

HB

120

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

1541



APR 21 1987

April 19, 1987

The Honorable Jack Coghill
Chair, Senate Resources Committee
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Senator Coghill:

As you are aware, HB 120 is in your committee. I feel this legislation is quite important to the proper operation and functioning of my administration.

I would appreciate your committee review and action on this legislation and your personal assistance to move this bill out of your committee. As we both know, this legislative session will soon be drawing to a close.

If you have any questions please contact my legislative office and either George or Bob will see that the appropriate people promptly respond to you.

Thank you for your continued support.

Sincerely,

A handwritten signature in cursive script that reads "Steve Cowper".

Steve Cowper
Governor

Alaska State Legislature

Senate Resources Committee



Sen. John B. (Jack) Coghill, Chairman
Sen. Paul Fischer, Vice-Chairman
Sen. Lloyd Jones
Sen. Arliss Sturqulewski
Sen. Jim Duncan
Sen. Fred Zharoff
Sen. Dick Eason

Box V
Juneau, Alaska 99811
(907) 465-1907

April 8, 1987

MEMORANDUM

TO: Members of the Senate and House
Resources Committees

FROM: Staff

RE: HB 120, Power Development Revolving Loan Fund

The original HB 120, introduced by the Governor would have interest earnings from the Power Development Revolving Loan Fund diverted from the PDRLF into the general fund.

The House Finance Committee Substitute provides that both the interest and the principal of loan repayments be diverted from the revolving fund and placed into the general fund.

Included in your packets are:

HB 120
CSSB 120 (Fin)
Governor's Transmission Letter
Fiscal Note
Rep. Kay Brown's Memorandum
Chart on loan fund interest payments

STEVE COWPER
GOVERNOR

SC

24B120

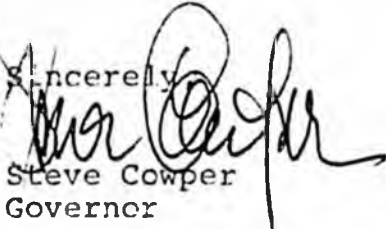
STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 10, 1987

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that repeals and amends statutes relating to the dedication of investment income to the power development loan fund. This dedication is contrary to both the spirit and the letter of the constitutional prohibition in art. IX, sec. 7 against the dedication of a tax or license. The money, under this bill, would be returned to the general fund where it would be available for appropriation.

Sincerely,

Steve Cowper
Governor

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

No. 2

REQUEST: _____

Bill Version: CSHB 120(Fin)
Publish Date: HOUSE 3/6/87

Revision Date: _____
Title: Interest earned on the Power
Development Revolving Loan Fund
Sponsor: Rules Committee
Requestor: Governor

Agency Affected: Commerce & Econ. Dev.
BRU: Accounting & Collections

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	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE - PDRLF	0.0	(2,575.6)	(6,973.8)	(7,811.5)	(9,119.8)	(9,362.7)
REVENUE - GF	0.0	2,575.6	6,973.8	7,811.5	9,119.8	9,362.7

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

All FY 87 revenue is appropriated to the General Fund by Sec. 427, CH 130, SLA 1986.
Estimated revenue for FY 88 is \$5,960.2 of which \$3,384.6 is appropriated to the General Fund by Sec. 427, Ch 130, SLA 1986.

Prepared by: Martin J. Richard, Director Phone: 465-2555
Division: Accounting & Collections Date: 2/20/87

Approved by Commissioner: J. Anthony Smith Date: _____
Agency: Department of Commerce and Economic Development

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

SUBCOMMITTEE
REPORT

Kay Brown

Alaska State Legislature
House of Representatives

RECOMMENDATION:
PASS PROPOSED
CS (ATTACH #2) WITH
FISCAL NOTE DATED
2/11/87 (ATTACH #6).

MEMORANDUM

TO: Representative Kay Brown
Representative Mike Davis
Representative Steve Frank

FROM: Eric F. Myers, Staff *efm*

DATE: March 1, 1987

SUBJ: HB 120/Power Development Revolving Loan Fund

Several issues came up during the hearing on HB 120 concerning the Power Development Revolving Loan Fund (PDRLF). The original bill introduced by request of the Governor would have interest earnings from the fund diverted from the PDRLF and placed into the General Fund (Attachment 1).

Representative Adams has proposed a Finance CS which would provide that both the interest and the principal of loan repayments be diverted from the revolving fund and placed into the general fund. A copy of the draft CS is attached (Attachment 2).

This memorandum addresses issues pertaining to these proposed measures and attempts to clarify potential fiscal impacts in light of pre-existing appropriations of earnings from the PDRLF to the general fund.

Fiscal Impacts

According to Martin Richard (x-2555) of the Division of Accounting and Collections, the Four Dam Pool "project" is the only loan in the PDRLF portfolio. Accordingly, the primary effect of the bill is to redirect that

repayment stream away from the PDRLF into the general fund. The debt service component of the Four Dam Pool loan, according to the terms of the 1985 Four Dam Pool Loan Agreement, consists entirely of interest for the first 15 years of repayment; principal payments begin thereafter. A projection of the PDRLF (ie, Four Dam Pool) debt repayment schedule prepared by the Division of Accounting and Collections is attached (Attachment 3).¹

Another source of earnings for the PDRLF is a \$7 million cash deposit residing in the fund for self-insurance retention (Attachment 4). According to Don Hitchcock (x-2180) of Risk Management, this money is kept in the PDRLF in order to provide for a \$7 million deductible against an insurance policy for replacement of dam structures in the event of a catastrophic event. These retained funds are estimated by the Division of Accounting and Collections to earn 600.0 annually which also accrues to the PDRLF.

In summary, the stream of PDRLF earnings potentially redirected by HB 120 (or CS HB 120/Fin) includes: 1) the repayment of the debt service component of the Four Dam Pool loan, together with 2) the earnings of the \$7 million insurance retention.

However, while considering this repayment stream it is essential to keep in mind that there is already a prior year appropriation which has a claim on the repayment stream into the PDRLF. Ch 130, SLA 86, Sec 427 appropriated 18,605,900 from the PDRLF to the general fund (Attachment 5). Most of this obligation was paid off in FY 86, with another 3,384,600 required in FY 87 to fully satisfy this appropriation.

The fiscal note for HB 120 (Attachment 6) properly reflects the fact that the *incremental* effect of HB 120 (or CS HB 120/Fin) would be to appropriate the Four Dam Pool repayment stream plus insurance retention earnings, minus outstanding obligations. (That is, for FY 87: $5360.2 + 600.0 - 3384.6 = 2575.6$. Beyond FY 87, the earning stream is the simple sum of the Four Dam pool debt repayment and the insurance retention earnings, projected into the future at 600.0 annually.)

Relationship of HB 120 to Section 18 of HB 75

It should be noted that another Administration proposal embodied in Section 18 of HB 75 (the Governor's proposed operating budget) would also tap the earning stream of the PDRLF. Section 18 proposes an appropriation of \$1,939,300 from the PDRLF to the general fund (Attachment 7). If HB 120 is

passed, this proposal would be unnecessary. If both measures were to pass, care must be taken not to "double count" these funds.

Constitutionality of Revolving Loan Funds

It is widely acknowledged that revolving loan funds are constitutionally suspect in light of the prohibition of dedicated funds as noted in the Governor's letter of transmittal (Attachment 3). The proposed CS would correct this problem in its entirety.

Notes:

¹ According to the terms of the Long Term Power Sales Agreement for the Four Dam Pool, the wholesale rate for power from the projects consists of two separate components: 1) the power production cost component, and 2) the debt service component. The first component is dedicated to O&M and insurance payments for the Four Dam Pool facilities and appropriated through the Alaska Power Authority's operating budget. Only the second component is paid into the PDRLF as debt repayment.

cc: Representative Adams

Introduced: 2/11/87
Referred: Finance

wo0367h

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2

HOUSE BILL NO. 120

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 interest earned on the power

7

development revolving loan fund; and providing for an

8

effective date."

9

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

10

* Section 1. AS 44.33.600(b) is amended to read:

11

(b) The fund consists of

12

(1) appropriations to the fund by the legislature;

13

(2) repayments of principal to the fund [; AND

14

(3) INCOME FROM INVESTMENT OF MONEY IN THE FUND AND FROM

15

LOANS MADE FROM THE FUND].

16

* Sec. 2. AS 44.33.600 is amended by adding a new subsection to read:

17

(c) Income earned from investment of money in the fund and

18

repayment of interest on loans made from the fund shall be deposited

19

in the general fund.

20

* Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

5-0367B
Levy
2/25/87

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 120 (Finance)

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 the principal and interest ^{earned} paid
7 to the power development revolving loan fund; and
8 providing for an effective date."

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

10 * Section 1. AS 44.33.600(b) is amended to read:

11 (b) The fund consists of

12 [(1)] appropriations to the fund by the legislature ;

13 (2) REPAYMENTS OF PRINCIPAL TO THE FUND; AND

14 (3) INCOME FROM INVESTMENT OF MONEY IN THE FUND AND FROM
15 LOANS MADE FROM THE FUND].

16 * Sec. 2. AS 44.33.600 is amended by adding a new subsection to read:

17 (c) Income earned from investment of money in the fund and
18 repayment of principal and interest on loans made from the fund shall
19 be deposited in the general fund.

20 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

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22

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POWER DEVELOPMENT REVOLVING LOAN FUNDREPAYMENT SCHEDULE

		\$ in thousands
Interest only payments	FY 87	4718.9
For the first fifteen	FY 88	5360.2
years. Payment based	FY 89	6373.8
on debt service esti-	FY 90	7211.5
mates in Long-term	FY 91	8519.8
Power Sales Agreement	FY 92	8762.7
	FY 93	9076.3
	FY 94	9447.3
	FY 95	9835.7
	FY 96	10217.6
	FY 97	10421.3
	FY 98	10635.3
	FY 99	10859.3
	FY 00	11093.7
	FY 01	11339.5

The loan will be amortized over the remaining term of 30 years at 8%. Principle and interest payments will be 16,531.6 per year.

Total payments over the life of the loan:

Debt service estimates	
(per Power Sales Agreement) - 15 years =	133,873.5
Principle and Interest x 30 years =	495,948.0
Total payments =	629,821.5

Prepared by: Division of Accounting & Collections
 Carol D. X
 2-25-87

December 31, 1986

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
 DIVISION OF ACCOUNTING AND COLLECTIONS
 CASH BALANCE SUMMARY BY FUND
 (In thousands of dollars)

	Veterans	Small Business	Commercial Fish	Tourism	Bulk Fuel	Child Care	Hist Dist	Mining	Alternative Energy	Residential Energy	Fish Enhance	Power Develop	Water Res	Total
CASH WITH TREASURY POOL	1,438.4	28,303.8	18,966.6	2,665.1	997.0	416.3	463.1	4,498.9	3,247.3	862.7	2,958.4	7,006.8	-0-	71,824.4
Current Period Adjustments	(197.3)	(19.3)	102.0	4.2	43.9	-0-	-0-	(9.6)	(2.2)	4.4	-0-	-0-	-0-	(73.5)
Unredeemed Warrants	(77.4)	(50.6)	(1,461.4)	-0-	(79.6)	(53.3)	-0-	-0-	(0.9)	(0.2)	(33.8)	-0-	-0-	(1,757.2)
OTHER CURRENT LIABILITIES														
Unapplied Suspense	(55.7)	(12.9)	(479.4)	(0.6)	(23.7)	(0.1)	-0-	(67.1)	(1.7)	(2.7)	-0-	-0-	-0-	(643.9)
Undistributed Suspense	-0-	(3.5)	(71.0)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(6.8)	-0-	(81.3)
Unposted Suspense	(62.7)	-0-	(135.2)	-0-	-0-	-0-	-0-	-0-	(0.3)	-0-	-0-	-0-	-0-	(198.2)
Escrow	(52.1)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(52.1)
RESTRICTED FUNDS														
Foreclosure Reserve	(200.0)	(200.0)	(250.0)	(150.0)	(25.0)	(75.0)	(25.0)	(500.0)	(150.0)	(150.0)	(200.0)	-0-	-0-	(1,925.0)
Operating Budget Appropriation	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Other Reappropriations	(3,665.5) ¹	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(3,665.5)
CASH BALANCE SUB-TOTAL	(2,872.3)	28,017.5	16,671.6	2,519.1	912.6	287.9	438.1	3,922.2	3,092.2	714.2	2,724.6	7,000.0	-0-	63,427.7
LESS COMMITMENTS²	-0-	-0-	(1,128.3)	-0-	(30.1)	(146.7)	(250.0)	0-	(11.3)	0-	-0-	(7,000.0) ³	-0-	(8,566.4)
LESS PO COMMITMENTS⁴	-0-	-0-	(1,817.6)	-0-	-0-	-0-	-0-	0-	0-	0-	0-	0-	-0-	(1,817.6)
MANDATED SALE TO AHFC	3,665.5 ⁵	-0-	-0-	-0-	-0-	-0-	-0-	-0-	0-	0-	0-	0-	-0-	3,665.5
12/31/86 CASH BALANCES	793.2	28,017.5 ⁶	13,725.7	2,519.1 ⁷	882.5	141.2	188.1	3,922.2	3,080.9	714.2	2,724.6	-0-	-0-	56,709.2

¹Funds committed by Loan Committee approval but not yet requested by Division of Investments.

²Funds committed by Accounting and Collections for self-insurance retention.

³Secs 3 and 4, Ch 156, SLA 84 will reduce the 6/30/86 balances to \$0.0.

⁴Sec 102, Ch 138, SLA 86

⁵Secs. 39 & 645, Ch 130, SLA 86

⁶Sec. 427, Ch 130, SLA 86 (Total reappropriation from PD is \$18,009.9, \$8,590.1 was transferred 8/15/86, \$4,092.0 was transferred 11/17/86, \$1,939.2 was transferred 12/9/86, remaining \$3,984.6 to be transferred as received by DAC)

⁷Prequalification commitments for limited entry permits; pursuant to AS 16.10.310(a)(ii)

Chapter 130
to read:

is appropriated
ation and Public
al Loading Facil-

the general fund
nt under AS 37.-
Industrial Center.

general fund to
grant under
tion Association
participate in
1987.

the appropriation
lines and if
never receive -

Department of
SMB 576(Fin)

Chapter 130

Natural Resources for payment as a grant under AS 37.05.319 to the Palmer Alaska State Fair for operating expenses; and

(2) the sum of \$40,000 is appropriated to the Department of Administration for payment as a grant under AS 37.05.319 to the Matanuska-Susitna Borough for Maud Road Upgrade and Maintenance.

* Sec. 26. The appropriation and allocation made in sec. 19, ch. 130, SLA 1985, page 113, line 13 and page 119, line 14 (Senate Advisory Council - \$439,700) lapses into the general fund June 30, 1987.

* Sec. 27. The sum of \$39,753,400 is appropriated to the general fund from the following enterprise funds:

World War II Veterans' Revolving Loan Fund (AS 26.15.090)	\$ 408,000
Commercial Fishing Revolving Loan Fund (AS 16.10.310)	2,000,000
Mining Revolving Loan Fund (AS 27.09.010)	13,350,000
Alternative Technology and Energy Loan Fund (AS 45.88.010)	1,809,000
Residential Energy Conservation Loan Fund (AS 45.89.010)	1,500,000
Power Development Revolving Loan Fund (AS 46.33.600)	8,803,900
Rural Electrification Revolving Loan Fund (AS 46.33.161)	1,000,000

Sec. 28. The sum of \$155 is amended to read:

APPROPRIATION GENERAL

25 FUND 27(Fin)

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST: _____
Revision Date: _____
Title: Interest earned on the Power Development Revolving Loan Fund
Sponsor: Rules Committee
Requestor: Governor

Bill Version: CSHB 120(FIN)
Publish Date: 2/11/87

Agency Affected: Commerce & Econ. Dev.
BRU: Accounting & Collections
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	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE - PDRLF	0.0	(2,575.6)	(6,973.8)	(7,311.5)	(9,119.5)	(9,362.7)
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REVENUE - GF	0.0	2,575.6	6,973.3	7,311.5	9,119.5	9,362.7
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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)

All FY 87 revenue is appropriated to the General Fund by Sec. 427, Ch 130, SLA 1986.
Estimated revenue for FY 88 is 55,960.2 of which 53,384.6 is appropriated to the General Fund by Sec. 427, Ch 130, SLA 1986.

Prepared by: Martin L. Richard, Director Phone: 465-2555
Division: Accounting & Collections Date: _____

Approved by Commissioner: Anthony Smith Date: _____
Agency: Department of Commerce and Economic Development

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

HB75

permanent fund dividend and administrative and associated costs.

Sec. 4. All unrestricted mortgage loan interest payments and all other receipts, including, without limitation, mortgage loan settlement fees, received by or accrued to the Alaska Housing Finance Corporation during the period of July 1, 1987 through June 30, 1988, and all income earned on assets of the corporation during that period, are appropriated to the Alaska Housing Finance revolving fund AS 38.05.011 for the revolving fund established in AS 38.05.

Sec. 5. The sum of \$37,000,000 is appropriated from the general fund and the sum of \$25,000 is appropriated from federal grants to the revolving fund for student loans and scholarships, to the revolving fund established in AS 38.05.011 for the student loan program.

Sec. 6. The sum of \$1,000,000 is appropriated from the general fund to the fisheries enhancement revolving loan fund AS 38.05.012 for the fisheries enhancement loan program.

Sec. 7. The sum of \$5,000,000 is appropriated from the general fund to the housing assistance loan fund AS 38.05.013 for the housing assistance loan program.

Sec. 8. The sum of \$25,000,000 is appropriated to the general fund as an additional revenue source, from the following revolving funds:

World War II Veterans' Revolving Fund AS 38.05.014	100,000
Commercial Fishing Revolving Loan Fund AS 38.05.015	1,000,000
Child Care Facility Revolving Loan Fund AS 38.05.016	50,000
Historical District Revolving Loan Fund AS 38.05.017	33,000
Mining Loan Fund AS 38.05.018	1,000,000
Alternative Energy Revolving Loan Fund AS 38.05.019	1,000,000
Residential Energy Conservation Fund AS 38.05.020	1,000,000
Tour Development Revolving Loan Fund AS 38.05.021	1,000,000
Urban Renewal Revolving Loan Fund AS 38.05.022	1,000,000

STEVE COWPER
GOVERNOR

ATTACHMENT 8

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

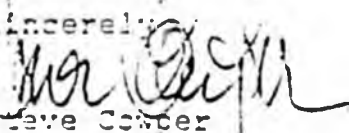
February 10, 1987

The Honorable Ken Grussendorf
Speaker of the House
Alaska State Legislature
P.O. Box 11
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 10, of the Alaska Constitution, I am transmitting a bill that repeals and amends statutes relating to the dedication of investment income to the power development loan fund. This dedication is contrary to both the spirit and the letter of the constitutional prohibition in art. IX, sec. 1 against the dedication of a tax or license. The money, under this bill, would be returned to the general fund where it could be available for appropriation.

Sincerely,


Steve Cowper
Governor