

**ALASKA LEGISLATURE**

**2099**

**HOUSE and SENATE FINANCE COMMITTEE FILES, 1999 - 2000**

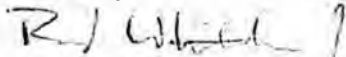
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working people to get a hand up. At this time, there are less than 10 single family or zero-lot homes on the Juneau market that would qualify for the AHFC first-time homebuyer program, excluding IHH's current offerings. Many of those units are in extremely poor shape. Of the 11 units IHH has slated to build before the end of September, all have been sold. Overall, 15 of the 19 units being built at Park Place have been sold to first-time homebuyers using AHFC programs. Four of those families are single parents with children. In addition, we have a waiting list of first-time homebuyers who want the opportunity to purchase a home from IHH if we continue to build this type of housing.

Unfortunately, we may have to abandon this market because our profits are based upon volume production instead of standard contractor profit margins. In the event that SB 113 passes, the market for first-time homebuyers will shrink drastically. IHH, and other companies, will no longer be able to produce and sell the number of housing units necessary to make this type of development possible.

We would greatly appreciate your help in getting this disastrous bill killed. We have worked very hard to bring our costs down and make a quality housing product that is affordable to our state's demographically young population. Unfortunately, we can't do it alone. We need your help to protect the AHFC's programs. Thank you for your assistance in this important matter. If you have any questions, please don't hesitate to call me.

Sincerely,



Rod Whitehead, President  
IHH Industries, Inc.



Headquarters  
4300 Boniface Parkway  
Anchorage, Alaska  
907-336-6100

Mailing Address  
PO Box 101020  
Anchorage, AK 99510-1020  
Internet Web Site  
<http://www.ahtc.state.ak.us>

April 9, 1999

The Honorable Senator, John Torgerson, Co-Chair, Senate Finance Committee  
The Honorable Senator, Sean Parnell, Co-Chair, Senate Finance Committee  
The Alaska State Senate

Juneau, Alaska 99801

Subject: Senate Bill No. 113

Dear Sirs:

Thank you for the opportunity to respond to Senate Bill No. 113 more completely than we were originally able to at the Senate Finance hearing held the evening of March 31, 1999. This additional time has been especially helpful as it has provided the Alaska Housing Finance Corporation Board of Directors the opportunity to meet and discuss the Bill together and commit to you now a response formally considered and adopted by the Board.

AHFC has been extremely successful. It is critical to the diverse housing industry in the State of Alaska. Its financial success has provided dividends to the State, assisted with financing state capital projects and acquisitions of assets, and support for improved bond ratings.

AHFC has dedicated itself to continued improvement of its programs — both to the program participant and to those with whom the Corporation partners in providing its services or products. In addition, the Corporation has become much more sensitive and responsive to the interests and concerns of trade and constituency groups, realizing in the process the wealth of information and experience which resides outside the Corporation's doors. As a result of these efforts, AHFC's programs are being increasingly accessed by residents throughout Alaska.

The Corporation is extremely pleased with the success of its programs, the encouragement expressed by program participants and constituent groups, the strength and experience of its seasoned management team, the soundness of its financial condition and performance, the appreciation and support so frequently expressed by the Governor, and the positive working relationship with Alaska legislators. Perhaps it is because of this overwhelmingly positive backdrop that the appearance of Senate Bill No. 113 has caused so much public testimony in support of the Corporation.

For reasons detailed in the Summary and Response, implementation of the Bill would in all likelihood be detrimental to the Corporation from issuing any further debt. AHFC would not be able to execute the various financial transactions necessary to operate its various programs. The



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logistics of approvals would be difficult, and the concerns of investors regarding the likelihood of repayment very great. The Corporation's most precious asset, its ability to leverage resources to provide consistent and cost-effective funding for its variety of programs, would be impaired.

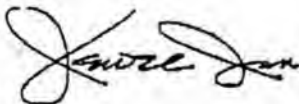
A review of other State Housing Finance Agencies performed on behalf of the Corporation revealed that the type and degree of legislative oversight and control provided by the Bill would exceed that of any other State. Such extensive oversight and control regarding the issuance of debt, appropriation of funds (even for purposes of paying debt service on outstanding debt obligations), and approval of budgets, is without precedent among housing agencies.

The Alaska Housing Finance Corporation suggests that a much more compelling case can be made for eliminating many of the already existing statutory provisions imposing legislative oversight or control over AHFC. Having agreed on basic overall objectives, the Corporation should be given great freedom in pursuing those objectives. The primary oversight and control would be in the form of a review and report on the Corporation's success in meeting those objectives. The Executive Budget Act is no doubt very helpful in controlling typical state departmental operations. It was not designed, however, as a tool to manage an enterprise fund such as the Corporation where accounting, financial reporting, and management control should be consistent with that more typically found in for-profit enterprises where services and/or products are provided on a fee basis.

The legislature has worked hard to make AHFC a respected and strong asset of Alaska. AHFC, in return, has provided the State with dividends and other transfers for the general state budget, the resources for building capital projects and the means to acquire state assets. This mutual cooperation has been appreciated and contributed to the financial strength advocated by the legislature.

Again, thank you for the opportunity to respond to Senate Bill 113 introduced by your Committee.

Sincerely,



Jewel Jones  
Chair

**Alaska Housing Finance Corporation**  
**Resolution No. 99- 31**

*Resolution Authorizing a Summary of and Response to Senate Bill No. 113 Introduced on March 19, 1999 by the Senate Finance Committee.*

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BE IT RESOLVED by the Board of Directors of the Alaska Housing Finance Corporation as follows:

I. Findings:

(a) The Senate Finance Committee introduced on March 19, 1999 Senate Bill No. 113, "An Act making activities of the Alaska Housing Finance Corporation subject to the Executive Budget Act, relating to appropriations to the Alaska Housing Finance Corporation; relating to bonds and bond anticipation notes issued by the Alaska Housing Finance Corporation; and providing for an effective date" (the Bill); and

(b) The Board of Directors of the Alaska Housing Finance Corporation (the Board) has reviewed the Bill and has found it to be not in the best interest of the people of the State of Alaska.

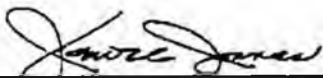
II. Conclusion:

Pursuant to the foregoing findings, the Board of Directors urges the Legislature not to take action on the Bill and authorizes the Chair and the staff to prepare a Summary of and Response to the Bill (the Summary) and distribute it to the Senate Finance Committee.

III. Effective Date:

This resolution shall take effect immediately.

DATED THIS 8th day of April, 1999.

  
\_\_\_\_\_  
Jewel Jones  
Board Chair

SB113res/mkc

## Alaska Housing Finance Corporation

Summary of and Response to:

**SENATE BILL NO. 113**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-FIRST LEGISLATURE — FIRST SESSION**

**BY THE SENATE FINANCE COMMITTEE**

Introduced: 3/19/99  
Referred: Finance

**A BILL**  
**FOR AN ACT ENTITLED**

**“An Act making activities of the Alaska Housing Finance Corporation subject to the Executive Budget Act, relating to appropriations to the Alaska Housing Finance Corporation; relating to bonds and bond anticipation notes issued by the Alaska Housing Finance Corporation; and providing for an effective date.”**

**General Responses:**

1. AHFC has substantial resources. One of its most significant and often underappreciated, is its ability to access capital markets. This ability to leverage its financial resources is available to the Corporation on a structured basis through the issuance of “revenue bonds” and on a general credit basis through the issuance of “general obligation bonds.”
2. The financial leverage through revenue bonds is enhanced when the issuer is particularly strong financially. This leveraging can, however, be done by an issuer without substantial equity. The fewer resources the issuer has, the higher the level and cost of additional third-party credit enhancement, which results in a greater cost of funds passed on to the borrowers.
3. The financial leverage through the issuance of general obligation bonds which are not secured by a separate portfolio of cash-producing investments, is possible only with financially strong issuers with substantial financial resources, a consistent history of solid earnings, and a seasoned and financially astute management team.
4. SB113 would impose the Corporation to an extreme degree of legislative oversight and control. It is difficult to envision the role and responsibilities of a Board of Directors post implementation of the changes called for in SB113.
5. Supplanting Board control and oversight with that of the Alaska Legislature would be viewed negatively by the rating agencies, investors, and other capital market participants upon whom the Corporation relies to leverage its resources. Investors and others involved in extending credit to the Corporation trust that its Board will make sound

- decisions regarding the application of its resources to meet program requirements and the terms of existing and future financial obligations. They would be generally unwilling to extend this same level of trust to a large, diverse, legislative body which necessarily has less knowledge regarding the detailed programs and financial responsibilities of the Corporation.
6. The radical changes incorporated in SB113 would be difficult to explain to capital market participants. The extensive history of financial assistance provided by the Corporation to the State, culminating with SB360 and the Corporation's issuance of general obligation bonds to fund state capital projects, has been interpreted by those outside the Corporation as a clear demonstration of positive relations between AHFC and the Legislature. The tone of SB113 is totally opposite this perception. The appearance of SB113 so soon after the Corporation's first issuance of State Capital Project Bonds issued on behalf of the State will be seen as a violation of the agreement understood to be in place when SB360 became law and was adopted by the AHFC Board of Directors. It is interesting to note that the State Capital Project Bonds, 1999 Series A Bonds were included in *Governing's* "Deals of the Year" (March, 1999).
  7. Implementation of SB113 would make it much more difficult for a holder of AHFC debt to know what of the Corporation's resources could be counted on being available to the Corporation for it to meet its financial obligations. The Corporation's debt obligations could be stigmatized with an additional rate penalty imposed for the unknown. Alternatively, investors may simply refuse to purchase AHFC bonds.
  8. The uncertainty referenced in General Response #7 would prevent the Corporation from issuing any additional debt based solely upon its general obligation. In addition to the recently implemented financing program for State Capital Projects, virtually all of the Corporation's multi-family loans are financed with the proceeds of bonds the primary support for which is AHFC's general obligation pledge.
  9. The emphasis of the Corporation over the last several years has been to maximize its net income. This emphasis was felt appropriate as it is much easier for the capital markets to accept transfers to the State and funding of programs which provide no return back to the Corporation if the amount committed to these activities does not exceed the Corporation's net income. By limiting these amounts to net income, the Corporation is able to demonstrate that its financial health has not deteriorated. The movement of control and oversight from the AHFC Board to the Alaska Legislature will make it more difficult for the Corporation to maximize earnings opportunities and achieve cost reductions. As a consequence, the Corporation will be less able to provide financial assistance to the State and continue funding of its programs directed to those who need assistance the most.
  10. The Executive Budget Act already applies to AHFC to a large extent. While the current review procedures for the corporation's operating budget, capital budget, aggregate mortgage loan activity for both subsidized and non-subsidized loans, and a variety of other reporting and control mechanisms are included in the Corporations authorizing

# CORRECTION

THE FOLLOWING DOCUMENT(S)  
HAVE BEEN REFILMED TO  
ASSURE LEGIBILITY OR PAGINATION



Rev. 6/98

Central Microfilm Services  
Department of Education & Early Development  
State of Alaska

decisions regarding the application of its resources to meet program requirements and the terms of existing and future financial obligations. They would be generally unwilling to extend this same level of trust to a large, diverse, legislative body which necessarily has less knowledge regarding the detailed programs and financial responsibilities of the Corporation.

6. The radical changes incorporated in SB113 would be difficult to explain to capital market participants. The extensive history of financial assistance provided by the Corporation to the State, culminating with SB360 and the Corporation's issuance of general obligation bonds to fund state capital projects, has been interpreted by those outside the Corporation as a clear demonstration of positive relations between AHFC and the Legislature. The tone of SB113 is totally opposite this perception. The appearance of SB113 so soon after the Corporation's first issuance of State Capital Project Bonds issued on behalf of the State will be seen as a violation of the agreement understood to be in place when SB360 became law and was adopted by the AHFC Board of Directors. It is interesting to note that the State Capital Project Bonds, 1999 Series A Bonds were included in *Governing's* "Deals of the Year" (March, 1999).
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9. The emphasis of the Corporation over the last several years has been to maximize its net income. This emphasis was felt appropriate as it is much easier for the capital markets to accept transfers to the State and funding of programs which provide no return back to the Corporation if the amount committed to these activities does not exceed the Corporation's net income. By limiting these amounts to net income, the Corporation is able to demonstrate that its financial health has not deteriorated. The movement of control and oversight from the AHFC Board to the Alaska Legislature will make it more difficult for the Corporation to maximize earnings opportunities and achieve cost reductions. As a consequence, the Corporation will be less able to provide financial assistance to the State and continue funding of its programs directed to those who need assistance the most.
10. The Executive Budget Act already applies to AHFC to a large extent. While the current review procedures for the corporation's operating budget, capital budget, aggregate mortgage loan activity for both subsidized and non-subsidized loans, and a variety of other reporting and control mechanisms are included in the Corporations authorizing

statutes, these controls largely exceed requirements by other states toward their housing authorities. For example, an Enterprise Fund accounts for operations where services or products are provided on a fee basis in a manner similar to a typical private business enterprise. AHFC is accounted for within the State's financial statements as an Enterprise Fund, and should possess flexibility to increase revenues, cut costs, and provide innovative and cost-effective programs.

11. The Corporation has developed a reputation for sound management of its financial affairs and innovativeness in its approach to program development and accessing of capital markets. It has been widely recognized for bringing about programs meeting the specific needs of targeted Alaska residents with financing structures supportive of the program objectives and at the lowest rates and costs. The decreased efficiency and reduced flexibility of market timing which will result from SB113 will substantially diminish and possibly totally eliminate AHFC's ability to develop customized programs and innovative financing structures. The initial effect will be decreased applicability of the Corporation's programs and higher interest rates to the borrowers. The ultimate effect of the inability to respond timely to changing program demands and financing structures will likely be the elimination of even the most basic of the Corporation's lending programs.

**Sectional Summary and Response:**

\*Sec. 1. AS 18.55.140 is amended to read:

**Sec. 18.55.140. Issuance of bonds, notes and refunding bonds.** The corporation may issue bonds and notes from time to time [IN ITS DISCRETION] for a purpose authorized by this chapter and may issue refunding bonds for the purpose of paying or retiring bonds previously issued under this chapter. **However, the corporation may only issue bonds, refunding bonds, and bond anticipation notes after the issuance has been approved by law.**

**Response:**

1. This section requires approval by law for bonds and bond anticipation notes issued for old Alaska State Housing Authority (ASHA, merged with AHFC in 1992) public building projects. This section is not needed because AS 18.55.100(d) already requires approval by law of bonds for public building projects.

\*Sec. 2. AS 18.55.240 is amended to read:

**Sec. 18.55.240. Power of corporation to obtain federal aid and cooperation.** The corporation may borrow, accept contributions, grants, or other financial assistance from the federal government in aid of any housing or public building project and for this purpose may comply with conditions and enter into the mortgages, trust indentures, leases, or agreements that are necessary, convenient, or desirable in order to obtain financial aid or cooperation from the federal government in the undertaking, construction, maintenance, or operation of a housing or public building project authorized by AS

**18.555.100 — 18.55.290. Every expenditure of federal funds by the corporation is subject to appropriation.**

**Response:**

1. This section is unnecessary. All federal dollars received under this section are already appropriated under the Executive Budget Act (AS 18.45.089(a)).

**\*Sec. 3.** AS 18.55.370 is amended to read:

**Section 18.55.370. Use of money.** Money appropriated [OR MADE AVAILABLE] under AS 18.55.300 — 18.55.470 may be used by the corporation to make

(1) character loans, not exceeding \$500 for each dwelling, to residents or cooperatives for the improvement, conversion, or construction of dwellings in remote areas for occupancy by the residents or members of the cooperatives.

(2) loans for moderate-cost or rental housing facilities and projects to public agencies, or private nonprofit or limited dividend corporations, or private corporations or cooperatives organized under AS 10.15.005 — 10.15.600 that are regulated or restricted by the corporation until the termination of all loan obligations to it as to rents or sales, charges, capital structure, rate or return, and methods of operation to the extent and in the manner that provides reasonable rentals to tenants and a reasonable return on the investment; loans to cooperatives may be made for up to 95 percent of the appraised value of the housing facility.

**Response:**

1. This section applies to the Corporation's low income rental housing program and requires that money be appropriated for the program.

**\*Sec. 4.** AS 18.55.520 is amended to read:

**Sec. 18.55.520. Powers of the corporation.** In addition to all powers previously vested in or granted to the corporation by any other law, the corporation has all the powers necessary or convenient to carry out and effectuate the purposes and provisions of AS 18.55.480 — 18.55.960, including the following powers:

(1) ...

(2) ... to agree to the conditions that it considers reasonable and appropriate that are attached to federal financial assistance and imposed **under** [PURSUANT TO] federal law ...

(3) within its area of operation,

(A) ... (E) ...

(F) to borrow money and issue bonds **that have been approved by law for issuance** and provide security for loans or bonds;

(G) ... (H) ...

(4) ...

(5) ... notwithstanding the provisions of any other law, the corporation may include in a contract for financial assistance with the federal government for a redevelopment project those conditions imposed under [PURSUANT TO] federal law ...

(6) ... (8) ...

(9) to make expenditures that are necessary to carry out the purposes of AS 18.55.480 — 18.55.960, and, **subject to appropriation**, to make expenditures from money obtained from the federal government and the state [, WITHOUT REGARD TO ANY OTHER LAWS PERTAINING TO THE MAKING AND APPROVAL OF APPROPRIATIONS AND EXPENDITURES];

(10) ...

(11) ... (A) ... to demolish and remove any structures on the property [,] and pay all costs related to the acquisition ... (B) ...

(12) ...

**Response:**

1. This change requires that bonds approved under AS 18.55 (old Alaska State Housing Authority) Slum Clearance and Redevelopment powers must be approved by law. This is currently an inactive statute of the Corporation.

**\*Sec. 5.** AS 18.55.570(a) is amended to read:

(a) The corporation may

(1) issue bonds **that have been approved for issuance by law** and notes [FROM TIME TO TIME] for any of the purposes of AS 18.55.480 — 18.55.960, including the payment of principal and interest upon advances for surveys and plans for redevelopment projects;

(2) issue refunding bonds **that have been approved for issuance by law** for the purpose of the payment or retirement or in exchange for bonds previously issued by it;

(3) ... (4) ...

**Response:**

1. As with Sections 4 and 6, this deals with the Slum Clearance and Redevelopment powers and is currently an inactive statute of the Corporation.

**\*Sec. 6.** AS 18.55.700(a) is amended to read:

(a) The corporation has all the powers necessary or convenient to undertake and carry out urban renewal plans and urban renewal projects, including the power to acquire and dispose of property, to issue bonds **that have been approved for issuance by law** and other obligations, to borrow and accept grants from the federal government or other source **and, subject to appropriation, make expenditures from federal funds**, and to exercise the other powers granted to it by AS 18.55.480 — 18.55.960 with respect to

redevelopment projects.

**Response:**

1. As with Sections 4 and 5, this deals with the Slum Clearance and Redevelopment powers and is an inactive statute of the Corporation.

**\*Sec. 7.** AS 18.55.998(a) is amended to read:

(a) There is created in the Alaska Housing Finance Corporation a supplemental housing development grant fund. Using corporate earnings or other available funds, **in accordance with an appropriation for the purpose**, the corporation shall make on-site sewer and water facilities, road construction to project sites, energy efficient design features in homes, and extension of electrical distribution facilities to individual residences.

**Response:**

1. This section refers to appropriation authority for the supplemental housing development grant fund. These grants are already subject to appropriation under the Corporation's capital budget (AS 18.56.089(a)).

**\*Sec. 8.** AS 18.56.082 is amended to read:

**Sec. 18.56.082. Alaska housing finance revolving fund.** The Alaska housing finance revolving fund is established in the corporation. The [REVOLVING] fund consists of appropriations made to **it. Income of the fund and [THE REVOLVING FUND BY THE LEGISLATURE,]** money or other assets **received** [TRANSFERRED TO THE REVOLVING FUND] by the corporation, **including** [AND] unrestricted repayments of principal on loans made or purchased by the **corporation, shall be separately accounted for and may be appropriated to the fund.** Amounts deposited in the [REVOLVING] fund shall be expended for the purposes of the corporation, set out in this chapter.

**Response:**

1. In order for the Corporation to carry out its mission and maintain its relationship with investors and constituencies, the proposed changes to this section should be deleted. This change would require appropriation of mortgage loan payments currently pledged to bonds as well as mortgage loan payments which may be hereafter pledged. As to existing pledges, this section would be unconstitutional. As to future pledges, the legislative appropriation requirement would bring the uncertainty of the appropriation process into what is now fixed as a matter of contract between the Corporation and its bondholders.
2. The General Account of the Revolving Fund is used by the Corporation to account for all activities not subject to specific restriction by statute or the terms of financing agreements. It is used as the Corporation's "working capital" account. As such, the majority of all financial transactions flow through this account. The Bill calls into question whether any amounts received into this account can continue to be considered an

asset of the Corporation.

Where in other cases, the investors have had to be concerned whether the State would appropriate resources away from the Corporation, here the risk is that absent specific legislative appropriation of earnings and collections on AHFC's own assets back into the Revolving Fund, such amounts will automatically revert to the State. It creates so much uncertainty regarding the earnings and collections on AHFC's assets that it is entirely possible we will be unable to continue to claim the assets reflected in the Corporation's financial statements as ours.

\*Sec. 9. AS 18.56.084 is amended to read:

**Sec. 18.56.084. International borrowing.** For the purpose of obtaining access to international capital markets to borrow money for the special mortgage loan purchase program under AS 18.56.098, as an addition to the powers of the corporation under AS 18.56.0900, the corporation may (1) ... (2) ... (3) issue bonds **that have been approved for issuance by law** and borrow money for investments in corporations established under this section; (4) ...

**Response:**

1. This section was originally enacted to facilitate international borrowing when international borrowing through a foreign subsidiary was necessary under tax law. Since tax law has changed, this section of the statute is defunct.

\*Sec. 10. AS 18.56.089(a) is amended to read:

(a) The provisions of AS 37.07 (Executive Budget Act)  
[(1)] apply to  
[(A)] the operating budget of the corporation **and to all activities of the corporation under AS 18.55 and this chapter** ; (B) ... (F) ... (2) ... (A) ... (C) ...]

**Response:**

1. As stated in the response to Section 8, the Corporation feels that these proposed changes would have an adverse effect on fulfilling its mission and therefore should be deleted. This change would subject all the activities of the Corporation to the Executive Budget Act. This would include amounts pledged to the payment of debt service. These amounts have previously been excepted from the appropriation powers. An appropriation requirement for amounts contractually pledged to existing bonds would be unconstitutional. Any appropriation requirement for future debt service would cause an immediate downgrade of the Corporation's bonds and substantially increase the cost of debt service.

\*Sec. 11. AS 18.56.110(a) is amended to read:

(a) The corporation, by resolution, may issue bonds and bond anticipation notes **after the issuance has been approved by law** in order to provide funds to carry out and effectuate

its purposes.

**Response:**

1. As with Sections 8 and 10, this section should be deleted. The Corporation typically issues bonds in large amounts to finance its programs. This section would require submission to the legislature of proposed bond issues with specific amounts, terms, maturities and redemption provisions. This approval process could not accommodate a reasonable bonding program because of the delays and uncertainties inherent in the legislative process. Among other things, this could have a very negative impact on the Corporation's ability to offer competitive and current mortgage rates on its mortgage loans.
2. The Bill would require all debt issued by the Corporation to be specifically approved by law. The level of detail required to be approved is unspecified. To issue bonds, the Corporation must provide an opinion of bond counsel that, among other things, all legal requirements for the issuance of the debt have been met. Lacking specificity as to the financing provisions, bond counsel will likely be required to have a great amount of the detailed financing structure incorporated in the approving legislation. There will be a significant period of time between the obtainment of the detailed legislative approval for the issue and the actual marketing of the debt. During this period, the market can have changed dramatically. The Corporation would lack the flexibility to adjust the structure of the debt issuance to best meet the demands and desires of the current market. This will increase the overall cost of funds and a decrease AHFC's ability to tailor the transaction to the needs of the program participants.

**\*Sec. 12.** AS 18.56.430(a) is amended to read:

(a) There is created in the corporation the home ownership assistance fund consisting of money appropriated to it by the legislature and deposited in it by the corporation.

**Subject to appropriation,** money [MONEY] in the fund shall be used solely to assist persons of lower and moderate income to purchase or construct single-family homes financed under AS 18.56.400 — 18.56.600 by providing a subsidy to those persons.

**Response:**

1. This change would require amounts to be appropriated to be expended from the home ownership assistance fund. This section is unnecessary. Currently the Corporation is subject to the Executive Budget Act and the requirement of appropriation generally. The exceptions are that appropriations are not necessary respecting activities in the exercise of its borrowing function, repayment of its debts, its ability to refinance existing mortgage loans, and are attributable to the servicing of loans. All other Corporation activities are required to be by appropriation.

**\*Sec. 13.** AS 18.55.710(a) is amended to read:

(a) The senior housing revolving fund is established. The revolving fund consists of appropriations made to it by the legislature, the proceeds of bonds sold under AS

18.56.790, repayments of principal and interest on loans made or purchased from assets of the fund, and money or other assets transferred to the revolving fund by the corporation. **Subject to appropriation**, the [THE] corporation may

(1) pledge amounts deposited in the revolving fund for bonds issued under AS 18.56.790;

(2) use amounts deposited in the fund for making, purchasing, or participating in

(A) senior housing mortgage loans;

(B) loans made for building materials for senior housing;

(C) loans made for renovation or improvement of congregate or individual residences; and

(D) loans made for the construction of senior housing.

**Response:**

1. This change, requiring an appropriation for the pledging of amounts deposited in the senior housing revolving fund for bonds and for the use of amounts in the fund is undesirable for the reasons stated in the response to Section 8.

**\*Sec. 14.** AS 18.56.790(a) is amended to read:

(A) Under the procedures of this chapter, the corporation may issue bonds in a total amount not exceeding \$30,000,000 to fund senior housing loans made under AS 18.56.700 — 18.56.799. Each separate bond issue under this subsection is subject to approval by law.

**Response:**

1. This proposed change requires separate approval by legislative enactment for senior housing bonds and is subject to the same objection detailed in Response #1 to Section 11.

**\*Sec. 15.** This Act takes effect July 1, 1999.

# GREAT LAND REALTY

105 Adak Avenue Fairbanks, AK 99701 PH: (907)452-5186 FX: (907)456-1481

To \_\_\_\_\_

Phone \_\_\_\_\_ Fax \_\_\_\_\_

From Heather Ferguson

Date 4/8/99

Number of pages (including this cover): (1)

please kill SB 113

AHFC has a multiplier impact to the  
real estate community by providing  
a stable housing environment for  
Alaskans to buy homes which  
benefits us all.

Heather Ferguson  
Sales Associate  
in Fairbanks Alaska



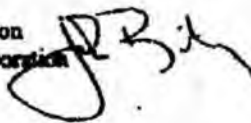
Information Hotline-24 hr Access to our Properties (907) 474-4338

**LEGISLATION ALERT!**

March 23, 1999

**TO:** Interested Individuals & Organizations

**FROM:** John Blaney, Legislative Liaison  
Alaska Housing Finance Corporation  
(907) 330-8445



**SUBJECT:** Legislation (SB 113) That Severely Impacts AHFC

On Friday, March 19, the Senate Finance Committee sponsored SB 113. Senior management at AHFC (including myself) believes this bill will severely and negatively impact AHFC's ability to perform its core-business function - issuing bonds to purchase home mortgages.

To summarize, SB 113 would establish the following:

- AHFC would be required to obtain legislative approval by law for every bond issuance, including refunding bonds to take advantage of lower interest rates.
- All home mortgage payments would have to be separately accounted and be appropriated to AHFC by the legislature.
- Every activity of AHFC would be subject to approval by the legislature.

Again, in summary, these are just a few of the reasons the bill will hurt AHFC:

- Mandatory legislative approval for AHFC to issue any bonds will limit our ability to make the most of bond market opportunities. Adding another layer of review in addition to AHFC's Board of Directors would delay the responses to favorable market conditions such as lower interest rates, strong demand for bond purchasing, or tax deadlines. For example, if interest rates went down during the summer, AHFC would have to wait until the next session started in January to try to get a bill passed to issue bonds.
- AHFC would be required to receive annual legislative appropriations to make bond payments. Investors who purchase AHFC bonds will demand higher interest rates that equate to the higher risk associated with legislative approval necessary for repayment of bonds. These higher interest rates will have to be reflected in AHFC mortgage rates.
- With \$100 million in bonds left to issue for state capital projects under SB 360 from last session, SB 113 could destroy our ability to sell these bonds based on investor disappointment that the seven-year agreement contained in SB 360 did not last longer than nine months.

The legislature already approves AHFC's operating and capital budgets. This process is working fine. The current public process for issuing bonds by approval of the AHFC Board of Directors is key to capital market participants who trust the Board will act prudently and diligently with regard to AHFC programs and financial resources. We see nothing to be gained and the potential for very serious harm if the legislature expands its authority to micro-manage AHFC.

If SB 113 passes, AHFC will not be able to offer mortgage programs, financing opportunities, or net income returns that are currently enjoyed by the State of Alaska and the housing industry.

SB 113 is currently waiting for a hearing in the Senate Finance Committee.

Post-It® Fax Note	7871	Date	3/20	Page	1 of 1
To	Kerry Vaager	From	Annie		
On/Dept.		On			
Phone #	Please call by your	Phone #			
Fax #	people	Fax #			



Michael J. Burns  
District President

KeyBank  
P O Box 100420  
Anchorage, AK 99510

Tel: 907-564-0250  
Fax: 907-563-1764

VIA FAX: (907) 465-4779

April 8, 1999

Senator John Torgerson  
Co-Chair  
Senate Finance Committee

Dear Senator Torgerson:

I am writing to express my opposition to SB113. I must confess that, not only am I opposed to this Bill, but I am quite honestly dismayed by its prospective impact.

As a well-scarred survivor of the recession of the late 1980's, the prospect of losing one of the most important players in that survival process is difficult to comprehend.

Facing the realities of the oil industry, be they consolidation, declining production, or low crude prices, will be a challenge for our economy.

I am confident that the State and the private sector have the financial strength and enough economic diversity to successfully meet these challenges. However, compounding that challenge by such a devastating blow to the real estate industry, such as this, would have serious economic repercussions.

Our customers in the industry (home builders, developers, mortgage bankers and brokers, and Realtors) are united in their opposition to this Bill.

I feel somewhat remiss in offering no alternatives or substitute language for this proposed Bill, but in all candor, it is so flawed that I find no merit in proposing any type of "fix." I also ask you to be mindful of the potential damage to AHFC's credit rating and reputation even the mere discussion of this Bill could have.

Thank you for your consideration.

Respectfully,

Michael J. Burns  
President

**Legislative Alert**

March 30, 1999

To: All Local Presidents and Executive Officers

From: Robin Ward, President  
Alaska State HomeBuilders Association

Re: SB 113

By now, you should have received the Legislative Alert from AHFC. This bill, introduced by Senate Finance, is being heard in Senate Finance Committee on March 31 at 6:00 P.M. and we need to have as many homebuilder members testify as possible. We all need to try and stop this bill in this committee!

Please ask your members to take the time to call their Senator, fix a letter, send a POM and testify at the hearing. I have requested that the Junction, Fairbanks, Anchorage, Information and Legislative Information Offices be opened to allow testimony and any other LIO's be opened upon request of local members.

3/30/99

Please call Legislative Information Office at 283-2030 or fax 283-3075. We need to get SB113 stopped! You may write or dictate a 50 word ROM. We also need personal calls and faxes to go to our local legislators. Please.

Senator John Torgerson: 465-2828 / fax 465-4779  
Senator Jerry Ward 465-4940 / fax 465-3766

\* Internet addresses:

Senator FirstName LastName @legis.state.ak.us



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Senate Finance Committee Members  
State Capitol  
Juneau, Alaska

April 8, 1999

Dear Senator,

I am corresponding to urge you to kill SB 113. If SB 113 is made law, it will kill Alaska Housing Finance Corporation (AHFC), as we know it today and the resulting implications will be broadly felt throughout the housing industry in the State of Alaska. They do not need more controls, but must remain autonomous from the legislature to continue its mission of providing safe and affordable housing.

AHFC, being the only viable investor in the state keeps money in Alaska and attracts money to the state from outside investors.

AHFC has a multiplier impact to the real estate community by providing a stable housing environment for Alaskans to buy homes, which benefits Realtors, homebuilders, and building supply providers.

This bill would kill the liquidity of AHFC by requiring legislative approval for bond sales. This in turn would severely impact AHFC's affordable loan programs that benefit First Time Homebuyers. These programs have helped thousands of Alaskans obtain home ownership. Without these AHFC programs, many people would still be unable to obtain the American dream.

Once again, I strongly urge you to kill SB 113. Let AHFC operate as it has, being profitable to the State, and providing great opportunities for Alaskans to obtain home ownership.

Respectfully,



Stephanie Kuhnel



U.S. Department of Housing and Urban  
Development  
Alaska State Office  
University Plaza Building  
Office of the State Coordinator  
949 East 36<sup>th</sup> Avenue, Suite 401  
Anchorage, AK 99508-4399  
(907) 271-4170  
(907) 271-3778 FAX

[www.hud.gov/alaska.html](http://www.hud.gov/alaska.html)

[www.hud.gov/local/anc/anchome.html](http://www.hud.gov/local/anc/anchome.html)

**TO:** Senate Finance Committee **FAX #** (907) 465-4779

**ARLENE PATTON**  
**FROM:** STATE COORDINATOR **FAX#** (907) 271-3778

**PAGES SENT:** 3  
(including cover sheet)

**DATE:** 4 / 1 / 99

**COMMENTS:** SB 113

Comments I made during the 5/31/99 public hearing are attached.

Thank You for the opportunity to express HUD's concerns with SB 113.

HUD is concerned with the new text being added to Section 2 " Every expenditure of federal funds by the corporation is subject to appropriation".

Section 6. "and, subject to appropriation, make expenditures from federal funds".

Good evening, My name is Arlene Patton, I am the State Coordinator with the U.S. Department of Housing & Urban Development (HUD) @ 949 E. 36<sup>th</sup> Ave., Suite 401, Anchorage, AK. 99508.

As you are probably aware, HUD is a federal funding agency. During FFY'98, through HUD's many programs, Alaska benefited from over \$780M in resources that helped fund housing, crime and drug prevention, Infrastructure, Community Development, Youth Activities and prevention of Homelessness.

My comments tonight are limited to only the programs and funds that HUD relies on AHFC to administer.

In 1992, the State merged the Alaska State Housing Authority, which was the recognized Statewide Public Housing Authority, into Alaska Housing Finance Corporation. That merger was one of the first nation-wide pilots, where HUD's Public Housing programs were administered by a Housing Finance Corporation. During those public hearings, as HUD's State Representative, I expressed our Department's concerns. Through the years, many of those concerns and processing issues have been resolved, due to a healthy working relationship between HUD and the Corporation. Some of those same concerns have now resurfaced as a result of SB 113. HUD's programs require timely processing and constant board approval of budgets, policies, plans, etc. AHFC **must** have the flexibility and authority to meet all the requirements and deadlines imposed by HUD. If spending and program delivery are not done within the scope of the funded project or in a timely manner, then future opportunities could be jeopardized.

With a very capable staff, and a committed board, HUD has scored AHFC as a High Performing H.A. AHFC has also received recognition for its development of innovative programs. Both are needed to better serve Alaskans.

I trust that the State's leaders will **not** take action that would negatively impact AHFC's positive image and its ability to continue to work in partnership with housing and resource providers.

Because AHFC is recognized as a high performing Housing Authority, benefits from a AAA bond rating and has helped to develop new programs, Alaska's homeownership rate has increased from 55.4% in 1993 to a high of 70.4% at the end of 1998. That rate is one of the highest in the nation and is over 4% greater than the National average of 66.3%. None of the accomplishments identified; home ownership, high performing, level of funding, would have been possible without the flexibility that currently exists, within AHFC operation.

Over the past fifteen years, I have watched Public Housing and AHFC go from a troubled agency to a high performer. Have assisted task forces that have provided expertise in developing new programs and have been involved in one of the strongest housing partnerships that exist in the housing arena. But we will not be finished until every Alaskan has a Safe, Decent, Sanitary, and Affordable place to live.

I appreciate the opportunity to comment on S.B. 113. I trust that the State's leaders will deter from action that will hamper AHFC's ability to deliver programs, respond in a timely manner to all of HUD's demands, and to assist in developing and funding new programs that are needed.

As a resident of Alaska for over 26 years, I recognize the current demands being put on the State's leaders. Please remember, though, what we do today must be for the long term and NOT just an immediate fix to the problem.



U.S. Department of Housing and Urban  
Development  
Alaska State Office  
University Plaza Building  
Office of the State Coordinator  
949 East 36<sup>th</sup> Avenue, Suite 401  
Anchorage, AK 99508-4399  
(907) 271-4170  
(907) 271-3778 FAX

[www.hud.gov/alaska.html](http://www.hud.gov/alaska.html)

[www.hud.gov/local/anc/anchome.html](http://www.hud.gov/local/anc/anchome.html)

-----  
**TO:** Senate Finance Committee **FAX #** 907-465-4779

**ARLENE PATTON**  
**FROM:** STATE COORDINATOR **FAX#** (907) 271-3778

**PAGES SENT:** 4  
(including cover sheet)

**DATE:** 4 / 20 / 99

-----  
**COMMENTS:** SB 113

I have read the amendments to SB 113, presented during the hearing of Monday, April 19, 1999.

I appreciate the delete on Page 6, line 31, through page 7, line 1.

However, HUD also has concerns with the new text added to

Page 2, line 7 through 8 "Every expenditure of federal funds by the corporation is subject to appropriation". We recommend that added text also be deleted.

Thank You



March 30, 1999

Senator John Torgerson  
State Capitol Room 516  
Juneau, AK 99801-1182

Dear John:

I got some VERY distressing news this morning about the Senate Finance Committee's fast-tracking of Senate Bill 113. This must be stopped immediately.

I cannot believe that the majority, with its emphasis on governmental hands-off, would hamstring probably the ONE state bureaucracy, Alaska Housing Finance Corporation, that is actually doing a good job for the people of Alaska, and is not being run at a loss. They give the legislature money every year and now you want to mess with their arbitrage monies that are directly related to our clients getting great state-financed mortgage programs. If every bond they float has to be run by the legislature, they will miss the best interest rates, will have to depend on the caprice of the legislature for the appropriations to make bond payments and they will lose the confidence of their investors, and therefore lose their money.

I don't know whose idea this was, but whatever happened to not fixing things that aren't broken??? And what about the good faith of selling bonds for all those state capital projects contained in SB360. That was a seven-year agreement and now you're changing the rules.

Please reject this bill. If you can't, at least take it off the fast-track so the people of Alaska have a chance to comment on it. You are doing us all a disservice by pursuing AHFC. Please try to access money for the government to spend some other way.

Sincerely,

Anne C. Whitney, Associate

203 W Pioneer Ave., Ste. 1  
Homer, AK 99603  
(907) 235-7700  
(907) 235-6557 Fax

[coastal@xyz.net](mailto:coastal@xyz.net)

P.O. Box 150  
Anchor Point, AK 99556  
(907) 235-7141  
(907) 235-6876 Fax

P.O. Box 1753 Kenai, Alaska 99611  
Phone (907)283-8071 Fax (907) 283-8072



# POM



TO: Senator Jerry Ward

FROM: Pat Vincent

ADDRESS: P.O. Box 1485

PHONE: 907-283-8378

DATE: 4-13-99

RE: Senate Bill 113

Patricia Vincent

(Signature)

I ask you to oppose SB113. It severely interferes with AHFC's ability to do business. I feel SB113 will negatively impact home builders and home buyers. Please vote no!

Thank you!

cc: Senator John Ferguson

P.O. Box 1753 Kenai, Alaska 99611  
Phone (907)283-2071 Fax (907) 283-2072

**KENAI PENINSULA  
BUILDERS  
ASSOCIATION**

# POM



TO: Senator John Torgerson  
FROM: Pat Vincent  
ADDRESS: P.O. Box 1485  
PHONE: 907-283-3378  
DATE: 4-13-99  
RE: Senate Bill 113

*Patricia A Vincent*

(Signature)

*I oppose SB 113 and ask you to consider the problems passage would create for home builders, people in the building industry and potential home-owners.*

*Thank you!*

cc: *Senator Jerry Ward*

April 12, 1999

The Honorable Druc Pearce, Senate President  
The Honorable John Torgerson  
The Honorable Scan Parnell  
Co-Chairs, Senate Finance Committee  
Sent VIA Fax

RE: SB 113

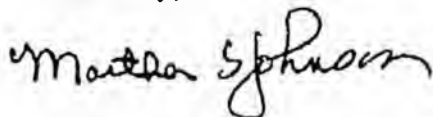
Dear Senators Pearce, Torgerson and Parnell,

As an Alaskan resident, I strongly oppose SB 113.

As a homeowner, I would not have been able to afford my present home. In 1995, AHFC introduced the 5% loan program for affordable housing. If this was not in place my life time dream of owning my own home would not have become reality. I feel with the programs that AHFC offers this gives the same opportunity to other residents.

I have a problem with our Senators giving a thought of controlling funds which may take away programs from the residents of Alaska. If the affordable housing didn't exist where would the little people go for homes.

Sincerely,



Martha S. Johnson  
Concerned Resident

# **National Bank of Alaska**



April 12, 1999

Mortgage Loan Department  
P.O. Box 107025  
1500 W. Benson Blvd., 4th Floor  
Anchorage, AK 99510-7025  
Phone (907) 257-3434 / Fax 257-3412

The Honorable John Torgerson  
State Capitol  
Juneau, Alaska 99801  
DELIVERED VIA FAX

RE: SB 113

Dear Senator Torgerson

I have been in the mortgage banking profession for 16 years and I have grave concerns regarding SB 113.

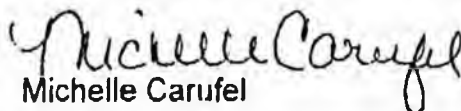
Alaska Housing Finance Corporation plays a crucial role in creating homeownership opportunities for the residents of this State through their programs for first time homebuyers and low and moderate income borrowers. In order for AHFC to offer these programs at affordable rates, they need to be able to sell bonds. This bill will negatively impact AHFC's bond rating and reputation in the bond market.

Alaska Housing Finance Corporation is the leader in providing financing to rural Alaska. They are dedicated to improving the housing stock in this State which is demonstrated by the development of new and innovative loan programs.

As a mortgage lender and someone who is concerned about the well being of our State, I urge you to take an active role in finding out more information about the impact the approval of this bill will have on our economy.

I am confident that once you become more informed, you will see as I do, that if this bill is made law, the impact on the economy of this State and the housing industry as a whole will be catastrophic.

Sincerely,



Michelle Carufel  
Vice President



April 12, 1999

The Honorable Sean Parnell and John Torgerson  
Co-Chairs, Finance Committee  
Members of the Senate Finance Committee  
Sent Via Fax

Re: SB 113

Dear Co-Chairs and Members of Senate Finance Committee:

As a private citizen and a native of Alaska I personally know many family's that could not own their own home if it were not for Alaska Housing Finance Corporation and the many programs they are able to offer. The National Bank of Alaska has worked closely with AHFC over the years, and has developed many affordable financing options for Alaskans throughout the state.

Alaska Housing Finance Corporation is one of the most effective housing authorities in the country. If AHFC cannot retain the authority to issue bonds when the need arises and favorable market conditions exist, Alaskans will be faced with higher interest rates under AHFC programs. Higher interest rates will stand in the way of many people being able to own their own homes.

I urge you to oppose SB 113 and protect the benefits we all currently enjoy from AHFC for future Alaskan home owners.

Sincerely,

  
Gloria Dushkin

# **National Bank of Alaska**



April 10, 1999

The Honorable Sean Parnell and John Torgerson  
Co-Chairs, Finance Committee;  
Members of the Senate Finance Committee  
SENT VIA FAX

Mortgage Loan Department  
P.O. Box 107025  
1500 W. Benson Blvd., 4th Floor  
Anchorage, AK 99510-7025  
Phone (907) 257-3434 / Fax 257-3412

RE: SB 113

Dear Co-Chairs and Members of the Senate Finance Committee:

National Bank of Alaska and I strongly oppose SB 113 because the bill, if became law, will severely impair AHFC's ability to provide affordable and quality housing to the people of Alaska.

As an Alaskan and employee of the National Bank of Alaska, I am deeply concerned of the negative effects SB 113 will have on the state's economy. For the last few years, I have had the opportunity to work closely with AHFC and see for myself very many positive influences AHFC has brought to the housing industry and our economy in general.

For over twenty years, AHFC has been providing many, many Alaskans with affordable and quality housing. AHFC is able to achieve this accomplishment mainly because of its independent ability to issue bonds to provide fundings for various home loan programs and needed housing projects.

Without the independent authority to issue bonds, as restricted by SB 113, AHFC will certainly have very limited ability to continue its mission of providing affordable housing to the people of Alaska. Without funding from AHFC, many Alaskans will not be able to enjoy the dream of homeownership. Potentially, the jobs of many other Alaskans (working as Realtors, homebuilders, building supply providers, and mortgage bankers, etc.) will also be jeopardized because a large number of them will no longer be needed to support a declining housing market in the state. As a result, SB 113, if passed, will cause a serious multiplier effect in the state's economy.

I trust you, the senators of the citizens of the state of Alaska, do care about the state's economy and the quality of life for all Alaskans. Therefore, I urge you to vote no on SB 113 so that all of us and the future generation can continue to enjoy the very many benefits AHFC has brought to us.

Sincerely,

Nhan Phung  
Assistant Cashier  
(907) 257-3305



April 12, 1999

The Honorable Sean Parnell and John Torgerson  
Co-Chairs, Finance Committee;  
Members of the Senate Finance Committee  
SENT VIA FAX

RE: Senate Bill 113

Dear Co-Chairs and Members of Senate Finance Committee:

As a resident of this great state, I'm writing to express my concern regarding Senate Bill 113. I feel giving control of Alaska Housing Finance Corp. to the state legislature would be a disaster. It's apparent by AHFC's success that they know their business and how to manage it. I urge you to let them continue to control their operation. To do otherwise would certainly destroy AHFC as we know it today.

I have lived in Alaska for over 30 years. My parents retired here. My daughter was raised here and currently works full time in Anchorage. One of her goals is to purchase a home someday. Without AHFC's 1<sup>st</sup> Time Homebuyer Program, she will have difficulty achieving this goal. Her modest salary would make it very hard to qualify for other loan programs. She is only one of many young Alaskans who surely want to keep Alaska as their home.

Our young people have a hard enough time starting off on the right foot. As children, we try to teach them to be responsible citizens. Today's world has so many challenges. Please don't send a message to them that the state doesn't care about their needs. We should all be supporting business that benefits Alaskans of all ages.

Please show how much you care about the future of Alaska by voting NO on this bill.

Sincerely,



Mary Perez  
19460 Wingham Circle  
Eagle River, AK 99577

April 12, 1999

Senator John Torgerson  
Senate Finance Committee  
Room 515  
Alaska State Legislature  
State Capitol (MS 3100)  
Juneau, AK 99801-1182

Subject: SB113/Alaska Housing Finance

Dear Senator Torgerson,


SB113 has many negative ramifications to many groups of Alaskans. I represent two of the groups as I am a mortgage banker for National Bank of Alaska and am a board member of the Kenai Peninsula Builders Association. I also represent a third group of Alaskans that does not yet realize the negative impact the proposed legislation has, the citizens.

I recently moved to the Kenai Peninsula and with my wife was able to purchase our first home. We have two young children that can now enjoy playing in our own backyard, rather than a shared space with other tenants. We were able to take advantage of the financing offered by AHFC and used the first time home buyer program along with the Interest Rate Reduction for Low Income Borrowers. This allowed us to afford a home that suited our needs, rather than a home that was considerably smaller and would not have benefited us.

What the proposed changes will do is detrimental to the interest rates AHFC is able to pass along to Alaskans as the bond rating will surely decrease. AHFC has been paying dividends to the state for a number of years and will continue to do so if left alone.

While I am only one voice out of thousands that you represent, I am certain that my views are shared by many other Alaskans, both professionals that would lose business and individuals that would lose the opportunity to enjoy the pride of homeownership. I hope that you will consider all of the facts, and more importantly the short and long term impact this will have on Alaskans trying to purchase a home.

Sincerely,



Aaron Swanson

P.O. Box 1753 Kenai, Alaska 99541  
Phone (907)283-8071 Fax (907) 283-8072



# POM



TO: Senator John Torgerson

FROM: Shelby Johnson - Kenai Builders Association

ADDRESS: P.O. Box 2694 Kenai

PHONE: 907-283-9150

DATE: 4-14-99

RE: Senate Bill 113

Shelby Johnson  
(Signature)

Dear Senator Torgerson,

SB 113 severely interferes with AHA's ability to do business. It makes no sense to legislate changes that would negatively impact AHA's core business functions - issuing loans to purchase home mortgages. We ask you to reject this Bill.

Shelby Johnson

## **Pending Legislation Could Hurt Alaska Housing Finance Corp. 's Ratings**

**Peter Block, San Francisco (1) 415-371-5044; Thomas J Sheridan,  
New York (1) 212-208-1118; Michael Forrester, New York (1) 212-208-1763;  
Pamela Berkowitz, San Francisco (1) 415 371-5012**

NEW YORK (Standard & Poor's CreditWire) April 22, 1999-  
-A bill pending in the Alaska legislature could hurt the issuer credit rating and some ratings on general obligations bonds of the Alaska Housing Finance Corp. (AHFC), Standard & Poor's said today.

Standard & Poor's issuer credit rating and ratings on about \$700 million of outstanding general obligation bonds of the Alaska Housing Finance Corp. is double-'A'-minus. The double-'A'-minus ratings reflect Standard & Poor's opinion that the corporation has a strong ability to meet its general obligations. Standard & Poor's also has various issue ratings on other AHFC bonds. These ratings primarily reflect the strength of the mortgage assets pledged for debt repayment, although AHFC pledges its full faith and credit to these bonds.

Should Senate Bill (SB) No. 113 become law in its current form, various restrictions would be imposed upon the corporation that could likely lead to credit pressure for AHFC, Standard & Poor's said.

SB 113 would subject AHFC to the state's Executive Budget Act. This annual budget process would require the corporation to receive legislative approval for various activities, including use of its general fund assets, issuance of debt, and use of federal funds. Currently, the bill is pending before the Alaska Senate Finance Committee and may come before a full legislative vote on or before May 19, 1999.

AHFC's investment-grade issuer credit rating incorporates the corporation's quasi-independence from the legislature in carrying out its affordable housing mission. The corporation largely acts independent of the legislature through a board of directors.

The corporation's relatively strong double-'A'-minus rating also incorporates a reduced risk of legislative appropriation of its unrestricted assets, in addition to the corporation's strong earnings profile, and a competent management team.

In December 1998, Standard & Poor's recognized the legislature's recent track record and public statements regarding maintenance of AHFC's financial health and integrity by raising its issuer credit rating and ratings on

about \$700 million of the corporation's GO bonds to double-'A'-minus from single-'A'-plus.

"Passage of SB 113 would clearly be a reversal of course by the legislature towards AHFC's operations," said Tom Sheridan, director in Standard & Poor's Public Finance Department.

Among its most severe provisions, SB 113 would subject AHFC to the state's annual legislative appropriations process for use of its general fund assets and issuance of new money bonds.

While the bill explicitly allows AHFC to pay debt service on all its bonds, the legislature would retain ultimate control over AHFC's general fund. Legislative control of this fund has the potential to restrict the corporation's ability to access capital, if needed, to pay debt service on its bonds.

SB 113's provision regarding new money debt issuance also has the potential to negatively impact AHFC's general credit quality. The corporation, like all state housing finance agencies, relies heavily upon mortgage revenue bond issuance to remain a viable entity. The positive interest rate spread between mortgages funded by the bonds and the debt, provides AHFC with funds to support its obligations and fund additional housing programs.

The introduction of SB 113 by Alaska's Senate Finance Committee underscores the wide-ranging impact of oil price declines on the state of Alaska's general fund budget. The state is currently grappling with a \$1 billion budget deficit and is exploring various proposals to diversify its revenue stream. The state typically derives 80% of its unrestricted general fund revenue from rents and royalties on oil and gas production in the state.

Standard & Poor's will continue tracking the progress of SB 113 and will take appropriate rating action following passage of any measure that impacts the credit quality of the Alaska Housing Finance Corp. and any of its bond obligations. -- CreditWire



520 East 34th Avenue  
Anchorage, AK 99503-4199  
(907) 561-1900

P.O. Box 101020  
Anchorage, AK 99510-1020

**MEMORANDUM**

April 18, 1999

TO: Brad Pierce, Policy Analyst  
Office of Management & Budget

FROM: Daniel R. Fauske, CEO/Executive Director  
Alaska Housing Finance Corporation

A handwritten signature in dark ink, appearing to read "Daniel R. Fauske", is written over the printed name in the "FROM:" field.

SUBJECT: SB 113 proposed amendment (4/7/99 by Cook)

The Director of OMB has asked my to provide you with comments or concerns regarding the proposed amendment to SB113, an Act relating to the finances of the Alaska Housing Finance Corporation (AHFC). I very much appreciate this opportunity.

First, the proposed amendment appears to remove the option to re-fund bonds from the legislative authorization requirements of SB113. It appears that the requirement in the legislation for authorization by law of any bond issuances by the corporation would remain.

Next, the amendment would exempt expenditures to pay the principle of and interest on bonds of the corporation from the Executive Budget Act (AS 37.07).

These changes proposed by this amendment appear to reflect a concern toward allowing AHFC to maintain flexibility in working with capital market participants. This concern is very appreciated, and I want to express my gratitude for this attempt to address concerns expressed by AHFC earlier. Regrettably, many provisions of SB 113 that give serious cause for concern by AHFC are not addressed in this amendment, and it is my sincere hope that there is an opportunity to address amendments in these sections.

It has been called to my attention that frustration has been expressed regarding AHFC's earlier response to SB 113. If this is, indeed, the case, please know that senior management and the Board of Directors are fully willing to respond to any questions or concerns by the Senate Finance Committee anytime that is mutually convenient. To date, minimal contact or information has been conveyed directly to AHFC by the legislature regarding the intent and purpose of SB113.

During the upcoming week, both corporation staff and myself will be available in Juneau to meet and discuss any questions or concerns toward AHFC with legislators.

We can be contacted by calling our local office at 586-3587.

*"Housing For All Alaskans"*

**Arctic Mortgage Insurance Company**

Agency, Inc.

720 W. 58TH AVE., UNIT B • ANCHORAGE, ALASKA 99518 • (907) 348-5641

April 21, 1999

Mr. John Togerson  
Senate Finance Committee

Re: Senate Bill 113

Dear Mr. Togerson,

I am taking this time to write you concerning the above referenced bill because I feel a serious mistake is about to be made. I have been an Alaskan resident for forty nine years, and, in one role or another, an active member of the housing/finance sector of our economy for the last thirty of those years. I have survived the dramatic changes we incurred in the housing and financial fields, and lived to tell about it. So it comes as a great surprise that anyone in our electorate would want anything resembling this bill to be passed.


Alaska Housing Finance Corporation has been a true hero in this state, a rare statement to make about a bureaucratic institution. They alone saved us from the ravages of high double digit interest rates that were prevalent in the 70's and early 80's. They have provided a stable, low cost source of housing finance that has enabled many Alaskans, including rural residents and veterans, to enjoy the benefit of home ownership. No institution can be perfect for every individual and every specific need, but AHFC has come closer to this ideal than any I've dealt with.

This Bill, if passed into law, will totally destroy the ability of AHFC to meet the needs of many Alaskan residents. How will they be able to respond to changing market conditions with the added constraints and bureaucratic influences envisioned in this bill? Why does anyone in the legislature think that we would not be bright enough to see that this is just a run on AHFC's cash reserves? AHFC and the Governor worked out a deal to provide substantial financial dividends to the State just last year. Do you think the national financial markets won't become leery of AHFC's future ability to protect itself from legislative meddling?

Right now, the national interest rates are holding steady at very attractive rates. It might be easy to delude ourselves into thinking they will remain where they are. Even if that were true, AHFC provides low cost financing for many areas of the state the national institutions won't touch. And you will have committed political suicide if this bill becomes law and national rates jump substantially. It has happened before, and it will happen again. I've seen the carnage of an unstable housing finance vehicle, and will be holding those who support this bill accountable if AHFC is stripped of its autonomy as provided for in this bill.

I urge you to reconsider the merits of this legislation. It will do irreparable damage to a fine, functioning institution that is of major value to Alaska.

Sincerely,



N. Douglas Green

President

Senator John Torgerson  
Senate Finance Committee  
Alaska State Legislature  
State Capitol (MS 3100)  
Juneau, AK 99801-1182

Subject SB 113/Alaska Housing Finance Corporation

Dear Senator Torgerson,

AHFC with its strong bond rating has become a tremendous source of highly beneficial financing means for many Alaskans. The corporation's pro-active approach in providing housing to low income families in urban and rural areas has been of far reaching positive economic consequences. Not only the immediate lending industry is affected, but also many peripheral industries like all facets of construction and home improvement, title companies, all segments of providers of services to home owners. This translates into many jobs being potentially affected by an adverse change to AHFC's freedom of operation.

You may not be aware about the housing needs in rural Alaska and the tremendous positive effect AHFC has had on the development of decent safe and sanitary housing stock in the rural areas. Under present operation conditions AHFC is able to make new construction and renovation of existing housing stock affordable to many Alaskans.

Providing attractive financing tools encourages the development of new housing and the renovation of existing housing. Housing is such a basic yet integral component of a healthy economy that we should focus on ways to improve current mechanism rather the potential elimination of a good working system.

Please reconsider voting yes on SB113.

Sincerely



Hilde Stappens  
(257-3417)

**CITY OF ST. MARY'S**

PO Box 209  
St. Mary's, AK 99658  
(907) 438-2515

April 22, 1999

Hon. John Torgerson, Co Chairman  
Senate Finance Committee  
Juneau, AK

Dear Senator Torgerson:

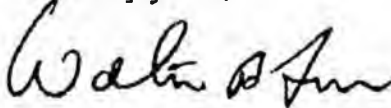
I am concerned about the 5% contribution requirement of SB147. I understand the intent is to create an additional sense of "ownership" by the village through requirement of a cash contribution. However, I believe the sense of ownership as well as project readiness is already being met by other requirements of the VSW. Furthermore, the addition of a 5% cash match may further stifle infrastructure development in the village, making it even more difficult for a village to develop economic self-sufficiency.

For some years now the VSW has demanded proof of responsible management capability by villages prior to funding water and sewer projects. This is done through the documentation requirements of the Capital Projects questionnaire, as well as through analysis of the RUBA program. Furthermore, the planning process that the VSW program goes through requires extensive village input throughout the process, prior to construction. The village is well aware of what they are committing to before the first pipe is put in place.

As evidence of the success of the present VSW approach, the number of system failures through mismanagement or failure to do needed O&M has dropped to virtually zero these past few years.

I encourage you to reconsider your position on SB157, and I thank you for your time and consideration.

Sincerely yours,



Walton B. Smith  
City Manager

465-4779

# ASSOCIATION OF ALASKA HOUSING AUTHORITIES

4300 Boniface Parkway • Anchorage, AK 99504

Phone (907) 338-3970 • Fax (907) 338-4904

e-mail: aaha@alaska.net Home Page: http://www.alaska.net/~aaha

April 21, 1999

*Alaska Housing  
Finance Corporation*

Senator John Torgerson, Co-Chair  
Alaska Senate Finance Committee

*Alutian  
Housing Authority*

State Capitol (MS 3100)  
Juneau, AK 99801-1182

*Association of Village  
Council Presidents Regional  
Housing Authority*

Re: SB 150 – Small Community Housing Mortgage Loans

*Baranof Island  
Housing Authority*

Dear Senator Torgerson,

*Bering Straits Regional  
Housing Authority*

The Association of Alaska Housing Authorities opposes the passage and enactment of SB 150 which demolishes one of the most effective mortgage loan programs in Alaska. Quite the contrary, we support improvements and expansion of the program in coordination with other federal and state programs. Some of those improvements are currently now before the Senate Finance Committee through HB 93. Another effort at improvement currently receiving public comments is the "One-Stop Mortgage Center Initiative" co-sponsored by the federal Treasury and HUD departments.

*Bristol Bay  
Housing Authority*

*Cook Inlet  
Housing Authority*

*Copper River Basin  
Regional Housing Authority*

Before changing such an effective and important loan program, we recommend that you consider its Legislative purpose and determine if conditions have so dramatically changed to warrant its elimination. In AS 18.56.010 (a) you found that:

*Interior Regional  
Housing Authority*

*Kodiak Island  
Housing Authority*

There exists within the state a serious shortage of decent, safe, and sanitary residential housing available at low or moderate prices or rentals to persons of lower or moderate income. There also exist within the state remote, underdeveloped, or blighted areas where the development of decent, safe, and sanitary housing is necessary to economic growth. These conditions are inimical to the safety, health, welfare, and prosperity of the residents of the state and to the sound growth of rural and urban communities.

*Metlakatla  
Housing Authority*

*North Pacific Rim  
Housing Authority*

*Northwest Inupiat  
Housing Authority*

Further, in AS 18.56.010 (b):

*Togiak  
Nunamitlu (TNMA)*

The legislature finds and declares that private enterprise has not been able to provide, without assistance, an adequate supply of safe and sanitary homes at prices or rents that persons of lower or lower and moderate income can afford, or to achieve rehabilitation of much of the present housing for persons of lower and moderate income, or to provide without assistance the housing

*Tlingit-Haida Regional  
Housing Authority*

SB 150  
April 21, 1999

Page 2

necessary to promote the economic growth of remote, underdeveloped, or blighted areas, and that existing state and federal programs are inadequate to meet housing needs of lower and moderate income or of remote, underdeveloped, or blighted areas.

The current status of the inadequacy of state and federal programs is evidenced by FY99 funding allocation data used by the U.S. Department of Housing and Urban Development which identifies the immediate need for 12,519 units of housing for low-income families statewide.

We recommend that before the Senate Finance Committee adversely and abruptly changes such an important program which addresses tremendous unmet need, that it conducts an investigation, including public hearings throughout rural Alaska, to again determine the need for federal and state housing assistance. We believe that you will clearly find that the need for this program is greater than ever.

We further recommend that the Senate Finance Committee should act favorably on HB 93 as soon as possible.

If you have any questions about these comments, or require additional information that will benefit your consideration of this issue, we will be glad to provide.

Sincerely,



Bruce Kovarik  
Executive Director

Pc: Alaska Senate Finance Committee  
Governor Tony Knowles  
Jacqueline Johnson, Deputy Assistant Secretary, U.S. Department of  
Housing and Urban Development  
AAHA Members  
Chron



*American Fisheries Society*

ALASKA CHAPTER

April 2, 1999

From Sen. Elton

APR 06 1999

Senator John Torgerson  
State Senate  
State Capitol, Room 514  
Juneau, AK 99801-1182

Dear Senator Torgerson:

The Alaska Chapter of the American Fisheries Society represents over 600 professional fisheries biologists and scientists in Alaska. Our members are dedicated to the conservation and careful management of Alaska's fisheries resources. A key to successful management of these valuable resources is the routine daily cooperation among fish biologists, whether they work for state or federal agencies, universities, local native organizations, or private industry. Good working relations among the array of biologists support the free interchange of ideas and information and the ability to engage in cooperative projects aimed at sustaining healthy fisheries to the benefit of all Alaskans. Our membership recently became aware of two bills being proposed to the Alaska State Legislature. These bills concern us because they would limit cooperation and information sharing on fisheries issues among fisheries professionals. Keeping in mind that resource management decisions need to be made with the best available data, adoption of these bills as written would potentially inhibit the availability of data to resource managers.

SB 68 would force state agencies, primarily Alaska Department of Fish and Game, to "not cooperate with a federal agency in the implementation of a federal program that restricts the state management of fish or game in the state unless the commissioner of fish and game finds in writing that the federal agency has entered into an agreement to reimburse the state for the full cost of cooperation." The Alaska Chapter of the American Fisheries Society takes no position on state's rights issues or whether the state should be reimbursed for involvement in federal programs that restrict state management. However, we do have significant concerns that the legislation, as proposed, has the potential to inhibit optimal management strategies and, in some cases, may harm important aquatic resources, some of which may already be tenuous. Fisheries science and management are difficult enough under the best of conditions, but they would be made more difficult if access to additional information were denied by this legislation.

In many instances, staff within state agencies possess current or historical data and knowledge that would improve resource management for sustained yield. However, the proposed legislation would prohibit the sharing of this valuable information among state and federal biologists in instances where the federal government has preempted or otherwise limited state management authority. Establishing this barrier will prevent the best use of available data and may have serious ramifications for the long-term sustainability of Alaska's natural resources. State-federal cooperation at the technical level is essential, particularly for highly migratory species such as salmon.

HB 109 would prevent cooperation among state and federal biologists in fisheries management in Glacier Bay National Park. The bill states that "an agency, employee, or agent of the state may not expend funds to adopt, enforce, or otherwise assist in the implementation of the federal regulatory program for control of fish and game in the park and preserve or the navigable waters within or adjoining the park and preserve." While the American Fisheries Society forms no opinion on the issues of state or federal jurisdiction over natural resources in Glacier Bay, we are very concerned that barriers against state and federal cooperation in fisheries management will inhibit development of management strategies for valuable fisheries resources in this and other parts of Alaska. Cooperation between state and federal biologists is essential to rational fisheries management in Glacier Bay and elsewhere. The bottom line is that optimal resource management depends on the best use of available information, and that data availability is substantially improved through cooperative efforts.

We encourage you to oppose these two bills as written. Both bills could be modified so that their primary intent of maintaining state jurisdiction and obtaining reimbursement for state/federal involvement can be met without preventing routine cooperation among state and federal biologists. In summary, management for sustainable yield needs to extend beyond short-term political objectives if our natural resources are to be available for future generations of Alaskans. Please contact us if we can provide additional information. I can be reached in Juneau at 586-7585 (W) or 789-3259 (H). Our environmental concerns committee chair is Eric Knudsen. Eric can be reached in Anchorage at 786-3842 (W) or 345-5213 (H).

Sincerely,



Cindy Hartmann

President, Alaska Chapter, American Fisheries Society

28905 Reflection Lake Rd  
Soldotna, AK 99669  
April 24, 199

RE: SB 113, 151, 126 and 40

Dear Senator Torgerson,


I know you will be flooded with correspondence regarding the referenced SBs. It seems everyone and every agency wants his or her little piece of pie left intact and okay to take it away from somewhere else. I realize we are facing a serious financial shortfall and cuts have to be made.

I support these bills as I don't believe the legislative alerts that many of the affected agencies are flashing over the fax and phonelines will have anywhere near the detrimental effect they claim. They don't seem to realize that each Alaskan must share in the pain the budget shortfall will cause.

I am a firm believer that government expenditures are too high and must be cut. We can't break our piggybank this year to get at the PDF and an income tax and expect that it will cure our problem down the road. We need to reduce the amount of money it takes to run the government before we look at the PDF or any sales or income tax.

I strongly support any efforts to curtail government expenditures provided there is a safety net for those that truly, and I do mean truly, need financial support.

Respectfully,



Ken Losser

28905 Reflection Lake Rd  
Soldotna, AK 99669  
April 24, 199

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Respectfully,



Ken Losser

**COMMONWEALTH NORTH**

*Alaska's Asset Portfolio*  
**Managing for  
Maximum Return**

*A Commonwealth North Study*

**December, 1998**

Scott Goldsmith  
Nancy Fear Useni  
Study Group Co-Chairs



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1998 -1999

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## About Commonwealth North

The mission of Commonwealth North is to educate its members and all Alaskans on relevant public policy issues and to assist in their resolution. The organization addresses state and national long-term issues and involves leaders from Alaska business, labor, education, public service, and Native community. The goals of Commonwealth North include: strengthening the private sector of Alaska's economy, understanding Alaska's role in the larger world, educating members on major issues affecting our state and nation, and influencing state and national public policy decisions.

■

# Table of Contents

1. Executive Summary . . . . .	2
2. Background and Current Conditions . . . . .	4
3. Charge and Goals . . . . .	5
4. Approach and Methodology . . . . .	5
5. Defining Concepts . . . . .	6
6. Assumptions . . . . .	8
7. Findings . . . . .	8
8. Recommendations . . . . .	9
9. Conclusion . . . . .	15
10. Acknowledgements . . . . .	15
11. Appendix	
Study Group Members . . . . .	16

# Executive Summary

## Introduction

Alaska's financial health depends on the state's achieving a sustainable level of revenue sufficient to meet the needs of the state and its people. The Alaska Statehood Compact anticipated the use of publicly held assets for this purpose. Alaska received 104 million acres from the federal government at the time of statehood in 1959. The purposes for the endowment are set forth in Alaska's Constitution. It mandates that the state's land and resources be used, developed, and conserved for maximum benefit of its people.

If managed effectively, these assets have the potential of producing reliable and stable revenues for the state and providing continued economic benefit to the people of Alaska. This is critical to Alaska's future because no income or other individual tax will ever be sufficient to pay for necessary state services and infrastructure.

Commonwealth North wondered if the state could improve its return on these assets. Accordingly, it established a study group with 32 of its members to "identify and recommend unifying policies and principles to guide management of Alaska's public assets to maximize their return and assure their benefit to the people of Alaska."

The study group specifically looked at land and resource assets as well as the business and financial assets the state has created with its oil wealth over the past 20 years. These are the assets that are available for development and that can generate earnings. The study group did not look at conventional public assets such as public schools, office buildings, and transportation infrastructure.

## Assumptions

The study's recommendations are predicated on a set of assumptions that reflect underlying

principles for successful management and the operating realities of public sector management. These basic assumptions are:

1. The assets which are derived from Alaska's land-grant should be managed consistent with the Constitutional mandate to maximize their use and benefit to the people of Alaska.
2. The Constitutional prohibition against dedicated funds is recognized as a policy principle which provides that the public interest is served when all state revenues, regardless of source, are available for appropriation by the Legislature to meet Alaska's total needs.
3. There are two types of returns derived from an asset's management: financial and beneficial, and each must directly or indirectly benefit all the people by serving a public purpose.
4. Asset management is most effective within a structure which provides flexibility for maximizing returns while assuring accountability to the state and its people.
5. Performance measures for determining efficiency, results and returns are essential for public accountability.
6. Private enterprise should be the first option for obtaining expertise, goods and services to develop public assets. To the extent that public sector programs compete with the private sector, their activities should be priced in a manner which minimizes adverse effects on private sector competition.
7. Maximizing returns for all assets will enhance revenue to the state as well as provide greater diversity and stability of state revenues.

## Recommendations

The result of extensive research, interviews, and discussions is a set of five sequential recommendations for enhancing state revenue, assuring public accountability, and maximizing the use of state assets to benefit Alaskans.

## 1. Clarify Roles and Responsibilities

A. Elected leaders should establish policy and managers should be given authority and flexibility to implement those policies.

B. Assets available for development should be managed independently of the organizational authority responsible for promulgating regulations affecting the development of that asset.

C. Activities to develop assets and produce returns, to the fullest extent possible, should be carried out by, or in partnership with, the private sector.

## 2. Measure and Disclose Performance

A. Management performance and agency operations should be measured based on meeting mission, efficiency and financial objectives.

B. Three types of performance measures should be adopted to evaluate management of each asset:

1. Appropriate efficiency measures to evaluate the cost of operations.

2. Measures that show the organization's results in meeting its statutory mission.

3. Quantifiable measures that state the monetary value of the asset's beneficial and financial returns.

C. Financial and operational performance based on these measures should be reported to the public annually, for each asset under management, using consistent accounting and reporting standards.

## 3. Manage Assets as a Portfolio

A. The state should strategically manage its assets in a manner that provides for an integrated assessment of risk, potential return, debt, market conditions and cross investment opportunities.

B. Financial and beneficial returns on all assets under state management should be

annually reported to the public on both an aggregated and individual basis using consistent accounting standards.

C. The portfolio of assets should be used strategically to achieve long-term sustainable revenue and return objectives.

## 4. Pay Returns to the General Fund

A. To the extent that financial returns exceed the need for efficient operations, beneficial returns and appropriate capitalization as determined by the Legislature, they should be deposited into the state Treasury for allocation by the Legislature based on the state's overall priority needs.

B. Every asset management organization should have an expectation to contribute a financial return to the state General Fund based on a formula appropriate to its activities and maturity.

## 5. Create a System to Achieve These Recommendations

A. Establish an integrated system of portfolio management which oversees, monitors and reports asset management performance on an aggregated basis.

B. Incorporate state owned natural resources available for development into the state asset management portfolio.

## Conclusion

It is in every Alaskan's interest to participate in developing a sustainable system for funding government that is adequate to fulfill the state's obligations. Income taxes, or other methods of individual taxation, will never be sufficient to meet Alaska's financial needs and responsibilities. The responsible development, use and management of Alaska's assets are the only means of achieving this goal.

Fortunately, Alaskans already have considerable experience with successful models for state asset management, and must capitalize on those successes. Our purpose in setting forth these recommendations is to stimulate a public dialog on the goals of public asset management and the best means of achieving those goals.

# Background and Current Condition

Alaska received 104 million acres from the federal government at the time of statehood in 1959. The purpose for the endowment was to provide an economic base for the development of the state and to provide the revenues necessary to operate the new state.

The policy of the state, reflected in its Constitution, is to use, develop, and conserve this land and its resources consistent with the public interest for the maximum benefit of its people (Sections 8.1 and 8.2):

8.1. It is the policy of the state to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest.

8.2 The legislature shall provide for the utilization, development, and conservation of all natural resources belonging to the state, including land and waters, for the maximum benefit of its people.

The economic history of Alaska since statehood has been largely driven by the development of its petroleum resources, first in Cook Inlet and later on the North Slope. The development of the state's petroleum reserves has resulted in a flow of revenues that has paid virtually the entire cost of operating government and building the physical infrastructure to meet the state's needs.

However, recognizing that petroleum is a depleting resource, the state has invested a large portion of the revenue from oil in other, renewable assets with earnings potential. Although the Alaska Permanent Fund is the largest and best known of these, there is an entire portfolio of financial and real assets derived from the transformation of oil. For example, the

Alaska Housing Finance Corporation and the Alaska Industrial Development and Export Authority were both capitalized with oil revenues. Additionally, Alaska continues to hold a wealth of other resource reserves available for revenue generation through responsible development.

Although oil continues to be the dominant natural resource industry in the state, production has been declining since 1988, and revenues from oil are no longer sufficient to provide for all the needs of state government. Oil revenues will continue to be an important source of state revenues for the foreseeable future. However, the state must increasingly generate other revenues to take their place to provide a stable fiscal future.

The Permanent Fund has become the focus of public attention because it is Alaska's largest asset and because it pays a return directly to all Alaskans. But we cannot overlook the other assets in the state's portfolio that can also make a significant contribution to the state's economic welfare.

To maximize the return from these assets, they must be managed strategically and efficiently. The state has considerable experience with successful models for state asset management. However, the question was posed whether there is room for improvement. Accordingly, Commonwealth North formed a study group from its membership to explore the answers to this question and commended it with a charge to meet specific goals.

# The Charge and Goals

## The Charge

Commonwealth North's board of directors asked the study group to identify and recommend unifying policies and principles to guide management of Alaska's public assets in order to maximize their return and assure that they benefit the people of Alaska.

## The Goals

The goals of the study are:

- To encourage and contribute to a public debate about the appropriate management principles applicable to Alaska's public assets;
- To produce a statement defining public expectations for management and return on Alaska's assets; and
- To recommend appropriate business management principles that can be used compatibly with government's obligations to protect the public interest.

# Approach and Methodology

Thirty two Commonwealth North members participated in this study through a series of meetings, discussions and research assignments over a period of six months. Recognizing that a detailed investigation of all state assets was beyond its capabilities, the study group adopted the following guidelines:

1. The study group will evaluate general principles (not the specifics) of the management of Alaska's public assets.

2. The study group will develop a statement of general policy, principles, priorities and recommendations for the improved management of Alaska's public assets.

3. The study will be successful if it encourages and contributes to the public awareness of, and debate about, the appropriate overall management objectives applicable to Alaska's public assets.

The study group limited its investigation to Alaska's land and resource holdings received at the time of statehood, as well as the business and financial assets created with the state's oil wealth. This represents the portfolio of assets available for development and for the generation of earnings to benefit all Alaskans. Excluded from review were the conventional public assets used in the delivery of standard public services such as public schools, office buildings and transportation infrastructure.

Assets in the following agencies were identified:

## State Resource Agencies

- Land, Real Estate
- Fish and Game
- Minerals
- Oil and Gas
- Timber

## Business Management Agencies

- Marine Highway System
- International Airport System

## Independent Agencies

Created in Statute/Boards Appointed by Governor

- Alaska Permanent Fund Corporation
- Alaska Railroad Corporation
- Alaska Housing Finance Corporation
- Alaska Industrial Development and Export Authority
- Alaska Science and Technology Foundation
- Alaska Aerospace Development Corporation

## Independent Support Service Agencies

- Alaska Tourism Marketing Council
- Alaska Seafood Marketing Council
- Alaska Student Loan Corporation
- Alaska Mental Health Trust Authority

Five sub-groups were formed to investigate various categories of assets: financial assets; transportation; land; natural resources; and research, development and support activities.

The study group then adopted the following study plan:

### Task 1: Gather information

Each sub-group collected information on as many assets as possible, using a standard format. This included information on the management structure of the agency in control of the asset, its mission and goals, its fiscal structure, reporting requirements, methods of evaluation, decision-making process, and planning and projections. (Report addendum available upon request from Commonwealth North.)

### Task 2: Management interviews

Each sub-group engaged in a series of discussions with current and former asset managers. These discussions were used not only to collect information on current management practices but also to investigate what works, what does not work, and what improvements could be made in current practices.

### Task 3: Determine findings

Based on information and interviews, each sub-group developed a list of preliminary findings covering management practices of the agencies reviewed. This list was synthesized as a result of a series of discussions among all study group members.

### Task 4: Develop recommendations

Based on the findings, the entire study group developed a set of recommendations for management of public assets.

# Defining Concepts

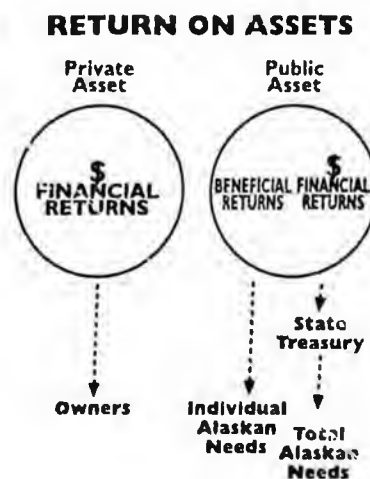
Critical to the review was reaching a common understanding of certain basic terms and concepts.

## Returns on public assets

In a review of public assets, the concept of "returns" takes on a broader meaning than merely the financial bottom line. In fact, the use of public assets results in two distinct types of returns: financial and beneficial. They are mutually exclusive, but each directly affects the other. Both are intended to satisfy a public purpose.

*Financial returns* are paid to the Treasury and then appropriated to meet the state's needs. They directly contribute to the state's solvency. Through the appropriation process, these returns are also used to sustain management operations.

*Beneficial returns* benefit individuals directly through program subsidies, or indirectly through the multiplier effect of job creation and business activity. Beneficial returns serve a public purpose by providing goods and/or services otherwise unavailable or unaffordable to meet a perceived public need. But beneficial returns are not free. They are achieved by a reduction in the financial return potential.



### The Alaska Disconnect

The concept of economic development as a public purpose frequently surfaces in evaluating beneficial returns. Clearly, customers, vendors, contractors and others benefit when the state uses its assets for business activity. However, unlike revenue structures in virtually all other states, this business activity does not produce a financial return to the state from personal income tax revenues.

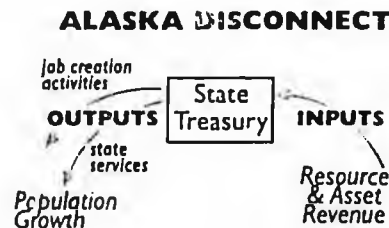
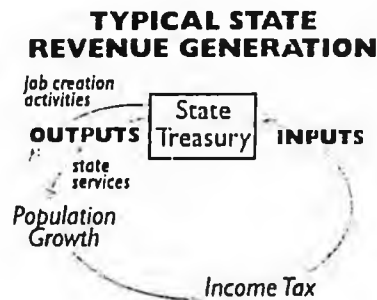
Consequently, the state's expenditures to promote economic development, while laudable, do not produce a direct return on investment. This "Alaska Disconnect" presents a paradox. The more jobs created, the greater the population growth—which results in greater demand for government infrastructure and programs. The demand for government services, including education, creates a need for greater revenue with no off-setting funding source.

This phenomenon points out the dramatic need to evaluate the cost of beneficial returns. Determining their value provides a means for measuring beneficial returns against the potential for financial return which could be used to help fund state services.

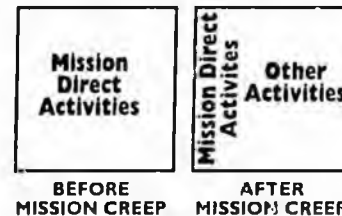
### Mission Creep

Most asset development agencies have a mission statement embedded in their authorizing statute. Over time, the activities, priorities and operation of these agencies will normally evolve due to changing needs and outdated programs. This can result in inconsistencies between the agency's activities and its stated mission.

Frequently, however, agency priorities will be driven by other factors that divert resources and interfere with an agency's ability to achieve its mission. These factors can include engaging in activities for which there is additional funding available, or responding to political pressure to participate in specified activities. The result can be performance tied to these external factors, rather than to the agency's primary mission. We call this diversion away from mission direct activities "mission creep".



### TOTAL MANAGEMENT RESOURCE



# Assumptions

To evaluate Alaska's current system of asset management, it is important to begin with a common understanding of management standards and performance expectations. The study group used the following assumptions as the basis for its analysis.

1. The assets derived from Alaska's land grant should be managed consistent with the Constitutional mandate to maximize their use and benefit to the people of Alaska.
2. The Constitutional prohibition against dedicated funds is recognized as a policy principle which provides that the public interest is served when all state revenues, regardless of source, are available for appropriation by the Legislature to meet Alaska's total needs.
3. There are two types of returns derived from an asset's management: financial and beneficial. Each must directly or indirectly benefit all the people by serving a public purpose.
4. Asset management is most effective within a structure that provides flexibility for maximizing returns while assuring accountability to the state and its people.
5. Performance measures for determining efficiency, results and returns are essential for public accountability.
6. Private enterprise should be the first option for obtaining expertise, goods and services to develop public assets. To the extent that public sector programs compete with the private sector, they should be priced in a manner which minimizes adverse effects on private sector competition.
7. Maximizing returns for all assets will enhance revenue to the state, and provide greater diversity and stability of state revenues.

# Findings

The study group reviewed Alaska's asset management practices to reach an understanding of the public operating environment and conditions affecting return on assets. The findings listed below describe existing circumstances. Not all findings apply to all agencies or assets. However, each of the findings represents a condition that materially contributes to the state's ability to produce returns and develop its assets.

The findings are statements of fact as perceived by the study group. Most, if not all, of the findings can be interpreted either positively or negatively, depending on the reader's point of view.

## Mission and Goals

1. Vague statutory mission statements result in broad and often inconsistent interpretations.
2. Goals are frequently defined by activity rather than by returns.
3. Missions may be adapted because of funding, political prioritization, and short-term expediency, which results in mission creep.
4. The public's interests are not clearly defined or reported.

## Performance Standards and Accountability

1. There is no monetary value assigned to or reported on beneficial returns.
2. Performance measures, where they exist, are often tied to activities rather than to mission or returns.
3. There is no standard format for reporting operational costs and benefits returned.

### Structure

1. Regulatory and asset management functions within a single agency are often incompatible for achieving optimum results.
2. Operational mandates created in statute and regulation do not allow for the flexibility necessary to efficiently adapt to evolving missions and priorities.
3. Independent agencies have greater flexibility than executive branch departments in operations and funding.
4. Assets are managed independently, with no portfolio integration that would ensure diversification of risk and return, compatibility in objectives, performance standards and measures, and coordination of activities and reporting.

### Management

1. The state's annual budget process does not provide effective integrated review of asset management, does not promote a long-term view of returns, and instead focuses on operational activity as opposed to results.
2. The vagaries of the annual appropriation process and the volatility of state general fund revenues influence asset development potential.
3. Availability of, and access to, alternative funding sources influence operational activity.
4. Politicization of management appointments creates personnel turnover, which impairs continuity and returns.
5. There are few management or budgetary incentives for maximizing returns.
6. Long-term plans, and the accumulation of capital to meet long-term needs, may be used for political purposes, which creates a disincentive for strategic asset management.
7. Special interests significantly influence returns and allocation of returns.

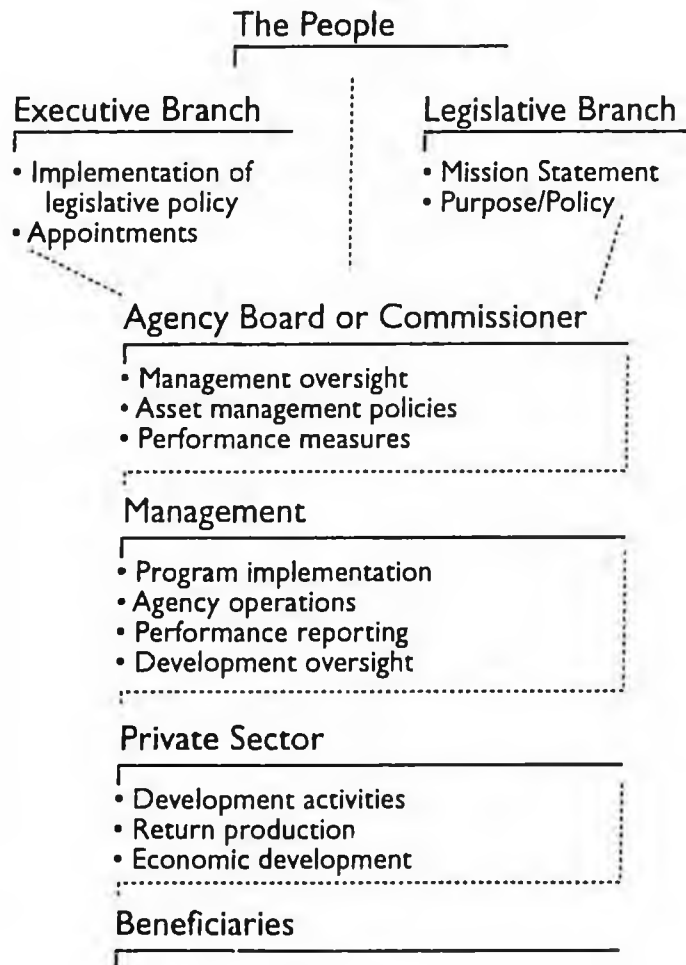
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## Recommendations

*After considerable debate, Commonwealth North offers the following recommendations to Alaskans for their consideration. The recommendations are progressive—that is, each builds on the previous ones toward a more effective asset management system.*

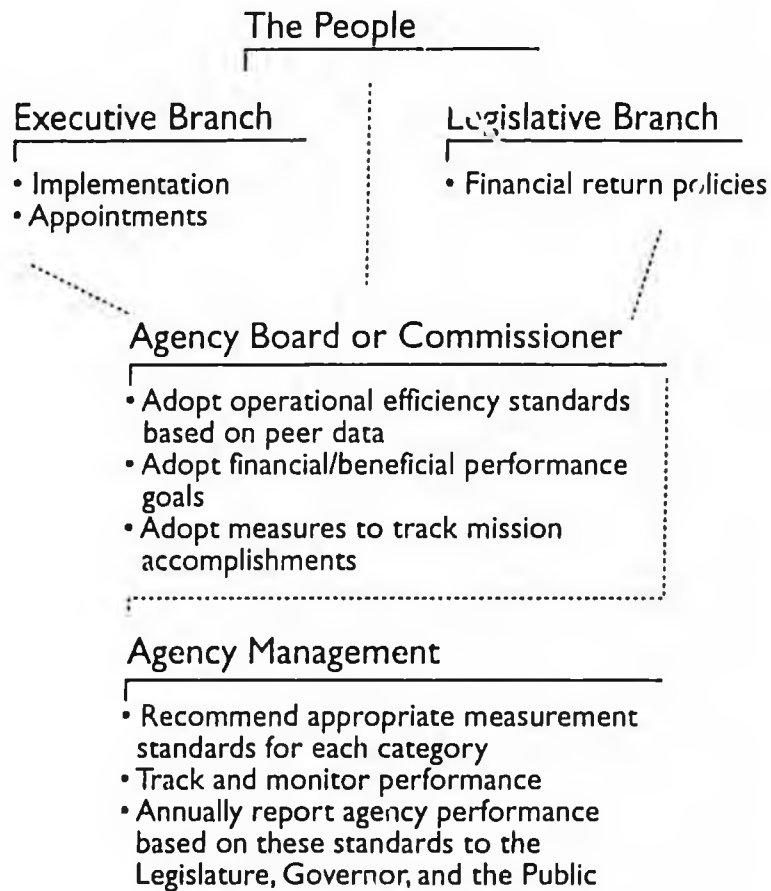
# 1. Clarify Roles and Responsibilities

- A. Elected leaders should establish policy, and managers should be given authority and flexibility to implement those policies.
- B. Assets available for development should be managed independently of the organizational authority responsible for promulgating regulations affecting the development of that asset.
- C. Activities to develop assets and produce returns, to the fullest extent possible, should be carried out by or in partnership with the private sector.



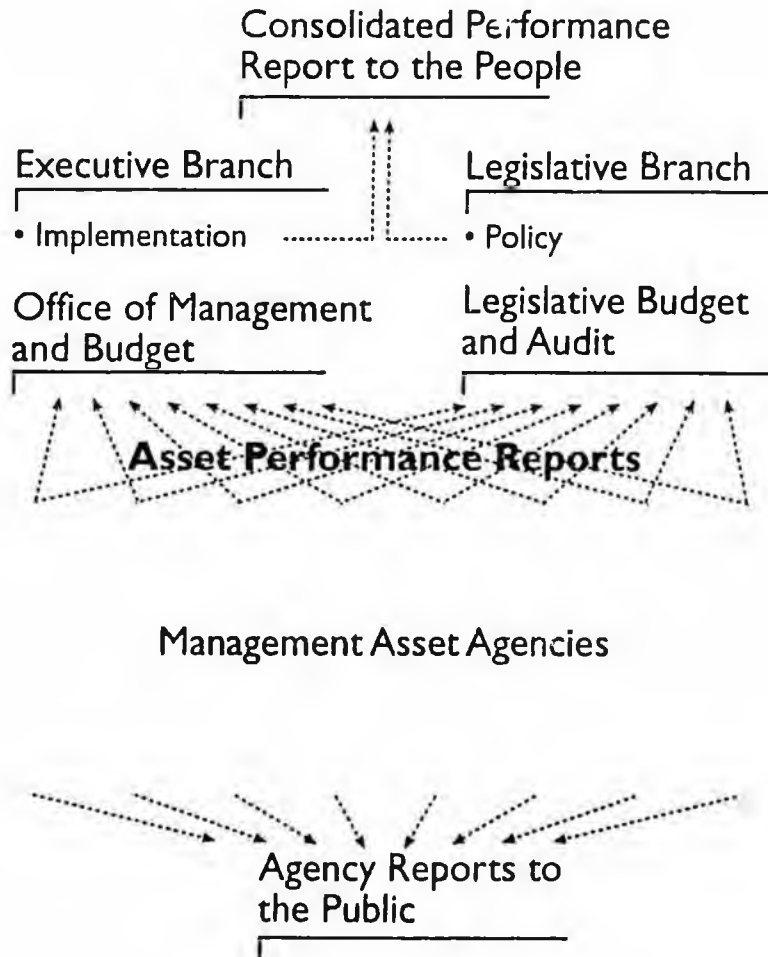
## 2. Measure and Disclose Performance

- A. Management performance and agency operations should be measured based on meeting mission, efficiency, and financial objectives.
- B. Three types of performance measures should be adopted to evaluate management of each asset:
  - 1. Appropriate efficiency measures to evaluate the cost of operations.
  - 2. Measures that show the organization's results in meeting its statutory mission.
  - 3. Quantifiable measures that state the monetary value of the asset's beneficial and financial returns.
- C. Financial and operational performance based on these measures should be reported to the public annually for each asset under management, using consistent accounting and reporting standards.



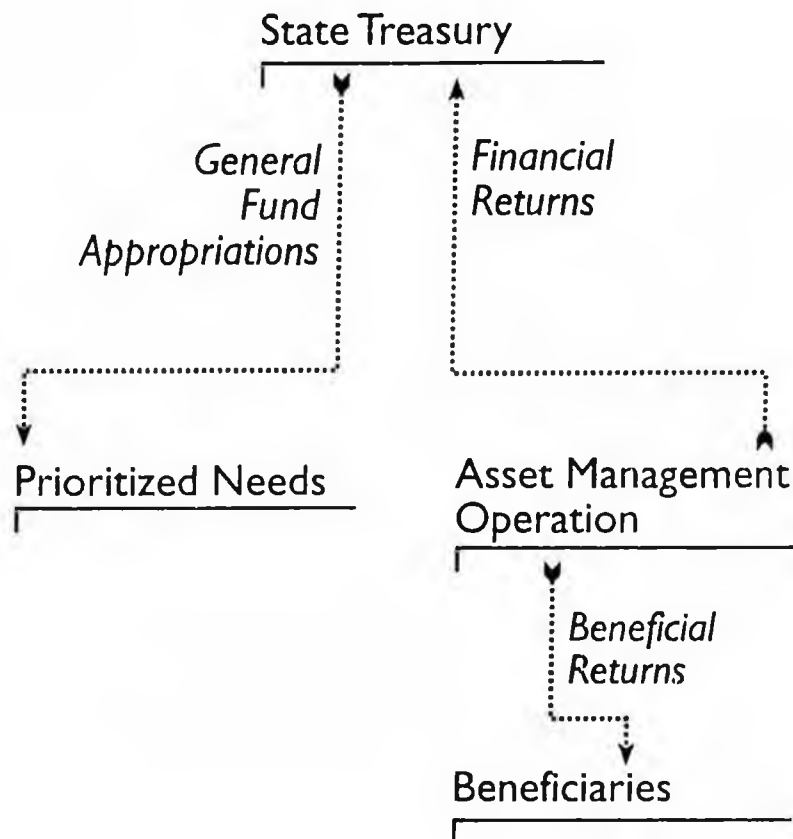
### 3. Manage Assets as a Portfolio

- A. The State should strategically manage its assets in a manner that provides for an integrated assessment of risk, potential return, debt, market conditions and cross investment opportunities.
- B. Financial and beneficial returns on all assets under state management should be annually reported to the public on both an aggregated and an individual basis using consistent accounting standards.
- C. The portfolio of assets should be used strategically to achieve long-term sustainable revenue and return objectives.



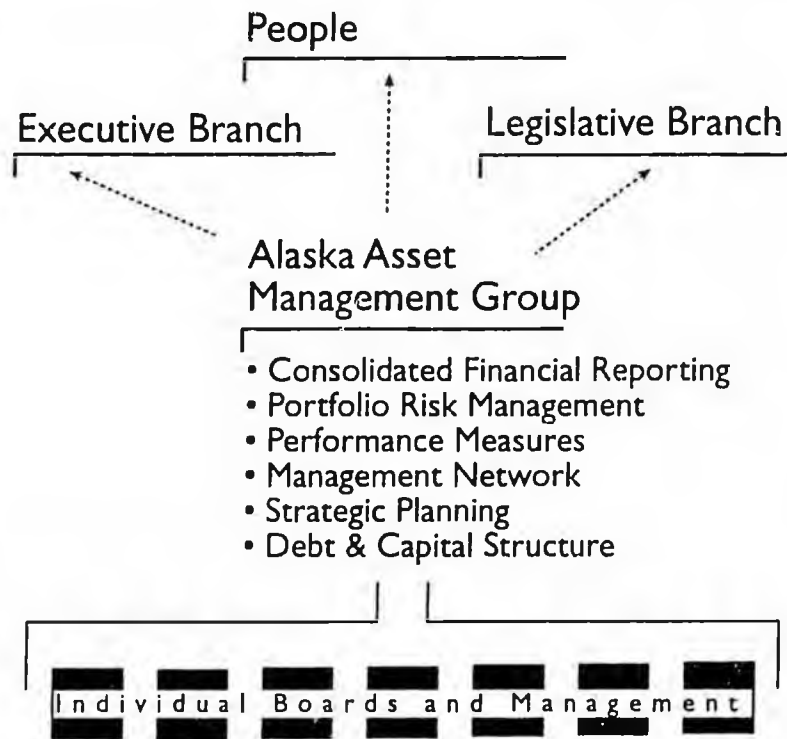
## 4. Pay Returns to the General Fund

- A. To the extent that financial returns exceed the need for efficient operations, beneficial returns, and appropriate capitalization as determined by the Legislature, they should be deposited into the State Treasury for allocation by the Legislature based on the State's overall priority needs.
- B. Every asset management organization should be expected to contribute a financial return to the State general fund, based on a formula appropriate to its activities and maturity.



## 5. Create a System to Achieve These Recommendations

- A. Establish an integrated system of portfolio management which oversees, monitors, and reports asset management performance on an aggregated basis.
- B. Incorporate state-owned natural resources available for development into the State asset management portfolio.



### Asset Management Agency Portfolio

# Conclusion

*It is in every Alaskan's interest to participate in developing a sustainable system for funding government that is adequate to fulfill the state's obligations. Income taxes, or other methods of individual taxation, will never be sufficient to meet Alaska's financial needs and responsibilities. The responsible development, use and management of Alaska's assets are the only means of achieving this goal.*

*The Alaska Constitution directs that all these state assets be used for both the development of the state and the maximum benefit of the people. This means that Alaska's assets, both those created by the transformation of oil and those received as an endowment at the time of statehood, must increasingly contribute to Alaska's economic welfare. The state can accomplish this goal by generating earnings that provide both financial and beneficial returns. Financial returns paid into the General Fund will help pay the necessary costs of public services for the benefit of all Alaskans. Beneficial returns will help achieve the targeted public purposes identified for each asset.*

*Fortunately, Alaskans already have considerable experience with successful models for state asset management, and must capitalize on those successes. Our purpose in offering these recommendations is to stimulate a public dialogue on the goals of public asset management and the best means of achieving those goals.*

# Acknowledgements

*The study group thanks all those who helped in the development of this report, and without whom this study would not have been possible.*

*We particularly appreciate the contributions of former and present state asset managers who generously shared their time and perspective. Thanks also go to the Commonwealth North staff and the Hartig Fellow who aided considerably in the completion of this report.*

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Major underwriting for production and printing  
of this report provided by:

**First National Bank of Anchorage  
Alaska USA Federal Credit Union  
Alyeska Pipeline Service Company  
Providence Health System**

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Alaska's Asset Portfolio: Managing for Maximum Return

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# Executive Summary

## Introduction

Alaska's financial health depends on the state's achieving a sustainable level of revenue sufficient to meet the needs of the state and its people. The Alaska Statehood Compact anticipated the use of publicly held assets for this purpose. Alaska received 104 million acres from the federal government at the time of statehood in 1959. The purposes for the endowment are set forth in Alaska's Constitution. It mandates that the state's land and resources be used, developed, and conserved for maximum benefit of its people.

If managed effectively, these assets have the potential of producing reliable and stable revenues for the state and providing continued economic benefit to the people of Alaska. This is critical to Alaska's future because no income or other individual tax will ever be sufficient to pay for necessary state services and infrastructure.

Commonwealth North wondered if the state could improve its return on these assets. Accordingly, it established a study group with 32 of its members to "identify and recommend unifying policies and principles to guide management of Alaska's public assets to maximize their return and assure their benefit to the people of Alaska."

The study group specifically looked at land and resource assets as well as the business and financial assets the state has created with its oil wealth over the past 20 years. These are the assets that are available for development and that can generate earnings. The study group did not look at conventional public assets such as public schools, office buildings, and transportation infrastructure.

## Assumptions

The study's recommendations are predicated on a set of assumptions that reflect underlying principles for successful management and the operating realities of public sector management. These basic assumptions are:

1. The assets which are derived from Alaska's land-grant should be managed consistent with the Constitutional mandate to maximize their use and benefit to the people of Alaska.
2. The Constitutional prohibition against dedicated funds is recognized as a policy principle which provides that the public interest is served when all state revenues, regardless of source, are available for appropriation by the Legislature to meet Alaska's total needs.
3. There are two types of returns derived from an asset's management: financial and beneficial, and each must directly or indirectly benefit all the people by serving a public purpose.
4. Asset management is most effective within a structure which provides flexibility for maximizing returns while assuring accountability to the state and its people.
5. Performance measures for determining efficiency, results and returns are essential for public accountability.
6. Private enterprise should be the first option for obtaining expertise, goods and services to develop public assets. To the extent that public sector programs compete with the private sector, their activities should be priced in a manner which minimizes adverse effects on private sector competition.
7. Maximizing returns for all assets will enhance revenue to the state as well as provide greater diversity and stability of state revenues.

## Recommendations

The result of extensive research, interviews, and discussions is a set of five sequential recommendations for enhancing state revenue, assuring public accountability, and maximizing the use of state assets to benefit Alaskans.

### 1. Clarify Roles and Responsibilities

- A. Elected leaders should establish policy and managers should be given authority and flexibility to implement those policies.
- B. Assets available for development should be managed independently of the organizational authority responsible for promulgating regulations affecting the development of that asset.
- C. Activities to develop assets and produce returns, to the fullest extent possible, should be carried out by, or in partnership with, the private sector.

### 2. Measure and Disclose Performance

- A. Management performance and agency operations should be measured based on meeting mission, efficiency and financial objectives.
- B. Three types of performance measures should be adopted to evaluate management of each asset:
  1. Appropriate efficiency measures to evaluate the cost of operations.
  2. Measures that show the organization's results in meeting its statutory mission.
  3. Quantifiable measures that state the monetary value of the asset's beneficial and financial returns.
- C. Financial and operational performance based on these measures should be reported to the public annually, for each asset under management, using consistent accounting and reporting standards.

### 3. Manage Assets as a Portfolio

- A. The state should strategically manage its assets in a manner that provides for an integrated assessment of risk, potential return, debt, market conditions and cross investment opportunities.
- B. Financial and beneficial returns on all assets under state management should be annually reported to the public on both an aggregated and individual basis using consistent accounting standards.
- C. The portfolio of assets should be used strategically to achieve long-term sustainable revenue and return objectives.

#### 4. Pay Returns to the General Fund

A. To the extent that financial returns exceed the need for efficient operations, beneficial returns and appropriate capitalization as determined by the Legislature, they should be deposited into the state Treasury for allocation by the Legislature based on the state's overall priority needs.

B. Every asset management organization should have an expectation to contribute a financial return to the state General Fund based on a formula appropriate to its activities and maturity.

#### 5. Create a System to Achieve These Recommendations

A. Establish an integrated system of portfolio management which oversees, monitors and reports asset management performance on an aggregated basis.

B. Incorporate state owned natural resources available for development into the state asset management portfolio.

## Conclusion

It is in every Alaskan's interest to participate in developing a sustainable system for funding government that is adequate to fulfill the state's obligations. Income taxes, or other methods of individual taxation, will never be sufficient to meet Alaska's financial needs and responsibilities. The responsible development, use and management of Alaska's assets are the only means of achieving this goal.

Fortunately, Alaskans already have considerable experience with successful models for state asset management, and must capitalize on those successes. Our purpose in setting forth these recommendations is to stimulate a public dialog on the goals of public asset management and the best means of achieving those goals.

To receive a complete copy of the  
Commonwealth North Report  
Alaska's Asset Portfolio: Managing for Maximum Return

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## COMMONWEALTH NORTH

### *Alaska's Asset Portfolio* Managing for Maximum Return

*A Commonwealth  
North Study*

**Executive Summary**  
**December, 1998**

Scott Goldsmith

Nancy Bear Usery

Study Group Co-Chairs

# Alaska's Asset Portfolio: Managing for Maximum Return A Commonwealth North Study

## Table of Contents

### Appendix A

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Agency groupings used in "Alaska's Asset Portfolio: Managing for Maximum Return"	2
---	---

### Appendix B

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<b>Factual Summaries of Agencies</b>	
Alaska Aerospace Development Corporation	4
Alaska Correctional Industries	6
Alaska Housing Finance Corporation	8
Alaska Industrial Development and Export Authority	10
Alaska Mental Health Trust Authority	12
Alaska Permanent Fund Corporation	14
Alaska Railroad Corporation	16
Alaska Science and Technology Foundation	18
Alaska Seafood Marketing Institute	20
Alaska Tourism Marketing Council	22
DNR: Division of Agriculture	24
DNR: Department of Fish & Game	26
DNR: Division of Forestry	28
DNR: Division of Mining	30
DNR: Oil & Gas Development	32
University of Alaska Lands	34

### Appendix C

---

Agency Overview Questions	36
---------------------------	----

### Appendix D

---

Biographies of Co-Chairs	37
--------------------------	----

### Appendix E

---

Study Group Members	39
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**Appendix A**  
**Agency groupings used in "Alaska's Asset Portfolio: Managing for**  
**Maximum Return"**

**PRODUCTION AND MANUFACTURING**

Department of Fish and Game  
Division of Forestry  
Alaska Correction Industries  
Oil and Gas Development  
Division of Mining  
Division of Agriculture

**RESEARCH AND DEVELOPMENT AND SUPPORT SERVICES**

Alaska Seafood and Marketing Institute  
Alaska Tourism Marketing Council  
Alaska Science and Technology Foundation  
Alaska Aerospace Development Corporation

**LOANS AND INVESTMENTS**

Alaska Industrial Development and Export Authority  
Alaska Housing and Finance Corporation  
Alaska Permanent Fund Corporation  
Alaska Fish and Agriculture Bank  
Municipal Bond Bank  
Student Loan Corporation

**AVAILABLE FOR DEVELOPMENT AND REAL ESTATE**

Division of Land  
Alaska Mental Health Trust Authority  
University of Alaska Lands  
Department of Transportation Public Facilities  
Pioneer Homes  
Alaska Psychiatric Hospital

**TRANSPORTATION**

Alaska Railroad Corporation  
Alaska Marine Highway  
International Airports  
State Airports and Harbors

**Appendix B**  
**Factual Summary of Agencies**

**Management Review**

**Mission, Structure & Measures**

**Asset:** Alaska Aerospace Development Corporation (AADC)

**Mission:** To promote the general welfare by establishing & operating a commercial space launch facility. To promote aerospace related economic growth and to develop corresponding technology & support services.

**Business Activities:** Launch facility currently being built. Business is being sought for this facility.

**Management Structure:**

Chief Executive: Pat Ladner, Executive Director.

Management Oversight: 9 member board composed of 1 member of the UAA board of Regents, President of UAA, Director of UAA's Geophysical Institute, Executive Director of ASTF, Commissioner of DCED, 2 space industry members, 1 public member.

Financial Oversight: Through State Legislature.

**Financial Overview:**

Total Revenues: No operating revenue as AADC is in the startup mode.

Total Operating Budget: \$1M, \$641K of which \$520K held in cash designated for the current construction of the launch facility.

Fund Balance: \$.5M

Contributions to State of Alaska Operating Budget: None

**Performance Measures:** None

**Present Return on Asset/Activities:**

Primary Return: None

Secondary Return: Expect a positive impact on Alaska's economic growth and stability.

Public Benefit: Possible job creation.

**Historical Footnotes Affecting Returns:** AADC is in the startup phase of its development. The current construction of the rocket launch facility is using Air Force funds (\$18M), ASTF funds (\$5M) and NASA funds (\$5M).

**Asset:** Alaska Correctional Industries

**Mission:** Assist in the rehabilitation of prisoners by providing realistic work experiences as much like those that prevail in private industry. Operate a work program for prisoners that will be nearly self-supporting.

**Business Activities:**

- Juneau commercial & hospital laundries.
- Kenai office systems and metal plant.
- Palmer auto body plant.
- Palmer meat processing plant.
- Fairbanks garment/flat goods shop.
- Seward furniture plant and assembly /repackaging of electrical supplies.

**Management Structure:**

Chief Executive: Correctional Industry Commissioner

Management Oversight: 9-member board of directors. 7 appointed by the Governor plus Commissioners of Administration and Corrections.

Financial Oversight: Board reviews annual budget.

**Financial Overview:**

Total 1997 Revenues: \$3,316,165

Total 1997 Operating Budget: \$3,149,511

Fund Balance : \$166,654

Contributions to State of Alaska Operating Budget:

**Performance Measures:** Undetermined.

**Present Return on Asset/Activities:**

**Primary Return:** Program is self-supporting and prisoners directly benefit from its activities.

**Secondary Return:** Wages earned by prisoners are required to be disbursed in the following order of priority: prisoner's dependents, reimbursement to the State, payment of civil judgements, payment of fees, purchase of commissary items, payment of restitution.

**Public Benefit:** Returning prisoners to society with the skills to succeed in the labor force.

**Historical Footnotes Affecting Returns:**

- Wages paid to prisoners may not exceed 50% of minimum wage unless there is another requirement for higher wages.
- Work activities must have a minimal negative impact on an existing private industry or labor force.

**Asset:** Alaska Housing Finance Corporation (AHFC)

**Mission:** Manage capital assets and grants to provide Alaskans equal access to safe, quality, affordable housing and in so doing, affirmatively create jobs and value-added industries.

**Business Activities:**

- Mortgage loan financing to low and moderate income borrowers, veterans and those living in rural areas of the state.
- Principle source of residential financing in the state and functions as a secondary mortgage market.
- Operate state public housing and subsidize rents.
- Provides funding for the construction and acquisition of public buildings for lease to the state.
- Provides grants to non-profit organizations.

**Management Structure:**

- Self-supporting, non-stock public corporation.
- Management Oversight: Seven member Board of Directors, 4 of whom are appointed by the Governor, plus the Commissioners of Revenue, Community and Regional Affairs and Health and Social Services.
- Financial Oversight: Annual operating and capital budgets are reviewed by the Governor and Legislature.

**Financial Overview:**

1997 Total Revenues: \$328,000,000.

1997 Total Operating Budget: \$30,000,000 (\$18,000,000 HUD).

1997 Fund Balance: \$1.8 Billion.

1997 Contributions to State of Alaska Operating Budget: \$50,000,000.

**Performance Measures:** Annual HUD Public Housing Management Assessment Program required. AHFC also conducts surveys on home ownership and homelessness, the number of program participants, number of awards received.

**Present Return on Asset/Activities:**

Primary Return: 2.4%

Secondary Return: Undetermined

**Public Benefit:** Creates jobs, reduces unemployment by maintaining a healthy home-building industry; reduces dependencies on public housing and welfare programs through Family Self - Sufficiency Program. Reduces energy bills via the Weatherization Program.

**Historical Footnotes Affecting Returns:**

- Most investments purchased with the proceeds of tax-exempt bonds are subject to interest rate yield restrictions of 1.125% to 1.15% over the yield of the bonds.
- Some of the tax-exempt bonds are subject to rebate provisions that may result in a payment due to the IRS.

**Asset:** Alaska Industrial Development and Export Authority (AIDEA).

**Mission:** To promote, develop and advance the general prosperity of the people of Alaska. To relieve the problems of unemployment and to create additional employment by providing various means of financing and facilitating the financing of industrial, manufacturing, export and business enterprises and other facilities within the State.

**Business Activities:**

- Acts as a secondary market for financial institutions by purchasing loan participations and providing guarantees on bank originated loans.
- Issue general obligation indebtedness to own certain development projects. The investment is repaid through user fees.
- Invests a portion of its liquid assets in investment securities that are primarily short to medium term Treasury and Agency obligations.

**Management Structure:**

- Public corporation of the State
- Management Oversight: Five-member board consisting of 3 gubernatorial appointees, the Commissioner of the Department of Revenue and the Commissioner of the Department of Commerce and Economic Development.
- Financial Oversight: Board of Directors. Legislature.

**Financial Overview:**

1997 Total Revenues: \$66,800,000.

1998 Total Operating Budget: \$4,000,000.

1997 Fund Equity: \$916,000,000.

1997 Contributions to State of Alaska Operating Budget: \$16,000,000.

**Performance Measures:** Earnings, number of loans participated in or guaranteed, number of jobs created or retained and number of development projects are all measures of agency performance.

**Present Return on Asset/Activities:**

Primary Return: 3.64% in 1997.

Secondary Return: Undetermined.

Public Benefit: Creation and retention of jobs.

**Historical Footnotes Affecting Returns:**

- Reduced levels of financing, beginning in 1987, due to statewide economic recession and changes in federal tax laws, reduced uses of tax-exempt debt for economic development.
- Statutory limitation placed on interest rate charged on funds obtained by bonds.

**Asset:** Alaska Mental Health Trust Authority.

**Mission:** To administer the Mental Health Trust established in perpetuity, to have the fiduciary responsibility to its beneficiaries to enhance and protect the trust and to provide leadership in advocacy, planning, implementing and funding of a comprehensive, integrated mental health program to improve the lives and circumstances of its beneficiaries.

**Business Activities:** To manage its asset consisting of: 500,000 acres of Federal land, 500,000 acres of replacement land, and \$200 Million in cash.

**Management Structure:**

Chief Executive: Executive Director.

Management Oversight: Undetermined.

Financial Oversight: \$200 Million in cash is combined with the assets of the Permanent Fund for investment purposes. Division of Natural Resources manages the land assets.

**Financial Overview:**

Total 1997 Revenues: \$2,507,000.

Total 1998 Operating Budget: \$759,900.

Fund Balance: Undetermined.

Contributions to State of Alaska Operating Budget: Undetermined.

**Performance Measures:** Undetermined.

**Present Return on Asset/Activities:**

Primary Return: Undetermined.

Secondary Return: Undetermined.

Public Benefit: Creation and sustenance of comprehensive mental health programs for Alaskans.

**Historical Footnotes Affecting Returns:** Undetermined.

**Asset:** Alaska Permanent Fund Corporation (APFC)

**Mission:** To provide a means of conserving a portion of the state's revenue from mineral resources to benefit all generations of Alaskans. To maintain the safety of the principal while maximizing total return. To use the fund as a savings device managed to allow the maximum use of disposable income from the fund for the purposes designated by law.

**Business Activities:** Invest money received via oil revenues, legislative appropriations and earnings on investments to earn income.

**Management Structure:**  
Public Corporation.

Executive Director appointed by the Board of Trustees and is not a member of the Board. The Governor appoints the six-member board. And includes the Commissioner of the Department of Revenue.

Management Oversight: Board of Trustees and Governor

Financial Oversight: Board of Trustees and Legislature

**Financial Overview:**

Total 1997 Revenues: \$2.1 Billion

Total 1998 Operating Budget: Estimated at \$30 Million

1997 Fund Balance: \$17.9 Billion

1997 Contributions to State of Alaska Operating Budget: \$1.7 Million. \$746.8 million distributed to the residents of the State.

**Performance Measures:** The market.

**Present Return on Asset/Activities:**

Primary Return: 9.2% return in FY 97

Secondary Return: \$746.8 million distributed to the residents of the State.

Public Benefit: Lower unemployment.

**Historical Footnotes Affecting Returns:** Statutory restrictions as follows:

- The fund may at no time own more than 5% of the voting stock of a corporation.
- Domestic stocks, except for bank and insurance company stocks, must be listed at the date of purchase on an exchange registered with the SEC.
- At the time of each investment, the aggregate investment of the fund in each stated category of investment may not exceed the following percentages: 15% mortgages, 15% real estate, 20% CD's or term deposits, 50% corporate stocks.

**Asset:** Alaska Railroad Corporation (AKRR)

**Mission:** To provide safe, economic and efficient rail transportation to freight users, businesses, passengers and military installations in the state. To foster and promote the long term economic growth and development of the state. To develop and implement plans for a rail transportation network. To foster and promote the development of the state's land and natural resources.

**Business Activities:** Provides freight and passenger service throughout the railbelt. Owns and manages 578 miles of rail right of way from the Port of Seward, through Anchorage and to Fairbanks, with a line from Fairbanks to Eielson AFB. The Corporation owns approximately 38,000 acres of land including the rail right of way.

**Management Structure:**

- Independent corporation owned by the state of Alaska.
- Management Oversight: Seven-member board of directors appointed by the Governor.
- Financial Oversight: The Board approves the annual budget and all capital projects. Legislative oversight provided by the Legislative Budget and Audit Committee.