

COMMITTEE REPORT

SENATE

FURTHER:

5/4/84

Date 5/23/84

Mr. President

The Committee on FINANCE considered CSHB 536 (Fin)

continuing appropriations for bond debt service; making special annual appropriations from certain revolving loan fund; and.

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

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" [2] NEW FISCAL NOTE
@ FIV 5/22/84
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

[Signature]
[Signature]
[Signature]
[Signature]
[Signature]

[Signature]

Chairman

Chairman recommendation

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: 05/22/84

REQUEST

Bill/Resolution No: CSHB 536(Fin)
Title: Continuing debt service and defunct loan appropriations.
Sponsor: Rules by Governor
Requestor: Senate Finance
Date of Request: 05/22/84

FISCAL DETAIL

Agency Affected: State Bond Committee
Program Category Affected: _____
BRU, Program of Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>CAPITAL</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>REVENUE</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<u>TOTAL</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

POSITIONS:

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

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker MB
Division: Treasury

Phone: 465-2350
Date: 05/22/84

Approved by Commissioner: Robert D. Heath
Agency: Revenue

Date: 5/22/84

Distribution (by Agency preparing fiscal note):

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

Analysis of CSHB 536(Fin):

Technically no fiscal note is required for this bill since it is an appropriations bill. Sections 1 and 2 provide continuing appropriations of debt service on general obligation bonds, and international airport revenue bonds.

The amount of debt service on outstanding general obligation bonds and international airports revenue bonds for FY 85 is \$169,523,874 and \$5,545,637, respectively. These amounts are included as appropriations in the Governor's version of the general appropriations bill. If these amounts are, in fact, appropriated for FY 85, the continuing appropriations will serve only as back up or fail safe appropriations in the event additional bonds are issued or any error is made in the calculation of debt service.

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

*Accompanied
bill into
committee.*

REQUEST

Bill/Resolution No: HB 536
Title: Continuing debt service and
defunct loan appropriations
Sponsor: Rules by Governor
Requestor: _____
Date of Request: _____

FISCAL DETAIL

Agency Affected: State Bond Committee
Program Category Affected: _____
BRU, Program of Subprogram(s) Affected: _____

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	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

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

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: -

Technically no fiscal note is required for this bill since it is an appropriations bill. Sections 1 through 3 provide continuing appropriations of debt service on state guaranteed bonds, general obligation bonds, and international airport revenue bonds. Section 1, providing for state guaranteed bonds, is effective only in the event that Alaska Housing Finance Corporation defaults.

The amount of debt service on outstanding general obligation bonds and international airports revenue bonds for FY 85 is \$169,523,874 and \$5,545,637 respectively. These amounts are included as appropriations in the Governor's version of the general appropriations bill. If these amounts are in fact appropriated for FY 85, the continuing appropriations will serve only as back up or fail safe appropriations in the event additional bonds are issued or any error is made in the calculation of debt service.

Prepared By: Milt Barker MB
Division: Treasury

Phone: 465-2350
Date: 1-4-84

Approved by Commissioner: [Signature]
Agency: Revenue

Date: 1/9/84 REVENUE

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STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST
Bill/Resolution No.: HB 536
Title: Continued appropriation
from Bond Debt Ser. & Spec. approp.
Sponsor: Rules Com./Governor
Requestor: _____
Date of Request: _____

FISCAL DETAIL
Agency Affected: Commerce & Econ. Development
Program Category Affected: Economic Development
from defunct loan funds.)
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						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

No fiscal impact on expenditures. Net zero fiscal impact on revenue with an increase to the general fund and a decrease to certain loan funds. See attached.

ANALYSIS:

The annual appropriations from the Small Business and Tourism Loan Funds would result in the payment to the general fund of (approximately):

	FY '85	FY '86	FY '87	FY '88	FY '89
Small Business	\$4,800.0	\$6,391.8	\$6,097.8	\$5,945.3	\$5,844.3
Tourism	<u>720.0</u>	<u>675.0</u>	<u>625.0</u>	<u>625.0</u>	<u>602.0</u>
TOTAL	\$5,520.0	\$7,066.8	\$6,722.8	\$6,570.3	\$6,446.3

Because many of the loans were made for \$100,000 - \$500,000, even a small increase in the number of defaults would cause a significant decrease in this cash flow.

Prepared By: Margaret I. Hamley Phone: 465-2555
Division: Accounting and Collections Date: 12/13/83

Approved by Commissioner: Richard A. Lyon Date: 12/13/83
Agency: Commerce and Economic Development



HB 536

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

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

January 23, 1984

Dear Representative Hayes:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill making a continuing appropriation for international airport revenue bonds debt service and a standby continuing appropriation for state-guaranteed Alaska Housing Finance Corporation (AHFC) veterans' mortgage bonds debt service. The latter becomes operative only in the event of a default by AHFC. The bill also makes a minor clarification of the continuing appropriation for general obligation bonds debt service and appropriates from the funds of two defunct loan programs.

To provide backstop debt service appropriations for international airports revenue bonds and state-guaranteed AHFC veterans' loan bonds, secs. 1 and 3, respectively, of this bill add to the statutes "continuing appropriations." For the former, the appropriation is from the international airports revenue fund, whereas for the latter, it is from the general fund. (Sections 5 -- 9, ch. 35, SLA 1982 and ch. 81, SLA 1983 authorize the state-guaranteed bonds for veterans, subject to voter approval.) These new provisions are based on the current AS 37.15.012, which is applicable only to general obligation bonds. Although it could be argued that when the state's "full faith and credit" are pledged as security for the bonds (as in the case of the veterans' loan bonds and general obligation bonds) an appropriation is not necessary in order to make the payment, the state has a history of making appropriations for this purpose and these provisions remove any uncertainty as to the availability of the money. In addition, AS 37.15.012 is amended in sec. 2 by deleting the reference to July 1 so that there clearly will be coverage of debt service on any bonds issued during the fiscal year (after July 1).

Current law provides for the tourism revolving fund and the small business revolving loan fund (AS 45.90 and AS 45.95, respectively). However, in sec. 71, ch. 106, SLA 1980, the legislature terminated lending authority for those two funds and no new loans are being made from them. To prevent the buildup of money in those essentially defunct funds, secs. 4 and 5, respectively, of this bill appropriate to the general fund all money now in those funds that is attributable to loans owned by them, except for amounts needed for collection of outstanding loans, which are appropriated to the Department of Commerce and Economic Development. The bill also appropriates to the general fund and to the department money that borrowers will pay back in the future on presently outstanding loans that have been made from those funds.

Sincerely,

Bill Sheffield
Bill Sheffield
Governor

Offered: 4/27/84
Referred: Rules

Original sponsor: Rules/Governor

1 IN THE HOUSE BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 536 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to continuing appropriations for
7 bond debt service; making special annual appropria-
8 tions from certain revolving loan funds; and provid-
9 ing for an effective date."

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

11 * Section 1. AS 37.15.012 is amended to read:

12 Sec. 37.15.012. CONTINUING DEBT SERVICE APPROPRIATION. The
13 amounts required annually to pay the principal, interest, and redemp-
14 tion premium on all issued and outstanding general obligation bonds of
15 the state are appropriated [ON JULY 1 OF] each fiscal year from the
16 general fund to the state bond committee to make all required payments
17 of principal, interest, and redemption premium.

18 * Sec. 2. AS 37.15 is amended by adding a new section to read:

19 Sec. 37.15.415. CONTINUING REVENUE BOND DEBT SERVICE APPRO-
20 PRIATION. The amounts required annually to pay the principal, inter-
21 est, and redemption premium on all issued and outstanding internation-
22 al airports revenue bonds of the state are appropriated each fiscal
23 year from the international airports revenue fund to the state bond
24 committee to make all required payments of principal, interest, and
25 redemption premium.

26 * Sec. 3. TOURISM REVOLVING FUND. The cash balance of the tourism
27 revolving fund, attributable to loans owned by that fund as of June 30 of
28 each fiscal year, is appropriated annually from that fund to the general
29 fund.

1 * Sec. 4. SMALL BUSINESS REVOLVING LOAN FUND. The cash balance of the
2 small business revolving loan fund, attributable to loans owned by that
3 fund as of June 30 of each fiscal year, is appropriated annually from that
4 fund to the general fund.

5 * Sec. 5. This Act takes effect immediately in accordance with AS 01.-
6 10.070(c).

STATE OF ALASKA

DEPARTMENT OF REVENUE

TREASURY DIVISION

BILL SHEFFIELD, GOVERNOR

ELEVENTH FLOOR
STATE OFFICE BUILDING
POUCH SB
JUNEAU, ALASKA 99811
PHONE:

May 22, 1984

The Honorable Bob Mulcahy
Senator
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Senator Mulcahy:

At the request of your staff, I am providing the following comments on CS HB 536 (Finance).

Section 1 amends the existing continuing appropriation for general obligation bond (GOB) debt service so that any bonds issued after the start of the fiscal year are covered as well as bonds outstanding at the beginning of the fiscal year.

Section 2 provides a continuing appropriation for international airports revenue bonds. As in the case of the GOB continuing appropriation, this action should have a favorable impact on rating agencies and bond buyers. In this case, of course, the funds come from the International Airports Revenue Fund.

It should be kept in mind with respect to sections 1 and 2 that the Legislature retains control of the State's debt service obligations through the requirement that GOB's and airport revenue bonds be authorized by law. Additionally, voter approval is required for GOB's, and sales of both types of bonds must be approved by the State Bond Committee.

Sections 3 and 4 provide continuing appropriations of cash in the tourism and small business revolving loan funds to the general fund. Pursuant to section 71, ch. 106, SLA 1980 these funds are no longer authorized to make loans. This bill would make past and future principal repayments on existing loans available for appropriation rather than leaving them as idle balances in these revolving loan funds.

Sincerely yours,



Milt Barker
Deputy Commissioner

MB/gb

cc Robert D. Heath

SECTIONAL ANALYSIS OF PROPOSED CS HB 536 (FINANCE)

Section 1. This section makes a technical language change to existing law authorizing annual appropriations for g.o. bond debt service. Fiscal year is inserted in place of July 1.

Section 2. Puts into law authorization for annual appropriations for debt service on international airport revenue bonds. This authorization is similar to existing law (amended in section 1) regarding annual appropriations for g.o. bond debt service.

Section 3. Provides that any funds left in the Tourism Revolving Fund will be returned to the general fund each year. Even though no new loans are being made from the fund, principal and interest payments are still coming in on outstanding loans. This section assures that those payments will be returned to the general fund. No amount is left in the fund to pay for collections since this is covered in the operating budget in FY 85, and should also be appropriated that way in subsequent years, if funding for collections is needed.

Section 4. This section is exactly the same as section 3, except that it applies to the Small Business Revolving Loan Fund.

Section 5. Immediate effective date.

SMALL BUSINESS REVOLVING LOAN FUND*

Department of Commerce and Economic Development, Division of Accounting and Collections
2nd QTR. FY 1984

Loans Outstanding To Date	
#	\$
583	\$63,199,500

DELINQUENCY AT THE END OF THE QUARTER (estimated)

1-30 DAYS		31-60 DAYS		61-90 DAYS		91 + DAYS	
#	\$	#	\$	#	\$	#	\$
58	\$6,300,000	17	\$1,800,000	11	\$1,264,000	58	\$6,300,000

LOANS IN DEFAULT**

#	\$
17	\$ 1,800,000

*The Small Business Loan Fund is inactive; the Division of Accounting and Collections continues to service the above loans.

**Loans in default are defined as delinquent loans that have been turned over to counsel for legal action.

TOURISM REVOLVING LOAN FUND*

Department of Commerce and Economic Development, Division of Accounting and Collections
2nd QTR. FY 1984

Loans Outstanding To Date	
#	\$
20	\$6,501,400

DELINQUENCY AT THE END OF THE QUARTER

1-30 DAYS		31-60 DAYS		61-90 DAYS		91 + DAYS	
#	\$	#	\$	#	\$	#	\$
1	\$330,000	1	\$330,000	0	0	1	\$330,000

LOANS IN DEFAULT**

#	\$
0	\$0

*The Tourism Revolving Loan Fund is inactive; the Division of Accounting and Collections still services the above loans.

**Loans in default are defined as delinquent loans that have been turned over to counsel for legal action.