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STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPT. OF ENVIRONMENTAL CONSERVATION

POSITION PAPER

Bill No: SB 167

Date: March 16, 1987

Title: An Act relating to grants for water supply, sewage, and solid waste facilities; establishing a Revolving Loan Fund; and providing for an effective date.

Contact: Gary Hayden
465-2610

Department's Position

We support the bill.

Effect of the Bill

SB 167 would create the mechanism the State needs to take advantage of federal dollars authorized under the 1987 amendments to the Clean Water Act. The amendments provide for a transition from a federally funded grant program for sewage treatment facilities to a federally and State funded loan program. About \$69 million in federal funds will be available in the next seven years to capitalize a revolving loan fund in Alaska. The State would match with another twenty percent. SB 167 will allow the Department of Environmental Conservation to make low interest loans to communities to construct sewage treatment plants.

The bill also makes adjustments to the existing statute concerning the Department's fifty percent Construction Grants Program.

Impact on the Agency

The proposed revolving loan program would replace the federal grant program being administered by the Department. Therefore, we would administer the proposed loan program with existing staff, with no increase in the operating budget.



Dennis D. Keiso
Commissioner

Position Paper
in fiscal note
(revised w/ Halford's
name)
given to Halford
3-17-87

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST: _____

Revision Date: _____

Title: Grants for water supply & sewage facilities; establishing revolving loan fund

Sponsor: Senator Halford

Requestor: _____

Bill Version: SB 167
Publish Date: _____

Agency Affected: Environmental Conservation
BRU: Facility Construction & Operation

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	2179.0	2152.7	2252.7	2905.4	2179.0
FEDERAL FUNDS	-0-	10895.4	10763.6	11263.6	14527.2	10895.4
OTHER						
TOTAL	-0-	13074.4	12916.3	13516.3	17432.6	13074.4

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary) Passage of the revolving loan fund bill will give the state the ability to accept a total of \$69,240,000 in federal dollars to capitalize the fund. Federal funds require a 20% state match. Passage of the bill does not obligate the state to accept the federal dollars or to appropriate the match. *Please see attachment.

Prepared by: Lori Telfer Phone: 465-2610
 Division: Facility Construction and Operation Date: 3/17/87

Approved by Commissioner: [Signature] Date: 3/17/87
 Agency: Environmental Conservation

Distribution (by preparer):

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

Attachment 1

FISCAL NOTE ASSUMPTIONS AND ANALYSIS

- 1 All operating and administrative expenses will be paid by a percentage set aside from annual federal grants to the program. Operating projections have, therefore, been left blank. Additional staff will not be needed. Staff that now administer the federal grant program will administer the federal loan program.
- 2 Loan repayments to the fund and interest earned by the fund have not been included in this analysis.
- 3 Federal capitalization grants to the loan fund will be available annually for seven years (FFY 88 - FFY 94). An extension of the fiscal analysis on the front page is given below.

	<u>FY 93</u>	<u>FY 94</u>
General Fund	1,452,720	726,360
Federal Funds	7,262,600	3,631,800
Other	-0-	-0-
Total	8,716,320	4,358,160

SEVEN YEAR TOTAL: General Fund \$ 13,848,120
 Federal Funds \$ 69,240,600
 \$ 83,088,720

Alaska State Legislature

ARLISS STURGULEWSKI, Chairman
TIM KELLY, Vice Chairman
RICK HALFORD
MIKE SZYMANSKI
FRED ZHAROFF



P O BOX V
JUNEAU, ALASKA 99811
(907) 465-4989

Senate Community and Regional Affairs Committee

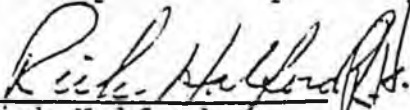
LETTER OF INTENT SB 167

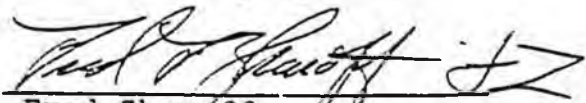
It is the intent of the Senate Committee on Community and Regional Affairs that, contingent upon federal requirements, when establishing interest rate policy as defined in AS 46.03.032 (i) (2) and setting interest standards for collateral or security as defined in AS 46.03.032 (i) (4) and (e), the department will adhere to the following;

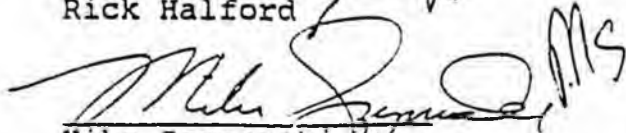
1. The interest rate charged to a community for loans from the Alaska Clean Water Fund will be 66% of the current rate defined by the Municipal Bond Index for all loans prior to July 1, 1992, and 75% of the current rate for all loans after July 1, 1992; and

2. In order to determine that repayment of loans is secured (as required by federal legislation), the department will perform a financial capability review of the community. This review must demonstrate that the recipient has sufficiently pledged a dedicated revenue stream to repay the loan as well as operate and maintain the facility; and

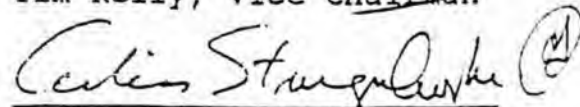
3. Municipalities that repay loans to the Alaska Clean Water Fund by consumer utility billings will charge a rate that is consistent with the savings realized by municipalities participating in this loan program.


Rick Halford

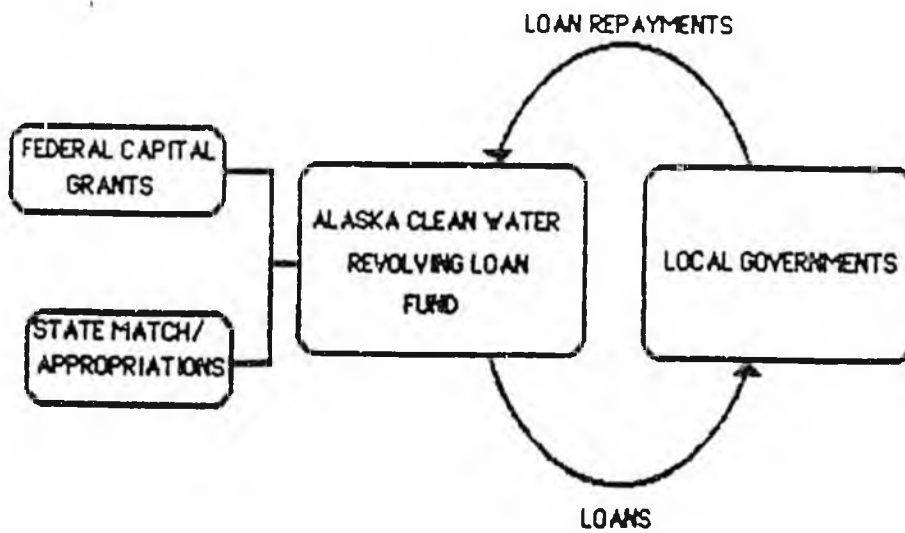

Fred Zharoff


Mike Szymanski


Tim Kelly, Vice Chairman


Arliss Sturgulewski, Chair

THE ALASKA CLEAN WATER REVOLVING LOAN FUND



April 15, 1987

DEPARTMENT OF ENVIRONMENTAL CONSERVATION
STATE REVOLVING WASTEWATER TREATMENT FACILITIES LOAN FUND

BACKGROUND OF FEDERAL GRANTS PROGRAM

- The Federal Government is phasing out its construction grant program for wastewater treatment projects
- Since 1972 \$177,161,685 for Alaskan communities
- 1982 The Department received full delegation of federal program
- Program will be phased out by 1990

CLEAN WATER REVOLVING LOAN FUND

- From 1987 to 1994, \$69,240,600 seed money from the Federal Government available to establish a revolving loan fund for wastewater treatment projects
- Requires 20% state match, for total of \$13,848,120
- After 1994 no more federal money will be put into the fund. It should be self sustaining
- Loans will be made at rate less than or equal to the current market rate

PROGRAM ADMINISTRATION

- The existing staff of The Facility Construction and Operation Division will be used for the loan program
- Administrative costs will come from loan fund
- Operation of the loan program will follow current federal construction grants procedures
- Projects selected by same process used in current federal program

TYPES OF ASSISTANCE

- Low interest rate loans
- Refinancing of certain projects
- Guaranteeing or purchasing insurance of local obligations

PROGRESS TO DATE

- Received 23 responses after survey of municipal officials
- Ran computer simulations of loan program
- SB167 sponsored by Senators Halford and Sturgulewski sets up the statutory framework for the Alaska Clean Water Fund
- SB167 was passed out by the Senate Community and Regional Affairs and Senate Finance Committees. It then passed the Senate floor with a 18-0 vote.

EXHIBIT I

HISTORY OF EPA GRANTS BY MUNICIPALITY
MUNICIPALITY TOTAL FED GRANT AWARDS

ANCHORAGE	\$54,982,845
BRISTOL BAY BOR.	\$6,131,552
CORDOVA	\$3,194,776
DILLINGHAM	\$1,526,780
FAIRBANKS	\$11,475,009
HAINES	\$1,086,224
HOMER	\$15,000
JUNEAU	\$19,188,866
KENAI	\$4,181,559
KETCHIKAN	\$12,918,119
KODIAK	\$7,553,029
NOME	\$308,358
PALMER	\$1,056,674
PELICAN	\$37,497
PETERSBURG	\$6,285,531
SELDOVIA	\$18,579
SEWARD	\$5,404,575
SKAGWAY	\$2,455,092
SITKA	\$17,498,197
SOLDOTNA	\$2,739,608
UNALASKA	\$4,055,070
VALDEZ	\$4,889,029
WASILLA	\$8,916,207
WHITTIER	\$856,420
WRANGELL	\$387,089
TOTALS:	\$177,161,685

3/17/87

DEPARTMENT OF ENVIRONMENTAL CONSERVATION
FACILITY CONSTRUCTION & OPERATION

ACTIVE PROJECTS

Anchorage	- 020087-04	Point Woronzof Outfall	\$ 3,860,307
Anchorage	- 020087-05	Chester Creek Interceptor	2,110,133
Anchorage	- 020087-07	Point Woronzof Phase VI	18,464,000
Anchorage	- 020087-09	Gravity Thickeners	1,788,080
Anchorage	- 020087-10	Effluent Tunnel	4,188,204
Dillingham	- 020066-02	Wastewater Treatment Facility	1,526,720
Juneau	- 020108-01	Mendenhall STP Expansion	13,105,000
Petersburg	- 020047-03	Sewerage Facility	4,055,000
Wasilla	- 020073-02	Sewerage System	6,554,506

3/19/87

COMMUNITIES EXPRESSING AN INTEREST IN THE ALASKA CLEAN WATER FUND.

TWENTY-THREE COMMUNITIES RESPONDED TO THE SURVEY THE DEPARTMENT SENT OUT LAST SEPTEMBER. ALL RESPONDENTS INDICATED AN INTEREST IN THE LOAN PROGRAM. A LISTING OF RESPONDENTS FOLLOWS. IT SHOULD BE NOTED THAT AT THE TIME THE QUESTIONNAIRE WAS SENT OUT, IT WAS BELIEVED THAT THE LOAN FUND WOULD NOT BE AN AVAILABLE SERVICE TO SECOND CLASS CITIES, THEREFORE THEY WERE NOT SURVEYED. WE HAVE SINCE FOUND OUT THAT SUCH CITIES ARE ELIGIBLE TO PARTICIPATE IN THE PROGRAM.

1. KING COVE
2. NORTH SLOPE BOROUGH
3. SAND POINT
4. SOLDOTNA
5. KETCHIKAN GATEWAY BOROUGH
6. YAKUTAT
7. PETERSBURG
8. SITKA
9. CITY OF KETCHIKAN
10. UNALASKA
11. KODIAK ISLAND BOROUGH
12. HAINES
13. CRAIG
14. GALENA
15. BRISTOL BAY BOROUGH
16. JUNEAU
17. FAIRBANKS
18. ST. MARY'S
19. MUNICIPALITY OF ANCHORAGE
20. KODIAK
21. NORTH POLE
22. PELICAN
23. NOME

ISSUE: WHO IS ELIGIBLE TO RECEIVE LOANS FROM THE CLEAN WATER FUND?

THERE ARE THREE FEDERAL REQUIREMENTS WHICH OUTLINE WHO CAN RECEIVE LOANS FROM THE FUND:

FEDERAL WATER POLLUTION CONTROL ACT (P.L. 100-4)

THE STATE WILL REQUIRE AS A CONDITION OF MAKING A LOAN ...FROM THE FUND THAT THE RECIPIENT OF SUCH ASSISTANCE WILL MAINTAIN PROJECT ACCOUNTS IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT ACCOUNTING PROCEDURES."

SEC. 603 (C). "THE AMOUNTS OF FUNDS AVAILABLE TO EACH STATE WATER POLLUTION CONTROL REVOLVING FUND SHALL BE USED ONLY FOR PROVIDING FINANCIAL ASSISTANCE (1) TO ANY MUNICIPALITY, INTERMUNICIPAL, OR STATE AGENCY FOR CONSTRUCTION OF PUBLICLY OWNED TREATMENT WORKS (AS DEFINED IN SEC. 212 OF THIS ACT)."

SEC. 603 (d)(1)(c). "THE RECIPIENT OF A LOAN WILL ESTABLISH A DEDICATED SOURCE OF REVENUE FOR REPAYMENT OF LOANS."

FEDERAL DEFINITION OF "MUNICIPALITY":

"A CITY, TOWN, ETC..HAVING ITS OWN INCORPORATED GOVERNMENT FOR LOCAL AFFAIRS."

AS SEC. 29.08.030:

"GENERAL LAW MUNICIPALITIES ARE OF FIVE CLASSES:

- (1) FIRST CLASS BOROUGHS;
- (2) SECOND CLASS BOROUGHS;
- (3) THIRD CLASS BOROUGHS;
- (4) FIRST CLASS CITIES;
- (5) SECOND CLASS CITIES;

AS SEC 46.03.900 (PROVIDES DEFINITIONS FOR CHAPTER DEALING WITH POWERS AND LIMITATIONS OF THE DEPARTMENT OF ENVIRONMENTAL CONSERVATION):

"MUNICIPALITY MEANS AN ORGANIZED BOROUGH OR AN INCORPORATED CITY OUTSIDE AN ORGANIZED BOROUGH, AND INCLUDES ALL CLASSES OF BOROUGHS AND CITIES WHETHER HOME RULE OR OTHERWISE."

APPLICATION

CITIES AND BOROUGHS ARE DISTINCT LEGAL ENTITIES (MUNICIPALITIES) INCORPORATED UNDER THE LAWS OF ALASKA TO PERFORM BOTH REGULATORY AND PROPRIETY FUNCTIONS. THESE POWERS CAN ALLOW A CITY TO PROVIDE A WIDE RANGE OF COMMUNITY SERVICES AND FACILITIES; IN PRACTICE, HOWEVER, POPULATION AND FISCAL CONSTRAINTS SERVE TO LIMIT THE NUMBER PROVIDED BY MANY CITIES. ALTHOUGH ANY INCORPORATED BOROUGH, MUNICIPALITY, FIRST AND SECOND CLASS CITY IS ELIGIBLE BY DEFINITION TO RECEIVE LOANS FROM THE CLEAN WATER FUND, SOME CITIES MAY NOT FIND THE PROGRAM ATTRACTIVE OR FINANCIALLY FEASIBLE DUE TO THE FEDERAL ADMINISTRATIVE AND ACCOUNTING REQUIREMENTS.

CONCLUSION

ANY INCORPORATED CITY OR MUNICIPALITY, GENERAL OR HOMERULE, IS ELIGIBLE BY DEFINITION TO RECIEVE A LOAN FROM THE ALASKA CLEAN WATER FUND.

3-17-87

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CAPITALIZATION OF THE STATE REVOLVING LOAN FUND

FED F.Y.	FED SEED GRANT	STATE MATCH	TOTAL
88	\$10,895,400	\$2,179,080	\$13,074,480
89	\$10,763,600	\$2,152,720	\$12,916,320
90	\$11,263,600	\$2,252,720	\$13,516,320
91	\$14,527,200	\$2,905,440	\$17,432,640
92	\$10,895,400	\$2,179,080	\$13,074,480
93	\$7,263,600	\$1,452,720	\$8,716,320
94	\$3,631,800	\$726,360	\$4,358,160
TOTALS:	\$69,240,600	\$13,848,120	\$83,088,720

42167 100 SHEETS
MAY 1984

CAPITALIZATION OF THE STATE REVOLVING LOAN FUND

1987	1988	1989	1990	1991	1992	1993	1994	1995
July	July	July	July	July	July	July	July	July
SFY 88	SFY 89	SFY 90	SFY 91	SFY 92	SFY 93	SFY 94		

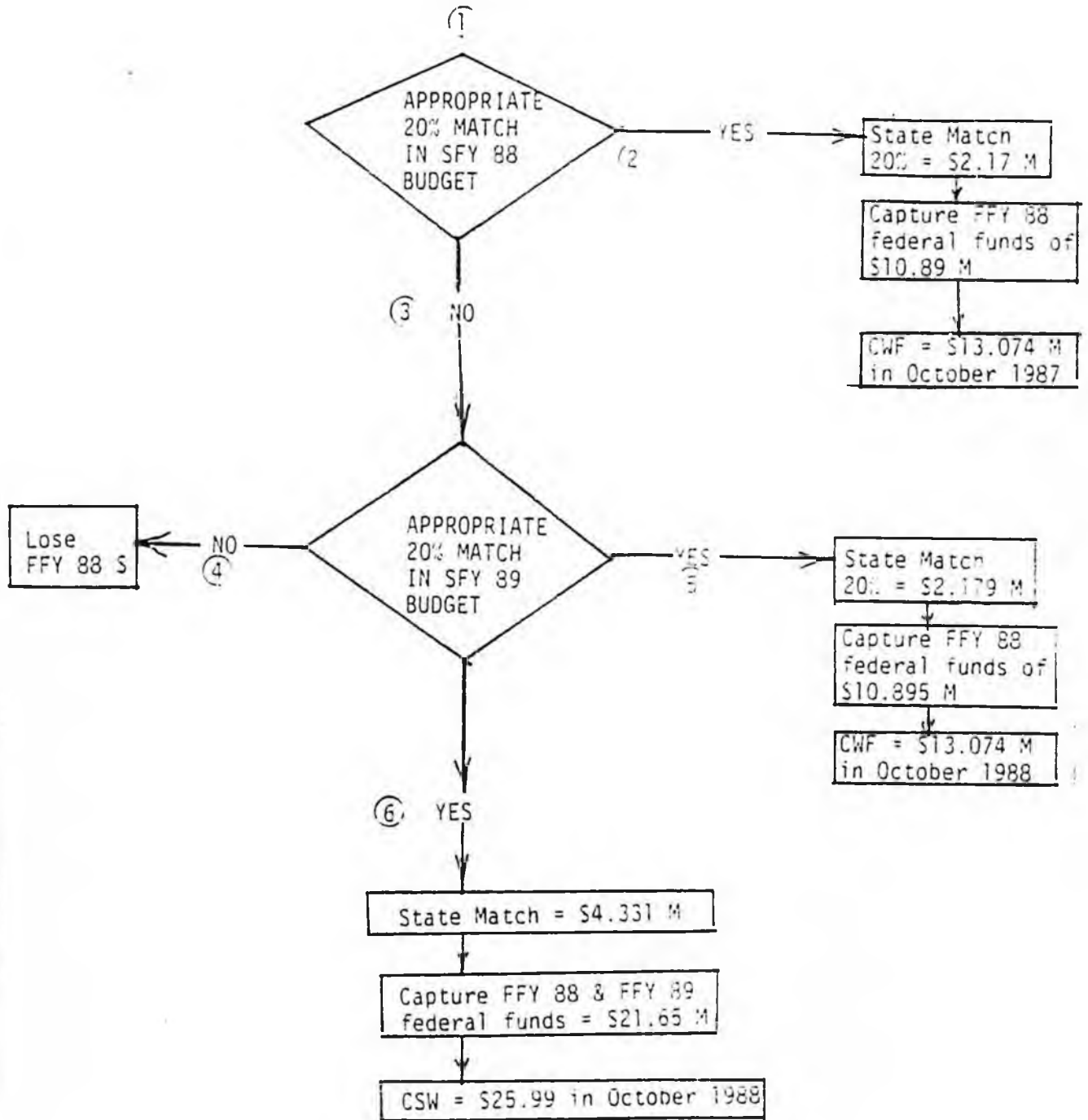
Oct	Oct	Oct	Oct	Oct	Oct	Oct	Oct
FFY 88	FFY 89	FFY 90	FFY 91	FFY 92	FFY 93	FFY 94	
\$ 10.89 M	\$ 10.76 M	\$ 11.26 M	\$ 14.53 M	\$ 10.89 M	\$ 7.26 M	\$ 3.63 M	

3-17-87

SB167

STATE MATCH DECISION TREE

Note: SFY=State Fiscal year
FFY=Federal Fiscal Year



SUMMARY
TITLE VI
STATE WATER POLLUTION CONTROL REVOLVING FUNDS
1987 AMENDMENTS TO CLEAN WATER ACT
March 19, 1987

Sec 601 - GENERAL AUTHORITY

- a) Administrator (EPA) shall make capitalization grants to each state for a water pollution control revolving fund for
 - 1. Construction of treatment works
 - 2. Management program under Sec 391
 - 3. Management program under Sec 320

- b) Establish a schedule of payments based on State's intended use plan.

Sec 602 - CAPITALIZATION GRANT AGREEMENTS

- a) State shall enter into agreement with EPA administrator.

- b)
 - 1. Establish payment schedule and deposit all payments in the revolving fund.

 - 2. State 20 percent match on or before quarterly payment.

 - 3. State must enter binding commitments to provide assistance within one year of receipt of grants.

 - 4. Funds will be expended in an expeditious and timely manner.

 - 5. Funds will be used to first assure progress toward enforceable deadlines, goals, and requirements of this Act, including municipal compliance deadlines.

6. Projects constructed before year 1995 will meet Title II of the Act [see attached summary].
7. Expend in accordance with laws and procedures applicable to State.
8. Use accounting, audit, and fiscal procedures generally accepted government standards.
9. State will require recipient's records to meet generally accepted government standards.
10. State will make annual reports to EPA administrator.

Sec 603 - WATER POLLUTION CONTROL REVOLVING LOAN FUNDS

- a) First establish a revolving fund complying with this section.
- b) Fund will be administered by an instrumentality of the State, with powers to operate fund in accordance with the Act.
- c) Projects eligible for assistance
 1. To any municipality, inter-municipal, interstate, or State agency for construction of publically owned treatment works
 2. Sec 319 implementation
 3. Sec 320 implementation

d) Types of Assistance

1. Loans on the condition that

- A) At or below market interest rate, not to exceed 20 years.
- B) Annual principal and interest will commence not later than one year and will be amortized not later than 20 years.
- C) Receipts will establish a dedicated source of revenue for repayment of loans; and
- D) Funds will be credited with all payments.

2. Buy or refinance loan debt where obligations incurred after March 7, 1988.

3. Guarantee or purchase insurance for local obligations when it improves market access or reduce interest rates.

4. As a source of revenue or surity for revenue or general obligation bonds

5. To provide loan guarantees

6. To earn interest

7. For administering funds not to exceed 4 percent

g) Priority list requirements

1. Must be on list developed under Sec 216

2. Regardless of the ranking on list

Sec 604 - ALLOTMENT OF FUNDS

- b) one percent, or \$100,000, for Sec 205(j) and 303(e)
- c) 1. Period of availability for grant award during fiscal year authorized and following year
- 2. Reallocation of unobligated funds
 - A. Administrator (EPA) will reallocate if not obligated at end of second year.
 - B. No funds if State has not obligated within first year.

Sec 605 - CORRECTIVE ACTION

Sec 606 - AUDITS, REPORTS, AND FISCAL CONTROLS

- a) Establish fiscal controls
- b) Annual federal audit
- c) Intended use plan
 - 1. List of projects
 - 2. Long and short-term goals, objectives
 - 3. Information on activities, project categories, discharge requirements under Title III and IV of the Act, terms of financial assistance, and communities served.
 - 4. Assurances and specific proposal for meeting requirements 3, 4, 5, and 6 of Sec 602(b).
 - 5. Criteria and method established for distribution of funds

- d) Annual report
- e) Annual federal oversight review

Sec 607 - AUTHORIZATION OF APPROPRIATIONS

1.	\$1.2 billion	1989 and 1990
2.	2.4 billion	1991
3.	1.8 billion	1992
4.	1.2 billion	1993
5.	0.6 billion	1994

- 1. Can we use 50 percent of construction grant in 1986 and 1987,
and 70 percent in 1988
- 2. Notice Requirement
 - A) In 1987, no later than 90 days after Act is enacted
 - B) Other years, 90 days before fiscal year start

SUMMARY OF REVOLVING LOAN FUND TITLE II REQUIREMENTS

I. ELIGIBILITY RELATED PROVISIONS.

1. 201(b). Must Use Best Practicable Waste Treatment Technology.
2. 201(g)(1). Must be secondary treatment or more stringent or any cost effective alternative for the following categories:
 - new interceptors
 - I/I correction
 - Other categories determined by governor
3. 201(n)(1). Can use funds for combined sewer overflows.
4. 201(o). Encouraged to file a capital financing plan that
 - projects future requirements for ≥ 10 years.
 - projects nature, extent, costs, timing of future expansions.
 - sets forth financing plans for future expansions.
5. 211. No collectors unless
 - replacement/major rehab or existing systems necessary for total system integrity or;
 - new collectors in existing community with sufficient existing or planned capacity for treatment.

II. APPLICATION RELATED PROVISIONS.

1. 201(g)(2). Applicant must:
 - evaluate alternative waste treatment technology.
 - allow for application of later technology to provide for reclaiming/recycling of water.
2. 201(g)(3). Applicant must show that sewer collection system doesn't have excessive infiltration.
3. 201(g)(5). Applicant must study/evaluate
 - innovative/alternative technology.
 - reclamation reuse of water or elimination of discharge.
 - land treatment.
 - low energy usage systems.
4. 201(g)(6). Applicant must analyze open space and recreational opportunities.
5. 204(a)(1). Before approving grants, Administrator shall determine that treatment works are included in any applicable 208 plan.
6. 204(a)(2). Before approving grants, Administrator shall determine that treatment works are included in any applicable 303(e) plan.
7. 204(b)(2). Applicant must:
 - adopt a user charge system
 - demonstrate legal, managerial, & financial capability to construct/operate/maintain the treatment works.
8. 218. The applicant must
 - show the cost effective solution in the facility plan
 - use value engineering for high cost projects.
9. 511(c)(1). Projects are subject to NEPA.

III. CONSTRUCTION RELATED PROVISIONS.

1. 204(d)(2). Grantee must provide one year performance certification.
2. 513. Project is subject to Davis-Bacon wage rates.

STATE OF ALASKA
THE LEGISLATURE

HOUSE OF REPRESENTATIVES
LEGISLATIVE COUNSEL
202 463 1100

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 27, 1987

SUBJECT: Dedication of funds to clean water fund by
SB 167 (Grants for water supply, sewage and
solid waste facilities)

TO: Senator Rick Halford

FROM: Teresa B. Cramer *TBC*
Legislative Counsel

You have asked whether the Alaska clean water loan fund created by SB 167 violates the constitutional prohibition against the dedication of state funds for a special purpose. You have provided me with a copy of Title VI (State Water Pollution Control Revolving Funds) of P.L. 100-4, amending the Federal Water Pollution Control Act (33 U.S.C. 1251 - 1376), commonly known as the Clean Water Act.

The Alaska Constitution, Article IX, Section 7, permits the state to dedicate funds "when required by the federal government for participation in federal programs." The question then is whether SB 167 creates a dedicated fund in order to participate in a federal program and whether the state program is not more extensive than the federal requirements. In my opinion, the bill complies with the requirements of the exception for a federal program.

The recent amendments to the federal Clean Water Act require that states establish revolving loan funds that meet certain standards in order to be eligible to participate in the capitalization grants. The state must establish a separate fund consisting of federal capitalization grant payments (Sec. 602(b)(1)), the required state matching funds (Sec. 602(b)(2)), loan repayments including interest (Sec. 603(d)(1)(D)), and interest earned on fund accounts (Sec. 603(d)(6)). As long as the state does not deposit more than the required state match in the fund, contributions specified in the bill should be exempt from the prohibition against dedicated funds.

Senator Halford
Page 2
March 27, 1987

The requirements imposed in SB 167 for management of the fund and the projects that are eligible for participation in the program appear to be consistent with the federal legislation. Under AS 46.03.032(d), added by section 4 of SB 167, the state permits the fund to be used for

- (1) buying or refinancing municipal treatment works debt obligations;
- (2) constructing facilities associated with public sewage collection treatment and discharge facilities;
- (3) constructing public water supply, treatment, and distribution systems; and
- (4) guaranteeing or purchasing insurance for public agency obligations related to treatment works construction.

Under sec. 603 (c) of the federal legislation, amounts in the fund are to be used only for financial assistance

- (1) for construction of publicly owned treatment works (as defined in section 212 of this Act), (2) for the implementation of a management program established under section 319 of this Act, and (3) for development and implementation of a conservation and management plan under sec 320 of this Act.

Under Sec. 603(d)(2), the fund may also be used to buy or refinance municipal debt obligations.

"Treatment works" is defined at 33 U.S.C 1292(2)(A) and apparently is not amended in the new federal legislation. The term includes devices and systems used for storage, treatment, recycling, and reclamation of municipal sewage or industrial wastes or necessary to recycle or reuse water. The proposed use of funds in the Alaska clean water revolving loan fund appears consistent with the requirements of federal law and necessary to participate in a federal program. Therefore, the dedication of funds does not violate the Alaska constitution.

If I may be of further assistance please advise.

TBC:mkr
mi0/063

1. INFLATION RATE: 4.6%
2. INTEREST ON INVESTMENTS: 9.2%
3. REVENUE BOND (per AK Bond Box)
= 7.3%
 - ∴ INTEREST first 7 yrs on loans = 4.3% (2/3)
 - ∴ INTEREST THEREAFTER = 5.47%
4. 20 yr AMMORTIZATION PERIOD

3-31-87

****SIRF FULL 20 YEAR REPORT****

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
SOURCES OF FUNDS					
BEGINNING BALANCE		12,499,583	12,884,879	15,098,004	21,837,090
CAPITALIZATION					
Current	\$13,074,480	12,916,320	13,516,320	17,432,540	13,074,460
Cumulative	\$13,074,480	25,390,800	39,507,120	56,339,760	70,014,240
BONDS ISSUED					
Current	\$0	0	0	0	0
Cumulative	\$0	0	0	0	0
OTHER INCOME (INCLUDING PENALTIES)					
Current	\$0	0	0	0	0
Cumulative	\$0	0	0	0	0
LOAN ACTIVITY					
LOAN REPAYMENTS					
Current	\$0	0	977,929	1,902,889	2,872,728
Cumulative	\$0	0	977,929	2,380,818	5,753,545
LOAN DEFAULTS					
Current	\$0	0	0	0	0
Cumulative	\$0	0	0	0	0
NET LOAN REPAYMENTS					
Current	\$0	0	977,929	1,902,889	2,872,728
Cumulative	\$0	0	977,929	2,380,818	5,753,545
INVESTED FUNDS	\$13,074,480	12,341,343	14,462,007	20,917,213	30,351,658
Interest Rate for Invested Funds	3.20%	3.20%	3.20%	3.20%	3.20%
Interest on Invested Funds	\$0	\$1,135,404	\$1,330,505	\$1,924,384	\$1,872,353
TOTAL SOURCES OF FUNDS					
Current	\$13,074,480	25,551,325	29,708,832	36,357,917	39,556,551
Cumulative	\$13,074,480	39,625,706	58,334,538	104,632,455	144,349,126
USES OF FUNDS					
BOND RETIREMENT					
Current	\$0	0	0	0	0
Cumulative	\$0	0	0	0	0
TOTAL BOND INSURANCE FEE	\$0	0	0	0	0
—LOAN ACTIVITY—					
LOANS MADE					
Current	\$0	13,074,480	12,366,320	12,966,320	16,882,640
Cumulative	\$0	13,074,480	25,440,800	38,407,120	55,289,760
GRANTS MADE					
Current	\$0	0	0	0	0
Cumulative	\$0	0	0	0	0
TOTAL LOANS & GRANTS MADE					
Current	\$0	13,074,480	12,366,320	12,966,320	16,882,640
Cumulative	\$0	13,074,480	25,440,800	38,407,120	55,289,760
ADMINISTRATIVE/OPERATIONAL COSTS	\$0	\$0	\$550,000	\$550,000	\$550,000
TOTAL USES OF FUNDS					
Current	\$0	13,074,480	12,916,320	13,516,320	17,432,540
Cumulative	\$0	13,074,480	25,390,800	39,507,120	56,339,760
****FUND BALANCE**** (END OF YEAR)	\$13,074,480	\$13,476,746	\$15,792,512	\$22,841,597	\$22,224,011
INFLATION ANALYSIS OF FUND					
INFLATION RATE	4.60%	4.60%	4.60%	4.60%	4.60%
CONSTANT DOLLARS	\$12,499,583	12,384,879	15,098,004	21,837,090	21,246,564

*****SIRF FULL 20 YEAR REPORT*****

	YEAR 5	YEAR 7	YEAR 9	YEAR 9	YEAR 10
SOURCES OF FUNDS					
BEGINNING BALANCE	21,246,564	21,348,572	20,440,044	15,193,325	10,688,811
CAPITALIZATION					
Current	8,715,320	4,358,160	0	0	0
Cumulative	78,730,550	33,888,720	33,888,720	33,888,720	33,888,720
BONDS ISSUED					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
OTHER INCOME (INCLUDING PENALTIES)					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
LOAN ACTIVITY*					
LOAN REPAYMENTS					
Current	4,135,494	5,072,285	5,313,748	6,344,724	7,775,700
Cumulative	3,389,840	14,361,325	20,375,073	27,719,797	35,495,497
LOAN DEFAULTS					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
NET LOAN REPAYMENTS					
Current	4,135,494	5,072,285	5,313,748	6,344,724	7,775,700
Cumulative	3,389,840	14,361,325	20,375,073	27,719,797	35,495,497
INVESTED FUNDS	21,023,399	19,579,017	14,553,792	10,238,558	6,664,511
Interest Rate for Invested Funds	3.20%	3.20%	3.20%	3.20%	3.20%
Interest on Invested Funds	\$1,334,288	\$1,381,270	\$1,338,349	\$541,347	\$613,135
TOTAL SOURCES OF FUNDS					
Current	36,032,686	33,150,286	27,692,741	22,380,456	13,077,646
Cumulative	180,381,792	213,562,079	241,254,320	254,235,316	293,312,962
USES OF FUNDS					
BOND RETIREMENT					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
TOTAL BOND INSURANCE FEE	0	0	0	0	0
—LOAN ACTIVITY—					
LOANS MADE					
Current	12,524,480	11,250,000	11,250,000	11,250,000	11,250,000
Cumulative	57,314,240	79,264,240	90,314,240	101,554,240	112,314,240
GRANTS MADE					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
TOTAL LOANS & GRANTS MADE					
Current	12,524,480	11,250,000	11,250,000	11,250,000	11,250,000
Cumulative	57,314,240	79,264,240	90,314,240	101,554,240	112,314,240
ADMINISTRATIVE/OPERATIONAL COSTS	\$550,000	\$550,000	\$550,000	\$550,000	\$550,000
TOTAL USES OF FUNDS					
Current	13,074,480	11,800,000	11,800,000	11,800,000	11,800,000
Cumulative	70,314,240	91,314,240	93,614,240	105,414,240	117,314,240
FUND BALANCE (END OF YEAR)	\$22,958,296	\$21,320,256	\$15,892,741	\$11,180,456	\$7,277,546
INFLATION ANALYSIS OF FUND					
INFLATION RATE	4.50%	4.50%	4.50%	4.50%	4.50%
CONSTANT DOLLARS	21,348,572	20,440,044	15,193,325	10,588,311	6,357,597

*****SIRF FULL 20 YEAR REPORT*****

	YEAR 11	YEAR 12	YEAR 13	YEAR 14	YEAR 15
SOURCES OF FUNDS					
BEGINNING BALANCE	6,957,597	4,034,212	1,954,184	754,599	474,178
CAPITALIZATION					
Current	0	0	0	0	0
Cumulative	83,088,720	83,088,720	83,088,720	83,088,720	83,088,720
BONDS ISSUED					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
OTHER INCOME (INCLUDING PENALTIES)					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
LOAN ACTIVITY					
LOAN REPAYMENTS					
Current	8,706,676	9,637,652	10,568,628	11,499,604	12,430,588
Cumulative	44,202,173	53,839,826	64,408,454	75,908,058	88,338,639
LOAN DEFAULTS					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
NET LOAN REPAYMENTS					
Current	8,706,676	9,637,652	10,568,628	11,499,604	12,430,588
Cumulative	44,202,173	53,839,826	64,408,454	75,908,058	88,338,639
INVESTED FUNDS	3,864,273	1,871,805	722,812	454,284	1,184,759
Interest Rate for Invested Funds	9.20%	9.20%	9.20%	9.20%	9.20%
Interest on Invested Funds	\$355,513	\$172,212	\$66,499	\$41,787	\$101,638
TOTAL SOURCES OF FUNDS					
Current	16,019,786	13,844,076	12,589,311	12,295,990	13,006,396
Cumulative	299,332,748	313,176,824	325,766,135	338,062,125	351,068,522
USES OF FUNDS					
BOND RETIREMENT					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
TOTAL BOND INSURANCE FEE	0	0	0	0	0
-LOAN ACTIVITY--					
LOANS MADE					
Current	11,250,000	11,250,000	11,250,000	11,250,000	11,250,000
Cumulative	124,064,240	135,314,240	146,564,240	157,814,240	169,064,240
GRANTS MADE					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
TOTAL LOANS & GRANTS MADE					
Current	11,250,000	11,250,000	11,250,000	11,250,000	11,250,000
Cumulative	124,064,240	135,314,240	146,564,240	157,814,240	169,064,240
ADMINISTRATIVE/OPERATIONAL COSTS	\$550,000	\$550,000	\$550,000	\$550,000	\$550,000
TOTAL USES OF FUNDS					
Current	11,800,000	11,800,000	11,800,000	11,800,000	11,800,000
Cumulative	129,014,240	140,814,240	152,614,240	164,414,240	176,214,240
****FUND BALANCE**** (END OF YEAR)	\$4,219,786	\$2,044,076	\$789,311	\$495,990	\$1,206,396
INFLATION ANALYSIS OF FUND					
INFLATION RATE	4.60%	4.60%	4.60%	4.60%	4.60%
CONSTANT DOLLARS	4,034,212	1,954,184	754,599	474,178	1,153,343

*****SIRF FULL 20 YEAR REPORT*****

	YEAR 15	YEAR 17	YEAR 19	YEAR 19	YEAR 20
SOURCES OF FUNDS					
BEGINNING BALANCE	1,153,343	2,334,292	5,561,083	9,379,708	14,338,132
CAPITALIZATION					
Current	0	0	0	0	0
Cumulative	33,088,720	33,088,720	33,088,720	33,088,720	33,088,720
BONDS ISSUED					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
OTHER INCOME (INCLUDING PENALTIES)					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
LOAN ACTIVITY*					
LOAN REPAYMENTS					
Current	13,361,557	14,292,533	15,223,509	16,154,485	17,085,461
Cumulative	101,700,195	115,992,729	131,216,237	147,370,721	164,456,182
LOAN DEFAULTS					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
NET LOAN REPAYMENTS					
Current	13,361,557	14,292,533	15,223,509	16,154,485	17,085,461
Cumulative	101,700,195	115,992,729	131,216,237	147,370,721	164,456,182
INVESTED FUNDS	2,714,399	5,325,825	8,984,592	13,734,132	19,523,642
Interest Rate for Invested Funds	3.20%	3.20%	3.20%	3.20%	3.20%
Interest on Invested Funds	\$245,771	\$470,368	\$825,582	\$1,253,546	\$1,885,375
TOTAL SOURCES OF FUNDS					
Current	14,764,670	17,615,393	21,511,174	26,797,738	33,229,317
Cumulative	265,333,132	383,450,384	485,861,259	631,358,396	865,888,314
USES OF FUNDS					
BOND RETIREMENT					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
TOTAL BOND INSURANCE FEE	0	0	0	0	0
—LOAN ACTIVITY—					
LOANS MADE					
Current	11,250,000	11,250,000	11,250,000	11,250,000	11,250,000
Cumulative	180,314,240	191,564,240	202,814,240	214,064,240	225,314,240
GRANTS MADE					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
TOTAL LOANS & GRANTS MADE					
Current	11,250,000	11,250,000	11,250,000	11,250,000	11,250,000
Cumulative	180,314,240	191,564,240	202,814,240	214,064,240	225,314,240
ADMINISTRATIVE/OPERATIONAL COSTS	\$550,000	\$550,000	\$550,000	\$550,000	\$550,000
TOTAL USES OF FUNDS					
Current	11,800,000	11,800,000	11,800,000	11,800,000	11,800,000
Cumulative	180,314,240	191,564,240	202,814,240	214,064,240	225,314,240
****FUND BALANCE**** (END OF YEAR)					
	\$2,954,670	\$5,316,393	\$9,311,174	\$14,297,738	\$21,429,317
INFLATION ANALYSIS OF FUND					
INFLATION RATE	4.50%	4.52%	4.50%	4.50%	4.50%
CONSTANT DOLLARS	2,334,292	5,561,083	9,379,708	14,338,132	20,486,532