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**9 2**

# FISCAL NOTE

Bill Version: SB92

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

BILL 1 (S) Publish Date: 3/1/95

Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
 Title: AHFC Subject to Executive Budget Act BRU: AHFC  
 Component: AHFC  
 Sponsor: (S)RLS  
 Requester: (S)ISTA COMPONENT SERIAL NO. 110/1937/

**Expenditures/Revenues** (Thousands of Dollars)

| OPERATING EXPENDITURES | FY 96 | FY 97 | FY 98 | FY 99 | FY 00 | FY 01 |
|------------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES      |       |       |       |       |       |       |
| TRAVEL                 |       |       |       |       |       |       |
| CONTRACTUAL            |       |       |       |       |       |       |
| SUPPLIES               |       |       |       |       |       |       |
| EQUIPMENT              |       |       |       |       |       |       |
| LAND & STRUCTURES      |       |       |       |       |       |       |
| GRANTS, CLAIMS         |       |       |       |       |       |       |
| MISCELLANEOUS          |       |       |       |       |       |       |
| <b>TOTAL OPERATING</b> | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |

|                      |  |  |  |  |  |  |
|----------------------|--|--|--|--|--|--|
| CAPITAL EXPENDITURES |  |  |  |  |  |  |
|----------------------|--|--|--|--|--|--|

|                        |  |  |  |  |  |  |
|------------------------|--|--|--|--|--|--|
| CHANGE IN REVENUES ( ) |  |  |  |  |  |  |
|------------------------|--|--|--|--|--|--|

**FUND SOURCE** (Thousands of Dollars)

|                          |     |     |     |     |     |     |
|--------------------------|-----|-----|-----|-----|-----|-----|
| 1002 Federal Receipts    |     |     |     |     |     |     |
| 1003 GF Match            |     |     |     |     |     |     |
| 1004 GF                  |     |     |     |     |     |     |
| 1005 GF/Program Receipts |     |     |     |     |     |     |
| 1006 GF/MHTIA            |     |     |     |     |     |     |
| Other                    |     |     |     |     |     |     |
| <b>TOTAL</b>             | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimate of any current year (FY95) cost: \$ \_\_\_\_\_

**POSITIONS**

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

No additional costs or significant impact is anticipated with the implementation of this proposed legislation upon the Alaska Housing Finance Corporation.

Prepared by: *Deborah Voigt* Phone: 907-564-9326  
 Division: AHFC Date: 2/27/95  
 Approved by: \_\_\_\_\_  
 Commissioner: Deborah Voigt Date: 2/27/95  
 Agency: Revenue

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Representative James, The Anchorage Chamber of Commerce passed this resolution on 4-7-95, Even though the resolution does not address the micro-management issue brought about by SB 92; I'm sure they would support the compromise suggested by Bill Howe.

Sincerely  
Jan Sealants

Anchorage Chamber of Commerce  
AHFC Resolution  
94/95-

**WHEREAS** the Alaska Housing Finance Corporation is a valuable resource for the state; and

**WHEREAS** the Alaska Housing Finance Corporation meets the critical housing needs of Alaskans by providing decent, safe, affordable, energy efficient housing; and

**WHEREAS** the Alaska Housing Finance Corporation provides a significant annual dividend to the state's general fund through its profit making ability; and

**WHEREAS** the Alaska Housing Finance Corporation provides a readily available source for financing Rural Alaskan housing; and

**WHEREAS** the Alaska Housing Finance Corporation is an essential underpinning to the "special needs," low-income and multi-family housing markets; and

**WHEREAS** the ability to seek and require decent housing is a basic right for Alaskans;

**THEREFORE** the Anchorage Chamber of Commerce hereby resolves that:

the Governor and the State Legislature recognize the long term importance of the Alaska Housing Finance Corporation to the citizens of Alaska; and

the Governor and the State Legislature enact such steps as are necessary to insure the long term financial stability of the Alaska Housing Finance Corporation; and that

the Governor, State Legislature and Alaska Housing Finance Corporation adopt a long term dividend program for the state which would not negatively affect Alaska Housing Finance Corporation's bond rating.

HOUSE CS FOR SENATE BILL NO. 92(STA)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
NINETEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE STATE AFFAIRS COMMITTEE

Offered:  
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE LEGISLATIVE BUDGET AND  
AUDIT COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act requiring that, in addition to its operating budget, activities of the  
2 Alaska Housing Finance Corporation, except the corporation's unsubsidized  
3 mortgage loan activities, are subject to the Executive Budget Act."

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

5 \* Section 1. AS 18.56.089(a) is amended to read:

6 (a) The provisions of AS 37.07 (Executive Budget Act)

7 (1) apply to

8 [(A)] the operating budget of the corporation, to all [;

9 (B) AMOUNTS PAYABLE FROM CORPORATE EARNINGS  
10 OR ASSETS OF THE CORPORATION FOR GRANTS OR GRANT  
11 PROGRAMS AUTHORIZED BY THIS CHAPTER;

12 (C) INTEREST RATE SUBSIDIES AND BUILDING  
13 SUBSIDIES AS DETERMINED BY THE CORPORATION, EXCEPT  
14 SUBSIDIES PAYABLE FROM THE CORPORATION'S ARBITRAGE

EARNINGS.

1  
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3  
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5  
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8  
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14

(D) ~~of the corporation under AS 18.55, and, except as otherwise specifically provided in (2) of this subsection, to the activities of the corporation under this chapter [AS 18.55.010 - 18.55.960];~~

(2) do not apply to activities of the corporation under this chapter that relate to

(A) the corporation's borrowing of money as provided in this chapter to make, purchase, and service mortgage loans, including the issuing of its obligations or evidence of that borrowing and the repayment of the debt obligation; and

(B) [other matters of indebtedness that relate to] the corporation's loan programs for which a subsidy is not provided [EXCEPT AS PROVIDED IN (1) OF THIS SUBSECTION OR AS OTHERWISE SPECIFICALLY PROVIDED IN THIS CHAPTER].

(C) multifamily loans and projects not to exceed \$10 million individually which may require grants, tax credits, or which utilize arbitrage earnings as subsidies.

9-LS1029A ✓

Chenoweth

4/3/95

HOUSE CONCURRENT RESOLUTION NO.  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
NINETEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE STATE AFFAIRS COMMITTEE

Introduced:

Referred:

A RESOLUTION

1 Suspending Uniform Rules 24(c), 35, 41(b), and 42(e) of the Alaska State  
2 Legislature concerning Senate Bill No. 92, relating to exemption of certain  
3 activities of the Alaska Housing Finance Corporation from the provisions of the  
4 Executive Budget Act.

5 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

6 That under Rule 54 of the Uniform Rules of the Alaska State Legislature, the  
7 provisions of Rules 24(c), 35, 41(b), and 42(e) of the Uniform Rules, regarding changes to the  
8 title of a bill, are suspended in consideration of Senate Bill No. 92, relating to exemption of  
9 certain activities of the Alaska Housing Finance Corporation from the provisions of the  
10 Executive Budget Act.

# Alaska State Legislature

REPRESENTATIVE  
**JEANNETTE JAMES**

P.O. Box 56622  
North Pole, Alaska 99705  
(907) 488-1546  
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While in Juneau  
State Capitol  
Juneau, Alaska  
99801-1182  
(907) 465-3743  
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House of Representatives


House District 34

## HOUSE STATE AFFAIRS COMMITTEE

# memo:

To: House Clerk

3-29-95 2PM

From: Rep. Jeannette James, Chair 

Re: House State Affairs Committee meeting

Thursday March 30 8AM to 10AM (TCN 50491)

SB 1 Review of federal mandated programs-Taylor-

\*HB 267 Review and expiration of regs.-James-

SB 92 AHFC, Exec. Budget Act-LB&A-

\*HB 269 Public radio and TV endowment credit-Ivan-

CSSB 5 Color of Primary Ballots-Kelly-

Saturday April 1 10AM to Noon (TCN 50520)

\*HB 270 Early Retirement Incentives-Governor-

<Bills previously heard>

\* Denotes first hearing

Please contact Committee Aide Walt Wilcox for more information.

## MEMORANDUM

State of Alaska

ALASKA PUBLIC OFFICES COMMISSION  
DEPARTMENT OF ADMINISTRATION  
(907)276-4176 FAX (907)276-7018

TO: Representative Con Bunde  
House State Affairs Committee Members

FROM: Brooke Miles *B Miles*  
Juneau Branch Administrator

DATE: April 5, 1995

SUBJECT: 1994 Year End Surplus/Deficit Balances & Transfers

The table of the reverse side of this memo shows the surplus/deficit balances which were disclosed by legislators on their 1994 year end reports. The year end reporting period covered activity from November 16 - December 31, 1994.

The "Transfer" column represents only amounts clearly indicated as transfers to legislative office accounts or amounts taken as personal income. Amounts disclosed as "repayments of personal contributions" are not included. The "YE Balance" column represents the surplus/deficit **after** any transfers.

Please be aware that these figures are from **UNAUDITED** reports. Therefore the numbers may not be 100% accurate. A more complete picture of the 1994 campaign contribution and expenditure activity would result from a study of the individual campaign disclosure reports filed during the 1994 election cycle and possibly prior years.

## 1994 Year End Reports

| #  | YE BALANCE | TRANSFER | #  | YE BALANCE | TRANSFER |
|----|------------|----------|----|------------|----------|
| 1  | 4,448      | 0        | 31 | 4,338      | 0        |
| 2  | 3,684      | 0        | 32 | 11,383     | 0        |
| 3  | 9,149      | 0        | 33 | [5776]     | 0        |
| 4  | 25         | 0        | 34 | 2308       | 0        |
| 5  | 20,952     | 0        | 35 | 855        | 5000     |
| 6  | 164,875    | 0        | 36 | 2,093      | 0        |
| 7  | 18,085     | 1,000    | 37 | 9,337      | 0        |
| 8  | 1,910      | 0        | 38 | 10,384     | 2,500    |
| 9  | 9,239      | 0        | 39 | 13,968     | 0        |
| 10 | 0          | 12,878   | 40 | 22,779     | 0        |
| 11 | 65,032     | 0        | 41 | 29,331     | 0        |
| 12 | [53]       | 0        | 42 | [1,754]    | 0        |
| 13 | 1,665      | 0        | 43 | [5,297]    | 0        |
| 14 | 28,375     | 550      | 44 | 7,555      | 0        |
| 15 | 27,066     | 0        | 45 | 11,032     | 6,000    |
| 16 | 0          | 0        | 46 | [418]      | 2,500    |
| 17 | 1,725      | 40,000   | 47 | 15,383     | 4,000    |
| 18 | 82,440     | 0        | 48 | 3,532      | 0        |
| 19 | 30,307     | 0        | 49 | 2,868      | 0        |
| 20 | 90,303     | 5,700    | 50 | 10,364     | 0        |
| 21 | 25,096     | 0        | 51 | 3,349      | 0        |
| 22 | 17,672     | 3,000    | 52 | [2,305]    | 0        |
| 23 | 29,442     | 0        | 53 | 28,412     | 0        |
| 24 | 22,846     | 500      | 54 | 301        | 0        |
| 25 | 47,527     | 400      | 55 | 9,819      | 0        |
| 26 | 2,482      | 1,368    | 56 | 23,853     | 0        |
| 27 | 21,064     | 0        | 57 | 3,602      | 5,000    |
| 28 | [353]      | 0        | 58 | 841        | 0        |
| 29 | 6,338      | 0        | 59 | 19,398     | 0        |
| 30 | 11,830     | 0        | 60 | 3,452      | 0        |

The Senate passed SB 92  
unanimously 3/17/95 -  
It can't be all bad!



# Alaska State Legislature

## Legislative Budget & Audit Committee

### House Members

Rep. Terry Martin, Chair  
Rep. Con Bunde  
Rep. John Davies  
Rep. Gary Davis  
Rep. Mark Hanley (alt)  
Rep. Vic Kohring

### Senate Members

Sen. Randy Phillips, Vice Chair  
Sen. Al Adams  
Sen. Steve Frank  
Sen. Rick Halford  
Sen. Steve Rieger  
Sen. Fred Zharoff (alt)

### SB 92/HB 189 Sponsor Statement

#### Bringing all Activities of AHFC under the Executive Budget Act

SB 92/HB 189 was introduced by the Rules Committee at the unanimous request of the Legislative Budget and Audit Committee. In short, this legislation would bring all activities of the Alaska Housing Finance Corporation (AHFC) under the review procedures of the Executive Budget Act (AS 37.07).

Under the Executive Budget Act, an agency's budget for programs and services are established through both the executive and legislative processes for the annual general appropriations act (the operating budget). Currently AHFC statutes (AS 18.56.089) bring four listed areas under the Executive Budget Act:

- (1) the operating budget of the corporation
- (2) corporate earnings or assets used for grants or grant programs
- (3) interest rate subsidies and building subsidies as determined by the corporation
- (4) activities of the corporation related to the former ASHA program

All other current activities of the corporation are exempt from the budget process.

An example of a major AHFC program exempted is the program of distributing over \$110 million of corporation arbitrage funds for 5% low interest housing loans. SB 92/HB 189 would bring this program under legislative review as part of the operating budget.

The Legislative Budget and Audit Committee has stated that it feels programs such as the arbitrage distribution and all housing subsidy programs are significant state fiscal policy matters that should fall under the review process of both the legislative and executive branches.

Order Number 9337224

What Alaska did with its oil wealth: State policy and economic  
development, 1969 to 1986

Madden, Mary Lou, Ph.D.

The American University, 1992

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U·M·I  
300 N. Zeeb Rd.  
Ann Arbor, MI 48106

environment were often expressed. In addition, the particular problems of Alaskan Natives received attention during the debate over how to spend the oil revenue. Therefore, a brief look at these areas is necessary in any evaluation of state efforts.

#### Population Changes

During the period, Alaska's population nearly doubled, from 290,500 in 1969 to 547,600 in 1986. More than 47 percent of the increase was due to in-migration. As mentioned earlier, the timing of in- and out-migration did not always coincide with Alaska's economic cycles. For example, the influx of job seekers on the Alaska pipeline preceded construction by about twelve months. The influx stayed on, due primarily to uncertainty about when actual construction would begin, putting severe strain on local housing and social services. Fortunately, the majority of hopeful pipeline workers did not bring families with them, so that effects on schools and other family-oriented services were minimal. Once the pipeline was constructed, these workers quickly left the state.

In the 1980's however, good economic times in Alaska coupled with a recession in the Lower 48 attracted a second wave of immigrants. This time, a larger number of families relocated. School enrollments

increased by 11.4 percent over the period, although the natural increase in the population for the prior decade was only around two percent. As evidenced by Figure 5-3, people continued to be attracted to Alaska even after the high growth rates declined. It was not until Alaska entered an actual recession that some out-migration occurred. The effects of this second wave of in-migration was felt most strongly in Anchorage, the state's largest city and the area which attracted more than half of the new comers. Financed in large part by the state's generous housing loan subsidies, most in-migrating families purchased homes in the area. When the economy turned down and out-migration accelerated, the effects on the Anchorage housing market were dramatic. By 1987, housing sales were down 32 percent over the previous year, the inventory to sales ratio was up 61 percent and the apartment vacancy rate was 22 percent. The Anchorage housing market is just now recovering from the decline.

Unemployment rates were also affected by these new citizens. As indicated above, the Alaskan unemployment rate in 1986 was 13 percent, almost twice that of the nation as a whole. Less quantifiable but certainly as real, the increase in population placed strains on the environment. The population of Anchorage nearly doubled during the period. Never noted for its

strict zoning laws or its attention to scenic amenities, the rapid increase in population made a bad situation worse. Fairbanks, the second largest city and the hub of oil production-related activity, experienced a 73% percent increase in population between 1970 and 1986. Given its Interior climate, with extreme cold and little wind, Fairbanks proved even more susceptible than Anchorage to environmental problems caused by population growth. Fairbanks now experiences some of the worst air pollution in the United States, on par with Los Angeles and other major industrial areas.

On the positive side, in-migration did increase the workforce of Alaska and made possible, at least in part, the exceptional economic gains made through the period. This is especially true in high-skill jobs, which could not have been filled by the existing population alone. Newcomers also increased demand for local goods and services, allowing for some of the import-substitution which occurred in this area. In addition, migrants brought with them particular avocational skills and talents which enriched Alaskan life.

#### Environmental Concerns

During the period under discussion, Alaska was fortunate to avoid any large-scale environmental

Other programs which increased access to private goods included subsidized consumer loans for postsecondary education, electricity and housing; repeal of state income taxes; and reduction of property taxes.

The effect of these programs on alleviating some of the perceived economic weaknesses of the state is difficult to quantify. On the one hand, comparisons of gross output in the trade and service sectors from 1969 to 1986 indicate substantial growth. In constant dollars, output in these sectors in 1986 was three and one half times what it had been in 1969. At least some of this growth is no doubt attributable to the increase in disposable income occasioned by cash payments and tax relief programs.

On the less positive side, such programs may have had a detrimental effect on wages and may have lessened the mobility of labor. With respect to wages, experts had warned that tax relief programs would exert downward pressure on the real wage on two counts. First, lower taxes would increase incentives for in-migration, expanding the labor pool beyond the numbers of jobs available, thus bidding the wage down. Second, because workers are presumed to respond to take-home pay rather than nominal wage rates, employers could offer lower wages because of tax reductions. In fact, in-migration did increase during the period and

wage growth did decline -- from 10 percent per year in the late 1970's and early 1980's to a minus one percent between 1985 and 1986.

Subsidized consumer loans, particularly in housing, had two potential effects on in-migration. First, such loans made easier the in-migration of families (as opposed to single job seekers). Second, by encouraging newcomers to settle into the community, such loans made out-migration more difficult. Migration figures for the period indicate two separate patterns. The first major wave of in-migration, which occurred in conjunction with the construction of the Trans-Alaska pipeline, consisted primarily of young males, unaccompanied by families. Once construction was completed, these workers quickly left the state. The second wave, in the early 1980's, occurred after the cash distribution and loan subsidy programs were in place. This wave included large numbers of families and continued for several years after the state's economy had peaked. Out-migration in any large numbers took place only at the end of the period, when the Alaska economy was sliding into recession. The resulting crash of the housing markets in Alaska's largest cities provides some evidence that subsidized loans encouraged home ownership beyond what might otherwise have taken place.

DIVISION OF LEGAL SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

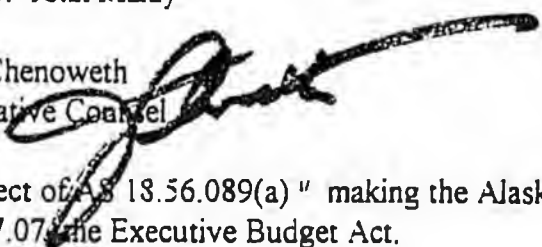
130 Seward Street, Suite 409  
Juneau, Alaska 99801-2105

MEMORANDUM

February 7, 1995

**SUBJECT:** Effect of AS 18.56.089(a), making elements of the Alaska Housing Finance Corporation Act subject to the Executive Budget Act, AS 37.07 (Work Order No. 9-LS0675\A)

**TO:** Representative Terry Martin, Chair  
Legislative Budget and Audit Committee  
ATTN: John Manly

**FROM:** Jack Chenoweth  
Legislative Counsel 

You have asked about the effect of AS 18.56.089(a) " making the Alaska Housing Finance Corporation subject to AS 37.07 the Executive Budget Act.

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" The current language of AS 18.56.089(a) derives from secs. 89 and 90, ch. 4, FSSLA 1992. That measure merged the then-Alaska State Housing Authority and various Department of Community and Regional Affairs housing-assistance programs into AHFC and made a number of collateral changes affecting all housing programs. The current language, a reworking and extension of significant changes previously made by ch. 12, SLA 1991, now reads:

- (a) The provisions of AS 37.07 (Executive Budget Act)
- (1) apply to
- (A) the operating budget of the corporation;
- (B) amounts payable from corporate earnings or assets by the corporation for grants or grant programs authorized by this chapter;
- (C) interest rate subsidies and building subsidies as determined by the corporation, except subsidies payable from the corporation's arbitrage earnings;
- (D) activities of the corporation under AS 18.55.010 - 18.55.960;
- (2) do not apply to activities of the corporation under this chapter except as provided in (1) of this subsection or as otherwise specifically provided in this chapter.

The courts have observed that the Executive Budget Act implements the constitutional provision, article IX, sec. 13, by which all appropriations are to be made by legislative Act. Municipality of Anchorage v. Frohne, 568 P.2d 3, 5, at n. 5. The heart of AS 37.07 are its assignment of budget development, review, approval, and execution responsibilities among the several branches of state government, and its expression, in AS 37.07.080(a), of the limitation on program execution imposed on agencies, generally subjecting the programs to legislative appropriation.

AS 18.56.089(a) was revised with that in mind. Before its alteration by secs. 89 and 90 of ch. 4, FSSLA 1992, the provision directed that "[t]he operating budget of the corporation is subject to AS 37.07 (Executive Budget Act)." As you can readily see, following the 1992 amendment, now, in addition to legislative oversight and appropriation of the corporation's annual operating budget, the legislature has made a series of the corporation's program components subject to prior legislative review and approval:

(1) amounts payable from corporate earnings or assets . . . for grants or grant programs authorized by AS 18.56;<sup>2/</sup>

(2) interest rate subsidies and building subsidies as determined by AHFC,<sup>3/</sup> ~~e~~cept subsidies payable from the corporation's arbitrage earnings; and

(3) activities of AHFC under the former Alaska State Housing Authority Act (AS 18.55) programs: housing project and public building assistance; moderate cost and rental housing; and slum clearance and redevelopment.

---

<sup>2/</sup> Among grant programs specifically enumerated in AS 18.56 are those concerned with energy efficient home design and construction (AS 18.56.410), the low cost and low income housing development fund and related grants (AS 18.56.650), the senior citizens housing development fund grants (AS 18.56.810), and the various components of the home energy conservation and weatherization program (AS 18.56.850).

<sup>3/</sup> Several programs authorize use of interest rate subsidies in conjunction with housing. One of AHFC's principal programs is its "special mortgage loan purchase program," set out in AS 18.56.098, under which the corporation may purchase first or second mortgage loans. In conjunction with that, AS 18.56.091(a) directs establishment of a "home ownership assistance program (HOAP)," permitting low and moderate income persons to purchase homes with assistance of a subsidy. Subsidy assistance is also available under the corporation's housing development fund program for congregate housing, AS 18.56.100 -- see subsection (1), and the homeownership assistance fund, AS 18.56.430.

The theory behind these distinctions, as I recall from my work on the bills that eventually became ch. 4, FSSLA 1992, is this: The legislature was prepared to let AHFC receive payments from outstanding loans that originally had been generated by sale of revenue bonds or legislative appropriations, and re-loan those amounts free of the necessity or opportunity of legislative appropriation. However, one-time housing assistance programs for which there was no expectation that the corporation would eventually recover any significant portion of the assistance payment--such as those characterized by grants, subsidies, and the like--that tended to reduce AHFC's balance sheet position should, under the constitutional provision, have prior legislative approval.

AHFC recently closed out the public offer of more than \$100 million of low-income loans. Except for what has been reported in the newspapers, I have no details on that program. I understand from the Legislative Auditor that corporation officials have represented that they relied on arbitrage earnings<sup>4</sup> to serve as the source of the subsidy component of those loans,

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<sup>4</sup> Arbitrage earnings are, generally, the earnings obtained from the difference in the price between purchase and sale of securities in two markets.

It is my recollection that, when, in 1992, the Senate had under consideration House Bill 152, the immediate predecessor of the bill that eventually became ch. 4, FSSLA 1992, the Senate's Community & Regional Affairs Committee was very concerned with trying to find a sure way by which to maintain legislative control over proposed subsidies without extending that control to loan earnings available for further lending. The first committee substitute drafts contemplated a long, program-by-program enumeration of the subsidies that were subject to legislative appropriation. The language eventually offered and agreed to, now AS 18.56.089(a)(1)(C), was suggested by AHFC bond counsel and inserted in the draft Senate C&RA Committee Substitute.

I am not aware of any other history of this provision. In what proved to be one of the 17th Legislature's longest and most detailed measures, the fact that the language appeared in the CRA Senate Committee Substitute allowed it to continue in place in all subsequent versions of the bill.

I don't know, but I can speculate that bond counsel may have sought the exception of the arbitrage earnings from the prior legislative appropriation requirement for at least two reasons: (1) the corporation may have insisted that, because those earnings reflected sound investment efforts by AHFC officials and contractors, the corporation should reap the reward, subject to the limitation that the earnings be made available for housing-program related

Representative Terry Martin, Chair  
February 7, 1995  
Page 4

that is, as the source of the money that would cover the difference between market interest rates and the announced five percent rate of these low-income housing loans. AHFC officials have apparently represented that they could issue loans in this volume without prior legislative appropriation. The re-lending of amounts derived from repayment of loan principal and interest does not require prior appropriation, while the subsidy component of those loans is free of the requirement of prior legislative appropriation under the exception for arbitrage earnings of AS 18.56.089(a)(1)(C). The test, it seems to me--and as I advised the Legislative Auditor--ought to be to ascertain whether (1) subsidy payments contemplated by this recent low-income housing loan initiative can fairly be distinguished from the face amounts of the loans, and (2) whether those subsidy payments are wholly attributable to AHFC's arbitrage earnings.

If you have additional information about the arbitrage earnings-based subsidy component and want it reviewed, please contact me.

JBC:klb:glc  
95-045.klb

e

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initiatives only, and (2) use of arbitrage earnings was, and is, closely circumscribed by Internal Revenue Service rulings, was carefully monitored by the federal tax service, and might require a commitment to use by the corporation sooner than would be possible if subject to legislative appropriation.

His staff told Josh of your conversation - so it is ok.  
1) My error, Rep Burde has HB 211  
scheduled for Tuesday. I did not  
relate the 2 Bills.

HB 210 Voter registration

SB 5 Election Ballots

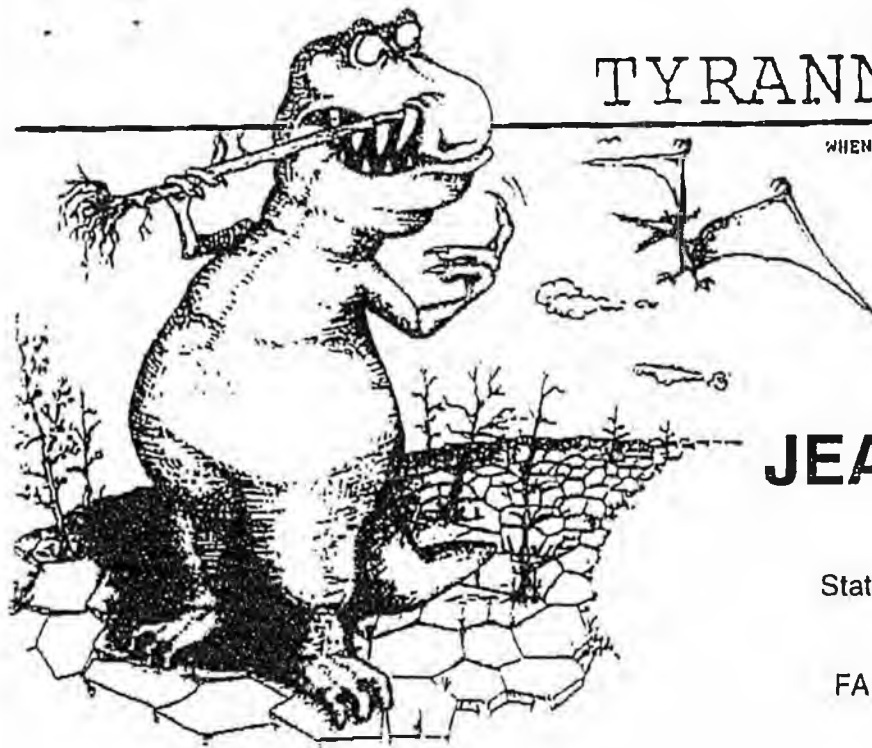
They became related in the C.S. submitted  
yesterday which were in our office  
had time to read.

The way we are going they will both  
be up on next Tuesday - ?

2) Warrin Robe bergs 229 HB  
per his request?

# TYRANNOSAURUS FAX

WHEN IT ABSOLUTELY, POSITIVELY HAS TO BE THERE  
BEFORE THE NEXT ICE AGE



## REPRESENTATIVE JEANNETTE JAMES

State Affairs, Room 102 Capitol Building  
Juneau, Alaska 99801

FAX: 465-2381

TEL: 465-3743

Please have this bill, ~~CS SB 92~~  
CS SB 92 (STA), made in final. I'm not  
sure of the workorder # or the  
draft person.

Thanks,  
Sam

FINANCE COMMITTEE REPORT

March 20, 1995

FURTHER REFERRALS:

Finance

Date of Committee Action: April 6, 1995

The STATE AFFAIRS Committee considered:

SB 92

SENATE BILL NO. 92

AHFC SUBJECT TO EXEC. BUDGET ACT

"An Act requiring that, in addition to its operating budget, all activities of the Alaska Housing Finance Corporation are subject to the Executive Budget Act."

recommends it be replaced with the following committee substitute House CS For SB 92 (STA)  the same title  a new title

additional referral to \_\_\_\_\_ Committee  
 attached amendment(s)

ADOPTS: \_\_\_\_\_ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) \_\_\_\_\_ APPROVES PREVIOUS: (Dept/Date) \_\_\_\_\_  
 fiscal note(s) \_\_\_\_\_  ~~new~~ fiscal note(s) Reg.  
 zero fiscal note(s) \_\_\_\_\_  zero fiscal note(s) Revenue

| SIGNING WITH RECOMMENDATIONS | DP | DNP | NR | AM |
|------------------------------|----|-----|----|----|
| <i>Jeannette James</i>       | ✓  |     |    |    |
| <i>Brian D. Hester</i>       | ✓  |     |    |    |
| <i>Robert H. ...</i>         | ✓  |     |    |    |
| <i>Carolee Robinson</i>      |    |     | ✓  |    |
| <i>Ed Wells</i>              |    |     | ✓  |    |
| <i>Scott ...</i>             | ✓  |     |    |    |
|                              |    |     |    |    |
|                              |    |     |    |    |
|                              |    |     |    |    |
|                              |    |     |    |    |

CHAIR'S SIGNATURE *Jeannette James*

HOUSE CS FOR SENATE BILL NO. 92(STA)  
 IN THE LEGISLATURE OF THE STATE OF ALASKA  
 NINETEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE STATE AFFAIRS COMMITTEE

Offered:  
 Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE LEGISLATIVE BUDGET AND  
 AUDIT COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act requiring that, in addition to its operating budget, activities of the  
 2 Alaska Housing Finance Corporation, except the corporation's unsubsidized  
 3 mortgage loan activities and except certain of the corporation's multi-family loans  
 4 and projects, are subject to the Executive Budget Act."

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

6 \* Section 1. AS 18.56.089(a) is amended to read:

7 (a) The provisions of AS 37.07 (Executive Budget Act)

8 (1) apply to

9 [(A)] the operating budget of the corporation, to all [;

10 (B) AMOUNTS PAYABLE FROM CORPORATE EARNINGS  
 11 OR ASSETS OF THE CORPORATION FOR GRANTS OR GRANT  
 12 PROGRAMS AUTHORIZED BY THIS CHAPTER;

13 (C) INTEREST RATE SUBSIDIES AND BUILDING  
 14 SUBSIDIES AS DETERMINED BY THE CORPORATION, EXCEPT

1 SUBSIDIES PAYABLE FROM THE CORPORATION'S ARBITRAGE  
2 EARNINGS;

3 (D)] activities of the corporation under AS 18.55. and. except  
4 as otherwise specifically provided in (2) of this subsection. to the activities  
5 of the corporation under this chapter [AS 18.55.010 - 18.55.960];

6 (2) do not apply to activities of the corporation under this chapter that  
7 relate to

8 (A) the corporation's borrowing of money as provided in  
9 this chapter to make, purchase, and service mortgage loans, including the  
10 issuing of its obligations or evidence of that borrowing and the repayment  
11 of the debt obligation;

12 (B) multi-family loans and projects not to exceed  
13 \$10,000,000 individually that may require grants or tax credits or that use  
14 arbitrage earnings as subsidies; and

15 (C) the corporation's loan programs for which a subsidy is  
16 not provided [EXCEPT AS PROVIDED IN (1) OF THIS SUBSECTION OR  
17 AS OTHERWISE SPECIFICALLY PROVIDED IN THIS CHAPTER].