

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 86 / 2

618 SCOMM18: HOUSE SPECIAL COMM. ON PERMANENT FUND 1978-80

Q.13 HOW COULD STATE LEGISLATURE HELP ALLEVIATE PROBLEMS
 ** COULD HELP **

	LOCATION										RESIDENCE									
	SEX			AGE			ANCH- ORAGE BOWL	FAIR- BANKS	SOUTH EAST- ERN COMM- UNITY	RAIL- BELT, MATSU ETC.	RURAL WEST AND NORTH	EMPL- OYED FULL- TIME	EMPL- OYED PART- TIME	STU- DENT	RE- TIRED	HOUSE WIFE	LIFE- TIME	OVER 10 YRS.	5-10 YRS.	LESS THAN 5 YRS.
	TOTAL	MALE	FE- MALE	18-29	30-45	OVER 45														
TOTAL RESPONDENTS	283 100.0	143 100.0	140 100.0	97 100.0	112 100.0	73 100.0	116 100.0	40 100.0	46 100.0	47 100.0	34 100.0	180 100.0	34 100.0	7 100.0	12 100.0	36 100.0	37 100.0	130 100.0	57 100.0	59 100.0
INFORM THE OTHER STATES/ REPRESENT ALASKA TO OTHER STATES	7 2.5	5 3.5	3 2.1	2 2.1	4 3.6	2 2.7	4 3.4	-	1 2.2	2 4.3	-	6 3.3	1 2.9	-	-	-	-	3 2.3	2 3.5	3 5.1
REDUCE THE AMOUNT OF LAND	7 2.5	4 2.8	3 2.1	1 1.0	4 3.6	2 2.7	2 1.7	2 5.0	1 2.2	-	1 2.9	5 2.8	2 5.9	-	-	-	2 5.4	3 2.3	1 1.8	1 1.7
OPEN UP THE LAND/MAKE LAND ACCESSIBLE	7 2.5	5 3.5	2 1.4	3 3.1	1 .9	3 4.1	3 2.6	1 2.5	1 2.2	1 2.1	-	6 3.3	1 2.9	-	-	-	2 5.4	2 1.5	2 3.5	1 1.7
DISTRIBUTE LAND TO THE PEOPLE /RESIDENTS /SQUATTERS	6 2.1	6 4.2	-	5 5.2	1 .9	-	2 1.7	-	2 4.3	-	1 2.9	5 2.8	-	-	-	-	-	-	2 3.5	3 5.1
HELP PEOPLE FIND JOBS/ CREATE MORE JOBS	6 2.1	3 2.1	3 2.1	3 3.1	3 2.7	-	2 1.7	1 2.5	1 2.2	1 2.1	-	6 3.3	-	-	-	-	-	3 2.3	1 1.8	2 3.4
OPEN THE LAND UP FOR HUNTING/ FISHING/ SUBSIS- TANCE HUNTING	4 1.4	2 1.4	2 1.4	1 1.0	2 1.8	2 2.7	-	-	-	2 4.3	2 5.9	2 1.1	2 5.9	-	1 8.3	-	2 5.4	2 1.5	-	-

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	LOCATION											RESIDENCE								
	SEX			AGE			ANCH- ORAGE BOWL	FAIR- BANKS	SOUTH EAST- ERN COMM- UNITY	RAIL- BELT, MATSU ETC.	RURAL WEST AND NORTH	EMPL- OYED FULL- TIME	EMPL- OYED PART- TIME	STU- DENT	RE- TIRED	HOUSE WIFE	LIFE- TIME	OVER 10 YRS.	5-10 YRS.	LESS THAN 5 YRS.
	TOTAL	MALE	FE- MALE	18-29	30-45	OVER 45														
TOTAL RESPONDENTS	283	143	140	97	112	73	116	40	46	47	34	180	34	7	12	36	37	130	57	59
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
THIER LAND USE/DIS- TRIBUTION MENTIONS	15	9	6	7	7	-	8	1	4	1	1	10	4	1	-	-	-	5	5	5
	5.3	6.3	4.3	7.2	6.3		6.9	2.5	8.7	2.1	2.9	5.6	11.8	14.3				3.8	8.8	8.5
EW LEGIS- LATION/ AMENDMENTS /PASS LAWS	14	9	5	8	2	4	7	2	3	1	1	12	1	-	-	1	1	8	4	1
	4.9	6.3	3.6	8.2	1.8	5.5	6.0	5.0	6.5	2.1	2.9	6.7	2.9			2.8	2.7	6.2	7.0	1.7
ODDY IN WASHINGTON /FEDERAL GOVERNMENT (UHSP)	10	4	6	2	2	5	2	-	2	5	1	5	-	-	-	3	3	5	-	2
	3.5	2.8	4.3	2.1	1.8	6.8	1.7		4.3	10.6	2.9	2.8				8.3	8.1	3.8		3.4
ODDY CONGRESS	9	5	4	1	4	4	2	-	2	4	-	7	-	-	-	1	4	3	2	-
	3.2	3.5	2.9	1.0	3.6	5.5	1.7		4.3	8.5		3.9				2.8	10.8	2.3	3.5	
SE STATE LAND TO OFF-SET/ ALLEVIATE D-2 RES- TRICCTIONS	9	4	5	-	5	4	2	2	2	3	1	7	1	-	-	1	1	5	2	1
	3.2	2.8	3.6		4.5	5.5	1.7	5.0	4.3	6.4	2.9	3.9	2.9			2.8	2.7	3.8	3.5	1.7
ODDY AGAINST IT (UHSP)	8	7	2	1	4	3	5	1	2	-	-	6	1	-	1	1	1	6	1	1
	2.8	4.9	1.4	1.0	3.6	4.1	4.3	2.5	4.3			3.3	2.9		8.3	2.8	2.7	4.6	1.8	1.7
EMAND FEDERAL GOVERNMENT RELEASE STATE LANDS	8	4	4	3	4	1	2	2	1	2	1	3	3	1	-	1	1	3	1	2
	2.8	2.8	2.9	3.1	3.6	1.4	1.7	5.0	2.2	4.3	2.9	1.7	8.8	14.3		2.8	2.7	2.3	1.8	3.4

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 ** COULD HELP **

		LOCATION										RESIDENCE									
		SEX		AGE			LOCATION					RESIDENCE									
		TOTAL	MALE	FE- MALE	18-29	30-45	OVER 45	ANCH- ORAGE BOWL	FAIR- BANKS	SOUTH EAST- ERN COMM- UNITY	RAIL- BELT, MATSU AND NORTH	RURAL WEST AND NORTH	EMPL- OYED FULL- TIME	EMPL- OYED PART- TIME	STU- DENT	FE- DED	HOUSE WIFE	LIFE- TIME	OVER 10 YRS.	5-10 YRS.	LESS THAN 5 YRS.
TOTAL	RESPONDENTS	283	143	140	97	112	73	116	40	46	47	34	180	34	7	12	36	37	130	57	59
		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
LOBBYING		34	19	15	5	14	15	13	2	8	9	2	23	2	1	2	4	7	19	3	5
		12.0	13.3	10.7	5.2	12.5	20.5	11.2	5.0	17.4	19.1	5.9	12.8	5.9	14.3	16.6	11.1	18.9	14.6	5.3	8.5

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 ** COULD HELP **

	LOCATION																			RESIDENCE				
	SEX			AGE			ANCH- ORAGE BOWL	FAIR- DANKS	SOUTH EAST- ERN COMM- UNITY	RAIL- BELT, MATSU ETC.	RURAL WEST AND NORTH	EMPL- OYED FULL- TIME	EMPL- OYED PART- TIME	STU- DENT	RE- TIRED	HOUSE WIFE	LIFE- TIME	OVER 10 YRS.	5-10 YRS.	LESS THAN 5 YRS.				
	TOTAL	MALE	FE- MALE	18-29	30-45	OVER 45																		
TOTAL RESPONDENTS	283 100.0	143 100.0	140 100.0	97 100.0	112 100.0	73 100.0	116 100.0	40 100.0	46 100.0	47 100.0	34 100.0	180 100.0	34 100.0	7 100.0	12 100.0	36 100.0	37 100.0	130 100.0	57 100.0	59 100.0				
THEY SHOULD WORK TOGETHER (UNSP)	6 2.1	4 2.8	2 1.4	2 2.1	2 1.8	2 2.7	3 2.6	2 5.0	-	-	1 2.9	2 1.1	-	-	-	2 5.6	-	2 1.5	2 3.5	2 3.4				
CHANGE TAX STRUCTURE/ HELP THROUGH TAXES/ ALL TAX MENTIONS	3 1.1	3 2.1	1 .7	2 2.1	2 1.8	-	2 1.7	-	1 2.2	-	-	3 1.7	-	-	-	-	-	1 .8	-	3 5.1				
I DON'T CARE ABOUT D-2	2 .7	2 1.4	-	-	-	2 2.7	2 1.7	-	-	-	-	2 1.1	-	-	-	-	-	1 .8	-	1 1.7				
OTHER MENTIONS	38 13.4	23 16.1	15 10.7	8 8.2	24 21.4	6 8.2	17 14.7	3 7.5	5 10.9	8 17.0	5 14.7	22 12.2	9 26.5	-	2 16.7	5 13.9	3 8.1	17 13.1	11 19.3	7 11.9				
NOT MUCH/ THEY CAN'T DO MUCH	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
NOT SURE	91 32.2	32 22.4	58 41.4	34 35.1	31 27.7	25 34.2	30 25.9	19 47.5	13 28.3	18 38.3	11 32.4	54 30.0	8 23.5	2 28.6	2 16.7	20 55.6	14 37.8	44 33.8	17 29.8	16 27.1				
** NETS **																								
LAND USE/ DISTRIBUTION MENTIONS	54 19.1	34 23.8	20 14.3	21 21.6	21 18.8	12 16.4	19 16.4	7 17.5	12 26.1	8 17.0	8 23.5	35 19.4	10 29.4	3 42.9	1 8.3	2 5.6	7 18.9	20 15.4	13 22.8	14 23.7				

(CONTINUED)

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** COULD HELP **

	LOCATION												RESIDENCE							
	SEX		AGE			ANCH- ORAGE BOWL	FAIR- BANKS	SOUTH EAST- ERN COMM- UNITY	RAIL- BELT, MATSU ETC.	RURAL WEST AND NORTH	EMPL- OYED FULL- TIME	EMPL- OYED PART- TIME	STU- DENT	RE- TIRED	HOUSE WIFE	LIFE- TIME	OVER 10 YRS.	5-10 YRS.	LESS THAN 5 YRS.	
	TOTAL	MALE	FE- MALE	18-29	30-45															OVER 45
TOTAL	283	143	140	97	112	73	116	40	46	47	34	180	34	7	12	36	37	130	57	59
SPONDENTS	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
FORM THE	3	1	2	1	-	2	1	1	1	-	-	1	-	1	1	-	-	3	-	-
RESIDENT/ END ELEGATION O THE RESIDENT	1.1	.7	1.4	1.0		2.7	.9	2.5	2.2			.6		14.3	8.3			2.3		
NTIONS OF	3	2	1	1	1	1	2	-	1	-	-	2	-	-	1	-	1	2	-	-
PECIFIC SE/DIS- RIBUTION OF LAND FUNDS	1.1	1.4	.7	1.0	.9	1.4	1.7		2.2			1.1			8.3		2.7	1.5		
SE (SOME) LAND FOR PARKS/ DESIGNATE RECREATION AREAS	3	3	-	1	1	-	1	-	1	-	1	1	-	-	-	-	-	-	1	1
	1.1	2.1		1.0	.9		.9		2.2		2.9	.6							1.8	1.7
ELP RELOCATE PEOPLE/ FIND HOUSING	3	1	2	2	1	-	2	-	-	-	-	3	-	-	-	-	-	2	-	1
	1.1	.7	1.4	2.1	.9		1.7					1.7						1.5		1.7

Q.29 SHOULD STATE USE THE CAPITAL BUDGET, THE OPERATING BUDGET & THE PERMANENT FUND TO INVEST IN PROJECTS TO OFFSET THE NEGATIVE EFFECTS OF D-2 LAND RESTRICTIONS, OR SHOULD JUST SOME OF THESE RESERVES OF FUNDS BE USED

	LOCATION																			RESIDENCE				
	SEX			AGE			ANCH- ORAGE BOWL	FAIR- BAHKS	SOUTH EAST- ERN COMM- UNITY	RAIL- BELT, MATSU ETC.	RURAL WEST AND NORTH	EMPL- OYED FULL- TIME	EMPL- OYED PART- TIME	STU- DENT	RE- TIRED	HOUSE WIFE	LIFE- TIME	OVER 10 YRS.	5-10 YRS.	LESS THAN 5 YRS.				
	TOTAL	MALE	FE- MALE	18-29	30-45	OVER 45																		
TOTAL RESPONDENTS	555 100.0	279 100.0	276 100.0	191 100.0	227 100.0	136 100.0	236 100.0	90 100.0	81 100.0	93 100.0	55 100.0	342 100.0	66 100.0	15 100.0	22 100.0	76 100.0	70 100.0	246 100.0	126 100.0	112 100.0				
USE ALL	60 10.8	31 11.1	29 10.5	28 14.7	22 9.7	10 7.3	30 12.7	14 15.6	3 3.7	6 6.5	7 12.7	36 10.5	6 9.1	3 20.0	2 9.1	9 11.8	11 15.7	22 8.9	13 10.3	15 13.4				
USE ONLY SOME	463 83.4	230 82.4	233 84.4	151 79.0	193 85.0	118 86.8	195 82.6	71 78.9	76 93.8	83 89.2	38 69.1	288 84.2	57 86.4	12 80.0	20 90.9	62 81.6	55 78.6	210 85.4	105 83.3	93 83.0				
NOT SURE	32 5.8	17 6.1	14 5.1	12 6.3	12 5.3	8 5.9	12 5.1	5 5.5	2 2.5	4 4.3	9 16.4	19 5.6	3 4.5	-	1 4.5	5 6.6	5 7.1	14 5.7	9 7.1	3 2.7				

30-32 RATING OF THE FOLLOWING METHODS SUGGESTED AS A MEANS
FOR HELPING ALASKANS COPE WITH NEGATIVE EFFECTS OF
D-2 LAND RESTRICTIONS
REDUCING THE LOAN-INTEREST-RATES FOR COMMERCIAL AND
PERSONAL LOANS FOR RESIDENTS

	LOCATION																			RESIDENCE				
	TOTAL	SEX		AGE			ANCH- ORAGE BOWL	FAIR- BANKS	SOUTH EAST- ERN COMM- UNITY	RAIL- BELT, MATSU ETC.	RURAL WEST AND NORTH	EMPL- OYED FULL- TIME	EMPL- OYED PART- TIME	STU- DENT	RE- TIRED	HOUSE WIFE	LIFE- TIME	OVER 10 YRS.	5-10 YRS.	LESS THAN 5 YRS.				
		MALE	FE- MALE	18-29	30-45	OVER 45																		
TOTAL RESPONDENTS	555	279	276	191	227	136	236	90	81	93	55	342	66	15	22	76	70	246	126	112				
...	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0				
...	33	18	16	6	17	10	15	4	8	3	4	21	2	1	2	5	6	14	8	4				
...	5.9	6.5	5.8	3.1	7.5	7.4	6.3	4.4	9.9	3.2	7.3	6.1	3.0	6.7	9.1	6.6	8.6	5.7	6.3	5.6				
...	19	13	6	8	11	1	11	1	-	3	5	15	1	1	-	1	3	9	4	4				
...	3.4	4.7	2.2	4.2	4.8	.7	4.7	1.1	-	3.2	9.1	4.4	1.5	6.7	-	1.3	4.3	3.7	3.2	3.6				
...	82	41	41	26	30	26	48	6	11	7	10	54	10	2	4	9	11	30	20	21				
...	14.8	14.7	14.8	13.6	13.2	19.1	20.3	6.7	13.6	7.5	18.2	15.8	15.2	13.3	18.2	11.9	15.7	12.2	15.9	18.8				
...	112	50	62	39	45	27	42	26	18	15	11	70	14	6	3	13	8	49	29	25				
...	20.2	17.9	22.5	20.4	19.8	19.9	17.8	28.9	22.2	16.1	20.0	20.5	21.2	40.0	13.6	17.1	11.4	19.9	23.0	22.3				
...	300	151	149	110	122	68	117	52	44	63	24	179	38	5	13	46	40	140	64	57				
...	54.1	54.1	54.0	57.6	53.7	50.0	49.6	57.8	54.3	67.8	43.6	52.3	57.6	33.3	59.1	60.5	57.1	56.9	50.8	50.9				
NOT SURE	8	7	2	1	4	4	3	1	-	2	2	3	-	-	-	2	3	3	2	-				
...	1.4	2.5	.7	.5	1.8	2.9	1.3	1.1	-	2.2	3.6	.9	-	-	-	2.6	4.3	1.2	1.6	-				
MEAN...	4.15	4.11	4.18	4.26	4.08	4.08	4.01	4.36	4.11	4.45	3.85	4.09	4.31	3.87	4.14	4.27	4.07	4.21	4.10	4.14				
STD. DEV.	1.16	1.21	1.11	1.06	1.25	1.17	1.21	.98	1.25	.99	1.28	1.20	.98	1.13	1.24	1.15	1.32	1.14	1.15	1.08				
STD. ERR.	.05	.07	.06	.07	.08	.10	.07	.10	.13	.10	.17	.06	.12	.29	.26	.13	.16	.07	.10	.10				

= LEAST FAVORABLE 5 = MOST FAVORABLE

9.30-32 RATING OF THE FOLLOWING METHODS SUGGESTED AS A MEANS
FOR HELPING ALASKANS COPE WITH NEGATIVE EFFECTS OF
D-2 LAND RESTRICTIONS
REDUCING OR ELIMINATING THE STATE PERSONAL INCOME TAX

	LOCATION																			RESIDENCE				
	SEX			AGE			ANCH- ORAGE BOWL	FAIR- BANKS	SOUTH EAST- ERN COMM- UNITY	RAIL- BELT, MATSU ETC.	RURAL WEST AND NORTH	EMPL- OYED FULL- TIME	EMPL- OYED PART- TIME	STU- DENT	RE- TIRED	HOUSE WIFE	LIFE- TIME	OVER 10 YRS.	5-10 YRS.	LESS THAN 5 YRS.				
	TOTAL	MALE	FE- MALE	18-29	30-45	OVER 45																		
TOTAL RESPONDENTS	555 100.0	279 100.0	276 100.0	191 100.0	227 100.0	136 100.0	236 100.0	90 100.0	81 100.0	93 100.0	55 100.0	342 100.0	66 100.0	15 100.0	22 100.0	76 100.0	70 100.0	246 100.0	126 100.0	112 100.0				
...	77 13.9	45 16.1	32 11.6	20 10.5	34 15.0	23 16.9	32 13.6	9 10.0	16 19.7	9 9.7	11 20.0	53 15.5	5 7.6	3 20.0	3 13.6	7 9.2	11 15.7	37 15.0	14 11.1	16 14.3				
...	46 8.3	21 7.5	24 8.7	17 8.9	19 8.4	10 7.4	19 8.1	4 4.5	8 9.9	10 10.7	5 9.1	31 9.1	8 12.1	-	1 4.6	4 5.3	4 5.7	15 6.1	12 9.5	14 12.5				
...	103 18.6	51 18.3	52 18.8	45 23.5	39 17.2	20 14.7	37 15.7	19 21.1	20 24.7	17 18.3	10 18.2	67 19.6	14 21.2	4 26.7	4 18.2	7 9.2	17 24.3	43 17.5	22 17.5	21 18.8				
...	84 15.1	41 14.7	43 15.6	30 15.7	33 14.5	20 14.7	38 16.1	13 14.4	12 14.8	14 15.0	7 12.7	50 14.6	17 25.8	1 6.7	1 4.5	11 14.5	7 10.0	38 15.4	18 14.3	20 17.8				
...	235 42.3	116 41.6	119 43.1	76 39.8	98 43.2	61 44.9	106 44.9	42 46.7	25 30.9	42 45.2	19 34.5	137 40.0	22 33.3	7 46.6	13 59.1	42 55.3	28 40.0	111 45.1	57 45.2	39 34.8				
NOT SURE	10 1.8	4 1.4	7 2.5	3 1.6	4 1.7	3 2.2	3 1.3	3 3.3	-	1 1.1	3 5.5	4 1.2	1 1.5	-	-	4 5.3	3 4.3	3 1.2	3 2.4	2 1.8				
MEAN...	3.65	3.59	3.71	3.66	3.64	3.64	3.72	3.86	3.27	3.76	3.35	3.55	3.65	3.60	3.91	4.08	3.55	3.70	3.75	3.47				
STD. DEV.	1.45	1.49	1.41	1.37	1.47	1.52	1.45	1.34	1.48	1.38	1.54	1.48	1.26	1.54	1.47	1.35	1.48	1.46	1.40	1.45				
STD. ERR.	.06	.09	.08	.10	.09	.13	.09	.14	.16	.14	.21	.08	.15	.39	.31	.16	.18	.09	.12	.13				

= LEAST FAVORABLE 5 = MOST FAVORABLE

Q.30-32 RATING OF THE FOLLOWING METHODS SUGGESTED AS A MEANS
FOR HELPING ALASKANS COPE WITH NEGATIVE EFFECTS OF
D-2 LAND RESTRICTIONS
MAKING PAYMENTS DIRECTLY TO RESIDENTS IN TERMS OF
DIVIDENDS OR OTHER PAYMENTS

	LOCATION												RESIDENCE							
	SEX			AGE			ANCH- ORAGE BOWL	FAIR- BANKS	SOUTH EAST- ERN COMM- UNITY	RAIL- BELT, MATSU ETC.	RURAL WEST AND NORTH	EMPL- OYED FULL- TIME	EMPL- OYED PART- TIME	STU- DENT	RE- TIRED	HOUSE WIFE	LIFE- TIME	OVER 10 YRS.	5-10 YRS.	LESS THAN 5 YRS.
	TOTAL	MALE	FE- MALE	18-29	30-45	OVER 45														
TOTAL RESPONDENTS	555 100.0	279 100.0	276 100.0	191 100.0	227 100.0	136 100.0	236 100.0	90 100.0	81 100.0	93 100.0	55 100.0	342 100.0	66 100.0	15 100.0	22 100.0	76 100.0	70 100.0	246 100.0	126 100.0	112 100.0
1...	143 25.8	88 31.5	55 19.9	32 16.8	70 30.8	41 30.2	62 26.3	22 24.5	24 29.6	22 23.7	13 23.6	95 27.8	16 24.3	5 33.3	4 18.2	14 18.4	14 20.0	69 28.0	42 33.3	18 16.1
2...	83 15.0	42 15.1	40 14.5	30 15.7	30 13.2	23 16.9	39 16.5	13 14.4	12 14.8	14 15.0	5 9.1	57 16.7	11 16.7	3 20.0	4 18.2	5 6.6	7 10.0	39 15.9	16 12.7	20 17.9
3...	117 21.1	50 17.9	67 24.3	45 23.6	50 22.0	22 16.2	53 22.5	14 15.6	18 22.2	23 24.7	9 16.4	69 20.2	15 22.7	3 20.0	5 22.7	17 22.4	15 21.4	56 22.8	23 18.3	23 20.5
4...	78 14.1	35 12.5	43 15.6	37 19.4	30 13.2	11 8.1	32 13.5	12 13.3	11 13.6	13 14.0	10 18.2	46 13.4	9 13.6	2 13.3	2 9.1	14 18.4	11 15.7	25 10.2	19 15.1	23 20.5
5...	121 21.8	59 21.1	62 22.5	42 22.0	43 18.9	35 25.7	43 18.2	28 31.1	16 19.8	20 21.5	14 25.5	69 20.2	13 19.7	3 20.0	7 31.8	22 28.9	20 28.6	54 22.0	23 18.3	23 20.5
NOT SURE	14 2.5	6 2.2	8 2.9	4 2.1	6 2.6	4 2.9	7 3.0	1 1.1	-	1 1.1	5 9.1	6 1.7	2 3.0	-	1 4.5	4 5.3	4 5.7	2 .8	4 3.2	4 3.6
MEAN...	2.91	2.76	3.06	3.15	2.76	2.82	2.80	3.12	2.79	2.95	3.14	2.81	2.88	2.69	3.18	3.35	3.24	2.82	2.72	3.12
STD. DEV.	1.49	1.54	1.44	1.37	1.49	1.58	1.45	1.59	1.48	1.44	1.54	1.49	1.44	1.48	1.50	1.45	1.49	1.49	1.51	1.38
STD. ERR.	.06	.09	.08	.10	.10	.13	.09	.16	.16	.15	.21	.08	.18	.37	.31	.17	.18	.09	.13	.13

1 = LEAST FAVORABLE 5 = MOST FAVORABLE

3 HOW COULD STATE LEGISLATURE HELP ALLEVIATE PROBLEMS
 ** COULD HELP **

	LOCATION											RESIDENCE								
	SEX			AGE			ANCH- ORAGE BOWL	FAIR- BANKS	SOUTH EAST- ERN COMM- UNITY	RAIL- DELT, MATSU ETC.	RURAL WEST AND NORTH	EMPL- OYED FULL- TIME	EMPL- OYED PART- TIME	STU- DENT	RE- TIRED	HOUSE WIFE	LIFE- TIME	OVER 10 YRS.	5-10 YRS.	LESS THAN 5 YRS.
	TOTAL	FE- MALE		18-29	30-45	OVER 45														
		MALE	FE- MALE																	
AL PONDENTS	283 100.0	143 100.0	140 100.0	97 100.0	112 100.0	73 100.0	116 100.0	40 100.0	46 100.0	47 100.0	34 100.0	180 100.0	34 100.0	7 100.0	12 100.0	36 100.0	37 100.0	130 100.0	57 100.0	59 100.0
WHAT PLE WANT PRESS ICE OF E PEOPLE	23 8.1	8 5.6	16 11.4	7 7.2	10 8.9	6 8.2	8 6.9	5 12.5	2 4.3	2 4.3	6 17.6	11 6.1	4 11.8	1 14.3	2 16.7	5 13.9	4 10.8	6 4.6	6 10.5	8 13.6
P ACTIVE EEP GHITING/ FIRM AND	14 4.9	8 5.6	6 4.3	7 7.2	4 3.6	3 4.1	9 7.8	1 2.5	1 2.2	2 4.3	1 2.9	10 5.6	3 8.8	1 14.3	-	-	-	9 6.9	2 3.5	3 5.1
FORM OPLE/ UCATE OUT IT	9 3.2	4 2.8	4 2.9	4 4.1	4 3.6	1 1.4	7 6.0	1 2.5	-	-	1 2.9	7 3.9	1 2.9	-	-	1 2.8	2 5.4	4 3.1	1 1.8	2 3.4
P ECONO- CALLY/ PRO- RIATE ONEY (HSP)	8 2.8	4 2.8	4 2.9	1 1.0	4 3.6	3 4.1	2 1.7	2 5.0	3 6.5	1 2.1	-	7 3.9	-	-	1 8.3	-	-	6 4.6	-	2 3.4
POSE/ VER-RIDE/ ON'T PASS -2	7 2.5	5 3.5	3 2.1	2 2.1	3 2.7	2 2.7	3 2.6	-	1 2.2	2 4.3	1 2.9	5 2.8	-	-	2 16.7	-	1 2.7	4 3.1	-	3 5.1
SCUSSION/ UDY/OPEH P THE SSUE	6 2.1	4 2.8	2 1.4	2 2.1	3 2.7	1 1.4	4 3.4	-	2 4.3	-	-	4 2.2	2 5.9	-	-	-	-	2 1.5	2 3.5	2 3.4

(CONTINUED)

33 HAS STATE MOVED FAST ENOUGH TO COUNTER THE HIGH INTEREST
RATE SITUATION INVOLVED IN GETTING A SMALL BUSINESS LOAN,
A MORTGAGE OR SIMILAR TYPE LOAN

	LOCATION																			RESIDENCE			
	SEX			AGE																			
	TOTAL	MALE	FE- MALE	18-29	30-45	OVER 45	ANCH- ORAGE BOWL	FAIR- BANKS	SOUTH EAST- ERN COMM- UNITY	RAIL- BELT, MATSU ETC.	RURAL WEST AND NORTH	EMPL- OYED FULL- TIME	EMPL- OYED PART- TIME	STU- DENT	RE- TIRED	HOUSE WIFE	LIFE- TIME	OVER 10 YRS.	5-10 YRS.	LESS THAN 5 YRS.			
TOTAL RESPONDENTS	555	279	276	191	227	136	236	90	81	93	55	342	66	15	22	76	70	246	126	112			
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0			
ES	122	65	57	32	57	33	58	20	15	22	7	80	12	3	5	15	15	52	34	21			
	22.0	23.3	20.7	16.8	25.1	24.3	24.6	22.2	18.5	23.7	12.7	23.4	18.2	20.0	22.7	19.7	21.4	21.1	27.0	18.7			
D	356	177	179	129	141	86	155	58	57	59	27	223	39	11	14	50	42	164	76	74			
	64.1	63.4	64.8	67.5	62.1	63.2	65.7	64.5	70.4	63.4	49.1	65.2	59.1	73.3	63.7	65.8	60.0	66.7	60.3	66.1			
OT SURE	76	36	40	30	30	17	23	12	9	12	20	40	16	2	3	11	13	30	17	17			
	13.7	12.9	14.5	15.7	13.2	12.5	9.7	13.3	11.1	12.9	36.4	11.7	24.2	13.3	13.6	14.5	18.6	12.2	13.5	15.2			

Q.34 DO YOU OR OTHERS IN HOUSEHOLD NOW HAVE OR NOW NEED
SUCH A LOAN

	LOCATION																			RESIDENCE				
	SEX			AGE			SOUTH EAST-ERN COMM-UNITY RAIL-BELT, WEST MATSU AND NORTH											RESIDENCE						
	TOTAL	MALE	FE-MALE	18-29	30-45	OVER 45	ANCH-ORAGE DOWL	FAIR-BANKS	SOUTH EAST-ERN COMM-UNITY	RAIL-BELT, WEST MATSU AND NORTH	RURAL WEST	EMPL-OYED FULL-TIME	EMPL-OYED PART-TIME	STU-DENT	RE-TIRED	HOUSE WIFE	LIFE-TIME	OVER 10 YRS.	5-10 YRS.	LESS THAN 5 YRS.				
TOTAL RESPONDENTS	555	279	276	191	227	136	236	90	81	93	55	342	66	15	22	76	70	246	126	112				
NOW HAVE SUCH A LOAN	54	31	23	16	30	7	17	4	10	6	18	38	9	1	1	3	13	18	12	11				
	9.7	11.1	8.3	8.4	13.2	5.1	7.2	4.4	12.3	6.5	32.7	11.1	13.7	6.7	4.5	4.0	18.6	7.3	9.5	9.8				
NOW NEED SUCH A LOAN	150	82	68	59	57	34	70	26	23	27	4	100	15	3	2	20	16	77	29	29				
	27.0	29.4	24.6	30.9	25.1	25.0	29.7	28.9	28.4	29.0	7.3	29.2	22.7	20.0	9.1	26.3	22.9	31.3	23.0	25.9				
NO	343	161	182	110	140	92	146	59	46	60	32	200	41	12	20	52	41	148	83	71				
	61.8	57.7	66.0	57.6	61.7	67.6	61.8	65.6	56.8	64.5	58.2	58.5	62.1	80.0	90.9	68.4	58.6	60.2	65.9	63.4				
NOT SURE	8	6	3	5	1	2	3	1	2	-	2	5	1	-	-	1	1	3	3	1				
	1.5	2.2	1.1	2.6	.4	1.5	1.3	1.1	2.5		3.6	1.5	1.5			1.3	1.4	1.2	2.4	.9				

35 FOR WHAT PURPOSE DO YOU NOW HAVE A LOAN
 ** NOW HAVE LOAN **

	LOCATION														RESIDENCE					
	SEX			AGE			ANCH- ORAGE BOWL	FAIR- BANKS	SOUTH EAST- ERN COMM- UNITY	RAIL- BELT, MATSU ETC.	RURAL WEST AND NORTH	EMPL- OYED FULL- TIME	EMPL- OYED PART- TIME	STU- DENT	RE- TIRED	HOUSE WIFE	LIFE- TIME	OVER 10 YRS.	5-10 YRS.	LESS THAN 5 YRS.
	TOTAL	MALE	FE- MALE	18-29	30-45	OVER 45														
TOTAL RESPONDENTS	54 100.0	31 100.0	23 100.0	16 100.0	30 100.0	7 100.0	17 100.0	4 100.0	10 100.0	6 100.0	18 100.0	38 100.0	9 100.0	1 100.0	1 100.0	3 100.0	13 100.0	18 100.0	12 100.0	11 100.0
MORTGAGE/ HOME MORTGAGE LOAN	10 18.5	5 16.1	5 21.7	-	8 26.7	2 28.6	4 23.5	2 50.0	2 20.0	2 33.3	-	8 21.1	2 22.2	-	-	-	-	5 27.8	3 25.0	3 27.3
HOME (UNSP)	7 13.0	4 12.9	4 17.4	4 25.0	3 10.0	-	4 23.5	-	1 10.0	2 33.3	-	6 15.8	-	-	-	1 33.3	1 7.7	1 5.6	2 16.7	4 36.4
HOME BUILD- ERS LOAN	3 5.6	1 3.2	2 8.7	-	3 10.0	-	-	-	2 20.0	1 16.7	-	2 5.3	1 11.1	-	-	-	-	1 5.6	1 8.3	1 9.1
HOME OWNERSHIP/ BUYING HOUSE/HOME	2 3.7	2 6.5	1 4.3	-	2 6.7	-	2 11.8	-	-	-	-	2 5.3	1 11.1	-	-	-	-	2 11.1	-	1 9.1
HOME IMPRO- VEMENT	2 3.7	-	2 8.7	-	2 6.7	-	2 11.8	-	-	-	-	1 2.6	-	-	-	1 33.3	-	1 5.6	1 8.3	-
BUSINESS LOAN (UNSP)	2 3.7	1 3.2	1 4.3	1 5.3	1 3.3	-	2 11.8	-	-	-	-	-	2 22.2	-	-	-	-	1 5.6	-	1 9.1
SMALL BUSINESS LOAN	2 3.7	1 3.2	1 4.3	1 6.3	1 3.3	-	2 11.8	-	-	-	-	2 5.3	-	-	-	-	-	1 5.6	1 8.3	-
COMMERCIAL FINANCING LOAN	2 3.7	1 3.2	1 4.3	1 6.3	1 3.3	-	-	-	2 20.0	-	-	2 5.3	-	-	-	-	1 7.7	1 5.6	-	-
COMMERCIAL LOAN VENTURES/ CONSTRUC- TION	2 3.7	1 3.2	1 4.3	2 12.5	-	-	-	-	2 20.0	-	-	2 5.3	-	-	-	-	1 7.7	1 5.6	-	-

CONTINUED)

Q.35 FOR WHAT PURPOSE DO YOU NOW HAVE A LOAN
 ** NOW HAVE LOAN **

	LOCATION																			RESIDENCE				
	TOTAL	SEX		AGE			ANCH- ORAGE BOWL	FAIR- BANKS	SOUTH EAST- ERN COMM- UNITY	RAIL- DELT, MATSU ETC.	RURAL WEST AND NORTH	EMPL- OYED FULL- TIME	EMPL- OYED PART- TIME	STU- DENT	RE- TIRED	HOUSE WIFE	LIFE- TIME	OVER 10 YRS.	5-10 YRS.	LESS THAN 5 YRS.				
		MALE	FE- MALE	18-29	30-45	OVER 45																		
TOTAL RESPONDENTS	54 100.0	31 100.0	23 100.0	16 100.0	30 100.0	7 100.0	17 100.0	4 100.0	10 100.0	6 100.0	18 100.0	38 100.0	9 100.0	1 100.0	1 100.0	3 100.0	13 100.0	18 100.0	12 100.0	11 100.0				
COMMERCIAL BUILDING	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
OTHER BUSINESS LOAN MENTIONS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
OTHER MENTIONS	3 5.6	1 3.2	2 8.7	-	3 10.0	-	2 11.8	1 25.0	-	-	-	2 5.3	-	-	-	-	-	-	2 16.7	1 9.1				
UNASCER- TAINED/ REFUSED	19 35.2	14 45.2	5 21.7	6 37.5	8 26.7	4 57.1	1 5.9	-	-	1 16.7	17 94.4	11 28.9	3 33.3	1 100.0	1 100.0	1 33.3	10 76.9	5 27.8	2 16.7	1 9.1				
** NETS **																								
HOME LOANS	23 42.6	11 35.5	12 52.2	4 25.0	17 56.7	2 28.6	11 64.7	2 50.0	5 50.0	5 83.3	-	18 47.4	4 44.4	-	-	1 33.3	1 7.7	8 44.4	5 41.7	8 72.7				
BUSINESS LOANS	7 13.0	4 12.9	4 17.4	5 31.3	3 10.0	-	3 17.6	-	4 40.0	-	-	6 15.8	2 22.2	-	-	-	2 15.4	4 22.2	1 8.3	1 9.1				

Q.35 FOR WHAT PURPOSE DO YOU NOW HAVE A LOAN
 ** NOW HAVE LOAN **

	LOCATION																			RESIDENCE				
	TOTAL	SEX		AGE			ANCH- ORAGE DOWL	FAIR- DAKKS	SOUTH EAST- ERN COMM- UNITY	RAIL- DELT, MATSU ETC.	RURAL WEST AND NORTH	EMPL- OYED FULL- TIME	EMPL- OYED PART- TIME	STU- DENT	RE- TIRED	HOUSE WIFE	LIFE- TIME	OVER 10 YRS.	5-10 YRS.	LESS THAN 5 YRS.				
		MALE	FE- MALE	18-29	30-45	OVER 45																		
TOTAL RESPONDENTS	54 100.0	31 100.0	23 100.0	16 100.0	30 100.0	7 100.0	17 100.0	4 100.0	10 100.0	6 100.0	18 100.0	38 100.0	9 100.0	1 100.0	1 100.0	3 100.0	13 100.0	18 100.0	12 100.0	11 100.0				
BUY PROPERTY/ LAND	2 3.7	1 3.2	1 4.3	1 6.3	-	1 14.3	2 11.8	-	-	-	-	2 5.3	-	-	-	-	-	-	2 16.7	-				
REAL ESTATE /LAND DEVELOP- MENT	1 1.9	-	1 4.3	-	-	1 14.3	-	1 25.0	-	-	-	-	-	-	-	1 33.3	-	-	1 8.3	-				
COLLEGE/ EDUCATION LOAN	1 1.9	1 3.2	-	1 6.3	-	-	-	-	1 10.0	-	-	1 2.6	-	-	-	-	-	1 5.6	-	-				
TO BUY A CAR	1 1.9	-	1 4.3	-	1 3.3	-	1 5.9	-	-	-	-	1 2.6	-	-	-	-	-	1 5.6	-	-				
OTHER HOME LOAN MENTIONS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
MOBILE HOME	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
OPENING/ STARTING A BUSINESS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
OPENING/ STARTING A SMALL BUSINESS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				

(CONTINUED)

Q.36 FOR WHAT PURPOSE DO YOU NOW NEED A LOAN
 ** NOW NEED LOAN **

LOCATION

RESIDENCE

	SEX		AGE			LOCATION										RESIDENCE				
	TOTAL	MALE	FE- MALE	18-29	30-45	OVER 45	ANCH- ORAGE BOWL	FAIR- BANKS	SOUTH EAST- ERN COMM- UNITY	RAIL- BELT, MATSU ETC.	RURAL WEST AND NORTH	EMPL- OYED FULL- TIME	EMPL- OYED PART- TIME	STU- DENT	RE- TIRED	HOUSE WIFE	LIFE- TIME	OVER 10 YRS.	5-10 YRS.	LESS THAN 5 YRS.
TOTAL RESPONDENTS	150 100.0	82 100.0	68 100.0	59 100.0	57 100.0	34 100.0	70 100.0	26 100.0	23 100.0	27 100.0	4 100.0	100 100.0	15 100.0	3 100.0	2 100.0	20 100.0	16 100.0	77 100.0	29 100.0	29 100.0
HOME (UNSP)	24 16.0	10 12.2	14 20.6	14 23.7	8 14.0	2 5.9	12 17.1	4 15.4	3 13.0	4 14.8	-	13 13.0	3 20.0	-	-	4 20.0	3 18.8	11 14.3	6 20.7	4 13.8
HOME OWNERSHI BUYING HOUSE/HOME	18 12.0	4 4.9	14 20.6	6 10.2	8 14.0	4 11.8	9 12.9	7 26.9	1 4.3	1 3.7	-	10 10.0	2 13.3	2 66.7	-	3 15.0	2 12.5	9 11.7	3 10.3	4 13.8
HOME BUIL- DERS LOAN	16 10.7	9 11.0	7 10.3	5 8.5	4 7.0	7 20.6	5 7.1	3 11.5	6 26.1	2 7.4	-	12 12.0	1 6.7	-	-	1 5.0	3 18.8	5 6.5	4 13.8	4 13.8
OTHER BUSINESS LOAN MENTIONS	12 8.0	7 8.5	5 7.4	3 5.1	4 7.0	5 14.7	6 8.6	1 3.8	2 8.7	3 11.1	-	10 10.0	-	-	-	2 10.0	-	11 14.3	-	1 3.4
A SMALL BUSINESS LOAN	11 7.3	7 8.5	4 5.9	4 6.8	5 8.8	2 5.9	7 10.0	2 7.7	2 8.7	-	-	9 9.0	1 6.7	-	-	1 5.0	1 6.3	4 5.2	3 10.3	4 13.8
COMMERCIAL FISHING LOAN	10 6.7	8 9.8	2 2.9	4 6.8	3 5.3	3 8.8	2 2.9	-	2 8.7	6 22.2	-	3 3.0	3 20.0	-	1 50.0	1 5.0	1 6.3	7 9.1	2 6.9	-
BUSINESS LOAN (UNSP)	8 5.3	6 7.3	2 2.9	3 5.1	5 8.8	1 2.9	3 4.3	-	2 8.7	3 11.1	-	6 6.0	2 13.3	-	-	-	-	6 7.8	1 3.4	2 6.9
HOME IMPRO- VEMENT	6 4.0	3 3.7	4 5.9	4 6.8	3 5.3	-	2 2.9	2 7.7	1 4.3	1 3.7	-	6 6.0	-	-	-	-	-	4 5.2	1 3.4	1 3.4
OPENING/ STARTING A SMALL BUSINESS	5 3.3	3 3.7	2 2.9	3 5.1	2 3.5	1 2.9	3 4.3	1 3.8	1 4.3	-	-	4 4.0	-	-	-	1 5.0	1 6.3	3 3.9	1 3.4	-

(CONTINUED)

Q.36 FOR WHAT PURPOSE DO YOU NOW NEED A LOAN
 ** NOW NEED LOAN **

	LOCATION																			RESIDENCE				
	SEX		AGE			SOUTH EASTERN RAIL- RURAL EMPL- EMPL- ANCH- FAIR- ORN- BELT, WEST OYED OYED ORAGE FAIR- COMM- MATSU AND FULL- PART- BOWL BANKS UNITY ETC. NORTH TIME TIME											STU- RE- HOUSE	RESIDENCE						
	TOTAL	MALE	FE- MALE	18-29	30-45	OVER 45	ANCH- ORAGE BOWL	FAIR- BANKS	SOUTH EAST- ERN COMM- UNITY	RAIL- BELT, MATSU ETC.	RURAL WEST AND NORTH	EMPL- OYED FULL- TIME	EMPL- OYED PART- TIME	STU- DENT	RE- TIRED	HOUSE WIFE	LIFE- TIME	OVER 10 YRS.	5-10 YRS.	LESS THAN 5 YRS.				
TOTAL RESPONDENTS	150	82	68	59	57	34	70	26	23	27	4	100	15	3	2	20	16	77	29	29				
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0				
REAL ESTATE /LAND DEVELOPMENT	5	4	2	1	3	2	3	1	1	-	-	3	-	-	-	1	-	4	-	1				
	3.3	4.9	2.9	1.7	5.3	5.9	4.3	3.8	4.3			3.0				5.0		5.2		3.4				
MORTGAGE/ HOME MORTGAGE LOAN	4	2	2	1	2	1	1	2	-	1	-	3	1	-	-	-	-	2	1	1				
	2.7	2.4	2.9	1.7	3.5	2.9	1.4	7.7		3.7		3.0	6.7					2.6	3.4	3.4				
COMMERCIAL BOAT VENTURES/ CONSTRUCTION	4	3	1	-	4	-	-	-	2	2	-	4	-	-	-	-	1	2	-	1				
	2.7	3.7	1.5		7.0				8.7	7.4		4.0					6.3	2.6		3.4				
BUY PROPERTY/ LAND	4	2	2	2	2	1	3	-	-	1	-	2	-	-	1	2	-	1	2	1				
	2.7	2.4	2.9	3.4	3.5	2.9	4.3			3.7		2.0			50.0	10.0		1.3	6.9	3.4				
TO BUY A CAR	4	3	2	2	1	1	2	2	-	-	-	4	1	-	-	-	1	2	1	1				
	2.7	3.7	2.9	3.4	1.8	2.9	2.9	7.7				4.0	6.7				6.3	2.6	3.4	3.4				
OPENING/ STARTING A BUSINESS	3	3	1	-	3	1	2	-	-	1	-	2	1	-	-	1	-	2	-	1				
	2.0	3.7	1.5		5.3	2.9	2.9			3.7		2.0	6.7			5.0		2.6		3.4				
MODILE HOME	2	1	1	-	1	1	1	-	1	-	-	1	-	-	-	1	-	2	-	-				
	1.3	1.2	1.5		1.8	2.9	1.4		4.3			1.0				5.0		2.6						
COLLEGE/ EDUCATION LOAN	2	1	1	1	-	1	2	-	-	-	-	1	-	-	-	1	-	2	-	-				
	1.3	1.2	1.5	1.7		2.9	2.9					1.0				5.0		2.6						

(CONTINUED)

Q.36 FOR WHAT PURPOSE DO YOU NOW NEED A LOAN
 ** HOW NEED LOAN **

	LOCATION																			RESIDENCE				
	SEX		AGE			ANCH- ORAGE BOWL	FAIR- BANKS	SOUTH EAST- ERN COMM- UNITY	RAIL- DELT, MATSU ETC.	RURAL WEST AND NORTH	EMPL- OYED FULL- TIME	EMPL- OYED PART- TIME	STU- DENT	RE- TIRED	HOUSE WIFE	LIFE- TIME	OVER 10 YRS.	5-10 YRS.	LESS THAN 5 YRS.					
	TOTAL	MALE	FE- MALE	18-29	30-45															OVER 45				
TOTAL RESPONDENTS	150 100.0	82 100.0	68 100.0	59 100.0	57 100.0	34 100.0	70 100.0	26 100.0	23 100.0	27 100.0	4 100.0	100 100.0	15 100.0	3 100.0	2 100.0	20 100.0	16 100.0	77 100.0	29 100.0	29 100.0				
COMMERCIAL BUILDING	1 .7	1 1.2	-	-	-	1 2.9	1 1.4	-	-	-	-	-	-	-	1 50.0	-	-	1 1.3	-	-				
OTHER HOME LOAN MENTIONS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
OTHER MENTIONS	6 4.0	5 6.1	1 1.5	3 5.1	1 1.8	3 8.8	4 5.7	1 3.8	-	1 3.7	-	4 4.0	1 6.7	-	-	1 5.0	1 6.3	3 3.9	1 3.4	1 3.4				
UNASCER- TAINED/ REFUSED	12 8.0	6 7.3	7 10.3	5 8.5	4 7.0	3 8.8	5 7.1	1 3.8	2 8.7	1 3.7	4 100.0	8 8.0	1 6.7	1 33.3	-	3 15.0	2 12.5	3 3.9	4 13.8	3 10.3				
** NETS **																								
HOME LOANS	70 46.7	29 35.4	41 60.3	31 52.5	25 43.9	14 41.2	31 44.3	18 69.2	12 52.2	9 33.3	-	45 45.0	6 40.0	2 66.7	-	9 45.0	8 50.0	33 42.9	15 51.7	14 48.3				
BUSINESS LOANS	55 36.7	38 46.3	17 25.0	16 27.1	26 45.6	13 38.2	25 35.7	4 15.4	11 47.8	15 55.6	-	39 39.0	6 40.0	-	2 100.0	6 30.0	4 25.0	36 46.8	6 20.7	9 31.0				

Q.37 IS THE 14-16 PCT. INTEREST RATE FOR NON-PRIME BORROWER IN ALASKA REASONABLE OR SHOULD STATE USE ALL ITS FINANCIAL TOOLS & POWERS TO REDUCE THE LOAN INTEREST RATE

	LOCATION																			RESIDENCE							
	SEX			AGE			SOUTH EAST- RAIL- RURAL EMPL- EMPL- ANCH- ERN BELT, WEST AND OYED OYED ORAGE FAIR- COMM- MATSU AND FULL- OYED BOWL BANKS UNITY ETC. NORTH TIME TIME										STU- DENT	RE- TIRED	HOUSE WIFE	LIFE- TIME	OVER 10 YRS.	5-10 YRS.	LESS THAN 5 YRS.				
	TOTAL	MALE	FE- MALE	18-29	30-45	OVER 45																					
TOTAL RESPONDENTS	555 100.0	279 100.0	276 100.0	191 100.0	227 100.0	136 100.0	236 100.0	90 100.0	81 100.0	93 100.0	55 100.0	342 100.0	66 100.0	15 100.0	22 100.0	76 100.0	70 100.0	246 100.0	126 100.0	112 100.0							
RATE IS REASONABLE	48 8.6	26 9.3	22 8.0	17 8.9	22 9.7	8 5.9	21 8.9	11 12.2	5 6.2	5 5.4	6 10.9	35 10.3	3 4.5	2 13.3	2 9.1	3 3.9	6 8.6	16 6.5	12 9.5	13 11.6							
DO WHAT'S POSSIBLE TO REDUCE RATE	472 85.0	238 85.3	234 84.8	162 84.8	194 85.5	115 84.6	205 86.9	72 80.0	71 87.6	82 88.2	41 74.6	285 83.3	59 89.4	12 80.0	20 90.9	70 92.1	57 81.4	218 88.6	105 83.3	93 83.0							
NOT SURE	36 6.5	15 5.4	20 7.2	11 5.8	11 4.8	13 9.5	10 4.2	7 7.8	5 6.2	6 6.4	8 14.5	22 6.4	4 6.1	1 6.7	1 4.5	2 2.6	7 10.0	13 5.3	10 7.9	6 5.4							

Q.38 SHOULD GOAL OF SUCH A PROGRAM BE TO GET THE INTEREST RATE DOWN TO ...
 ** STATE SHOULD DO WHAT'S POSSIBLE TO REDUCE RATE **

	LOCATION											RESIDENCE								
	TOTAL	SEX		AGE			ANCH- DRAGE DOWL	FAIR- BANKS	SOUTH EAST- ERN COMM- UNITY	RAIL- DELT, MATSU ETC.	RURAL WEST AND NORTH	EMPL- OYED FULL- TIME	EMPL- OYED PART- TIME	STU- DENT	RE- TIRED	HOUSE WIFE	LIFE- TIME	OVER 10 YRS.	5-10 YRS.	LESS THAN 5 YRS.
		MALE	FE- MALE	18-29	30-45	OVER 45														
TOTAL RESPONDENTS	472 100.0	238 100.0	234 100.0	162 100.0	194 100.0	115 100.0	205 100.0	72 100.0	71 100.0	82 100.0	41 100.0	285 100.0	59 100.0	12 100.0	20 100.0	70 100.0	57 100.0	218 100.0	105 100.0	93 100.0
12 PCT.	24 5.1	15 6.3	9 3.9	12 7.4	11 5.7	1 .9	13 6.3	4 5.6	1 1.4	2 2.4	4 9.8	20 7.0	2 3.4	- 5.0	1 -	- 1.8	1 4.6	10 7.6	8 7.6	5 5.4
11 PCT.	17 3.6	8 3.4	9 3.9	8 4.9	7 3.6	3 2.6	7 3.4	3 4.2	3 4.2	2 2.4	3 7.3	10 3.5	5 8.5	1 8.3	- 1.4	1 7.0	4 3.7	8 4.8	5 1.1	1 1.1
10 PCT.	125 26.5	59 24.8	66 28.2	45 27.8	45 23.2	35 30.4	52 25.4	17 23.6	23 32.4	24 29.3	9 22.0	80 28.1	15 25.4	5 41.7	4 20.0	16 22.9	10 17.5	61 28.0	26 24.8	27 29.0
9 PCT.	105 22.2	54 22.7	51 21.8	29 17.9	51 26.3	26 22.6	57 27.8	14 19.4	12 16.9	16 19.5	6 14.6	65 22.8	12 20.3	2 16.7	3 15.0	18 25.7	12 21.1	47 21.6	22 21.0	24 25.8
8 PCT.	94 19.9	53 22.3	41 17.5	30 18.5	42 21.6	22 19.1	37 18.0	20 27.8	12 16.9	18 22.0	7 17.1	57 20.0	10 16.9	2 16.7	6 30.0	12 17.2	10 17.5	45 20.6	24 22.8	15 16.1
7 PCT.	38 8.1	15 6.3	23 9.8	11 6.8	16 8.2	11 9.6	12 5.9	5 6.9	9 12.7	3 9.8	3 7.3	18 6.3	6 10.2	- 10.0	2 11.4	8 14.0	8 6.9	15 6.7	7 8.6	8 8.6
6 PCT.	15 3.2	7 2.9	8 3.4	5 3.1	5 2.6	4 3.5	7 3.4	2 2.8	2 2.8	3 3.7	1 2.4	6 2.1	4 6.8	- 5.0	1 4.3	3 1.8	1 3.7	8 2.8	3 2.8	2 2.2
5 PCT.	22 4.7	13 5.5	9 3.8	9 5.6	7 3.6	5 4.4	11 5.4	- 5.4	6 8.5	4 4.9	1 2.4	12 4.2	2 3.4	1 8.3	2 10.0	5 7.1	4 7.0	10 4.6	3 2.8	5 5.4
LOWER THAN 5 PCT.	13 2.8	5 2.1	8 3.4	7 4.3	4 2.1	2 1.7	7 3.4	2 2.8	1 1.4	3 3.6	- -	6 2.1	2 3.4	2 16.7	- 2.9	2 5.3	3 2.3	5 2.3	2 1.9	3 3.2
NOT SURE	20 4.2	10 4.2	10 4.3	7 4.3	6 3.1	6 5.2	3 1.5	5 6.9	2 2.8	2 2.4	7 17.1	12 4.2	2 3.4	- 5.0	1 7.1	5 8.8	5 3.7	8 4.8	5 4.8	1 1.1

Q.44 HAVE THE EXECUTIVE & LEGISLATIVE BODIES DONE AS MUCH AS THEY SHOULD IN REDUCING INTEREST RATES IN ALASKA WHICH WOULD HELP OFFSET THE RESTRICTIONS PUT ON ALASKA LANDS OWNED BY THE FEDERAL GOVT.

	LOCATION										RESIDENCE									
	SEX		AGE			ANCHORAGE		SOUTH EAST-ERN COMM-UNITY		RAIL-BELT, MATSU ETC.	RURAL WEST AND NORTH	EMPL-OYED FULL-TIME	EMPL-OYED PART-TIME	STU-DENT	RE-TIRED	HOUSE WIFE	LIFE-TIME	OVER 10 YRS.	5-10 YRS.	LESS THAN 5 YRS.
	TOTAL	MALE	FE-MALE	18-29	30-45	OVER 45	ORAGE BOWL	FAIR-BAHKS	COMM-UNITY	MATSU ETC.	AND NORTH	FULL-TIME	PART-TIME	DENT	TIRED	WIFE	TIME	10 YRS.	5-10 YRS.	5 YRS.
TOTAL RESPONDENTS	555	279	276	191	227	136	236	90	81	93	55	342	66	15	22	76	70	246	126	112
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
YES	98	60	38	24	47	27	41	12	15	20	9	64	12	2	6	8	16	35	27	21
	17.7	21.5	13.8	12.6	20.7	19.8	17.4	13.3	18.5	21.5	16.4	18.7	18.2	13.3	27.3	10.5	22.9	14.2	21.4	18.7
NO	370	178	191	128	151	90	174	58	49	62	27	227	42	9	15	55	40	181	76	73
	66.7	63.8	69.2	67.0	66.5	66.2	73.7	64.5	60.5	66.7	49.1	66.4	63.6	60.0	68.2	72.4	57.1	73.6	60.3	65.2
NOT SURE	88	41	47	38	30	19	21	20	17	11	19	51	13	4	1	13	15	31	23	18
	15.9	14.7	17.0	19.9	13.2	14.0	8.9	22.2	21.0	11.8	34.5	14.9	19.7	26.7	4.5	17.1	21.4	12.6	18.3	16.1

0055

Q.45 ARE YOU IN FAVOR OF DOING WHATEVER IS NECESSARY WITH THE PERMANENT FUND OR STATE BUDGET, TO ALLEVIATE EFFECTS OF RESTRICTED USES OF NATIONAL D-2 LANDS IN ALASKA THROUGH THE READY ACCESS TO STATE FUNDS PROVIDED BY THE STATE GOVT.

	LOCATION																			RESIDENCE				
	SEX			AGE																				
	TOTAL	MALE	FE- MALE	18-29	30-45	OVER 45	ANCH- ORAGE BOWL	FAIR- BANKS	SOUTH EAST- ERN COMM- UNITY	RAIL- BELT, MATSU ETC.	RURAL WEST AND NORTH	EMPL- OYED FULL- TIME	EMPL- OYED PART- TIME	STU- DENT	RE- TIRED	HOUSE WIFE	LIFE- TIME	OVER 10 YRS.	5-10 YRS.	LESS THAN 5 YRS.				
TOTAL RESPONDENTS	555 100.0	279 100.0	276 100.0	191 100.0	227 100.0	136 100.0	236 100.0	90 100.0	81 100.0	93 100.0	55 100.0	342 100.0	66 100.0	15 100.0	22 100.0	76 100.0	70 100.0	246 100.0	126 100.0	112 100.0				
YES	348 62.7	181 64.9	167 60.5	137 71.7	135 59.5	76 55.9	158 66.9	52 57.8	51 63.0	57 61.3	29 52.7	212 62.0	41 62.1	11 73.3	17 77.3	48 63.2	43 61.4	154 62.6	77 61.1	74 66.1				
NO	134 24.1	70 25.1	64 23.2	31 16.2	68 30.0	34 25.0	57 24.2	24 26.7	21 25.9	22 23.7	10 18.2	91 26.6	15 22.7	3 20.0	3 13.6	16 21.1	10 14.3	58 23.6	39 31.0	26 23.2				
NOT SURE	73 13.2	28 10.0	45 16.3	22 11.5	25 11.0	26 19.1	21 8.9	14 15.5	9 11.1	14 15.0	16 29.1	39 11.4	10 15.2	2 13.3	2 9.1	11 14.5	17 24.3	34 13.8	11 8.7	12 10.7				



Official Business

Alaska State Legislature

Senate

Committee on Community & Regional Affairs

Jim Rhode
#18:27
Pouch V
State Capitol
Juneau, Alaska 99811

February 20, 1980

TO: Senator Mulcahy
FROM: Margo W. Waring *WW*
for Senator Sturgulewski
RE: CSSSSB 1

I have reviewed the version of SB 1 distributed at the Free Conference Committee meeting of February 14, 1980. Below are questions which arose during that review. Briefly, we are concerned about the liberality with which funds will be disposed, control over and standards for loan decisions, encouragement of default on loans, the cost to the state of administering the loan program and the extent of "hidden" subsidies.

If you would care to discuss these questions further, we could meet at your convenience.

1) 37.13.020(b)(4) The restriction on closing fee costs to .5%. Few banks appear to have fees this low.

2) Chapter 96
45.96.010 Purpose: 1) lowest interest rates possible
2) make loans available
3) lower cost of living

These seem rather narrow goals for a program that could have such a massive effect on Alaska's economy.

3) 45.96.100 Tax Exemption: What are the implications of exempting "all property of the fund" from state and local taxes, as the property can include all sorts of real property?

4) 45.96.110 Sale of Bonds. This section states that there may be either public or private bond sales until 7/1/84, after which there may only be public sales. Why? Further, although the section describes (b) and controls public sales, there is no similar provision for private sales. Why?

5) 45.96.150. Loss Reserve Account consists of 5% of outstanding loans. Yet the "narrative" describes a higher default rate. What will be the source of funds for the difference?

6) 45.96.180. Budget. The operating budget is a general fund appropriation. What is the estimated cost of the Alaska Loan Program?

- 7) 45.96.200. Loan Procedures. Loans of less than \$350,000 (b) are made by district office's director and two loan officers. Are funds going to be allocated among district offices? First-come-first-served? Loans of more than \$350,000 are decided by three people in DC&ED.(c)
- 8) 45.96.210. The function of the Loan Program Evaluation Committee (which may consist of the same persons who made the initial loan) is to find these alternative conditions which would prevent loan default. Given the high rate of default, there are no guidelines presented regarding tolerable limits of such conditions.
- 9) 45.96.240. (1) Residential loans may be made to "sponsors" of "land development projects." What does this mean? Why are mortgage loans to be made to "sponsors, developers, builders, and purchasers," rather than to owners/purchasers? In (7) indication is made that the only loans "fully guaranteed as to payment of principal and interest by the fund are those bought by PERS or TRS. What are the implications of this?
- 10) 45.96.250. District offices have wide latitude in making loans (more than one/per borrower) for a variety of projects, such as farm irrigation, working capital, or boat upgrading which might make only marginal difference in profit rates. What review mechanism exists for district discretion regarding such loans?
- 11) Loans to public utilities for hydroelectric generation and water supply, include loans for operation. There needs to be a greater control over such projects for coordination and avoidance of duplication and to assure the lowest possible rates to consumers. Loans can be made for design, for "expenses incurred in securing necessary permits and licenses." This includes loans made prior to determinations of feasibility. It is also questionable that some of the costs should be subsidized by the public, since they also pays for the cost of analysis and issuance of the licenses and permits.
- 12) 45.96.290. The division director must lend money (up to \$5 million) to small municipalities and eligible corporations, overriding other lending criteria. The loan is at cost, without any contribution to the loss reserve account. Bonds "need not be in definitive form." The director must bid on GOBS of home rule boroughs or cities (b) or any incorporated city or borough. Despite any other prudent loan criteria, the terms of the bid are set by statute (b)(1) and, if there are no other bids, the bonds must be purchased at 6%. The same is true for non-profit corporations (c) which supply public services as defined by the revenue sharing program. None of the limitations or protections of the bill apply to loans made to cities, boroughs, non-profit corporations (b). Will this lead to an unsupportable level of costly public services? Effect default rates?
- 13) 45.96.300 If a municipality defaults on any bond, payment of principal and interest is made by state departments or agencies which have money owing to the municipality. The only other measure to insure non-default of the loan is a penalty for not notifying the Commissioner of Revenue twenty days before default. This penalty is a new ground for removal from office (optional) and mandatory if the default occurs. But

there are no other provisions to protect the state's interest, except that such loans are secured by general funds (46.96.310). Does this encourage default?

14) 45.96.320. Industrial Development Loans. The state loan Committee issues bonds on behalf of businesses. The property will belong to the municipality of location "unless the municipality has provided otherwise" before the loan is approved. What does this mean? Will municipalities face the choice of determining financial feasibility themselves (prior to loan approval), take on risky properties that could obligate municipal funds or forever waive property rights in favor of the proposed business?

(c)(1) gives the local governing body only 60 days in which to approve the project. Non-response is taken as approval. Given that loan applications can be made at a point so early in project design as to have few details, these provisions appear unfair and restrictive of local control.

15) 45.96.330. Project Costs Eligible for Bonding. Is an overly broad range of costs eligible for bonding (financing costs, insurance premiums, "fees and expenses of trustees....and financial advisors...")?

16) 45.96.340. What will be the ultimate cost (real and opportunity costs) of non-interest bearing loans, 40% of which shall be forgiven?

17) 45.96.360. Eligibility for Loans. Loan eligibility requirements do not apply to Industrial Development Loans. Apparently, this means that a would-be industrial developer could borrow millions, even if in bankruptcy, default or delinquency. (45.96.360(1)(2)). Is this wise?

18) 45.96.380. Why has the DOT/PF been selected as the agency responsible for determining the cost of living in areas of the state? How expensive will it be to make such determinations?

19) 45.96.390. What is the relationship of these loan limitations (up to 100% of the maximum amount to five year residents) to collateral requirements in other sections?

20) 45.96.400. Why are educational and industrial loans exempted from value limitations? 45.96.410. Isn't it unusual to secure loans with personal property?

21) 45.96.420. What kind of municipal subsidy is involved in loans at less than the cost of money? When the revolving loan fund (b)(c) is depleted by payments to cover the difference between rate to the borrower and the cost of money, what general fund costs can be anticipated and projected? Are future funds being appropriated by this legislature?

22) 45.96.425(b). It seems unfair that, if our loans are made to veteran's dependents, they can't be made to the veteran's parents, if they are still married.

23) 45.96.430-440. What sorts of costs will be incurred by these sections. Are large increases in general funds/growth of government going to result from new services (also re. .380)? Regarding the new divisions and positions, the same question should be asked?

24) 37.05.159. Is the establishment of the Comprehensive Loan Program Reserve Account within the general fund a dedication of funds in violation of the Alaska Constitution?

In conclusion, one more point can be made regarding the Loan Program. A great many separate accounts are established. Each will be invested and managed. Potential for abuse is inherent in money management at this scale. Are the oversight provisions (Legislative Budget & Audit) adequate?

NOTES ON PURPOSES, ORGANIZATION,
MANAGEMENT AND REPORTING
PROPOSALS IN SB 1

I. The Alaska Permanent Fund

A. Purposes

- A separate fund consisting of certain state mineral revenues.
- Used for income-producing investments which may include in-state investments that have a risk level and expected yield comparable to specified alternative investment opportunities and consistent with the prudent-man rule.
- Permanent: "1. Fixed and changeless; lasting or meant to last indefinitely" (Source: The American Heritage Dictionary of the English Language, 1970). "1. Lasting or intended to last indefinitely without change; continuing in the same state or in the same place, stable, durable, abiding." (Source: Webster's New Universal Dictionary of the English Language, 1976)
- Accumulate sufficient income in the Fund to allow diversification of Alaska's economy and to insure that future generations receive benefits from development of the State's nonrenewable resources (Source: Joint Chairman's Report on CS SSHJR 39, March 24, 1976).
- Purpose of the income is to secure obligations of the proposed Alaska Loan Programs Fund.

B. Organization Management and Reporting for the Principal (assets) of the Alaska Permanent Fund

- Policy decisions about permissible types and proportions of investments would be made by the legislature and contained in the statute.
- Operational decisions about specific investments would be taken by the Commissioner of Revenue and his staff.
- Commissioner of Revenue is appointed by the Governor, confirmed by the Legislature, and serves at the pleasure of the Governor.
- Annual operating budget subject to the Executive Budget Act.
- Quarterly and annual investment reports to the Legislative Budget and Audit Committee, Investment Oversight Division (proposed).
- Annual report to Governor, Legislature, and public.

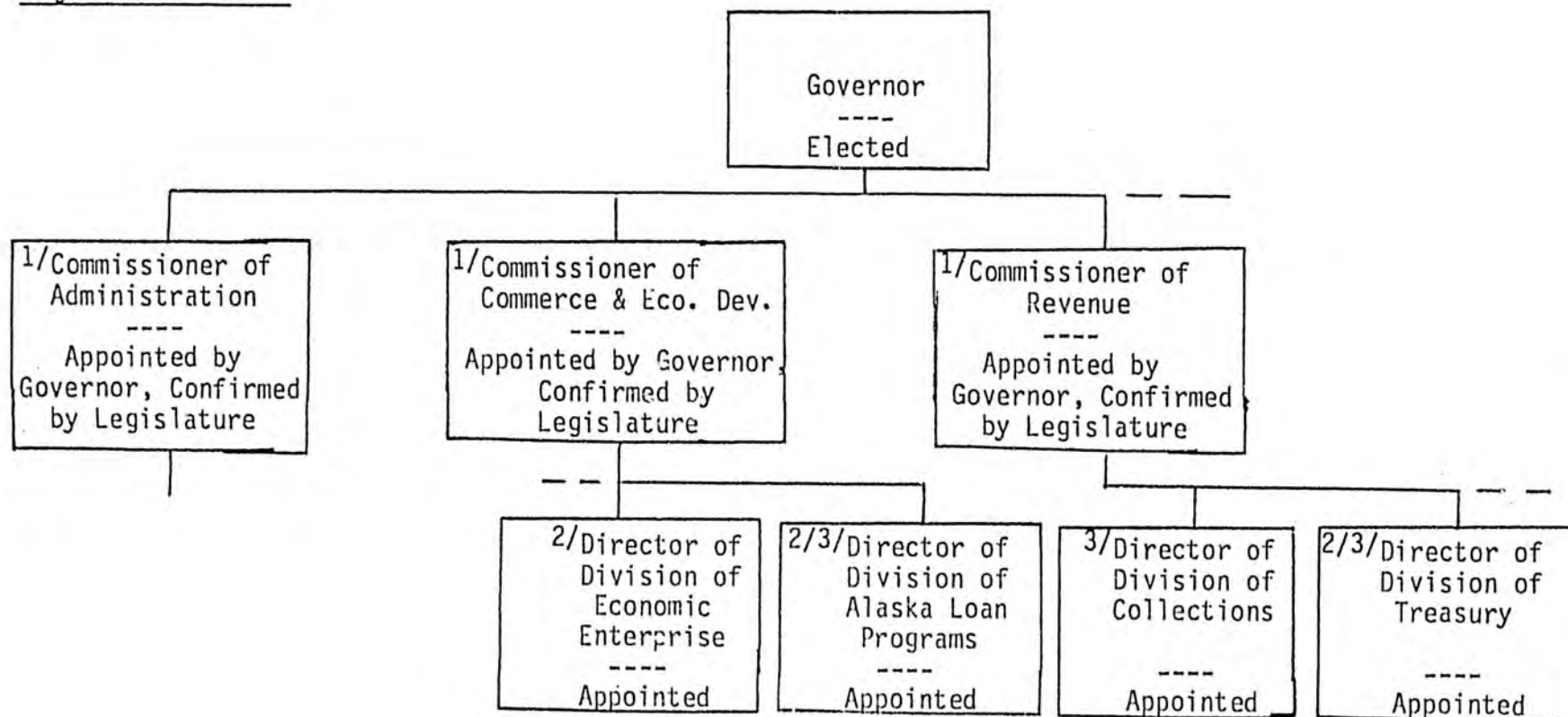
II. The Alaska Loan Programs Fund

A. Purposes

- Use virtually all the State's financial resources, other than those required for normal operations of State government.
- Provide the lowest possible interest costs to Alaska borrowers, consistent with sound financial practices.
- Make available to all sectors of the Alaska economy loans including long-term financing.
- Establish a strong, single loan source.
- Make a significant contribution to lowering costs of living for Alaska residents and costs of operations in the private and public sector(s).
- Import capital to fund loans to the veterans, housing, commercial, public, non-profit, and education sectors in Alaska.
- Refund any or all existing state or municipal general obligation and revenue bonds.
- Provide fire and liability insurance for projects financed by the Alaska Loan Programs Fund.
- Provide a market for all future general obligation bonds issued by Alaska municipalities.

B. Management of the "Alaska Loan Programs Fund."

Organization Chart



Notes:

1/These three Commissioners function as the "State Bond Committee"

2/These three Directors would function as the "Alaska Loan Programs Evaluation Committee"

3/These three Directors could be classified as partially exempt

C. Decisions

- Policy decisions about general loan program sectors; i.e., municipalities with populations less than 5,000, non-profit corporations, all other municipalities, veterans, industrial development, education, tourism, child care facilities, fishermen and other business; individual loan amount upper limits and recipient categories would be made by the Legislature and included in the statute.
- Policy decisions about the amount of revenue bonds to be sold to provide funding of the Alaska Loan Programs Fund would be made by the State Bond Committee.
- Policy decisions about the investment of fund cash balances and reserve accounts would be made by the Director of the Division of Treasury, subject to the approval of the Commissioner of Revenue, unless disapproved by the Legislature within a period of 60 days.
- Policy decisions about the total amount of loans to be made to various sectors of the economy would be made by the Director of the Division of Loan Programs, apparently without reference to a Commissioner.
- Policy decisions about interest rates to be charged would be made by the Commissioner of Revenue.
- Policy decisions about further subsidies of interest rates to be charged would be made by other loan agencies such as the ARRC.
- Operating decisions about rescheduling and foreclosing on delinquent loans would be made by the Alaska Loan Programs Evaluation Committee apparently without reference to a Commissioner.
- Annual operating budget subject to the Executive Budget Act.

D. Reporting

- Monthly reports on investments by Director of the Division of Treasury to the Legislative Budget and Audit Committee.
- Monthly reports on loan defaults by the Department of Administration to the Departments of Revenue and Commerce and Economic Development, and to the Legislative Budget and Audit Committee.

- Monthly reports on loan collections by the Division of Collections to the Legislative Budget and Audit Committee.
- Quarterly reports on investments, defaults and collections by the Legislative Budget and Audit Committee to the Legislature.

P. B. McDowell
February 29, 1980

NOTES ON LOAN PROGRAMS/REVENUE BONDING AUTHORITIES

A. General Notes

What are the possible goals of the Legislature (House)?

1. Primary Goals

- (a) Import capital to fund housing, business/industry and state/municipal capital projects in Alaska.
- (b) Expand the Alaska economy in terms of GDP and personal disposable income of present residents, (not in terms of revenue to state government).
- (c) Plan the economic development of Alaska, where
 - State government is the planning agency
 - Private and municipal sectors are encouraged (but not coerced) to fit into State plans with financial incentives provided by State bonding, loan and equity investment programs
- (d) Provide loans at below market interest rates to Alaskan residents, municipalities, and non-profit corporations for limited and/or unlimited purposes.
- (e) Make loan program/revenue bonding policy explicitly (on purpose) rather than implicitly (accidentally) as at present.
- (f) Unify various state loan programs into a single program to enhance planning for priorities and increase organizational visibility and legislative control.

2. Secondary Goals Re Management

- (i) Criterion: The distance from the Legislature with regard to policy and operating decisions.
- (ii) Definitions: Policy decisions are those which define the size, classes of expenditure and general criteria for differentiating among individual recipients of program funds or services.

Operating Decisions are those which differentiate among individual recipients and determine the amounts allocated to individual recipients.

Possibilities

- (a) Policy and operating management by the Legislature itself, or a subdivision thereof
- (b) Policy and operating management by independent state corporation separate from the Commissioner-headed departments
- (c) Policy and operating management by a single commissioner level department of the executive
- (d) Policy management by multiple commissioners (a committee) and operating management by state civil servants not subject to confirmation
- (e) Operating management by private sector commercial banking institutions
- (f) Policy and operating management by municipalities
- (g) Policy and operating management by non-profit and/or quasi-municipal government corporations
- (h) Policy and operating management by state civil servants below the levels subject to Legislative confirmation.

N.B. For all the alternatives above, policy and operating management could be separately assigned to any two alternatives.

#18:27

MEMORANDUM

TO: Hon. Peter Bushre
Deputy Commissioner of
Revenue-Investments
Pouch SB
Juneau, Alaska 99811

FROM: Wohlforth & Flint

DATE: March 23, 1979

SUBJECT: Substitute for Senate Bill No. 1
"An Act Relating to the Alaska
Loan Programs Fund, the Alaska
Permanent Fund, State Investment
Policy and other State Revenues;
and providing for an effective date"

Since I cannot be in Juneau to testify on the above bill at the hearing scheduled for March 29, 1979, I would like to submit in writing the following comments.

I understand that the questions arising from the bill concerning "arbitrage" issues under Proposed Regulations 1.103-13 and 14 of the Internal Revenue Service will be dealt with by Mr. George Woolfe, of the law firm of Orrick, Herrington, Rowley & Sutcliffe. The questions alluded to in my memorandum dated February 6, 1978, with respect to this bill last year (Senate Bill 429) have been made more acute by the issuance of the proposed regulations on September 1, with respect to the permitted spread between bond yield and the yield on acquired purpose obligations, yield on reserve funds and the invested sinking fund provisions of the proposed regulations.

Last year I noted in my memorandum that the bill effectively wiped out a major portion of the present state loan programs without regard as to whether such programs are being financed directly by the general fund or through the issuance of tax exempt bonds on the public market. In attempting to centralize state loan activities, the bill is apparently based on the assumptions in the report entitled "A Narrative on Senate Bill 429" issued last year by the Senate's Special Committee on the Permanent Fund. This narrative is sharply critical of the history of state loan programs and independent corporations without detailing, except in broad terms, the particular deficiencies.

Memorandum
Hon. Peter Bushre
Page Two

Admittedly there are deficiencies in State loan programs, as evidenced by the recent Haskins & Sells audit on the Veterans Loan Program. On the other hand, public borrowing entities which have financed home mortgage loans or loans to municipalities through tax exempt bonds have operated efficiently.

The following will attempt to detail some of the features of the bill especially worthy of note:

1. AS 45.96.120 creates the 'allocated reserve account' within the general fund. Income from the permanent fund is "allocated to the account". Amounts necessary to fund the capital reserve account, the fire insurance and liability reserve account and the loan loss reserve account are allocated to those accounts from the allocated reserve account. It is apparently conceived that income from the permanent fund is a perpetual source of funding for the allocated reserve account allocations to the above mentioned accounts. It is legally doubtful, in my view, that such an allocation without an annual appropriation for the purposes is effective. Section 125 establishes the unallocated reserve account which is to be funded through appropriation lapses at the end of each year. The amount available for this account therefore, would vary depending on budgetary and expense procedures and would be uncertain.

2. The capital reserve account created under Section 140 is to be capitalized from bond proceeds in the amount of 5% of the principal amount. This section is inconsistent with the provisions of Section 120 which provides that the allocated reserve account funds the amount in the capital reserve account.

3. With respect to Section 120 and other sections establishing percentages, it is suggested that legislation of this sort is not the correct place to fix percentages but that the matter should be left to negotiation in the light of market conditions pursuant to the underlying bond security documents.

4. Replenishment of the capital reserve account and the loan loss reserve account is to be made annually from the allocated reserve account. It is noted above that the allocated reserve account is allocated all of the income from the permanent fund. It is submitted that this income must be the subject of an annual appropriation unless the

Memorandum
Hon. Peter Bushre
Page Three

Permanent Fund amendment to the Constitution specifically permits a permanent dedication and pledge to bond holders of income.

5. Although the narrative on Senate Bill 429 last year indicated that a virtue of the bill was reduction of State agencies and authorities it should be noted that the bill creates "a new Alaska loan programs evaluation committee" (Section 220) a new division of collections within the Department of Revenue (Section 240) and a new investment oversight division (Section 24.20.231).

6. Section 45.96.300 provides for purchase of local government bonds by the State. It was noted last year there is a technical mistake in providing that "loans to non-profit corporations should be made through purchase by the fund of revenue bonds issued on behalf of the corporation by the Municipality in which the project to be financed by the loan is constructed" (lines 8 through 12, page 26.) The scheme for state bid for local government bonds is set at percentage points above or below the daily bond buyer average for differing maturities. This is an arbitrary scheme based on a todays estimate of what bonds in the rate categories may sell for and it may well be an inaccurate and inefficient scheme as Alaska bonds increase in value. As with the other percentages fixed in this bill, the bidding percentages above and below the daily bond buyer average ought to be left to administrative determination. The revenue bond bid formula is even less apt to be correct. For some reason the bill permits the purchase by the State of all revenue bonds issued on a competitive basis on behalf of a non-profit corporation as well. The criteria for non-profit corporations which are eligible for the loans as fixed in AS 45.96.300 paragraph (d) on page 29 do not currently comply with the proposed "on behalf of" regulations of the Internal Revenue Service.

7. Section 45.96.320(d) provides for industrial development loans for projects up to \$5,000,000. 1978 amendments to Internal Revenue Code permit loans up to \$10,000,000, depending on location and capital expenditures over a six year period.

8. In this connection, the provision of Section 14 of the bill on page 45 should be noted. This section flatly prohibits any municipality from issuing an industrial development bond under the provisions of the Internal Revenue Code. Under this provision the City of Valdez could not have effectuated its oil terminal financing and the Municipality of Anchorage could not have issued its \$50,000,000 in Home Mortgage Bonds in March, 1979.

Memorandum
Hon. Peter Bushre
Page Four

The memo of February 6, 1978, last year, details other questions with respect to the bill.

In conclusion, the bill deals with the substantial subject matter of the means of funding all state loan programs based on the assumption that establishment of certain pre-determined and fixed reserves from permanent fund income, lapsed appropriations and bond proceeds will provide an efficient financing vehicle for this purpose. As noted above, the percentages fixed may or may not be adequate to support bonds secured by the many different types of loans which are to be made by the fund. The loans to be financed range from secure municipal bonds and housing loans to loans never before financed through publically marketed bond issues. The percentages established for the capital reserve account and the debt service reserve account may or may not be adequate to support bond issues for the varied purposes of the loan programs. In addition, the bill assumes in every case that it creates a more efficient financing vehicle than those presently existing in the state and fixes details of loan programs and the market rate on municipal bonds sold to the public (thus permitting sale to the state) which should be left to administrative discretion. Finally, the bill seeks to eliminate a large area of local government financing in the housing and industrial development bond field without any rationale suggested.

January 10, 1980

MEMORANDUM TO: ALASKA DEPARTMENT
OF REVENUE
TREASURY DIVISION

FROM: GEORGE G. WOLF
ORRICK, HERRINGTON, ROWLEY
& SUTCLIFFE

Re: CSSSSB 1

This memorandum discusses the relationship between Committee Substitute for Sponsor Substitute for Senate Bill No. 1, entitled "An Act relating to nonrenewable resource revenues; to legislative oversight; and providing for an effective date" (hereinafter referred to as the "Bill"), and Section 103 of the Internal Revenue Code of 1954, as amended (the "Code"), which governs the exemption from federal income tax for interest on state and municipal obligations. Particular emphasis will be placed on the questions raised in Deputy Commissioner Bushre's letter of June 20, 1979.

I. THE BILL

The central features of the Bill are (i) the creation of the Alaska Loan Programs Fund (the "Fund"), amalgamating several now separate loan programs of the State, to be funded with the proceeds of Revenue Bonds

issued for the Fund, and (ii) providing substantial security for such Bonds through the mechanism of the Allocated Reserve Account, which will receive one-half of the income from the Permanent Fund. As stated in Section 9 of the Bill (AS Sec. 45.96.010), "A single state source of lending will provide strong assurance of repayment of its loans and thereby lower the cost of borrowing to the state. ... A strong, single loan source, by being available to secure interest rates and terms better than those available to loan funds limited in size for a specific purpose, will make a significant contribution to lowering costs of living for Alaska residents and costs of operations in the private and public sector."

A schematic diagram of the relevant provisions of the Bill is attached as Exhibit A.

First, the Bill creates the Fund (45.96.020 (a)). Revenue Bonds are issued by the State Bond Committee to carry out the purposes of the Fund (45.96.030). Proceeds of the Bonds are deposited in the Fund (45.96.030 (a)), which are then used to make loans (45.96.230). Loans may be made for single-family and multi-family residential housing (45.96.240), for general commercial purposes (45.96.250), to small municipalities (45.96.290),

for industrial development activities (as defined in Section 103(b)(4) and (5) of the Code) (45.96.330), and for tourism, historical preservation, and open space purposes (45.96.350). Although the Bill provides that loans may also be made for educational purposes (45.96.230), the portions of a prior version of this Bill (SSSB 1) setting forth eligibility requirements, loan limits, and so forth for education loans have been eliminated in this Bill.

Interest on loans is to equal the Fund's cost of borrowing (45.96.420(a)) plus additional amounts described below to fund various reserve accounts. All of the assets of the Fund are pledged as security for the Revenue Bonds issued to finance the Fund (45.96.030 (b)). The Fund's operating budget is to be paid from the General Fund, unless appropriations for that purpose are made from the Unallocated Reserve Account (45.96.180).

Second, the Bill creates a series of reserve accounts and the mechanisms for funding them. Principal among these is the Allocated Reserve Account (45.96.120), which is funded with one-half of the average annual income from the Permanent Fund (45.96.120). The Allocated Reserve Account can, in addition, be funded with optional appropriations from the General Fund (45.96.120), from

the Unallocated Reserve Account (45.96.125(b)), or from the Comprehensive Loan Program Reserve Account (37.05.159(a)).

The Unallocated Reserve Account is funded with the annual General Fund surplus exceeding \$100,000,000 (45.96.125(a)). The Comprehensive Loan Program Reserve Account is funded with 15 percent of amounts received by the State for lease bonus, rents from State property, and royalties from the disposition of minerals owned by the State (37.05.159(b)).

The Capital Reserve Account is funded from the Allocated Reserve Account in an amount equal to 5 percent of each Revenue Bond issue outstanding (45.96.140). Amounts in the Capital Reserve Account may be used only to pay debt service on Revenue Bonds, with any surplus being returned to the Allocated Reserve Account (45.96.140).

The Loss Reserve Account (45.96.150(a)) is funded by amounts in the Allocated Reserve Account (45.96.120) and an additional one percent interest charge on the Fund's loans (45.96.150(c), 45.96.420(a)) in an amount equal to 5 percent of the amount of Fund loans outstanding each year. Amounts in the Loss Reserve Account may be used only to reimburse the Fund for losses realized from loans, with any surplus being

returned to the Allocated Reserve Account (to the extent of amounts previously advanced to the Capital Reserve Account and the Loss Reserve Account) and to the earned income account of the Fund (to the extent of the excess) (45.96.150(d)).

The Fire and Liability Reserve Account (45.96.165) is funded with an optional 0.6 percent additional interest charge on loans (45.96.165) and by amounts in the Allocated Reserve Account (45.96.120) in an unspecified amount but apparently to the extent necessary to reimburse the Fund for losses realized on uninsured property, which is the only permitted use of amounts in the Account.

The Debt Service Reserve Account is funded with Bond proceeds to the maximum extent permitted under Section 103(c) of the Code (45.96.130). Amounts in the Debt Service Reserve Account may be used only to pay debt service on the Bonds (to the extent that other amounts in the Fund and the Capital Reserve Account are insufficient to pay such debt service), with any surplus going to the Allocated Reserve Account (45.96.130).

The Municipal Bond Capital Reserve Account is funded by amounts in the Unallocated Reserve Account

in an amount equal to 5 percent of the amount of municipal obligations acquired by the Fund (45.96.320). The Bill is unclear whether amounts in the Municipal Bond Capital Reserve Account secure Revenue Bonds issued by the Fund the proceeds of which are used to acquire municipal obligations, or whether such amounts secure the municipal obligations themselves. Any surplus is returned to the Unallocated Reserve Account (45.96.320).

II. SECTION 103

Section 103(a) of the Code provides that interest on the obligations of a state or any political subdivision thereof is exempt from federal income tax. In general, Revenue Bonds issued by the Alaska State Bond Committee on behalf of the Fund would be exempt under this provision.

Tax exemption would be denied, however, if such Bonds were "industrial development bonds" ("IDB"), unless one of the specific exceptions for such treatment were satisfied. Tax exemption would also be denied if the Bonds were "arbitrage bonds."

In addition, tax exemption could be lost if the Bonds constituted "mortgage revenue bonds," "mortgage subsidy bonds," or some similar designation under

various bills now pending before the Congress.

It is presumed that the exemption from federal income tax on the Bonds is one of the fundamental objectives of the Bill. Bonds contemplated by the Bill, however, are affected by both of the existing exceptions to such treatment, as well as by the anticipated exception for mortgage bonds.

III. INDUSTRIAL DEVELOPMENT BONDS ASPECTS

A. IDBs Generally

Section 103(b)(2) defines IDBs in terms of two tests, commonly referred to as the "trade or business test" and the "security interest test." Both tests must be met for an obligation to be an IDB.

The trade or business test refers to the use to which the proceeds of bonds will be put, and provides that an obligation will be an IDB if "all or a major portion of the proceeds of [such obligation] are to be used directly or indirectly in any trade or business carried on by any person who is not an exempt person ..." Sec. 103(b)(2)(A). A "major portion" for this purpose means more than 25 percent of the proceeds of the obligation. Treas. Reg. § 1.103-7(b)(3)(iii).

Section 103(b)(3) defines the term "exempt person" to mean a governmental unit, or an organization

described in Section 501(c)(3) of the Code and exempt from tax under Section 501(a) (but only with respect to a trade or business carried on by such organization which is not an unrelated trade or business within the meaning of Section 513(a) of the Code). For this purpose, however, one must look to the ultimate use of the proceeds. For example, bonds issued by a state the proceeds of which are loaned to a city, which in turn loans the proceeds to a nonexempt person for use in a trade or business, will satisfy the trade or business test. Treas. Reg. § 1.103-7(b)(3)(ii).

In short, Bonds will meet the trade or business test for IDBs if more than 25 percent of the proceeds are loaned or otherwise made available to private commercial enterprises.

The security interest test relates to the security for repayment of the obligations. Under this test, an obligation will be an IDB if "the payment of the principal or interest on [such obligation] (under the terms of such obligation or any underlying arrangement) is, in whole or in major part - (i) secured by any interest in property used or to be used in a trade or business or in payments in respect of such property, or (ii) to be derived from payments in respect of prop-

erty, or borrowed money, used or to be used in a trade or business." Again, a "major part" means more than 25 percent, and the test is satisfied if more than 25 percent of the principal or more than 25 percent of the interest on an obligation is secured by property, etc. used in a trade or business. Treas. Reg. § 1.103-7(b)(4). If the security interest test is satisfied, the presence or absence of a pledge of the full faith and credit of the issuer is irrelevant. Ibid.

For the security interest test to be satisfied there need be no relationship between the property or borrowed money which provides security for the bonds and the use of the proceeds of the bonds. Treas. Reg. § 1.103-7(b)(4). In other words, if the proceeds of a bond issue are used in the trade or business of one nonexempt person, and the bonds are secured by property used in the trade or business of another person, the security interest test is satisfied, and the bonds are IDBs.

If an obligation is not directly secured by property, etc. used in a trade or business, the security interest test will nonetheless be satisfied if there is an "underlying arrangement" that the principal or the interest on such obligation will be paid from amounts derived from payments in respect of property,

or borrowed money, used in a trade or business. For example, if an industrial development authority issues bonds the proceeds of which are loaned to private commercial enterprises, and it is clear from all of the facts and circumstances that the only source of payment of debt service on the bonds (or more than 25 percent of either the principal or the interest on such bonds) will be payments received with respect to such loans, the security interest test is satisfied even if there is no direct pledge of the loans or the revenues therefrom as security for the bonds. Treas. Reg. § 1.103-7(c), Example (14). On the other hand, where a state issues general obligation bonds the proceeds of which are loaned to private commercial enterprises, the loans and payments with respect thereto are not pledged as security for the bonds, there is no particular correlation between loan repayments and payments of debt service on the bonds, and it is clear that the state has sufficient other revenues to repay the bonds, there is no underlying security arrangement between the bonds and the commercial loans and the security interest test is not satisfied. Rev. Rul. 75-403, 1975-2 C.B. 37.

In summary, an IDB is any obligation more than 25 percent of the proceeds of which are used in

private commercial businesses and more than 25 percent of the principal or interest on which is secured by property, payments in respect of property, or borrowed money, used in private commercial businesses.

B. IDB Exceptions

Notwithstanding that an obligation is an IDB because it meets both the trade or business test and the security interest test, it may nonetheless carry tax-exempt interest if it meets one or more of three exceptions set forth in the Code.

The first exception, referred to as the "exempt activities" exception, provides that tax-exempt treatment shall not be denied if substantially all of the proceeds of an obligation are used to provide certain types of facilities specifically enumerated in the statute. I.R.C. Sec. 103(b)(4). These facilities are residential real property for family units, sports facilities, convention or trade show facilities, certain types of public transportation facilities, sewage or solid waste disposal facilities, facilities for the local furnishing of electric energy or gas, air or water pollution control facilities, and facilities for the furnishing of water. All of these types of facilities have extensive requirements as set forth in Treasury

Regulations, § 1.103-8, the most significant of which is that most of such facilities must be available on a regular basis for general public use. Treas. Reg. § 1.103-8(a)(2).

The second exception is for bonds substantially all of the proceeds of which are used for the acquisition or development of land as the site of an industrial park. I.R.C. Sec. 103(b)(5). This exception does not permit bond proceeds to be used for the construction of buildings. Again, Treasury Regulations, § 1.103-9, provide extensive refinement.

The third exception, referred to as the "small issue" exception, permits the issuance of up to \$1 million in tax-exempt obligations if substantially all of the proceeds are used to provide or improve land or depreciable property. I.R.C. Sec. 103(b)(6)(A). Under stringent restrictions relating to the total cost of the project being financed, the \$1 million limit may be increased to \$10 million. I.R.C. Sec. 103(b)(6)(D).

The term "substantially all" for purposes of each of the above exceptions means 90 percent or more. Treas. Reg. § 1.103-8(a)(1)(i). In addition, this test is satisfied if 90 percent or more of the bond proceeds are used in some combination to provide exempt facili-

ties, industrial parks, and/or loans to exempt persons.
Treas. Reg. § 1.103-8(a)(1)(ii).

C. Applications to CSSSSB 1

As pointed out in more detail in my testimony on SSSB 1 before the House Special Committee on the Permanent Fund on March 29, 1979, that Bill did not make clear whether there would be a complete pooling of all Bond proceeds for making all types of permissible loans, whether proceeds of particular Bonds would always be targeted to particular loans or types of loans, or whether there would be some combination of these alternatives (i.e., proceeds of some Bonds would be targeted with the rest pooled). A similar ambiguity is present with respect to Fund revenues. For purposes of this memorandum, it will be assumed that AS 45.96.030(f) would give the State Bond Committee sufficient discretion on this point as to give them the maximum latitude to issue all types of Bonds while retaining tax exemption under Section 103 of the Code.

1. You have asked "To what degree can a multiple purpose be commingled and still retain tax exempt status? Would a pooling of various commercial loans, such as is proposed by this legislation, violate the single purpose rule? To what degree must non-

commercial purposes exceed commercial purposes to retain the tax exempt status of the issue?"

There is nothing in Section 103 that limits the number of purposes to which the proceeds of tax-exempt bonds may be put. On the contrary, the regulations explicitly acknowledge that a single issue of obligations may be used for several different purposes. See, e.g., Treas. Reg. § 1.103-8(a)(1)(ii). For example, a city may issue \$10 million of bonds and use \$2 million to provide sewer facilities, \$2 million to build a school, \$2 million to improve roads, \$2 million to provide single-family housing subsidies (under current law), and \$2 million to make commercial loans without losing the tax exemption (assuming common security, to be discussed below). Provided that the ratio of noncommercial uses to private business uses is at least 3 to 1, the bonds will not be IDBs.

The types of loans contemplated by the Bill include both commercial and noncommercial loans. Noncommercial loans would include single-family residential housing loans (under current law), municipal loans (keeping in mind the ultimate use of proceeds), and noncommercial historical preservation and open space loans. The commercial loans would include multi-family

residential housing loans, general commercial loans, industrial development loans, tourism, and commercial historical preservation and open space loans. It is important to keep in mind that loans for exempt activities, industrial parks, and small issues are commercial loans for this purpose even if they might qualify for exemption. If, under a complete pooling of proceeds arrangement, the noncommercial loans constituted at least 75 percent of the total principal amount of loans made by the pool, Revenue Bonds issued by the Fund should not be IDBs. This would be true also under limited pooling if the noncommercial loans in the pool were at least 75 percent of the total loans made by the pool.

It must be emphasized that it is the ratio of noncommercial to commercial loans to be made from the pool of Bond proceeds that will determine whether the trade or business test is satisfied. Outstanding loans made with the proceeds of prior Bonds will not count. For example, if prior Bond issues totalling \$100 million had been used to make exclusively noncommercial loans, the Fund could not use such loans to leverage a new \$25 million issue all of the proceeds of which would be used to make commercial loans.

Because of the novelty of the concept of an omnibus loan program, it would be advisable to obtain a ruling from the Internal Revenue Service ("IRS") on this point. The IRS could take the position, for example, that the proceeds of particular Bonds must be traced to particular loans to determine whether the trade or business test is met, notwithstanding the fact that such proceeds are pooled with the proceeds of several other Bonds. It might also require extensive accounting procedures to insure compliance with the proper ratios.

2. You have asked "Would this fund have the ability to issue revenue bonds under the exempt activity, industrial park and small business exception provisions? Would this fund have the ability to issue exempt revenue bonds under the Housing Act?"

If all Bonds, or some portion of the Bonds, were targeted to specific loans or types of loans, the Fund could issue Bonds under the exempt activities, industrial park, and small issue exemptions under Section 103(b)(4), (5), and (6), respectively. Similarly, under complete or limited targeting, the Fund could issue tax-exempt Bonds under Section 11(b) of the Housing Act of 1937 (42 U.S.C. 1437), provided that requirements set forth in Housing and Urban Development

Department Regulations (24 C.F.R., § 811.0 et seq.) are satisfied (which could separately cause serious problems).

As indicated above, certain types of loans may be combined under these exceptions. That is, Bonds the proceeds of which are targeted to exempt facilities, industrial parks, and/or exempt persons (e.g., municipalities) will be tax exempt, provided that 90 percent or more of the proceeds are used for such purposes and that the other requirements for exemption are met.

These exceptions would not be available under a complete pooling approach. Treasury Regulations, § 1.103-8 (dealing with exempt activities) and § 1.103-9 (dealing with industrial parks), clearly contemplate a tracing of Bond proceeds into the required expenditures in order to determine compliance. Of course, if more than 90 percent of the total loan pool consisted of exempt activities, industrial park, and exempt persons loans, this problem could be eliminated.

Under no circumstances, however, could Bonds be issued under the small issue exception under a complete pooling approach. This exception generally requires that each small issue be separately secured. Rev. Rul. 74-380, 1974-2 C.B. 32; Rev. Rul. 77-55, 1977-1 C.B. 20. Housing Act Bonds also could not be

issued in combination with other types of Bonds.

Housing and Urban Development Department regulations specifically contemplate that such Bonds will be linked to specific housing projects.

3. You have asked "Would you please define the 'security interest test' and how does this test impact the legislation as proposed?"

As applied to Bonds issued by the Fund as contemplated by the Bill, the test would almost certainly be met because of the pledge of the assets of the Fund as security for the Bonds if commercial loan repayments constituted security for as much as 25 percent of the interest on the Bonds.

As I mentioned in my previous testimony, it is possible that the security provided by a very large number of very small commercial borrowers is insufficient to satisfy the security interest test. The argument would be that such Bonds are hardly different from those issued by a city and secured by the general property taxing power of the city, where more than 25 percent of the value of all such property is commercial. Such bonds ordinarily are not thought to meet the security interest test. It is uncertain, however, whether the IRS would agree with that proposition,

and a ruling should be sought before relying on the theory.

Another possibility exists for completely breaking the security interest test for all Bonds issued by the Fund, thus eliminating IDB status entirely. At the March 26, 1979 hearing before the House Special Committee on the Permanent Fund, the State's financial advisor stated that for the substantial reduction in interest expense contemplated by the Bill to be achieved, potential purchasers of the Fund's Bonds would ignore the Fund's assets (i.e., its loans) and look solely to the various reserve accounts as security for the Bonds. In other words, to achieve lower interest rates, the amount of Bonds that could be issued by the Fund would be limited to the amount of debt service that could be covered by the income from the Permanent Fund that is pledged as security for such Bonds. If that is the case, the pledge of the Fund's loans as security for the Bonds could be eliminated (and in fact specifically be precluded from being used to pay debt service on the Bonds). If commercial investments (e.g. corporate bonds) were eliminated as permissible investments for the Permanent Fund and the various reserve accounts, there would be no commercial

security for the Bonds, and the security interest test would not be satisfied. Although serious arbitrage bond questions would still remain, such an arrangement would largely eliminate any IDB problems.

Under such an arrangement, whatever was collected on loans made by the Fund could be placed in a separate account and be used to make additional loans. Assuming some reasonable return on such loans, the Fund's need to borrow money could be eliminated entirely at some time in the future.

4. Another question raised by the IDB provisions as applied to the Bill is what constitutes a separate "issue" of bonds. As mentioned previously in connection with the small issue exemption, the IRS takes the position that two or more obligations are part of a single "issue" if they are sold at substantially the same time and have common security. A similar concept is applied under the arbitrage regulations (Treas. Reg. § 1.103-13(b)(10)), and it is likely that the IRS would apply this concept to bonds generally. For this reason, Bonds the proceeds of which are targeted to particular loans or particular types of loans may have to be secured solely by those loans in order to insure that such Bonds are not aggregated with other Bonds

issued at substantially the same time. This may be important for determining whether substantially all of the proceeds of a particular "issue" of Bonds is used, for example, to provide an exempt facility. On the other hand, it is possible that a ruling could be obtained from the IRS that, so long as the use of the proceeds of a particular series of Bonds can be traced into an exempt activity, etc., common security will not result in aggregation.

In any event, a ruling may be advisable that the common security provided to all Bonds by the Capital Reserve Account, the Loss Reserve Account, and the Fire and Liability Reserve Account does not result in pooled security for purposes of determining what constitutes a separate "issue" not only for general IDB purposes but also specifically for any Bonds intended to qualify under the small issue exemption.

IV. MORTGAGE REVENUE BOND BILLS

A. Proposed Bills

On April 26, 1979, Mr. Al Ullman, Chairman of the House Committee on Ways and Means, introduced H.R. 3712, 96th Cong., 1st Sess. That bill proposed to add a new subsection (g) to Section 103 of the Code, which would eliminate tax exemption for any "mortgage subsidy

bond." The bill defined a mortgage subsidy bond as any obligation "all or a significant portion of the proceeds of which are to be used directly or indirectly for mortgages on (or other owner-financing of) owner-occupied residences." The only exception would be for veterans loan programs. In addition, restrictions were placed on the residential housing exempt activities exception, restricting tax-exempt bonds to finance such projects to low or moderate income rental housing.

H.R. 3712, as reported out of Committee, was substantially revised. Significant for purposes of this memorandum, the revised version of that bill provided that any "mortgage subsidy bond," again defined as any obligation all or a significant portion of the proceeds of which are used directly or indirectly for mortgages on owner-occupied residences, would not be tax exempt unless it constituted a "qualified mortgage bond" or a "qualified veterans' mortgage bond." A qualified mortgage bond was further defined as one all of the proceeds of which were to be used to finance owner-occupied residences and which satisfied extensive loan eligibility requirements, basically geared to targeting such loans to low and moderate income persons. The most current version of this bill now pending in

the House (H.R. 5741) is substantially similar to H.R. 3712 in these respects.

Various other bills have been introduced more or less to the same effect, including the so-called Williams Bill, the Heinz Bill, and the Leahy Bill. All such bills either prohibit mortgage subsidy bonds entirely or restrict tax exemption to bonds where either all or substantially all of the proceeds are used to provide residential mortgages under various restrictions.

It is likely that some form of restriction on mortgage revenue bonds will become law some time this year, although congressional interest has waned somewhat in recent months.

B. Effects on CSSSSB 1

Assuming one of the mortgage reserve bond bills becomes law in the near future, its likely effect on Revenue Bonds issued by the Fund would be to eliminate single-family residential housing as a source of noncommercial loans for purposes of determining whether the trade or business test for IDB classification is satisfied. In other words, commercial loans could not be "leveraged" with mortgage loans either at all or at best at a ratio of 1 to 9, for purposes of determining whether the Fund's Revenue Bonds are IDBs.

In order for the Fund to make single-family residential mortgage loans, Revenue Bonds would likely have to be specifically targeted for that purpose. Together with the other types of loans contemplated by the Bill that would require such treatment, virtually the only remaining source of noncommercial loans upon which to leverage the commercial loans for determining IDB status would be municipal loans and noncommercial historical preservation and open space loans.

V. ARBITRAGE BOND ASPECTS

A Arbitrage Bonds Generally

Section 103(c) of the Code denies tax exemption to any "arbitrage bond." An arbitrage bond, in essence, is an obligation the proceeds of which are invested at a profit. More particularly, Section 103(c)(2) defines an arbitrage bond to be any obligation all or a major portion of the proceeds of which, at the time of issuance, are reasonably expected to be used, directly or indirectly, to acquire securities or obligations which may be reasonably expected at the time of issuance to produce a yield, over the term of the issue, which is materially higher than the yield on the obligation, or to replace funds that were used to acquire such other securities or obligations.

Section 103(c)(4) provides that an obligation shall not be treated as an arbitrage bond solely by reason of the fact that the proceeds are invested for a temporary period until needed for the purpose for which the obligation was issued, or that amounts in a reasonably required reserve or replacement fund (not to exceed 15 percent of the proceeds) are invested at a materially higher yield.

The Treasury Department has adopted extensive regulations (Treas. Reg., §§ 1.103-13, 1.103-14, and 1.103-15) providing complex rules for the application of the arbitrage bond statute. These rules include definitions of proceeds, major portion, materially higher yields, and temporary periods, as well as rules for allocating acquired obligations to particular bond issues and for computing yield. This memorandum will address only those aspects of the arbitrage regulations and other IRS rulings that are particularly relevant to the provisions of the Bill.

(a) Proceeds

Bond proceeds are the funds of the Fund that are subject to the arbitrage rules. However, not all Bond proceeds are treated identically, and some funds not received from the sale of Bonds are treated as

Bond proceeds under the arbitrage rules. Accordingly, it is important to determine what constitutes Bond proceeds and how they will be treated. The different types of proceeds covered by the arbitrage regulations are:

1. "Original proceeds" are net amounts (after payment of all expenses of issuing the obligations) received by the issuer as a result of the sale of bonds. Treas. Reg. § 1.103-13(b)(2)(i).
2. "Investment proceeds" are amounts received at any time by the issuer, such as interest and dividends, resulting from the investment or reinvestment of any proceeds of an issue. Amounts lose their character as investment proceeds of an issue (other than a refunding issue) if, within one year of receipt, such amounts are commingled for purposes of accounting for expenditures with substantial tax or

other substantial revenues from operations of the issuer. Treas. Reg. § 1.103-13(b)(2)(ii)(A).

3. "Sinking fund proceeds" are amounts not otherwise treated as proceeds that are held in any fund, to the extent that the issuer reasonably expects to use such fund to pay principal or interest on the issue. Amounts may be treated as sinking fund proceeds of an issue notwithstanding that the source of such amounts has no connection with the issuance of bonds. If a fund is pledged as security for bonds, amounts in such fund will be treated as sinking fund proceeds unless the issuer has such discretion over expenditures of such amounts that there is no reasonable assurance that such amounts will be available if needed to pay debt service on the bonds.

Amounts lose their character as sinking fund proceeds upon withdrawal. Treas. Reg. § 1.103-13 (g); Rev. Rul. 78-302, I.R.B. 1978-33, 6; Rev. Rul. 78-349, I.R.B. 1978-39, 10.

Under the above definitions, amounts in the Capital Reserve Account, Loss Reserve Account, Fire and Liability Reserve Account, and Municipal Bond Capital Reserve Account, as well as amounts held in the Fund itself (other than original and investment proceeds), would constitute "sinking fund proceeds." It is anticipated that this aspect of the regulations will be challenged in court, but the result of such challenge cannot be known at this time.

(b) Major Portion

The statute provides that an obligation is an arbitrage bond only if all or a "major portion" of the proceeds are expected to be invested at a materially higher yield. The regulations provide that a "major portion" is any amount in excess of 15 percent of the original face amount of the Bonds (unless original proceeds determined without regard to issuing expenses are less 98 percent of the face amount, in which event a

"major portion" is an amount in excess of 15 percent of such original proceeds). Treas. Reg. § 1.103-13(b)(1)(ii).

Any amount held in a reasonably required reserve or replacement fund is counted against this less-than-major-portion, commonly referred to as the "minor portion."

The result of the minor portion exception is that, other than in a refunding context, any combination of Bond proceeds or amounts treated as Bond proceeds (such as sinking fund proceeds), regardless of the fund or funds in which held, up to an amount equal to 15 percent of the original face amount of the Bonds (subject to the modification mentioned above) may be invested without yield restrictions. Amounts in excess of 15 percent are subject to investment yield restrictions. It should be pointed out that the regulations also provide that, if there is deliberate issuance of Bonds in an amount exceeding by more than 5 percent the amount reasonably expected to be required for a project or program, solely to allow the issuer to invest the excess at an unrestricted yield under the minor portion exception, all Bond proceeds are subject to investment yield restrictions. Treas. Reg. § 1.103-13(b)(5)(iv).

(c) Temporary Periods

Obligations are not arbitrage bonds if the proceeds are invested for a temporary period before being used for the project or program for which the obligations were issued. The regulations define several different temporary periods that are variously applicable at different times and for different types of proceeds. The potentially relevant temporary periods for Bonds of the Fund are as follows:

1. Original proceeds and investment proceeds are entitled to an initial temporary period of three years, beginning on the date of issue of the bonds, provided that three tests are met. These tests are referred to as the "expenditure test," the "time test," and the "due diligence test." It could be anticipated that the Fund would comply with these tests. Treas. Reg. § 1.103-14(b)(1), (2), (3), (4), and (5).
2. Investment proceeds are, in addition, entitled to a one-year

temporary period beginning on the date of receipt of such investment proceeds. Treas. Reg. § 1.103-14(b)(6).

3. Sinking fund proceeds are entitled to a 30-day temporary period, beginning on the date that the amount is deposited in the sinking fund, except that amounts deposited in a bona fide debt service fund, as defined in the regulations, are entitled to a 13-month temporary period and investment proceeds derived from sinking fund proceeds are entitled to a one-year temporary period. Treas. Reg. § 1.103-14(b)(8), (9), and (10).
4. Bond proceeds or amounts treated as bond proceeds held in a "revolving fund" are entitled to a 3-year temporary period, beginning on the date of de-

posit in such fund. A revolving fund is a fund that consists of receipts from the sale of property acquired with bond proceeds and payments of principal on program obligations, and that will be used for the acquisition of additional property or additional program obligations to the extent that suitable property or obligations are reasonably available. Treas. Reg. § 1.103-14(b)(11).

Under the above rules, amounts held in the (i) Capital Reserve Account, Loss Reserve Account, and Fire and Liability Reserve Account (together with amounts in the Allocated Reserve Account to the extent such amounts are transferred to any of the prior accounts), plus (ii) amounts in the Debt Service Reserve Account, plus (iii) amounts in the Municipal Bond Capital Reserve Account (together with amounts in the Unallocated Reserve Account to the extent transferred to such account) would be entitled to a 30-day temporary period whenever the total amount in all such accounts exceeded the 15 percent minor portion exemption, unless such

accounts constituted bona fide debt service funds. A bona fide debt service fund is a fund that is used primarily to achieve a proper matching of revenues and debt service within each bond year. Treas. Reg. § 1.103-13(b)(12). In that event, amounts in such accounts would be entitled to a 13-month temporary period. Whether such accounts would constitute bona fide debt service funds would depend upon the actual operation of the Program.

Properly structured, the Fund itself could be made to qualify for the 3-year temporary period as a revolving fund.

(d) Yield Computations and Allocations

The regulations require that, in the case of Bonds, the computation of the yield on such obligations must be made separately for each issue except that a single computation may be made for two or more issues if, before the issuance of the last issue, the issuer establishes to the satisfaction of the IRS that a joint computation will not distort yield "or otherwise tend to defeat the purposes of section 103(c)." Treas. Reg. § 1.103-13(c)(1)(ii).

In the case of acquired obligations, yield must be computed separately with respect to each class of acquired obligations allocated to an issue. Treas. Reg. § 1.103-13(c)(1)(ii).

Where the issuer acquires obligations with the proceeds of several different issues of Bonds or from several types of proceeds, it must allocate such acquired obligations among the various issues and/or proceeds. Such allocations may be made at any time and under any reasonable method provided (i) all such allocations are consistent with one another at any particular time, (ii) obligations purchased with original proceeds of a refunding issue must be allocated to such proceeds, and obligations not purchased with original proceeds of a refunding issue may not be allocated to such proceeds, and (iii) obligations purchased with sinking fund proceeds must be allocated to such amounts. Treas. Reg. § 1.103-13(f).

A sinking fund for two or more issues must be allocated between the issues either (i) in proportion to their original face amounts, or (ii) according to the total amount of debt service on the issues that will actually be paid from the sinking fund. Treas. Reg. § 1.103-13(g)(6).

Under the above rules, unless the State seeks and obtains a ruling from the IRS each time it issues Bonds to the effect that it may compute yield jointly with all prior issues, the Fund will be required to

maintain accounts allocating particular loans to particular Bond issues in order to insure that the Fund is in compliance with investment yield restrictions.

(e) Materially Higher

Obligations are not arbitrage bonds unless the proceeds are invested in other obligations expected to have a "materially higher" yield. The regulations provide the following rules for the amount of arbitrage profit that can be earned on the proceeds of Bonds that are applicable in different circumstances:

1. Proceeds that are subject to yield restrictions may generally be invested at a yield one-eighth of one percentage point higher than the yield on the bonds. If the initial 3-year temporary period is waived, bond proceeds may be invested at a yield up to one-half of one percentage point higher than the yield on the bonds. Treas. Reg. § 1.103-13 (b)(5)(i).
2. Sinking fund proceeds that are subject to yield restrictions,

as well as proceeds of a deliberate overissuance, are effectively limited to a yield spread of zero. Treas. Reg. § 1.103-13(b)(5)(iv), (vi), and (vii).

3. Bond proceeds that are invested in "acquired program obligations" may be invested at a yield 1-1/2 percentage points higher than the yield on the bonds, or such higher amount as is necessary to pay expenses reasonably expected to be incurred as a direct result of administering the program (to the extent not payable with funds from other sources). Treas. Reg. § 1.103-13(b)(5)(viii), (ix), and (c)(5).

(f) Governmental Programs

The regulations define a governmental program as one which meets all of the following requirements:

1. The program involves the acquisition of acquired purpose obligations (which

are then referred to as "acquired program obligations");

2. At least 90 percent of all such obligations acquired under the program, by amount of cost outstanding, are evidences of loans to a substantial number of persons representing the general public, loans to exempt persons within the meaning of Section 103(b)(3), loans to provide housing and related facilities, or any combination of the foregoing;
3. At least 90 percent of all of the amounts received by the issuer with respect to the program obligations shall be used to pay debt service on its bonds, administrative costs of the program, or to make additional loans; and
4. Certain other procedural requirements are satisfied. Treas. Reg. § 1.103-13(h)(2).

In determining the yield on acquired program obligations, the issuer may exclude amounts received as reimbursement (or treated as reimbursement) of certain administrative costs. The administrative costs that are subject to this rule are the cost of issuing, carrying, or repaying Bonds to fund the program, the underwriter's spread, and the cost of purchasing, carrying, and selling or redeeming the program obligations. Treas. Reg. § 1.103-13(c)(5).

The application of the governmental program rules to the Fund will be discussed in more detail below.

(g) Reasonably Required Reserves

A reasonably required reserve or replacement fund may consist of one or more funds, or portions of funds, however labeled, derived from one or more sources. For example, a sinking fund might also be a reasonably required reserve or replacement fund. Treas. Reg. § 1.103-14(d)(1).

(h) Replacement Proceeds

The "replacement clause" of Section 103(c)(2)(B) is not covered by the regulations. However, the IRS has held that bond proceeds have "replaced" funds invested at a materially higher yield where a sinking fund for an issue is used to pay operating expenses

for a project, and operating revenues from the project are used to pay debt service on the bonds. Rev. Rul. 78-302. On the other hand, where a city established an investment fund to enhance its general credit rating, which fund was not specially pledged as security for its bonds, proceeds of general obligation bonds were not held to replace amounts contributed to the investment fund. In addition, the regulations implicitly acknowledge that endowment funds for institutions such as colleges, hospitals, and charities, held as part of the institution's permanent capital, do not result in bond proceeds being treated as "replacement proceeds." Treas. Reg. § 1.103-14(b)(4).

B. Other Applications to CSSSSB 1

1. You have asked "Would current arbitrage regulations permit this fund to earn yield adequate to cover operating costs?" and "Is a loan program, as defined in this legislation, considered a 'governmental program' under current IRS regulations?"

If the proceeds of the Bonds issued by the Fund were reloaned under a complete pooling approach, there could be little doubt that the loan program should constitute a "governmental program" within the meaning of the arbitrage regulations. Under a complete pooling