

LEG. FINANCE - BILLS 1985 - 1986 2223

SB 279 - SB 280

2223

COMMITTEE REPORT
SENATE

FURTHER:

4/29/85

Date 5/1/85

Mr. President

The Committee on FINANCE considered SB 279

Special Appropriations for Economic Development and
Construction and Employment Development in the Economic Development
Fund and the Commercial Industry Involvement Fund; 1985.

and (a majority of the committee) (the committee) reports it back with
the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/~~or adopt~~ CS for SB 279 (Finance)
- new title
- ~~same title and recommends~~ individual recommendations
- and attached a "LETTER OF INTENT" NEW FISCAL NOTES
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

Chairman

Chairman recommendation

Offered: 4/29/85
Referred: Finance

Original sponsor: Resources Committee

1 IN THE SENATE

Finance
BY THE RESOURCES COMMITTEE

2

CS FOR SENATE BILL NO. 279 (*Finance*) (Resources)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act transferring and appropriating certain loans
7 to the economic development fund and the commercial
8 fishing revolving loan fund; and providing for an
9 effective date."

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

11 * Section 1. (a) All right, title, and interest in loans of the type
12 described in (b) of this section, and all right, title, and interest in all
13 mortgages, notes, and other instruments of security made in connection with
14 those loans, purchased or acquired by the Department of Revenue and held in
15 the general fund on July 1, 1985, are transferred and appropriated to the
16 economic development fund (AS 44.88.172) of the Alaska Industrial Develop-
17 ment Authority for the DeLong Mountain transportation projec. However, if
18 the amount in unpaid principal of the loans exceeds \$112,000,000 as of
19 July 1, 1985, only loans and instruments of security totaling \$112,000,000
20 in unpaid principal are transferred and appropriated under this section.

21 (b) This section transfers and appropriates

- 22 (1) veterans loans acquired or made under AS 26.15;
23 (2) small business loans acquired or made under AS 45.95;
24 (3) tourism loans acquired or made under AS 45.90;
25 (4) fisheries enhancement loans acquired or made under AS 16.10;
26 (5) child care loans acquired or made under AS 44.33; and
27 (6) historical district loans acquired or made under AS 45.98.

28 * Sec. 2. All right, title, and interest in commercial fishing loans
29 acquired or made under AS 16.10.300 - 16.10.370 and all right, title, and

1 interest in all mortgages, notes and other instruments of security made in
2 connection with those loans, purchased or acquired by the Department of
3 Revenue and held in the general fund on July 1, 1985, are transferred and
4 appropriated from the general fund to the commercial fishing revolving loan
5 fund (AS 16.10.340) for the purposes of AS 16.10.300 - 16.10.370. However,
6 if the amount in unpaid principal of the loans exceeds \$30,000,000 as of
7 July 1, 1985, only loans and instruments of security totaling \$30,000,000
8 in unpaid principal are transferred and appropriated under this section.

9 * Sec. 3. All right, title, and interest in loans that are not secured
10 by limited entry permits in an amount equal to the principal balance of
11 loans appropriated under sec. 2 of this Act, and all right, title, and
12 interest in all mortgages, notes and other instruments of security made in
13 connection with those loans, are transferred and appropriated from the
14 commercial fishing revolving loan fund (AS 16.10.340), the small business
15 revolving loan fund (AS 45.95.060), and the Alaska World War II Veterans'
16 revolving fund (AS 26.15.090) to the economic development fund (AS 44.88.-
17 172) of the Alaska Industrial Development Authority for the DeLong Mountain
18 transportation project.

19 *Insert new 3005. 445*
* Sec. 4. The appropriation made by sec. 2 of this Act is for capitali-
20 zation of a loan fund and does not lapse in accordance with AS 37.25.010.

21 * Sec. 5. The appropriations made by secs. 1 and 3 of this Act are for
22 a capital project and are subject to AS 37.25.020.

23 * Sec. 6. This Act takes effect on the effective date of an Act enti-
24 tled "An Act relating to the authorization of bonds or notes for the DeLong
25 Mountain transportation project, establishing conditions under which the
26 bonds or notes may be issued; and providing for an effective date."

Amendment to SB279

A BILL

For an Act entitled: "An Act _____; and providing for an effective date."

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

* Section 1. ^H The sum of \$12,000,000 is appropriated from the multifamily housing loans security fund (AS 44.38.156) to the economic development fund (AS 44.38.172) for the purpose of financing the DeLong Mountain transportation project.

* Sec. 2. ⁵ ~~This Act takes effect on the date that the board of directors of the Alaska Industrial Development Authority adopts a resolution which provides that there exists a surplus of at least \$12,000,000 in the multifamily housing loans security fund, and that the funds are available for transfer to the economic development fund.~~ *The appropriation made in Sec. 4 takes*

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST
 Bill/Resolution No.: SB 279
 Title: Special approp. to econ. development fund of AIDA.
 Sponsor: Resources Committee
 Requestor: _____
 Date of Request: 4/16/85

FISCAL DETAIL
 Agency Affected: Commerce & Econ. Dev.
 Program Category Affected: Economic Development
 BRU, Program or Subprogram(s) Affected: Accounting & Collections

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		6.8				
400 SUPPLIES						
500 EQUIPMENT						
500 L. D & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	-0-	6.8	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER Interagency receipts	-0-	6.8	-0-	-0-	-0-	-0-
TOTAL	-0-	6.8	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

See attached.

Prepared By: Margaret I. Hamley, Director Phone: 465-2555
 Division: Accounting & Collections Date: 4-19-85
 Approved by Commissioner: Loren H. Lounsbury Date: 4/19/85
 Agency: Commerce and Economic Development

Distribution (by Agency preparing fiscal note):

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

7/1/84

SB 279

Approximately 2,600 loans will be affected by the reappropriations proposed in SB 279.

The following assumptions are made:

- Effective date is July 1, 1985.
- AIDA will not service the transferred loans.
- Division of Accounting & Collections will continue to service these loans under contract with AIDA. If this legislation is enacted, service fees currently received from the Department of Revenue will be received from AIDA instead. There will be a net zero fiscal impact for the service fee portion of this fiscal note as the service fees retained by the Department of Commerce and Economic Development will remain the same.

Given these assumptions:

- the ability of the loan funds to meet future loan demand is not affected.
- effect on borrowers would be minimal; an information letter and new payment cards would be mailed to borrowers. Changes in policy are not anticipated.
- FY '86 budget requests for Division of Accounting & Collections and Division of Investments would not be affected. (Cash flow from these loans is remitted to the investor on a monthly basis, net of service fees, late fees, NSF fees and application and assumption fees which are retained by the fund. Veterans and commercial fish fees are appropriated by the Legislature to fund operating efforts in Division of Accounting & Collections and Division of Investments.)

Operating costs that will be incurred:

Contractual

Postage for information letter 2,500 x .22 ea. =	\$ 550
Postage for payment cards 1,800 x .71 ea. (bulk rate) = 700 x .18 ea. (bulk rate) =	1,278 126
Increased long distance charges Estimated 20% of borrowers will contact the division with additional inquiries/questions 560 calls x 5 minutes (ave. \$4.25)	2,380
Filing fees for assignment of First Preferred Ship Mortgage for commercial fish portfolio 500 filings x \$5.00 ea.	<u>2,500</u>
TOTAL	\$6,834

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: SB 279
 Title: Appropriations to AIDA Economic Development Fund
 Sponsor: Resources
 Requestor: Senate Resources
 Date of Request: April 12, 1985

FISCAL DETAIL

Agency Affected: General Fund
 Program Category Affected: _____
 BRU, Program of Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	-	-	-	-	-	-
<u>CAPITAL</u>	-	-	-	-	-	-
<u>CASH FLOW</u>	-	(17,800)	(17,300)	(16,500)	(14,900)	(14,300)

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	(17,800)	(17,300)	(16,500)	(14,900)	(14,300)
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<u>TOTAL</u>	-	-	-	-	-	-

POSITIONS:

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

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker *MB*
 Division: Treasury

Phone: 465-2350
 Date: April 12, 1985

Approved by Commissioner: *[Signature]*
 Agency: Department of Revenue

Date: 4/16/85

Distribution (by Agency preparing fiscal note):

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

SB 279
Fiscal Note Analysis

The cash flow figures shown in the fiscal note reflect the reduction in general funds available for appropriation arising from SB 279. These figures are based on the scheduled loan payments shown in the attached Table I after netting out service fees as calculated in Table II. Table II also provides a breakdown of the reduction into interest and principal.

Due to loan prepayments, actual receipts may be greater than scheduled in early years and less than scheduled in later years. This is the main reason why the FY 86 budget actually contains \$31.3 million estimated loan cash flow, made up of \$13.3 million interest and \$18 million principal. The difference between the budget estimate and scheduled cash flow for FY 86, which is \$13.5 million, will be a downward adjustment to next revenue estimates in June.

Table I

General Fund Loans to be Appropriated to AIDA ,
 Estimated Cash Flow (Principal and Interest)
 (\$ 000)

Fiscal Year	Veterans	Small Business	Commercial Fish	Tourism	Child Care	Historical District	Fisheries Enhancement	Total
1986	9,247	2,855	6,105	308	5	22	N/A	18,542
1987	9,034	2,783	5,786	308	4	22		17,937
1988	8,784	2,613	5,409	308	3	22		17,139
1989	8,554	2,404	4,243	308	2	18		15,529
1990	8,379	2,279	3,870	282	1	14		14,825
1991	8,343	2,134	3,233	243		14		13,967
1992	8,042	1,946	2,037	229		14		12,268
1993	7,409	1,551	837	221		14		10,032
1994	6,955	907	214	212		7		8,295
1995	6,851	344	34	208				7,437
1996	6,814	59		201				7,074
1997	6,532			186				6,718
1998	6,174			85				6,259
1999	6,038							6,038
2000	5,998							5,998
2001	5,899							5,899
2002	5,096							5,096
2003	4,254							4,254
2004	4,035							4,035
2005	3,925							3,925
2006	3,865							3,865
2007	3,182							3,182
2008	1,709							1,709
2009	521							521
2010	98							98
2011	20							20
Total	145,758	19,875	31,768	3,099	15	147	6,804 (principal only)	207,466

- This table represents the cash flow to the Department of Commerce and Economic Development. Cash flow to the general fund would be further reduced by .5% service fee on loans serviced by Commerce and .125% service fee to Commerce on loans serviced by banks.
- Cash flow has not been adjusted for delinquency or default. Except for commercial fish non-permit loans, the state expects complete recovery on defaults. Thus, delinquency and default merely produce lags in receipts.

Table II

Scheduled Cash Flow From State Loans
Held by General Fund
(\$ Millions)

	<u>FY 86</u>	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90</u>
Balance at Start of Year	135.9	128.7	120.9	113.3	106.8
<u>Interest @ 7.89%</u>					
Service Fee to Commerce @ .5%	.7	.6	.6	.6	.5
General Fund Revenue @ 7.39%	<u>10.0</u>	<u>9.5</u>	<u>8.9</u>	<u>8.4</u>	<u>7.9</u>
Total	10.7	10.1	9.5	9.0	8.4
Principal Repayment	7.8	7.8	7.6	6.5	6.4
Balance at End of Year	128.1	120.9	113.3	106.8	100.4

Original sponsor: Resources Committee

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 279 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act transferring and appropriating certain loans
7 to the economic development fund and the commercial
8 fishing revolving loan fund, transferring and appro-
9 priating money to the economic development fund; and
10 providing for an effective date."

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

12 * Section 1. (a) All right, title, and interest in loans of the type
13 described in (b) of this section, and all right, title, and interest in all
14 mortgages, notes, and other instruments of security made in connection with
15 those loans, purchased or acquired by the Department of Revenue and held in
16 the general fund on July 1, 1985, are transferred and appropriated to the
17 economic development fund (AS 44.88.172) of the Alaska Industrial Develop-
18 ment Authority for the DeLong Mountain transportation project. However, if
19 the amount in unpaid principal of the loans exceeds \$112,000,000 as of
20 July 1, 1985, only loans and instruments of security totaling \$112,000,000
21 in unpaid principal are transferred and appropriated under this section.

22 (b) This section transfers and appropriates

- 23 (1) veterans loans acquired or made under AS 26.15;
24 (2) small business loans acquired or made under AS 45.95;
25 (3) tourism loans acquired or made under AS 45.90;
26 (4) fisheries enhancement loans acquired or made under AS 16.10;
27 (5) child care loans acquired or made under AS 44.33; and
28 (6) historical district loans acquired or made under AS 45.98.

29 * Sec. 2. All right, title, and interest in commercial fishing loans

1 acquired or made under AS 16.10.300 - 16.10.370 and all right, title, and
2 interest in all mortgages, notes and other instruments of security made in
3 connection with those loans, purchased or acquired by the Department of
4 Revenue and held in the general fund on July 1, 1985, are transferred and
5 appropriated from the general fund to the commercial fishing revolving loan
6 fund (AS 16.10.340) for the purposes of AS 16.10.300 - 16.10.370. However,
7 if the amount in unpaid principal of the loans exceeds \$30,000,000 as of
8 July 1, 1985, only loans and instruments of security totaling \$30,000,000
9 in unpaid principal are transferred and appropriated under this section.

10 * Sec. 3. All right, title, and interest in loans that are not secured
11 by limited entry permits in an amount equal to the principal balance of
12 loans appropriated under sec. 2 of this Act, and all right, title, and
13 interest in all mortgages, notes and other instruments of security made in
14 connection with those loans, are transferred and appropriated from the
15 commercial fishing revolving loan fund (AS 16.10.340), the small business
16 revolving loan fund (AS 45.95.060), and the Alaska World War II Veterans'
17 revolving fund (AS 26.15.090) to the economic development fund (AS 44.88.-
18 172) of the Alaska Industrial Development Authority for the DeLong Mountain
19 transportation project.

20 * Sec. 4. The sum of \$12,000,000 is transferred and appropriated from
21 the multifamily housing loans security fund (AS 44.88.156(h)) to the eco-
22 nomic development fund (AS 44.88.172) for the purpose of financing the
23 DeLong Mountain transportation project.

24 * Sec. 5. The appropriation made by sec. 2 of this Act is for capitali-
25 zation of a loan fund and does not lapse in accordance with AS 37.25.010.

26 * Sec. 6. The appropriations made by secs. 1 and 3 of this Act are for
27 a capital project and are subject to AS 37.25.020.

28 * Sec. 7. The appropriation made by sec. 4 of this Act is for a capital
29 project and is subject to AS 37.25.020.

1 * Sec. 8. Sections 1 - 3, 5 and 6 of this Act take effect on the effec-
2 tive date of an Act entitled "An Act relating to the authorization of bonds
3 or notes for the DeLong Mountain transportation project, establishing
4 conditions under which the bonds or notes may be issued; and providing for
5 an effective date."

6 * Sec. 9. Sections 4 and 7 of this Act take effect on the date the
7 board of directors of the Alaska Industrial Development Authority adopts a
8 resolution that declares there exists a surplus of at least \$12,000,000 in
9 the multifamily housing loans security fund (AS 44.88.156(h)) and that
10 \$12,000,000 is available for transfer to the economic development fund
11 (AS 44.88.172).

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Rec'd 5/2/85
After mail
R/O

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: CSSB 279 (Resources)
 Title: Appropriations to AIDA Economic Development Fund
 Sponsor: Resources
 Requestor: Senate Finance
 Date of Request: April 30, 1985

FISCAL DETAIL

Agency Affected: General Fund
 Program Category Affected: _____
 BRU, Program of Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	-	-	-	-	-	-
<u>CAPITAL</u>	-	-	-	-	-	-
<u>CASH FLOW</u>	-	(17,800)	(17,300)	(16,500)	(14,900)	(14,300)

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	(17,800)	(17,300)	(16,500)	(14,900)	(14,300)
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<u>TOTAL</u>	-	-	-	-	-	-

POSITIONS:

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

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker MB
 Division: Treasury

Phone: 465-2350
 Date: May 1, 1985

Approved by Commissioner: [Signature]
 Agency: Department of Revenue

Date: 5/1/85

Distribution (by Agency preparing fiscal note):

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

CS SB 279 (Resources)
Fiscal Note Analysis

The cash flow figures shown in the fiscal note reflect the reduction in general funds available for appropriation arising from CS SB 279. These figures are based on the scheduled loan payments shown in the attached Table I after netting out service fees as calculated in Table II. Table II also provides a breakdown of the reduction into interest and principal.

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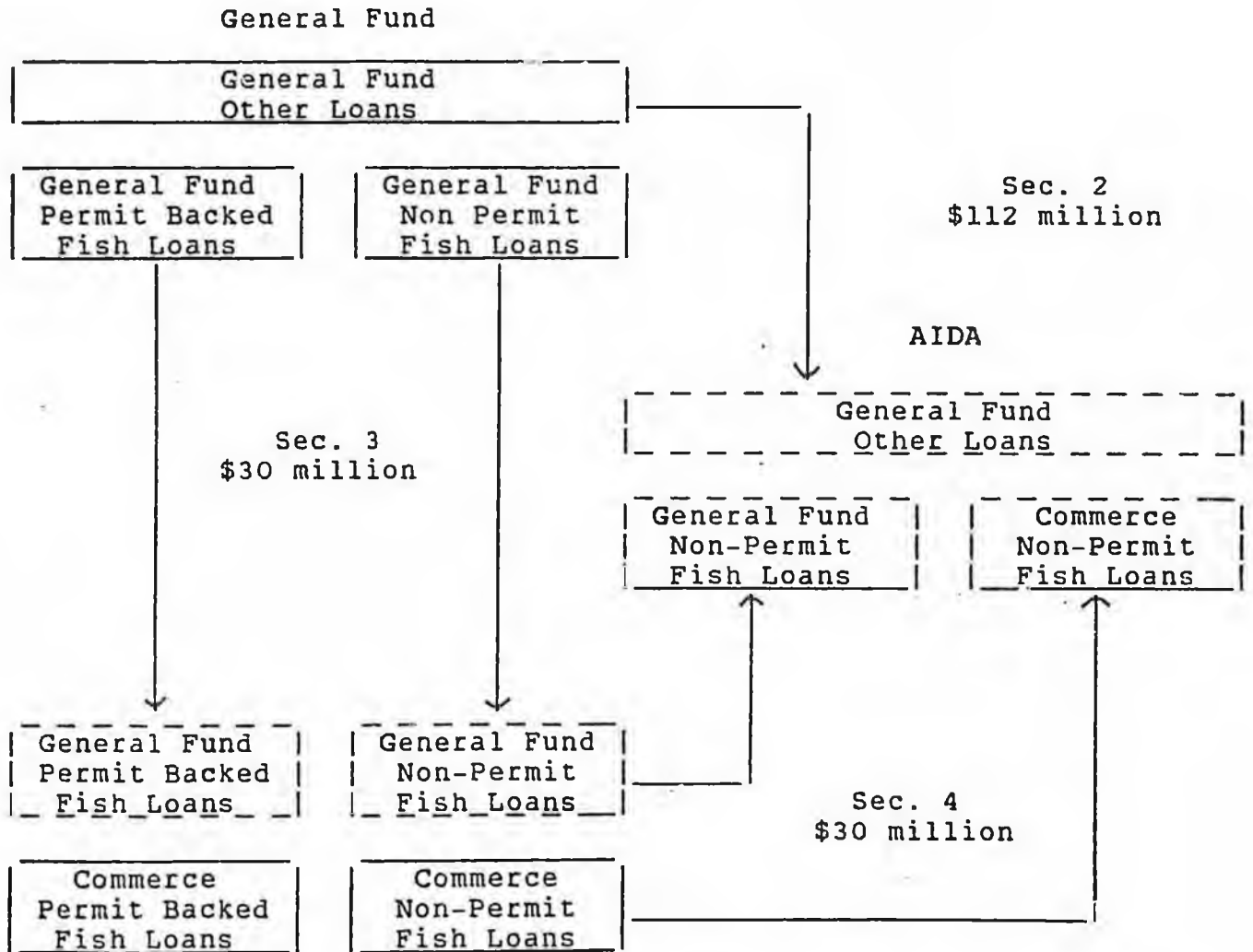
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(\$ Millions)

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General Fund Revenue @ 7.39%	<u>10.0</u>	<u>9.5</u>	<u>8.9</u>	<u>8.4</u>	<u>7.9</u>
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Balance at End of Year	128.1	120.9	113.3	106.8	100.4

DeLong Mountains Transportation Project
 Loan Appropriations
 Administration Proposal



Department of Commerce
& Economic Development

Offered: 4/29/85
Referred: Finance

Original sponsor: Resources Committee

1 IN THE SENATE BY THE RESOURCES COMMITTEE

2 CS FOR SEN TE BILL NO. 279 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

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28 * Sec. 2. All right, title, and interest in commercial fishing loans
29 acquired or made under AS 16.10.300 - 16.10.370 and all right, title, and

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4 appropriated from the general fund to the commercial fishing revolving loan
5 fund (AS 16.10.340) for the purposes of AS 16.10.300 - 16.10.370. However,
6 if the amount in unpaid principal of the loans exceeds \$30,000,000 as of
7 July 1, 1985, only loans and instruments of security totaling \$30,000,000
8 in unpaid principal are transferred and appropriated under this section.

9 * Sec. 3. All right, title, and interest in loans that are not secured
10 by limited entry permits in an amount equal to the principal balance of
11 loans appropriated under sec. 2 of this Act, and all right, title, and
12 interest in all mortgages, notes and other instruments of security made in
13 connection with those loans, are transferred and appropriated from the
14 commercial fishing revolving loan fund (AS 16.10.340), the small business
15 revolving loan fund (AS 45.95.060), and the Alaska World War II Veterans'
16 revolving fund (AS 26.15.090) to the economic development fund (AS 44.88.-
17 172) of the Alaska Industrial Development Authority for the DeLong Mountain
18 transportation project.

19 * Sec. 4. The appropriation made by sec. 2 of this Act is for capitali-
20 zation of a loan fund and does not lapse in accordance with AS 37.25.010.

21 * Sec. 5. The appropriations made by secs. 1 and 3 of this Act are for
22 a capital project and are subject to AS 37.25.020.

23 * Sec. 6. This Act takes effect on the effective date of an Act enti-
24 tled "An Act relating to the authorization of bonds or notes for the DeLong
25 Mountain transportation project, establishing conditions under which the
26 bonds or notes may be issued; and providing for an effective date."

SECTIONAL ANALYSIS FOR SENATE BILL 279

An Act transferring and appropriating certain loans to the economic development fund and the commercial fishing revolving loan fund

Section 1

Currently, the Department of Revenue holds the right, title and interest in loans made for:

- 1) Veterans
- 2) Small Business
- 3) Tourism
- 4) Fisheries Enhancement
- 5) Child Care
- 6) Historical Districts

This section would transfer those loans from the Department of Revenue to the economic development fund of the Alaska Industrial Development Authority for the DeLong Mountain transportation project. However, the unpaid principal of outstanding loans being transferred cannot exceed \$112 million. These loans would then be used by AIDA to capitalize the economic development fund and allow them to sell the bonds or notes stipulated in Senate Bill 280.

Section 2

Currently the Department of Revenue holds the right, title and interest in loans made for Commercial Fishing in which the collateral for some of those loans is a limited entry permit (held by the borrower). This section would transfer those loans from the Department of Revenue to the Department of Commerce commercial fishing revolving loan fund. However, the unpaid principal of the outstanding loans being transferred cannot exceed \$30 million.

Section 3

This section transfers the unpaid principal of the Commercial Fishing loans that are not secured by limited entry permits from the Department of Commerce to the economic development fund of AIDA. In addition, it also transfers from Commerce, the unpaid principal of loans made from the small business revolving fund and the World War II veteran revolving fund to the economic development fund of AIDA for the DeLong Mountain transportation project.

Section 4

Section 2 appropriations are for capitalization of a loan fund and do not lapse.

Section 5

Appropriations in sections 1 and 3 are for capital projects and are therefore valid for the life of the project.

Section 6

Effective date of this act is contingent upon passage of SB 280 which has an effective date of July 1, 1985.

Introduced: 4/11/85
Referred: Resources
and Finance

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2

SENATE BILL NO. 279

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act making a special appropriation to the eco-
7 nomic development fund of the Alaska Industrial
8 Development Authority, transferring and appropriating
9 certain loans to the economic development fund and
10 the commercial fishing revolving loan fund; and
11 providing for an effective date."

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

13 * Section 1. The sum of \$18,000,000 is appropriated from the general
14 fund to the economic development fund (AS 44.88.172) of the Alaska Indus-
15 trial Development Authority for the DeLong Mountain transportation project.

16 * Sec. 2. (a) All right, title, and interest in loans of the type
17 described in (b) of this section, and all right, title, and interest in all
18 mortgages, notes, and other instruments of security made in connection with
19 those loans, purchased or acquired by the Department of Revenue and held in
20 the general fund on July 1, 1985, are transferred and appropriated to the
21 economic development fund (AS 44.88.172) of the Alaska Industrial Develop-
22 ment Authority for the DeLong Mountain transportation project. However, if
23 the amount in unpaid principal of the loans exceeds \$112,000,000 as of
24 July 1, 1985, only loans and instruments of security totaling \$112,000,000
25 in unpaid principal are transferred and appropriated under this section.

26 (b) This section transfers and appropriates

27 (1) veterans loans acquired or made under AS 26.15;

28 (2) small business loans acquired or made under AS 45.95;

29 (3) tourism loans acquired or made under AS 45.90;

- 1 (4) fisheries enhancement loans acquired or made under AS 16.10;
2 (5) child care loans acquired or made under AS 44.33; and
3 (6) historical district loans acquired or made under AS 45.98.

4 * Sec. 3. All right, title, and interest in commercial fishing loans
5 acquired or made under AS 16.10.300 - 16.10.370 that are secured by limited
6 entry permits, and all right, title, and interest in all mortgages, notes
7 and other instruments of security made in connection with those loans,
8 purchased or acquired by the Department of Revenue and held in the general
9 fund on July 1, 1985, are transferred and appropriated from the general
10 fund to the commercial fishing revolving loan fund (AS 16.10.340) for the
11 purposes of AS 16.10.300 - 16.10.370. However, if the amount in unpaid
12 principal of the loans exceeds \$30,000,000 as of July 1, 1985, only loans
13 and instruments of security totaling \$30,000,000 in unpaid principal are
14 transferred and appropriated under this section.

15 * Sec. 4. All right, title, and interest in commercial fishing loans
16 that are not secured by limited entry permits, in an amount equal to the
17 principal balance of loans appropriated under sec. 3 of this Act, and all
18 right, title, and interest in all mortgages, notes and other instruments of
19 security made in connection with those loans, are transferred and appropri-
20 ated from the commercial fishing revolving loan fund (AS 16.10.340) to the
21 economic development fund (AS 44.88.172) of the Alaska Industrial Develop-
22 ment Authority for the DeLong Mountain transportation project.

23 * Sec. 5. The appropriation made by sec. 3 of this Act is for capitali-
24 zation of a loan fund and does not lapse in accordance with AS 37.25.010.

25 * Sec. 6. The appropriations made by secs. 1, 2 and 4 of this Act are
26 for a capital project and are subject to AS 37.25.020.

27 * Sec. 7. This Act takes effect July 1, 1985.

COMMITTEE REPORT
SENATE

FURTHER: FINANCE

4/11/85

Date 4/26/85

Mr. President

The Committee on Resources considered SB 279

special appropriation to the economic development fund of AIDA, transferring and appropriating certain loans to the economic development fund and the commercial fishing revolving loan fund; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for SB 279 (Res)
- new title
- ~~same title and~~ recommends individual recommendations
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

Arthur Stupalewski
[Signature]
[Signature]

MEMBERS HAVING
OTHER RECOMMENDATIONS

2 Rick Halford do not pass
3 [Signature] no rec.

Arthur Stupalewski
 Chairman
[Signature]
 Chairman recommendation

Offered: 5/1/85
Referred: Rules

Original sponsor: Resources Committee

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2

CS FOR SENATE BILL NO. 279 (Finance)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act transferring and appropriating certain loans to the economic development fund and the commercial fishing revolving loan fund, transferring and appropriating money to the economic development fund; and providing for an effective date."

7

8

9

10

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

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* Section 1. (a) All right, title, and interest in loans of the type described in (b) of this section, and all right, title, and interest in all mortgages, notes, and other instruments of security made in connection with those loans, purchased or acquired by the Department of Revenue and held in the general fund on July 1, 1985, are transferred and appropriated to the economic development fund (AS 44.88.172) of the Alaska Industrial Development Authority for the DeLong Mountain transportation project. However, if the amount in unpaid principal of the loans exceeds \$112,000,000 as of July 1, 1985, only loans and instruments of security totaling \$112,000,000 in unpaid principal are transferred and appropriated under this section.

22

(b) This section transfers and appropriates

23

(1) veterans loans acquired or made under AS 26.15;

24

(2) small business loans acquired or made under AS 45.95;

25

(3) tourism loans acquired or made under AS 45.90;

26

(4) fisheries enhancement loans acquired or made under AS 16.10;

27

(5) child care loans acquired or made under AS 44.33; and

28

(6) historical district loans acquired or made under AS 45.98.

29

* Sec. 2. All right, title, and interest in commercial fishing loans

1 acquired or made under AS 16.10.300 - 16.10.370 and all right, title, and
2 interest in all mortgages, notes and other instruments of security made in
3 connection with those loans, purchased or acquired by the Department of
4 Revenue and held in the general fund on July 1, 1985, are transferred and
5 appropriated from the general fund to the commercial fishing revolving loan
6 fund (AS 16.10.340) for the purposes of AS 16.10.300 - 16.10.370. However,
7 if the amount in unpaid principal of the loans exceeds \$30,000,000 as of
8 July 1, 1985, only loans and instruments of security totaling \$30,000,000
9 in unpaid principal are transferred and appropriated under this section.

10 * Sec. 3. All right, title, and interest in loans that are not secured
11 by limited entry permits in an amount equal to the principal balance of
12 loans appropriated under sec. 2 of this Act, and all right, title, and
13 interest in all mortgages, notes and other instruments of security made in
14 connection with those loans, are transferred and appropriated from the
15 commercial fishing revolving loan fund (AS 16.10.340), the small business
16 revolving loan fund (AS 45.95.060), and the Alaska World War II Veterans'
17 revolving fund (AS 26.15.090) to the economic development fund (AS 44.88.-
18 172) of the Alaska Industrial Development Authority for the DeLong Mountain
19 transportation project.

20 * Sec. 4. The sum of \$12,000,000 is transferred and appropriated from
21 the multifamily housing loans security fund (AS 44.88.156(h)) to the eco-
22 nomic development fund (AS 44.88.172) for the purpose of financing the
23 DeLong Mountain transportation project.

24 * Sec. 5. The appropriation made by sec. 2 of this Act is for capitali-
25 zation of a loan fund and does not lapse in accordance with AS 37.25.010.

26 * Sec. 6. The appropriations made by secs. 1 and 3 of this Act are for
27 a capital project and are subject to AS 37.25.020.

28 * Sec. 7. The appropriation made by sec. 4 of this Act is for a capital
29 project and is subject to AS 37.25.020.

1 * Sec. 8. Sections 1 - 3, 5 and 6 of this Act take effect on the effec-
2 tive date of an Act entitled "An Act relating to the authorization of ~~bonds~~
3 or notes for the DeLong Mountain transportation project, estab~~lishing~~ing
4 conditions under which the bonds or notes may be issued; and providing for
5 an effective date."

6 * Sec. 9. Sections 4 and 7 of this Act take effect on the date the
7 board of directors of the Alaska Industrial Development Authority adopts a
8 resolution that declares there exists a surplus of at least \$12,000,000 in
9 the multifamily housing loans security fund (AS 44.88.156(h)) and that
10 \$12,000,000 is available for transfer to the economic development fund
11 (AS 44.88.172).

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: SB 279 (E-11)
 Title: Appropriations to AIDA Economic Development Fund
 Sponsor: Resources
 Requestor: Senate Resources
 Date of Request: April 12, 1985

FISCAL DETAIL

Agency Affected: General Fund
 Program Category Affected: _____
 BRU, Program of Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLI'S	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	-	-	-	-	-	-
<u>CAPITAL</u>	-	-	-	-	-	-
<u>CASH FLOW</u>	-	(17,800)	(17,300)	(16,500)	(14,900)	(14,300)

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	(17,800)	(17,300)	(16,500)	(14,900)	(14,300)
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<u>TOTAL</u>	-	-	-	-	-	-

POSITIONS:

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

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker MB
 Division: Treasury

Phone: 465-2350
 Date: April 12, 1985

Approved by Commissioner: [Signature]
 Agency: Department of Revenue

Date: 4/16/85

Distribution (by Agency preparing fiscal note):

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

SB 279
Fiscal Note Analysis

The cash flow figures shown in the fiscal note reflect the reduction in general funds available for appropriation arising from SB 279. These figures are based on the scheduled loan payments shown in the attached Table I after netting out service fees as calculated in Table II. Table II also provides a breakdown of the reduction into interest and principal.

Due to loan prepayments, actual receipts may be greater than scheduled in early years and less than scheduled in later years. This is the main reason why the FY 86 budget actually contains \$31.3 million estimated loan cash flow, made up of \$13.3 million interest and \$18 million principal. The difference between the budget estimate and scheduled cash flow for FY 86, which is \$13.5 million, will be a downward adjustment to the next revenue estimates in June.

Table I

General Fund Loans to be Appropriated to AIDA
 Estimated Cash Flow (Principal and Interest)
 (\$ 000)

<u>Fiscal Year</u>	<u>Veterans</u>	<u>Small Business</u>	<u>Commercial Fish</u>	<u>Tourism</u>	<u>Child Care</u>	<u>Historical District</u>	<u>Fisheries Enhancement</u> N/A	<u>Total</u>
1986	9,247	2,855	6,105	308	5	22		18,542
1987	9,034	2,783	5,786	308	4	22		17,937
1988	8,784	2,613	5,409	308	3	22		17,139
1989	8,554	2,404	4,243	308	2	18		15,529
1990	8,379	2,279	3,870	282	1	14		14,825
1991	8,343	2,134	3,233	243		14		13,967
1992	8,042	1,946	2,037	229		14		12,268
1993	7,409	1,551	837	221		14		10,032
1994	6,955	907	214	212		7		8,295
1995	6,851	344	34	208				7,437
1996	6,814	59		201				7,074
1997	6,532			186				6,718
1998	6,174			85				6,259
1999	6,038							6,038
2000	5,998							5,998
2001	5,899							5,899
2002	5,096							5,096
2003	4,254							4,254
2004	4,035							4,035
2005	3,925							3,925
2006	3,865							3,865
2007	3,182							3,182
2008	1,709							1,709
2009	521							521
2010	98							98
2011	20							20
Total	145,758	19,875	31,768	3,099	15	147	6,804 (principal only)	207,466

1. This table represents the cash flow to the Department of Commerce and Economic Development. Cash flow to the general fund would be further reduced by .5% service fee on loans serviced by Commerce and .125% service fee to Commerce on loans serviced by banks.
2. Cash flow has not been adjusted for delinquency or default. Except for commercial fish non-permit loans, the state expects complete recovery on defaults. Thus, delinquency and default merely produce lags in receipts.

Table II

Scheduled Cash Flow From State Loans
Held by General Fund
(\$ Millions)

	<u>FY 86</u>	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90</u>
Balance at Start of Year	135.9	128.7	120.9	113.3	106.8
<u>Interest @ 7.89%</u>					
Service Fee to Commerce @ .5%	.7	.6	.6	.6	.5
General Fund Revenue @ 7.39%	<u>10.0</u>	<u>9.5</u>	<u>8.9</u>	<u>8.4</u>	<u>7.9</u>
Total	10.7	10.1	9.5	9.0	8.4
Principal Repayment	7.8	7.8	7.6	6.5	6.4
Balance at End of Year	128.1	120.9	113.3	106.8	100.4

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF REVENUE

TREASURY DIVISION

ELEVENTH FLOOR
STATE OFFICE BUILDING
POUCH S8
JUNEAU, ALASKA 99811
PHONE:

April 15, 1985

The Honorable Arliss Sturgulewski
Chairman
Resources Committee
Alaska Senate
Pouch V
Juneau, AK 99811

Dear Senator Sturgulewski:

This letter is in response to the requests contained in your April 1 letter on state loans that may be used in financing the DeLong Mountain Transportation project. The responses are in as much detail as is available at this time.

1. It has been suggested that \$142 million in state loans held by the Department of Revenue be transferred to AIDA bonds. I would like to know the make up of those loans. What is the amount of each category (such as veterans, commercial fishing, small business, tourism, fisheries enhancement, child care and historical districts), the interest rates by category and the maturity dates? What is the amount of money by category that returns to a revolving loan fund pool and what amount returns to the general fund? If any revolving loan funds are transferred to AIDA, how does that affect the future ability of those revolving funds to meet the public demand for loans?

The following amounts of loans are held in the general fund and serviced by the Department of Commerce and Economic Development as of February 28, 1985:

Type	Amount (\$ 000)	Average Interest Rate ^{1/}	Average Maturity
Veterans	82,291.4	6.92%	2003
Small Business	18,573.5	8.49	1993
Commercial Fish	29,809.3	7.81	1991
Tourism	2,575.2	8.07	1996
Child Care	18.0	5.83	1989
Historical District	123.7	6.67	1993
Fisheries Enhancement	6,804.2	7.96	N/A
Total	140,195.3	7.39	

^{1/} Net of .5% service fee on loans serviced by Commerce and an estimated .125% Commerce service fee on loans serviced by banks. The bank services fees are also netted out.

These loans would be transferred to AIDA with the exception of an estimated \$19,873,000 of commercial fish loans which are secured by permits. Only the state is authorized to hold permits as collateral.

To make up for this deficiency, AIDA would take up to \$19,873,000 in loans held by the Department of Commerce and Economic Development. Commerce had \$48,402,500 of commercial fish loans as of January 31, 1985 of which an estimated \$16,118,000 were not backed by permits and would be taken by AIDA.

All of the payments on the general fund loans, both principal and interest, return to the general fund. Transfer of these loans to AIDA will reduce the amount of general funds available for appropriation in FY 86 and future years. It will not affect the ability of the revolving loan funds to meet loan demand.

Even with AIDA taking some Commerce loans, the Department's ability to meet loan demand should not be impaired. The estimated \$16,118,000 in Commerce's commercial fish loans taken by AIDA would be replaced with a roughly equivalent amount, the \$19,873,000 in estimated general fund commercial fish loans secured by permits, by transferring these loans from the general fund to Commerce.

2. What is the expected cash flow (principal and interest) by year from July 1, 1985 that would return to the state over the term of the loans if they remained in the Department of Revenue?

See attached table for scheduled cash flow. Actual cash flow may be accelerated due to loan prepayments, resulting in a reduction of total interest from that scheduled.

3. What is the expected financial shortfall in state revenue in FY 86 as a result of transferring these loans to AIDA? Has any adjustment been made to the Administration's budget for FY 86 to reflect this income reduction?

In our effort to minimize the impact on the FY 86 general fund revenues, the administration believes that no net adjustment will be required to the FY 86 budget by the appropriation of the loans to AIDA. The administration proposes to utilize the \$17.8 million cash flow from loans held by the Department of Revenue as a substitute for the appropriation of \$18 million in general funds now contained in the Governor's loan budget for this project. This will offset the reduction in general funds available for appropriation arising from the appropriation of the loans. This reduction would be \$17.8 million for FY 86 based on the scheduled payments shown in the attached table. This would be composed of approximately \$10 million in interest and \$7.8 million in principal repayments.

The administration would propose that the cash needed to support the project could be obtained in part by giving AIDA the authority to use \$12 million already appropriated to that agency. This would be combined with approximately \$3 million of funds available from last year's appropriation for this project.

It should be noted that the amount of cash flow from these loans included in the Executive Budget 1986 as amounts available for appropriation is \$31.3 million, composed of \$13.3 million interest and \$18 million principal repayments. The budget estimate is higher than the scheduled payments for two reasons. One is that prepayments on loans result in greater amounts of principal receipts than scheduled. The other is that this response to your questions has been done in much greater detail than the budget estimates.

A fiscal note for \$17.8 million, reflecting the scheduled reduction in FY 86 revenue, will be submitted for the appropriation of the \$142 million in loans. The difference between the scheduled payments and the budget estimate, \$13.5 million, will be a downward adjustment to the next revenue estimates which will be made in June. This adjustment has not been incorporated in the Administration's FY 86 budget. The Administration does not believe this adjustment materially affects the March revenue forecast.

4. What is the total amount of interest that is expected to be returned to the state from the \$142 million over the life of the loans calculated as of July 1, 1985?

Approximately \$71.6 million in interest would be received by the state from July 1, 1985 through 2011 from the loans. The loan balances are estimated to total \$135.9 million on July 1, 1985. The amount received by the general fund would be somewhat reduced by service fees retained by Commerce.

5. What is the total amount of interest that the state would expect from the \$142 million in loans plus the \$18 million in general fund expenditure if this \$160 million were not transferred to AIDA?

Over the period of years to 2015, assuming compounding and an average rate of interest of 10%, total interest would come to \$1,984.3 million. The present value of this interest would be \$113.7 million at a 10% discount rate.

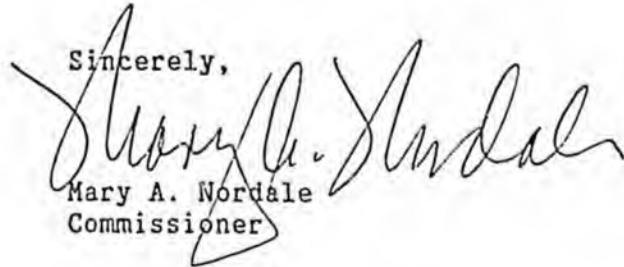
Implicit in the question is an assumption that the cash flow from the loans and the \$18 million will not be spent if it is not appropriated to AIDA. If it is spent, the state would of course receive no interest on the \$18 million and only the \$71.6 million on the loans.

Hon. Arliss Sturgulewski
April 15, 1985
Page 4

6. Will the transfer of the \$142 million in loans to AIDA result in increased requests this year or in future years for the various state loan programs since the principal and interest will not flow back to the general fund or a revolving fund as expected?

Transfer of the \$142 million will not generally affect revolving fund cash flow and will not require increased requests for Commerce loan programs in the future. See question #1.

Sincerely,



Mary A. Nordale
Commissioner

MAN/gb
85-57

Enclosure

cc: Hon. Loren Lounsbury, Commissioner DCED
Bert Wagon, Executive Director, AIDA

General Fund Loans to be Appropriated to AIDA
 Estimated Cash Flow (Principal and Interest)
 (\$ 000)

<u>Fiscal Year</u>	<u>Veterans</u>	<u>Small Business</u>	<u>Commercial Fish</u>	<u>Tourism</u>	<u>Child Care</u>	<u>Historical District</u>	<u>Fisheries Enhancement</u>	<u>Total</u>
1986	9,247	2,855	6,105	308	5	22	N/A	18,542
1987	9,034	2,783	5,786	308	4	22		17,937
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1989	8,554	2,404	4,243	308	2	18		15,529
1990	8,379	2,279	3,870	282	1	14		14,825
1991	8,343	2,134	3,233	243		14		13,967
1992	8,042	1,946	2,037	229		14		12,268
1993	7,409	1,551	837	221		14		10,032
1994	6,955	907	214	212		7		8,295
1995	6,851	344	34	208				7,437
1996	6,814	59		201				7,074
1997	6,532			186				6,718
1998	6,174			85				6,259
1999	6,038							6,038
2000	5,998							5,998
2001	5,899							5,899
2002	5,096							5,096
2003	4,254							4,254
2004	4,035							4,035
2005	3,925							3,925
2006	3,865							3,865
2007	3,182							3,182
2008	1,709							1,709
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2011	20							20
Total	145,758	19,875	31,768	3,029	15	147	6,804 (principal only)	207,466

1. This table represents the cash flow to the Department of Commerce and Economic Development. Cash flow to the general fund would be further reduced by .5% service fee on loans serviced by Commerce and .125% service fee to Commerce on loans serviced by banks.
2. Cash flow has not been adjusted for delinquency or default. Except for commercial fish non-permit loans, the state expects complete recovery on defaults. Thus, delinquency and default merely produce lags in receipts.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST
 Bill/resolution No.: CS SB 279 (FIN)
 Title: Special approp. to econ. development fund of AIDA.
 Sponsor: Resources Committee
 Requestor: _____
 Date of Request: 4/16/85

FISCAL DETAIL
 Agency Affected: Commerce & Econ. Dev.
 Program Category Affected: _____
Economic Development
 BRU, Program or Subprogram(s) Affected: _____
Accounting & Collections

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		6.8				
400 SUPPLIES						
500 EQUIPMENT						
500 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	-0-	6.8	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
GENERAL FUND						
FEDERAL FUNDS						
OTHER Interagency receipts	-0-	6.8	-0-	-0-	-0-	-0-
TOTAL	-0-	6.8	-0-	-0-	-0-	-0-

POSITIONS:

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

See attached.

Prepared By: Margaret I. Hamley, Director Phone: 465-2555
 Division: Accounting & Collections Date: 4-19-85
 Approved by Commissioner: Loren H. Lounsbury Date: 4/19/85
 Agency: Commerce and Economic Development

Distribution (by Agency preparing fiscal note):

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

7/1/84

Approximately 2,800 loans will be affected by the reappropriations proposed in SB 279.

The following assumptions are made:

- Effective date is July 1, 1985.
- AIDA will not service the transferred loans.
- Division of Accounting & Collections will continue to service these loans under contract with AIDA. If this legislation is enacted, service fees currently received from the Department of Revenue will be received from AIDA instead. There will be a net zero fiscal impact for the service fee portion of this fiscal note as the service fees retained by the Department of Commerce and Economic Development will remain the same.

Given these assumptions:

- the ability of the loan funds to meet future loan demand is not affected.
- effect on borrowers would be minimal; an information letter and new payment cards would be mailed to borrowers. Changes in policy are not anticipated.
- FY '86 budget requests for Division of Accounting & Collections and Division of Investments would not be affected. (Cash flow from these loans is remitted to the investor on a monthly basis, net of service fees, late fees, NSF fees and application and assumption fees which are retained by the fund. Veterans and commercial fish fees are appropriated by the Legislature to fund operating efforts in Division of Accounting & Collections and Division of Investments.)

Operating costs that will be incurred:

Contractual

Postage for information letter 2,500 x .22 ea. =	\$ 550
Postage for payment cards 1,800 x .71 ea. (bulk rate) = 700 x .18 ea. (bulk rate) =	1,278 126
Increased long distance charges Estimated 20% of borrowers will contact the division with additional inquiries/questions 560 calls x 5 minutes (ave. \$4.25)	2,380
Filing fees for assignment of First Preferred Ship Mortgage for commercial fish portfolio 500 filings x \$5.00 ea.	<u>2,500</u>
TOTAL	<u>\$6,834</u>

SECTIONAL ANALYSIS OF CS SB 279 (FIN)

Sections 1, 2, and 3

These sections appropriate \$142 million worth of loans currently held by the Department of Revenue to the Alaska Industrial Development Authority (AIDA). These loans will be deposited in AIDA's economic development fund to be used as collateral for AIDA bond sales for the Red Dog project. This will result in a reduction of at least \$17.8 million in funds available for appropriation in FY 86 but this loss is already reflected in the House Finance Committee analysis of funds available for appropriation during this session. (Please see fiscal note for further details.)

Section 4

This section transfers \$12 million from the multifamily housing loan security fund in AIDA to the economic development fund for collateral purposes as well. Since this is a transfer between AIDA funds, there is no impact on the general fund.

Section 5

Section 2 does not lapse since it capitalizes a loan fund.

Sections 6 and 7

The loan appropriations and transfers in sections 1, 3 and 4 are subject to AS 37.25.020, i.e. an appropriation is valid "for the life of the project".

Section 8

Sections 1 - 3, 5 and 6 take effect on the day that SB 280 takes effect, i.e. July 1, 1985.

Section 9

sections 4 and 7 take effect when the AIDA board resolves that there is a \$12 million surplus in the multifamily housing loan fund that can be transferred to the economic development fund.

Offered: 5/1/85
Referred: Rules

Original sponsor: Resources Committee

1 IN THE SENATE BY THE FINANCE COMMITTEE
2 CS FOR SENATE BILL NO. 279 (Finance)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL
6 For an Act entitled: "An Act transferring and appropriating certain loans
7 to the economic development fund and the commercial
8 fishing revolving loan fund, transferring and appro-
9 priating money to the economic development fund; and
10 providing for an effective date."

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

12 * Section 1. (a) All right, title, and interest in loans of the type
13 described in (b) of this section, and all right, title, and interest in all
14 mortgages, notes, and other instruments of security made in connection with
15 those loans, purchased or acquired by the Department of Revenue and held in
16 the general fund on July 1, 1985, are transferred and appropriated to the
17 economic development fund (AS 44.88.172) of the Alaska Industrial Develop-
18 ment Authority for the DeLong Mountain transportation project. However, if
19 the amount in unpaid principal of the loans exceeds \$112,000,000 as of
20 July 1, 1985, only loans and instruments of security totaling \$112,000,000
21 in unpaid principal are transferred and appropriated under this section.

22 (b) This section transfers and appropriates

- 23 (1) veterans loans acquired or made under AS 26.15;
24 (2) small business loans acquired or made under AS 45.95;
25 (3) tourism loans acquired or made under AS 45.90;
26 (4) fisheries enhancement loans acquired or made under AS 16.10;
27 (5) child care loans acquired or made under AS 44.33; and
28 (6) historical district loans acquired or made under AS 45.98.

29 * Sec. 2. All right, title, and interest in commercial fishing loans

1 acquired or made under AS 16.10.300 - 16.10.370 and all right, title, and
2 interest in all mortgages, notes and other instruments of security made in
3 connection with those loans, purchased or acquired by the Department of
4 Revenue and held in the general fund on July 1, 1985, are transferred and
5 appropriated from the general fund to the commercial fishing revolving loan
6 fund (AS 16.10.340) for the purposes of AS 16.10.300 - 16.10.370. However,
7 if the amount in unpaid principal of the loans exceeds \$30,000,000 as of
8 July 1, 1985, only loans and instruments of security totaling \$30,000,000
9 in unpaid principal are transferred and appropriated under this section.

10 * Sec. 3. All right, title, and interest in loans that are not secured
11 by limited entry permits in an amount equal to the principal balance of
12 loans appropriated under sec. 2 of this Act, and all right, title, and
13 interest in all mortgages, notes and other instruments of security made in
14 connection with those loans, are transferred and appropriated from the
15 commercial fishing revolving loan fund (AS 16.10.340), the small business
16 revolving loan fund (AS 45.95.060), and the Alaska World War II Veterans'
17 revolving fund (AS 26.15.090) to the economic development fund (AS 44.88.-
18 172) of the Alaska Industrial Development Authority for the DeLong Mountain
19 transportation project.

20 * Sec. 4. The sum of \$12,000,000 is transferred and appropriated from
21 the multifamily housing loans security fund (AS 44.88.156(h)) to the eco-
22 nomic development fund (AS 44.88.172) for the purpose of financing the
23 DeLong Mountain transportation project.

24 * Sec. 5. The appropriation made by sec. 2 of this Act is for capitali-
25 zation of a loan fund and does not lapse in accordance with AS 37.25.010.

26 * Sec. 6. The appropriations made by secs. 1 and 3 of this Act are for
27 a capital project and are subject to AS 37.25.020.

28 * Sec. 7. The appropriation made by sec. 4 of this Act is for a capital
29 project and is subject to AS 37.25.020.

1 * Sec. 8. Sections 1 - 3, 5 and 6 of this Act take effect on the effec-
2 tive date of an Act entitled "An Act relating to the authorization of bonds
3 or notes for the DeLong Mountain transportation project, establishing
4 conditions under which the bonds or notes may be issued; and providing for
5 an effective date."

6 * Sec. 9. Sections 4 and 7 of this Act take effect on the date the
7 board of directors of the Alaska Industrial Development Authority adopts a
8 resolution that declares there exists a surplus of at least \$12,000,000 in
9 the multifamily housing loans security fund (AS 44.88.156(h)) and that
10 \$12,000,000 is available for transfer to the economic development fund
11 (AS 44.88.172).

Offered: 4/29/85
Referred: Finance

Original sponsor: Resources Committee

1 IN THE SENATE BY THE RESOURCES COMMITTEE

2 CS FOR SENATE BILL NO. 279 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act transferring and appropriating certain loans
7 to the economic development fund and the commercial
8 fishing revolving loan fund; and providing for an
9 effective date."

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

11 * Section 1. (a) All right, title, and interest in loans of the type
12 described in (b) of this section, and all right, title, and interest in all
13 mortgages, notes, and other instruments of security made in connection with
14 those loans, purchased or acquired by the Department of Revenue and held in
15 the general fund on July 1, 1985, are transferred and appropriated to the
16 economic development fund (AS 44.88.172) of the Alaska Industrial Develop-
17 ment Authority for the DeLong Mountain transportation project. However, if
18 the amount in unpaid principal of the loans exceeds \$112,000,000 as of
19 July 1, 1985, only loans and instruments of security totaling \$112,000,000
20 in unpaid principal are transferred and appropriated under this section.

21 (b) This section transfers and appropriates

- 22 (1) veterans loans acquired or made under AS 26.15;
23 (2) small business loans acquired or made under AS 45.95;
24 (3) tourism loans acquired or made under AS 45.90;
25 (4) fisheries enhancement loans acquired or made under AS 16.10;
26 (5) child care loans acquired or made under AS 44.33; and
27 (6) historical district loans acquired or made under AS 45.98.

28 * Sec. 2. All right, title, and interest in commercial fishing loans
29 acquired or made under AS 16.10.300 - 16.10.370 and all right, title, and

1 interest in all mortgages, notes and other instruments of security made in
2 connection with those loans, purchased or acquired by the Department of
3 Revenue and held in the general fund on July 1, 1985, are transferred and
4 appropriated from the general fund to the commercial fishing revolving loan
5 fund (AS 16.10.340) for the purposes of AS 16.10.300 - 16.10.370. However,
6 if the amount in unpaid principal of the loans exceeds \$30,000,000 as of
7 July 1, 1985, only loans and instruments of security totaling \$30,000,000
8 in unpaid principal are transferred and appropriated under this section.

9 * Sec. 3. All right, title, and interest in loans that are not secured
10 by limited entry permits in an amount equal to the principal balance of
11 loans appropriated under sec. 2 of this Act, and all right, title, and
12 interest in all mortgages, notes and other instruments of security made in
13 connection with those loans, are transferred and appropriated from the
14 commercial fishing revolving loan fund (AS 16.10.340), the small business
15 revolving loan fund (AS 45.95.060), and the Alaska World War II Veterans'
16 revolving fund (AS 26.15.090) to the economic development fund (AS 44.88.-
17 172) of the Alaska Industrial Development Authority for the DeLong Mountain
18 transportation project.

19 * Sec. 4. The appropriation made by sec. 2 of this Act is for capitali-
20 zation of a loan fund and does not lapse in accordance with AS 37.25.010.

21 * Sec. 5. The appropriations made by secs. 1 and 3 of this Act are for
22 a capital project and are subject to AS 37.25.020.

23 * Sec. 6. This Act takes effect on the effective date of an Act enti-
24 tled "An Act relating to the authorization of bonds or notes for the DeLong
25 Mountain transportation project, establishing conditions under which the
26 bonds or notes may be issued; and providing for an effective date."

Introduced: 4/11/85
Referred: Resources
and Finance

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2

SENATE BILL NO. 279

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act making a special appropriation to the eco-
7 nomic development fund of the Alaska Industrial
8 Development Authority, transferring and appropriating
9 certain loans to the economic development fund and
10 the commercial fishing revolving loan fund; and
11 providing for an effective date."

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

13 * Section 1. The sum of \$18,000,000 is appropriated from the general
14 fund to the economic development fund (AS 44.88.172) of the Alaska Indus-
15 trial Development Authority for the DeLong Mountain transportation project.

16 * Sec. 2. (a) All right, title, and interest in loans of the type
17 described in (b) of this section, and all right, title, and interest in all
18 mortgages, notes, and other instruments of security made in connection with
19 those loans, purchased or acquired by the Department of Revenue and held in
20 the general fund on July 1, 1985, are transferred and appropriated to the
21 economic development fund (AS 44.88.172) of the Alaska Industrial Develop-
22 ment Authority for the DeLong Mountain transportation project. However, if
23 the amount in unpaid principal of the loans exceeds \$112,000,000 as of
24 July 1, 1985, only loans and instruments of security totaling \$112,000,000
25 in unpaid principal are transferred and appropriated under this section.

26 (b) This section transfers and appropriates

- 27 (1) veterans loans acquired or made under AS 26.15;
28 (2) small business loans acquired or made under AS 45.95;
29 (3) tourism loans acquired or made under AS 45.90;

- 1 (4) fisheries enhancement loans acquired or made under AS 16.10;
- 2 (5) child care loans acquired or made under AS 44.33; and
- 3 (6) historical district loans acquired or made under AS 45.98.

4 * Sec. 3. All right, title, and interest in commercial fishing loans
5 acquired or made under AS 16.10.300 - 16.10.370 that are secured by limited
6 entry permits, and all right, title, and interest in all mortgages, notes
7 and other instruments of security made in connection with those loans,
8 purchased or acquired by the Department of Revenue and held in the general
9 fund on July 1, 1985, are transferred and appropriated from the general
10 fund to the commercial fishing revolving loan fund (AS 16.10.340) for the
11 purposes of AS 16.10.300 - 16.10.370. However, if the amount in unpaid
12 principal of the loans exceeds \$30,000,000 as of July 1, 1985, only loans
13 and instruments of security totaling \$30,000,000 in unpaid principal are
14 transferred and appropriated under this section.

15 * Sec. 4. All right, title, and interest in commercial fishing loans
16 that are not secured by limited entry permits, in an amount equal to the
17 principal balance of loans appropriated under sec. 3 of this Act, and all
18 right, title, and interest in all mortgages, notes and other instruments of
19 security made in connection with those loans, are transferred and appropri-
20 ated from the commercial fishing revolving loan fund (AS 16.10.340) to the
21 economic development fund (AS 44.88.172) of the Alaska Industrial Develop-
22 ment Authority for the DeLong Mountain transportation project.

23 * Sec. 5. The appropriation made by sec. 3 of this Act is for capitali-
24 zation of a loan fund and does not lapse in accordance with AS 37.25.010.

25 * Sec. 6. The appropriations made by secs. 1, 2 and 4 of this Act are
26 for a capital project and are subject to AS 37.25.020.

27 * Sec. 7. This Act takes effect July 1, 1985.

COMMITTEE REPORT
SENATE

FURTHER:

4/29/85

Date _____

Mr. President

The Committee on FINANCE considered TD 780

Authorization of bonds or notes for the DeLong Mountain Transportation project, establishing conditions under which the bonds or notes may be issued, etc.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

Chairman

Chairman recommendation

57C-85
5/1/85
Faiks

PROPOSED AMENDMENTS TO SB 280 (Resources)

M Amendment #1 *Enacted 3) 84. 84.*

Page 1, Line 25 After the word "costs" delete "or debts".

Page 1, Line 27 After the word "costs" delete "and debts".

Page 1, Line 28 After the word "costs" delete "or debts".

M Amendment #2 *Faiks - Ruttula En 5 to 1 Had out.*

Page 2, Line 25 After the word "construction" delete ", operation, and maintenance".

M Amendment #3 *Ruttula 3*

Page 2, Line 27 Delete the word "adequate" and insert "reasonable".

Amendment #4 *Faiks - Ruttula 3*

M Page 2, Line 28 Insert new subsection "(8) The Alaska Industrial Development Authority will own and operate the facilities collectively referred to as the DeLong Mountain transportation project."

Amendment #5 *Faiks Ferguson 3*

M Page 3, Line 10 Insert new Section 4 "Definitions (a) Reasonable return means a rate of return on the state's total investment of at least five percent."

Renumber remaining section accordingly.

*Proposed Amendments
Attached*

Offered: 4/29/85
Referred: Finance

Original sponsor: Resources Committee

1 IN THE SENATE

Finance
BY THE RESOURCES COMMITTEE

2 CS FOR SENATE BILL NO. 280 (*Finance*)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the authorization of bonds or
7 notes for the DeLong Mountain transportation project,
8 establishing conditions under which the bonds or
9 notes may be issued; and providing for an effective
10 date."

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

12 * Section 1. The Alaska Industrial Development Authority is authorized
13 to issue bonds or notes in a principal amount not to exceed \$175,000,000 to
14 provide financing for the DeLong Mountain transportation project.

15 * Sec. 2. Before bonds or notes authorized under sec. 1 of this Act may
16 be issued, the Alaska Industrial Development Authority shall comply with
17 AS 44.88.173 and shall incorporate into the final finance plan for the
18 DeLong Mountain transportation project the following terms and conditions:

19 (1) Cominco, Ltd. is required to agree in writing that

20 (A) Cominco, Ltd. will pay for all or a portion of the
21 operation and maintenance of facilities constructed as part of the
22 project based on the use Cominco Alaska makes of the facilities com-
23 pared to the use made by others;

24 (B) if Cominco Alaska ceases to develop the Red Dog Mine
25 after costs ~~or debts~~ have been incurred by the Alaska Industrial
26 Development Authority for the project, Cominco, Ltd. will pay the
27 authority for those costs ~~and debts~~ together with interest from the
28 date the costs ~~or debts~~ were incurred;

29 (C) toll fees paid by Cominco Alaska for the use of

1 facilities constructed as part of the project to the Alaska Industrial
2 Development Authority may be periodically adjusted if the price of
3 zinc rises above a level that yields a return on investment commen-
4 surate with risk;

5 (2) the United States government makes available land in the
6 Cape Krusenstern National Monument that is included in the proposed land
7 exchange with NANA Regional Corporation to the corporation for construction
8 of a transportation system;

9 (3) NANA Regional Corporation is required to agree in writing to
10 make available to the Alaska Industrial Development Authority, at no more
11 than fair market value, land needed for the port and road constructed as
12 part of the project and land needed for future expansion of the road and
13 port;

14 (4) tax exempt financing for the project is used to the maximum
15 extent possible;

16 (5) a toll schedule, that may be periodically adjusted, is
17 established for use of facilities constructed as part of the project that

18 (A) ensures a reasonable return on the state's investment
19 in the project; and

20 (B) guarantees equitable access to the facilities by all
21 users and potential users, including access to private property and
22 access for travel necessary and related to resource exploration and
23 development for which valid permits have been obtained and travel in
24 support of resource exploration and development;

25 (6) contracts for the construction, ~~operation, and maintenance~~
26 of the port and road are subject to AS 36;

27 (7) ^{reasonable} ~~adequate~~ access to the port and road is guaranteed to all
28 users. (8) ^{See amendment}

29 * Sec. 3. Before bonds or notes authorized under sec. 1 of this Act may

1 be issued, the Alaska Industrial Development Authority shall

2 (1) report in writing to the legislative budget and audit com-
3 mittee that the conditions under sec. 2 of this Act have been met; and

4 (2) agree with the Department of Revenue in writing to deliver
5 all money generated by the DeLong Mountain transportation project to the
6 Department of Revenue for deposit in the general fund, other than money
7 necessary for payment of the principal and interest on bonds or notes
8 issued under sec. 1 of this Act and except as may otherwise be provided in
9 the bond or note covenants.

10 *Amended Sec. 4*
* Sec. 4. This Act takes effect July 1, 1985.

MEMORANDUM TO THE FILE

Re: CSSB 280 (Finance)

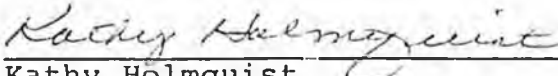
Date: May 3, 1985

A discrepancy between an amendment moved in committee and language prepared by Legal Services was inadvertently not noted when CSSB 280 (Fin) was returned in final form and transmitted to the Senate Secretary's office for printing. Sec. 4 of the committee substitute should read as follows:

Sec. 4 "Definitions (a)

Reasonable return means a rate of return on the state's total investment of at least five percent.

A phone call to Dick Bradley at Legal Services disclosed that when he read the amendment he considered it to be unclear and assumed that the five percent return would be figured on a per annum basis. He thus added "per annum" to the above amendment and failed to advise anyone of the change. The addition does not represent the intent of the committee at the time the amendment was offered.



Kathy Holmquist
Senate Finance Committee Secretary

Offered: 5/1/85
Referred: Rules

Original sponsor: Resources Committee

1 IN THE SENATE BY THE FINANCE COMMITTEE
2 CS FOR SENATE BILL NO. 280 (Finance)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the authorization of bonds or
7 notes for the DeLong Mountain transportation project,
8 establishing conditions under which the bonds or
9 notes may be issued; and providing for an effective
10 date."

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

12 * Section 1. The Alaska Industrial Development Authority is authorized
13 to issue bonds or notes in a principal amount not to exceed \$175,000,000 to
14 provide financing for the DeLong Mountain transportation project.

15 * Sec. 2. Before bonds or notes authorized under sec. 1 of this Act may
16 be issued, the Alaska Industrial Development Authority shall comply with
17 AS 44.88.173 and shall incorporate into the final finance plan for the
18 DeLong Mountain transportation project the following terms and conditions:

19 (1) Cominco, Ltd. is required to agree in writing that

20 (A) Cominco, Ltd. will pay for all or a portion of the
21 operation and maintenance of facilities constructed as part of the
22 project based on the use Cominco Alaska makes of the facilities com-
23 pared to the use made by others;

24 (B) if Cominco Alaska ceases to develop the Red Dog Mine
25 after costs have been incurred by the Alaska Industrial Development
26 Authority for the project, Cominco, Ltd. will pay the authority for
27 those costs together with interest from the date the costs were in-
28 curred;

29 (C) toll fees paid by Cominco Alaska for the use of

1 facilities constructed as part of the project to the Alaska Industrial
2 Development Authority may be periodically adjusted if the price of
3 zinc rises above a level that yields a return on investment commen-
4 surate with risk;

5 (2) the United States government makes available land in the
6 Cape Krusenstern National Monument that is included in the proposed land
7 exchange with NANA Regional Corporation to the corporation for construction
8 of a transportation system;

9 (3) NANA Regional Corporation is required to agree in writing to
10 make available to the Alaska Industrial Development Authority, at no more
11 than fair market value, land needed for the port and road constructed as
12 part of the project and land needed for future expansion of the road and
13 port;

14 (4) tax exempt financing for the project is used to the maximum
15 extent possible;

16 (5) a toll schedule, that may be periodically adjusted, is
17 established for use of facilities constructed as part of the project that

18 (A) ensures a reasonable return on the state's investment
19 in the project; and

20 (B) guarantees equitable access to the facilities by all
21 users and potential users, including access to private property and
22 access for travel necessary and related to resource exploration and
23 development for which valid permits have been obtained and travel in
24 support of resource exploration and development;

25 (6) contracts for the construction of the port and road are
26 subject to AS 36;

27 (7) reasonable access to the port and road is guaranteed to all
28 users;

29 (8) the Alaska Industrial Development Authority will own and

1 operate the facilities collectively referred to as the DeLong Mountain
2 transportation project.

3 * Sec. 3. Before bonds or notes authorized under sec. 1 of this Act may
4 be issued, the Alaska Industrial Development Authority shall

5 (1) report in writing to the legislative budget and audit com-
6 mittee that the conditions under sec. 2 of this Act have been met; and

7 (2) agree with the Department of Revenue in writing to deliver
8 all money generated by the DeLong Mountain transportation project to the
9 Department of Revenue for deposit in the general fund, other than money
10 necessary for payment of the principal and interest on bonds or notes
11 issued under sec. 1 of this Act and except as may otherwise be provided in
12 the bond or note covenants.

13 * Sec. 4. As used in this Act, "reasonable return" means a rate of
14 return on the total investment of the state of at least five percent per
15 annum.

16 * Sec. 5. This Act takes effect July 1, 1985.

5/2/85 Review
MB (R)

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: CSSB 280 (Resources)
 Title: DeLong Mountains Bond
 Authorization _____
 Sponsor: Senate Resources
 Requestor: Senate Finance
 Date of Request: April 30, 1985

FISCAL DETAIL

Agency Affected: Department of Revenue
 Program Category Affected: _____
 BRU, Program of Subprogram(s) Affected:
Treasury

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	-	-	-	-	-	-
<u>CAPITAL</u>	-	-	-	-	-	-
<u>REVENUE</u>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<u>TOTAL</u>	-	-	-	-	-	-

POSITIONS:

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

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker MB
 Division: Treasury
 Approved by Commissioner: Thomas J. Shulake
 Agency: Department of Revenue

Phone: 465-2350
 Date: May 1, 1985
 Date: 5/2/85

Distribution (by Agency preparing fiscal note):

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



STATE OF ALASKA
OFFICE OF THE GOVERNOR
BILL ANALYSIS

DEPARTMENT Revenue	DIVISION Treasury	BILL NUMBER CSSB 280 (Res)	SPONSOR Senate Resources
DEPARTMENT POSITION Support			
PREPARED BY Milt Barker MB	DATE 5-1-85	COMMISSIONER'S SIGNATURE Mary A. Nordale	DATE

SUMMARY

OTHER AGENCIES AFFECTED BY BILL AIDA	CONSTITUENT GROUPS AFFECTED BY BILL Cominco, NANA, Northwest Alaska region, all native corporations
ORGANIZATIONAL SUPPORT FOR BILL	ORGANIZATIONAL OPPOSITION TO BILL

FISCAL IMPACT: NONE FISCAL NOTE ATTACHED

BACKGROUND/LEGISLATIVE INTENT

Bond authorization for DeLong Mountains transportation project.

ANALYSIS OF BILL/PROGRAM EFFECTS

1. \$175 million authorized for DeLong subject to finance plan containing:
 - a. Cominco agreeing to pay its share of operating and maintenance;
 - b. Cominco agreeing to repay state costs if it ceases development;
 - c. Cominco agreeing to adjust toll fees if zinc price rises;
 - d. NANA receiving Krusenstern corridor from Congress;
 - e. NANA yielding corridor to AIDA at no more than fair market value;
 - f. AIDA tolls set to ensure reasonable return and equitable access;
 - g. port and road contracts subject to AS 36

and subject to:

 - a. AIDA report to Budget & Audit that above conditions met; and
 - b. AIDA agrees to pay general fund tolls in excess of debt service.

AMENDMENTS PROPOSED

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS.

Offered: 4/29/85
Referred: Finance

Original sponsor: Resources Committee

1 IN THE SENATE BY THE RESOURCES COMMITTEE
2 CS FOR SENATE BILL NO. 280 (Resources)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the authorization of bonds or
7 notes for the DeLong Mountain transportation project,
8 establishing conditions under which the bonds or
9 notes may be issued; and providing for an effective
10 date."

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

12 * Section 1. The Alaska Industrial Development Authority is authorized
13 to issue bonds or notes in a principal amount not to exceed \$175,000,000 to
14 provide financing for the DeLong Mountain transportation project.

15 * Sec. 2. Before bonds or notes authorized under sec. 1 of this Act may
16 be issued, the Alaska Industrial Development Authority shall comply with
17 AS 44.88.173 and shall incorporate into the final finance plan for the
18 DeLong Mountain transportation project the following terms and conditions:

19 (1) Cominco, Ltd. is required to agree in writing that

20 (A) Cominco, Ltd. will pay for all or a portion of the
21 operation and maintenance of facilities constructed as part of the
22 project based on the use Cominco Alaska makes of the facilities com-
23 pared to the use made by others;

24 (B) if Cominco Alaska ceases to develop the Red Dog Mine
25 after costs or debts have been incurred by the Alaska Industrial
26 Development Authority for the project, Cominco, Ltd. will pay the
27 authority for those costs and debts together with interest from the
28 date the costs or debts were incurred;

29 (C) toll fees paid by Cominco Alaska for the use of

1 facilities constructed as part of the project to the Alaska Industrial
2 Development Authority may be periodically adjusted if the price of
3 zinc rises above a level that yields a return on investment commen-
4 surate with risk;

5 (2) the United States government makes available land in the
6 Cape Krusenstern National Monument that is included in the proposed land
7 exchange with NANA Regional Corporation to the corporation for construction
8 of a transportation system;

9 (3) NANA Regional Corporation is required to agree in writing to
10 make available to the Alaska Industrial Development Authority, at no more
11 than fair market value, land needed for the port and road constructed as
12 part of the project and land needed for future expansion of the road and
13 port;

14 (4) tax exempt financing for the project is used to the maximum
15 extent possible;

16 (5) a toll schedule, that may be periodically adjusted, is
17 established for use of facilities constructed as part of the project that

18 (A) ensures a reasonable return on the state's investment
19 in the project; and

20 (B) guarantees equitable access to the facilities by all
21 users and potential users, including access to private property and
22 access for travel necessary and related to resource exploration and
23 development for which valid permits have been obtained and travel in
24 support of resource exploration and development;

25 (6) contracts for the construction, operation, and maintenance
26 of the port and road are subject to AS 36;

27 (7) adequate access to the port and road is guaranteed to all
28 users.

29 * Sec. 3. Before bonds or notes authorized under sec. 1 of this Act may

1 be issued, the Alaska Industrial Development Authority shall

2 (1) report in writing to the legislative budget and audit com-
3 mittee that the conditions under sec. 2 of this Act have been met; and

4 (2) agree with the Department of Revenue in writing to deliver
5 all money generated by the DeLong Mountain transportation project to the
6 Department of Revenue for deposit in the general fund, other than money
7 necessary for payment of the principal and interest on bonds or notes
8 issued under sec. 1 of this Act and except as may otherwise be provided in
9 the bond or note covenants.

10 * Sec. 4. This Act takes effect July 1, 1985.

SECTIONAL ANALYSIS FOR SENATE BILL 280

An Act relating to the authorization of bonds or notes for the DeLong Mountain transportation project, establishing conditions under which the bonds or notes may be issued

Section 1

Authorizes the Alaska Industrial Development Authority to issue bonds or notes in an amount not to exceed \$175 million to provide financing for the DeLong Mountain transportation project.

Section 2

This sections requires that before AIDA can sell bonds, it must develop a financing plan for the DeLong project which requires of Cominco Limited the following terms in writing:

- 1) All operation and maintenance costs of the road and port are to be paid by Cominco unless other make use of these facilities.
- 2) Should Cominco cease to develop the Red Dog Mine, they will repay AIDA for all costs including interest incurred in building the road and port.
- 3) Toll fees for use of the road and port may be adjusted upward if the price of zinc rises
- 4) Use of tax exempt financing shall be maximized
- 5) A toll schedule shall be established which ensures a reasonable return for the state's investment as well as guaranteeing equitable access for other users.
- 6) Contracts for the construction, operation and maintenance are subject to the Davis-Bacon Act.
- 7) Adequate access to the port and road is guaranteed to all users

Section 3

Before AIDA may offer the bonds or notes for sale, it must report to the Legislative Budget and Audit Committee whether the conditions stipulated in Section 2 have been met. It must agree in writing that any excess funds generated by this project over and above the cost of repaying the bonds shall be deposited in the general fund.

Section 4

Effective date of July 1, 1985.

Introduced: 4/11/85
Referred: Resources
and Finance

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2

SENATE BILL NO. 280

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to the authorization of bonds or
7 notes for the DeLong Mountain transportation project,
8 establishing conditions under which the bonds or
9 notes may be issued; and providing for an effective
10 date."

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

12 * Section 1. The Alaska Industrial Development Authority is authorized
13 to issue bonds or notes in a principal amount not to exceed \$175,000,000 to
14 provide financing for the DeLong Mountain transportation project. Bonds or
15 notes may not be issued under this section until

16 (1) Cominco, Ltd. agrees in writing to terms and conditions
17 under which

18 (A) adequate access to the road and port constructed as
19 part of the DeLong Mountain project is guaranteed to other users;

20 (B) Cominco, Ltd. will pay for all or a portion of the
21 operation and maintenance of facilities constructed as part of the
22 project based on the use Cominco, Ltd. makes of the facilities com-
23 pared to the use made by others;

24 (C) Cominco, Ltd. will repay all expenditures by the state
25 for the project through toll fees for the use of facilities construct-
26 ed as part of the project and other payments;

27 (D) payments by Cominco, Ltd. to the state will be accel-
28 erated if the price of zinc rises above a level determined by the
29 Alaska Industrial Development Authority to yield a reasonable profit;

1 (2) the United States Congress approves the Cape Krusenstern
2 National Monument land exchange between NANA Regional Corporation and the
3 United States Department of the Interior;

4 (3) NANA Regional Corporation agrees in writing to convey to the
5 Alaska Industrial Development Authority, at no more than fair market value,
6 land needed for the port and road constructed as part of the DeLong Moun-
7 tain transportation project and land needed for future expansion of the
8 road and port;

9 (4) NANA Regional Corporation agrees in writing to lease land
10 for the Red Dog Mine to Cominco, Ltd. and to provide easements and right-
11 of-ways needed to operate the mine to Cominco, Ltd.;

12 (5) the Alaska Industrial Development Authority obtains a ruling
13 from the Internal Revenue Service that bonds or notes issued under this
14 section will qualify for tax exempt status; and

15 (6) the Alaska Industrial Development Authority establishes a
16 toll schedule for use of facilities constructed as part of the DeLong
17 Mountain transportation project that ensures the greatest return on the
18 state's investment in the project and guarantees equitable access to the
19 facilities by all users; the toll schedule may be periodically adjusted.

20 * Sec. 2. Notwithstanding limitations on the establishment of a capital
21 reserve fund under AS 44.88.105, the authority may covenant and agree with
22 the trustee or holders of the bonds or notes authorized under sec. 1 of
23 this Act that the authority will establish a capital reserve fund for the
24 purpose of securing the bonds or notes, that the chairman of the authority
25 will, by January 2 of each year, certify in writing to the governor and the
26 legislature the amount required to restore the capital reserve fund to the
27 capital reserve fund requirement, and that the legislature may appropriate
28 to the authority the amount certified by the chairman. Nothing in this
29 section creates a debt or liability of the state.

1 * Sec. 3. This Act takes effect immediately in accordance with AS 01.-
2 10.070(c).

COMMITTEE REPORT
SENATE

FURTHER: FINANCE

4/11/85

Date 4/26/85

Mr. President

The Committee on Resources considered SB 280

authorization of bonds or notes for the DeLong Mountain transportation project, establishing conditions under which the bonds or notes may be issued; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for SB 280 (Resources)
- new title
- same title and recommends ~~it with individual recommendations~~
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

[Signature]

[Signature]

[Signature]

MEMBERS HAVING
OTHER RECOMMENDATIONS

2 [Signature] do not pass

3 [Signature] no rec

[Signature]
Chairman

[Signature]
Chairman recommendation