

HB

196

<TARGET><BILL>HB 196</BILL><SUBJECT>HB
196</SUBJECT><COMM>HCRA27</COMM></TARGET>

Alaska State Legislature
REPRESENTATIVE BRYCE EDGMON
House District 37

MEMORANDUM

Adak
Akutan
Aleknagik
Atka
Chignik
Chignik Lagoon
Chignik Lake
Clark's Point
Cold Bay
Dillingham
Egegik
Ekwok
False Pass
Ivanof Bay
King Cove
King Salmon
Koliganek
Manokotak
Naknek
Nelson Lagoon
New Stuyahok
Nikolski
Perryville
Pilot Point
Portage Creek
Port Heiden
St. George
St. Paul
Sand Point
South Naknek
Togiak
Twin Hills
Ugashik
Unalaska

DATE: March 17, 2011

TO: Rep. Cathy Munoz, Chair
House Community & Regional Affairs Committee

FROM: Rep. Bryce Edgmon *BE*
House District 37

SUBJ: Request for Hearing on HB196 – Bulk Fuel Loans / Power Project Fund

I respectfully request a committee hearing on HB196, a measure that will move the bulk fuel revolving loan fund from the Alaska Energy Authority (AEA) to the Division of Community & Regional Affairs (DCRA). This move will allow both the bulk fuel revolving loan fund and the bulk fuel bridge loan program to be housed in the same division and make the whole loan process more efficient for the communities that utilize the programs.

This idea came up last session during our deliberations on the Omnibus Energy bill, and was listed as a recommendation in Governor Parnell's Energy report delivered to the legislature in January.

In summary, passage of HB196 will put both loan accounts under one roof, streamline the process of obtaining bulk fuel loans for communities, and will also benefit communities by providing technical assistance to those needing it most.

I am attaching a copy of the bill, the Sponsor Statement and a Sectional Analysis.

Thank you for considering my request.

Alaska State Legislature
REPRESENTATIVE BRYCE EDGMON
House District 37

SPONSOR STATEMENT FOR HB196

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This proposed legislation will move the bulk fuel revolving loan fund (BFRLF) from the Alaska Energy Authority (AEA) to the Division of Community & Regional Affairs (DCRA), which will mean both the BFRLF and the bulk fuel bridge loan program will be housed in the same division.

Housing these two funds under one roof is something the House Energy committee considered last session, and also an idea the governor endorsed in his report to the Legislature regarding State energy programs.

Currently, if an applicant is rejected for a loan from the BFRLF, their next step is to apply for a bulk fuel loan through the bridge loan program. It makes perfect sense to have these related loan programs under the jurisdiction of one entity, and DCRA is the logical place for them to be housed.

HB196 will place both the bulk fuel loan account and the bulk fuel bridge loan account as separate accounts in the BFRLF, contains provisions for technical assistance for those borrowers needing help, and will streamline the whole process of obtaining bulk fuel loans for communities.

I would appreciate your support for this bill.

State Capitol Building

Room 416, Juneau, AK 99801. Phone: (907) 465-4451 Toll Free: 1-800-898-4451

Email: Rep_Bryce_Edgmom@legis.state.ak.us

Alaska State Legislature
REPRESENTATIVE BRYCE EDGMON
House District 37

SECTIONAL ANALYSIS

HB196 -- Bulk Fuel Loans / Power Project Fund

Adak
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Aleknagik
Atka
Chignik
Chignik Lagoon
Chignik Lake
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Section 1 of the bill deletes the bulk fuel revolving loan fund (BFRLF) from the list of entities eligible to receive loans from the power project fund.

Section 2 of the bill switches the location of the bulk fuel revolving loan fund from the Alaska Energy Authority to the Division of Community & Regional Affairs (DCRA). Also adds a person or community "maintaining community facilities or infrastructure" to the list of entities eligible for a bulk fuel loan and deletes a requirement that the entity get written endorsement from the governing body of the community for which the loan is sought.

Section 3 of the bill makes a conforming amendment to statutory changes within the bill.

Section 4 of the bill adds language allowing funding options and adds a technical assistance section for borrowers needing help in applying for a loan and / or direction to help improve their creditworthiness.

Section 5 of the bill establishes the bulk fuel loan account and the bulk fuel bridge loan account as separate accounts within the bulk fuel revolving loan fund. It also establishes interest rates for both accounts and lays out general rules for loan limits, allows DCRA to establish criteria for eligibility, and allows DCRA to contract with a state agency or outside contractor to administer or implement a technical assistance and counseling plan.

Section 6 of the bill repeals AS 29.60.660 and AS 42.45.250(c-m).

Sections 7-10 of the bill provide transition language allowing the movement of funds to the newly created subaccount and language stating any outstanding obligations from the current loan fund will continue to be in effect.

Section 11 of the bill sets an immediate effective date for DCRA to begin adopting regulations.

Section 12 of the bill sets an effective date of January 1, 2012

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number _____
 Bill Version HB 196
 () Publish Date _____

Identifier (file name) HB196-CCED-AEA-03-18-11 Dept. Affected DCCED
 Title Bulk Fuel Loans/Power Project Fund Appropriation Alaska Energy Authority
 Allocation Alaska Energy Authority Rural
 Sponsor Representative Edgmon Energy Operations
 Requester House Community and Regional Affairs OMB Component Number 2600

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
OPERATING EXPENDITURES							
Personal Services							
Travel							
Services			(53.6)				
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	0.0	0.0	(53.6)	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES							
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CHANGE IN REVENUES			(50.0)				
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FUND SOURCE (Thousands of Dollars)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1074 Bulk Fuel			(53.6)			
TOTAL	0.0	0.0	(53.6)	0.0	0.0	0.0

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time						
Part-time						
Temporary						

Why this fiscal note differs from previous version (if initial version, please note as such)

This fiscal note is the initial version.

Prepared by Amy Adler
 Division Alaska Energy Authority
 Approved by Susan K. Bell, Commissioner
Commerce, Community, and Economic Development

Phone 907-771-3013
 Date/Time 3/18/11 3:00 PM
 Date 3/19/2011

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HB 196

Analysis

This legislation amends AS 42.45 to establish the bulk fuel revolving loan fund (BFRLF) in the Division of Community & Regional Affairs (Division) in the Department of Commerce, Community & Economic Development (DCCED). With the exception of the adoption of regulations by DCCED necessary to implement this Act, the effective date of this legislation is January 1, 2012.

There is no fiscal impact to the Alaska Energy Authority (AEA) for the fiscal year 2012 because loans for the purchase of fuel are generally made in the first half of the fiscal year. As a result, the impact to AEA will be in FY 2013.

The impact of this legislation to the Alaska Energy Authority is:

- 1) Removes the provision to make loans from the power project fund to the bulk fuel revolving loan fund for the purposes described in AS 42.45.250.
- 2) A reduction of \$53.6 in BFRLF receipts to the FY 2013 AEA Rural Energy Operations component, representing the estimated outlay of the fund for the costs of administration.

Change in Revenues:

This legislation repeals AS 42.45.250 (j) that allows AEA to adopt regulations to establish and charge fees for services provided. AEA established regulations authorizing a non-refundable \$25 application fee (3 AAC 106.300), an origination fee of one-half percent of the total loan amount (3 AAC 106.340), and at its discretion, reimbursement of any applicant expenses incurred by AEA in processing an application (3 AAC 106.340). Because this legislation does not allow for the collection of fees, the impact is estimated to be a reduction of \$50.0 in revenues to the General Fund in FY 2013. Actual fees collected in FY 2010 totaled \$48.0 and are estimated to be \$50.0 in FY 2011 and FY 2012.

Article 05. BULK FUEL BRIDGE LOAN FUND AND PROGRAM

Sec. 29.60.660. Bulk fuel bridge loan fund and program.

(a) The bulk fuel bridge loan fund is established in the department to assist communities, utilities providing power in communities, fuel retailers, and other persons in communities in purchasing bulk fuel to generate power or supply the public with fuel for use in communities, if no other funding source exists for the purchase. The fund consists of appropriations to the fund and income earned on investment of money in the fund.

(b) A community, utility, fuel retailer, or other person generating power or supplying fuel in a community as described in (a) of this section is eligible to receive a loan from the bulk fuel bridge loan fund for a purchase of bulk fuel to be used in the community if the community, utility, fuel retailer, or other person

(1) has a written endorsement from the governing body of the community for which a loan from the fund under this section is sought; and

(2) first applied for and has been denied a loan from

(A) the bulk fuel revolving loan fund (AS 42.45.250) administered by the Alaska Energy Authority;

(B) any other funding source used by the community, utility, fuel retailer, or other person in the past three years to finance purchases of bulk fuel for the community; and

(C) any other funding source that the department determines is available to the community, utility, fuel retailer, or other person to purchase bulk fuel.

(c) Loans made from the bulk fuel bridge loan fund to one borrower in a fiscal year

(1) may not exceed \$750,000; and

(2) shall be repaid within one year after the date of the award.

(d) Interest may not be charged on a loan made from the bulk fuel bridge loan fund.

(e) Repayments of the loans made under this section shall be paid into the bulk fuel bridge loan fund. Money in the fund does not lapse. This fund is not a dedicated fund. Amounts in the fund may be appropriated for expenses directly related to administration of the fund.

(f) The department may contract for the administration of the bulk fuel bridge loan program established in this section.

(g) The department may adopt regulations under AS 44.62 necessary to carry out the provisions of this section.

(h) In this section,

(1) "community" means a municipality or unincorporated village that is a social unit, if the municipality or unincorporated village has a population of less than 2,000 people;

(2) "fund" means the bulk fuel bridge loan fund established in (a) of this section;

(3) "person"

(A) has the meaning given in AS 01.10.060;

(B) includes a cooperative, a joint venture, and a governmental entity.

History -

(Sec. 1 ch 110 SLA 2008; am Sec. 1 ch 2 SSSLA 2008)

Amendment Notes -

The 2008 amendment, effective August 26, 2008, substituted "\$750,000" for "\$500,000" in paragraph (c)(1).

Article Notes -

Effective Dates. Section 7, ch. 110, SLA 2008, makes this article effective June 26, 2008.

Sec. 42.45.250. Bulk fuel revolving loan fund.

(a) The bulk fuel revolving loan fund is established in the authority to assist communities, utilities providing power in communities, and fuel retailers in communities in purchasing bulk fuel to generate power or supply the public with fuel for use in communities. A community, or a person generating power or selling fuel in a community who has written endorsement from the governing body of each community for which a loan from the fund is sought, is eligible for a loan from the bulk fuel revolving loan fund for a purchase of an emergency supply or a semiannual or annual supply of bulk fuel to be used in the community.

(b) Money in the fund may be used by the legislature to make appropriations for costs of administering this section.

(c) The foreclosure expense account is established as a special account within the bulk fuel revolving loan fund. This account is established as a reserve from fund equity.

(d) The authority may spend money credited to the foreclosure expense account when necessary to protect the state's security interest in collateral on loans made under this section or to defray expenses incurred during foreclosure proceedings after a default by an obligor.

(e) Loans made from the bulk fuel revolving loan fund to one borrower in any fiscal year

(1) may not exceed \$750,000, or, if the borrower is a cooperative corporation organized under AS 10.15 or an electric cooperative organized under AS 10.25 and uses the loan to purchase bulk fuel on behalf of more than one community, may not exceed the lesser of \$750,000 multiplied by the number of communities on whose behalf the bulk fuel is to be purchased, or \$1,800,000;

(2) shall be repaid in one year or less; and

(3) may not exceed 90 percent of the wholesale price of the fuel purchased.

(f) Interest may be charged on a loan made from the bulk fuel revolving loan fund. Interest shall be charged on a loan at a rate equal to the percentage of the average weekly yield of municipal bonds for the 12 months preceding the date of the loan, as determined by the authority from municipal bond yield rates reported in the 30-year revenue index of The Bond Buyer. However, if the authority finds that a community cannot afford to repay a portion of interest on a loan, and makes a determination in writing, the authority may reduce or eliminate the interest rate applicable to the loan.

(g) Repayments of the principal, the interest, and the money chargeable to principal or interest that is collected through liquidation by foreclosure or other process on a loan made under this section shall be paid into the bulk fuel revolving loan fund. The fund is not a dedicated fund.

(h) The authority may contract for the administration of the bulk fuel loan program established in this section.

(i) The authority shall dispose of property acquired through default or foreclosure of a loan made under this section. Disposal shall be made in a manner that serves the best interests of the state, and may include the amortization of payments over a period of years.

(j) The authority may adopt regulations necessary to carry out the provisions of this section, including regulations to establish reasonable fees for services provided and charges for collecting the fees.

(k) The authority may collect the fees and collection charges established under (j) of this section and shall deposit the money in the general fund.

(l) Subject to the limitations of AS 42.45.010(b)(3), the authority may borrow money from the power project fund (AS 42.45.010) when necessary to meet commitments for loans from the bulk fuel revolving loan fund. The authority shall use the money in the bulk fuel revolving loan fund to repay the money borrowed from the power project fund and any interest charged on the money borrowed.

(m) In this section,

(1) "community" means an organized municipality or an unincorporated village that is a social unit, with a population of less than 2,000 people;

(2) "person" has the meaning given in AS 01.10.060 and includes a corporation, a cooperative, a joint venture, and a governmental entity.

History -

(Sec. 5 ch 18 SLA 1993; am Sec. 1 ch 121 SLA 2002; am Sec. 8 ch 117 SLA 2003; am Sec. 5 - 7, 11 ch 36 SLA 2004; am Sec. 1 ch 78 SLA 2006; am Sec. 4 - 6 ch 110 SLA 2008; am Sec. 4 ch 2 4SSLA 2008)

Revisors Notes -

In 1999, in this section, "department" was changed to "authority" in accordance with Sec. 91(b), ch. 58, SLA 1999.

In 2000, in subsection (k), "(j) of this section" was substituted for "(i) of this section" to correct a manifest error in ch. 18, SLA 1993. In 2004, former paragraph (l)(2) was renumbered as (l)(1) to reflect the 2004 repeal of former paragraph (l)(1). Paragraph (l)(2) was enacted as (l)(3) and renumbered in 2004.

Subsection (l) was enacted as (m); relettered in 2008, at which time subsection (l) was relettered as (m).

Amendment Notes -

The 2006 amendment, effective September 17, 2006, substituted the present provisions of paragraph (e)(1) for "may not exceed \$300,000."

The first 2008 amendment, effective June 26, 2008, substituted "\$500,000" for "\$400,000" two times in paragraph (e)(1) and "\$1,800,000" for "\$1,500,000" in that paragraph, substituted "The Bond Buyer" for "The Weekly Bond Buyer" in the second sentence of subsection (f), and added subsection (m) [now (l)].

The second 2008 amendment, effective August 26, 2008, substituted "\$750,000" for "\$500,000" twice in paragraph (e)(1).

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number _____
Bill Version HB 196
() Publish Date _____

Identifier (file name) HB196-CCED-DCRA-03-19-11 Dept. Affected DCCED
Title BULK FUEL LOANS/POWER PROJECT FUND Appropriation Community and Regional Affairs
Allocation Community and Regional Affairs
Sponsor Representatives Edgmon
Requester House Community & Regional Affairs OMB Component Number 2879

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
OPERATING EXPENDITURES								
Personal Services	46.4	0.0	92.8	92.8	92.8	92.8	92.8	
Travel	0.0	0.0	40.0	40.0	40.0	40.0	40.0	
Services	0.0	0.0	120.0	120.0	120.0	120.0	120.0	
Commodities	6.0	0.0	0.0	0.0	0.0	0.0	0.0	
Capital Outlay								
Grants								
Miscellaneous								
TOTAL OPERATING	52.4	0.0	252.8	252.8	252.8	252.8	252.8	

CAPITAL EXPENDITURES							
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CHANGE IN REVENUES							
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	52.4		(219.0)				
1005 GF/Program Receipts							
1037 GF/Mental Health							
1074 Bulk Fuel Revolving Loan Fund		0.0	252.8	252.8	252.8	252.8	252.8
TOTAL	52.4	0.0	33.8	252.8	252.8	252.8	252.8

Estimate of any current year (FY2011) cost 0.0

POSITIONS

Full-time	1	0	1	1	1	1	1
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial Version

Prepared by Scott Ruby, Director
Division Community and Regional Affairs
Approved by Susan K. Bell, Commissioner
Commerce, Community, and Economic Development

Phone 269-4569
Date/Time 3/24/11 7:00 AM
Date 3/24/2011

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HB 196

Analysis

HB 196 would move the Bulk Fuel Revolving Loan Fund (BFRLF) from the Alaska Energy Authority to the Department of Commerce, Community, and Economic Development (DCCED) and combine it with the Bulk Fuel Bridge Loan Fund currently administered by the DCRA. This bill will significantly modify the terms of both loan programs including adding a tiered interest rate to both programs. The Division will need to adopt new regulations for the combined program, and delete previously adopted regulations.

Starting in FY12, administration of this program will be paid from earnings of the Bulk Fuel Revolving Loan Fund. Currently the division receives \$219,000 in general funds to administer the bridge loan program. In FY13, this funding will be replaced with earnings from the combined revolving loan fund.

The Division of Community and Regional Affairs currently administers the Bulk Fuel Bridge Loan Program with approximately 15% of one staff person's time. DCCED estimates that the servicing of the BFRLF in addition to the bulk fuel bridge loans will increase the number of accounts from 12 to 67; a near six fold increase in the number of loans. The higher complexity of the combined program will increase coordination of technical assistance with the contractor and of DCRA field staff.

The increased volume and coordination will require a full position to administer both programs. This position will be a Local Government Specialist IV (Range 19). The personnel costs listed cover the costs of this new position. Personnel costs for FY12 are reduced by 50% as the consolidation does not take place until January 1, 2012.

DCRA anticipates contracting for the majority of technical assistance provided to borrowers. This technical assistance includes assistance in completing and submitting the loan application, facilitating delivery of fuel with distributors and borrowers, and providing assistance and financial counseling such as rate setting, amending collection procedures, debt consolidation, or accounting system changes.

Travel costs will predominantly be reimbursable costs to the contractor for providing on-site assistance to the borrowers. Some travel by DCRA Regional office staff will occur when the contractor is not available, or when it is more economical to serve the borrower from a local DCRA field office, or when the nature of the assistance is beyond the technical assistance requirements of the contract.

Commodities costs in the first year are associated with establishing the new position with desks, computer, and other necessary equipment. These are one-time costs.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number _____
Bill Version HB 196
() Publish Date _____

Identifier (file name) HB196-CCED-DED-03-18-11 Dept. Affected DCCED
Title Bulk Fuel Revolving Loan Fund Program Appropriation Economic Development
Allocation Financing
Sponsor Representative Edgmon
Requester House Community & Regional Affairs OMB Component Number 2743

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
OPERATING EXPENDITURES								
Personal Services	35.3	0.0	70.5	70.5	70.5	70.5	70.5	70.5
Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Services	9.4	0.0	9.4	9.4	9.4	9.4	9.4	9.4
Commodities	2.9	0.0	0.5	0.5	0.5	0.5	0.5	0.5
Capital Outlay								
Grants								
Miscellaneous								
TOTAL OPERATING	47.6	0.0	80.4	80.4	80.4	80.4	80.4	80.4

CAPITAL EXPENDITURES								
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CHANGE IN REVENUES								
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF	47.6							
1005 GF/Program Receipts								
1037 GF/Mental Health								
1178 (BFRLF)			80.4	80.4	80.4	80.4	80.4	80.4
TOTAL	47.6	0.0	80.4	80.4	80.4	80.4	80.4	80.4

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time	1	0	1	1	1	1	1
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version

Prepared by Wanetta Ayers, Division Director
Division Economic Development
Approved by Susan K. Bell, Commissioner
Commerce, Community & Economic Development

Phone 269-4048
Date/Time 3/20/11 9:00 AM
Date 3/21/2011

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HB196

HB196 Analysis

This bill moves the Bulk Fuel Revolving Loan Fund (BFRLF) from the Alaska Energy Authority to the Department of Commerce, Community and Economic Development and establishes the Bulk Fuel Loan Account and the Bulk Fuel Bridge Loan Account as separate accounts within the BFRLF. A tiered interest rate would also be created and applied to both accounts.

Under the provisions of HB 196, the Division of Economic Development (DED) will provide loan fund accounting services for the new BFRLF on behalf of the Division of Community and Regional Affairs (DCRA). DED estimates that the servicing of the BFRLF and its associated account structure would increase bulk fuel accounts from twelve to 67; a near six fold increase in the number of bulk fuel loans currently being serviced. Given the time sensitivity and seasonality of these loans, DED would not be able to absorb such a large increase in servicing requirements without additional accounting staff. While loan servicing will be a year round activity, the seasonality of loan origination coincides with peak loan demand for DED core lending activities.

In order to maintain service standards for core services, DED projects the need to add an Accounting Technician II position. This position would be the primary contact to relay information and provide the following services: loan fund accounting, develop loan payment schedules, calculate principal and interest, analysis of payments received, preparation and oversight of invoicing and billing statements, direct receipt and deposit of loan repayments, monthly reports of accounting transactions, preparation of revenue comparisons, monitor accounts receivable and aging schedules, create subsidiary system reports based on user needs, and project future program activity through analysis of historical accounting data.

Operating funds for this position would initially be paid from GF and then transition to earnings of the BFRLF, covering the projected costs as outlined in this fiscal note. The cost projections include personal services for the Accounting Technician II position, supplies, equipment and a projected per employee annual contractual service cost.

The commodity costs in the first year are associated with establishing the new position with computer and other necessary equipment. These are one-time costs only.