (3) shall be secured by a first priority lien and appropri-
3 ate security agreements; and

4 (4) may not exceed 90 percent of the appraised value of the
5 collateral used to secure the loan, except that a loan granted under
6 AS 16.10.333 for the purchase of an Alaska limited entry permit may
7 not exceed an amount determined in accordance with (f) or (h) of this
8 section.

9 * Sec. 2. AS 16.10.320(e)(4) is amended to read:

10 (4) bear a fixed, market-tied interest rate that is based
11 on the United States Treasury rate plus an administrative fee and a
12 subsidy, and is adjusted for risk; the interest rate is established as
13 follows:

14 (A) the United States Treasury rate is calculated for
15 the term of the loan, interpolated as necessary, based on a six-
16 month moving average for six consecutive months within the seven-
17 month period immediately preceding the approval of the loan;

18 (B) 125 basis points are added to the calculated
19 United States Treasury rate to account for risk;

20 (C) 75 basis points are added to the calculated United
21 States Treasury rate to account for administrative costs of loan
22 programs; and

23 (D) 300 basis points are subtracted from the calculat-
24 ed United States Treasury rate as adjusted in (B) and (C) of this
25 paragraph to account for the state's subsidized share of the loan
26 [MAY NOT BEAR INTEREST EXCEEDING 10-1/2 PERCENT]; and

27 * Sec. 3. AS 16.10.340 is amended to read:

28 Sec. 16.10.340. CREATION OF FUND. (a) There is a commercial
29 fishing revolving loan fund to carry out the purpose of AS 16.-

10.300 -- 16.10.370. Repayment of principal on loans made from the fund must be deposited into the loan fund.

(b) The department shall pay to the Department of Revenue for deposit in the general fund (1) interest paid on loans made from the loan fund; and (2) other income from the loans, including (A) service charges to investors, (B) late fees, (C) assumption fees, and (D) the administrative fee portion of the calculated interest rate. The legislature may appropriate to the department, for the operating expenses of the loan program, an amount equal to the amounts paid into the general fund under this subsection.

* Sec. 4. AS 16.10.510(6) is amended to read:

(6) establish as the rate of interest for a loan a fixed, market-tied interest rate that is based on the United States Treasury rate plus an administrative fee and a subsidy, and is adjusted for risk; the interest rate is established as follows:

(A) the United States Treasury rate is calculated for the term of the loan, interpolated as necessary, based on a six-month moving average for six consecutive months within the seven-month period immediately preceding the approval of the loan;

(B) 125 basis points are added to the calculated United States Treasury rate to account for risk;

(C) 75 basis points are added to the calculated United States Treasury rate to account for administrative costs of loan programs; and

(D) 300 basis points are subtracted from the calculated United States Treasury rate as adjusted in (B) and (C) of this paragraph to account for the state's subsidized share of the loan [LOANS NOT TO EXCEED NINE AND ONE-HALF PER CENT A YEAR];

* Sec. 5. AS 16.10.525 is amended to read:

1 Sec. 16.10.525. REPAYMENT OF PRINCIPAL AND INTEREST ON LOANS.

2 (a) The commissioner may not require the repayment of principal on a
3 loan made under AS 16.10.510 for the initial period of the loan.
4 Interest on the principal of a loan made under AS 16.10.510 does not
5 accrue during the initial period of the loan. In this subsection, the
6 "initial period of the loan" means a period of time determined by the
7 commissioner which is not less than six years or more than 10 years
8 from the date the loan is made.

9 (b) Repayment of principal on loans made under AS 16.10.510 must
10 be deposited to the loan fund.

11 (c) The department shall pay to the Department of Revenue for
12 deposit in the general fund (1) interest paid on loans made from the
13 loan fund; and (2) other income from the loans, including (A) service
14 charges to investors, (B) late fees, (C) assumption fees, and (D) the
15 administrative fee portion of the calculated interest rate. The
16 legislature may appropriate to the department, for the operating
17 expenses of the loan program, an amount equal to the amounts paid into
18 the general fund under this subsection.

19 * Sec. 6. AS 26.15.040(a) is amended to read:

20 Sec. 26.15.040. VETERANS' LOANS. (a) The commissioner of
21 commerce and economic development may, under regulations and policies
22 adopted by him, make the following loans:

23 (1) Personal loans may be made for educational, domestic,
24 remote area family housing and other personal purposes, not exceeding
25 \$10,000. The loans shall be secured by acceptable collateral when
26 available but if not available the commissioner may make loans on the
27 basis of good character. [THE RATE OF INTEREST MAY NOT EXCEED NINE
28 AND ONE-HALF PER CENT A YEAR ON THE UNPAID BALANCE.]

29 (2) Repealed by sec. 77, ch. 106, SLA 1980.

1 (3) Business loans not exceeding \$125,000 may be made to
2 acquire, finance or refinance or equip businesses, including mining
3 and fishing but not including farming, if the loan applicant has had
4 three or more years of general business experience. The loans shall
5 be secured by acceptable collateral and may not exceed 75 per cent of
6 the appraised value of the collateral offered as security. [THE RATE
7 OF INTEREST MAY NOT EXCEED NINE AND ONE-HALF PER CENT A YEAR ON THE
8 UNPAID BALANCE.]

9 (4) Multiple dwelling loans not exceeding \$110,000 may be
10 made to purchase, remodel, repair, build, furnish, refinance or equip
11 multiple dwellings. The loans shall be secured by acceptable collat-
12 eral and may not exceed 75 per cent of the appraised value of the
13 collateral offered as security. [THE RATE OF INTEREST MAY NOT EXCEED
14 NINE AND ONE-HALF PER CENT A YEAR ON THE UNPAID BALANCE.]

15 * Sec. 7. AS 26.15.040(b) is amended to read:

16 (b) The commissioner of commerce and economic development may
17 enter into agreements with private banks, other lending institutions
18 and individuals for the purpose of guaranteeing loans made to qual-
19 ified applicants. The guarantees may not exceed 90 percent of the
20 amount loaned and the loans shall be secured in the same manner pro-
21 vided for direct loans under this section. A loan made under this
22 subsection and guaranteed by the commissioner of commerce and economic
23 development and the state shall bear an interest rate in accordance
24 with AS 26.15.050(a) [NOT EXCEEDING NINE AND ONE-HALF PER CENT A YEAR
25 ON THE UNPAID BALANCE].

26 * Sec. 8. AS 26.15.040(d) is amended to read:

27 (d) Money loaned shall be delivered to the borrower in the form
28 of a warrant drawn on the treasury, vouchered in the manner prescribed
29 for state disbursing officers, and charged against the Alaska World

1 War II veterans' revolving fund. Each voucher shall be approved by
2 the commissioner of commerce or any bonded deputy authorized to act as
3 a certifying officer. [UPON REPAYMENT OF LOANS BY INSTALLMENTS, OR
4 OTHERWISE, IN ACCORDANCE WITH THE PRESCRIBED TERMS, OR UPON LIQUIDA-
5 TION BY FORECLOSURE OR OTHER PROCESS, OR UPON RECEIPT OF INTEREST OR
6 OTHER REVENUE, THE MONEY SO RECEIVED SHALL BE TURNED OVER TO THE
7 COMMISSIONER OF REVENUE FOR DEPOSIT IN THE ALASKA WORLD WAR II VETER-
8 ANS' REVOLVING FUND.]

9 * Sec. 9. AS 26.15.050 is amended to read:

10 Sec. 26.15.050. INTEREST RATES. (a) A loan granted under
11 AS 26.15.010 -- 26.15.170 bears a fixed, market-tied interest rate
12 that is based on the United States Treasury rate plus an administra-
13 tive fee and a subsidy, and is adjusted for risk. The interest rate
14 is established as follows:

15 (1) the United States Treasury rate is calculated for the
16 term of the loan, interpolated as necessary, based on a six-month
17 moving average for six consecutive months within the seven-month
18 period immediately preceding the approval of the loan;

19 (2) 125 basis points are added to the calculated United
20 States Treasury rate to account for risk;

21 (3) 75 basis points are added to the calculated United
22 States Treasury rate to account for administrative costs of loan
23 programs; and

24 (4) 300 basis points are subtracted from the calculated
25 United States Treasury rate as adjusted in (2) and (3) of this subsec-
26 tion to account for the state's subsidized share of the loan.

27 (b) The provisions of AS 26.15.040 applying to interest rates
28 apply only to loans made after the effective date of this Act [APRIL
29 1, 1967]. The interest rates on loans made before the effective date

1 of this Act [APRIL 1, 1967] shall be as prescribed at the time the
2 loan was made.

3 * Sec. 10. AS 26.15 is amended by adding a new section to read:

4 Sec. 26.15.101. REPAYMENT OF LOANS. (a) Repayment of principal
5 on loans made from the revolving fund under AS 26.15.040 must be
6 deposited into the fund.

7 (b) The department shall pay to the Department of Revenue for
8 deposit in the general fund (1) interest paid on loans made from the
9 revolving fund; and (2) other income from the loans, including (A)
10 service charges to investors, (B) late fees, (C) assumption fees, and
11 (D) the administrative fee portion of the calculated interest rate.
12 The legislature may appropriate to the department, for the operating
13 expenses of the loan program, an amount equal to the amounts paid into
14 the general fund under this subsection.

15 * Sec. 11. AS 27.09.010 is amended to read:

16 Sec. 27.09.010. MINING LOAN FUND. (a) There is established in
17 the Department of Commerce and Economic Development the mining loan
18 fund. The department may make loans from the fund to underwrite
19 advanced mineral exploration, development, or mining in the state.

20 (b) The mining loan fund is a revolving fund consisting of
21 appropriations made to the fund by the legislature and repayments of
22 principal [AND INTEREST] on loans made from the fund. Money appropri-
23 ated to or repaid into the fund does not lapse under AS 37.25.010.

24 (c) The department shall pay to the Department of Revenue for
25 deposit in the general fund (1) interest paid on loans made from the
26 loan fund; and (2) other income from the loans, including (A) service
27 charges to investors, (B) late fees, (C) assumption fees, and (D) the
28 administrative fee portion of the calculated interest rate. The
29 legislature may appropriate to the department, for the operating

1 expenses of the loan program, an amount equal to the amounts paid into
2 the general fund under this subsection.

3 * Sec. 12. AS 27.09.040(a) is amended to read:

4 Sec. 27.09.040. LOAN TERMS. (a) A loan granted under AS 27.-
5 09.010 -- 27.09.060 [THIS CHAPTER]

6 (1) may not exceed \$5,000,000;

7 (2) may not exceed a term of 15 years;

8 (3) bears a fixed, market-tied interest rate that is based
9 on the United States Treasury rate plus an administrative fee and a
10 subsidy, and is adjusted for risk; the interest rate is established as
11 follows:

12 (A) the United States Treasury rate is calculated for
13 the term of the loan, interpolated as necessary, based on a six-
14 month moving average for six consecutive months within the seven-
15 month period immediately preceding the approval of the loan;

16 (B) 125 basis points are added to the calculated
17 United States Treasury rate to account for risk;

18 (C) 75 basis points are added to the calculated United
19 States Treasury rate to account for administrative costs of loan
20 programs; and

21 (D) 300 basis points are subtracted from the calcu-
22 lated United States Treasury rate as adjusted in (B) and (C) of
23 this paragraph to account for the state's subsidized share of the
24 loan [MAY NOT BEAR INTEREST EXCEEDING 10 PERCENT]; and

25 (4) may not exceed 75 percent of the appraised value of the
26 collateral used to secure the loan.

27 * Sec. 13. AS 44.33.240 is amended by adding a new subsection to read:

28 (b) The loan fund consists of appropriations made to the fund by
29 the legislature and repayments of principal on loans made from the

1 fund. Money appropriated to or repaid into the fund does not lapse
2 under AS 37.25.010.

3 * Sec. 14. AS 44.33.255 is amended to read:

4 Sec. 44.33.255. LOAN TERMS. (a) A loan to a child care facil-
5 ity under AS 44.33.240 -- 44.33.275 may not exceed \$50,000.

6 (b) The loan bears a fixed, market-tied interest rate that is
7 based on the United States Treasury rate plus an administrative fee
8 and a subsidy, and is adjusted for risk. The interest rate is estab-
9 lished as follows:

10 (1) the United States Treasury rate is calculated for the
11 term of the loan, interpolated as necessary, based on a six-month
12 moving average for six consecutive months within the seven-month
13 period immediately preceding the approval of the loan:

14 (2) 125 basis points are added to the calculated United
15 States Treasury rate to account for risk;

16 (3) 75 basis points are added to the calculated United
17 States Treasury rate to account for administrative costs of loan
18 programs; and

19 (4) 300 basis points are subtracted from the calculated
20 United States Treasury rate as adjusted in (2) and (3) of this subsec-
21 tion to account for the state's subsidized share of the loan [RATE OF
22 INTEREST CHARGED SHALL BE SEVEN PER CENT ON THE UNPAID BALANCE OF THE
23 LOAN].

24 (c) The duration for repayment of a loan may not exceed 20
25 years.

26 (d) All principal [AND INTEREST] payments on loans under AS 44.-
27 33.240 -- 44.33.275 shall be paid into the child care facility revolv-
28 ing loan fund. The department shall pay to the Department of Revenue
29 for deposit in the general fund (1) interest paid on loans made from

1 the loan fund; and (2) other income from the loans, including (A)
2 service charges to investors, (B) late fees, (C) assumption fees, and
3 (D) the administrative fee portion of the calculated interest rate.
4 The legislature may appropriate to the department, for the operating
5 expenses of the loan program, an amount equal to the amounts paid into
6 the general fund under this subsection.

7 (e) If a child care facility ceases operation, any loan to the
8 facility from the fund is due on the date the facility ceases opera-
9 tion.

10 * Sec. 15. AS 45.87.020 is amended to read:

11 Sec. 45.87.020. LOAN TERMS FOR BULK FUEL PURCHASES. (a) Loans
12 made from the bulk fuel revolving loan fund to one borrower in any
13 fiscal year

14 (1) may not exceed \$50,000;

15 (2) shall be repaid in one year or less; and

16 (3) may not exceed 90 percent of the wholesale price of the
17 fuel purchased.

18 (b) Interest may be charged on a loan made from the bulk fuel
19 revolving loan fund. When interest is charged, it shall be a fixed,
20 market-tied interest rate that is based on the United States Treasury
21 rate plus an administrative fee and a subsidy, and is adjusted for
22 risk [INTEREST SHALL BE CHARGED ON A LOAN AT A RATE EQUAL TO THE
23 PERCENTAGE OF THE AVERAGE WEEKLY YIELD OF MUNICIPAL BONDS FOR THE 12
24 MONTHS PRECEDING THE DATE OF THE LOAN, AS DETERMINED BY THE COMMIS-
25 SIONER OF COMMERCE AND ECONOMIC DEVELOPMENT FROM MUNICIPAL BOND YIELD
26 RATES REPORTED IN THE 30-YEAR REVENUE INDEX OF THE WEEKLY BOND BUYER].
27 However, if the commissioner finds that a community cannot afford to
28 repay a portion of interest on a loan, and makes a determination in
29 writing, he may reduce or eliminate the interest rate applicable to

1 the loan. The fixed, market-tied interest rate is established as
2 follows:

3 (1) the United States Treasury rate is calculated for the
4 term of the loan, interpolated as necessary, based on a six-month
5 moving average for six consecutive months within the seven-month
6 period immediately preceding the approval of the loan;

7 (2) 125 basis points are added to the calculated United
8 States Treasury rate to account for risk;

9 (3) 75 basis points are added to the calculated United
10 States Treasury rate to account for administrative costs for loan
11 programs; and

12 (4) 300 basis points are subtracted from the calculated
13 United States Treasury rate as adjusted in (2) and (3) of this subsec-
14 tion to account for the state's subsidized share of the loan.

15 (c) Repayments of the principal on a loan from the bulk fuel
16 revolving loan fund shall be paid [BY THE COMMISSIONER OF COMMERCE AND
17 ECONOMIC DEVELOPMENT] into the bulk fuel revolving loan fund.

18 (d) The department shall pay to the Department of Revenue for
19 deposit in the general fund (1) interest paid on loans made from the
20 loan fund; and (2) other income from the loans, including (A) service
21 charges to investors, (B) late fees, (C) assumption fees, and (D) the
22 administrative fee portion of the calculated interest rate. The
23 legislature may appropriate to the department, for the operating
24 expenses of the loan program, an amount equal to the amounts paid into
25 the general fund under this subsection.

26 * Sec. 16. AS 45.88.030(d) is amended to read:

27 (d) All principal [AND INTEREST] payments on loans made under
28 this chapter shall be paid into the alternative technology and energy
29 revolving loan fund. The department shall pay to the Department of

1 Revenue for deposit in the general fund (1) interest on loans made
2 from the fund; and (2) other income from the loans, including (A)
3 service charges to investors, (B) late fees, (C) assumption fees, and
4 (D) the administrative fee portion of the calculated interest rate.
5 The legislature may appropriate to the department, for the operating
6 expenses of the loan program, an amount equal to the amounts paid into
7 the general fund under this subsection.

8 * Sec. 17. AS 45.88.030(e) is amended to read:

9 (e) The rate of interest for a loan under this section is a
10 fixed, market-tied rate that is based on the United States Treasury
11 rate plus an administrative fee and a subsidy, and is adjusted for
12 risk [, OTHER THAN A LOAN FOR AN ALTERNATIVE ENERGY SYSTEM, MAY NOT
13 EXCEED NINE AND ONE-HALF PERCENT A YEAR ON THE UNPAID BALANCE OF THE
14 LOAN. THE RATE OF INTEREST FOR A LOAN FOR AN ALTERNATIVE ENERGY
15 SYSTEM IS FIVE PERCENT FOR THE FIRST \$15,000 OF THE LOAN AND 15 PER-
16 CENT FOR THE AMOUNT OF THE LOAN THAT EXCEEDS \$15,000]. The interest
17 rate is established as follows:

18 (1) the United States Treasury rate is calculated for the
19 term of the loan, interpolated as necessary, based on a six-month
20 moving average for six consecutive months within the seven-month
21 period immediately preceding the approval of the loan;

22 (2) 125 basis points are added to the calculated United
23 States Treasury rate to account for risk,

24 (3) 75 basis points are added to the calculated United
25 States Treasury rate to account for administrative costs of loan
26 programs; and

27 (4) 300 basis points are subtracted from the calculated
28 United States Treasury rate as adjusted in (2) and (3) of this subsec-
29 tion to account for the state's subsidized share of the loan.

1 * Sec. 18. AS 45.89.030(e) is amended to read:

2 (e) Interest shall be charged on a loan made under this chapter.
3 The rate of interest is a fixed, market-tied rate that is based on the
4 United States Treasury rate plus an administrative fee and a subsidy,
5 and is adjusted for risk [IF A LOAN IS MADE BEFORE JANUARY 1, 1984,
6 INTEREST SHALL BE FIVE PERCENT. IF THE LOAN IS MADE AFTER DECEM-
7 BER 31, 1983, INTEREST SHALL EQUAL THE PERCENTAGE OF THE AVERAGE
8 WEEKLY YIELD OF MUNICIPAL BONDS FOR THE 12 MONTHS PRECEDING THE LOAN,
9 AS DETERMINED BY THE COMMISSIONER FROM THE MUNICIPAL BOND YIELD RATES
10 REPORTED IN THE 30-YEAR REVENUE INDEX OF THE WEEKLY BOND BUYER]. The
11 interest rate is established as follows:

12 (1) the United States Treasury rate is calculated for the
13 term of the loan, interpolated as necessary, based on a six-month
14 moving average for six consecutive months within the seven-month
15 period immediately preceding the approval of the loan;

16 (2) 125 basis points are added to the calculated United
17 States Treasury rate to account for risk;

18 (3) 75 basis points are added to the calculated United
19 States Treasury rate to account for administrative costs of loan
20 programs; and

21 (4) 300 basis points are subtracted from the calculated
22 United States Treasury rate as adjusted in (2) and (3) of this subsec-
23 tion to account for the state's subsidized share of the loan.

24 * Sec. 19. AS 45.89.030(h) is amended to read:

25 (h) All principal payments [AMOUNTS REPAID] on loans [A LOAN]
26 made under this chapter [SECTION] shall be deposited to the residen-
27 tial energy conservation fund. The department shall pay to the De-
28 partment of Revenue for deposit in the general fund (1) interest paid
29 on loans made from the energy conservation fund; and (2) other income

1 from the loans, including (A) service charges to investors, (B) late
2 fees, (C) assumption fees, and (D) the administrative fee portion of
3 the calculated interest rate. The legislature may appropriate to the
4 department, for the operating expenses of the loan program, an amount
5 equal to the amounts paid into the general fund under this subsection.

6 * Section 20. AS 45 is amended by adding a new chapter to read:

7 CHAPTER 96. SMALL BUSINESS DEVELOPMENT LOANS.

8 Sec. 45.96.010. SMALL BUSINESS DEVELOPMENT REVOLVING LOAN FUND
9 ESTABLISHED. (a) There is established in the Department of Commerce
10 and Economic Development the small business development revolving loan
11 fund to carry out the purposes of this chapter.

12 (b) The small business development revolving loan fund consists
13 of appropriations made to the fund by the legislature and repayments
14 of principal on loans made from the fund. Money appropriated to the
15 fund does not lapse under AS 37.25.010.

16 (c) The department shall pay to the Department of Revenue for
17 deposit in the general fund (1) interest paid on loans made from the
18 loan fund; and (2) other income from the loans, including (A) service
19 charges to investors, (B) late fees, (C) assumption fees, and (D) the
20 administrative fee portion of the calculated interest rate. The
21 legislature may appropriate to the department, for the operating
22 expenses of the loan program, an amount equal to the amounts paid into
23 the general fund under this subsection.

24 Sec. 45.96.120. POWERS AND DUTIES OF THE DEPARTMENT. (a) The
25 department shall adopt regulations setting out procedures for making
26 small business development loans. No loan may be made from the fund
27 until regulations have been adopted.

28 (b) The department may make a loan from the fund to an applicant
29 who has been a state resident for a continuous period of one year

1 immediately preceding the date of application. A loan may be made
2 from the fund to acquire, operate, equip, or finance a business.
3 However, a loan may not be made for farming, fishing, or mining.

4 (c) The department may allow assumption of a loan if

5 (1) the applicant has been a state resident for a continu-
6 ous period of one year immediately preceding the date of the request
7 for an assumption;

8 (2) the original loan was executed at least 30 months
9 before the date of the proposed assumption; and

10 (3) the state's ability to recover its investment will be
11 significantly enhanced.

12 Sec. 45.96.130. LOAN TERMS. (a) A small business development
13 loan under this chapter may be for a minimum of \$5,000 and a maximum
14 of \$50,000. A loan may not be made unless the department is satisfied
15 that no money is available on a timely basis to the applicant from
16 private financial institutions.

17 (b) An individual who receives more than one small business
18 development loan is limited to a maximum of \$50,000 in outstanding
19 loans under this chapter.

20 (c) The duration for repayment of a loan shall be established by
21 the department but may not exceed 10 years.

22 (d) The department may defer loan payments for a maximum of two
23 years.

24 (e) A loan may be secured by acceptable collateral. For the
25 purposes of this chapter, acceptable collateral includes the assign-
26 ment of proceeds of a contract bid award.

27 (f) A loan made under this chapter bears a fixed, market-tied
28 interest rate that is based on the United States Treasury rate plus an
29 administrative fee and a subsidy, and is adjusted for risk. The

1 interest rate is established as follows:

2 (A) the United States Treasury rate is calculated for
3 the term of the loan, interpolated as necessary, based on a
4 six-month moving average for six consecutive months within the
5 seven-month period immediately preceding the approval of the
6 loan;

7 (B) 125 basis points are added to the calculated
8 United States Treasury rate to account for risk;

9 (C) 75 basis points are added to the calculated United
10 States Treasury rate to account for administrative costs of loan
11 programs; and

12 (D) 300 basis points are subtracted from the calculat-
13 ed United States Treasury rate as adjusted in (B) and (C) of this
14 paragraph to account for the state's subsidized share of the
15 loan.

16 Sec. 45.96.140. POWER OF COMMISSIONER TO SELL OR TRANSFER MORT-
17 GAGES AND NOTES. The commissioner may sell or transfer at par value
18 or at a premium or discount small business development loans to the
19 Department of Revenue, or to a private financial institution or other
20 private purchaser in consideration of receiving its cash, bonds,
21 debentures and notes upon conditions which the commissioner considers
22 advantageous to the small business development loan program.

23 Sec. 45.96.150. DISPOSAL OF PROPERTY. (a) The department may
24 dispose of property acquired through default or foreclosure. Disposal
25 may be made by

26 (1) sale, either competitive or negotiated; or

27 (2) destruction.

28 (b) Property that is disposed of by sale must be offered for
29 sale to the general public. Notice must be given by one or more of

1 the following methods:

- 2 (1) publication in a newspaper;
3 (2) radio spot announcements; or
4 (3) notice by mail to all known interested persons.

5 (c) The department may provide financing from the small business
6 development revolving loan fund for the purchase of property to be
7 disposed of under this section if the state's ability to recover its
8 investment will be significantly enhanced.

9 * Sec. 21. AS 45.98.010 is amended by adding new subsections to read:

10 (b) The historical district revolving loan fund consists of
11 appropriations made to the fund by the legislature and repayments of
12 principal on loans made from the fund. Money appropriated to or
13 repaid into the fund does not lapse under AS 37.25.010.

14 (c) The department shall pay to the Department of Revenue for
15 deposit in the general fund (1) interest paid on loans made from the
16 loan fund; and (2) other income from the loans, including (A) service
17 charges to investors, (B) late fees, (C) assumption fees, and (D) the
18 administrative fee portion of the calculated interest rate. The
19 legislature may appropriate to the department, for the operating
20 expenses of the loan program, an amount equal to the amounts paid into
21 the general fund under this subsection.

22 * Sec. 22. AS 45.98.040(4) is amended to read:

23 (4) the rate of interest on the state's share of loan is a
24 fixed, market-tied rate that is based on the United States Treasury
25 rate plus an administrative fee and a subsidy, and is adjusted for
26 risk; the interest rate is established as follows:

27 (A) the United States Treasury rate is calculated for
28 the term of the loan, interpolated as necessary, based on a
29 six-month moving average for six consecutive months within the

1 seven-month period immediately preceding the approval of the
2 loan;

3 (B) 125 basis points are added to the calculated
4 United States Treasury rate to account for risk;

5 (C) 75 basis points are added to the calculated United
6 States Treasury rate to account for administrative costs of loan
7 programs; and

8 (D) 300 basis points are subtracted from the calculat-
9 ed United States Treasury rate as adjusted in (B) and (C) of this
10 paragraph to account for the state's subsidized share of the loan
11 [MAY NOT EXCEED SEVEN AND ONE-HALF PER CENT A YEAR ON THE UNPAID
12 BALANCE OF THE STATE'S SHARE OF THE LOAN].

13 * Sec. 23. AS 45.98.060 is amended to read:

14 Sec. 45.98.060. PENALTY PROVISION. After a project for which a
15 loan is granted is commenced, if the Department of Commerce and Eco-
16 nomic Development or a local historical district commission, in con-
17 sultation with the Historic Sites Advisory Committee, determines that
18 the project is inconsistent with the guidelines or stipulations for
19 construction, or otherwise fails to confirm to the requirements of the
20 loan, the interest rate on the state's share of the loan shall be
21 increased by removing the subsidy in AS 45.98.040(4)(D) from the
22 calculation of the interest rate [TO THE HIGHEST RATE OF INTEREST
23 ALLOWED AT THE TIME AS PROVIDED IN AS 45.45.010]. In addition, a
24 penalty in the amount of two percent of the balance of the loan shall
25 be assessed by the Department of Commerce and Economic Development.

26 * Sec. 24. Section. 63, ch. 113, SLA 1982 is amended to read:

27 Sec. 63. All assets of the fishermen's mortgage and note fund
28 (AS 16.10.650) are transferred to the commercial fishing revolving
29 loan fund (AS 16.10.340). Repayments of principal of [AND INTEREST

1 ON] loans made from the fishermen's mortgage and note fund shall be
2 deposited into the commercial fishing revolving loan fund by the
3 commissioner of the Department of Commerce and Economic Development as
4 they are received. The department shall pay to the Department of
5 Revenue for deposit in the general fund (1) interest paid on loans
6 made from the loan fund; and (2) other income from the loans, includ-
7 ing (A) service charges to investors, (B) late fees, (C) assumption
8 fees, and (D) the administrative fee portion of the calculated inter-
9 est rate. The legislature may appropriate to the department, for the
10 operating expenses of the commercial fishing revolving loan fund, an
11 amount equal to the amounts paid into the general fund under this
12 section.

13 * Sec. 25. The unexpended and unobligated assets of the small business
14 revolving loan fund, AS 45.95.060, are transferred to the small business
15 development revolving loan fund established in AS 45.96.010. Repayment of
16 principal on loans made from the small business revolving loan fund must be
17 deposited in the small business development revolving loan fund. Income
18 from loans made from the small business revolving loan fund must be depos-
19 ited in the same manner as provided in AS 45.96.010 for income from loans
20 made from the small business development revolving loan fund.

21 * Sec. 26. If a version of HB 536 providing for an appropriation from
22 the small business revolving loan fund to the Department of Commerce and
23 Economic Development is enacted, and that section is inconsistent with any
24 provision of this Act, the provisions of this Act prevail.

25 * Sec. 27. AS 45.95.010 -- 45.95.080 are repealed.

26 * Sec. 28. This Act takes effect July 1, 1984.

BILL SHEFFIELD
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

HB 574

February 2, 1984

The Honorable Joe Hayes
Speaker of the House
Pouch V
Juneau, AK 99811

Dear Representative Hayes:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to state loan programs. The bill establishes a fixed, market-tied interest rate for the commercial fisheries, fisheries enhancement, veterans', mining, child care, bulk fuel, alternative technology, residential energy, and historical district loan programs. The rate is based on the United States Treasury rate plus an administrative fee and a subsidy, with an adjustment for risk. The bill also provides that principal repayments on these loans will be returned to the loan funds. Income from the loans, including interest, administrative fees, late fees, and service charges to investors, is paid to the general fund.

Sincerely,


Bill Sheffield
Governor