

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILE 8672

1161 SCOMM 34: HOUSE SPEC. COMMITTEE ON STATE LOANS 1983-84

STATE OF ALASKA
STATE BOND COMMITTEE
GENERAL LONG-TERM DEBT
GENERAL OBLIGATION BONDS
COMPARATIVE STATEMENT OF BONDED INDEBTEDNESS -
GROUP OF ACCOUNTS
For the Fiscal Years Ended June 30, 1983 and 1982

	<u>1983</u>	<u>1982</u>
<u>Amount Available and to be Provided</u>		
Available in Bond Redemption Reserve	\$ 70,000	\$ 70,000
To be Provided	<u>946,113,000</u>	<u>842,343,000</u>
<u>Total Available and to be Provided</u>	<u>\$946,183,000</u>	<u>\$842,413,000</u>
<u>Bond Principal Liability</u>		
Current Year Liability	\$100,175,000	\$ 81,230,000
Future Years Liability	<u>846,008,000</u>	<u>761,183,000</u>
<u>Total Principal Liability</u>	<u>\$946,183,000</u>	<u>\$842,413,000</u>

The Notes to the Financial Statements are an integral part of this Statement.

STATE OF ALASKA
STATE BOND COMMITTEE
GENERAL FUND
STATEMENT OF EXPENDITURES AND ENCUMBRANCES
COMPARED WITH APPROPRIATIONS FOR OPERATING PROGRAMS (Note 2)
For the Fiscal Year Ended June 30, 1983

	1982-1983	Continuations, Supplementals	Total		Encumbrances At Close	Account Balances	
<u>Operating Programs</u>	<u>Budget Act</u>	<u>& Rev. sions</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>of Year</u>	<u>Continuing</u>	<u>Lapsed</u>
				(Note 3)			
<u>State Bond</u>							
<u>Committee</u>							
Debt Service	\$ -0-	\$ 143,663,900	\$ 143,663,900	\$142,518,577	\$ -0-	\$ -0-	\$1,145,323

The Notes to the Financial Statements are an integral part of this Statement.

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STATE OF ALASKA
STATE BOND COMMITTEE
GENERAL BONDED DEBT AND DEBT SERVICE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1983

Note 1 - Summary of Significant Accounting Policies

Alaska Statute 37.05.150 requires the State of Alaska to conform to generally accepted accounting principles. The following is a summary of the significant policies applicable to long-term debt such as the Debt Service Fund for General Obligation Bonds.

Basis of Accounting. The Debt Service Fund is operated on the cash basis of accounting. Generally accepted accounting principles provide an exception to usual reporting practices to allow general obligation long-term debt to be reported on the cash basis of accounting. The reasoning behind this exception to the general rule is as follows: Financial resources usually are appropriated in other funds for transfer to a Debt Service Fund in the period in which maturing debt principal and interest must be paid. Such amounts thus are not current liabilities of the Debt Service Fund as their settlement will not require expenditure of existing fund assets. Furthermore, to accrue the Debt Service Fund expenditure and liability in one period but record the transfer of financial resources for debt service purposes in a later period would be confusing and would result in overstatements of Debt Service Fund expenditures and liabilities and understatement of the fund balance. Therefore, revenues are recorded as received in cash, and expenditures are recorded at the time of payment.

Note 2 - Alaska Statute 37.15.019 provides for a continuing appropriation from the General Fund to the State Bond Committee to pay for all general obligation bond principal and interest requirements. Authorizations are budgeted based upon actual debt service requirements plus estimated future bond sales.

Note 3 - The following is a reconciliation between debt service fund expenditures on the General Fund Statement of Expenditures Compared with Appropriations for Operating Programs and debt service fund revenues on the Statement of Revenues, Expenditures and Fund Balance of the General Obligation Debt Service Fund.

Note 3 (Cont'd)

Expenditures as shown on the Statement of Expenditures and Encumbrances Compared with Appropriations for Operating Programs:

	<u>\$142,518,557</u>
1) \$6,477 premium and \$844,448 accrued interest received from bond sale	850,925
2) Cost of paying agent fees	(34,071)
3) Return of funds from completed bond construction project	<u>3,877</u>
Revenue from General Fund as shown on the Statement of Revenues, Expenditures and Fund Balance of the General Obligation Debt Service Fund	<u>\$143,339,308</u>

Note 4 - There were no new General Obligation bonds authorized in the 1982 general election. However, at the general election the voters did approve a constitutional amendment, and an authorizing ballot proposition for bonds for veteran's housing. As provided by these measures, the State will unconditionally guarantee the payment of principal and interest in \$400.0 million of Alaska Housing Finance Corporation revenue bonds to be issued for the purpose of purchasing mortgages for residences of veterans. There have been two issues of these bonds during Fiscal Year 1983 totalling \$1.75.0 million. Total interest to maturity on these bond issues will be \$188.4 million. Total principal and interest to maturity is \$363.4 million.

SUPPLEMENTAL INFORMATION

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STATE OF ALASKA

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811

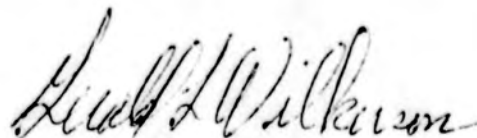
THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

December 21, 1983

Members of the
Legislative Budget and Audit Committee:

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on the following pages is not necessary for a fair presentation of the financial statements, but is presented as additional analytical data. However, the information on pages 19 and 21 has been subjected to the tests and other auditing procedures applied in the examination of the financial statements of the State of Alaska, State Bond Committee, General Obligation Bonded Indebtedness, and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit

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STATE OF ALASKA
STATE BOND COMMITTEE
SCHEDULE OF GENERAL OBLIGATION BOND
DEBT SERVICE REQUIREMENTS TO MATURITY*
At June 30, 1983

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
1984	\$100,175,000	\$ 63,240,330	\$ 163,415,330
1985	100,060,000	56,149,275	156,209,275
1986	101,465,000	49,119,764	150,584,764
1987	100,580,000	42,229,846	142,809,846
1988	100,885,000	35,449,255	136,334,255
1989	95,927,000	28,547,971	124,474,971
1990	87,760,000	22,063,090	109,823,090
1991	69,699,000	15,870,180	85,569,180
1992	48,349,000	10,523,425	58,872,425
1993	43,563,000	7,396,988	50,959,988
1994	20,598,000	5,219,975	25,817,975
1995	19,096,000	3,987,625	23,083,625
1996	18,610,000	2,864,413	21,474,413
1997	14,865,000	1,800,420	16,665,420
1998	13,380,000	1,008,195	14,388,195
1999	8,640,000	368,931	9,008,931
2000	2,531,000	69,081	2,600,081
<u>Total</u>	<u>\$946,183,000</u>	<u>\$345,908,764</u>	<u>\$1,292,091,764</u>

* - These tables do not include principal and interest on AHFC State Guaranteed Bonds (Veterans Mortgage Program).

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STATE OF ALASKA
STATE BOND COMMITTEE
SCHEDULE OF GENERAL OBLIGATION BONDS AUTHORIZED,
ISSUED AND UNISSUED
At June 30, 1983

Session Law Reference	Bonding Purpose	Bonds Authorized	Bonds Issued	Bonds Unissued
	Bonds Previously Authorized and Issued	\$ 892,676,800	\$ 892,676,800	\$ -0-
ch 118 SLA 74	1974 Trunk and Secondary Airport Construction	10,400,000	9,500,000	900,000
ch 132 SLA 74	1974 Health Care Facilities	10,900,000	10,719,000	181,000
ch 131 SLA 76	1976 School Construction	59,290,000	58,690,000	600,000
ch 247 SLA 76	1976 Transportation Construction	53,360,000	50,860,000	2,500,000
ch 271 SLA 76	1976 Water Supply and Sewage Systems	31,000,000	27,620,000	3,380,000
ch 95 SLA 78	1978 Flood Control, Port Facilities and Small Boat Landings	33,290,000	29,792,000	3,498,000
ch 145 SLA 78	1978 Water Supply and Sewage Systems	27,640,000	17,780,000	9,860,000
ch 97 SLA 80	1980 Water Supply and Sewage Systems, Solid Waste Facili- ties and Village Safe Water Construction	33,000,000	16,564,200	16,435,800
ch 99 SLA 80	1980 Correctional Facilities Construction	28,350,000	12,309,000	16,041,000
ch 118 SLA 80	1980 Transportation Construction	156,992,700	143,485,000	13,507,700
ch 121 SLA 80	1980 Education, Library and University of Alaska Facili- ties Construction	<u>63,651,000</u>	<u>49,061,000</u>	<u>14,590,000</u>
<u>Total</u>		<u>\$1,400,550,500</u>	<u>\$1,319,057,000</u>	<u>\$81,493,500</u>

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STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

POUCH S
JUNEAU, ALASKA 99811
PHONE: (907) 465-2300

January 24, 1984



Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit
Pouch W
Juneau, AK 99811

Dear Mr. Wilkerson:

The Department of Revenue has received your preliminary audit report on:

"A Report on the State Bond Committee, General Bonded Debt and Debt Service, For the Fiscal Year Ended June 30, 1983".

As Secretary of the State Bond Committee, I am pleased to see that you have determined that the financial statements relating to bonded debt are in conformity with generally accepted accounting principles.

Sincerely,

A handwritten signature in dark ink, appearing to read "Robert D. Heath".

Robert D. Heath
Commissioner of Revenue

RDH:MB:mw

- (b) The commissioner of revenue may
- (1) invest and reinvest the principal of the funds;
 - (2) sell, exchange, convey, transfer, or otherwise dispose of investments of the funds by private contract or at public auction;
 - (3) vote upon a stock, bond, or other security; give a general or special proxy or power of attorney with or without power of substitution; exercise a conversion privilege, subscription right, or other option and make payments incidental to it; consent to or participate in a corporate reorganization or other change affecting corporate securities, delegate discretionary power, pay an assessment or charge in connection with the delegation; and generally exercise any of the powers of an owner with respect to stocks, bonds, securities, or other investments held in the funds;
 - (4) make, execute, acknowledge, and deliver documents of transfer and conveyance and instruments necessary or appropriate to carry out the powers granted;
 - (5) register investments held in a fund in the name of the board having the power to approve investments for a fund;
 - (6) do all acts whether or not expressly authorized which are considered proper for the protection of the investments held in the funds.
- (§ 4 ch 182 SLA 1978)

Chapter 15. State Bonding Act.

Article

1. General Obligation Bonds (§§ 37.15.010 — 37.15.220)
2. Bond Anticipation Notes (§§ 37.15.300 — 37.15.390)
3. International Airports Revenue Bonds (§§ 37.15.410 — 37.15.550)

Article 1. General Obligation Bonds.

Section	Section
10. Full faith and credit for general obligation bonds	120. Regulations
12. Continuing debt service appropriation	130. Officers, records and proceedings
15. Committee shall publish notice of existing state indebtedness before election	140. Duties of state bond committee
20. Manner and amounts of sale	150. Committee may employ special services
30. Interest rate and maturity	155. Prohibited bidding on bonds and anticipation notes
40. Sale of bonds	160. Contents of resolution
50. Redemption	170. State bond committee to certify annual principal, interest, and reserve requirements
60. Form and registration of bonds	180. Remedies of bondholders
70. Place of payment	190. Negotiability
80. Signatures and seal	200. Bonds as legal investments
90. Terms and conditions	210. Refunding bonds
100. Trustee	215. Official statements
110. Creation and membership of state bond committee	220. Short title

Sec. 37.15.010. Full faith and credit for general obligation bonds. The full faith, credit and resources of the state are hereby pledged to the payment of the principal of and interest and redemption premium, if any, on all general obligation bonds of the state authorized pursuant to art. IX, § 8 of the constitution. (§ 1 ch 175 SLA 1960; am § 1 ch 104 SLA 1967)

Collateral references. — 63 Am.Jur.2d, Public Funds, §§ 23-32. 64 Am.Jur.2d, Public Securities and Obligations, § 1 et seq.
81A C.J.S., States, §§ 250-262.
Funding or refunding obligations as

subject to conditions respecting approval by voters, 97 ALR 442.

Validity of bond issue in excess of amount permitted by law within authorized debt, tax or voted limit, 175 ALR 823.

Sec. 37.15.012. Continuing debt service appropriation. The amounts required annually to pay the principal, interest, and redemption premium on all issued and outstanding general obligation bonds of the state are appropriated on July 1 of each year from the general fund to the state bond committee to make all required payments of principal, interest, and redemption premium. (§ 1 ch 100 SLA 1981)

Opinions of attorney general. — This section does not represent an unconstitutional dedication of public funds under § 7, art. IX, of the state constitution,

as that section of the constitution contains an implied exception for bond obligations. November 30, 1982, Op. Att'y Gen.

Sec. 37.15.015. Committee shall publish notice of existing state indebtedness before election. (a) Before a general or special election in which a bond issue is offered for ratification, the state bond committee shall publish a notice of existing state bonded indebtedness at least once a week for three consecutive weeks in a newspaper of general circulation in each of the four judicial districts of the state. The first notice shall be published at least 20 days before the date of the election. A notice shall contain

- (1) the current total bonded indebtedness of the state,
- (2) the cost of the debt service on the current indebtedness.

(b) Neither the failure to publish the notice of existing state bonded indebtedness nor a defect in the publication affects the validity of the bond issue offered for ratification or of a general or special election in which a bond issue is offered for ratification. (§ 2 ch 50 SLA 1964; am § 1 ch 8 SLA 1969)

Collateral references. — Effect of inclusion in call for election, or in proposal for bond issue submitted to people, of unauthorized method of payment or retirement, 93 ALR 362.

Bonds issued by state officer of board payable solely out of proceeds of obli-

gations of political subdivisions pledged as within constitutional or statutory provisions which impose a limit on state indebtedness or require consent of electors, 100 ALR 1114.

Mistake, ambiguity, or omission in statement as to indebtedness, in call for

election or proposal for bond issue, as affecting validity of election or bonds issued pursuant thereto, 116 ALR 1258.

Effect of delay after authorization by voters on power of governmental unit to issue bonds, 135 ALR 768.

Validity, within authorized debt, tax, or voted limit, of bond issue in excess of amount permitted by law, 175 ALR 823.

Sec. 37.15.020. Manner and amounts of sale. The state bond committee shall sell the bonds of each authorization in the amounts or series and at the times which it finds are for the best interests of the state and its inhabitants. (§ 1 ch 175 SLA 1960)

Sec. 37.15.030. Interest rate and maturity. Each issue or series of bonds shall bear interest at an effective rate over the life of the bonds not to exceed 11 percent a year or that rate of interest which is 110 percent of the rate of the Bond Buyer Index of 20 Municipal Bond Average Yields for the week previous to the date of sale of the bonds, whichever is higher. The bonds shall mature in not more than 30 years from date of issue, unless a longer period is specifically authorized by statute. (§ 1 ch 175 SLA 1960; am § 2 ch 104 SLA 1967; am § 1 ch 92 SLA 1970; am § 1 ch 29 SLA 1976; am § 1 ch 85 SLA 1980; am § 1 ch 110 SLA 1982)

Effect of amendments. — The 1980 amendment substituted "10" for "eight" preceding "percent a year" at the end of the first sentence.

The 1982 amendment substituted the language beginning "11 percent a year" for

"10 percent a year" at the end of the first sentence.

Collateral references. — Right to call governmental bonds in advance of their maturity, 109 ALR 988.

Sec. 37.15.040. Sale of bonds. Before selling an issue or series of bonds, the state bond committee shall give notice inviting sealed bids in such manner as it may prescribe. If satisfactory bids are received, the bonds offered for sale shall be awarded to the highest responsible bidder. If the state bond committee determines that the bids received are not satisfactory as to price or responsibility of the bidders, it may reject all bids received. (§ 1 ch 175 SLA 1960; am § 3 ch 104 SLA 1967; am § 1 ch 43 SLA 1969)

Sec. 37.15.050. Redemption. The state bond committee may determine whether the bonds are subject to redemption before their fixed maturities and may fix the premium for and all other terms of the redemption. No bond may be subject to redemption before its fixed maturity date unless the right to so redeem the bond is expressly mentioned on the face of the bond. (§ 1 ch 175 SLA 1960; am § 4 ch 104 SLA 1967; am § 1 ch 26 SLA 1968; am § 7 ch 143 SLA 1968)

Collateral references. — 81A C.J.S., States, § 261.

Funding or refunding obligations as subject to conditions respecting limitation

of indebtedness, 97 ALR 442.

Validity of bond issue in excess of amount permitted by law within authorized debt, tax or voted limit, 175 ALR 823.

Sec. 37.15.060. Form and registration of bonds. An issue or series of bonds may be issued in coupon form payable to bearer or in fully registered form, and bonds in coupon form may be made registrable as to principal or principal and interest, as determined by the state bond committee. (§ 1 ch 175 SLA 1960; am § 2 ch 26 SLA 1968)

Sec. 37.15.070. Place of payment. The state bond committee may fix the place or places of payment of the principal, interest and redemption premium, if any. (§ 1 ch 175 SLA 1960; am § 5 ch 104 SLA 1967)

Sec. 37.15.080. Signatures and seal. (a) Each bond shall be signed on behalf of the state by the governor and attested by the lieutenant governor, which signatures may be facsimile signatures. The seal of the state shall be impressed, imprinted or otherwise reproduced on each bond. Each interest coupon attached to the bond shall be signed by the facsimile signatures of the governor and lieutenant governor. If an officer whose signature appears on the bonds or coupons ceases to be an officer before delivery of the bonds, the signature is, nevertheless, valid and sufficient for all purposes, as if the officer had remained in office until delivery.

(b) A signature required on a bond issued by a political subdivision of the state may be a facsimile signature. (§ 1 ch 175 SLA 1960; am § 6 ch 104 SLA 1967)

Collateral references. — Printing, lithographing, or other mechanical signature on public bonds, coupons, or other pecuniary obligation, 94 ALR 768.

Sec. 37.15.090. Terms and conditions. Each issue or series of bonds shall be issued under and subject to the terms, conditions, and covenants providing for the payment of the principal and the interest and other terms, conditions, covenants, and protective provisions safeguarding the payment as found reasonably necessary by the state bond committee for the most advantageous sale. The terms, conditions, and covenants may include the setting aside and maintaining of certain reserves to secure the payment of principal and interest. (§ 1 ch 175 SLA 1960)

Collateral references. — Effect of inclusion in call for election, or in proposal for bond issue submitted to people, of unauthorized method of payment or retirement, 93 ALR 362.

Power of legislature to add to or make more onerous the conditions or limitations

prescribed by Constitution upon incurring public debts, 106 ALR 231.

Power and discretion of officer or board authorized to issue bonds of governmental unit as regards terms or conditions to be included therein, 119 ALR 190.

Sec. 37.15.100. Trustee. If the state bond committee finds it necessary to accomplish the most advantageous sale of the bonds, the committee shall select a trustee for the owners and holders of the bonds or for the safeguarding and disbursement of the proceeds of the sale of the bonds for the use and purpose for which issued, and shall fix the rights, duties, powers, and obligations of the trustee. (§ 1 ch 175 SLA 1960)

Sec. 37.15.110. Creation and membership of state bond committee. There is created a committee known as the "state bond committee," the members of which are the commissioner of commerce and economic development, the commissioner of administration, and the commissioner of revenue. If a member of the committee is absent or otherwise unable to act, the member's designee in the department shall act as a member of the committee in the member's place. (§ 2 ch 175 SLA 1960; am § 7 ch 104 SLA 1967; am § 81 ch 218 SLA 1976)

Sec. 37.15.120. Regulations. The state bond committee may adopt regulations for the performance of its duties and may designate by resolution one of its members to perform any act necessary to effectuate its duties not required by statute to be performed by the state bond committee in meeting or by resolution, or by another officer of the state. (§ 2 ch 175 SLA 1960; am § 8 ch 104 SLA 1967)

Sec. 37.15.130. Officers, records and proceedings. The commissioner of commerce and economic development is the chairman of the state bond committee and the commissioner of revenue is the secretary. A majority of the members of the committee constitute a quorum. The committee shall keep a full, complete, and permanent record of its proceedings. All records and correspondence of the committee shall be kept in the office of the commissioner of revenue. (§ 2 ch 175 SLA 1960; am § 82 ch 218 SLA 1976)

Collateral references. — Personal liability of officers to holders of invalid public money obligations, 87 ALR 273.

Sec. 37.15.140. Duties of state bond committee. The state bond committee shall adopt the resolution and prepare the documents necessary for the issuance, sale, and delivery of bonds. (§ 3 ch 175 SLA 1960)

Sec. 37.15.150. Committee may employ special services. If the state bond committee considers it necessary and advisable, it may procure architectural or engineering, fiscal agent or municipal investment, legal and other expert or specialized services at reasonable and customary fees to assist it in accomplishing the most advantageous sale of the bonds. The fees may be paid from the proceeds of the sale or advanced from the contingency fund in the office of the governor or otherwise. (§ 3 ch 175 SLA 1960)

Sec. 37.15.155. Prohibited bidding on bonds and anticipation notes. (a) No person who provides financial programming or marketing assistance to the state bond committee in connection with the issuance or sale of general obligation bonds, revenue bonds or bond anticipation notes of the state may bid on the bonds.

(b) The sale of general obligation bonds, revenue bonds or bond anticipation notes of the state to a person who is prohibited from bidding on the bonds or notes under (a) of this section is against public policy and the sale is void.

(c) In this section "person" means an individual, firm, agent, factor, intermediary, partnership, corporation, association, bond house, stockbroker or bond broker. (§ 1 ch 102 SLA 1974)

Sec. 37.15.160. Contents of resolution. The resolution adopted by the state bond committee shall

(1) fix the principal amount, denominations, date, maturities, place of payment, terms, right of redemption if any, form, conditions and covenants of the bonds;

(2) fix the date of sale and the form of the notice of sale; and

(3) provide if the notice is to be published elsewhere in addition to the publication required by AS 37.15.040. (§ 3 ch 175 SLA 1960; am § 3 ch 26 SLA 1968)

Sec. 37.15.170. State bond committee to certify annual principal, interest, and reserve requirements. (a) Before January 1 of each year after bonds are issued, the state bond committee shall certify to the commissioner of administration the amount needed for the following calendar year to meet principal, interest, and reserve requirements on all bonds or issues or series of bonds then outstanding.

(b) The commissioner of administration shall set aside these amounts or make the necessary provisions for the setting aside of these amounts so that there will be sufficient money to pay the principal and interest on the due date and to meet reserve requirements. (§ 4 ch 175 SLA 1960)

Sec. 37.15.180. Remedies of bondholders. The owner and holder of each bond or the trustee may by appropriate proceeding require and compel the transfer and payment of money as directed by this chapter. (§ 4 ch 175 SLA 1960)

Sec. 37.15.190. Negotiability. General obligation bonds of the state and the coupons attached to the bonds are negotiable instruments. (§ 5 ch 175 SLA 1960)

Collateral references. — Negotiability of state warrants, 36 ALR 949.

Sec. 37.15.200. Bonds as legal investments. General obligation bonds of the state are legal investments for all state funds, or for funds under state control, and for all funds of a political subdivision of the state. (§ 5 ch 175 SLA 1960)

Sec. 37.15.210. Refunding bonds. (a) All or a part of the general obligation bonds of the state, or all or a part of each outstanding issue or series of bonds, may be refunded at or before maturity by the issuance of general obligation refunding bonds of the state if, in the opinion of the state bond committee, refunding is advantageous to and in the best interest of the state and its inhabitants. Money set aside as reserve to secure the payment of the principal and interest of bonds being refunded may be used to pay the principal and interest on these bonds or may be retained by the state to secure the payment of the principal and interest on the refunding bonds to be issued.

(b) Refunding bonds and the coupons attached to them are negotiable instruments. The effective rate of interest over the life of refunding bonds may not exceed 11 percent a year or that rate of interest which is 110 percent of the rate of the Bond Buyer Index of 20 Municipal Bond Average Yields for the week previous to the date of sale of bonds, whichever is higher, and the amount of premium which is paid to effect the redemption of outstanding bonds may not be considered in determining the effective rate of interest.

(c) Refunding bonds may be exchanged for the bonds being refunded or refunding bonds may be sold in the manner and at the prices which the state bond committee determines to be for the best interest of the state and its inhabitants either at public or private sale.

(d) The issuance of refunding bonds need not be authorized by the qualified voters of the state. The state bond committee shall adopt the resolution and prepare the documents necessary for the issuance, exchange or sale, and delivery of refunding bonds. The provisions of this chapter relating to the terms, conditions, covenants, issuance, and sale of general obligation bonds of the state apply to refunding bonds except as otherwise specifically provided in this section. (§ 6 ch 175 SLA 1960; am § 2 ch 92 SLA 1970; am § 2 ch 85 SLA 1980; am § 2 ch 110 SLA 1982)

Effect of amendments. — The 1980 amendment substituted "10" for "seven" preceding "percent a year" in the second sentence of subsection (b).

The 1982 amendment substituted the language beginning "11 percent a year" and ending "date of sale of bonds, whichever is higher" for "10 percent a

year" in subsection (b).

Collateral references. — Funding or refunding obligations as subject to conditions respecting limitation of indebtedness or approval by voters, 97 ALR 442.

Power of governmental unit to issue bonds as implying power to refund them, 1 ALR2d 134.

Sec. 37.15.215. Official statements. To the extent practicable the official statements and other documentation issued in connection with an offering of state or local government securities shall comply with

the guidelines of the Municipal Finance Officers Association or other nationally recognized guidelines. (§ 12 ch 168 SLA 1978)

Sec. 37.15.220. Short title. AS 37.15.010 — 37.15.220 may be cited as the State Bonding Act. (§ 7 ch 175 SLA 1960; am § 54 ch 127 SLA 1974)

Article 2. Bond Anticipation Notes.

Section	Section
300. Borrowing in anticipation of sale of bonds permitted	350. Security for repayment of revenue bonds
310. Issuance of notes	360. Limitation on issuance of notes
330. Repayment of notes	370. Use of proceeds from sale of notes
340. Security for repayment of general obligation bonds	380. Sale of notes
	390. Execution of notes

Sec. 37.15.300. Borrowing in anticipation of sale of bonds permitted. When the state bond committee considers it in the best interests of the state, it may borrow money in anticipation of the sale of general obligation and revenue bonds, if

(1) the general obligation bonds to be sold have been authorized by law and ratified by a majority vote of the qualified voters of the state who vote on the question; or

(2) the general obligation bonds to be sold have been authorized by law for the purpose of meeting natural disasters, repelling invasion, suppressing insurrection, or defending the state in war; or

(3) the revenue bonds to be sold have been authorized by law; and

(4) money to be derived from the sale of general obligation and revenue bonds has been appropriated by the legislature. (§ 1 ch 42 SLA 1964; am § 1 ch 74 SLA 1964)

Sec. 37.15.310. Issuance of notes. The state bond committee shall issue notes for the amounts borrowed with a maturity date not to exceed one year from the date of issue. All the notes are payable at a fixed place, on or before a fixed time, or at a fixed time, from the proceeds of the sale of bonds, in anticipation of which the original note or notes were issued, unless the bonds have not been sold by the maturity date of the notes. Interest on the notes is payable at a fixed place, on or before a fixed time, out of appropriations made for the payment of interest on general obligation notes or bonds of the state. (§ 1 ch 42 SLA 1964; am § 1 ch 127 SLA 1976)

Sec. 37.15.320. Issuance of new notes. [Repealed, § 3 ch 41 SLA 1967.]

Sec. 37.15.330. Repayment of notes. Every note shall be payable from the proceeds of the next succeeding sale of bonds or from the proceeds of the sale of new bond anticipation notes. (§ 1 ch 42 SLA 1964)

Sec. 37.15.340. Security for repayment of general obligation bonds. Notes issued in anticipation of the sale of general obligation bonds and the interest thereon are secured by the full faith, credit, and resources of the state. (§ 1 ch 42 SLA 1964)

Sec. 37.15.350. Security for repayment of revenue bonds. Notes issued in anticipation of the sale of revenue bonds and the interest thereon are secured in the same manner as are the revenue bonds in anticipation of which the notes are issued. (§ 1 ch 42 SLA 1964)

Sec. 37.15.360. Limitation on issuance of notes. The total amount of such notes issued and outstanding shall at no time exceed the total amount of bonds authorized to be issued. (§ 1 ch 42 SLA 1964)

Sec. 37.15.370. Use of proceeds from sale of notes. The proceeds from the sale of the notes shall be used only for the purposes for which the proceeds from the sale of bonds may be used or to meet payment of outstanding bond anticipation notes. (§ 1 ch 42 SLA 1964)

Sec. 37.15.380. Sale of notes. Notes issued under this chapter shall be sold by the state bond committee in such manner and at such price or prices as it shall determine, at either public or private sale; however, no such note shall be sold for less than par and accrued interest or at an interest rate exceeding 11 percent a year or that rate of interest which is 110 percent of the rate of Bond Buyer Index of 20 Municipal Bond Average Yields for the week previous to the date of sale of the notes, whichever is higher. (§ 1 ch 42 SLA 1964; am § 3 ch 92 SLA 1970; am § 3 ch 85 SLA 1980; am § 3 ch 110 SLA 1982)

Effect of amendments. — The 1980 amendment substituted "10" for "seven" preceding "percent a year" at the end of the section.

The 1982 amendment substituted the language beginning "11 percent a year" for "10 percent a year" at the end of the section.

Sec. 37.15.390. Execution of notes. Notes for money borrowed in anticipation of receipts from the sale of bonds shall be signed by the governor and countersigned by the lieutenant governor. The governor's and lieutenant governor's signatures may be facsimile signatures. (§ 1 ch 42 SLA 1964; am § 4 ch 110 SLA 1982)

Effect of amendments. — The 1982 amendment substituted the present second sentence for the former sentence,

which read: "The governor's signature may be a facsimile signature."

Article 3. International Airports Revenue Bonds.**Section**

410. Bond authorization
 420. Construction fund
 430. Revenue fund
 440. Redemption fund
 450. Bond terms
 460. Bond resolution
 470. Enforcement by holder
 480. Amounts required for payments

Section

490. Bond negotiability
 500. Airport charges
 510. State improvements to airports
 520. Refunding
 530. Bonds as legal investments
 540. Statutory construction
 550. Definitions

Legislative history reports. — For report on ch. 149, SLA 1972 (CSHB 531), see 1972 House Journal, p. 1233.

Sec. 37.15.410. Bond authorization. For the purpose of providing part or all of the money to be used, with or without any grants or other money which may become available, the issuance and sale of revenue bonds of the state in the total principal sum of not to exceed \$62,825,000 is authorized to acquire, equip, construct and install the additions, improvements, extensions and facilities authorized in AS 37.15.510. The principal of and interest on these bonds shall be paid out of and secured by the gross revenues derived by the state from the ownership, lease, use and operation of the airports, and of all the facilities of them and out of any other revenues or money which the state legislature may provide exclusive of any state tax or license. (§ 1 ch 149 SLA 1972; am § 1 ch 66 SLA 1974; am § 1 ch 68 SLA 1979; am § 1 ch 11 SLA 1982; am § 1 ch 25 SLA 1983)

Effect of amendments. — The 1979 amendment substituted "\$43,325,000" for "\$34,825,000" in the first sentence.

The 1982 amendment, substituted "\$34,825,000" for "\$43,325,000" in the first sentence.

The 1983 amendment substituted

"\$62,825,000" for "\$34,825,000" in the first sentence.

Editor's notes. — See ch. 69, SLA 1979 in Temporary and Special Acts and Resolves for the appropriation of the increase in bonds authorized by ch. 68, SLA 1979.

Sec. 37.15.420. Construction fund. (a) There is a special fund of the state known as the "International Airports Construction Fund," into which shall be paid the proceeds of the sale of the bonds (except any accrued interest paid on them, which shall be paid into the bond redemption fund) and any grant or other money which is legally provided for the same purposes for which the bonds are authorized. The money in the construction fund shall be used to pay the costs of acquiring, equipping, constructing and installing additions and improvements to and extensions of and facilities for the airports and costs incidental thereto, including costs of the authorization, issuance and

sale of the bonds. To the extent provided in the bond resolution, money in the construction fund may also be used for the payment of interest on the bonds during the period of actual construction, and for such further period, not exceeding one year after the period of construction, as may be provided in the bond resolution. Money in the construction fund may also be transferred to the bond redemption fund, to the extent provided in the bond resolution, to establish a reserve for the payment of the principal of and interest on the bonds.

(b) The bond resolution may provide for the investment of money in the construction fund in such manner as the committee may determine. The interest earned upon or any profits derived from the sale of this investment shall be deposited in and become a part of the construction fund. (§ 1 ch 149 SLA 1972)

Cross references. — For initial appropriations to fund, see section 2, ch. 149, SLA 1972, Temporary and Special Acts.

Opinions of Attorney General. — This fund does not represent an unconstitutional dedication of public funds under § 7, art. IX, of the state constitution, as that section of the constitution con-

tains an implied exception for revenue derived from bond issues and for revenue derived from facilities constructed with bond proceeds, at least to the extent that it is necessary to satisfy the debt obligation or maintain the facility so that it continues to generate revenues for that purpose. November 30, 1982, Op. Att'y Gen.

Sec. 37.15.430. Revenue fund. (a) There is another special fund of the state, known as the "International Airports Revenue Fund," which shall be completely segregated and set apart from all other funds of the state, which is a trust fund for the uses and purposes provided in AS 37.15.410 — 37.15.550, and into which shall be paid all revenues, fees, charges and rentals derived by the state from the ownership, lease, use and operation of the airports and all of the facilities and improvements of them and facilities and improvements used in connection with them. These revenues, charges, fees and rentals shall not include the proceeds of any state tax or license. The money in the revenue fund shall only be used for the purpose of paying or securing the payment of the principal of and interest on the bonds and of and on any other revenue bonds issued by authorization of the legislature to provide funds to acquire, equip, construct and install additions and improvements to, and extensions of and facilities for, the airports and to be payable out of the revenue fund, the purpose of paying the normal and necessary costs of maintaining and operating the airports and all of the improvements and facilities of them, the purpose of paying the costs of renewals, replacements and extraordinary repairs to the airports and all of the improvements and facilities of them, the purpose of redeeming before their fixed maturities any and all revenue bonds issued for the purposes of the airports, the purpose of providing funds to acquire, construct and install necessary additions and improvements to and extensions of and facilities for the airports and all of their facilities, and the purpose of providing funds to pay any and all other

(b) The investment of money in the revenue fund may be made in such manner as the committee may determine. The interest earned upon or any profits derived from the sale of this investment shall be deposited in and become a part of the revenue fund. (§ 1 ch 149 SLA 1972)

Opinions of Attorney General. — This fund does not represent an unconstitutional dedication of public funds under § 7, art. IX, of the state constitution, as that section of the constitution contains an implied exception for revenue derived from bond issues and for revenue

derived from facilities constructed with bond proceeds, at least to the extent that it is necessary to satisfy the debt obligation or maintain the facility so that it continues to generate revenues for that purpose. November 30, 1982, Op. Att'y Gen.

Sec. 37.15.440. Redemption fund. There is another special fund of the state, known as the "International Airports Revenue Bond Redemption Fund," which is a trust fund for paying and securing the payment of the principal of and interest and redemption premium, if any, on the bonds and which shall be at all times completely segregated and set apart from all other funds of the state. The committee, on behalf of the state, shall obligate and bind the state to set aside and pay into the bond redemption fund any part or parts of, or all of, or a fixed proportion of, or a fixed amount of the money in the revenue fund sufficient to pay the principal of and interest and redemption premium, if any, on the bonds as the payments become due and, if it considers it necessary, to set aside and maintain reserves for this purpose. The bond redemption fund shall be drawn upon for the purpose of paying the principal of and interest and redemption premium, if any, on the bonds, and the bonds do not constitute a general obligation of the state. (§ 1 ch 149 SLA 1972)

Opinions of Attorney General. — This fund does not represent an unconstitutional dedication of public funds under § 7, art. IX, of the state constitution, as that section of the constitution contains an implied exception for revenue derived from bond issues and for revenue

derived from facilities constructed with bond proceeds, at least to the extent that it is necessary to satisfy the debt obligation or maintain the facility so that it continues to generate revenues for that purpose. November 30, 1982, Op. Att'y Gen.

Sec. 37.15.450. Bond terms. (a) The bonds shall be sold in such amounts or series and at such time or times as determined by the committee. Before selling a series of bonds, the committee shall give notice inviting sealed bids in such manner as it may prescribe. If satisfactory bids are received, the bonds offered for sale shall be awarded to the highest responsible bidder. If the committee determines that the bids received are not satisfactory as to price or responsibility of the bidders, it may reject all bids received. The bonds, or each series of them, shall be sold at such a price so that the effective interest rate over the life of the bonds does not exceed 11 percent per year or that

rate of interest which is 125 percent of the rate of the Bond Buyer Index of 20 Municipal Bond Average Yields for the week previous to the date of sale of the bonds, whichever is higher. Interest shall be payable annually or semiannually.

(b) The bonds shall mature at such time or times as fixed by the committee. The bonds may be subject to redemption before their fixed maturities as determined by the committee and with such premium or premiums as fixed by the committee, but no bond may be subject to redemption before its fixed maturity date unless the right so to redeem that bond is expressly mentioned on the face of the bond. The bonds may be in denominations determined by the committee; may be issued in coupon form or in fully registered form, and may be registrable as to principal or both principal and interest, all under such regulations and conditions as the committee shall provide; shall be payable as to principal and interest at such place or places as may be determined by the committee; shall be signed on behalf of the state by the governor and shall be attested by the lieutenant governor, both of which signatures may be facsimile signatures; shall have the seal of the state impressed, printed or lithographed on them, and each of the interest coupons attached to them shall be signed by the facsimile signatures of these officials; shall be issued under and subject to such terms, conditions and covenants providing for the payment of the principal of them and interest on them and such other terms, conditions, covenants and protective features safeguarding this payment and relating to the maintenance, operation and improvement of the airports as found necessary by the committee, which covenants may include a provision requiring the setting aside and maintenance of certain reserves to secure the payment of this principal and interest. The committee may provide that any additional bonds authorized after June 27, 1972 by the legislature to be payable out of the same source or sources as the bonds authorized as of that date may later be issued on a parity with the bonds authorized as of that date upon compliance with any conditions which the committee may prescribe.

(c) If found reasonably necessary, the committee may select a trustee or trustees for the holders of the bonds or any series of them, for the safeguarding and disbursement of any of the money in any of the funds created by AS 37.15.420, 37.15.430 and 37.15.440, or for such duties with respect to the authentication, delivery and registration of the bonds as the committee may determine, and shall fix the rights, duties, powers and obligations of the trustee or trustees.

(d) In its determination of all of the matters and questions relating to the issuance and sale of the bonds and the fixing of the maturities, terms, conditions and covenants of them as provided in (a), (b) and (c) of this section, the decisions of the committee shall be those found to be reasonably necessary for the best interests of the state and its inhabitants, and those which will accomplish the most advantageous sale of

the bonds, with due regard, however, to necessary or normal costs of maintenance and operation, renewals and replacements of and repairs to the airports and to all improvements to them and facilities of them owned, used, operated or leased in connection with them, the future growth and expansion of the airports and all of such facilities, and the possibility of additional revenue bond financing for airports purposes. Any such decisions of the committee, as expressed in any bond resolution, are final and conclusive when any bonds have been issued pursuant to the bond resolution.

(e) A bond resolution may provide that the bonds issued shall contain a recital that they are issued under AS 37.15.410 — 37.15.550, and any such bonds containing this recital shall be conclusively considered to be valid and to have been issued in conformity with AS 37.15.410 — 37.15.550.

(f) The validity of the authorization and issuance of bonds is not affected by any proceedings for the acquisition or construction of the additions, improvements, extensions or facilities for which the bonds have been issued or by any contracts in connection with the acquisition or construction. (§ 1 ch 149 SLA 1972; am §§ 1, 2 ch 19 SLA 1973; am § 4 ch 85 SLA 1980; am § 5 ch 110 SLA 1982)

Revisor's notes. — AS 37.15.450 was derived from § 7, ch. 88, SLA 1961, as amended by § 8, ch. 62, SLA 1968 and § 3, ch. 173, SLA 1970. In the last sentence of what is now designated subsection (b), the only differences between the wording here and in those earlier versions are that "hereafter" was changed to "after the effective date of this Act" and "authorized by this Act" (in two places) was changed to "authorized as of that date." The latter change suggests that the date referred to in the former change is June 27, 1972, the effective date of the Act putting these provisions in the Alaska Statutes, rather than

April 15, 1961, the effective date of the original international airports bond authorization Act. Therefore, under AS 01.05.031(b)(5), the 1972 date has been inserted in the text.

Effect of amendments. — The 1980 amendment substituted "10" for "eight" preceding "percent per year" near the end of the next-to-last sentence of subsection (a).

The 1982 amendment substituted the language beginning "11 percent per year" for "10 percent per year" at the end of the next-to-last sentence of subsection (a).

Sec. 37.15.460. Bond resolution. The committee is authorized and directed to adopt the bond resolution and prepare all other documents and proceedings necessary for the issuance, sale and delivery of the bonds or any part or series of them. The bond resolution shall fix the principal amount, denomination, date, maturities, place or places of payment, rights of redemption, if any, terms, form, conditions and covenants of the bonds or each series of them. The committee shall also determine and provide for the date and manner of sale of the bonds, and shall provide whether the notice of sale is to be published elsewhere in addition to the publication required by AS 37.15.450. (§ 1 ch 149 SLA 1972)

Sec. 37.15.470. Enforcement by holder. The holder of any bonds or the trustee for the holders of the bonds or any series of them, may by appropriate proceedings in the courts of record of the state, require and compel the transfer, setting aside and payment of money and the enforcement of all of the terms, conditions and covenants as required and provided in AS 37.15.410 — 37.15.550 and in the bond resolution. (§ 1 ch 149 SLA 1972)

Sec. 37.15.480. Amounts required for payments. The committee shall, before December 31 of each year, commencing with the year in which the bonds are issued, certify to the commissioners of revenue and transportation and public facilities the amounts required in the next ensuing calendar year by the bond resolution or resolutions to be paid out of the revenue fund into the bond redemption fund and to be paid into and maintained in any reserve fund or account or any other fund or account created by the bond resolution or resolutions, and shall also certify to the commissioners the last date or dates upon which payments may be made. (§ 1 ch 149 SLA 1972)

Sec. 37.15.490. Bond negotiability. The bonds and the coupons attached to them are fully negotiable instruments under the laws of the state. (§ 1 ch 149 SLA 1972)

Sec. 37.15.500. Airport charges. The commissioner of transportation and public facilities shall fix and collect such fees, charges and rentals derived by the state from the ownership, lease, use and operation of the airports and all of the facilities and improvements of them or used in connection with them as will provide revenues sufficient to comply with all of the covenants of the bond resolution. (§ 1 ch 149 SLA 1972)

Sec. 37.15.510. State improvements to airports. The state is authorized to acquire, equip, construct and install additions and improvements to and extensions of the airports, facilities for the landing, parking, loading, storing, repairing, safety and utility of aircraft at the airports and passenger, freight and terminal facilities, including safety equipment and devices at the airports, found to be necessary by the commissioner of transportation and public facilities. (§ 1 ch 149 SLA 1972)

Sec. 37.15.520. Refunding. (a) The bonds or any part of them may be refunded at or before their maturity by the issuance of refunding revenue bonds of the state if in the opinion of the committee refunding is advantageous to and in the best interests of the state and its inhabitants.

(b) The issuance of refunding bonds need not be authorized by an Act of the legislature, and the committee is authorized and directed to adopt the resolution or resolutions and prepare all other documents and proceedings necessary for the issuance, exchange or sale, and

delivery of such bonds. All provisions of AS 37.15.410 — 37.15.550 applicable to revenue bonds are applicable to the refunding bonds and to the issuance, sale or exchange of them, except as otherwise provided in this section.

(c) Refunding bonds may be issued in a principal amount sufficient to provide funds for the payment of all bonds to be refunded by them, and, in addition, for the payment of all expenses incident to the calling, retiring or paying of the outstanding bonds, and the issuance of the refunding bonds. These expenses include the difference in amount between the par value of the refunding bonds and any amount less than par for which the refunding bonds are sold, any amount necessary to be made available for the payment of interest upon the refunding bonds from the date of sale of them to the date of payment of the bonds to be refunded or to the date upon which the bonds to be refunded will be paid pursuant to the call of them or agreement with the holders of them, and the premium, if any, necessary to be paid in order to call or retire the outstanding bonds and the interest accruing on them to the date of the call or retirement. (§ 1 ch 149 SLA 1972)

Collateral references. — Funding or refunding obligations as subject to conditions respecting limitation of indebtedness or approval by voters, 97 ALR 442.

Power of governmental unit to issue bonds as implying power to refund them, 1 ALR2d 134.

Sec. 37.15.530. Bonds as legal investments. The bonds are legal investments for all banks, trust companies, savings banks, savings and loan associations and other persons carrying on a banking business, all insurance companies and other persons carrying on an insurance business, and all executors, administrators, trustees and other fiduciaries. The bonds may be accepted as security for deposits of all funds of the state and its political subdivisions. (§ 1 ch 149 SLA 1972)

Sec. 37.15.540. Statutory construction. AS 37.15.410 — 37.15.550 shall be liberally construed in order to carry out the purposes for which they were enacted, and all existing laws in conflict with any of these sections are superseded insofar as necessary to accomplish the purposes of and carry out the provisions of these sections. (§ 1 ch 149 SLA 1972)

Sec. 37.15.550. Definitions. As used in AS 37.15.410 — 37.15.550, unless the context otherwise requires:

(1) "airports" means the international airports owned and operated by the state and located at or near the cities of Anchorage and Fairbanks;

(2) "bond redemption fund" means the International Airports Revenue Bond Redemption Fund created by AS 37.15.440, including any accounts which are created in that fund after June 27, 1972;

(3) "bond resolution" means the resolution or resolutions authorizing the issuance of bonds, adopted by the committee under AS 37.15.460;

(4) "bonds" means the international airports revenue bonds authorized by AS 37.15.410 — 37.15.550;

(5) "commissioner of transportation and public facilities" means the principal executive officer of the Department of Transportation and Public Facilities of the state as provided in AS 44.42.010, or a successor;

(6) "commissioner of revenue" means the principal executive officer of the Department of Revenue of the state as provided in AS 44.25.010, or a successor;

(7) "committee" means the state bond committee created by AS 37.15.110, or any other committee, body, department or officer of the state which or who succeeds to the rights, powers, duties and obligations of the state bond committee by lawful Act of the legislature;

(8) "construction fund" means the International Airports Construction Fund created by AS 37.15.420;

(9) "revenue fund" means the International Airports Revenue Fund created by AS 37.15.430. (§ 1 ch 149 SLA 1972)

**A Review of Debt Capacity
and Debt Management
for the State of Alaska**

**Report to the
Legislative Budget and Audit Committee,
State of Alaska Legislature**

August, 1983

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CHAPTER I

EXECUTIVE SUMMARY

The changing nature of tax-exempt borrowing, including the shift from traditional tax-supported government bonds to revenue-backed bonds, the rise and volatility in interest rates, the reliance upon individual investors in contrast to institutional lenders, and changes in federal law concerning various aspects of tax-exempt financing, has resulted in states generally being more attentive to debt management and debt policy. This study of State debt management comes at a propitious time. While the past growth of tax-exempt borrowing by issuers bearing the Alaska name has been rapid and sizeable, new programs and proposals before the legislature indicate that the demand for new spending and borrowing is far from sated. At the same time, recent reductions in the market price for petroleum and the unpredictability of its future supply and price raise uncertainties about the level and viability of the principal source of governmental revenues that directly or indirectly supports many of Alaska's borrowing and spending programs.

The interdependence of the Alaskan economy and its oil wealth creates a paradox for assessing the State's debt management and debt capacity. Oil revenues have enabled the State and local governments to borrow at unusually high levels -- in terms of per capita amounts of debt -- and have provided the financial security required by investors in the State's bonds. It is the reliance on these same oil revenues, however, that is the principal weakness of the Alaska credit as a long-term issuer of tax-exempt bonds and that makes assessment of the State's future debt capacity very difficult.

To be effective, debt management must join the capital needs of the State and its constituent governmental units with the ability to achieve bond market access on affordable terms. Market access is a function of debt capacity, debt burden, and perceived ability to pay; it is also conditioned importantly by the overall forces that shape borrowing needs nationally and the willingness of investors to supply funds. The private credit market, where public debts are sold, decides what borrowers will be accommodated and at what cost -- from a fluctuating but always limited pool of lendable funds. While Alaska is concerned first and foremost with the cost and availability of credit for its own needs, Alaska bonds compete with other governmental obligations from all parts of the country. The terms offered Alaska borrowers by the marketplace are strongly influenced by the volume and quality of competing claims from other borrowers. Hence, it is in Alaska's interest to offer a well-structured, high-quality security in order to obtain funds, and to obtain them at acceptable interest rates.

Effective debt management must also provide State and local issuers and the State's debt managers with the flexibility to react quickly and responsibly to changes in the financial markets. That the tax-exempt bond market is highly

sensitive to changes in the federal tax code was obvious in late 1982 as the pendency of the bond registration requirement brought a flood of issues to market. Now, as a result of this legislation, the primary and secondary market acceptance of an issuer's securities will in part depend on a timely, accurate and efficient transfer process (discussed on pages 35-36). Changes in other federal tax provisions can also sharply affect the demand for tax-exempt bonds. Chapter Two includes a survey of the tax acts of 1981 and 1982, and their impacts on the municipal bond market. These changes, like volatility in interest rates, are factors over which the State has little control. However, a responsible and flexible debt management program places the State in the best position to respond effectively to events that may effect the State's borrowing.

State-Level Debt

The evidence presented in this study shows that Alaska debt has grown from 0.7 to 1.8 percent of annual national tax-exempt bond market volume since 1970. The rising market share accorded Alaska bonds has been the result of an increase in the State's annual volume of new debt issues from \$134 million to \$1.4 billion between 1970 and 1982. Chapter Three documents the increase in borrowing and includes a profile of the major State debt issuers. Of all State-level issuers in Alaska, the Alaska Housing Finance Corporation has issued the largest amount of public debt -- over 62 percent of State-level debt and over 44 percent of all State-wide debt (including local government obligations) outstanding -- and is the State's most frequent and best-known borrower.

At a time when we have seen the national credit rating agencies downgrade the credit rating of many states, Alaska can be proud of its rating upgrade over the past 10 years from a Baa to an AA credit. Credit analysts and the market itself have recognized the quality of Alaska's bonds as an investment. The evidence shows that Alaska now trades on par with such strong AA credits as Connecticut and Ohio. Chapter Four presents the results of our study of the State's past market experience. The data show that Alaska has consistently experienced lower borrowing costs than other states with similar ratings. Evidence to support this comes from the lower underwriting spreads, larger number of bids, and the lower interest rates on Alaska bonds as compared to those of other states of similar high quality.

State Bond Committee

In spite of the strong past performance of the State's bonds, the mid-1980s is a good time for the State of Alaska to broaden and strengthen the role of the State in debt management and oversight, particularly through the State Bond Committee (see pages 157 to 160). Recent fluctuations in the worldwide price of oil and the decline of Prudhoe Bay oil production within the ten-year range have alerted investors to the "boom and bust" nature of the Alaskan economy. These two events will be important factors behind the ability of the State to issue further debt in the coming years. One major role for a newly

reconstituted State Bond Committee would be oversight of the State's total indebtedness. It is not intended that the State Bond Committee supplant the activities or authority of independent agencies and corporations; however, it is vital that the State annually review and assess its debt position -- including within that review all State-level debt -- relative to the State's debt capacity and priorities for future public investment.

In order to carry out its expanded scope of activity, the State Bond Committee should be restructured. The chairmanship should reside in a senior-level fiscal official -- such as the Commissioner of Revenue or the Director of the Office of Management and Budget -- who is actively involved in the State's debt management. The Commissioner of Commerce and Economic Development is the Committee's present chair. Expanding the membership to include a representative from the governing board of a State corporation, and the Commissioner of Community and Regional Affairs would emphasize the interrelationship of the State, its agencies, and local government in the debt management area. To assist in fulfilling its expanded duties, the Committee should be staffed full-time by a professional in the field of public finance.

The Committee should be given the responsibility to take a global view of the State's debt-related activities in a formal manner, not in the loose, informal way that is presently said to exist. The State may wish to require that each entity of the State which is authorized to issue bonds annually file a debt financing plan with the State Bond Committee. From these plans a master debt issuance schedule may be compiled to inform and assist all debt issuers in the State. The schedule could be updated monthly or on an "as-needed" basis as financing plans change. The State Bond Committee should also annually prepare a comprehensive profile of outstanding debt and monitor its impact on the State's fiscal condition. Special attention in this review should be paid to the level of the State's contingent liabilities, such as moral obligation debt, and changes in the growth and composition of local debt.

It is advised that the State develop written debt management guidelines that include several criteria for evaluating the desired and affordable level of debt issuance in lieu of a legislative ceiling on debt issuance. The State Bond Committee should be responsible for implementing these guidelines by reviewing each State-level bond issue before it is brought to market. The Committee's only power in this regard would be to defer or veto an issuance because the security structure or sources of repayment are inadequate or the issue jeopardizes the financing plans or creditworthiness of the State. Likewise, if the State wishes to maintain its present interest rate ceiling on the issuance of bonds, it is preferable to set such a ceiling administratively rather than legislatively.

Debt Capacity and Affordability

The analysis of debt capacity is addressed in Chapter Seven. Comparisons of State debt with that of other states indicates that Alaska is an "outlier" with extremely high ratios of debt per capita and debt per \$1,000 of personal

income. Therefore, it is necessary to look in-depth at the State's revenue sources to assess its capacity for further debt issuance. Determination of the affordable level of general obligation debt essentially depends upon the State's ability and willingness to pay debt service now and in the future on any amounts borrowed. For the immediate future, Alaska's debt capacity will be determined by the amount of general fund revenues that the State wishes to allocate to the payment of debt service and the preservation of the permanent fund. Thus, short-term affordability depends exclusively on the fluctuating level and uncertain future of oil revenues as long as the State's source of funds to repay debt is tied to this single source. In the longer term, when the State's oil wealth has subsided, the ability of Alaska to issue debt will depend upon the stability and breadth of the State's economy. Without its extensive petroleum resource base Alaska will become much more like other states and analysis of its debt capacity will follow the traditional steps outlined in pages 196 to 206.

The methodology for evaluating Alaska's short-term debt affordability is presented on pages 218 to 222. If the State maintains its current ratio of debt service to revenues at the five percent level and continues to issue debt with maturities within the known and predictable range of State revenues, the State's creditworthiness will be preserved. If the State wishes to have debt service comprise a larger share of the State budget (to a maximum of 10 percent), debt capacity would be increased -- although this would force trade-offs against other State spending priorities and possibly result in a decline in the State's AA credit rating. Through 1990, the State's general obligation debt capacity is estimated to range from \$252 million to \$1.2 billion, depending upon the level of current revenues the State decides to commit to the payment of debt service.

Because of the frequent changes in petroleum prices and their impact on State revenues, the affordability analysis along the lines presented in this report must be continually updated. Revisions should take place at least quarterly when the Department of Revenue releases long-range revenue forecasts and when ever the State issues general obligation debt. Such analysis will provide the State Bond Committee with important information to be used in formulating future debt issuance plans.

Even though the affordability of revenue bonds is principally determined by the adequacy of the revenue stream pledged to repayment of the bonds, along with the market's acceptance of the security structure behind the bonds, revenue bonds indirectly affect the State's debt capacity. To the extent that revenue bonds are supported by a pledge of the State's moral obligation, or their issuance creates an oversupply of bonds bearing the Alaska name in the marketplace, the State's ability and willingness to carry debt will be affected.

Use of Moral Obligation Bonds

We do not see the possibility of entirely eliminating the use of the State's moral obligation pledge in the case of all Alaska financings. Where it is possible to avoid its use, such as in the case of Alaska Housing Finance Corporation

bonds, it should be avoided. The moral obligation pledge should not be treated as a right, available to most State issuers, as it is at present. Rather, it should be considered a privilege, an indication to the bond market that, after close scrutiny, the State believes the project meets public policy objectives and is financially sound. The State Bond Committee should have the responsibility for determining the necessity of the moral obligation to an agency's borrowing program, and its potential impact on the State's creditworthiness.

If moral obligation debt increases at a time when overall State revenues are stable, are growing at a rate less than the growth in contingent liabilities, or are declining, the moral obligation burden may encumber the State's credit capacity. Such an occurrence would make general obligation debt more costly and, therefore, less affordable due to weaker credit quality. Hence, the importance for including contingent debt in the State Bond Committee's annual review of the State's outstanding debt.

If it were not for the Permanent Fund, the limited sources of State revenue would cause investors to discount the moral obligation pledge heavily. The mere existence of the Permanent Fund provides comfort to bondholders that the State would be able to meet its moral obligations, if necessary, even though such action is not constitutionally permitted and would require a change in law. Any attempt to erode the principal of the Fund, or to otherwise weaken its position should, therefore, be avoided.

Capital Financing Plan

Demonstrating keen fiscal management and attention to capital financing and debt management is especially important to Alaska because of the uncertainties surrounding State revenues. The State must wisely allocate scarce resources to its developing economy in a manner that balances capital investment with the return on that investment yielding a diverse and broadened economy that will be able to maintain the public infrastructure put in place. Accordingly, the need for a capital financing plan linked to a comprehensive capital improvement plan is evident. (see pages 165 to 174)

The quality of financial reporting is an important element in a capital financing plan and to the complete debt management picture. While Alaska's financial reporting is complete, it does not conform to generally accepted accounting principles (GAAP). States that use an accounting system that conforms to, and is consistent with, GAAP benefit in several ways (see pages 174-175). It is recommended that the State consider converting its annual financial reports to GAAP. Such action will provide the State with vital information on its financial condition, encourage the State to take a global view of outstanding debt, improve financial management, and will be looked upon favorably by investors in the State's bonds.

General Debt Management

Specific debt management practices being used in the State could be improved. The State and its agencies recognize the importance of securing professional advice on debt issuance. However, financial advisors and bond counsel are typically compensated based on a percentage of the amount of bonds sold. Tying the advisor's compensation to the amount of bonds sold or the successful delivery of the bonds builds in an unnecessary risk of conflict of interest. The State should review its method of compensation for financial advisory services and seek arrangements that do not encourage conflicts between the advice and the payment for the advice. In this regard, a flat fee -- such as a base retainer and hourly rates -- is to be preferred over a fee based upon the amount of bonds issued. (see pages 185 to 190).

There is a place for both negotiated and competitive techniques for selling bonds in a debt management and debt marketing strategy. The approach which is judged to provide the greatest market reception and lowest interest cost should be followed. While each bond issue is unique, it appears that some bond issues presently being sold by negotiation by the State, for example, those of the Alaska Housing Finance Corporation, would be candidates for a competitive sale. (see pages 182 to 184).

Neither the State Bonding Act nor the State statutes regarding municipal debt specify the method by which effective interest rate on a competitive bond sale must be determined. However, the State and most municipalities have chosen to use the net interest cost (NIC) method to compare alternative bids at competitive sale. This method may not be in the best interests of the State because the winning bid on a NIC basis does not necessarily result in the lowest true interest cost (TIC) -- a measure of the "true" cost of borrowing money that takes into account the time value of money. We recommend that the State Bond Committee review the current rules that govern the award of the State's competitive general obligation bond issues, and that municipalities be encouraged to do so as well, with a view toward awarding bond issues on the basis of TIC. (see pages 179 to 181).

Local Government Debt

Local governments in Alaska have issued approximately 29 percent of all State-wide debt. The analysis of local government borrowing in Chapter Five indicates that the bonds of Alaska's localities sell at yields significantly above the average for the overall market. Furthermore, the evidence indicates that yields on the North Slope Borough's debt are vastly higher than the average for other Alaska municipalities. The most significant comparison of local and State bond issuance is the markedly higher underwriting cost on local issues. Compared to other states, local governments in the Alaska rely on general obligation bond financing at twice the national rate. Given the high levels of debt that have been issued by the State's localities, the much higher than average interest costs of Alaska's local debt, and the loss to the State of revenues from taxes levied by certain localities to pay the annual debt service on their debt, the State may wish to analyze further local bond market experience and State policies regarding local debt management. The State

should take the lead in implementing programs that encourage the prudent use and guard against the misuse of local debt issuance.

Currently the State is being short-changed by those localities that levy a high amount of taxes on oil production property in order to finance debt service. Because taxes paid to the locality are credited towards State property tax liability, this represents a direct revenue loss to the State. It is, therefore, in the State's interest to address the absolute level of debt issuance by its localities. It is recommended that the State develop a two-tiered ceiling on local debt issuance, based on per capita amounts of debt and a percentage of property value.

Specific State-level programs which can assist local borrowers and improve local debt management are covered in pages 136 to 141. In evaluating alternative State policies, the State must consider both the direct budgetary costs of the programs and the indirect effects on the State's own credit worthiness, and the amount of autonomy the State wishes its localities to enjoy. A reasonable compromise between encumbering the State's debt capacity and providing greater financial assistance to local governments would be to expand the role of the Municipal Bond Bank. Our review of the Bank's market performance indicated that, compared with other state bond banks, the Alaska Bond Bank has the potential for saving as many as 50 basis points in borrowing cost by undertaking an active national marketing effort. The State should review the present security structure behind the Bank's bonds with the view toward improving their market reception by taking advantage of the State's high creditworthiness.

The State's present program to subsidize the cost of school construction is an expensive undertaking; however, its cost could be minimized through attention to the cost of the project and to the means of financing during the Department of Education's approval process. Further alternatives include the issuance of State general obligation bonds in lieu of local school construction bonds, and requiring the Municipal Bond Bank to issue all school construction debt.

GFRC Debt Study Recommendations

1. State Bond Committee

- a) Oversight responsibilities of the State Bond Committee should include all State-level debt.
- b) Committee Chairman should be Commissioner of Revenue or Director of O.M.B., as they are actually involved in the State's Debt Management.
- c) Membership of State Bond Committee should be expanded to include the Commissioner of Community and Regional Affairs and the head of a debt issuing agency (AHFC, AIDA, etc.).
- d) State Bond Committee should have a full time professional staff person who is an expert in public finance.
- e) State Bond Committee should require annual financing plans from each authorized issuer of bonds.
- f) The State Bond Committee should prepare an annual profile of outstanding debt and monitor its impact on the State's fiscal condition.
- g) State Bond Committee should develop written debt management guidelines.

2. Debt Capacity:

To preserve State's credit worthiness the State should keep its debt service-to-revenue ratio to 5%, and the State should keep maturities within the known and predictable range of State revenues (we could go to as high as 10%, but we would face tradeoffs against other spending priorities and it could result in a lowering of the State's AA rating).

3. Moral Obligation Bonds:

- a) Where possible, use of the moral obligation should be avoided. The moral obligation should be a privilege not a right. State Bond Committee should make the determination.
- b) Existence of the Permanent Fund provides comfort to bondholders that the State would be able to meet its moral obligation (even though not presently permitted by the Constitution), so any attempt to erode the principal of the Fund should be avoided.

4. Capital Financing Plan:

a) A plan linking a capital financing plan to our long range capital improvement plan is necessary.

b) The State should consider bringing its accounting system into conformance with Generally Accepted Accounting Principles (GAAP).

5. Local Government Debt Management

a) The State should take the lead in implementing programs that encourage the prudent use, and guard against the misuse, of local debt issuance.

b) The State should take steps to improve the market performance of the Municipal Bond Bank and use of the Bond Bank by all localities should be encouraged.

c) The State should develop a two-tiered ceiling on local debt issuance, based on per capita amounts of debt and as a percentage of property values.

d) The current State program to subsidize school construction should be replaced.

6. General Debt Management:

a) Financial advisors and bond counsel should be paid on a flat fee basis rather than as a percentage of the bond issue to avoid any conflicts between the advice and payment for advice.

b) Greater use of competitive bidding versus negotiated sales should be used when possible. For example: AHFC issues.

c) Bonds should be bid on the basis of true interest cost, not net interest cost, as is presently done.

ANNUAL STATE DEBT ISSUANCE 1970 TO 1982 (MILLIONS OF DOLLARS)

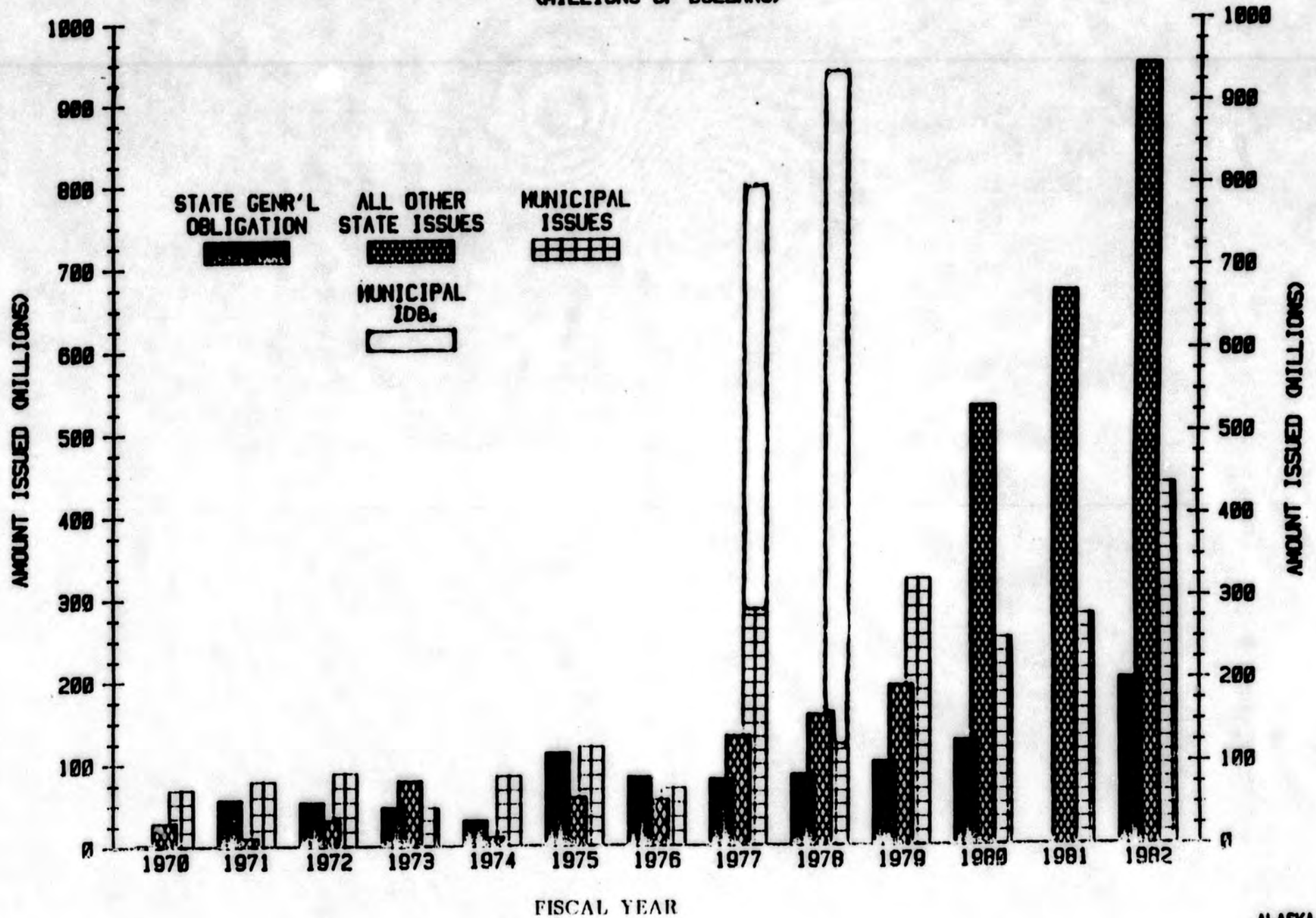


Table 3.2
Volume of New Tax-Exempt Bond Issues
Alaska, 1970 - 1982
(dollar amounts in millions)

Year	Total New Issues		General Obligations		Revenue Bonds	
	Number	Amount	Amount	Percent of Total	Amount	Percent of Total
1970	24	\$134.3	\$ 88.1	66%	\$ 46.2	34%
1971	24	135.5	107.5	79	28.0	21
1972	23	150.3	104.9	70	45.3	30
1973	28	222.0	130.5	59	91.5	41
1974	20	161.4	79.5	49	81.9	51
1975	32	279.9	182.7	65	97.2	35
1976	24	284.9	170.9	60	114.0	40
1977	25	1659.6	155.4	9	1504.2	91
1978	27	552.2	264.3	48	287.9	52
1979	19	591.1	198.8	34	392.3	66
1980	11	809.7	340.8	42	468.9	58
1981	16	501.8	150.6	30	351.2	70
1982	42	1397.5	885.9	63	511.6	37

Source: Public Securities Association

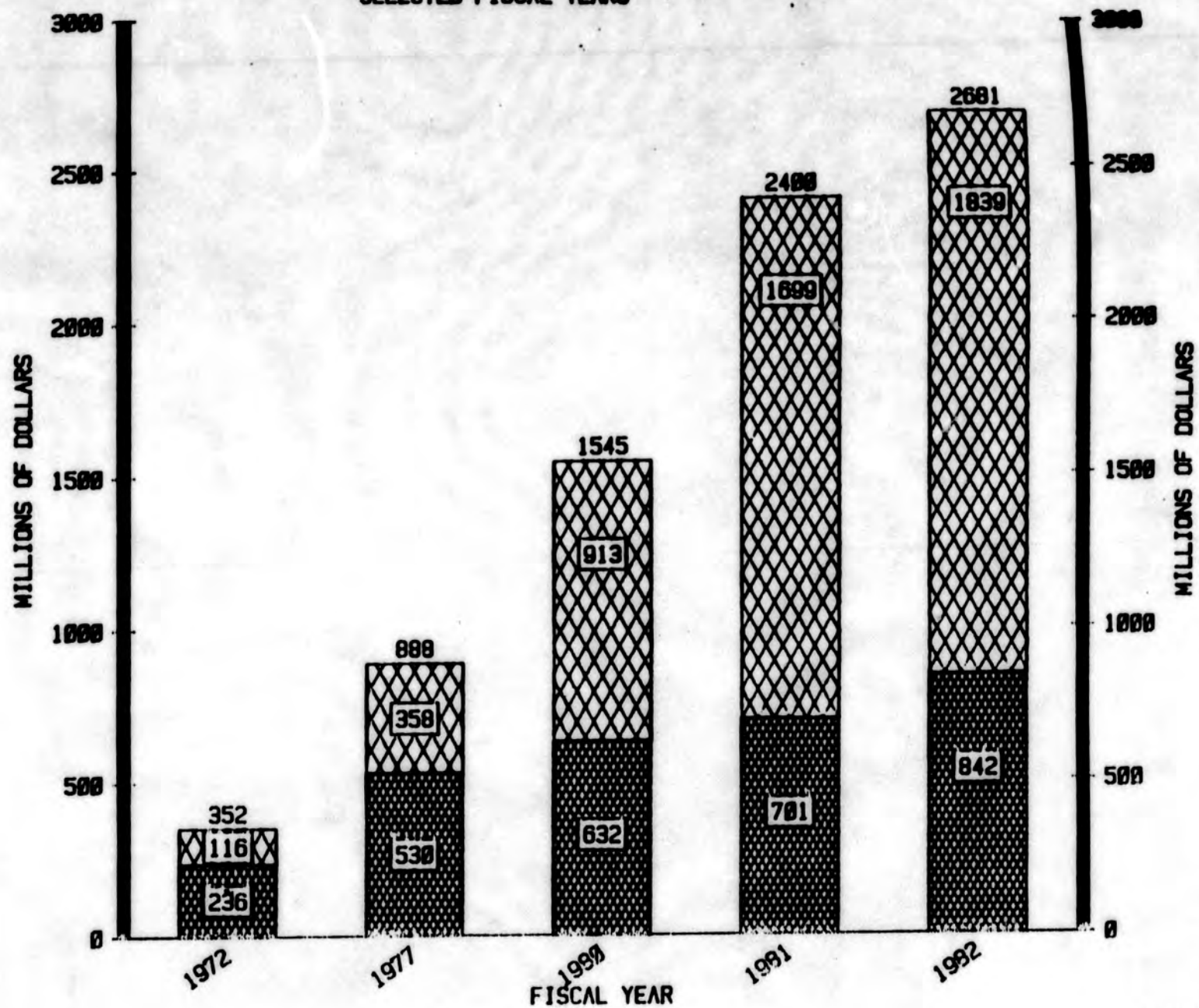
COMPOSITION OF STATE DEBT OUTSTANDING SELECTED FISCAL YEARS

DEBT-GENERAL
OBLIGATION

DEBT-OTHER

Exhibit 3.2

53



ALASKA

TOTAL STATE DEBT OUTSTANDING BY ISSUER (DOLLARS IN 000'S AS OF APRIL 1, 1983)

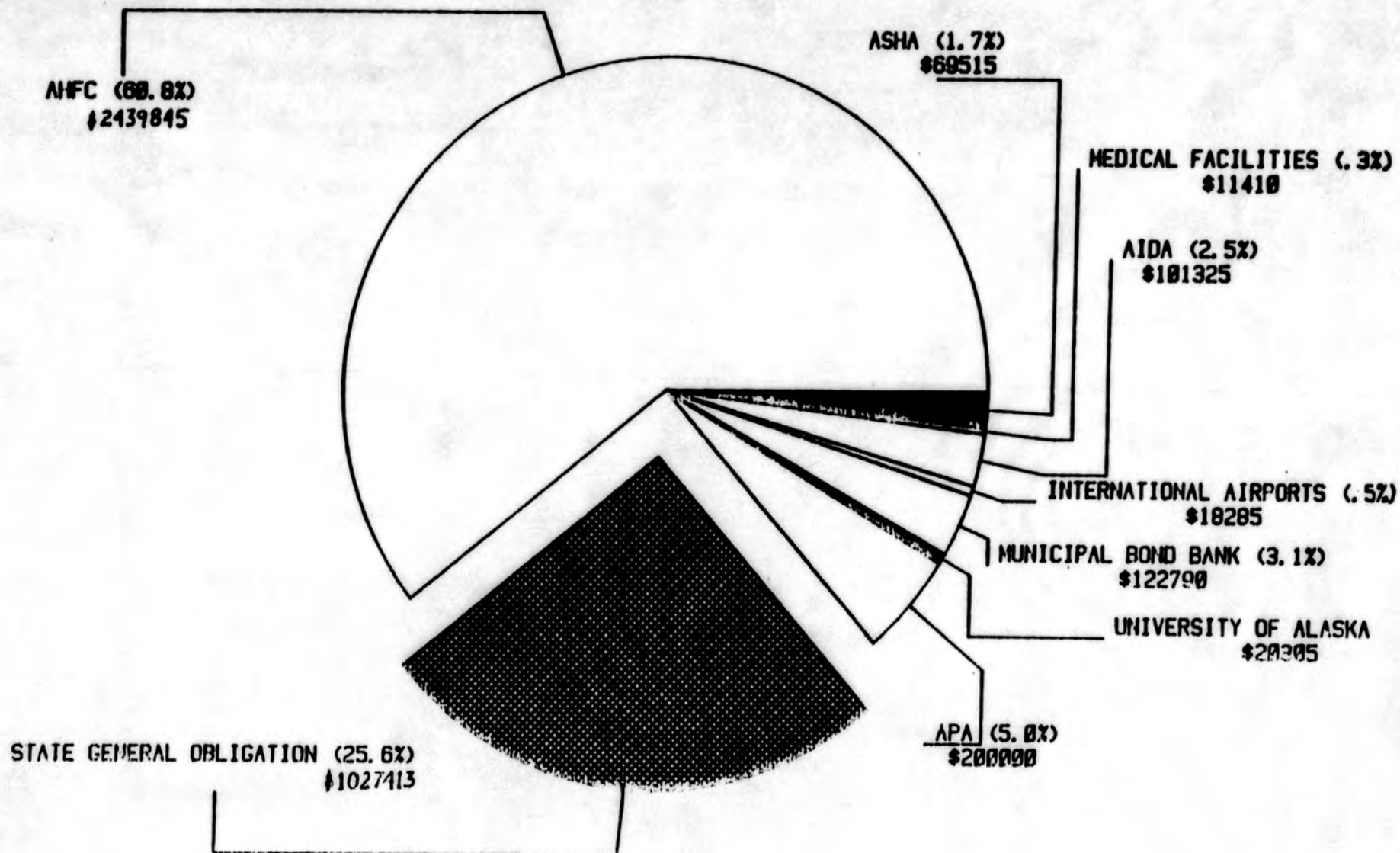


Table 3.5

State of Alaska
Total Public Debt Outstanding
(000s)

Issuer	Amount Outstanding as of 6/30/82	Amount Issued 6/30/82 to 6/1/83	Total/ Outstanding	Percent of State- Level Debt	Percent of State- Wide Debt
<u>STATE LEVEL</u>					
State General Obligation	\$ 842,413	\$185,000	\$1,027,413	24.8%	17.7%
Alaska Housing Finance Corp.	2,004,845	560,000	2,564,845	62.0	44.2
Alaska Power Authority	200,000	-0-	200,000	4.8	3.5
Municipal Bond Bank	94,805	26,985	122,790	3.1	2.1
Alaska Industrial Development Auth.	77,875	23,450	101,325	2.5	1.7
Alaska State Housing Agency	67,125	2,390	69,515	1.7	1.2
57 University of Alaska	20,305	-0-	20,305	0.5	0.5
International Airports	18,285	-0-	18,285	0.4	0.4
Medical Facilities	11,410	-0-	11,410	0.2	0.2
State Development Corporation	50	-0-	50	0.0	0.0
TOTAL STATE LEVEL OUTSTANDING			\$4,135,938	100.0%	
<u>LOCAL LEVEL</u>					
Municipal G.O.	\$1,316,300	N/A	\$1,316,300		22.7%
Municipal Revenue	347,536 ^{2/}	N/A	347,536		5.8
TOTAL LOCAL LEVEL OUTSTANDING			\$1,663,836		
TOTAL STATE-WIDE OUTSTANDING			\$5,799,774		100.0%

1/ This column does not account for debt retired between 6/30/82 and 4/1/83.

2/ FY 1981 Figure from Moody's Investors Service.

Table 3.16

State of Alaska Classification of Outstanding Debt
(amounts in millions)

	<u>Amount Outstanding June 30, 1982</u>	<u>Amount Retired</u>	<u>Amount Issued</u>	<u>Amount Outstanding May 30, 1983</u>	<u>Percent of State-Level Debt</u>
<u>Direct Debt</u>					
General Obligation Debt	\$842.2	\$81.2	\$185.0	\$946.2	23.5%
Alaska State Housing Auth. Lease-Revenue Bonds	67.1	3.7	-0-	63.4	1.6
University of Alaska	20.3	1.1	-0-	19.2	0.5
NET TAX-SUPPORTED DEBT	\$929.8	\$86.0	\$185.0	\$1,028.8	25.6%
<u>Indirect Debt (moral obligation)</u>					
Alaska Housing Finance Corp. State Guaranteed Veterans Housing Insured Mortgage Bonds	-0- \$963.3	-0- \$ 10.6	\$175.0 -0-	\$175.0 952.7	4.3% 23.6
Home Improvement Loan Bonds	15.0	-0-	-0-	15.0	0.4
Alaska Industrial Devel. Authority	77.9	3.3	23.4	98.0	2.4
Alaska Power Authority	200.0	-0-	-0-	200.0	5.0
Alaska Municipal Bond Bank	95.8	2.9	27.0	119.9	3.0
Alaska State Devel. Corporation	11.4	0.3	-0-	11.1	0.3
Low Income Housing Bonds	-0-	-0-	2.4	2.4	0.0
<u>Indirect Debt (special obligation)</u>					
International Airport Authority	18.3	0.8	-0-	17.5	0.5%
TOTAL INDIRECT DEBT	\$1,381.8	\$ 17.9	\$227.8	\$1,591.6	39.5%
TOTAL DIRECT AND INDIRECT STATE DEBT	\$2,311.6	\$103.9	\$412.8	\$2,620.4	65.1%
<u>Other State-Level Debt</u>					
Alaska Housing Finance Corp. State Assisted Mortgage Bonds	\$675.0	-0-	\$200.0	\$875.0	21.7%
Housing Mortgage Program Bonds	96.2	\$ 2.2	-0-	94.0	2.3
Home Mortgage Bonds	200.0	-0-	185.0	385.0	9.6
Second Mortgage Bonds	27.0	-0-	-0-	27.0	0.6
Fairbanks Residential Mortgage	28.3	-0-	-0-	28.3	0.7
TOTAL OTHER STATE-LEVEL DEBT	\$1,026.5	\$ 2.2	\$385.0	\$1,409.3	34.9%
TOTAL STATE-LEVEL DEBT	\$3,338.1	\$106.1	\$797.8	\$4,029.7	100.0%

Table 5.1
Estimated Alaska Municipal Debt
(Millions)

Fiscal Year	Amount of Revenue and G.O. Debt Issued	Amount Outstanding		Revenue Debt Outstanding as % of Total
		G.O.	Rev.	
1971	78.7	\$230.9	\$ 56.3	19.6%
1972	88.9	279.2	81.0	22.5
1973	46.8	319.9	70.3	18.0
1974	85.3	345.1	77.6	16.4
1975	120.2	415.8	94.8	18.6
1976	70.1	452.5	99.4	18.0
1977	220.8	514.1	215.7	29.6
1978	178.2	449.5	277.7	38.2
1979	320.9	731.6	286.3	28.1
1980	250.0	809.4	316.0	28.1
1981	277.7	1,030.2	347.4	25.2
1982	515.0	1,316.2	N/A	N/A

Source: U.S. Department of Commerce, Bureau of the Census, Governmental Finances, various years, and Moody's Investors Service, Inc. Municipal Bond Record, 1983.

Table 5.2
State of Alaska
Local Government Debt

City/Borough	General Obligation Debt Outstanding 7-1-82 ¹	Revenue- Supported Debt Outstanding ² 12-31-81	Moody's Rating ³
North Slope	\$587,400,000	-0-	A
Anchorage	261,010,000	\$236,660,000	A1/Baa
Kenai Peninsula	98,999,603	-0-	A
Valdez	84,460,000	9,200,000	A
Fairbanks North Star	83,158,350	35,000,000	A/Aa
Matanuska-Susitna	65,218,090	-0-	A
Juneau	27,904,000	146,000	Baal
Kodiak Island	20,042,372	-0-	Baal
Sitka	17,486,200	5,168,000	Baal
Ketchikan Gateway	14,495,000	-0-	Baal
Fairbanks	11,915,000	36,400,000	A
Ketchikan City	8,110,000	12,567,000	Baal/Baa
Bristol Bay	3,895,000	-0-	NR
Kenai	3,695,000	280,000	NR
Palmer City	3,629,401	-0-	NR
Unalaska	3,500,000	456,000	NR
Kodiak City	3,250,000	4,295,000	Baa
Petersburg	2,995,000	2,526,000	Baal
Homer City	2,877,000	1,096,000	Baa
Nenana	2,725,000	-0-	NR
Wrangell	2,578,000	612,000	NR
Skagway	1,826,325	-0-	NR
Cordova	1,673,200	1,611,000	NR
Haines	923,310	-0-	NR
Haines City	805,000	-0-	NR
Bethel	585,000	-0-	NR
Nome	507,872	960,000	NR
Seldovia	430,000	55,000	NR
Dillingham	73,000	231,000	NR
Craig	37,498	93,000	NR
Totals	\$1,316,294,221	\$347,356,000	

- NOTES: 1. From Department of Community and Regional Affairs, Alaska Taxable 1982.
2. From Moody's Investors Service, Moody's Municipal and Government Manual 1983, and Department of Community and Regional Affairs.
3. When two ratings are given, the first applies to general obligation debt, and the second to the majority of revenue bonds.

NR = Not Rated.

Table 5.3
Municipal Debt Ratios

<u>City/Borough(population)</u>	<u>G.O. Debt Per Capita</u>	<u>Debt as % of Assessed Value</u>
North Slope *	\$77,781	7.10%
Anchorage *****	1,278	2.46
Kenai Peninsula ***	3,064	4.45
Valdez *	22,864	4.97
Fairbanks North Star ****	1,146	2.78
Matanuska-Susitna ***	2,508	5.42
Juneau **	1,267	2.69
Kodiak Island **	1,576	4.58
Sitka *	2,127	4.15
Ketchikan Gateway **	1,166	2.17
Fairbanks ***	463	1.12
Ketchikan City *	1,043	2.58
Bristol Bay *	3,064	4.45
Kenai *	706	1.80
Palmer City	1,438	3.93
Unalaska *	1,821	4.76
Kodiak City *	553	1.00
Petersburg *	985	2.32
Homer City *	993	1.85
Nenana *	5,046	30.39
Wrangell *	1,085	2.94
Skagway *	2,312	3.21
Cordova *	747	1.44
Haines *	499	1.30
Haines City *	746	0.23
Bethel *	159	0.41
Nome *	148	0.32
Seldovia *	590	2.26
Dillingham *	40	0.11
Craig *	62	0.17
Statewide Average	\$ 4,648	3.75%

Moody's Local Debt Medians
Population

*****	200-300,000	361	2.1%
****	50-100,000	391	1.8
***	25-50,000	289	1.9
**	10-25,000	422	2.7
*	Under 10,000	600	3.2

Source: Department of Community and Regional Affairs,
Alaska Taxable, Fiscal year 1982.

Table 5.4
State of Alaska
School Debt Outstanding
(as of April 1, 1983)

<u>School District</u>	<u>Amount</u>	<u>Moody's Rating</u>
A) Public Offerings ¹		
North Slope Borough	\$197,235,000	A
Greater Anchorage Area Borough	138,665,000	A1
Fairbanks North Star Borough	101,475,000	A
Kenai Peninsula Borough	56,938,000	A
Matanuska-Susitna Borough	37,995,000	A
Valdez	27,685,000	A
City and Borough of Juneau	3,325,000	Baal
Petersburg	2,995,000	Baal
Greater Sitka Borough	1,560,000	Baal
Kodiak Island Borough	375,000	Baal
Ketchikan Gateway Borough	<u>345,000</u>	Baal
	\$568,593,000	
B) School Bonds Issued Through Bond Bank ²		
City and Borough of Juneau	\$ 35,205,000	Baal
Matanuska-Susitna Borough	22,610,000	A
Kodiak Island Borough	11,810,000	Baal
Bristol Bay Borough	3,785,000	Unrated
City of Wrangell	1,405,000	Unrated
City of Unalaska	<u>975,000</u>	Unrated
	\$ 75,790,000	
Total School Debt Outstanding \$644,383,000		

NOTES: 1) Data through fiscal year 1981 from Moody's Municipal and Government Manual 1983, Moody's Investors Service. Fiscal Year 1981 to date from Public Securities Association data base.

2) Data from Mary J. Hughes, Foster & Marshall/American Express, Inc., Seattle, WA.

Table 7.4

Total Outstanding State General Obligation Debt
Per \$1,000 of Personal Income
(1974-75 to 1980-81)^a

State	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81
Alabama	\$5.30	\$5.13	\$5.32	\$5.61	\$4.70	\$4.43	\$3.73
Alaska	110.75	109.78	122.12	136.54	146.81	123.00	123.66
Arizona	--	--	--	--	--	--	--
Arkansas	--	--	--	--	--	--	--
California	39.72	35.71	32.48	29.29	26.41	24.34	21.44
Colorado	--	--	--	--	--	--	--
Connecticut	102.72	105.12	95.26	83.94	71.29	59.91	57.62
Delaware	112.76	136.78	91.68	84.00	75.87	65.19	61.34
Florida	3.65	4.13	7.46	9.39	8.32	6.98	11.48
Georgia	5.19	11.71	11.93	14.62	12.64	12.38	10.63
Hawaii	139.61	165.99	165.95	173.02	154.94	145.14	123.01
Idaho	.29	.24	.20	.16	.13	.10	.08
Illinois	12.67	16.51	17.93	21.44	21.99	21.68	21.62
Indiana	--	--	--	--	--	--	--
Iowa	.15	.07	--	--	--	--	--
Kansas	--	--	--	--	--	1.18	1.08
Kentucky	21.88	18.65	16.06	13.77	11.63	10.08	8.56
Louisiana	38.92	45.54	54.52	54.81	53.86	53.54	58.88
Maine	54.46	47.89	43.20	38.79	33.30	28.51	26.93
Maryland	52.57	58.68	65.35	61.23	54.26	47.96	45.28
Massachusetts	55.65	77.74	76.57	70.16	64.12	55.86	51.54
Michigan	8.87	9.35	10.68	9.15	7.40	7.33	6.76
Minnesota	26.62	24.24	26.16	25.97	23.66	22.56	20.82
Mississippi	53.68	62.11	59.48	89.59	50.73	45.25	39.38
Missouri	2.22	1.84	2.48	2.05	1.64	1.44	1.71
Montana	--	1.69	1.57	1.24	1.08	.97	.83
Nebraska	--	--	--	--	--	--	--
Nevada	8.08	7.52	6.87	10.88	14.84	12.43	10.67
New Hampshire	31.31	34.80	39.40	37.29	35.59	29.95	35.33
New Jersey	30.78	28.19	28.62	26.62	25.41	22.96	21.24
New Mexico	3.87	2.77	3.55	2.34	2.02	2.26	2.04
New York	31.72	28.40	27.61	26.86	25.42	20.93	19.97
North Carolina	15.02	18.85	19.31	15.90	15.79	15.87	14.83
North Dakota	4.39	4.23	3.80	2.77	2.32	1.98	1.49
Ohio	27.66	28.26	26.08	24.92	24.06	22.38	21.26
Oklahoma	12.98	11.28	9.59	11.63	9.54	7.15	5.31
Oregon	125.79	132.13	141.49	152.29	161.87	183.91	207.35
Pennsylvania	43.71	45.53	46.49	42.47	38.39	34.51	31.66
Rhode Island	51.47	47.40	42.74	39.06	34.49	27.89	23.39
South Carolina	36.50	33.30	30.74	32.18	27.31	22.06	19.87
South Dakota	--	--	--	--	--	--	--
Tennessee	23.66	25.27	27.56	26.02	21.81	18.33	17.20
Texas	10.52	10.54	10.01	8.68	7.45	6.67	5.54
Utah	4.20	13.33	11.11	9.16	10.04	7.90	7.01
Vermont	109.60	97.66	89.63	73.31	68.92	59.38	60.53
Virginia	1.81	1.46	1.14	.88	.65	.47	4.10
Washington	18.19	16.10	39.88	35.50	32.75	30.99	29.65
West Virginia	75.88	74.08	77.03	70.70	82.48	60.69	56.60
Wisconsin	23.80	31.70	37.99	40.36	40.16	38.65	36.17
Wyoming	--	--	--	--	--	--	--
Total U.S.	\$26.79	\$27.71	\$27.98	\$26.96	\$24.90	\$22.82	\$21.86

a. Debt data from the U.S. Department of Commerce, Bureau of the Census, State Government Finances (series GF), various years. State general obligation debt is defined as all state-guaranteed debt for which states pledge their full faith and credit. Debt data measured as of June 30 of each fiscal year shown. Figures exclude debt issued by local governments, and debt issued by the District of Columbia.

Reprinted from : The Use of Tax-Exempt Bonds in California : Policy Issues and Recommendations, Legislative Analyst, Jon David Vasche, State of California, December 1982.

Table 7.5

Total Outstanding State General Obligation and Revenue Bond Debt
Per \$1,000 of Personal Income
(1974-75 to 1980-81)^a

State	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81
Alabama	\$53.08	\$51.57	\$47.45	\$42.12	\$39.92	\$35.36	\$40.99
Alaska	200.29	196.31	211.19	258.67	298.34	300.73	423.42
Arizona	7.31	6.83	6.81	5.59	4.59	3.92	5.13
Arkansas	12.74	12.23	11.83	13.02	15.93	21.78	25.55
California	45.78	41.07	38.39	35.57	33.60	32.22	31.14
Colorado	7.94	7.38	10.33	14.11	16.73	15.86	21.44
Connecticut	138.06	133.55	125.56	117.73	111.73	106.25	109.83
Delaware	156.15	177.88	166.60	155.93	155.87	169.23	160.21
Florida	33.66	33.55	34.47	35.46	35.02	29.62	27.20
Georgia	45.65	46.10	41.03	38.41	34.78	31.77	27.68
Hawaii	200.77	208.25	211.63	219.25	195.65	190.71	171.26
Idaho	9.07	8.11	4.09	20.83	31.74	42.92	44.19
Illinois	36.59	40.48	44.53	51.34	51.70	52.12	52.16
Indiana	20.44	17.86	15.85	14.45	12.67	12.35	19.27
Iowa	7.34	6.87	6.11	9.68	14.75	13.94	14.45
Kansas	22.14	27.03	24.36	22.49	21.21	18.53	16.31
Kentucky	119.10	107.44	98.92	114.31	109.37	108.64	98.20
Louisiana	65.56	68.70	74.31	75.33	85.04	83.52	85.09
Maine	90.26	91.83	88.66	98.93	87.69	81.69	86.20
Maryland	78.50	86.33	96.48	106.86	92.91	79.22	81.38
Massachusetts	110.09	128.84	123.52	110.14	104.72	99.34	97.79
Michigan	30.50	30.69	28.18	27.73	28.99	31.58	34.95
Minnesota	37.92	40.77	43.35	55.73	51.98	52.08	54.36
Mississippi	63.96	71.53	66.58	95.41	55.39	49.02	42.35
Missouri	10.63	11.75	13.83	15.65	17.68	22.99	28.00
Montana	20.03	19.44	21.52	24.15	23.60	45.98	40.65
Nebraska	7.39	6.65	5.61	4.69	3.89	13.53	15.07
Nevada	13.04	11.69	10.33	38.91	46.62	61.41	56.70
New Hampshire	55.83	60.36	63.92	64.69	99.23	106.66	111.10
New Jersey	78.02	74.26	68.98	73.21	74.82	80.85	84.87
New Mexico	27.42	29.59	30.11	42.65	56.13	69.26	67.31
New York	123.95	162.61	148.73	152.90	142.19	130.86	122.17
North Carolina	22.90	23.68	24.64	21.06	26.85	27.49	26.24
North Dakota	16.11	18.32	16.94	16.24	24.00	38.31	31.52
Ohio	42.56	43.98	41.99	40.75	39.85	39.20	42.41
Oklahoma	65.69	59.06	51.52	53.04	62.42	55.19	54.55
Oregon	125.79	132.13	142.61	158.26	170.74	198.73	222.42
Pennsylvania	77.12	77.59	77.12	71.95	63.48	56.57	51.42
Rhode Island	86.15	86.94	99.93	121.05	146.82	163.02	178.29
South Carolina	70.88	71.09	80.20	96.66	78.33	85.24	96.91
South Dakota	19.39	26.28	57.27	83.73	112.04	132.08	114.48
Tennessee	38.17	41.94	47.93	48.53	43.24	39.58	37.81
Texas	28.26	26.56	24.01	20.98	19.64	18.13	16.74
Utah	14.93	22.56	19.03	33.25	39.42	47.94	45.83
Vermont	196.26	161.80	161.07	145.06	142.12	163.01	149.74
Virginia	23.85	22.15	24.36	31.25	36.97	38.27	38.11
Washington	56.43	48.61	50.31	44.03	39.83	37.50	37.71
West Virginia	119.17	116.88	119.79	113.28	117.39	119.17	112.70
Wisconsin	39.10	48.06	52.87	56.32	55.38	55.47	54.45
Wyoming	33.21	28.08	23.68	27.25	48.60	70.44	78.51
Total U.S.	\$57.27	\$60.85	\$58.81	\$59.71	\$57.61	\$56.39	\$56.06

a. Debt data from the U.S. Department of Commerce, Bureau of the Census, State Government Finances (series GF), various years. Debt data measured as of June 30 of each fiscal year shown. Figures exclude debt issued by local governments, and debt issued by the District of Columbia.

Reprinted from : The Use of Tax-Exempt Bonds in California : Policy Issues and Recommendations, Legislative Analyst, Jon David Vasche, State of California, December 1982.

Table 7.14
Alaska State General Obligation Debt
Projected Ratio of Debt
Service to General Fund Revenues

<u>Fiscal Year</u>	<u>Unrestricted General Fund Revenue (1) (millions)</u>	<u>Debt Service Committed as of Dec. 1982 (millions)</u>	<u>Debt Service Commitment as % of Unrestricted General Fund Revenue</u>
1983	\$3542	\$143.6	4.05%
1984	2737	163.4	5.97
1985	2772	156.2	5.63
1986	2838	150.6	5.31
1987	2960	142.8	4.82
1988	2871	136.3	4.75
1989	3065	124.5	4.06
1990	2946	109.8	3.73
1991	2704	85.6	3.17
1992	2631	58.9	2.24
1993	2519	50.9	2.02
1994	2423	25.8	1.06
1995	2359	23.1	0.98
1996	2206	21.5	0.97
1997	2230	16.7	0.75
1998	2261	14.4	0.64
1999	2259	9.1	0.40
2000	2268	2.6	0.11

(1) March, 1983, 30th percentile projections of The Department of Revenue.

Table 7.15

Alaska State General Obligation Debt

Future Debt Capacity
Debt Service at 5 Percent of
General Fund Revenues
(millions)

Fiscal Year	(1) Unrestricted General Fund Revenue ¹	(2) Available for Debt Service ²	(3) Debt Service Committed as of Dec. 1982	(4) Debt Service on future Borrowing ³	(5) Additional Debt Service Capacity	(6) Future G.C. Debt Capacity ⁴
1983	3542	-	143.6	-	0	0
1984	2737	137	163.4	-	0	0
1985	2772	139	156.2	-	0	0
1986	2838	142	150.6	-	0	0
1987	2960	148	142.8	-	5.2	35
1988	2871	144	136.3	5.2	2.5	17 252
1989	3065	153	124.5	7.7	20.8	141
1990	2946	147	109.8	28.5	8.7	59
1991	2704	135	85.6	37.2	12.2	83
1992	2631	132	58.9	49.4	23.7	161
1993	2519	126	50.9	73.1	2.0	14 349
1994	2423	121	25.8	75.1	13.4	91
1995	2359	118	23.1	88.5	0	0
1996	2206	110	21.5	88.5	0	0
1997	2230	111	16.7	83.3	11.0	75
1998	2261	113	14.4	91.8	6.8	46 401
1999	2259	113	9.1	77.8	26.1	177
2000	2268	113	2.6	95.2	15.2	103
					1476	1002

1 March 1983, 30th percentile projections of the Department of Revenue.

2 5 percent of column 1.

3 Assumes that debt equal to full capacity (column 6) is issued.

4 10-year bonds at 8.0 percent (AA-rated) level amortization debt service constant is .1472 (e.g., column 5 ÷ .1472 = column 6).

Table 7.16

Alaska State General Obligation Bonds

Future Debt Capacity
Debt Service at 10 Percent of
General Fund Revenues
(millions)

Fiscal Year	(1) Unrestricted General Fund Revenue ¹	(2) Available for Debt Service ²	(3) Debt Service Committed as Dec. 1982	(4) Debt Service on future Borrowing ³	(5) Additional Debt Service Capacity	(6) Future G.O. Debt Capacity ⁴
1983	3542	354	143.6	0	0	0
1984	2737	274	163.4	0	110.6	729
1985	2772	277	156.2	110.6	10.2	67
1986	2838	284	150.6	120.8	12.6	83
1987	2960	296	142.8	133.4	17.3	114
1988	2871	287	136.3	150.7	0	0
1989	3065	306	124.5	150.7	30.8	203
1990	2946	295	109.8	181.5	2.9	19
1991	2704	270	85.6	184.4	0	0
1992	2631	263	58.9	184.4	16.7	110
1993	2519	252	50.9	201.1	0	0
1994	2423	242	25.8	201.1	15.1	99
1995	2359	236	23.1	212.9	104.1	686
1996	2206	221	21.5	199.5	0	0
1997	2230	223	16.7	186.9	19.4	128
1998	2261	226	14.4	189.0	22.6	149
1999	2259	226	9.1	211.6	5.3	35
2000	2268	227	2.6	186.1	38.3	252
					4,059	2,674

1 March 1983, 30th percentile projections of the Department of Revenue.

2 10 percent of column 1.

3 Assumes that debt equal to full capacity (column 6) is issued.

4 10-year bonds at 8.7 percent (A-rated), level amortization debt service constant .1518 (e.g., column 5 ÷ .1518 = column 6).



RECORDS CERTIFICATION



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Signature of Camera Operator


Date

SCOMM

#34:24

**AK Industrial
Development
Authority
(terms used)**

HOUSE BILL NO. 620, by Reps. Koponen and Herrmann. Redefines "business enterprise" as used in relation to the Alaska Industrial Development Authority (AIDA) to mean ". . . a single proprietorship, corporation, firm, partnership, or other association of persons organized in any manner, for any business purpose, [other than on a nonprofit basis]."

Language is added to the definition of "project" to include, as a "project" under AIDA, ". . . (D) a public service facility including a (i) student, cooperative, or other nonprofit housing facility; (ii) social services facility; (iii) school, pre-school, or nursery facility; (iv) clinic or health center; of (v) multi-purpose community center;".

Provides Act takes effect July 1, 1984.

Introduced February 13 and referred to the House Special Committee on State Loans, Finance.

Alaska State Legislature

Representative Niilo Koponen

FAIRBANKS
Box 252
Fairbanks, Alaska 99707
479-6782

JUNEAU
Pouch V
Juneau, Alaska 99811
465-4992

MEMORANDUM

TO: Rep. Uehling, Loans Chair, and other Loans Committee members

FROM: Representative Niilo Koponen

RE: HB 620

DATE: April 17, 1984

In 1977 Greater Fairbanks Family Headstart ran into the problem of obtaining longterm financing for the purchase of a facility because Headstart was a non-profit facility. I was the director of the Greater Fairbanks Headstart at that time. Greater Fairbanks Family Headstart had been the consistent recipient of the Federal contract for Headstart services for several years. Although occupying our own facility would have been more desirable in many respects, without a potential source for longterm financing we found ourselves restricted to locating in rental facilities at a greater cost to the government.

More recently, the Hillcrest Home for Boys in Fairbanks has been faced with a similar problem. Hillcrest is federally chartered and has 160 acres of federal land which can be used only for juvenile male care. The Hillcrest facility is 80% complete, but Hillcrest needs a longterm loans source to finish the facility.

In looking for a solution to these types of problems, allowing AIDA to provide longterm financing for loans seems to be the most logical choice. As noted in the 3/23/84 House Research Report, none of Alaska's other special state loan programs contain prohibitions regarding making loans to non-profits with the exception of programs which loan only to individuals, and the nonconforming and rural owner occupied housing assistance loan programs. The other alternative is continued reliance on direct grants with all of the problems which that entails.

Since House Bill 620 was introduced, I have been contacted by Play 'n Learn, the largest childcare provider in Fairbanks. Play 'n Learn has 3 facilities and would like to build another. According to its director Ms. Patty Merrit, to do this they need a longterm financing source. They have sufficient collateral to satisfy the local bank, but there is no program for a longterm financing for a non-profit such as themselves. Ms. Merrit investigated the federal Small Business Administration program but found that it is available to non-profits only if they are a native American organization or an organization of or for the handicapped.

Alaska State Legislature

FOUCH 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: April 19, 1984
To: Members, House Special Committee on State Loans
From: Rep. Rick Uehling, Chairman
Subject: Questions from hearing on HB 620 - AIDA

The following questions are those brought to the Committee by Mr. Bert Wagnon, Executive Director of the Alaska Industrial Development Authority, relating to the addition of non-profit groups as eligible participants in the AIDA programs.

1. A review of the general status of non-profits dealing with credit status/ratings as it would pertain to conventional loans.
2. How would you foreclose on a non-profit entity for non payment of a loan?
3. Can the organization/trustees of a non-profit entity personally guarantee a loan?
4. Upon liquidation of a non-profit, what happens to the assets of the entity?
5. Can you identify any unique constraints about making loans to non-profits?
6. Are there differences between various kinds of non-profits, such as those which are "503(c)" and those which are not, which would make a difference in their being acceptable for consideration under the AIDA program?
7. Where do most non-profit entities get their funds now?

Mr. Wagnon will be in touch with an accountant from Peat Marwick & Mitchell, and the Committee staff will contact Legal Affairs. We hope to have answers to the questions for our meeting at 5 p.m. on Tuesday, April 24th.

/as

A handwritten signature, likely of the Chairman, Rick Uehling.

DRAFT

Memorandum

Date: April 18, 1984
To: Rep. Rick Uehling
From: Alaire Stanton, Committee Aide
Subject: Questions from hearing on HB 620 - AIDA

The following questions are those brought to the Committee by Mr. Bert Wagnon, Executive Director of the Alaska Industrial Development Authority, relating to the addition of non-profit groups as eligible participants in the AIDA programs.

1. A review of the general status of non-profits dealing with credit status/ratings as it would pertain to conventional loans.
2. How would you foreclose on a non-profit entity for non payment of a loan?
3. Can the organization/trustees of a non-profit entity personally guarantee a loan?
4. Upon liquidation of a non-profit, what happens to the assets of the entity?
5. Can you identify any unique constraints about making loans to non-profits?
6. Are there differences between various kinds of non-profits, such as those which are "503(c)" and those which are not, which would make a difference in their being acceptable for consideration under the AIDA program?
7. Where do most non-profit entities get their funds now?

Mr. Wagnon will be in touch with an accountant from Peat Marwick & Mitchell, and it was suggested that the Committee pursue the answer to the above questions from Legal Affairs.

/as



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

Pouch Y, State Capitol
Juneau, Alaska 99811
(907) 465-3991

March 23, 1984

MEMORANDUM

TO: Representative Niilo Koponen

FROM: Jay Livey *JS*
Legislative Analyst

RE: Eligibility of Nonprofit Organizations for State Loan Programs
Research Request 84-077

Lisa McLaren of your staff asked that we determine which State loan programs are allowed to make loans to nonprofit organizations.

The State loan programs listed below have no statutory or regulatory prohibitions that preclude loans to nonprofit organizations. However, nonprofit organizations would be required to meet all of the loan criteria of these programs. It is possible that some nonprofits would find it difficult to meet these loan eligibility requirements.

State loan programs that do not exclude nonprofit organizations are:

- Municipal Bond Bank
- Agriculture Revolving Loan Fund - *Have NOT*
- Alaska Medical Facility Authority - *1 loan to Fairbanks hospital*
- Alternate Technology and Energy Revolving Loan Fund
- Bulk Fuel Revolving Loan Fund
- Child Care Revolving Loan Fund
- Commercial Fishing Revolving Loan Fund
- Fisheries Enhancement Revolving Loan Fund
- Mining Loan Fund
- Power Project Fund - *Does loan to electrical coops*
- Rural Electrification Revolving Loan Fund
- Residential Energy Conservation Fund - *Nothing in regs to preclude it. hasn't happened yet*
- Historical District Revolving Loan Fund

*ARC - is giving loan extension
but not approving any
new loans*

Community and Regional Affairs' Housing Assistance Loan Fund (HALF) is able to make loans to nonprofit organizations through its rural non-owner occupied program. Although no loans to nonprofit organizations have been made through this program, there has been one loan to a municipality. HALF has two other programs, the nonconforming and rural owner occupied programs, that cannot loan to nonprofit organizations because of owner occupancy requirements.

*Has not given
any loans to
a non-profits
(has 2 to 1
municipality) but
has no problem
doing so*

Representative Koponen
March 23, 1984
Page 2

Two loan programs, the Alaska Housing Finance Corporation and the Scholarship Revolving Loan Fund, can only make loans to individuals. All organizations, whether profit or nonprofit, are ineligible for these loans.

If you have questions or require additional research, please contact me.

JL

to adoption of the resolution, the position of the persons as a member shall be transferred to the first one of the following state officers who is not then acting as a member and would not be prohibited from voting on the resolution because of the same prohibi-

tion: commissioner of administration, attorney general, commissioner of revenue, commissioner of health and welfare, commissioner of labor, commissioner of public works, commissioner of public safety."

Sec. 44.88.212. Fees charged by authority. (a) An application fee may not be charged for an application for authority participation in a loan under AS 44.88.158.

(b) The commitment fee for a loan commitment by the authority may not exceed two percent of the principal amount of the loan. (AS 44.88.085; § 34 ch 115 SLA 1981)

Editor's notes. — This section was originally enacted as AS 44.88.085 and was renumbered by the revisor of statutes pursuant to AS 01.05.031(b).

Sec. 44.88.220. Definitions. In AS 44.88.010 — 44.88.220

(1) "authority" means the Alaska Industrial Development Authority created by AS 44.88.010 — 44.88.220;

(2) "business enterprise" means a single proprietorship, corporation, firm, partnership, or other association of persons organized in any manner, for any business purpose, other than on a nonprofit basis;

(3) "federal agency" means the United States and any officer, department, agency or instrumentality of the United States;

(4) "governing body of a political subdivision" means, when used with respect to the location of a project, the council of a city if the project is to be located in a city in the unorganized borough, or the assembly if the project is to be located in an organized borough or a unified municipality;

(5) "project" means

(A) a plant or facility used or intended for use in connection with making, processing, preparing, or producing in any manner, goods, products or substances of any kind or nature or in connection with developing or utilizing a natural resource, or extracting, smelting, transporting, converting, assembling or producing in any manner, minerals, raw materials, chemicals, compounds, alloys, fibers, commodities and materials, products or substances of any kind or nature, any plant or facility used or intended for use as an industrial park or in connection with air and water transportation, or any plant or facility for the prevention, limitation or control of air or water pollution, for the disposal of sewage or solid waste, for the local furnishing of gas, or for the furnishing of water;

(B) a plant or facility used or intended for use in connection with a business enterprise;

(C) commercial activity by a small enterprise;

(6) "plant" or "facility" means real property, whether above or below mean high water, or an interest in it, and the buildings, improvements

and structures or include fixtures, personal property is attached to agreed not to remove the state for the project include work in project

(7) Repealed by

(8) "project cost aggregate costs of the construction, without limitation of property, and, in connection buildings and improvements to and from the project systems to the site limitation, the costs during or after construction costs related to the engineering of the the authority, administration to be used in construction, replacement and expenses which necessary to finance the

(9) "project application proposing to

(A) use or occupy

(B) agree to permit

(10) "real property including, without limitation, interests, uses, leases,

(11) "lease" includes used as a verb, the simple title, including agreements to use or

(12) "small enterprise project applicant with reporting period ending authority for a loan;

(13) Repealed by

(14) Repealed by

(15) Repealed by

(16) "commercial involving stock in existing indebtedness

and structures constructed or to be constructed on or in it, and may include fixtures, machinery, and equipment on it or in it, and tangible personal property, regardless of whether the tangible personal property is attached to or connected with real property, if the owner has agreed not to remove the tangible personal property permanently from the state for the period the authority sets; "plant" or "facility" does not include work in process or stock in trade;

(7) Repealed by § 70 ch 106 SLA 1980;

(8) "project cost" or "cost of a project" means all or any part of the aggregate costs determined by the authority to be necessary to finance the construction, expansion, or acquisition of a project, including without limitation the cost of acquiring real or tangible personal property, and, in connection with real property, the cost of constructing buildings and improvements, the cost of constructing means of access to and from the project, the cost of constructing extensions of utility systems to the site of the project; the cost of a project includes, without limitation, the cost of financing the project, interest charges before, during or after construction, expansion, or acquisition of the project, costs related to the determination of the feasibility, planning, design or engineering of the project and, to the extent determined necessary by the authority, administrative expenses, the cost of machinery or equipment to be used in the operation of the project and expenses of installation, replacement or rehabilitation, and all other costs, charges, fees and expenses which may be determined by the authority to be necessary to finance the construction, expansion, or acquisition;

(9) "project applicant" means a business enterprise or enterprises proposing to

(A) use or occupy a project; or

(B) agree to permit others to use or occupy a project;

(10) "real property" means land and rights and interests in land, including, without limitation, interests less than full title such as easements, uses, leases, and licenses;

(11) "lease" includes, when used as a noun, an interest in, or when used as a verb, the transfer of an interest in, property less than fee simple title, including, without limitation, when used as a noun, agreements to use or occupy property;

(12) "small enterprise" means a business enterprise which is a project applicant with gross income of \$10,000,000 or less for its annual reporting period ending immediately before the application to the authority for a loan;

(13) Repealed by § 51 ch 115 SLA 1981.

(14) Repealed by § 51 ch 115 SLA 1981.

(15) Repealed by § 51 ch 115 SLA 1981.

(16) "commercial activity" includes work in process or activity involving stock in trade, accounts receivable, or the refinancing of existing indebtedness, subject to the provisions of AS 44.88.158. (§ 1 ch

FEB 2 1984



ALASKA INDUSTRIAL DEVELOPMENT AUTHORITY

1577 "C" STREET • SUITE 304 □ ANCHORAGE, ALASKA 99501-5177 □ (907) 274-1651

January 30, 1984

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

Dear Representative Uehling:

As you may recall, this fall a hearing was held by a subcommittee on loans and there was considerable discussion on assistance to the small borrowers.

Our SBA purchase program has been active in this area and a bill is pending in the legislature which would perhaps be of assistance to some Alaskans. We support the intent of this bill, but would like to offer a technical amendment which would read as follows:

*Sec. 2. AS 44.88.159(c) is amended to read:

(c) The interest rate on a loan purchased by the authority with money in the small enterprise loan account that is not from the proceeds of the sale of a series of bonds is the lesser of (1) the prevailing prime rate adopted by the United States Small Business Administration, or (2) [EQUAL TO] the most recent index of Aa corporate bond yield averages as published by Moody's Investors Service. However, if the interest rate established in accordance with this subsection would be less than 10 percent, the interest rate on the loan is 10 percent.

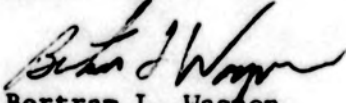
Our reason for suggesting such an amendment is that it is possible that someone might construe the existing language to be interpreted to mean that once the lesser of 1 or 2 fell below 10% no loans could be made. Our suggested alternative would hopefully clarify any such ambiguity.

Representative Uehling
January 30, 1984
Page 2

The effect of this bill would be to reduce our purchase rate on SBA loans from the present 12.7% to 11%. The Authority feels this is a responsible piece of legislation in that we only purchase the U.S. Government guaranteed portion and the yield should reflect the risk as well as move with the market which it does under S.B. 254.

If I can answer any questions please advise.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bertram L. Waggon".

Bertram L. Waggon
Executive Director

BLW:mr

Sectional Analysis of SBA Bill

Section 1: This section deletes the reference to a project, as defined in AS 44.88.220. This deletion is requested to ensure that there is no difficulty with the Authority purchasing the SBA guaranteed portion of working capital and inventory loans. Presently, it could possibly be interpreted that the Authority is prohibited from buying these loans because of the project description of AS 44.88.220(6).

Section 2: This section is an effort to resolve the difficulty of differential rates being applied to the same loan program. Presently the maximum rate allowed by the U.S. Small Business Administration (SBA) on loans guaranteed by them is the prevailing prime rate plus: 2-1/4% if the loan is less than seven years; or 2-3/4% if the loan is longer than seven years. The present AIDA "buy rate" for the SBA guaranteed portion is Moody's Aa corporate index - in essence, AIDA is loaning funds to the banks at this rate. The bank may then add 1-1/2% to this rate for loans under \$100,000, or 1% to this rate for loans over \$100,000. Generally, there has not been a problem, but with two different rates, particularly one being a "short term" rate (SBA/Prime) and one being a "long term" rate (AIDA/Moody's Aa) the potential exists for the rates to be such that AIDA effectively cannot buy these loans. For instance, the present (mid-March) rates are: Prime = 10.5%; Moody's Aa = 12.4%. For a loan of less than 7 years, the SBA ceiling is 12.75% (10.50% + 2.25%). AIDA will "buy" this loan (i.e. provide funds to the bank) at 12.4%, and allow the bank to charge 1 to 1-1/2% in excess of the 12.4%. Since the SBA ceiling is lower, it will be the effective rate. So the bank would have to loan funds to the borrower at 12.75%, and get funds from AIDA at 12.4%. This spread is inadequate to induce the bank to sell SBA loans to AIDA. This does not mean that a bank will not make an SBA loan based upon some other source of funds, however it does significantly lessen the possibility that a bank will make an SBA loan (the SBA estimates that AIDA purchases 70% of all new SBA guaranteed loans in Alaska).

A simple way to eliminate this problem would be to tie the AIDA rates to prime. However this could create a situation where a borrower was confronted with rates in excess of 20% (prime exceeded 20% during 1980 and 1981, and peaked at 17% during 1982). Section 2 represents a compromise. It sets the AIDA buy rate at the lesser of prime, or Moody's Aa, with a 10% floor. This should allow AIDA to "stay in the SBA business" even if Moody's Aa exceeds prime, as in the example, but still protects the borrower from the egregious rates that could result from being strictly tied to prime. The rationale for the 10% floor is that if rates drop below 10%, AIDA assistance should not be needed.

Suggested amendment for S.B. 254 is: (see attached page)

*Sec. 2. AS 44.88.159(c) is amended to read:

(c) The interest rate on a loan purchased by the authority with money in the small enterprise loan account that is not from the proceeds of the sale of a series of bonds is the lesser of (1) the prevailing prime rate adopted by the United States Small Business Administration, or (2) [EQUAL TO] the most recent index of Aa corporate bond yield averages as published by Moody's Investors Service. However, if the interest rate established in accordance with this subsection would be less than 10 percent, the interest rate on the loan is 10 percent.

Our reason for suggesting such an amendment is that it is possible that someone might construe the existing language to be interpreted to mean that once the lesser of 1 or 2 fell below 10% no loans could be made. Our suggested alternative would hopefully clarify any such ambiguity.

Introduced: 4/14/83
Referred: Labor and Commerce
and Finance

1 IN THE SENATE

BY JOSEPHSON AND V. FISCHER

2

SENATE BILL NO. 254

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to loans made or purchased by the
Alaska Industrial Development Authority; and provid-
ing for an effective date."

8

9

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

10

* Section 1. AS 44.88.158(b) is amended to read:

11

(b) The authority may use money in the small enterprise loan

12

account to purchase the guaranteed portion of a loan made by a private

13

financial institution after June 30, 1981, to a small enterprise [TO

14

PAY THE COST OF A PROJECT, AS DEFINED IN AS 44.88.220], if the loan is

15

guaranteed by the United States or an agency or instrumentality of the

16

United States, including, but not limited to, the Small Business

17

Administration, the National Marine Fisheries Service, and the Farmers

18

Home Administration.

19

* Sec. 2. AS 44.88.159(c) is amended to read:

20

(c) The interest rate on a loan purchased by the authority with

21

money in the small enterprise loan account that is not from the pro-

22

ceeds of the sale of a series of bonds is equal to the lesser of (1)

23

the prevailing prime rate adopted by the United States Small Business

24

Administration, or (2) the most recent index of Aa corporate bond

25

yield averages as published by Moody's Investors Service, except that

26

an interest rate established under this subsection may not be less

27

than 10 percent.

28

* Sec. 3. This Act takes effect immediately in accordance with AS 01.-

29

10.070(c).

HB 620

Representative Uehling moved and asked unanimous consent that Rule 23 of the Uniform Rules (the five-day rule) be waived so that the House Special Committee on State Loans can hold a hearing on HOUSE BILL NO. 620 (relating to the Alaska Industrial Development Authority; effective date) on April 17, 1984.

There being no objection, it was so ordered.

HB 599

Representative Lindauer asked that his name be removed as co-sponsor to HOUSE BILL NO. 599 (relating to the investment policy of the Alaska permanent fund board; effective date).

ENGROSSMENTHCSSB 453(Jud)amH

HCSSB 453(Jud)amH was engrossed, signed by the Speaker and the Chief Clerk and transmitted to the Senate for consideration.

ANNOUNCEMENTS

Governor's Prayer	Gold Room	7:30 a.m., 4/19
Breakfast		
Speaker, Mr. Clark Gruening		
(Tickets available from		
the Governor's Office)		

Revisions to Weekly Schedule

STATE AFFAIRS	Capitol 102	1:15 p.m., 4/16
Added:		
HJR 76	Assignment to Alaska of the	
	rapid deployment light	
	infantry division	

HCS CSSB 438(L&C)

Representative Ringstad, Chairman
Representative Uehling
Representative Szymanski

The Chief Clerk was instructed to so notify the Senate.

SSHB 63

SSHB 67

Representative Lindauer moved and asked unanimous consent that the following bills be withdrawn:

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 63
(establishing priority uses of fishery resources)

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 67
(relating to fishing and hunting)

There being no objection, it was so ordered.

HJR 76

Representative Abood moved and asked unanimous consent that Rule 23 of the Uniform Rules (the five-day rule) be waived so that the State Affairs Committee can hold a hearing on HOUSE JOINT RESOLUTION NO. 76 (relating to the assignment to Alaska of the rapid deployment light infantry division) today, April 16, 1984.

Representative M.M. Miller objected and stated he would withdraw his objection if notice of hearing on HJR 76 had been published in the April 16 - 22, 1984 Committee Meeting Schedule as required by Rule 23. With this understanding, the five-day notice was waived.

**STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE**

Revision Date: _____

REQUEST

Bill/Resolution No. H.B. 620
Title: An Act Relating to the
Alaska Industrial Development Authority
Sponsor: Koponen & Herrmann
Requestor: _____
Date of Request: _____

FISCAL DETAIL

Agency Affected: Dept. of Commerce & Econ Dvlpmnt
Program Category Affected: Alaska Industrial
Development Authority
BRU, Program or Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	~~NONE~~					

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY	~~NONE~~					

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Bill Wagoner
Division: AK. Encl. 100 RCT 1011
Approved by Commissioner: [Signature]
Agency: _____

Phone: 274-1651
Date: 2/21/84
Date: _____

Distribution (by Agency preparing fiscal note):

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

12/1/83

Play N Learn Inc.

☐ Downtown
547 7th Ave.
452-5997

☐ West
1/4 mi. Chena Pump Rd.
SR Box 10540
479-5711

☐ Babies
1908 Pioneer Way
479-4243

☒ Corporation
SR Box 10540
479-0900

March 20, 1984

Representative Rick Uehling
State of Alaska
Pouch V
Juneau, AK 99811

Dear Representative Uehling:

As chairperson of the House Special Committee in Loans, I want to encourage you to pass HB 620 this session. Non-profit corporations should have equal access to loans, provided they can meet the necessary criteria. It is most frustrating to me to be told that non-profits should "get grants" or "receive government aid" rather than pay their own way. However, the lack of loan programs available to non-profit corporations leaves little choice.

HB 620 makes good sense. It jeopardizes no one; it costs nothing and it frees non-profits from the need to always ask for government support.

The enclosed letters (approximately 80) are from other Fairbanks residents who support HB 620. Together we urge your quick action.

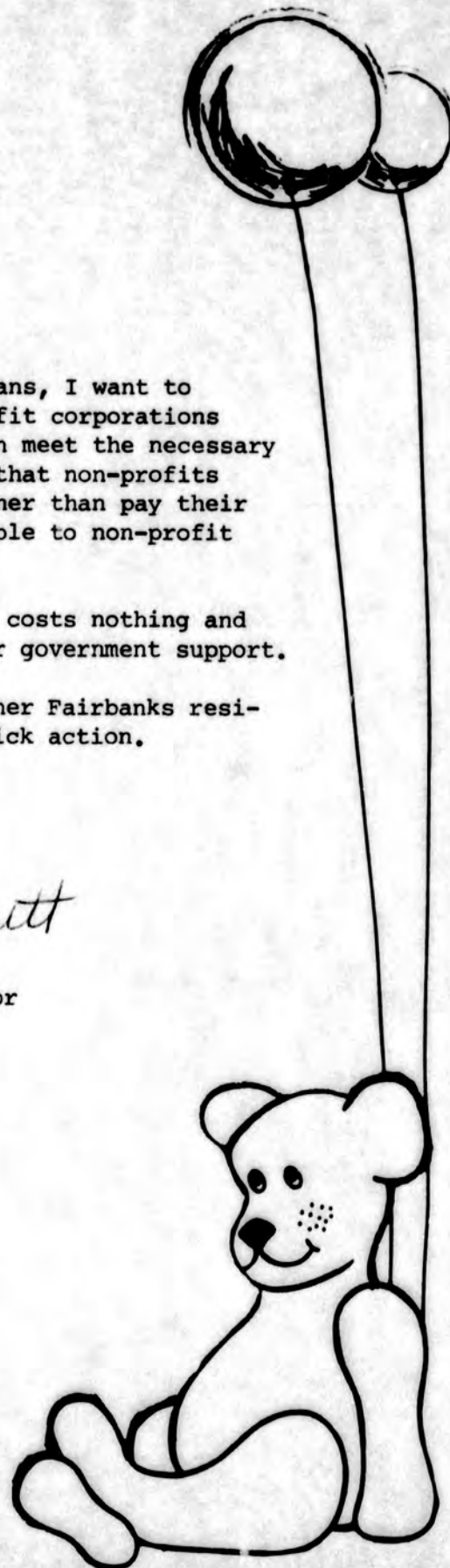
Thank you!

Sincerely,

Patty Meritt

Patty Meritt
Executive Director

cc: Interior delegation
House Loan Committee Members



March 1984

Dear Alaska Legislator,

As a parent with children enrolled in a non-profit child care program, I support the passage of HB 620. It is my understanding that this bill would allow the Alaska Industrial Development Authority to lend to non-profit organizations. I believe that non-profit organizations should have equal access to funds for borrowing, provided they meet the financial criteria, as private businesses.

Please lend your support to this bill, which would cost the State nothing extra but would encourage growth and development in our communities.

Sincerely,

Jane g. Hargis SR 50131 Fairbanks AK 99701
Kathleen Hildebrand 211 Clarkson Dr. Fbks. 99701
Sandra Garbowski SR 61090A Fbks 99701
Lisa Stages S.R. Box 31447 Fbks AK 99701
Barbara O. (Moran) P.O. Box 80136 Fbks AK 99708
Caroline Polow S.R. 30750 Fairbanks AK

March 1984

Dear Alaska Legislator,

As a citizen concerned about non-profit child care centers, I support the passage of HB 620. It is my understanding that this bill would allow the Alaska Industrial Development Authority to lend funds to non-profit organizations. I believe that these organizations should have equal access to funds for borrowing, provided they meet the same financial criteria, as businesses organized for profit.

I urge you to lend your support to this bill, which would cost the State nothing but would encourage growth of vital services in our communities.

Sincerely,

Barbara A. Regan
P.O. Box 2024
Fairbanks, Alaska
99707

March 1984

Dear Alaska Legislator,

As a citizen concerned about non-profit child care centers, I support the passage of HB 620. It is my understanding that this bill would allow the Alaska Industrial Development Authority to lend funds to non-profit organizations. I believe that these organizations should have equal access to funds for borrowing, provided they meet the same financial criteria, as businesses organized for profit.

I urge you to lend your support to this bill, which would cost the State nothing but would encourage growth of vital services in our communities.

Sincerely,


5190 Amherst #42
FORS AK 99101
* 419-7501

March 1984

Dear Alaska Legislator,

As a citizen concerned about non-profit child care centers, I support the passage of HB 620. It is my understanding that this bill would allow the Alaska Industrial Development Authority to lend funds to non-profit organizations. I believe that these organizations should have equal access to funds for borrowing, provided they meet the same financial criteria, as businesses organized for profit.

I urge you to lend your support to this bill, which would cost the State nothing but would encourage growth of vital services in our communities.

Sincerely,

Paul Thompson
P.O. B 1542 NOME
AK 99762

March 1984

Dear Alaska Legislator,

As a parent with children enrolled in a non-profit child care program, I support the passage of HB 620. It is my understanding that this bill would allow the Alaska Industrial Development Authority to lend to non-profit organizations. I believe that non-profit organizations should have equal access to funds for borrowing, provided they meet the financial criteria, as private businesses.

Please lend your support to this bill, which would cost the State nothing extra but would encourage growth and development in our communities.

Sincerely,

Jennifer Ackerman
202 Sandwich Rd. Apt. 306
Anchorage, AK 99501

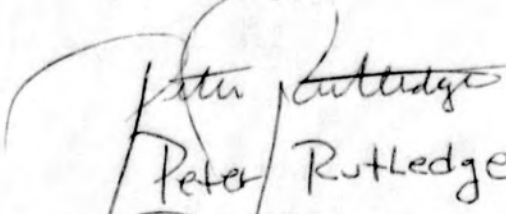
March 1984

Dear Alaska Legislator,

As a citizen concerned about non-profit child care centers, I support the passage of HB 620. It is my understanding that this bill would allow the Alaska Industrial Development Authority to lend funds to non-profit organizations. I believe that these organizations should have equal access to funds for borrowing, provided they meet the same financial criteria, as businesses organized for profit.

I urge you to lend your support to this bill, which would cost the State nothing but would encourage growth of vital services in our communities.

Sincerely,


Peter Rutledge
P.O. Box 80681
College AK 99708

March 1984

Dear Alaska Legislator,

As a citizen concerned about non-profit child care centers, I support the passage of HB 620. It is my understanding that this bill would allow the Alaska Industrial Development Authority to lend funds to non-profit organizations. I believe that these organizations should have equal access to funds for borrowing, provided they meet the same financial criteria, as businesses organized for profit.

I urge you to lend your support to this bill, which would cost the State nothing but would encourage growth of vital services in our communities.

Sincerely,

Debbie Hayward
Box 55346
North Pole, AK. 99705

March 1984

Dear Alaska Legislator,

As a citizen concerned about non-profit child care centers, I support the passage of HB 620. It is my understanding that this bill would allow the Alaska Industrial Development Authority to lend funds to non-profit organizations. I believe that these organizations should have equal access to funds for borrowing, provided they meet the same financial criteria, as businesses organized for profit.

I urge you to lend your support to this bill, which would cost the State nothing but would encourage growth of vital services in our communities.

Sincerely,

Kathy Haggert

4675 6th Street

San Bruno, AK 99701

March 1984

Dear Alaska Legislator,

As a citizen concerned about non-profit child care centers, I support the passage of HB 620. It is my understanding that this bill would allow the Alaska Industrial Development Authority to lend funds to non-profit organizations. I believe that these organizations should have equal access to funds for borrowing, provided they meet the same financial criteria, as businesses organized for profit.

I urge you to lend your support to this bill, which would cost the State nothing but would encourage growth of vital services in our communities.

Sincerely,

Lynn Manners

4246-5 599th St.

Ft. Wainwright AK 99703

March 1984

Dear Alaska Legislator,

As a citizen concerned about non-profit child care centers, I support the passage of HB 620. It is my understanding that this bill would allow the Alaska Industrial Development Authority to lend funds to non-profit organizations. I believe that these organizations should have equal access to funds for borrowing, provided they meet the same financial criteria, as businesses organized for profit.

I urge you to lend your support to this bill, which would cost the State nothing but would encourage growth of vital services in our communities.

Sincerely,

Rae Blackwelder.

P.O. Box 83005
Fairbanks AK 99708.