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STATE OF ALASKA THE LEGISLATURE

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May, 1986

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS date base CM 14. In order to save space copies of minutes have not been left in the files.

Jeanie Henry

SENATE RESOURCES COMMITTEE, 4/19/85, 1:10
1) 1) 4/26/85, 2:35

Alaska State Legislature

ARLISS STURGULEWSKI, Chairman
BETTYE FAHRENKAMP, Vice Chairman
JACK COGHILL
DICK ELIASON
VIC FISCHER
RICK HALFORD
FRED ZHAROFF



POUCH V
JUNEAU, ALASKA. 99811
(907) 465-4907

Senate Committee on Resources

MEMORANDUM

April 18, 1985

TO: All Members
Senate Resources Committee

FROM: Staff *J*
Senate Resources Committee

RE: SB 279 "An Act making a special appropriation to the economic development fund of the Alaska Industrial Development Authority, transferring and appropriating certain loans to the economic development fund and the commercial fishing revolving loan fund; and providing for an effective date."

Senate Bill 279 would appropriate \$160 million from the general fund to the Alaska Industrial Development Authority, economic development fund. The appropriation would be accomplished by two methods: (1) an \$18 million appropriation from the general fund to AIDA; and (2) a transfer of \$142 million in loans held by the Department of Revenue and the Department of Commerce and Economic Development to AIDA. The \$142 million in loans transferred to capitalize the AIDA economic development fund will consist of up to \$112 million from the Department of Revenue and up to \$30 million from the Department of Commerce and Economic Development. A flow chart is attached which graphically represents this transfer of funds.

The Department of Revenue has prepared the attached fiscal note showing the general fund reduction in FY 86 and beyond by the transfer of the \$142 million in loans to AIDA.

In response to earlier questions by the Senate Resources Committee, the Department of Revenue, Department of Commerce and Economic Development and AIDA have submitted letters detailing the fiscal impact of financing the DeLong Mountain Transportation project. Those letters are attached.

Several packets dealing with this issue have been distributed to all members at previous committee meetings and are not duplicated here.

APR 17 1985

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: SB 279
 Title: Appropriations to AIDA Economic Development Fund
 Sponsor: Resources
 Requestor: Senate Resources
 Date of Request: April 12, 1985

FISCAL DETAIL

Agency Affected: General Fund
 Program Category Affected: _____
 BRU, Program of Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

| | FY 85 | FY 86 | FY 87 | FY 88 | FY 89 | FY 90 |
|------------------------|-------|----------|----------|----------|----------|----------|
| <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>CAPITAL</u> | - | - | - | - | - | - |
| <u>CASH FLOW</u> | - | (17,800) | (17,300) | (16,500) | (14,900) | (14,300) |

FUNDING: (Thousands of Dollars)

| | | | | | | |
|---------------|---|----------|----------|----------|----------|----------|
| GENERAL FUND | - | (17,800) | (17,300) | (16,500) | (14,900) | (14,300) |
| FEDERAL FUNDS | - | - | - | - | - | - |
| OTHER | - | - | - | - | - | - |
| <u>TOTAL</u> | - | - | - | - | - | - |

POSITIONS:

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

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker MB
 Division: Treasury

Phone: 465-2350
 Date: April 12, 1985

Approved by Commissioner: [Signature]
 Agency: Department of Revenue

Date: 4/16/85

Distribution (by Agency preparing fiscal note):

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

SB 279
Fiscal Note Analysis

The cash flow figures shown in the fiscal note reflect the reduction in general funds available for appropriation arising from SB 279. These figures are based on the scheduled loan payments shown in the attached Table I after netting out service fees as calculated in Table II. Table II also provides a breakdown of the reduction into interest and principal.

Due to loan prepayments, actual receipts may be greater than scheduled in early years and less than scheduled in later years. This is the main reason why the FY 86 budget actually contains \$31.3 million estimated loan cash flow, made up of \$13.3 million interest and \$18 million principal. The difference between the budget estimate and scheduled cash flow for FY 86, which is \$13.5 million, will be a downward adjustment to the next revenue estimates in June.

Table I

General Fund Loans to be Appropriated to AIDA
 Estimated Cash Flow (Principal and Interest)
 (\$ 000)

| <u>Fiscal Year</u> | <u>Veterans</u> | <u>Small Business</u> | <u>Commercial Fish</u> | <u>Tourism</u> | <u>Child Care</u> | <u>Historical District</u> | <u>Fisheries Enhancement</u> | <u>Total</u> |
|--------------------|-----------------|-----------------------|------------------------|----------------|-------------------|----------------------------|----------------------------------|----------------|
| 1986 | 9,247 | 2,855 | 6,105 | 308 | 5 | 22 | N/A | 18,542 |
| 1987 | 9,034 | 2,783 | 5,786 | 308 | 4 | 22 | | 17,937 |
| 1988 | 8,784 | 2,613 | 5,409 | 308 | 3 | 22 | | 17,139 |
| 1989 | 8,554 | 2,404 | 4,243 | 308 | 2 | 18 | | 15,529 |
| 1990 | 8,379 | 2,279 | 3,870 | 282 | 1 | 14 | | 14,825 |
| 1991 | 8,343 | 2,134 | 3,233 | 243 | | 14 | | 13,967 |
| 1992 | 8,042 | 1,946 | 2,037 | 229 | | 14 | | 12,268 |
| 1993 | 7,409 | 1,551 | 837 | 221 | | 14 | | 10,032 |
| 1994 | 6,955 | 907 | 214 | 212 | | 7 | | 8,295 |
| 1995 | 6,851 | 344 | 34 | 208 | | | | 7,437 |
| 1996 | 6,814 | 59 | | 201 | | | | 7,074 |
| 1997 | 6,532 | | | 186 | | | | 6,718 |
| 1998 | 6,174 | | | 85 | | | | 6,259 |
| 1999 | 6,038 | | | | | | | 6,038 |
| 2000 | 5,998 | | | | | | | 5,998 |
| 2001 | 5,899 | | | | | | | 5,899 |
| 2002 | 5,096 | | | | | | | 5,096 |
| 2003 | 4,254 | | | | | | | 4,254 |
| 2004 | 4,035 | | | | | | | 4,035 |
| 2005 | 3,925 | | | | | | | 3,925 |
| 2006 | 3,865 | | | | | | | 3,865 |
| 2007 | 3,182 | | | | | | | 3,182 |
| 2008 | 1,709 | | | | | | | 1,709 |
| 2009 | 521 | | | | | | | 521 |
| 2010 | 98 | | | | | | | 98 |
| 2011 | 20 | | | | | | | 20 |
| Total | 145,758 | 19,875 | 31,768 | 3,099 | 15 | 147 | 6,804 (principal only) | 207,466 |

1. This table represents the cash flow to the Department of Commerce and Economic Development. Cash flow to the general fund would be further reduced by .5% service fee on loans serviced by Commerce and .125% service fee to Commerce on loans serviced by banks.
2. Cash flow has not been adjusted for delinquency or default. Except for commercial fish non-permit loans, the state expects complete recovery on defaults. Thus, delinquency and default merely produce lags in receipts.

Table II

Scheduled Cash Flow From State Loans
Held by General Fund
(\$ Millions)

| | <u>FY 86</u> | <u>FY 87</u> | <u>FY 88</u> | <u>FY 89</u> | <u>FY 90</u> |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|
| Balance at Start of Year | 135.9 | 128.7 | 120.9 | 113.3 | 106.8 |
| <u>Interest @ 7.89%</u> | | | | | |
| Service Fee to Commerce @ .5% | .7 | .6 | .6 | .6 | .5 |
| General Fund Revenue @ 7.39% | <u>10.0</u> | <u>9.5</u> | <u>8.9</u> | <u>8.4</u> | <u>7.9</u> |
| Total | 10.7 | 10.1 | 9.5 | 9.0 | 8.4 |
| Principal Repayment | 7.8 | 7.8 | 7.6 | 6.5 | 6.4 |
| Balance at End of Year | 128.1 | 120.9 | 113.3 | 106.8 | 100.4 |

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF REVENUE

TREASURY DIVISION

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

April 15, 1985

The Honorable Arliss Sturgulewski
Chairman
Resources Committee
Alaska Senate
Pouch V
Juneau, AK 99811

Dear Senator Sturgulewski:

This letter is in response to the requests contained in your April 1 letter on state loans that may be used in financing the DeLong Mountain Transportation project. The responses are in as much detail as is available at this time.

1. It has been suggested that \$142 million in state loans held by the Department of Revenue be transferred to AIDA bonds. I would like to know the make up of those loans. What is the amount of each category (such as veterans, commercial fishing, small business, tourism, fisheries enhancement, child care and historical districts), the interest rates by category and the maturity dates? What is the amount of money by category that returns to a revolving loan fund pool and what amount returns to the general fund? If any revolving loan funds are transferred to AIDA, how does that affect the future ability of those revolving funds to meet the public demand for loans?

The following amounts of loans are held in the general fund and serviced by the Department of Commerce and Economic Development as of February 28, 1985:

| Type | Amount (\$ 000) | Average Interest Rate ^{1/} | Average Maturity |
|-----------------------|--------------------|---|---------------------|
| Veterans | 82,291.4 | 6.92% | 2003 |
| Small Business | 18,573.5 | 8.49 | 1993 |
| Commercial Fish | 29,809.3 | 7.81 | 1991 |
| Tourism | 2,575.2 | 8.07 | 1996 |
| Child Care | 18.0 | 5.83 | 1989 |
| Historical District | 123.7 | 6.67 | 1993 |
| Fisheries Enhancement | 6,804.2 | 7.96 | N/A |
| Total | 140,195.3 | 7.39 | |

^{1/} Net of .5% service fee on loans serviced by Commerce and an estimated .125% Commerce service fee on loans serviced by banks. The bank services fees are also netted out.

These loans would be transferred to AIDA with the exception of an estimated \$19,873,000 of commercial fish loans which are secured by permits. Only the state is authorized to hold permits as collateral.

To make up for this deficiency, AIDA would take up to \$19,873,000 in loans held by the Department of Commerce and Economic Development. Commerce had \$48,402,500 of commercial fish loans as of January 31, 1985 of which an estimated \$16,118,000 were not backed by permits and would be taken by AIDA.

All of the payments on the general fund loans, both principal and interest, return to the general fund. Transfer of these loans to AIDA will reduce the amount of general funds available for appropriation in FY 86 and future years. It will not affect the ability of the revolving loan funds to meet loan demand.

Even with AIDA taking some Commerce loans, the Department's ability to meet loan demand should not be impaired. The estimated \$16,118,000 in Commerce's commercial fish loans taken by AIDA would be replaced with a roughly equivalent amount, the \$19,873,000 in estimated general fund commercial fish loans secured by permits, by transferring these loans from the general fund to Commerce.

2. What is the expected cash flow (principal and interest) by year from July 1, 1985 that would return to the state over the term of the loans if they remained in the Department of Revenue?

See attached table for scheduled cash flow. Actual cash flow may be accelerated due to loan prepayments, resulting in a reduction of total interest from that scheduled.

3. What is the expected financial shortfall in state revenue in FY 86 as a result of transferring these loans to AIDA? Has any adjustment been made to the Administration's budget for FY 86 to reflect this income reduction?

In our effort to minimize the impact on the FY 86 general fund revenues, the administration believes that no net adjustment will be required to the FY 86 budget by the appropriation of the loans to AIDA. The administration proposes to utilize the \$17.8 million cash flow from loans held by the Department of Revenue as a substitute for the appropriation of \$18 million in general funds now contained in the Governor's loan budget for this project. This will offset the reduction in general funds available for appropriation arising from the appropriation of the loans. This reduction would be \$17.8 million for FY 86 based on the scheduled payments shown in the attached table. This would be composed of approximately \$10 million in interest and \$7.8 million in principal repayments.

The administration would propose that the cash needed to support the project could be obtained in part by giving AIDA the authority to use \$12 million already appropriated to that agency. This would be combined with approximately \$3 million of funds available from last year's appropriation for this project.

It should be noted that the amount of cash flow from these loans included in the Executive Budget 1986 as amounts available for appropriation is \$31.3 million, composed of \$13.3 million interest and \$18 million principal repayments. The budget estimate is higher than the scheduled payments for two reasons. One is that prepayments on loans result in greater amounts of principal receipts than scheduled. The other is that this response to your questions has been done in much greater detail than the budget estimates.

A fiscal note for \$17.8 million, reflecting the scheduled reduction in FY 86 revenue, will be submitted for the appropriation of the \$142 million in loans. The difference between the scheduled payments and the budget estimate, \$13.5 million, will be a downward adjustment to the next revenue estimates which will be made in June. This adjustment has not been incorporated in the Administration's FY 86 budget. The Administration does not believe this adjustment materially affects the March revenue forecast.

4. What is the total amount of interest that is expected to be returned to the state from the \$142 million over the life of the loans calculated as of July 1, 1985?

Approximately \$71.6 million in interest would be received by the state from July 1, 1985 through 2011 from the loans. The loan balances are estimated to total \$135.9 million on July 1, 1985. The amount received by the general fund would be somewhat reduced by service fees retained by Commerce.

5. What is the total amount of interest that the state would expect from the \$142 million in loans plus the \$18 million in general fund expenditure if this \$160 million were not transferred to AIDA?

Over the period of years to 2015, assuming compounding and an average rate of interest of 10%, total interest would come to \$1,984.3 million. The present value of this interest would be \$113.7 million at a 10% discount rate.

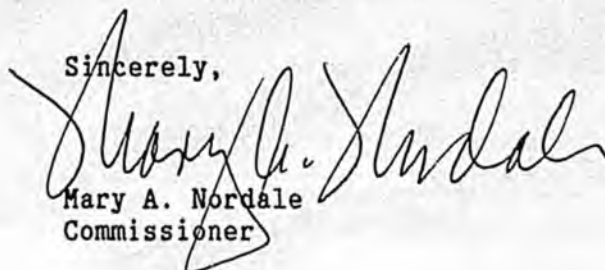
Implicit in the question is an assumption that the cash flow from the loans and the \$18 million will not be spent if it is not appropriated to AIDA. If it is spent, the state would of course receive no interest on the \$18 million and only the \$71.6 million on the loans.

Hon. Arliss Sturgulewski
April 15, 1985
Page 4

6. Will the transfer of the \$142 million in loans to AIDA result in increased requests this year or in future years for the various state loan programs since the principal and interest will not flow back to the general fund or a revolving fund as expected?

Transfer of the \$142 million will not generally affect revolving fund cash flow and will not require increased requests for Commerce loan programs in the future. See question #1.

Sincerely,



Mary A. Nordale
Commissioner

MAN/gb
85-57

Enclosure

cc: Hon. Loren Lounsbury, Commissioner DCED
Bert Wagnon, Executive Director, AIDA

General Fund Loans to be Appropriated to AIDA
 Estimated Cash Flow (Principal and Interest)
 (\$ 000)

| <u>Fiscal Year</u> | <u>Veterans</u> | <u>Small Business</u> | <u>Commercial Fish</u> | <u>Tourism</u> | <u>Child Care</u> | <u>Historical District</u> | <u>Fisheries Enhancement</u> | <u>Total</u> |
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| 1998 | 6,174 | | | 85 | | | | 6,259 |
| 1999 | 6,038 | | | | | | | 6,038 |
| 2000 | 5,998 | | | | | | | 5,998 |
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| 2004 | 4,035 | | | | | | | 4,035 |
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STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

POUCH D
JUNEAU, ALASKA 99811
PHONE: 465-2500

OFFICE OF THE COMMISSIONER

April 8, 1985

The Honorable Arliss Sturgulewski
Chairman
Senate Committee on Resources
Pouch V
Juneau, Alaska 99811

Dear Senator Sturgulewski:

Re: \$142 Million AIDA Transfer

In response to your letter of April 1, 1985, I am providing you with the following requested information.

1. Will the transfer of the \$142 million in loans to AIDA affect the personnel requirements of your loan servicing division? In other words, would you anticipate a reduction in staffing?

There are several factors that are pertinent, assuming the appropriation to AIDA does take place and is effective July 1, 1985.

- (a) AIDA will not service the transferred loans.
- (b) The Division of Accounting and Collections would continue to service the loans after July 1 under contract with AIDA until such time as AIDA and/or the division decide that transfer of servicing to a private bank is appropriate.
- (c) The earliest such a servicing transfer could occur is mid-year FY '86 due to the complexity of the transfer, keeping in mind the transfer may not occur at all if AIDA and the division feel it is not appropriate.
- (d) If the FY '86 budget cuts are as severe as the first draft cut appears, the division may request that AIDA transfer the servicing. If this were to occur, the division would reduce staff after the servicing transfer so that the combined reduction in staff (due to budget cuts and the transfer) would be about 35% - proportionate to the number of loans transferred. Such staff reductions would not free up excess general funds because the

transferred loans would be those that currently generate 100% of our "other funds" (service fees) in the divisions' operating budgets (Division of Accounting and Collections and the Division of Investments). Therefore, while the appropriation of these loans could result in a reduction in staff, it would not be in "General Fund" funded staff, and the staff reduction would come only after the transfer of servicing, not on the effective date of the appropriation.

2. If these loans were transferred to AIDA, do you anticipate that the loan repayment or servicing policies would change?

No, both organizations expect repayment on a timely basis.

3. What would be the effect on the borrowers if these loans were transferred to another agency?

While servicing remains under the Division of Accounting and Collections, the effects would be minimal: prior to the effective date of the appropriation, new loan numbers may be required to allow for accurate accounting to the new investor; this would entail a letter and a new supply of payment cards being sent to the borrower. The effort required of division staff to close out one investor and begin servicing a new investor will be substantial; borrowers may notice a slight decline in the quality and timeliness of service as the division copes with the changes.

If the servicing itself were transferred to a private bank at some point, the following changes would occur:

- (a) Borrowers would receive another new loan number, another set of payment cards, and a series of letters explaining each step of the servicing transfer;
- (b) Service quality and timeliness may vary.

All impacts to borrowers could be summed up as short-term inconveniences which would occur for six months or so during the transition to a new servicer.

4. How would the loss of future income from these loans (both principal and interest) affect the ability of your loan divisions to provide for the public demand for loans in the various categories? Would you anticipate increased funding requests to the Legislature to meet the public need?

April 8, 1985

There would be virtually no effect on the loan fund balances.

The cash flow from these loans is remitted to the General Fund (through Division of Treasury) on a monthly basis, net of service fees, late fees, NSF fees and application/assumption fees which are retained by the fund. In the case of veterans and commercial fish, these fees then are appropriated by the Legislature to fund operating efforts in the Division of Accounting and Collections and the Division of Investments.

We would not anticipate increased funding requests in the loans budget to meet public loan demand.

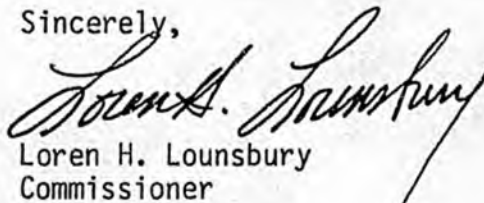
5. Does the loss of income from these loans affect your FY '86 budget loan requests if all principal and interest are transferred on the \$142 million as of July 1, 1985?

No, the loss of income to the loan funds will be negligible (See #4).

The operating budgets of the Division of Accounting and Collections and the Division of Investments could be impacted mid-year due to loss of service fees if the servicing is transferred prior to year-end FY '86.

Please let me know if you have further questions.

Sincerely,



Loren H. Lounsbury
Commissioner

LHL/mst1748m
040385c

cc: Mary Nordale, Commissioner, Department of Revenue
Bert Wagon, Executive Director, AIDA



ALASKA INDUSTRIAL DEVELOPMENT AUTHORITY

1577 "C" STREET • SUITE 304 □ ANCHORAGE, ALASKA 99501-5177 □ (907) 274-1651

April 9, 1985

The Honorable Arliss Sturgulewski
Chairman, Senate Resources Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Senator Sturgulewski:

In response to your letter of April 1, 1985, I am providing the following requested information. Please note that our responses are based upon the estimated net cash flows shown in Attachment I. After adjusting for loans that have paid down or will not be transferred for legal reasons, we estimate that approximately \$136 million in loans will be transferred.

It is not possible to provide an unambiguous answer to the first three questions until two things happen. First, we need the results of the Finance Plan project, now being worked on, and second we need to have an agreement reached between AIDA and Cominco with regard to user fees. The best figures that we have at present with respect to revenue generated by the project are those tolls which Cominco has offered to pay. Please be aware that our use of these figures should in no way be taken as evidence that AIDA has agreed to these charges. In any case, utilizing the attached cash flows, and our most current assumptions regarding costs and financing, we estimate that the cash flow of the portfolio would not be directly used after 1995. At that time, the cash flow would be used for coverage for the bonds, and eventually could flow back to the general fund. Any tolls collected above those needed to pay debt service on bonds and provide for coverage on the bonds could also flow back to the general fund.

1. If the \$160 million (\$142 million in loans plus the \$18 million from the general fund) are transferred to the AIDA Economic Development Fund, what is the mechanism for these funds to flow back to the general fund over time?

At this time, the actual repayment mechanism has not yet been determined. It could be set up as a loan from the Department of Commerce and Economic Development to AIDA, with terms ranging from a fixed amount per year, or "any amount above that required for debt service". Regardless of the mechanism, we recommend that a coverage test be utilized, and only income above that required for the coverage requirement be remitted to the State.

2. Considering that the \$160 million will be used to back the sale of AIDA bonds but that toll fees charged to Cominco, LTD. (and perhaps others) as well as interest earned from the fund will be used to retire the bonds, what is the expected balance in the Economic Development Fund at the end of 20 years?

As noted above, using our most current cost and financing assumptions, we assume all cash flow after 1995 will be available for reinvestment in the Economic Development Fund for purposes of providing coverage for the bonds. Since this also assumes that the only toll fees are from Cominco and that these fees are just enough to pay debt service, the cash flow from the loan portfolio after 1995 and its reinvestment will be the only source of funds to be deposited in the Economic Development Fund. Although these are the best assumptions available today, we believe they are conservative assumptions, especially with regard to other future users. In any case, if we assume the cash flow can be reinvested at a 10% earnings rate, then by 2005 the balance will be \$106,433,000.

These figures are based upon our latest estimates of relevant factors for what presently appears to be the best financing approach. This approach, which was discussed in an earlier memo, aggregates funds from the general fund appropriation, cash flow from the loan portfolio, and proceeds from a tax exempt bond sale. This total collection of funds is then used to pay for construction costs and for interest on the bonds until revenues from the project are sufficient to pay for the bonds.

3. Can you provide us with a projected Economic Development Fund balance by year from July 1, 1985 until the retirement of all of the \$175 million in bonds issued for this project?

Under our latest assumptions, only \$135 million in debt will be issued. This reduced amount is possible because cash flows from the loan portfolio appear to be greater than originally estimated. Once again, using all of the assumptions mentioned above, the projected balance of the Economic Development Fund is given in Attachment II.

4. What effect will the additional management requirements of \$142 million in loans have on AIDA's personnel requirements?

We would not anticipate immediately transferring the loan servicing from Commerce to AIDA, but rather using a phase-in process. At the outset, we would request Commerce to continue servicing the portfolio for us. We expect that our servicing costs would be similar to those experienced by the Department of Commerce and Economic Development.

5. Can you provide us with a breakdown of the expenditures made to date and those anticipated from the \$3 million appropriation in last years budget for this project?

To date we have made the following commitments for expenditure: RSA with DOTPF for various engineering and technical assistance \$50,000; RSA with Department of Law for specialized legal counsel \$50,000; contract with

SRI International for Finance Plan \$267,000; contract with R & M Engineering for cost verification and other engineering services \$75,000; and other miscellaneous expenditures \$15,000. Planned uses for the remainder are associated with getting the projects ready for construction bids, for instance, preparation of final detailed design, preparation of bid packages, and so forth.

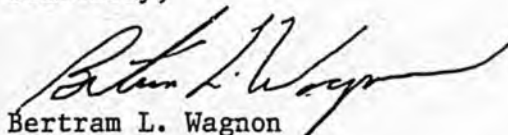
6. What is the total amount that could be expected to accrue to the Economic Development Fund in both principal and interest over time if you added together the \$18 million from the general fund, the \$142 million principal in loans, the interest on the \$18 million while in the fund, the interest generated from the \$142 million in loans and the interest earned on the earnings of the fund?

It appears in this question that you simply want us to do a straight forward calculation of a future value of a known income stream. If so, then of course the only real unknown is the assumed rate of return on the reinvestments. For these calculations we will assume it is 10%, and again we will use the cash flow shown in Attachment I. The results, by year, are given in Attachment III. Although the numbers on Attachment III get rather large, I think it is important to put these values in perspective, since what is really being shown on that table is the effects of compound interest. A more relevant number is the net present value of the appropriations being proposed. Assuming that \$18 million is appropriated on July 1, 1985, that the loan portfolio can provide the net cash flow shown in Attachment III, and that 10% is the discount rate, then the net present value of these appropriations as of July 1, 1985 is \$117.3 million.

Although no direct question was asked regarding the philosophy behind AIDA's involvement in this project, I believe it to be of paramount importance. We approach this project as an investment, both in needed infrastructure and diversification. We believe that, after some initial state assistance, the project will start generating income for the general fund. Eventually, the project should pay for itself many times over, and quite possibly be a major source of state revenue when other sources have dwindled.

Please let me know if you have further questions.

Sincerely,



Bertram L. Wagnon
Executive Director

BLW:ec

Enclosures

cc: Mary Nordale, Commissioner, Department of Revenue
Loren Lounsbury, Commissioner,
Department of Commerce & Economic Development

Estimated cash flows from Department of Revenue loan portfolio (000)

| Year | VETS | Small Bus/Rev | Small (a) Bus/Bank (Estimate, .594) | Comm Fish | Tourism/ Rev. | Tourism/ (b) Bank (Estimate, 1.185) | Child Care | Historic District | Gross (c) Total | Net (d) Total (.95) |
|------|------|------------------|---|-----------|------------------|---|---------------|----------------------|--------------------|---------------------------|
| 86 | 9247 | 1791 | 1064 | 6105 | 141 | 167 | 5 | 22 | 18,542 | 17,615 |
| 87 | 9034 | 1746 | 1037 | 5786 | 141 | 167 | 4 | 22 | 17,937 | 17,040 |
| 88 | 8784 | 1639 | 974 | 5409 | 141 | 167 | 3 | 22 | 17,139 | 16,282 |
| 89 | 8554 | 1508 | 896 | 4243 | 141 | 167 | 2 | 18 | 15,529 | 14,753 |
| 90 | 8379 | 1430 | 849 | 3870 | 129 | 153 | 1 | 14 | 14,825 | 14,084 |
| 91 | 8343 | 1339 | 795 | 3233 | 111 | 132 | | 14 | 13,967 | 13,269 |
| 92 | 8042 | 1221 | 725 | 2037 | 105 | 124 | | 14 | 12,268 | 11,655 |
| 93 | 7409 | 973 | 578 | 837 | 101 | 120 | | 14 | 10,032 | 9,530 |
| 94 | 6955 | 569 | 338 | 214 | 97 | 115 | | 7 | 8,295 | 7,880 |
| 95 | 6851 | 216 | 128 | 34 | 95 | 113 | | | 7,437 | 7,065 |
| 96 | 6814 | 37 | 22 | | 92 | 109 | | | 7,074 | 6,720 |
| 97 | 6532 | | | | 85 | 101 | | | 6,718 | 6,382 |
| 98 | 6174 | | | | 39 | 46 | | | 6,259 | 6,042 |
| 99 | 6038 | | | | | | | | 6,038 | 5,736 |
| 2000 | 5998 | | | | | | | | 5,998 | 5,698 |
| 01 | 5899 | | | | | | | | 5,899 | 5,604 |
| 02 | 5096 | | | | | | | | 5,096 | 4,841 |
| 03 | 4254 | | | | | | | | 4,254 | 4,041 |
| 04 | 4035 | | | | | | | | 4,035 | 3,833 |
| 05 | 3925 | | | | | | | | 3,925 | 3,729 |
| 06 | 3865 | | | | | | | | 3,865 | 3,672 |
| 07 | 3182 | | | | | | | | 3,182 | 3,023 |
| 08 | 1709 | | | | | | | | 1,709 | 1,624 |
| 09 | 521 | | | | | | | | 521 | 495 |
| 10 | 98 | | | | | | | | 98 | 93 |
| 11 | 20 | | | | | | | | 20 | 19 |

Notes

- (a) Cash flow figures available only for Dept. of Commerce serviced loans, of \$10,473.7 principal balance. Estimate of cash flow of bank serviced loans of \$6,221.3 balance assumed to be proportional to relative principal balances, i.e. $6,221.3 / 10,473.7 = .594$
- (b) Cash flow figures available only for Dept. of Commerce serviced loans, of \$1,097.4 principal balance. Estimate of cash flow of bank serviced loans of \$1,300.0 balance assumed to be proportional to relative principal balances, i.e. $1,300.0 / 1,097.4 = 1.185$
- (c) No cash flow figures are included for Fishery Enhancement loans since they were not available. It is expected that any significant cash flows would be well into the future and hence not available during the critical early years.
- (d) Net figures are adjusted to take into account estimated delinquency and defaults as well as servicing costs, assuming net figures are 95% of gross figures.

ATTACHMENT II

Balance in Economic Development Fund in response to Question 3. Assumes that funds can be reinvested at a 10% rate of return.

| <u>Fiscal Year</u> | <u>Cash Flow from Loans (000)</u> | <u>Fund Balance (000)</u> |
|--------------------|-----------------------------------|---------------------------|
| 1995 | 7,060 | 7,060 |
| 96 | 6,720 | 14,486 |
| 97 | 6,382 | 22,317 |
| 98 | 6,042 | 30,590 |
| 99 | 5,736 | 39,385 |
| 2000 | 5,698 | 49,022 |
| 01 | 5,604 | 59,528 |
| 02 | 4,841 | 70,322 |
| 03 | 4,041 | 81,395 |
| 04 | 3,833 | 93,367 |
| 05 | 3,729 | 106,433 |
| 06 | 3,672 | 120,749 |
| 07 | 3,023 | 135,846 |
| 08 | 1,624 | 151,055 |
| 09 | 495 | 166,656 |
| 10 | 93 | 183,414 |
| 11 | 19 | 201,775 |
| 12 | | 221,952 |
| 13 | | 244,147 |
| 14 | | 268,562 |
| 15 | | 295,418 |

ATTACHMENT III

Calculation of a hypothetical fund balance, based upon cash flows of Attachment I, \$18 million on July 1, 1985, and assumed reinvestment rate of 10%.

| <u>Fiscal Year</u> | <u>Cash Flow from Loans (000)</u> | <u>Fund Balance (000)</u> |
|--------------------|-----------------------------------|---------------------------|
| 1986 | 17,615 | 37,415 |
| 87 | 17,040 | 58,197 |
| 88 | 16,282 | 80,298 |
| 89 | 14,753 | 103,081 |
| 90 | 14,084 | 127,473 |
| 91 | 13,269 | 153,489 |
| 92 | 11,655 | 180,493 |
| 93 | 9,410 | 207,952 |
| 94 | 7,880 | 236,628 |
| 95 | 7,065 | 267,355 |
| 96 | 6,720 | 300,811 |
| 97 | 6,382 | 337,274 |
| 98 | 6,042 | 377,043 |
| 99 | 5,736 | 420,484 |
| 2000 | 5,698 | 468,230 |
| 01 | 5,604 | 520,657 |
| 02 | 4,841 | 577,564 |
| 03 | 4,041 | 639,361 |
| 04 | 3,833 | 707,130 |
| 05 | 3,729 | 781,572 |
| 06 | 3,672 | 863,401 |
| 07 | 3,023 | 952,764 |
| 08 | 1,624 | 1,049,665 |
| 09 | 495 | 1,155,126 |
| 10 | 93 | 1,270,732 |
| 11 | 19 | 1,397,824 |
| 12 | | 1,537,607 |
| 13 | | 1,691,367 |
| 14 | | 1,860,504 |
| 15 | | 2,046,555 |

Offered: 5/1/85
Referred: Rules

112 MILL from G Loan program
+ 30 MILL from Comm. FISH LOANS
+ 12 MILL TRANSFER WITHIN AIDA

Original sponsor: Resources Committee

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2

CS FOR SENATE BILL NO. 279 (Finance)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act transferring and appropriating certain loans
7 to the economic development fund and the commercial
8 fishing revolving loan fund, transferring and appro-
9 priating money to the economic development fund; and
10 providing for an effective date."

11

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

12

* Section 1. (a) All right, title, and interest in loans of the type
13 described in (b) of this section, and all right, title, and interest in all
14 mortgages, notes, and other instruments of security made in connection with
15 those loans, purchased or acquired by the Department of Revenue and held in
16 the general fund on July 1, 1985, are transferred and appropriated to the
17 economic development fund (AS 44.88.172) of the Alaska Industrial Develop-
18 ment Authority for the DeLong Mountain transportation project. However, if
19 the amount in unpaid principal of the loans exceeds \$112,000,000 as of
20 July 1, 1985, only loans and instruments of security totaling \$112,000,000
21 in unpaid principal are transferred and appropriated under this section.

22

(b) This section transfers and appropriates

23

(1) veterans loans acquired or made under AS 26.15;

24

(2) small business loans acquired or made under AS 45.95;

25

(3) tourism loans acquired or made under AS 45.90;

26

(4) fisheries enhancement loans acquired or made under AS 16.10;

27

(5) child care loans acquired or made under AS 44.33; and

28

(6) historical district loans acquired or made under AS 45.98.

29

* Sec. 2. All right, title, and interest in commercial fishing loans

1 acquired or made under AS 16.10.300 - 16.10.370 and all right, title, and
2 interest in all mortgages, notes and other instruments of security made in
3 connection with those loans, purchased or acquired by the Department of
4 Revenue and held in the general fund on July 1, 1985, are transferred and
5 appropriated from the general fund to the commercial fishing revolving loan
6 fund (AS 16.10.340) for the purposes of AS 16.10.300 - 16.10.370. However,
7 if the amount in unpaid principal of the loans exceeds \$30,000,000 as of
8 July 1, 1985, only loans and instruments of security totaling \$30,000,000
9 in unpaid principal are transferred and appropriated under this section.

10 * Sec. 3. All right, title, and interest in loans that are not secured
11 by limited entry permits in an amount equal to the principal balance of
12 loans appropriated under sec. 2 of this Act, and all right, title, and
13 interest in all mortgages, notes and other instruments of security made in
14 connection with those loans, are transferred and appropriated from the
15 commercial fishing revolving loan fund (AS 16.10.340), the small business
16 revolving loan fund (AS 45.95.060), and the Alaska World War II Veterans'
17 revolving fund (AS 26.15.090) to the economic development fund (AS 44.88.-
18 172) of the Alaska Industrial Development Authority for the DeLong Mountain
19 transportation project.

20 * Sec. 4. The sum of \$12,000,000 is transferred and appropriated from
21 the multifamily housing loans security fund (AS 44.88.156(h)) to the eco-
22 nomic development fund (AS 44.88.172) for the purpose of financing the
23 DeLong Mountain transportation project.

24 * Sec. 5. The appropriation made by sec. 2 of this Act is for capitali-
25 zation of a loan fund and does not lapse in accordance with AS 37.25.010.

26 * Sec. 6. The appropriations made by secs. 1 and 3 of this Act are for
27 a capital project and are subject to AS 37.25.020.

28 * Sec. 7. The appropriation made by sec. 4 of this Act is for a capital
29 project and is subject to AS 37.25.020.

1 * Sec. 8. Sections 1 - 3, 5 and 6 of this Act take effect on the effec-
2 tive date of an Act entitled "An Act relating to the authorization of bonds
3 or notes for the DeLong Mountain transportation project, establishing
4 conditions under which the bonds or notes may be issued; and providing for
5 an effective date."

6 * Sec. 9. Sections 4 and 7 of this Act take effect on the date the
7 board of directors of the Alaska Industrial Development Authority adopts a
8 resolution that declares there exists a surplus of at least \$12,000,000 in
9 the multifamily housing loans security fund (AS 44.88.156(h)) and that
10 \$12,000,000 is available for transfer to the economic development fund
11 (AS 44.88.172).

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: CSSB 279 (Resources)
 Title: Appropriations to AIDA Economic Development Fund
 Sponsor: Resources
 Requestor: Senate Finance
 Date of Request: April 30, 1985

FISCAL DETAIL

Agency Affected: General Fund
 Program Category Affected: _____
 BRU, Program of Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

| | FY 85 | FY 86 | FY 87 | FY 88 | FY 89 | FY 90 |
|------------------------|-------|----------|----------|----------|----------|----------|
| OPERATING | | | | | | |
| 100 PERSONAL SERVICES | - | - | - | - | - | - |
| 200 TRAVEL | - | - | - | - | - | - |
| 300 CONTRACTUAL | - | - | - | - | - | - |
| 400 SUPPLIES | - | - | - | - | - | - |
| 500 EQUIPMENT | - | - | - | - | - | - |
| 600 LANDS & STRUCTURES | - | - | - | - | - | - |
| 700 GRANTS, CLAIMS | - | - | - | - | - | - |
| 800 MISCELLANEOUS | - | - | - | - | - | - |
| TOTAL OPERATING | - | - | - | - | - | - |
| CAPITAL | - | - | - | - | - | - |
| CASH FLOW | - | (17,800) | (17,300) | (16,500) | (14,900) | (14,300) |

FUNDING: (Thousands of Dollars)

| | | | | | | |
|---------------|---|----------|----------|----------|----------|----------|
| GENERAL FUND | - | (17,800) | (17,300) | (16,500) | (14,900) | (14,300) |
| FEDERAL FUNDS | - | - | - | - | - | - |
| OTHER | - | - | - | - | - | - |
| TOTAL | - | - | - | - | - | - |

POSITIONS:

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

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker *MB*
 Division: Treasury

Phone: 465-2350
 Date: May 1, 1985

Approved by Commissioner: *Shirley A. Lindale*
 Agency: Department of Revenue

Date: 5/1/85

Distribution (by Agency preparing fiscal note):

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

CS SB 279 (Resources)
Fiscal Note Analysis

The cash flow figures shown in the fiscal note reflect the reduction in general funds available for appropriation arising from CS SB 279. These figures are based on the scheduled loan payments shown in the attached Table I after netting out service fees as calculated in Table II. Table II also provides a breakdown of the reduction into interest and principal.

Due to loan prepayments, actual receipts may be greater than scheduled in early years and less than scheduled in later years. This is the main reason why the FY 86 budget actually contains \$31.3 million estimated loan cash flow, made up of \$13.3 million interest and \$18 million principal. The difference between the budget estimate and scheduled cash flow for FY 86, which is \$13.5 million, will be a downward adjustment to the next revenue estimates in June.

Table I

General Fund Loans to be Appropriated to AIDA
 Estimated Cash Flow (Principal and Interest)
 (\$ 000)

| Fiscal Year | Veterans | Small Business | Commercial Fish | Tourism | Child Care | Historical District | Fisheries Enhancement | Total |
|--------------|----------------|----------------|-----------------|--------------|------------|---------------------|----------------------------------|----------------|
| 1986 | 9,247 | 2,855 | 6,105 | 308 | 5 | 22 | N/A | 18,542 |
| 1987 | 9,034 | 2,783 | 5,786 | 308 | 4 | 22 | | 17,937 |
| 1988 | 8,784 | 2,613 | 5,409 | 308 | 3 | 22 | | 17,139 |
| 1989 | 8,554 | 2,404 | 4,243 | 308 | 2 | 18 | | 15,529 |
| 1990 | 8,379 | 2,279 | 3,870 | 282 | 1 | 14 | | 14,825 |
| 1991 | 8,343 | 2,134 | 3,233 | 243 | | 14 | | 13,967 |
| 1992 | 8,042 | 1,946 | 2,037 | 229 | | 14 | | 12,268 |
| 1993 | 7,409 | 1,551 | 837 | 221 | | 14 | | 10,032 |
| 1994 | 6,955 | 907 | 214 | 212 | | 7 | | 8,295 |
| 1995 | 6,851 | 344 | 34 | 208 | | | | 7,437 |
| 1996 | 6,814 | 59 | | 201 | | | | 7,074 |
| 1997 | 6,532 | | | 186 | | | | 6,718 |
| 1998 | 6,174 | | | .85 | | | | 6,259 |
| 1999 | 6,038 | | | | | | | 6,038 |
| 2000 | 5,998 | | | | | | | 5,998 |
| 2001 | 5,899 | | | | | | | 5,899 |
| 2002 | 5,096 | | | | | | | 5,096 |
| 2003 | 4,254 | | | | | | | 4,254 |
| 2004 | 4,035 | | | | | | | 4,035 |
| 2005 | 3,925 | | | | | | | 3,925 |
| 2006 | 3,865 | | | | | | | 3,865 |
| 2007 | 3,182 | | | | | | | 3,182 |
| 2008 | 1,709 | | | | | | | 1,709 |
| 2009 | 521 | | | | | | | 521 |
| 2010 | 98 | | | | | | | 98 |
| 2011 | 20 | | | | | | | 20 |
| Total | 145,758 | 19,875 | 31,768 | 3,099 | 15 | 147 | 6,804 (principal only) | 207,466 |

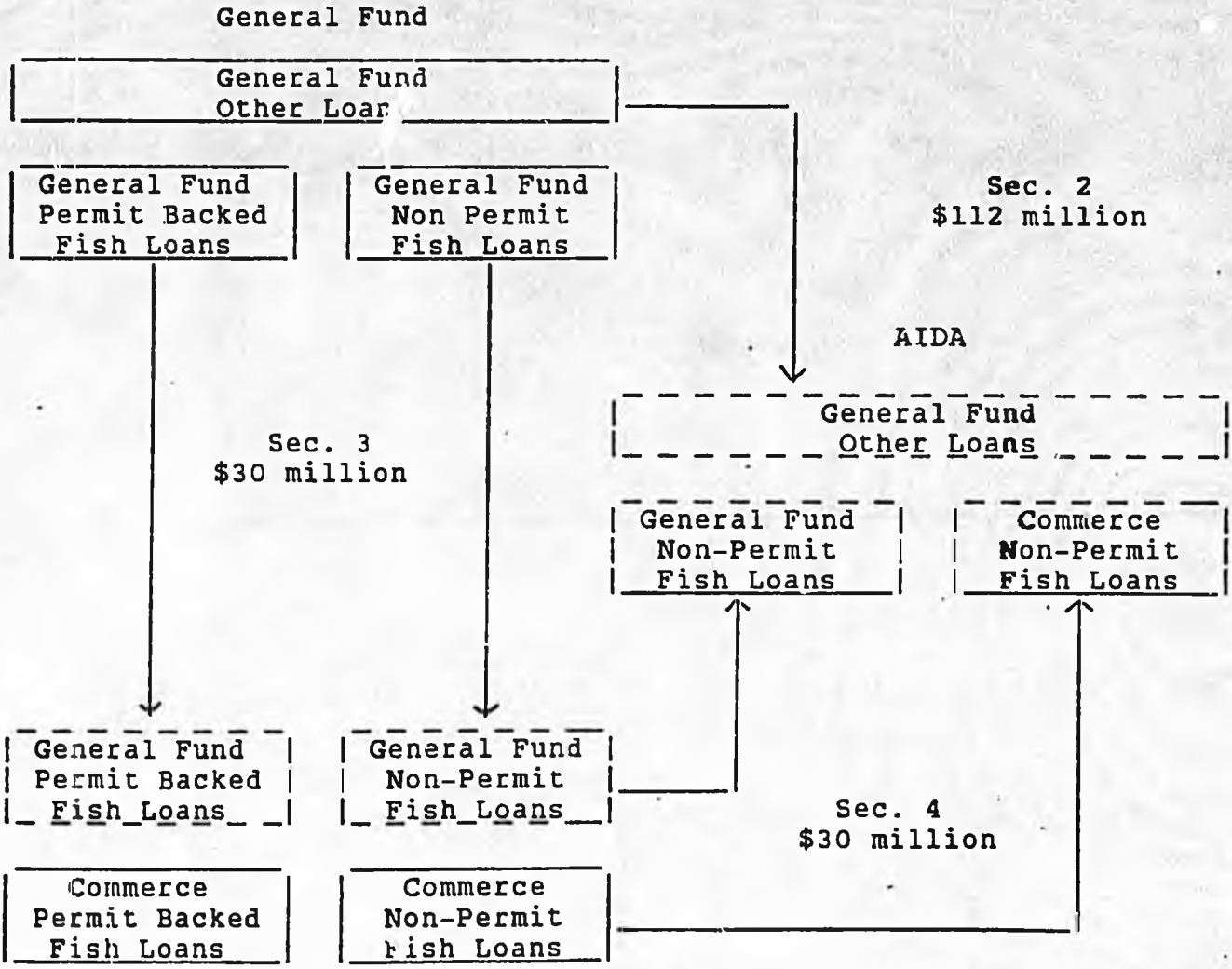
1. This table represents the cash flow to the Department of Commerce and Economic Development. Cash flow to the general fund would be further reduced by .5% service fee on loans serviced by Commerce and .125% service fee to Commerce on loans serviced by banks.
2. Cash flow has not been adjusted for delinquency or default. Except for commercial fish non-permit loans, the state expects complete recovery on defaults. Thus, delinquency and default merely produce lags in receipts.

Table II

Scheduled Cash Flow From State Loans
Held by General Fund
(\$ Millions)

| | <u>FY 86</u> | <u>FY 87</u> | <u>FY 88</u> | <u>FY 89</u> | <u>FY 90</u> |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|
| Balance at Start of Year | 135.9 | 128.7 | 120.9 | 113.3 | 106.8 |
| <u>Interest @ 7.89%</u> | | | | | |
| Service Fee to Commerce @ .5% | .7 | .6 | .6 | .6 | .5 |
| General Fund Revenue @ 7.39% | <u>10.0</u> | <u>9.5</u> | <u>8.9</u> | <u>8.4</u> | <u>7.9</u> |
| Total | 10.7 | 10.1 | 9.5 | 9.0 | 8.4 |
| Principal Repayment | 7.8 | 7.8 | 7.6 | 6.5 | 6.4 |
| Balance at End of Year | 128.1 | 120.9 | 113.3 | 106.8 | 100.4 |

DeLong Mountains Transportation Project
 Loan Appropriations
 Administration Proposal



Department of Commerce
& Economic Development

Offered: 4/29/85
Referred: Finance

Original sponsor: Resources Committee

1 IN THE SENATE BY THE RESOURCES COMMITTEE

2 CS FOR SENATE BILL NO. 279 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act transferring and appropriating certain loans
7 to the economic development fund and the commercial
8 fishing revolving loan fund; and providing for an
9 effective date."

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

11 * Section 1. (a) All right, title, and interest in loans of the type
12 described in (b) of this section, and all right, title, and interest in all
13 mortgages, notes, and other instruments of security made in connection with
14 those loans, purchased or acquired by the Department of Revenue and held in
15 the general fund on July 1, 1985, are transferred and appropriated to the
16 economic development fund (AS 44.88.172) of the Alaska Industrial Develop-
17 ment Authority for the DeLong Mountain transportation project. However, if
18 the amount in unpaid principal of the loans exceeds \$112,000,000 as of
19 July 1, 1985, only loans and instruments of security totaling \$112,000,000
20 in unpaid principal are transferred and appropriated under this section.

21 (b) This section transfers and appropriates

- 22 (1) veterans loans acquired or made under AS 26.15;
23 (2) small business loans acquired or made under AS 45.95;
24 (3) tourism loans acquired or made under AS 45.90;
25 (4) fisheries enhancement loans acquired or made under AS 16.10;
26 (5) child care loans acquired or made under AS 44.33; and
27 (6) historical district loans acquired or made under AS 45.98.

28 * Sec. 2. All right, title, and interest in commercial fishing loans
29 acquired or made under AS 16.10.300 - 16.10.370 and all right, title, and

1 interest in all mortgages, notes and other instruments of security made in
2 connection with those loans, purchased or acquired by the Department of
3 Revenue and held in the general fund on July 1, 1985, are transferred and
4 appropriated from the general fund to the commercial fishing revolving loan
5 fund (AS 16.10.340) for the purposes of AS 16.10.300 - 16.10.370. However,
6 if the amount in unpaid principal of the loans exceeds \$30,000,000 as of
7 July 1, 1985, only loans and instruments of security totaling \$30,000,000
8 in unpaid principal are transferred and appropriated under this section.

9 * Sec. 3. All right, title, and interest in loans that are not secured
10 by limited entry permits in an amount equal to the principal balance of
11 loans appropriated under sec. 2 of this Act, and all right, title, and
12 interest in all mortgages, notes and other instruments of security made in
13 connection with those loans, are transferred and appropriated from the
14 commercial fishing revolving loan fund (AS 16.10.340), the small business
15 revolving loan fund (AS 45.95.060), and the Alaska World War II Veterans'
16 revolving fund (AS 26.15.090) to the economic development fund (AS 41.58.-
17 172) of the Alaska Industrial Development Authority for the DeLong Mountain
18 transportation project.

19 * Sec. 4. The appropriation made by sec. 2 of this Act is for capitali-
20 zation of a loan fund and does not lapse in accordance with AS 37.25.010.

21 * Sec. 5. The appropriations made by secs. 1 and 3 of this Act are for
22 a capital project and are subject to AS 37.25.020.

23 * Sec. 6. This Act takes effect on the effective date of an Act enti-
24 tled "An Act relating to the authorization of bonds or notes for the DeLong
25 Mountain transportation project, establishing conditions under which the
26 bonds or notes may be issued; and providing for an effective date."

Introduced: 4/11/85
Referred: Resources
and Finance

AS PASSED
w/ AMENDMENTS
from S. FIN

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2

SENATE BILL NO. 279

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act making a special appropriation to the eco-
7 nomic development fund of the Alaska Industrial
8 Development Authority, transferring and appropriating
9 certain loans to the economic development fund and
10 the commercial fishing revolving loan fund; and
11 providing for an effective date."

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

13 * Section 1. The sum of \$18,000,000 is appropriated from the general
14 fund to the economic development fund (AS 44.88.172) of the Alaska Indus-
15 trial Development Authority for the DeLong Mountain transportation project.

16 * Sec. 2. (a) All right, title, and interest in loans of the type
17 described in (b) of this section, and all right, title, and interest in all
18 mortgages, notes, and other instruments of security made in connection with
19 those loans, purchased or acquired by the Department of Revenue and held in
20 the general fund on July 1, 1985, are transferred and appropriated to the
21 economic development fund (AS 44.88.172) of the Alaska Industrial Develop-
22 ment Authority for the DeLong Mountain transportation project. However, if
23 the amount in unpaid principal of the loans exceeds \$112,000,000 as of
24 July 1, 1985, only loans and instruments of security totaling \$112,000,000
25 in unpaid principal are transferred and appropriated under this section.

26 (b) This section transfers and appropriates

27 (1) veterans loans acquired or made under AS 26.15;

28 (2) small business loans acquired or made under AS 45.95;

29 (3) tourism loans acquired or made under AS 45.90;

- 1 (4) fisheries enhancement loans acquired or made under AS 16.10;
- 2 (5) child care loans acquired or made under AS 44.33; and
- 3 (6) historical district loans acquired or made under AS 45.98.

4 * Sec. 3. All right, title, and interest in commercial fishing loans
5 acquired or made under AS 16.10.300 - 16.10.370 that are secured by limited
6 entry permits, and all right, title, and interest in all mortgages, notes
7 and other instruments of security made in connection with those loans,
8 purchased or acquired by the Department of Revenue and held in the general
9 fund on July 1, 1985, are transferred and appropriated from the general
10 fund to the commercial fishing revolving loan fund (AS 16.10.340) for the
11 purposes of AS 16.10.300 - 16.10.370. However, if the amount in unpaid
12 principal of the loans exceeds \$30,000,000 as of July 1, 1985, only loans
13 and instruments of security totaling \$30,000,000 in unpaid principal are
14 transferred and appropriated under this section.

15 * Sec. 4. All right, title, and interest in commercial fishing loans
16 that are not secured by limited entry permits, in an amount equal to the
17 principal balance of loans appropriated under sec. 3 of this Act, and all
18 right, title, and interest in all mortgages, notes and other instruments of
19 security made in connection with those loans, are transferred and appropri-
20 ated from the commercial fishing revolving loan fund (AS 16.10.340) to the
21 economic development fund (AS 44.88.170) of the Alaska Industrial Develop-
22 ment Authority for the DeLong Mountain transportation project.

23 * Sec. 5. The appropriation made by sec. 3 of this Act is for capitali-
24 zation of a loan fund and does not lapse in accordance with AS 37.25.010.

25 * Sec. 6. The appropriations made by secs. 1, 2 and 4 of this Act are
26 for a capital project and are subject to AS 37.25.020.

27 * Sec. 7. This Act takes effect July 1, 1985.

COMMITTEE REPORT

SENATE

FURTHER: FINANCE

4/11/85

Date 4/26/85

Mr. President

The Committee on Resources considered SB 279

special appropriation to the economic development fund of AIDA, transferring and appropriating certain loans to the economic development fund and the commercial fishing revolving loan fund; efd.

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

- [] do pass
[] do pass with attached amendment(s)
[X] replace with/or adopt CS for SB 279 (Res)
[X] new title
[] same title and recommends individual recommendations
[] and attached a "LETTER OF INTENT" [] NEW FISCAL NOTE
[] reports it back without recommendation
[] recommend referral to _____ Committee

MEMBERS SIGNING DO PASS

Handwritten signatures of members supporting the bill.

MEMBERS HAVING OTHER RECOMMENDATIONS

Handwritten notes from members with other recommendations, such as 'Rich Halford do not pass' and '3 Mr. Gibson no rec.'.

Handwritten signature of the Chairman, Curtis Stupulewski, and the Chairman's recommendation: 'Do Pass'.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST
 Bill/Resolution No.: SB 279
 Title: Special approp. to econ. development fund of AIDA.
 Sponsor: Resources Committee
 Requestor: _____
 Date of Request: 4/16/85

FISCAL DETAIL
 Agency Affected: Commerce & Econ. Dev.
 Program Category Affected: Economic Development
 BRU, Program or Subprogram(s) Affected: Accounting & Collections

EXPENDITURES/REVENUES: (Thousands of Dollars)

| | FY 85 | FY 86 | FY 87 | FY 88 | FY 89 | FY 90 |
|------------------------|-------|-------|-------|-------|-------|-------|
| OPERATING | | | | | | |
| 100 PERSONAL SERVICES | | | | | | |
| 200 TRAVEL | | | | | | |
| 300 CONTRACTUAL | | 6.8 | | | | |
| 400 SUPPLIES | | | | | | |
| 500 EQUIPMENT | | | | | | |
| 500 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS | | | | | | |
| 800 MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | -0- | 6.8 | -0- | -0- | -0- | -0- |
| CAPITAL | -0- | -0- | -0- | -0- | -0- | -0- |
| REVENUE | -0- | -0- | -0- | -0- | -0- | -0- |

FUNDING: (Thousands of Dollars)

| | | | | | | |
|---------------------------|-----|-----|-----|-----|-----|-----|
| GENERAL FUND | | | | | | |
| FEDERAL FUNDS | | | | | | |
| OTHER Intergency receipts | -0- | 6.8 | -0- | -0- | -0- | -0- |
| TOTAL | -0- | 6.8 | -0- | -0- | -0- | -0- |

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary

See attached.

Prepared By: Margaret I. Hamley, Director Phone: 465-2555
 Division: Accounting & Collections Date: 4-19-85
 Approved by Commissioner: Loren H. Lounsbury Date: 4/19/85
 Agency: Commerce and Economic Development

Distribution (by Agency preparing fiscal note):

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

7/1/84

SB 279

Approximately 2,800 loans will be affected by the reappropriations proposed in SB 279.

The following assumptions are made:

- Effective date is July 1, 1985.
- AIDA will not service the transferred loans.
- Division of Accounting & Collections will continue to service these loans under contract with AIDA. If this legislation is enacted, service fees currently received from the Department of Revenue will be received from AIDA instead. There will be a net zero fiscal impact for the service fee portion of this fiscal note as the service fees retained by the Department of Commerce and Economic Development will remain the same.

Given these assumptions:

- the ability of the loan funds to meet future loan demand is not affected.
- effect on borrowers would be minimal; an information letter and new payment cards would be mailed to borrowers. Changes in policy are not anticipated.
- FY '86 budget requests for Division of Accounting & Collections and Division of Investments would not be affected. (Cash flow from these loans is remitted to the investor on a monthly basis, net of service fees, late fees, NSF fees and application and assumption fees which are retained by the fund. Veterans and commercial fish fees are appropriated by the Legislature to fund operating efforts in Division of Accounting & Collections and Division of Investments.)

Operating costs that will be incurred:

Contractual

| | |
|---|--------------|
| Postage for information letter 2,500 x .22 ea. = | \$ 550 |
| Postage for payment cards 1,800 x .71 ea. (bulk rate) = 700 x .18 ea. (bulk rate) = | 1,278 126 |
| Increased long distance charges Estimated 20% of borrowers will contact the division with additional inquiries/questions 560 calls x 5 minutes (ave. \$4.25) | 2,380 |
| Filing fees for assignment of First Preferred Ship Mortgage for commercial fish portfolio 500 filings x \$5.00 ea. | <u>2,500</u> |
| TOTAL | \$6,834 |

Offered: 4/29/85
Referred: Finance

Original sponsor: Resources Committee

1 IN THE SENATE BY THE RESOURCES COMMITTEE
2 CS FOR SENATE BILL NO. 279 (Resources)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - FIRST SESSION
5 A BILL

6 For an Act entitled: "An Act transferring and appropriating cer'ain loans
7 to the economic development fund and the commercial
8 fishing revolving loan fund; and providing for an
9 effective date."

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

11 * Section 1. (a) All right, title, and interest in loans of the type
12 described in (b) of this section, and all right, title, and interest in all
13 mortgages, notes, and other instruments of security made in connection with
14 those loans, purchased or acquired by the Department of Revenue and held in
15 the general fund on July 1, 1985, are transferred and appropriated to the
16 economic development fund (AS 44.88.172) of the Alaska Industrial Develop-
17 ment Authority for the DeLong Mountain transportation project. However, if
18 the amount in unpaid principal of the loans exceeds \$112,000,000 as of
19 July 1, 1985, only loans and instruments of security totaling \$112,000,000
20 in unpaid principal are transferred and appropriated under this section.

21 (b) This section transfers and appropriates

- 22 (1) veterans loans acquired or made under AS 26.15;
23 (2) small business loans acquired or made under AS 45.95;
24 (3) tourism loans acquired or made under AS 45.90;
25 (4) fisheries enhancement loans acquired or made under AS 16.10;
26 (5) child care loans acquired or made under AS 44.33; and
27 (6) historical district loans acquired or made under AS 45.98.

28 * Sec. 2. All right, title, and interest in commercia^l fishing loans
29 acquired or made under AS 16.10.300 - 16.10.370 and all right, title, and

1 interest in all mortgages, notes and other instruments of security made in
2 connection with those loans, purchased or acquired by the Department of
3 Revenue and held in the general fund on July 1, 1985, are transferred and
4 appropriated from the general fund to the commercial fishing revolving loan
5 fund (AS 16.10.340) for the purposes of AS 16.10.300 - 16.10.370. However,
6 if the amount in unpaid principal of the loans exceeds \$30,000,000 as of
7 July 1, 1985, only loans and instruments of security totaling \$30,000,000
8 in unpaid principal are transferred and appropriated under this section.

9 * Sec. 3. All right, title, and interest in loans that are not secured
10 by limited entry permits in an amount equal to the principal balance of
11 loans appropriated under sec. 2 of this Act, and all right, title, and
12 interest in all mortgages, notes and other instruments of security made in
13 connection with those loans, are transferred and appropriated from the
14 commercial fishing revolving loan fund (AS 16.10.340), the small business
15 revolving loan fund (AS 45.95.060), and the Alaska World War II Veterans'
16 revolving fund (AS 26.15.090) to the economic development fund (AS 44.88.-
17 172) of the Alaska Industrial Development Authority for the DeLong Mountain
18 transportation project.

19 * Sec. 4. The appropriation made by sec. 2 of this Act is for capitali-
20 zation of a loan fund and does not lapse in accordance with AS 37.25.010.

21 * Sec. 5. The appropriations made by secs. 1 and 3 of this Act are for
22 a capital project and are subject to AS 37.25.020.

23 * Sec. 6. This Act takes effect on the effective date of an Act enti-
24 tled "An Act relating to the authorization of bonds or notes for the DeLong
25 Mountain transportation project, establishing conditions under which the
26 bonds or notes may be issued; and providing for an effective date."

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: SB 279
 Title: Appropriations to AIDA Economic Development Fund
 Sponsor: Resources
 Requestor: Senate Resources
 Date of Request: April 12, 1985

FISCAL DETAIL

Agency Affected: General Fund
 Program Category Affected: _____
 BRU, Program of Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

| | FY 85 | FY 86 | FY 87 | FY 88 | FY 89 | FY 90 |
|------------------------|-------|----------|----------|----------|----------|----------|
| <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>CAPITAL</u> | - | - | - | - | - | - |
| <u>CASH FLOW</u> | - | (17,800) | (17,300) | (16,500) | (14,900) | (14,300) |

FUNDING: (Thousands of Dollars)

| | | | | | | |
|---------------|---|----------|----------|----------|----------|----------|
| GENERAL FUND | - | (17,800) | (17,300) | (16,500) | (14,900) | (14,300) |
| FEDERAL FUNDS | - | - | - | - | - | - |
| OTHER | - | - | - | - | - | - |
| <u>TOTAL</u> | - | - | - | - | - | - |

POSITIONS:

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

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker
 Division: Treasury

Phone: 465-2350
 Date: April 12, 1985

Approved by Commissioner: [Signature]
 Agency: Department of Revenue

Date: 4/16/85

Distribution (by Agency preparing fiscal note):

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

SB 279
Fiscal Note Analysis

The cash flow figures shown in the fiscal note reflect the reduction in general funds available for appropriation arising from SB 279. These figures are based on the scheduled loan payments shown in the attached Table I after netting out service fees as calculated in Table II. Table II also provides a breakdown of the reduction into interest and principal.

Due to loan prepayments, actual receipts may be greater than scheduled in early years and less than scheduled in later years. This is the main reason why the FY 86 budget actually contains \$31.3 million estimated loan cash flow, made up of \$13.3 million interest and \$18 million principal. The difference between the budget estimate and scheduled cash flow for FY 86, which is \$13.5 million, will be a downward adjustment to the next revenue estimates in June.

Table I

General Fund Loans to be Appropriated to AIDA
 Estimated Cash Flow (Principal and Interest)
 (\$ 000)

| <u>Fiscal Year</u> | <u>Veterans</u> | <u>Small Business</u> | <u>Commercial Fish</u> | <u>Tourism</u> | <u>Child Care</u> | <u>Historical District</u> | <u>Fisheries Enhancement</u> | <u>Total</u> |
|--------------------|-----------------|-----------------------|------------------------|----------------|-------------------|----------------------------|----------------------------------|----------------|
| 1986 | 9,247 | 2,855 | 6,105 | 308 | 5 | 22 | N/A | 18,542 |
| 1987 | 9,034 | 2,783 | 5,786 | 308 | 4 | 22 | | 17,937 |
| 1988 | 8,784 | 2,613 | 5,409 | 308 | 3 | 22 | | 17,139 |
| 1989 | 8,554 | 2,404 | 4,243 | 308 | 2 | 18 | | 15,529 |
| 1990 | 8,379 | 2,279 | 3,870 | 282 | 1 | 14 | | 14,825 |
| 1991 | 8,343 | 2,134 | 3,233 | 243 | | 14 | | 13,967 |
| 1992 | 8,042 | 1,946 | 2,037 | 229 | | 14 | | 12,268 |
| 1993 | 7,409 | 1,551 | 837 | 221 | | 14 | | 10,032 |
| 1994 | 6,955 | 907 | 214 | 212 | | 7 | | 8,295 |
| 1995 | 6,851 | 344 | 34 | 208 | | | | 7,437 |
| 1996 | 6,814 | 59 | | 201 | | | | 7,074 |
| 1997 | 6,532 | | | 186 | | | | 6,718 |
| 1998 | 6,174 | | | .85 | | | | 6,259 |
| 1999 | 6,038 | | | | | | | 6,038 |
| 2000 | 5,998 | | | | | | | 5,998 |
| 2001 | 5,899 | | | | | | | 5,899 |
| 2002 | 5,096 | | | | | | | 5,096 |
| 2003 | 4,254 | | | | | | | 4,254 |
| 2004 | 4,035 | | | | | | | 4,035 |
| 2005 | 3,925 | | | | | | | 3,925 |
| 2006 | 3,865 | | | | | | | 3,865 |
| 2007 | 3,182 | | | | | | | 3,182 |
| 2008 | 1,709 | | | | | | | 1,709 |
| 2009 | 521 | | | | | | | 521 |
| 2010 | 98 | | | | | | | 98 |
| 2011 | 20 | | | | | | | 20 |
| Total | 145,758 | 19,875 | 31,768 | 3,099 | 15 | 147 | 6,804 (principal only) | 207,466 |

- This table represents the cash flow to the Department of Commerce and Economic Development. Cash flow to the general fund would be further reduced by .5% service fee on loans serviced by Commerce and .125% service fee to Commerce on loans serviced by banks.
- Cash flow has not been adjusted for delinquency or default. Except for commercial fish non-permit loans, the state expects complete recovery on defaults. Thus, delinquency and default merely produce lags in receipts.

Table II

Scheduled Cash Flow From State Loans
Held by General Fund
(\$ Millions)

| | <u>FY 86</u> | <u>FY 87</u> | <u>FY 88</u> | <u>FY 89</u> | <u>FY 90</u> |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|
| Balance at Start of Year | 135.9 | 128.7 | 120.9 | 113.3 | 106.8 |
| <u>Interest @ 7.89%</u> | | | | | |
| Service Fee to Commerce @ .5% | .7 | .6 | .6 | .6 | .5 |
| General Fund Revenue @ 7.39% | <u>10.0</u> | <u>9.5</u> | <u>8.9</u> | <u>8.4</u> | <u>7.9</u> |
| Total | 10.7 | 10.1 | 9.5 | 9.0 | 8.4 |
| Principal Repayment | 7.8 | 7.8 | 7.6 | 6.5 | 6.0 |
| Balance at End of Year | 128.1 | 120.9 | 113.3 | 106.8 | 100.0 |

SECTIONAL ANALYSIS FOR SENATE BILL 279

An Act transferring and appropriating certain loans to the economic development fund and the commercial fishing revolving loan fund

Section 1

Currently, the Department of Revenue holds the right, title and interest in loans made for:

- 1) Veterans
- 2) Small Business
- 3) Tourism
- 4) Fisheries Enhancement
- 5) Child Care
- 6) Historical Districts

This section would transfer those loans from the Department of Revenue to the economic development fund of the Alaska Industrial Development Authority for the DeLong Mountain transportation project. However, the unpaid principal of outstanding loans being transferred cannot exceed \$112 million. These loans would then be used by AIDA to capitalize the economic development fund and allow them to sell the bonds or notes stipulated in Senate Bill 280.

Section 2

Currently the Department of Revenue holds the right, title and interest in loans made for Commercial Fishing in which the collateral for some of those loans is a limited entry permit (held by the borrower). This section would transfer those loans from the Department of Revenue to the Department of Commerce commercial fishing revolving loan fund. However, the unpaid principal of the outstanding loans being transferred cannot exceed \$30 million.

Section 3

This section transfers the unpaid principal of the Commercial Fishing loans that are not secured by limited entry permits from the Department of Commerce to the economic development fund of AIDA. In addition, it also transfers from Commerce, the unpaid principal of loans made from the small business revolving fund and the World War II veteran revolving fund to the economic development fund of AIDA for the DeLong Mountain transportation project.

Section 4

Section 2 appropriations are for capitalization of a loan fund and do not lapse.

Section 5

Appropriations in sections 1 and 3 are for capital projects and are therefore valid for the life of the project.

Section 6

Effective date of this act is contingent upon passage of SB 280 which has an effective date of July 1, 1985.

Amendment to SB279

A BILL

For an Act entitled: "An Act _____; and providing for an effective date."

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

* Section 1. The sum of \$12,000,000 is appropriated from the multifamily housing loans security fund (AS 44.88.156) to the economic development fund (AS 44.38.172) for the purpose of financing the DeLong Mountain transportation project.

* Sec. 2. This Act takes effect on the date that the board of directors of the Alaska Industrial Development Authority adopts a resolution which provides that there exists a surplus of at least \$12,000,000 in the multifamily housing loans security fund, and that the funds are available for transfer to the economic development fund.

WORK ORDER REQUEST FORM

N14 - 1058

KEYWORDS: a: transportation

ASSIGNED TO Cook

REQUEST FOR: BILL RESOLUTION RESEARCH OTHER

SUBJECT A: Delong Mt. transportation project

REQUESTED FOR Sen. Sturgulewski BY Frank Roman EXT. _____

* DELIVER TO Sen. Sturgulewski TAKEN BY Cook

INSTRUCTIONS, EXPLANATIONS As attached, appropriate \$18,000,000 to AIDA for the Delong Mountain transportation project.

OBTAIN

SPECIAL DRAFTING INSTRUCTIONS ATTACHED

AUTHORIZED TO CONFER WITH _____

RETURN _____

TO REQUESTER

APPROVED: DGS Director, Legal Services

REVIEWED _____

SPECIAL INSTRUCTIONS TO TYPIST/PROOFREADER

IN 04/05/85 DUE _____

TYPED - Draft _____ DATE _____

Final _____ DATE _____

PROOFED _____ DELIVERED _____

DRAFT

FINAL