SB
248

4/30/88
N (Rs)

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: SB 248
PUBLISH DATE:

FISCAL NOTE

REQUEST:

Revision Date: 4/27/88
Title: 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
REVENUE	0	0	0	0	0	0

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: 762-2680
Division: Land and Water Management
Date: 4/27/88

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

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

RECEIVED
APR 29 1988

LEGISLATIVE FINANCE

SENATE COMMITTEE REPORT

FURTHER:

4/28/87

DATE TURNED INTO OFFICE 3/30/88

Mr. President:

FINANCE Committee considered SB 248

interest rates charged in state land sale contracts.

and recommended:

[✓] replace with CS FOR SB 248 (Finance) [ ] same title
[ ] or adopt _____ CS FOR _____) [✓] new title

[ ] attached amendment(s) and

[✓] do pass

[ ] do not pass

[ ] no recommendation

[ ] individual recommendations

[ ] further referral to _____

[ ] letter of intent adopted _____

Committee [✓] attached or [ ] adopted fiscal note(s)
[✓] new [ ] updated or [ ] previous
[✓] zero [ ] fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

NO Rec

Rick Halford do pass
Chairman signature and recommendation

[ ] Committee Backup Attached

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: CS SB 248 (Fin)
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Relating to state land sale contracts
Sponsor: Senator Faiks
Requestor: Senate Finance Committee

Agency Affected: Dept of Natural Resources
BRU: Land & Water Management & Div 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
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL		0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Rick Halford
Phone: 465-3753
Division: Senator Rick Halford, Co-chairman Senate Finance Committee
Date: March 30, 1988

Approved by Commissioner: _____
Date: _____
Agency: _____

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

page ____ of ____

From The
SENATE FINANCE COMMITTEE

DATE: March 30, 1988

TO: Lynn
Legal Services

FROM: Vicki (4935)
Cap Rm 413

RE: CS for SB 248 (Finance)

Please prepare a Finance CS for SB 348, per the revised attached work draft.

CS for SB 248 (Finance) was reported out at our meeting this morning and read across at the 11:00 am floor session.

Please return final to me ASAP.

THANX!

R U S H

5-1028X
Bradley
2/29/88

Original sponsor: Faiks

IN THE SENATE

By the Finance Committee

CS FOR SENATE BILL NO. 248 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FIFTEENTH LEGISLATURE - SECOND SESSION

A BILL

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

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

* Section 1. AS 38.05.065(a) is amended to read:

(a) The contract of sale for land sold at public auction under AS 38.05.055 shall require the remainder of the purchase price to be paid in monthly, quarterly, or annual installments over a period of 20 years, with interest determined under (i) of this section [AT THE PREVAILING RATE FOR REAL ESTATE MORTGAGE LOANS MADE BY THE FEDERAL LAND BANK FOR THE FARM CREDIT DISTRICT FOR ALASKA AT THE TIME THE CONTRACT IS SIGNED]. Installment payments plus interest shall be set on the level-payment basis.

* Sec. 2. AS 38.05.065(b) is amended to read:

(b) The contract of sale for land sold under AS 38.05.057 and under AS 38.05.078 shall require the remainder of the purchase price to be paid in monthly, quarterly, or annual installments over a period of not more than 20 years. Installment payments plus interest shall be set on the level-payment basis. The interest rate to be charged on installment payments shall be determined under (i) of this section [IS THE PREVAILING RATE FOR REAL ESTATE MORTGAGE LOANS MADE BY THE FEDERAL LAND BANK FOR THE FARM CREDIT DISTRICT FOR ALASKA AT THE TIME THE CONTRACT IS SIGNED].

* Sec. 3. AS 38.05.065 is amended by adding a new subsection to read:

(i) Except as provided in this subsection, contracts for the sale of land entered into by the department under this section bear

interest at 10 percent per annum. The commissioner shall annually review the Consumer Price Index for Anchorage as determined by the Department of Labor. When the annual or cumulative change in ~~In any year that~~ the Consumer Price Index ~~differs from the index for the previous year by~~ exceeds 10 percent, the commissioner shall adjust the interest rate under this section correspondingly by one percentage point.

~~* Sec. 4. A purchaser holding a land sale contract entered into under AS 38.05.065(a) or (b) before the effective date of this Act may refinance the contract on payment of a refinancing fee of $250. The interest rate charged on the balance due after refinancing shall be the rate charged by the Department of Natural Resources at the time the refinancing fee was received. A purchaser may not refinance a contract under this section more than once.~~

* Sec. ~~5~~ 4. ~~The provisions of sec. 4 of~~ This Act do not apply to contracts for the sale of state lands entered into before the effective date of this Act. ~~mental health trust land or university trust land.~~

* Sec. 5. This Act takes effect July 1, 1988.

WORK DRAFT WORK DRAFT Nicki 3/30/88

5-102

Bradley
2/29/88

Original sponsor: Faiks

IN THE SENATE By the Finance Committee

CS FOR SENATE BILL NO. 248 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FIFTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to the interest rate on (RH) state land sale contracts; providing for an effective date." and

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

* Section 1. AS 38.05.065(a) is amended to read:

(a) The contract of sale for land sold at public auction under AS 38.05.055 shall require the remainder of the purchase price to be paid in monthly, quarterly, or annual installments over a period of 20 years, with interest determined under (i) of this section [AT THE PREVAILING RATE FOR REAL ESTATE MORTGAGE LOANS MADE BY THE FEDERAL LAND BANK FOR THE FARM CREDIT DISTRICT FOR ALASKA AT THE TIME THE CONTRACT IS SIGNED]. Installment payments plus interest shall be set on the level-payment basis.

* Sec. 2. AS 38.05.065(b) is amended to read:

(b) The contract of sale for land sold under AS 38.05.057 and under AS 38.05.078 shall require the remainder of the purchase price to be paid in monthly, quarterly, or annual installments over a period of not more than 20 years. Installment payments plus interest shall be set on the level-payment basis. The interest rate to be charged on installment payments shall be determined under (i) of this section [IS THE PREVAILING RATE FOR REAL ESTATE MORTGAGE LOANS MADE BY THE FEDERAL LAND BANK FOR THE FARM CREDIT DISTRICT FOR ALASKA AT THE TIME THE CONTRACT IS SIGNED].

* Sec. 3. AS 38.05.065 is amended by adding a new subsection to read:

(i) Except as provided in this subsection, contracts for the sale of land entered into by the department under this section bear

interest at 10 percent per annum. The commissioner shall annually review the Consumer Price Index for Anchorage as determined by the Department of Labor. When the annual or cumulative change in the CPI exceeds 10%, ~~In any year that the Consumer Price Index differs from the index for the previous year by 10~~ percent, the commissioner ~~shall~~ may upon request (RH) adjust the interest rate under this section correspondingly by one percentage point.

~~* Sec. 4. A purchaser holding a land sale contract entered into under AS 38.05.065(a) or (b) before the effective date of this Act may refinance the contract on payment of a refinancing fee of $250. The interest rate charged on the balance due after refinancing shall be the rate charged by the Department of Natural Resources at the time the refinancing fee was received. A purchaser may not refinance a contract under this section more than once.~~

* Sec. 4. ~~The provisions of sec. 4 of~~ This Act does not apply to contracts for the sale of ~~mental health trust land or university trust land.~~ state lands entered into before the effective date of this Act.

* Sec. 5. This Act takes effect July 1, 1988.

Original sponsor: Faiks

IN THE SENATE BY THE FINANCE COMMITTEE

CS FOR SENATE BILL NO. 248 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FIFTEENTH LEGISLATURE - SECOND SESSION

A BILL

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

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

* Section 1. AS 38.05.065(a) is amended to read:

(a) The contract of sale for land sold at public auction under AS 38.05.055 shall require the remainder of the purchase price to be paid in monthly, quarterly, or annual installments over a period of 20 years, with interest determined under (i) of this section [AT THE PREVAILING RATE FOR REAL ESTATE MORTGAGE LOANS MADE BY THE FEDERAL LAND BANK FOR THE FARM CREDIT DISTRICT FOR ALASKA AT THE TIME THE CONTRACT IS SIGNED]. Installment payments plus interest shall be set on the level-payment basis.

* Sec. 2. AS 38.05.065(b) is amended to read:

(b) The contract of sale for land sold under AS 38.05.057 and under AS 38.05.078 shall require the remainder of the purchase price to be paid in monthly, quarterly, or annual installments over a period of not more than 20 years. Installment payments plus interest shall be set on the level-payment basis. The interest rate to be charged on installment payments shall be determined under (i) of this section [IS THE PREVAILING RATE FOR REAL ESTATE MORTGAGE LOANS MADE BY THE FEDERAL LAND BANK FOR THE FARM CREDIT DISTRICT FOR ALASKA AT THE TIME THE CONTRACT IS SIGNED].

* Sec. 3. AS 38.05.065 is amended by adding a new subsection to read:

(i) Except as provided in this subsection, contracts for the

sale of land entered into by the department under this section bear interest at 10 percent per annum. The commissioner shall annually review the Consumer Price Index for Anchorage as determined by the Department of Labor. When the annual or cumulative change in the Consumer Price Index exceeds 10 percent, the commissioner shall adjust the interest rate under this section correspondingly by one percentage point.

* Sec. 4. This Act does not apply to contracts for the sale of state land entered into before July 1, 1988.

* Sec. 5. This Act takes effect July 1, 1988.

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: SB 248
PUBLISH DATE:

FISCAL NOTE

REQUEST:

Revision Date:
Title: Refinancing of Land Sale Contracts

Sponsor: Senator Faiks
Requestor: Senate Finance

Agency Affected: Dept. of Natural Resources
BRU: Land and Water Management and Div. of Management
Components:

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES		300.4	310.1	0	0	0
TRAVEL		0	0			
CONTRACTUAL		3.0	3.0			
SUPPLIES		19.5	17.5			
EQUIPMENT		13.6	0			
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		336.6	351.1	0	0	0
CAPITAL						
REVENUE		550.0	550.0			

FUNDING: (Thousands of Dollars)

GENERAL FUND		336.6	351.1			
FEDERAL FUNDS						
OTHER						
TOTAL		336.6	351.1			

POSITIONS:

FULL-TIME		8	8			
PART-TIME		1/2	1/2			
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

* See attached for information on revenue.

0 by SFC 3/30/88

Prepared by: Janet Burleson
Phone: 465-3400
Division: Land and Water Management
Date: 3/29/88

Approved by Commissioner: Judith McBurney
Date:
Agency: Natural Resources

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

RECEIVED
MAR 30 1988
LEGISLATIVE FINANCE

Analysis:

With the passage of SB 248 the Department of Natural Resources would have to negotiate and process a large number of contract amendments. These amendments could not be performed with existing personnel. We expect the greatest volume of requests to be experienced during the first year of eligibility under the bill. However, some requests may also be expected during the second year. Only a few would occur in subsequent years.

The contract negotiation and amending of contracts would be done by the Resource Officers and Technicians in the Division of Land and Water Management. A Natural Resource Officer II would supervise this task. The Accounting Technician positions would be in the Division of Management and would audit, change bills, cancel defaults, adjust accounts, close leases, transfer credits and communicate with affected parties.

100 Personal Services

			FY 89		FY 90
1 - NRO II	16 B		$ 45,016		$ 45,275
2 - NRO I	14 B	(39,551)	79,102		79,652
2 - NRT I/II	10A/12 A	(30,743)	61,486	(34,234)	68,468
2 - CT III	8 A	(27,730)	55,460	(28,430)	56,860
		Subtotal	$241,064		$250,255
1 - Acct. Tech II	14 B		39,551		39,801
1/2 Acct. Tech II	14 B		19,775		20,025
		Subtotal	$ 59,326		$ 59,826
TOTAL			$300,390		$310,081
200 - Travel			-0-		-0-
300 - Contractual			3,000		3,000
400 - Commodities					
a) Supplies - paper, envelopes Printed forms, folders lables, contracts -			3,500		2,500
b) Calculators - 7@$150=$1,050			1,050		-0-
c) Postage & Certified Mail RRR 2 mailings @ $.25 X 4400 =			1,100		1,100
3 Certified mailings 3 @ $2.10 = $6.30 4400 @ $6.30 =			13,860		13,860
		Total	19,510		17,460

500 - Equipment	$ 13,650	-0-

4 Terminals @ $2,200 = $8,800
9 Desks & Chairs @ $500 = $4,500
7 Phones & Install @ $50 = $350

*NOTE: At $250 document handling fee for 4400 = $550,000/yr. assuming even distribution.

This fiscal note could be funded by the program receipts mentioned above. There are currently 4369 contracts with an interest rate of 11% or above. Assuming that there will be a few contracts between 10% and 11% interest the number for calculation purposes is 4400.

The loss in revenue due to refinancing at a lower interest rate will still have be computed. This loss may be only a paper loss, however, because without refinancing at a lower interest rate, defaults on land contracts will continue to occur. Currently, defaults are occuring at a rate of 30 per month, with an average parcel value of $10,000.

Position Title	No. of Positions	Range/Step	Barg. Unit
Natural Resource Officer II	1	16B	GGU

Time Status	Staff Months	Location	Election District
	12	Anchorage	

Type of Expenditure		Amount
1	2	3
Salary		
Benefits		
Premium Pay		
Other		
Total Personal Services		$45,016.00
Travel		
Contractual		
Commodities		
Equipment		2,750.00
Other		
Total Cost		47,766.00

Funding Source for Total Cost	
Federal Receipts 1002	
G. F. Match 1003	
General Fund 1004	
GF Program Receipts 1005	
Other	

Justification

This position will be the project leader for implementation of the refinancing provisions of SB 248. Duties include supervising two NRO I's and other support staff. This team will be responsible for contacting holders to notify them of this option (approximately 4400), calculating the savings to the individual if necessary, amortizing the payment schedules, sending out contracts, etc.

Request For New Position

Agency: Natural Resources

BRU: Land and Water Management

Component: Land and Water Public Use

Revised Date

FY 89

Position Title	No. of Positions	Range/Step	Barg. Unit
Natural Resource Officer I	2	14B	GGU

Time Status	Staff Months	Location	Election District
	24	Anchorage	

Type of Expenditure 1	2	Amount 3
Salary		
Benefits		
Premium Pay		
Other		
Total Personal Services		$79,102.00
Travel		
Contractual		300.00
Commodities		
Equipment		5,500.00
Other		
Total Cost		84,902.00

Funding Source for Total Cost	
Federal Receipts 1002	
G. F. Match 1003	
General Fund 1004	
GF Program Receipts 1005	
Other	

Justification

These two positions will be working on the refinancing provided by SB 248. They will work under the project leader sending out notices, recalculating contracts, refiguring amortization rates, etc.

Request For New Position

Agency: Natural Resources

BRU: Land and Water Management

Component: Land & Water Public Use

Revised Date

FY 89

Position Title	No. of Positions	Range/Step	Barg. Unit
Natural Resource Technician I/II	2	10A/12A	GGU

Time Status	Staff Months	Location	Election District
-	24	Anchorage	

Type of Expenditure		Amount
1	2	3
Salary		
Benefits		
Premium Pay		
Other		
Total Personal Services		$61,486.00
Travel		
Contractual		300.00
Commodities		
Equipment		1,100.00
Other		
Total Cost		62,886.00

Funding Source for Total Cost	
Federal Receipts 1002	
G. F. Match 1003	
General Fund 1004	
GF Program Receipts 1005	
Other	

Justification

These two positions will be part of the team working on the refinancing for land contracts provided by SB 248. The team will be sending notices, reviewing and retyping contracts.

Request For New Position

Agency: Natural Resources

BRU: Land and Water

Component: Land and Water Public Use

FY 89

Position Title	No. of Positions	Range/Step	Barg. Unit
Clerk Typist III	2	8A	GGU

Time Status	Staff Months	Location	Election District
	24	Anchorage	

Type of Expenditure 1	2	Amount 3
Salary		
Benefits		
Premium Pay		
Other		
Total Personal Services		$55,460.00
Travel		
Contractual		
Commodities		150.00
Equipment		1,100.00
Other		
Total Cost		56,710.00

Funding Source for Total Cost	
Federal Receipts 1002	
G. F. Match 1003	
General Fund 1004	
GF Program Receipts 1005	
Other	

Justification

These two positions will be part of team responsible for figuring the refinancing for state land contracts affected by SB 248.

Request For New Position

Agency Natural Resources

BRU Land and Water Management

Component Land and Water Public Use

Revised Date

FY 89

Position Title	Accounting Technician II	No. of Positions 1.5	Range/Step 14B	Barg. Unit GGU
Time Status	Staff Months 18	Location Anchorage	Election District	

Type of Expenditure 1	2	Amount 3
Salary		
Benefits		
Premium Pay		
Other		
Total Personal Services		$59,326.00
Travel		
Contractual		
Commodities		300.00
Equipment		3,300.00
Other		
Total Cost		62,926.00

Funding Source for Total Cost	
Federal Receipts 1002	
G. F. Match 1003	
General Fund 1004	
GF Program Receipts 1005	
Other	

Justification

These positions are needed to implement SB 248. They would be located in the Division of Management and would audit, change bills cancel defaults, adjust accounts, close leases, transfer credits and communicate with the public.

Request For New Position

Agency: Department of Natural Resources
BRU: Div. of Management
Component: Administrative Services

FY 89

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

400 WILLOUGHBY AVE.
JUNEAU, ALASKA 99801-1796
PHONE: (907) 465-2400

March 29, 1988

The Honorable Rick Halford
Co-Chair, Senate Finance Committee
The Honorable Johne Binkley
Co-Chair, Senate Finance Committee
P.O. Box V
Juneau, Alaska 99811

Dear Senator Halford and Senator Binkley:

Subject: Senate Bill 248, an act relating to the interest rates charged in state land sale contracts.

Position: The department supports this bill. The current method of linking land sale contract interest rates to a federal agricultural lending program results in interest rates that bear little relation to the market rates for unimproved land. The proposed rate of 10% will be easier to administer. The provision for rate adjustment is advisable as it allows market conditions to influence the interest rate.

Background: Though there will be some loss of revenue to the state by lowering interest rates, it should be offset by the benefits derived.

Although the exact number is impossible to calculate, lower interests rates should result in fewer defaults. The cost of resale and the fact that value will be lower when we reoffer the land makes refinancing a preferable alternative from the fiscal point of view. The state offered land conveyances at great expense to provide land for private ownership, and our focus is to keep it in private ownership. Lowering and stabilizing the interest rate will make it easier for Alaskans to keep their parcels.

Recommendation: The department supports this legislation as it will help keep property in private lands. As always, I look forward to making myself and my staff available to work with the committee and sponsors as this bill progresses through the legislature.

Sincerely,

Judith M. Brady
Commissioner

cc: Committee Members
Bill Sponsor
Bob Evans
Rod Swope
Meg Hayes, Director
Janet Burleson, Legislative Liaison
Division of Land & Water Management

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: CSSB 248 (Fin)
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: 3/29/88
Title: Relating to state land sale contracts
Sponsor: Faiks
Requestor: _____

Agency Affected: Natural Resources
BRU: Land & Water Management
Division of Management
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES		300.4	310.1			
TRAVEL		0	0			
CONTRACTUAL		3.0	3.0			
SUPPLIES		19.5	17.5			
EQUIPMENT		13.6	0			
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		336.6	351.1			
CAPITAL						
REVENUE		550.0	550.0			

FUNDING: (Thousands of Dollars)

GENERAL FUND		40.6				
FEDERAL FUNDS						
OTHER		296.0	351.1			
TOTAL		336.6	351.1			

POSITIONS:

FULL-TIME		8	8			
PART-TIME		.5	.5			
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

See attached.

Prepared by: _____ Phone: _____
Division: _____ Date: _____

Approved by Commissioner: Senator Rick Halford Date: 3/30/88
Agency: Senate Finance Co-Chairman

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

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: SB 248
Publish Date:

REQUEST:

Revision Date: 5/8/87
Title: Interest Rates Charged in State Land Sale Contracts
Sponsor: Senator Faiks
Requestor: Senate Resources

Agency Affected: Natural Resources
BRU: Land and Water Management

Components:

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		309.3	309.3			
TRAVEL		0.0	0.0			
CONTRACTUAL		15.4	15.4			
SUPPLIES		7.1	2.5			
EQUIPMENT		3.6	0.0			
LAND & STRUCTURES		0.0	0.0			
GRANTS, CLAIMS		0.0	0.0			
MISCELLANEOUS		0.0	0.0			
TOTAL OPERATING		335.4	327.2	0.0	0.0	0.0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		40.6				
FEDERAL FUNDS						
OTHER		294.8	327.2			
TOTAL		335.4	327.2			

POSITIONS:

FULL-TIME		10.0	10.0			
PART-TIME		1.0	1.0			
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Tom Hawkins
Phone: 465-2400
Division: Land and Water Management
Date: 5/8/87

Approved by Commissioner: Judith M Bush
Date:
Agency: Natural Resources

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

RECEIVED
MAY 12 1987
LEGISLATIVE FINANCE

Page ___ of ___

Fiscal Note Analysis
SB 248

Line Item Expenditures	Rev. Annual Cost	# Of Positions/Cost FY 88	FY 89
100			
Document Processing Clerk II	25.1	4.0/100.4	4.0/100.4
Natural Resource Tech II	30.7	4.0/122.8	4.0/122.8
Natural Resource Officer I	33.6	1.0/33.6	1.0/33.6
Natural Resource Manager I	43.6	0.5/21.8	0.5/21.8
Accounting Tech I	30.7	1.0/30.7	1.0/30.7
		309.3	309.3
200			
No Travel Expenses		0.0	0.0
300			
Certified Mail, Xerox, Telephone, Terminal Hookups, Advertising		15.4	15.4
400			
Misc. Supplies		7.1	7.1
500			
2 Terminals/2 Calculators		3.6	0.0
TOTAL COSTS		335.4	327.2

DISCUSSION: Revisions made to the 4/22/87 fiscal note are as follows:

1) One position is authorized in FY 88 from general funds (40.6) to provide initial notification to these eligible to amend their contracts (100 - Natural Resource Officer I, 1.0/33.6; 300 - Certified Mail, Xerox, Advertising , 5.0; 400 - Miscellaneous Supplies - 2.0). No general funds are provided for FY 89.

2) Individual position costs have been reduced by 10% to conform with existing personal services funding levels of 90%.

3) The Department's assumption that workload will be substantially more in FY 88 than FY 89 is not reflected. Instead, in this revision positions are reduced in FY 88 and

increased in FY 89 in an attempt to more accurately reflect potential workload generated. This revision would allow for a "start-up" period to set up the unit and inform the public of the availability of refinancing.

4) Because this proposed program will operate on program receipts, it is essential that the authority to receive these funds be established. House Bill 263, dealing with establishing program receipt authority, needs to be amended to provide this authorization.

5) The Department's 4/22/87 fiscal note did not reflect the source of funding. In this revision, it is established as other funding or program receipts, except for the one start-up position to be funded by general funds.

* Sec. 3. A purchaser holding a land sale contract entered into under AS 38.05.065(a) or (b) before the effective date of this Act may amend the contract upon payment of an administrative service fee of $250. The Commissioner of Administration shall separately account for all administrative service fees collected under this section that the Department deposits in the general fund. The annual estimated balance in this account may be used by the legislature to make appropriations to the department to carry out the purposes of AS 38.05.065. The interest charged on the balance due after the amendment shall be the rate charged by the Department of Natural Resources at the time the administrative service fee was received. A purchaser may not amend a contract under this section more than once.

DANE PARISH
X4523

Letter of Intent

SB 248

If the Department of Natural Resources should find that the staffing and associated program receipts provided for in the fiscal note are insufficient to meet the refinancing demand for state land sale contracts, the department shall come to the Legislative Budget and Audit Committee for increased program receipt authorization.

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

400 WILLOUGHBY AVE.
JUNEAU, ALASKA 99801-1796
PHONE: (907) 465-2400

May 8, 1987

The Honorable Jan Faiks
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Senator Faiks:

After further discussions with Dave Parish of your staff and Tom Maher, Legislative Finance Division, we have revised the fiscal note prepared by Tom Maher (dated 4/16/87) for SB 248 relating to changing the interest rates charged for state land sale contracts.

Because this proposed program will operate from program receipts, except for one start-up position, it is essential that the authority to receive these funds be established. House Bill 263, dealing with establishing program receipt authority, needs to be amended to provide this authorization.

Please contact Tom Hawkins of my staff if you need further assistance, or if you have questions about this revised fiscal note.

Sincerely,

Judith M. Brady

Judith M. Brady
Commissioner

cc: Rod Swope
George Sullivan

9LH

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: SB 248
Publish Date:

REQUEST:

Revision Date: 4/22/87
Title: Interest rates charged in state land sale contracts
Sponsor: Faiks
Requestor: Senate Resources

Agency Affected: Natural Resources
BRU: Land and Water Management
Components:

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		592.1	308.1	17.1	17.1	17.1
TRAVEL		0	0	0	0	0
CONTRACTUAL		15.4	10.0	5.0	5.0	5.0
SUPPLIES		7.1	2.5	.5	.5	.5
EQUIPMENT		3.6	0	0	0	0
LAND & STRUCTURES		0	0	0	0	0
GRANTS, CLAIMS		0	0	0	0	0
MISCELLANEOUS		0	0	0	0	0
TOTAL OPERATING		618.2	320.6	22.6	22.6	22.6
CAPITAL		0	0	0	0	0
REVENUE		*	*	*	*	*

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME		17	8.5			
PART-TIME		.5	.5	.5	.5	.5
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

* See attached for information on revenues.

Prepared by: Tom Hawkins
Phone: 465-2400
Division: Land and Water Management
Date:

Approved by Commissioner: Judith McBride
Date:
Agency: Natural Resources

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

APR 28 1987

LEGISLATIVE FINANCE

Line Item Expenditures

100

	Annual Cost	#Positions/Cost FY88	FY89
Document Processing Clerk II	27.9	4.5/125.6	2.0/55.8
Natural Resource Technician II	34.1	6.0/204.6	3.0/102.3
Natural Resource Officer I	37.3	5.0/186.5	2.0/74.6
Natural Resource Manager I	48.4	0.5/24.2	0.5/24.2
Accounting Tech I	34.1	1.5/51.2	1.5/51.2
		592.1	308.1

FY 90 - 92 One Accounting Tech I - 6 months - $17.1

Analysis

With the passage of SB 248, the Department of Natural Resources would have to negotiate and process a large number of contract amendments. These amendments could not be performed with existing personnel. We expect the greatest volume of requests to be experienced during the first year of eligibility under the bill. However, some requests may also be expected during the second year. Only a few would occur in subsequent years.

The contract negotiation and redrafting of contracts would be done by the Natural Resource Technicians and officers in the Division of Land and Water Managment. A Natural Resource Manager I would supervise this task. The Accounting Technician positions would be in the Division of Management and would audit, change bills, cancel defaults, adjust accounts, close leases, transfer credits and communicate with the public.

200

No travel expenditures

300

Certified mail, xerox, telephone, terminal hookups	15.4	10.0

400

Misc. supplies	7.1	2.5

500

2 terminals and 2 calculators	3.6	0
	618.2	320.6

Revenues

Long term changes in revenue are difficult to calculate.

The approximately 6000 land sale contracts that are expected to be refinanced under this bill would bring in $1.5 million over a two year period (6000 contracts X $250.00 = $1,500,000)

The loss in revenue due to refinancing 6000 parcels with an estimated total value of $60 - $70 million at a lower interest rate would be about $1.5 million/year, assuming an average 3% reduction in interest rates over the life of the contracts. This loss may be only a paper loss, however, because without refinancing at a lower interest rate, defaults on land contracts will continue to occur. Currently, defaults are occurring at a rate of 90 per month, with an average parcel value of $10,000.

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: CS SB 248 Rev
Publish Date: 4-28

REQUEST:

Revision Date: 4/27/87
Title: Interest Rates Charged in State Land Sale Contracts
Sponsor: Fairks
Requestor: Senate Resources

Agency Affected: Natural Resources
BRU: Land & Water Management
Components:

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		109.2				
TRAVEL		0				
CONTRACTUAL		6.0				
SUPPLIES		4.0				
EQUIPMENT		2.0				
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		120.7				
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER		120.7				
TOTAL		120.7				

POSITIONS:

FULL-TIME		3.0				
PART-TIME						
TEMPORARY						

ANALYSIS:

Obj SFC 3/30/88

Prepared by: Senator Jack Coghill, Chairman
Division: Senate Resources Committee
Phone: 465-4745
Date: 4/27/87

Approved by Commissioner:
Date:
Agency:

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

page ___ of ___

CS (Rev)
SB 248, Fiscal Note Analysis

Line Item Expenditures	Rev. Annual Cost
100	
Document Processing Clerk II	27.6
Natural Resource Manager I	47.9
Accounting Tech. I	33.7
	109.2
200	
No Travel Expenses	0.0
300	
Certified Mail, Xerox, Telephone, Terminal Hookups, Advertising/Notification	6.0
400	
Misc. Supplies	4.0
500	
2 Terminals/2 Calculators	1.5
Total Costs	120.7

DISCUSSION: Revisions made to the 4/22 fiscal note are as follows:

1) Because this proposed program will operate on program receipts, it is essential that the authority to receive these funds be established. House Bill 263, dealing with establishing program receipt authority, needs to be amended to provide this authorization.

2) The department's 4/22 fiscal note did not reflect the source of funding. In this revision, it is established as other funding or program receipts.

5-1028L
Bradley
5/11/87

CS FOR FINANCE COMMITTEE'S CONSIDERATION. DNR IS PREPARING A SECTIONAL ANALYSIS WHICH WILL EXPLAIN THE CHANGES.

Original sponsor: Faiks

IN THE SENATE

CS FOR SENATE BILL NO. 248 ( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

FIFTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to state land sale contracts."

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

* Section 1. AS 38.05.065(a) is amended to read:

(a) The contract of sale for land sold at public auction under AS 38.05.055 shall require the remainder of the purchase price to be paid in monthly, quarterly, or annual installments over a period of 20 years, with interest at a [THE PREVAILING] rate that is equivalent to the cost of funds for real estate mortgage loans made by the [FEDERAL LAND BANK FOR THE FARM CREDIT DISTRICT FOR] Alaska Housing Finance Corporation under AS 18.56.098(g) at the time the contract is signed. Installment payments plus interest shall be set on the level-payment basis.

* Sec. 2. AS 38.05.065(b) is amended to read:

(b) The contract of sale for land sold under AS 38.05.057 and under AS 38.05.078 shall require the remainder of the purchase price to be paid in monthly, quarterly, or annual installments over a period of not more than 20 years. Installment payments plus interest shall be set on the level-payment basis. The interest rate to be charged on installment payments is a [THE PREVAILING] rate that is equivalent to the cost of funds for real estate mortgage loans made by the [FEDERAL LAND BANK FOR THE FARM CREDIT DISTRICT FOR] Alaska Housing Finance Corporation under AS 18.56.098(g) at the time the contract is signed.

* Sec. 3. (a) A purchaser holding a land sale contract entered into under AS 38.05.065(a) or (b) before the effective date of this Act may

amend the contract upon payment of an administrative service fee of $250. The interest rate charged on the balance due after the amendment shall be the rate charged by the Department of Natural Resources at the time the administrative service fee was received. A purchaser may not amend a contract under this section more than once.

(b) The commissioner of administration shall separately account for all administrative service fees collected under this section that the commissioner deposits in the general fund. The legislature may use the annual estimated balance in this account to make appropriations to the department to carry out this section.

* Sec. 4. The provisions of sec. 3 of this Act do not apply to contracts for the sale of mental health trust land or university trust land.

SB248

Alaska State Legislature

SENATE

Office of the President

P.O. Box V
State Capitol
Juneau, Alaska 99811

May 8, 1987

MEMORANDUM

TO: Senator Johne Binkley, Co-Chairman
Senate Finance Committee

FROM: Senator Jan Faiks
President of the Senate

SUBJECT: Background on Senate Bill 248
An Act relating to the interest rates charged in state land sale contracts.

Senate Bill 248 has been referred to your committee for consideration. The purpose of this bill 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 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 five 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 uncertainty by removing the determination decision out of DNR.

The FLB rate for the Alaska District has stayed at 12.75% since 1984. This rate is currently well above the private market levels in Alaska of between nine and ten percent.

Currently the state has 6,000 contracts for land sales. DNR estimates that under the current interest rate, 750 are in foreclosure, and 90 more per month are going into foreclosure, with an average value of $10,000 per parcel.

The particular provisions of the Committee Substitute for SB 248 are as follows:

Sections 1: Amends the terms of contract of sale by changing the criteria for the statutory interest rate charged on sale contracts for state land sold at auction. Currently the rate for these contracts is the same as the prevailing rate for loans made by the Federal Land Bank for the Farm Credit District for Alaska (now 12 3/4%) Under the amendment the rate would correspond to the cost of funds for real estate mortgage loans made by the Alaska Housing Finance Corporation (now 9 1/8%).

Section 2: Makes the same change for land sold at lottery or under the (repealed) remote parcel program.

Section 3: Allows a purchaser holding a state land sale contract executed before the effective date of the act to amend the contract interest rate portion of that contract to the new rate upon payment of a $250 service fee. About 6000 existing contracts would have a first year savings of excess of $250.

Section 4: Establishes clearly the legislature's intent that the interest rate amendment opportunity does not apply to university and mental health lands.

You have been provided a Committee Substitute which reflects the following changes from the Resources Committee Substitute:

Section 3(a) changes "refinancing" to "amending" land sale contracts.

Section 3(b) provides authority for the Department to utilize the funds collected under this program for the administration of the program.

Alaska State Legislature

SENATE

Office of the President

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

March 7, 1988

MEMORANDUM

TO: Senator Rick Halford, Co-Chairman
Senate Finance Committee

FROM: Senator Jan Faiks
President of the Senate

SUBJECT: Background on Senate Bill 248, An Act relating to state land sale contracts

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 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 or 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 uncertainty by removing the determination 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 ten and eleven percent.

Currently the State has 6,000 contracts for land sales, with an average value of $10,000 per parcel. DNR estimates that under the current interest rate, 600 are either in bankruptcy, default, terminated, foreclosed, or delinquent, 59 are under payment moratoriums, and 160 were relinquished to the State during calendar year 1987.

The particular provisions of the proposed Committee Substitute are as follows:

Section 1: Amends the terms of sale contracts by changing the criteria for the statutory interest rate charged on state land sold at auction from the prevailing FLB rate to the rate determined in Section 3.

Section 2: Makes the same change for land sold at lottery or under the (repealed) remote parcel program.

Section 3: Changes the interest rate to 10 percent per year, and requires the commissioner to adjust the interest rate in any year that the consumer price index differs from the previous year by 10 percent.

Section 4: Allows individuals holding current contracts to refinance upon the payment of a $250 service fee.

Section 5: Establishes clearly the Legislature's intent that the interest rate amendment does not apply to university and mental health trust lands.

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of ✓ 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: FINANCE

**FISCAL NOTE(S) ATTACHED ✓ **
IN ACCORDANCE WITH AS 24.08.035
(see below)
4/9/87

DATE TURNED INTO OFFICE 4/28/87

Mr. President:

RESOURCES Committee considered SB 248

interest rates charged in state land sale contracts.

and recommended:

[✓] replace with CS SB 248 (Res) [] same title [✓] new title

[ ] attached amendment(s) and

[ ] do pass

[ ] do not pass

[ ] no recommendation

[ ] individual recommendations

[ ] further referral to

[ ] letter of intent adopted and attached

** Committee [✓] attached or [ ] adopted fiscal note(s)
[ ] zero [✓] fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS *

Julius Stevens

Fred P. Shariff No Rec

Carl Fritz. No Rec

* needs review. may result in extremely high rates and defeat intent of land disposal program.

Chairman signature and recommendation

[ ] Committee Backup Attached

Introduced: 4/9/87
Referred: Resources & Finance

5-1028A

IN THE SENATE BY FAIKS

SENATE BILL NO. 248

IN THE LEGISLATURE OF THE STATE OF ALASKA

FIFTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to the interest rates charged in state land sale contracts."

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

* Section 1. AS 38.05.065(a) is amended to read:

(a) The contract of sale for land sold at public auction under AS 38.05.055 shall require the remainder of the purchase price to be paid in monthly, quarterly, or annual installments over a period of 20 years, with interest at the [PREVAILING] rate for nonsubsidized real estate mortgage loans made by the [FEDERAL LAND BANK FOR THE FARM CREDIT DISTRICT FOR] Alaska Housing Finance Corporation at the time the contract is signed. Installment payments plus interest shall be set on the level-payment basis.

* Sec. 2. AS 38.05.065(b) is amended to read:

(b) The contract of sale for land sold under AS 38.05.057 and under AS 38.05.078 shall require the remainder of the purchase price to be paid in monthly, quarterly, or annual installments over a period of not more than 20 years. Installment payments plus interest shall be set on the level-payment basis. The interest rate to be charged on installment payments is the [PREVAILING] rate for nonsubsidized real estate mortgage loans made by the [FEDERAL LAND BANK FOR THE FARM CREDIT DISTRICT FOR] Alaska Housing Finance Corporation at the time the contract is signed.

* Sec. 3. A purchaser holding a land sale contract entered into under AS 38.05.065(a) or (b) before the effective date of this Act may refinance

the contract on payment of a refinancing fee of $250. The interest charged on the balance due after refinancing shall be calculated under AS 38.05.065(a) or (b) as amended by sec. 1 or 2 of this Act.

Original sponsor: Faiks

1 IN THE SENATE BY THE RESOURCES COMMITTEE

2 CS FOR SENATE BILL NO. 248 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to state land sale contracts."

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

8 * Section 1. AS 38.05.065(a) is amended to read:

9 (a) The contract of sale for land sold at public auction under
10 AS 38.05.055 shall require the remainder of the purchase price to be
11 paid in monthly, quarterly, or annual installments over a period of 20
12 years, with interest at a [THE PREVAILING] rate that is equivalent to
13 the cost of funds for real estate mortgage loans made by the [FEDERAL
14 LAND BANK FOR THE FARM CREDIT DISTRICT FOR] Alaska Housing Finance
15 Corporation under AS 18.56.098(g) at the time the contract is signed.
16 Installment payments plus interest shall be set on the level-payment
17 basis.

18 * Sec. 2. AS 38.05.065(b) is amended to read:

19 (b) The contract of sale for land sold under AS 38.05.057 and
20 under AS 38.05.078 shall require the remainder of the purchase price
21 to be paid in monthly, quarterly, or annual installments over a period
22 of not more than 20 years. Installment payments plus interest shall
23 be set on the level-payment basis. The interest rate to be charged on
24 installment payments is a [THE PREVAILING] rate that is equivalent to
25 the cost of funds for real estate mortgage loans made by the [FEDERAL
26 LAND BANK FOR THE FARM CREDIT DISTRICT FOR] Alaska Housing Finance
27 Corporation under AS 18.56.098(g) at the time the contract is signed.

28 * Sec. 3. A purchaser holding a land sale contract entered into under
29 AS 38.05.065(a) or (b) before the effective date of this Act may refinance

1 the contract on payment of a refinancing fee of $250. The interest rate
2 charged on the balance due after refinancing shall be the rate charged by
3 the Department of Natural Resources at the time the refinancing fee was re-
4 ceived. A purchaser may not refinance a contract under this section more
5 than once.
6 * Sec. 4. The provisions of sec. 3 of this Act do not apply to con-
7 tracts for the sale of mental health trust land or university trust land.