

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILE 8672
1159 SCOMM 24: HOUSE SPEC. COMMITTEE ON STATE LOANS 1983-84

APPENDIX A

The Contractor agrees to perform the following services for existing and potential minority business enterprises in Alaska's rural areas:

1. The Contractor will provide financial and other related counseling services, including, but not limited to, those subjects specified below. The Contractor will identify those entrepreneurs most in need of assistance. Service will be provided statewide.

Scope of Work. Business assistance services are to be provided in the following areas:

1. loan and working capital arrangements;
2. accounting procedures;
3. administrative coordination;
4. developing of self-motivation;
5. bonding assistance;
6. job costing and auditing procedures;
7. bidding;
8. comprehensive information on business resources and plans;
9. liaison with other State and private agencies; and
10. follow-up, advertising and historical records.

2. The Contractor will maintain accurate and appropriate client and financial records and will keep them and report them separate from any other contracts in which the Contractor is involved. These records are to be available to the State for inspection at all times. A performance and financial audit will be conducted at the Contractor's expense at the end of this contract. Records will be kept by the Contractor for a period of no less than six (6) weeks upon completion of this contract, and the Contractor will make them available to the auditor chosen. Records may not be removed from the State of Alaska before completion of the audit.
3. Budget and activity reports shall be submitted to the State on a quarterly basis. These reports shall include, but not be limited to, the following kinds of information: number and location of clients served, hours spent in actual client service, number of project bids submitted, number of bids awarded and dollar value of the bids, number of financial packages submitted, number of financial packages approved and dollar value of the financial packages.

WORKING DRAFT

NOT FOR
PUBLIC USE
OR DISSEMINATION

As an additional performance measure, the State requires that the Contractor design a client questionnaire for use quarterly for each client's assistance program. The questionnaire shall contain the following information (as well as any other considered necessary or desirable by the Contractor) and be completed and signed by the client: type of assistance required; was service satisfactory; number of hours spent with the Contractor's representative; will client need additional assistance in this area; will client need assistance in other areas, and, if so, what areas; any suggestions client might have for the program. The questionnaire is subject to approval by the State before use by the Contractor. Any changes or additions must be approved by the State. The Contractor shall collect all questionnaires and submit them to the State with each quarterly report.

WORKING DRAFT

NOT FOR
PUBLIC USE
OR DISSEMINATION

STATE OF ALASKA

Interdepartmental Route Slip

TO: Mail Station 3100		Department ALASKA STATE LEGISLATURE	
Attention Rep. Rick Venling			
☐ Approval ☐ Signature ☐ Comment ☐ Contact Me ☐ Prepare Reply ☐ For Your File		☐ Note & Return ☐ Initial & Return ☐ Return as Requested ☐ Return for Approval ☐ Necessary Action ☒ For Your Information	
Remarks:			
FROM: Mail Station 0800		Department Commerce	
By Paul B. Arnold		Date 3/27/84	

02-002 (Rev. 2/80)

SECTIONAL ANALYSIS -- CSHB 574 (LOANS)
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

Section 1.

This section would replace the current fixed interest rate of 10.5 percent for loans under the Commercial Fishing Loan Act, AS 16.10.300-16.10.370, with an interest rate that is established at the time the loan is made. The new interest rate would be based on a six-month average for U.S. Treasury bills of comparable duration and adjusted for risk, administration cost and the subsidy provided by the State. Interest rates would not change during the term of the loan. Existing loans would not be affected.

The proposed language represents an effort to introduce two important concepts to the administration of State loan programs. First, interest on State loans would vary with overall lending market rates. The degree of subsidy offered by the State through the affected loan programs, in this case, the commercial fishing loan program, would not depend on the interest rates prevailing in the marketplace at a given time. Rather, the subsidy, in the form of reduced interest rates, would remain constant to the borrower at 300 basis points or three percentage points. Second, the proposed change reflects an effort to quantify the risk to the State in making loans under the various programs, the cost of administration and the total State subsidy. Should any of these measures change over time, or if the Legislature should want to change the degree of subsidy, this can easily be accomplished. The department intends to use monthly averages of interest rates for U.S. Treasury securities of from one to thirty years' duration, updated weekly in a publication of the Federal Reserve System, "Selected Interest Rates." Interest rates for loan terms not reflected in this data would be interpolated from the nearest two figures available. An example of this monthly calculation and its effect on a typical commercial fishing loan is attached.

Section 2.

For fishermen who apply jointly under the commercial fishing loan program for a gear or vessel loan, this section would conform the language to the changes made in Section 1 (Market-Tied Interest Rates). It is identical in scope and effect to that section.

Section 3.

The second major change proposed by the bill is shown in this section. The new language provides that repayments of principal under the Commercial Fishing Loans Act will be made to the fund established for that purpose but interest, service charges, late fees, assumption fees and administrative fees will be paid over to the Department of Revenue for deposit in the General Fund. The Legislature may then appropriate

from the General Fund an amount to the Department of Commerce and Economic Development to fund operating expenses of the loan programs. The procedure avoids problems from the constitutional prohibition against dedicated funds. See the opinion of the Attorney General dated November 30, 1982.

Section 4.

The section is identical to Section 1 (Market-Tied Interest Rates) but the changes are made to the Fisheries Enhancement Loan Program, AS 16.10.500-16.10.620. The present interest rate for loans under this program is 9.5 percent.

Section 5.

The section is identical to Section 3 (General Fund Deposits) but the changes are made to the Fisheries Enhancement Loan Program, AS 16.10.500-16.10.620.

Sections 6, 7 & 9.

The changes proposed in these sections are identical to those proposed in Section 1 (Market-Tied Interest Rates) but are made to the Veterans' Loan programs, AS 26.15.010-26.15.170. The present interest rate is 9.5 percent.

Sections 8 & 10.

These sections are identical in effect to Section 3 (General Fund Deposits) but the changes are made to the Veterans' Loans programs, AS 26.15.010-26.15.070.

Section 11.

The section is identical to Section 3 (General Fund Deposits) but the changes are made to the Mining Loan program, AS 27.09.010-27.09.060.

Section 12.

The section is identical to Section 1 (Market-Tied Interest Rates) but the changes are made to the Mining Loan program, AS 27.09.010-27.09.060. The present interest rate is 10 percent.

Section 13.

The section clarifies that the Child Care Facility Revolving Loan Fund, AS 44.33.240-44.33.275, consists of legislative appropriations and repaid principal amounts and that these funds do not lapse at the end of a fiscal year.

Section 14.

The section is identical to Sections 1 (Market-Tied Interest Rates) and 3 (General Fund Deposits) but the changes are made to the Child Care Facility Revolving Loan Fund, AS 44.33.240-44.33.275. The present interest rate is 7 percent.

Section 15.

The section is generally the same in effect as Section 1 (Market-Tied Interest Rates) but the changes are made to the Bulk Fuel Revolving Loan program, AS 45.87.010-45.87.500. The present interest rates under this program are tied to an average of municipal bond yields. The change, therefore, is largely for the purposes of uniformity. Municipal bond yields are presently 10.03 percent. The commissioner retains the authority to reduce or eliminate interest charges for communities facing hardship.

The section also includes the changes with regard to principal and other repayments found in Section 3 (General Fund Deposits).

Section 16.

The section is identical to Section 3 (General Fund Deposits) but the changes are made to the Alternative Technology and Energy program, AS 45.88.010-45.88.500.

Section 17.

The section is identical to Section 1 (Market-Tied Interest Rates) but the changes are made to the Alternative Technology and Energy program, AS 45.88.010-45.88.500.

Section 18.

The section is generally the same in effect as Section 1 (Market-Tied Interest Rates) but the changes are made to the Residential Energy Conservation Loan program, AS 45.89.010-45.89.500. As in the case of the Bulk Fuel Revolving Loan program, the interest rates under this program are tied to an average of municipal bond yields presently that rate is 10.03 percent. Again, the change is largely for the purposes of uniformity.

Section 19.

The section is identical to Section 3 (General Fund Deposits) but the changes are made to the Residential Energy Conservation Fund program, AS 45.89.010-45.89.500.

Section 20.

This section would reestablish a loan program for small businesses. New loans under the original program ceased with the passage of Section 71, Chapter 106, SLA 1980.

The new program would permit loans "to acquire, operate, equip or finance a business." Existing loan programs already cover farming, fishing and mining; therefore, loans under this new loan program would not be permitted for those purposes. Authority is delegated to the department to adopt regulations establishing procedures for making loans. If approved, loans would be for a minimum of \$5,000 and a maximum of \$50,000. As is provided for in the other sections of this bill, interest would be tied to the U.S. Treasury rate adjusted for administrative fees, risk and a state subsidy. Repayments could extend for up to ten years. Loan payments could be deferred for up to two years. One year of Alaskan residence would be required to be eligible for a loan.

Assumption of loans made under the program would be permitted under certain circumstances. The commissioner would be given the authority to sell or transfer mortgages and notes to the Department of Revenue or private financial institutions. The department would be given the express authority to dispose of property acquired through default or foreclosure and finance that disposal.

Section 21.

The section includes provisions identical to those contained in Section 3 (General Fund Deposits) but the changes are made to the Historical District Loan Fund, AS 45.98.010-45.98.070. Language clarifying that the fund consists of legislative appropriations and repayments of principal is included.

Section 22.

The section is identical to Section 1 (Market-Tied Interest Rates) but the changes are made to the Historical District Loan Fund, AS 45.98.010-45.98.070. The present interest rate is 7.5 percent.

Section 23.

This section would replace the present fixed interest rate assessed as a penalty for inconsistent use of historical district loan funds with the proposed new flexible interest rate and provide that the penalty would consist of removal of the State subsidy for such loans. The present interest rate is fixed as 10.5 percent by AS 45.45.010.

Section 24.

The section is identical to Section 3 (General Fund Deposits) but the changes are made to the Fisherman's Mortgage and Note program, formerly AS 16.10.650-16.10.720. This program was repealed in 1982 so no new loans are being made. Repayments under existing loans continue.

Section 25.

This section would transfer funds from the small business revolving loan fund, AS 45.95.060, to the new small business development revolving loan fund established in section 20. Accumulated deposits to the small business revolving loan fund are expected to be approximately \$3,700,000 in FY '85. Repayments of loans under the former program would be made to the new fund as well as repayments from new loans granted under the program established in section 20 of this bill.

Section 26

This section would clarify that if this measure, containing the proposed sections 20 and 25, becomes law, the provisions of this bill relating to the small business revolving loan fund. AS 45.95.060 will govern over any contrary provisions contained in HB 536, should that measure be approved by the Legislature.

Section 27.

The effective date for this legislation is proposed for July 1, 1984, the beginning of the new fiscal year.

MJ/shB/23
32284a

ATTACHMENT TO SECTIONAL ANALYSIS OF CSHB 574 (LOANS)

(MARKET-TIED INTEREST RATES)

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

	Average Loan Term	Present Interest Rate	SSHB 574 Rate
Commercial Fishing	10 yrs.	10.5%	10.70
Fisheries Enhancement	30 yrs.	9.5%	10.76
Child Care	20 yrs.	7.0%	10.89
Alternative Technology	10 yrs.	9.5%	10.70
Alternative Energy	10 yrs.	5.0% (first \$15,000) 15.0% (amount over \$15,000)	10.70
Residential Energy Cons.	5 yrs.	10.01% (presently)	10.43
Bulk Fuel	1 yr.	10.01%*(presently)	8.99
Mining	10 yrs.	10.0%	10.70
Historical District	30 yrs.	7.5%	10.76
Veterans' Loans	Varies	9.5%	10.70 (10-yr.) 10.89 (20-yr.) 10.76 (30-yr.)

* when charged

ATTACHMENT TO SECTIONAL ANALYSIS OF CSHB 574 (LOANS)

(MARKET-TIED INTEREST RATES)

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

	U.S. Treasury Bills Rate				
	1 yr.	5 yrs.	10 yrs.	20 yrs.	30 yrs.
June 1983	9.66	10.63	10.85	11.12	10.93
July	10.20	11.21	11.38	11.59	11.40
August	10.53	11.63	11.85	11.96	11.82
September	10.16	11.43	11.65	11.82	11.63
October	9.81	11.28	11.54	11.77	11.58
November	9.94	11.41	11.69	11.92	11.75
December 1983	10.11	11.54	11.83	12.02	11.88
January 1984	9.90	11.37	11.67	11.82	11.75
February 1984	10.04	11.54	11.84	12.00	11.95
Average - Last 6 Mos.	9.99	11.43	11.70	11.89	11.76
Plus Risk	1.25	1.25	1.25	1.25	1.25
Plus Admin.	.75	.75	.75	.75	.75
Minus Subsidy	3.00	3.00	3.00	3.00	3.00
Rate to Be Used for March 1984	8.99	10.43	10.70	10.89	10.76

Alaska State Legislature

POUCH V
JUNEAU, ALASKA 99811
(907) 465-4821



REPRESENTATIVE RICK UEHLING
CHAIRMAN
REPRESENTATIVE WALT FURNACE
REPRESENTATIVE NILO KOPONEN
REPRESENTATIVE JERRY WARD
REPRESENTATIVE RON WENDTE

House Special Committee on State Loans

MEMORANDUM

To: Members, House Special Committee on State Loans
From: Rep. Rick Uehling, Chairman
Date: March 27, 1984
Subject: CS for HB 574

This DRAFT Committee Substitute for HB 574, relating primarily to interest rates also incorporates a new section pertaining to the reestablishment of a loan program for small businesses.

Please refer to the new sectional analysis (which is marked in red on the first page) for specific information on the bill. Section 20 is the part which refers to the SMALL BUSINESS DEVELOPMENT LOANS.

Additionally, there are four new fiscal notes which go along with CSHB 574. One is for Accounting & Collections, one for Data Processing, one for Investments, and one for the Office of Enterprise.

Alaska State Legislature

POUCH V
JUNEAU, ALASKA 99811
(907) 465-4821



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House Special Committee on State Loans

SPECIAL COMMITTEE ON STATE LOANS
Wednesday February 8, 1984
5 o'clock p.m.

Agenda

Call to Order

HB 536, "An Act relating to continuing appropriations for bond debt service; making special appropriations from certain defunct revolving loan funds; ED."

HB 574, "An Act relating to state loan programs; and providing for an effective date."

Presentation by Commissioner Dick Lyons
Department of Commerce & Economic Development

Adjournment

COMMITTEE REPORT
HOUSE

(5)

FURTHER: **FINANCE**

2/2/34

Date: April 9, 1934

The Committee on HOUSE SPECIAL COMMITTEE
ON STATE LOANS has had HB 574

"An Act relating to state loan programs; and providing for an effective date."

under consideration and recommends:

- ☐ do pass ☐ do not pass
- ☐ do pass with attached amendments(s)
- ☒ replace with CS for HB 574 (LOANS) ☒ same title
☐ new title
- and recommends _____
- ☐ AND attaches a "Letter of Intent" ☒ New Fiscal Note
- ☐ reports it back without recommendation ☐ Zero Fiscal Note Attached
- ☐ referred to the _____ Committee

MEMBERS SIGNING
DO PASS

Paul Kelly
Ray W. Clark
Sam Vestinger

MEMBERS HAVING
OTHER RECOMMENDATIONS:

W. H. Farnace NO REC
~~Sam Vestinger~~
Ray W. Clark NO REC

Paul Kelly
CHAIRMAN

HB 574 -

Dick Lyon.

To sever the connection between the law a specific number for the interest rate.
Allowing the states leading capacity to float ^{interest rate}

Terry Elder.

base rate plus.

- an adjustment for admin. fees.

the borrower supporting this -

means the States subsidy. 300 basis points

"A good deal for the borrower."

< Treasury rate - 1. formula. >

↓
The base rate (standard) for the credit market.

Deposit all earnings into the loan fund -
not principal just interest.

Avoids the dedicated fund issue while
permitting a "wash" or appropriations
eventually.

Original sponsor: Rules/Governor

See page 14

IN THE HOUSE

BY THE HOUSE SPECIAL
COMMITTEE ON STATE LOANS

CS FOR HOUSE BILL NO. 574(Loans)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to state loan programs; and providing for an effective date."

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

* Section 1. AS 16.10.320(a) is amended to read:

Sec. 16.10.320. LIMITATIONS ON LOANS. (a) A loan under AS 16.-
10.310 -- 16.10.370

(1) may not exceed a term of 15 years;

(2) bears a fixed, market-tied interest rate that is based on the United States Treasury rate plus an administrative fee and a subsidy, and is adjusted for risk; the interest rate is established as follows:

(A) the United States Treasury rate is calculated for the term of the loan, interpolated as necessary, based on a six-month moving average for six consecutive months within the seven-month period immediately preceding the approval of the loan;

(B) 125 basis points are added to the calculated United States Treasury rate to account for risk;

(C) 75 basis points are added to the calculated United States Treasury rate to account for administrative costs of loan programs; and

(D) 300 basis points are subtracted from the calculated United States Treasury rate as adjusted in (B) and (C) of this paragraph to account for the state's subsidized share of the loan

1 [MAY NOT BEAR AN INTEREST RATE EXCEEDING 10-1/2 PERCENT];

2 (3) shall be secured by a first priority lien and appropri-
3 ate security agreements; and

4 (4) may not exceed 90 percent of the appraised value of the
5 collateral used to secure the loan, except that a loan granted under
6 AS 16.10.333 for the purchase of an Alaska limited entry permit may
7 not exceed an amount determined in accordance with (f) or (h) of this
8 section.

9 * Sec. 2. AS 16.10.320(e)(4) is amended to read:

10 (4) bear a fixed, market-tied interest rate that is based
11 on the United States Treasury rate plus an administrative fee and a
12 subsidy, and is adjusted for risk; the interest rate is established as
13 follows:

14 (A) the United States Treasury rate is calculated for
15 the term of the loan, interpolated as necessary, based on a six-
16 month moving average for six consecutive months within the seven-
17 month period immediately preceding the approval of the loan;

18 (B) 125 basis points are added to the calculated
19 United States Treasury rate to account for risk;

20 (C) 75 basis points are added to the calculated United
21 States Treasury rate to account for administrative costs of loan
22 programs; and

23 (D) 300 basis points are subtracted from the calculat-
24 ed United States Treasury rate as adjusted in (B) and (C) of this
25 paragraph to account for the state's subsidized share of the loan
26 [MAY NOT BEAR INTEREST EXCEEDING 10-1/2 PERCENT]; and

27 * Sec. 3. AS 16.10.340 is amended to read:

28 Sec. 16.10.340. CREATION OF FUND. (a) There is a commercial
29 fishing revolving loan fund to carry out the purpose of AS 16.-

10.300 -- 16.10.370. Repayment of principal on loans made from the fund must be deposited into the loan fund.

(b) The department shall pay to the Department of Revenue for deposit in the general fund (1) interest paid on loans made from the loan fund; and (2) other income from the loans, including (A) service charges to investors, (B) late fees, (C) assumption fees, and (D) the administrative fee portion of the calculated interest rate. The legislature may appropriate to the department, for the operating expenses of the loan program, an amount equal to the amounts paid into the general fund under this subsection.

* Sec. 4. AS 16.10.510(6) is amended to read:

(6) establish as the rate of interest for a loan a fixed, market-tied interest rate that is based on the United States Treasury rate plus an administrative fee and a subsidy, and is adjusted for risk; the interest rate is established as follows:

(A) the United States Treasury rate is calculated for the term of the loan, interpolated as necessary, based on a six-month moving average for six consecutive months within the seven-month period immediately preceding the approval of the loan;

(B) 125 basis points are added to the calculated United States Treasury rate to account for risk;

(C) 75 basis points are added to the calculated United States Treasury rate to account for administrative costs of loan programs; and

(D) 300 basis points are subtracted from the calculated United States Treasury rate as adjusted in (B) and (C) of this paragraph to account for the state's subsidized share of the loan [LOANS NOT TO EXCEED NINE AND ONE-HALF PER CENT A YEAR];

* Sec. 5. AS 16.10.525 is amended to read:

1 Sec. 16.10.525. REPAYMENT OF PRINCIPAL AND INTEREST ON LOANS.

2 (a) The commissioner may not require the repayment of principal on a
3 loan made under AS 16.10.510 for the initial period of the loan.
4 Interest on the principal of a loan made under AS 16.10.510 does not
5 accrue during the initial period of the loan. In this subsection, the
6 "initial period of the loan" means a period of time determined by the
7 commissioner which is not less than six years or more than 10 years
8 from the date the loan is made.

9 (b) Repayment of principal on loans made under AS 16.10.510 must
10 be deposited to the loan fund.

11 (c) The department shall pay to the Department of Revenue for
12 deposit in the general fund (1) interest paid on loans made from the
13 loan fund; and (2) other income from the loans, including (A) service
14 charges to investors, (B) late fees, (C) assumption fees, and (D) the
15 administrative fee portion of the calculated interest rate. The
16 legislature may appropriate to the department, for the operating
17 expenses of the loan program, an amount equal to the amounts paid into
18 the general fund under this subsection.

19 * Sec. 6. AS 26.15.040(a) is amended to read:

20 Sec. 26.15.040. VETERANS' LOANS. (a) The commissioner of
21 commerce and economic development may, under regulations and policies
22 adopted by him, make the following loans:

23 (1) Personal loans may be made for educational, domestic,
24 remote area family housing and other personal purposes, not exceeding
25 \$10,000. The loans shall be secured by acceptable collateral when
26 available but if not available the commissioner may make loans on the
27 basis of good character. [THE RATE OF INTEREST MAY NOT EXCEED NINE
28 AND ONE-HALF PER CENT A YEAR ON THE UNPAID BALANCE.]

29 (2) Repealed by sec. 77, ch. 106, SLA 1980.

1 (3) Business loans not exceeding \$125,000 may be made to
2 acquire, finance or refinance or equip businesses, including mining
3 and fishing but not including farming, if the loan applicant has had
4 three or more years of general business experience. The loans shall
5 be secured by acceptable collateral and may not exceed 75 per cent of
6 the appraised value of the collateral offered as security. [THE RATE
7 OF INTEREST MAY NOT EXCEED NINE AND ONE-HALF PER CENT A YEAR ON THE
8 UNPAID BALANCE.]

9 (4) Multiple dwelling loans not exceeding \$110,000 may be
10 made to purchase, remodel, repair, build, furnish, refinance or equip
11 multiple dwellings. The loans shall be secured by acceptable collat-
12 eral and may not exceed 75 per cent of the appraised value of the
13 collateral offered as security. [THE RATE OF INTEREST MAY NOT EXCEED
14 NINE AND ONE-HALF PER CENT A YEAR ON THE UNPAID BALANCE.]

15 * Sec. 7. AS 26.15.040(b) is amended to read:

16 (b) The commissioner of commerce and economic development may
17 enter into agreements with private banks, other lending institutions
18 and individuals for the purpose of guaranteeing loans made to qual-
19 ified applicants. The guarantees may not exceed 90 percent of the
20 amount loaned and the loans shall be secured in the same manner pro-
21 vided for direct loans under this section. A loan made under this
22 subsection and guaranteed by the commissioner of commerce and economic
23 development and the state shall bear an interest rate in accordance
24 with AS 26.15.050(a) [NOT EXCEEDING NINE AND ONE-HALF PER CENT A YEAR
25 ON THE UNPAID BALANCE].

26 * Sec. 8. AS 26.15.040(d) is amended to read:

27 (d) Money loaned shall be delivered to the borrower in the form
28 of a warrant drawn on the treasury, vouchered in the manner prescribed
29 for state disbursing officers, and charged against the Alaska World

1 War II veterans' revolving fund. Each voucher shall be approved by
2 the commissioner of commerce or any bonded deputy authorized to act as
3 a certifying officer. [UPON REPAYMENT OF LOANS BY INSTALLMENTS, OR
4 OTHERWISE, IN ACCORDANCE WITH THE PRESCRIBED TERMS, OR UPON LIQUIDA-
5 TION BY FORECLOSURE OR OTHER PROCESS, OR UPON RECEIPT OF INTEREST OR
6 OTHER REVENUE, THE MONEY SO RECEIVED SHALL BE TURNED OVER TO THE
7 COMMISSIONER OF REVENUE FOR DEPOSIT IN THE ALASKA WORLD WAR II VETER-
8 ANS' REVOLVING FUND.]

9 * Sec. 9. AS 26.15.050 is amended to read:

10 Sec. 26.15.050. INTEREST RATES. (a) A loan granted under
11 AS 26.15.010 -- 26.15.170 bears a fixed, market-tied interest rate
12 that is based on the United States Treasury rate plus an administra-
13 tive fee and a subsidy, and is adjusted for risk. The interest rate
14 is established as follows:

15 (1) the United States Treasury rate is calculated for the
16 term of the loan, interpolated as necessary, based on a six-month
17 moving average for six consecutive months within the seven-month
18 period immediately preceding the approval of the loan;

19 (2) 125 basis points are added to the calculated United
20 States Treasury rate to account for risk;

21 (3) 75 basis points are added to the calculated United
22 States Treasury rate to account for administrative costs of loan
23 programs; and

24 (4) 300 basis points are subtracted from the calculated
25 United States Treasury rate as adjusted in (2) and (3) of this subsec-
26 tion to account for the state's subsidized share of the loan.

27 (b) The provisions of AS 26.15.040 applying to interest rates
28 apply only to loans made after the effective date of this Act [APRIL
29 1, 1967]. The interest rates on loans made before the effective date

1 of this Act [APRIL 1, 1967] shall be as prescribed at the time the
2 loan was made.

3 * Sec. 10. AS 26.15 is amended by adding a new section to read:

4 Sec. 26.15.101. REPAYMENT OF LOANS. (a) Repayment of principal
5 on loans made from the revolving fund under AS 26.15.040 must be
6 deposited into the fund.

7 (b) The department shall pay to the Department of Revenue for
8 deposit in the general fund (1) interest paid on loans made from the
9 revolving fund; and (2) other income from the loans, including (A)
10 service charges to investors, (B) late fees, (C) assumption fees, and
11 (D) the administrative fee portion of the calculated interest rate.
12 The legislature may appropriate to the department, for the operating
13 expenses of the loan program, an amount equal to the amounts paid into
14 the general fund under this subsection.

15 * Sec. 11. AS 27.09.010 is amended to read:

16 Sec. 27.09.010. MINING LOAN FUND. (a) There is established in
17 the Department of Commerce and Economic Development the mining loan
18 fund. The department may make loans from the fund to underwrite
19 advanced mineral exploration, development, or mining in the state.

20 (b) The mining loan fund is a revolving fund consisting of
21 appropriations made to the fund by the legislature and repayments of
22 principal [AND INTEREST] on loans made from the fund. Money appropri-
23 ated to or repaid into the fund does not lapse under AS 37.25.010.

24 (c) The department shall pay to the Department of Revenue for
25 deposit in the general fund (1) interest paid on loans made from the
26 loan fund; and (2) other income from the loans, including (A) service
27 charges to investors, (B) late fees, (C) assumption fees, and (D) the
28 administrative fee portion of the calculated interest rate. The
29 legislature may appropriate to the department, for the operating

1 expenses of the loan program, an amount equal to the amounts paid into
2 the general fund under this subsection.

3 * Sec. 12. AS 27.09.040(a) is amended to read:

4 Sec. 27.09.040. LOAN TERMS. (a) A loan granted under AS 27.-
5 09.010 -- 27.09.060 [THIS CHAPTER]

6 (1) may not exceed \$5,000,000;

7 (2) may not exceed a term of 15 years;

8 (3) bears a fixed, market-tied interest rate that is based
9 on the United States Treasury rate plus an administrative fee and a
10 subsidy, and is adjusted for risk; the interest rate is established as
11 follows:

12 (A) the United States Treasury rate is calculated for
13 the term of the loan, interpolated as necessary, based on a six-
14 month moving average for six consecutive months within the seven-
15 month period immediately preceding the approval of the loan;

16 (B) 125 basis points are added to the calculated
17 United States Treasury rate to account for risk;

18 (C) 75 basis points are added to the calculated United
19 States Treasury rate to account for administrative costs of loan
20 programs; and

21 (D) 300 basis points are subtracted from the calcu-
22 lated United States Treasury rate as adjusted in (B) and (C) of
23 this paragraph to account for the state's subsidized share of the
24 loan [MAY NOT BEAR INTEREST EXCEEDING 10 PERCENT]; and

25 (4) may not exceed 75 percent of the appraised value of the
26 collateral used to secure the loan.

27 * Sec. 13. AS 44.33.240 is amended by adding a new subsection to read:

28 (b) The loan fund consists of appropriations made to the fund by
29 the legislature and repayments of principal on loans made from the

1 fund. Money appropriated to or repaid into the fund does not lapse
2 under AS 37.25.010.

3 * Sec. 14. AS 44.33.255 is amended to read:

4 Sec. 44.33.255. LOAN TERMS. (a) A loan to a child care facil-
5 ity under AS 44.33.240 -- 44.33.275 may not exceed \$50,000.

6 (b) The loan bears a fixed, market-tied interest rate that is
7 based on the United States Treasury rate plus an administrative fee
8 and a subsidy, and is adjusted for risk. The interest rate is estab-
9 lished as follows:

10 (1) the United States Treasury rate is calculated for the
11 term of the loan, interpolated as necessary, based on a six-month
12 moving average for six consecutive months within the seven-month
13 period immediately preceding the approval of the loan:

14 (2) 125 basis points are added to the calculated United
15 States Treasury rate to account for risk;

16 (3) 75 basis points are added to the calculated United
17 States Treasury rate to account for administrative costs of loan
18 programs; and

19 (4) 300 basis points are subtracted from the calculated
20 United States Treasury rate as adjusted in (2) and (3) of this subsec-
21 tion to account for the state's subsidized share of the loan [RATE OF
22 INTEREST CHARGED SHALL BE SEVEN PER CENT ON THE UNPAID BALANCE OF THE
23 LOAN].

24 (c) The duration for repayment of a loan may not exceed 20
25 years.

26 (d) All principal [AND INTEREST] payments on loans under AS 44.-
27 33.240 -- 44.33.275 shall be paid into the child care facility revolv-
28 ing loan fund. The department shall pay to the Department of Revenue
29 for deposit in the general fund (1) interest paid on loans made from

1 the loan fund; and (2) other income from the loans, including (A)
2 service charges to investors, (B) late fees, (C) assumption fees, and
3 (D) the administrative fee portion of the calculated interest rate.
4 The legislature may appropriate to the department, for the operating
5 expenses of the loan program, an amount equal to the amounts paid into
6 the general fund under this subsection.

7 (e) If a child care facility ceases operation, any loan to the
8 facility from the fund is due on the date the facility ceases opera-
9 tion.

10 * Sec. 15. AS 45.87.020 is amended to read:

11 Sec. 45.87.020. LOAN TERMS FOR BULK FUEL PURCHASES. (a) Loans
12 made from the bulk fuel revolving loan fund to one borrower in any
13 fiscal year

14 (1) may not exceed \$50,000;

15 (2) shall be repaid in one year or less; and

16 (3) may not exceed 90 percent of the wholesale price of the
17 fuel purchased.

18 (b) Interest may be charged on a loan made from the bulk fuel
19 revolving loan fund. When interest is charged, it shall be a fixed,
20 market-tied interest rate that is based on the United States Treasury
21 rate plus an administrative fee and a subsidy, and is adjusted for
22 risk [INTEREST SHALL BE CHARGED ON A LOAN AT A RATE EQUAL TO THE
23 PERCENTAGE OF THE AVERAGE WEEKLY YIELD OF MUNICIPAL BONDS FOR THE 12
24 MONTHS PRECEDING THE DATE OF THE LOAN, AS DETERMINED BY THE COMMIS-
25 SIONER OF COMMERCE AND ECONOMIC DEVELOPMENT FROM MUNICIPAL BOND YIELD
26 RATES REPORTED IN THE 30-YEAR REVENUE INDEX OF THE WEEKLY BOND BUYER].
27 However, if the commissioner finds that a community cannot afford to
28 repay a portion of interest on a loan, and makes a determination in
29 writing, he may reduce or eliminate the interest rate applicable to

1 the loan. The fixed, market-tied interest rate is established as
2 follows:

3 (1) the United States Treasury rate is calculated for the
4 term of the loan, interpolated as necessary, based on a six-month
5 moving average for six consecutive months within the seven-month
6 period immediately preceding the approval of the loan;

7 (2) 125 basis points are added to the calculated United
8 States Treasury rate to account for risk;

9 (3) 75 basis points are added to the calculated United
10 States Treasury rate to account for administrative costs for loan
11 programs; and

12 (4) 300 basis points are subtracted from the calculated
13 United States Treasury rate as adjusted in (2) and (3) of this subsec-
14 tion to account for the state's subsidized share of the loan.

15 (c) Repayments of the principal on a loan from the bulk fuel
16 revolving loan fund shall be paid [BY THE COMMISSIONER OF COMMERCE AND
17 ECONOMIC DEVELOPMENT] into the bulk fuel revolving loan fund.

18 (d) The department shall pay to the Department of Revenue for
19 deposit in the general fund (1) interest paid on loans made from the
20 loan fund; and (2) other income from the loans, including (A) service
21 charges to investors, (B) late fees, (C) assumption fees, and (D) the
22 administrative fee portion of the calculated interest rate. The
23 legislature may appropriate to the department, for the operating
24 expenses of the loan program, an amount equal to the amounts paid into
25 the general fund under this subsection.

26 * Sec. 16. AS 45.88.030(d) is amended to read:

27 (d) All principal [AND INTEREST] payments on loans made under
28 this chapter shall be paid into the alternative technology and energy
29 revolving loan fund. The department shall pay to the Department of

1 Revenue for deposit in the general fund (1) interest on loans made
2 from the fund; and (2) other income from the loans, including (A)
3 service charges to investors, (B) late fees, (C) assumption fees, and
4 (D) the administrative fee portion of the calculated interest rate.
5 The legislature may appropriate to the department, for the operating
6 expenses of the loan program, an amount equal to the amounts paid into
7 the general fund under this subsection.

8 * Sec. 17. AS 45.88.030(e) is amended to read:

9 (e) The rate of interest for a loan under this section is a
10 fixed, market-tied rate that is based on the United States Treasury
11 rate plus an administrative fee and a subsidy, and is adjusted for
12 risk [, OTHER THAN A LOAN FOR AN ALTERNATIVE ENERGY SYSTEM, MAY NOT
13 EXCEED NINE AND ONE-HALF PERCENT A YEAR ON THE UNPAID BALANCE OF THE
14 LOAN. THE RATE OF INTEREST FOR A LOAN FOR AN ALTERNATIVE ENERGY
15 SYSTEM IS FIVE PERCENT FOR THE FIRST \$15,000 OF THE LOAN AND 15 PER-
16 CENT FOR THE AMOUNT OF THE LOAN THAT EXCEEDS \$15,000]. The interest
17 rate is established as follows:

18 (1) the United States Treasury rate is calculated for the
19 term of the loan, interpolated as necessary, based on a six-month
20 moving average for six consecutive months within the seven-month
21 period immediately preceding the approval of the loan;

22 (2) 125 basis points are added to the calculated United
23 States Treasury rate to account for risk,

24 (3) 75 basis points are added to the calculated United
25 States Treasury rate to account for administrative costs of loan
26 programs; and

27 (4) 300 basis points are subtracted from the calculated
28 United States Treasury rate as adjusted in (2) and (3) of this subsec-
29 tion to account for the state's subsidized share of the loan.

1 * Sec. 18. AS 45.89.030(e) is amended to read:

2 (e) Interest shall be charged on a loan made under this chapter.
3 The rate of interest is a fixed, market-tied rate that is based on the
4 United States Treasury rate plus an administrative fee and a subsidy,
5 and is adjusted for risk [IF A LOAN IS MADE BEFORE JANUARY 1, 1984,
6 INTEREST SHALL BE FIVE PERCENT. IF THE LOAN IS MADE AFTER DECEM-
7 BER 31, 1983, INTEREST SHALL EQUAL THE PERCENTAGE OF THE AVERAGE
8 WEEKLY YIELD OF MUNICIPAL BONDS FOR THE 12 MONTHS PRECEDING THE LOAN,
9 AS DETERMINED BY THE COMMISSIONER FROM THE MUNICIPAL BOND YIELD RATES
10 REPORTED IN THE 30-YEAR REVENUE INDEX OF THE WEEKLY BOND BUYER]. The
11 interest rate is established as follows:

12 (1) the United States Treasury rate is calculated for the
13 term of the loan, interpolated as necessary, based on a six-month
14 moving average for six consecutive months within the seven-month
15 period immediately preceding the approval of the loan;

16 (2) 125 basis points are added to the calculated United
17 States Treasury rate to account for risk;

18 (3) 75 basis points are added to the calculated United
19 States Treasury rate to account for administrative costs of loan
20 programs; and

21 (4) 300 basis points are subtracted from the calculated
22 United States Treasury rate as adjusted in (2) and (3) of this subsec-
23 tion to account for the state's subsidized share of the loan.

24 * Sec. 19. AS 45.89.030(h) is amended to read:

25 (h) All principal payments [AMOUNTS REPAID] on loans [A LOAN]
26 made under this chapter [SECTION] shall be deposited to the residen-
27 tial energy conservation fund. The department shall pay to the De-
28 partment of Revenue for deposit in the general fund (1) interest paid
29 on loans made from the energy conservation fund; and (2) other income

1 from the loans, including (A) service charges to investors, (B) late
2 fees, (C) assumption fees, and (D) the administrative fee portion of
3 the calculated interest rate. The legislature may appropriate to the
4 department, for the operating expenses of the loan program, an amount
5 equal to the amounts paid into the general fund under this subsection.

6 * Section 20. AS 45 is amended by adding a new chapter to read:

7 CHAPTER 96. SMALL BUSINESS DEVELOPMENT LOANS.

8 Sec. 45.96.010. SMALL BUSINESS DEVELOPMENT REVOLVING LOAN FUND
9 ESTABLISHED. (a) There is established in the Department of Commerce
10 and Economic Development the small business development revolving loan
11 fund to carry out the purposes of this chapter.

12 (b) The small business development revolving loan fund consists
13 of appropriations made to the fund by the legislature and repayments
14 of principal on loans made from the fund. Money appropriated to the
15 fund does not lapse under AS 37.25.010.

16 (c) The department shall pay to the Department of Revenue for
17 deposit in the general fund (1) interest paid on loans made from the
18 loan fund; and (2) other income from the loans, including (A) service
19 charges to investors, (B) late fees, (C) assumption fees, and (D) the
20 administrative fee portion of the calculated interest rate. The
21 legislature may appropriate to the department, for the operating
22 expenses of the loan program, an amount equal to the amounts paid into
23 the general fund under this subsection.

24 Sec. 45.96.120. POWERS AND DUTIES OF THE DEPARTMENT. (a) The
25 department shall adopt regulations setting out procedures for making
26 small business development loans. No loan may be made from the fund
27 until regulations have been adopted.

28 (b) The department may make a loan from the fund to an applicant
29 who has been a state resident for a continuous period of one year

1 immediately preceding the date of application. A loan may be made
2 from the fund to acquire, operate, equip, or finance a business.
3 However, a loan may not be made for farming, fishing, or mining.

4 (c) The department may allow assumption of a loan if

5 (1) the applicant has been a state resident for a continu-
6 ous period of one year immediately preceding the date of the request
7 for an assumption;

8 (2) the original loan was executed at least 30 months
9 before the date of the proposed assumption; and

10 (3) the state's ability to recover its investment will be
11 significantly enhanced.

12 Sec. 45.96.130. LOAN TERMS. (a) A small business development
13 loan under this chapter may be for a minimum of \$5,000 and a maximum
14 of \$50,000. A loan may not be made unless the department is satisfied
15 that no money is available on a timely basis to the applicant from
16 private financial institutions.

17 (b) An individual who receives more than one small business
18 development loan is limited to a maximum of \$50,000 in outstanding
19 loans under this chapter.

20 (c) The duration for repayment of a loan shall be established by
21 the department but may not exceed 10 years.

22 (d) The department may defer loan payments for a maximum of two
23 years.

24 (e) A loan may be secured by acceptable collateral. For the
25 purposes of this chapter, acceptable collateral includes the assign-
26 ment of proceeds of a contract bid award.

27 (f) A loan made under this chapter bears a fixed, market-tied
28 interest rate that is based on the United States Treasury rate plus an
29 administrative fee and a subsidy, and is adjusted for risk. The

1 interest rate is established as follows:

2 (A) the United States Treasury rate is calculated for
3 the term of the loan, interpolated as necessary, based on a
4 six-month moving average for six consecutive months within the
5 seven-month period immediately preceding the approval of the
6 loan;

7 (B) 125 basis points are added to the calculated
8 United States Treasury rate to account for risk;

9 (C) 75 basis points are added to the calculated United
10 States Treasury rate to account for administrative costs of loan
11 programs; and

12 (D) 300 basis points are subtracted from the calculat-
13 ed United States Treasury rate as adjusted in (B) and (C) of this
14 paragraph to account for the state's subsidized share of the
15 loan.

16 Sec. 45.96.140. POWER OF COMMISSIONER TO SELL OR TRANSFER MORT-
17 GAGES AND NOTES. The commissioner may sell or transfer at par value
18 or at a premium or discount small business development loans to the
19 Department of Revenue, or to a private financial institution or other
20 private purchaser in consideration of receiving its cash, bonds,
21 debentures and notes upon conditions which the commissioner considers
22 advantageous to the small business development loan program.

23 Sec. 45.96.150. DISPOSAL OF PROPERTY. (a) The department may
24 dispose of property acquired through default or foreclosure. Disposal
25 may be made by

26 (1) sale, either competitive or negotiated; or

27 (2) destruction.

28 (b) Property that is disposed of by sale must be offered for
29 sale to the general public. Notice must be given by one or more of

1 the following methods:

- 2 (1) publication in a newspaper;
3 (2) radio spot announcements; or
4 (3) notice by mail to all known interested persons.

5 (c) The department may provide financing from the small business
6 development revolving loan fund for the purchase of property to be
7 disposed of under this section if the state's ability to recover its
8 investment will be significantly enhanced.

9 * Sec. 21. AS 45.98.010 is amended by adding new subsections to read:

10 (b) The historical district revolving loan fund consists of
11 appropriations made to the fund by the legislature and repayments of
12 principal on loans made from the fund. Money appropriated to or
13 repaid into the fund does not lapse under AS 37.25.010.

14 (c) The department shall pay to the Department of Revenue for
15 deposit in the general fund (1) interest paid on loans made from the
16 loan fund; and (2) other income from the loans, including (A) service
17 charges to investors, (B) late fees, (C) assumption fees, and (D) the
18 administrative fee portion of the calculated interest rate. The
19 legislature may appropriate to the department, for the operating
20 expenses of the loan program, an amount equal to the amounts paid into
21 the general fund under this subsection.

22 * Sec. 22. AS 45.98.040(4) is amended to read:

23 (4) the rate of interest on the state's share of loan is a
24 fixed, market-tied rate that is based on the United States Treasury
25 rate plus an administrative fee and a subsidy, and is adjusted for
26 risk; the interest rate is established as follows:

27 (A) the United States Treasury rate is calculated for
28 the term of the loan, interpolated as necessary, based on a
29 six-month moving average for six consecutive months within the

1 seven-month period immediately preceding the approval of the
2 loan;

3 (B) 125 basis points are added to the calculated
4 United States Treasury rate to account for risk;

5 (C) 75 basis points are added to the calculated United
6 States Treasury rate to account for administrative costs of loan
7 programs; and

8 (D) 300 basis points are subtracted from the calculat-
9 ed United States Treasury rate as adjusted in (B) and (C) of this
10 paragraph to account for the state's subsidized share of the loan
11 [MAY NOT EXCEED SEVEN AND ONE-HALF PER CENT A YEAR ON THE UNPAID
12 BALANCE OF THE STATE'S SHARE OF THE LOAN].

13 * Sec. 23. AS 45.98.060 is amended to read:

14 Sec. 45.98.060. PENALTY PROVISION. After a project for which a
15 loan is granted is commenced, if the Department of Commerce and Eco-
16 nomic Development or a local historical district commission, in con-
17 sultation with the Historic Sites Advisory Committee, determines that
18 the project is inconsistent with the guidelines or stipulations for
19 construction, or otherwise fails to confirm to the requirements of the
20 loan, the interest rate on the state's share of the loan shall be
21 increased by removing the subsidy in AS 45.98.040(4)(D) from the
22 calculation of the interest rate [TO THE HIGHEST RATE OF INTEREST
23 ALLOWED AT THE TIME AS PROVIDED IN AS 45.45.010]. In addition, a
24 penalty in the amount of two percent of the balance of the loan shall
25 be assessed by the Department of Commerce and Economic Development.

26 * Sec. 24. Section. 63, ch. 113, SLA 1982 is amended to read:

27 Sec. 63. All assets of the fishermen's mortgage and note fund
28 (AS 16.10.650) are transferred to the commercial fishing revolving
29 loan fund (AS 16.10.340). Repayments of principal of [AND INTEREST

1 ON] loans made from the fishermen's mortgage and note fund shall be
2 deposited into the commercial fishing revolving loan fund by the
3 commissioner of the Department of Commerce and Economic Development as
4 they are received. The department shall pay to the Department of
5 Revenue for deposit in the general fund (1) interest paid on loans
6 made from the loan fund; and (2) other income from the loans, includ-
7 ing (A) service charges to investors, (B) late fees, (C) assumption
8 fees, and (D) the administrative fee portion of the calculated inter-
9 est rate. The legislature may appropriate to the department, for the
10 operating expenses of the commercial fishing revolving loan fund, an
11 amount equal to the amounts paid into the general fund under this
12 section.

13 * Sec. 25. The unexpended and unobligated assets of the small business
14 revolving loan fund, AS 45.95.060, are transferred to the small business
15 development revolving loan fund established in AS 45.96.010. Repayment of
16 principal on loans made from the small business revolving loan fund must be
17 deposited in the small business development revolving loan fund. Income
18 from loans made from the small business revolving loan fund must be depos-
19 ited in the same manner as provided in AS 45.96.010 for income from loans
20 made from the small business development revolving loan fund.

21 * Sec. 26. If a version of HB 536 providing for an appropriation from
22 the small business revolving loan fund to the Department of Commerce and
23 Economic Development is enacted, and that section is inconsistent with any
24 provision of this Act, the provisions of this Act prevail.

25 * Sec. 27. AS 45.95.010 -- 45.95.080 are repealed.

26 * Sec. 28. This Act takes effect July 1, 1984.

BILL SHEFFIELD
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

HB 574

February 2, 1984

The Honorable Joe Hayes
Speaker of the House
Pouch V
Juneau, AK 99811

Dear Representative Hayes:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to state loan programs. The bill establishes a fixed, market-tied interest rate for the commercial fisheries, fisheries enhancement, veterans', mining, child care, bulk fuel, alternative technology, residential energy, and historical district loan programs. The rate is based on the United States Treasury rate plus an administrative fee and a subsidy, with an adjustment for risk. The bill also provides that principal repayments on these loans will be returned to the loan funds. Income from the loans, including interest, administrative fees, late fees, and service charges to investors, is paid to the general fund.

Sincerely,

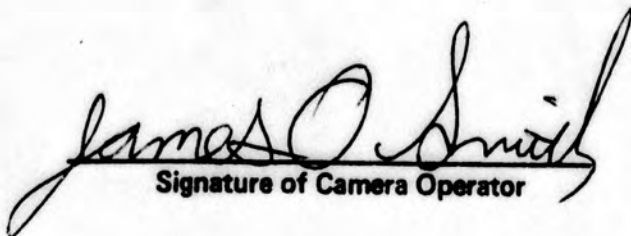

Bill Sheffield
Governor



RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.


Signature of Camera Operator


Date

SCOMM

#34:22

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: HB 584
Title: Act relating to tax-exempt
AHFC veterans mortgages.
Sponsor: Duncan
Requestor: Special Comm. of Loans
Date of Request: _____

FISCAL DETAIL

Agency Affected: Revenue
Program Category Affected: _____
BRU, Program of Subprogram(s) Affected:
Alaska Housing Finance Corporation

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES	-	-0-	-	-	-	-
200 TRAVEL	-	-0-	-	-	-	-
300 CONTRACTUAL	-	1.0	-	-	-	-
400 SUPPLIES	-	-0-	-	-	-	-
500 EQUIPMENT	-	-0-	-	-	-	-
600 LANDS & STRUCTURES	-	-0-	-	-	-	-
700 GRANTS, CLAIMS	-	-0-	-	-	-	-
800 MISCELLANEOUS	-	-0-	-	-	-	-
TOTAL OPERATING	-	1.0	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis.

Prepared By: Michael S. Lynch
Division: Alaska Housing Finance Corporation

Phone: 276-5599
Date: _____

Approved by Commissioner: [Signature]
Agency: Revenue

Date: 2/17/84

Distribution (by Agency preparing fiscal note):

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

Introduced: 2/6/84
Referred: House Special Committee
on State Loans and Finance

BY DUNCAN, M.M.MILLER, DAVIS,
KOPONEN, MALONE, MCBRIDE, VASKA,
ZHAROFF, LARSON AND WENDTE

1 IN THE HOUSE

2 HOUSE BILL NO. 584

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

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

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

12 * Section 1. For the purpose of assisting the Alaska Housing Finance
13 Corporation to provide money for the purchase of mortgages made for resi-
14 dences for qualifying veterans under AS 18.56, tax-exempt revenue bonds of
15 the Alaska Housing Finance Corporation are unconditionally guaranteed as to
16 principal and interest by the state in the principal amount of not more
17 than \$700,000,000. The full faith, credit, and resources of the state are
18 pledged to the payment of the principal of and interest on these bonds, and
19 the principal of and interest on the bonds are secured by the general
20 obligation of the State of Alaska. A statement of this pledge must be
21 printed on the face of the bonds and must be signed in manual or facsimile
22 form by the governor. The provisions of AS 37.15 do not apply to the
23 bonds. The bonds shall be sold by the Alaska Housing Finance Corporation
24 under AS 18.56 at public sale in amounts and at times approved by the state
25 bond committee.

26 * Sec. 2. If the question set out in sec. 4 of this Act is approved by
27 the qualified voters of the state who vote on the question, the Alaska
28 Housing Finance Corporation may issue not more than the principal amount of
29 \$700,000,000 of its revenue bonds that are unconditionally guaranteed as to

1 principal and interest by the state, the proceeds of which are to be ex-
2 pended by the Alaska Housing Finance Corporation to provide money for the
3 purchase of mortgages made for residences for qualifying veterans under
4 AS 18.56.

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

8 * Sec. 4. The question of whether the state guaranty of bonds referred
9 to in this Act shall be made shall be submitted to the qualified voters of
10 the state at the next general election and shall read substantially as
11 follows:

12 PROPOSITION

13 State Guaranteed Veterans Residential

14 Mortgage Bonds \$700,000,000

15 Shall the State of Alaska unconditionally guarantee
16 as a general obligation of the state, the payment
17 of principal of and interest on revenue bonds of
18 the Alaska Housing Finance Corporation issued in the
19 principal amount of not more than \$700,000,000 for
20 the purpose of purchasing mortgages made for resi-
21 dences for qualifying veterans, as defined by law?

22 Bonds Yes []

23 Bonds No []

24 * Sec. 5. This Act takes effect immediately in accordance with AS 01.-
25 10.070(c).

HB 584

HOUSE BILL NO. 584 by Duncan, M. M. Miller, Davis, Koponen, Malone, McBride, Vaska, Zharoff, Larson and Wendte, entitled:

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

was read the first time and referred to the House Special Committee on State Loans and the Finance Committee.

CONSIDERATION OF THE DAILY CALENDAR

SECOND READING OF HOUSE BILLS

HB 345

HOUSE BILL NO. 345 (relating to a victim's rights in the sentencing and parole hearings and furlough determinations of a person convicted of a felony; and making changes in sentencing procedures) was read the second time with the Judiciary Committee report (page 1545 of the journal).

Representative Barnes moved and asked unanimous consent that COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 345 (Judiciary) (relating to victim's rights; and amending Rule 32(d)(2) of the Alaska Rules of Criminal Procedure) be adopted in lieu of the original bill. There being no objection, it was so ordered.

CSHB 345(Jud)

Representative Barnes moved and asked unanimous consent that CSHB 345(Jud) be considered engrossed, advanced to third reading and placed on final passage. There being no objection, it was so ordered.

CSHB 345(Jud) was read the third time.

The question being: "Shall CSHB 345(Jud) pass the House?"
The roll was taken with the following result:

HB 583

An oral transmission of the report must be immediately made to the Department of Public Safety or local police department, and this must be followed by the written report. The report, in both oral and written forms, must include the name and present whereabouts of the injured person, and a description of the character and extent of his injuries. Failure to make a report as required is a class B misdemeanor offense, carrying maximum penalties of a \$1,000 fine and up to 90 days in jail. A person who makes a report in good faith is immune from civil or criminal liability for making the report.

The purpose of this reporting requirement is twofold. It will allow police officers to take steps to protect the victim of a crime who may be too badly injured or too frightened to report the assault. It will also allow officers to immediately investigate the apparent commission of a serious crime, and may aid in the apprehension of the offender and the protection of the public from future harm.

Alaska is one of very few states in the nation which do not require a treating physician to report gunshot or stab wounds. The absence of such a requirement under current law means that some serious assaults are never reported to law enforcement authorities, especially in the remote villages and rural areas of the state. Even if a shooting or stabbing is eventually reported to the authorities, investigation may be hampered by the passage of time and the loss of valuable evidence.

The bill requires the report of all gunshot wounds. Other than those, only serious injuries and those which appear to have been deliberately inflicted by a sharp or pointed instrument must be reported. Clearly accidental injuries other than gunshot wounds are excluded from the law's requirements. In light of the justified public concern about the level of violent crime in our society, and the important public safety interests which this reporting requirement would serve, I urge passage of this bill.

Sincerely,

/s/
Bill Sheffield
Governor"



RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.


Signature of Camera Operator


Date

SCOMM

#34:23

STATE OF ALASKA THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

MEMORANDUM

February 16, 1984

SUBJECT: Sectional analysis of House Bill 609 -
State debt

TO: Representative Rick Uehling
Chairman, House Special Committee on Loans

FROM: Billy G. Berrier *BGB*
Director
Division of Legal Services

You have requested a sectional analysis of House Bill 609 relating to state debt.

Sec. 37.15.110 changes the composition of the state bond committee and places it for administrative purposes in the Department of Revenue. Current law does not locate the committee for administrative purposes. Two members are added to the committee, the commissioner of the Department of Community and Regional Affairs and a member of the board of directors of a public corporation which issues debt. The member of the board is appointed by the governor and serves at his pleasure.

Sec. 37.15.110(a) makes the commissioner of revenue instead of the Commissioner of Commerce and Economic Development the chairman of the state bond committee. (b) allows meeting by electronic means if there is public notice, right to hear and participate in the meeting and copies of materials are available. (e) provides this type of meeting has the same legal effect as a meeting in person. (d) Allows 24 hour notice of a meeting to authorize issuance of bonds. The provisions of (b), (e) and (d) which are added to existing law are substantially identical to provisions of AS 18.56.040 concerning meetings of the board of the Alaska Housing Finance Corporation.

Sec. 37.15.140 adds to the duties of the state bond committee. These added duties are:

1. Preparation and submission of an annual report concerning state debt to the legislature and governor. The material required to be included is specified. The committee is given the power to require it be furnished with information required for the report.
2. Development of guidelines concerning debt management is required. The guideline are informational to the debt issuing agencies. Required guidelines are set out but the guidelines are not restricted to those set out.
3. Requirement that all financial advisors be paid on a fee rather than a percent basis.
4. Requirement that all debt issuing agencies determine the lowest bid based on true interest costs. True interest cost is defined essentially as the sum of interest payments discounted to present value and the bid price.
5. Requirement of an annual calendar of all debt proposed to be issued by each debt issuing agency during the year showing the amount and type of debt and the month of issuance.

The term debt issuing entities is defined as the state, each agency of the state and municipalities thereby making the requirements of the section applicable to each of them.

Sec. 37.15.150 allows employment of an executive director and staff and places the employees in the partially exempt service.

*Section 5 amends AS 39.25.120 to add employees of the state bond committee to the list of employees in the partially exempt service in conformity with Sec. 37.15.150.

*Section 6 provides an immediate effective date.

BGB:ojb
J3/109

Alaska State Legislature

POUCH V
JUNEAU, ALASKA 99811
(907) 465-4821



REPRESENTATIVE RICK UEHLING
CHAIRMAN
REPRESENTATIVE WALT FURNACE
REPRESENTATIVE NILO KOPONEN
REPRESENTATIVE JERRY WARD
REPRESENTATIVE RON WENDTE

House Special Committee on State Loans

MEMORANDUM

TO: All Members of the Legislature
FROM: Representative Rick Uehling, *R.U.*
DATE: February 21, 1984

RE: Special Hearing of the State Loans Committee on HB 609

I have scheduled a special hearing on HB 609, "An Act relating to debt of the state, its agencies, and municipalities; ED." for February 25, 1984 in Anchorage. The hearing will begin at 10 a.m. in the Legislative Information Office; we will recess for lunch from approximately noon to 1:30 p.m. and we will meet again from 1:30 to about 3:30 p.m.

HB 609 is an outgrowth of the interim work of the House Loans Committee, and would implement many of the recommendations contained in "The Review of Debt Capacity and Debt Management for the State of Alaska" which was prepared for the Legislative Budget and Audit Committee and which was the subject of one of the interim hearings, as you recall. Mr. Wesley Hough from the Municipal Finance Officers Association has been invited to participate at the hearing.

I would welcome your participation at the Anchorage hearing or at any of the teleconference sites.

RAU/as

Alaska State Legislature

POUCH V
JUNEAU, ALASKA 99811
907/465-4821



REPRESENTATIVE RICK UEHLING
CHAIRMAN
REPRESENTATIVE WALT FURNACE
REPRESENTATIVE NILO KOPONEN
REPRESENTATIVE JERRY WARD
REPRESENTATIVE RON WENDTE

House Special Committee on State Loans

M E M O R A N D U M

Date: March 23, 1984
To: Members, House Finance Committee
From: Representative Rick Uehling
Subject: CS HB 609 (Loans)

I have asked my staff to prepare the following Sectional Analysis of CS HB 609 (Loans).

Section 37.15.110 changes the composition of the State Bond Committee and places it for administrative purposes in the Department of Revenue. Current law does not locate the Committee for administrative purposes. Two members are added to the Committee, a Chief Fiscal Officer of a city or borough, and a member of the board of directors of a public corporation which is an instrumentality of the State. These two additional members are appointed by the Governor and serve at his pleasure.

Section 37.15.130 makes the Commissioner of Revenue instead of the Commissioner of Commerce and Economic Development the Chairman of the State Bond Committee. (b) allows meeting by electronic means if there is public notice, right to hear and participate in the meeting and copies of materials are available. (e) provides this type of meeting has the same legal effect as a meeting in person. (d) allows 24 hour notice of a meeting to authorize issuance of bonds. The provisions of (b), (e) and (d) which are added to existing law are substantially identical to provisions of AS 18.56.040 concerning meetings of the board of the Alaska Housing Finance Corporation.

Page Two

Section 37.15.140 adds to the duties of the State Bond Committee. These added duties are:

1. Preparation and submission of an annual report concerning state debt to the legislature and Governor. The material required to be included is specified. The Committee is given the power to require it be furnished with information required for the report.
2. Development of written policies concerning management of State Debt is required. The development of written informational guidelines for the use of debt issuing entities of the State is also required. Required policies and guidelines include recommended level of debt, debt management bidding procedures, bid awards, and compensation for financial services.
3. Requirement of an annual calendar of debt proposed to be issued during the calendar year by each debt issuing entity of the State. The report will show the amount and type of debt to be issued and will be updated on a monthly basis.

The term debt issuing entities is defined as the State, each agency of the State and municipalities thereby making the requirements of the section applicable to each of them.

The term debt is defined as (1) long term bonded indebtedness secured by the full faith and credit of the government unit, (general obligation debt), (2) long-term bonded indebtedness secured by a mortgage or lien on specific properties or receivables (revenue supported debt), (3) short-term notes, (4) warrants, and (5) capital lease obligations. However, debt is not defined as debt owed within the entity or to another debt issuing entity.

Section 37.15.150 allows employment of an executive director and staff and places the employees in the partially exempt service.

Section 5 amends AS 39.25.120 to add employees of the State Bond Committee to the list of employees in the partially exempt service in conformity with Section 37.15.150.

Section 6 provides an immediate effective date.

Alaska State Legislature

POUCH V
JUNEAU, ALASKA 99811
(907) 485-4821



REPRESENTATIVE RICK UEHLING
CHAIRMAN
REPRESENTATIVE WALT FURNACE
REPRESENTATIVE NILO KOPONEN
REPRESENTATIVE JERRY WARD
REPRESENTATIVE RON WENDTE

House Special Committee on State Loans

Date: March 12, 1984
To: House Special Committee on State Loans
Committee Members
From: Rep. Rick Uehling, Chair *RUE*
House Special Committee on State Loans
Subject: CS HB609 (Loans)

I have asked staff to prepare the following comparison of CS HB609 (Loans) to the original HB609.

CS HB609 (Loans)

Section 1.

Line 15, In place of the Commissioner of Community and Regional Affairs, the Chief Financial Officer of a city or borough has been added. This position would be appointed by the Governor. This is in response to comments by many of the municipalities that a local government official would be more responsive to their concerns on the State Bond Committee.

Line 20, The Language "who is a Commissioner" has been added to respond to concerns by legislators that only Commissioners be allowed to designate an alternate in their absence. Apparently questions have arisen on other Board's as to the authority of a public member to designate an alternate to act in their place.

Section 2.

There are no changes in Section Two from the original bill.

Section 3.

(a) Line 21, 22,
"issued on behalf of the State" This wording has been added to clarify that the existing statute relates to bonds issued on behalf of the State. This change addresses concerns expressed by the municipalities.

Page 2

(b) No change.

(c) Section (c) has been rewritten. The State Bond Committee will develop written policies for its own internal use in the management of State Debt, it will also develop written informational guidelines concerning the management of debt by the municipalities and debt issuing agencies such as AHFC and AIDA. Additionally, sections (d) and (e) from the original bill have been dropped and in their place "bidding procedures and bid awards and compensation for financial service" have been added to the areas for which informational guidelines will be written. In testimony given before the Committee concern had been expressed that while sections (d) and (e) may have been good public policy that placing them in statute could be too restrictive, especially for some of the smaller municipalities.

d) An updating mechanism has been added to the bond calendar. New language has been added which would require that a monthly report of any proposed changes in the scheduled issuance of bonds be submitted to the State Bond Committee. In testimony given before the Committee, by Commerce and Economic Development, it was felt that without an updating mechanism the Bond Calendar would be of little use.

(f) First, a new section has been added to respond to concerns that for the purposes of this section, a definition for "debt" was necessary. The definition has been provided by Wesley Hough of the Government Finance Research Center. Additionally, in order to respond to specific concerns about inter-agency debt it is specifically excluded.

Section 4.

Page 4, Line 13,

The word State has been added in order to respond to municipal concerns that the intent of the original statute might be changed.

Alaska State Legislature

POUCH V
JUNEAU, ALASKA 99811
(907) 465-4821



REPRESENTATIVE RICK UEHLING
CHAIRMAN
REPRESENTATIVE WALT FURNACE
REPRESENTATIVE NILO KOPONEN
REPRESENTATIVE JERRY WARD
REPRESENTATIVE RON WENDTE

House Special Committee on State Loans

MEMORANDUM

Date: February 23, 1984
To: Members, House Special Committee on State Loans
From: Representative Rick Uehling *Rik*
Subject: HB 609

The following is an outline of the background and provisions of HB 609:

The Background

As a part of the Interim work of the House Special Committee on State Loans, the Committee examined a recent report to the Legislative Budget and Audit Committee by the Government Finance Research Center entitled "A review of the Debt Management and Debt Capacity of the State of Alaska." The House Special Committee on State Loans held a major hearing in Anchorage, at which Wesley Hough, Manager of the Government Finance Research Center and the author of the report, presented it to the Committee.

The report makes a series of recommendations concerning the State's Debt Management practices. In addition, the report speaks specifically to the General Obligation Debt capacity of the State. HB 609 is an attempt to institute many of the report's recommendations for managing State Debt.

There has been a growing concern on the part of both the Legislature and the public with the amount of debt that is being incurred by the State of Alaska. As the State looks to financing many large projects that are important to the State, the capacity of the State to issue General Obligation bonds becomes an increasingly important factor. Additionally, a great deal of attention has focused on the "debt issuing entities" of the State, the municipalities and agencies which are authorized to incur debt.

Page Two - HB 609 Memo

This attention has focused on the Alaska Housing Finance Corporation and the North Slope Borough which together have issued almost four times the amount of State General Obligation debt.

While the debt that is incurred by the Alaska Housing Finance Corporation (AHFC) is supported by mortgage revenues, and the debt of the North Slope Borough is supported by the property tax revenues of the borough, there remain concerns about the State's ultimate moral obligation. Furthermore there is the overriding question of at what point the growing debt issuance of the AHFC and the North Slope Borough will negatively impact the overall capacity of the State to issue debt.

While HB 609 contains many of the provisions called for by the GFRC report, it does not provide for some of more controversial recommendations such as a ceiling on municipal debt or new provisions controlling the School Debt Retirement Program. It is a first step towards the Legislature recognizing the need to maintain an active role in the management of the debt issuance of the State, its municipalities and agencies.

The Provisions

Section 37.15.110:

This section expands the committee from its current three member composition of the Commissioners of the Department of Commerce and Economic Development, the Department of Administration, and the Department of Revenue to include the Commissioner of Community and Regional Affairs and a member of the Board of Directors of a Debt Issuing Public Corporation such as AHFC or AIDA. Additionally, this section places the State Bond Committee within the Department of Revenue for administrative purposes. These changes are made at the recommendation of the GFRC report. It is felt that the Department of Revenue is a the logical place for the State Bond Committee to reside as they are more intimately involved with the day to day finances and the long term revenue projections of the State.

Section 37.15 110(a):

This section makes the Commissioner of Revenue the Chair of the State Bond Committee replacing the Commissioner of Commerce and Economic Development.

This section also provides at the request of the Department of Revenue provisions allowing for meetings to be held by electronic means and a special provision allowing 24 hour notice of a meeting for the purpose of authorizing the issuance of bonds. These provisions are substantially the same as those concerning meetings of the Board of Directors of AHFC.

Section 37.15.140:

This section adds to the duties of the State Bond Committee the following:

1. The preparation of an annual report to the Legislature and the Governor outlining the current status of outstanding State debt. The material required to be included in the report is very specific in accordance with the recommendation of Wesley Hough of the GFRC.
2. The State Bond Committee is required to develop written guidelines concerning the management of all debt by each debt issuing entity of the State. These guidelines are meant to be informational in nature and shall include recommended levels of debt, the structuring of debt offerings and the manner in which repayments should be scheduled.
3. The State Bond Committee shall require that a person who provides financial assistance in connection with the issuance of debt by a debt issuing entity of the State shall be compensated for services on a determined fee basis that may not be based on the amount of debt to be issued. This provision is meant to address an apparent conflict of interest on the part of financial advisors. It is not meant to restrict payment on a percentage basis for the services of underwriters .
4. The State Bond Committee shall require that the debt issuing entities of the State determine the lowest bid on the sale of bonds based on true interest cost. True interest cost is defined as the sum of interest payments discounted to present value and the bid price. True interest cost is a manner of determining the cost of bonds to the State in which the interest costs are more accurately represented. The True Interest Cost takes into account the time-value of money (discount rate) that will be needed for future interest payments.

Page Four - HB 609 Memo

5. The State Bond Committee will require that each debt issuing entity provide to the committee an annual calendar of proposed debt including the amount and type of debt, and the month of issuance. This provision is intended to help the different municipalities and debt issuing entities plan their bond issuances in a manner which does not conflict with each other.

Section 37.15.150:

This section gives the State Bond Committee the authority to employ an executive director and staff as necessary.

Section 5:

Employees of the State Bond Committee are in the partially exempt service.

Section 6:

HB 609 has an immediate effective date.

STATE OF ALASKA

DEPARTMENT OF REVENUE

TREASURY DIVISION

BILL SHEFFIELD, GOVERNOR

ELEVENTH FLOOR
STATE OFFICE BUILDING
POUCH 88
JUNEAU, ALASKA 99811
PHONE:

February 27, 1984

The Honorable Rick Uehling
Chairman
House Special Committee on Loans
Pouch V
Juneau, AK 99811

Dear Representative Uehling:

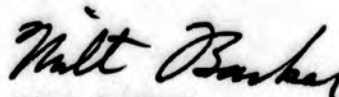
The amendments to HB 609 that I suggested at your February 25, 1984 hearing are:

1. Page 3, line 2: "long-term lease obligations" should read "lease-purchase obligations"
2. Page 3, line 22: delete "sum of the following:"
3. Page 3, line 23: delete "(1) the"
4. Page 3, line 25: delete " ;"
5. Page 3, line 26: delete "(2)"

Number one would change the reference from a term that could include true leases, which are not necessarily security for nor associated with a project's financing, to a term of art, "lease-purchase obligations" which references the types of obligations which are viewed as debt by the rating agencies and are part of a project's financing. Parenthetically, lease-purchase obligations are not necessarily considered debt of the state for purposes of requiring voter approval under the constitution.

The remaining amendments reshape the definition of true interest cost to that used in the enclosed "Notice of Sale" for informing potential bidders on state bonds of the manner of awarding the bids.

Sincerely,



Milt Barker
Deputy Commissioner

MB:mw

Enclosure

Alaska

HOUSING



FINANCE

MAR 2 1984

CORPORATION

February 28, 1984

The Honorable Rick Uehling
Chairman
House Special Committee on Loans
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Representative Uehling:

Representative Walt Furnace has requested the total fees paid to financial advisors for Fiscal Years 1982 through 1984 and I have listed these amounts below:

<u>FY '82</u>	<u>FY '83</u>	<u>FY '84</u>
\$563,223	\$748,626	\$407,835

The FY '84 figure is the total fees that have been paid to date. AHFC has plans for only one more taxable bond sale this fiscal year and does not plan to use a financial advisor on this sale. There is the possibility of a \$100 million bond sale for mobile homes and if that occurs, the FY '84 total is estimated to be \$445,335.

Although the amount of bonds issued has risen, the costs have been reduced because of lower fees and not using a financial advisor on all issues.

If you or the committee members have further questions please give me a call.

Sincerely,

Michael S. Lynch
Executive Director

MSL:sel

ccc: Representative Walt Furnace
Representative Jerry Ward
Representative Ron Wendte
Representative Nillo Kopenen



THE HEART OF THE MATANUSKA VALLEY

CITY OF PALMER

COUNCIL-MANAGER GOVERNMENT

P.O. BOX 1368 • PHONE (907) 745-3271

PALMER, ALASKA 99645

February 22, 1984

The Honorable Rick Uehling, Chairman
House Special Committee on State Loans
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

RE: HB 609

Dear Representative Uehling,

As I interpret HB 609, the State of Alaska may be approaching the bonded indebtedness' problem in a manner which has some merit.

However, as is the case of the City of Palmer, our charter restricts our indebtedness to fifteen (15%) percent of our assessed valuation.

The real crux of the problem is those municipalities who have issued millions upon millions of dollars of bonds which protracted over the long run may jeopardize all municipalities bonding capabilities. And to this as I read HB 609 is not fully answered.

Section 37.16.140 Duties of State Bond Committee (c) stipulates that guidelines shall include recommended level of debt. To put a harness on the problem, there has to be a formula or other mechanism which can be enforced. Other states Outside do the exact same thing as we are trying to do.

Should you have any questions, please contact me.

Yours truly,

David L. Soulak
City Manager
City of Palmer

DLS/cac

Municipality of Anchorage



POUCH 6-650
ANCHORAGE, ALASKA 99502-0650
(907) 264-6610

TONY KNOWLES,
MAYOR

MAR 8 1984

DEPARTMENT OF FINANCE
Fiscal Administration

March 5, 1984

The Honorable Rick Uehling
Chairman, House Special Committee
on State Loans
Pouch B
Juneau, Alaska 99811

Dear Representative Uehling:

I appreciate the opportunity to comment on proposed legislation HB 609 (an Act relating to debt of the State, its agencies and municipalities; and providing for an effective date). Inasmuch as the Municipality of Anchorage is a major issuer of all types of debt, we are - of course - vitally interested in any proposed legislation that could affect our ability to prudently issue and manage this debt.

The Municipality of Anchorage is in complete support of efforts to promote sound fiscal management of bonded indebtedness, for all local government as well as the State of Alaska and its agencies. The credit of each debt issuing entity of the State is directly related to the perceived fiscal policies and debt issuing capabilities of the State and each of its political subdivisions. The Municipality can appreciate your concern for proper administration and oversight responsibilities of all statewide debt.

The following comments concerning HB 609 were presented to your Committee at the hearing in Anchorage on February 25, 1984. In addition to specific comments on individual sections, I would like to make the following general observations on the proposed legislation:

- (1) Although the Municipality supports the intent of the legislation, we are concerned that certain technical restrictions are being imposed on local government unnecessarily. If there have been abuses in the past that would warrant legislative restrictions, we are not aware of such abuses and feel that more study should be accomplished by the State Bond Committee to determine the necessity of such legislation.

- (2) As a result of the substantial amendments proposed by HB 609, the original language of the statute can now be interpreted to mean something other than what is actually intended. I will point out these sections later in the memo.
- (3) The definition of "debt" should be further defined to mean "long-term bonded indebtedness". We believe the concern of the legislature is with long-term debt and not with relatively short-term and minor amounts that municipalities may incur from time to time.

Section 37.15.110:

The expansion of the State Bond Committee to five members may be appropriate as a result of the increased workload and responsibilities proposed by this legislation. With this amendment, the State Bond Committee will have four Commissioners appointed by the Governor and one Director from a state agency. Under HB 609, the State Bond Committee, for the first time, will become greatly involved in local government debt matters. For this reason, it would appear reasonable that at least one member of the Committee should be a public official presently employed in some capacity by a local government.

Section 37.15.140 (a):

This is language retained from the original statute that has now taken on new meaning as a result of amendments that include state agencies and local government. Obviously, the State Bond Committee should not be adopting resolutions and preparing documents necessary for the issuance, sale and delivery of bonds for those entities that are now legally empowered to issue debt.

Section 37.15.140 (c):

Although guidelines concerning the issuance and management of long-term debt should certainly be a function of the State Bond Committee, the specifics of such guidelines should be left to the discretion of the Committee following appropriate study and public hearings. At this point, this is a new project for the Committee and, until such time as the entire subject of state-wide debt has been properly reviewed, it would not be appropriate to specify specific items of these guidelines. Legislation can always be imposed at a later date if the State Bond Committee so recommends.

Section 37.15.140 (d):

The determination of compensation for financial services should be the prerogative of local government and should be determined on the basis on what is in the best interests of the issuing agency. There may be times when the restrictive language of this section may not necessarily be in the best interests of the issuing agency, but

the ability to use a more desirable method of compensation would be prohibited regardless of the benefits. The method of compensation could very well be included in the State Bond Committee's efforts in developing guidelines for issuing bonds. Legislation could be recommended by the Committee at a later date if abuses become apparent.

Section 37.15.140 (e):

As with Section (d) above, this section attempts to legislate only one method of calculating interest. "True interest costs" is a relatively recent method for calculating interest that is being used more frequently by many jurisdictions. However, there may be situations where "true interest costs" may not necessarily be the most beneficial means of calculating interest for the issuing entity. The determination for calculating interest should be a recommendation included in the Bond Committee's guidelines following the normal process of review and public hearings. If there are, in fact, abuses, corrective action can be taken through legislation at a later date upon the recommendation of the Committee.

Section 37.15.140 (f):

Although a calendar of state-wide debt may be of value to issuers as well as the Legislature, I would like to point out two concerns:

- (1) It would be a rare occasion if a major issuer of debt could project the exact amount and time for each debt issuance during the coming year. Most Anchorage debt issuance is for the Municipally-owned public utilities for which the need and ability to issue debt is constantly changing. A means of amending the calendar should be developed to insure that a municipality is not locked into the original schedule.
- (2) Although the intent of a debt calendar is presumably to encourage voluntary changes to sale dates that may be in conflict, the possibility of an arbitrary Committee-imposed priority determination could arise.

Section 37.15.150:

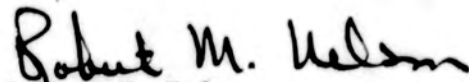
The second sentence is another instance where the original wording of the statute has been left intact; however, the meaning has changed substantially as a result of the other amendments. This sentence reads that the Committee could hire professional assistance to assist in the sale of bonds with the cost of such assistance being paid for from the proceeds of the bond sale. We are concerned that this wording could be interpreted to mean that the Municipality's ability to contract for professional advice would either be taken over by the Bond Committee or we would end up paying for both our professional advice and the State Bond Committee's professional advice on the same sale.

Rep. Rick Uehling
March 5, 1984
Page 4

Section 6 provides that this act would take effect immediately upon passage. If HB 609 is enacted as presently written, the Municipality of Anchorage and perhaps other agencies would be immediately in contract violation with its financial advisors on financing projects that are presently underway but not yet completed. It is our recommendation that at least a sixty to ninety day effective date be placed on this legislation.

I would again like to thank you for the opportunity to express our thoughts on HB 609 and hope that the above comments can be of value to you.

Sincerely,

A handwritten signature in dark ink, appearing to read "Robert M. Nelson". The signature is fluid and cursive, with the first name "Robert" being more prominent than the last name "Nelson".

Robert M. Nelson
Chief Fical Officer

RMN:ps

Alaska State Legislature

POUCH V
JUNEAU, ALASKA 99811
(907) 465-4821



REPRESENTATIVE RICK UEHLING
CHAIRMAN
REPRESENTATIVE WALT FURNACE
REPRESENTATIVE NILO KOPONEN
REPRESENTATIVE JERRY WARD
REPRESENTATIVE RON WENDTE

House Special Committee on State Loans

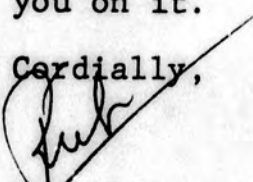
March 9, 1984

Mr. Robert Nelson
Chief Fiscal Officer
Pouch 6-650
Anchorage, Alaska 99502-0650

Dear Mr. Nelson,

Enclosed is a copy of the latest Committee Substitute
for HB 609 (Loans), for your review. Please look it over,
as David Cobb, my professional assistant, will be contacting
you on it.

Cordially,


Rep. Rick Uehling

MAR 5 1984

GOVERNMENT
FINANCE
RESEARCH
CENTER

MUNICIPAL FINANCE
OFFICERS ASSOCIATION

February 29, 1984

Honorable Rick Uehling
Chairman
House Special Committee
on State Loans
Alaska State Legislatures
Pouch V
Juneau, AK 99811

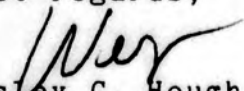
Dear Rick:

I greatly appreciated the opportunity to testify in support of HB 609 before the House Special Committee on State Loans. Those testifying at the hearing on Saturday, February 25th raised several technical concerns with the bill, but overall I was exceptionally pleased with the broad support the legislation appears to have.

I expect to stay in touch with David Cobb as he prepares the Committee substitute to HB 609. If there is anything the Government Finance Research Center can do to help during the legislative process (such as write a letter of endorsement) please do not hesitate to ask.

The months of March and April are Washington's most beautiful -- the weather is mild and the famous cherry blossoms et al. are in bloom. I hope you will get a hold of me if you decide to visit.

Best regards,


Wesley C. Hough
Manager

WCH:ncs

IAN 30 1984

January 24, 1984

The Honorable Rick Uehling
Chairman, House Special Committee
on State Loans
Alaska State Legislature
Pouch V
Juneau, AK 99811

GOVERNMENT
FINANCE
RESEARCH
CENTER

MUNICIPAL FINANCE
OFFICERS ASSOCIATION

Dear Representative Uehling:

I appreciate the opportunity to comment on the legislation being proposed by your office that would, among other things, expand the duties of the State Bond Committee and the Municipal Bond Bank. The thrust of the proposed legislation is positive and, if enacted, will go far to improve the State's debt management practices as described by the Government Finance Research Center's (GFRC) report to the Legislative Budget and Audit Committee. There are certain changes to the draft bill (dated 1-19-84), however, which I believe would improve the legislation's effectiveness.

I have organized my comments to correspond sequentially with the sections of the draft legislation.

Section 1 - I have a problem with defining those communities that are eligible to have the Bond Bank requirement waived based upon the most recent (i.e., past) bond rating of the city or borough. Such a criterion would exclude, perhaps unnecessarily, cities or boroughs in the following two situations:

a. Those communities that have been able to improve their credit standing since they were last evaluated by the bond rating agencies to a level equal to or better than the Bond Bank's; and

b. Those communities that have purchased municipal bond insurance or other forms of external credit support for the issue under consideration that might lower the long-term cost of borrowing below that of other non-insured bonds of the community. For example, an otherwise Baa-rated community may issue insured school construction bonds that are rated AAA.

I believe that these two concerns could be addressed by the addition of a subsection (e), (3) that would give the State Bond Committee the ability to waive the requirement if, in their judgement, the long-term cost to the State would be less if the community did not use the Bond Bank. I also would recommend that line 21 of subsection (e) (1) be amended to read "recent issue of general obligation bonds".

The use of the term "nationally recognized rating organization", without being more specific, concerns me. At present the Bond Bank is rated by two firms, Moody's and Standard and Poors. These two firms are also concerned about the large amounts of debt that have been issued by certain localities in the State and their ratings indicate this fact. The third rating agency that is nationally recognized, Fitch, is very "bullish" on Alaska and rates Alaskan localities much higher than Moody's or S&P does. If Fitch were ever to rate the Bond Bank, it is possible that the majority of local governments would have ratings as good as that of the Bond Bank. You may wish to specify a particular rating agency or "the top two" nationally recognized firms to avoid problems.

Section 4 - The consolidation of State-wide debt-related statistics into one report is a good idea. Much of this information is already collected by various State departments (such as the Departments of Revenue, Administration, and Community and Regional Affairs) and its compilation into one report should not be difficult.

(b) I would like to see the legislation describe in more detail the type of analysis that the annual report should contain. I would recommend that the report clearly indicate those long-term obligations that are tax-supported and those that are revenue-supported. It should also include long-term lease obligations and the volume of short-term debt issued and retired during the year. The report should also highlight those obligations for which the state has pledged some form of indirect credit support such as its moral obligation.

You may wish to use more specific language when speaking about the "anticipated impact on the finances and credit of the State". I would recommend that you use the words "long-term debt capacity".

(c) The guidelines developed by the Bond Committee should also include a review of the ultimate sources of repayment for the obligations and address the question of whether the State has pledged directly or indirectly to repay the bonds. Here again I believe that the guidelines should distinguish between debt that is tax-supported and debt that is truly revenue-supported. Lease and other long-term financial

obligations should also be included in the scope of this review.

(d) It is my understanding that "financial programming or marketing assistance" is directed at financial advisors and not the underwriters in a transaction. It is normal and acceptable for underwriters to be compensated on the basis of the amount of bonds issued.

(e) My only comment here is technical, I do not believe that generally accepted accounting principals address the question of what is "true interest cost". Therefore, I recommend that this subsection read as follows:

The State Bond Committee shall require that true interest cost (TIC) be the basis for determining the lowest bid on debt that is sold competitively by debt issuing entities of the state. True interest cost is defined as the annual interest rate that when compounded semi-annually will discount the principal and interest payments on the debt obligation from their payment dates to the dated date and the price bid to the issuer.

(f) An annual bond calendar listing proposed debt issuance by amounts and approximate months would be useful to all issuers in the State in planning the timing of their own debt issues. We recommended that the State prepare an annual bond calendar to improve coordination of debt issuance - especially to benefit smaller localities. I do not believe that the interests of the State or its localities are well served when all debt issuers must inform the Bond Committee of each bond issue or of changes in the amount to be sold. This type of requirement extends beyond the coordinative function of the bond calendar to limit local and State agency flexibility. It is not uncommon for bond issuers to change the amount of a particular bond issue as late as the day of sale because of changes in the bond market or the financial requirements of the issuer.

To emphasise the coordinative function of the bond calendar concept and ensure that the bond calendar idea not be viewed as a restrictive one, I would recommend that the second sentence of this subsection be dropped.

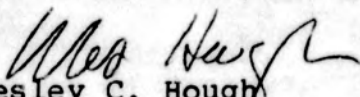
(g) I believe that there are inconsistencies in the text of the bill when reference is made to "debt issuing entities". It is important that the word "bond" not replace "debt" because many debt obligations are not bonds, i.e., short-term notes and leases.

The comments above are based on an initial reading of the draft legislation I received today. Because of the importance of this legislation, I wanted you to receive my

comments as soon as possible. If I have additional comments I will forward them to your office at a later date.

I appreciate the opportunity to comment on the proposed legislation. Please keep me informed of your progress on this bill and don't hesitate to call if I can clarify the issues raised above or respond to other questions.

Sincerely,


Wesley C. Hough
Manager



Box 1210 602 Railroad Avenue
Cordova, Alaska 99574
Phone: (907) 424-3237
or 424-3238

"The Friendly City"

February 24, 1984

Leonard V. Pingatore
Mayor

Representative Rick Uehling
House of Representatives
Pouch V
Juneau, AK 99811

RE: HB 609

Dear Representative Uehling:

I have reviewed your proposed legislation to create order out of chaos regarding the issuance of long-term debt within the State. It is long overdue. The following are my comments on the bill which I believe would be a more useful tool for debt management.

1. I believe the board should have one member specifically representing cities and boroughs. This person probably should not be an elective official, but instead, a financial director or manager. This would make a six-man board which is not unwieldy, and at the same time would provide a member that is intimately acquainted with local debt management policies as well as another member that is acquainted with the (local) political aspects of debt issuance.
2. Section 37.15.140(b) (Reporting). Change the first sentence to read, "The state bond committee shall prepare an annual report for the prior fiscal year ended June 30 to be submitted to the Governor before January 31 of each year."

As most entities have a fiscal year running from July 1 through June 30, the gathering of information can be completed after close of the fiscal year rather than on an interim basis. Using a date certain for the report cutoff date will allow a realistic calendar to be developed for the submittal of required information.

3. Section 37.15.130(d). I strongly support 37.15.130(d). There should never be a fee based on the amount of bonds issued. At the same time, there should not be a fee promulgated by the committee as the complexity of marketing will vary widely dependent on the issue and the overall economic conditions at the time of issue.

Council Members

Joe Gunderson
Phyllis Day
Oliver Osborn
Lew L. Cochran
Danny R. Glasen
John Wheeler

4. Section 37.15.130(f). I do not believe the calendar will accomplish anything. Often from the State level on down, a calendar will not, or cannot, be followed. There will be delays and/or new issues made which were not planned at the time the calendar was prepared. Without any enforcement teeth, the calendar will become a very frivolous item.

Rather than a calendar, I would recommend that the bill require that each proposed issue be submitted to the State at least 90 days prior to the proposed date of sale for review and certification be made by the Director that the issue meets (does not meet) the guidelines as promulgated by the committee, and that any advertising of the sale note this fact.

Although a home-rule community could still sell bonds without meeting the guidelines as promulgated, the lack of certification would certainly mean that the issue would be less attractive to the buyer of such bonds. You might call this de facto enforcement of committee guidelines.

There is only one other matter which the bill, as proposed, does not make clear, and that is special assessment financing. Was it your intent that such debt be included in the public debt management system? In reading the bill, it appears to me it was your intent not to include this type of debt, but this is not clearly stated.

If you have further questions on my comments, please do not hesitate to call.

I would appreciate you keeping me informed as to the progress of this bill.

Sincerely,

Jack Ference
Jack P. Ference
Finance Director

March 2, 1984

David Cobb
c/o Representative Rick Uehling
Alaska State Legislature
Pouch V
Juneau, AK 99811

GOVERNMENT
FINANCE
RESEARCH
CENTER

MUNICIPAL FINANCE
OFFICERS ASSOCIATION

Dear David:

I enjoyed seeing you again in Anchorage last weekend. I hope my comments and presence at the hearing will prove to be helpful in enacting HB 609. As I indicated on Saturday, I have a few additional comments to make regarding the bill. You may find these helpful in drafting the Committee Substitute to HB 609.

Section 1: You may recall there was some discussion concerning the new members of the Bond Committee. Two basic concerns were addressed: (1) that municipal interests be represented by a local official, not the DCRA, and (2) that the public authority board member is redundant because other Commissioners already on the Bond Committee also sit on the Boards of AIDA, AHFC, etc. I feel it is important that local interests are represented on the Bond Committee--if to do nothing more than symbolize the interrelationship of state and local concerns regarding public finance. I would not be concerned over who provides the local input--be it DCRA, the head of the Municipal Bond Bank, or the finance director of Anchorage. I think it is a lot to ask of a local official to sit on the Bond Committee, though, given the frequency and importance of its meetings. The Bond Bank's Executive Director may be a reasonable compromise--someone at the state level who is not a Commissioner, but appointed solely to serve local finance officers.

In the debt management report we were clearly thinking about a "public" member of a state corporation to make up the fifth member. I feel this is good policy, but not as important as the local issue.

Section 3:

(a) I've checked with a few attorneys and "all long-term financing lease obligations" is best here.

(c) We saw the "guidelines" as bringing a measure of state management to debt issuers, without giving the Bond Committee full responsibility to approve all debt. Perhaps this sentiment is reflected better in the wording "Guidelines shall be developed on the maximum amount of outstanding debt and the debt issuance practices of (1) the state and its agencies, (2) state public corporations that are authorized to issue debt, and (3) other debt issuers for which the state provides credit support. Such guidelines

must cover the nature of any state obligation that may be pledged behind the debt."

Language of this type focuses the intent on state agencies and local debt such as school construction bonds. I don't believe that the state should write guidelines for general municipal bonds. The Committee may wish next year to introduce legislation expanding the scope of the Municipal Bond Bank to employ staff and provide technical assistance to localities in the area of public finance. This is where such guidelines would be better placed.

(d) Change to read "financial advisor or bond counsel".

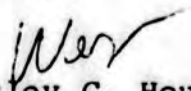
(f) I'm struggling with the bond calendar idea. As I indicated at the hearing, the calendar is only useful to local issuers if it is updated regularly. However, as you saw from my earlier remarks on this subject, I don't believe that issuers should be required to give 30 days notice of an issue before being permitted to issue the bonds. The State of Maryland requires all issuers to notify the State quarterly of their issuance plans for the quarter. Perhaps this would be an acceptable alternative because it does not require issuers to notify the State of changes in this schedule.

As far as the entities affected by the bill, I believe that the state and the public corporations should be the major targets. Localities should be excluded from Section 3(c) except for school debt or other state-supported debt. Local debt should be included in 3(a), however, and subject to 3(d), (e), and (f).

I hope these comments are helpful. As I mentioned in my letter to Rick, I'd be happy to write a formal letter of support for you if that would be useful. We would also be interested in talking with you more about (1) the AHFC state-guaranteed debt proposal and its impact on the state's credit, and (2) providing on-going financial advice to your committee or LBA. I believe the GFRC could provide an outside, independent, and professional opinion on many public finance matters that face the State. Please keep in touch with me regarding these areas.

In the meantime, I hope the rest of the legislative session goes well, and that you will accept my invitation to return the hospitality you've shown me in Alaska if you ever get out to D.C.

Fondly,


Wesley C. Hough
Manager

FEB 27 1984

Alaska MUNICIPAL League

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(907) 586-1325
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105 MUNICIPAL WAY, SUITE 301
JUNEAU, ALASKA 99801

February 24, 1984

The Honorable Rick Uehling
State House of Representatives
Pouch V
Juneau, Alaska 99811

Dear Representative Uehling:

Thank you for bringing HB 609 to my attention. The continued authority to sell, and the ability to market low interest bonds to finance municipal capital projects is a major concern of the League and its member municipalities. As the state continues to grow and develop, its municipalities are facing increasing needs and complex problems with decreasing financial assistance from the state, e.g. shortfalls in the Municipal Assistance and State Revenue Sharing Programs and decreasing state assumption of debt for schools. Many of our municipalities are also facing hard economic times, especially the coastal communities which rely on the fishing industry.

Municipal bonding is an important mechanism to provide necessary community facilities such as schools, libraries, etc. HB 609 does not appear to threaten the current system and the information provided as a result of expanding the State Bond Committee and its duties may help us insure the future solvency of the state and, therefore, good bond ratings and low interest.

The League does not have a clear or specific position on this particular bill. However, the reporting requirements probably would not be objectionable because the information requested is no doubt already available. What may be objectionable are the actions that could be taken based on the information gathered.

The League opposes any unnecessary restrictions on municipalities' ability to issue or market bonds. It supports legislation which would raise the level of bonded indebtedness for the Municipal Bond Bank to \$300 million and approve a suitable level of bonded indebtedness for revenue bonds.

The League urges the Legislature to support approved school capital projects at full construction level and to fund this amount annually. The League also urges the Legislature to assume the total state approved school capital indebtedness incurred by municipalities. Public capital facilities are necessary not only to provide for the needs of our

February 24, 1984 - page 2

current residents, but also to attract new business and industry to the state and its communities. These facilities must be funded with the help of the state, either through the capital budget process or through debt retirement.

I have notified our members of the bill and the hearing scheduled for February 25, 1984. They may have additional specific comments later. I did contact Jim Kennedy, Juneau City-Borough Finance Director and Lynn Rice, Fairbanks North Star Borough Finance Director. Mr. Kennedy, after a quick review, did not anticipate any problems with providing the information. Ms. Rice provided the following comments:

p.2, line 22 - Clarify that duties relate to state bonds e.g. "...delivery of state bonds".

p.3, subsection (d) - There may be a problem with "...a determined fee basis...". Ms. Rice believes the firms most municipalities use charge on the basis of a percentage of the bond issue.

p.4, add new subsection (h) - The committee shall have no power to adjust the proposed debt issuance schedule submitted by municipalities.

Again, the Alaska Municipal League has no policy addressing the specifics of HB 609, but I hope my general comments are helpful. Having alerted the municipalities to the bill, they may send comments to you in addition to those from Juneau and the Fairbanks North Star Borough.

Thank you for your interest and support of the League. If you have any further questions about this or any other legislation which may affect municipalities, please contact me.

Sincerely,



Scott A. Burgess
Executive Director

cc: Jim Kennedy
Lynn Rice

CHAIRMAN:
LANCE ANDERSON

BOARD MEMBERS:
ROBERT HEATH
MARK LEWIS
WINTHROP HONEY
LARRY URSACH



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EXECUTIVE DIRECTOR:
PERRY T. DAVIS

ALASKA MUNICIPAL BOND BANK AUTHORITY

January 17, 1984

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

Dear Representative Uehling:

My preliminary comments on your work draft of a bill dated January 9, 1984 relating to local debt are as follows:

With respect to Section 1 of the proposed legislation I suggest that some objective criteria be established on the waiver to avoid subjective and a perhaps time consuming decision making process. For example, the second sentence might read as follows:

The state bond committee established under AS 37.15.110 [may] shall waive this requirement if (i) a municipality received a bond rating on its most recent issue of bonds from Moody's Investor's Services or Standard & Poor's equal to or higher than the most recent rating given the Alaska Municipal Bond Bank Authority from the comparable rating service; (ii) the Alaska Municipal Bond Bank Authority is unable to issue such bonds because of inadequate funding of its reserve fund established under AS 44.85.170, or (iii) the limit imposed pursuant to AS 44.85.180(c) will be exceeded by the issuance of the bonds for which the waiver is sought.

With regard to Section 2 of the bill I suggest the "10 percent" formula may be too restrictive for several small communities. This is particularly so in light of the fact that some of these communities are close to the limit now and they

• Representative Rick Uehling
January 17, 1984
Page 2

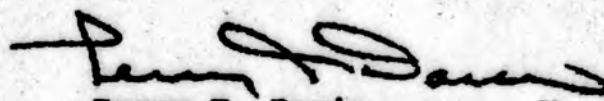
would be prevented from issuing further debt. Remember that such a calculation will include school debt, a major portion of which is reimbursed by the state. If there is strong sentiment for this, perhaps the calculation of the ratio should exclude school debt to the extent it is paid from the school debt reimbursement program.

Refinancing of local debt under Section 3 of the bill in a manner such that annual debt service is increased may actually be a good idea if it conforms to future revenue projections. An example is the 1983 refunding accomplished by the City of Valdez. This refunding shortened the maturities on a long term issue so it would conform to revenue projections of the City which showed drastic decline after 20 years. Thus, maybe this section ought to be deleted. As to school debt reimbursed by the State see AS 14.11.100(j)(2).

As indicated in my suggested language if the Bond Bank is going to be issuing bonds for more schools we will need substantially increased reserves and authorization.

Finally, we note that if this bill is to be made applicable to home rule municipalities then AS 29.13.100 should be amended as well.

Very truly,



Perry T. Davis
Executive Director

PTD:ac

STATE
G.O. SECTIONS

Department of Commerce & Economic Development
Written Testimony Before the
House Special Committee on State Loans
February 25, 1984

We applaud and support the Committee for its interest and concern with debt management. We have no problems with some parts of the bill and simply wish to express some concerns about other sections of the bill.

HB 609 "An Act relating to debt of the state; its agencies and municipalities; and providing for an effective date."

1. We have no problem with making the Commissioner of Revenue the chair and to conducting business by electronic media. (Section 2(a) and (b)).
2. The Department of Revenue has always provided staff support to the Committee and we support that department's efforts, now and in the future, to staff appropriately to accomplish the Committee's objectives. (Section 4).
3. We have no problem with the State Bond Committee developing written information guidelines concerning area's related debt levels or bond ratings. (Section 3(c)).
4. The State Bond Committee and debt issuing agencies of the State currently use the "true interest cost" for determining lowest bid as described in Section 3(e).
5. The State Bond Committee plans to retain a financial advisor who would be paid on a basis that is not related to debt issuance as suggested in Section 3(d).
6. We support the concept of an annual report essentially as outlined in Section 3(b) and the compilation of a debt calendar.

However, we would like to express some concerns about the bill.

1. We think the present board structure works well and we see no reason to alter its composition. (Section 1).
2. We would limit guidelines to debt levels and/or rating issues since debt structures and repayment schedules may vary with each debt issue and may vary with innovation in the bond market. We suggest that the Legislature consider the value of guidelines in light of the fact that rating agencies and bond buyers appear to be as effective as relatively arbitrary guidelines.