

S B

248

# HOUSE COMMITTEE REPORT

(9)

Date referred: 4/6/88

FURTHER REFERRALS: Finance

DATE: 5-2-88

The Resources Committee has considered CSSB 248(Fin)

"An Act relating to the interest rate on state land sale contracts; and providing for an effective date."

**RECOMMENDS:**

- replace with \_\_\_\_\_  the same title
- attached amendment(s)  a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the \_\_\_\_\_ Committee

**ADOPTS:**  \_\_\_\_\_ letter of intent

**ATTACHES NEW FISCAL NOTE(S):**

- fiscal impact  same as previous fiscal note published \_\_\_\_\_
- zero fiscal note  same as previous zero fiscal note published \_\_\_\_\_
- zero with analysis

**SIGNING DO PASS:**

Jan C. T.  
Adelheid Herrmann  
Heinrich Sprüger  
Cliff Davidson  
[Signature]  
[Signature]  
[Signature]  
[Signature]  
[Signature]

**SIGNING OTHER RECOMMENDATIONS:**

\_\_\_\_\_  
 \_\_\_\_\_  
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Jan C. T.

Chairman's signature

FISCAL NOTE

REQUEST:

Revision Date: 4/27/88  
Tide: Refinancing of Land  
Sale Contracts  
Sponsor: Senator Faiks  
Requestor: House Resources

Agency Affected: Natural Resources  
BRU: Land & Water Management  
and Division of Management  
Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

The CS for SB 248 applies only to land sale contracts entered into after July 1, 1988; therefore eliminating the need to amend existing contracts. The bill can be implemented using existing staff and resources.

Prepared by: Gary Gustafson Phone: 262-2690  
Division: Land and Water Management Date: 4/27/88

Approved by Commissioner: Judith M. Braden Date: 4/27/88  
Agency: Natural Resources

Distribution (by preparer):  
Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)



# Alaska State Legislature

SENATE

Office of the President

SB 248 file  
P.O. Box V  
State Capitol  
Juneau, Alaska 99811  
(907) 465-3755

April 8, 1988

MEMORANDUM

TO: Representative Sam Cotten, Co-Chairman  
House Resources Committee

FROM: Senator Jan Faiks  
President of the Senate

SUBJECT: Senate Bill 248, an act relating to the  
interest rate on state land sale contracts

Currently SB 248 is before the House Resources Committee.  
I am the sponsor of this legislation.

Enclosed is background information relating to this bill.  
It would be greatly appreciated if you could schedule SB  
248 before the Resources Committee at your earliest  
possible convenience.

Thank you for your consideration.

## BACKGROUND ON SENATE BILL 248

The purpose of Senate Bill 248 is to enable the Department of Natural Resources to issue land sale contracts with interest rates which more closely reflect current market conditions.

Currently AS 38.05.065 requires DNR to charge the prevailing Federal Land Bank (FLB) for the Farm District for Alaska interest rate for land sale contracts. The rate originally charged by DNR has been based upon the FLB rate since 1979. Originally this was done to ensure an objective, conservative index which tracked market loan rates for unimproved land without too much volatility.

Prior to 1979 the statute stated that the rate would be at least 5 percent, and would be set by the director of the Division of Lands. By the late 1970's this broad guideline caused disagreements prior to every land sale, with the purchasers asking for extremely low rates at a time of double-digit inflation. Thus, the rate was then tied to the FLB rate to eliminate the uncertainty by removing the decision out of DNR.

The FLB rate for the Alaska District stayed at 12 3/4 percent between 1984 and May 1987, when it was lowered to 12 1/4 percent. This rate is currently well above the private market rates in Alaska of between 10 and 11 percent.

SB 248 changes the interest rate to 10 percent per year, and requires the commissioner to adjust the interest rate whenever the annual or cumulative change in the Consumer Price Index exceeds 10 percent. SB 248 does not apply to contracts issued prior to July 1, 1988.