

LEG. FINANCE - BILLS 1983 - 1984 1962

HB 648 - HB 650 1962

COMMITTEE REPORT  
HOUSE

(11)

FURTHER:

2/13/84

Date: 2-24-84

The Committee on FINANCE has had HB 648

"An Act relating to the definition of capital projects under the Executive Budget Act."

under consideration and recommends:

- do pass  do not pass
- do pass with attached amendments(s)
- replace with CS for HB 648 (Fin)  same title  
 new title
- and recommends DO PASS
- AND attaches a "Letter of Intent"  New Fiscal Note
- reports it back without recommendation  Zero Fiscal Note Attached  
2/21/84
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

Robert P. Ludman

[Signature]

[Signature]

[Signature]

[Signature]

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Robert P. Ludman  
CHAIRMAN

Original sponsor: Finance Committee

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 648 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the definition of capital pro-  
7 jects under the Executive Budget Act; and providing  
8 for an effective date."

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

10 \* Section 1. AS 37.07.120(4) is amended to read:

11 (4) "capital projects" and "capital improvements" mean an  
12 allocation or appropriation item for an asset with an anticipated life  
13 exceeding one year [AND A COST EXCEEDING \$25,000] and include land  
14 acquisition, construction, structural improvement, engineering and  
15 design for the project, and equipment and repair costs that exceed  
16 \$15,000.

17 \* Sec. 2. This Act takes effect immediately in accordance with AS 01.-  
18 10.070(c).

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

REQUEST:

Bill/Resolution No.: HB 648  
 Title: Relating to the definition of Capital Projects  
 Sponsor: House Finance Comm  
 Requestor: \_\_\_\_\_  
 Date of Request: \_\_\_\_\_

FISCAL DETAIL

Agency Affected: ALL  
 Program Category Affected: \_\_\_\_\_  
 BRU, Program or Subprogram(s) Affected: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		-0-				
CAPITAL		-0-				
REVENUE		-0-				

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL		-0-				

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Rep. Al Adams *BA* Phone: 465-3706  
 Division: \_\_\_\_\_ Date: 2/21/84

Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
 Agency: \_\_\_\_\_

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

12/1/83

# Alaska State Legislature

## House of Representatives

Al Adams  
Chairman  
Committee on Finance

WHILE IN SESSION  
Pouch V  
State Capitol  
Juneau, Alaska 99811  
(907) 465-3706

OUT OF SESSION  
P.O. Box 333  
Kotzebue, Alaska 99752  
(907) 442-3320  
1024 W. 6th  
Anchorage, Alaska 99501  
(907) 274-0615



Official Business

### M E M O R A N D U M

TO: All Members  
House Finance Committee

FROM: Al Adams *APA*  
Chairman  
House Finance Committee

DATE: February 22, 1984

SUBJ: HB 648

Last year the Legislature enacted an amendment to the Executive Budget Act defining the term 'capital project'. This was done for two reasons:

1. Over time the distinction between capital and operating budget items had become blurred. Operating items were frequently included in capital budgets thus obscuring the true costs of ongoing operating programs and avoiding legislative review.

2. The voter approved spending limit established different allocations for the capital and operating budgets.

The definition of 'capital project' passed by the House Finance Committee last year (See Attachment A) specified that equipment and repair costs that exceed \$50,000 be considered capital projects. The definition that finally passed the Legislature, however, (See Attachment B) reduced \$50,000 to \$25,000 and applied this dollar restriction not only to equipment and repair costs but to the remaining types of capital projects as well, i.e. land acquisition, construction, structural improvements, engineering and design. In retrospect, this language change appears unwise.

House Bill 648 amends the definition of 'capital project' to conform with the original definition passed by House Finance last year. A dollar limit is placed only on equipment and repair costs. In addition, the limit is reduced from \$25,000 to \$15,000.

Finally, this proposed amendment will alleviate the difficulty that members of the Legislature and the Administration are currently experiencing in developing the FY 85 capital budget.

APA/e1

# Attachment A

1 governor [HE] shall accompany each proposal with a statement of the  
2 reasons for it, including the reasons for its omission from the bud-  
3 get.

4 \* Sec. 14. AS 37.07.120 is amended by adding new paragraphs to read:

5 (7) "office" means the Alaska office of management and  
6 budget established in the Office of the Governor by AS 44.19.141;

7 [REDACTED]  
8 [REDACTED]  
9 [REDACTED]  
10 [REDACTED] and maintenance costs exceeding \$50,000.

11 \* Sec. 15. AS 44.19.141 is amended to read:

12 ARTICLE 12. OFFICE OF MANAGEMENT AND BUDGET [DIVISION  
13 OF POLICY DEVELOPMENT AND PLANNING].

14 Sec. 44.19.141. ALASKA OFFICE OF MANAGEMENT AND BUDGET [DIVISION  
15 OF POLICY DEVELOPMENT AND PLANNING]. There is in the Office of the  
16 Governor the Alaska office of management and budget [DIVISION OF  
17 POLICY DEVELOPMENT AND PLANNING].

18 \* Sec. 16. AS 44.19.142 is amended to read:

19 Sec. 44.19.142. DIRECTOR. The office of management and budget  
20 [DIVISION OF POLICY DEVELOPMENT AND PLANNING] is administered by a di-  
21 rector who is appointed by, and serves at the pleasure of, the gover-  
22 nor.

23 \* Sec. 17. AS 44.19.143 is amended to read:

24 Sec. 44.19.143. PERSONNEL. The director shall employ such per-  
25 sonnel as may be necessary to carry out the provisions of AS 44.19.-  
26 141 - 44.19.152 and the relevant provisions of AS 37.07.

27 \* Sec. 18. AS 44.19.144(a) is amended to read:

28 (a) The director shall  
29 (1) supervise and administer the activities of the office

Attachment B

1 judgment are necessary [ON ACCOUNT OF LAWS ENACTED AFTER THE TRANS-  
2 MISSION OF THE BUDGET, OR ARE OTHERWISE IN THE PUBLIC INTEREST].  
3 However, if the governor finds that an emergency situation necessi-  
4 tates the proposal of supplemental or special appropriations, the  
5 governor may transmit them to the legislature at any time. The gover-  
6 nor [HE] shall accompany each proposal with a statement of the reasons  
7 for it, including the reasons for its omission from the budget.

8 \* Sec. 14. AS 37.07.120 is amended by adding new paragraphs to read:

9 (7) "office" means the Alaska office of management and  
10 budget established in the Office of the Governor by AS 44.19.141;

11 (8) "capital projects and capital improvements" mean an  
12 operation or project, including an anticipated life  
13 exceeding one year and a cost exceeding \$25,000 and including  
14 the cost of construction, capital improvement, engineering and  
15 design for the project, and equipment and repair costs.

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18 [DIVISION OF POLICY DEVELOPMENT AND PLANNING].

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21 Governor the Alaska office of management and budget [DIVISION OF  
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Levy  
2/22/84

Original sponsor: Finance Committee

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IN THE HOUSE

BY THE FINANCE COMMITTEE

CS FOR HOUSE BILL NO. 648 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to the definition of capital projects under the Executive Budget Act; and providing for an effective date."

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

\* Section 1. AS 37.07.120(4) is amended to read:

(4) "capital projects" and "capital improvements" mean an allocation or appropriation item for an asset with an anticipated life exceeding one year [AND A COST EXCEEDING \$25,000] and include land acquisition, construction, structural improvement, engineering and design for the project, and equipment and repair costs that exceed \$15,000.

\* Sec. 2. This Act takes effect immediately in accordance with AS 01.-10.070(c).

Introduced: 2/13/84  
Referred: Finance

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2

HOUSE BILL NO. 648

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to the definition of capital pro-  
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12 exceeding one year [AND A COST EXCEEDING \$25,000] and include land  
13 acquisition, construction, structural improvement, engineering and  
14 design for the project, and equipment and repair costs that exceed  
15 \$15,000.



STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

(Page 1 of 2)

**REQUEST**

Bill/Resolution No.: HB 649  
Title: Minimum benefit under TRS

**FISCAL DETAIL**

Agency Affected: Dept. of Educ., U of A  
Program Category Affected: TRS

Sponsor: Bettisworth  
Requestor: \_\_\_\_\_  
Date of Request: \_\_\_\_\_

BRU, Program or Subprogram(s) Affected: \_\_\_\_\_

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

Operating	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
100 Personal Svcs		13.0				
100 Rtmnt & Bnfts		146.5	158.3	170.9	184.6	199.4
200 Travel						
300 Contractual						
400 Supplies						
500 Equipment						
600 Land & Struct						
700 Grants, Claims						
700 TRS Match		872.5	942.3	1,017.7	1,099.1	1,187.0
<b>TOTAL OPERATING</b>		<b>1,032.0</b>	<b>1,100.6</b>	<b>1,188.6</b>	<b>1,283.7</b>	<b>1,386.4</b>

<b>CAPITAL</b>						
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<b>REVENUE</b>						
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**FUNDING: (Thousands of Dollars)**

General Fund	-0-	1,032.0	1,100.6	1,188.6	1,283.7	1,386.4
Federal Funds						
Other						
<b>Total</b>						

**POSITIONS:**

Full-Time						
Part-Time						
Temporary		1				

**SOURCE OF FUNDS TO OFFSET IMPACT OF BILL:**

**ANALYSIS:** Attach a separate page for analysis

Prepared By: J.K. Humphreys, Director Phone: 465-4460  
Division: Retirement & Benefits Date: 4-9-84

Approved by Commissioner: Lisa Rudd Date: 4/10/84  
Agency: Department of Administration

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

House Bill 649  
Fiscal Note Analysis  
Prepared by the Division of Retirement & Benefits  
Department of Administration

April 9, 1984

IV Analysis: We have assumed that this bill would affect 439 TRS members by increasing their benefit by \$10 per month for each year of service. We have calculated that passage of this bill will increase the state's contribution rate by .23% and the TRS State Match by .23%. The present value of these costs is \$19,730,000.00 and would result in a decrease in the funding ratio of 2.46%.

The estimated FY 85 State TRS salaries are \$63,713,500.00 and the total estimated TRS State Match salaries are \$379,349,200.00.

We have also estimated that efforts of researching and correcting the current minimum benefit recipients and those newly qualifying recipients would involve approximately 500 hours at a one year cost of \$13,000.00.

Introduced: 2/13/84  
Referred: Health, Education and  
Social Services and Finance

1 IN THE HOUSE

BY BETTISWORTH

2

HOUSE BILL NO. 649

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to the minimum monthly retirement  
7 benefit under the Teachers' Retirement System; and  
8 providing for an effective date."

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

10 \* Section 1. AS 14.25.110(g) is amended to read:

11 (g) A member who is eligible for a service retirement salary  
12 under this chapter or under the Retirement Act of 1945 is entitled to  
13 a benefit of at least \$35 [\$25] per month for each year of credited  
14 service, excluding adjustments made under AS 14.25.142 or 14.25.143.  
15 If the member elected option two under AS 14.25.063(b)(2) for payment  
16 of any indebtedness when the member initially applied for a retirement  
17 benefit, or if the member elected to receive an early retirement  
18 benefit under (b) of this section, the resulting benefit reduction  
19 continues in effect.

20 \* Sec. 2. This Act takes effect July 1, 1984.



ALASKA STATE LEGISLATURE  
HOUSE OF REPRESENTATIVES  
RESEARCH AGENCY

Pouch Y, State Capitol  
Juneau, Alaska 99811  
(907) 465-3991

April 24, 1984

MEMORANDUM

TO: Representative Bob Bettisworth

FROM: David Teal *Teal*  
Legislative Analyst

RE: Teachers Retirement System  
Reserch Request 84-091 (Supplemental Information)

On your behalf, Ralph Bennett requested an analysis of information presented by the Division of Retirement and Benefits to determine if that information is accurate and representative. Specifically, he requested that we review (1) an example of retirement benefits presented at an earlier committee hearing on HB 649 and (2) the fiscal note on the bill. Ralph also requested a clarification of technical information on the justification for an increase in the minimum retirement payment.

A Comparison of Retirement Benefits

Ralph Bennett cited an example (provided by the Division of Retirement and Benefits) in which a person who retired in 1965 at an average annual salary of \$21,000 would receive greater benefits than a recent retiree with an average salary of \$32,000 per year. When Ralph and I spoke yesterday, I pointed out that the example was accurate but was not typical for the following reasons.

- The salary is relatively high. A \$21,000 salary in 1965 is equivalent to a current salary of about \$57,000. The average current salary of teachers in Alaska is less than \$40,000 per year.
- The \$21,000 final salary is the highest salary which would be affected by HB 649.
- The retirement date is earlier than that of the typical retiree. Post Retirement Payment Adjustments (PRPAs) more adequately compensate for inflation for those who retired prior to the inflation of the 1970s.

I discussed these points with Bob Stalnacker, the Deputy Director of the Division of Retirement and Benefits. He admitted that the example was not representative of the "typical retiree" but pointed out that the purpose of the example was to show the inequity of using the minimum benefit amount as a means of compensating retirees for loss of purchasing power since the time of retirement. That point might have been made more clearly if the time element had been omitted. For example; a retiree with a final average salary of \$15,000 or less is now eligible for basic benefits of \$25 per month for each year of service and a retiree with a salary of \$21,000 is eligible for \$35 per month. Under HB 649, the retiree with the lower salary would get the same \$35 benefit (before PRPAs) as the retiree with the higher salary. That is, the retiree with the higher salary (and presumably greater contributions to the system) does not benefit from HB 649 despite suffering equal erosion of the purchasing power of the benefits.

The table below shows the effect of HB 649 on the basic retirement benefits of retirees at several salary levels. The benefit amounts do not include PRPAs or cost-of-living adjustments and are presented as annual benefits per year of service. The table shows that only those retirees with a final average salary of less than \$21,000 are affected by HB 649. The Division of Retirement and Benefits estimates that 439 retirees will be affected by the bill.

Basic Annual Benefits per Year of Service  
under the Alaska Teachers Retirement System

<u>Final Average Annual Salary</u>	<u>Current Benefits</u>	<u>Benefits under HB 649</u>	<u>Percent Increase</u>
\$12,000	\$300	\$420	40%
15,000	300	420	40
18,000	360	420	17
21,000	420	420	0
24,000	480	480	0
40,000	800	800	0

Prepared by the House Research Agency, 4/84.

The Fiscal Note for HB 649

The fiscal note appears to be a reasonable projection of the cost of implementing HB 649. Contributions to the Teachers' Retirement System (TRS) are from three sources: (1) members contribute seven percent of their salaries; (2) employers pay one-half of the remaining costs; and (3) the State matches contributions by employers. The fiscal note includes a one-time cost of \$13,000 to implement the provisions of HB 649. Additional personal service costs reflect the employer's share of the cost of funding the increase in benefits.<sup>1</sup> The State matches all employer contributions--including those made by the State in its position as an employer--with contributions from the General Fund. Those contributions are shown on line 700 (TRS Match) of the fiscal note.

A Clarification of Adjustment for Inflation

In the memorandum delivered to you on April 10, the Anchorage Consumer Price Index (CPI) was used to determine the current purchasing power of the minimum benefit payments under the Teachers Retirement System. The discussion below should clarify the information presented in that memorandum.

The CPI inflator is determined by dividing the current CPI by the CPI in a past period. It is used to determine the purchasing power of past dollar values. For example, the CPI in January of 1984 was 271.5 and the CPI in January of 1975 was 142.9. The CPI inflator is therefore 1.90 (271.5 divided by 142.9), which means that a current payment of \$38 (1.90 times \$20) would be required to achieve the same purchasing power that was attributable to the \$20 minimum benefit amount in 1975. The purchasing power of minimum benefit levels in other years are shown in the table below.

<u>Year</u>	<u>Minimum Monthly Benefit</u>	<u>CPI Price Inflator</u>	<u>1984 Purchasing Power</u>
1974	\$15	2.16	\$32.42
1975	20	1.90	38.00
1980	25	1.26	31.44
1984	25	1.00	25.00

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<sup>1</sup>Some employees of the University of Alaska and the Department of Education are eligible for benefits under TRS. The costs shown on line 100 (Rtmnt and Bnfts) are the additional contributions the State will make to the retirement fund on the behalf of these employees.

Representative Bettisworth  
April 24, 1984  
Page 4

The table shows that a minimum benefit level of \$35 would make the current purchasing power of the minimum benefit level approximately equal to the purchasing power of the minimum benefit payable in the mid 1970s.

\* \* \*

I hope this information has been useful. If we can be of further assistance, please call.



# NEA-ALASKA

AFFILIATED WITH THE NATIONAL EDUCATION ASSOCIATION

## ANCHORAGE REGIONAL OFFICE

1411 W. 33RD  
ANCHORAGE, ALASKA 99503  
(907) 274-0536

## JUNEAU OFFICE

147 S. FRANKLIN #207  
JUNEAU, ALASKA 99801  
(907) 586-3090

## FAIRBANKS REGIONAL OFFICE

2118 CUSHMAN STREET  
FAIRBANKS, ALASKA 99701  
(907) 456-4435

April 24, 1984

TO: Representative Al Adams, Chair  
Members, House Finance Committee

RE: HOUSE BILL NO. 649

"An Act relating to the minimum monthly retirement benefit under the Teachers' Retirement System; and providing for an effective date."

NEA-Alaska supports this legislation and strongly urges favorable action by the Committee.

Admittedly there is a cost component to be considered as a part of the debate on this legislation. We are hopeful, however, that the Committee will look more favorably upon the fact that this legislation addresses a real economic need for a finite number of retirees whose fixed income has not kept pace with the adverse effect of inflation.

This legislation provides meaningful financial assistance to approximately 439 retirees, less than one-third of the total number of retired teachers. This particular group of retirees retired well before the inflationary spiral impacted their active teaching salaries. Therefore, their retirement income does not and probably will not ever meet the current costs of living.

Thank you for your consideration of this very important issue.

Respectfully submitted,

Robert Manners  
Executive Secretary

RM3:41

Alaska State Legislature



POUCH V  
JUNEAU, ALASKA 99811

REPRESENTATIVE  
ROBERT H. "BOB" BETTISWORTH

211 CUSHMAN STREET  
FARBANKS, ALASKA 99701

April 10, 1984

M E M O R A N D U M

To: Representative Mae Tischer, Chair, House HESS Committee

From: Rep. Bob Bettisworth *RHB*

Subject: HB649, "An Act relating to the minimum monthly retirement benefit under the Teachers' Retirement System; and providing for an effective date."

It has become evident that TRS retirement benefits have not kept up with inflation. This has resulted, for the most part, from the failure of post retirement pension adjustments to keep pace with actual inflation. In an attempt to partially redress this problem HB649 proposes to raise the current statutorial minimum TRS benefit for retirees under the system from \$25/month/year to \$35/month/year. The cost of this increase for those receiving minimum benefits would have to be borne by the state through increased annual appropriations to the TRS match.

The TRS system had no minimum or floor level for retirees until 1973 when a \$200 minimum benefit per month was provided. In 1974 this was changed to \$15/month/year of service and in 1975 the per month per year minimum was raised again to \$20. The \$20 floor remained in effect until it was raised to \$25 in 1980 and it remains at that level today. DOA, Division of Retirement and Benefits has estimated that the number of retirees affected by the increased benefit would be 439.

In calculating what an appropriate increase would be the Anchorage CPI was used keeping in mind the changes over time since the first per month per year based floor was installed in 1974. A figure based on the amount of CPI change since the 1975 adjustment to \$20/month/year was also calculated. Based on these two scenarios, a median figure of \$35 was selected bearing in mind that the numbers were based on calculations of inflation only through January 1, 1984.

Post Retirement  
Pension Adjustments

<u>PERS</u>		<u>INFLATION*</u>	<u>TRS</u>	
			7-1-67	1.5%
1-1-68		2.6%**	7-1-68	1.5%
1-1-69	1.5%	4.4%**	7-1-69	1.5%
1-1-70	1.5%	3.9%**	7-1-70	1.5%
1-1-71	1.5%	3.8%	7-1-71	1.5%
1-1-72		3.1%	7-1-72	1.5%
1-1-73	2.5%	2.6%	7-1-73	1.5%
1-1-74	3.0%	3.9%	7-1-74	3.0%
1-1-75		11.3%	7-1-75	
1-1-76		14.8%	7-1-76	
1-1-77		7.2%	7-1-77	10% ***
1-1-78	4.0%	7.6%	7-1-78	4.0%
1-1-79	4.0%	6.3%	7-1-79	4.0%
1-1-80	4.0%	10.0%	7-1-80	4.0%
7-1-81	4.0%	10.1%	7-1-81	4.0%
7-1-82	4.0%	7.7%	7-1-82	4.0%
7-1-83		7.1%	7-1-83	

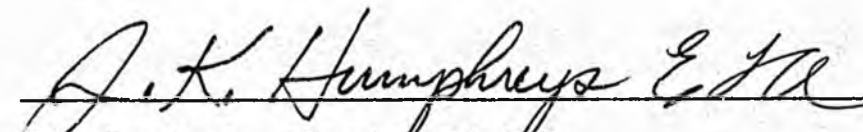
\*converted from Anchorage CPI (only for 1971 on).  
 \*\*these percentages were furnished by Dept. of Labor  
 \*\*\* legislatively determined

Position Paper

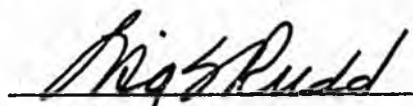
HB 649

The Department of Administration opposes this bill. The new minimum benefit would be paid to any retiree who retired with less than a \$21,000 annual salary for their high three years. The adjustment under this bill would be made and then any post retirement pension adjustments which had been granted would be added. For example, the minimum benefit under this bill granted to a member who retired in 1965 would, when combined with post retirement pension adjustments, yield a total benefit equivalent to that of a person retiring today with a final salary of \$31,966.44. This seems excessive for a minimum benefit. Those retirees who have been retired longer would benefit more because of the addition of post retirement pension adjustments.

The Department feels that the current minimum benefit provision when coupled with post retirement pension adjustments is adequate.

  
\_\_\_\_\_  
J.K. Humphreys, Director, Division of Retirement & Benefits

4/9/84  
Date

  
\_\_\_\_\_  
Commissioner Lisa Rudd, Department of Administration

4/10/84  
Date

### Minimum Eligibility For Normal Retirement

Most public retirement systems require a combination of age and service credit to qualify for normal (unreduced) retirement benefits. Basic requirements in the Alaska systems are:

PERS                      Age 55 and vested or any age with  
30 years of service.

PERS-P/F                Age 55 and vested or any age with  
20 years of P/F service.

TRS                        Age 55 and vested or any age with  
20 years of membership service.

EPORS                    Age 60 and vested.

JRS                        Age 60 and vested.

### Retirement Benefit Formula

Most retirement systems use a straightforward formula which uses a benefit multiplier, years of service, and salary. The exact meaning of salary is important and varies from system to system.

PERS                      (2%) X (years of service) X (salary)

PERS-P/F	(2%) X (years of service) X (salary) for years 1-10 plus (2½%) X (years of service) X (salary) for all years greater than 10
TRS	(2%) X (years of service) X (salary)
EPORS	(5%) X (years of EPORS service) X (salary) plus (2%) X (years of other service) X (salary)
JRS	(5%) X (years of service) X (salary)

Employee Contribution Rate

Employee contribution rates for the Alaska systems are as follows:

PERS	4.25%
PERS-P/F	5%
TRS	7%
EPORS	7%
JRS	7% <u>only</u> for judges appointed on or after 7/1/78

EMPLOYEES RETIREMENT SYSTEM / TEACHERS' RETIREMENT SYSTEM / JUDICIAL RETIREMENT SYSTEM / ELECTED PUBLIC OFFICIALS RETIREMENT SYSTEM / NATIONAL GUARD RETIREMENT SYSTEM  
 A COMPARISON - MAY, 1983

	PO/F	<u>PERS</u> All Other	<u>TRS</u>	<u>JRS</u>	<u>EPORS</u>	<u>NGRS</u>
MULTIPLIER	2% on years 1-10 2 1/2% on years over 10	2%	2%	5%	5% membership 2% other creditable service	\$100.00 x no. of months NGRS service
VESTING	5 years	5 years	8 years	5 years	5 years	5 NG out of 20 MIL
RETIREMENT	55 w/5 years service OR 20 years PO/F service	55 w/ 5 years service OR 30 years service	55 w/8 years membership service; OR 5 years membership service and 3 years AK BIA; OR 15 years credited service if hired prior to 7/1/75, last 5 years membership service; OR at any age: 20 years membership service; OR 20 years combined mem- bership and AK BIA, last 5 years membership service; OR 25 years credited service, last 5 years membership service.	60 w/ 5 years service	60 w/ 5 years service	N/A
	55 w/2 years service if if vested in the PERS	55 w/2 years service if vested in the TRS	55 w/2 years membership service if vested in the PERS	N/A	N/A	N/A
EMPLOYEE CONTRIBUTION RATE	5%	4.25%	7%	7% for Judges hired after 7/01/78; 0% for Judges hired before 7/01/78	7%	N/A
	22.36% consolidated rate; FY 83	12.71% consolidated rate; FY 83	8.45%; FY 83	104.78%; FY 83 and FY 84	Unfunded System, Annual Appropriation	Funded System, \$1,202,000 FY 83 and FY 84
BUY IN OR OTHER SERVICE CREDITABLE	Military (max. of 5 years)  Territorial Service (must have 3 years service w/State after 1961)  Temporary Service	Military (max. of 5 years)  Territorial Service (must have 3 years service w/State after 1961)  Temporary Service	Military (max. of 5 years)  Outside (max. of 10 years; military & outside not to exceed 10 years)  AK BIA (no max.)	Magistrate Pre 7/01/67  N/A  N/A	PERS Covered Employment	N/A
COLA	10% (or \$50.) if domiciled in AK	10% (or \$50.) if domiciled in AK	10% if domiciled in AK	NO	NO	NO
ANNUAL ADJUSTMENTS	Ad Hoc	Ad Hoc	Ad Hoc	Benefits Increase with Last Position's Salary Increase	Benefits Increase With Last Positions Salary Increase	NO
	Yes	Yes	Yes	Yes	Yes	NO

Appendix I

Introduced: 2/13/84  
Referred: Health, Education and  
Social Services and Finance

1 IN THE HOUSE

BY BETTISWORTH

2

HOUSE BILL NO. 649

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to the minimum monthly retirement benefit under the Teachers' Retirement System; and providing for an effective date."

7

8

9

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

10

\* Section 1. AS 14.25.110(g) is amended to read:

11

(g) A member who is eligible for a service retirement salary

12

under this chapter or under the Retirement Act of 1945 is entitled to

13

a benefit of at least \$35 [\$25] per month for each year of credited

14

service, excluding adjustments made under AS 14.25.142 or 14.25.143.

15

If the member elected option two under AS 14.25.063(b)(2) for payment

16

of any indebtedness when the member initially applied for a retirement

17

benefit, or if the member elected to receive an early retirement

18

benefit under (b) of this section, the resulting benefit reduction

19

continues in effect.

20

\* Sec. 2. This Act takes effect July 1, 1984.

COMMITTEE REPORT

HOUSE

(11)

FURTHER:

3/22/84

Date: 3-28-84

The Committee on FINANCE has had HB 650

"An Act making special appropriations for certain state loan and grant programs; and providing for an effective date."

under consideration and recommends:

- do pass  do not pass
- do pass with attached amendments(s)
- replace with CS for HB 650 (1000)  same title  
 new title
- and recommends DO PASS
- AND attaches a "Letter of Intent"  New Fiscal Note
- reports it back without recommendation  Zero Fiscal Note Attached
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

Robert P. Adams

[Signature]

T.H. [Signature]

Walt Furnace

[Signature] (with necessary section 2)

[Signature]

MILD H. FAIR

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

[Signature] - NO ACC.

[Signature] - DO PASS HB 650

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Robert P. Adams  
CHAIRMAN

Offered: 3/22/84  
Referred: Finance

Original sponsor: House Special Committee  
on State Loans

Funding Information

General Fund	\$152,000,000
Other Funds	500,000
	<u>\$152,500,000</u>

BY THE HOUSE SPECIAL  
COMMITTEE ON STATE LOANS

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 650 (Loans)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making special appropriations for certain  
7 state loan and grant programs; and providing for an  
8 effective date."

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

10 \* Section 1. The sum of \$16,000,000 is appropriated from the general  
11 fund to the Alaska housing finance revolving fund (AS 18.56.082).

12 \* Sec. 2. The sum of \$45,000,000 is appropriated from the general fund  
13 to the housing assistance loan fund in the Department of Community and  
14 Regional Affairs for non-conforming, rural, and non-owner occupied housing  
15 loans (AS 44.47.360 - 44.47.560) and loans that are subsidized from the  
16 home ownership assistance fund (AS 44.47.382).

17 \* Sec. 3. The sum of \$2,000,000 is appropriate from the general fund  
18 to the division of housing assistance in the Department of Community and  
19 Regional Affairs for a grant from the senior citizens' housing development  
20 fund for the Chugach View Senior Citizen Facility.

21 \* Sec. 4. The sum of \$2,000,000 is appropriated from the general fund  
22 to the division of housing assistance in the Department of Community and  
23 Regional Affairs for a grant from the senior citizens' housing development  
24 fund for the Norton Sound Health Corporation Senior Citizen Facility at  
25 Nome.

26 \* Sec. 5. The sum of \$7,000,000 is appropriated from the general fund  
27 to the division of housing assistance in the Department of Community and  
28 Regional Affairs for grants from the senior citizens' housing development  
29 fund.

1 \* Sec. 6. The sum of \$9,500,000 is appropriated from the general fund  
2 to the division of investments, Department of Commerce and Economic Devel-  
3 opment, for the following purposes in the following amounts:

4	alternative technology and energy loan	
5	program (AS 45.88)	\$1,000,000
6	commercial fishing loan program (AS 16.10.-	
7	300 - 16.10.370)	3,500,000
8	fisheries enhancement loan program	
9	(AS 16.10.500 - 16.10.620)	5,000,000

10 \* Sec. 7. The sum of \$5,000,000 is appropriated from the general fund  
11 to the Department of Natural Resources for loans from the agricultural  
12 revolving loan fund (AS 03.10.040).

13 \* Sec. 8. The sum of \$500,000 is appropriated from the general fund to  
14 the Alaska grain reserve loan fund (AS 03.12.040).

15 \* Sec. 9. The sum of \$60,000,000 is appropriated from the general fund  
16 to the scholarship revolving loan fund (AS 14.40.751) for the student loan  
17 program.

18 \* Sec. 10. The sum of \$500,000 in federal program receipts for student  
19 loans and schlarships is appropriated to the scholarship revolving loan  
20 fund (AS 14.40.751) for the student loan program.

21 \* Sec. 11. The sum of \$5,000,000 is appropriated from the general fund  
22 to the Department of Community and Regional Affairs for grants from the low  
23 cost and low income multiple family housing development fund (AS 44.47.-  
24 635).

25 \* Sec. 12. The appropriations made by this Act are for the capitaliza-  
26 tion of loan and grant funds and do not lapse in accordance with AS 37.-  
27 25.010.

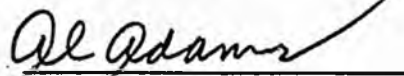
28 \* Sec. 13. This Act takes effect immediately in accordance with AS 01.-  
29 10.070(c).

## HOUSE JOURNAL

HOUSE FINANCE COMMITTEE  
LETTER OF INTENT  
FOR  
COMMITTEE SUBSTITUTE FOR HOUSE BILL 650 (LOANS)

It is the intent of the Legislature that the department give priority consideration under the Alternative Technology and Energy Loan program to loan requests that evidence the greatest potential for energy savings to the applicant and the State. It is further intended that forty percent of the loan funds shall be reserved for use in areas that are not connected to a power grid or have a rate in excess of 20¢/kwh, notwithstanding or including the power cost assistance programs. In general, loan requests shall be approved based on the following priority list:

1. Solar electric generation equipment, including photoelectric cells systems;
2. wind systems;
3. hydroelectric systems;
4. woodstoves with catalytic converters and catalytic converters for woodstoves;
5. multifuel systems;
6. passive solar systems, including solar heating units and sun spaces; and
7. active solar systems, including solar collectors.

  
\_\_\_\_\_  
Al Adams, Chairman  
House Finance Committee

HB 650

LETTER OF INTENT

IT IS THE INTENT OF THE LEGISLATURE THAT THE DEPARTMENT GIVE PRIORITY CONSIDERATION UNDER THE ALTERNATIVE TECHNOLOGY AND ENERGY LOAN PROGRAM TO LOAN REQUESTS THAT EVIDENCE THE GREATEST POTENTIAL FOR ENERGY SAVINGS TO THE APPLICANT AND THE STATE. IT IS FURTHER INTENDED THAT FORTY PERCENT OF THE LOAN FUNDS SHALL BE RESERVED FOR USE IN AREAS THAT ARE NOT CONNECTED TO A POWER GRID OR HAVE A RATE IN EXCESS OF 20¢/KWH. IN GENERAL, LOAN REQUEST SHALL BE APPROVED BASED ON THE FOLLOWING PRIORITY LIST:

1. SOLAR ELECTRIC GENERATION EQUIPMENT, INCLUDING PHOTOELECTRIC CELLS SYSTEMS;
2. WIND SYSTEMS;
3. HYDROELECTRIC SYSTEMS;
4. WOODSTOVES WITH CATALYTIC CONVERTERS AND CATALYTIC CONVERTERS FOR WOODSTOVES;
5. MULTIFUEL SYSTEMS;
6. PASSIVE SOLAR SYSTEMS, INCLUDING SOLAR HEATING UNITS AND SUN SPACES; AND
7. ACTIVE SOLAR SYSTEMS, INCLUDING SOLAR COLLECTORS.

LOANS BUDGET SUMMARY  
(Stated in Thousands \$)

DEPARTMENT/Program	FY 84 Adjusted	FY 85 Governor	FY 85 Governor Amended	FY 85: HB 650	FY 85: CSHB 650 (Loans)
<b>COMMERCE AND ECONOMIC DEVELOPMENT</b>					
Fisheries Enhancement	6,500.0	0.0	5,335.0	0.0	5,000.0
Commercial Fishing	9,091.0	3,500.0	3,500.0	3,500.0	3,500.0
Alt. Tech & Energy	2,400.0	5,100.0	5,100.0	2,400.0	1,000.0
Rural Electrification	1,000.0	1,000.0	1,000.0	1,000.0	0.0
Power Project Fund					
Seward	0.0	0.0	0.0	0.0	0.0
Homer	0.0	0.0	0.0	0.0	0.0
Thorne Bay	0.0	0.0	275.0	0.0	0.0
Craig/Klawock	0.0	0.0	1,110.0	0.0	0.0
DEPARTMENT TOTAL	<u>18,991.0</u>	<u>9,600.0</u>	<u>16,320.0</u>	<u>6,900.0</u>	<u>9,500.0</u>
<b>EDUCATION</b>					
Student Loan Program	60,000.0	65,450.0	65,450.0	60,000.0	60,000.0
Student Loan					
Federal Receipts	850.0	500.0	500.0	500.0	500.0
DEPARTMENT TOTAL	<u>60,850.0</u>	<u>65,950.0</u>	<u>65,950.0</u>	<u>60,500.0</u>	<u>60,500.0</u>
<b>NATURAL RESOURCES</b>					
Agricultural RLF	10,000.0	13,000.0	11,622.2	5,000.0	5,000.0
Grain Reserve Fund	1,582.4	1,000.0	500.0	500.0	500.0
DEPARTMENT TOTAL	<u>11,582.4</u>	<u>14,000.0</u>	<u>12,122.2</u>	<u>5,500.0</u>	<u>5,500.0</u>

**LOANS BUDGET SUMMARY**  
 (Stated in Thousands \$)  
 ( continued )

DEPARTMENT/Program	FY 84 Adjusted	FY 85 Governor	FY 85 Governor Amended	FY 85: HB 650	FY 85: CSHB 650 (Loans)
<b>REVENUE</b>					
Alaska Housing Finance Corporation					
Special Mortgage	6,801.0	71,000.0	0.0	40,000.0	0.0
Mobile Home Loans	0.0	34,000.0	0.0	0.0	0.0
Revolving Fund	0.0	0.0	16,000.0	0.0	16,000.0
Home Ownership	42,250.0*	0.0	0.0	22,000.0	0.0
DEPARTMENT TOTAL	49,051.0	105,000.0	16,000.0	62,000.0	16,000.0
<b>COMMUNITY AND REGIONAL AFFAIRS</b>					
Housing Assistance Loan Fund	45,000.0	65,000.0	65,000.0	45,000.0	45,000.0
Chugach View Srs.	10,000.0	0.0	0.0	2,000.0	2,000.0
Norton Sound Srs.	0.0	0.0	0.0	0.0	2,000.0
Statewide Senior Citizen Housing	0.0	0.0	0.0	7,000.0	7,000.0
Low cost/Low income Multiple family	0.0	0.0	0.0	2,000.0	5,000.0
DEPARTMENT TOTAL	55,000.0	65,000.0	65,000.0	56,000.0	61,000.0
<hr/>					
<b>TOTALS</b>	<b>\$195,474.4</b>	<b>\$259,550.0</b>	<b>\$175,392.2</b>	<b>\$190,900.0</b>	<b>\$152,500.0</b>

\*This figure includes:

22,750.0 GF

16,500.0 from Small Business Loan Program

2,700.0 from Tourism Revolving Loan Program

# STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

HOUSING ASSISTANCE DIVISION

BILL SHEFFIELD, GOVERNOR

REPLY TO:  949 E. 36TH AVENUE, SUITE 400  
ANCHORAGE, ALASKA 99508  
PHONE: (907) 561-0900

POUCH B  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-2267

P.O. BOX 10041  
DILLINGHAM, ALASKA 99576  
PHONE: (907) 842-2245

P.O. BOX 280  
KOTZEBUE, ALASKA 99752  
PHONE: (907) 442-3675

P.O. BOX 348  
BETHEL, ALASKA 99559  
PHONE: (907) 543-3864

1514 CUSHMAN STREET, ROOM 210  
FAIRBANKS, ALASKA 99701  
PHONE: (907) 452-4468

P.O. BOX 41  
NOME, ALASKA 99762  
PHONE: (907) 443-2855

STATEWIDE TOLL FREE  
PHONE: ZENITH 4585

March 28, 1984

The Honorable Rick Uehling  
Representative  
Alaska State Legislature  
Pouch V  
Juneau, AK 99811

Dear Representative Uehling:

At the request of your aide, Mr. David Cobb, I am telecopying you the following information on State Assisted Rental Housing Development Grant funds. Also known as low-cost, low-income multifamily housing grants, this program became effective January 1, 1984. A total of \$5,000,000 was appropriated last year to begin the program. On March 1, 1984, two grants were awarded totalling \$3.3 million. These were for \$700,000 to the Municipality of Anchorage for purchase of the S & S Apartment site from HUD and \$2,600,000 to Alaska Housing Ministries for the development of low cost, low income housing in Anchorage. Funds were insufficient to finance any other complete projects this year. The sum of \$200,000 was set aside for planning grants for the remainder of FY 84. From the planning grant funds, two eligible applicants are now under review. One is in the City of Fairbanks through Alaska Housing Ministries, the second is in the City of St. Paul through the City itself.

A total of \$1,500,000 remains in the fund. It is anticipated that the Alaska Housing Ministries will reapply for the City of Fairbanks project in the amount of \$2,800,000 during the next round of applications in August of this year. To fund the Fairbanks project, the \$1,500,000 FY 84 balance would be utilized as well as a \$1,300,000 commitment from FY 85 funds.

In HB 691, the Legislature appropriated \$1,580,000 for this program. If the \$5,000,000 request in HB 650 is funded for FY 85, requests for proposals would be solicited on the remaining \$3,700,000, plus the \$1.580 million. We presume a proposal would be received from the City of St. Paul. We also anticipate a second proposal from Anchorage for a location

The Honorable Rick Uehling  
RE: Low Cost, Low Income Housing  
March 28, 1984  
page two

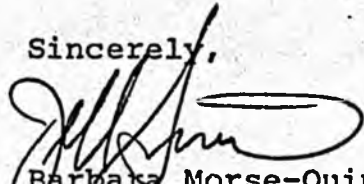
in the Northeast part of town. It is unknown at this time what other communities or groups might apply, but as the funds are awarded on competitive bid, any completed application will be considered.

I hope this letter provides you with sufficient information to solidify FY 85 funds for this program. Although it is a new effort on the part of the State, it can be used to leverage ASHA bonds and new HUD funds that should be available after October 1, 1984 nationwide. It is an effective program and one worthy of your support.

Please contact me directly if you wish any further information on the program.

Thank you.

Sincerely,

*for*   
Barbara Morse-Quinn  
Director

cc: Representative Al Adams  
Jeff Smith  
Nadine Winters  
Dick Pryor

LAHFC

Alaska HOUSING FINANCE CORPORATION



March 2, 1984

The Honorable Rick Uehling  
Chairman, House Special  
Committee on Loans  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

CS HB 650  
Sec. 1

Dear Chairman Uehling:

The Corporation has completed a review of the anticipated mortgage loan financing activity for FY '85 and related subsidy requirements. The initial capital budget request was based generally upon information available as of June 30, 1983, and indicated \$105 million would be necessary to continue to operate the Special Mortgage Loan Purchase Program and Mobile Home Loan Program through FY '85.

Utilizing updated information through December 31, 1983, and assumptions reflecting current financing plans the total capital budget request is revised to \$16 million. This appropriation should be made to the Alaska Housing Finance Revolving Fund. As the Corporation plans to finance the FY '85 mobile home loan activity through the sale of bonds during FY '84, an appropriation for the Mobile Home Loan Program is not being requested.

The revised budget reflects the deletion of the Home Mortgage Bond Issues pursuant to current federal restrictions as well as a lower overall level of activity with total mortgage and loan commitments projected at \$1.316 billion. Detailed schedules reflecting the current budget assumptions as well as the changes from the original submission are attached as Exhibit A for your review.

If you should have any questions regarding the above or require additional information do not hesitate to contact me.

Sincerely,  
  
Michael S. Lynch  
Executive Director

MSL:de

Enclosures

Revised 2-22-84

ALASKA HOUSING FINANCE CORPORATION  
 SPECIAL MORTGAGE LOAN PURCHASE PROGRAM  
 SUMMARY OF MORTGAGE DEMAND AND PROPOSED BOND FINANCINGS  
 Fiscal Year 1985

(In Millions)

	Estimated Carry-Over From FY '84	Program Repayments And Earnings	Bond Proceeds	Sales Costs	Subsidy	Subsidy Allocation	Estimated Carry-Over To FY '86	Estimated FY '85 Mortgage Demand
Taxable First Mortgage Program State Assisted Mortgage Bonds - Single-Family and Duplex Triplex and Four-plex	\$ 5	\$ 44 25	\$ 575	\$(11)	\$ 149	\$ 15	\$ 100 5	\$ 672 25
First Mortgage Veterans' Program - State Guaranteed Veterans' Bonds	(27)		575	(12)	86		75	547
Mobile Home Loan Bond Program	84						14	70
Taxable Second Mortgage Program - Second Mortgage Bonds	12						10	2
Reserve to Complete Open Series	—	—	—	—	15	(15)	—	—
<b>TOTAL</b>	<u>\$ 74</u>	<u>\$ 69</u>	<u>\$1,150</u>	<u>\$(23)</u>	<u>\$ 250</u>	<u>\$ -</u>	<u>\$ 204</u>	<u>\$1,316</u>

Revised 2/22/84

## ALASKA HOUSING FINANCE CORPORATION

Summary of Mortgage Demand and Proposed Financings  
Fiscal Year 1985

(In Millions)

	<u>Mortgages</u>	<u>Investments</u>	<u>Total</u>
Beginning Balances July 1, 1984	\$ 68.000	\$ 131.000	\$ 199.000
SAM Series G Subsidy Reversion (6/1/85) <i>subsidy funds never used</i>		25.000	25.000
Estimated Earnings of SAM Fund - <i>based on this</i>		10.000	10.000
Mortgage Prepayment Transfers	<68.000>	68.000	---
Available for Subsidy	\$ <u>-0-</u>	\$ <u>234.000</u>	\$ <u>234.000</u>

Estimated Required Subsidy	\$ 250.000
Estimated Subsidy Available (per above)	\$ <u>234.000</u>
FY 86 Required Subsidy Appropriation	\$ <u>16.000</u>

fd8b

2/21/84

## ALASKA HOUSING FINANCE CORPORATION

## Summary of Changes

FY 85 Capital Budget  
Special Mortgage Loan Purchase Program

	<u>As Originally Submitted</u>	<u>As Revised 2/21/84</u>
Carryforward from FY 84	\$ 140	\$ 199
SAM Series G Reversion	25	25
Earnings on SAM Fund	5	10
Adjustment for Mortgages used as Subsidy	<14> <u>156</u>	- <u>234</u>
Total Required Subsidy	<u>227</u>	<u>250</u>
Appropriation	\$ <u>71</u>	\$ <u>16</u>
Bonding and Subsidy Assumptions		
	<u>Bonds</u> <u>Subsidy</u>	<u>Bond</u> <u>Subsidy</u>
Taxable First Mortgage Bonds	\$ 550   \$ 149	\$ 575   \$ 149
Veterans Bonds	700   49	575   86
Home Mortgage Bonds	125   14	
Reserve to Complete Open Series	<u>      </u> <u>15</u>	<u>      </u> <u>15</u>
	<u>\$1,375</u> <u>\$ 227</u>	<u>\$1,150</u> <u>\$ 250</u>
Total Mortgage Loan Demand	<u>\$1,480</u>	<u>\$1,316</u>

fd3f.1a

2/21/84

## ALASKA HOUSING FIANCE CORPORATION

Summary of Changes  
 FY 85 Capital Budgets  
 Special Mortgage Loan Purchase Program

Subsidy As Originally Submitted	\$ 71
<u>Reconciliation to FY 85 Revision 2/21/84</u>	
Decreases due to:	
Increase in estimated carryforward from FY 84	<59>
Increased estimated fund earnings for FY 85	< 5>
Lack of mortgage discounting	<14>
Increase in estimated subsidy pledge requirements (\$250-\$227) for FY 85	<u>23</u>
FY 85 Appropriation	\$ <u><u>16</u></u>

fd3f.2a

2/21/84

## ALASKA HOUSING FINANCE CORPORATION

Summary of Changes - Total Subsidy Requirements  
FY 85 Capital Budgets

Total Subsidy as Originally Submitted		\$ 227
<u>Reconciliation to FY 85 Revision of 2/21/84</u>		
Decreased subsidy ratio - Taxable Bonds (\$550 x .01)	\$ <6>	
Decreased bonding - Taxable	<27>	
Decreased bonding - Veterans (\$125 x .150)	<19>	1
Deletion of Home Mortgage Bonds (\$125 x .158)	19	
Increased subsidy ratio - Veterans (\$700 x .0796)	<u>56</u>	<u>23</u>
Total Subsidy		\$ <u><u>250</u></u>

fd3f.6a

DNR AG Revolving  
CSHB 650  
Sec. 7.

A SPECIAL REPORT ON THE  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF AGRICULTURE  
AGRICULTURAL REVOLVING LOAN FUND

For the Fiscal Year Ended June 30, 1983

Audit Control Number

10-4170-84-S

*See page 11 for  
Balance Sheet  
Pages 33-36 for Response.*

Commissioner, Department of  
Natural Resources

Esther Wunnicke

Deputy Commissioners, Department  
of Natural Resources:

Juneau  
Anchorage

Robert Arnold  
James K. Barnett

Agricultural Revolving Loan Fund Board of Directors

Chairman  
Member  
Member  
Member  
Member

John P. Messenger  
Robert J. Gillas  
Steven K. Hamilton  
Don Breedon  
Dennis D. Green

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## PURPOSE OF THE REPORT

In accordance with the provisions of Title 24 of the Alaska Statutes and a special request of the Legislative Budget and Audit Committee, an examination of the Department of Natural Resources, Division of Agriculture, Agricultural Revolving Loan Fund (ARLF) was conducted to:

1. Determine if the financial statements for the 1983 Fiscal Year are fairly presented.
2. Determine the compliance by the ARLF with the applicable State statutes and regulations governing fiscal activities of the Fund.

## ORGANIZATION AND FUNCTION

ARLF was established by AS 03.10.040 for the purpose of providing low interest financing to individual resident farmers, homesteaders, and partnerships or corporations composed of farmers and homesteaders. Capitalization for ARLF has been made by direct appropriations from the General Fund currently totalling \$52,500,000. Total contributions to ARLF are limited by statute to \$75,000,000.

The Commissioner of the Department of Natural Resources in conjunction with the Agricultural Revolving Loan Fund Board is responsible for the administration of the fund. No loans in excess of \$25,000 may be made by the commissioner without the approval of the majority of the Board. See Appendix A for ARLF loan types and terms.

## FINDINGS AND RECOMMENDATIONS

### Recommendation No. 1

#### Improvement is needed in ARLF loan processing system.

In our prior audits (1978-1982), we made several recommendations which addressed the establishment of policies and procedures to improve ARLF loan processing system. The problems noted during those audits included; incomplete applications, deficiencies in the execution of legal documents, violations of statutory limits, lack of insurance, lack of Board approval, and questionable compliance with residency requirements.

Although ARLF has made improvements in its system and pending regulations should clarify loan processing requirements, we found that the problems noted in prior years still exist. A review of 20 new loan files showed:

1. Eleven of the files reviewed did not have completed applications. Pro forma financial statements and evidence of credit checks were missing.
2. The residency status of two of the borrowers was questionable. One of the borrowers residency status was questioned in our prior audit. However, the borrower was given additional loans although the file does not reflect Alaska residency.
3. Four of the files did not contain properly executed security documents.
4. Nine of the files did not contain evidence of insurance on collateral naming ARLF as loss payee. Additionally, four of the applicable files did not contain evidence of a collateral appraisal.
5. Two of the loans reviewed exceeded allowable loan limits. One loan exceeded the statutory limit by \$27,000 and the other exceeded Board approval by \$665. We also found that two loans exceeded the seven year term established by the Board on chattel loans.

In our opinion, the reoccurrence of these errors supports the need for closer supervision and review of the loan examining and loan closing functions. The importance of perfection cannot be overemphasized in light of ARLF's increasing delinquency rate. As of June 30, 1983, there were 234 loans over 30 days delinquent totalling \$15,497,595 (40%). This represents an increase of \$9,284,941 over Fiscal Year 1982 (see Appendix B for loans over 90 days delinquent).

As the delinquency rate increases the possibility of fore-

## FINDINGS AND RECOMMENDATIONS

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As the delinquency rate increases the possibility of fore-

closure and/or bankruptcy becomes more evident. At that stage, ARLF recovery of the loan balance is based primarily on the adequacy of its loan processing and closing procedures. For instance, if the financing statement securing the collateral pledged by the borrower is not filed timely, ARLF may have to take second position to other creditors in a bankruptcy suit, thereby, jeopardizing its chances of full recovery. More emphasis should be placed on securing and perfecting ARLF's interest in loans during the processing and execution stage.

### Recommendation No. 2

ARLF should improve its communications with the Attorney General's (AG) office.

When the collectibility of a loan is questionable due to severe delinquency, fraud, or other reasons, a copy of the loan file is forwarded to the AG's office for legal action. As of June 30, 1983, sixty-six loans totalling \$2,928,138 had been referred to the AG. In our review of these loans, we found in some cases that the borrower's files were not updated with current legal activity. In many cases, it was difficult to determine when the file was forwarded to the AG's office, and the reason for referral. Inquiries of ARLF staff disclosed that no procedures have been established to formalize AG referrals and follow-ups.

According to the AG's office, processing of files is sometimes delayed as a result of the time required to interpret the file. Information identifying the problems encountered by ARLF with the borrower and the preferred course of action is not readily available.

ARLF, in conjunction with the AG's office, should establish procedures for processing and following-up on loans needing legal action. A loan profile summary should also be developed to include the following:

1. A brief summary of the problems outlining the sequence of events and contact with the borrower.
2. Outstanding loan amounts.
3. Date of last payment.
4. Type of collateral securing the loan(s).
5. Estimate of collectibility (see Recommendation No. 3).
6. Proposed legal action.

The profile summary should be utilized by ARLF staff in file presentations for Board action, and in the transmittal of

loan files to the AG's office. In addition, the loan files should be updated periodically with a status report describing AG action to date.

Recommendation No. 3

ARLF should perform an annual collectibility analysis of its loans receivable.

ARLF's increasing delinquency rate emphasizes the need for an accurate estimation of the allowance account to ensure a fair presentation of loans receivable and loan loss expense in its financial statements.

We recommend that ARLF review all delinquent loan files annually and make an assessment of the outstanding loan amount which is unlikely to be collected. To aid ARLF in this assessment, an aging schedule of loans receivable should be prepared. Aging involves an analysis of each loan to determine the amount not yet due, moderately past due and considerably past due. Classification of the amounts by age (i.e. current, 30 days, 60 days, 90 days, 6 months, etc.) is deemed important because experience has shown that the older the account the higher the probability of uncollectibility. Thus, loans greater than one year past due should be reviewed closely. Consideration should also be given to those loans which were refinanced, reamortized, or extended during the year for inclusion in the analysis.

STATE OF CALIFORNIA  
LEGISLATIVE COUNCIL  
COMMITTEE ON GOVERNMENTAL OPERATIONS  
REPORT

THE CALIFORNIA STATE POLICE  
ANNUAL REPORT FOR 1967

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STATE OF ALASKA

AUDIT DIVISION  
POUCH W—ALASKA OFFICE BUILDING

**THE LEGISLATURE**

BUDGET AND AUDIT COMMITTEE

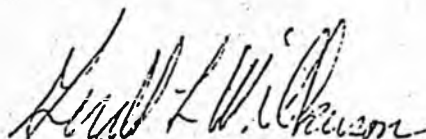
JUNEAU, ALASKA 99811

October 31, 1983

Members of the  
Legislative Budget and Audit Committee:

We have examined the Balance Sheets of the Agricultural Revolving Loan Fund as of June 30, 1983 and 1982, and the related statements of Revenues, Expenses, and Changes in Retained Earnings, and Changes in Financial Position for the years then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Agricultural Revolving Loan Fund as of June 30, 1983 and 1982, and the results of operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principals applied on a consistent basis.



Gerald L. Wilkerson, CPA  
Legislative Auditor  
Division of Legislative Audit

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STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF AGRICULTURE  
AGRICULTURAL REVOLVING LOAN FUND  
COMPARATIVE BALANCE SHEET  
June 30, 1983 and 1982

	<u>1983</u>	<u>1982</u>
<u>Assets</u>		
<u>Current Assets</u>		
Cash in Transit	\$ 429,053	\$ 260,474
Cash in Treasury	16,892,310	11,645,781
Accrued Interest Receivable	2,179,223	1,209,522
Appropriation Receivable	-0-	10,000,000
<u>Total Current Assets</u>	<u>19,500,586</u>	<u>23,115,777</u>
<u>Loans Receivable</u>		
Agricultural Loans Receivable	38,285,019	33,119,263
Irrigation Loans Receivable	324,376	344,946
Subtotal	38,609,395	33,464,209
Less: Loans Sold to State Treasurer	(1,067,664)	(1,203,415)
Allowance for Uncollectible Loans	(2,120,465)	(1,318,675)
Net ARLF Loans Receivable	35,421,266	30,942,119
Loans in Progress	406,677	521,210
Repossessed Property	68,607	44,225
Kodiak Slaughterhouse Loan	133,293	134,451
Alaska Farmers' Cooperative Loan	1,350,000	1,000,000
<u>Total Loans Receivable (Long-Term)</u>	<u>37,379,843</u>	<u>32,642,005</u>
<u>Office Furniture and Equipment</u>		
At Cost	21,429	9,635
Less: Accumulated Depreciation	(3,239)	(2,467)
<u>Total Office Furniture and Equipment</u>	<u>18,190</u>	<u>7,168</u>
<u>Total Assets</u>	<u>\$56,898,619</u>	<u>\$55,764,950</u>
<u>Liabilities and Fund Balance</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 40,490	\$ 65,611
Interest Payable	9,566	6,597
<u>Total Current Liabilities</u>	<u>50,056</u>	<u>72,208</u>
<u>Other Liabilities</u>		
Due to the General Fund	1,483,293	1,134,451
<u>Fund Balance</u>		
Contributions from General Fund	52,500,000	52,500,000
Retained Earnings	2,865,270	2,058,291
<u>Total Fund Balance</u>	<u>55,365,270</u>	<u>54,558,291</u>
<u>Total Liabilities and Fund Balance</u>	<u>\$56,898,619</u>	<u>\$55,764,950</u>

The Notes to the Financial Statements are an integral part of this Statement.



STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF AGRICULTURE  
AGRICULTURAL REVOLVING LOAN FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS  
For the Fiscal Years Ended June 30, 1983 and 1982

	1983	1982
<u>Revenues</u>		
<u>Interest Income</u>		
Agricultural Loans	\$2,028,964	\$1,602,725
Irrigation Loans	12,685	15,809
Kodiak Slaughterhouse Loan	5,342	5,378
<u>Total Interest Income</u>	2,046,991	1,623,912
<u>Other Income</u>	18,369	24,809
<u>Total Revenues</u>	2,065,360	1,648,721
<u>Expenses</u>		
<u>Administrative Expenses</u>		
Loan Losses	803,342	549,054
Personal Services	353,101	277,204
Travel and Per Diem	44,652	30,277
Contractual Services	46,519	35,632
Commodities	9,995	4,324
Depreciation	772	489
<u>Total Expenses</u>	1,258,381	896,980
<u>Net Income</u>	806,979	751,741
<u>Retained Earnings, July 1</u>	2,058,291	1,306,550
<u>Retained Earnings, June 30</u>	\$2,865,270	\$2,085,291

The Notes to the Financial Statements are an integral part of this Statement.

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STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF AGRICULTURE  
AGRICULTURAL REVOLVING LOAN FUND  
COMPARATIVE STATEMENT OF CHANGES IN FINANCIAL POSITION  
For the Fiscal Years Ended June 30, 1983 and 1982

	<u>1983</u>	<u>1982</u>
<u>Sources of Working Capital</u>		
<u>Operations</u>		
Net Income	\$ 806,979	\$ 751,741
<u>Items not Requiring Working Capital</u>		
Depreciation Expense	772	489
Loan Loss Expense	803,342	549,054
<u>Working Capital from Operations</u>	<u>1,611,093</u>	<u>1,301,284</u>
<u>Sale of Repossessed Property</u>	<u>23,618</u>	<u>-0-</u>
<u>Contributions from General Fund</u>	<u>-0-</u>	<u>24,000,000</u>
<u>Total Sources of Working Capital</u>	<u>1,634,711</u>	<u>25,301,284</u>
<u>Uses of Working Capital</u>		
Increase in Repossessed Property	48,000	-0-
Net Increase in Loans Receivable	5,495,580	10,959,384
Decrease in Loans Sold to State Treasurer	135,751	93,005
Loans in Progress	(114,533)	(3,306,352)
Increase in Equipment	11,794	2,862
Increase in Due to the General Fund	(348,842)	-0-
<u>Total Uses of Working Capital</u>	<u>5,227,750</u>	<u>7,748,899</u>
<u>Net Increase (Decrease) in Working Capital</u>	<u>\$ (3,593,039)</u>	<u>\$17,552,385</u>
<u>Elements of Net Increase (Decrease)</u>		
<u>In Working Capital</u>		
<u>Increase (Decrease) in Current Assets</u>		
Cash in Transit	\$ 168,579	\$ 222,324
Cash in Treasury	5,246,529	6,848,068
Accrued Interest Receivable	969,701	539,096
Appropriation Receivable	(10,000,000)	10,000,000
<u>Total Increase (Decrease) in Current Assets</u>	<u>(3,615,191)</u>	<u>17,609,488</u>
<u>(Increase) Decrease in Current Liabilities</u>		
Accounts Payable	25,121	(56,202)
Accrued Interest Payable	(2,969)	(901)
<u>Total (Increase) Decrease in Current Liabilities</u>	<u>22,152</u>	<u>(57,103)</u>
<u>Net Increase (Decrease) in Working Capital</u>	<u>\$ (3,593,039)</u>	<u>\$17,552,385</u>

The Notes to the Financial Statements are an integral part of this Statement.

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STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF AGRICULTURE  
AGRICULTURAL REVOLVING LOAN FUND  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Years Ended June 30, 1983 and 1982

Note 1 - Summary of Significant Accounting Policies of the  
Agricultural Revolving Loan Fund

Alaska Statute 37.05.150 requires accounting policies to be in accordance with generally accepted principles of governmental accounting. The following is a summary of significant policies applicable to the Agricultural Revolving Loan Fund (ARLF), an Enterprise Fund.

A. Basis of Accounting

The ARLF annual financial statements are prepared on an accrual basis of accounting. Accrual accounting provides that:

1. Revenues are reported when earned.
2. Expenses are reported based upon a direct association with specific revenues or when the obligation to pay is incurred.
3. Furniture and equipment is stated at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

B. Interest of Loans

The accrual of interest income on loans is discontinued when, in management's opinion, there is doubt as to the collectibility of such income.

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**THE LEGISLATURE**

BUDGET AND AUDIT COMMITTEE

JUNEAU, ALASKA 99811

October 31, 1983

Members of the  
Legislative Budget and Audit Committee:

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information in Appendixes A and B is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements; and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Gerald L. Wilkerson, CPA  
Legislative Auditor  
Division of Legislative Audit

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APPENDIXES

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APPENDIX A

STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF AGRICULTURE  
AGRICULTURAL REVOLVING LOAN FUND  
TYPE OF LOANS AND TERMS  
For the Fiscal Year Ended June 30, 1983

Loan Types and Terms

As specified by AS 03.10.030, the following six types of loans are made:

<u>Type</u>	<u>Current Limit</u>	<u>Rate</u>	<u>Interest Terms</u>	<u>Purpose</u>
Short-term	\$200,000	Not addressed	1 year	Operation of farm
Chattel		(Note 1)	30 years	Animals, equipment
Farm Development	Total outstanding balance may not exceed \$1,000,000 when added to other loans		30 years	Land, improvements, buildings
Irrigation			30 years	Irrigation equipment
Farm Product Processing	\$250,000	Not less than 8%	30 years	Processing of agricultural products
Land Clearing	\$250,000	Not less than 8%	20 years	Clear land for planting

Note 1: Chapter 113, SLA 1982, effective June 25, 1982, amended the statutory interest rate to not less than eight percent or more than commercial rate, unless the commercial rate is eight percent or less. The Commissioner may establish interest rates for loans within these statutory guidelines.

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APPENDIX B

STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF AGRICULTURE  
AGRICULTURAL REVOLVING LOAN FUND  
SCHEDULE OF DELINQUENT LOANS  
AS OF JUNE 30, 1983

<u>Borrower</u>	<u>Loan Number</u>	<u>Delinquent Balance</u>		
		<u>Over 90 days</u>	<u>6 months To 1 year</u>	<u>Over 1 year</u>
Alamasu	S-1161	\$99,381	\$	\$
	C-875		71,000	
	C-965		2,500	
	F-439		29,000	
	F-458		50,000	
	F-481		100,000	
Alaska Crop	C-750	12,669		
Alaska Fur	S-1151		50,000	
	C-930		90,000	
	F-487		60,000	
Bannon A.	S-1008			80,000
	S-1041			7,000
	S-1051			100,000
	S-1104		13,000	
	C-753			300,000
	F-392			508,012
Bannon J.	S-1058			50,000
	S-1120		55,000	
	S-1148		19,000	
	C-836			300,000
Beaver	S-1068	6,000		
	C-849			84,603
	C-850			21,800
Boyd	S-1113		50,000	
	F-409			44,343
Brasier	F-442		120,901	
Brehmer	C-928		299,934	
	F-475		131,358	

APPENDIX B

STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF AGRICULTURE  
AGRICULTURAL REVOLVING LOAN FUND  
SCHEDULE OF DELINQUENT LOANS  
AS OF JUNE 30, 1983

<u>Borrower</u>	<u>Loan Number</u>	<u>Delinquent Balance</u>		
		<u>Over 90 days</u>	<u>6 months To 1 year</u>	<u>Over 1 year</u>
Carney	F-210	\$	\$ 62,880	\$
	F-281		65,389	
	IR-33		10,915	
Carpenter	S-1012			6,849
Crook	C-943	6,000		
Crowson	S-1127		19,000	
	S-1146		60,650	
	C-860			110,380
	C-867		54,000	
	F-543		83,250	
Daugherty	C-805		19,851	
	F-495			19,664
Delta	S-1101		32,811	
	C-864		16,000	
	C-918		107,460	
DePriest	F-511	43,414		
Ditchen, C.	F-443			500,000
	IR-67			90,000
Ditchen J.	F-444		260,169	
Emery	C-911		36,750	
Engellant	S-1166	75,634		
	C-949	32,000		
Fett	S-1007			114,907
	C-744	34,871		

APPENDIX B

STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF AGRICULTURE  
AGRICULTURAL REVOLVING LOAN FUND  
SCHEDULE OF DELINQUENT LOANS  
AS OF JUNE 30, 1983

<u>Borrower</u>	<u>Loan Number</u>	<u>Delinquent Balance</u>		
		<u>Over 90 days</u>	<u>6 months To 1 year</u>	<u>Over 1 year</u>
Golden Valley	S-1103	\$	\$ 59,055	\$
	C-909		160,000	
	F-438		236,230	
Gordon	S-1157		1,177	
	C-878			3,200
Heather Farms	S-1126		101,000	
	C-917		72,773	
	F-460		119,000	
Heaton	C-1001	168,630		
	F-550	599,994		
Hinns	S-1071			39,000
	S-1136		16,604	
Hohn	S-957			2,700
Ingalls	C-820			40,723
Jacobson	C-951	21,680		
Jenn	C-654	34,441		
	C-767	114,859		
	C-859	38,427		
	C-1002	62,232		
	F-361	166,282		
	F-366	169,184		
Jurgens	F-416			16,062
Karr	S-1037			66,522
	C-743		115,320	
	C-822			37,500

APPENDIX B

STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF AGRICULTURE  
AGRICULTURAL REVOLVING LOAN FUND  
SCHEDULE OF DELINQUENT LOANS  
AS OF JUNE 30, 1983

<u>Borrower</u>	<u>Loan Number</u>	<u>Delinquent Balance</u>		
		<u>Over 90 days</u>	<u>6 months To 1 year</u>	<u>Over 1 year</u>
Keaster	C-765	\$	\$ 52,822	\$
	C-874		21,000	
Kilmurray	S-1006			49,028
	S-1042			20,000
	S-1044			50,000
	C-748			36,000
	C-809			36,938
Kodiak Cattle	S-1156	40,000		
	C-721	220,000		
Lasley	S-1119		162,000	
	S-1133		29,000	
	C-862			36,000
	C-922		8,000	
	F-462		95,000	
Lewis	F-483		220,000	
Lizardi	C-893		10,000	
	F-404		4,491	
Longnecker	C-833		22,361	
	F-407		60,088	
McKee	S-1154	30,000		
	F-504	146,956		
Magee	S-895			16,500
Mead	S-963			5,000
Merry	S-1105		20,000	
	C-854		47,883	
Mitchell	C-863		293,113	

APPENDIX B

STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF AGRICULTURE  
AGRICULTURAL REVOLVING LOAN FUND  
SCHEDULE OF DELINQUENT LOANS  
AS OF JUNE 30, 1983

<u>Borrower</u>	<u>Loan Number</u>	<u>Delinquent Balance</u>		
		<u>Over 90 days</u>	<u>6 months To 1 year</u>	<u>Over 1 year</u>
Muth & Sons	F-252	\$	\$	\$ 67,127
	F-318			113,935
O'Donnell	C-988	8,966		
Olson A.	S-1137		3,500	
Olson M.	S-1032			33,175
	S-1043			5,000
	C-669		5,595	
	C-756			257,784
	F-293	2,325		
	F-377			9,484
	F-398			53,000
Peninsula Greenhouse Inc.	C-948	301,132		
	F-317		181,845	
	F-362			290,059
Porter	F-485		19,034	
Richards	S-1018			15,000
Risse	S-1155	33,297		
Robertson B.	S-1128		26,000	
	C-742			46,649
Sandvik	F-346	21,366		
Saylor	S-1139		80,000	
	C-915		76,037	
	F-470		98,685	
Scweigert	C-817		21,271	
	C-993		20,142	

APPENDIX B

STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF AGRICULTURE  
AGRICULTURAL REVOLVING LOAN FUND  
SCHEDULE OF DELINQUENT LOANS  
AS OF JUNE 30, 1983

<u>Borrower</u>	<u>Loan Number</u>	<u>Delinquent Balance</u>		
		<u>Over 90 days</u>	<u>6 months To 1 year</u>	<u>Over 1 year</u>
Shoen	S-1099	\$	\$ 9,582	\$
Sparks	C-755			4,742
Stratman	S-1075			5,179
Taggo	S-1117		43,915	
Thomas A.	C-636			6,000
Wessel Weiland Farm	S-1056 S-1083			3,000 10,000
Willard	S-997 C-606 C-710 F-360			10,000 32,233 25,701 11,507
<u>Attorney General Referrals:</u>				
Gilliland	F-373 F-731			8,600 43,804
Hartman	F-376			130,324
Joyce	S-1049 C-719			15,000 7,000
Kachelmier	C-668			47,278
Miller T.	S-910 S-941 S-1026 C-648 F-232 F-341			23,386 1,530 52,249 100,000 137,464 10,000

APPENDIX B

STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF AGRICULTURE  
AGRICULTURAL REVOLVING LOAN FUND  
SCHEDULE OF DELINQUENT LOANS  
AS OF JUNE 30, 1983

<u>Borrower</u>	<u>Loan Number</u>	<u>Delinquent Balance</u>		
		<u>Over 90 days</u>	<u>6 months To 1 year</u>	<u>Over 1 year</u>
<u>Attorney General Referrals (continued)</u>				
Nash	S-932	\$	\$	\$15,318
Pedrick	S-859			8,711
	S-867			15,000
Schenk	S-1019			16,296
	S-1118		50,000	
	S-1120		6,500	
	C-766			21,700
	C-793			12,000
	C-811			2,000
	C-837			27,000
	C-843			93,400
	C-885		55,500	
	C-966		6,500	
	F-401			98,500
Smith	F-445		55,000	
	S-918			11,600
Smith	S-928			8,500
	C-661			19,500
	C-682			6,000
Burkett	C-773			5,723
Bearson	S-1219	6,000		
Far North Apiaries	C-684			25,212
OHM	C-512			22,015
	F-220			37,000
	F-228			16,000
	F-244			40,000
	F-266			32,103
	IR-23			79,989

APPENDIX B

STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF AGRICULTURE  
AGRICULTURAL REVOLVING LOAN FUND  
SCHEDULE OF DELINQUENT LOANS  
AS OF JUNE 30, 1983

<u>Borrower</u>	<u>Loan Number</u>	<u>Delinquent Balance</u>		
		<u>Over 90 days</u>	<u>6 months To 1 year</u>	<u>Over 1 year</u>
<u>Attorney General Referrals (continued)</u>				
Schmidt	C-921	\$	\$	\$ 107,500
Spears	S-987			130,316
	S-1076			100,000
	C-663			21,836
	C-717			80,000
	C-803			150,000
	C-823			6,000
	C-899		18,000	
	F-355			30,987
	F-358			35,000
	F-376			27,000
	F-378			22,500
F-405			33,000	
<u>Total</u>		<u>\$2,495,740</u>	<u>\$4,674,861</u>	<u>\$3,126,300</u>

SUMMARY OF DELINQUENT LOANS

<u>Age of Delinquency</u>	<u>Number of Loans</u>	<u>Amount</u>
Over 30 days (not listed above)	42	\$ 5,200,694
Over 90 days	27	2,495,740
6 months to 1 year	69	4,674,861
Over 1 year	96	3,126,300
<u>Total</u>	<u>234</u>	<u>\$15,497,595</u>

BILL SHEFFIELD, GOVERNOR

STATE OF ALASKA  
**DEPARTMENT OF NATURAL RESOURCES**

POUCH M  
JUNEAU, ALASKA 99811  
PHONE: 907-465-2400

OFFICE OF THE COMMISSIONER

February 3, 1984

Mr. Gerald Wilkerson, CPA  
Legislative Auditor  
Pouch W  
Juneau, AK 99811

Re: Preliminary Audit Report  
Agricultural Revolving Loan Fund

Dear Mr. Wilkerson:

I was pleased to see that the Division of Legislative Audit determined that substantial improvements have been made in the ARLF over the last year. I realize that it is imperative that we strengthen procedures as the loan fund increases in capitalization and complexity, and you can be assured that I will personally track the implementation of your recommendations and other changes my staff has recommended.

We have reviewed your findings and offer the following specific comments:

Recommendation No. 1: Improvement is needed in ARLF loan processing system.

1. Eleven of the files reviewed did not have completed applications. Pro forma financial statements and evidence of credit checks were missing.

Of the eleven files in question, we concur that six of the applications should have been more complete. Tighter review procedures and submission deadlines initiated over the last half of the audit period should virtually eliminate this problem in the future.

Five applications are considered complete by ARLF. During the period being audited, the application form was revised. A short form version was approved by the ARLF Board and Director as an acceptable application for borrowers having filed a complete application and financial statement within the previous year. The ARLF manual will be brought up to date to reflect this new procedure over the next 45 days. This should eliminate the problem identified by the auditor.

Our review of these files showed no financial statements missing, but there was one instance which was not written on the application form, but rather was submitted on a separate paper.

February 3, 1984

Credit checks have not been routinely done on existing borrowers in good standing. During the period being audited, credit checks were intermittently ordered on new borrowers if they were not known in the farming community. It is now routine ARLF practice to order credit checks on all new borrowers. Existing borrowers will continue to be checked only if existing loans are delinquent.

2. The residency status of two of the borrowers was questionable. One of the borrower's residency status was questioned in our prior audit. However, the borrower was given additional loans although the file does not reflect Alaska residency.

We concur that two borrowers had questionable residency status at the time of application. One borrower was identified in your last audit as having questionable residency. However, at the time of this application, he was clearly a resident as defined in AS 03.10.020(1). The second borrower did have an Alaska address, but no further documentation.

The ARLF has subsequently obtained the Attorney General's recommendations for proof of residency requirements, established standards for use in determination of residency, and has corrected this problem.

3. Four of the files did not contain properly executed security documents.

We concur that three of the four files had improperly executed security documents. Two of these were subsequently corrected. A procedure was established to file a preliminary security document with UCC showing no serial numbers and then to subsequently refile when actual serial numbers are received. All UCC filings have been now corrected. The fourth file appears to have had security documents properly filed. All security documents are now properly executed. Establishment of a central closing procedure was implemented in the middle of the audit period and should minimize recurrence of this problem.

4. Nine of the files did not contain evidence of insurance on collateral naming ARLF as loss payee. Additionally, four of the applicable files did not contain evidence of a collateral appraisal.

The 1982 audit indicated that ARLF should require proof of insurance on loan collateral, naming ARLF as loss payee. We replied that we prefer to continue to allow the Board the latitude to make its own determination. We still maintain that view. The Board has the authority to require additional coverage such as life insurance when it deems it necessary. However, we believe the decision as to whether insurance should be required on certain types of equipment or buildings should be a prerogative of the Board based upon its knowledge of the loan,

February 3, 1984

location, etc. The ARLF did indicate in the last audit response that criteria would be developed for the insurance decision and that the Board would make a finding in each case. This has not been done consistently. The ARLF board will develop criteria and written policy by April 1, 1984.

Collateral appraisals are generally performed by the loan examiner and are not always considered necessary by the ARLF when other information on estimated value is available. Collateral being appraised, type of appraisal and loan to value ratios are now included on the Board report form.

5. Two of the loans reviewed exceeded allowable loan limits. One loan exceeded the statutory limit by \$27,000 and the other exceeded Board approval by \$665. We also found that two loans exceeded the seven year term established by the Board on chattel loans.

The loan which appeared to exceed the statutory limit by \$27,000 was not an operating loan. The minutes and Board Report both indicate that it was approved as a chattel loan, but it was ordered and closed by the examiner as an operating loan. The file has now been corrected. It does not, in fact, exceed the statutory limit for its proper category.

The two chattel loans made for longer than seven years did not, in fact, violate statutory authority or board policy in effect at the time. However, they were written by staff in excess of the term authorized by the Board for those specific loans. The new central closing system was established to minimize these errors.

Recommendation No. 2: ARLF should improve its communications with the Attorney General's Office.

Prior to the audit, the Board had formulated and implemented procedures similar to those recommended by the auditor. The ARLF Board now instructs the staff to summarize loan status and actions when referrals are made to the Attorney General's Office. We believe these new procedures will resolve the problems identified by the auditor.

Recommendation No. 3: ARLF should perform an annual collectibility analysis of its loans receivable.

In the past, the collectibility analysis of loans was performed as part of the audit. In the future, the ARLF will perform the analysis annually prior to the audit.

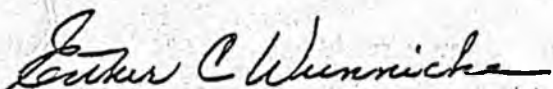
February 3, 1984

Although the recurrence of errors in loan examining and closing procedures is a major concern to me, I am pleased to note that none of these errors occurred after the new central loan closing procedures were fully implemented in the middle of the audit period.

I further realize that because the ARLF Policies and Procedures Manual had not been updated, pending adoption of the new regulations, it was difficult for the auditor to determine acceptable procedures in some cases, i.e. use of the short form. As stated, the manual will be updated in the next 45 days.

We concur with your expressed desire to see continued close supervision of the loan examining and closing functions; and we are now considering further actions to improve this process.

Sincerely,



Esther C. Wunnicke  
Commissioner

cc: Bill Heim, Director  
Division of Agriculture

Dean Brown, Deputy Director  
Division of Agriculture

James K. Barnett  
Deputy Commissioner

Robert D. Arnold  
Deputy Commissioner

**STUDENT  
LOANS**

LOAN REVOLVING FUND STATUS

MARCH 1, 1984

Balance Forward \$4,725,069.86

FY84 Appropriation 600,000,000.00

Program Receipts

Principal 3,092,924.13

Interest 647,424.08

Pending 609,925.44

\$ 69,075,343.51

LOAN AWARDS (March 2, 1984)

Balance \$ 5,429,340.27

Federal Receipts (GSL) 398,538.12

\$ 5,827,878.39

PROSPECTED AWARDS (THRU SUMMER)

1,100 loans @ \$2,300

Balance

\$ 2,530,000.00  
\$ 3,297,878.39

PROGRAM RECEIPTS  
(TWO MONTHS)

935,087.05  
\$ 4,232,965.44

FY85 16,000 loans @ \$4,900 = \$78,400,000

Receipts (est.) \$ 9,929,389

\$ 68,470,611

Carry-over

\$ 4,000,000  
64,470,611

G.F. Need ≈ \$64.0 MILLION



# **CORRECTION**

**THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY**

**STUDENT  
LOANS**

CS HB 650

Sec. 9

LOAN REVOLVING FUND STATUS

MARCH 1, 1984

Balance Forward \$4,725,069.86  
 FY84 Appropriation 60,000,000.00  
 Program Receipts  
     Principal 3,092,924.13  
     Interest +  
     Pending 647,424.08  
                     609,925.44

\$69,075,343.51

LOAN AWARDS (March 2, 1984) <63,646,003.24>

Balance \$5,429,340.27  
 Federal Receipts (GSL) 398,538.12

\$5,827,878.39

PROJECTED AWARDS (THRU SUMMER)

1,100 loans @ \$2,300 <2,530,000.00>

Balance \$3,297,878.39

PROJECTED PROGRAM RECEIPTS

(TWO MONTHS) 935,087.05

\$4,232,965.44

FY 85 16,000 loans @ \$4,900 = \$78,400,000

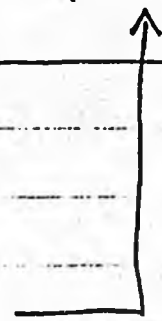
Receipts (est.) <9,929,389>

\$68,470,611

Carry-over <4,000,000>

64,470,611

G.F. Need ≈ \$64.0 MILLION



CSHB650

Sec. 9 & 10

Alaska Student Loan Program  
(Scholarship Revolving Loans)

1. Budgets

	<u>FY83</u>	<u>FY84</u>	<u>FY85 Request</u>
Fed. Rcpts.	\$ 1,200.0	\$ 850.0	\$ 500.0
Gen. Fund	52,000.0	60,000.0	65,000.0
Prog. Rcpts.	4,604.0	7,591.9	10,929.4
TOTAL	<u>\$57,804.0</u>	<u>\$68,441.9</u>	<u>\$76,429.4</u>

2. Expenditures (Loan Volume)

FY82	\$40,559.5
FY83	55,007.4
FY84 (as of 1-13-83)	62,694.4

3. Number of Loan Awards

<u>Year</u>	<u>Number</u>	<u>Average Amount</u>
FY82	9,898	\$4,098
FY83	13,058	4,213
FY84 (as of 1-13-83)	13,601	4,610

See also. Handwritten memo from Dr. Romesburg  
in packet. (TAB 9).  
from the Postsecondary Comm.

# STUDENT LOANS

- K. ROMESGORE

CS HB 650

Sec. 9

## LOAN REVOLVING FUND STATUS

MARCH 1, 1984

Balance Forward \$4,725,069.86  
 FY84 Appropriation 60,000,000.00  
 Program Receipts  
 Principal 3,092,924.13  
 Interest 647,424.08  
 Pending 609,925.44

\$ 69,075,343.51

LOAN AWARDS (MARCH 2, 1984) \$ 63,646,003.24

Balance \$ 5,429,340.27

Federal Receipts (GSL) 398,538.12

\$ 5,827,878.39

## PROJECTED AWARDS (THRU SUMMER)

1,100 loans @ \$2,300

< 2,530,000.00 >

Balance

\$ 3,297,878.39

## PROJECTED PROGRAM RECEIPTS

(TWO MONTHS)

935,087.05

\$ 4,232,965.44

FY 85 16,000 loans @ \$4,900 = \$78,400,000

Receipts (est.)

< 9,929,389 >

\$ 68,470,611

Carry-Over

< 4,000,000 >

64,470,611

G.F. Need ≈ \$64.0 MILLION