

LEG. FINANCE - BILLS 1985 - 1986 2431

CSHB 530 cont. - HB 535

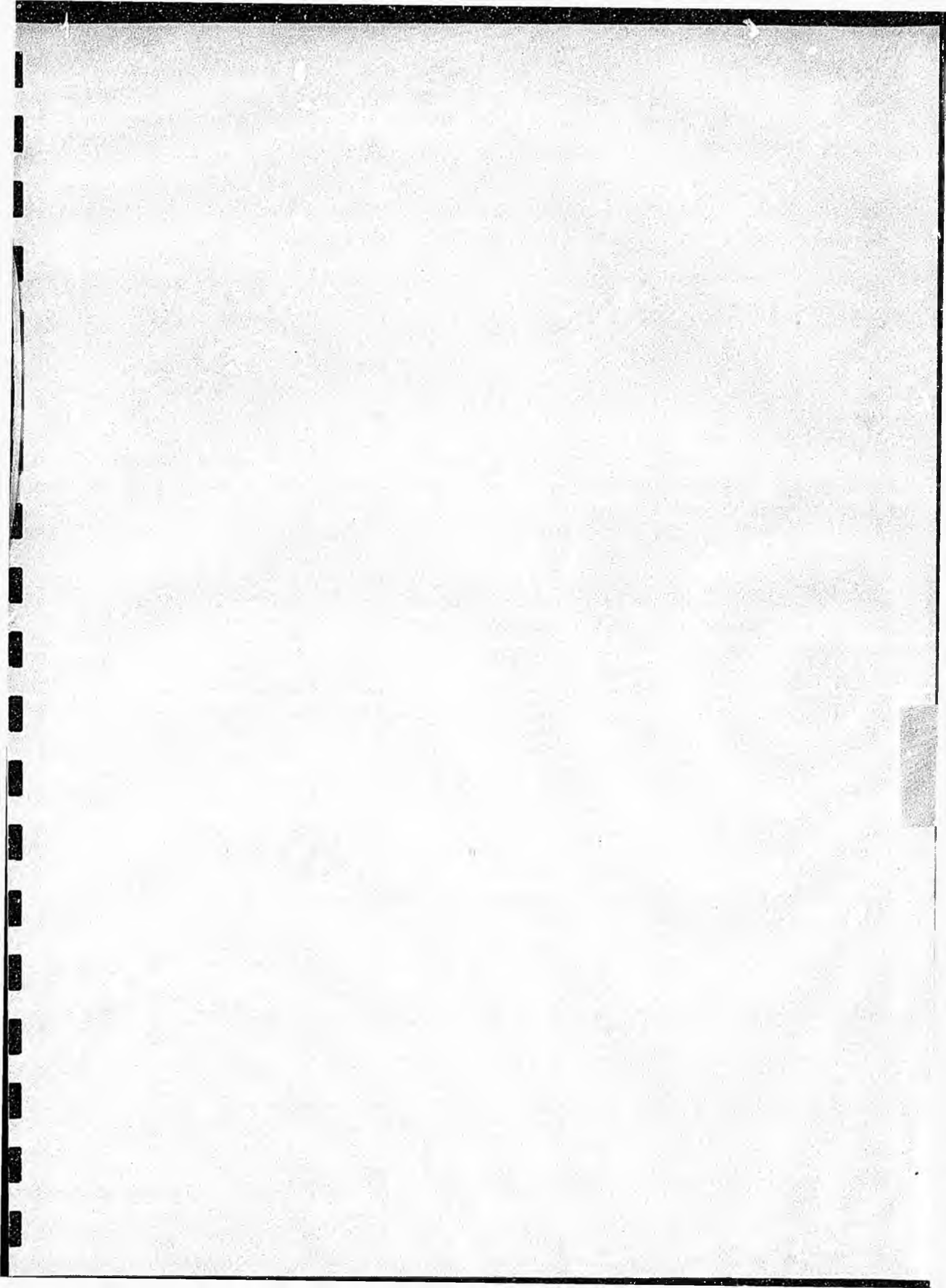
2431

ALASKA HOUSING FINANCE CORPORATION

Summary of Projection Assumptions

Fiscal Years 86 through 92

- Mortgage loan demand for FY86 and FY87 at \$638 million increasing 5% in FY87 through FY90 and 7.5% annually thereafter.
- Federal tax exempt bond authorization unchanged from existing law with the First Time Homebuyers Program sunseting December 31, 1987. Percentage activity in the Veterans Mortgage Program decreases slightly each year as fewer veterans meet the federal restrictions.
- Net annual investment earnings of approximately 8%.
- Mortgage loan prepayments varying between 6% and 8%.
- Subsidy calculated as follows:
  - Taxable Program - Mortgage loans purchased with an interest rate on the first \$90,000 3% below the taxable cost of funds (\$24 million subsidy per \$100 million of bonds issued, e.g., 24% subsidy-to-bond ratio).
  - First Time Homebuyers Program - FY86 subsidy-to-bond ratio of 10%, increasing to 13% in subsequent fiscal years.
  - Veterans Mortgage Program - FY86 subsidy-to-bond ratio of 14%, increasing to 17% in subsequent fiscal years.
- Loans currently aggregating \$103 million originated by the State of Alaska Division of Veterans Affairs and transferred to the Corporation in 1980 are not considered liquid assets until they are projected to be converted to mortgage backed securities in FY90.
- Home Ownership Assistance annual subsidies aggregating \$6 million in FY86, increasing to \$9 million in FY91 and remaining at that level throughout the projection period.
- Home Ownership Fund earnings are projected without considering adjustments for potential increases in the reserves for loan losses.



Introduced: 1/31/86  
Referred: House Special Committee on  
State Loans and Finance

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

HOUSE BILL NO. 533

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - SECOND SESSION

A BILL

2  
3  
4  
5  
6 For an Act entitled: "An Act relating to the issuance of tax-exempt,  
7 state-guaranteed revenue bonds by the Alaska Housing  
8 Finance Corporation to finance mortgages for qualify-  
9 ing veterans under AS 18.56; and providing for an  
10 effective date."

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

12 \* Section 1. For the purpose of assisting the Alaska Housing Finance  
13 Corporation to provide money for the purchase of mortgages made for resi-  
14 dences for qualifying veterans under AS 18.56, tax-exempt revenue bonds of  
15 the Alaska Housing Finance Corporation are unconditionally guaranteed as to  
16 principal and interest by the state in the principal amount of not more  
17 than \$600,000,000. The full faith, credit, and resources of the state are  
18 pledged to the payment of the principal of and interest on these bonds, and  
19 the principal of and interest on the bonds are secured by the general obli-  
20 gation of the State of Alaska. A statement of this pledge must be printed  
21 on the face of the bonds and must be signed in manual or facsimile form by  
22 the governor. The provisions of AS 37.15 do not apply to the bonds. The  
23 bonds shall be sold by the Alaska Housing Finance Corporation under AS 18.-  
24 56 at public sale in amounts and at times approved by the state bond com-  
25 mittee. The guarantee authorized by this section is in addition to the  
26 guarantees authorized by sec. 5, ch. 35, SLA 1982; by sec. 1, ch. 81, SLA  
27 1983; and by sec. 1, ch. 115, SLA 1984.

28 \* Sec. 2. If the question set out in sec. 4 of this Act is approved by  
29 the qualified voters of the state who vote on the question, the Alaska

ALASKA HOUSING FINANCE CORPORATION

Veterans Mortgage Program

Information as of December 31, 1985

	<u>Veterans Bonds</u>		<u>Balance Remaining</u>
	<u>Authorized</u>	<u>Issued</u>	
1982	\$400.0 million	\$400.0 million	
1983	\$500.0 million	\$405.0 million	\$ 95.0 million
1984	\$700.0 million	\$ 2.5 million	\$247.5 million

Loans Made:

FY 83	2,484	\$ 54,376,200
FY 84	4,016	467,310,100
FY 85	2,507	289,507,600
FY 86	<u>840</u>	<u>101,838,150</u>
	<u>9,847</u>	<u>\$913,032,050</u>

FY 86 through December 31, 1985

Total AHFC Loans	2,718	100%
AHFC Loans to Qualified Veterans	840	31%

Summary of Projected Veterans Mortgage Bond Issues

<u>Calendar Year</u>	<u>Total Bond Issuance</u>	<u>1984 Authorization</u>	<u>1986 Authorization</u>
1986	\$302.5	\$247.5	\$ 55.0
1987	302.5		302.5
1988	242.5		242.5
	<u>\$847.5</u>	<u>\$247.5</u>	<u>\$600.0</u>

Eligibility under the Veterans Mortgage Program is restricted by Federal requirements to those veterans who entered the service prior to January 1, 1977 and who have not been out of the service for more than 30 years.

In addition to the requirement for State authorization, Veterans Mortgage Bonds are subject to a Federally imposed calendar year cap of \$302.5 million.

The tax proposal recently passed by the House and currently under review by the Senate places the Veterans Mortgage Bonds under a State ceiling of \$200 million. The new ceiling would apply to Industrial Development Bonds, Qualified Mortgage (First Time Homebuyer) Bonds, Multifamily Housing Bonds, Qualified Non-Profit Agency Bonds, and Veterans Mortgage Bonds. Thus, housing bonds, including those for veterans, would be required to compete for their share of the \$200 million State cap.

The uncertainties associated with the recent tax bill currently preclude the issuance of Veterans Mortgage Bonds.

DATE 1/31/86

ALASKA HOUSING FINANCE CORPORATION  
STATE GUARANTEED BONDS - VETERANS MORT.  
LOAN SUMMARY MORTGAGES PURCHASED

	FY 1984 -----	%	FY 1985 -----	%	FY 1986 THRU ( 1/31/86 ) -----	%
SALES PRICE	129,877		130,774		134,913	
APPRAISED VALUE	132,573		133,336		140,725	
NOTE AMOUNT	118,362		115,480		120,804	
MONTHLY INCOME	5,009		4,874		5,021	
AGE OF BORROWER	38.4		38.7		39.1	
SIZE OF HOUSEHOLD	3.1		3.1		3.3	
LOAN TO SALES PRICE RATIO	89.58%		88.31%		89.54%	
WEIGHTED AVG INT. RATE	9.51%		10.49%		9.71%	
MONTHLY P&I	982.01		1,055.88		1,004.25	
DWELLING TYPE..SFR	3,433	85.48	2,179	86.92	822	87.82
CONDO	382	9.01	193	7.70	32	3.42
DUPLX	91	2.27	22	.88	7	.75
PUD	128	3.19	92	3.67	60	6.41
MOHM	2	.05	17	.68	15	1.60
TRI-PLEX			4	.16	0	.00
FOUR PLEX					0	.00
NEW/EXISTING....NEW	2,046	50.95	1,210	48.26	387	41.35
EXISTING	1,970	49.05	1,297	51.74	549	58.65
1ST TIME HOMEOWNER..YES	1,385	34.48	921	36.74	321	34.29
NO	2,831	85.51	1,586	63.26	615	65.71
INSURANCE TYPE.....FHA					0	.00
VA	1,598	39.74	1,122	44.75	412	44.02
CONVA	2,420	80.26	1,385	55.25	524	55.98
ELIGIBILITY.....STVA	4,016	100.00	2,507	100.00	936	100.00
NON-STVA					0	.00
ORIG. PRINCIPAL BALANCE	487,310,100.00		289,507,600.00		113,072,250.00	
ORIG. NUMBER OF LOANS	4,016		2,507		936	

# **CORRECTION**

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

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State Loans and Finance

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7 state-guaranteed revenue bonds by the Alaska Housing  
8 Finance Corporation to finance mortgages for qualify-  
9 ing veterans under AS 18.56; and providing for an  
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12 \* Section 1. For the purpose of assisting the Alaska Housing Finance  
13 Corporation to provide money for the purchase of mortgages made for resi-  
14 dences for qualifying veterans under AS 18.56, tax-exempt revenue bonds of  
15 the Alaska Housing Finance Corporation are unconditionally guaranteed as to  
16 principal and interest by the state in the principal amount of not more  
17 than \$600,000,000. The full faith, credit, and resources of the state are  
18 pledged to the payment of the principal of and interest on these bonds, and  
19 the principal of and interest on the bonds are secured by the general obli-  
20 gation of the State of Alaska. A statement of this pledge must be printed  
21 on the face of the bonds and must be signed in manual or facsimile form by  
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23 bonds shall be sold by the Alaska Housing Finance Corporation under AS 18.-  
24 56 at public sale in amounts and at times approved by the state bond com-  
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26 guarantees authorized by sec. 5, ch. 35, SLA 1982; by sec. 1, ch. 81, SLA  
27 1983; and by sec. 1, ch. 115, SLA 1984.

28 \* Sec. 2. If the question set out in sec. 4 of this Act is approved by  
29 the qualified voters of the state who vote on the question, the Alaska

1 Housing Finance Corporation may issue not more than the principal amount of  
2 \$600,000,000 of its revenue bonds that are unconditionally guaranteed as to  
3 principal and interest by the state, the proceeds of which are to be ex-  
4 pended by the Alaska Housing Finance Corporation to provide money for the  
5 purchase of mortgages made for residences for qualifying veterans under  
6 AS 18.56. The authorization in this section to issue bonds is in addition  
7 to the authorizations to issue bonds that appear in sec. 6, ch. 35, SLA  
8 1982; in sec. 2, ch. 81, SLA 1983; and in sec. 2, ch. 115, SLA 1984.

9 \* Sec. 3. As used in this Act, a qualifying veteran is a person who is  
10 a "qualified veteran" as that term is defined or may be subsequently de-  
11 fined under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980).

12 \* Sec. 4. The question of the state guaranty of bonds referred to in  
13 this Act shall be submitted to the qualified voters of the state at the  
14 general election to be held on November 4, 1986, and shall read substan-  
15 tially as follows:

16 PROPOSITION

17 State Guaranteed Veterans Residential  
18 Mortgage Bonds \$600,000,000

19 Shall the State of Alaska unconditionally guarantee  
20 as a general obligation of the state, the payment of  
21 principal of and interest on revenue bonds of the  
22 Alaska Housing Finance Corporation issued in the  
23 principal amount of not more than \$600,000,000 for  
24 the purpose of purchasing mortgages made for resi-  
25 dences for qualifying veterans, as defined by law?

26 Bonds Yes [ ]

27 Bonds No [ ]

28 \* Sec. 5. This Act takes effect immediately in accordance with AS 01.-  
29 10.070(c).

ALASKA HOUSING FINANCE CORPORATION

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STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

February 14, 1986

The Honorable Ted Stevens  
United States Senate  
522 Hart Building  
Washington, DC 20510

Dear Senator Stevens:

The U.S. House of Representatives recently approved H.R. 3838, the Tax Reform Act of 1985, which has been sent to the U.S. Senate for consideration. The purpose of this letter is to inform you of how the provisions on tax-exempt bonding would affect the state of Alaska and to request your continued assistance to preserve the benefits of tax-exempt bond financing as an essential component of capital financing in Alaska.

Presently, the state has a federal bond ceiling of \$702.5 million for three types of tax exempt bonds: industrial development bonds (\$200 million), qualified mortgage bonds (\$200 million), and veterans mortgage bonds (\$302.5 million), plus an unlimited volume for other major types, such as multifamily housing bonds and qualified nonprofit agency bonds (e.g., hospitals). Under the House tax bill, the volume limit for all of these purposes (and certain others) would be \$200 million. This is a decrease of over 70 percent. No other state is so severely impacted.

Without belaboring the point, it is clear that the House tax bill unfairly impacts Alaska in the tax-exempt bond provisions. However, we also realize that in the current fiscal environment, some sacrifices must be made, and our requests for assistance are made in that light.

With respect to the volume cap, we have two recommendations. First, we recommend that efforts be made to remove veterans mortgage bonds from the cap. This change would affect five states and a relatively small amount of bonds, as is shown on the attachment. While bond issues may primarily be a tax matter for the federal government, we believe that on a state-by-state basis this is a programmatic issue concerning men and women who have served their nation well. We have already received an indication that the other four affected states are willing to assist in a coordinated effort to remove veterans mortgage bonds from the volume cap. Please let us know if we can assist your office in this effort.

February 14, 1986

Second, we request your assistance in getting the volume floor for states with small populations raised from \$200 million to \$300 million. This change would affect 17 states and amounts to a total possible increase of about \$1.5 billion in bonds. We believe this change would go a long way in minimizing the negative impacts of this tax bill on low-population states. Please note that even with such a modification, a low-population state would have a reduction in its maximum tax-exempt bond ceiling of over 25 percent.

We also ask your help in obtaining a transitional exemption from the bill for the Alaska Industrial Development Authority (AIDA) Red Dog project. AIDA applied last summer for a ruling from the Internal Revenue Service on the project and expects to receive shortly a favorable ruling treating the port portion of the project as qualifying for tax-exempt financing under existing law. The bill would not change the basic rule that ports of this type qualify for tax-exempt financing. The bill does, however, narrow the actual elements of the port that qualify. We would like to be able to carry out this financing under the law as now in effect and as dealt with in the ruling. A draft of language that would grant the exemption is attached for your consideration.

Finally, there is the matter of "sunset" provisions. In this case, the tax bill has one very positive provision in that it eliminates the December 31, 1986, sunset on "small issue" industrial development bonds. This specific provision is particularly helpful to Alaska, and we strongly urge you to see that it is retained. The other sunset date is for qualified mortgage bonds which are now due to sunset on December 31, 1987. This date is not changed by the tax bill. If total bond issuance is going to be as restricted as the tax bill mandates, then at least extension or elimination of this sunset should be granted to provide some relief.

If you would like any additional information, such as the number of homes financed, new investments generated, and so forth, please contact us. Thank you again for your past assistance and future efforts.

Sincerely,

Bill Sheffield  
Governor

cc: John W. Katz, Special Counsel  
State/Federal Relations

PROPOSED TRANSITIONAL EXEMPTION FROM H.R. 3898

The amendments made by section 701 shall not apply to obligations substantially all of the proceeds of which are to be used to provide financing for a dock and directly related storage facilities which are part of a transportation project to which a State legislature appropriated, effective July 1, 1985, (1) \$12,000,000 in money or marketable securities and (2) notes (or other evidence of debt) representing prior loans from the State or its instrumentalities to persons or business in the State with an aggregate unpaid principal balance in excess of \$130,000,000. The aggregate face amount of obligations (exclusive of refunding obligations) to which this paragraph applies shall not exceed \$175,00,000.

## ALASKA HOUSING FINANCE CORPORATION

VETERANS BONDS VOLUME CAP

State	Volume Cap (millions)
Alaska	\$302.5
California	340.0
Oregon	584.0
Texas	250.0
Wisconsin	99.0
<b>TOTAL</b>	<b>\$1,569.5</b>

EFFECT OF \$200 MILLION VERSUS \$300 MILLION VOLUME FLOOR  
(amounts in millions of dollars)

Affected State	Volume Under \$200 Million Floor *	Volume Under \$300 Million Floor
Alaska	\$ 200	\$ 300
Delaware	200	300
Dist. of Columbia	200	300
Hawaii	200	300
Idaho	200	300
Maine	200	300
Montana	200	300
Nebraska	284	300
Nevada	200	300
New Hampshire	200	300
New Mexico	243	300
North Dakota	200	300
Rhode Island	200	300
South Dakota	200	300
Utah	278	300
Vermont	200	300
Wyoming	200	300
<b>TOTAL</b>	<b>\$3,608</b>	<b>\$5,100</b>

\* Volume cap is the greater of \$175 per capita or the floor amount



Offered: 2/12/86  
Referred: Finance

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

1 IN THE HOUSE

BY THE HOUSE SPECIAL  
COMMITTEE ON STATE LOANS

2 CS FOR HOUSE BILL NO. 530 (Loans) am  
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 mortgage loan  
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 one of the  
4 following loans through another mortgage loan the amount of which may  
5 not exceed the unpaid balance of the loan being refinanced plus clos-  
6 ing costs:

7 (A) a first or second mortgage loan purchased under  
8 (a) of this section;

9 (B) a loan for which the interest rate is established  
10 under AS 44.47.410(a); or

11 (C) a loan for which the interest rate is established  
12 under AS 44.47.410(b) other than a nonconforming housing loan or  
13 a nonowner occupied housing loan;

14 (4) "residence" means an owner-occupied, single-family  
15 residence, including a mobile home, or an owner-occupied duplex,  
16 triplex or fourplex.

17 \* Sec. 3. This Act takes effect immediately in accordance with AS 01.-  
18 10.070(c).

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.

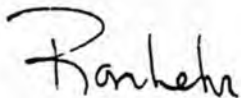
It is important to note that while this effectively represents a return of the original up-front subsidy related to the pool of loans pledged to that particular bond issue, it is going to be received in the form of mortgage loans as opposed to cash or liquid investments. The Corporation would expect 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 withs'and 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"



HOUSE  
COMMITTEE REPORT

HESS

2/24

(7)  
Date referred: 1/31/86

FURTHER REFERRALS: FINANCE

DATE: Feb 20 1986

The LABOR & COMMERCE Committee has considered HB 531

"An Act establishing the risk management collateral fund for the University of Alaska; and providing for an effective date."

and recommends:

- do pass
- do not pass
- do pass with attached amendment(s)
- no recommendation
- replace with \_\_\_\_\_  same title
- \_\_\_\_\_  new title

and recommends \_\_\_\_\_

further referral to the \_\_\_\_\_ Committee

- and attaches:
- letter of intent
  - first fiscal note *sep 90*
  - new fiscal note
  - zero fiscal note

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

*Mike Navarre*

*Mike De...*

*Gregg...*

*White...*

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

*Thom...*

*no Rec*

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

*Mike Navarre*  
Chairman

Ford

Introduced: 1/31/86  
Referred: Labor & Commerce,  
Health, Education & Social  
Services and Finance

BY DUNCAN, M.M. MILLER AND  
LARSON

1 IN THE HOUSE

2 HOUSE BILL NO. 531

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the risk management collateral  
7 fund for the University of Alaska; and providing for  
8 an effective date."

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

10 \* Section 1. AS 14.40 is amended by adding a new section to article 3  
11 to read:

12 Sec. 14.40.455. UNIVERSITY RISK MANAGEMENT FUND. (a) There is  
13 established in the general fund the University of Alaska risk manage-  
14 ment fund. The fund consists of money appropriated by the legislature  
15 for the purpose of providing a nonlapsing collateral fund for payment  
16 of uninsured losses of the University of Alaska in excess of pre-  
17 established loss assumption levels.

18 (b) The fund may be used only for the purposes of making pay-  
19 ments as a result of

20 (1) civil suits;

21 (2) claims, damages, or losses to real and personal proper-  
22 ty owned by or in the actual or constructive possession of the Univer-  
23 sity of Alaska;

24 (3) losses of income from real and personal property; and

25 (4) expenses, attorney fees, and claims investigation costs  
26 associated with claims or losses.

27 (c) The legislature may appropriate into the fund earnings  
28 derived from temporary investment of collateral fund assets, recover-  
29 ies or losses previously charged to the fund, and restoration of funds

1 utilized for specified claims. The amount of the fund may not exceed  
2 the amount necessary and prudent based on independent actuarial deter-  
3 minations. The University of Alaska may request that University of  
4 Alaska funds be deposited into the risk management collateral fund  
5 under AS 37.07.080(h).

6 (d) The Department of Administration and the University of  
7 Alaska shall determine the loss assumption levels at the beginning of  
8 each fiscal year for the purpose of assessing the risk management  
9 collateral fund. The loss assumption levels shall be established at  
10 the amount necessary and prudent based on independent actuarial  
11 determinations.

12 (e) An annual report of the activity of the fund and loss as-  
13 sumption levels shall be submitted by the Department of Administration  
14 to the Office of Management and Budget and the Legislative Budget and  
15 Audit Committee.

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

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

7/24 CC  
5/19/90

**REQUEST** Page 1 of 2  
 Bill/Resolution No. : HB 531  
 Title : Establishing Risk Management  
Collateral Fund for University of  
Alaska , ed.  
 Sponsor : Duncan  
 Requestor : \_\_\_\_\_  
 Date of Request : \_\_\_\_\_

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

**FISCAL DETAIL**  
 Agency Affected : University of Alaska  
 BRU : Statewide Programs and Services  
 \_\_\_\_\_  
 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						
<b>TOTAL OPERATING</b>						

<b>CAPITAL</b>		2,500.0				
----------------	--	---------	--	--	--	--

<b>REVENUE</b>						
----------------	--	--	--	--	--	--

**FUNDING : (Thousands of Dollars)**

GENERAL FUND		2,500.0				
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

**POSITIONS :**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS :** Attach a separate page if necessary

See attached

Prepared by: Brian Rogers Phone: 907-474-7593  
 Division: University of Alaska Date: 2/19/86

Approved by Commissioner: Brian Rogers for Sherman Carter Date: 2/19/86  
 Agency: University of Alaska

Distribution (by Agency preparing fiscal note):

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

## CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. HB 531 Page 1 of 2

This bill establishes a Risk Management Collateral Fund in the general fund. The fund is to be used to pay for uninsured losses at the University of Alaska in excess of pre-established loss assumption levels. The loss assumption levels are to be determined annually by the Department of Administration and the University of Alaska based on independent actuarial assumptions.

Creation of a risk management collateral fund was recommended to the University by Corroon and Black Corporation, the State's risk management consultants. Their proposal considered the primary layer of general liability insurance, the \$4.7 million in coverage between \$300,000 and \$5 million. This coverage currently costs the University \$317,600 annually. Corroon and Black recommended an initial appropriation to the fund "in the range of \$2.5 - \$5.0 million." The University is requesting establishment of the fund at the lower end of this range. Also covered by the fund would be losses in other lines of insurance, or in areas not covered by insurance companies.

Coopers and Lybrand, certified public accountants, gave preliminary estimates to the University based on insurance industry statistics and estimates. The actuarial assumptions used for this fiscal note should be revised prior to the beginning of the fiscal year, but will have little effect on the size of the fund. Assuming that the risk management collateral fund provides coverage for claims of up to \$5 million, the estimated retained loss for fiscal year 1987 in general liability would be \$2,119.3. For auto liability, the estimated retained loss would be \$76.4. Retained losses for property insurance were not calculated by Coopers and Lybrand.

ALASKA STATE LEGISLATURE

14th Legislature SECOND Session

HOUSE BILL ..... NO. 531..

By ....DUNCAN, M.M..MILLER,.....  
LARSON

"An Act establishing the risk management collateral fund for the University of Alaska; and providing for an effective date."

risk management collateral fund

Introduced in the House ...1/31..., 1986.

HISTORY IN THE HOUSE

1986

Jan 31

Read first time and referred to Committee on L&C, HESS AND FINANCE

Reported back with recommendation that

Read second time and

Read third time and

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

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 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. ....

Introduced: 1/31/86  
Referred: Labor & Commerce,  
Health, Education & Social  
Services and Finance

BY DUNCAN, M.M. MILLER AND  
LARSON

1 IN THE HOUSE

2

HOUSE BILL NO. 531

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act establishing the risk management collateral  
7 fund for the University of Alaska; and providing for  
8 an effective date."

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

10 \* Section 1. AS 14.40 is amended by adding a new section to article 3  
11 to read:

12 Sec. 14.40.455. UNIVERSITY RISK MANAGEMENT FUND. (a) There is  
13 established in the general fund the University of Alaska risk manage-  
14 ment fund. The fund consists of money appropriated by the legislature  
15 for the purpose of providing a nonlapsing collateral fund for payment  
16 of uninsured losses of the University of Alaska in excess of pre-  
17 established loss assumption levels.

18 (b) The fund may be used only for the purposes of making pay-  
19 ments as a result of

20 (1) civil suits;

21 (2) claims, damages, or losses to real and personal proper-  
22 ty owned by or in the actual or constructive possession of the Univer-  
23 sity of Alaska;

24 (3) losses of income from real and personal property; and

25 (4) expenses, attorney fees, and claims investigation costs  
26 associated with claims or losses.

27 (c) The legislature may appropriate into the fund earnings  
28 derived from temporary investment of collateral fund assets, recover-  
29 ies of losses previously charged to the fund, and restoration of funds

1 utilized for specified claims. The amount of the fund may not exceed  
2 the amount necessary and prudent based on independent actuarial deter-  
3 minations. The University of Alaska may request that University of  
4 Alaska funds be deposited into the risk management collateral fund  
5 under AS 37.07.080(h).

6 (d) The Department of Administration and the University of  
7 Alaska shall determine the loss assumption levels at the beginning of  
8 each fiscal year for the purpose of assessing the risk management  
9 collateral fund. The loss assumption levels shall be established at  
10 the amount necessary and prudent based on independent actuarial  
11 determinations.

12 (e) An annual report of the activity of the fund and loss as-  
13 sumption levels shall be submitted by the Department of Administration  
14 to the Office of Management and Budget and the Legislative Budget and  
15 Audit Committee.

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

**HOUSE  
COMMITTEE REPORT**

(11)

Date referred: 2/19/86

FURTHER REFERRALS:

DATE: 4-23-86

The FINANCE Committee has considered HB 533

"An Act relating to the issuance of tax-exempt, state-guaranteed revenue bonds by the Alaska Housing Finance Corporation to finance mortgages for qualifying veterans under AS 18.56; and providing for an effective date."

and recommends:

- do pass
- do not pass
- do pass with attached amendment(s)
- no recommendation
- replace with \_\_\_\_\_  same title
- \_\_\_\_\_  new title

and recommends \_\_\_\_\_

further referral to the \_\_\_\_\_ Committee

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

SIGNING DO PASS:

Albert B. Adams  
John S. Grotz  
Mike Szymanski  
Ronald L. Larson  
Kat Furchert  
Rich Uebel  
Steve Neal  
Jim Gith  
Bob B...

SIGNING OTHER RECOMMENDATIONS:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Albert B. Adams  
Chairman

Introduced: 1/31/86  
Referred: House Special Committee on  
State Loans and Finance

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 533

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 tax-exempt,  
7 state-guaranteed revenue bonds by the Alaska Housing  
8 Finance Corporation to finance mortgages for qualify-  
9 ing veterans under AS 18.56; and providing for an  
10 effective date."

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

12 \* Section 1. For the purpose of assisting the Alaska Housing Finance  
13 Corporation to provide money for the purchase of mortgages made for resi-  
14 dences for qualifying veterans under AS 18.56, tax-exempt revenue bonds of  
15 the Alaska Housing Finance Corporation are unconditionally guaranteed as to  
16 principal and interest by the state in the principal amount of not more  
17 than \$600,000,000. The full faith, credit, and resources of the state are  
18 pledged to the payment of the principal of and interest on these bonds, and  
19 the principal of and interest on the bonds are secured by the general obli-  
20 gation of the State of Alaska. A statement of this pledge must be printed  
21 on the face of the bonds and must be signed in manual or facsimile form by  
22 the governor. The provisions of AS 37.15 do not apply to the bonds. The  
23 bonds shall be sold by the Alaska Housing Finance Corporation under AS 18.-  
24 56 at public sale in amounts and at times approved by the state bond com-  
25 mittee. The guarantee authorized by this section is in addition to the  
26 guarantees authorized by sec. 5, ch. 35, SLA 1982; by sec. 1, ch. 81, SLA  
27 1983; and by sec. 1, ch. 115, SLA 1984.

28 \* Sec. 2. If the question set out in sec. 4 of this Act is approved by  
29 the qualified voters of the state who vote on the question, the Alaska

1 Housing Finance Corporation may issue not more than the principal amount of  
2 \$600,000,000 of its revenue bonds that are unconditionally guaranteed as to  
3 principal and interest by the state, the proceeds of which are to be ex-  
4 pended by the Alaska Housing Finance Corporation to provide money for the  
5 purchase of mortgages made for residences for qualifying veterans under  
6 AS 18.56. The authorization in this section to issue bonds is in addition  
7 to the authorizations to issue bonds that appear in sec. 6, ch. 35, SLA  
8 1982; in sec. 2, ch. 81, SLA 1983; and in sec. 2, ch. 115, SLA 1984.

9 \* Sec. 3. As used in this Act, a qualifying veteran is a person who is  
10 a "qualified veteran" as that term is defined or may be subsequently de-  
11 fined under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980).

12 \* Sec. 4. The question of the state guaranty of bonds referred to in  
13 this Act shall be submitted to the qualified voters of the state at the  
14 general election to be held on November 4, 1986, and shall read substan-  
15 tially as follows:

16 PROPOSITION

17 State Guaranteed Veterans Residential

18 Mortgage Bonds \$600,000,000

19 Shall the State of Alaska unconditionally guarantee  
20 as a general obligation of the state, the payment of  
21 principal of and interest on revenue bonds of the  
22 Alaska Housing Finance Corporation issued in the  
23 principal amount of not more than \$600,000,000 for  
24 the purpose of purchasing mortgages made for resi-  
25 dences for qualifying veterans, as defined by law?

26 Bonds Yes [ ]

27 Bonds No [ ]

28 \* Sec. 5. This Act takes effect immediately in accordance with AS 01.-  
29 10.070(c).

# STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : 4/17/86

**REQUEST**

Bill/Resolution No. : HB 533  
 Title : AHFC tax exempt bonds  
 \_\_\_\_\_  
 \_\_\_\_\_  
 Sponsor : Governor  
 Requestor : House Finance Committee  
 Date of Request : 4/17/86

**FISCAL DETAIL**

Agency Affected : Governor  
 BRU : elections/Lt. Gov  
 \_\_\_\_\_  
 \_\_\_\_\_  
 Components : \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

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

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

CAPITAL		0				
---------	--	---	--	--	--	--

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

**FUNDING : (Thousands of Dollars)**

GENERAL FUND		0				
FEDERAL FUNDS		0				
OTHER		---				
<b>TOTAL</b>		---				

**POSITIONS :**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS :** Attach a separate page if necessary

Funds needed to pay for the ballot should be absorbed in the division's FY 87 budget or be funded by RSA from AHFC.

Prepared by : Al Adams, Chair Phone : 465-3706  
 Division : House Finance Committee Date : 4/17/86

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

Distribution (by Agency preparing fiscal note) :

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

# Alaska HOUSING FINANCE CORPORATION



April 23, 1986

The Honorable Albert P. Adams  
Representative, State of Alaska  
Pouch V  
Juneau, AK 99811

Dear Representative Adams:

The Corporation has requested legislation authorizing a \$600 million bond proposition to be presented to the voters in the 1986 general election. This legislation, introduced by the Governor, is set forth as Senate Bill 533.

The bonds issued pursuant to the voter authorization would be used to continue availability of funding for the Veterans Mortgage Program. Proceeds of the bonds will be used to acquire mortgage loans secured by residences purchased by veterans meeting the federal definition of "Qualified Veteran."

As you are aware, Alaska veterans obtaining loans through Alaska Housing Finance Corporation receive an interest rate on the first \$90,000 of their loan 1% below the rate applicable to non-veterans. The Corporation's current rate is 9.25%, an unsubsidized rate equal to the cost of funds related to the last taxable bond issue. A veteran obtaining a \$90,000 loan receives an interest rate of 8.25%, 1% below the Corporation's cost of funds. Lacking the ability to sell tax-exempt bonds, a 1% subsidy would still apply to veteran mortgages even in today's relatively low interest rate environment.

Were the Corporation currently able to sell veterans bonds in the tax-exempt market (we are unable to do so as a result of pending federal legislation), the cost of funds would be expected to be in the range of 8.25% to 8.50%. The ability to issue tax-exempt veterans bonds thus enables the Corporation to effectively eliminate the state veterans preference subsidy with respect to those state veterans who meet the federal definition of "Qualified Veteran."

It should be noted that the current difference between taxable financing costs (9.25%) and estimated tax-exempt veterans bond financing costs (8.25% to 8.50%) is at an unusually low level. During higher and more stable interest rate environments, that difference would be expected to be between 1.5% to 2.0%. At times when the Corporation's taxable cost of funds is in excess of 10%, the sale of tax-exempt veterans bonds eliminates the veterans preference subsidy as well as reduces a portion of the non-veteran interest rate subsidy.

The Honorable Albert P. Adams  
April 22, 1986  
Page 2

Assuming issuance of the full \$600 million of veterans bonds with a taxable versus tax-exempt spread of 1.5%, the total subsidy savings to the Corporation attributable to the ability to issue the tax-exempt veterans bonds would approximate \$54 million.

Sincerely,



Dr. Ronald D. Lehr  
Executive Director

SU

1/31 5/87

STATE OF ALASKA 1986 LEGISLATIVE SESSION  
FISCAL NOTE

Page 1 of 2

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

**REQUEST** HB 533 # 2  
 Bill/Resolution No. : \_\_\_\_\_  
 Title : Act relating to issuance of tax-exempt state guaranteed bonds by AHFC for Veterans housing  
 Sponsor : \_\_\_\_\_  
 Requestor : Governor  
 Date of Request : \_\_\_\_\_

**FISCAL DETAIL**  
 Agency Affected : Revenue  
 BRU : Alaska Housing Finance Corporation  
 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						
<b>TOTAL OPERATING</b>	-0-	-0-	-0-	-0-	-0-	-0-
<b>CAPITAL</b>	-0-	-0-	-0-	-0-	-0-	-0-
<b>REVENUE</b>	-0-	-0-	-0-	-0-	-0-	-0-

**FUNDING : (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-

**POSITIONS :**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS :** Attach a separate page if necessary

SEE ATTACHED

Prepared by : Mark Cameron Phone : 276-5599  
 Division : Alaska Housing Finance Corporation Date : December 29, 1985  
 Approved by Commissioner : [Signature] Date : 1/2/86  
 Agency : \_\_\_\_\_

Distribution (by Agency preparing fiscal note):

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

HB 533 # 2 - page 2 of 2

The attached bond proposition authorized the issuance of \$600 million state-guaranteed revenue bonds by AHFC to purchase residential loans made to veterans. This proposition will enable the continuation of the Corporation's Veterans Mortgage Program implemented in 1983. A total of \$1,257,000,000 State Guaranteed Veterans bonds have been issued by AHFC through calendar year 1985. The guarantee by the state of Alaska permitted by the favorable passage of bond proposition is necessary under federal law to sell the bonds in the tax-exempt market. Funding of the Veterans Mortgage Program in the tax-exempt market results in a reduction of the state subsidy related to the purchase of the veteran's mortgages by approximately 2/3rds.

It is assumed that the veteran's mortgage loans will be purchased by the Corporation irrespective of the receipt of the tax-exempt bond authorization. Accordingly, there is no fiscal impact on the operating budget.

ALASKA HOUSING FINANCE CORPORATION

Veterans Mortgage Program

Information as of December 31, 1985

	<u>Veterans Bonds</u>		<u>Balance Remaining</u>
	<u>Authorized</u>	<u>Issued</u>	
1982	\$400.0 million	\$400.0 million	
1983	\$500.0 million	\$405.0 million	\$ 95.0 million
1984	\$700.0 million	\$452.5 million	\$247.5 million

Loans Made:

FY 83	2,484	\$ 54,376,200
FY 84	4,016	467,310,100
FY 85	2,507	289,507,600
FY 86	<u>840</u>	<u>101,838,150</u>
	<u>9,847</u>	<u>\$913,032,050</u>

FY 86 through December 31, 1985

Total AHFC Loans	2,718	100%
AHFC Loans to Qualified Veterans	840	31%

Summary of Projected Veterans Mortgage Bond Issues

<u>Calendar Year</u>	<u>Total Bond Issuance</u>	<u>1984 Authorization</u>	<u>1986 Authorization</u>
1986	\$302.5	\$247.5	\$ 55.0
1987	302.5		302.5
1988	<u>242.5</u>		<u>242.5</u>
	<u>\$847.5</u>	<u>\$247.5</u>	<u>\$600.0</u>

Eligibility under the Veterans Mortgage Program is restricted by Federal requirements to those veterans who entered the service prior to January 1, 1977 and who have not been out of the service for more than 30 years.

In addition to the requirement for State authorization, Veterans Mortgage Bonds are subject to a Federally imposed calendar year cap of \$302.5 million.

The tax proposal recently passed by the House and currently under review by the Senate places the Veterans Mortgage Bonds under a State ceiling of \$200 million. The new ceiling would apply to Industrial Development Bonds, Qualified Mortgage (First Time Homebuyer) Bonds, Multifamily Housing Bonds, Qualified Non-Profit Agency Bonds, and Veterans Mortgage bonds. Thus, housing bonds, including those for veterans, would be required to compete for their share of the \$200 million State cap.

The uncertainties associated with the recent tax bill currently preclude the issuance of Veterans Mortgage Bonds.

DATE 12/31/85

ALASKA HOUSING FINANCE CORPORATION  
 STATE GUARANTEED BONDS - VETERANS MORT.  
 LOAN SUMMARY MORTGAGES PURCHASED

	FY 1984	%	FY 1985	%	FY 1986 THRU(12/31/85)	%
SALES PRICE	128,877		130,774		135,381	
APPRAISED VALUE	132,573		133,336		138,856	
NOTE AMOUNT	118,382		115,480		121,236	
MONTHLY INCOME	5,008		4,874		5,025	
AGE OF BORROWER	38.4		38.7		39.0	
SIZE OF HOUSEHOLD	3.1		3.1		3.3	
LOAN TO SALES PRICE RATIO	88.59%		88.31%		89.55%	
WEIGHTED AVG INT. RATE	9.51%		10.49%		9.72%	
MONTHLY P&I	982.01		1,055.88		1,038.20	
DWELLING TYPE..SFR	3,433	85.48	2,178	86.82	753	89.64
CONDO	382	9.01	193	7.70	28	3.33
DUPLX	91	2.27	22	.88	7	.83
PUD	128	3.19	92	3.87	39	4.64
MOHM	2	.05	17	.68	13	1.55
TRI- PLEX			4	.18	0	.00
FOUR PLEX					0	.00
NEW/EXISTING....NEW	2,048	50.95	1,210	48.28	342	40.71
EXISTING	1,970	49.05	1,297	51.74	498	59.29
1ST TIME HOMEOWNER..YES	1,335	34.48	821	36.74	288	34.28
NO	2,631	65.51	1,588	63.26	552	65.71
INSURANCE TYPE.....FHA					0	.00
VA	1,588	39.74	1,122	44.75	385	43.45
CONVA	2,420	60.26	1,385	55.25	475	56.55
ELIGIBILITY.....STVA	4,016	100.00	2,507	100.00	840	100.00
NON-STVA					0	.00
ORIG. PRINCIPAL BALANCE	487,310,100.00		289,507,600.00		101,838,150.00	
ORIG. NUMBER OF LOANS	4,016		2,507		840	



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

February 14, 1986

The Honorable Ted Stevens  
United States Senate  
522 Hart Building  
Washington, DC 20510

latest Senate information---  
cap stays same - 302.5.  
No sunset provision---  
Changes daily.

Dear Senator Stevens:

The U.S. House of Representatives recently approved H.R. 3838, the Tax Reform Act of 1985, which has been sent to the U.S. Senate for consideration. The purpose of this letter is to inform you of how the provisions on tax-exempt bonding would affect the state of Alaska and to request your continued assistance to preserve the benefits of tax-exempt bond financing as an essential component of capital financing in Alaska.

Presently, the state has a federal bond ceiling of \$702.5 million for three types of tax exempt bonds: industrial development bonds (\$200 million), qualified mortgage bonds (\$200 million), and veterans mortgage bonds (\$302.5 million), plus an unlimited volume for other major types, such as multifamily housing bonds and qualified nonprofit agency bonds (e.g., hospitals). Under the House tax bill, the volume limit for all of these purposes (and certain others) would be \$200 million. This is a decrease of over 70 percent. No other state is so severely impacted.

Without belaboring the point, it is clear that the House tax bill unfairly impacts Alaska in the tax-exempt bond provisions. However, we also realize that in the current fiscal environment, some sacrifices must be made, and our requests for assistance are made in that light.

With respect to the volume cap, we have two recommendations. First, we recommend that efforts be made to remove veterans mortgage bonds from the cap. This change would affect five states and a relatively small amount of bonds, as is shown on the attachment. While bond issues may primarily be a tax matter for the federal government, we believe that on a state-by-state basis this is a programmatic issue concerning men and women who have served their nation well. We have already received an indication that the other four affected states are willing to assist in a coordinated effort to remove veterans mortgage bonds from the volume cap. Please let us know if we can assist your office in this effort.

February 14, 1986

Second, we request your assistance in getting the volume floor for states with small populations raised from \$200 million to \$300 million. This change would affect 17 states and amounts to a total possible increase of about \$1.5 billion in bonds. We believe this change would go a long way in minimizing the negative impacts of this tax bill on low-population states. Please note that even with such a modification, a low-population state would have a reduction in its maximum tax-exempt bond ceiling of over 25 percent.

We also ask your help in obtaining a transitional exemption from the bill for the Alaska Industrial Development Authority (AIDA) Red Dog project. AIDA applied last summer for a ruling from the Internal Revenue Service on the project and expects to receive shortly a favorable ruling treating the port portion of the project as qualifying for tax-exempt financing under existing law. The bill would not change the basic rule that ports of this type qualify for tax-exempt financing. The bill does, however, narrow the actual elements of the port that qualify. We would like to be able to carry out this financing under the law as now in effect and as dealt with in the ruling. A draft of language that would grant the exemption is attached for your consideration.

Finally, there is the matter of "sunset" provisions. In this case, the tax bill has one very positive provision in that it eliminates the December 31, 1986, sunset on "small issue" industrial development bonds. This specific provision is particularly helpful to Alaska, and we strongly urge you to see that it is retained. The other sunset date is for qualified mortgage bonds which are now due to sunset on December 31, 1987. This date is not changed by the tax bill. If total bond issuance is going to be as restricted as the tax bill mandates, then at least extension or elimination of this sunset should be granted to provide some relief.

If you would like any additional information, such as the number of homes financed, new investments generated, and so forth, please contact us. Thank you again for your past assistance and future efforts.

Sincerely,

Bill Sheffield  
Governor

cc: John W. Katz, Special Counsel  
State/Federal Relations

PROPOSED TRANSITIONAL EXEMPTION FROM R.E. 3838

The amendments made by section 701 shall not apply to obligations substantially all of the proceeds of which are to be used to provide financing for a dock and directly related storage facilities which are part of a transportation project to which a State legislature appropriated, effective July 1, 1985, (1) \$12,000,000 in money or marketable securities and (2) notes (or other evidence of debt) representing prior loans from the State or its instrumentalities to persons or businesses in the State with an aggregate unpaid principal balance in excess of \$130,000,000. The aggregate face amount of obligations (exclusive of refunding obligations) to which this paragraph applies shall not exceed \$175,00,000.

## ALASKA HOUSING FINANCE CORPORATION

VETERANS BONDS VOLUME CAPS

State	Volume Cap (millions)
Alaska	\$302.5
California	340.0
Oregon	584.0
Texas	250.0
Wisconsin	99.0
<b>TOTAL</b>	<b>\$1,569.5</b>

EFFECT OF \$200 MILLION VERSUS \$300 MILLION VOLUME FLOOR  
(amounts in millions of dollars)

Affected State	Volume Under \$200 Million Floor *	Volume Under \$300 Million Floor
Alaska	\$ 200	\$ 300
Delaware	200	300
Dist. of Columbia	200	300
Hawaii	200	300
Idaho	200	300
Maine	200	300
Montana	200	300
Nebraska	284	300
Nevada	200	300
New Hampshire	200	300
New Mexico	243	300
North Dakota	200	300
Rhode Island	200	300
South Dakota	200	300
Utah	278	300
Vermont	200	300
Wyoming	200	300
<b>TOTAL</b>	<b>\$3,608</b>	<b>\$5,100</b>

\* Volume cap is the greater of \$175 per capita or the floor amount

BILL SHEFFIELD  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

112 533

*Bill Sheffield*  
1/31

1/30/86

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 would place before the voters a bond proposition for the sale of up to \$600,000,000 in state-guaranteed veterans' mortgage bonds. Federal law allows the sale of tax-exempt state-guaranteed mortgage revenue bonds for the purchase of residential mortgages made to qualified veterans. The use of tax-exempt bonds enables the Alaska Housing Finance Corporation to purchase qualified veterans' mortgages at a substantial savings to the state.

Similar bond propositions were presented to the voters in 1982, 1983, and 1984, and on each occasion the propositions were approved by substantial margins.

I recommend your prompt consideration and approval of this bill.

Sincerely,

*Bill Sheffield*  
Bill Sheffield  
Governor

Introduced: 1/31/86  
Referred: House Special Committee on  
State Loans and Finance

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 533

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 tax-exempt,  
7 state-guaranteed revenue bonds by the Alaska Housing  
8 Finance Corporation to finance mortgages for qualify-  
9 ing veterans under AS 18.56; and providing for an  
10 effective date."

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

12 \* Section 1. For the purpose of assisting the Alaska Housing Finance  
13 Corporation to provide money for the purchase of mortgages made for resi-  
14 dences for qualifying veterans under AS 18.56, tax-exempt revenue bonds of  
15 the Alaska Housing Finance Corporation are unconditionally guaranteed as to  
16 principal and interest by the state in the principal amount of not more  
17 than \$600,000,000. The full faith, credit, and resources of the state are  
18 pledged to the payment of the principal of and interest on these bonds, and  
19 the principal of and interest on the bonds are secured by the general obli-  
20 gation of the State of Alaska. A statement of this pledge must be printed  
21 on the face of the bonds and must be signed in manual or facsimile form by  
22 the governor. The provisions of AS 37.15 do not apply to the bonds. The  
23 bonds shall be sold by the Alaska Housing Finance Corporation under AS 18.-  
24 56 at public sale in amounts and at times approved by the state bond com-  
25 mittee. The guarantee authorized by this section is in addition to the  
26 guarantees authorized by sec. 5, ch. 35, SLA 1982; by sec. 1, ch. 81, SLA  
27 1983; and by sec. 1, ch. 115, SLA 1984.

28 \* Sec. 2. If the question set out in sec. 4 of this Act is approved by  
29 the qualified voters of the state who vote on the question, the Alaska

1 Housing Finance Corporation may issue not more than the principal amount of  
2 \$600,000,000 of its revenue bonds that are unconditionally guaranteed as to  
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7 to the authorizations to issue bonds that appear in sec. 6, ch. 35, SLA  
8 1982; in sec. 2, ch. 81, SLA 1983; and in sec. 2, ch. 115, SLA 1984.

9 \* Sec. 3. As used in this Act, a qualifying veteran is a person who is  
10 a "qualified veteran" as that term is defined or may be subsequently de-  
11 fined under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980).

12 \* Sec. 4. The question of the state guaranty of bonds referred to in  
13 this Act shall be submitted to the qualified voters of the state at the  
14 general election to be held on November 4, 1986, and shall read substan-  
15 tially as follows:

16 PROPOSITION

17 State Guaranteed Veterans Residential  
18 Mortgage Bonds \$600,000,000

19 Shall the State of Alaska unconditionally guarantee  
20 as a general obligation of the state, the payment of  
21 principal of and interest on revenue bonds of the  
22 Alaska Housing Finance Corporation issued in the  
23 principal amount of not more than \$600,000,000 for  
24 the purpose of purchasing mortgages made for resi-  
25 dences for qualifying veterans, as defined by law?

26 Bonds Yes [ ]

27 Bonds No [ ]

28 \* Sec. 5. This Act takes effect immediately in accordance with AS 01.-  
29 10.070(c).

COMMITTEE REPORT  
SENATE

FURTHER:

4/29/86

Date 5/11/86

Mr. President

The Committee on FINANCE considered HB 533

relating to the issuance of tax-exempt, state-guaranteed revenue bonds by the Alaska Housing Finance Corporation to finance mortgages for qualifying veterans under AS 18.56; efd.

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

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

MEMBERS SIGNING  
DO PASS

[Signature]  
Paul Frank  
[Signature]  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

MEMBERS HAVING  
OTHER RECOMMENDATIONS

[Signature] NR  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

[Signature]  
 Chairman  
do pass  
 Chairman recommendation

Introduced: 1/31/86  
Referred: House Special Committee on  
State Loans and Finance

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 533

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

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18 pledged to the payment of the principal of and interest on these bonds, and  
19 the principal of and interest on the bonds are secured by the general obli-  
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21 on the face of the bonds and must be signed in manual or facsimile form by  
22 the governor. The provisions of AS 37.15 do not apply to the bonds. The  
23 bonds shall be sold by the Alaska Housing Finance Corporation under AS 18.-  
24 56 at public sale in amounts and at times approved by the state bond com-  
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26 guarantees authorized by sec. 5, ch. 35, SLA 1982; by sec. 1, ch. 81, SLA  
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5 purchase of mortgages made for residences for qualifying veterans under  
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14 general election to be held on November 4, 1986, and shall read substan-  
15 tially as follows:

16 PROPOSITION

17 State Guaranteed Veterans Residential  
18 Mortgage Bonds \$600,000,000

19 Shall the State of Alaska unconditionally guarantee  
20 as a general obligation of the state, the payment of  
21 principal of and interest on revenue bonds of the  
22 Alaska Housing Finance Corporation issued in the  
23 principal amount of not more than \$600,000,000 for  
24 the purpose of purchasing mortgages made for resi-  
25 dences for qualifying veterans, as defined by law?

26 Bonds Yes [ ]

27 Bonds No [ ]

28 \* Sec. 5. This Act takes effect immediately in accordance with AS 01.-  
29 10.070(c).

1/5

# STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : 4/17/86

### REQUEST

Bill/Resolution No. : HB 533  
Title : AHFC tax exempt bonds  
  
Sponsor : Governor  
Requestor : House Finance Committee  
Date of Request : 4/17/86

### FISCAL DETAIL

Agency Affected : Governor  
BRU : Sections/Lt. Gov  
  
Components : \_\_\_\_\_

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

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

CAPITAL		0				
---------	--	---	--	--	--	--

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

### FUNDING : (Thousands of Dollars)

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

### POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Funds needed to pay for the ballot should be absorbed in the division's FY 87 budget or be funded by RSA from AHFC.

Prepared by : Al Adams, Chair Phone : 465-3706  
Division : House Finance Committee Date : 4/17/86

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

Distribution (by Agency preparing fiscal note):

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

A/B

# STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

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

**REQUEST**

Bill/Resolution No. : \_\_\_\_\_

Title : Act relating to issuance of tax-exempt state guaranteed bonds by AHFC for Veterans housing

Sponsor : \_\_\_\_\_

Requestor : Governor

Date of Request : \_\_\_\_\_

**FISCAL DETAIL**

Agency Affected : Revenue

BRII : Alaska Housing Finance Corporation

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

SEE ATTACHED

Prepared by : Mark Cameron Phone : 276-5599

Division : Alaska Housing Finance Corporation Date : December 29, 1985

Approved by Commissioner : [Signature] Date : 1/2/86

Agency : \_\_\_\_\_

Distribution (by Agency preparing fiscal note):

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

12-11-85  
12-11-85

The attached bond proposition authorized the issuance of \$600 million state-guaranteed revenue bonds by AHFC to purchase residential loans made to veterans. This proposition will enable the continuation of the Corporation's Veterans Mortgage Program implemented in 1983. A total of \$1,257,000,000 State Guaranteed Veterans bonds have been issued by AHFC through calendar year 1985. The guarantee by the state of Alaska permitted by the favorable passage of bond proposition is necessary under federal law to sell the bonds in the tax-exempt market. Funding of the Veterans Mortgage Program in the tax-exempt market results in a reduction of the state subsidy related to the purchase of the veteran's mortgages by approximately 2/3rds.

It is assumed that the veteran's mortgage loans will be purchased by the Corporation irrespective of the receipt of the tax-exempt bond authorization. Accordingly, there is no fiscal impact on the operating budget.

# STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

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

**REQUEST**

Bill/Resolution No. : Law Log 377-055-86  
 Title : \_\_\_\_\_  
 \_\_\_\_\_  
 Sponsor : \_\_\_\_\_  
 Requestor : \_\_\_\_\_  
 Date of Request : \_\_\_\_\_

**FISCAL DETAIL**

Agency Affected : \_\_\_\_\_  
 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						
<b>TOTAL OPERATING</b>	-0-	-0-	-0-	-0-	-0-	-0-

<b>CAPITAL</b>	-0-	-0-	-0-	-0-	-0-	-0-
----------------	-----	-----	-----	-----	-----	-----

<b>REVENUE</b>	-0-	-0-	-0-	-0-	-0-	-0-
----------------	-----	-----	-----	-----	-----	-----

**FUNDING : (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

**POSITIONS :**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS :** Attach a separate page if necessary

No fiscal impact

Prepared by : Charles T. Borg Phone : 243-0656  
 Division : Office of the Adjutant General Date : 12-30-85

Approved by Commissioner : *Charles T. Borg* Date : 12-30-85  
 Agency : Department of Military & Veterans Affairs

Distribution (by Agency preparing fiscal note) :

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

Introduced: 1/31/86  
Referred: House Special Committee on  
State Loans and Finance

BY THE RULES COMMITTEE BY  
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25 dences for qualifying veterans, as defined by law?

26 Bonds Yes [ ]

27 Bonds No [ ]

28 \* Sec. 5. This Act takes effect immediately in accordance with AS 01.-  
29 10.070(c).

BILL SHEFFIELD  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

1/30/86

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 would place before the voters a bond proposition for the sale of up to \$600,000,000 in state-guaranteed veterans' mortgage bonds. Federal law allows the sale of tax-exempt state-guaranteed mortgage revenue bonds for the purchase of residential mortgages made to qualified veterans. The use of tax-exempt bonds enables the Alaska Housing Finance Corporation to purchase qualified veterans' mortgages at a substantial savings to the state.

Similar bond propositions were presented to the voters in 1982, 1983, and 1984, and on each occasion the propositions were approved by substantial margins.

I recommend your prompt consideration and approval of this bill.

Sincerely,

*Bill Sheffield*  
Bill Sheffield  
Governor

**HOUSE**  
**COMMITTEE REPORT**

(11)

Date referred: 4/16

(Fin added 4/16, removed from rls) FURTHER REFERRALS:

DATE: 4-28-86

The FINANCE Committee has considered HB 535

"An Act relating to the registration of motor vehicles."

and recommends:

- do pass
- do not pass
- do pass with attached amendment(s)
- no recommendation
- replace with CS HB 535 (FIN)  same title
- new title

and recommends do pass

further referral to the \_\_\_\_\_ Committee

- and attaches:
- letter of intent
  - first fiscal note
  - new fiscal note 15.0
  - zero fiscal note

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

[Signature]  
Mike Spymore with amendments  
Pat Fourchat  
Steve King  
[Signature]  
[Signature]  
[Signature]  
[Signature]  
[Signature]

[Signature] - no Rec  
[Signature] - no Rec  
Ronald J. [Signature] - no Rec  
[Signature] - no Rec  
[Signature] - no Rec  
[Signature]  
[Signature]  
[Signature]  
[Signature]

[Signature]  
Chairman

# STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date: 4/25/86

**REQUEST**

Bill/Resolution No.: CSHB 535 (FIN)  
 Title: Insurance requirements for  
 registering a motor vehicle  
 Sponsor: Rieger  
 Requestor: House Finance Committee  
 Date of Request: 4/25/86

**FISCAL DETAIL**

Agency Affected: Public Safety  
 BRU: Motor Vehicles  
 Components: \_\_\_\_\_

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

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES		0	---	---	---	---
TRAVEL		0	---	---	---	---
CONTRACTUAL		15.0	---	---	---	---
SUPPLIES		0	---	---	---	---
EQUIPMENT		0	---	---	---	---
LAND & STRUCTURES		0	---	---	---	---
GRANTS, CLAIMS		0	---	---	---	---
MISCELLANEOUS		0	---	---	---	---
<b>TOTAL OPERATING</b>		<b>15.0</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>

<b>CAPITAL</b>		0	0	0	0	0
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<b>REVENUE</b>						
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**FUNDING : (Thousands of Dollars)**

GENERAL FUND		15.0	---	---	---	---
FEDERAL FUNDS		0	---	---	---	---
OTHER		0	---	---	---	---
<b>TOTAL</b>		<b>15.0</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>

**POSITIONS :**

FULL-TIME		0				
PART-TIME		0				
TEMPORARY		0				

**ANALYSIS :** Attach a separate page if necessary

The \$15.0 provided under contractual is to promote and advertise the new registration requirement before the law becomes effective on July 1, 1987. If the ad campaign is effective, the division should not need additional positions to handle increased work load created (cont)

Prepared by: Al Adams, Chair Phone: 465-3706  
 Division: House Finance Committee Date: 4/25/86

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

**Distribution (by Agency preparing fiscal note):**

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

CONTINUATION  
FISCAL NOTE ANALYSIS  
CS HB 535 (FINANCE)

because the public is not aware of the new requirement. If additional positions and funding are needed, they should be requested through the regular budget process in the future.

Original sponsors: Rieger, Ringstad,  
Gruenberg, et al

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 535 (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 the insurance requirements for  
7 obtaining and maintaining motor vehicle registration,  
8 and the insurance requirements for motor-driven  
9 cycles; and providing for an effective date."

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

11 \* Section 1. AS 28.10.021(a) is amended to read:

12 (a) The owner of a vehicle subject to registration shall apply  
13 for registration under this chapter by properly completing the form  
14 prescribed by the commissioner under AS 28.05.041. Before the issu-  
15 ance of a certificate of registration by the department, the owner  
16 shall

17 (1) pay all registration fees and taxes required under this  
18 chapter and federal heavy vehicle use taxes required under 26 U.S.C.  
19 4481 (Internal Revenue Code of 1954);

20 (2) unless the owner qualifies as a self-insurer under  
21 AS 28.20.400, is exempted from obtaining liability insurance under  
22 AS 28.22.200, or the vehicle is a motor-driven cycle, provide evidence  
23 satisfactory to the department of the existence of a motor vehicle  
24 liability policy that complies with AS 28.22.010 for the vehicle being  
25 registered; and

26 (3) [SHALL] comply with [ANY] other applicable statutes and  
27 regulations.

28 \* Sec. 2. AS 28.10.041(a) is amended to read:

29 (a) The department may refuse to register a vehicle if

1 (1) the application contains a false or fraudulent state-  
2 ment;

3 (2) the applicant fails to furnish information required by  
4 the department;

5 (3) the applicant is not entitled to the issuance of a  
6 certificate of title or registration under this chapter;

7 (4) the vehicle is determined to be mechanically unsafe to  
8 be driven or moved on a highway, vehicular way or area, or other  
9 public property in the [THIS] state;

10 (5) the department has reasonable grounds to believe that  
11 the vehicle was stolen or fraudulently acquired or that the granting  
12 of registration would be a fraud against the rightful owner or other  
13 person having a valid lien upon the vehicle;

14 (6) the registration of the vehicle has been suspended or  
15 revoked for any reason under the laws of the [THIS] state;

16 (7) the required fees or taxes have not been paid;

17 (8) the vehicle or applicant fails to comply with this  
18 chapter or regulations authorized by this section;

19 (9) the vehicle is without a certificate of inspection  
20 required under AS 28.32.010;

21 (10) the vehicle is subject to a state-approved local  
22 emission inspection program adopted by municipal ordinance under  
23 AS 46.03.210, and the vehicle does not meet the standards of that  
24 program, unless the vehicle uses a fuel source that does not primarily  
25 emit carbon monoxide;

26 (11) the applicant fails to provide evidence satisfactory  
27 to the department of the existence of a motor vehicle liability policy  
28 that complies with AS 28.22.010 for the vehicle being registered,  
29 unless the owner of the vehicle qualifies as a self-insurer under

1 AS 28.20.400, is exempted from obtaining liability insurance under  
2 AS 28.22.200, or the vehicle is a motor-driven cycle.

3 \* Sec. 3. AS 28.10.051 is amended by adding a new subsection to read:

4 (b) Unless the owner qualifies as a self-insurer under AS 28.-  
5 20.400, is exempted from obtaining liability insurance under AS 28.-  
6 22.200, or the vehicle is a motor-driven cycle, the department may  
7 suspend or revoke the registration of a vehicle that is not insured by  
8 a motor vehicle liability policy that complies with AS 28.22.010.

9 \* Sec. 4. AS 28.10.111 is amended by adding a new subsection to read:

10 (c) Unless the owner of the vehicle qualifies as a self-insurer  
11 under AS 28.20.400, is exempted from obtaining liability insurance  
12 under AS 28.22.200, or the vehicle is a motor-driven cycle, the de-  
13 partment may not renew the registration of a vehicle without receiving  
14 evidence satisfactory to the department that the vehicle is insured by  
15 a motor vehicle liability policy that complies with AS 28.22.010.

16 \* Sec. 5. AS 28.22 is amended by adding a new section to read:

17 Sec. 28.22.520. EXEMPTION FOR MOTOR-DRIVEN CYCLES. This chapter  
18 does not apply to motor-driven cycles.

19 \* Sec. 6. This Act takes effect July 1, 1987.  
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R.O. 4-28-86  
Rec'd 5-8-86

STATE OF ALASKA 1986 LEGISLATIVE SESSION  
FISCAL NOTE

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

REQUEST

Bill/Resolution No.: CSHB 535 (Fin) am  
Title: An Act relating to registration  
of motor vehicles: EFD

Sponsor: Rieger, et al  
Requestor: Senate State Affairs  
Date of Request: 5/07/86

FISCAL DETAIL

Agency Affected: Public Safety  
BRU: Division of Motor Vehicles

Components: Vehicle Services,  
Field Services

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES			451.8	474.4	498.1	523.0
TRAVEL			10.5	11.0	11.5	12.0
CONTRACTUAL			181.4	140.1	147.1	154.4
SUPPLIES			6.0	6.3	6.6	6.9
EQUIPMENT			20.9	-0-	-0-	-0-
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	670.6	631.8	663.3	696.3

CAPITAL						
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REVENUE						
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FUNDING : (Thousands of Dollars)

GENERAL FUND	-0-	-0-	670.6	631.8	663.3	696.3
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	670.6	631.8	663.3	696.3

POSITIONS :

FULL-TIME			15	15	15	15
PART-TIME						
TEMPORARY						

ANALYSIS Attach a separate page if necessary

See attached pages.

FISCAL IMPACT OF 670.6 BEGINS IN FY88.

Prepared by: Charles R. Hosack, Deputy Director  
Division: Motor Vehicles

Phone: 269-5551  
Date: 5-8-86

Approved by Commissioner: [Signature]  
Agency: Public Safety

Date: 5/7/86

Distribution (by Agency preparing fiscal note):

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

ANALYSIS:

There are approximately 450,000 motor vehicles for which proof of insurance will be required prior to registration. The checking and processing of the insurance papers will require extra time and approximately 20-30% of these vehicles will be refused registration because the owner does not have proper proof. This will require a second trip to division offices when the proper proof is obtained.

It is estimated that 10% of the owners would change insurance, miss a payment, or cancel their policy. Of that 10% (45,000 vehicles), it is estimated that 50% would fail to notify DMV of the change. Revocation notices would be sent to 22,500 owners by certified mail as required by law. The other 22,500 owners would notify DMV of the change so their vehicle records would be updated.

Approximately 2,500 hearings will be conducted annually as a result of the revocation.

71000 Personal Services

Anchorage

1 Dr. Imp. Spec. (Hearing Officer) Range 16	43.0
1 Doc. Proc. Clk. III, Range 10	31.0
4 MVR II, Range 9	123.2
2 Doc. Proc. Clk. II, Range 8	55.6
3 Doc. Proc. Clk. I, Range 7	79.2
2 Clk. Typist II, Range 7	52.8

Fairbanks

2 MVR II, Range 9	<u>67.0</u>	451.8
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72000 Travel

Travel and per diem for field office training sessions	2.5	
Travel and per diem for hearings	<u>8.0</u>	10.5

73000 Contractual

73100 Professional Services

Counter modifications to accomodate 6 additional employee work stations	12.0	
DP program modification	<u>36.0</u>	48.0

73300	Communications			
	Postage			
	Return mailing for incorrect renewals	8.8		
	Certified suspension letters			
	22,500 @ \$1.75	39.4		
	Certified hearing letters			
	2,500 @ \$1.75	4.4		
	General correspondence	2.5		
	Telephones and tolls	<u>3.0</u>		
			58.1	
73500	Promotion and Advertising			
	Forms	7.5		
	Advertising	<u>5.0</u>		
			12.5	
73700	DP network connect - 9 terminals	9.0		
	CRT maintenance	<u>8.1</u>		
			17.1	
73800	Lease space	20.0		
	1,000 sq. ft @ \$1.67 sq. ft. per month		20.0	
73860	Equipment lease			
	9 CRT/printers @ 206/month	22.2		
	1 copy machine	<u>3.5</u>		
			25.7	
	Total Contractual			181.4
74000	Supplies			
	74220 Normal office supplies, computer paper, etc.	6.0		
			6.0	
75025	Equipment			
	76050 Furniture			
	4 desks @ 576	2.3		
	5 desks @ 468	2.3		
	6 typewriters @ 1369	8.2		
	8 chairs @ 272	2.2		
	6 counter stools @ 350	2.1		
	3 CRT tables @ 225	.7		
	6 file cabinets @ 308	1.8		
	1 storage cabinet @ 300	.3		
	Recording equipment	<u>1.0</u>		
			20.9	

Rec'd 4-28-86 p.m.  
R.O. 4-28-86 a.m.

STATE OF ALASKA 1986 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: 4-22-86

**REQUEST**

Bill/Resolution No.: CSHB 535 (JUD)  
 Title: An Act relating to registration of motor vehicles; EFD  
 Sponsor: Rieger, et al  
 Requestor: House Finance  
 Date of Request: 4/23/86

**FISCAL DETAIL**

Agency Affected: Public Safety  
 BRU: Division of Motor Vehicles  
 Components: Vehicle Services, Field Services

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

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES			451.8	474.4	498.1	523.0
TRAVEL			10.5	11.0	11.5	12.0
CONTRACTUAL SUPPLIES			181.4	140.1	147.1	154.4
EQUIPMENT			6.0	6.3	6.6	6.9
LAND & STRUCTURES			20.9	-0-	-0-	-0-
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	-0-	-0-	670.6	631.8	663.3	696.3

CAPITAL						
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REVENUE	-0-	-0-	450.0	459.0	468.0	477.0
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**FUNDING : (Thousands of Dollars)**

GENERAL FUND	-0-	-0-	670.6	631.8	663.3	696.3
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	-0-	-0-	670.6	631.8	663.3	696.3

**POSITIONS :**

FULL-TIME			15	15	15	15
PART-TIME						
TEMPORARY						

**ANALYSIS :** Attach a separate page if necessary

See attached pages.

Prepared by: Charles R. Hosack, Deputy Director  
 Division: Motor Vehicles

Phone: 269-5551  
 Date: 4/22/86

Approved by Commissioner: [Signature]  
 Agency: Public Safety

Date: 4/24/86

Distribution (by Agency preparing fiscal note):

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

ANALYSIS:

There are approximately 450,000 motor vehicles for which proof of insurance will be required prior to registration. The checking and processing of the insurance papers will require extra time and approximately 20-30% of these vehicles will be refused registration because the owner does not have proper proof. This will require a second trip to division offices when the proper proof is obtained.

It is estimated that 10% of the owners would change insurance, miss a payment, or cancel their policy. Of that 10% (45,000 vehicles), it is estimated that 50% would fail to notify DMV of the change. Revocation notices would be sent to 22,500 owners by certified mail as required by law. The other 22,500 owners would notify DMV of the change so their vehicle records would be updated.

Approximately 2,500 hearings will be conducted annually as a result of the revocation.

71000 Personal Services

Anchorage

1 Dr. Imp. Spec. (Hearing Officer) Range 16	43.0	
1 Doc. Proc. Clk. III, Range 10	31.0	
4 MVR II, Range 9	123.2	
2 Doc. Proc. Clk. II, Range 8	55.6	
3 Doc. Proc. Clk. I, Range 7	79.2	
2 Clk. Typist II, Range 7	52.8	

Fairbanks

2 MVR II, Range 9	<u>67.0</u>	451.8
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72000 Travel

Travel and per diem for field office training sessions	2.5	
Travel and per diem for hearings	<u>8.0</u>	10.5

73000 Contractual

73100 Professional Services

Counter modifications to accommodate 6 additional employee work stations	12.0	
DP program modification	<u>36.0</u>	48.0

73300	Communications		
	Postage		
	Return mailing for incorrect renewals	8.8	
	Certified suspension letters		
	22,500 @ \$1.75	39.4	
	Certified hearing letters		
	2,500 @ \$1.75	4.4	
	General correspondence	2.5	
	Telephones and tolls	<u>3.0</u>	
			58.1
73500	Promotion and Advertising		
	Forms	7.5	
	Advertising	<u>5.0</u>	
			12.5
73700	DP network connect - 9 terminals	9.0	
	CRT maintenance	<u>8.1</u>	
			17.1
73800	Lease space	20.0	
	1,000 sq. ft @ \$1.67 sq. ft. per month		20.0
73860	Equipment lease		
	9 CRT/printers @ 206/month	22.2	
	1 copy machine	<u>3.5</u>	
			25.7
	Total Contractual		181.4
74000	Supplies		
	74220 Normal office supplies, computer paper, etc.	6.0	
			6.0
75025	Equipment		
	76050 Furniture		
	4 desks @ 576	2.3	
	5 desks @ 468	2.3	
	6 typewriters @ 1369	8.2	
	8 chairs @ 272	2.2	
	6 counter stools @ 350	2.1	
	3 CRT tables @ 225	.7	
	6 file cabinets @ 308	1.8	
	1 storage cabinet @ 300	.3	
	Recording equipment	<u>1.0</u>	
			20.9

REVENUES:

Projected revenue based on registration of 450,000 x \$1.00 increase in fees per vehicle.

ANALYSIS OF CSHB 535 (Finance)

Sec. 1. Amends the motor vehicle registration procedure by requiring the owner of a vehicle to show proof of insurance coverage before the Division of Motor Vehicle issues a certificate of registration, unless the owner qualifies as a self-insurer, is exempted from obtaining liability insurance under AS 28.22.200, or the vehicle is a motor-driven cycle.

Sec. 2. Authorizes the Division of Motor Vehicles to refuse to register a motor vehicle if its owner fails to produce evidence satisfactory to the Department that he has purchased a liability insurance policy, unless the owner qualifies as a self-insurer, is exempted from obtaining liability insurance under AS 28.22.200, or the vehicle is a motor-driven cycle.

Sec. 3. Authorizes the Division of Motor Vehicles to suspend or revoke a vehicle's registration if the owner does not have a liability insurance policy in force with the required coverage, unless the owner qualifies as a self-insurer, is exempted from obtaining liability insurance under AS 28.22.-200, or the vehicle is a motor-driven cycle.

Sec. 4. Prohibits the Division of Motor Vehicles from renewing the registration of a vehicle without first receiving proof of liability insurance from the owner, unless the owner qualifies as a self-insurer, is exempted from obtaining liability insurance under AS 28.22.200, or the vehicle is a motor-driven cycle.

Sec. 5. Exempts motor-driven cycles from the state's mandatory motor vehicle insurance law.

Sec. 6. Makes the Act effective on July 1, 1987.

/wtl

Original sponsors: Rieger, Ringstad,  
Gruenberg, et al

[ ] = deleted  
= added

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 535 (FIN )

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 <sup>[the registration of motor vehicles]</sup> the insurance requirements for  
7 obtaining and maintaining motor vehicle registration,  
8 and the insurance requirements for motor-driven  
9 cycles; and providing for an effective date."

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

11 \* Section 1. AS 28.10.021(a) is amended to read:

12 (a) The owner of a vehicle subject to registration shall apply  
13 for registration under this chapter by properly completing the form  
14 prescribed by the commissioner under AS 28.05.041. Before the issu-  
15 ance of a certificate of registration by the department, the owner  
16 shall

17 (1) pay all registration fees and taxes required under this  
18 chapter and federal heavy vehicle use taxes required under 26 U.S.C.  
19 4481 (Internal Revenue Code of 1954);

20 (2) unless the owner qualifies as a self-insurer under  
21 AS 28.20.400, is exempted from obtaining liability insurance under  
22 AS 28.22.200, or the vehicle is a motor-driven cycle, provide evidence  
23 satisfactory to the department of the existence of a motor vehicle  
24 liability policy that complies with AS 28.22.010 for the vehicle being  
25 registered; and

26 (3) [SHALL] comply with [ANY] other applicable statutes and  
27 regulations.

28 \* Sec. 2. AS 28.10.041(a) is amended to read:

29 (a) The department may refuse to register a vehicle if

1 (1) the application contains a false or fraudulent state-  
2 ment;

3 (2) the applicant fails to furnish information required by  
4 the department;

5 (3) the applicant is not entitled to the issuance of a  
6 certificate of title or registration under this chapter;

7 (4) the vehicle is determined to be mechanically unsafe to  
8 be driven or moved on a highway, vehicular way or area, or other  
9 public property in the [THIS] state;

10 (5) the department has reasonable grounds to believe that  
11 the vehicle was stolen or fraudulently acquired or that the granting  
12 of registration would be a fraud against the rightful owner or other  
13 person having a valid lien upon the vehicle;

14 (6) the registration of the vehicle has been suspended or  
15 revoked for any reason under the laws of the [THIS] state;

16 (7) the required fees or taxes have not been paid;

17 (8) the vehicle or applicant fails to comply with this  
18 chapter or regulations authorized by this section;

19 (9) the vehicle is without a certificate of inspection  
20 required under AS 28.32.010;

21 (10) the vehicle is subject to a state-approved local  
22 emission inspection program adopted by municipal ordinance under  
23 AS 46.03.210, and the vehicle does not meet the standards of that  
24 program, unless the vehicle uses a fuel source that does not primarily  
25 emit carbon monoxide;

26 (11) the applicant fails to provide evidence satisfactory  
27 to the department of the existence of a motor vehicle liability policy  
28 that complies with AS 28.22.010 for the vehicle being registered,  
29 unless the owner of the vehicle qualifies as a self-insurer under

1 AS 28.20.400, is exempted from obtaining liability insurance under  
2 AS 28.22.200, or the vehicle is a motor-driven cycle.

3 \* Sec. 3. AS 28.10.051 is amended by adding a new subsection to read:

4 (b) Unless the owner qualifies as a self-insurer under AS 28.-  
5 20.400, is exempted from obtaining liability insurance under AS 28.-  
6 22.200, or the vehicle is a motor-driven cycle, the department may  
7 suspend or revoke the registration of a vehicle that is not insured by  
8 a motor vehicle liability policy that complies with AS 28.22.010.

9 \* Sec. 4. AS 28.10.111 is amended by adding a new subsection to read:

10 (c) Unless the owner of the vehicle qualifies as a self-insurer  
11 under AS 28.20.400, is exempted from obtaining liability insurance  
12 under AS 28.22.200, or the vehicle is a motor-driven cycle, the de-  
13 partment may not renew the registration of a vehicle without receiving  
14 evidence satisfactory to the department that the vehicle is insured by  
15 a motor vehicle liability policy that complies with AS 28.22.010.

16 \* Sec. 5. AS 28.22 is amended by adding a new section to read:

17 Sec. 28.22.520. EXEMPTION FOR MOTOR-DRIVEN CYCLES. This chapter  
18 does not apply to motor-driven cycles.

19 \* Sec. 6. This Act takes effect July 1, 1987.  
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STATE OF ALASKA 1986 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: 4-22-86

**REQUEST**

Bill/Resolution No.: CSHB 535 (JUD)  
 Title: An Act relating to registration  
of motor vehicles; EFD  
 Sponsor: Rieger, et al  
 Requestor: House Finance  
 Date of Request: 4/23/86

**FISCAL DETAIL**

Agency Affected: Public Safety  
 BRU: Division of Motor Vehicles  
 Components: Vehicle Services,  
Field Services

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

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES			451.8	474.4	498.1	523.0
TRAVEL			10.5	11.0	11.5	12.0
CONTRACTUAL			181.4	140.1	147.1	154.4
SUPPLIES			6.0	6.3	6.6	6.9
EQUIPMENT			20.9	-0-	-0-	-0-
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>-0-</b>	<b>-0-</b>	<b>670.6</b>	<b>631.8</b>	<b>663.3</b>	<b>696.3</b>

CAPITAL						
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REVENUE	-0-	-0-	450.0	459.0	468.0	477.0
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**FUNDING : (Thousands of Dollars)**

GENERAL FUND	-0-	-0-	670.6	631.8	663.3	696.3
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	<b>-0-</b>	<b>-0-</b>	<b>670.6</b>	<b>631.8</b>	<b>663.3</b>	<b>696.3</b>

**POSITIONS :**

FULL-TIME			15	15	15	15
PART-TIME						
TEMPORARY						

**ANALYSIS :** Attach a separate page if necessary

See attached pages.

Prepared by: Charles R. Hosack, Deputy Director Phone: 269-5551  
 Division: Motor Vehicles Date: 4/22/86

Approved by Commissioner: [Signature] Date: 4/24/86  
 Agency: Public Safety

Distribution (by Agency preparing fiscal note):

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

ANALYSIS:

There are approximately 450,000 motor vehicles for which proof of insurance will be required prior to registration. The checking and processing of the insurance papers will require extra time and approximately 20-30% of these vehicles will be refused registration because the owner does not have proper proof. This will require a second trip to division offices when the proper proof is obtained.

It is estimated that 10% of the owners would change insurance, miss a payment, or cancel their policy. Of that 10% (45,000 vehicles), it is estimated that 50% would fail to notify DMV of the change. Revocation notices would be sent to 22,500 owners by certified mail as required by law. The other 22,500 owners would notify DMV of the change so their vehicle records would be updated.

Approximately 2,500 hearings will be conducted annually as a result of the revocation.

71000 Personal Services

Anchorage

1 Dr. Imp. Spec. (Hearing Officer) Range 16	43.0	
1 Doc. Proc. Clk. III, Range 10	31.0	
4 MVR II, Range 9	123.2	
2 Doc. Proc. Clk. II, Range 8	55.6	
3 Doc. Proc. Clk. I, Range 7	79.2	
2 Clk. Typist II, Range 7	52.8	

Fairbanks

2 MVR II, Range 9	<u>67.0</u>	451.8
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72000 Travel

Travel and per diem for field office training sessions	2.5	
Travel and per diem for hearings	<u>8.0</u>	10.5

73000 Contractual

73100 Professional Services

Counter modifications to accomodate 6 additional employee work stations	12.0	
DP program modification	<u>36.0</u>	48.0

73300	Communications		
	Postage		
	Return mailing for incorrect renewals	8.8	
	Certified suspension letters		
	22,500 @ \$1.75	39.4	
	Certified hearing letters		
	2,500 @ \$1.75	4.4	
	General correspondence	2.5	
	Telephones and tolls	<u>3.0</u>	
			58.1
73500	Promotion and Advertising		
	Forms	7.5	
	Advertising	<u>5.0</u>	
			12.5
73700	DP network connect - 9 terminals	9.0	
	CRT maintenance	<u>8.1</u>	
			17.1
73800	Lease space	20.0	
	1,000 sq. ft @ \$1.67 sq. ft. per month		20.0
73860	Equipment lease		
	9 CRT/printers @ 206/month	22.2	
	1 copy machine	<u>3.5</u>	
			25.7
	Total Contractual		181.4
74000	Supplies		
	74220 Normal office supplies, computer paper, etc.	6.0	
			6.0
75025	Equipment		
	76050 Furniture		
	4 desks @ 576	2.3	
	5 desks @ 468	2.3	
	6 typewriters @ 1369	8.2	
	8 chairs @ 272	2.2	
	6 counter stools @ 350	2.1	
	3 CRT tables @ 225	.7	
	6 file cabinets @ 308	1.8	
	1 storage cabinet @ 300	.3	
	Recording equipment	<u>1.0</u>	
			20.9

REVENUES:

Projected revenue based on registration of 450,000 x \$1.00 increase in fees per vehicle.

DEPARTMENT OF PUBLIC SAFETY  
POSITION PAPER - CS HB 535(Jud) .

Oppose

April 23, 1986

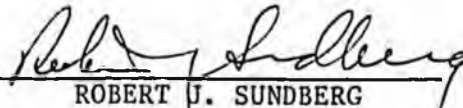
CS HB 535(Jud). An Act relating to the registration fees for motor vehicles, the insurance requirements for obtaining and maintaining motor vehicle registration, the insurance requirements for motor-driven cycles, and the cancellation of motor vehicle insurance policies.

Requiring proof of insurance at the time of registration will impact DMV at its field offices. The time involved in the registration process will increase. Such work increases will create long lines at major field offices.

The cost of the extra workload could be justified if the program were extremely effective, but the experience of other states has shown that this is not the case. It is very easy for a person to obtain a binder, register a vehicle, and then immediately cancel the policy without making even one payment. States with this type of requirement estimate that between 3 and 10 percent of their registered vehicles are uninsured.

The mandatory insurance bill that passed the 1984 Legislature has been in effect for the past year. An evaluation of that program on December 31, 1985, shows the numbers of uninsured motorists in Alaska is at 8.88%. This number is within the range achieved by other states having a program similar to this bill. Consequently it appears that through the mandatory insurance program we have already achieved what we would expect this bill to accomplish.

The requirement of notification placed on insurance companies will create additional work and the cost of this work will be passed on to the public by increasing premiums. Keeping track of the notifications and revoking registrations with all the "due process" requirements will create a costly administrative burden. The cost of this will be in addition to the costs for the current program since none of those requirements have changed.

  
ROBERT J. SUNDBERG  
Commissioner

§ 28.22.130

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than \$250. This  
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§ 28.22.200

MOTOR VEHICLES

§ 28.22.210

(2) through being struck by a vehicle owned by the named insured or the insured's spouse or relative residing in the same household. (§ 13 ch 70 SLA 1984)

Article 3. Proof of Insurance Required.

Section	Section
200. Motor vehicle liability insurance required: Exemptions	240. Administrative suspension of drivers' licenses
210. Requirement of proof of motor vehicle liability insurance	250. Falsification of information
220. Method of proof following an accident	260. Proof for the future
230. Method of proof following a charge of a moving traffic violation	

**Sec. 28.22.200. Motor vehicle liability insurance required: Exemptions.** (a) The operator or owner of a motor vehicle subject to registration under AS 28.10.011 when driven on a highway, vehicular way or area, or on other public property in the state, shall have motor vehicle liability insurance that complies with this chapter or a certificate of self-insurance that complies with AS 28.20.400 in effect for the motor vehicle, unless

(1) the motor vehicle is being driven or moved on a highway, vehicular way, or a public parking place in the state that is not connected by a land highway or vehicular way to

- (A) the land-connected state highway system, or
- (B) a highway or vehicular way with an average daily traffic volume greater than 499; and

(2) the operator has not been cited within the preceding five years for a traffic law violation with a demerit point value of six or more on the point schedule determined under regulations adopted by the department under AS 28.15.221.

(b) The department shall publish annually a list of areas that meet the requirements of (a)(1) of this section. This list shall be available for public inspection at all division of motor vehicle offices in the state. (§ 13 ch 70 SLA 1984)

**Sec. 28.22.210. Requirement of proof of motor vehicle liability insurance.** The owner or operator of a motor vehicle required to have motor vehicle liability insurance that complies with this chapter or a certificate of self-insurance that complies with AS 28.20.400, must show proof of this insurance when that person

(1) is involved in an accident that results in bodily injury to or death of a person, or damage to the property of a person exceeding \$500; or

(2) is charged with a traffic law violation with a demerit point value of six or more on the point schedule determined under regulations adopted by the department under AS 28.15.221. (§ 13 ch 70 SLA 1984)

R.O. 4-28-86  
Rec'd 5-9-86

STATE OF ALASKA 1986 LEGISLATIVE SESSION  
FISCAL NOTE

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

REQUEST

Bill/Resolution No.: SCS CSHB 535 (SA) Prop.  
 Title: An Act relating to the insurance requirements for obtaining and maintaining motor vehicle registration...  
 Sponsor: Rieger  
 Requestor: Senate Finance  
 Date of Request: May 8, 1986

FISCAL DETAIL

Agency Affected: Public Safety  
 BRU: Motor Vehicles  
 Components: Field Services

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES			190.2	199.7	209.7	220.2
TRAVEL			2.5	2.6	2.7	2.8
CONTRACTUAL		15.0	95.6	49.6	52.0	54.6
SUPPLIES			3.0	3.2	3.4	3.6
EQUIPMENT			2.7			
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	15.0	294.0	255.1	267.8	281.2

CAPITAL						
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REVENUE						
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FUNDING : (Thousands of Dollars)

GENERAL FUND	-0-	15.0	294.0	255.1	267.8	281.2
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	15.0	294.0	255.1	267.8	281.2

POSITIONS :

FULL-TIME	0	0	6	6	6	6
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

FY87 funding is to promote and advertise the new registration requirement before the law becomes effective on July 1, 1987. Impact of new law will begin in FY88. One time charges for counter modifications, DP programming, CRT installations, and equipment included in FY88 only. 5% inflation factor used for FY89 and subsequent years.

Prepared by: Charles R. Hosack Phone: 269-5551  
 Division: Motor Vehicles Date: 5-8-86  
 Approved by Commissioner: [Signature] Date: 5/8/86  
 Agency: Public Safety

Distribution (by Agency preparing fiscal note):

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

FISCAL NOTE

SCS CSHB 535 (SA) Prop.

*Sec. 28.10.115 is deleted  
from the (FIN) version gm*

There are approximately 450,000 motor vehicles for which proof of insurance will be required. Prior to registration, the reviewing and processing of the insurance papers will require additional time. Approximately 20-30% of these vehicles will initially be refused registration because the owner does not have proper proof of insurance. This will require a second trip to division offices when proper proof is ultimately obtained.

71000 PERSONAL SERVICE

<u>Anchorage</u>		
4 MVR II, Range 9	123.2	
<u>Fairbanks</u>		
2 MVR II, Range 9	<u>67.0</u>	
Total Personal Services		190.2

72000 TRAVEL

Travel & per diem for field office training sessions	2.5	
Total Travel		2.5

73000 CONTRACTUAL

73100 Professional Services		
Counter modifications to accomodate 6 additional employee work stations	12.0	
1 DP Program modification	36.2	
CRT installation	<u>.2</u>	
73100 Total		48.4
73300 Communications		
Postage		
Return mailing for incorrect renewals	8.8	
General correspondence	2.5	
Telephones & tolls	<u>3.1</u>	
73300 Total		14.4
73500 Promotion & Advertising		
Forms	1.5	
Advertising (informing public)	<u>5.0</u>	
73500 Total		6.5
73700 DP Network Connect Fees for 6 terminals @ 1,000/year each	6.0	
CRT maintenance @ 900/year each	<u>5.4</u>	
73700 Total		11.4