

SB

143

SFIN

FILE

FISCAL NOTE

No. 1

Bill Version: SB143

(S) Publish Date: 3-27-95

STATE OF ALASKA
1995 LEGISLATIVE SESSION

Revision Date
Financing U of A Maintenance projects through AHFC

Department Affected: University of Alaska
DRU: AU
Component: All

Sponsor
Requestor

COMPONENT SERIAL NO.

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY96	FY97	FY98	FY99	FY00	FY01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	00	00	00	00	00	00
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	00	00	00	00	00	00

CAPITAL						
---------	--	--	--	--	--	--

REVENUE SOURCE						
----------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)	FY96	FY97	FY98	FY99	FY00	FY01
100 FEDERAL FUNDS						
100 GF MATCH						
100 GENERAL FUND						
100 GF MITA						
OTHER						
TOTAL FUNDING	00	00	00	00	00	00

POSITIONS:	FY96	FY97	FY98	FY99	FY00	FY01
FULL-TIME						
PART-TIME						
TEMPORARY						

Examine of current year impact: None

ANALYSIS (Attach a separate page if necessary)

Prepared by: Wendy Mathews, Budget Analyst Date: 4/1/95
 Location: Statewide Budget Office Date: 3/14/95
 Approved by: Marilyn Barton, Director Date: 3/14/95
 Agency: Statewide Budget Office

Distribution by program: Legislative Finance, Legislative Services, Requestor, OMB, & Impaired Agencies

No. 2

Bill Version: SB 143

(S) Publish Date: 3-27-95

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. HE

Revision Date: _____ Dept. Affected: Revenue
 Title: An Act to provide for the orderly transfer of BRU: Revenue Operations
certain assets of AMFC Component: Treasury Management
 Sponsor: _____
 Requester: _____ COMPONENT SERIAL NO. 121

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	(see note)	(see note)	(see note)	(see note)	(see note)	(see note)
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	00	00	00	00	00	00

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

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

FUND SOURCE (Thousands of Dollars)

*002 Federal Receipts						
*003 GF Match						
*004 GF						
*005 GF/Program Receipts						
*006 GF/MMTIA						
Other						
TOTAL	00	00	00	00	00	00

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

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

*NOTE: The transfer of funds from AMFC to the General Fund will result in an increase in annual sales/doing fees in the amount of 1 basis point (or .01%) of the amount transferred.

Prepared by: Jeff Martin, Commissioner
 Division: Treasury
 Approved by Commissioner: [Signature]
 Agency: _____

Phone: 465-2350
 Date: 3/20/95
 Date: 3/9/95

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

For further distribution information, call the Governor's Legislative Office

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. HE

Revision Date: _____ Dept. Affected: Revenue/AHFC
 Title: An Act to provide for the orderly transfer of BRU: _____
certain assets of AHFC and issuance of bonds Component: _____
 Sponsor: _____
 Requester: _____ COMPONENT SERIAL NO. _____

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 - Bond Servicing	3,974.2	3,974.2	3,974.2	3,974.2	3,974.2	3,974.2
MISCELLANEOUS						
TOTAL OPERATING	3,974.2	3,974.2	3,974.2	3,974.2	3,974.2	3,974.2

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

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

FUND SOURCE (Thousands of Dollars)

*002 Federal Receipts						
*003 GF Match						
*004 GF						
AHFC Program Receipts	3,974.2	3,974.2	3,974.2	3,974.2	3,974.2	3,974.2
*006 GF M&TIA						
Other						
TOTAL	3,974.2	3,974.2	3,974.2	3,974.2	3,974.2	3,974.2

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

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

NOTE: Assumes \$30 million in bonds issued at 5.78% with total payments over 10 years of \$39,741,775. Ten percent is to be held in reserve, 2% is to be used to cover bond issuance costs and the remaining \$26.4 million is to be paid to U of A for their use. Funding source will be from program receipts of AHFC.

As regards Section 2 of this bill, AHFC will not recognize investment income on funds transferred to the General Fund. The amount of these lost earnings cannot be quantified until actual amounts transferred are determined.

Prepared by: Betty Martin, Controller/Betty Martin
 Division: Treasury
 Approved by Commissioner: [Signature]
 Agency: _____

Phone: 465-7350
 Date: 3/20/95
 Date: 3/20/95

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

For further distribution information, call the Governor's Legislative Office

*Draft of April 26, 1995**Draft of April 26, 1995*

**AGREEMENT BETWEEN THE
COMMISSIONER OF REVENUE OF THE STATE OF ALASKA
AND THE ALASKA HOUSING FINANCE CORPORATION**

THIS AGREEMENT, made this 27th day of April, 1995, between the Commissioner of Revenue of the State of Alaska and the Alaska Housing Finance Corporation, a public corporation organized and existing under AS 18.55 and AS 18.56.

RECITALS

1. Legislation has been, or is soon expected to be, enacted by the 19th Legislature, First Session, with respect to amounts to be paid by the Alaska Housing Finance Corporation to the State of Alaska in accordance with the terms of an agreement between the Commissioner of Revenue and the Corporation. This is the Agreement to which said legislation refers.

2. The Corporation and the Commissioner of Revenue have determined that payments by the Corporation to the general fund of the State of Alaska are fixed at a prudent level in accordance with the terms of this agreement.

NOW, THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

Section 1. On or before January 1 of each of the next succeeding five fiscal years of the State of Alaska, the Corporation shall transfer to the State the following amounts:

- (i) \$70,000,000 - FY 1996;
- (ii) \$50,000,000 - FY 1997;
- (iii) \$50,000,000 - FY 1998;
- (iv) \$50,000,000 - FY 1999, and
- (v) \$50,000,000 - FY 2000.

Section 2. It is anticipated that such amounts will be available for transfer from the net liquid assets of the general account of the revolving fund of the Corporation and that such amounts will be reduced as the board of directors determine necessary to maintain compliance with existing financing agreements and to meet the following payment conditions. The payment conditions are positive determinations made by the corporation board of directors, prior to each transfer, that:

*Draft of April 26, 1995**Draft of April 26, 1995*

- (i) The Corporation is not in default as to payments of any required amounts;
- (ii) The transfer to the state of the payment (a) is not expected to impair the Corporation's ability to meet financial requirements including debt service and program costs associated with debt; (b) will not cause the Corporation to be in default under the terms of financial agreements or disable the Corporation from meeting any financial covenant;
- (iii) The amount of the transfer does not exceed the Corporation's net income as reflected in its audited financial statements for the immediately preceding fiscal year, and
- (iv) The Corporation's fund equity subsequent to the transfer will remain at a level which the board of directors reasonably believes adequate to prevent existing debt ratings from being reduced, withdrawn or suspended.

Section 3. The Corporation does not anticipate that any of the payments provided in Section 1 will not be made because of any failure to meet the provisions of Section 2, provided however, that it is understood and agreed that such conditions must be met by the Corporation before payments are made in any year above.

IN WITNESS WHEREOF, the parties have caused this agreement to be signed this 27th day of April, 1995.

STATE OF ALASKA
COMMISSIONER OF REVENUE

Wilson Condon

ALASKA HOUSING FINANCE CORPORATION

Jewel Jones, Chair

Alaska Housing Finance Corporation
 Financial Operating Plan as of September 30, 1994
 Summary of Changes in Net Unrestricted Assets
 September 30, 1994 THROUGH FY 2004

(In Dollars)

	Fiscal Year Ended June 30,										Total Ten Fiscal Years Activity
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	
Current Unrestricted Assets	615,545	568,344	578,546	575,859	512,976	448,058	388,049	342,541	297,453	242,260	
Due to/from other funds	131,271	106,946	94,792	79,989	77,253	67,885	64,217	63,625	58,551	58,412	
Non-Current Unrestricted Assets	107,249	97,524	88,465	80,689	74,732	69,610	65,886	62,194	59,086	56,321	
Beginning Net Unrestricted Assets	854,066	772,814	761,803	736,537	664,961	585,553	517,952	468,360	415,090	356,993	854,066
Activity Affecting Net Unrestricted Assets:											
Adjustment to Beginning Balance	50,000										50,000
Transfer to State of Alaska	(220,043)	(70,000)	(50,000)	(50,000)	(50,000)	(50,000)	0	0	0	0	(490,043)
Operating Budgets	(1,362)	(1,362)	(1,362)	(1,362)	(1,362)	(1,362)	(1,362)	(1,362)	(1,362)	(1,362)	(13,620)
Family Housing Programs	(52,943)	(56,724)	(53,974)	(53,974)	(53,974)	(53,974)	(53,974)	(53,974)	(53,974)	(53,974)	(541,459)
Collateral Transfers											
For Bonds Issued	(37,076)	(14,259)	(19,398)	(21,632)	(21,373)	(23,360)	(23,841)	(27,649)	(26,086)	(29,448)	(245,072)
From Paid Off Bonds Issues	132,081	26,692	55,973	13,715	9,459	27,577	0	3,871	0	0	269,968
Return of HEBL Escrow	0	54,000	0	0	0	0	0	0	0	0	54,000
Interest earnings on loans & investments	50,129	63,186	43,646	41,827	37,992	33,668	29,736	25,694	23,474	18,943	368,595
Interest paid on short term borrowing	(19,588)	(12,394)	0	0	0	0	0	0	0	0	(31,982)
REO Unreimbursed Expenses	(150)	(150)	(150)	(150)	(150)	(150)	(150)	(150)	(150)	(150)	(1,506)
Adjustments	18,000	0	0	0	0	0	0	0	0	0	18,000
Rounding	(0)	0	(1)	0	(0)	(0)	(1)	0	1	(0)	(1)
Net Change	(81,252)	(11,011)	(25,260)	(71,576)	(79,408)	(67,601)	(49,592)	(53,270)	(58,097)	(65,991)	(503,084)
Ending Net Unrestricted Assets	772,814	761,803	736,537	664,961	585,553	517,952	468,360	415,090	356,993	291,002	291,002
Beginning Net Restricted Assets	897,869	857,036	842,025	855,972	915,247	982,076	1,036,784	1,122,832	1,213,079	1,312,604	897,869
Return on Investment @ 6.00%	53,872	51,422	50,522	51,358	54,915	58,925	62,207	67,370	72,830	78,774	602,203
Net Collateral Transfers	(94,705)	(66,433)	(36,575)	7,917	11,914	(4,217)	23,841	23,778	26,086	29,448	(78,046)
Ending Net Restricted Assets	857,036	842,025	855,972	915,247	982,076	1,036,784	1,122,832	1,213,979	1,312,904	1,421,126	1,421,126
Total Corporate Net Assets	1,629,850	1,603,828	1,592,509	1,580,208	1,567,629	1,554,736	1,591,192	1,629,069	1,669,897	1,712,128	1,712,128

TONY KNOWLES
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

143
P O Box 11006
Juneau Alaska 99811 0001
1907 465 2500
Fax 1907 465 3532

March 24, 1995

The Honorable Drue Pearce
President of the Senate
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear President Pearce

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill regarding the orderly transfer of certain assets of the Alaska Housing Finance Corporation (AHFC) to the general fund. This process will make available to the state a substantial portion of AHFC's reserves while at the same time providing capital markets with the degree of certainty necessary to assure AHFC continued access to money at reasonable rates in order to meet the housing needs of Alaska's families. Additionally, the bill would authorize AHFC to issue bonds to finance student housing maintenance projects at various University of Alaska (university) campuses.

AHFC is a self-supporting public corporation with a mission to develop and implement innovative programs that meet statewide housing needs. It provides home mortgages to Alaskans at reasonable rates, finances special needs and multi-family housing in partnerships with housing agencies and profit and non-profit organizations, and operates the state's rural housing programs. AHFC also operates the state's public housing programs, which include operating public housing units in 13 communities and providing rental assistance for more than 2,400 families statewide.

AHFC leverages its financial resources by borrowing from a variety of lenders to finance various housing programs. Since its inception, AHFC has issued in excess of \$10 billion in long-term debt to meet the residential financing needs of Alaskans. As of December 31, 1994, AHFC had \$2.3 billion in outstanding long-term debt representing a general obligation of AHFC secured by its full faith and credit above and beyond the pledge of any specific assets.

The Honorable Drue Pearce

March 24, 1995

Page 2

AHFC has been able to attract billions in outside capital to meet Alaska's housing needs because the capital markets have relied on its strong financial condition. The importation of outside money to meet Alaska's housing needs is too important to put at risk. Any transfers of corporate assets to the state must take place as part of a comprehensive long-term plan that reassures capital markets of AHFC's continued financial strength. This bill will demonstrate that we are taking a prudent long-term approach to the management of AHFC's resources and will protect AHFC's ability to borrow for essential programs and projects and to address the future housing needs of Alaskans, including the elderly, disadvantaged, and rural residents.

Under the provisions of the bill, AHFC and the commissioner of revenue would enter into an agreement providing for the transfer of a sizeable portion of AHFC's unrestricted reserves to the general fund over the next five fiscal years. This agreement would continue the corporation's policy of providing the people of Alaska with a return on their equity investment in AHFC. Under that policy, adopted in 1991, AHFC will have transferred \$314,324,000 in cash payments to the state by the end of this fiscal year.

The agreement would be signed no later than May 1, 1995 and immediately will be made available to the legislature. It would establish a detailed schedule providing for the transfer of specific amounts to the general fund during each of the next five fiscal years. My state operating budget, which I recently submitted to you, includes an expected first installment under that agreement of \$70 million.

Passage of this bill would ratify the transfer agreement soon to be reached, and would pledge that the state will not transfer assets from AHFC in amounts that exceed those set out in the transfer agreement. This would assure lenders that payments to the state over the next five fiscal years would take place in a prudent and predictable manner.

Maintaining the credit of the AHFC will increase Alaskans' access to the nation's capital markets to help meet certain special and crucial housing needs. As stated above, the purpose of this bill is to provide the kind of long-range financial stability and predictability necessary to protect the credit of the AHFC. There may be other avenues available to establish a suitable long-range plan for managing the assets of the AHFC. I know that the legislature will be particularly sensitive to any provisions which appear to invade the appropriation powers and responsibilities of the legislature. If the approach taken in this bill does not meet with your approval, I am open to any constructive alternatives that will preserve the programs of the AHFC.

The Honorable Drue Pearce

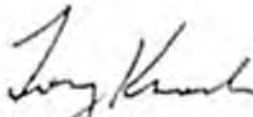
March 24, 1995

Page 3

Finally, the bill is part of my plan to begin addressing the long-deferred maintenance needs of the university. It will provide financing for overdue and much needed repair and rehabilitation of student housing facilities at the university's three main campuses. The bill authorizes AHFC to issue \$30,000,000 in bonds to finance this project. Under AS 18.56, these bonds are general obligations of the corporation.

I urge your early and favorable consideration of this legislation or a suitable alternative.

Sincerely,



Tony Knowles
Governor

SENATE COMMITTEE REPORT
First Committee of Referral

DATE: 3/23/95

FURTHER: Finance

Date of 5-Day Notice: 4/13/95
 (in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 4-26-95

State Affairs Committee considered SB 143

Ratifying an agreement between the Alaska Housing Finance Corporation and the commissioner of revenue; issuance of bonds to pay for the costs of repair and rehabilitation of student housing facilities of the University of Alaska; efd.

Est + Bonds

and recommends:

- be replaced with _____ CS _____
- adopt previous _____ CS _____
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

- Senate Bill:
 - same title
 - new title
- House Bill:
 - same title
 - technical title
 - new: SCR# _____

SIGNING TO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>[Signature]</i>	<input checked="" type="checkbox"/>	<i>COPIES & RECO A</i>	<input checked="" type="checkbox"/>		
		<i>Form A Review</i>	<input checked="" type="checkbox"/>		
		<i>[Signature]</i>			
CHAIR:		<i>Shay</i>	<input checked="" type="checkbox"/>		

NEW FISCAL NOTE(S): *5/96*

Department	Date	Zero	Fiscal
<i>REV / DUES</i>	<i>3/30</i>		<i>2,111.2</i>
<i>REV / OPR</i>	<i>3/30</i>	<input checked="" type="checkbox"/>	
<i>U.S. A</i>	<i>3/14</i>	<input checked="" type="checkbox"/>	

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill