

ALASKA LEGISLATURE

1530

HOUSE and SENATE FINANCE COMMITTEE FILES, 1995-1996

1 permits modification of a plan in cases of economic hardship or other extenuating
2 circumstances;

3 (3) the commissioner may not limit

4 (A) the landowner's right to construct improvements related to
5 agricultural use;

6 (B) the landowner's right to use the land and improvements for
7 purposes that are incidental to and not inconsistent with the primary use of the
8 land for agricultural purposes; and

9 (C) the landowner's right to subdivide and sell the land if the
10 resulting parcels are not in violation of the minimum parcel size set out in
11 (a)(2) of this section.

12 (c) A covenant described in (a) of this section may be enforced only by a civil
13 action.

14 (f) In this section, "agricultural purposes" means

15 (1) the production of plants and animals useful to man, including forage
16 and sod crops, grains and feed crops, fruits, trees, and vegetables, dairy animals and
17 products, and livestock;

18 (2) the construction of fixed, permanent, or immovable structures
19 reasonably required for or related to agricultural production, including that farmstead
20 normally required for yards, driveways, parking, barns, and other outbuildings, and
21 similar uses;

22 (3) the use of gravel reasonably required for agricultural production on
23 the parcel conveyed; and

24 (4) removal and disposition of timber in order to bring agricultural land
25 into production.

26 * Sec. 12. CONVERSION OF DISPOSALS MADE UNDER AS 38.05.069(c) OR UNDER
27 FORMER AS 38.05.321(a). (a) The provisions of AS 38.05.321(a), as amended by sec. 9
28 of this Act, apply to state land classified as agricultural land that, under AS 38.05.069(c) or
29 under AS 38.05.321(a) before its amendment by sec. 9 of this Act, was subject to the
30 limitation of the conveyance of only the interest in the land that related to agricultural
31 purposes and that was sold, leased, or disposed of by the state after August 15, 1976, and

1 before the effective date of this Act.

2 (b) When the owner of the rights for agricultural purposes in land described in this
3 section applies to the Department of Natural Resources, the commissioner of natural resources
4 shall issue a new instrument of conveyance for the land that conforms to AS 38.05.321(a) and
5 (d), as amended and enacted by secs. 9 and 11 of this Act. The commissioner of natural
6 resources may issue a new instrument of conveyance under this section only if the owner of
7 the rights tenders a deed or other appropriate instrument of conveyance transmitting the
8 owner's interests in the land to the state, accompanied by title insurance coverage for or a title
9 report affirming ownership of the rights in the person making application under this
10 subsection.

11 (c) Until the commissioner of natural resources issues the new instrument of
12 conveyance under (b) of this section, when necessary to enforce a state interest in the land,
13 the state may enforce the interests in the land in the manner authorized by the instrument of
14 conveyance that transferred the rights for agricultural purposes.

15 * Sec. 13. CONVERSION OF DISPOSALS MADE UNDER FORMER AS 38.05.321(b).

16 (a) The provisions of AS 38.05.321(a), as amended by sec. 9 of this Act, apply to state land
17 classified as agricultural land that, under AS 38.05.321(b) before its amendment by sec. 10
18 of this Act, was subject to the limitation of the conveyance of only the interest in the land that
19 related to agricultural purposes and that was conveyed by the state to a municipality after
20 June 30, 1978, and before the effective date of this Act.

21 (b) When a municipality holding the rights for agricultural purposes in land described
22 in this section applies to the Department of Natural Resources, the commissioner of natural
23 resources shall issue a new instrument of conveyance for the land that conforms to
24 AS 38.05.321, as amended by secs. 9 - 11 of this Act. The commissioner of natural resources
25 may issue a new instrument of conveyance under this section only if the municipality tenders
26 a deed or other appropriate instrument of conveyance returning the municipality's interests in
27 the land to the state, accompanied by title insurance coverage for or a title report affirming
28 the municipality's ownership of the rights.

29 (c) Until the commissioner of natural resources issues the new instrument of
30 conveyance under (b) of this section, when necessary to enforce a state interest in the land,
31 the state may enforce the interests in the land in the manner authorized by the instrument of

*Amend
at 2
as
amended*

1 conveyance that transferred the rights for agricultural purposes.)

2 * Sec. 14. The following regulations are annulled: 11 AAC 67.162, 11 AAC 67.165, 11
3 AAC 67.167(d), 11 AAC 67.170, 11 AAC 67.172, 11 AAC 67.175(1), 11 AAC 67.185, 11
4 AAC 67.187, 11 AAC 67.188(a)(3), 11 AAC 67.188(a)(4), 11 AAC 67.188(a)(5), 11 AAC
5 67.188(a)(6), 11 AAC 67.188(b), 11 AAC 67.188(c), 11 AAC 67.190(a), 11 AAC 67.192.

ALASKA STATE LEGISLATURE



Interim
600 East Railroad Avenue
Wasilla, Alaska 99654
(907) 376-3371

Session
Juneau, Alaska 99801-1182
(907) 463-6600
Fax 463-3905

SENATOR LYDA GREEN
SENATE DISTRICT N

MEMORANDUM

TO: Senator Rick Halford, Chairman
Senator Steve Frank, Chairman
Senate Finance Committee

FROM: Senator Lyda Green *LD*

DATE: January 22, 1996

SUBJECT: Hearing request / Senate Bill 162

=====

I respectfully request that you schedule a Senate Finance Committee hearing for Senate Bill 162 at your earliest convenience.

As you are aware from the Senate Resources Committee hearings, the administration is now supportive of this legislation providing the issues of interest rate and payment for new document conveyance are addressed. Mr. Swanson, Division of Lands has indicated his desire to work with me and your committee to address these areas.

Please let me know how I can be of assistance. Thank you for your consideration of this request.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3887 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105


MEMORANDUM

January 27, 1996

SUBJECT: CSSB 162(RES), relating to state land used for agriculture and to state land classified for agricultural purposes -- retroactivity of installment payment interest rate provision (Work Order 9-LS1021M)

TO: Senator Lyda Green
ATTN: Brett Huber

FROM: Jack Chenoweth
Legislative Counsel



You've asked me to address whether or not the provision setting the maximum interest rate on installment payments for land sale contracts for state land classified for agricultural purposes is retroactive.

In my judgment, it is not.

The state has a definite statutory policy against retroactive application of statutes. Under AS 01.10.090, for a statute to operate or apply retrospectively, there must be language that expressly so provides. Nothing in CSSB 162(RES) does that. The courts will not infer retrospective application of a provision.

The maximum interest rate provision should operate only as to installment payments for land sale contracts for state land classified for agricultural purposes entered into on or after the bill's taking effect.

JBC:glc
96-056.glc

Enclosure

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3887 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

January 23, 1996

SUBJECT: Draft CSSB 162 () relating to state land used for agriculture and to state land classified for agricultural purposes – municipal conveyance (Work Order No. 9-LS1021\K)

TO: Senator Lyda Green
ATTN: Brett Huber

FROM: Jack Chenoweth
Legislative Counsel

I have been asked to address whether or not covenants restricting use of land to agricultural purposes attach to land transferred to municipalities.

Where, until now, the state has conveyed to municipalities only the agricultural rights to land, CSSB 162's section 13 directs the commissioner of natural resources to issue new instruments of conveyance to the municipalities. These substituted conveyance instruments, together with any new conveyances to municipalities for the first time, must conform to AS 38.05.321, as amended by this measure. Under amended AS 38.05.321(a)(1), that municipal land is subject to the restrictive covenants.

JBC:kjb
96-020.klb

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF LAND

3801 C STREET, SUITE 1122
ANCHORAGE, ALASKA 99503-5947
PHONE (907) 782-2882
FAX (907) 782-2529

January 18, 1996

JAN 22 1996

The Honorable Loren Leman
Chairman, Senate Resources Committee
Alaska State Legislature
State Capitol (MS 3000)
Juneau, Alaska 99801-1182

Re: SB 162

Dear Senator Leman:

At the January 17, 1996 hearing two questions were asked that I could not answer at the time that I promised to follow-up on before the next hearing.

First was a question by Senator Halford concerning prequalification of bidders for agricultural tracts. The statutory reference for prequalification is AS 38.05.020(b)(6). Senator Halford was correct that there was a Superior Court case on this very issue.

In 1981 the Superior Court ruled that, at the time, the state had no authority to prequalify bidders on the Pt. MacKenzie sale. In response to the court decision the legislature, in 1982 as part of HB 418 (CL 129 SLA 82), gave the department authority to pre-qualify bidders for agricultural tracts. The statutory authority for prequalification has never been tested in the courts since it was passed.

The second question dealt with how interest rates, particularly for federal farm loans are determined.

General Information

The Alaska Lands Act provides for the disposal of state land for private use. Commercial banks and lending institutions normally will not finance the acquisition of unimproved land, especially in remote areas. To reduce the instances of speculation and promote the transfer of state land to the broadest spectrum of the Alaskan population, AS 38.05.065 was passed by the legislature to allow the purchase of land on an installment basis. The contract obligors are not subject to a credit check. A five percent down payment is the only requirement. Title to the land is not conveyed until the installment contract is completely paid.

History of Interest Rate Charged

In 1979, the statute (AS 38.05.065) was changed to establish how the interest rate on land sale contracts should be determined. The statute allows for installment payments over a period of 20 years, with interest at the prevailing rate for real estate mortgage loans made by the federal land bank for the farm credit district for Alaska at the time the contract is signed.

The federal land bank was superseded by the Farm Credit Service (FCS) in the 1980's. From 1979 to 1987, only one rate was furnished each month to Division of Land (DOL) by either the federal land bank or FCS. In 1987, FCS provided DOL three variable interest rates classified as Tier I, II, or III. The rates varied from 9.75% for Tier I to 12.25% for Tier III. FCS used the Tier I rate for the most credit worthy applicants. DOL chose to use the Tier III rate since credit information was not required from the contract applicant.

In 1988, FCS replaced the three variable rate tier system. The new system for agriculture loans included four variable interest rates for each of eight different terms (one to thirty years). Each of the 32 rates was subject to a rate code adjustment for credit worthiness. A credit of .61% was allowed for a 5% buy down of the principal (down payment). On November 28, 1988, DOL Director's Policy 89-06, established rate code 6 as the rate that DOL would use as the adjustment for the financial condition of the average Alaska borrower. Rate code 6 increased the base rate by 1%.

FCS again changed their rate methodology in September 1989. They established one base rate for the eight different terms. A variable rate was used for shorter duration loans (one or five years). For long term loans (ten to thirty years), the one rate that was quoted was a fixed interest rate mortgage. FCS continued to use the six rate codes for credit worthiness. Although they offered fixed rate and variable rate loans, most loans issued were variable rate loans. An attorney for FCS, in July 1989, determined that an equitable fixed rate mortgage loan rate would be 1.75% more than the variable rate used by FCS. Therefore, from September 1989 through December 1994, DOL used the base rate provided by FCS for a 20-year mortgage and adjusted this interest rate upwards 1.75% for the variable to fixed rate adjustment, and increased it an additional 1.00% for the rate code 6 adjustment. This 2.75% increase was then reduced by .61% because land sale contract obligors were required to make a 5% down payment.

In April 1991, FCS again changed their rating system for credit worthiness from six rate codes to five alpha ratings (AAA, AA, A, B, C) for both fixed and variable rate mortgages. They continued to offer the eight different terms. A loan with a rating of AAA was reserved for the most credit worthy applicants. At this time, FCS stopped granting a credit for a down payment amount. Since the FCS is not a public lending institution, it can establish its own rates that favor

particular markets and customers. It can, and does, discriminate against less credit worthy borrowers.

Interest Rate Methodology

The interest rate used by DNR is one of the five rates (AAA, AA, A, B, C) used by FCS for twenty-year, fixed-rate real estate mortgages. The reasons for choosing the "A" rate include:

- a. The "A" rate is the midpoint rate. If one standard rate is chosen, then contract obligors at both ends of the credit worthiness spectrum may pay more or less interest than they should; however, using a mid-range will lessen the financial impact to the average contract obligor.
- b. The rating methodology used by FCS to determine the credit worthiness of an applicant is proprietary information and is not known by DNR. Therefore, even if DNR would obtain credit information from the contract obligor, it would be impossible for DNR to match the credit worthiness of a land sale contract obligor to any one of the five rates provided by FCS.
- c. DNR does not require credit information from the contract obligors. Therefore, DNR does not have the information to decide what credit worthiness rate it apply to each land sale contract. Absent a specific rate to charge, a midpoint rate is the logical one to use.
- d. The AAA rate is reserved for the most credit worth contract obligor. Normally, a borrower who has received the highest credit worthiness rating from a financial institution will not default on loan payments or have the loan terminated because of lack of payment. The average new DNR land sale contract obligor does not meet these high credit worthy criteria. During 1994, DNR issued 1,126 default notices on approximately 3,700 land sale contracts. The default notice is the first action in the foreclosure process. Most of these defaults were cured before DNR took final action to foreclose on the contracts. However, since 1987 approximately 1,000 contracts were relinquished, terminated, or foreclosed on. Therefore, using the midpoint A rate recognizes the implied financial condition of the average DNR land sale contract obligor.

The interest rate for January 1996 is 9.45%. It has been steadily dropping over the past year when it reached an all time high of 12.35%.

SB 162

January 18, 1996

Page 4

In order for the public to easily determine our interest rate, we are proposing in HB 191 to set the interest at the "prime rate" as published in the Wall Street Journal plus 4%. This rate recognizes private market conditions and our inability to establish a credit worthiness rate for each individual sale contract.

I hope this answers the committee's questions. Please feel free to contact me if there are any further questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Ron Swanson". The signature is stylized with a large initial "R" and "S".

Ron Swanson

Deputy Director

cc: Carol Carroll
Jay Kertulla
Pat Pourchot

Bill D. Ward
P.O. Box 350
Soldotna, Ak. 99669
907-262-5135

WRITTEN TESTIMONY

SENATE BILL 162 "AN ACT RELATING TO AGRICULTURE LAND"

I have provided testimony in support of SB-162 before the Senate Resources committee and I would refer to those minutes for further information. While there are many arguments to support passage of this legislation, I will limit this testimony to the financial benefits of this bill.

The DNR has submitted a fiscal note to this bill which I believe to be totally erroneous and intended to diminish support for this bill. Passage of this legislation will restore private property rights, allow the private sector to manage the development of an industry, and save the state money by reducing the unnecessary interference of the bureaucracy. In conflict with the DNR position, I submit that:

The passage of SB-162 will:

1) **Save the State money by:** reducing the number of DNR employees necessary to administrate agriculture land contracts and monitor utilization compliance. For years the Division of Agriculture has employed two-three people whose job has been to administrate sale contracts and provide inspection of the development schedules. Glen Franklin and Ed Arobio in Fairbanks are both contract administrators and portions of the staff in Palmer work on contract administration. I recently purchased two ag-rights parcels from the state. To comply with all the existing regulations for ag-rights land the Division of Agriculture spent over 100 hours of time just to conclude the sale. Yearly compliance checks will consume more time. That doesn't allow for all the time I invested just to provide the required information. With the passage of SB-162 there will be significant less staff time required to administrate agriculture land sales and the DNR staff can use their time in more productive ways such as organizing new land sales or developing expanded markets. Aspects of the bill will also reduce the direct costs of land sales, expedite the process, and save the state money.

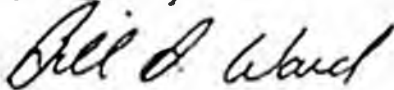
2) **Make money for the State by:** facilitating land sales which provide revenue and improve the economy of the State. Much of the land which is already classified for agriculture is currently unproductive and not making money for anyone. If the land is sold at a fair price and the buyer has the opportunity to make independent business decisions, then the state will benefit from the revenue of the land sale. Land sales are in the best interest of the state and profitable when they enhance the quality of life and stimulate economic ventures which have a reasonable chance for success. Many of the previous sales which failed were doomed to failure when the state imposed unrealistic development demands on the buyer, saddled

them with high interest rates, and controlled the operations of the farm. The passage of SB-162 will give land buyers a reasonable chance for success and the initiative of the private sector will expand the agriculture economy and the growth of Alaska.

3) **Prevent conflict and save money by:** addressing the problem of existing ag-rights patents which are inconsistent and conflict with the language of statute. I have seen at least four ag-rights patents which have been issued each with different versions of what is transferred by title. There has been an ongoing dispute regarding the intent of statute, the policy of regulation, and the legal basis of the ag-rights patents. Unless something is done to correct the problem a challenge is inevitable and the costs for everyone to resolve it will be high. Regardless the Div. of Lands will eventually have to reissue new patents to either meet the intent of existing statute or to comply with SB-162.

4) **Stimulate the economy of Alaska by:** eliminating the burden of over-regulation, poor land title, and cumbersome land sales which has hampered the growth of agriculture. People who want to get into agriculture today will bring forth significant personal assets, business expertise, and a dedication to make their enterprise succeed. The federal Farm Credit Service and other commercial lenders are willing to invest money into the development of private farms and the cash flow from these businesses will support local economies. The disposal of a portion of Alaska's land, which is otherwise unproductive, into a environmentally sound resource based economy is a good investment for the state and critical for the rural economy of Alaska. By turning the land and investment over to the private sector the state does not assume the risk and enjoys the benefits of the successes of Alaska's citizens.

Submitted by:



Bill D. Ward

. SB 178

Small Employer Health Insurance

By: Rieger

Scheduled: 2/6/96

Previously Heard:

Increases size of small employers eligible for mandatory coverage from 25 to 50 employees.

Folder contains: Schedule request, sponsor statement, letters of support, and a comparison of similiar requirements, state by state. There is a zero fiscal note.

Trac (Tray) Anderson of Blue Cross of AK & WA to testify from Seattle.

PREVIOUS SENATE COMMITTEE ACTION:

1 L&C 3 DP, 2 NR
 DP: Miller, Torgerson, Kelly
 NR: Duncan, Salo

2 FIN

| | | | |
|----------------------|---|----------------------------------|-------|
| FISCAL NOTES: | 1 | Total: | \$0.0 |
| 1 DCED | | \$0.0 Zero fiscal note for FY97. | |
| Insurance | | | |

AMENDMENTS:

HOUSE ACTION:

None yet.

Witness(es)

Representative from the Division of Insurance.

Gordon Evans representing Health Insurance Assn. of America

Teleconference site: direct dial (206) 670-5483

800 478-7612

Trac Anderson, Sr. Vice-President of Blue Cross to testify from Seattle.

Jeff Duzenbery of Blue Cross at Anchorage LIO to answer questions.

Support letters Letters of support received from: Baldwin Financial Concepts, Lincoln Financial Group, Southern Alaska Life Underwrites Assn., Hagen Insurance, David Frazier & Associates, Pension Services, Ltd., Health Insurance Association of America, and National Federation of Independent Business.

Opposed: Trac Anderson, representing Blue Cross of Washington & Alaska.

Scheduling Comments:

2/5/96 Teleconference Anchorage LIO & direct dial Seattle.

2/5/96 Asked JR to confirm teleconference call; will relay message

2/5/96 Alerted Betty to call from JR

2/5/96 Additional letter of support, Betty/Rieger

2/2/96 Call from Jerry Reinwand (JR) indicating concern

1/31/96 verbal request to schedule

1/25/96 verbal request to schedule

| Sponsor | Staff | Phone | Fax |
|---------|----------|-------|-----|
| Betty | Hargrave | 6594 | |

Blue Cross Wash.

Sharon (206) 670-4015

Mr. Duzenbery 258-5065 (307) ~~567-5065~~ (wrong no.)

1-700 222-1000 (teleconference dial in)

(If not ATT prefix 10866)

Left voice mail message re: rescheduling to 2/9 (4:40pm)

Asked that he call for teleconf. instructions.

Terry Allard (wamax)

SB

163

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: March 29, 1996

FURTHER REFERRALS:

Date of Committee Action: 4/16/96 pm

The FINANCE Committee considered:

CSSB 163(FIN)(title am)

CS FOR SENATE BILL NO. 163(FIN)(title am)

APPROVE U OF A DEBT FOR STUDENT HOUSING

"An Act approving the University of Alaska's plans to enter into long-term obligations with the Alaska Housing Finance Corporation to borrow money from the corporation for the construction of new student housing facilities on the Anchorage campus, and authorizing the Alaska Housing Finance Corporation to issue its debt obligations and to make loans to the University of Alaska to finance construction of those student housing facilities; and providing for an effective date."

recommends it be replaced with the following committee substitute CS SB 163 (FIN) (title am) the same title a new title

additional referral to _____ Committee

attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): _____ (Type)

APPROVES PREVIOUS: _____ (Type, Date)

fiscal note(s) ~~_____~~

fiscal note(s) _____

zero fiscal note(s) _____

zero fiscal note(s) SUBMITTED 3/27/96

DUR 2/14/96

| SIGNING WITH RECOMMENDATIONS | | DP | DNP | NR | AM |
|------------------------------|-------------|----|-----|----|----|
| <i>Alan Hunt</i> | Mulder | X | | | |
| <i>Stan Parnell</i> | Parnell | X | | | |
| <i>Vic Kuhnig</i> | Kuhnig | | | X | |
| <i>James J. ...</i> | Grustandorf | X | | | |
| <i>John ...</i> | Harvey | X | | | |
| <i>Ed ...</i> | Brown | X | | | |
| <i>Pat ...</i> | Kelly | X | | | |
| <i>James ...</i> | Marshall | | | X | |
| <i>Richard ...</i> | Wash | X | | | |

Acting CHAIR'S SIGNATURE

Alan Hunt
Mulder

Richard ...

No. 5

FISCAL NOTE

Bill Version: CS SB 163 (FIN)

STATE OF ALASKA
1996 LEGISLATIVE SESSION

(S) Publish Date: 3-27-96

Revision Date:

Department Affected: University of Alaska

Title: An Act improving the University's plans to enter into long-term obligations with AHPC for student housing facilities.

BRU: University of Alaska Anchorage

Sponsor: Kelly, Taylor, Duncan, Ellis, Rieger

Component: Anchorage Campus

Requestor:

COMPONENT SERIAL NO.

EXPENDITURE/REVENUES: (Thousands of Dollars)

| OPERATING | FY97 | FY98 | FY99 | FY00 | FY01 | FY02 |
|-------------------|------|------|------|---------|---------|---------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | 0.0 | 0.0 | 0.0 | 1,751.5 | 1,751.5 | 1,751.5 |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 1,751.5 | 1,751.5 | 1,751.5 |

| | | | | | | |
|---------|--|--|--|--|--|--|
| CAPITAL | | | | | | |
|---------|--|--|--|--|--|--|

| | | | | | | |
|-------------------|--|--|--|--|--|--|
| REVENUE FD SOURCE | | | | | | |
|-------------------|--|--|--|--|--|--|

FUNDING: (Thousands of Dollars)

| | | | | | | |
|--------------------|-----|-----|-----|---------|---------|---------|
| 1002 FEDERAL FUNDS | | | | | | |
| 1003 OF MATCH | | | | | | |
| 1004 GENERAL FUND | | | | | | |
| 1006 OF AHTLA | | | | | | |
| 1048 UA Receipts | 0.0 | 0.0 | 0.0 | 1,751.5 | 1,751.5 | 1,751.5 |
| TOTAL FUNDING | 0.0 | 0.0 | 0.0 | 1,751.5 | 1,751.5 | 1,751.5 |

| | | | | | | |
|------------|--|--|--|--|--|--|
| POSITIONS: | | | | | | |
| FULL-TIME | | | | | | |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

Consistent with University of Alaska estimated debt service payments to AHPC through FY2002 for improvement of student housing facilities at the Anchorage Campus. Additional non-general fund authority (auxiliary receipts) for receipt of rent revenues and payment of operating costs will be requested through the operating budget when the housing projects come on line. Operating costs, which include maintenance, are estimated to be approximately \$6 million/year and will be covered in their entirety from rent/food service receipts.

Prepared by: Marilyn Burton
Division: Statewide Budget Office

Phone: 463-1086
Date: 3/11/96

Approved by: Marilyn Burton, Director
Agency: Statewide Budget Office

Date: 3/11/96

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

University of Alaska
Student Housing Expansion Project - Anchorage
500 Bed Residence Hall with Food Service
Draft Analysis of 1/29/96

Assumptions

| | | | |
|---------------------------------|--------|--|-------------|
| Underwriting and issuance costs | 1.500% | Bond and UofA loan term (years/months) | 26y/11m |
| All-in cost of funds | 8.000% | UofA annual payment (assisted portion) | \$1,500,000 |
| Re-investment rates: | | Financed construction period (months) | 23 |
| Short-term | 8.000% | Debt service on bonds begins | 2/1/87 |
| Long-term | 8.000% | Housing occupancy begins | 1/1/88 |

Summary of Total Amount Lent to University of Alaska

| | Applied | Unapplied | Total |
|--|-------------------|------------------|-------------------|
| Funds available to UA for design/construction | 35,000,000 | 3,000,000 | 38,000,000 |
| Underwriting and issuance costs | 387,821 | 26,784 | 414,605 |
| Subtotal | 35,387,821 | 3,026,784 | 38,414,605 |
| Interest paid during construction period | 3,741,028 | 374,108 | 4,115,132 |
| Interest earned during construction period: | | | |
| First year | (881,818) | (88,182) | (970,000) |
| Second year | (846,486) | (84,546) | (931,032) |
| Third year | (40,807) | (4,091) | (44,898) |
| | | | 3,396,132 |
| Total amount lent to University of Alaska | 32,539,894 | 3,292,693 | 35,832,587 |

Summary of Required Payment Information

| | Applied | Unapplied | Total |
|--|-----------|-----------|-----------|
| Interest only (applies to first 23 months) | 1,381,841 | 168,184 | 1,550,025 |
| Level debt service payments - (applies to subsequent 29 years) | | | |
| Monthly principal and interest | 208,588 | 20,800 | 229,388 |
| Annual principal and interest | 2,510,148 | 251,515 | 2,761,663 |

Interest Earned on Bond Proceeds During Construction Period

| Period | | Draw (Net \$K) | Balance | Interest | | Fiscal Period |
|---------|----------|-------------------|------------|------------------|------------------|---------------|
| From | Through | | | Quarterly | Annual | |
| 2/1/87 | 3/31/87 | | 28,000,000 | 380,000 | | |
| 4/1/87 | 6/30/87 | 9,000,000 | 29,000,000 | 420,000 | 760,000 | FY87 |
| 7/1/87 | 9/30/87 | 8,000,000 | 29,000,000 | 348,000 | | |
| 10/1/87 | 12/31/87 | 8,000,000 | 18,000,000 | 770,000 | | |
| 1/1/88 | 3/31/88 | 8,000,000 | 12,000,000 | 188,000 | | |
| 4/1/88 | 6/30/88 | 8,000,000 | 8,000,000 | 120,000 | 800,000 | FY88 |
| 7/1/88 | 9/30/88 | 8,000,000 | 8,000,000 | 68,000 | | |
| 10/1/88 | 12/31/88 | 3,000,000 | 0 | 0 | 48,000 | FY88 |
| | | <u>35,000,000</u> | | <u>1,728,000</u> | <u>1,728,000</u> | |

University of Alaska
Student Housing Expansion Project - Anchorage
500 Bed Residence Hall with Food Service
SSO Draft Analysis of 1/29/96

Calculation of AHFC Assistance

| Period | Fiscal Year | Debt Service on Bonds | UoA Loan Payments | | | Difference (AHFC Assistance) | |
|--------|-------------|-----------------------|-------------------|------------------|--------------------|------------------------------|-------------------|
| | | | Assisted | Unassisted | From Bond Proceeds | | |
| 1 | 1997 | 894,884 | 881,818 | 68,182 | 144,884 | 894,884 | 0 (2) |
| 2 | 1998 | 2,147,228 | 848,488 | 64,848 | 1,217,028 | 2,147,028 | 0 (2) |
| 3 | 1999 | 2,488,844 | 790,808 | 128,848 | 1,028,813 | 1,948,270 | 807,874 (2) |
| 4 | 2000 | 2,788,883 | 1,500,000 | 281,818 | 2,190,118 | 1,781,818 | 1,018,148 |
| 5 | 2001 | 2,788,883 | 1,500,000 | 281,818 | | 1,781,818 | 1,018,148 |
| 6 | 2002 | 2,788,883 | 1,500,000 | 281,818 | | 1,781,818 | 1,018,148 |
| 7 | 2003 | 2,788,883 | 1,500,000 | 281,818 | | 1,781,818 | 1,018,148 |
| 8 | 2004 | 2,788,883 | 1,500,000 | 281,818 | | 1,781,818 | 1,018,148 |
| 9 | 2005 | 2,788,883 | 1,500,000 | 281,818 | | 1,781,818 | 1,018,148 |
| 10 | 2006 | 2,788,883 | 1,500,000 | 281,818 | | 1,781,818 | 1,018,148 |
| 11 | 2007 | 2,788,883 | 1,500,000 | 281,818 | | 1,781,818 | 1,018,148 |
| 12 | 2008 | 2,788,883 | 1,500,000 | 281,818 | | 1,781,818 | 1,018,148 |
| 13 | 2009 | 2,788,883 | 1,500,000 | 281,818 | | 1,781,818 | 1,018,148 |
| 14 | 2010 | 2,788,883 | 1,500,000 | 281,818 | | 1,781,818 | 1,018,148 |
| 15 | 2011 | 2,788,883 | 1,500,000 | 281,818 | | 1,781,818 | 1,018,148 |
| 16 | 2012 | 2,788,883 | 1,500,000 | 281,818 | | 1,781,818 | 1,018,148 |
| 17 | 2013 | 2,788,883 | 1,500,000 | 281,818 | | 1,781,818 | 1,018,148 |
| 18 | 2014 | 2,788,883 | 1,500,000 | 281,818 | | 1,781,818 | 1,018,148 |
| 19 | 2015 | 2,788,883 | 1,500,000 | 281,818 | | 1,781,818 | 1,018,148 |
| 20 | 2016 | 2,788,883 | 1,500,000 | 281,818 | | 1,781,818 | 1,018,148 |
| 21 | 2017 | 2,788,883 | 1,500,000 | 281,818 | | 1,781,818 | 1,018,148 |
| 22 | 2018 | 2,788,883 | 1,500,000 | 281,818 | | 1,781,818 | 1,018,148 |
| 23 | 2019 | 2,788,883 | 1,500,000 | 281,818 | | 1,781,818 | 1,018,148 |
| 24 | 2020 | 2,788,883 | 1,500,000 | 281,818 | | 1,781,818 | 1,018,148 |
| 25 | 2021 | 2,788,883 | 1,500,000 | 281,818 | | 1,781,818 | 1,018,148 |
| 26 | 2022 | 2,788,883 | 1,500,000 | 281,818 | | 1,781,818 | 1,018,148 |
| 27 | 2023 | 2,788,883 | 1,500,000 | 281,818 | | 1,781,818 | 1,018,148 |
| 28 | 2024 | 1,583,331 | 780,000 | 128,787 | | 878,787 | 507,874 |
| | | 27,287,788 | 21,000,000 | 6,444,818 | 2,800,118 | 47,800,001 | 28,378,897 |

Net present value of payment differences at **0.000%** **11,222,809**

Effective rate (return) on assisted loan: **1.26383%** **22,630,984** (NPV of UoA assisted loans)
22,630,984 (Total loan to UoA - assumed)

Notes:

(1) Any required debt service reserve account is assumed to be invested at the bond yield.

(2) The difference between interest paid on the total amount financed and the interest earned on the proceeds during the construction period has been added to the amount borrowed as capitalized interest.

(3) The above analysis is intended to approximate the reduction in resources available to the Corporation in future years as a result of the proposed interest arrangement with the UoA. The total amount indicated above will vary based upon financial reserves, redemption premiums on the bonds and handling of capitalized interest and interest earned on bond proceeds.

RJAA Residence Estates Preliminary Summary 600 New Suite Beds, Food Service, and Existing Apartments

| | 2001 | 2000 | Existing Apts 1999 | Total 1999 | 2000 | 2001 | 2002 |
|--|---------------|---------------|-----------------------|----------------|----------------|----------------|----------------|
| GRAND TOTAL NET REVENUE | \$3,704,100 | \$2,313,000 | \$1,120,730 | \$4,554,542 | \$7,050,307 | \$7,200,000 | \$7,400,000 |
| TOTAL OPERATING COSTS AND RESERVE CONTRIBUTIONS | (\$1,379,003) | (\$1,000,000) | (\$1,500,000) | (\$4,379,073) | (\$6,000,000) | (\$6,750,000) | (\$7,053,007) |
| Total Coverage (Shortfall) available for Debt Service & Contingency | \$2,324,997 | \$1,313,000 | \$620,730 | \$1,504,770 | \$1,050,307 | \$1,010,000 | \$1,032,000 |
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| GRAND TOTAL NET REVENUE | \$7,710,000 | \$7,442,000 | \$4,100,304 | \$6,410,672 | \$6,070,442 | \$6,000,700 | \$6,700,000 |
| TOTAL OPERATING COSTS AND RESERVE CONTRIBUTIONS | (\$6,152,407) | (\$6,207,007) | (\$6,500,100) | (\$6,907,377) | (\$7,007,304) | (\$7,374,001) | (\$7,510,400) |
| Total Coverage (Shortfall) available for Debt Service & Contingency | \$1,557,593 | \$1,234,993 | \$1,600,204 | \$1,010,295 | \$1,063,138 | \$1,000,700 | \$1,189,600 |
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| GRAND TOTAL NET REVENUE | \$6,000,100 | \$6,700,000 | \$6,000,000 | \$6,700,000 | \$6,000,000 | \$6,000,000 | \$6,000,000 |
| TOTAL OPERATING COSTS AND RESERVE CONTRIBUTIONS | (\$7,000,000) | (\$7,000,000) | (\$6,000,000) | (\$6,000,000) | (\$6,000,000) | (\$6,000,000) | (\$6,000,000) |
| Total Coverage (Shortfall) available for Debt Service & Contingency | (\$1,000,000) | (\$300,000) | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 |
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| GRAND TOTAL NET REVENUE | \$11,000,000 | \$12,000,000 | \$10,000,000 | \$12,000,000 | \$11,000,000 | \$10,000,000 | \$10,000,000 |
| TOTAL OPERATING COSTS AND RESERVE CONTRIBUTIONS | (\$9,000,000) | (\$9,000,000) | (\$10,000,000) | (\$10,000,000) | (\$10,000,000) | (\$11,000,000) | (\$11,000,000) |
| Total Coverage (Shortfall) available for Debt Service & Contingency | \$2,000,000 | \$3,000,000 | \$1,000,000 | \$2,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 |

FISCAL NOTE

no. 1
 Bill Version: SB 163
 Publish Date: 5-2-95

STATE OF ALASKA
 1995 LEGISLATIVE SESSION

REPORTED
 HFC
 W&L

Revision Date:
 Title: U OF A - BORROW MONEY FROM AHFC FOR ACQUISITION
 OF STUDENT HOUSING FACILITIES
 Sponsor: SENATORS KELLY, TAYLOR, DUNCAN, ELLIS, RIEGER
 Requestor:

Department Affected: University of Alaska
 BRU: ANCHORAGE, JUNEAU AND
 Component: KETCHIKAN CAMPUSES

COMPONENT SERIAL NO. 753,762,765

EXPENDITURES/REVENUES: (Thousands of Dollars)

| OPERATING | FY96 | FY97 | FY98 | FY99 | FY00 | FY01 |
|-------------------|-------|---------|---------|---------|---------|---------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | 970.2 | 1,689.1 | 8,483.6 | 8,728.7 | 8,981.5 | 9,239.7 |
| TOTAL OPERATING | 970.2 | 1,689.1 | 8,483.6 | 8,728.7 | 8,981.5 | 9,239.7 |

| | | | | | | |
|---------|--|--|--|--|--|--|
| CAPITAL | | | | | | |
|---------|--|--|--|--|--|--|

| | | | | | | |
|-------------------|--|--|--|--|--|--|
| REVENUE FD SOURCE | | | | | | |
|-------------------|--|--|--|--|--|--|

FUNDING: (Thousands of Dollars)

| | | | | | | |
|--------------------|-------|---------|---------|---------|---------|---------|
| 1002 FEDERAL FUNDS | | | | | | |
| 1003 GF MATCH | | | | | | |
| 1004 GENERAL FUND | | | | | | |
| 1006 GF/MHTIA | | | | | | |
| OTHER | 970.2 | 1,689.1 | 8,483.6 | 8,728.7 | 8,981.5 | 9,239.7 |
| TOTAL FUNDING | 970.2 | 1,689.1 | 8,483.6 | 8,728.7 | 8,981.5 | 9,239.7 |

| POSITIONS: | | | | | | |
|------------|--|--|--|--|--|--|
| FULL-TIME | | | | | | |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

SEE ATTACHED

Prepared by: Wendy Matheny, Budget Analyst
 Division: Statewide Budget Office
 Approved by: MB Marylou Burton, Director
 Agency: Statewide Budget Office

Phone: 463-3086
 Date: 4/2/95
 Date: 4/21/95

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agencies/ies.

FISCAL NOTE

STATE OF ALASKA 1995 LEGISLATIVE SESSION

Revision Date: _____ Dept. Affected: Revenue
 Title: An Act authorizing the University of Alaska's plan BRU: Alaska Housing Finance Corp
to enter into long-term obligations to borrow money from AHFC Component: AHFC Operations
 Sponsor: Kelly, Ellis
 Requester: _____ COMPONENT SERIAL NO. 110

Expenditures/Revenues (Thousands of Dollars)

| OPERATING EXPENDITURES | FY 96 | FY 97 | FY 98 | FY 99 | FY 00 | FY 01 |
|------------------------|------------|------------|------------|------------|------------|------------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| | | | | | | |
|----------------------|-----|-----|-----|-----|-----|-----|
| CAPITAL EXPENDITURES | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
|----------------------|-----|-----|-----|-----|-----|-----|

| | | | | | | |
|------------------------|--|--|--|--|--|--|
| CHANGE IN REVENUES () | | | | | | |
|------------------------|--|--|--|--|--|--|

FUND SOURCE (Thousands of Dollars)

| | | | | | | |
|--------------------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1005 GF/Program Receipts | | | | | | |
| 1006 GF/MHTIA | | | | | | |
| Other | | | | | | |
| TOTAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimate of any current year (FY95) cost: \$ 0.0

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary)

Alaska Housing Finance Corporation does not anticipate any increased operations costs with the proposed bill. There are expected to be expenses, costs and reserves funds associated with the issuance of the bonds and servicing of debt. Reserve funds, while not a cost or expense, will reduce the loan amount available to the University of Alaska. The expenses associated with the financing will be taken into consideration in determining the expected interest cost to AHFC. The expected annual interest rate subsidy would approximate \$1,277,500 assuming a borrowing amount of \$36,500,000 at 6.5% financed over 25 years, although slight reduction would occur subsequent to FY96 as the principal amount is gradually reduced.

Prepared by: _____
 Division: Alaska Housing Finance Corporation
 Approved by: _____
 Commissioner: Deborah Vogt
 Agency: Revenue

Phone: _____
 Date: 5/1/95
 Date: 5/1/95

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Revision Date: _____ Dept. Affected: Revenue
 Title: Approve U of A Debt for Student Housing BRU: Alaska Housing Finance Corporation
 Component: AHFC Operations
 Sponsor: Senator Kelly
 Requestor: (S) CRA COMPONENT SERIAL NO. 110

Expenditures/Revenues: (Thousands of Dollars)

| OPERATING EXPENDITURES | FY 97 | FY 98 | FY 99 | FY 00 | FY 01 | FY 02 |
|------------------------|------------|------------|------------|------------|------------|------------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| | | | | | | |
|----------------------|-----|-----|-----|-----|-----|-----|
| CAPITAL EXPENDITURES | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
|----------------------|-----|-----|-----|-----|-----|-----|

| | | | | | | |
|------------------------|--|--|--|--|--|--|
| CHANGE IN REVENUES () | | | | | | |
|------------------------|--|--|--|--|--|--|

FUND SOURCE (Thousands of Dollars)

| | | | | | | |
|--------------------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1005 GF/Program Receipts | | | | | | |
| 1007 GF/Mental Health | | | | | | |
| Other | | | | | | |
| TOTAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimate of any current year (FY96) cost \$ _____

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

Alaska Housing Finance Corporation does not anticipate any increased operations costs with the proposed bill. There are expected to be expenses, costs and reserves funds associated with the issuance of the bonds and servicing of debt. Reserve funds, while not a cost or expense, will reduce the loan amount available to the University of Alaska. The expenses associated with the financing will be taken into consideration in determining the expected interest cost to AHFC. The expected annual interest rate subsidy would approximate \$1,277,500 assuming a borrowing amount of \$36,500,000 at 6.5% financed over 25 years, although slight reduction would occur subsequent to FY96 as the principal amount is gradually reduced.

Prepared by: Alaska Housing Finance Corporation Phone: (907) 586-2620
 Division: Alaska Housing Finance Corporation Date: February 13, 1996
 Approved by Commissioner: Russ Kinney, Deputy Commissioner Date: February 13, 1996
 Agency: Department of Revenue

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FORUM / LETTERS

UAA housing project helps students and city

By GEORGE M. SULLIVAN

Alaska state legislators have a unique opportunity this session. They are poised to authorize the expansion of student housing at the University of Alaska Anchorage. This addition of a new 550-bed residence hall for UAA will greatly enhance Alaska higher education and benefit the residents of Anchorage and South-central.

Almost 20 years ago, as the mayor of the Municipality of Anchorage, I helped launch "Project 80s," a series of construction projects including the museum expansion, the Egan Center, the Sullivan Arena and the Lattinac Library to name just a few. All of these projects, with approximately 70 percent local voter approval and much like UAA's student housing project, were designed to significantly impact the quality of life in Anchorage, making it a distinctively better place to live, work,



study and host visitors.

Currently, UAA has fewer than 400 beds to offer its approximately 14,000 students. The waiting list for on-campus housing is nearly twice the number of available beds. As part of "UAA 2000," the new student housing project will provide local students with the opportunity to have a genuine college campus experience as part of their education. Dollars are declining for families and their college-bound students to be able to afford attending a college or university in the Lower 48. Creating a campus life option for these students will provide them with affordable, attractive, local options for pursuing college studies in state.

Under an innovative financing plan, UAA's new student housing will be supported by fees generated from student housing operations combined with supplementary support from Alaska Housing Finance. Previously, such projects were funded entirely by state capital dollars. This resourceful way of financing projects without putting the burden of extra operating costs on the state is truly commendable. In the future, UAA plans further creativity in building additional apartment-style units on or near the campus in partnership with private developers.

Locally, a series of large construction projects are about to be completed. As these projects wrap up in the next year, local contractors and their employees will be eager to have opportunities to bid on new projects like UAA's student housing. If the Anchorage School District's recent experience is any indication,

Creating a campus life option for these students will provide them with affordable, attractive local options for pursuing college studies in-state.

UAA should manage to receive competitive bids and the local construction community can expect a welcome boost from the project in 1997 and 1998.

This is truly one of those win-win projects. Students get an opportunity for campus life which is currently being denied; the university will increase its attractiveness to prospective students; increasing their desire to remain in Alaska and aiding in their academic success; the community and state will benefit both by keeping more dollars in Alaska and by expanding the knowledge base of our city.

tems, and we all benefit by keeping some of our best and brightest here at home.

I cannot think of a better way to invest in our local economy and the futures of young Alaskans than by supporting this important UAA student housing project. It is a significant step in helping to build what I call "Shared Life. Growth. and Prosperity."

George M. Sullivan is a former mayor of Anchorage.

University of Alaska Anchorage

Proposed
UAA Student
Housing
Expansion
Project



February 1996

The Need for Additional Housing at the University of Alaska Anchorage



Additional on-campus housing is urgently needed at the University of Alaska Anchorage to support the academic progress of the largest student population at any institution in the State of Alaska. The facts:

- Many traditional college bound students (as well as their parents) seek a college which offers safe and supervised on-campus housing, particularly for the first and second years of their college careers.
- Many students and their parents see UAA as a "best buy". It is affordable, accessible, and of solid academic quality; however they wish that UAA offered more of a "campus life", including on-campus housing.
- Students living in on-campus residence halls achieve better grades, graduate faster, and report higher levels of satisfaction with their college experience. On-campus housing is proven to be one of the top five factors increasing retention and graduation rates of college students.
- On-campus housing allows young Alaskans to experience college and independence while staying within state proximity to their families. It allows UAA to enter into exchange agreements with other universities and helps in the recruiting of athletes, international students, as well as students from our service area.
- While UAA will always be a predominantly commuter campus, a survey of 25% of UAA's 14,000 students reported that they that would choose on-campus housing if it were available to them.
- Apartment-style housing opened at UAA in 1986 with 308 beds. In 1992, the Templewood Condominiums were added to the housing inventory bringing the current capacity to a total of 388 beds. Housing has operated at capacity since 1992.
- Each fall semester over 700 students requesting housing and paying application fees are turned away due to lack of available residence hall space. Correspondingly, 300 additional students are denied housing each spring semester. The number of students who express interest in living on campus is even greater than the numbers suggest. Many others are discouraged from applying by the dismal prospects of being offered a housing space.
- Nationally, large public universities house an average of 35% to 50% of the full-time enrollment. As of Fall 1994, UAA was able to house a mere 2.8% of total enrollment (6.9% of the full-time enrollment). UAF can house 33% of its full-time students. Upon completion of its recently authorized housing UAS will be able to house 41%.
- An early UAA master plan projected growth to 1436 beds by FY95. Current capacity is only 388 beds.
- Student housing at UAA has been a self-support auxiliary since opening the current apartments in 1986. Residence halls at UAA are totally student supported. UAA Housing requires NO general fund operating dollars.

New Student Housing at UAA

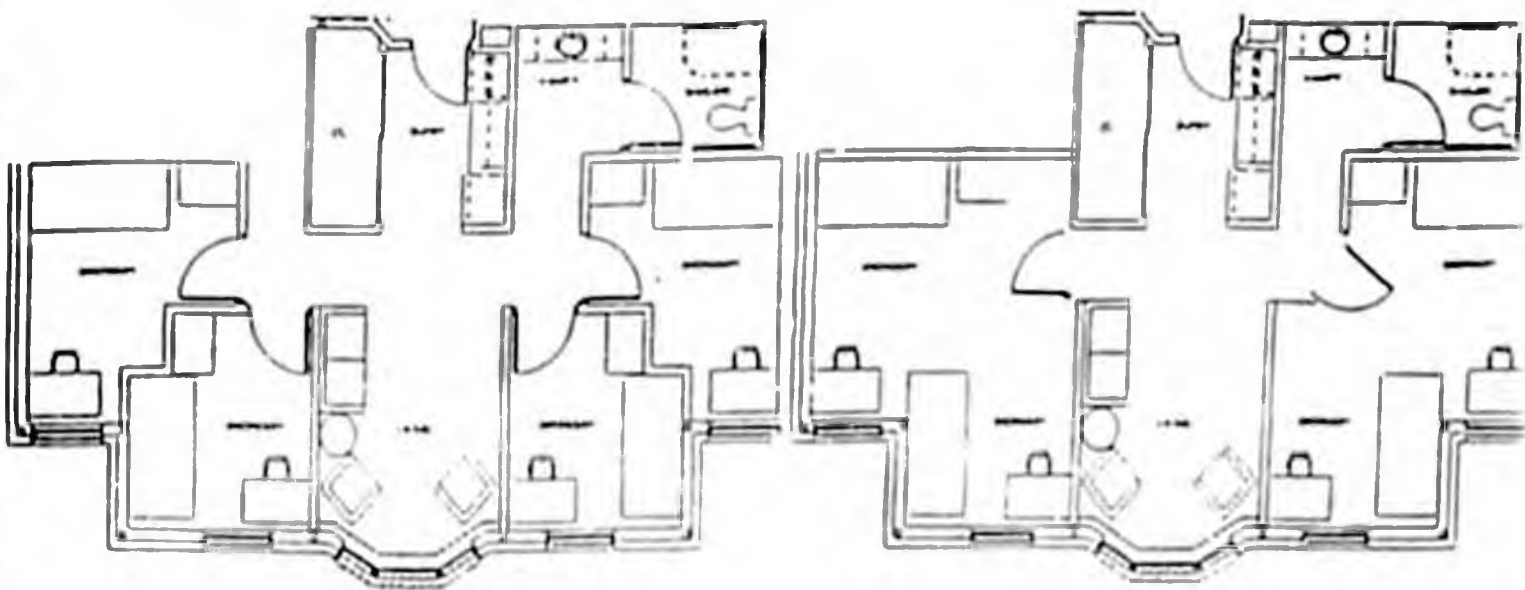
What is Being Requested

The University of Alaska Anchorage is currently planning for new construction to add 550 on-campus housing beds to supplement the existing inventory of 388 apartment-style residence hall beds. Currently, UAA houses only 7% of its full-time student population, compared with 33% of full-time students housed at University of Alaska Fairbanks and 41% of full-time students housed at University of Alaska Southeast (including construction of 80 new beds, currently in progress). With the addition of 550 beds, UAA would have housing capacity to serve 17% of the full-time student population.

The new housing units would be configured as suites with each designated to accommodate four students. The suites would each contain bedroom spaces, a small living area, and semi-private bathroom spaces. The 550 beds would be a mix of single and double bedrooms, as follows:

| Number of Suites/Beds | Bedroom Configuration of the Suite |
|---|--|
| 33 suites/132 beds | Two double bedrooms in each suite |
| 50 suites/200 beds | Two single bedrooms & one double bedroom in each suite |
| 50 suites/200 beds | Four single bedrooms in each suite |
| 18 singles | Rooms to house Resident Advisor student staff |
| TOTAL 133 suites • 18 singles/550 beds | 318 single & 116 double bedrooms |

Preliminary conceptual floor plans are pictured below:



Single Suite

Double Suite

The mix of suite styles (double and single rooms) provides maximum flexibility to meet diverse student needs and interests. Suites will be separated by gender and can accommodate grouping students by any number of variables including academic major/course of study, wellness options, and/or class status (freshman, sophomore, junior, senior, graduate).

UNIVERSITY OF ALASKA ANCHORAGE
STUDENT HOUSING EXPANSION PROJECT
550 BED SUITE-STYLE RESIDENCE HALL WITH FOOD SERVICE

The University of Alaska Anchorage seeks to expand its on-campus student housing facilities with the addition of 550 new beds and an accompanying food service/dining hall facility. The project site is located in the southeast campus corridor off Bragaw Street, adjacent to the existing student apartment complex. The total project is projected at \$32,000,000 - \$34,000,000, approximately \$30 million for the housing portion and \$3 million for the food service/dining hall*. Total project costs include site preparation, engineering, design, administration, and complete furnishings.

Cost estimates are currently investigating square footage needs for the project. Gross square footage for the housing portion is estimated at approximately 350 square feet or a total of 192,000 square feet for the housing portion of the project. Food service square footage is approximately 13,800 square feet and projected to be similar in size to the existing Cuddy Center facility on the UAA campus.

The suite-style residence hall will house 550 full-time students during the academic semesters. The bedroom configurations will be a mix of double occupancy and single occupancy bedrooms all with semi-private bathrooms. Pro forma financial statements are based on an industry standard of 95% occupancy. The food service/dining facility will be designed to seat 300-400 people and serve new residence hall residents, as well as students from the existing apartment complex. Since the new building will not be equipped with kitchen facilities, the food service portion must be funded along with the housing portion. Residents of the new facility will be required to select a meal plan along with their housing contract. When the facility opens in FY99, fees are projected as follows:

| | <u>Per Semester</u> | <u>Per Month</u> | <u>Per Academic Year</u> |
|---------------|---------------------|------------------|--------------------------|
| Room fees | \$1550.00 | \$345.00 | \$3100.00 |
| Board fees | \$1400.00 | \$311.00 | \$2800.00 |
| TOTALS | \$2950.00 | \$656.00 | \$5900.00 |

The residence hall staff will feature Resident Advisors who are junior and senior level undergraduate students or graduate students functioning as live-in peer advisors and activity planners. The Resident Advisors are supervised by live-in professional Hall Directors. The ratios of Resident Advisors to students (1:30) and Hall Directors to students (1:200) are planned per the 1991 University of Alaska Student Housing Management study and national supervised housing benchmarks.

During the summer months, the new suites will be occupied by conference groups participating in university-sponsored summer institutes, seminars, and activities. The conference season will span from mid-May through early August with nightly rates of \$45.00 for triple/quad occupancy and \$60.00 for single/double occupancy. Food service will be available to conference guests throughout the summer at approximately \$25.00 per day. Summer occupancy, over the 90 day conference period, is estimated at 60% for single/double occupancy and 55% for triple/quad occupancy.

In addition to standard operating costs (utilities, custodial, grounds keeping, landscape, snow removal, security, operations and facility management, and electronic data processing), full funding of maintenance and repair costs and renewal/replacement reserves is reflected in the pro forma statements.

* The University of Alaska Anchorage is a public institution of higher learning. It is not a charitable organization.

JDA Residence Suites Proforma Summary 550 New Suite Beds, Food Service, and Existing Apartments

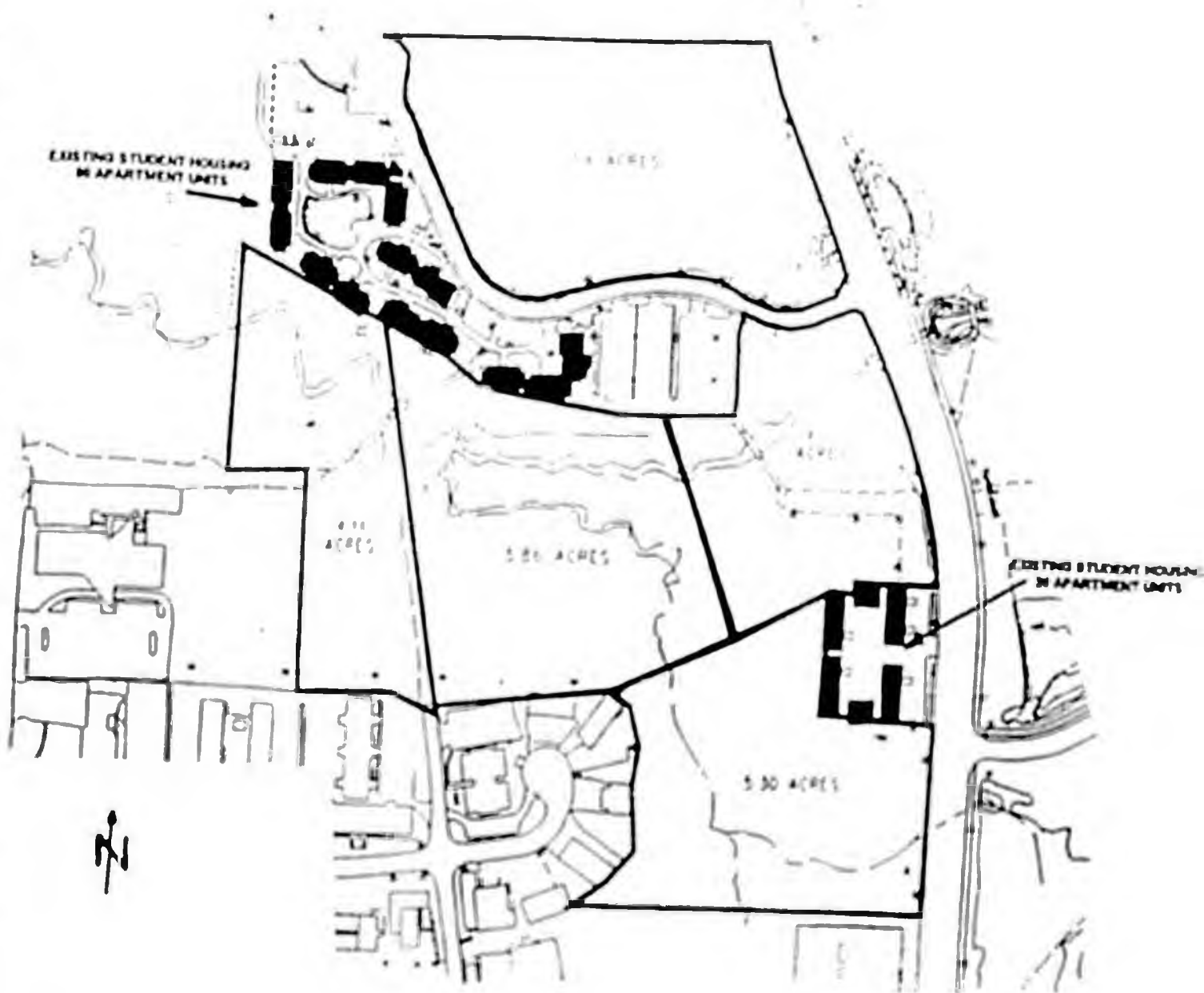
| | Suites 1999 | Food 1999 | Existing Apts 1999 | Total 1999 | 2000 | 2001 | 2002 |
|---|----------------|---------------|-----------------------|----------------|----------------|----------------|----------------|
| GRAND TOTAL NET REVENUES | \$3,704,750 | \$2,213,858 | \$1,432,238 | \$6,850,842 | \$7,086,367 | \$7,268,058 | \$7,488,100 |
| Less OPERATING COSTS AND RESERVE CONTRIBUTIONS | (\$1,970,063) | (\$1,849,482) | (\$1,526,826) | (\$5,346,072) | (\$5,563,602) | (\$5,755,605) | (\$5,953,492) |
| Net Coverage (Shortfall) available for Debt Service & Contingency | \$1,734,687 | \$364,374 | (\$94,588) | \$1,504,770 | \$1,492,765 | \$1,512,453 | \$1,532,608 |
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| GRAND TOTAL NET REVENUES | \$7,710,683 | \$7,942,004 | \$8,180,264 | \$8,426,872 | \$8,678,442 | \$8,938,795 | \$9,206,950 |
| Less OPERATING COSTS AND RESERVE CONTRIBUTIONS | (\$6,157,434) | (\$6,367,607) | (\$6,584,192) | (\$6,807,377) | (\$7,037,354) | (\$7,274,321) | (\$7,519,480) |
| Net Coverage (Shortfall) available for Debt Service & Contingency | \$1,553,249 | \$1,574,397 | \$1,596,071 | \$1,619,204 | \$1,641,087 | \$1,664,474 | \$1,688,470 |
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| GRAND TOTAL NET REVENUES | \$9,483,168 | \$9,767,663 | \$10,060,692 | \$10,362,813 | \$10,673,388 | \$10,993,590 | \$11,323,398 |
| Less OPERATING COSTS AND RESERVE CONTRIBUTIONS | (\$7,569,841) | (\$7,858,219) | (\$8,125,237) | (\$8,400,370) | (\$8,683,705) | (\$8,975,632) | (\$9,276,349) |
| Net Coverage (Shortfall) available for Debt Service & Contingency | \$1,913,327 | \$1,909,443 | \$1,935,455 | \$1,962,103 | \$1,989,683 | \$2,017,958 | \$2,047,049 |
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| GRAND TOTAL NET REVENUES | \$11,683,100 | \$12,012,993 | \$12,373,363 | \$12,744,584 | \$13,126,922 | \$13,520,729 | \$13,926,351 |
| Less OPERATING COSTS AND RESERVE CONTRIBUTIONS | (\$9,588,111) | (\$9,905,182) | (\$10,233,830) | (\$10,572,334) | (\$10,920,980) | (\$11,280,682) | (\$11,649,983) |
| Net Coverage (Shortfall) available for Debt Service & Contingency | \$2,094,989 | \$2,107,811 | \$2,139,533 | \$2,172,250 | \$2,205,941 | \$2,240,047 | \$2,276,368 |

550 Suite Beds

Plant Replacement Value of 1/1/24/96
 \$10,500,000 \$31,031,750
 Plant Inflation 1.75%

| | EXCLAM'S | 199 | | Annual Inflation Rate | 1999 | 2000 |
|---|--------------|--------------------------|-------------|-----------------------|---------------|---------------|
| Total Project | \$14,000,000 | 205,800 | | 3.00% | | |
| Housing Portion | \$10,500,000 | 192,000 | | 3.00% | | |
| Food Service Portion | \$3,500,000 | 13,800 | | | | |
| RELEVANT Academic Year New Suites | | | (semester) | | | |
| Quota (Monthly) Rate/bed | \$1,550 | \$1,550 | \$1,550 | | \$1,344 | \$1,355 |
| # of Semesters (4.5 mo each) | 2 | 2 | | | | |
| # of Beds | 275 | 275 | 275 | | | |
| Max Gross Academic Year | \$852,500 | \$852,500 | \$1,242,000 | | \$1,705,000 | \$1,754,950 |
| Occupancy Rate | 25.0% | 25.0% | 30.0% | | | |
| Net Academic Year Housing Rev | \$802,875 | \$809,875 | \$1,111,750 | | \$1,619,750 | \$1,668,343 |
| Net Laundry & Vending Revenue | \$250,000 | \$150,000 | \$100,000 | | | |
| Net Academic Year Revenue | | | \$1,211,750 | | \$1,719,750 | \$1,771,343 |
| Non-programmatic Operating Costs Before Debt | | | | | | |
| Utilities | \$1.86 | 192,000 (9/12months) | \$276,513 | | | |
| Custodial | \$1.80 | 192,000 (9/12months) | \$259,200 | | | |
| Ground keeping, landscape, and Snow Removal | | | \$45,000 | | | |
| Security | | | \$70,000 | | | |
| Operations and Facility Management (3.0% of Acad Rev Budget) | | | \$51,563 | | | |
| Electronic Data/Bill Processing (0.8% of Acad Rev Budget) | | | \$13,758 | | | |
| UAA Administrative Support Charge (5.0% of Total Rev Budget) | | | \$160,238 | | | |
| Maintenance & Repair 1.5% of Plant Value (9/12months) | | | \$242,125 | | | |
| | | | \$1,219,426 | | (\$1,219,426) | (\$1,256,009) |
| Replacement Reserves (9/12)*(75% of Plant Value*age)/1.275 | | | | | (\$13,456) | (\$27,383) |
| Academic Year Student Service Program Requirement per detail below | | | | | (\$235,800) | (\$245,874) |
| Academic Year: Overage (Shortfall) available for Debt Service & Contingency | | | | | \$151,068 | \$142,077 |
| SUMMER YEAR New Suites | | | | | | |
| Students | 0 | students @ semester rate | \$0 | | \$0 | \$0 |
| Daily Rate | | (room/bed) | \$60 | | \$45 | |
| # of Days | | | 90 | | 90 | |
| # of Beds | | | 275 | | 275 | |
| Max Gross Daily Rate Receipts summer | | | \$1,485,000 | | \$1,113,750 | |
| Daily Rate Occupancy Rate | | | 55.0% | | 60.0% | |
| Net Daily Rate Revenue Summer | | | \$816,750 | | \$668,250 | |
| Net Summer Revenue | | | | | \$1,485,000 | \$1,529,550 |
| | | | | | \$1,485,000 | \$1,529,550 |
| Non-programmatic Operating Costs Before Debt | | | | | | |
| Utilities | \$1.86 | 192,000 (3/12months) | \$92,171 | | | |
| Custodial | \$1.80 | 192,000 (3/12months) | \$86,400 | | | |
| Maintenance & Repair 1.5% of Plant Value (3/12months) | | | \$114,375 | | | |
| | | | \$292,946 | | (\$292,946) | (\$301,734) |
| Replacement Reserves (3/12)*(75% of Plant Value*age)/1.275 | | | | | (\$4,485) | (\$9,128) |
| Summer Conference Staff & Related Costs (7.0% of Revenue) | | | | | (\$102,250) | (\$102,059) |
| Summer: Overage (Shortfall) available for Debt Service & Contingency | | | | | \$1,063,613 | \$1,188,620 |
| GRAND TOTAL NET REVENUES | | | | | \$3,204,750 | \$3,300,893 |
| TOTAL UNMITIGATED COSTS AND RESERVE CONTRIBUTIONS | | | | | (\$1,971,061) | (\$2,007,198) |
| Total Overage (Shortfall) available for Debt Service & Contingency | | | | | \$1,234,689 | \$1,293,695 |

University of Alaska Anchorage Student Housing Site Plan



The UAA Student Housing Framework Plan and the UAA Master Plan (1990-2015) designate housing development in the South Bragaw area depicted above. While classrooms, library, and other academic functions are located at the core of the campus design, periphery areas contain administrative and faculty offices, recreation and housing facilities, parking and traffic circulation loops. Building and facilities planning objectives indicate providing adequate housing within the UAA environs to create a greater sense of community, ensure reasonable costs, and reduce the number of commuters and vehicles on campus as a university priority. The campus housing at UAA will ultimately feature approximately 2,500 total beds, a mix of single and double rooms, apartments, and family housing for students, visiting faculty, and guests.

University of Alaska Anchorage Student Housing Expansion Project

PRELIMINARY SCHEDULE

| | |
|---|----------------------|
| <i>Schematic Design Completion</i> | <i>March 1996</i> |
| <i>University Board of Regents Approval</i> | <i>April 1996</i> |
| <i>Legislative "Funding" Approval</i> | <i>May 1996</i> |
| <i>Continue Design</i> | <i>May 1996</i> |
| <i>Funding Receipt</i> | <i>July 1996</i> |
| <i>Sitework Completion</i> | <i>October 1996</i> |
| <i>Construction Bid</i> | <i>November 1996</i> |
| <i>Begin Construction</i> | <i>April 1997</i> |
| <i>Exterior Closure Completion</i> | <i>October 1997</i> |
| <i>Building Interior Finish Completion</i> | <i>October 1998</i> |
| <i>Project Completion</i> | <i>November 1998</i> |
| <i>Student Occupancy</i> | <i>Spring 1999</i> |

SB

163

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT OF
SFC 3/27/96

DATE: 2/14/96

DATE TURNED INTO OFFICE: 3-27-96

The Finance Committee considered SB 163

Approving the University of Alaska's plans to enter into long-term obligations to borrow money from the Alaska Housing Finance Corporation; *etd.*

and recommends:

- be replaced with CS SB 163 (FIN)
- adopt previous CS ()
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

Senate Bill:
 same title
 new title
House Bill:
 same title
 technical change
new: SCR# _____

| SIGNING DO PASS | DP | OTHER RECOMMENDATIONS | NR | DNP | AM |
|-------------------------------|----|-----------------------|----|-----|----|
| <i>Steve Pinn</i> | ✓ | <i>Colleen Kelly</i> | ✓ | | |
| <i>Doreen Donley</i> | ✓ | <i>Paul E. ...</i> | ✓ | | |
| | | <i>Bob ...</i> | ✓ | | |
| Co-Chair: <i>Rick Halford</i> | ✓ | Co-Chair: <i>Dur</i> | ✓ | | |
| Co-Chair: <i>Rick Halford</i> | ✓ | Co-Chair: | | | |

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

| | | | |
|--------------|---------|---|--|
| Univ / Arch. | 3/14/96 | 0 | |
| | | | |
| | | | |
| | | | |
| | | | |

PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

| | | | |
|------------|---------|---|--|
| DOR (AHFC) | 7/13/95 | 0 | |
| | | | |
| | | | |
| | | | |
| | | | |

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

FISCAL NOTE

vo. 1 **95 Note**
 Bill Version: SB 163
 (S) Publish Date: 5-2-95

STATE OF ALASKA
 1995 LEGISLATIVE SESSION

Revision Date:
 Title: U OF A - BORROW MONEY FROM AHFC FOR ACQUISITION
 OF STUDENT HOUSING FACILITIES
 Sponsor: SENATORS KELLY, TAYLOR, DUNCAN, ELLIS, RIEGER
 Requestor:

Department Affected: University of Alaska
 BRU: ANCHORAGE, JUNEAU AND
 Component: KETCHIKAN CAMPUSES
 COMPONENT SERIAL NO. 753,762,765

EXPENDITURES/REVENUES: (Thousands of Dollars)

| OPERATING | FY96 | FY97 | FY98 | FY99 | FY00 | FY01 |
|-------------------|-------|---------|---------|---------|---------|---------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | 970.2 | 1,689.1 | 8,483.6 | 8,728.7 | 8,981.5 | 9,239.7 |
| TOTAL OPERATING | 970.2 | 1,689.1 | 8,483.6 | 8,728.7 | 8,981.5 | 9,239.7 |

| | | | | | | |
|---------|--|--|--|--|--|--|
| CAPITAL | | | | | | |
|---------|--|--|--|--|--|--|

| | | | | | | |
|-------------------|--|--|--|--|--|--|
| REVENUE FD SOURCE | | | | | | |
|-------------------|--|--|--|--|--|--|

| FUNDING: (Thousands of Dollars) | FY96 | FY97 | FY98 | FY99 | FY00 | FY01 |
|---------------------------------|-------|---------|---------|---------|---------|---------|
| 1002 FEDERAL FUNDS | | | | | | |
| 1003 GF MATCH | | | | | | |
| 1004 GENERAL FUND | | | | | | |
| 1006 GF/MHTA | | | | | | |
| OTHER | 970.2 | 1,689.1 | 8,483.6 | 8,728.7 | 8,981.5 | 9,239.7 |
| TOTAL FUNDING | 970.2 | 1,689.1 | 8,483.6 | 8,728.7 | 8,981.5 | 9,239.7 |

| POSITIONS: | FY96 | FY97 | FY98 | FY99 | FY00 | FY01 |
|------------|------|------|------|------|------|------|
| FULL-TIME | | | | | | |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary)
 SEE ATTACHED

Prepared by: Wendy Mathern, Budget Analyst Phone: 463-3086
 Division: Statewide Budget Office Date: 5/2/95
 Approved by: MB Marylou Burton, Director
 Agency: Statewide Budget Office Date: 4/21/95

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Requested Agency(ies)

5-2-95 (SIA)
CR1
HFC
T...

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. SB 163

Revision Date: _____ Dept. Affected: Revenue
 Title: An Act authorizing the University of Alaska's plan BRU: Alaska Housing Finance Corp
to enter into long-term obligations to borrow money from AHFC Component: AHFC Operations
 Sponsor: Kelly, Ellis
 Requestor: _____ COMPONENT SERIAL NO. 110

Expenditures/Revenues

(Thousands of Dollars)

| OPERATING EXPENDITURES | FY 96 | FY 97 | FY 98 | FY 99 | FY 00 | FY 01 |
|------------------------|------------|------------|------------|------------|------------|------------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| | | | | | | |
|-----------------------------|------------|------------|------------|------------|------------|------------|
| CAPITAL EXPENDITURES | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
|-----------------------------|------------|------------|------------|------------|------------|------------|

| | | | | | | |
|-------------------------------|--|--|--|--|--|--|
| CHANGE IN REVENUES () | | | | | | |
|-------------------------------|--|--|--|--|--|--|

FUND SOURCE

(Thousands of Dollars)

| | | | | | | |
|--------------------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1005 GF/Program Receipts | | | | | | |
| 1006 GF/MHTIA | | | | | | |
| Other | | | | | | |
| TOTAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimate of any current year (FY95) cost: \$ 0.0

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary)

Alaska Housing Finance Corporation does not anticipate any increased operations costs with the proposed bill. There are expected to be expenses, costs and reserves funds associated with the issuance of the bonds and servicing of debt. Reserve funds, while not a cost or expense, will reduce the loan amount available to the University of Alaska. The expenses associated with the financing will be taken into consideration in determining the expected interest cost to AHFC. The expected annual interest rate subsidy would approximate \$1,277,500 assuming a borrowing amount of \$36,500,000 at 6.5% financed over 25 years, although slight reduction would occur subsequent to FY96 as the principal amount is gradually reduced.

Prepared by: _____
 Division: Alaska Housing Finance Corporation
 Approved by: _____
 Commissioner: Deborah Vogt
 Agency: Revenue

Phone: _____
 Date: 6/1/96
 Date: 6/1/96

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FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. CSSB 163

Revision Date:

Department Affected: University of Alaska

Title: An Act approving the University's plans to enter into long-term obligations with AHPC for student housing facilities.

BRU: University of Alaska Anchorage

Sponsor: Kelly, Taylor, Duncan, Ellis, Rieger

Component: Anchorage Campus

Requestor:

COMPONENT SERIAL NO.

EXPENDITURE/REVENUES: (Thousands of Dollars)

| OPERATING | FY97 | FY98 | FY99 | FY00 | FY01 | FY02 |
|-------------------|------|------|------|---------|---------|---------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | 0.0 | 0.0 | 0.0 | 1,751.5 | 1,751.5 | 1,751.5 |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 1,751.5 | 1,751.5 | 1,751.5 |

| | | | | | | |
|---------|--|--|--|--|--|--|
| CAPITAL | | | | | | |
|---------|--|--|--|--|--|--|

| | | | | | | |
|-------------------|--|--|--|--|--|--|
| REVENUE FD SOURCE | | | | | | |
|-------------------|--|--|--|--|--|--|

FUNDING: (Thousands of Dollars)

| | | | | | | |
|--------------------|-----|-----|-----|---------|---------|---------|
| 1002 FEDERAL FUNDS | | | | | | |
| 1003 OF MATCH | | | | | | |
| 1004 GENERAL FUND | | | | | | |
| 1006 OF MUTLA | | | | | | |
| 1048 UA Receipts | 0.0 | 0.0 | 0.0 | 1,751.5 | 1,751.5 | 1,751.5 |
| TOTAL FUNDING | 0.0 | 0.0 | 0.0 | 1,751.5 | 1,751.5 | 1,751.5 |

| POSITIONS: | | | | | | |
|------------|--|--|--|--|--|--|
| FULL-TIME | | | | | | |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary)

Costs reflect University of Alaska estimated debt service payments to AHPC through FY2003 for construction of student housing facilities in the Anchorage Campus. Additional non-general fund authority (auxiliary receipts) for receipts of rent revenues and payment of operating costs will be requested through the operating budget when the housing project comes on line. Operating costs, which include maintenance, are estimated to be approximately \$6 million/year and will be covered in their entirety from non-food service receipts.

Prepared by: Marilyn Burton
Division: Statewide Budget Office

Phone: 465-3086
Date: 3/11/96

Approved by: Marilyn Burton, Director
Agency: Statewide Budget Office

Date: 3/11/96

Distribution by preparer: Legislative Process, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

University of Alaska
Student Housing Expansion Project - Anchorage
300 Bed Residence Hall with Food Service
Draft Analysis of 1/29/96

Assumptions

| | | | |
|---------------------------------|--------|---------------------------------------|-------------|
| Underwriting and issuance costs | 1.100% | Bond and UoA loan term (years/months) | 20y / 11m |
| AIW cost of funds | 8.000% | UoA annual payment (assisted portion) | \$1,500,000 |
| Re-investment rates: | | Financed construction period (months) | 23 |
| Short-term | 8.000% | Debt service on bonds begins | 2/1/97 |
| Long-term | 8.000% | Housing occupancy begins | 1/1/98 |

Summary of Total Amount Lent to University of Alaska

| | Assisted | Unassisted | Total |
|--|-------------------|------------------|-------------------|
| Funds available to UA for design/construction | 30,000,000 | 3,500,000 | 33,500,000 |
| Underwriting and issuance costs | 357,838 | 36,784 | 394,621 |
| Subtotal | 30,357,838 | 3,536,784 | 33,894,621 |
| Interest paid during construction period | 3,741,028 | 374,108 | 4,115,132 |
| Interest earned during construction period: | | | |
| First year | (881,818) | (88,182) | (970,000) |
| Second year | (845,485) | (84,545) | (930,000) |
| Third year | (40,807) | (4,081) | (44,888) |
| | | | 3,390,132 |
| Total amount lent to University of Alaska | 32,830,684 | 3,293,098 | 36,123,782 |

Summary of Required Payment Information

| | Assisted | Unassisted | Total |
|--|-----------|------------|-----------|
| Interest only (applies to first 23 months) | 1,381,841 | 108,184 | 2,147,025 |
| Level debt service payments - (applies to subsequent 25 years) | | | |
| Monthly principal and interest | 208,888 | 20,888 | 230,856 |
| Annual principal and interest | 2,518,148 | 251,518 | 2,769,663 |

Interest Earned on Bond Proceeds During Construction Period

| Period | | Draw (Net Amt) | Balance | Interest | | Fiscal Period |
|---------|----------|-------------------|------------|------------------|------------------|---------------|
| From | Through | | | Quarterly | Annual | |
| 2/1/97 | 3/31/97 | | 33,000,000 | 330,000 | | |
| 4/1/97 | 6/30/97 | 5,000,000 | 28,000,000 | 420,000 | 750,000 | FY97 |
| 7/1/97 | 9/30/97 | 4,000,000 | 24,000,000 | 348,000 | | |
| 10/1/97 | 12/31/97 | 5,000,000 | 19,000,000 | 270,000 | | |
| 1/1/98 | 3/31/98 | 5,000,000 | 14,000,000 | 180,000 | | |
| 4/1/98 | 6/30/98 | 5,000,000 | 9,000,000 | 120,000 | 930,000 | FY98 |
| 7/1/98 | 9/30/98 | 5,000,000 | 4,000,000 | 60,000 | | |
| 10/1/98 | 12/31/98 | 3,000,000 | 0 | 0 | 48,000 | FY98 |
| | | <u>33,000,000</u> | | <u>1,728,000</u> | <u>1,728,000</u> | |

University of Alaska
Student Housing Expansion Project - Anchorage
500 Bed Residence Hall with Food Service
SSO Draft Analysis of 1/29/96

Calculation of AHFC Assistance

| Period | Fiscal Year | Debt Service on Bonds | UoA Loan Payments | | | Total | Difference (AHFC Assistance) |
|--------|-------------|-----------------------|-------------------|------------------|--------------------|-------------------|------------------------------|
| | | | Assisted | Unassisted | From Bond Proceeds | | |
| 1 | 1997 | 894,884 | 881,818 | 88,182 | 144,804 | 894,884 | 0 (2) |
| 2 | 1998 | 2,147,028 | 848,488 | 84,848 | 1,217,028 | 2,147,028 | 0 (2) |
| 3 | 1999 | 2,468,844 | 790,808 | 129,848 | 1,028,813 | 1,949,270 | 807,574 (2) |
| 4 | 2000 | 2,788,883 | 1,500,000 | 251,818 | 2,310,114 | 1,751,815 | 1,016,148 |
| 5 | 2001 | 2,788,883 | 1,500,000 | 251,818 | | 1,751,815 | 1,016,148 |
| 6 | 2002 | 2,788,883 | 1,500,000 | 251,818 | | 1,751,815 | 1,016,148 |
| 7 | 2003 | 2,788,883 | 1,500,000 | 251,818 | | 1,751,815 | 1,016,148 |
| 8 | 2004 | 2,788,883 | 1,500,000 | 251,818 | | 1,751,815 | 1,016,148 |
| 9 | 2005 | 2,788,883 | 1,500,000 | 251,818 | | 1,751,815 | 1,016,148 |
| 10 | 2006 | 2,788,883 | 1,500,000 | 251,818 | | 1,751,815 | 1,016,148 |
| 11 | 2007 | 2,788,883 | 1,500,000 | 251,818 | | 1,751,815 | 1,016,148 |
| 12 | 2008 | 2,788,883 | 1,500,000 | 251,818 | | 1,751,815 | 1,016,148 |
| 13 | 2009 | 2,788,883 | 1,500,000 | 251,818 | | 1,751,815 | 1,016,148 |
| 14 | 2010 | 2,788,883 | 1,500,000 | 251,818 | | 1,751,815 | 1,016,148 |
| 15 | 2011 | 2,788,883 | 1,500,000 | 251,818 | | 1,751,815 | 1,016,148 |
| 16 | 2012 | 2,788,883 | 1,500,000 | 251,818 | | 1,751,815 | 1,016,148 |
| 17 | 2013 | 2,788,883 | 1,500,000 | 251,818 | | 1,751,815 | 1,016,148 |
| 18 | 2014 | 2,788,883 | 1,500,000 | 251,818 | | 1,751,815 | 1,016,148 |
| 19 | 2015 | 2,788,883 | 1,500,000 | 251,818 | | 1,751,815 | 1,016,148 |
| 20 | 2016 | 2,788,883 | 1,500,000 | 251,818 | | 1,751,815 | 1,016,148 |
| 21 | 2017 | 2,788,883 | 1,500,000 | 251,818 | | 1,751,815 | 1,016,148 |
| 22 | 2018 | 2,788,883 | 1,500,000 | 251,818 | | 1,751,815 | 1,016,148 |
| 23 | 2019 | 2,788,883 | 1,500,000 | 251,818 | | 1,751,815 | 1,016,148 |
| 24 | 2020 | 2,788,883 | 1,500,000 | 251,818 | | 1,751,815 | 1,016,148 |
| 25 | 2021 | 2,788,883 | 1,500,000 | 251,818 | | 1,751,815 | 1,016,148 |
| 26 | 2022 | 2,788,883 | 1,500,000 | 251,818 | | 1,751,815 | 1,016,148 |
| 27 | 2023 | 2,788,883 | 1,500,000 | 251,818 | | 1,751,815 | 1,016,148 |
| 28 | 2024 | 1,383,331 | 780,000 | 128,787 | | 878,787 | 507,874 |
| | | 13,281,858 | 31,088,183 | 6,444,888 | 2,310,114 | 47,804,851 | 26,378,697 |

Net present value of payment differences at **8.000%** **11,222,609**

Effective rate (return) on assisted loan: **1.25283%** **32,830,884** (NPV of UoA assisted debts.)
32,830,884 (Total loan to UoA - assisted)

Notes:

- (1) Any required debt service reserve account is assumed to be invested at the bond yield.
- (2) The difference between interest paid on the total amount financed and the interest earned on the proceeds during the construction period has been added to the amount borrowed as capitalized interest.
- (3) The above analysis is intended to approximate the reduction in resources available to the Corporation in future years as a result of the proposed financial arrangements with the UoA. The debt amounts indicated above will vary based upon financial reserves, redemption provisions on the bonds and handling of capitalized interest and interest earned on bond proceeds.

(JAA Residence Suites Proforma) Summary 550 New Suite Beds, Food Service, and Existing Apartments

| | 2000 | 2001 | Existing Apts 2000 | Total 2000 | 2000 | 2001 | 2002 |
|---|---------------|---------------|-----------------------|---------------|---------------|---------------|---------------|
| GRAND TOTAL NET REVENUES | \$3,204,700 | \$2,112,000 | \$1,430,230 | \$4,660,942 | \$7,066,207 | \$7,268,060 | \$7,480,500 |
| TOTAL OPERATING COSTS AND RESERVE CONTRIBUTIONS | (\$1,878,003) | (\$1,104,402) | (\$1,236,400) | (\$4,218,805) | (\$6,603,002) | (\$6,750,000) | (\$6,863,002) |
| Total Coverage (Shortfall) available for Debt Service & Contingency | \$1,326,697 | \$1,007,598 | \$1,193,830 | \$1,442,137 | \$443,205 | \$518,060 | \$617,498 |
| | 2003 | 2004 | 2004 | 2004 | 2007 | 2008 | 2008 |
| GRAND TOTAL NET REVENUES | \$7,710,003 | \$7,842,004 | \$6,100,304 | \$6,425,072 | \$8,070,442 | \$8,020,706 | \$8,700,000 |
| TOTAL OPERATING COSTS AND RESERVE CONTRIBUTIONS | (\$6,167,404) | (\$6,207,007) | (\$6,601,100) | (\$6,907,377) | (\$7,027,304) | (\$7,274,321) | (\$7,510,400) |
| Total Coverage (Shortfall) available for Debt Service & Contingency | \$1,542,599 | \$1,634,997 | \$1,499,204 | \$1,010,294 | \$1,043,138 | \$746,385 | \$1,189,600 |
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| GRAND TOTAL NET REVENUES | \$8,003,100 | \$8,767,003 | \$10,000,002 | \$10,202,012 | \$10,673,200 | \$10,862,500 | \$11,323,300 |
| TOTAL OPERATING COSTS AND RESERVE CONTRIBUTIONS | (\$7,600,041) | (\$7,000,010) | (\$8,100,007) | (\$8,000,000) | (\$8,000,000) | (\$8,070,000) | (\$8,170,000) |
| Total Coverage (Shortfall) available for Debt Service & Contingency | \$403,059 | \$1,767,003 | \$1,900,004 | \$1,000,000 | \$2,673,200 | \$2,792,500 | \$3,153,300 |
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| GRAND TOTAL NET REVENUES | \$10,000,100 | \$12,000,000 | \$10,000,000 | \$12,000,000 | \$10,000,000 | \$10,000,000 | \$10,000,000 |
| TOTAL OPERATING COSTS AND RESERVE CONTRIBUTIONS | (\$8,000,000) | (\$8,000,000) | (\$8,000,000) | (\$8,000,000) | (\$8,000,000) | (\$8,000,000) | (\$8,000,000) |
| Total Coverage (Shortfall) available for Debt Service & Contingency | \$2,000,100 | \$4,000,000 | \$2,000,000 | \$4,000,000 | \$2,000,000 | \$2,000,000 | \$2,000,000 |

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

No. 3

Bill Version: SB 163

(S) Publish Date: 2/14/96

Revision Date:
Title: An Act approving the University's plans to enter into long-term obligations with AHFC for student housing facilities
Sponsor: Kelly, Taylor, Duncan, Ellis, Rieger
Requestor:

Department Affected: University of Alaska
BRU: AB
Component: AB

COMPONENT SERIAL NO.

EXPENDITURES/REVENUES: (Thousands of Dollars)

| OPERATING | FY97 | FY98 | FY99 | FY00 | FY01 | FY02 |
|-------------------|-------|-------|-------|---------|---------|---------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | 174.0 | 294.2 | 294.2 | 1,794.2 | 1,794.2 | 1,794.2 |
| TOTAL OPERATING | 174.0 | 294.2 | 294.2 | 1,794.2 | 1,794.2 | 1,794.2 |

| | | | | | | |
|---------|--|--|--|--|--|--|
| CAPITAL | | | | | | |
|---------|--|--|--|--|--|--|

| | | | | | | |
|-------------------|--|--|--|--|--|--|
| REVENUE FD SOURCE | | | | | | |
|-------------------|--|--|--|--|--|--|

FUNDING: (Thousands of Dollars)

| | | | | | | |
|--------------------|-------|-------|-------|---------|---------|---------|
| 1002 FEDERAL FUNDS | | | | | | |
| 1003 GF MATCH | | | | | | |
| 1004 GENERAL FUND | | | | | | |
| 1006 GF/MHTLA | | | | | | |
| 1048 UA Receipts | 174.0 | 294.2 | 294.2 | 1,794.2 | 1,794.2 | 1,794.2 |
| TOTAL FUNDING | 174.0 | 294.2 | 294.2 | 1,794.2 | 1,794.2 | 1,794.2 |

| POSITIONS: | | | | | | |
|------------|--|--|--|--|--|--|
| FULL-TIME | | | | | | |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

Costs reflect University of Alaska estimated debt service payments to AHFC through FY2002 for the three housing projects described in this bill. Additional non-general fund authority (auxiliary receipts) for receipt of rent revenues and payment of operating costs will be requested when the housing projects come on line. Operating costs for the three projects are estimated to be approximately \$6 million and will be covered from rent receipts.

Prepared by: _____
Division: Statewide Budget Office

Approved by: Marilyn Burton, Director
Agency: Statewide Budget Office

Phone: 463-3086
Date: 2/13/96

Date: 2/13/96

Distribution (by preparer): Legislative Finance, Legislative Support, Requestors, OMB, & Impaired Agency(ies)

on Date: _____

SIC 3,21196

Dept. Affected: Revenue

(S) Publish Date: 2/14/96

Approve U of A Debt for Student Housing

BRU: _____

Alaska Housing Finance Corporation

Component: _____

AHFC Operations

Sponsor: Senator Kelly

Requestor: (S) CRA

COMPONENT SERIAL NO. _____

110

Expenditures/Revenues:

(Thousands of Dollars)

| OPERATING EXPENDITURES | FY 97 | FY 98 | FY 99 | FY 00 | FY 01 | FY 02 |
|-------------------------------|------------|------------|------------|------------|------------|------------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| CAPITAL EXPENDITURES | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| CHANGE IN REVENUES () | | | | | | |

FUND SOURCE

(Thousands of Dollars)

| | | | | | | |
|--------------------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1005 GF/Program Receipts | | | | | | |
| 1037 GF/Mental Health | | | | | | |
| Other | | | | | | |
| TOTAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimate of any current year (FY96) cost \$ _____

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

Alaska Housing Finance Corporation does not anticipate any increased operations costs with the proposed bill. There are expected to be expenses, costs and reserves funds associated with the issuance of the bonds and servicing of debt. Reserve funds, while not a cost or expense, will reduce the loan amount available to the University of Alaska. The expenses associated with the financing will be taken into consideration in determining the expected interest cost to AHFC. The expected annual interest rate subsidy would approximate \$1,277,500 assuming a borrowing amount of \$36,500,000 at 6.5% financed over 25 years, although slight reduction would occur subsequent to FY96 as the principal amount is gradually reduced.

Prepared by: _____

Alaska Housing Finance Corporation

Phone: _____

(907) 586-2660

Division: _____

Alaska Housing Finance Corporation

Date: _____

February 13, 1996

Approved by Commissioner: _____

Boss Kinney, Deputy Commissioner

February 13, 1996

Agency: _____

Department of Revenue

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

For further distribution information call the Governor's Legislative Office

Revision Date: _____ Dept. Affected: Revenue
Title: Approve U of A Debt for Student Housing BRU: Alaska Housing Finance Corporation
Component: AHFC Operations
Sponsor: Senator Kelly
Requestor: (S) CRA COMPONENT SERIAL NO. 110

Expenditures/Revenues:

(Thousands of Dollars)

| OPERATING EXPENDITURES | FY 97 | FY 98 | FY 99 | FY 00 | FY 01 | FY 02 |
|------------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| | | | | | | |
|----------------------|-----|-----|-----|-----|-----|-----|
| CAPITAL EXPENDITURES | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
|----------------------|-----|-----|-----|-----|-----|-----|

| | | | | | | |
|------------------------|--|--|--|--|--|--|
| CHANGE IN REVENUES () | | | | | | |
|------------------------|--|--|--|--|--|--|

FUND SOURCE

(Thousands of Dollars)

| | | | | | | |
|--------------------------|-----|-----|-----|-----|-----|-----|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1005 GF/Program Receipts | | | | | | |
| 1007 GF/Mortgage Health | | | | | | |
| Other | | | | | | |
| TOTAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimate of any current year (FY96) cost \$ _____

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

Alaska Housing Finance Corporation does not anticipate any increased operations costs with the proposed bill. There are expected to be expenses, costs and reserves funds associated with the issuance of the bonds and servicing of debt. Reserve funds, while not a cost or expense, will reduce the loan amount available to the University of Alaska. The expenses associated with the financing will be taken into consideration in determining the expected interest cost to AHFC. The expected annual interest rate subsidy would approximate \$1,277,500 assuming a borrowing amount of \$36,500,000 at a 5% financed over 25 years, although slight reduction would occur subsequent to FY96 as the principal amount is gradually reduced.

Prepared by: Alaska Housing Finance Corporation Phone: (907) 566-2660
 Division: Alaska Housing Finance Corporation Date: February 13, 1996
 Approved by Commissioner: Paul J. Ramsey Deputy Commissioner Date: February 13, 1996
 Agency: Department of Revenue

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For further distribution information call the Governor's Legislative Office

Revision Date: _____ Dept. Affected: Revenue
 Title: Approve U of A Debt for Student Housing BRU: Alaska Housing Finance Corporation
 Sponsor: Senator Kelly Component: AHFC Operations
 Requestor: (S) CRA COMPONENT SERIAL NO. 110

Expenditures/Revenues: (Thousands of Dollars)

| | FY 97 | FY 98 | FY 99 | FY 00 | FY 01 | FY 02 |
|------------------------|-------|-------|-------|-------|-------|-------|
| OPERATING EXPENDITURES | | | | | | |
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| CAPITAL EXPENDITURES | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| CHANGE IN REVENUES () | | | | | | |
|------------------------|--|--|--|--|--|--|
| | | | | | | |

FUND SOURCE (Thousands of Dollars)

| | | | | | | |
|--------------------------|-----|-----|-----|-----|-----|-----|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1006 GF Program Receipts | | | | | | |
| 1007 GF Mental Health | | | | | | |
| Other | | | | | | |
| TOTAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimate of any current year (FY96) cost \$ _____

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

Alaska Housing Finance Corporation does not anticipate any increased operations costs with the proposed bill. There are expected to be expenses, costs and reserves funds associated with the issuance of the bonds and servicing of debt. Reserve funds, while not a cost or expense, will reduce the loan amount available to the University of Alaska. The expenses associated with the financing will be taken into consideration in determining the expected interest cost to AHFC. The expected annual interest rate subsidy would approximate \$1,277,500 assuming a borrowing amount of \$36,500,000 at a 5% financed over 25 years although slight reduction would occur subsequent to FY96 as the principal amount is gradually reduced.

Prepared by: Alaska Housing Finance Corporation Phone: (907) 586-2660

Division: Alaska Housing Finance Corporation Date: February 13, 1996

Approved by Commissioner: Ross Kinney, Deputy Commissioner Date: February 13, 1996

Agency: Department of Revenue

PREPARED TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

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3/27/96 am
SR moved
Adopted
SR moved
Amend.
P. 2 line 3
Adopted
9-LS1100AC
Chenoweth
2/21/96
S.M. Kelly

CS FOR SENATE BILL NO. 163()

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY

Offered:

Referred:

Sponsor(s): SENATORS KELLY, Taylor, Duncan, Ellis, Rieger

A BILL

FOR AN ACT ENTITLED

1 "An Act approving the University of Alaska's plans to enter into long-term
2 obligations with the Alaska Housing Finance Corporation to borrow money from
3 the corporation for the construction of new student housing facilities, and
4 authorizing the Alaska Housing Finance Corporation to issue its debt obligations
5 and to make loans to the University of Alaska to finance construction of those
6 student housing facilities; and providing for an effective date."

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

8 • Section 1. UNIVERSITY OF ALASKA STUDENT HOUSING PROJECT APPROVAL

9 (a) The Nineteenth Alaska State Legislature approves the plans of the Board of Regents of
10 the University of Alaska to enter into obligations to borrow \$33,000,000 from the Alaska
11 Housing Finance Corporation for acquisition and construction of student housing facilities on
12 the University of Alaska Anchorage campus.

13 (b) For acquisition and construction of the student housing facilities described in (a)

1 of this section, the anticipated

2 (1) annual debt service is \$2,767,000 a year for 25 years, of which the
3 University of Alaska will pay ^{an amount not to exceed} \$1,751,515 a year. ^{See Design}
^{provided}

4 (2) total construction and other costs of the facilities are \$36,784,000, of which
5 \$34,000,000 is for construction to be financed as follows:

6 (A) \$30,000,000 will be financed through the Alaska Housing Finance
7 Corporation under a subsidized bond authorization;

8 (B) \$3,000,000 will be financed through the Alaska Housing Finance
9 Corporation with the debt service fully paid by the University of Alaska; and

10 (C) \$1,000,000 will be paid for by the University of Alaska through
11 university receipts; and

12 (3) total debt service for the full term of the bond is \$73,300,000.

13 (c) Subsection (a) of this section provides the project approval required by
14 AS 14.40.253 for obligations of the University of Alaska having an annual payment by the
15 university anticipated to exceed \$1,000,000.

16 • Sec. 2. ALASKA HOUSING FINANCE CORPORATION AUTHORIZED TO ISSUE
17 OBLIGATIONS IN ORDER TO MAKE LOANS. (a) The Alaska Housing Finance
18 Corporation may

19 (1) issue bonds or other obligations of the corporation with respect to the loans
20 to be financed for acquisition or construction of the student housing described in sec. 1 of this
21 Act; and

22 (2) loan to the University of Alaska the amounts set out in sec. 1 of this Act
23 to finance the acquisition or construction of the student housing facilities.

24 (b) Subsection (a) of this section provides the approval required by AS 18.55.100(d)
25 for the Alaska Housing Finance Corporation to arrange for or contract for the financing,
26 design, construction, and acquisition of a public building project under AS 18.55.100(a)(7).

27 • Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

SENATE FINANCE COMMITTEE REPORT

REPORTED BY
SFC - 3/27/96

DATE: 2/14/96

DATE TURNED INTO OFFICE: 3-27-96

The Finance Committee considered SB 163

Approving the University of Alaska's plans to enter into long-term obligations to borrow money from the Alaska Housing Finance Corporation, efd.

and recommends:

- be replaced with CS SB 163 (FIN)
- adopt previous CS ()
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

Senate Bill: same title
 new title
 House Bill: same title
 technical change
 new: SCR# _____

| SIGNING <u>DO</u> PASS | DP | OTHER RECOMMENDATIONS | NR | DNP | AM |
|-------------------------------|----|---|----|-----|----|
| <i>Steve Pinn</i> | ✓ | <i>Call E. Call</i> | ✓ | | |
| <i>Daniel Donley</i> | ✓ | <i>Test to Finance</i> <i>Barry King</i> | ✓ | | |
| Co-Chair: <i>Rick Halford</i> | ✓ | Co-Chair: <i>Dun</i> | ✓ | | |
| Co-Chair: <i>Rick Halford</i> | | Co-Chair: | | | |

NEW FISCAL NOTES:

Department Date Zero Fiscal

| | | | |
|--------------|--------|---|--|
| Univ / Arch. | 3/1/96 | 0 | |
| | | | |
| | | | |
| | | | |
| | | | |

PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

| | | | |
|---------------|---------|---|--|
| #4 DOR (AHFC) | 7/13/95 | 0 | |
| | | | |
| | | | |
| | | | |
| | | | |

APPROPRIATION - AS ...

*include fiscal notes accompanying Governor's bill

3B/63

WOHLFORTH, ARGETSINGER, JOHNSON & BRECHT

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

100 WEST 5TH AVENUE, SUITE 600
ANCHORAGE, ALASKA 99501-3048

TELEPHONE
10071 374-6600

FACSIMILE
10071 374-6888

JULIUS J. BRECHT
CYNTHIA L. CARTLEDGE
ROBERT W. JOHNSON
THOMAS F. KLINCKER
BRADLEY E. MEYER
CORNELIUS E. VASSAR
ERIC S. WOHLFORTH

OF COUNSEL
PETER ARGETSINGER

MEMORANDUM

TO: Dan Fauske
CEO/Executive Director
Alaska Housing Finance Corporation

Mark Cameron
CFO/Finance Director
Alaska Housing Finance Corporation

Ross Risvold
Finance Officer
Alaska Housing Finance Corporation

FROM: Ken Vassar 

DATE: March 22, 1998

SUBJECT: University of Alaska Student Housing
Our File No. 3598.1000

You have asked me to address the ability of the Alaska Housing Finance Corporation to use its "arbitrage money" to help finance student housing for the University of Alaska. The term "arbitrage money" refers to certain money held under the trust indenture (the "Indenture") created for the Corporation's General Mortgage Revenue Bonds issued in 1991 (the "Bonds").

The suggested financing could occur as a direct loan of the arbitrage money to the University. Alternatively, it has been suggested that the Corporation issue new bonds to finance the project, with a portion of the debt service on the bonds being paid with pledged revenues from the University and the remaining portion of debt service being subsidized by the Corporation with a grant of arbitrage money. Any financing scenario, including the two described above, creates a substantial concern with respect to the Corporation's obligation to preserve the tax-exempt status of the outstanding Bonds.

Whether in the form of a loan or a grant, any transfer of money from the Corporation to the University of Alaska will not create an "obligation" for tax

purposes. This is because the Internal Revenue Service considers both the Corporation and the University to be instrumentalities of the State of Alaska. As such, any transfer of money from one to the other -- even with formal loan documentation -- is considered merely as the movement of money from one State "pocket" to another. It would be the same as if the Corporation decided to make a "loan" to its own Public Housing Division. The making of the loan does not create an obligation for tax purposes.

Since no obligation would be created if the Corporation were to either loan or grant money to the University, the Corporation would not be able to blend the yield (if any) on the loan or grant with the yields on mortgage loans that are currently pledged as security for the Bonds. The overall yield on those mortgage loans is greater than that permitted under arbitrage laws and regulations for tax-exempt bonds like the Bonds. Unless this situation is corrected, the Bonds will be declared taxable by the Internal Revenue Service.

The possibility of the Bonds being declared taxable is a matter of serious consequence; however, it is one which was foreseen at the time of issuance of the Bonds and for which a solution was established. The solution was to invest in low or non-yielding obligations as money became available from funds and accounts created under the Indenture. Over time, as the Corporation acquired the low and non-yielding obligations, the overall yield of the acquired purpose obligations would be reduced to or below the maximum allowed by the arbitrage regulations. All of this, however, is premised upon the acquisition of "obligations". Use of the arbitrage money to invest in something other than an obligation does not help to solve the problem.

It is possible that certain, limited investments of the arbitrage money in things other than acquired purpose obligations would not ultimately prevent the Corporation from achieving its overall yield blending goal, but each delay in acquiring low and non-yielding investments and each dollar spent other than for this purpose makes achieving the yield blending goal more difficult. The Corporation has a primary duty to protect, to the extent reasonably possible, the tax-exempt status of its outstanding bonds. Since we cannot foretell what opportunities may exist in the future to acquire low and non-yielding acquired purpose obligations and since any delay in using the limited arbitrage money for yield blending purposes makes accomplishing those purposes progressively more difficult to achieve, a deliberate act of investing the limited amount of arbitrage money available today in something other than a low or non-yielding acquired purpose obligation would be highly inadvisable.

UNIVERSITY OF ALASKA

TO: Senate Finance Committee
Senator Rick Halford, Co-Chair ✓
Senator Steve Frank, Co-Chair
Senator Bert Sharp
Senator Fred Zharoff
Senator Dave Donley
Senator Steve Reiger
Senator Randy Phillips

FROM: Wendy Redman, Vice President *W. Redman*
UA University Relations

DATE: March 11, 1996

RE: CSSB 163 (FIN) - UAA Student Housing

Attached is a summary of the costs associated with the UAA Student Housing Project. Several questions came up at the hearing last Friday that can be answered by a review of this information.

The information on Page 4 of the document outlines the annual revenues and expenditures anticipated from the dormitories (including the new "suites" and the existing "apartments") and new food service facility over the 25 year life of the bond indebtedness. The information on Page 5 details the revenue and expenditures for the new residence suites. As you will note, the expenditures include all costs for operation, maintenance, and replacement reserves. As I indicated at the meeting last Friday, the Board of Regents policy mandates that the nationally accepted formula cost of maintenance and replacement must be covered, from existing revenues, for all facilities.

We are eager to have this bill passed out of the Finance Committee as soon as possible so that we can move forward with full legislative approval by the end of March and hopefully be ready to award contracts for design and site development to begin this summer.

If you have any additional questions, please contact me at 463-3086. Thank you for your continued support; this project is a high priority for the University, and represents a partnership with AHFC that, like their assistance with the UAF student housing portion of our deferred maintenance backlog, will be of great benefit for Alaskan students.

cc: Senator Tim Kelly
Representative Terry Martin

University of Alaska Anchorage

Proposed
UAA Student
Housing
Expansion
Project



February 1996

The Need for Additional Housing at the University of Alaska Anchorage



Additional on-campus housing is urgently needed at the University of Alaska Anchorage to support the academic progress of the largest student population at any institution in the State of Alaska. The facts:

- Many traditional college bound students (as well as their parents) seek a college which offers safe and supervised on-campus housing, particularly for the first and second years of their college careers.
- Many students and their parents see UAA as a "best buy" - It is affordable, accessible, and of solid academic quality; however they wish that UAA offered more of a "campus life", including on-campus housing.
- Students living in on-campus residence halls achieve better grades, graduate faster, and report higher levels of satisfaction with their college experience. On-campus housing is proven to be one of the top five factors increasing retention and graduation rates of college students.
- On-campus housing allows young Alaskans to experience college and independence while staying within state proximity to their families. It allows UAA to enter into exchange agreements with other universities and helps in the recruiting of athletes, international students, as well as students from our service area.
- While UAA will always be a predominantly commuter campus, a survey of 25% of UAA's 14,000 students reported that they that would choose on-campus housing if it were available to them.
- Apartment-style housing opened at UAA in 1986 with 308 beds. In 1992, the Templewood Condominiums were added to the housing inventory bringing the current capacity to a total of 388 beds. Housing has operated at capacity since 1992.
- Each fall semester over 700 students requesting housing and paying application fees are turned away due to lack of available residence hall space. Correspondingly, 300 additional students are denied housing each spring semester. The number of students who express interest in living on campus is even greater than the numbers suggest. Many others are discouraged from applying by the dismal prospects of being offered a housing space.
- Nationally, large public universities house an average of 35% to 50% of the full-time enrollment. As of Fall 1994, UAA was able to house a mere 2.8% of total enrollment (6.9% of the full-time enrollment). UAF can house 33% of its full-time students. Upon completion of its recently authorized housing UAS will be able to house 41%.
- An early UAA master plan projected growth to 1436 beds by FY95. Current capacity is only 388 beds.
- Student housing at UAA has been a self-support auxiliary since opening the current apartments in 1986. Residence halls at UAA are totally student supported. UAA Housing requires NO general fund operating dollars.

New Student Housing at UAA

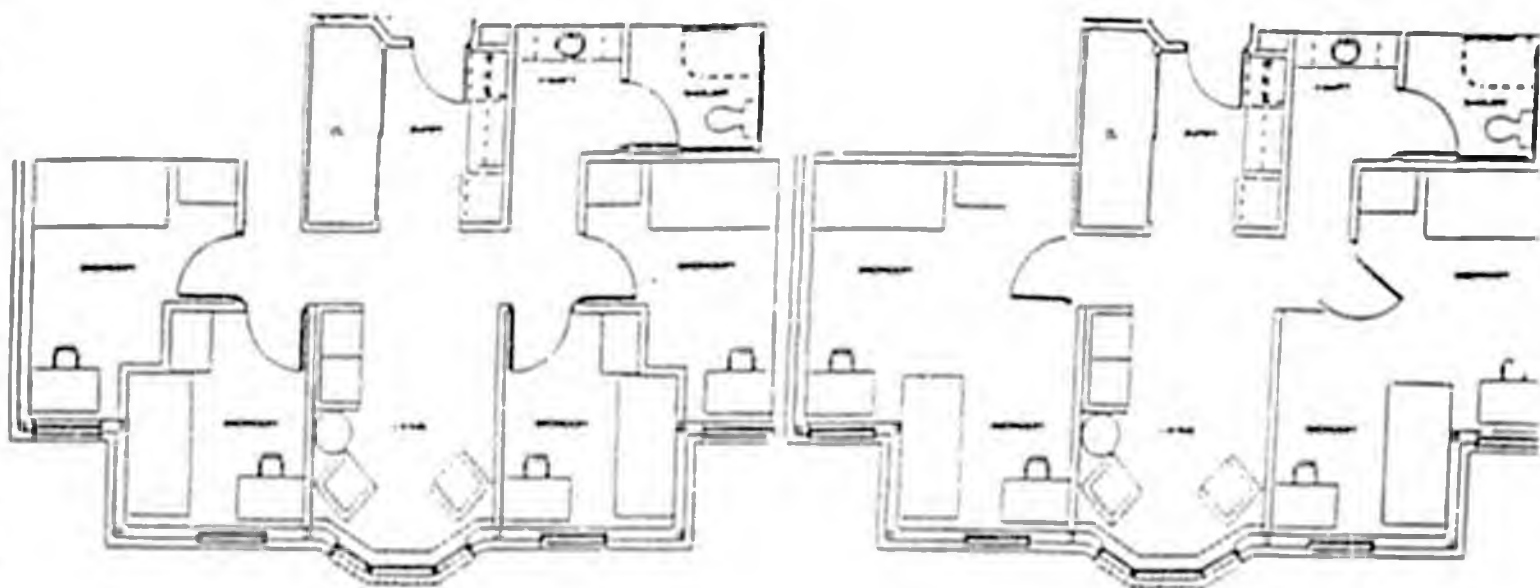
What is Being Requested

The University of Alaska Anchorage is currently planning for new construction to add 550 on-campus housing beds to supplement the existing inventory of 388 apartment-style residence hall beds. Currently, UAA houses only 7% of its full-time student population, compared with 33% of full-time students housed at University of Alaska Fairbanks and 41% of full-time students housed at University of Alaska Southeast (including construction of 80 new beds, currently in progress). With the addition of 550 beds, UAA would have housing capacity to serve 17% of the full-time student population.

The new housing units would be configured as suites with each designated to accommodate four students. The suites would each contain bedroom spaces, a small living area, and semi-private bathroom spaces. The 550 beds would be a mix of single and double bedrooms, as follows:

| | Number of Suites/Beds | Bedroom Configuration of the Suite |
|--------------|---|--|
| | 33 suites/132 beds | Two double bedrooms in each suite |
| | 50 suites/200 beds | Two single bedrooms & one double bedroom in each suite |
| | 50 suites/200 beds | Four single bedrooms in each suite |
| | 18 singles | Rooms to house Resident Advisor student staff |
| TOTAL | 133 suites + 18 singles/550 beds | 318 single & 116 double bedrooms |

Preliminary conceptual floor plans are pictured below:



Single Suite

Double Suite

The mix of suite styles (double and single rooms) provides maximum flexibility to meet diverse student needs and interests. Suites will be separated by gender and can accommodate grouping students by any number of variables including academic major/course of study, wellness options, and/or class status (freshman, sophomore, junior, senior, graduate)

UNIVERSITY OF ALASKA ANCHORAGE
STUDENT HOUSING EXPANSION PROJECT
550 BED SUITE-STYLE RESIDENCE HALL WITH FOOD SERVICE

The University of Alaska Anchorage seeks to expand its on-campus student housing facilities with the addition of 550 new beds and an accompanying food service/dining hall facility. The project site is located in the southeast campus corridor off Bragaw Street, adjacent to the existing student apartment complex. The total project is projected at \$32,000,000 - \$34,000,000, approximately \$30 million for the housing portion and \$3 million for the food service/dining hall*. Total project costs include site preparation, engineering, design, administration, and complete furnishings.

Cost estimators are currently investigating square footage needs for the project. Gross square footage per bed is estimated at approximately 350 square feet or a total of 192,000 square feet for the housing portion of the project. Food service square footage is approximately 13,800 square feet and projected to be similar in size to the existing Cuddy Center facility on the UAA campus.

The suite-style residence hall will house 550 full-time students during the academic semesters. The bedroom configurations will be a mix of double occupancy and single occupancy bedrooms all with semi-private bathrooms. Pro forma financial statements are based on an industry standard of 95% occupancy. The food service/dining facility will be designed to seat 300-400 people and serve new residence hall residents, as well as students from the existing apartment complex. Since the new building will not be equipped with kitchen facilities, the food service portion must be funded along with the housing portion. Residents of the new facility will be required to select a meal plan along with their housing contract. When the facility opens in FY'99, fees are projected as follows:

| | <u>Per Semester</u> | <u>Per Month</u> | <u>Per Academic Year</u> |
|---------------|---------------------|------------------|--------------------------|
| Room fees | \$1550.00 | \$345.00 | \$3100.00 |
| Board fees | \$1400.00 | \$311.00 | \$2800.00 |
| TOTALS | \$2950.00 | \$656.00 | \$5900.00 |

The residence hall staff will feature Resident Advisors who are junior and senior level undergraduate students or graduate students functioning as live-in peer advisors and activity planners. The Resident Advisors are supervised by live-in professional Hall Directors. The ratios of Resident Advisors to students (1:30) and Hall Directors to students (1:200) are planned per the 1991 University of Alaska Student Housing Management study and national supervised housing benchmarks.

During the summer months, the new suites will be occupied by conference groups participating in university-sponsored summer institutes, seminars, and activities. The conference season will span from mid-May through early August with nightly rates of \$45.00 for triple/quad occupancy and \$60.00 for single/double occupancy. Food service will be available to conference guests throughout the summer at approximately \$25.00 per day. Summer occupancy, over the 90 day conference period, is estimated at 60% for single/double occupancy and 55% for triple/quad occupancy.

In addition to standard operating costs (utilities, custodial, grounds keeping, landscape, snow removal, security, operations and facility management, and electronic data processing), full funding of maintenance and repair costs and renewal/replacement reserves is reflected in the pro forma statements.

* The University is continuing to explore options and final cost estimates for the suite style housing configuration.

[UAA Residence Suites Proforma] Summary 550 New Suite Beds, Food Service, and Existing Apartments

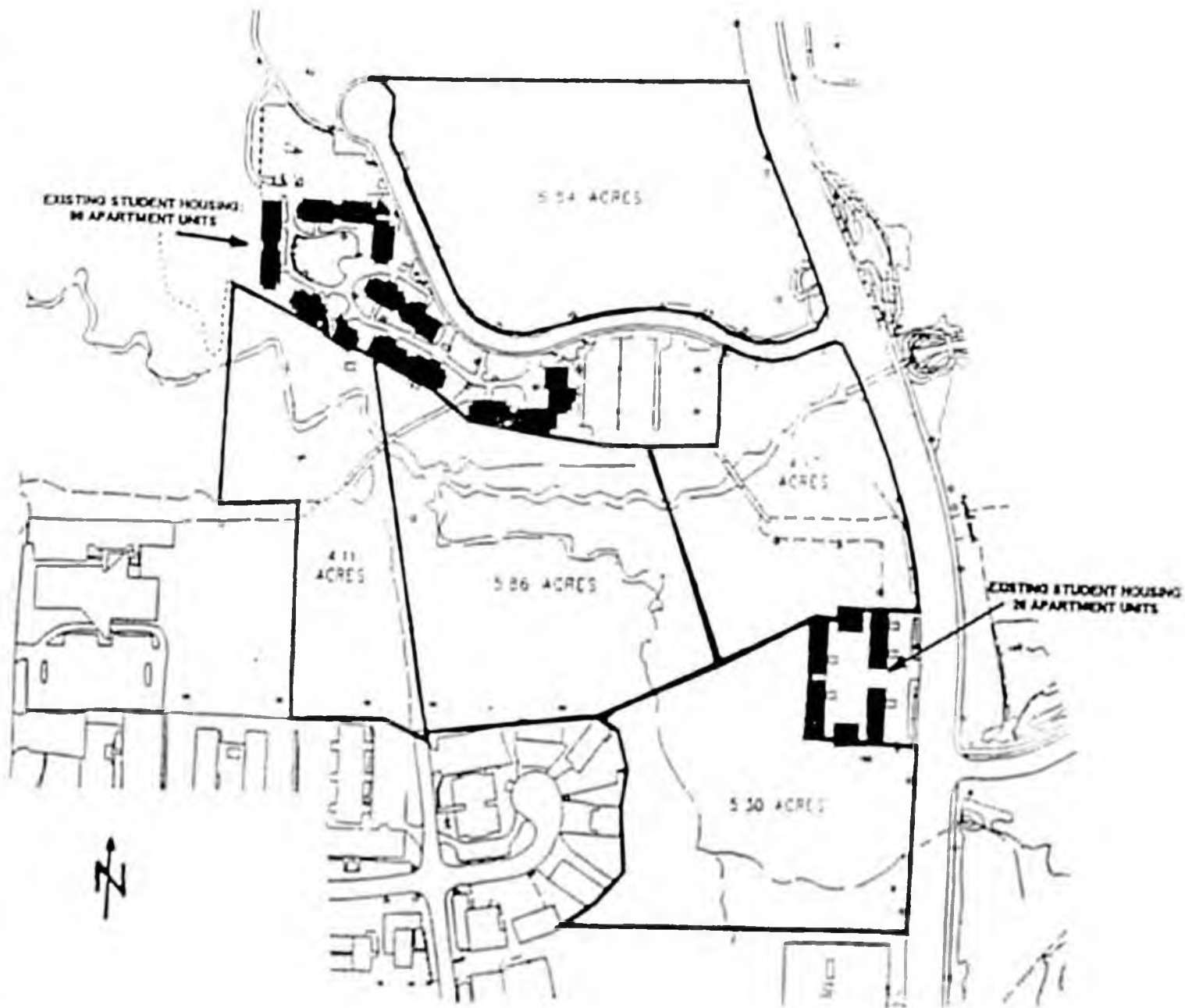
| | Suites 1999 | Food 1999 | Existing Apts 1999 | Total 1999 | 2000 | 2001 | 2002 |
|---|----------------|---------------|-----------------------|----------------|----------------|----------------|----------------|
| GRAND TOTAL REVENUES | \$1,204,240 | \$2,213,858 | \$1,432,238 | \$4,850,342 | \$7,058,387 | \$7,268,058 | \$7,486,100 |
| TOTAL OPERATING COSTS AND RESERVE CONTRIBUTIONS | (\$1,970,863) | (\$1,849,482) | (\$1,524,528) | (\$5,344,872) | (\$6,583,802) | (\$6,755,805) | (\$6,953,492) |
| Total Coverage (Shortfall) available for Debt Service & Contingency | \$1,234,607 | \$384,374 | (\$84,280) | \$1,604,770 | \$1,492,785 | \$1,612,453 | \$1,532,608 |
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| GRAND TOTAL REVENUES | \$7,710,883 | \$7,042,004 | \$8,180,284 | \$8,425,872 | \$8,678,442 | \$8,938,795 | \$9,206,958 |
| TOTAL OPERATING COSTS AND RESERVE CONTRIBUTIONS | (\$6,157,434) | (\$6,787,807) | (\$6,584,102) | (\$6,807,377) | (\$7,037,354) | (\$7,274,321) | (\$7,518,480) |
| Total Coverage (Shortfall) available for Debt Service & Contingency | \$1,553,249 | \$1,574,207 | \$1,596,071 | \$1,618,294 | \$1,641,087 | \$1,664,474 | \$1,688,478 |
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| GRAND TOTAL REVENUES | \$9,483,168 | \$9,787,863 | \$10,060,602 | \$10,362,513 | \$10,673,388 | \$10,993,590 | \$11,323,398 |
| TOTAL OPERATING COSTS AND RESERVE CONTRIBUTIONS | (\$7,999,041) | (\$7,858,218) | (\$8,125,337) | (\$8,400,320) | (\$8,683,705) | (\$8,975,632) | (\$9,276,349) |
| Total Coverage (Shortfall) available for Debt Service & Contingency | \$1,884,127 | \$1,969,445 | \$1,935,466 | \$1,962,193 | \$1,989,683 | \$2,017,958 | \$2,047,049 |
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| GRAND TOTAL REVENUES | \$11,481,100 | \$12,012,893 | \$12,373,283 | \$12,744,584 | \$13,126,822 | \$13,520,729 | \$13,926,351 |
| TOTAL OPERATING COSTS AND RESERVE CONTRIBUTIONS | (\$9,586,111) | (\$8,905,182) | (\$10,333,830) | (\$10,572,334) | (\$10,920,880) | (\$11,280,082) | (\$11,649,883) |
| Total Coverage (Shortfall) available for Debt Service & Contingency | \$2,078,000 | \$2,107,811 | \$2,139,453 | \$2,172,250 | \$2,205,941 | \$2,240,647 | \$2,276,468 |

550 Suite Beds

Plant Replacement Value of 1/24/98
 \$30,500,000 \$31,033,750
 Plant Inflation 1.75%

| | DOLLARS | GSF | | 1999 | 2000 |
|---|--------------|--------------------------|-------------|-----------------------------|---------------------|
| Total Project | \$34,000,000 | 205,800 | | | |
| Housing Portion | \$30,500,000 | 192,000 | | | |
| Food Service Portion | \$3,500,000 | 13,800 | | | |
| | | | | Annual Inflation Rate 3.00% | Rent Increase 3.00% |
| REVENUE Academic Year New Suites | | (semester) | | 1999 | 2000 |
| Semester (Monthly) Rate/bed | \$1,550 | \$1,550 | (\$344) | (\$344) | (\$355) |
| # of Semesters (4.5 mo each) | 2 | 2 | 2 | | |
| # of Beds | 275 | 275 | 550 | | |
| Max Gross Academic Year | \$852,500 | \$852,500 | \$1,705,000 | \$1,705,000 | \$1,756,150 |
| Occupancy Rate | 25.3% | 25.3% | 25.3% | | |
| Net Academic Year Housing Rev | \$609,475 | \$809,375 | \$1,617,750 | \$1,619,750 | \$1,668,343 |
| Net Laundry & Vending Revenue | \$250,000 | \$150,000 | \$200,000 | | |
| Net Academic Year Revenue | | | \$1,717,750 | \$1,719,750 | \$1,771,343 |
| Non-programmatic Operating Costs Before Debt | | | | | |
| Utilities | \$1.86 | 192,000 (9/12months) | \$276,513 | | |
| Custodial | \$1.80 | 192,000 (9/12months) | \$259,200 | | |
| Ground Keeping, Landscape, and Snow Removal | | | \$45,000 | | |
| Security | | | \$70,000 | | |
| Operations and Facility Management (13.0% of Acad Rev Budget) | | | \$51,593 | | |
| Electronic Data/Bill Processing (0.3% of Acad Rev Budget) | | | \$13,758 | | |
| UAA Administrative Support Charge (5.0% of Total Rev Budget) | | | \$160,238 | | |
| Maintenance & Repair 1.5% of Plant Value (9/12months) | | | \$242,125 | | |
| | | | \$1,219,426 | (\$1,219,426) | (\$1,256,009) |
| Replacement Reserves (9/12)*(75% of Plant Value)*age/1.275 | | | | (\$13,456) | (\$27,383) |
| Academic Year Student Service Program Requirement per detail below | | | | (\$375,400) | (\$345,974) |
| Academic Year Overage (Shortfall) available for Debt Service & Contingency | | | | \$151,068 | \$142,077 |
| SUMMER YEAR New Suites | | | | | |
| Students | 0 | students @ semester rate | \$0 | \$0 | \$0 |
| Daily Rate | | (room/bed) | \$60 | \$45 | |
| # of Days | | | 90 | 90 | |
| # of Beds | | | 275 | 275 | |
| Max Gross Daily Rate Receipts summer | | | \$1,485,000 | \$1,113,750 | |
| Daily Rate Occupancy Rate | | | 55.0% | 80.0% | |
| Net Daily Rate Revenue Summer | | | \$816,750 | \$668,250 | |
| Net Summer Revenue | | | | \$1,485,000 | \$1,529,550 |
| Non-programmatic Operating Costs Before Debt | | | | | |
| Utilities | \$1.86 | 192,000 (3/12months) | \$92,171 | | |
| Custodial | \$1.80 | 192,000 (3/12months) | \$86,400 | | |
| Maintenance & Repair 1.5% of Plant Value (3/12months) | | | \$114,375 | | |
| | | | \$292,946 | (\$292,946) | (\$301,734) |
| Replacement Reserves (3/12)*(75% of Plant Value)*age/1.275 | | | | (\$4,485) | (\$9,129) |
| Summer Conference Staff & Related Costs (7.0% of Revenue) | | | | (\$103,240) | (\$107,389) |
| Summer Overage (Shortfall) available for Debt Service & Contingency | | | | \$1,083,619 | \$1,111,620 |
| GRAND TOTAL NET REVENUES | | | | \$3,204,750 | \$3,300,693 |
| TOTAL OPERATING COSTS AND RESERVE CONTRIBUTIONS | | | | (\$1,078,903) | (\$2,047,190) |
| Total Overage (Shortfall) available for Debt Service & Contingency | | | | \$1,224,807 | \$1,253,607 |

University of Alaska Anchorage Student Housing Site Plan



The UAA Student Housing Framework Plan and the UAA Master Plan 1990-2015 designate housing development in the South Bragaw area depicted above. While classroom, library, and other academic functions are located at the core of the campus design, periphery areas contain administrative and faculty offices, recreation and housing facilities, parking and traffic circulation loops. Building and facilities planning objectives indicate providing adequate housing within the UAA environs to create a greater sense of community, ensure reasonable rents, and reduce the number of commuters and vehicles on campus as a university priority. On-campus housing at UAA will ultimately feature approximately 2500 total beds, a mix of single and double rooms, apartments, and family living units for students, visiting faculty, and guests.

University of Alaska Anchorage Student Housing Expansion Project

PRELIMINARY SCHEDULE

| | |
|---|----------------------|
| <i>Schematic Design Completion</i> | <i>March 1996</i> |
| <i>University Board of Regents Approval</i> | <i>April 1996</i> |
| <i>Legislative "Funding" Approval</i> | <i>May 1996</i> |
| <i>Continue Design</i> | <i>May 1996</i> |
| <i>Funding Receipt</i> | <i>July 1996</i> |
| <i>Sitework Completion</i> | <i>October 1996</i> |
| <i>Constructi Bid</i> | <i>November 1996</i> |
| <i>Begin Construction</i> | <i>April 1997</i> |
| <i>Exterior Closure Completion</i> | <i>October 1997</i> |
| <i>Building Interior Finish Completion</i> | <i>October 1998</i> |
| <i>Project Completion</i> | <i>November 1998</i> |
| <i>Student Occupancy</i> | <i>Spring 1999</i> |

SENATE COMMITTEE REPORT

DATE: 5/2/95

FURTHER: ~~HEB~~ - *Warrick*
Finance

DATE TURNED INTO OFFICE: 2-14-96

CRA Committee considered SENATE BILL NO. 163

Approving the University of Alaska's plans to enter into long-term obligations to borrow money from the Alaska Housing Finance Corporation; *etd.*

and recommends:

- be replaced with _____ CS _____
- adopt previous _____ CS _____
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

- Senate Bill:
 - same title
 - new title
- House Bill:
 - same title
 - technical change
 - new: SCR# _____

| SIGNING DO PASS | DP | OTHER RECOMMENDATIONS | NR | DNP | AM |
|---------------------------|-------------------------------------|------------------------|-------------------------------------|-----|----|
| <i>Tom Kelly</i> | <input checked="" type="checkbox"/> | <i>Kill & file</i> | <input checked="" type="checkbox"/> | | |
| | | <i>Send to House</i> | <input checked="" type="checkbox"/> | | |
| | | | | | |
| | | | | | |
| | | | | | |
| CHAIR: <i>[Signature]</i> | <input checked="" type="checkbox"/> | | | | |

NEW FISCAL NOTE(S):

| Department | Date | Zero | Fiscal |
|-----------------|-------------|-------------------------------------|--------------|
| <i>Revenue</i> | <i>2/13</i> | <input checked="" type="checkbox"/> | |
| <i>16 e f B</i> | <i>2/13</i> | | <i>174 B</i> |
| | | | |
| | | | |
| | | | |

PREVIOUS FISCAL NOTE(S):*

| Department | Date | Zero | Fiscal |
|------------|------|------|--------|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

SENATE COMMITTEE REPORT

First Committee of Referral

DATE: 4/21/95

FURTHER: CRA
HES
Finance

Handwritten initials

Date of 5-Day Notice: 4/28/95
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 5-2-95

State Affairs Committee considered SB 163

Approving the University of Alaska's plans to enter into long-term obligations to borrow money from the Alaska Housing Finance Corporation.

Handwritten circled text: F + OFN

and recommends:

- be replaced with _____ CS _____
- adopt previous _____ CS _____
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

Senate Bill: same title
new title
House Bill: same title
technical title
new: SCR# _____

| SIGNING <u>DO</u> PASS | DP | OTHER RECOMMENDATIONS | NR | DNP | AM |
|------------------------|----|-----------------------|----|-----|----|
| | | <i>Tom J. Lewan</i> | ✓ | | |
| | | <i>RECEIVED</i> | ✓ | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| CHAIR: | | <i>Ben King</i> | | | |

NEW FISCAL NOTE(S):
Department Date Zero Fiscal *FY 96*

| Department | Date | Zero | Fiscal |
|---------------|------------|------|--------------|
| <i>REV</i> | <i>5/1</i> | ✓ | |
| <i>U of A</i> | <i>5/2</i> | | <i>970.2</i> |
| | | | |
| | | | |
| | | | |

PREVIOUS FISCAL NOTE(S):*
Department Date Zero Fiscal

| Department | Date | Zero | Fiscal |
|------------|------|------|--------|
| | | | |
| | | | |
| | | | |
| | | | |

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

SB 163 -- Witnesses Before the Senate State Affairs, Community and
Regional Affairs, and Finance Committees

| | | |
|-----------------|-------------------------------|---------|
| Elgee, Alison | Dep. Dir. DOA | 4-26-95 |
| Ernoff, Sherman | Aide to Sen. Kelly | 3-8-96 |
| Fauske, Dan | CEO, AHFC | 5-2-95 |
| Fauske, Dan | CEO, AHFC | 3-8-96 |
| Fink, Josh | Aide for Sen. Kelly | 5-2-95 |
| McDonald, Gregg | Public Safety Employees Assn. | 4-26-95 |
| Redman, Wendy | VP, U of A | 5-2-95 |
| Redman, Wendy | VP, U of A | 3-8-96 |

BILL: SB 163

SHORT TITLE: APPROVE U OF A DEBT FOR STUDENT HOUSING

BILL VERSION:

SPONSOR(S): SENATOR(S) KELLY, Taylor, Duncan, Ellis, Rieger, Donley

CURRENT STATUS: (S) FIN

STATUS DATE: 02/14/96

HEARING: (S) FIN MAR 26 09:00 AM SENATE FINANCE 532

TITLE: "An Act approving the University of Alaska's plans to enter into long-term obligations to borrow money from the Alaska Housing Finance Corporation for the acquisition of student housing facilities; and providing for an effective date."

| | | | |
|----------|------|-----|------------------------------------|
| 04/21/95 | 1140 | (S) | READ THE FIRST TIME - REFERRAL(S) |
| 04/21/95 | 1141 | (S) | STA, CRA, HES, FIN |
| 05/02/95 | | (S) | STA AT 03:30 PM BELTZ ROOM 211 |
| 05/02/95 | | (S) | MINUTE(STA) - |
| 05/02/95 | 1416 | (S) | STA RPT 3NR |
| 05/02/95 | 1416 | (S) | FISCAL NOTE (UA) |
| 05/02/95 | 1416 | (S) | ZERO FISCAL NOTE (REV) |
| 02/12/96 | | (S) | CRA AT 02:10 PM BUTROVICH ROOM 205 |
| 02/12/96 | | (S) | MINUTE(CRA) - |
| 02/13/96 | 2410 | (S) | HES REFERRAL WAIVED |
| 02/13/96 | 2410 | (S) | REFERRED TO CRA, FIN |
| 02/14/96 | 2424 | (S) | CRA RPT 2DP 2NR |
| 02/14/96 | 2424 | (S) | FISCAL NOTE (UA) |
| 02/14/96 | 2424 | (S) | ZERO FISCAL NOTE (REV) |
| 02/14/96 | 2424 | (S) | REFERRED TO FINANCE |
| 03/08/96 | | (S) | FIN AT 09:00 AM SENATE FINANCE 532 |
| 03/08/96 | | (S) | MINUTE(FIN) - |
| 03/08/96 | 2664 | (S) | COSPONSOR: DONLEY |
| 03/26/96 | | (S) | FIN AT 09:00 AM SENATE FINANCE 532 |

SENATE STATE AFFAIRS COMMITTEE

May 2, 1995

3:36 p.m.

SSTA - 5/2/95

SB 163 APPROVE U OF A DEBT FOR STUDENT HOUSING

SENATOR SHARP brings up SB 163 as the next order of business before the Senate State Affairs Committee and calls the first witness.

JOSH FINK, Aide to Senator Kelly, prime sponsor of SB 163, states he will testify on SB 163 and SCR 14 at the same time, since they are on the same subject. Both pieces of legislation have been introduced to deal with the shortage of student housing in the University of Alaska system. The three campuses with serious housing shortages are Anchorage, Juneau, and Ketchikan. The University, a number of legislators, and AHFC have been working together to establish a loan agreement to meet the university's housing needs. AHFC's mission is to help meet the housing needs of persons with low to moderate income, and most students are in that group. Mr. Fink thinks this agreement will be beneficial to all parties involved.

Number 467

SENATOR LEMAY asks, based on today's market rate for bonding, what subsidy the university will be receiving at 3%.

Number 470

MR. FINK responds there is a spreadsheet in members' bill packets showing that information.

DAVE FAUSKE, Chief Executive Officer, Alaska Housing Finance Corporation, thinks the subsidy will be about \$10,000,000 over the life of the bond, which will be 25 years.

SENATOR LEMAY asks if this will commit the legislature to keeping AHFC as an entity for 25 years.

CHAIRMAN SHARP responds that it would not do so any more than any other bond issue does. The chairman asks Mr. Fauske to give a brief outline regarding SB 163 and SCR 14.

Number 492

MR. FAUSKE responds the loan would be a subsidized 3% loan, based on a 4% coupon rate on the bonds for the life of the bonds. Under this scenario, the principal of the debt would be paid by housing, food service, and other fees generated by the university.

SENATOR LEMAY asks what the figure identified as \$1,200,000 private gift is.

MR. FINK replies that the intent is to solicit private funds.

Number 511

WENDY REDMAN, Vice President, University of Alaska, states the university strongly supports student housing. SB 163 is integrally linked with SB 143, which is currently in the Senate Finance Committee. SB 143 provides for AHFC transfer agreements. AHFC has made it clear to the university that they will not be in any position to follow through on SB 163, unless AHFC's assets are protected.

CHAIRMAN SHARP thinks bonding for student housing is a great possibility. He does not need to be convinced, but there are others who still need convincing.

Number 537

SENATOR LEMAN informs Ms. Redman that he has been supportive of the university in the past, but when things like the Judge Greene decision and the recent student vote on the Anchorage campus happen, it causes him to question whether supporting the university is the right thing to do. If he is to continue to support the university, he would desire that those types of things not represent the university policy, or for that matter, even the bulk of the students attending the university. If that is true he would be the first to bail out and invest the money somewhere else.

Number 548

MS. REDMAN responds that if Senator Leman finds a way to possibly control the courts in Alaska, she would be very interested in pursuing that with him.

SENATOR RANDY PHILLIPS says the court system's budget could be cut.

CHAIRMAN SHARP thinks the legislature will have to look at some of the smaller campuses, and decide if operating those campuses are cost effective.

Number 566

SENATOR LEMAN makes a motion to discharge SB 163 from the Senate State Affairs Committee with individual recommendations.

CHAIRMAN SHARP, hearing no objection, orders SB 163 released from committee with individual recommendations.

SENATE COMMUNITY & REGIONAL AFFAIRS COMMITTEE

February 12, 1996

2:10 p.m.

SCR 14 UNIVERSITY OF ALASKA STUDENT HOUSING
SB 163 APPROVE U OF A DEBT FOR STUDENT HOUSING

SENATOR TORGERSON brought SCR 14 and SB 163 before the committee the first order of business.

SENATOR KELLY noted that the Administration, as well as the House, are in support of SCR 14 and SB 163 and that the House Finance Committee is currently working on committee substitutes. He requested that the committee pass both pieces of legislation out of committee so that they can be worked on in Senate Finance and then their work will then be completed by the time the House legislation passes over to the Senate.

SENATOR TORGERSON pointed out, for the record, that both pieces of legislation have a referral to the Health, Education and Social Services Committee before going to the Finance Committee.

SENATOR KELLY moved that SCR 14 be passed out of committee with individual recommendations. Hearing no objection, it was so ordered.

SENATOR KELLY moved that SB 163 be passed out of committee with individual recommendations. Hearing no objection, it was so ordered.

MINUTES
SENATE FINANCE COMMITTEE
8 March 1996
9:15 A.M.

SENATE BILL NO. 163

"An Act approving the University of Alaska's plans to enter into long-term obligations to borrow money from the Alaska Housing Finance Corporation for the acquisition of student housing facilities; and providing for an effective date."

Wendy Redmond, Vice-President for University Relations, University of Alaska was invited to join the committee. She said the sponsor had a CS for this bill.

Sherman Knouf, aide to Senator Tim Kelly was invited to join the committee. He said that University of Alaska at Anchorage had a student population of 16,000 credit students, which represents 64% of the total University of Alaska system-wide enrollment. UAA only has 384 beds, allowing them to provide housing to 2.6% of their students. By way of contrast the Fairbanks campus provides housing for 38.9% of their students and the Juneau campus 16.6%. Every fall, hundreds of Alaskans, both urban and rural are denied campus accommodations at UAA due to insufficient space. This gap is growing every year. This bill would allow the University of Alaska to construct a new 600 bed dormitory on the campus of UAA, using a long-term loan of \$33 million provided from AHFC. According to studies, resident students do better in colleges and they achieve more academically. A whole host of things develop better such as: social skills and development of leadership opportunities. In a recent survey conducted at UAA, 26% of the student body indicated their desire to live on campus. Lack of housing for single students, Alaska Natives, married students, athletes and international students is inadvertently forcing Alaskans to attend out of state institutions. This bill would provide a mechanism for UAA to get the housing they desperately need.

Senator Frank referred to page 2 of the bill and noted the annual debt services \$2.7 million over 25 years which the University of Alaska will pay \$1.7 million and asked who picked up the balance

Wendy Redmond answered that this would be financed with subsidized loans from AHFC. They will be paying approximately \$1 million per year on the interest rate subsidy for the bonds. Senator Frank asked if they would be able to use arbitrage funds or something that did not use their equity.

Mr. Dan R. Fauske, CEO/Executive Director, Alaska Housing Finance Corporation, Department of Revenue was invited to join the committee. He indicated that under the current scenario it would be money out of next year's capital budget to pay for that cash subsidy. He was waiting on a

response on bond counsel and tax counsel as to some potential uses and at this time was unclear if it would qualify under the arbitrage limits of IRS. Senator Frank asked if it were legal under the IRS code would that be their preference. Mr. Fauske said that at present they did a straight bond sale calculation, factored in the subsidy that was required to make the cash flow work for the university and then utilized what was known as existing cash in the succeeding years.

Co-chairman Halford said if it could go in to the arbitrage use then it probably had more potential support than if it competed with other non-arbitrage qualified capital budget items. Senator Rieger agreed.

Mr. Fauske said that there is an assisted and an unassisted portion of this debt. The unassisted portion is at 3% and it is about \$3.253 million they will pay full interest rate on. Senator Rieger asked if the arbitrage funds could be blended in with other totally different projects. Mr. Fauske said there were two different arbitrage funds you might need to use to get the total blended rate within the excess cap that is established by the IRS. The excess must be determined and the rate of the coupons determines what interest rates would be charged on use of arbitrage funds.

Co-chairman Halford said that the arbitrage determination is based on the project and could apply to the whole project. If it is eligible for use of arbitrage earnings it may be to our advantage to take the entire income stream out of the arbitrage earnings and thereby release the other dollars within or outside of the university system for unrestricted capital use. Mr. Fauske asked if he meant to fund the entire project out of arbitrage. Co-chairman Halford said if the whole project is qualified for use of arbitrage then it is qualified as a project next is to look at the whole package of expenditure of arbitrage earnings. Senator Rieger asked how the split was arrived at, the amount that was to be arbitrated or assisted and the amount that goes to the unassisted. Mr. Fauske said that it was based on cash flow information the university supplied as to what they felt they could afford on their projected future finances.

Senator Sharp said he didn't know what size capacity of dormitory this amount of money would build. At a capacity of 300 it would come out to \$5,000 per year per occupant to support that building counting debt service, maintenance and operation. That would only pay for the university's portion, not the portion being paid by AHFC subsidized.

Wendy Redmond indicated that this project was a 350 bed facility and included a full food service facility. Senator Sharp voiced concern of obligating AHFC for 25 years of payments on the subsidized amount and would the economics of \$34 million plus furnishings and operating costs on the debt service inflate an additional operating cost to the university. The total university operating cost plus the university's debt, less the amount of anticipated revenue

from student occupancy would appear to not cover the total cost of the structure. The money would have to come from someplace else. Wendy Redmond said the dorm receipts are expected to be \$1.5 million per year. That will be covering the student occupancy during the year as well as use of the facility during the summer for tours and groups and projects they bring in, similar to what they do in Fairbanks. In addition the campus is committed to generating an additional \$4 million of revenue. \$3 million will be financed over a twenty-five year period. Hopefully that can be bought out sooner. There is also anticipation in selling a condominium facility and putting the money into the project. Mr. Fauske said that if you look at the numbers there is a gap between construction costs. There is a capitalized interest period of about three years during the construction phase. There is no revenue coming in because it is being built. The debt structure or bond sale would be designed with bonds to cover that cost. During that time interest is paid on the bonds and interest is earned on the money that was sold. Senator Sharp asked what the projected operating and maintenance cost would be on this structure. The total revenue anticipated is \$1.5 million and that does not cover the cost of the debt service the university will pay at \$1.751 million. Somewhere the university budget will have to go up. Senator Frank asked if he meant heat, lights, maintenance and janitorial service and Senator Sharp concurred. Wendy Redmond said those costs were covered by the rental receipts from the facility, the students and the summer usage and those would cover the university's obligation for the debt repayment under the AHFC subsidized portion plus pay the costs to maintain and operate the facility. The board of regents will no longer approve a project that does not provide all those costs up front. She said she would bring a complete break down for the committee. Senator Sharp indicated that it would cost a student in the dorm approximately \$6,000 for a nine month period. This would not cover a maintenance operating cost of this building. Wendy Redmond said that the board's intention is not to create two residential campuses in the State. Fairbanks is the residential campus and we intend to maintain 35% to 50% of the full time students with housing. In Anchorage we are currently at 6%. This will bring us up to 12%-13% of the total full time students and a little less than 5% of their total student body. However, there are students coming in from all over the State because we have programs in the Health/Sciences, social work, and vocational

programs that are offered only in Anchorage. It is particularly difficult for young college students to try and find housing.

Co-chairman Halford HELD the bill in committee and would like an answer on the arbitrage question.

Senator Frank asked that how much interest rate has to be paid, and explanation of the \$1 million in cash, what about

the other \$3 million and why you have them separated, and

SENATE FIN BASIS - 3 - 03/08/96

level payment term all be explained at the next meeting. Wendy Redmond answered about the \$3 million at this time and the reason it was separate was because the Chancellor felt he had commitments from the local communities and corporations to raise \$3 million to support housing in Anchorage. Senator Frank said it appeared to be a debt service. Wendy Redmond said that they would finance the \$3 million from a separate stream of cash flow.

ADJOURNMENT

The meeting was adjourned at approximately 10:50 A.M.

SB

164

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 4/27/95

FURTHER:

DATE TURNED INTO OFFICE: 4-29-95

The Finance Committee considered **SENATE BILL NO. 164**

Approving the sale of Prudhoe Bay Unit royalty oil by the State of Alaska to Tesoro Alaska Petroleum Company; etd.

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

Senate Bill:

same title
new title

House Bill:

same title
technical change
new: SCR*

| SIGNING DO PASS | DP | OTHER RECOMMENDATIONS | NR | D&P | AM |
|------------------------------|----|-----------------------|----|-----|----|
| <i>[Signature]</i> | ✓ | | | | |
| <i>[Signature]</i> | ✓ | | | | |
| <i>[Signature]</i> | ✓ | | | | |
| <i>[Signature]</i> | ✓ | | | | |
| Co-Chair: <i>[Signature]</i> | ✓ | | | | |
| Co-Chair: <i>[Signature]</i> | ✓ | | | | |

NEW FISCAL NOTE(S):

| Department | Date | Zero | Fiscal |
|------------|------|------|--------|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

PREVIOUS FISCAL NOTE(S):*

| Department | Date | Zero | Fiscal |
|------------|---------|------|--------|
| #2 DOR | 4/19/95 | 0 | |
| #1 DNR | 4/19/95 | 0 | |
| | | | |
| | | | |
| | | | |

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

FISCAL NOTE

No. 1

Bill Version: SB 164

(S) Publish Date: 4/22/95

**STATE OF ALASKA
1995 LEGISLATIVE SESSION**

BILL

Revision Date: _____ Dept Affected: Natural Resources
 Title: An act approving the sale of Prudhoe Bay Unit BRU: Resource Development
royalty oil by the State to Tesoro Alaska Petroleum Co. Component: Oil & Gas Development
 Sponsor: Rules Committee
 Requestor: Governor Component Serial No. 439

Expenditures/Revenues

(Thousands of Dollars)

| OPERATING EXPENDITURES | FY96 | FY97 | FY98 | FY99 | FY00 | FY01 |
|------------------------|------------|------------|------------|------------|------------|------------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| | | | | | | |
|-----------------------------|------------|------------|------------|------------|------------|------------|
| CAPITAL EXPENDITURES | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
|-----------------------------|------------|------------|------------|------------|------------|------------|

| | | | | | | |
|-------------------------------|------------|------------|------------|------------|------------|------------|
| CHANGE IN REVENUES () | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
|-------------------------------|------------|------------|------------|------------|------------|------------|

FUND SOURCE

(Thousands of Dollars)

| | | | | | | |
|--------------------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1005 GF/Program Receipts | | | | | | |
| 1006 GF/MHTIA | | | | | | |
| Other | | | | | | |
| TOTAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimate of any current year (FY95) cost: \$ 0.0

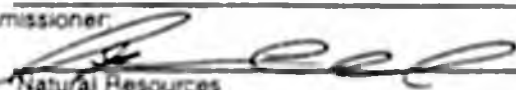
POSITIONS

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

ANALYSIS:

(Attach a separate page if necessary)

The State will sell royalty oil to Tesoro Alaska Petroleum Co. at a price based on the royalty value of Prudhoe Bay Unit (PBU) royalty oil sold by Exxon. In 1994, the value averaged \$ 15 per barrel more than the volume-weighted average royalty value of royalty oil sold by all of the PBU producers. This difference will decline over the life of the contract as the surplus of Alaska North Slope oil shipped to the Gulf Coast declines. It is expected that this difference will just offset potential revenue losses of royalties and severance taxes which may result from the sale. These losses are caused when, in selling royalty oil, the State reduces the volume of oil sold by the producers in Alaska. The proportion of oil sold by the producers in the higher value West Coast (including Alaska) is reduced and the average royalty value and value of severance tax oil is also reduced.

Prepared by: Kevin Banks Phone: 762-2589
 Division: Oil & Gas Date: 19-Apr-95
 Approved by Commissioner:  Date: 4/20/95
 Agency: Natural Resources

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FISCAL NOTE

No. 2

Bill Version: SB 164

(S) Publish Date: 4/22/95

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. LA

Revision Date: _____ Dept. Affected: Revenue
Title: Royalty Oil Sale to Tesoro by the State BRU: Revenue Operations
Component: Oil and Gas Audit

Sponsor: Governor
Requester: _____ COMPONENT SERIAL NO. 115

Expenditures/Revenues (Thousands of Dollars)

| OPERATING EXPENDITURES | FY 96 | FY 97 | FY 98 | FY 99 | FY 00 | FY 01 |
|------------------------|------------|------------|------------|------------|------------|------------|
| PERSONAL SERVICES | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| | | | | | | |
|-----------------------------|------------|------------|------------|------------|------------|------------|
| CAPITAL EXPENDITURES | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
|-----------------------------|------------|------------|------------|------------|------------|------------|

| | | | | | | |
|-------------------------------|------------|------------|------------|------------|------------|------------|
| CHANGE IN REVENUES () | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
|-------------------------------|------------|------------|------------|------------|------------|------------|

FUND SOURCE (Thousands of Dollars)

| | | | | | | |
|--------------------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1005 GF/Program Receipts | | | | | | |
| 1006 GF/MHTIA | | | | | | |
| Other | | | | | | |
| TOTAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimate of any current year (FY95) cost: \$ 0.0

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary)

Passage of the Bill reflecting LAWLOG: 95-0052 will not impact the Department of Revenue. Any change in royalty receipts should be reflected by the Department of Natural Resources.

Prepared by: Bob Barako Phone: 465-2312
Division: Administrative Services Date: 4/18/95

Approved by Commissioner: Deborah Vogt Date: 4/18/95
Agency: Department of Revenue

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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

April 22, 1995

The Honorable Drue Pearce
President of the Senate
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear President Pearce:

Under the authority of art. III, sec. 18. of the Alaska Constitution, I am transmitting a bill that provides for legislative approval of a royalty oil contract between the state and Tesoro Alaska Petroleum Company for the sale of Prudhoe Bay Unit royalty oil. Also transmitted with this bill are copies of the resolution of the Alaska Royalty Oil and Gas Development Advisory Board recommending approval of that contract in accordance with AS 38.06.040(a)(3) and 38.06.050(a), and the report required by AS 38.06.070(c).

The contract is described in a final finding issued by the commissioner of the Department of Natural Resources on April 21, 1995. A copy of the commissioner's final finding and the signed contract are attached. Copies of the commissioner's preliminary finding and the draft contract previously were sent to the legislature and made available to the public for review.

A bill approving the contract is being introduced for legislative approval for two reasons. First, as a matter of comity, I respect the legislature's desire to have a direct voice in major disposals of royalty oil. Therefore, although this and previous Administrations have consistently taken the position that the statutory requirement of legislative approval of royalty oil contracts (AS 38.06.055) is unconstitutional, the contract itself contains provisions requiring approval by the legislature before it can take effect.

Second, this legislation would ratify the royalty oil contract. This ratification would cure any procedural defect that might have occurred in the process of entering into this contract.

I urge your prompt consideration and passage of this bill.

Sincerely,

A handwritten signature in dark ink, appearing to read "Tony Knowles".

Tony Knowles
Governor

The Alaska Royalty Oil and Gas Development Advisory Board

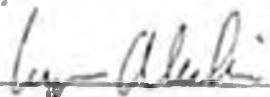
Resolution 95-1

On March 21, 1995, the acting director of the division of oil and gas ("director") provided the Alaska Royalty Oil and Gas Development Advisory Board ("Board") with preliminary findings and proposed contract for a three-year sale of approximately 40,000 barrels per day of Prudhoe Bay Unit royalty oil to Tesoro Alaska Petroleum Company ("Tesoro"). Tesoro will process the oil in its refinery in Nikiski, Alaska.

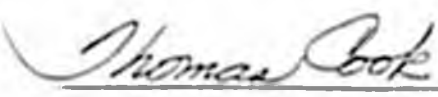
The proposed contract was discussed between representatives of the division of oil and gas and Tesoro over the past four months culminating in a draft contract. On March 21, 1995, the director made public the proposed contract and the Preliminary Finding and Determination of the Commissioner of the Department of Natural Resources. The director notified the public that the proposed sale would be discussed at the Board's meeting on April 6, 1995 and invited them to attend.

On April 6, 1995, the Board met to discuss the sale and to take public comment on it. The meeting was attended by representatives of the division of oil and gas, representatives of Tesoro, and members of the public. The Board received a presentation from the division staff regarding the proposed sale and contract, questioned the staff about them, and made several suggestions. The staff will implement those suggestions. At the conclusion of the discussion, the voting members of the Board, who attended the meeting, unanimously approved the proposed sale and recommended that the proposed contract be approved by the legislature.

Based on the Board's review of the contract for the sale and purchase of royalty oil between the state of Alaska and Tesoro, the Commissioner's finding and determination regarding the proposed sale, and the information presented at a public meeting of the Board, the Board is of the opinion that the proposed disposition of Prudhoe Bay Unit royalty oil to Tesoro meets the requirements of AS 32.06 and 11 AAC 26. The Board adopts the Commissioner's finding and determination, and recommends that the Nineteenth Legislature approve the agreement for the sale and purchase of royalty oil from the Prudhoe Bay Unit to Tesoro Alaska Petroleum Company.



Lynn Aleshire

 04-06-95

Tom Cook



Wilson Condon



Becky Galt

Willie Hensley



John Shively

APR 10 1995

The Alaska Royalty Oil and Gas Development Advisory Board

Resolution 95-1

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Lynn Alechue

Tom Cook

Wilson Condon

Becky Gay

Willie Hensley 4/6/95

Willie Hensley

John Shively

Final Finding and Determination
to Sell Royalty Oil
to
Tesoro Alaska Petroleum Company



Alaska Department of
**NATURAL
RESOURCES**

Division of Oil and Gas
3601 "C" Street, Suite 1380
Anchorage, Alaska 99503-5948

April 21, 1995