

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILE 8672

1152 SCOMM 34: HOUSE SPEC. COMMITTEE ON STATE LOANS 1983-84 1319



LAWS OF ALASKA

1982

Source

CCSSB 322

Chapter No.

114

AN ACT

Making appropriations for various state loan and grant programs; amending a 1981 appropriation for senior citizen housing; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1, LINE 11

UNDERLINED MATERIAL INDICATES TEXT THAT IS BEING ADDED TO THE LAW AND BRACKETED MATERIAL IN CAPITAL LETTERS INDICATES DELETIONS FROM THE LAW; COMPLETELY NEW TEXT OR MATERIAL REPEALED AND RE-ENACTED IS IDENTIFIED IN THE INTRODUCTORY LINE OF EACH BILL SECTION.

Approved by the Governor: June 24, 1982
Actual Effective Date: June 25, 1982

\$2500.00

AN ACT

Making appropriations for various state loan and grant programs; amending a 1981 appropriation for senior citizen housing; and providing for an effective date.

* Section 1. The sum of \$105,000,000 is appropriated from the general fund to the Alaska Housing Finance Corporation for the special mortgage loan purchase program (AS 18.56.098).

* Sec. 2. The sum of \$45,000,000 is appropriated from the general fund to the Alaska Housing Finance Corporation for the home ownership assistance program (AS 18.56.091).

* Sec. 3. The sum of \$10,000,000 is appropriated from the general fund to the division of housing assistance in the Department of Community and Regional Affairs for grants made from the senior citizens housing development fund.

* Sec. 4. The sum of \$45,000,000 is appropriated from the general fund to the division of housing assistance in the Department of Community and Regional Affairs for nonconforming, rural and non-owner occupied housing loans (AS 44.1.360 - 44.47.560).

* Sec. 5. The sum of \$51,800,000 is appropriated from the general fund to the division of business loans and veterans' affairs, Department of Commerce and Economic Development for the following purposes in the following amounts:

mining loans (AS 27.09)	\$15,000,000
commercial fishing loans (AS 16.10.300 - 16.10.370)	9,400,000

Chapter 114

fisheries enhancement loan program	✓
(AS 16.10.500)	17,000,000
child care facilities loans (AS 44.33.240)	400,000 ✓
alternative technology and energy loans	
(AS 45.88)	4,000,000
residential energy conservation loans and	
grants (AS 45.89)	4,500,000
bulk fuel loans (AS 45.87.010)	1,000,000
historical district loans (AS 45.98)	500,000

* Sec. 6. The sum of \$10,000,000 is appropriated from the general fund to the Department of Natural Resources for loans from the agricultural revolving loan fund (AS 03.10.040).

* Sec. 7. The sum of \$52,000,000 is appropriated from the general fund to the scholarship revolving loan fund (AS 14.40.751) for the student loan program.

* Sec. 8. The sum of \$986,100 in federal program receipts for student loans and scholarships is appropriated to the scholarship revolving loan fund (AS 14.40.751) for the student loan program.

* Sec. 9. All right, title and interest in State of Alaska certificates of deposit held in the general fund, in an amount not to exceed \$29,000,000 in unpaid principal on July 1, 1982, and all right, title, and interest in mortgages, notes, and other instruments of security made in connection with those certificates of deposit, held in the general fund on July 1, 1982, are transferred and appropriated to the multifamily housing loans security fund in the Alaska Industrial Development Authority to provide a loan loss reserve for the enterprise development fund for multifamily housing loans made by the Alaska Industrial Development Authority from the multifamily housing loan account in the enterprise development fund.

* Sec. 10. Section 3, ch. 76, SLA 1981 is amended to read:

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Sec. 3. The sum of \$8,000,000 is appropriated from the general fund to the Department of Community and Regional Affairs for planning, development, and construction of federally assisted senior citizen housing projects and other housing that meets the special needs of senior citizens.

* Sec. 11. The appropriations made by this Act are for the capitalization of loan and grant funds and do not lapse in accordance with AS 37.25.010.

* Sec. 12. Section 10 of this Act takes effect on the effective date of the Act establishing the multifamily housing loans security fund in the Alaska Industrial Development Authority.

* Sec. 13. Sections 1 - 9, 11, and 12 of this Act take effect immediately in accordance with AS 01.10.070(c).

\$318,786,100.00
+ Section 9.
\$287,083,000.00

ALASKA HOUSING FINANCE CORPORATION
SPECIAL MORTGAGE LOAN PURCHASE PROGRAM
SUMMARY OF MORTGAGE DEMAND AND PROPOSED BOND FINANCINGS
Fiscal Year 1984

(In Millions)

	Estimated Carry-Over From FY '83	Program Repayments And Earnings	Bond Proceeds	Sales Costs	Subsidy	Subsidy Allocation	Estimated Carry-Over To FY '85	Estimated FY '84 Mortgage Demand
Taxable First Mortgage Program .								
State Assisted Mortgage Bonds -								
Single-Family and Duplex	\$ 80	\$ 40	\$ 550	\$ (6)	\$ 183	\$ 54	\$ 50	\$ 851
Triplex and Four-plex	5	20					5	20
First Mortgage Veterans' Program -								
State Guaranteed Veterans' Bonds	60		200	(5)	22		10	267
Tax-Exempt First Mortgage Program -								
Home Mortgage Bonds	30		200	(5)	32	(27)	50	180
Taxable Second Mortgage Program -								
Second Mortgage Bonds	12							12
Reserve to Complete Open Series	—	—	—	—	27	(27)	—	—
TOTAL	\$ <u>187</u>	\$ <u>60</u>	\$ <u>950</u>	\$ <u>(16)</u>	\$ <u>264</u>	\$ <u>-</u>	\$ <u>115</u>	\$ <u>1,330</u>

April 21, 1983

ALASKA HOUSING FINANCE CORPORATION

SCHEDULE OF SUBSIDY FUNDS
(in Millions)

Second Half of FY 83

Subsidy funds available 1/1/83		\$ 19.611
Reverted assets to be used for subsidy		
Cash	\$ 102.516	
Mortgages (1)	<u>136.762</u>	<u>239.278</u>
Total		258.889
Subsidy required January 1 through June 30, 1983		<u>70.776</u>
Subsidy funds available for FY 84		<u><u>\$188.113</u></u>

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Fiscal Year 1984

Estimated Subsidy	\$264.000
Estimated Earnings on SAM Fund	(8.000)
Subsidy Funds Carried Forward from FY 83	<u>(188.113)</u>
Estimated FY 84 Subsidy Requirement	<u><u>\$ 67.887</u></u>

179 m

(1) Mortgages Reverted	\$172.512
Utilized to fill outstanding non-ABE bond issues	(17.000)*
Discount on \$75 million mortgage to an approximate yield of 13.50%	<u>(18.750)</u>
	<u><u>\$136.762</u></u>

*Series B & C	\$18.5
Series D & E	6.5
Series 81- 1	<u>(8.0)</u>
	<u><u>\$17.0</u></u>

April 21, 1983

ALASKA HOUSING FINANCE CORPORATION
SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

SUMMARY OF MORTGAGE DEMAND AND PROPOSED BOND FINANCINGS
Fiscal Year 1984
<Attachment>

Assumptions

- ° Continued availability of credit facilities enabling the Corporation to issue intermediate term securities
- ° Level of subsidy for taxable first mortgage program at 3.00 percent. No modification to the ratchet and mortgage rates totally dependent upon the Corporation's cost of funds.
- ° Tax exempt interest rates not substantially higher than current levels.
- ° Federal tax exempt mortgage bond authorization terminating December 1983 (other than authorization for qualified veterans bonds which continues indefinitely). The \$200 million in bond sales reflected in the Schedule would be the last issue sold pursuant to the Mortgage Subsidy Bond Tax Act of 1980.
- ° Mortgage demand maintained at current levels with seasonal adjustments. Allocation between Taxable First Mortgage Program and State Guaranteed Veterans' Program based upon a reduction in Qualifying Veterans activity to the previous levels experienced under the definition of "State Veteran."
- ° Legislation received in 1983 authorizing a special general state election approving additional State Guaranteed Bonds for the Veterans Mortgage Program.
- ° Mortgage loans held in the SAM Fund and reverting from a previous pledge sold to yield approximately 13.50%. If possible, a separate mortgage backed bond issue will be utilized as opposed to a whole loan sale.
- ° Home Improvement Loan Bonds 1982 Series A called on June 1, 1983 releasing approximately \$7 million back to the Special Mortgage Loan Purchase Program.

April 21, 1983

° State Assisted Mortgage Bonds Series G funds "warehoused" during FY 84 and available for mortgage purchases only if the Corporation's cost of funds increase to a level which allows adherence to the legislatively established rate for the issue.

NOTE: Activity in the Mobile Home Loan Purchase Program is not reflected in the schedule as funding is from appropriations to the Home Ownership Fund with the earnings on the loans used to meet obligations of the Corporation under assistance contracts entered into under the Home Ownership Assistance Program. The Corporation's capital budget request for the Home Ownership Fund for FY 84 is \$50 million which will be used to purchase mobile home loans.

April 21, 1983

ALASKA HOUSING FINANCE CORPORATION

SCHEDULE OF PROPOSED FINANCINGS
(in Millions)

		<u>Bond Issue</u>	<u>Required Subsidy</u>	<u>Mortgage Loan Pool</u>
<u>January through June 30, 1983</u>				
Taxable First Mortgage Bonds				
SAM Series I	1/83	\$ 50,000	\$ 15,175	\$ 62,500
SAM Series J	3/83	50,000	14,410	62,000
SAM Series K	5/83	75,000	21,500	93,000
Sam Series L	6/83	75,000	21,500	93,000
		<u>250,000</u>	<u>72,585</u>	<u>310,500</u>
State Guaranteed Veterans Bonds				
SGB 1983 First Series	1/83	50,000	1,681	50,100
SGB 1983 Second Series	5/83	125,000	3,750	125,000
SGB 1983 Third Series	6/83	75,000	2,250	75,000
		<u>250,000</u>	<u>7,681</u>	<u>250,100</u>
Other Items Effecting Subsidy:				
Subsidy Reversion upon				
HIL Call	6/83		(7,000)	
Interest Earned on SAM Fund			(8,000)	
Reserve for ABE Bond Issues Completed			12,500	12,500
Cash from SAM Mortgage Loan Fund for Series B & C			(7,000)	
		<u>-</u>	<u>(9,500)</u>	<u>12,500</u>
TOTALS 1/1/83 to 6/30/83		<u>\$500,000</u>	<u>\$ 70,766</u>	<u>\$ 573,100</u>
<u>July 1, 1983 through June 30, 1984</u>				
Taxable First Mortgage Bonds		\$550,000	\$183,000	\$ 727,000
Tax-Exempt First Mortgage Bonds		200,000	32,000	227,000
State Guaranteed Veterans Bonds		200,000	22,000	217,000
Reserve to Complete Open Series			27,000	27,000
TOTALS 7/1/83 to 6/30/84		<u>\$950,000</u>	<u>264,000</u>	<u>\$1,198,000</u>

ALASKA HOUSING FINANCE CORPORATION

Reasonableness Test for Estimated FY '84
Mortgage Loan Demand

	Non-Seasonally Adjusted	Seasonally Adjusted
<u>All First Mortgages</u>		
Four weeks from 3/07 to 4/01/83	\$ 105,022,050	\$ 105,022,050
Acceptance Rate	90%	90%
	<u>94,519,845</u>	<u>94,519,845</u>
Seasonal Adjustment		+84%*
	<u>94,519,845</u>	<u>112,523,625</u>
	+ 4	+ 4
	x 52	x 52
Annualized Previous Four Week Activity	<u>\$1,228,757,985</u>	<u>\$1,462,807,125</u>

* March 1982 activity was 78 percent of the average monthly activity for FY '82.

Factors Which May Affect FY 84' Mortgage Loan Demand:

May be Even Higher as a Result of:

- 1) Sustained AHFC Mortgage Rates at thier current relatively low levels.
- 2) Fears of future rate increases.
- 3) Even greater demand in the State Veterans Program as individuals take advantage of the building season and construct their homes and access the very attractive rates.

Note: Building permits for the Municipality of Anchorage through March for Calendar Year 1983 were 2,315 compared to 1,064 for the same period in 1982.

May be Lower as a Result of:

- 1) Increasing rental vacancy rates.
- 2) Saturation of the low-end market.
- 3) Overbuilt situation resulting in a buyers market with consumer expectations that home prices will not be rising in the near future so "why buy now."
- 4) Lengthened transaction times in a slower market.
- 5) A slowdown in the employment growth.

EXHIBIT C

ANCHORAGE AREA
OFFICEHOUSING UNITS AUTHORIZED BY BUILDING PERMITS
LOCALITY: ANCHORAGE

20 APRIL 1983

YEAR	SINGLE FAMILY	2-TO-4 FAMILY	5 OR MORE FAMILY	MOBILE HOMES	TOTAL UNITS	CONVERSIONS + DEMOLITIONS
1970	1,400	(- - - - 1,600 - - - -)		NA	3,000	-59
1971	1,385	(- - - - 1,665 - - - -)		NA	3,050	-39
1972	1,445	(- - - - 1,506 - - - -)		NA	2,951	-63
1973	1,402	(- - - - 684 - - - -)		NA	2,086	-54
1974	1,798	(- - - - 1,024 - - - -)		NA	2,822	-41
1975	1,827	(- - - - 2,183 - - - -)		NA	4,010	-12
1976	1,269	(- - - - 2,216 - - - -)		453	3,938	-46
1977	1,955	1,070	1,432	420	4,877	-22
1978	1,492	751	675	371	3,289	-12
1979	588	270	369	232	1,469	10
1980	897	186	115	190	1,397	9
1981	2,100	483	522	315	3,432	12
1982	<u>3,083</u>	<u>992</u>	<u>2,206</u>	<u>392</u>	<u>6,689</u>	<u>16</u>
1ST 3 MTH 1982 TOTAL	347	141	521	55	1,064	0
1ST 3 MTH 1983						
JAN	60	64	48	16	189	1
FEB	192	101	454	26	773	0
MAR	<u>375</u>	<u>346</u>	<u>599</u>	<u>23</u>	<u>1,353</u>	<u>10</u>
1ST 3 MTH 1983 TOTAL	627	511	1,101	65	2,315	11

EXHIBIT D

ALASKA HOUSING FINANCE CORPORATION
SUMMARY OF ALL APPLICATIONS - MONTHLY
ALL CONVENTIONAL AND FHA/VA FIRST MORTGAGES
(EXCLUDING RURAL PROGRAMS)

		Received		Approved		\$	Denied		\$
		No.	AMT.	No.	AMT.		No.	AMT.	
January	1982	594	51,059,000	446	38,791,500	75.08	148	12,267,500	24.92
February	1982	619	53,993,250	411	36,773,300	66.40	208	17,219,950	33.60
March	1982	700	62,136,400	476	43,885,950	68.00	224	18,250,450	32.00
April	1982	814	71,741,500	585	52,651,550	71.87	229	19,089,950	28.13
May	1982	924	82,224,400	686	62,095,600	24.24	238	20,128,800	25.76
June	1982	885	80,012,300	680	62,354,600	76.84	205	17,657,700	23.16
July	1982	971	86,966,850	743	66,860,650	76.21	228	20,106,200	23.48
August	1982	1,026	92,246,700	843	77,626,050	82.16	182	16,514,250	17.74
September	1982	957	85,572,150	782	70,300,150	81.71	174	15,112,000	18.18
October	1982	976	87,644,500	768	68,641,250	78.69	208	19,003,250	21.31
November	1982	928	83,319,850	770	69,376,600	82.97	158	13,943,250	17.03
December	1982	1,048	98,282,900	856	81,208,750	81.68	192	17,074,150	18.32
January	1983	905	85,809,300	740	70,602,750	81.77	163	15,066,550	18.01
February	1983	886	85,531,450	734	71,186,550	82.84	152	14,344,900	17.16
March	1983	1,169	116,429,350	1,015	102,012,750	86.83	137	12,675,500	11.72
April	1983	565	55,298,750	274	28,031,000	48.50	35	3,234,200	6.19

Month Appl.
Rec.

Pending		
No.	AMT.	%
2	140,000	.22
13	1,304,800	1.11
50	5,116,350	8.85

In Process		
No.	AMT.	%
-0-		
4	436,300	.34
206	18,917,200	36.46

ALASKA HOUSING FINANCE CORPORATION
SUMMARY OF APPLICATIONS - MONTHLY
FIRST MORTGAGES UNDER THE MORTGAGE BOND SUBSIDY TAX ACT LOAN PROGRAM

		Received		Approved		\$	Denied		\$
		No.	AMT.	No.	AMT.		No.	AMT.	
January	1982	144	10,779,050	103	7,644,300	71.53	41	3,134,750	28.47
February	1982	173	13,176,800	75	5,667,100	43.35	98	7,509,700	56.65
March	1982	289	22,054,400	151	11,614,500	52.25	138	10,390,900	47.75
April	1982	284	21,424,450	172	13,011,300	60.56	112	8,413,150	39.44
May	1982	349	27,005,050	229	17,408,750	65.56	120	9,596,750	34.38
June	1982	293	23,398,850	210	16,839,400	71.67	83	6,559,450	28.33
July	1982	382	29,809,300	292	22,798,500	76.44	90	7,010,800	23.56
August	1982	406	32,832,600	337	27,243,200	83.00	69	5,589,400	17.00
September	1982	445	35,525,500	369	29,683,050	82.92	76	5,842,450	17.08
October	1982	491	39,236,550	387	31,070,150	78.82	104	8,166,400	21.18
November	1982	506	40,727,350	427	34,279,900	84.39	79	6,368,100	15.61
December	1982	458	37,349,400	351	28,871,200	76.64	107	8,478,200	23.36
January	1983	319	25,998,350	242	19,888,350	75.86	77	6,110,000	24.14
February	1983	248	19,166,600	203	15,759,150	81.85	45	3,407,450	18.15
March	1983	181	13,329,800	143	10,539,900	79.01	37	2,715,800	20.44
April	1983	115	8,548,550	35	2,609,550	30.43	6	374,500	5.22

Month Appl.
Rec.

Pending		
No.	AMT.	%
March	1	74,100 .55
April	8	618,200 6.96

In Process		
No.	AMT.	%
-0-		
66	4,946,300	57.39

ALASKA HOUSING FINANCE CORPORATION
NON-QUALIFIED FIRST MORTGAGES UNDER THE STATE
ASSISTED MORTGAGE LOAN PROGRAM

		Received		Approved		\$	Denied		\$
		No.	AMT.	No.	AMT.		No.	AMT.	
January	1982	450	40,279,950	343	31,147,200	76.22	107	9,132,750	23.78
February	1982	446	40,816,450	336	31,106,200	75.34	110	9,710,250	24.66
March	1982	411	40,131,000	325	32,271,450	79.08	86	7,859,550	20.92
April	1982	530	50,317,050	413	39,640,250	77.92	117	10,676,800	22.08
May	1982	575	55,219,350	457	44,687,300	79.48	118	10,532,050	20.52
June	1982	592	56,613,450	470	45,515,200	79.39	122	11,098,250	20.61
July	1982	589	57,157,550	451	44,062,150	76.57	138	13,095,400	23.43
August	1982	620	61,414,100	507	50,489,250	81.77	113	10,924,850	18.23
September	1982	512	50,046,650	414	40,777,100	80.86	98	9,269,550	19.14
October	1982	485	48,417,950	381	37,581,100	78.56	104	10,836,850	21.44
November	1982	422	42,590,800	345	34,871,750	81.75	77	7,719,050	18.25
December	1982	590	60,933,500	505	52,337,550	85.59	85	8,595,950	14.41
January	1983	583	59,433,100	495	50,336,550	84.91	86	8,956,550	14.75
February	1983	420	42,533,150	335	34,039,650	79.76	85	8,493,500	20.24
March	1983	631	63,280,000	548	55,010,950	86.85	73	7,247,400	11.57
April	1983	354	36,067,100	164	17,019,800	46.33	20	1,860,750	5.65

Month Appl.
Rec.

Pending		
No.	AMT.	\$
January	2	140,000
March	7	695,650
April	32	3,407,650

In Process		
No.	AMT.	\$
-0-		
3	326,000	4.75
138	13,778,900	38.98

ALASKA HOUSING FINANCE CORPORATION
SUMMARY OF APPLICATIONS - MONTHLY
VA GENERAL OBLIGATION

		Received		Approved			Denied		
		No.	AMT.	No.	AMT.		No.	AMT.	
January	1983	3	377,850	3	377,850	100.00	-0-		
February	1983	218	23,831,700	196	21,387,750	89.91	22	2,443,950	10.09
March	1983	357	39,819,550	324	36,461,900	90.76	27	2,712,300	7.56
April	1983	96	10,683,100	75	8,401,650	78.12	9	998,950	9.38

Month Appl. Rec.	Pending			In Process		
	No.	AMT.	%	No.	AMT.	%
March	5	535,050	1.40	1	110,300	.28
April	10	1,090,500	10.42	2	192,000	2.08

ALASKA HOUSING FINANCE CORPORATION
SUMMARY OF APPLICATIONS - MONTHLY
MOBILE HOMES

		Received		Approved		%	Denied		%
		No.	AMT.	No.	AMT.		No.	AMT.	
January	1982	126	3,318,800	110	2,969,750	87.30	16	349,050	12.70
February	1982	100	2,562,600	85	2,146,500	85.00	15	416,100	15.00
March	1982	132	3,766,900	118	3,244,750	89.39	14	522,150	10.61
April	1982	183	5,401,450	161	4,706,250	87.98	22	695,200	12.02
May	1982	180	5,278,850	150	4,436,650	83.33	30	842,200	16.67
June	1982	216	6,617,800	188	5,752,400	87.04	28	865,400	12.96
July	1982	158	5,027,100	131	4,078,300	82.91	27	948,800	17.09
August	1982	201	5,979,700	163	4,819,250	81.09	38	1,160,450	18.91
September	1982	227	7,290,900	203	6,367,250	89.43	24	923,650	10.57
October	1982	211	6,749,750	192	6,082,700	91.00	19	667,050	9.00
November	1982	190	6,018,850	155	4,747,550	81.58	35	1,271,300	18.42
December	1982	173	5,746,400	157	5,114,600	90.75	16	631,800	9.25
January	1983	133	4,392,350	120	3,965,150	90.23	13	427,200	9.77
February	1983	129	4,527,850	112	3,889,450	86.82	17	638,400	13.18
March	1983	181	5,740,550	167	5,359,200	92.27	14	381,350	7.73
April	1983	74	2,405,200	47	1,554,850	63.52	2	67,900	2.70

Month Appl. Rec.	Pending			In Process		
	No.	AMT.	%	No.	AMT.	%
April	2	56,250	2.70	23	726,200	31.08

ALASKA HOUSING FINANCE CORPORATION
SUMMARY OF STATE FINANCIAL SUPPORT

Special Mortgage Loan Purchase Program

FY 81		
	Appropriation	
	Mortgage Loans	\$236,000,000
	Cash	238,000,000
FY 82		222,000,000
FY 83		105,000,000

Mobile Home Loan Purchase Program

See Notes 1 and 2 for additional funds appropriated to purchase loans under this program.

FY 80		
	Loans Through Department of Revenue	(\$10,000,000 at 9.5%)
FY 81		
	Appropriation	12,500,000

Rural Non-Owner Occupied Mortgage Purchase Program

See Note 1 for additional funds appropriated to purchase loans under this program.

FY 79		
	Loans Through Department of Revenue	(\$2,600,000 at 8.5%)
FY 81		
	Appropriation	4,500,000

Rural Mortgage Loan Purchase Program

See Note 1 for additional funds appropriated to purchase loans under this program.

FY 79		
	Appropriation - Training Costs	100,000
	Hazard Insurance Fund	250,000
	Title Insurance Fund	250,000
	Mortgage Insurance Account	500,000
FY 80		
	Bond Sale to State of Alaska	(\$5,600,000 at 7 1/2%)
FY 81		
	Bond Sale to State of Alaska	(\$4,400,000 at 7 1/2%)
	Appropriations	
	Mortgage Purchases	6,500,000
	Title Insurance Fund	130,000
	Mortgage Insurance Fund	325,000

ALASKA HOUSING FINANCE CORPORATION
SUMMARY OF STATE FINANCIAL SUPPORT
(Continued)

Home Ownership Assistance Program ("HOF" Fund)

FY 81		
Appropriation		
Mortgage Loans		\$50,000,000
Cash		2,500,000
FY 82		43,000,000 (1)
FY 83		45,000,000 (2)

State Mortgage Insurance Fund

Prior to FY 80	7,950,000
FY 80	3,000,000*
FY 81	12,500,000 (3)

* Total Appropriation	\$ 6,000,000
Less Amount Unavailable From	
Veterans Revolving Loan Fund	2,000,000
Less Amount For Mobile Home	
Insurance Funds Only	<u>1,000,000</u>
	<u>\$ 3,000,000</u>

Other State Loans

Loan For Multi-Family Project	(\$4,420,000 at 3.47%)
Loan For Rural Mortgages	(\$5,250,000 at 6.00%)
Loans To Fund Capital Reserve	
Requirement For Insured Mortgage	
Bond Program	(\$12,800,000) (4)

(1) Home Ownership Assistance Program appropriation to be utilized to purchase mortgages as follows:

Mobile Home Loans	\$18,000,000
Rural	20,000,000
Rural Non-Owner Occupied	5,000,000

(2) To be utilized to purchase Mobile Home loans.

(3) An additional \$5,860,000 remains available from the FY 81 appropriation.

(4) Interest rates on loans are equal to the earnings of the investments made with the loans.

Alaska State Legislature

Barbara Lacher, Chairman
Mae Tischer, Vice-Chairman
Randy Phillips
Milo Fritz
Don Clocksin
Jack McBride
Mike Szymanski



Room 104
State Capitol
Juneau, Alaska 99811

Pouch V
Juneau, Alaska 99811

House of Representatives Committee on Community & Regional Affairs

TO: Committee on Community and Regional Affairs
FROM: Staff
DATE: April 15, 1983
RE: House Bill 315

The amounts of the various appropriations in HB 315 were gathered from the Governor's proposed budget and verified with the various agencies by the Special Committee on State Loans.

The Alaska Housing Finance Corporation and the Department of Community and Regional Affairs have been requested to address the impact of the changes made to their programs as a result of Committee action on HB 302 and HB 305. In general, it appears that there may be opportunity for some reductions in the appropriations to retain existing levels of loan programs.

There is no "required" or definite level of funding that must be supported by the legislature, rather, it is a descretionary decision as to the amount of support the legislature wishes to provide for state loans and loan subsidies.

ALASKA POWER AUTHORITY

334 WEST 5th AVENUE - ANCHORAGE, ALASKA 99501

Phone: (907) 277-7641
(907) 278-0001

TELECOPIED 4/25/83

April 25, 1983

Representative Rick Uehling
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Representative Uehling:

Pursuant to your request, enclosed are background materials regarding the rural electrification loan program.

The referenced amount of \$2,500,000.00 requested funding represents the initial Power Authority budget request. We understand that due to the current revenue shortfall the Governor has deleted this program from his most current budget. The Power Authority acknowledges the restricted revenue situation and supports the budget reduction.

CURRENT LOAN PROGRAM STATUS:

As of February 22, 1983, two loans had been issued from the Rural Electrification Revolving Loan Program: one to Iliamna-Newhalen Electric Cooperative for \$1,340,000.00 and the other to Andreanof Electric Corporation for \$200,000.00. Two other loans have been approved by the Alaska Power Authority Board of Directors and are in the process of being completed: one to Homer Electric Association for \$87,418.64 and the other to City of Unalaska for \$250,000.00. (See Attachment A)

With these four loans, the remaining balance in the fund is \$4,622,581.36. There are four loan requests pending to a total of \$2,983,000.00 which, assuming all the pending loans are approved, leaves a net balance of the fund of \$1,639,581.36.

PROGRAM JUSTIFICATION:

Requested funding for the Rural Electrification Revolving Loan Program can be justified since REA reductions in funding by the federal government will bring about substantial changes in the manner REA cooperatives finance expansion of their generation, transmission, and distribution systems. REA access to commercial lending institutions may become limited and the more expensive capital will limit expansion and result in substantial rate increases due to higher interest rates on borrowed funds.

For further justification, refer to Attachment C which includes correspondence from utilities and state residents regarding program needs.

ALASKA POWER AUTHORITY

334 WEST 5th AVENUE - ANCHORAGE, ALASKA 99501

Phone: (907) 277-7641
(907) 276-0001

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For further justification, refer to Attachment C which includes correspondence from utilities and state residents regarding program needs.

Uehling Letter
April 25, 1983
Page Two

SPECIFIC RESPONSE:

To answer specific information requests in your letter of April 11, 1983, please refer to Attachments A and B for information on the current outstanding and pending loans in the Rural Electrification Revolving Loan Fund. All loans are current at this time with first payments due in January of 1984. No money has lapsed from earlier appropriations.

PROPOSED REGULATION CHANGES:

The Alaska Power Authority is currently receiving written comment on proposed revisions to the loan fund regulations. Upon the Board of Directors' approval at their next meeting in May, these revisions will be issued. Attachment D is a copy of the proposed revisions.

If you have further questions, please contact me at 276-0001.

Sincerely,

R. J. Benish

Eric P. Yould
Executive Director

(for)

EPY:kjs

Encl. as stated

cc: Dick Lyon, Chairman
Alaska Power Authority
Board of Directors

REPORT TO THE LEGISLATURE
ON THE
STATUS OF THE
RURAL ELECTRIFICATION REVOLVING LOAN FUND
April 22, 1983

The Rural Electrification Revolving Loan Fund serves the purpose assisting electric utilities to extend new electric services into unserved areas of the state. Loans must be approved by the Alaska Power Authority which will be assisted by a loan advisory committee made up of local residents of the areas served by the applicant utility. To be considered for a loan, the new extension must initially extend service to at least three new customers. Loans are made at two percent interest, with the principal to be repaid as future connections are added to the extension. In no case may the term of the loan exceed 20 years. Emergency regulations to administer the program were adopted on October 2, 1982. Specific goals of the program would include the initial primary, and the latter secondary electric service connections.

FISCAL YEAR 1982 APPROPRIATION: \$6,500,000.00

Loans made as of February 22, 1983

1)	Iliamna - Newhalen Electric Cooperative	\$1,340,000.00
2)	Andreanof Electric Corporation	200,000.00

Total amount of loans issued to date:	\$1,540,000.00
---------------------------------------	----------------

Loans approved by the Power Authority Board and in process of being completed:

1)	Homer Electric Association	\$ 87,418.64
2)	City of Unalaska	250,000.00

Total amount of loans in process to date:	\$ 337,418.64
---	---------------

Remaining Fund balance to date:	\$4,622,581.36
---------------------------------	----------------

Loan requests pending:

1)	Matanuska Electric Association	\$ 720,000.00
2)	Yakutat Power & Light Company	134,000.00
3)	Alaska Power & Telephone Company	129,000.00
4)	City of Unalaska	2,000,000.00

	\$2,983,000.00
--	----------------

Page Two
Rural Electrification Loan Fund

Assuming all pending loans are feasible
and approved by the Power Authority
Board of Directors - Net Balance of Fund:

\$1,639,581.36

Applications which are presently undergoing
intensive studies:

1) Matanuska Electric Association	\$1,500,000.00
-----------------------------------	----------------

2) Kodiak Electric Association	7,000,000.00
--------------------------------	--------------

Preliminary Total:	<u>\$8,500,000.00</u>
--------------------	-----------------------

BRIEF NARRATIVE ON RURAL ELECTRIFICATION LOAN FUND LOANS
4/22/83

Loans made as of 2/22/83:

- 1) Iliamna - Newhalen Electric Cooperative \$1,340,000.00

The loan was applied for on April 30, 1982 for the purpose of extending electrical service to customers located in Iliamna, Nondalton, and the Iliamna Airport area. The proceeds of this loan are being used to distribute power to 70 residences and 27 commercial entities who were already members of the Iliamna - Newhalen Electric Cooperative. This distribution of power is being accomplished through installation of rural and urban distribution lines.

Legal Name of Applicant Utility: Iliamna-Newhalen Electric Cooperative, Inc.
P.O. Box 111
Iliamna, Alaska 99606
Phone: (907)571-1259

Loan Issued 07/14/82

Current delinquency/default date: Loan is current
Monies lapsed from earlier appropriations: None

- 2) Andreanof Electric Corporation \$ 200,000.00

Once the Andreanof Electric Corporation received its certificate of public convenience on January 3, 1983, their loan application for \$200,000.00 was processed by the Alaska Power Authority. The purpose of the loan was to provide electric service for Atka's expanded facilities and new housing. With the proceeds, necessary underground cable and transformers would be purchased and installed in Atka to provide new electrical service to 18 new residential customers, a new school, and an airport.

Legal Name of Applicant Utility: Andreanof Electric Corporation
Atka Rural Branch
Atka, Alaska 99502
Phone: (907)767-8001

Loan Approved: September 14, 1982

Current Delinquency/Default Date: Loan is current
Monies lapsed from earlier appropriations: None

LOANS APPROVED BY THE POWER AUTHORITY BOARD AND IN THE PROCESS
OF BEING COMPLETED:

- 1) Homer Electric Association \$ 87,418.64

The Homer Electric Association applied for a \$87,418.64 loan from the Rural Electrification Revolving Loan Fund in June of 1982. The purpose of the loan is to extend the electrical service to the Brown's Lake Vicinity. With the area developing as both a recreational and residential area, the necessity of providing electrical service has become evident. With ten active applications and numerous inquiries about electrical service in the area, the route for a line extension was selected and design of the line began. Construction of the line extension was scheduled and methods of financing this construction were reviewed. This review resulted in the request that this project be considered for compliance with the requirements of the Emergency Regulations for implementation of the Rural Electrification Revolving Loan Fund.

Legal Address of Applicant Utility: Homer Electric
Association, Inc.
P.O. Box 429
Homer, Alaska 99603
Phone: (907)235-8551

- 2) City of Unalaska \$ 250,000.00

The loan was applied for on January 20, 1982 for the purpose of providing electric power to three major public facilities and of forming an important part of the electrical distribution system at such time as the utility is able to obtain additional funding for distribution line extension to the remainder of Amaknak Island, to connect that area with Unalaska Island and to provide additional generating capacity to energize the entire network and to add on industrial customers.

The City of Unalaska operates an electric public utility that is certificated by the Alaska Public Utilities Commission and would utilize the requested loan to extend the utility into populated areas of the community heretofore without an electrical utility; and the community is prepared to match the loan request with a like amount of funds; all of which is required for eligibility for a loan as provided in AS 44.83.361. The City will also be able to comply with the remainder of the requirements of AS 44.83.361 as they present themselves.

Legal Address of Applicant: City of Unalaska
P.O. Box 89
Unalaska, Alaska 99685
(907)581-1251

GOLDSTREAM HOMEOWNERS ASSOCIATION
Post Office Box 80685
Fairbanks, Alaska 99708

March 9, 1983

Mr. Charles Conway, Chairman
Alaska Power Authority
334 West 5th Avenue, 2nd Floor
Anchorage, Alaska 99501

Dear Mr. Conway:

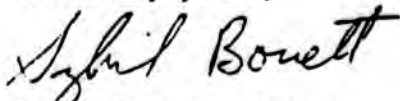
The signatories to this letter, being residents of the State of Alaska, find that:

1. adequate electric utility service at reasonable rates is not available to many residents;
2. Golden Valley Electric Association (GVEA), Matanuska Electric Association (MEA), and other rural electrical cooperatives are not able to fund line extension to many residents who desire electric utility service;
3. development of many subdivisions sold by the state as part of its land disposal program, and of other areas is limited, due to the lack of electric utility service;
4. the regulations for implementation of the Rural Electrification Revolving Loan Fund (the Mini-REA Bill), contrary to legislative intent, have not in fact provided funding for line extension.

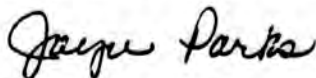
We therefore urge you to change the regulations for implementation of the Rural Electrification Revolving Loan Fund, so that GVEA, MEA, and other rural electrical cooperatives can use monies appropriated by the Mini-REA Bill for line extension.

Goldstream Homeowners Association has submitted to the Alaska Power Authority petitions signed by more than three hundred property owners from eleven subdivisions or areas throughout the state. This letter is presented in addition to those petitions, and in lieu of verbal testimony; we ask that it be entered into the record.

Sincerely yours,



Sybil Bouett, Member
Board of Directors
Goldstream Homeowners Association



Joyce Parks, Secretary
Board of Directors
Goldstream Homeowners Association

Lynn Peterson-Kush

Steven R Lane

Achim Brauser

Leigh Carlson

Brian C. M. - Ned

Julie Scott

Garry D. Russell

Mary B Donnell

Gwendolyn E. Hymn

Charles A. Rucker

Ram Amundson

Sharon Mauer

Patricia G. Dwyer

Bert F. -

Lawrence D. Dwyer

Phyllis G. Dwyer

Alan F. -

Ken O. -

John H. -

John C. Hordman

Douglas G. Best

Kristy Irene McCumby

Nancy L. Falley

Larry A. Zimmerman

Joe Zilly



Jimmy E. Stevens

Stephen C. Jewett

Indiget Ruyser-Schwarz

Henry A. Carpenter

Adolf Sudbrant

Lama L. Rucker

Paul A. Thompson

Robert H. Day

Janice T. Hauscom

Agnes D. Parham
Evelyn A. Parham
and Stoffer

Steven Williams

Barbara Breckon

Aun Kotila

La. Dellen

Owen J. Gregory
James D. Miller
Bocha Miller

Charles R. McNamee

John D. Viator

Joe Montgomery

Liberty

Douglas T. L. L. L.

David J. Miller

Philip W. Sturten

Brendan G. G. G.

Camille Lee

Janis M. Kara

Beth Ledwell

Larry Kara

Dick L. Parks

John Stillman

Signatories to the letter:

Sybil Bouett
Joyce Parks
Lynn L. Peterson Pugh
Steven R. Lane
Achin Brauser
Leigh Carlson
Brian C. McNeil
Julie Scott
Garry D. Russell
Mary B. Donnell
Brenda L. Wynne, C.A.
Charles A. Rublee
Pam Amundson
Sharon Mauer
Patricia J. Levy
Bill Fried
Lawrence Dunlap, M.D.
Phylene Jeffcoat
Allan Fuss
Frank Oman
John Hagey
Ivan E. Grondin
Debbie D. Parham
Ruth A. Scanlan
Carol Shaffer
Arun Rohila
Lon Sellers
Dawn J. Gregory
Bernard I. Miller
Rebecha Miller
Cherlyn R. McNamara

John D. Viator
Lee Montgomery
Steven L. Williams
Barbara Bredon
Douglas G. Best
Nancy L. Falley
Tom Falley
Jerry E. Stevens
Bridget Bryson Schwafel
Robert Sutherland
Paul A. Thompson
Robert H. Day
Janice T. Hanscom
Kristy Ilene McCumby
Gary R. Hammond
Durt DeSombre
Stephen C. Jewett
Gerry A. Carpenter
Tama L. Ruéker
Lawrence W. Bouett
David J. Miller
Brendan A. Sandiford
Janis M. Kara
Danny Kara
Glenn Stillman
Douglas L. Lockhart
Philip W. Streeter
Camille Gee
Beth Bedwell
Rick L. Parks

RECEIVED

FEB 16 1983

ALASKA POWER AUTHORITY

February 14, 1983

Marge Bishop
Alaska Power Authority
334 W. Fifth Avenue, Second Floor
Anchorage, AK 99501

Dear Marge,

I sent in a petition earlier, but again want to go on record in support of the Alaska Power Authority approving regulations for the Rural Electrification project, so that utility companies can borrow the money and install much needed electrical lines.

Thanks for considering my request, as well as the petitions of many other homeowners in outlying areas.

Sincerely,



Julie Scott
21 Mile Old Nenana, Alder Creek
P.O. Box 80435 College Station
Fairbanks, AK 99708

cc: Sybil Bouett

GOLDSTREAM HOMEOWNERS ASSOCIATION

Post Office Box 80685
Fairbanks, Alaska 99708

February 21, 1983

RECEIVED

FEB 23 1983

ALASKA POWER AUTHORITY

Alaska Power Authority
334 West 5th Avenue, 2nd Floor
Anchorage, Alaska 99501

Gentlemen:

The Board of Directors of the Goldstream Homeowners Association (the homeowners association created by the Department of Natural Resources for the State's Goldstream Alaska Subdivision) needs your help to get primary electric service to more than 500 families in Alaska through use of the Rural Electrification Revolving Loan Fund (the Mini-REA Bill).

Our petition drive began when we were told by Golden Valley Electric Association (GVEA) that our only chance of getting power was to have the regulations governing the Mini-REA Bill changed so GVEA could use the funds. We originally intended to circulate petitions in our own subdivision, but many requests throughout the state caused us to expand our grassroots effort. We have now identified more than 500 lots in at least twelve subdivisions or areas in the state which are without power. Most of these lots are within areas targeted by one or another of the electrical cooperatives, and if the regulations are changed, we can reasonably expect that all of these lots will receive electric service.

As the regulations for administration of the Mini-REA Bill were written by the Alaska Power Authority, Golden Valley Electric Association is unable to use the funds for line extension. Unless loan funds are made available, most of the families cannot expect to receive electric service in the foreseeable future.

We urge the Alaska Power Authority Board of Directors to draft new regulations so that funds already allocated by the Mini-REA Bill can be made available to provide line extension to these many residents of the State of Alaska. We urge further that these funds be made available soon so that another building season will not be lost.

Sincerely,

Sybil Bouett
Member, Board of Directors
Goldstream Homeowners Association

fairbanks north star borough

p.o. box 1267 520 fifth ave. fairbanks, alaska 99707 907-452-4761



December 13, 1982

RECEIVED

DEC 17 '82

The Honorable Bill Sheffield
Governor of Alaska
Pouch A
Juneau, AK 99811

GOVERNORS OFFICE

Dear Governor Sheffield:

The Fairbanks North Star Borough supports the board of directors of the Goldstream Homeowners Association (the homeowners association created by the Department of Natural Resources for the State's Goldstream Alaska Subdivision) in its effort to obtain electrical power for residents of five subdivisions within the Fairbanks North Star Borough through the use of funds from the Rural Electrification Revolving Loan Fund (the State's mini-REA bill). These subdivisions are: Goldstream Alaska, 8.2 Mile Goldstream, Cripple Creek, Rosie Creek, and Alder Creek. All subdivisions are one to three miles from existing power.

As the regulations for administration of the mini-REA funds were written by the Alaska Power Authority, Golden Valley Electric Association is unable to use the funds for line extensions. Unless loan funds are made available for line extensions, the recipients of state, borough and, in some cases, private subdivisions must front-end the money for power line extensions. Most new home builders simply cannot afford the \$50,000-\$70,000 required for line extension deposits.

We urge the Alaska Power Authority Board of Directors to draft new regulations so that funds can be made available to provide line extensions to these many residents of the Fairbanks North Star Borough. We also urge that these funds be made available soon so that another building season will not be lost.

RECEIVED

Very sincerely yours,

DEC 30 1982

B.B. Allen
Borough Mayor

ALASKA POWER AUTHORITY

BBA/lh

CC: Carolyn Guess, Commissioner, APUC
Mike Kelly, General Manager, GVEA

RECEIVED

DEC 22 1982

OFFICE OF THE
COMMISSIONER

Feb. 3, 1983

Alaska Power Authority
Juneau Ak.

To Whom It May Concern:

I am a recent recipient of a parcel of land in the Rosie Creek subdivision lottery near Fairbanks. I plan to develop my property in the near future by building a house, driveway etc. Before I do so, however, I need assurance that electricity will be available for the construction effort.

Would you please consider the re-writing of the present regulations regarding the mini-REA loan fund in order that Golden Valley Electric Assoc. may participate? Without this participation, GVEA estimates that it will cost \$17,000. to make power available to us, a figure which would prohibit building in the near future.

Thank-you very much.

Janet M. Taylor
759A NMSH U of A
Fairbanks, Ak. 99701

Kodiak Electric Association Inc.

(907) 486-3261

Box 787
KODIAK, ALASKA 99615

January 10, 1983

Board of Directors
Alaska Power Authority
334 West 5th Avenue
Anchorage, Alaska 99501

RECEIVED
JAN 13 1983
ALASKA POWER AUTHORITY

Gentlemen:

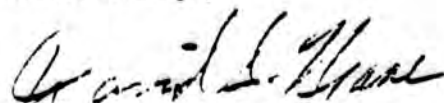
I would like to offer my comments regarding the Rural Electrification Revolving Loan Fund.

I believe that the statute as written is fine. The problem is in the interpretation of the statute by the regulations which do not follow legislative intent.

- 1) The payback period does not follow the statute and requires that if the loan is not paid back in 10 years, the remainder be paid back in 10 equal installments. This circumvents the legislative intent wherein low-cost money was to be available for extensions that would not otherwise be feasible and puts the burden on the early users of the line and not those coming on it at a later time. If this regulation is written to comply with the statute, we would have no objections.
- 2) The security arrangements are in conflict with our mortgage holders, REA and CFC. We would have to obtain a lien accommodation from our two "bankers". This section will have to be changed to accommodate mortgage provisions.

I think the intent of the bill is a good one and we could certainly use it. I hope these problems can be ironed out.

Sincerely,


David S. Nease, Jr.
General Manager



ALASKA RURAL ELECTRIC COOPERATIVE ASSOCIATION, INC.

6000 C STREET • SUITE C • ANCHORAGE, ALASKA 99502 • (907) 278-3235

RECEIVED
NOV 30 1982
ALASKA POWER AUTHORITY

November 30, 1982

Mr. Ray Benisch
Director of Finance
Alaska Power Authority
334 West Fifth Avenue
Anchorage, AK 99501

Dear Ray:

There are two basic problems in trying to make the rural electrification revolving loan fund work. Both of these problems were caused by regulation and can be corrected by regulation.

My basic concern results from 3 AAC 94.250(d), and it should be removed entirely. Up to that point, the repayment procedure accurately implements the statutory provision. Subsection (d) has no statutory basis, it changes the clear intent of the legislature, and it prevents this program from benefiting the people it was designed to help.

The concept in the statute is that the state would, through this program, put up the money at risk to permit construction of backbone electrical systems in developing rural areas. Loans are to be made only when there is a reasonable expectation that they will be repaid, but the schedule for actual repayment is dependent on how rapidly development occurs. It puts the state loan in a position comparable to a "grant in aid of construction" which would otherwise be required of the new consumers.

Subsection (d) makes the utility at risk instead of the state. This means that the existing consumers of that utility will have to subsidize these new consumers if the anticipated development does not occur. This is contrary to APUC regulation and utility practice. The result is that regulated utilities serving the developing rural areas are unable to use this program.

The second problem is derived from the first and is found in Subsection (e). After the legislative intent was ignored and the utility was put at risk in (d), then it became necessary to secure these loans in (e). Utilities which are financed by the Rural Electrification Administration are finding it impossible to grant the kind of security required in (e) without getting a lien accommodation from REA in each case. Getting such a lien accommodation is a major problem which would in itself be reason enough to prevent any REA borrower from actually using this program. Enclosed is a "red lined" copy of (e) which would resolve this problem.

Sincerely,

David

David Hutchens
Executive Director

DH:ra

(c) Loans from the fund will have a maturity date not to exceed 20 years following the first day of the calendar year following the extension of service but will be made only in connection with projects where full repayment of the loan is likely to be made within ten years. Payments on the unpaid balance of the principal of the loan are deferred until the first day of the calendar year following the extension of electric service. At that time and annually thereafter except as provided in (d) of this section, the annual principal repayment amount due will be calculated as provided in paragraphs (1) - (4) of this subsection.

(1) The average cost to the electric utility to acquire and install one transformer, one span of line, one pole, and one service drop during the initial 30 day period following the extension of electric service shall be calculated by the electric utility and verified by the authority. Subsequent to the first year following the extension of electric service, and on the first day of each year until the loan is fully repaid, a recognized construction cost index for the area will be used to adjust the amount specified for the first year under this paragraph.

(2) The average cost to the electric utility to provide a service connection to customers first served during the one year period following completion of the extension of electric service shall be calculated by the electric utility and verified by the authority. Subsequent to the first year following the extension of electric service, and on the first day of each year until the loan is fully repaid, the amount specified in this paragraph will be recalculated for each new one-year period.

(3) If the amount calculated in (2) of this subsection exceeds the amount calculated in (1) of this subsection, no principal payment is due.

(4) If the amount calculated in (1) of this subsection exceeds that calculated in (2) of this subsection, the difference will be multiplied by the number of new customers first served during the preceding year by the electric service financed by the loan. The product is the principal repayment due as an annual principal repayment.

~~(5) If within 20 years after the first day of the calendar year following the extension of service, or within 10 years of the date when the loan is repaid, the loan is not repaid, the~~

method of calculating the annual amount of principal due under (c) of this section shall apply for the remaining term of the loan. The full amount of the principal shall be paid by the end of the term of the loan. If, within 10 years after the first day of the calendar year following the extension of services, less than 50% of the principal on the loan has been repaid to the authority, then equal annual installments in the amount of the principal remaining due shall be paid for the remaining term of loan such that the principal is fully repaid by the end of the term of the loan.

(e) The loan must be supported by appropriate documentation which may include, without limitation, a loan agreement, bonds, notes or other documentation, in a form which is satisfactory to the authority, evidencing that the loan is secured by one or more of the following:

(1) a pledge of the revenues of the borrower or the project which may be subordinate to operating and maintenance expenses and certain other expenses of the borrower or the project as specified by the authority;

(2) a lien, mortgage, security interest, collateral agreement or other encumbrance on the project or other assets, rights or interests of the borrower which, in the discretion of the authority, may be subordinate to other encumbrances; or

(3) a pledge of the taxing power of the borrower. (Eff. 7/1/81, Reg.)

Authority: AS 44.30.121
AS 44.30.122
AS 44.30.123

3 AAC 94.260. INSPECTION OF RECORDS AND FACILITIES. The provisions of 3 AAC 94.110 concerning inspection of records and facilities of applicants for loans from the power project fund apply also to applicants for loans from the rural electrification revolving loan fund. (Eff. 7/1/81, Reg.)

Authority: AS 44.30.124
AC 44.30.125

* Sec. 4. 3 AAC 94.900 is amended to read: "4. The provisions of 3 AAC 94.110 concerning inspection of records and facilities of applicants for loans from the power project fund apply also to applicants for loans from the rural electrification revolving loan fund. (Eff. 7/1/81, Reg.)"

Mr. Heinz Nooan
December 10, 1982
page 2

Larger systems also have capital needs which can be accommodated through APA, perhaps on a basis similar to the operation of Alaska Municipal Bond Bank, where APA would purchase revenue bonds of systems in the 5-20MW range, or so.

Truly large systems, in the 20MW+ class ought to be able to generate needed capital internally or on the open market for incremental expansion. Inter-utility expansions, the large hydro projects, large geothermal projects and the like, are probably best handled on a case-by-case basis so long as they do not receive preferential treatment in terms of interest rate and so long as the needs of all classes of systems can be fairly met.

In sum, I think that the principle of capital cost recovery from the user is a sound one and the only one which is sustainable on the long run (i.e., pay operating and replacement costs as you go such that after initial expansion to a steady-state, the system will always have sufficient internal resources to replace fully-depreciated plant).

Thank you for this opportunity to comment.

Sincerely,

CITY OF UNALASKA

Richard Careaga
Director of Planning

ANDREANOF ELECTRIC CORPORATION

ATKA RURAL BRANCH

ATKA, ALASKA 99502

(907) 767-8001

December 8, 1982

RECEIVED,

JAN 17 1983

ALASKA POWER AUTHORITY

Mr. Heinz Noonan
Alaska Power Authority
530 West Fifth Avenue
Anchorage, Alaska 99501

Dear Mr. Noonan:

I am writing at your request concerning the loan we are to receive from the Rural Electrification Revolving Loan Fund.

We applied for the loan after looking into other sources of funding to provide money to install power distribution lines to a new housing subdivision, new school, and a airstrip. Electricity is essential to the development of the housing subdivision. The Department of Housing and Urban Development will not allow the new housing to be occupied until there is electric service to the subdivision. The possibility of obtaining a grant was researched by Mr. Bill Arterburn of the Aleutian Housing Authority. Bill found that there were no grants available for electric distribution. We applied to the Rural Electrification Revolving Loan Fund as a last resort. The loan application that we submitted was approved in September of this year contingent upon receiving a Certificate of Necessity and Public Convenience from the Alaska Public Utilities Commission. Approval of the Certificate is still pending.

The terms of the loan are reasonable and the interest rate is the lowest I know of. It is our intention to make every effort to repay the loan in a timely manner. However, there are a few concerns about repaying the loan.

Andreanof Electric is a very small utility with 28 customers at the present time. There will be more customers added in the near future. We are concerned that we will have to raise our rates a great deal in order to make principle and interest payments on the loan, buy fuel, and meet operating costs. We want to avoid raising rates if at all possible. The average monthly electric bill is around \$60 even after Power Cost Assistance is deducted. There is very little economic activity at Atka at the present; raising rates would make it difficult for the people to pay for an essential service.

Another concern we have is what would happen if we should default on paying the loan back to APA. Would APA take possession of the utility or would the money be given to us as a grant? I did raise this question before with someone else and was led to believe that APA would not take possession of Andreanof Electric.

ANDREANOF ELECTRIC CORPORATION

ATKA RURAL BRANCH

ATKA, ALASKA 99502

(907) 767-8001

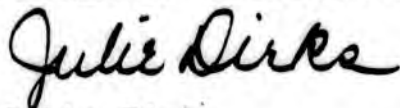
Mr. Heinz Noonan
Alaska Power Authority
December 8, 1982
Page Two

Atka did not have electric service until November, 1982. Coleman Lanterns and kerosene lamps were used to provide light. The people here have become accustomed to electricity. We have found it difficult to find the money to meet the growing energy needs of the community. It seems that everyone is geared toward the development of hydro-electric. There is a preliminary feasibility study being conducted here by APA. It will be some years before we ever see a hydro project built here. In the meantime we still have to expand to meet the growth and development of the community.

Thank you for giving me this opportunity to express our concerns about the Rural Electricification Revolving Loan Fund. If there is any other information I can provide to you, please let me know.

Sincerely,

ANDREANOF ELECTRIC CORPORATION



Julie Dirks
Secretary | Treasurer

JD|

cc: George Dirks, President - AEC
Bill Arterburn, Aleutian Housing Authority

Yakutat Power, Inc.

BOX 257 • YAKUTAT, ALASKA 99669 • 907 784-3248

RECEIVED
JAN 06 1983
ALASKA POWER AUTHORITY

January 4, 1983

Heinz W. Noonan
Economist
Alaska Power Authority
334 West 5th Avenue
Anchorage, Alaska 99501

Dear Mr. Noonan:

We have been asked for comments on how to improve the Rural Electrification Loan program.

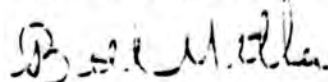
Since the program is designed to cut the cost of electricity to the people, a grant program would surely be the best way to go.

As you know, we have had an application for a loan in for some time. Our problem is how to repay the loan, with a third party involved (the third party is the developer). Even with three families ready to move in within three months after the electricity is available, the cost to the families would be monumental if the loan payment came from them.

We would certainly not mortgage the company in order to gain new customers, for that would leave us with no security to protect and serve our present customers.

We commend your organization highly for being so willing to listen to the people.

Yours truly,
Yakutat Power, Inc.



Beth Miller
Secretary



Homer Electric Association, Inc.

P.O. BOX 429 ■ HOMER, ALASKA 99603 ■ (907) 235-8551

December 3, 1982

Mr. Hines Noonan, Economist
Alaska Power Authority
334 West 5th Avenue
Anchorage, Alaska 99501

Dear Hines:

A representative of the Power Authority called and indicated to me that you would like an update as to our loan request that has been approved by the Power Authority.

There are, apparently, two problems that have come up, and that are addressed in the attached letter to Ray Benisch. Basically, these two problems revolve around the security agreements and the repayment period of the loan.

We are very eager to complete the paperwork for this loan, and utilize the funds the Power Authority has approved. I have asked Mr. Dave Hutchens of the Alaska Rural Electric Cooperative Association and Allan Yost of the Rural Electrification Administration to work closely with your people in an attempt to resolve this to the satisfaction of all. I feel if we can get this resolved properly this time, it will save everybody a lot of work in the future.

I will be communicating with Mr. Hutchens and Mr. Yost to be sure that this moves ahead to a satisfactory resolution.

Please feel free to contact me if you have any questions.

Sincerely yours,

HOMER ELECTRIC ASSOCIATION, INC.


B. Kent Wick
General Manager

BKW:em
Encl.

cc: Dave Hutchens, ARECA
Allan Yost, REA
Gene Collins
Tom Keffer



ILIAMNA-NEWHALEN ELECTRIC CO-OP

BOX 111 (907) 571-1230
ILIAMNA, ALASKA 99506
GEN. MANAGER T.M. OLSEN

DIRECTORS: ADCOX ANELON BALLUTA DELKITTIE FOSS HEDLUND LAMONT

RECEIVED

JAN 4 1983

December 30, 1982

ALASKA POWER AUTHORITY

Alaska Power Authority
334 West 5th Avenue
Anchorage, Alaska 99501

Attention: Dr. Heinz Noonan, Economist

Re: Rural Revolving Loan Fund

Pursuant to your request, I would like to offer the following comments of some of the problems and/or advantages that we have encountered during management of the Iliamna-Newhalen Electric Cooperative, Inc. construction and start-up while using Rural Revolving Loan funds.

Fund Accounting

1. Although the legislation and regulations have very distinct parameters for use of these monies, there have been no comprehensive guidelines put together for the loan recipients as to how these funds are to be accounted for. This is of particular importance since the majority of these funds will be used "in house" by the utilities. There will, of course, be some projects that will be done by the "conventional bid" method and any guidelines should provide the necessary flexibility to allow for both type of methodologies.
2. Fund accounting should be tied to either APUC and/or REA account code systems, since these are the two most common accounting systems used by the utilities of the State, but the utility should have the option to choose between the systems.
3. Sample "Board of Directors" policies need to be drafted for procedures covering possible "Conflicts of Interest". This is of particular importance in the smaller community areas where it is common for the 5 or 6 top "leaders" in the community to sit on the Board of Directors of the utility while at the same time they own other businesses that should probably participate in the construction of the utility extension if it is to be done in the most cost effective manner. Under the "default" approach that is presently used, there is

always some question as to whether these leaders have acted in the best interest of the State of Alaska.

Loan Acquisition & Distribution

1. It is my opinion, that the program should be set up so that there are two (2) types of loans. The initial loan would be for feasibility and cost analysis with the second phase for actual design, surveying, right-of-ways and construction. Under the existing program there is no method for a utility to put together accurate information on these parameters which means result that most of the smaller utilities, for which the program was designed, have to make "ball park" estimates and funding requests. This results in multiple filings with APUC, loan request revisions and increased administrative overhead.
2. Loan disbursements should continue to be of the one time, lump sum disbursement type, but this practice should be set down so that it is known during the original filing process.

Use of Proceeds

1. It is our opinion that the necessary steps should be taken so that the proceeds of the loan can be used for any cost except the service drops to the consumers. This process of stopping one pole and/or one transformer from the consumer is an accounting nightmare. During the normal course of construction of an extension, the normal procedure for the line crew is to install all poles as they proceed through the area, and it is not unusual to hang transformers, cross arms, etc.. at the same time. Now while it is conceivable that under a "conventional bid" contract the contractors could be required, as a part of the bid, to breakdown (pro rate) different components of the system. However, under the more common "in-house" project, trying to break down, on an hourly basis, what part of the day was spent on putting up pole "A" or pole "B" is quite cumbersome.
2. The current regulations do not address, in any manner, underground services and distances. Under the current system, a utility could effectively bring the service to the consumers doorstep as the length of "one span" of underground can vary from 100 feet to 10 miles, depending on how far the utility wants to go without a stub-up. It would seem that by deleting the requirements, for everything except the "service drop" as outlined in "1" above, it would eliminate a number of these problems and put both methodologies of construction on the same basis.
3. The comment has been made on several occasions that the purpose of the program was not for start-up utilities. The record should show that it is our understanding that this is

incorrect. During the time that INEC was seeking funding for their project, it was recommended by one of the original sponsors of the bill forming this program, that they use this source of funding to supplant grant monies and to demonstrate their willingness to obligate the community residents to repayment and commitment to the project. It is our firm opinion that these monies should be available to start-up utilities and that their use of such a program will be representative of their continued commitment to the success of the utility's operation.

Loan Payback

1. Perhaps the biggest fallacy of the existing program is the loan payback period and the terms which determine whether any payback is due within a certain year. If the loan requirements for design of the extension are set to REA standards. The prime cost items, mainly the poles and wire, will last a minimum of 30 years with a realistic expectation that they will last 40 years or more. It would thus seem logical that amortization of the loan should be a minimum of 30 years with possible longer terms for systems with a longer life expectancy.

It is also our understanding that the purpose of the legislation was to provide for service extensions into areas that were projected to be developed into residential and/or industrial development areas. Based on historical data for the economic development of rural areas that have an economic "roll over" index of less than 4.6. Internal development will probably be delayed a minimum of 10 years per one digit decrease in the index. Thus, for a community, such as Nondalton, which has an internal "roll over" index of approximately 1.6, we could predict that it will be 30 years until they become a self-sufficient community. Based on this analysis, it may be 25 years or more until there is sufficient revenues generated by the extension to pay back the loan. However, without the extension, the community governing bodies lose a considerable amount of control over how development takes place within the area and it becomes almost impossible to establish and implement comprehensive plans for long range planning.

2. Terms for the payback of the loan definitely need to be refined. Although Dr. Noonan and I have spent a considerable amount of time trying to unravel the intent of the current regulations and/or terms, there are still a number of ambiguous areas where a decision could go in either direction, depending on the perspective of the viewer. In my opinion, existing utilities within the rural areas could probably work up a complete justification for never paying the loan back.

3. The question is also being considered as to whether or not this program should be in a grant format. It is my opinion that th's option has to be viewed from the perspective of whether or not the utility is in the business of promoting growth within the area and/or at least controlling area growth. Based on the State's current posture relative to the financing of major electrical generation projects that will certainly result in industrial and economic growth, it would seem that the rural utilities cetainly should not be discouraged from stimulating growth. In the case of the major projects in progress within the State, the consumer will ultimately have to pay a portion of the construction cost. But as is the case with each of these projects, they are in areas which are already self-sufficient and have roll over indices are at or approaching 4.6. Consideration should be given to areas where this index is below 2.0 for making a portion of the funds available in the form of a grant.

Your time and consideration concerning these items is appreciated and if we can be of further assistance, please do not hesitate to call me.

Sincerely,



F. Don Anderson
Project Director

FDA/tkm

cc: Board of Directors
Trig Olsen
Ethyl Adcox
Stephan Vlahovich
Frank Guertin
Ray Benish

inec3/fda8,8.1

NOTICE OF PROPOSED CHANGES IN THE
REGULATIONS OF THE ALASKA POWER AUTHORITY

Notice is hereby given that the Alaska Power Authority under authority vested by AS 44.83.080, 44.83.361, 44.83.363 proposes to amend the regulations in Title of the Alaska Administrative Code, dealing with RURAL ELECTRIFICATION REVOLVING LOAN FUND, to implement AS 44.83.366 as follows:

- (1) 3AAC 94.250(c) is amended by deleting as follows:

3AAC 94.250(c) Loans from the fund [WILL HAVE A MATURITY DATE NOT TO EXCEED 20 YEARS FOLLOWING THE FIRST DAY OF THE CALENDAR YEAR FOLLOWING THE EXTENSION OF SERVICE BUT] will be made only in connection with projects where full repayment of the loan is likely to be made within ten years. Payments on the unpaid balance of the principal of the loan are deferred until the first day of the calendar year following the extension of electric service. At that time and annually thereafter [EXCEPT AS PROVIDED IN (d) OF THIS SECTION,] the annual principal repayment amount due will be calculated as provided in paragraphs (1) - (4) of this subsection.

- (2) 3AAC 94.250(d) is repealed.

[IF, WITHIN 10 YEARS AFTER THE FIRST DAY OF THE CALENDAR YEAR FOLLOWING THE EXTENSION OF SERVICES, AT LEAST 50% OF THE PRINCIPAL ON THE LOAN IS REPAID TO THE AUTHORITY, THEN THE METHOD CALCULATING THE ANNUAL AMOUNT OF PRINCIPAL DUE UNDER (c) OF THIS SECTION SHALL APPLY FOR THE REMAINING TERM OF THE LOAN. THE FULL AMOUNT OF THE PRINCIPAL SHALL BE PAID BY THE END OF THE TERM OF THE LOAN. IF, WITHIN 10 YEARS AFTER THE FIRST DAY OF THE CALENDAR YEAR FOLLOWING THE EXTENSION OF SERVICES, LESS THAN 50% OF THE PRINCIPAL ON THE LOAN HAS BEEN REPAID TO THE AUTHORITY, THEN EQUAL ANNUAL INSTALLMENTS IN THE AMOUNT OF THE PRINCIPAL REMAINING DUE SHALL BE PAID FOR THE REMAINING TERM OF LOAN SUCH THAT THE PRINCIPAL IS FULLY REPAID BY THE END OF THE TERM OF THE LOAN.]

- (3) 3AAC 94.250(e) is amended by the following deletions:

The loan must be supported by appropriate documentation which may include, without limitation, a loan agreement, bonds, notes or other documentation, in a form which is satisfactory to the authority. [EVIDENCING THAT THE LOAN IS SECURED BY ONE OR MORE OF THE FOLLOWING:]

[(1) A PLEDGE OF THE REVENUES OF THE BORROWER OR THE PROJECT WHICH MAY BE SUBORDINATE TO OPERATING AND MAINTENANCE EXPENSES

AND CERTAIN OTHER EXPENSES OF THE BORROWER OR THE PROJECT AS SPECIFIED BY THE AUTHORITY;]

[(2) A LIEN, MORTGAGE, SECURITY INTEREST, COLLATERAL AGREEMENTS OR OTHER ENCUMBRANCE ON THE PROJECT OR OTHER ASSETS, RIGHTS OR INTERESTS OF THE BORROWER WHICH, IN THE DISCRETION OF THE AUTHORITY, MAY BE SUBORDINATE TO OTHER ENCUMBRANCES; OR]

[(3) A PLEDGE OF THE TAXING POWER OF THE BORROWER.
(EFF. / / , REG.)]

(4) 3AAC 94.270 is amended by adding new provision as follows:

3AAC 94.270 A loan will not exceed \$250,000. dollars per loan application for a specified project if the Fund balance is less than \$3,000,000. at the time of application. A loan will not exceed \$500,000. dollars per loan application for a specified project if the Fund balance is \$3,000,000. or more at the time of application.

ITEM XI. CONSIDERATION OF REVISIONS TO THE RURAL ELECTRIFICATION
REVOLVING LOAN FUND

MR. YOULD reviewed the history of the Rural Electrification Revolving Loan Fund and concerns that utilities applying for loans have expressed. These concerns arise from the terms of repayment and the security for the loans. MR. HUFMAN urged the Board to make a decision concerning the Loan Fund due to the high level of public interest. He stated that if public hearings are necessary, those meetings should be held quickly so the issues can be addressed by the public. MR. YOULD suggested that the Board may wish to pursue emergency regulations to preclude missing the upcoming construction season. MR. HUFMAN moved that the Board instruct the staff to hold hearings on changes to the Rural Electrification Revolving Loan Fund regulations as submitted by MR. DAVE HUTCHENS of the Alaska Rural Electric Association. MR. SCHAEFFER seconded the motion. The motion passed unanimously by the five voting members present.

ITEM XII. OTHER BUSINESS

MR. YOULD recommended that the Board approve \$50,000 in matching funds for the City of Ketchikan from the Tyee or Swan Lake budget to conduct a marketing analysis of feasibility of providing Tyee power to the City of Ketchikan on a non-firm basis. The study would also address the regional supply and demand for the south/southeast region. COMMISSIONER WUNNICKE moved and MR. SCHAEFFER seconded that the Board adopt staff's recommendation. The motion was passed unanimously by the five voting members present.

ITEM XIII. PUBLIC COMMENT

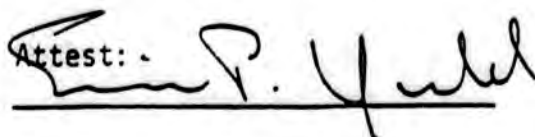
MR. ERIC MYERS, of the Alaska Environmental Lobby addressed the Board concerning the question of interim financing. He urged the Board to prepare formal written findings on the interim financing issued by the Power Authority.

MR. ROBERT ARNOLD of Ketchikan Public Utilities discussed the Swan Lake Project, project costs, and the effect of HB 9 on marketing the power from the project.

The meeting was adjourned by COMMISSIONER LYON at 4:45 P.M.



Chairman

Attest: 

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

April 28, 1983

BILL SHEFFIELD, GOVERNOR

☐ POUCH B

JUNEAU, ALASKA 99811

PHONE: (907) 465-4700

☐ 225 CORDOVA STREET - BLDG B

ANCHORAGE, ALASKA 99501

PHONE: (907) 264-2294

The Honorable Rick Uehling
Representative
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Representative Uehling:

Per your request, the following information provides for a general overview of the proposed Home Ownership Assistance Fund to be created in the Department of Community and Regional Affairs.

Purpose

"The Home Ownership Assistance Fund (HOAF) will consist of money appropriated to it by the legislature. Money in the fund shall be used solely to assist persons of lower and moderate income to purchase single-family homes financed under AS 44.47.360-44.47.560 by providing a subsidy to those persons in the amount that is necessary to reduce the annual interest rate paid on the mortgage loan to six percent"...

Funding Request

The following is a breakdown of the total amount requested to fund the HOAF:

- 1) The amount requested to create the subsidy fund is \$650,000. This amount will subsidize approximately 176 loans.
- 2) The amount requested to fund the principle loan amount of 176 loan is \$15,000,000.
- 3) The amount requested as operating capital is \$226,000.

The amount requested to totally fund the HOAF is \$15,876,000. This request is based on an effective date of January 1, 1984.

Lower to Moderate Income Data

Income and housing cost data were obtained from data published by the U.S. Bureau of the Census; Alaska Statewide Housing Needs Study prepared by CH2M Hill; and loan file data or the Housing Assistance Division (HAD) of the Department of Community and Regional Affairs.

For specific data on median income levels and average housing cost for rural Alaska, see Tables 1 and 2 below.

TABLE 1

<u>Rural Income</u>	<u>% of Population</u>
- \$5,000	9.9
\$ 5,000 - 9,999	12.3
10,000 - 14,999	14.1
15,000 - 19,999	10.3
*20,000 - 24,999	9.6
**25,000 - 29,999	8.8
30,000 - 49,999	22.8
- 50,000	12.2

*Lower Income \$21,770 (9.6% of total population)

**Median Household income \$28,800 (8.8% of total population)

HOAF target income group \$20,000 to 39,000 [(five or more family members) (approximately 11.4% of population)].

Percentage of population reached by HOAF - 29.8%.

Percentage of population reached by other HAD programs - 35%.

TABLE 2

RURAL NEW CONSTRUCTION COST 1981-82

<u>Regional Cntrs.</u>	<u>Median Sq Ft Space</u>	<u>Median Land Value</u>	<u>Median Sq Ft Cost</u>	<u>Median Cost</u>
Nome	\$ 1,300	\$15,000	\$73	\$110,000
Kotzebue	1,500	19,000	65	116,000
Bethel	1,300	17,000	85	128,000
Dillingham	1,200	15,000	88	120,000
More Remote Areas	1,600	20,000	66	125,000
Overall Medians	\$1,350	\$17,000	\$75	\$118,250

Conclusions

The Home Ownership Assistance Fund will benefit approximately 29.8% of the rural population or lower to moderate income groups earning \$20,000 to \$30,000 with an extra allowance for five or more member families which will bring the maximum income limit to \$39,000.

Existing HAD programs are providing mortgage loans to approximately 43.8% of the rural population. This is based on the Division's average loan amount of \$87,500, and the income required to receive this amount. It is estimated that the criterion of the HOAF program will allow the Division to reach approximately 64% of the rural population. Based on this information, the Division will establish income limitations as follows:

Income Maximums

Adult Family Members	\$30,000
First Child	5,000
Each Addition Child	1,500
To Program Maximum of	39,000

In light of the median cost for newly constructed homes in rural Alaska (\$118,250), the Division will establish dwelling price maximums as follows:

Dwelling Price Maximum

One or Two Member Family	\$100,000
Three Member Family	105,000
Four Member Family	110,000
Five or More Member Family	120,000

It should be noted that not all housing will cost \$100,000 - \$120,000, and that only moderate income will qualify for the maximum dwelling maximums. Lower income borrowers will qualify for less expensive housing of approximately \$75,000 - \$85,000. At this price level, lower income borrowers can qualify when the proposed subsidy schedule is applied.

The Honorable Rick Uehling
Representative
April 28, 1983
Page 4

Attached (Attachment A) is recommended language for Section 7 of CS HB302 (HSCSL) to facilitate the HOAF as outlined in this correspondence.

If we can be of any further assistance, please give me a call.

Sincerely,



Mark Lewis
Commissioner

Attachment

ATTACHMENT A

- * Sec. 7. AS 44.47 is amended by adding a new section to read:

Sec. 44.46.382. HOME OWNERSHIP ASSISTANCE FUND. (a)

There is created in the Department of Community and Regional Affairs, the home ownership assistance fund consisting of money appropriated to it by the legislature. Money in the fund shall be used solely to assist persons of lower and moderate income to purchase single-family homes financed under AS 44.47.360 -- 44.47.560 by providing a subsidy to those persons in an amount not greater than the difference between

(1) the amount annually required to pay the prevailing interest on and principal of that person's loan and real property taxes and insurance for the home purchased with the loan; and

(2) the amount annually required to pay an effective interest of 6% per annum on and principal of that person's loan and real property taxes and insurance for the home purchased with the loan.

(3) the maximum subsidy is established at the amount required to reduce a borrower's annual payment to the amount set in (2) of this section.

(4) the division shall establish maximum income to total payment ratios as related to the maximum percentage and gross income allowable to pay total payment including principle, interest taxes and insurances, as well as maximum income and dwelling prices.

(b) In this section, "persons of lower and moderate income" means individuals considered by the division to require assistance under this section because of inadequate income or other limited personal financial resources, taking into consideration

(1) the amount of total income available for housing needs;

(2) the size of the family;

(3) the cost and condition of available housing;

(4) standards established in various federal programs for determining eligibility based on income;

(5) the ability to enter the private housing market and to pay market amounts for decent, safe, and sanitary housing; and

(6) other factors considered relevant by the division.

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER
April 21, 1983

BILL SHEFFIELD, GOVERNOR

- ☐ POUCH B
JUNEAU, ALASKA 99811
PHONE: (907) 465-4700
- ☐ 225 CORDOVA STREET - BLDG B
ANCHORAGE, ALASKA 99501
PHONE: (907) 264-2294

The Honorable Rick Uehling
Representative
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Representative Uehling:

Per your request, the following report provides background materials to justify the \$45,000,000 loan fund appropriation found in HB 315 for the Housing Assistance Division. Specific information in this report includes current delinquency/default data; general description of the Division's existing portfolio, including the number of loans, geographical distribution, and average amount currently loaned; and how much money has been carried forward at the end of each fiscal year.

I. Background

The Housing Assistance Division was created by the 1980 Legislature, (Chapter 120, SLA 1980) to administer the Nonconforming Housing Loan Program. Loan funds were to be distributed on a statewide basis with emphasis on rural Alaska. Administration of these loans were to be through seller-servicer agreements with financial institutions. The initial mandate from the Legislature was twofold; (1) to form a central office and five field offices and (2) to offer loans for nonconforming housing. First year loan funds were appropriated at \$10 million.

The 1981 Legislature continued funding the Nonconforming Program at a rate of \$40 million and directed the Division to divide such funds between rural and urban Alaska at an 80%:20% ratio. The Legislature further directed the Division to offer funds directly to eligible borrowers who could not otherwise get service in rural Alaska (Chapter 82, SLA 1981). This mandate is known as direct lending and has recently been instituted by the Division.

The Nonconforming Loan Fund was renamed the Housing Assistance Loan Fund during the 1982 Legislature (Chapter 113, SLA 1982). This fund combined the Nonconforming Loan Program with the Rural Mortgage

Purchase Programs for both owner occupied and non owner-occupied loans that were originally administered by Alaska Housing Finance Corporation (AHFC). FY-82 appropriation to the newly combined Housing Assistance Loan Fund was in the amount of \$45 million bringing total appropriations to date to \$94.5 million.

II. Programs

The Housing Assistance Division (HAD) offers four loan programs; the Rural Owner Occupied, Rural Non Owner-Occupied, the Nonconforming Housing Program, and the Housing Rehabilitation Program. The following is a brief summary of these programs.

Rural Owner-Occupied Program - Provides financing to qualified borrowers for the construction and purchase of single family and duplex housing for owner occupancy. The interest rate for this program is 10.5%. The maximum dollar amount a borrower may receive is \$162,450 for single units and \$207,750 for duplexes.

Rural Non Owner-Occupied Program - Provides financing to qualified borrowers for the construction purchase or rehabilitation of non owner-occupied rental housing units. The interest rate for this program is 10.5% with a maximum loan term of 30 years. The project may involve two to sixteen units in a single community or specific area. The principal amount of the loan or loans for non owner-occupied housing from the Division must not exceed \$1,250,000. Also, the loan must not exceed 80% of the appraised value or 80% of the purchase price, whichever is less. The borrower may not reside in the housing financed.

Nonconforming Housing Loan Program - Provides both rural and urban areas with financing for the construction or purchase of housing which exhibits one or more characteristics, with respect to design, construction practices, materials, foundation systems, utilities and minimum space requirements, which are not common to the community in which the property is located and which would ordinarily preclude financing by private financial institutions. Such non-conforming characteristics could include unconventional utilities

such as private electric power, no electric power, shallow wells, cisterns, surface water collection systems, water holding tanks, water haul systems, sewage haul systems, graywater systems, or outhouses. The maximum dollar amount a borrower may receive is \$162,450 for single units and \$207,750 for duplexes.

Housing Rehabilitation Program - Provides financing to qualified borrowers for the repair, remodeling or rehabilitation of existing single family and duplex housing. In addition, the Division may provide first or second deeds of trust financing.

For first deeds of trust the amount financed may not exceed the lesser of 85% of the appraised value of the property, or \$138,000 for single families and \$176,500 for duplexes. For second deeds of trust, the Division may finance up to \$45,000.

Under the Rehabilitation Program, the amount financed may include costs for contracted labor/services. The maximum term of the loan is 30 years. In the event a borrower requires financing for building materials only (no labor), the Division may provide rehab financing up to 80% of the appraised value of the subject property or \$45,000, whichever is less, and the maximum term is 15 years. This program does not apply to Rural Non-owner Occupied loans.

Rural interest rates are set by the Legislature at 10.5%. Nonconforming rates in urban Alaska are tied to the AHFC bond sale rates (Rogers Ratchet) and are currently at 9% for veterans and 10% for non veterans on the first \$90,000 with the balance at cost.

III. Attachments

The attached bar chart (Attachment A) illustrates loan activity of the Housing Assistance Loan Fund. The chart covers loan fund activity for FY81, FY82, and FY83 to date.

The attached loan data (Attachments B - C) provides a general overview of loan commitments made during FY81,

The Honorable Rick Uehling
April 21, 1983
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FY82, and FY83 to date; average loan amounts for the same period; commitment projections for the remainder of FY83; and a breakdown of previous appropriations. Additional data includes available funds by program; status of FY-82 carryforward funds; and loan fund distribution by location.

IV. Conclusions

1) The Housing Assistance Division continues to provide mortgage loans to an ever increasing user group. This is evident by the annual increase in rural activity and in the total amount of funds committed each year.

2) Projections for FY-83 Loan Fund closeout indicates a volume of \$52 million in loans will be made for the fiscal year ending 6-30-83. This figure exceeds the current year's appropriation of \$44.5 million by \$7.5 million. The FY-83 shortfall will be absorbed by available funds from a prior year appropriation (FY-82 Non-conforming Rural).

3) The FY-84 appropriation request of \$45 million is expected to provide 82% of the \$55 million in loan commitments the division expects to commit in FY-84. As in previous years a portion of a prior year's appropriation will be used to supplement FY-84 funds.

I appreciate the opportunity to provide your office with information relating to the Housing Assistance Loan Fund. If I can be of further assistance, please advise.

Sincerely,

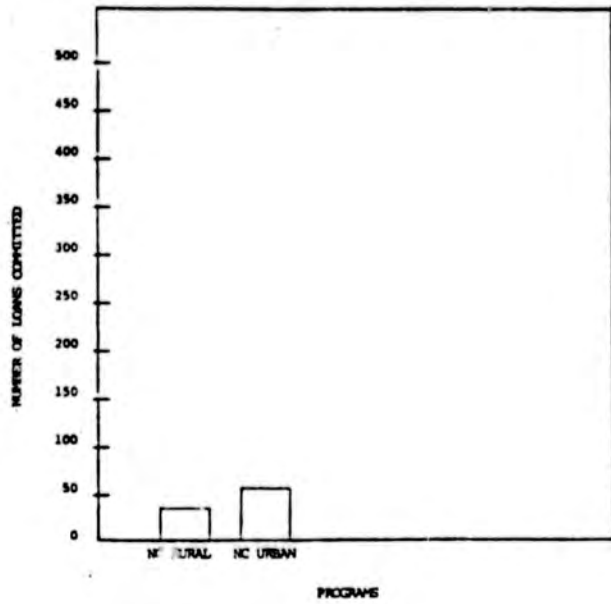
Mark Lewis
Commissioner

Attachments

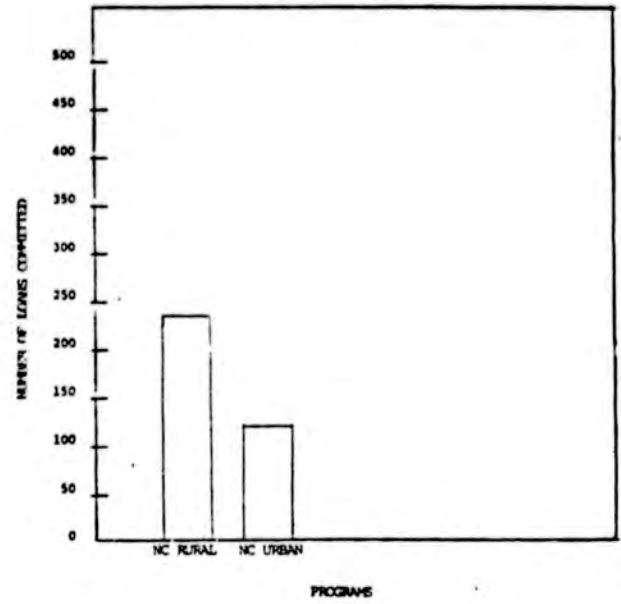
ATTACHMENT A

HOUSING ASSISTANCE LOAN FUND ACTIVITY

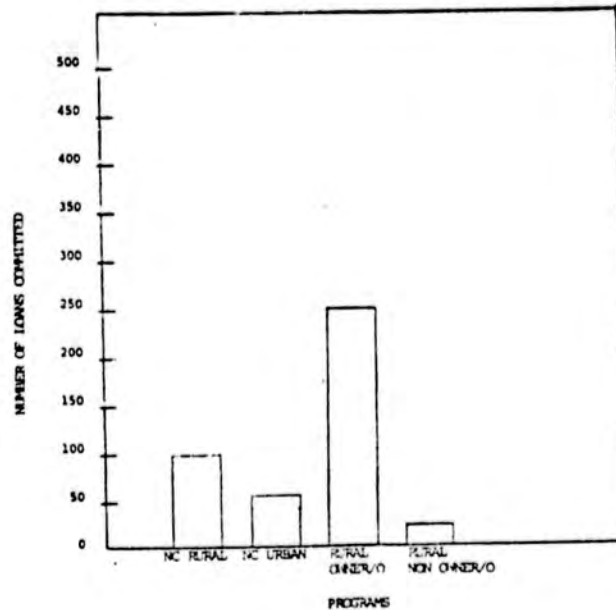
FY-81 Loan Fund Activity



FY-82 Loan Fund Activity



FY-83 Loan Fund Activity



ATTACHMENT B
HOUSING ASSISTANCE LOAN FUND
FISCAL YEAR ACTIVITY
(Loan Commitment Totals)

I. FY-81

<u>Program</u>	<u>Total No. Loans</u>	<u>Total Amount</u>	<u>Average Loan</u>
Nonconforming Rural	41	\$ 2,938,350	\$ 71,675
Nonconforming Urban	+ 54	+ 3,069,100	56,850
Totals	95	\$ 6,007,450	63,250

II. FY-82

<u>Program</u>	<u>Total No. Loans</u>	<u>Total Amount</u>	<u>Average Loan</u>
Nonconforming Rural	240	\$ 17,278,652	\$ 72,000
Nonconforming Urban	+ 125	+ 8,139,992	65,125
Totals	365	\$ 25,418,644	69,650

III. FY-83

<u>Program</u>	<u>Total No. Loans</u>	<u>Total Amount</u>	<u>Average Loan</u>
Nonconforming Rural	101	\$ 5,706,625	\$ 56,500
Nonconforming Urban	+ 55	+ 3,986,950	72,500
Subtotals	156	9,693,575	62,150
Rural Owner-occupied	251	22,320,950	88,925
Rural Non Owner-occupied	+ 22	+ 6,544,500	297,475
Totals	429	\$ 36,583,325	85,275
Projections for Remainder of FY-83	+ 170	+ 14,514,881	85,000
Totals for FY-83 (including projections)	599	\$ 52,053,706	86,901

IV. PROJECTIONS FOR REMAINDER OF FY-83 BY PROGRAM

Nonconforming	
Rural	\$ 6,961,799
Urban	3,147,957
Rural Owner-occupied	3,449,625
Rural Non Owner-occupied	+ 955,500
Total	\$ 14,514,881

V. OVERVIEW (Activity and Projections)

	<u>Commitments</u>		
	<u>Total No. Loans</u>	<u>Total Amount</u>	<u>Average Loan</u>
FY-81 Commitments	95	\$ 6,007,450	\$ 63,250
FY-82 Commitments	365	25,418,644	69,650
FY-83 Commitments	+ 429	+ 36,583,325	85,275
Totals	889	\$ 69,985,119	78,725

	<u>Appropriation Breakdown</u>		
<u>Year</u>	<u>Amount</u>		<u>Hisorical Carryover</u>
FY-81	\$ 10,000,000		\$ 3,992,550
FY-82	40,000,000		19,000,000
FY-83	+ 44,500,000		7,916,675
Totals to date	94,500,000		
Total Committed to date	- 69,985,119		
Available Funds	24,514,881		
Projections for remainder of FY-83	- 14,514,881		
Projected carry forward to FY-84	\$ 10,000,000		

HOUSING ASSISTANCE LOAN FUND

VI. PORTFOLIO SUMMARY

	<u>No. Loans</u>	<u>Total Amount</u>	<u>Average Loan</u>
Total Committed	889	\$ 69,985,119	\$ 78,725
Total Closed	- <u>718</u>	- <u>54,119,617</u>	75,375
Total to be Closed	171	\$ 15,865,500	

FY-83 Activity to Date

	<u>No. Loans</u>	<u>Total Amount</u>
Total Committed to Date	429	\$ 36,583,325
Projections for remainder of FY-83	+ <u>170</u>	+ <u>14,514,881</u>
Projections for FY-83 closeout	599	\$ 52,053,706

REMAINING BALANCES BY PROGRAM

<u>Program</u>	<u>Amount</u>
Nonconforming Program	
Rural	\$ 16,961,799
Urban	3,147,957
Rural Owner-occupied	3,449,625
Rural Non Owner-occupied	+ <u>955,500</u>
Total remaining balances	\$ 24,514,881
Projections for remainder of FY-83	- <u>14,514,881</u>
Projected carryover for FY-83	\$ 10,000,000

FY-82 APPROPRIATION
CARRY FORWARD FUND TO FY-83

	<u>Amount</u>
FY-82 carry forward amount	
(Non conforming rural allocation)	\$ 19,000,000
FY-83 allocation	
(Non conforming rural)	+ 6,800,000
Total amount available 7/1/82	<u>25,800,000</u>
FY-83 commitments	- 1,838,202
Subtotal	<u>23,961,798</u>
Transferred to non-conforming urban	- 4,000,000
Subtotal	<u>19,961,798</u>
Transfer to rural owner occupied	- 3,000,000
Balance to date	<u>16,961,798</u>
Proposed transfer to	
rural non-owner occupied	- 1,500,000
Subtotal	<u>15,461,798</u>
Projected activity for	
remainder of FY-83	- 5,461,798
Projected carry forward amount	<u>\$ 10,000,000</u>

AVERAGE LOAN AMOUNTS (Closed Loans)

<u>Total No. Loans</u>	<u>Total Amount</u>	<u>Average Loan</u>
718	\$ 54,119,619	\$ 75,375

RURAL/URBAN DISTRIBUTION (Closed Loans)

<u>Location</u>	<u>Number of Loans</u>	<u>Amount of Loans</u>	<u>Percentage of Portfolio</u>
Rural	499	\$ 40,103,919	74%
Urban	+ 219	+ 14,015,698	<u>26%</u>
Totals	718	\$ 54,119,619	100%

DELINQUENT LOANS

6 Delinquencies	\$7,791.16 (45-60 days)
	\$344.28 (61-90 days)

Delinquency ratio .01%

ATTACHMENT C

HOUSING ASSISTANCE LOAN FUND
GEOGRAPHICAL DISTRIBUTION

<u>1st JUDICIAL DISTRICT</u>	<u>NO. LOANS</u>	<u>AMOUNT</u>
Craig	15	\$1,034,100
Haines	13	724,894
Hoonah	3	163,400
Juneau	27	2,275,544
Ketchikan	17	1,163,700
Klawock	1	94,500
Kupreanof	1	55,000
Pelican	1	52,250
Petersburg	21	1,584,400
Sitka	14	1,033,450
Skagway	8	599,400
Wrangell	11	758,600
Yakutat	<u>1</u>	<u>80,000</u>
 TOTAL	 133	 \$9,619,238

HOUSING ASSISTANCE LOAN FUND
GEOGRAPHICAL DISTRIBUTION

<u>2nd JUDICIAL DISTRICT</u>	<u>NO. LOANS</u>	<u>AMOUNT</u>
Barrow	1	80,750
Kiana	2	196,400
Kotzebue	20	2,012,050
Nome	74	7,328,200
Selawik	1	70,000
Unalakleet	<u>2</u>	<u>392,150</u>
 TOTAL	 100	 \$10,079,550

HOUSING ASSISTANCE LOAN FUND
GEOGRAPHICAL DISTRIBUTION

<u>3rd JUDICIAL DISTRICT</u>	<u>NO. LOANS</u>	<u>AMOUNT</u>
Anchorage	61	4,462,900
Beluga	2	196,500
Big Lake	3	177,250
Chitna	1	43,750
Chugiak	7	519,850
Cooper Landing	4	203,450
Copper Center	1	51,450
Copperville	1	31,500
Cordova	15	1,365,650
Dillingham	21	1,974,150
Eagle River	4	219,200
Gakona	1	48,900
Girdwood	1	67,900
Glennallen	1	58,500
Halibut Cove	1	49,950
Homer	4	240,450
Iliamna	2	220,000
Indian	3	185,000
Kenai	3	163,450
Kenny Lake	1	58,950
King Salmon	6	1,806,150
Kodiak	35	3,434,700
Lake Louise	1	52,250
Manokotak	2	59,650
Naknek	2	205,000
Newhalen	1	57,000
Niskishka	1	75,000
Palmer	8	328,200
Peters Creek	3	285,000
Seward	3	160,550
Slana	1	33,250
Soldotna	1	47,500
Stariski	1	61,750
Sterling	2	132,050
Trappers Creek	1	36,100
Unalaska	7	845,700
Wasilla	11	727,350
Willow	2	58,000
 TOTAL	 225	 \$18,743,950

HOUSING ASSISTANCE LOAN FUND
GEOGRAPHICAL DISTRIBUTION

<u>4th JUDICIAL DISTRICT</u>	<u>NO. LOANS</u>	<u>AMOUNT</u>
Anderson	3	135,300
Aniak	2	142,000
Bethel	47	4,475,100
Central	1	68,000
Chevak	1	28,500
Delta Junction	4	180,600
Eagle	1	30,000
Ester	1	40,300
Fairbanks	167	8,498,406
Fort Yukon	6	187,875
Fox	1	63,650
Galena	4	482,000
Healy	2	153,200
Kasigluk	2	125,000
McGrath	5	386,650
McKinley	1	62,050
Mekoryuk	2	95,000
Nenana	3	234,550
North Pole	4	171,850
Ruby	1	25,000
Tanana	1	40,000
Tok	<u>1</u>	<u>51,750</u>
 TOTAL	 260	 \$15,676,881

GEOGRAPHICAL DISTRIBUTION SUMMARY

<u>JUDICIAL DISTRICT</u>	<u># OF LOANS</u>	<u>AMOUNT OF LOANS</u>
01	133	\$ 9,619,238
02	100	\$10,079,550
03	225	\$18,743,950
04	<u>260</u>	<u>\$15,676,881</u>
GRAND TOTALS	718	\$54,119,619

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

JAY S. HAMMOND, GOVERNOR

POUCH K - STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3600

November 30, 1982

Gerald L. Wilkerson, C.P.A.
Legislative Auditor
Legislative Audit Division
Legislative Affairs Agency
Pouch W
Juneau, Alaska 99811

Honorable Carole J. Burger
Commissioner
Department of Administration
Pouch C
Juneau, Alaska 99811

Re: The dedicated funds
prohibition applied to various
funds and accounts. Our Files
Nos. J66-785-81 and J66-649-80

Dear Mr. Wilkerson and Commissioner Burger:

You have both asked for a broad review of the application of the constitutional dedicated funds prohibition to various state funds and accounts. Alaska Const. art. IX, § 7. Because of the factual complexities presented by the various funds, accounts, and appropriations and because of the paucity of judicial precedent, we are not able to advise you with absolute certainty regarding the constitutionality of state practices. However, some of the issues raised by your request may be resolved in litigation which is now pending concerning the administration of

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J66-785-81 and J66-649-80

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certain appropriations and funds by the Alaska Power Authority. 1/

In response to your request, we have identified and analyzed several categories of funds, accounts, and transactions which raise dedication questions. Our approach in dealing with these questions will be to first discuss the purpose and meaning of the dedication prohibition. We will then focus on the implications of a recent Alaska Supreme Court case that deals specifically with the dedicated funds prohibition. Next we will consider the probable legal status of several general categories of funds, accounts, and appropriations which raise dedication questions. Lastly, we will consider the dedication prohibition in reference to specific funds and appropriations.

We should point out that the advice given in this opinion could have a significant effect upon the state budget. This results from the recent adoption of Article IX, section 16 of the Alaska Constitution (the spending limit). Under the reasoning of this opinion, it may be that income earned by a loan fund or public enterprise must be appropriated to that fund or

1/ The legal issues in this litigation are the validity of the deposit of interest and principal payments on loans in a revolving loan fund and of the appropriation to the Power Development Fund of interest to be received on specific amounts appropriated to that fund (§ 1 ch. 90, SLA 1981 as reenacted by § 69 ch. 69 SLA, 1981 and amended by § 236 ch. 141, SLA 1982.). Trustees for Alaska, et al. v. State of Alaska and Alaska Power Authority, No. 3AN-492-82 Civ. (Alaska Super., Jan. 21, 1982)

enterprise if that income is to be retained by it. If the Alaska Supreme Court adopts that reasoning, the necessity for these appropriations would have to be considered by the administration and the legislature in developing a state budget which conformed to the spending limit. This concern would also become important if independent authorities for operation of entities like the State Ferry System or the Alaska Railroad were to be considered.

I. THE PURPOSE OF THE PROHIBITION

Article IX, Section 7 provides:

DEDICATED FUNDS. The proceeds of any state tax or license shall not be dedicated to any special purpose, except as provided in section 15 of this article [establishing the Permanent Fund] or when required by the federal government for state participation in federal programs. This provision shall not prohibit the continuance of any dedication for special purposes existing upon the date of ratification of this section by the people of Alaska.

There are essentially two views of the meaning of this provision. Under the first interpretation the dedicated funds prohibition would require that every dollar received by the state be deposited and remain unrestricted in the general fund until it is withdrawn pursuant to an appropriation authorizing the expenditure of a specific dollar amount for a specific pur-

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pose (absent a contrary federal requirement or a statutory dedication which existed prior to ratification of the Constitution). This is known as the strict interpretation view.

Under the strict view, the phrase "proceeds of any state tax or license" would encompass every dollar paid to the state (or to a public corporation or authority established by the state) for whatever purpose. State loan repayments (both principal and interest), enterprise receipts (e.g., airport lease revenues, parking garage receipts, etc.), program receipts (e.g., Ferry System ticket sales, University of Alaska tuition receipts, etc.), as well as all other revenues (e.g., taxes, natural resource revenues such as royalties, etc.), would be required to be deposited in the state treasury and retained there until the expenditure is authorized by appropriation of a specific dollar amount.

An argument can certainly be made that this is the proper interpretation of the dedicated funds prohibition. As set out in 1975 Op. Atty. Gen. No. 9 at 2 (Alaska May 2, 1974), "Section 7 of Article IX had two interrelated purposes: (1) to prevent any future dedication of revenues for special purposes [i.e., 'earmarking'] and (2) to prevent the creation of new special funds separate from the general fund." The rationale underlying each of these two purposes is "that the widespread existence of dedicated revenues lodged in special funds deprives

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both the governor and the legislature of 'any real control over the finances of the state.'" Id. at 3 (citation omitted). Requiring all monies received by the state to be deposited into the general fund clearly would satisfy both interrelated purposes of the prohibition. The strict interpretation view of the dedication prohibition would preclude the use of public monies to establish a standing or revolving loan fund or any other program which would be self-sustaining. 2/

However, a second approach in interpreting the meaning of Article IX, section 7 is also very plausible. Under this view, the dedication prohibition is not to be construed to require a blanket prohibition of self-sustaining programs set up by the legislature. As noted in 1975 Op. Atty. Gen. No. 9 at 6-8 (Alaska, May 2, 1975), the constitutional framers substituted the phrase "[t]he proceeds of any state tax or license" for the phrase "[a]ll public revenues" to avoid having to state a number of intended exceptions to the prohibition on dedicated funds. Examples of these exceptions were pointed out in a January 4, 1956, 3/ memorandum by the Public Administration Service (PAS) to

2/ Of course, even under the strict view, there would be some kinds of monies received by the state which it could not, for independent legal reasons, deposit into the general fund. These monies would include trust funds, restricted gifts, and funds subject to restrictions by contract.

3/ The actual date shown on the memorandum is "January 4, 1955". However, considering the timing of the constitutional convention, this was certainly a typographical error.

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the Constitutional Convention: "pension contributions, proceeds from bond issues, sinking fund receipts, revolving fund receipts, contributions from local government units for state-local cooperative programs, and tax receipts which the state might collect on behalf of local government units." 4/

Some of those examples were specifically mentioned by the court in State v. Alex, 646 P.2d 203 (Alaska 1982), which held that the phrase "proceeds of any state tax or license" was to be broadly construed to include all sources of public revenues. The court noted that the drafters intended to permit the establishment of certain special funds, (e.g., sinking funds for the repayment of bonds), but to prohibit the earmarking of any special tax to such a fund. Alex, supra at 210. The court did not elaborate on the application of the dedicated funds prohibition in these situations.

4/ The Public Administration Service prepared a publication entitled "Alaska Statehood Commission, Constitutional Studies (1955)" at the request of the Alaska Territorial Legislature for use at the constitutional convention. Ch 108 SLA 1949. This publication collected research papers on other state constitutions. Copies were mailed to all delegates, and it was often referred to in the convention proceedings. Alaska Statehood Committee, "Handbook for Delegates to the Alaska Constitutional Convention" 4 (1955). Referred to in State v. Alex, 646 P.2d 203, 209 n. 5 (Alaska 1982). The memorandum of January 4, 1956 contained comments by the PAS on the proposed draft of the Finance and Taxation article. Constitutional Convention Finance Committee minutes, Jan. 13, 1956.

II. MEANING OF THE PHRASE "PROCEEDS OF ANY STATE TAX OR LICENSE"

There has been continuing controversy over the proper construction of the phrase "proceeds of any state tax or license." In a number of earlier opinions, this office concluded that the dedicated fund prohibition did not reach all public revenues but, under its plain language, only the actual "proceeds of any state tax or license." See 1969 Op. Atty. Gen. Nos. 3 (Alaska, April 4, 1969) and 5 (Alaska, April 15, 1969); and 1959 Op. Atty. Gen. No. 7 (Alaska, March 11, 1959). This conclusion also was reached by the Division of Legal Services in the Legislative Affairs Agency. See September 1, 1977 memorandum from Bill G. Berrier, Director, to Subcommittee on Alaska Renewable Resources Development Fund of Alaska Permanent Fund (House).

Those opinions all concluded that the prohibition did not reach revenues derived from the disposal of state-owned natural resources. Given this conclusion, it followed that the legislature was free to dedicate all or a certain portion of such revenues to specific purposes. An example of this is found in AS 37.11.020, which requires that not less than five percent of state mineral lease receipts be deposited in the Alaska Renewable Resources Development Fund. (This statutory dedication was the subject of Mr. Berrier's September 1, 1977, memorandum).