

LEG. FINANCE - BILLS 1985 - 1986 2428
CSHB 520 cont. - HB 530 2728

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(a) A request for an allocation of money under AS 14.11.100 for school construction debt retirement shall be submitted to the department by the school district no later than October 15 of the fiscal year before the fiscal year for which the request is made.

(b) Before a project is approved for retirement of school construction debt under AS 14.11.100(a)(6), the project must have been determined eligible under the provisions of AS 14.11.102.

(c) The department shall approve eligible projects for debt retirement in the order of the priority established under AS 14.11.102, if the requests meet the requirements of AS 14.11.100, and subject to the provisions of (d) - (e) of this section.

(d) Total outstanding state obligation for reimbursement under AS 14.11.100(a)(6)(A) may not exceed \$25,000,000 in a single year.

(e) Total outstanding state obligation to reimburse cash payments under AS 14.11.100(a)(6)(B) may not exceed \$5,000,000 in a single year.

* Sec. 9. This Act takes effect July 1, 1986.

REPORT OF THE SENATE FINANCE SUBCOMMITTEE ON CSHB520

The Subcommittee met at 4:00 p.m. in the Senate Finance Committee Room. Those in attendance included:

Senator Jalmar Kertulla
Senator Rick Halford
Senator Paul Fischer
Commissioner Mary Nordale, Department of Revenue
Deputy Commissioner Steve Hole, Department of Education
Joyce James, Attorney, Legislative Legal Services
Tom Bergstrom, Staff to Senator John Sackett
Anna Kertulla, Staff to Senator Jalmar Kertulla
Sandra Schubert-Pence, Staff to Senator Bettye Farenkamp
Mary Mc Dowell, Staff to Senator Richard Eliason
Josef Reum, Staff to Senator Rick Halford

Senator Kertulla chaired the meeting and began by discussing the underlying policy questions faced by the Senate Finance Committee in reviewing CSHB520. The first and foremost problem with the bill is that the process for review and approval of school construction debt retirement will, under this legislation, become a political rather than administrative decision. This is a result of the section of the bill which places a 15 million dollar cap on the level of reimbursement which the state will assume.

It was the opinion of Senators Kertulla and Halford, that while the process has been successful in the past, and while little if any controversy has surrounded the decisions of the Commissioner and the State Board of Education regarding the eligibility of projects for debt retirement, this has been the result of unlimited debt assumption rather than a function of policy decisions.

Both agreed that municipalities and boroughs needed to be insulated from potentially political decisions on the part of the executive & the legislature in supporting school construction debt retirement.

Steve Hole of the Department of Education reported that in his 12 year tenure with the Department the existing process and procedures have worked well. This was due to the fact that the department has provided criteria for eligibility which have been straight forward and clear and which resulted in a ranking system based on objective need.

Senator Halford pointed out that essentially there are three tiers of school construction programming. At one

CORRECTION

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

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level are the Rural schools which receive 100% reimbursement, at another voter approved bonded construction with 80% reimbursement from the state, and another level of construction whereby a local government, or school board undertakes construction using 100% of local support. The basic issue was to get the states' debt requirement under control, and to limit in some fashion the way in which debt is obligated by the state.

Mr. Hole maintained that the control cannot be imposed through criteria, but that a cap as suggested in the bill could provide both control and relief.

Mr. Hole further pointed out that while a local government might be able to under present law, assure both votes and the bond market of the potential costs of debt retirement, without full funding of present law, both voter approval and bond rating would be in jeopardy.

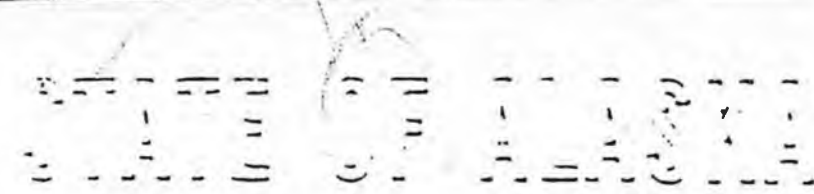
Commissioner Nordale explained that the adjustment of the percentage of state support was a result of a cooperative effort between the state and local governments and school boards. The options available for such a formula were 100% of principle, 50% of principle and interest or an overall 70%.

Senator Fischer offered the option of setting a limit on the square footage costs of a facility.

Mr. Hole responded that such a criteria would not be workable due to the differences in design requirements.

The meeting was adjourned due to the announcement of the earthquake activity in the state, and was slated to reconvene at 8:00 a.m. on May 8, 1986.

HB 520



BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

POUCH 2
JUNEAU, ALASKA 99811
PHONE: (907) 465-3900

OFFICE OF THE COMMISSIONER

March 27, 1986

The Honorable Peter Goll
Representative
Alaska State Legislature
P. O. Box V (MS 3100)
Juneau, AK 99811

Dear Representative Goll:

This is to confirm the telephone discussion between you and John Simpson of this office on March 26 regarding the House Community and Regional Affairs' committee substitute for House Bill 520 (school construction).

The funding and position requirement by the Department of Transportation and Public Facilities for the Community and Regional Affairs' substitute for HB 520 would be zero.

Sincerely,

R. J. Knapp
Commissioner

cc: Susan Fleischhauer, Legislative Liaison
John Simpson, Director, HQ, Engineering & Operations Standards

HB 520

TABLE 1.21

Debt of Alaska Municipalities
6-30-85
(Dollars)

Boroughs	G.O. Debt	Revenue Debt	Total Debt	School G.O. Debt	% of School Debt Paid by State	Net G.O. Debt	Total Net Debt
ANCHORAGE, MUNICIPALITY OF	358,799,900	347,080,000	705,879,900	139,965,000	94 %	227,232,800	574,312,800
BRISTOL BAY	3,535,000	-	3,535,000	3,535,000	90	353,500	353,500
FAIRBANKS NORTH STAR	80,700,000	-	80,700,000	79,900,000	92	7,192,000	7,192,000
Fairbanks City	9,010,000	61,170,000	70,180,000	-	-	9,010,000	70,180,000
North Pole	1,218,550	-	1,218,550	-	-	1,218,550	1,218,550
TOTAL	90,928,500	61,170,000	152,098,500	79,900,000	92	17,420,550	78,590,550
HAINES	555,000	-	555,000	500,000	100	-	-
Haines City	745,000	-	745,000	-	-	745,000	745,000
TOTAL	1,300,000	-	1,300,000	500,000	100	800,000	800,000
JUNEAU, CITY & BOROUGH	47,651,000	27,480,000	75,131,000	30,209,018	91	20,160,794	47,640,794
KENAI PENINSULA	119,324,005	-	119,324,005	100,120,000	90	29,216,005	29,216,005
Homer City	2,113,000	1,025,000	3,138,000	-	-	2,113,000	3,138,000
Kenai City	5,835,000	235,000	6,070,000	-	-	5,835,000	6,070,000
Seldovia City	378,000	43,000	421,000	-	-	378,000	421,000
Seward City	10,000	7,672,000	7,682,000	-	-	10,000	7,682,000
Soldotna City	2,800,000	-	2,800,000	-	-	2,800,000	2,800,000
TOTAL	130,460,005	8,975,000	139,435,005	100,120,000	90	40,352,005	49,327,005
KETCHIKAN GATEWAY	21,090,000	410,000	21,500,000	16,445,000	92	5,960,600	6,370,600
Ketchikan City	10,840,000	23,280,000	34,120,000	-	-	10,840,000	34,120,000
TOTAL	31,930,000	23,690,000	55,620,000	16,445,000	92	16,800,600	40,490,600
KODIAK ISLAND	25,815,000	-	25,815,000	25,515,000	91	2,596,350	2,596,350
Kodiak City	2,455,000	3,298,000	5,753,000	-	-	2,455,000	5,753,000
TOTAL	28,270,000	3,298,000	31,568,000	25,515,000	91	5,051,350	8,349,350
MATANUSKA-SUSITNA	110,160,000	-	110,160,000	95,120,000	90	24,552,000	24,552,000
Palmer City	2,048,000	290,000	2,338,000	-	-	2,048,000	2,338,000
TOTAL	112,208,000	290,000	112,498,000	95,120,000	90	26,600,000	26,890,000
NORTH SLOPE	1,155,680,000	-	1,155,680,000	207,220,000	97	954,676,600	954,676,600
SITKA, CITY & BOROUGH	12,400,000	53,675,000	66,075,000	2,052,258	100	10,347,742	64,022,742
TOTAL BOROUGHs	1,973,162,405	25,658,000	2,498,820,405	700,581,276	93 %	1,319,795,941	1,845,453,941

TABLE 1.21 (continued)

Cities	G.O. Debt	Revenue Debt	Total Debt	School G.O. Debt	% of School Debt Paid by State	Net G.O. Debt	Total Net Debt
Bethel	556,505	535,000	1,091,505	-	- %	556,505	1,091,505
Cordova	-	1,456,000	1,456,000	-	-	-	1,456,000
Craig	35,646	87,000	122,646	-	-	35,646	122,646
Delta Junction	-	-	-	-	-	-	-
Dillingham	-	286,000	286,000	-	-	-	286,000
Eagle	-	-	-	-	-	-	-
Galena	900,000	-	900,000	-	-	900,000	900,000
Hoonah	-	-	-	-	-	-	-
Hydaburg	-	-	-	-	-	-	-
Kake	-	86,000	86,000	-	-	-	86,000
King Cove	-	-	-	-	-	-	-
Klawock	-	-	-	-	-	-	-
Kotzebue	-	-	-	-	-	-	-
Kenai	397,356	2,320,000	2,717,356	190,000	100	207,356	2,527,356
Nome	2,161,250	-	2,161,250	-	-	2,161,250	2,161,250
Pelican	-	-	-	-	-	-	-
Petersburg	6,195,000	4,367,835	10,562,835	4,826,500	96	1,561,560	5,929,395
St. Mary's	-	-	-	-	-	-	-
Sand Point	-	-	-	-	-	-	-
Skagway	820,000	-	820,000	-	-	820,000	820,000
Tanana	-	-	-	-	-	-	-
Unalakleet	-	-	-	-	-	-	-
Unalaska	3,299,032	429,116	3,728,248	925,000	90	2,466,532	2,895,748
Valdez	75,833,000	7,650,000	83,483,000	22,585,000	94	54,603,100	62,253,100
Whittier	-	-	-	-	-	-	-
Wrangell	10,750,000	812,600	11,562,600	9,385,777	82	3,053,663	3,866,263
Yakutat	235,193	490,476	725,669	-	-	235,193	725,669
TOTAL CITIES	101,182,982	18,520,127	119,703,109	37,912,277	91	66,600,805	85,120,932
TOTAL MUNICIPALITIES	2,074,345,387	544,178,127	2,618,523,514	738,493,553	93 %	1,386,396,746	1,930,574,873

Sources: Alaska Department of Education and Alaska Taxable 1985, Alaska Department of Community and Regional Affairs.

SCHOOL CONSTRUCTION DEBT RETIREMENT - FY07 ESTIMATED STATE AID

ADJUSTED 3/17/06

SCHOOL DISTRICTS	100% BOND SALES PRE 7/1/77 YR LAG	90% BOND SALES 7/1/77 TO 1/1/02 2YR LAG	80% ESTIMATED CASH PAYMENT 2YR LAG	90% BOND SALES 1/1/02 TO 7/1/03 CURRENT PAY	80% BOND SALES 7/1/03 TO PRESENT CURRENT PAY	Oct. 1985 PASSED BOND PROPOSITIONS FY07 STATE AID EST.	LESS CIG. TAX PAID IN FY05	ESTIMATED TOTAL DEBT RETIREMENT BY DISTRICT FOR FY-07
ANCHORAGE	\$9,040,760	\$1,425,357	\$5,663,303	\$9,262,020	\$0	\$2,763,640	(\$1,079,060)	\$27,076,900
BRISTOL BAY	\$0	\$300,000	\$44,979	\$0	\$0	\$0	(\$11,307)	\$434,470
CORDOVA	\$119,695	\$0	\$16,066	\$0	\$0	\$0	(\$17,524)	\$119,037
BILLINGHAM	\$0	\$0	\$230,010	\$0	\$0	\$0	(\$20,132)	\$200,606
FAIRBANKS	\$3,800,542	\$0	\$236,527	\$9,750,173	\$0	\$2,965,130	(\$307,232)	\$16,453,140
GALENA	\$0	\$0	\$200,144	\$0	\$0	\$0	(\$10,101)	\$190,045
HAINES	\$91,973	\$0	\$91,350	\$0	\$0	\$0	(\$17,207)	\$166,036
JUNEAU	\$690,130	\$327,400	\$122,794	\$5,744,105	\$0	\$99,152	(\$130,529)	\$6,853,140
KENAI	\$2,552,047	\$0	\$2,241,097	\$11,753,022	\$509,940	\$9,371,000	(\$224,303)	\$26,784,326
KETCHIKAN	\$402,940	\$0	\$1,449,226	\$2,391,220	\$0	\$0	(\$77,578)	\$4,165,716
KING COVE	\$0	\$0	\$26,314	\$0	\$0	\$0	(\$8,507)	\$17,727
KODIAK	\$441,203	\$1,120,062	\$94,615	\$2,966,765	\$0	\$0	(\$72,057)	\$4,550,500
KAT-SU	\$2,115,025	\$2,695,506	\$40,134	\$7,446,346	\$2,112,056	\$7,275,140	(\$202,659)	\$21,490,636
KENAI	\$22,000	\$0	\$0	\$0	\$0	\$0	(\$9,404)	\$12,596
KOME	\$0	\$0	\$0	\$145,000	\$0	\$656,640	(\$29,122)	\$73,310
NORTH SLOPE	\$784,500	\$15,904,690	\$0	\$9,515,250	\$0	\$0	(\$52,710)	\$26,231,730
PETERSBURG	\$389,720	\$0	\$0	\$365,801	\$0	\$0	(\$21,977)	\$733,544
SITKA	\$356,015	\$0	\$501,204	\$0	\$0	\$3,040,000	(\$52,770)	\$3,844,949
UNALASKA	\$0	\$94,096	\$0	\$0	\$0	\$0	(\$9,749)	\$85,147
VALDEZ	\$1,275,514	\$1,643,321	\$260,126	\$0	\$0	\$0	(\$31,198)	\$3,155,763
WRANGELL	\$0	\$126,266	\$0	\$104,000	\$395,976	\$0	(\$10,966)	\$908,164
TOTALS	\$22,091,064	\$23,806,474	\$11,754,024	\$59,446,206	\$3,397,900	\$26,170,710	(\$2,404,530)	\$144,263,658
TOTAL BOND OUTLAYS	\$100,742,604							
PLUS: CASH PAYMENTS	\$11,754,074							
SUB TOTAL	\$120,497,478							
LESS: FY07 EST.	\$26,170,710							
SUB TOTAL	\$146,668,100							
LESS: CIG. TAX	(\$2,404,530)							
EST. STATE AID-FY07	\$144,263,658							

FY 1987 ESTIMATE \$144,263,658
 FY 1986 APPROPRIATION \$106,315,600
 ESTIMATED INCREASE \$37,948,058

NOTE: NUMBERS PRESENTED ABOVE ARE ROUNDED TO THE NEAREST DOLLAR.
 SEE SCHOOL DISTRICT SUMMARIES FOR EXACT AMOUNTS.

HB 520

Government Finance Associates, Inc.

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December 6, 1985

The Honorable Bill Sheffield
Governor
State of Alaska
3rd Floor, Capitol
Pouch A
Juneau, AK 99811

DEC 11 1985

BUDGET REVIEW

Dear Governor Sheffield:

At the outset, I want to say that the trip you took to New York and Chicago to meet with representatives of the investment community, including the rating agencies, underwriters and other participants, was definitely a success. Since those meetings, we have heard positive comments both about the State's presentations and the desire for many of the representatives to maintain continuing dialogue with the chief financial and administrative officers of the State.

This week, we were informed by Anthony Arthur of Standard & Poor's Corporation that the rating agency is in the process of preparing a review on the rating it assigns to the State of Alaska. It is anticipated that this review will take several weeks to complete and will be distributed in appropriate publications by Standard & Poor's. It is not unusual for a rating agency to conduct this type of review subsequent to a briefing of the type presented by the State in November.

During conversations with Anthony Arthur, he requested that certain materials prepared prior to the presentation be updated so that they will have more current data on which to base their credit review. In particular, it will be necessary for the State to develop more recent information on the debt position of State agencies and the State itself. Members of the Department of Revenue are at present preparing that material. Most importantly in this respect, however, is the subject of school debt. For the first time, we expect the agency to include the proportionate share of local school debt paid by the State in determining the State's overall debt load. Apparently, the agency has not been aware of this school assistance program until recently, and based upon the method employed by the agency in handling local school debt paid by other states, we would anticipate the applicable portion to be added to the

Government Finance Associates, Inc.

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overall debt liability of Alaska. Due to the fact that the agency will now be including such debt, we can expect Standard & Poor's to ask the following question regarding this matter. The agency will desire to know the policy that the State expects to employ to control the amount of local school debt that will be paid by the State. In fact, if you recall, at the New York luncheon, one analyst raised the issue by asking if the State had plans for controlling local debt issues in the future. In response to this possible inquiry by Standard & Poor's, you should know that in most circumstances in which other states pay a large portion of debt service for local school buildings, before the local issuer is authorized to sell the school debt, approval by the particular state education department is required, which department also receives certain affordability guidelines for the program by the chief financial officers of the individual state. Standard & Poor's would find it helpful to receive some specific discussion on this important point.

In conjunction with this analysis by Standard & Poor's, it will also review the State's proposed two-year debt management policy. Based on recent discussions with Standard & Poor's, we do not expect a definitive response by the agency on the policy until later in the month when all relevant members of the rating committee will be available for the review. It is important for the State to have a plan it can present to the agency for the implementation of this policy whether the implementation is expected to be an executive proclamation, legislation, or the adoption by the Administration of particular guidelines for the State and State agencies to follow.

There are at least two additional items which, I believe, deserve attention at this point: The status of the recommendations of the lease/purchase options for State office buildings and the establishment of the appropriate approach toward analyzing infrastructure financing by the State. With respect to the first matter, as was noted often during our various visits with the investment community, the lease/purchase approach, as proposed by the State Office Building Task Force, is a cost-effective and the preferred method of financing State office facilities. In the past, the issuance of certificates of participation on an ad hoc basis has not been conducive to a well-organized debt management program for financing such facilities. Because of the substantial debt management advantages of utilizing the methodology presented by the Task Force, a process for State implementation of those recommendations would be met with a favorable response by the rating agency during the course of its evaluation. In this respect, any such facilities that would generally fall within those requiring

Government Finance Associates, Inc.

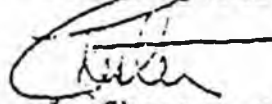
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debt financing should be included immediately within the restrictions of the proposed structure in order for the State to indicate early and convincing adoption of the approach. It would also be helpful to make clear to the rating agency that the Sheffield Administration expects to make the implementation of the recommendations a significant part of the State's overall debt management operations.

Finally, the funding by the State of physical infrastructure requirements has been accomplished in two ways: The use of revenues for capital projects and the issuance of debt to raise proceeds for capital construction requirements. It would be helpful, from the credit analyst's perspective, to have a document which sets forth annually all payments for infrastructure financing by the State to be accomplished during the upcoming year. This information, consolidated into one document, would consist of three major parts. First, the document would present the amount of current revenues being applied to purchase or build long-term capital facilities. Second, the information would set forth the current debt service being paid for all capital facilities directly and indirectly by the State (i.e., general fund expenditures for lease/purchase facilities, general obligation payments, and debt service payments on local school debt). Third, the document would present the security issues to be sold during the current year through both general obligation bonds and related obligations (i.e., lease/purchase debt). Through this document, investors and credit analysts could determine, in a more simplified form, the State's commitment to capital financing of infrastructure requirements. Moreover, it would allow these persons to understand the overall credit of the State in a more comprehensive and persuasive manner. . .

Obviously, we will keep you informed about the progress of the review by Standard & Poor's on the State. If you have any questions or require any further clarification on the matters discussed in this letter, please do not hesitate to contact us. At present, I expect to be in Alaska in early January and would like the opportunity to meet with you then.

Best regards,



J. Chester Johnson

Offered: 4/25/86
Referred: Rules

Original sponsor: Rules/Governor

1 IN THE HOUSE BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 520 (Finance)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to public school construction; and
7 providing for an effective date."

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

9 * Section 1. AS 14.11.100(a)(5) is amended to read:

10 (5) subject to (h), (i), and (j) of this section, 80 per-
11 cent of

12 (A) payments made by the municipality during the
13 fiscal year for the retirement of principal and interest on
14 outstanding bonds, notes or other indebtedness authorized by the
15 qualified voters of the municipality after June 30, 1983, and
16 before July 1, 1986, to pay costs of school construction, addi-
17 tions to schools, and major rehabilitation projects that exceed
18 \$25,000 and are approved under AS 14.07.020(11); and

19 (B) cash payments made after June 30, 1983, and before
20 July 1, 1986, by the municipality during the fiscal year two
21 years earlier to pay costs of school construction, additions to
22 schools, and major rehabilitation projects that exceed \$25,000
23 and are approved under AS 14.07.020(11).

24 * Sec. 2. AS 14.11.100(a) is amended by adding a new paragraph to read:

25 (6) subject to (h), (i), and (j) of this section 70 percent
26 of

27 (A) payments made by the municipality during the
28 fiscal year for the retirement of principal and interest on
29 outstanding bonds, notes or other indebtedness authorized by the

1 qualified voters of the municipality after June 30, 1986, to pay
2 costs of school construction, additions to schools, and major
3 rehabilitation projects that exceed \$25,000 and that are approved
4 under AS 14.11.102; and

5 (B) cash payments made after June 30, 1986, by the
6 municipality during the fiscal year two years earlier to pay
7 costs of school construction, additions to schools, and major
8 rehabilitation projects that exceed \$25,000 and are approved
9 under AS 14.11.102.

10 * Sec. 3. AS 14.11.100(h) is amended to read:

11 (h) In determining an [AN] allocation under (a)(4), [OR] (5), or
12 (6) of this section for school construction begun after July 1, 1982,
13 the costs of school construction must [SHALL] be reduced by the amount
14 of money used for the construction of residential space, hockey rinks,
15 planetariums, saunas, and other facilities for single purpose sporting
16 or recreational uses that are not suitable for other activities and by
17 the money used for construction that exceeds the amount needed for
18 construction of a facility of efficient design as determined by the
19 department. The costs of school construction [AN ALLOCATION UNDER
20 (a)(4) OR (5) OF THIS SECTION] may not be reduced by the amount of
21 money used for construction of a small swimming pool, tank, or water
22 storage facility used for water sports. However, an allocation shall
23 be reduced by the difference between the amount of money used to con-
24 struct a swimming pool that exceeds the standards adopted by the
25 department and the amount of money that would have been used to con-
26 struct a small swimming pool, tank, or water storage facility, as
27 determined by the commissioner.

28 * Sec. 4. AS 14.11.100(i) is amended to read:

29 (i) For the purposes of (a)(4), [AND] (5), and (6) of this

1 section

2 (1) an indebtedness for bonds is incurred after the bonds
3 are sold;

4 (2) reimbursement for a cash payment may only be made after
5 the payment is made to a vendor; and

6 (3) payments may not be made for costs that are incurred
7 under a contract after the contract has been released.

8 * Sec. 5. AS 14.11.100(j) is amended to read:

9 (j) The state may not allocate money to a municipality for a
10 school construction project under (a)(5) or (6) of this section unless
11 the municipality complies with the requirements of (1) - (4) of this
12 subsection and the project is approved under AS 14.11.102 [BY THE
13 COMMISSIONER] before the local vote on the bond issue for the project.
14 In approving a project under this subsection, the commissioner shall
15 require

16 (1) the municipality to include on the ballot for the bond
17 issue the estimated total cost of each project including estimated
18 annual operation and maintenance costs and the estimated amounts that
19 will be paid by the state and by the municipality;

20 (2) that the bonds may not be refunded unless the present
21 value of the aggregate [ANNUAL] debt service on the refunding issue is
22 not greater than the present value of the aggregate [ANNUAL] debt
23 service remaining on the original issues; for purposes of this para-
24 graph the present value of debt service shall be determined by using
25 the yield on the refunding issue as the discount rate [ISSUE];

26 (3) that the bonds must be repaid in approximately equal
27 annual principal payments or approximate equal debt service payments
28 over a period of at least 10 years;

29 (4) the municipality to demonstrate need for the project by

1 establishing that the school district has

2 (A) projected long-term student enrollment that indi-
3 cates the district has inadequate facilities to meet present or
4 projected enrollment; or

5 (B) facilities that require repair or replacement in
6 order to meet health and safety laws or regulations or building
7 codes.

8 * Sec. 6. AS 14.11.100 is amended by adding a new subsection to read:

9 (1) An allocation under (a)(6) of this section may not be
10 reduced due to amounts expended by a municipality under (k) of this
11 section.

12 * Sec. 7. AS 14.11.102 is amended by adding a new subsection to read:

13 (b) After reviewing all projects for which retirement of school
14 construction debt is requested, the department shall rank the projects
15 that have been determined eligible for debt retirement under AS 14.-
16 11.100(j)(4) in accordance with the procedures set out in AS 14.11.-
17 010. All projects determined eligible, but for which no approval for
18 debt retirement has been made under AS 14.11.103, shall be included in
19 the same ranking.

20 * Sec. 8. AS 14.11 is amended by adding a new section to read:

21 Sec. 14.11.103. ALLOCATIONS OF MONEY FOR SCHOOL DEBT RETIREMENT.

22 (a) A request for an allocation of money under AS 14.11.100 for
23 school construction debt retirement shall be submitted to the depart-
24 ment by the school district no later than October 15 of the fiscal
25 year before the fiscal year for which the request is made.

26 (b) Before a project is approved for retirement of school con-
27 struction debt under AS 14.11.100(a)(6), the project must have been
28 determined eligible under the provisions of AS 14.11.102.

29 (c) The department shall approve eligible projects for debt

1 retirement in the order of the priority established under AS 14.11.-
2 102, if the requests meet the requirements of AS 14.11.100, and sub-
3 ject to the provisions of (d) - (e) of this section.

4 (d) Total outstanding state obligation for reimbursement under
5 AS 14.11.100(a)(6)(A) may not exceed \$15,000,000 in a single year.

6 (e) Total outstanding state obligation to reimburse cash pay-
7 ments under AS 14.11.100(a)(6)(B) may not exceed \$5,000,000 in a
8 single year.

9 * Sec. 9. This Act takes effect July 1, 1986.

HOUSE
COMMITTEE REPORT

4/14

(7)

Date referred: 2/26/86

FURTHER REFERRALS: FINANCE

DATE: 4-14-86

The COMMUNITY AND REGIONAL AFFAIRS Committee has considered HB 521

"An Act relating to the issuance of municipal general obligation bonds; and providing for an effective date."

and recommends:

- do pass
- do not pass
- do pass with attached amendment(s)
- no recommendation
- replace with CS HB 521 (CKA) same title new title

and recommends do pass

further referral to the _____ Committee

- and attaches:
- letter of intent
 - first fiscal note
 - new fiscal note
 - zero fiscal note

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

ROBERT CRONIN

Alto E. Johnson

For Kay Wallis

Mr. [Signature]

Peter Joell

W. Furness No Rec

Al M. Morrow No Rec

Peter Joell
Chairman

HOUSE
COMMITTEE REPORT

2/26

C & RA

(7)
Date referred: 1/27/86

FURTHER REFERRALS: FINANCE

DATE: 2/25/86

HOUSE SPECIAL COMMITTEE
The ON STATE LOANS Committee has considered HB 521

"An Act relating to the issuance of municipal general obligation bonds; and providing for an effective date."

and recommends:

- do pass
- do not pass
- do pass with attached amendment(s)
- no recommendation
- replace with CS HB 521 (Loans) same title
- new title
- and reports it without recommendation

further referral to the _____ Committee

- and attaches:
- letter of intent
 - first fiscal note
 - new fiscal note
 - zero fiscal note

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

Sen Ort Do pass

[Signature] SONO

[Signature] DUNNAN

[Signature] FULLER

[Signature] USHEWING

[Signature]
Chairman

Offered: 4/14/86
Referred: Finance

Coak

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE COMMUNITY AND REGIONAL
AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 521 (C&RA)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to municipal debt and the issuance
7 of municipal general obligation bonds; and providing
8 for an effective date."

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

10 * Section 1. AS 29.10.200 is amended by adding a new paragraph to read:

11 (47) AS 29.47.190 - 29.47.195 (notice of and limitation on
12 debt).

13 * Sec. 2. AS 29.20.640(a) is amended to read:

14 (a) A municipality shall file with the department

15 (1) maps and descriptions of all annexed or detached terri-
16 tory;

17 (2) a copy of the annual audit, or, for a second class
18 city, an audit or statement of annual income and expenditures;

19 (3) tax assessment and tax levy figures as requested;

20 (4) a copy of the current annual budget of the municipal-
21 ity;

22 (5) a summary of the optional property tax exemptions
23 authorized together with the estimate of the revenues lost to the
24 municipality by operation of each of the exemptions;

25 (6) a summary of amounts and types of debts of the munic-
26 ipality if requested by the department.

27 * Sec. 3. AS 29.47.190(b) is amended to read:

28 (b) Before a general obligation bond issue election, the govern-
29 ing body shall have published a notice of the total existing bond

1 indebtedness at least once a week for three consecutive weeks. The
2 first notice shall be published at least 20 days before the date of
3 the election. A notice must [SHALL] include

4 (1) the current total general obligation bonded indebted-
5 ness, including authorized but unsold bonds, of the municipality;

6 (2) the cost of the debt service on the current indebted-
7 ness;

8 (3) the total assessed value of taxable property in the
9 municipality;

10 (4) the full value of taxable property in the municipality
11 as determined by the department; and

12 (5) for a city in a borough, the current total general
13 obligation bonded indebtedness of the borough, including authorized but
14 unsold bonds.

15 * Sec. 4. AS 29.47.190 is amended by adding a new subsection to read:

16 (c) This section applies to home rule and general law municipal-
17 ities.

18 * Sec. 5. AS 29.47 is amended by adding a new section to read:

19 Sec. 29.47.195. LIMITATION ON MUNICIPAL DEBT. (a) A governing
20 body may authorize issuance of general obligation bonds only

21 (1) for a city outside a borough, if

22 (A) the general obligation bonded indebtedness of the
23 city outstanding at the time of the authorization does not exceed
24 five percent of the average full value of taxable property in the
25 city for the last two years as determined by the department; and

26 (B) upon issuance of the authorized bonds, the total
27 general obligation bonded indebtedness of the city will not
28 exceed five percent of the average full value of taxable property
29 in the city for the last two years as determined by the

1 department;

2 (2) for a borough containing a city and for a city within a
3 borough, if

4 (A) the combined general obligation bonded indebted-
5 ness of the borough and of all cities in it does not exceed six
6 percent of the average full value of all taxable property in
7 those municipalities for the last two years as determined by the
8 department; and

9 (B) upon issuance of the authorized bonds, the total
10 general obligation bonded indebtedness of the borough and of all
11 cities in it will not exceed six percent of the average full
12 value of all taxable property in those municipalities for the
13 last two years as determined by the department;

14 (3) for a borough that does not contain a city, if

15 (A) the total general obligation bonded indebtedness
16 of the borough does not exceed five percent of the average full
17 value of all taxable property in the borough for the last two
18 years as determined by the department; and

19 (B) upon issuance of the authorized bonds the total
20 general obligation bonded indebtedness of the borough will not
21 exceed five percent of the average full value of all taxable
22 property in the borough for the last two years as determined by
23 the department.

24 (4) for a unified municipality, if

25 (A) the total general obligation bonded indebtedness
26 of the unified municipality does not exceed six percent of the
27 average full value of all taxable property in the unified m
28 ipality for the last two years as determined by the department;
29 and

1 (B) upon issuance of the authorized bonds the total
2 general obligation bonded indebtedness will not exceed six
3 percent of the average full value of all taxable property in the
4 unified municipality for the last two years as determined by the
5 department.

6 (b) Except as provided under (c) of this section, if general
7 obligation bonds are authorized by a borough containing a city or by a
8 city in a borough, the level of indebtedness shall be apportioned as
9 follows:

10 (1) the general obligation bonded indebtedness of the
11 borough may not exceed one percent of the average full value of tax-
12 able property in the borough, including property inside cities and
13 outside cities;

14 (2) the general obligation bonded indebtedness of the city
15 may not exceed five percent of the average full value of taxable
16 property in the city.

17 (c) The general obligation bonded indebtedness allocated to
18 boroughs under (b) of this section may be increased if the increase is
19 approved by a resolution adopted by the assembly and by a resolution
20 adopted by the council of each city in the borough. However, the com-
21 bined general obligation indebtedness of all the municipalities may
22 not exceed the limit under (a)(2) of this section.

23 (d) The limitation under (a) of this section does not apply to

24 (1) general obligation bonds necessary because of a natural
25 disaster;

26 (2) general obligation bonds necessary to protect the
27 public health;

28 (3) general obligation bonds for which, without expenditure
29 of tax revenue, cash receipts from fees, rents, or other charges

1 pledged to pay the debt have been, in the case of debt outstanding,
2 and will be, in the case of debt to be issued, sufficient each fiscal
3 year to meet interest and redemption payments on the bonds and costs
4 of operating and maintaining the capital project financed with the
5 bonds;

6 (4) bond anticipation notes;

7 (5) revenue anticipation notes issued in accordance with
8 art. IX, sec. 10, Constitution of the State of Alaska;

9 (6) debt for which there are sinking funds or other funds
10 on hand pledged to the payment of the debt, including the proceeds of
11 refunding bonds or refunding notes; or

12 (7) general obligation bonds necessary for the construc-
13 tion, rehabilitation, or improvement of public schools.

14 (e) This section applies to home rule and general law municipal-
15 ities.

16 * Sec. 6. This Act takes effect immediately in accordance with AS 01.-
17 10.070(c).
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Cook

Offered: 2/26/86
Referred: Community & Regional
Affairs and Finance
Original sponsor: Rules/governor

BY THE HOUSE SPECIAL
COMMITTEE ON STATE LOANS

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 521 (Loans)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the issuance of municipal general
7 obligation bonds; and providing for an effective
8 date."

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

10 * Section 1. AS 29.10.200 is amended by adding a new paragraph to read:

11 (47) AS 29.47.190 - 29.47.195 (notice of and limitation on
12 debt).

13 * Sec. 2. AS 29.47.190(b) is amended to read:

14 (b) Before a general obligation bond issue election, the govern-
15 ing body shall have published a notice of the total existing bond
16 indebtedness at least once a week for three consecutive weeks. The
17 first notice shall be published at least 20 days before the date of
18 the election. A notice must [SHALL] include

19 (1) the current total general obligation bonded indebted-
20 ness, including authorized but unsold bonds, of the municipality;

21 (2) the cost of the debt service on the current indebted-
22 ness;

23 (3) the total assessed value of taxable property in the
24 municipality;

25 (4) the full value of taxable property in the municipality
26 as determined by the department; and

27 (5) for a city in a borough, the current total general
28 obligation bonded indebtedness of the borough, including authorized but
29 unsold bonds.

1 * Sec. 3. AS 29.47.190 is amended by adding a new subsection to read:

2 (c) This section applies to home rule and general law municipal-
3 ities.

4 * Sec. 4. AS 29.47 is amended by adding a new section to read:

5 Sec. 29.47.195. LIMITATION ON MUNICIPAL DEBT. (a) A governing
6 body may not authorize issuance of general obligation bonds unless

7 (1) the general obligation bonded indebtedness of the
8 municipality outstanding at the time of the authorization by the
9 governing body does not exceed seven percent of the average full value
10 of taxable property of the municipality for the last two years as
11 determined by the department; and

12 (2) upon issuance of the authorized bonds the total general
13 obligation bonded indebtedness of the municipality will not exceed
14 seven percent of the average full value of taxable property of the
15 municipality for the last two years as determined by the department.

16 (b) For purposes of calculating current general obligation
17 bonded indebtedness under (a) of this section for a borough, the
18 general obligation bonded indebtedness of each city in the borough
19 shall be included. For purposes of determining the current general
20 obligation bonded indebtedness for a city in a borough, a proportional
21 share of the borough's general obligation bonded indebtedness shall be
22 included based on the value of taxable property in the city compared
23 to the total value of taxable property in the borough.

24 (c) The limitation under (a) of this section does not apply to

25 (1) general obligation bonds necessary because of a natural
26 disaster;

27 (2) general obligation bonds necessary to protect the
28 public health;

29 (3) general obligation bonds for which, without expenditure

1 of tax revenue, cash receipts from fees, rents, or other charges
2 pledged to pay the debt have been sufficient each fiscal year after
3 issuance of the bonds to meet interest and redemption payments on the
4 bonds and costs of operating and maintaining the capital project
5 financed with the bonds;

6 (4) bond anticipation notes;

7 (5) revenue anticipation notes issued in accordance with
8 article IX, sec. 10, Constitution of the State of Alaska; or

9 (6) debt for which there are sinking funds or other funds
10 on hand pledged to the payment of the debt, including the proceeds of
11 refunding bonds or refunding notes.

12 * Sec. 5. This Act takes effect immediately in accordance with AS 01.-
13 10.070(c).

Gov letter
1 zero 7 rate Total \$
2 zero w/ analyzer

Introduced: 1/27/86
Referred: House Special Committee on
State Loans, Community & Regional
Affairs and Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

HOUSE BILL NO. 521

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the issuance of municipal general
7 obligation bonds; and providing for an effective
8 date."

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

10 * Section 1. AS 29.47.190(b) is amended to read:

11 (b) Before a general obligation bond issue election, the govern-
12 ing body shall have published a notice of the total existing bond
13 indebtedness at least once a week for three consecutive weeks. The
14 first notice must [SHALL] be published at least 30 days before the
15 date of the election. A notice must [SHALL] include

16 (1) the current total general obligation bonded indebted-
17 ness, including authorized but unsold bonds of the municipality;

18 (2) the cost of the debt service on the current indebted-
19 ness;

20 (3) the total assessed value of taxable property in the
21 municipality;

22 (4) the full property value, as determined by the Depart-
23 ment of Community and Regional Affairs under AS 14.17.140.

24 * Sec. 2. AS 29.47 is amended by adding a new section to read:

25 Sec. 29.47.195. LIMITATION ON MUNICIPAL DEBT. (a) A municipal-
26 ity may not incur additional general obligation bond debt if current
27 bonded indebtedness exceeds, or will exceed upon issuance of the debt
28 issue, seven percent of the full property value, as determined by the
29 Department of Community and Regional Affairs under AS 14.17.140.

1 (b) For purposes of the debt limitation established in (a) of
2 this section, "municipality" includes a municipality or a combination
3 of municipalities that occupy, in whole or in part, the same geograph-
4 ic area.

5 (c) For purposes of the debt limitation established in (a) of
6 this section, "general obligation bond debt" does not include

7 (1) refunding bonds; or

8 (2) self-supporting debt even though such debt may also be
9 general obligation debt of the municipality.

10 * Sec. 3. This Act takes effect immediately in accordance with AS 01.-
11 10.070(c).

BILL SHEFFIELD
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

HB 521
080

04/27

January 27, 1986

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that will establish a reasonable limit on the authority of a municipality or borough to issue general obligation bond debt.

At present, there is no limit as to the amount of general obligation debt that municipalities may incur. And, while taxing limits are generally prescribed by statute, current law specifically exempts from the taxing limitation any assessments necessary to satisfy debt service obligations. The potential for excessive municipal debt burdens -- a burden that both directly and indirectly affects the state and other municipalities -- is one which simply must be controlled.

I believe that reasonable general obligation bond debt limitations are essential to preserve the financial stability of Alaska municipalities. We are all aware that the level of per capita municipal debt in Alaska far exceeds the national average. To be sure, the lack of basic public services in many areas of the state contributes to the current level of debt. While I am certainly sensitive to the extreme, and at times costly, needs of rural communities, I am equally concerned that excessive municipal debt will only undermine the substantial economic progress enjoyed by all Alaska communities in the last several years.

The problems associated with excessive debt requirements will increase in the future. As state revenues decline,

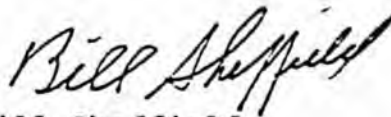
municipalities will increasingly be responsible for the cost of governmental services, and this inevitable burden will only be further compounded if municipalities are saddled with excessive debt service obligations.

The bill proposes that a municipality may not incur additional general obligation debt if, upon issuance, the municipality's general obligation debt would exceed seven percent of the market value of property which is taxable under state law. The Department of Community and Regional Affairs is currently required by statute to ascertain annually the property value necessary for this limit. That only three communities -- the North Slope Borough, the cities of Nenana and Wrangell -- exceed the seven percent standard is indicative that the limit is reasonable, and will not unfairly limit the prerogatives of local governments.

It is equally important to note what the bill does not do. The bill does not limit in any manner a municipality's authority to levy taxes in order to satisfy debt service obligations. The bill does not limit a municipality's authority to issue revenue or refunding bonds. And finally, the bill does not penalize those municipalities that have issued debt in excess of the seven percent standard.

I believe that the bill provides a needed assurance that municipalities will not incur an unsupportable debt burden. Establishment of a debt ceiling greatly diminishes the prospect of a municipal default. It also prevents a decline in state revenues as municipal assessments are increased to support an ever-increasing debt burden. I urge your prompt passage of this legislation.

Sincerely,



Bill Sheffield
Governor

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Page 1 of 2
HB 521 #1

Revision Date : _____

REQUEST

Bill/Resolution No. : _____
 Title : An Act Relating to the Issuance of
Municipal General Obligation Bonds

 Sponsor : _____
 Requestor : Governor
 Date of Request : _____

FISCAL DETAIL

Agency Affected : C and RA
 BRU : _____

 Components : _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						

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

REVENUE	0	0	0	0	0	0
---------	---	---	---	---	---	---

FUNDING : (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary
 See attached:

Prepared by : John Larson
 Division : Research

Phone : 465-2173
 Date : 1/2/86

Approved by Commissioner : Stacy A. Stordale
 Agency : _____

Date : 1/6/86

Distribution (by Agency preparing fiscal notes) :

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

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. HB 520# 1

page 2 of 2

The proposed legislation would limit the amount of general obligation (G.O.) bond debt a municipality could have outstanding to seven percent of the full value of taxable property in that municipality. If a municipality's G.O. bond debt exceeded the limit then that municipality could not issue additional G.O. debt until its outstanding G.O. debt was below the limit and the issuance of the additional G.O. debt would not cause it to exceed the limit. It should be noted that the proposed limitation applies only to G.O. bond debt and would not limit a municipality's authority to issue revenue bonds or refunding bonds. Also the proposal would not limit a municipality's authority to levy unlimited property taxes in order to pay outstanding debt service obligations.

Government Finance Associates (GFA), the State's financial advisor, performed a review of debt limits in other states. In general, most municipal debt limits appear to be a fixed percentage of the value of taxable property in the municipality. GFA recommends that Alaska's debt limit be related directly and simply to a portion of a municipality's assessed value. In this way, the amount of debt issued by any municipality would be directly related to its ability to pay its general obligation debt through its tax base.

Based on data compiled by the Department of Community and Regional Affairs in the soon to be released publication Alaska Taxable 1985 only three municipalities currently exceed the proposed seven percent G.O. bond debt limitation. These municipalities are Nenana, Wrangell and the North Slope Borough.

Because the proposed legislation would not limit the municipality's authority to levy property taxes to satisfy existing debt service obligations, there would be no immediate impact on net revenue accruing to the State under AS 43.56.

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

REQUEST HB 520 # 2
 Bill/Resolution No. : _____
 Title : "An Act relating to issuance of
 general obligation funds..."

 Sponsor : Governor
 Requestor : Governor
 Date of Request : 12/10/85

Revision Date : _____

FISCAL DETAIL
 Agency Affected : Community & Regional Affairs
 BRU : Local Government Assistance

 Components : State Assessor

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-			
CAPITAL						
REVENUE						

FUNDING : (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-			

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Full Value figures and the methodology for their determination may be challenged by the three municipalities presently over the 7% cap. This may create the need for additional travel for the State Assessor. However, this need is speculative and is, therefore, not reflected in the fiscal note.

Prepared by : Doug Griffin Phone : 465-4750
 Division : Municipal and Regional Assistance Date : 12-18-85

Approved by Commissioner : [Signature] Date : 12/18/85
 Agency : Community and Regional Affairs

Distribution (by Agency preparing fiscal note) :

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

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST HB 520 # 3
 Bill/Resolution No.: _____
 Title: Issuance of Municipal General
Obligation Bonds

Revision Date: _____
 FISCAL DETAIL
 Agency Affected: Administration
 BRU: _____

Sponsor: Governor
 Requestor: _____
 Date of Request: _____

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
OPERATING						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: Attach a separate page if necessary

This bill has no fiscal impact on the Department of Administration.

Prepared By: Michael P. McMillin *Michael P. McMillin* Phone: 465-2200
 Division: Commissioner's Office Date: 12/17/85
 Approved by Commissioner: Eleanor Andrews *Eleanor Andrews* Date: 12/17/85
 Agency: Department of Administration

Distribution (by Agency preparing fiscal note):

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

ALASKA STATE LEGISLATURE

14 Legislature SECOND Session

HOUSE BILL..... NO. 521...

By RULES BY REQUEST OF THE GOVERNOR

"An Act relating to the issuance of municipal general obligation bonds; and providing for an effective date."

municipal bonds

Introduced in the House 1/27., 1936.

HISTORY IN THE HOUSE

19 86	Read first time and referred to Committee on												
Jan 27	LOANS, C&RA, AND FINANCE												
	Reported back with recommendation that												
	Read second time and												
	Read third time and												
	<table border="0"> <tr><td>PASS</td><td>Effective Date</td></tr> <tr><td>Yeas</td><td>Yeas</td></tr> <tr><td>Nays</td><td>Nays</td></tr> <tr><td>Absent</td><td>Absent</td></tr> <tr><td>Excused</td><td>Excused</td></tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused		
PASS	Effective Date												
Yeas	Yeas												
Nays	Nays												
Absent	Absent												
Excused	Excused												
	<table border="0"> <tr><td>Reconsideration</td><td></td></tr> <tr><td>PASS</td><td>Effective Date</td></tr> <tr><td>Yeas</td><td>Yeas</td></tr> <tr><td>Nays</td><td>Nays</td></tr> <tr><td>Absent</td><td>Absent</td></tr> <tr><td>Excused</td><td>Excused</td></tr> </table>	Reconsideration		PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
Reconsideration													
PASS	Effective Date												
Yeas	Yeas												
Nays	Nays												
Absent	Absent												
Excused	Excused												
	Reported correctly engrossed												
	Signed by Speaker												
	Sent to Senate												

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19	Read first time and referred to Committee on												
	Reported back with recommendation that												
	Read second time and												
	Read third time and												
	<table border="0"> <tr><td>PASS</td><td>Effective Date</td></tr> <tr><td>Yeas</td><td>Yeas</td></tr> <tr><td>Nays</td><td>Nays</td></tr> <tr><td>Absent</td><td>Absent</td></tr> <tr><td>Excused</td><td>Excused</td></tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused		
PASS	Effective Date												
Yeas	Yeas												
Nays	Nays												
Absent	Absent												
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Reconsideration													
PASS	Effective Date												
Yeas	Yeas												
Nays	Nays												
Absent	Absent												
Excused	Excused												
	Reported correctly engrossed												
	Signed by President												
	Returned to House												

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19	Received from Senate
	Concurred in Senate amendment thus adopting: VOTE
	Failed to concur in Senate amendment; asked Senate to recede VOTE
	Senate receded from amendment VOTE
	Senate failed to recede from amendment VOTE
	CC appointed by House
	CC appointed by Senate
	CC adopted by House VOTE
	CC adopted by Senate VOTE
	To enrolling Reported correctly enrolled Sent to Governor by Governor
	Filed with Lt. Governor
	Chapter No.

Offered: 4/14/86
Referred: Finance

Original sponsor: Rules/Governor

1 IN THE HOUSE
2
3 CS FOR HOUSE BILL NO. 521 (C&RA)
4 IN THE LEGISLATURE OF THE STATE OF ALASKA
5 FOURTEENTH LEGISLATURE - SECOND SESSION
6 A BILL
7 For an Act entitled: "An Act relating to municipal debt and the issuance
8 of municipal general obligation bonds; and providing
9 for an effective date."
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
11 * Section 1. AS 29.10.200 is amended by adding a new paragraph to read:
12 (47) AS 29.47.190 - 29.47.195 (notice of and limitation on
13 debt).
14 * Sec. 2. AS 29.20.640(a) is amended to read:
15 (a) A municipality shall file with the department
16 (1) maps and descriptions of all annexed or detached terri-
17 tory;
18 (2) a copy of the annual audit, or, for a second class
19 city, an audit or statement of annual income and expenditures;
20 (3) tax assessment and tax levy figures as requested;
21 (4) a copy of the current annual budget of the municipal-
22 ity;
23 (5) a summary of the optional property tax exemptions
24 authorized together with the estimate of the revenues lost to the
25 municipality by operation of each of the exemptions;
26 (6) a summary of amounts and types of debts of the munic-
27 ipality if requested by the department.
28 * Sec. 3. AS 29.47.190(b) is amended to read:
29 (b) Before a general obligation bond issue election, the govern-
ing body shall have published a notice of the total existing bond

1 indebtedness at least once a week for three consecutive weeks. The
2 first notice shall be published at least 20 days before the date of
3 the election. A notice must [SHALL] include

4 (1) the current total general obligation bonded indebted-
5 ness, including authorized but unsold bonds, of the municipality;

6 (2) the cost of the debt service on the current indebted-
7 ness;

8 (3) the total assessed value of taxable property in the
9 municipality;

10 (4) the full value of taxable property in the municipality
11 as determined by the department; and

12 (5) for a city in a borough, the current total general
13 obligation bonded indebtedness of the borough, including authorized but
14 unsold bonds.

15 * Sec. 4. AS 29.47.190 is amended by adding a new subsection to read:

16 (c) This section applies to home rule and general law municipal-
17 ities.

18 * Sec. 5. AS 29.47 is amended by adding a new section to read:

19 Sec. 29.47.195. LIMITATION ON MUNICIPAL DEBT. (a) A governing
20 body may authorize issuance of general obligation bonds only

21 (1) for a city outside a borough, if

22 (A) the general obligation bonded indebtedness of the
23 city outstanding at the time of the authorization does not exceed
24 five percent of the average full value of taxable property in the
25 city for the last two years as determined by the department; and

26 (B) upon issuance of the authorized bonds, the total
27 general obligation bonded indebtedness of the city will not
28 exceed five percent of the average full value of taxable property
29 in the city for the last two years as determined by the

1 department;

2 (2) for a borough containing a city and for a city within a
3 borough, if

4 (A) the combined general obligation bonded indebted-
5 ness of the borough and of all cities in it does not exceed six
6 percent of the average full value of all taxable property in
7 those municipalities for the last two years as determined by the
8 department; and

9 (B) upon issuance of the authorized bonds, the total
10 general obligation bonded indebtedness of the borough and of all
11 cities in it will not exceed six percent of the average full
12 value of all taxable property in those municipalities for the
13 last two years as determined by the department;

14 (3) for a borough that does not contain a city, if

15 (A) the total general obligation bonded indebtedness
16 of the borough does not exceed five percent of the average full
17 value of all taxable property in the borough for the last two
18 years as determined by the department; and

19 (B) upon issuance of the authorized bonds the total
20 general obligation bonded indebtedness of the borough will not
21 exceed five percent of the average full value of all taxable
22 property in the borough for the last two years as determined by
23 the department.

24 (4) for a unified municipality, if

25 (A) the total general obligation bonded indebtedness
26 of the unified municipality does not exceed six percent of the
27 average full value of all taxable property in the unified munic-
28 ipality for the last two years as determined by the department;
29 and

1 (B) upon issuance of the authorized bonds the total
2 general obligation bonded indebtedness will not exceed six
3 percent of the average full value of all taxable property in the
4 unified municipality for the last two years as determined by the
5 department.

6 (b) Except as provided under (c) of this section, if general
7 obligation bonds are authorized by a borough containing a city or by a
8 city in a borough, the level of indebtedness shall be apportioned as
9 follows:

10 (1) the general obligation bonded indebtedness of the
11 borough may not exceed one percent of the average full value of tax-
12 able property in the borough, including property inside cities and
13 outside cities;

14 (2) the general obligation bonded indebtedness of the city
15 may not exceed five percent of the average full value of taxable
16 property in the city.

17 (c) The general obligation bonded indebtedness allocated to
18 boroughs under (b) of this section may be increased if the increase is
19 approved by a resolution adopted by the assembly and by a resolution
20 adopted by the council of each city in the borough. However, the com-
21 bined general obligation indebtedness of all the municipalities may
22 not exceed the limit under (a)(2) of this section.

23 (d) The limitation under (a) of this section does not apply to

24 (1) general obligation bonds necessary because of a natural
25 disaster;

26 (2) general obligation bonds necessary to protect the
27 public health;

28 (3) general obligation bonds for which, without expenditure
29 of tax revenue, cash receipts from fees, rents, or other charges

1 pledged to pay the debt have been, in the case of debt outstanding,
2 and will be, in the case of debt to be issued, sufficient each fiscal
3 year to meet interest and redemption payments on the bonds and costs
4 of operating and maintaining the capital project financed with the
5 bonds;

6 (4) bond anticipation notes;

7 (5) revenue anticipation notes issued in accordance with
8 art. IX, sec. 10, Constitution of the State of Alaska;

9 (6) debt for which there are sinking funds or other funds
10 on hand pledged to the payment of the debt, including the proceeds of
11 refunding bonds or refunding notes; or

12 (7) general obligation bonds necessary for the construc-
13 tion, rehabilitation, or improvement of public schools.

14 (e) This section applies to home rule and general law municipal-
15 ities.

16 * Sec. 6. This Act takes effect immediately in accordance with AS 01.-
17 10.070(c).

Offered: 2/26/86
Referred: Community & Regional
Affairs and Finance

Original sponsor: Rules/governor

BY THE HOUSE SPECIAL
COMMITTEE ON STATE LOANS

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 521 (Loans)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the issuance of municipal general
7 obligation bonds; and providing for an effective
8 date."

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

10 * Section 1. AS 29.10.200 is amended by adding a new paragraph to read:
11 (47) AS 29.47.190 - 29.47.195 (notice of and limitation on
12 debt).

13 * Sec. 2. AS 29.47.190(b) is amended to read:

14 (b) Before a general obligation bond issue election, the govern-
15 ing body shall have published a notice of the total existing bond
16 indebtedness at least once a week for three consecutive weeks. The
17 first notice shall be published at least 20 days before the date of
18 the election. A notice must [SHALL] include

19 (1) the current total general obligation bonded indebted-
20 ness, including authorized but unsold bonds, of the municipality;

21 (2) the cost of the debt service on the current indebted-
22 ness;

23 (3) the total assessed value of taxable property in the
24 municipality;

25 (4) the full value of taxable property in the municipality
26 as determined by the department; and

27 (5) for a city in a borough, the current total general
28 obligation bonded indebtedness of the borough, including authorized but
29 unsold bonds.

1 * Sec. 3. AS 29.47.190 is amended by adding a new subsection to read:

2 (c) This section applies to home rule and general law municipal-
3 ities.

4 * Sec. 4. AS 29.47 is amended by adding a new section to read:

5 Sec. 29.47.195. LIMITATION ON MUNICIPAL DEBT. (a) A governing
6 body may not authorize issuance of general obligation bonds unless

7 (1) the general obligation bonded indebtedness of the
8 municipality outstanding at the time of the authorization by the
9 governing body does not exceed seven percent of the average full value
10 of taxable property of the municipality for the last two years as
11 determined by the department; and

12 (2) upon issuance of the authorized bonds the total general
13 obligation bonded indebtedness of the municipality will not exceed
14 seven percent of the average full value of taxable property of the
15 municipality for the last two years as determined by the department.

16 (b) For purposes of calculating current general obligation
17 bonded indebtedness under (a) of this section for a borough, the
18 general obligation bonded indebtedness of each city in the borough
19 shall be included. For purposes of determining the current general
20 obligation bonded indebtedness for a city in a borough, a proportional
21 share of the borough's general obligation bonded indebtedness shall be
22 included based on the value of taxable property in the city compared
23 to the total value of taxable property in the borough.

24 (c) The limitation under (a) of this section does not apply to

25 (1) general obligation bonds necessary because of a natural
26 disaster;

27 (2) general obligation bonds necessary to protect the
28 public health;

29 (3) general obligation bonds for which, without expenditure

1 of tax revenue, cash receipts from fees, rents, or other charges
2 pledged to pay the debt have been sufficient each fiscal year after
3 issuance of the bonds to meet interest and redemption payments on the
4 bonds and costs of operating and maintaining the capital project
5 financed with the bonds;

6 (4) bond anticipation notes;

7 (5) revenue anticipation notes issued in accordance with
8 article IX, sec. 10, Constitution of the State of Alaska; or

9 (6) debt for which there are sinking funds or other funds
10 on hand pledged to the payment of the debt, including the proceeds of
11 refunding bonds or refunding notes.

12 * Sec. 5. This Act takes effect immediately in accordance with AS 01.-
13 10.070(c).

Offered: 2/26/86
Referred: Community & Regional
Affairs and Finance

Original sponsor: Rules/governor

1 IN THE HOUSE BY THE HOUSE SPECIAL
COMMITTEE ON STATE LOANS
2 CS FOR HOUSE BILL NO. 521 (Loans)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - SECOND SESSION
5 A BILL
6 For an Act entitled: "An Act relating to the issuance of municipal general
7 obligation bonds; and providing for an effective
8 date."
9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
10 * Section 1. AS 29.10.200 is amended by adding a new paragraph to read:
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12 debt).
13 * Sec. 2. AS 29.47.190(b) is amended to read:
14 (b) Before a general obligation bond issue election, the govern-
15 ing body shall have published a notice of the total existing bond
16 indebtedness at least once a week for three consecutive weeks. The
17 first notice shall be published at least 20 days before the date of
18 the election. A notice must [SHALL] include
19 (1) the current total general obligation bonded indebted-
20 ness, including authorized but unsold bonds, of the municipality;
21 (2) the cost of the debt service on the current indebted-
22 ness;
23 (3) the total assessed value of taxable property in the
24 municipality;
25 (4) the full value of taxable property in the municipality
26 as determined by the department; and
27 (5) for a city in a borough, the current total general
28 obligation bonded indebtedness of the borough, including authorized but
29 unsold bonds.

1 * Sec. 3. AS 29.47.190 is amended by adding a new subsection to read:

2 (c) This section applies to home rule and general law municipal-
3 ities.

4 * Sec. 4. AS 29.47 is amended by adding a new section to read:

5 Sec. 29.47.195. LIMITATION ON MUNICIPAL DEBT. (a) A governing
6 body may not authorize issuance of general obligation bonds unless

7 (1) the general obligation bonded indebtedness of the
8 municipality outstanding at the time of the authorization by the
9 governing body does not exceed seven percent of the average full value
10 of taxable property of the municipality for the last two years as
11 determined by the department; and

12 (2) upon issuance of the authorized bonds the total general
13 obligation bonded indebtedness of the municipality will not exceed
14 seven percent of the average full value of taxable property of the
15 municipality for the last two years as determined by the department.

16 (b) For purposes of calculating current general obligation
17 bonded indebtedness under (a) of this section for a borough, the
18 general obligation bonded indebtedness of each city in the borough
19 shall be included. For purposes of determining the current general
20 obligation bonded indebtedness for a city in a borough, a proportional
21 share of the borough's general obligation bonded indebtedness shall be
22 included based on the value of taxable property in the city compared
23 to the total value of taxable property in the borough.

24 (c) The limitation under (a) of this section does not apply to

25 (1) general obligation bonds necessary because of a natural
26 disaster;

27 (2) general obligation bonds necessary to protect the
28 public health;

29 (3) general obligation bonds for which, without expenditure

1 of tax revenue, cash receipts from fees, rents, or other charges
2 pledged to pay the debt have been sufficient each fiscal year after
3 issuance of the bonds to meet interest and redemption payments on the
4 bonds and costs of operating and maintaining the capital project
5 financed with the bonds;

6 (4) bond anticipation notes;

7 (5) revenue anticipation notes issued in accordance with
8 article IX, sec. 10, Constitution of the State of Alaska; or

9 (6) debt for which there are sinking funds or other funds
10 on hand pledged to the payment of the debt, including the proceeds of
11 refunding bonds or refunding notes.

12 * Sec. 5. This Act takes effect immediately in accordance with AS 01.-
13 10.070(c).

Introduced: 1/27/86
Referred: House Special Committee on
State Loans, Community & Regional
Affairs and Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 521

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the issuance of municipal general
7 obligation bonds; and providing for an effective
8 date."

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

10 * Section 1. AS 29.47.190(b) is amended to read:

11 (b) Before a general obligation bond issue election, the govern-
12 ing body shall have published a notice of the total existing bond
13 indebtedness at least once a week for three consecutive weeks. The
14 first notice must [SHALL] be published at least 20 days before the
15 date of the election. A notice must [SHALL] include

16 (1) the current total general obligation bonded indebted-
17 ness, including authorized but unsold bonds of the municipality;

18 (2) the cost of the debt service on the current indebted-
19 ness;

20 (3) the total assessed value of taxable property in the
21 municipality;

22 (4) the full property value, as determined by the Depart-
23 ment of Community and Regional Affairs under AS 14.17.140.

24 * Sec. 2. AS 29.47 is amended by adding a new section to read:

25 Sec. 29.47.195. LIMITATION ON MUNICIPAL DEBT. (a) A municipal-
26 ity may not incur additional general obligation bond debt if current
27 bonded indebtedness exceeds, or will exceed upon issuance of the debt
28 issue, seven percent of the full property value, as determined by the
29 Department of Community and Regional Affairs under AS 14.17.140.

1 (b) For purposes of the debt limitation established in (a) of
2 this section, "municipality" includes a municipality or a combination
3 of municipalities that occupy, in whole or in part, the same geograph-
4 ic area.

5 (c) For purposes of the debt limitation established in (a) of
6 this section, "general obligation bond debt" does not include

7 (1) refunding bonds; or

8 (2) self-supporting debt even though such debt may also be
9 general obligation debt of the municipality.

10 * Sec. 3. This Act takes effect immediately in accordance with AS 01.-
11 10.070(c).

**HOUSE
COMMITTEE REPORT**

(11)

Date referred: 2/12/86

FURTHER REFERRALS:

DATE: 2-12-86

The FINANCE Committee has considered HB 530

"An Act relating to the special mortgage loan purchase program."

and recommends:

- do pass
- do not pass
- do pass with attached amendment(s)
- no recommendation
- replace with CS HB 530 (LOANS) same title
 new title

and recommends do pass

further referral to the _____ Committee

- and attaches:
- letter of intent
 - first fiscal note
 - new fiscal note
 - zero fiscal note

SIGNING DO/PASS:

SIGNING OTHER RECOMMENDATIONS:

Mike Symmes
Albert R. Adams
John Dingell
Sam Dwyer
Ronald L. Larsen
Pat Foychuk
Rich Albrity
Steve Kucinich
D. Mack
John R. Dingell
Jan O'Connell

Albert R. Adams
Chairman

**STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE**

Revision Date: 2/11/86

REQUEST

Bill/Resolution No.: CSHB 530 (Loans)
 Title: An Act relating to refinancing loans under the special mortgage loan purchase program.
 Sponsor: Duncan, MM Miller, Sund, et al
 Requestor: Rep John Sund
 Date of Request: 2/10/86

FISCAL DETAIL

Agency Affected: AHFC
 BRU: _____
 Components: _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-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						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by: Ron Lehr, Executive Director Phone: 276-5599
 Division: Alaska Housing Finance Corp. Date: 2/11/86

Approved by Commissioner: _____ Date: _____
 Agency: _____

Distribution (by Agency preparing fiscal note):

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

CORRECTION

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

**STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE**

Revision Date : 2/11/86

REQUEST

FISCAL DETAIL

Bill/Resolution No. : CSHB 530 (Loans)
 Title : An Act relating to refinancing loans under the special mortgage loan purchase program.
 Sponsor : Duncan, MM Miller, Sund, et al
 Requestor : Rep. John Sund
 Date of Request : 2/10/86

Agency Affected : AHFC
 BRU : _____
 Components : _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-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						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by : *Ron Lehr* Ron Lehr, Executive Director

Division : Alaska Housing Finance Corp.

Phone : 276-5599

Date : 2/11/86

Approved by Commissioner : _____

Date : _____

Agency : _____

Distribution (by Agency preparing fiscal note) :

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

Original sponsors: Duncan, M.M. Miller,
Sund, et al.

BY THE HOUSE SPECIAL
COMMITTEE ON STATE LOANS

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 530 (Loans)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to refinancing loans under the
7 special mortgage loan purchase program; and providing
8 for an effective date."

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

10 * Section 1. AS 18.56.098(a) is amended to read:

11 (a) The corporation shall establish a special mortgage loan
12 purchase program. Under the special mortgage loan purchase program,
13 the corporation may purchase refinancing loans or first or second
14 mortgage loans, including graduated payment mortgage loans, made for
15 the purchase, improvement, or rehabilitation of residences.

16 * Sec. 2. AS 18.56.098(f) is amended to read:

17 (f) In this section and in AS 18.56.099,

18 (1) "graduated payment mortgage loan" means a mortgag
19 the terms of which provide for monthly principal and interest payments
20 which

21 (A) during the first year of the mortgage loan are
22 lower than the monthly principal and interest payments that would
23 be required under the terms of a level payment mortgage loan made
24 at the same interest rate; and

25 (B) during subsequent years of the mortgage loan are
26 graduated to provide for the same return over the term of the
27 loan that would have been provided by a level payment mortgage
28 loan made at the same interest rate;

29 (2) "mortgage loan" includes a beneficial interest or

1 participation in a mortgage loan;

2 [(3) REPEALED]

3 (3) "refinancing loan" means a loan refinancing either a
4 first or second mortgage loan purchased under (a) of this section or a
5 loan for which the interest rate is established under AS 44.47.410(a)
6 through another mortgage loan the amount of which may not exceed the
7 unpaid balance of the loan being refinanced plus closing costs;

8 (4) "residence" means an owner-occupied, single-family
9 residence, including a mobile home, or an owner-occupied duplex,
10 triplex or fourplex.

11 * Sec. 3. This Act takes effect immediately in accordance with AS 01.-
12 10.070(c).

ALASKA HOUSING FINANCE CORPORATION
 SAVINGS REALIZED FROM PROPOSED REFINANCE BILL
 (HB 530)

MONTHLY PAYMENT SCHEDULE
 ON
 LOAN AMOUNTS
 \$110,000 - \$130,000

<u>LOAN DATE</u>	<u>\$ 110,000</u>	<u>\$ 120,000</u>	<u>\$ 130,000</u>
<u>11/81 - 5/81</u>			
Principal & Interest	\$ 1,270.83	\$ 1,433.76	\$ 1,591.98
Reserves	<u>150.00</u>	<u>150.00</u>	<u>150.00</u>
12 3/4% on First \$90,000 19.411% on balance	<u>1,420.83</u>	<u>1,583.76</u>	<u>1,741.98</u>
<u>Today's Rates</u>			
Principal & Interest	\$ 985.82	\$ 1,075.44	\$ 1,177.15
Reserves	<u>150.00</u>	<u>150.00</u>	<u>150.00</u>
10% on First \$90,000 11.2% on balance	<u>1,135.82</u>	<u>1,225.44</u>	<u>1,327.15</u>
SAVINGS	\$ 285.01	\$ 358.32	\$ 414.83

ALASKA HOUSING FINANCE CORPORATION
 SAVINGS REALIZED FROM PROPOSED REFINANCE BILL
 (HB 530)

MONTHLY PAYMENT SCHEDULE
 ON
 LOAN AMOUNTS
 \$110,000 - \$130,000

<u>LOAN DATE</u>	<u>\$ 110,000</u>	<u>\$ 120,000</u>	<u>\$ 130,000</u>
<u>10/20/82 - 2/83</u>			
Principal & Interest	\$ 1,227.60	\$ 1,362.72	\$ 1,501.89
Reserves	<u>150.00</u>	<u>150.00</u>	<u>150.00</u>
12 3/4% on First \$90,000 16.59% on balance	<u>1,377.60</u>	<u>1,512.72</u>	<u>1,651.89</u>
<u>Today's Rates</u>			
Principal & Interest	\$ 985.82	\$ 1,075.44	\$ 1,177.15
Reserves	<u>150.00</u>	<u>150.00</u>	<u>150.00</u>
10% on First \$90,000 11.2% on balance	<u>1,135.82</u>	<u>1,225.44</u>	<u>1,327.15</u>
SAVINGS	\$ 241.78	\$ 287.28	\$ 324.74

ALASKA HOUSING FINANCE CORPORATION
 SAVINGS REALIZED FROM PROPOSED REFINANCE BILL
 (HB 530)

MONTHLY PAYMENT SCHEDULE
 ON
 LOAN AMOUNTS
 \$110,000 - \$130,000

<u>LOAN DATE</u>	<u>\$ 110,000</u>	<u>\$ 120,000</u>	<u>\$ 130,000</u>
<u>12/82 - 2/83</u>			
Principal & Interest	\$ 1,016.51	\$ 1,131.48	\$ 1,250.34
Reserves	<u>150.00</u>	<u>150.00</u>	<u>150.00</u>
10.125% on First \$90,000 13.8% on balance	<u>1,166.51</u>	<u>1,281.48</u>	<u>1,400.34</u>
<u>Today's Rates</u>			
Principal & Interest	\$ 985.82	\$ 1,075.44	\$ 1,177.15
Reserves	<u>150.00</u>	<u>150.00</u>	<u>150.00</u>
10% on First \$90,000 11.2% on balance	<u>1,135.82</u>	<u>1,225.44</u>	<u>1,327.15</u>
SAVINGS	30.69	\$ 56.04	\$ 73.19

73.19 - correction

ALASKA MUTUAL BANK

February 12, 1986

Honorable Al Adams, Chairman
House Finance Committee
P.O. Box V
Juneau, Alaska 99811

Dear Representative Adams:

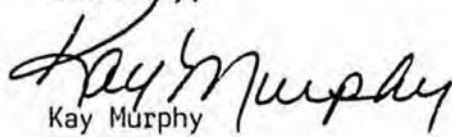
Alaska Mutual Bank strongly supports House Bill 530 giving Alaska Housing Finance Corporation (AHFC) the ability to refinance existing AHFC loans. We currently service 1358 loans totaling \$149,200,000 that have interest rates of 11% or higher. We service 3606 AHFC loans totaling \$371,891,000 which are ABE structured mortgages requiring payment increases that have either already gone into effect or will do so in the very near future.

This refinance program will enable homeowners to reduce their monthly housing expense and delay, for a period of time, the increases required under an ABE structured loan. A reduction in interest rate for the borrower will mean a reduction in subsidy dollars paid by the State.

We urge you to enact legislation authorizing AHFC to purchase refinance mortgages. A loan program designed to reduce the consumer's housing expense and, at the same time, reduce state expenditures can only serve to benefit all citizens of the State.

Thank you for your attention to this matter.

Sincerely,


Kay Murphy
Vice President

KM:rm





National Bank of Alaska

Mortgage Loan Department, P.O. Box 7-025 • Anchorage, Alaska 99510-7025 • (907) 265-2656

February 11, 1986

Honorable Al Adams, Chairman
House Finance Committee
Alaska House of Representatives
Pouch V
Juneau, Alaska 99811

RE: House Bill 530 amending AS 18.56.098

Dear Representative Adams:

It is not often we have an opportunity to do something which is good for all Alaskans. House Bill 530 gives us this opportunity. By allowing refinancing of existing AHFC loans and allowing inclusion of closing costs in the new loan, we feel this bill would provide many benefits.

First, to the homeowners. Many homeowners obtained AHFC loans during times of high interest rates. Concurrent with those high rates, the ABE structure was created, as a way to keep the rates as low as possible. Therefore, there are many homeowners who not only have a loan with an interest rate higher than is available today, but in addition, a loan on which the 5% annual increase under the ABE structure either has or will soon take effect, further increasing monthly payments on their homes. House Bill 530, if enacted quickly while rates are down, would allow these homeowners to reduce monthly payments immediately because of reduced interest rates. By writing a new loan on a 30-year amortization, the homeowners would also benefit by lengthening the term of the loan and by deferring the 5% increase under the ABE structure until the 4th year of the new loan. The net result and immediate benefit to homeowners is to increase their spendable income. An additional and important benefit is that by reducing mortgage payments, homeowners will encounter less difficulty in meeting their mortgage payments, which should result in lowering the number of delinquencies and homes lost due to foreclosure. Finally, the homeowner would, in most instances, exchange a non-assumable loan for one which is assumable. The State of Alaska would also benefit by reduction of subsidy costs.

Another benefit would be infusion of these "saved" dollars into the Alaska economy, dollars which currently go to investors outside the State. Passage of the bill would also result in increased activity in mortgage-related fields, which could increase employment in those fields.

Honorable Al Adams, Chairman
February 11, 1986
Page 2

We applaud the efforts of the members of the Alaska Legislature in considering this bill and urge rapid action in order to provide refinancing while AHFC is able to obtain funds at low interest rates.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lucille Stietz". The signature is written in dark ink and is positioned above the typed name.

Lucille Stietz
Vice President

ry

Alaska Pacific Mortgage

A KeyCorp Affiliate



Post Office Box 100420
Anchorage, Alaska 99510-0420
(907) 562-6100

February 11, 1986

Honorable Al Adams, Chairman
House Finance Committee
Alaska State Legislature
P.O. Box V
Juneau, Alaska 99511

Re: HB 530

Dear Representative Adams:

Alaska Pacific Mortgage wishes to express support for HB 530. We feel that the immediate passage of this bill will allow the consumers to take advantage of the current market low interest rates.

In addition the consumer will benefit by lower payments, assumable loans and putting off for another three years the ABE (Alaska Building Equity) 5% increase that occurs in years four through nine.

Also this refinance could lower the cost of Alaska Housing Finance Corporation by paying off older and higher cost bond issues more quickly.

Lastly, this refinance program could help stimulate the Alaska real estate industry. The ripple effect throughout our economy would be very beneficial and could potentially impact other sectors. We wish to again stress the importance of a timely enactment of this bill to allow benefits from the current low interest rates.

Thank you for this opportunity.

Sincerely,

A handwritten signature in cursive script that reads "Jon R. Boyd".

Jon R. Boyd
President

JRB/mc

ALASKA MORTGAGE BANKERS ASSOCIATION

P.O. BOX 4-2691/ANCHORAGE, ALASKA 99509

February 12, 1986

Honorable Al Adams, Chairman
House Finance Committee
P.O. Box V
Juneau, Alaska 99811

Dear Representative Adams:

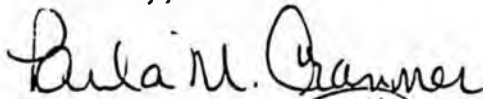
The Alaska Mortgage Bankers Association (AMBA) supports the enactment of House Bill 530 enabling Alaska Housing Finance Corporation (AHFC) to purchase refinances of AHFC mortgages.

The benefit of an AHFC refinance program are clear and far-reaching. A homeowner could reduce their monthly housing expense substantially under the new program in light of interest rate reductions over the past few years. The State of Alaska could greatly reduce the amount of subsidy dollars paid on existing AHFC loans. The general economy will be strengthened because consumers will be able to apply less of their income to housing expense and, therefore, put their money to work in other segments of the Alaskan economy. Consumers who are now experiencing difficulty making their payments because of increased house payments under an ABE structured mortgage or increases in other living expenses will now be able to better afford their home and keep their mortgages current. A reduced inventory of Real Estate Owned (REO) by institutional investors will assist in the recovery of the housing market, in general.

We strongly urge your passage of this bill as it truly represents a benefit to all citizens of the State of Alaska.

Thank you for your time.

Sincerely,



Paula M. Cranmer
President

PMC:rm

ALASKA HOUSING FINANCE CORPORATION
REFINANCING PROPOSAL
ANALYSIS OF POTENTIAL INTEREST RATE SAVINGS

Estimated average level of subsidy prior to refinancing	4.50%
Estimated average level of subsidy subsequent to refinancing	<u>1.25%</u>
Estimated decrease in level of subsidy	<u>3.25%</u>

Based upon the above, for each \$100 million of refinancing activity, the reduction in the level of subsidy will result in an annual savings of \$3,250,000.

The savings to the Corporation, while accruing from the date of the refinance, becomes available to AHFC only upon complete retirement of a particular issue of bonds. This is the case since the mortgages, and the funds related to their earnings and prepayments, remain pledged to the bond issue until the last bondholder has been paid off.

While the refinancing activity will accelerate the date when the complete retirement of a particular high rate bond issue is accomplished, the financial benefit of the refinancing is "tied up" until then. Prior to the complete retirement of the issue, what essentially is occurring is a reinvestment of the mortgage loan principal prepayments received pursuant to the refinancing at the rate of interest being paid on the bonds.

For most of these bond issues, the final retirement date will be moved forward from 1990 or 1991 to 1988 or 1989. At that time, the Corporation will have paid off the bonds and the balance of the loans pledged to the issue will be released from their pledge to the bondholders and available to the Corporation for continuation of the Special Mortgage Loan Purchase Program.

It is important to note that while this effectively represents a return of the original up-front subsidy related to the pool of loans pledged to that particular bond issue, it is going to be received in the form of mortgage loans as opposed to cash or liquid investments. The Corporation would expect to use these mortgage loans to facilitate the financing of future loan production in much the same manner as they were originally utilized.

All urban non-conforming

Information Provided
by HAD

<u>INTEREST RATE</u>	<u>#</u>	<u>ORIGINAL LOAN AMOUNT</u>	<u>PRINCIPLE BALANCE</u>
11%	202	13,476,100.00	13,304,972.62
12%	111	7,115,500.00	6,958,989.40
13%	3	393,850.00	385,309.82
14%	2	265,050.00	262,508.32
15%	2	346,250.00	343,395.14
			<hr/>
			21,255,175.30

<u>INTEREST RATE</u>	<u>#</u>	<u>ORIGINAL LOAN AMOUNT</u>	<u>PRINCIPLE BALANCE</u>
12%	111	7,115,500.00	6,958,989.40
13%	3	393,850.00	385,309.82
14%	2	265,050.00	262,508.32
15%	2	346,250.00	343,395.14
			<hr/>
			7,950,202.68

→ Some of these
may refinance

<u>INTEREST RATE</u>	<u>#</u>	<u>ORIGINAL LOAN AMOUNT</u>	<u>PRINCIPLE BALANCE</u>
13%	3	393,850.00	385,309.82
14%	2	265,050.00	262,508.32
15%	2	346,250.00	343,395.14
			<hr/>
			991,213.28

→ The ones
expected
to refinance

Alaska Housing Finance Corporation's (the "Corporation") cost of funding mortgage loans has dropped substantially. Since May 17, 1985, the interest rate on the subsidized portion of mortgage loans purchased by the Corporation has been 10%, the lowest rate permitted by Statute unless the cost of funds is below 10%. When AHFC first accessed the taxable bond market in 1981 to continue to provide financing for the loan program initiated by the Legislature in the previous year, it did so at a total cost of 17.05%. Subsequent bond sales resulted in costs at rates as high as 19.4%. During this period of escalating interest rates, the interest rate on the subsidized portion of a mortgage loan rose to 12.375% with blended rates on loans in excess of \$90,000 reaching as high as 15-1/2%. The level of subsidy (difference between the Corporation's cost of funds and the subsidized rate) provided by AHFC during this period exceeded 7%.

The last taxable bond issue sold by the Corporation resulted in a total cost of 11.23% and a resultant level of subsidy of 1.23%. This significant reduction in interest rates has been a boon to the State and AHFC in that the cost to operate the loan program is greatly reduced. However, for those individuals who purchased their homes during the period of high interest rates, there does not currently exist a way for them to directly benefit from this rally short of selling their current home and purchasing another home with financing provided by AHFC. This unfortunate situation results from the Corporation's lack of statutory authority to purchase mortgage loans the purpose of which was to refinance an existing loan.

The Corporation is seeking statutory authority to purchase loans made to refinance existing higher rate debt. Implementation of such a program would obviously benefit a significant number of homeowners through a reduction in monthly mortgage payments and would additionally provide a number of economic benefits to AHFC and the State. As of January 1986, AHFC held 9,167 loans aggregating almost \$1 billion with an interest rate of 11.25% or greater. The lower interest rates combined with other borrower benefits listed below will result in a substantial portion of these borrowers refinancing their loans if such a program were to be made available through AHFC.

Benefit to the Borrower

- The average borrower under a refinance program should achieve a savings in their monthly payments of approximately \$150 to \$175 per month.

- The majority of the loans expected to be refinanced under the program would be of a type requiring increases in the payments beginning in the fourth year. While these increases will be applied to the principal balance of the loan, they will result in the borrowers having less funds available to meet other living expenses. The new loan provided the borrowers would also have the increasing payment structure; however, an additional 3 years "grace" period would be provided.

- Loans purchased by AHFC subsequent to August 1985 can be assumed. Virtually all of the loans likely to be refinanced are subject to a "due on sale" clause requiring the loan to be paid off if title is transferred. In addition to achieving a lower interest rate and reduced monthly payments, the borrowers would be "exchanging" a non-assumable loan for one permitting qualified assumptions.

Benefit to AHFC

- The mortgage loans owned by the Corporation with high interest rates were financed by AHFC bonds with even higher costs. The prepayment amounts can be used directly to retire the high cost bonds. These bonds are generally not able to be paid off with other than principal repayments on the loans pledged as collateral. The net result is the retirement of a loan subsidized at a minimum level of 3% and more likely 5% to 7% and substituting it with a loan with a subsidy level of 1.24%.
- A decrease in the interest rate and corresponding reduction in monthly payments will decrease the likelihood of borrower default. A borrower struggling with payments based upon a 13% loan will be more able, and psychologically more inclined, to keep their loan current.

Benefit to the State

- Assuming approximately one-half of those borrowers with an interest rate in excess of 11-1/4% refinance with an average savings in monthly payments of \$175, an extra \$10,500,000 each year will be available for injection directly into the Alaskan economy. Since this is cash in residents' pockets which would have otherwise been passed through to Wall Street investors, it will impact virtually all sectors of the economy at a time when it is needed most.

Program Criteria

- Refinancing would be restricted to existing AHFC loans.
- The new loan amount would be limited to the principal outstanding on the existing loan plus costs associated with the refinancing.
- Maximum loan-to-property value ratios applicable to the refinance loans will be as follows:

TYPES OF MORTGAGE INSURANCE

Conventional	90%
FHA	95% to 97%
VA	100%

- A complete loan package will be required in connection with obtaining a new loan. A new property appraisal will be necessary and the borrower's credit worthiness and ability to meet financial obligations will need to be documented.

Presently the Alaska Housing Finance Corporation does not have a program that allows current AHFC borrowers the option of refinancing their existing home loans. This is an undesirable situation because interest rates have dropped substantially lately, and if refinancing of AHFC loans were permitted, both borrowers and AHFC could achieve considerable savings. For instance:

- Currently, AHFC has nearly 10,000 loans totaling over \$1 billion at an interest rate of 11-1/8% and above.
- In the current market, interest rates to borrowers under AHFC's taxable program would range from 10% to about 10-5/8%, depending upon the size of the loan.
- Although it will vary depending upon a borrower's current interest rate, we estimate that the average current borrower with a mortgage interest rate of 11-1/8% and above should save about \$200 a month in interest if they were able to refinance under AHFC's current loan programs.
- All new AHFC loans are assumable, so in most cases a borrower would be refinancing from a non-assumable loan to an assumable loan.
- The majority of the loans expected to be refinanced under the program would be of a type requiring increases in the payments beginning in the fourth year. While these increases will be applied to the principal balance of the loan, they will result in the borrowers having less funds available to meet other living expenses. The new loan provided the borrowers would also have the increasing payment structure; however, an additional 3 years "grace" period would be provided.
- AHFC also benefits in two significant ways. First, since its current cost of capital is lower than before, less subsidy is needed per loan. Second, a decrease in a borrower's monthly payment will make it easier for a borrower to pay and, hence, decrease the likelihood of borrower default.
- Finally, the entire Alaskan economy should benefit, since the reduced monthly payment would result in the borrowers having more money available to save or spend for other purposes.

Alaska HOUSING FINANCE CORPORATION



February 6, 1986

The Honorable Jim Duncan
 Alaska House of Representatives
 P.O. Box V
 Juneau, AK 99811

Dear Representative Duncan:

You requested an explanation of what effect the ability to refinance the Corporation's existing loans will have on AHFC. I am unable to give a very precise estimate, since I don't know how many AHFC borrowers will choose to refinance.

According to various lenders, it will cost about 3% to refinance. Current interest rates for non-veterans will range between 10% and 10-5/8%, depending upon the size of the loan (9% for the first \$90,000 for a qualified veteran). AHFC currently has approximately 10,000 loans totaling about \$1 billion in principal balance at an interest rate of 11-1/8% and above, with about half of these loans at 12% and above. Based upon this, it seems safe to assume that at a minimum, a few thousand loans totaling a few hundred million will choose to refinance. On balance, it also seems safe to assume that the average borrower who decides to refinance will save \$200 a month or more in mortgage payments.

Savings will, of course, also accrue to AHFC. The refinancing of an existing high rate mortgage loan will enable the Corporation to retire outstanding high rate bonds. The bond agreements generally allow early retirement of the bonds only from prepayments of the loans purchased with their original proceeds. The example below demonstrates the savings to the Corporation in what is expected to be a typical refinance:

	<u>Existing Bond Issue</u>	<u>New Bond Issue</u>
Total cost of funds	19.153	11.125
Mortgage rate (\$125,000 loan)*	<u>14.250</u>	<u>10.375</u>
Subsidy Level	4.903%	.75%
Savings to AHFC	4.153%	

* Based upon a subsidized rate applicable to the first \$90,000 of the loan at 12.375% for the existing loan and 10% for the new loan.

The Honorable Jim Duncan
February 6, 1986
Page 2

The above example demonstrates that for the remaining term of the loan, the Corporation will be reducing the difference between the cost of its borrowing and the rate the mortgage is paying by 4.153%. This represents an annual savings to the Corporation as a result of the refinancing in excess of \$5,000. At the same time, the borrower has reduced their interest rate from 14.25% to 10.375%, representing an annual interest savings of over \$4,500.

The benefit of converting from high rate debt to current rates is being split between the borrower and AHFC. In the example above, the total savings is 8.028% (existing bond cost of 19.153% less estimated current cost of 11.125%). This savings is split as follows:

Reduced AHFC subsidy	4.153%
Reduced mortgage rate to borrower	<u>3.875%</u>
Total interest savings	<u>8.028%</u>

The savings to the Corporation, while accruing from the date of the refinance, becomes available to AHFC only upon complete retirement of a particular issue of bonds. This is the case since the mortgages, and the funds related to their earnings and prepayments, remain pledged to the bond issue until the last bondholder has been paid off.

While the refinancing activity will accelerate the date when the complete retirement of a particular high rate bond issue is accomplished, the financial benefit of the refinancing is "tied up" until then. Prior to the complete retirement of the issue, what essentially is occurring is a reinvestment of the mortgage loan principal prepayments received pursuant to the refinancing at the rate of interest being paid on the bonds. Since these bonds have a yield to the investor as high as 18.375%, this reinvestment process has significant economic benefit to the Corporation.

For most of these bond issues, the final retirement date will be moved forward from 1990 or 1991 to 1988 or 1989. At that time, the Corporation will have paid off the bonds and the balance of the loans pledged to the issue will be released from their pledge to the bondholders and available to the Corporation for continuation of the Special Mortgage Loan Purchase Program.

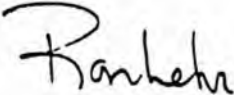
It is important to note that while this effectively represents a return of the original up-front subsidy related to the pool of loans pledged to that particular bond issue, it is going to be received in the form of mortgage loans as opposed to cash or liquid investments. The Corporation would expect to use these mortgage loans to facilitate the financing of future loan production in much the same manner as they were originally utilized.

The Honorable Jim Duncan
February 6, 1986
Page 3

I once again want to advise you of our strong support for your bill, HB530. In a time of some rather downbeat economic news, it's heartening to have legislation that will save Alaska's money, boost the economy, and save the State money all at the same time!

Please let me know if I can provide any additional information.

Sincerely,



Dr. Ronald D. Lehr
Executive Director

RDL:lmg

EXCERPTS REGARDING INTEREST RATE PROJECTIONS

Economic Research, January 1986 from Goldman Sachs.

"With advance refunding activity crimped by potential tax reform, with long rates and the yield curve already discounting lower inflation and short-term rates than now exist, with negligible dealer short positions, with a discount rate cut unlikely soon, with economic activity picking up slowly but surely, and with implementation of Gramm-Rudman and substantially lower oil prices apparently taken for granted, there is little or no room in current yields to withstand contrary developments. Because such comfort shattering events seem unlikely in the next month or two, bond yields may fall and the yield curve flatten modestly further, with a difficult-to-time reversal now a more realistic prospect. Short-term (90-day dealer-placed commercial paper, now 7.60%) and long-term (20- to 30-year maturity Treasury issues, now around 9.40%) interest rates seem likely to rise 75-100 basis points above current levels this year, with increasing risk that this occurs sooner rather than later."

Prospects for Financial Markets in 1986 from Salomon Brothers Inc

"As the U.S. economy gathers strength during the spring of next year, however, the decline in U.S. interest rates will come to a halt. This slide in rates, which began in May 1984, has occurred in the context of slow U.S. economic growth - 2.4% at an annual rate since the second quarter of 1984 - and moderating inflation. The Fed will continue to supply reserves liberally to the banking system, such that emerging upward pressure on interest rates will be modest. However, the pressure will become more pronounced in the second half of 1986, when U.S. economic growth is expected to average about 4% at an annual rate, and as the markets anticipate several additional developments: "...

"Under these circumstances, long-term bond yields are likely to climb by 75-125 basis points from their lows reached early in the year. Even though the Federal Reserve will eventually respond to these developments, it will be following market forces, rather than leading"