

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILE 8672

1164 SCOMM 34: HOUSE SPEC. COMMITTEE ON STATE LOANS 1983-84



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Alaska State Legislature

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House Special Committee on State Loans

MEMORANDUM

To: Members of the House Special Committee on State Loans
From: Rep. Rick Uehling, Chairman *RJ.*
Date: February 21, 1984
Subject: Work sessions - Budget analysis

Our meeting tomorrow will begin the process of reviewing the agency requests pertaining to HB 650, the Loans appropriation measure.

We will begin with those sections within the Department of Natural Resources, the Agricultural Revolving Loan Fund and the Grain Reserve Program; and also try to cover the sections with the Alaska Power Authority. Both agencies will have representatives at the meeting.

It would be appreciated if you could bring the attached background notebook with you to the meeting, for reference there if you need it. Some of the material is for future sessions, though it is not all complete at this time.

AGENCY PRIORITY	PROGRAM TITLE	LOCATION	FUNDING	AGENCY REQUEST	GOVERNOR
85-1	Fisheries Enhancement Loan Program	Statewide	FEDERAL FUNDS	-0-	~~6~~
			GENERAL FUNDS	11,000.0	
			OTHER:	-0-	
			TOTAL	11,000.0	
85-2	Commercial Fishing Loan Act	Statewide	FEDERAL FUNDS	-0-	3,500.0
			GENERAL FUNDS	3,500.0	
			OTHER:	-0-	
			TOTAL	3,500.0	
85-3	Alternative Technology and Energy Revolving Loan Fund	Statewide	FEDERAL FUNDS	-0-	5,100.0
			GENERAL FUNDS	5,100.0	
			OTHER:	-0-	
			TOTAL	5,100.0	
			FEDERAL FUNDS		
			GENERAL FUNDS		
			OTHER:		
			TOTAL		
			FEDERAL FUNDS		
			GENERAL FUNDS		
			OTHER:		
			TOTAL		
			FEDERAL FUNDS		
			GENERAL FUNDS		
			OTHER:		
			TOTAL		

AGENCY Commerce & Economic Development

**A-3 AGENCY
LOAN
PROGRAM**

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BUDGET REVIEW

TITLE		LOCATION		AGENCY PRIORITY	NAME AND PHONE OF AGENCY CONTACT	
AS 16.10.500-620 Fisheries Enhancement Loan Program		Statewide		1	Paul B. Arnoldt, Director	
PROGRAM FUNDING	FY 83	FY 84	FY 85	GOVERNOR	OTHER FINANCIAL INFORMATION (INCLUDING FY 84)	TOTAL
TOTAL ANNUAL LOAN DEMAND	6,978.1	16,070.0	11,602.7		TOTAL APPROPRIATIONS	44,204.1
TOTAL APPROPRIATIONS AND REQUESTS	17,000.0	6,500.0	11,000.0		TOTAL INTEREST RETAINED	0
1002 FEDERAL RECEIPTS	0	0	0		TOTAL BONDS ISSUED	N/A
1004 GENERAL FUNDS	17,000.0	6,500.0	11,000.0		BONDS AUTHORIZED BUT NOT ISSUED	N/A
1028 PROGRAM RECEIPTS	0	0	0		TOTAL PROGRAM FUNDING	
GENERAL OBLIGATION BONDS	0	0	0		WHAT ARE THE TOTAL ADMINISTRATIVE COSTS FOR OPERATING THE LOAN PROGRAM FOR FY 85?	
OTHER	0	0	0		\$112.8	
TOTAL OTHER PROGRAM FUNDING	150.8	10,172.7	602.7		WHAT AMOUNT OF TOTAL ADMINISTRATIVE COSTS ARE OBTAINED FROM LOAN INTEREST, PRINCIPAL OR FEES?	
ESTIMATED CARRY FORWARD BALANCE	150.8	10,172.7	602.7		None	
INTEREST RETAINED	0	0	0			
PRINCIPAL REPAYED	0	0	0			

DESCRIBE THE PROGRAM AND EXPLAIN IMPACTS ON THE PROGRAM OF RECEIVING IN FY 85 75% OF FY 84 AUTHORIZED GENERAL FUNDS AND 50% OF FY 84 AUTHORIZED GENERAL FUNDS:

Description: This program promotes the private ownership of salmon hatcheries by qualified nonprofit corporations for the purpose of contributing to the rehabilitation of Alaska's salmon fishery. These State loans further the economic development of commercial and sportfishing industries and benefit subsistence fisheries.

AS 16.10.500-620 authorizes loans for hatchery planning, construction and operation and for enhancement and rehabilitation activities, including, but not limited to, lake fertilization and habitat improvement. The maximum loan amount is \$10,000,000 per project for a qualified regional aquaculture association and \$1,000,000 per project for a local nonprofit corporation as approved by the regional aquaculture association. The maximum loan maturity is 30 years and the interest rate is 9-1/2%. This is a revolving loan fund which means that, as payments are collected, then those funds become available to be lent out to new borrowers. Interest does not accrue during the initial period of the loan, which is a period of time (as determined by the Commissioner), of not less than six years nor more than ten years from the date the loan is made. In addition, repayment of principal and interest does not begin until after this initial period. Payments are generally made on an annual basis.

AGENCY Commerce & Economic Development

CATEGORY Economic Development

PROGRAM Investments

TITLE Fisheries Enhancement Loan Program

**L-1 LOAN
PROGRAM
DESCRIPTION**

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(Description continued)

25% Reduction: A 25% reduction in FY '84 authorized general funds will result in a reduction in the number of loans that could be made. Operation loans to existing facilities would receive highest priority and would account for \$2,968,196 of the FY '84 request. This would leave \$1,906,804 available to fund two preconstruction loans. As a result, three preconstruction loans and five new construction projects would not be funded.

50% Reduction: A 50% reduction in FY '84 authorized funds would have a drastic effect. Again, continuation of operating loans would account for \$2,968,196 leaving \$281,804 available to make approximately one capital improvement loan to an existing hatchery facility. This would mean that seven other capital improvement loans to existing facilities, five preconstruction loans, and five construction loans would not be funded.

AGENCY Commerce & Economic Development

PROGRAM Economic Development

BRU Investments

COMPONENT Fisheries Enhancement Loan
Program

L-1

ADDITIONAL
EXPLANATION
FORM

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OTHER FINANCIAL AND PROGRAM INFORMATION

	FY 83 ACTUAL	FY 84 AUTHORIZED	FY 85 REQUEST
ESTIMATED TOTAL SUBSIDY	9,816.5	3,753.4	6,351.8
ESTIMATED RATE OF SUBSIDY	57.7	57.7	57.7
AVERAGE LOAN SIZE	581.5	618.0	351.5
NUMBER OF LOANS MADE	12	26	33
VALUE OF LOANS MADE ANNUALLY	6,978.1	16,070.0	11,602.7
VALUE OF OUTSTANDING LOANS AT FY E'D	12,474.3	19,500.0	29,737.0
AVERAGE DELINQUENCY RATE	0	0	0
OTHER PROGRAM INDICATORS			

INFORMATION FOR SUBSIDY CALCULATION

STATUTORY LOAN RATE	9-1/2%
STATUTORY MAXIMUM LOAN MATURITY	30
APPROPRIATE U.S. TREASURY INTEREST RATE	12%
ESTIMATED COST OF FUNDS FOR BOND ISSUE	0
ARE PRINCIPAL DEFERMENTS ALLOWED?	YEARS YES NO
IF YES, NUMBER OF YEARS:	6-10 ☒ ☐
ARE INTEREST DEFERMENTS ALLOWED?	
IF YES, NUMBER OF YEARS:	☐ ☒
IS LOAN FORGIVENESS ALLOWED?	6-10 ☒ ☐
Interest Only	

PROGRAM JUSTIFICATION:

Long-term, low-interest loans to qualified nonprofit corporations will enhance the development of Alaska's salmon resources, increase egg production, and create additional jobs. The measure of success of the program will be increased egg capacity due to construction of new nonprofit hatcheries and funding of operational and enhancement loans for existing nonprofit facilities.

Egg production should increase by 95 million eggs as a result of 6 new loans to be made in FY '85 for 3 new hatcheries. In addition, a total of 29 new operational and enhancement loans will be made to support existing facilities which have a combined egg capacity of 918.8 million eggs.

Financing for these projects is not available from the private sector because of the subsidized interest rates and liberal loan terms necessary to make the projects feasible. Private financial institutions cannot afford to forgive interest and forego principal payments for a six-to-ten year period, nor incur the high risk involved in these loans. It takes several years before revenue from the sale of returning fish is available to make payments.

L-2 LOAN PROGRAM JUSTIFICATION

AGENCY Commerce & Economic DevelopmentCATEGORY Economic DevelopmentPROGRAM InvestmentsTITLE Fisheries Enhancement Loan
Program
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DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

Commercial Fishing Loan Act

<u>FY '84</u>	<u>FY '85 request</u>	<u>Governor</u>	<u>Loans Committee</u>
9,091,000. Loans appropriation	3,500,000.	3,500,000	3,500,000.
4,372,100. Estimated carry forward			
3,182,000. Interest retained			
2,200,000. Principal repaid			

NOTE: This is a revolving loan fund, the purpose of which is to encourage and promote Alaska's commercial fishing industry and to develop a predominantly resident fishery by making low-interest, long term fishing loans.

Please refer to the Audit from OMB dated December 1983 especially pages 2 and 3, and also page 11 for a few conclusions.

TITLE		LOCATION		AGENCY PRIORITY	NAME AND PHONE OF AGENCY CONTACT	
AS 16.10.300-370 Commercial Fishing Loan Act		Statewide		2	Paul B. Arnoldt, Director	
PROGRAM FUNDING	FY 83	FY 84	FY 85	GOVERNOR	OTHER FINANCIAL INFORMATION (INCLUDING FY 84)	TOTAL
TOTAL ANNUAL LOAN DEMAND	14,059.2	15,026.4	15,000.0		TOTAL APPROPRIATIONS	51,791.0
TOTAL APPROPRIATIONS AND REQUESTS	9,400.0	9,091.0	3,500.0		TOTAL INTEREST RETAINED	7,209.4
1002 FEDERAL RECEIPTS	0	0	0		TOTAL BONDS ISSUED	N/A
1004 GENERAL FUNDS	9,400.0	9,091.0	3,500.0		BONDS AUTHORIZED BUT NOT ISSUED	N/A
1028 PROGRAM RECEIPTS	0	0	0		TOTAL PROGRAM FUNDING	
GENERAL OBLIGATION BONDS	0	0	0		WHAT ARE THE TOTAL ADMINISTRATIVE COSTS FOR OPERATING THE LOAN PROGRAM FOR FY 85?	
OTHER	0	0	0		\$612.8	
TOTAL OTHER PROGRAM FUNDING	9,031.3	9,754.1	11,500.0		WHAT AMOUNT OF TOTAL ADMINISTRATIVE COSTS ARE OBTAINED FROM LOAN INTEREST, PRINCIPAL OR FEES?	
ESTIMATED CARRY FORWARD BALANCE	5,004.4	4,372.1	3,818.7		None	
INTEREST RETAINED	2,023.4	3,182.0	4,130.3			
PRINCIPAL REPAYED	2,003.5	2,200.0	3,551.0			

DESCRIBE THE PROGRAM AND EXPLAIN IMPACTS ON THE PROGRAM OF RECEIVING IN FY 85 75% OF FY 84 AUTHORIZED GENERAL FUNDS AND 50% OF FY 84 AUTHORIZED GENERAL FUNDS:

Description: This is a revolving loan fund which means that, as payments are collected, then those funds become available to be lent out to new borrowers. Interest accrues from the date of the loan and is generally payable on an annual basis.

Under Section A (AS 16.10.310), loans may be made for the purchase of limited entry permits. The maximum loan amount is \$300,000; the maximum maturity is 15 years and the interest rate is 10-1/2%. Limited entry permits are required for several fisheries and are expensive to purchase. Since only two entities (the Department of Commerce and Economic Development and the Commercial Fishing and Agriculture Bank) can legally take limited entry permits as collateral, Alaskan fishermen rely on these programs to assist them in purchasing permits. Currently, CFAB is not making loans for the purchase of permits and, thus, the State provides the only active source of permit financing.

**L-1 LOAN
PROGRAM
DESCRIPTION**

AGENCY Commerce & Economic Development
CATEGORY Economic Development
PROGRAM Investments
TITLE Commercial Fishing Loan Act

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(Description continued)

Under Section B (individuals) and Section C (partnership and corporations), loans may be made to commercial fishermen who do not have alternative sources of financing available to them for the purchase of limited entry permits, and the purchase or upgrading of commercial fishing vessels and gear. The maximum loan amount is \$100,000; the maximum maturity is 15 years and the interest rate is 10-1/2%.

25% Reduction: A 25% reduction in FY '84 authorized general funds will result in a corresponding reduction of 75 loans that could have been made. Since permit lending is limited primarily to the State, permit financing will become the State's top priority. As a result, 75 loans for the purchase, construction or upgrading of commercial fishing vessels and gear under Section B cannot be made.

50% Reduction: A 50% reduction in FY '84 authorized general funds will result in a corresponding reduction of 150 loans that could have been made. Again, permit financing will become the State's top priority. As a result, no loans can be made for the purchase, construction or upgrading of commercial fishing vessels and gear under Section B, and approximately 25 loans for the purchase of limited entry permits under Section A cannot be funded.

AGENCY Commerce & Economic Development

PROGRAM Economic Development

BRU Investments

COMPONENT Commercial Fishing Loan Act

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ADDITIONAL
EXPLANATION
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DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
Alternative Technology & Energy Revolving Loan Fund

<u>FY '84</u>	<u>FY '85 request</u>	<u>Governor</u>	<u>Loans Committee</u>
2,400,000. Loans appropriation	5,100,000.	5,100,000.	2,400,000.
1,025,900. Estimated carry forward			
575,000. Interest retained			
921,300. Principal repaid			

NOTE: It is estimated by the agency that loan demands will use all available funding in the current year. The biggest demand in the Spring is for Solar type projects.

A management analyst has been hired in the Dept. to address the regulations in both the Commercial fishing program and the Energy programs.

TITLE AS 45.88.010-500 Alternative Technology and Energy Revolving Loan Fund		LOCATION Statewide		AGENCY PRIORITY 3	NAME AND PHONE OF AGENCY CONTACT Paul B. Arnoldt, Director	
PROGRAM FUNDING	FY 83	FY 84	FY 85	GOVERNOR	OTHER FINANCIAL INFORMATION (INCLUDING FY 84)	TOTAL
TOTAL ANNUAL LOAN DEMAND	4,591.8	4,922.2	6,881.3		TOTAL APPROPRIATIONS	14,035.4
TOTAL APPROPRIATIONS AND REQUESTS	4,000.0	2,400.0	5,100.0		TOTAL INTEREST RETAINED	760.0
1002 FEDERAL RECEIPTS	0	0	0		TOTAL BONDS ISSUED	N/A
1004 GENERAL FUNDS	4,000.0	2,401.0	5,100.0		BONDS AUTHORIZED BUT NOT ISSUED	N/A
1028 PROGRAM RECEIPTS	0	0	0		TOTAL PROGRAM FUNDING	
GENERAL OBLIGATION BONDS	0	0	0		WHAT ARE THE TOTAL ADMINISTRATIVE COSTS FOR OPERATING THE LOAN PROGRAM FOR FY 85?	
OTHER	0	0	0		\$420.5	
TOTAL OTHER PROGRAM FUNDING	1,617.7	2,522.2	1,781.3		WHAT AMOUNT OF TOTAL ADMINISTRATIVE COSTS ARE OBTAINED FROM LOAN INTEREST, PRINCIPAL OR FEES?	
ESTIMATED CARRY FORWARD BALANCE	512.7	1,025.9	0		None	
INTEREST RETAINED	389.3	575.0	620.0			
PRINCIPAL REPAYED	715.7	921.3	1,161.3			
DESCRIBE THE PROGRAM AND EXPLAIN IM/PCTS ON THE PROGRAM OF RECEIVING IN FY 85 75% OF FY 84 AUTHORIZED GENERAL FUNDS AND 50% OF FY 84 AUTHORIZED GENERAL FUNDS: Description: AS 45.88.010-500 authorizes making loans for energy production utilizing energy sources other than fossil or nuclear fuel. The maximum loan amount is \$30,000; the maximum maturity is 20 years and the interest rate is 5% for the first \$15,000 of the loan and 15% for the amount of the loan that exceeds \$15,000. This is a revolving loan fund which means that, as payments are collected, then those funds become available to be lent out to new borrowers. Interest accrues from the date of the loan and is generally payable on a monthly basis. Loan projects will emphasize the use of renewable energy resources within the State as opposed to nonrenewable resources. These loans will promote economic development in the alternative energy industry and the construction industry. 25% Reduction: A 25% reduction in FY '84 authorized general funds will result in a corresponding reduction of 188 loans that could have been made. Lending priorities that emphasize wood stoves, multi-fuel furnaces, wind and hydroelectric systems as top priorities would be established. This will result in a reduction in passive energy systems such as solar heating units and solar sunspaces.						

**L-1 LOAN
PROGRAM
DESCRIPTION**

AGENCY Commerce & Economic Development
CATEGORY Economic Development
PROGRAM Investments
TITLE Alternative Technology and
Energy Revolving Loan Fund

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(Description continued)

50% Reduction: A 50% reduction in FY '84 authorized general funds will result in a corresponding reduction of 375 loans that could have been made. Again, woodstoves, multi-furnaces, wind and hydro-electric systems would be identified as top priorities. These loans will be in lieu of other types of energy loans.

L-1

ADDITIONAL
EXPLANATION
FORM

AGENCY Commerce & Economic Development
PROGRAM Economic Development
BRU Investments
COMPONENT Alternative Technology and
Energy Revolving Loan Fund

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OTHER FINANCIAL AND PROGRAM INFORMATION				INFORMATION FOR SUBSIDY CALCULATION			
ESTIMATED TOTAL SUBSIDY ESTIMATED RATE OF SUBSIDY AVERAGE LOAN SIZE NUMBER OF LOANS MADE VALUE OF LOANS MADE ANNUALLY VALUE OF OUTSTANDING LOANS AT FY END AVERAGE DELINQUENCY RATE OTHER PROGRAM INDICATORS	FY 83 ACTUAL	FY 84 AUTHORIZED	FY 85 REQUEST	STATUTORY LOAN RATE	5% up to \$15,000 15% over \$15,000		
	36.3	36.3	36.3	STATUTORY MAXIMUM LOAN MATURITY	20		
	9.2	9.2	9.2	APPROPRIATE U.S. TREASURY INTEREST RATE	12%		
	503	535	750	ESTIMATED COST OF FUNDS FOR BOND ISSUE	0		
	4,591.8	4,922.2	6,881.3				
	9,844.4	13,125.0	19,087.0	ARE PRINCIPAL DEFERMENTS ALLOWED?	YEARS	YES	NO
	11.1%	9.8%	7.5%	IF YES, NUMBER OF YEARS:	_____	☐	☒
				ARE INTEREST DEFERMENTS ALLOWED?	_____	☐	☒
				IF YES, NUMBER OF YEARS:	_____	☐	☒
				IS LOAN FORGIVENESS ALLOWED?		☐	☒

PROGRAM JUSTIFICATION:
The purpose of the loan fund is to encourage the use of renewable energy resources within Alaska and limit Alaska's dependence on nonrenewable resources. Recognizing that it takes several years to achieve substantial energy savings, a long-term, low-interest loan program was established. Although some funding is available through private lending institutions, this funding is at a higher interest rate and under stricter terms.

Long-term, low-interest loans make alternative energy projects attractive to homeowners. Energy planning and development is a goal of the State; therefore, alternative energy projects should be encouraged through State loan subsidies.

Expected economic benefits will be seen through a decrease in the number of power projects required to supply the State's energy needs and a decrease in the State's dependence on oil and gas. Subsidizing renewable energy projects now is money which will reduce the long-term costs of additional power projects and the dependency of the State on fossil fuel.

Some of the types of loans being made under this program that have shown to be cost-effective are catalytic woodstoves, multi-fuel furnaces, wind generators and hydroelectric systems. Solar heating units and solar sunspaces are not proving to be as cost effective as these other types of energy loans.

**L-2 LOAN
PROGRAM
JUSTIFICATION**

AGENCY Commerce & Economic Development

CATEGORY Economic Development

PROGRAM Investments

TITLE Alternative Technology and
Energy Revolving Loan Fund

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ALASKA POWER AUTHORITY
Rural Electrification Revolving Loan Fund

(Amend bill to cover
relocation of utilities)

<u>FY '84</u>	<u>FY '85 request</u>	<u>Governor</u>	<u>Loans Committee</u>
1,000,000. Capital Funds	1,000,000.	1,000,000.	1,000,000.
1,997,900. Estimated carry forward			
2,304,688. Capital expenditures as of January 17, 1984			

NOTE: This Loan fund was created by the 1981 Legislature and funded by a \$6.5 million appropriation in FY '81.

AGENCY PRIORITY	PROGRAM TITLE	LOCATION	FUNDING	AGENCY REQUEST	GOVERNOR
	Rural Electrification Revolving Loan Fund	State-wide	FEDERAL FUNDS GENERAL FUNDS OTHER: TOTAL	1,000.0	
	Power Project Fund	Seward	FEDERAL FUNDS GENERAL FUNDS OTHER: TOTAL	15,000.0	
	Power Project Fund	Homer	FEDERAL FUNDS GENERAL FUNDS OTHER: TOTAL	11,000.0	
	Power Project Fund	Craig-Klawock	FEDERAL FUNDS GENERAL FUNDS OTHER: TOTAL	1,110.0	
			FEDERAL FUNDS GENERAL FUNDS OTHER: TOTAL		
			FEDERAL FUNDS GENERAL FUNDS OTHER: TOTAL		

AGENCY Department of Commerce, Alaska
Power Authority

**A-3 AGENCY
LOAN
PROGRAM**

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BUDGET REVIEW
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TITLE Rural Electrification Revolving Loan Fund		LOCATION State-wide		AGENCY PRIORITY	NAME AND PHONE OF AGENCY CONTACT Alaska Power Authority 276-0001	
PROGRAM FUNDING	FY 83	FY 84	FY 85	GOVERNOR	OTHER FINANCIAL INFORMATION (INCLUDING FY 84)	TOTAL
TOTAL ANNUAL LOAN DEMAND	6,500.0	1,000.0	1,000.0		TOTAL APPROPRIATIONS	
TOTAL APPROPRIATIONS AND REQUESTS	6,500.0	1,000.0	1,000.0		TOTAL INTEREST RETAINED	
1002 FEDERAL RECEIPTS	-	-	-		TOTAL BONDS ISSUED	
1004 GENERAL FUNDS	6,500.0	1,000.0	1,000.0		BONDS AUTHORIZED BUT NOT ISSUED	
1028 PROGRAM RECEIPTS	-	-	-		TOTAL PROGRAM FUNDING	
GENERAL OBLIGATION BONDS	-	-	-		WHAT ARE THE TOTAL ADMINISTRATIVE COSTS FOR OPERATING THE LOAN PROGRAM FOR FY 85 \$25,000 INCLUSIVE OF TRAVEL PERSONAL Services and Per Diem	
OTHER	-	-	-		WHAT AMOUNT OF TOTAL ADMINISTRATIVE COSTS ARE OBTAINED FROM LOAN INTEREST, PRINCIPAL OR FEES?	
TOTAL OTHER PROGRAM FUNDING	-	-	-		-0-	
ESTIMATED CARRY FORWARD BALANCE	4,392.4	1,997.9	-			
INTEREST RETAINED	0	0	-			
PRINCIPAL REPAYED	0	0	-			

DESCRIBE THE PROGRAM AND EXPLAIN IMPACTS ON THE PROGRAM OF RECEIVING IN FY 85 75% OF FY 84 AUTHORIZED GENERAL FUNDS AND 50% OF FY 84 AUTHORIZED GENERAL FUNDS:

The Rural Electrification Revolving Loan Fund serves the purpose of assisting electric utilities to extend new electric service into unserved areas of the State. Loans must be approved by the Alaska Power Authority which is assisted by a loan advisory committee made up of local residents of the area served by the applicant utility. The utility to be considered for a loan extension must initially extend service to at least three new customers. Loans are made a 2 percent interest, with principal to be repaid as future service connections are added to the extension. In no case may the term of the loan exceed 20 years.

**L-1 LOAN
PROGRAM
DESCRIPTION**

AGENCY Department of Commerce-Alaska Power Authority
 CATEGORY Power Development
 PROGRAM Energy Development
 TITLE Rural Electrification Revolving Loan Fund

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FISCAL YEAR 1982 APPROPRIATION:
FISCAL YEAR 1984 APPROPRIATION:

\$6,500,000.00
1,000,000.00

Iliamna - Newhalen Electric Coop.

1,340,000.00
230,202.00

Andreanof Electric Corporation

200,000.00

Expenditures to date

\$1,770,202.00

Loans in Process - Completion in 30-60 days:

City of Unalaska

\$1,560,486.00

City of Unalaska

250,000.00

Egegik Light and Power Co.

130,000.00

Yakutat Power Line

134,000.00

\$2,074,486.00

Other Loans in Process:

Matanuska Electric Association

\$ 720,000.00

Homer Electric Association

87,418.64

\$ 807,418.64

Total Amount of Loans in Process to Date

2,881,904.64

Remaining Fund Balance to Date

\$2,847,893.36

Impact of a twenty-five and fifty percent reduction of the FY 1984 authorized budget request would influence the rural communities and utilities on a direct basis. Should such a reduction occur further restrictions regarding the size of the loans would be necessary, a clear cut analysis as to the urgency of the loan would have to be prepared, and strengthening of the definition for which the proceeds of the loan could be utilized.

AGENCY Department of Commerce-Alaska Power Authority

PROGRAM Energy Development

BRU _____

COMPONENT Rural Electrification Revolving
Loan Fund

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ADDITIONAL
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FORM

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OTHER FINANCIAL AND PROGRAM INFORMATION				INFORMATION FOR SUBSIDY CALCULATION		
ESTIMATED TOTAL SUBSIDY ESTIMATED RATE OF SUBSIDY AVERAGE LOAN SIZE NUMBER OF LOANS MADE VALUE OF LOANS MADE ANNUALLY VALUE OF OUTSTANDING LOANS AT FY END AVERAGE DELINQUENCY RATE OTHER PROGRAM INDICATORS	FY 83 ACTUAL	FY 84 AUTHORIZED	FY 85 REQUEST	STATUTORY LOAN RATE	2%	
	-	-	-	STATUTORY MAXIMUM LOAN MATURITY	20 years	
	10%	10%	10%	APPROPRIATE U.S. TREASURY INTEREST RATE	12%	
	590.9	519.0	-	ESTIMATED COST OF FUNDS FOR BOND ISSUE		
	3	6	-			
	1,770.2	2,881.9	-	ARE PRINCIPAL DEFERMENTS ALLOWED?	YEARS	YES NO
	1,770.2	2,881.9	-	IF YES, NUMBER OF YEARS:	_____	☒ ☐
	-	-	-	ARE INTEREST DEFERMENTS ALLOWED?	_____	☐ ☒
			IF YES, NUMBER OF YEARS:	_____	☐ ☒	
			IS LOAN FORGIVENESS ALLOWED?	_____	☐ ☒	

PROGRAM JUSTIFICATION:

This Loan fund was created by the 1981 Legislature in Section 1, Chapter 118; SLA 1981. It was funded by a \$6.5 million appropriation in FY 81. Over 10 million dollars in letters of interest were received by the Alaska Power Authority concerning this loan program. Loans can only be made to certificated electric utilities for loans to extend transmission and distribution lines to bring central generation service to a minimum of three new customers. Loans have a minimum of 5 percent up to a 25 percent Revenue Bond Buyer Index. Loans have to be repaid within twenty years.

Need for the Project This loan fund was created to provide low cost financing for the extension of electric service lines into rural areas for utilities which do not have access to the Rural Electrification Administration (REA) loan programs and for REA utility borrowers which are experiencing difficulty in obtaining REA loans due to federal cutbacks in the REA program. Utilities cannot extend service into new areas because the costs would impact rates significantly for the for the utilities existing customers unless the potential new customers can guarantee payments to the utility to repay the investment cost of the new service line extensions. Most customers in new rural subdivisions cannot afford the out front financial obligations imposed by utilities in order to extend new service. This situation continues from year to year until a new rural area is sufficiently developed to permit the utility and the new customers to come to agreement on the merits of a line extension.

**L-2 LOAN
PROGRAM
JUSTIFICATION**

AGENCY Department of Commerce-Alaska Power Authority

CATEGORY _____

PROGRAM Energy Development

TITLE Rural Electrification Revolving
Loan Fund

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ALASKA POWER AUTHORITY

Power Projects Fund

<u>FY '84</u>		<u>FY '85 request</u>	<u>Governor</u>	<u>Loans Committee</u>
-0-	Seward	15,000,000.	-0-	-0-
-0-	Homer	11,000,000.	-0-	-0-
-0-	Craig - Klawock	1,110,000.	1,110,000.	

AK
AKP → R.H.
T.H.
Timber corp
AK power up

NOTE: This request for the Criag - Klawock project would supplement insufficient funds of \$750,000 appropriated by the 1981 Legislature. It is anticipated that it will be sufficient to complete the project.

TITLE Power Project Loan Fund		LOCATION Seward		AGENCY PRIORITY	NAME AND PHONE OF AGENCY CONTACT Alaska Power Authority 276-0001	
PROGRAM FUNDING	FY 83	FY 84	FY 85	GOVERNOR	OTHER FINANCIAL INFORMATION (INCLUDING FY 84)	TOTAL
TOTAL ANNUAL LOAN DEMAND			15,000.0		TOTAL APPROPRIATIONS	-
TOTAL APPROPRIATIONS AND REQUESTS			15,000.0		TOTAL INTEREST RETAINED	-
1002 FEDERAL RECEIPTS			-		TOTAL BONDS ISSUED	-
1004 GENERAL FUNDS			15,000.0	e	BONDS AUTHORIZED BUT NOT ISSUED	-
1028 PROGRAM RECEIPTS			-		TOTAL PROGRAM FUNDING	-
GENERAL OBLIGATION BONDS			-		WHAT ARE THE TOTAL ADMINISTRATIVE COSTS FOR OPERATING THE LOAN PROGRAM FOR FY 85? Approximately \$1,000 dollars	
OTHER			-		WHAT AMOUNT OF TOTAL ADMINISTRATIVE COSTS ARE OBTAINED FROM LOAN INTEREST, PRINCIPAL OR FEES? None	
TOTAL OTHER PROGRAM FUNDING			-			
ESTIMATED CARRY FORWARD BALANCE			-			
INTEREST RETAINED			-			
PRINCIPAL REPAYED			-			

DESCRIBE THE PROGRAM AND EXPLAIN IMPACTS ON THE PROGRAM OF RECEIVING IN FY 85 75% OF FY 84 AUTHORIZED GENERAL FUNDS AND 50% OF FY 84 AUTHORIZED GENERAL FUNDS:

City of Seward

Historical kW demand and kWh consumption information was obtained from utility records and from previous engineering studies. This information indicates that consumption grew at an annual rate of 10 percent per year from 1967 through 1981. Data for the first 6 months of 1983 indicates that consumption in 1983 will probably be about 12 percent above 1982.

Peak demand grew at an average rate of 10.6 percent from 1967 through 1978, experienced an unusually high value of 6697 kW in 1979, and has remained at slightly above 5000 kW since 1980. Since 1980, demand has been relatively stable, growing at less than 5 percent per year. It is most probable that the 1982 peak will be in the range of 5200-5600 kW. It should be noted that the indicated peak load values are at the CEA metering point at Lawing. Seward generators are used to shave the peak, therefore peak load values are actually higher than the indicated values by an unknown amount.

**L-1 LOAN
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AGENCY Department of Commerce-Alaska Power Authority
 CATEGORY Power Development
 PROGRAM Energy Development
 TITLE Power Projects Loan Fund

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Seward is experiencing approximately 20 percent system energy loss. The losses appear to be split approximately evenly between the distribution system and the 24.9 kV transmission system. At the present wholesale rate of 2.5¢/kWh, the losses in the transmission system have a real cost of \$64,000 per year. The cost of these losses will increase many fold during the next few years as a result of increased consumption and wholesale rate increases. The improvements will represent a cost which is made necessary by the requirement to maintain acceptable system voltages. Seward does not have the financial capabilities to acquire these funds on the bond market without a substantial increase in the cost of power.

34 miles 115kV line at \$400,000/m	\$13,600,000
20 mVa 114kV substation at Seward	200,000
115 kV tap at Daves Creek	100,000
Local 12.5 or 24.9 kV underbuild	240,000
Contingencies	<u>860,000</u>
TOTAL	\$15,000,000

Should Seward receive 75 percent of the Power Project Loan Request, the "Project" would have to be scoped down to 24 miles of 115 kV line. Seward in this case would still be experiencing a 15 percent system energy loss.

Should Seward receive 50 percent of the Power Project Loan Request the "Project" would have to be scoped down to 17 miles of 115 kV line. Seward in this case would still be experiencing a 10 percent system energy loss.

AGENCY Department of Commerce-Alaska Power Authority

PROGRAM Energy Development

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COMPONENT Power Projects Loan Fund

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**ADDITIONAL
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TITLE Power Project Loan Fund		LOCATION Homer		AGENCY PRIORITY	NAME AND PHONE OF AGENCY CONTACT Alaska Power Authority 276-0001	
PROGRAM FUNDING	FY 83	FY 84	FY 85	GOVERNOR	OTHER FINANCIAL INFORMATION (INCLUDING FY 84)	TOTAL
TOTAL ANNUAL LOAN DEMAND			11,000.0		TOTAL APPROPRIATIONS	-
TOTAL APPROPRIATIONS AND REQUESTS			11,000.0		TOTAL INTEREST RETAINED	-
1002 FEDERAL RECEIPTS			-		TOTAL BONDS ISSUED	-
1004 GENERAL FUNDS			11,000.0		BONDS AUTHORIZED BUT NOT ISSUED	-
1028 PROGRAM RECEIPTS			-		TOTAL PROGRAM FUNDING	-
GENERAL OBLIGATION BONDS			-		WHAT ARE THE TOTAL ADMINISTRATIVE COSTS FOR OPERATING THE LOAN PROGRAM FOR FY 85? Approximately \$1,000 dollars	
OTHER			-			
TOTAL OTHER PROGRAM FUNDING			-		WHAT AMOUNT OF TOTAL ADMINISTRATIVE COSTS ARE OBTAINED FROM LOAN INTEREST, PRINCIPAL OR FEES?	
ESTIMATED CARRY FORWARD BALANCE			-			
INTEREST RETAINED			-			
PRINCIPAL REPAYED			-			

DESCRIBE THE PROGRAM AND EXPLAIN IMPACTS ON THE PROGRAM OF RECEIVING IN FY 85 75% OF FY 84 AUTHORIZED GENERAL FUNDS AND 50% OF FY 84 AUTHORIZED GENERAL FUNDS:

In 1973, Homer Electric Association, Inc., received ownership and operation of an electrical system within the City of Kenai. This system now provides service to approximately 2,300 residents. Since the original system was not designed to provide service to this number of residents, it has become apparent that deficiencies and overloaded conditions exist throughout this electrical distribution system. Homer Electric Association has experienced problems in protection of equipment and personnel, and it has also experienced problems in maintaining proper voltage levels to the residents. Homer Electric Association, Inc., at this time does not have the necessary bonding capacity to re-work the system without an excessive cost of power increase.

In order to bring the Homer Electric Association, Inc., inadequate facilities up to present standards, Homer Electric Association has reviewed the cost of replacing the electrical distribution system within the City of Kenai with another electrical system that would be capable of providing safe and efficient service to all consumers in the City of Kenai. The anticipated cost of this replacement would be \$11,000,000.00

**L-1 LOAN
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AGENCY Department of Commerce-Alaska Power Authority

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KENAI DISTRIBUTION SYSTEM
Initial Cost Estimate

1.	Conversion of 6 miles of 33KV to 69KV (re-insulate and re-conductor)	\$ 606,000
2.	Replacement of 3.79 miles of underground 3-phase cable (under 25KV rating)	270,000
3.	Replacement of 23.7 miles of underground 1-phase cable (under 25KV rating)	968,000
4.	Replacement of 80.5 miles of overhead conductor:	
	40 percent with overhead	528,000
	60 percent with underground	1,862,000
5.	Replacement of poles (1536 x 40 percent)	477,000
6.	Replace of underground secondary (9.8 miles exist, and 60 percent of 7.9 miles converted) 14.6 miles	671,000
7.	Replacement of overhead secondary (4 percent of 7.95 miles)	53,000
8.	Replacement of 600 overhead transformers	346,000
9.	Replacement of 200 underground transformers	465,000
10.	Miscellaneous:	
	Guys	130,000
	Conduit	131,000
	1-phase meters	67,500
	3-phase meters	10,000
11.	Construction of KDS substation	350,000
12.	Property for above substation	50,000
Subtotal		\$6,984,500
Engineering		1,995,350
Contingency		2,020,150
TOTAL		<u>\$11,000,000</u>

Should Homer Electric Association, Inc., receive 75 percent of the Power Project Loan Request, the "Project" would have to be scaled down relative to the replacement of 2 miles of underground 3-phase cable,

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replacement of 12 miles of underground 1-phase cable, 40 miles of overhead conductor, and 14 miles underground secondary replacement.

Should Homer Electric Association, Inc., receive 50 percent of the Power Project Loan Request, the "Project" would have to be scaled down to the replacement of 3 miles of 33KV and 60KV conversion, replacement of 2 miles of underground 3-phase cable, replacement of 12 miles of underground 1-phase cable, 40 miles of overhead conductor, 800 poles, 21 miles of underground secondary cable, replacement of only one-half of the transformers required and elimination of the required KDS substation.

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OTHER FINANCIAL AND PROGRAM INFORMATION				INFORMATION FOR SUBSIDY CALCULATION		
ESTIMATED TOTAL SUBSIDY ESTIMATED RATE OF SUBSIDY AVERAGE LOAN SIZE NUMBER OF LOANS MADE VALUE OF LOANS MADE ANNUALLY VALUE OF OUTSTANDING LOANS AT FY END AVERAGE DELINQUENCY RATE OTHER PROGRAM INDICATORS	FY 83 ACTUAL	FY 84 AUTHORIZED	FY 85 REQUEST	STATUTORY LOAN RATE	9/9/83	10.7%
				STATUTORY MAXIMUM LOAN MATURITY	20 years	
				APPROPRIATE U.S. TREASURY INTEREST RATE	12%	
				ESTIMATED COST OF FUNDS FOR BOND ISSUE	-	
				ARE PRINCIPAL DEFERMENTS ALLOWED?	YEARS	YES NO
				IF YES, NUMBER OF YEARS:		☐ ☒
				ARE INTEREST DEFERMENTS ALLOWED?		☐ ☒
			IF YES, NUMBER OF YEARS:		☐ ☒	
			IS LOAN FORGIVENESS ALLOWED?		☐ ☒	

PROGRAM JUSTIFICATION:

The Homer Electric Association System now provides service to approximately 2,300 residents. Since the original system was not designed to provide service to this number of residents, it has become apparent that deficiencies and overloaded conditions exist throughout this electrical distribution system. H.E.A. has experienced problems in maintaining proper voltage levels to its residents. System losses at present time are approximately 20 percent. Homer Electric Association, Inc., at this time does not have the necessary bonding capacity to re-work the system without an excessive cost of power increase. It should be noted that the system is highly inefficient and unsafe.

AGENCY Department of Commerce-Alaska Power Authority

CATEGORY Power Development

PROGRAM Energy Development

TITLE Power Projects Loan Fund

**L-2 LOAN
PROGRAM
JUSTIFICATION**

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TITLE Craig-Klawock Intertie		LOCATION Craig, Klawock		AGENCY PRIORITY	NAME AND PHONE OF AGENCY CONTACT Alaska Power Authority 276-0001	
PROGRAM FUNDING	FY 83	FY 84	FY 85	GOVERNOR	OTHER FINANCIAL INFORMATION (INCLUDING FY 84)	TOTAL
TOTAL ANNUAL LOAN DEMAND					TOTAL APPROPRIATIONS	
					TOTAL INTEREST RETAINED	
TOTAL APPROPRIATIONS AND REQUESTS					TOTAL BONDS ISSUED	
1002 FEDERAL RECEIPTS					BONDS AUTHORIZED BUT NOT ISSUED	
1004 GENERAL FUNDS			1,110.0	1,110.0	TOTAL PROGRAM FUNDING	
1028 PROGRAM RECEIPTS					WHAT ARE THE TOTAL ADMINISTRATIVE COSTS FOR OPERATING THE LOAN PROGRAM FOR FY 85?	
GENERAL OBLIGATION BONDS					\$1,000 Administrative Costs	
OTHER					WHAT AMOUNT OF TOTAL ADMINISTRATIVE COSTS ARE OBTAINED FROM LOAN INTEREST, PRINCIPAL OR FEES?	
TOTAL OTHER PROGRAM FUNDING					-0-	
ESTIMATED CARRY FORWARD BALANCE						
INTEREST RETAINED						
PRINCIPAL REPAYED						

DESCRIBE THE PROGRAM AND EXPLAIN IMPACTS ON THE PROGRAM OF RECEIVING IN FY 85 75% OF FY 84 AUTHORIZED GENERAL FUNDS AND 50% OF FY 84 AUTHORIZED GENERAL FUNDS:

The Craig - Klawock Intertie would consist of a 6 mile wood-pole line between Craig and Klawock, and two step up - step down transformers to convert the 69 kV voltage to the local utility system voltage in Klawock and Craig. This request of \$1,110,000 would supplement insufficient funds appropriated by the 1981 Legislature to construct this project. Procurement and construction could begin in the fall of 1984 and be completed by the summer of 1985.

**L-1 LOAN
PROGRAM
DESCRIPTION**

AGENCY Dept. of Commerce - Alaska Power Authority
CATEGORY Power Development
PROGRAM Energy
TITLE Craig-Klawock Intertie

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OTHER FINANCIAL AND PROGRAM INFORMATION				INFORMATION FOR SUBSIDY CALCULATION		
ESTIMATED TOTAL SUBSIDY ESTIMATED RATE OF SUBSIDY AVERAGE LOAN SIZE NUMBER OF LOANS MADE VALUE OF LOANS MADE ANNUALLY VALUE OF OUTSTANDING LOANS AT FY END AVERAGE DELINQUENCY RATE OTHER PROGRAM INDICATORS	FY 83 ACTUAL	FY 84 AUTHORIZED	FY 85 REQUEST	STATUTORY LOAN RATE	10.70%	
				STATUTORY MAXIMUM LOAN MATURITY	25 Revenue Bond Index	
				APPROPRIATE U.S. TREASURY INTEREST RATE	12%	
	1.30			ESTIMATED COST OF FUNDS FOR BOND ISSUE	0	
	2,500.0					
	3			ARE PRINCIPAL DEFERMENTS ALLOWED?	YEARS	YES NO
	7,500.0			IF YES, NUMBER OF YEARS:	_____	☐ ☒
	0			ARE INTEREST DEFERMENTS ALLOWED?	_____	☐ ☒
0			IF YES, NUMBER OF YEARS:	_____	☐ ☒	
			IS LOAN FORGIVENESS ALLOWED?		☐ ☒	

PROGRAM JUSTIFICATION
In addition, a lumber mill near Klawock occasionally burns wood waste in a 2 mw steam plant and has a surplus available when the main shifts at the mill are over. Since the steam plant must run 24 hours per day when in operation, it could send energy to both Craig and Klawock in the evenings and on weekends. This line could also serve as a transmission pathway for the Black Bear Lake project energy when that project comes in service.

Construction costs estimates are based upon route reconnaissance conducted for the Black Bear Lake project and are estimated as follows:

6 miles of 69 kv wood-pole transmission line @ \$200,000/mile	\$1,200,000	
Land rights	30,000	\$1,860,000 Total Cost
2 transformer substations @ 235,000 each	470,000	750,000 1981 Appropriation
	\$1,700,000	\$1,110,000
Design and specifications	\$ 65,000	
Construction management personnel and overhead	95,000	
Total Cost	\$1,860,000	

AGENCY Dept. of Commerce - Alaska Power Authority

CATEGORY Power Development

PROGRAM Energy

TITLE Craig-Klawock Intertie

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OTHER FINANCIAL AND PROGRAM INFORMATION				INFORMATION FOR SUBSIDY CALCULATION			
ESTIMATED TOTAL SUBSIDY ESTIMATED RATE OF SUBSIDY AVERAGE LOAN SIZE NUMBER OF LOANS MADE VALUE OF LOANS MADE ANNUALLY VALUE OF OUTSTANDING LOANS AT FY END AVERAGE DELINQUENCY RATE OTHER PROGRAM INDICATORS	FY 83 ACTUAL	FY 84 AUTHORIZED	FY 85 REQUEST	STATUTORY LOAN RATE	10.70%		
				STATUTORY MAXIMUM LOAN MATURITY	25 Revenue Bond Ind		
				APPROPRIATE U.S. TREASURY INTEREST RATE	12%		
				ESTIMATED COST OF FUNDS FOR BOND ISSUE	0		
				ARE PRINCIPAL DEFERMENTS ALLOWED?	YEARS	YES	NO
				IF YES, NUMBER OF YEARS:		☐	☒
			ARE INTEREST DEFERMENTS ALLOWED?		☐	☒	
			IF YES, NUMBER OF YEARS:		☐	☒	
			IS LOAN FORGIVENESS ALLOWED?		☐	☒	

PROGRAM JUSTIFICATION: Craig and Klawock are growing commercial and residential centers on the west coast of Prince of Wales Island. 1983 population was 905 in Craig and about 490 in Klawock. Since 1981 the Craig population has increased by nearly 300 people and Klawock population has increased by about 100 people. New high schools were put in service in Craig and Klawock in 1982 and 1983 respectively thus adding to the public facility electrical needs. Klawock is served by the Tlingit-Haida Regional Electric Authority which charges an unsubsidized retail reate of 38.8¢/Kwh. Alaska Power and Telephone serves Craig and recently requested a rate increase to 27.3¢/Kwh. Both utilities are entirely dependent upon diesel generation and must maintain sufficient installed capacity to cover their peak loads. The 1982 installed capacity in Craig was 840 Kw and in Klawock was 1615 Kw to cover the respective peak loads of 630 Kw and 300 Kw. Firm utility diesel capacity in Craig was 540 Kw and in Klawock was 1115 Kw. In 1983, Alaska Power and Telephone was planning to add an additional diesel unit in Craig to cover anticipated winter 1983 pead demand.

An interconnection would allow more efficient use of installed diesel capacity in both systems and enable a deferral of new diesel investment since reserves could be shared. This would result in a savings to consumers through deferral of rate increases to cover new capacity costs.

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CATEGORY Power Development

PROGRAM Energy

TITLE Craig-Klawock Intertie

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JUSTIFICATION**

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OTHER FINANCIAL AND PROGRAM INFORMATION				INFORMATION FOR SUBSIDY CALCULATION			
ESTIMATED TOTAL SUBSIDY ESTIMATED RATE OF SUBSIDY AVERAGE LOAN SIZE NUMBER OF LOANS MADE VALUE OF LOANS MADE ANNUALLY VALUE OF OUTSTANDING LOANS AT FY END AVERAGE DELINQUENCY RATE OTHER PROGRAM INDICATORS	FY 83 ACTUAL	FY 84 AUTHORIZED	FY 85 REQUEST	STATUTORY LOAN RATE	10.70%		
				STATUTORY MAXIMUM LOAN MATURITY	25 Revenue Bond Ind.		
	1.30			APPROPRIATE U.S. TREASURY INTEREST RATE	12%		
	2,500.0			ESTIMATED COST OF FUNDS FOR BOND ISSUE	0		
	3						
	7,500.0			ARE PRINCIPAL DEFERMENTS ALLOWED?	YEARS	YES	NO
				IF YES, NUMBER OF YEARS:	_____	☐	☒
				ARE INTEREST DEFERMENTS ALLOWED?	_____	☐	☒
			IF YES, NUMBER OF YEARS:	_____	☐	☒	
			IS LOAN FORGIVENESS ALLOWED?		☐	☒	

PROGRAM JUSTIFICATION:
 Section 3, Chapter 9, SLA 81 appropriated \$750,000 for the Craig-Klawock Intertie.
 Cost assumptions for operating are based upon \$2100/mile for 6 miles of transmission system to cover annual inspection, brushing, and incidental replacement.
 Operations and Maintenance would be contracted to one of the local utilities with wheeling fees charged to cover operations and maintenance.

AGENCY Dept. of Commerce - Alaska Power Authority

CATEGORY Power Development

PROGRAM Energy

TITLE Craig-Klawock Interite

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**L-2 LOAN
PROGRAM
JUSTIFICATION**

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ALASKA COMMISSION ON POSTSECONDARY EDUCATION

POUCH FP
JUNEAU, ALASKA 99811
PHONE: (907) 465-2854

MEMORANDUM

TO: Peter McDowell, Director
Office of Management and Budget

FROM: Kerry D. Romesburg, Executive Director
Alaska Commission on Postsecondary Education

SUBJECT: FY85 Student Loan Fund Budget Request

DATE: October 17, 1983

The attached loan budget submission represents the Commission's formal budget proposal adopted unanimously at the regularly scheduled meeting of October 1, 1983.

Enclosure

AGENCY PRIORITY	PROGRAM TITLE	LOCATION	FUNDING	AGENCY REQUEST	GOVERNOR
85-1	ALASKA STUDENT LOAN PROGRAM	STATEWIDE	FEDERAL FUNDS	500.0	
			GENERAL FUNDS	68450.0	
			OTHER:		
			TOTAL	68950.0	
			FEDERAL FUNDS		
			GENERAL FUNDS		
			OTHER:		
			TOTAL		
			FEDERAL FUNDS		
			GENERAL FUNDS		
			OTHER:		
			TOTAL		
			FEDERAL FUNDS		
			GENERAL FUNDS		
			OTHER:		
			TOTAL		
			FEDERAL FUNDS		
			GENERAL FUNDS		
			OTHER:		
			TOTAL		
			FEDERAL FUNDS		
			GENERAL FUNDS		
			OTHER:		
			TOTAL		

AGENCY COMMISSION ON POSTSECONDARY EDUCATION (ACPE)

A-3 AGENCY
LOAN
PROGRAM

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TITLE		LOCATION		AGENCY PRIORITY	NAME AND PHONE OF AGENCY CONTACT	
ALASKA STUDENT LOAN PROGRAM		STATEWIDE		85-1	PAUL GUI.YAS	465-2854
PROGRAM FUNDING	FY 83	FY 84	FY 85	GOVERNOR	OTHER FINANCIAL INFORMATION (INCLUDING FY 84)	TOTAL
TOTAL ANNUAL LOAN DEMAND	55007.4	68441.9	80379.6		TOTAL APPROPRIATIONS	197350.1
TOTAL APPROPRIATIONS AND REQUESTS	52936.1	60350.0	68950.0		TOTAL INTEREST RETAINED	4405.7
1002 FEDERAL RECEIPTS	986.1	850.0	500.0		TOTAL BONDS ISSUED	--
1004 GENERAL FUNDS	52000.0	60000.0	68450.0		BONDS AUTHORIZED BUT NOT ISSUED	--
1028 PROGRAM RECEIPTS					TOTAL PROGRAM FUNDING	201755.8
GENERAL OBLIGATION BONDS					WHAT ARE THE TOTAL ADMINISTRATIVE COSTS FOR OPERATING THE LOAN PROGRAM FOR FY 85?	
OTHER					SL1 = 2139.7 SL2 = 2071.2 SL4 = 2859.6	
TOTAL OTHER PROGRAM FUNDING	6746.4	12317.0	12429.4		WHAT AMOUNT OF TOTAL ADMINISTRATIVE COSTS ARE OBTAINED FROM LOAN INTEREST, PRINCIPAL OR FEES?	
ESTIMATED CARRY FORWARD BALANCE	2138.3	* 4725.1	1500.0		None	
INTEREST RETAINED	730.2	1203.3	1732.3			
PRINCIPAL REPAYED	3877.9	6388.6	9197.1			

DESCRIBE THE PROGRAM AND EXPLAIN IMPACTS ON THE PROGRAM OF RECEIVING IN FY 85 75% OF FY 84 AUTHORIZED GENERAL FUNDS AND 50% OF FY 84 AUTHORIZED GENERAL FUNDS:

The Alaska State Student Loan Program permits qualified residents of Alaska (two-year minimum residency) to receive up to \$6,000/year for undergraduate study or \$7,000/year for graduate study for up to eight years (five years maximum of undergraduate or graduate) to attend institutions that are accredited by recognized accrediting agencies. Loans carry 5% simple interest and ten year payback terms. If a student elects to return to Alaska and reside here upon completion of studies, up to 50% of the principal and interest may be forgiven. See continuation sheets for history and projections.

* The 4725.1 carry forward balance for FY 84 was directly related to the good standing requirement implemented during FY 83. This requirement resulted in the unexpected return of a large number of student loan warrants during the year. We have no reason to believe that a carry over consistent with FY 84 will continue into FY 85. Therefore, we have estimated a realistic carry forward balance of 1500.00 for FY 85.

**L-1 LOAN
PROGRAM
DESCRIPTION**

AGENCY ACPE
 CATEGORY EDUCATION
 PROGRAM ADULT & POSTSECONDARY
 TITLE STUDENT LOAN REVOLVING FUND

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TABLE I

STUDENT FINANCIAL AIDS ADMINISTRATION
STATE STUDENT LOAN ACTIVITY
Projected to 1988-89

Year	Loan Awards	Loan Volume	Cumulative Total	Average Loan	Loan Collections	Federal Funds	Cancellations	General Fund
1971-72	1,081	\$ 1,603,158	\$ 1,603,158	\$1,483	\$ -0-	\$ -0-	\$ -0-	\$ 1,603,158
1972-73	1,748	2,870,384	4,473,542	1,642	-0-	-0-	-0-	2,870,384
1973-74	1,665	2,986,176	7,459,718	1,793	-0-	-0-	-0-	2,986,176
1974-75	1,457	2,659,307	10,119,525	1,826	235,476	-0-	703	2,424,331
1975-76	1,719	3,382,997	13,502,522	1,968	465,530	-0-	44,233	2,977,467
1976-77	1,921	3,850,507	17,353,029	2,004	1,141,461	-0-	64,746	2,709,046
1977-78	2,265	4,604,167	21,957,196	2,033	1,191,851	-0-	314,306	3,412,316
1978-79	2,795	6,416,402	28,373,598	2,296	1,391,643	-0-	445,985	5,024,758
1979-80	3,918	9,373,949	37,747,547	2,393	1,603,436	-0-	409,501	7,770,513
1980-81	6,460	15,957,717	53,705,264	2,475	2,225,388	-0-	555,494	13,732,329
1981-82	9,898	40,559,499	94,264,763	4,098	2,779,900	1,000,000	785,769	36,819,599
1982-83	13,058	55,007,395	149,272,158	4,213	4,609,051	1,200,000	(846,028)	49,198,344
1983-84*	14,800	68,441,895	217,714,053	4,600	7,591,895	850,000	2,311,210	60,000,000
1984-85	16,404	80,379,600	298,093,653	4,900	10,929,389	500,000	3,101,116	68,950,211
1985-86	17,693	99,080,800	397,174,453	5,600	14,755,178	350,000	4,233,108	83,975,622
1986-87	17,894	105,574,600	502,749,053	5,900	19,400,405	225,000	5,604,037	89,949,195
1987-88	17,178	102,209,100	604,958,153	5,950	24,147,464	150,000	7,016,459	77,911,636
1988-89	15,212	90,511,400	695,469,563	5,950	28,447,628	65,000	8,304,299	61,998,772

*1983-84 through 1988-89 are projections

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AGENCY ACPEPROGRAM ADULT & POSTSECONDARYBRU STUDENT LOAN REVOLVING FUND

COMPONENT _____

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TABLE II

STUDENT FINANCIAL AIDS ADMINISTRATION
Personnel Requirements
Projected to 1988-89

Year	Loan Awards	Accounts In Repayment	Awards Staff	Repayment/ Collections	Support Staff	Part-Time Staff	Total Staff	
							Full-Time	Part-Time
1971-72	1,081	0	2.0	0	0	0	2.0	0
1972-73	1,748	0	3.0	0	0	0	3.0	0
1973-74	1,665	0	3.0	0	0	1.0	3.0	1.0
1974-75	1,457	278	3.0	2.0	0	1.0	5.0	1.0
1975-76	1,719	550	3.0	4.0	0	2.0	7.0	2.0
1976-77	1,921	1,350	3.0	4.0	0	2.0	7.0	2.0
1977-78	2,265	1,500	3.0	5.0	1.0	4.0	9.0	4.0
1978-79	2,795	2,100	4.0	7.0	3.0	4.0	14.0	4.0
1979-80	3,918	3,510	4.0	9.0	5.0	0	18.0	0
1980-81	6,460	6,008	6.0	9.0	5.0	4.0	20.0	4.0
1981-82	9,898	11,156	7.0	11.0	6.0	5.0	24.0	5.0
*1982-83	13,058	15,669	13.0	18.0	17.0	8.0	48.0	8.0
1983-84	14,681	20,758	13.0	18.0	15.0	8.0	46.0	8.0*
1984-85	16,404	26,297	14.0	28.0	19.0	9.0	60.0	9.0
1985-86	17,693	31,828	15.0	33.0	21.0	10.0	69.0	10.0
1986-87	17,894	37,482	15.0	38.0	23.0	10.0	76.0	10.0
1987-88	17,178	43,323	14.0	44.0	26.0	10.0	84.0	10.0
1988-89	15,212	49,602	13.0	50.0	27.0	8.0	90.0	8.0

*Below this line are projections; staffing estimates are based upon Division Staff Formula and derived from banking and loan industry standards.

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AGENCY ACPECATEGORY ADULT & POSTSECONDARY

PROGRAM _____

TITLE STUDENT LOAN REVOLVING FUND

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OTHER FINANCIAL AND PROGRAM INFORMATION				INFORMATION FOR SUBSIDY CALCULATION	
	FY 83 ACTUAL <u>24685.7</u>	FY 84 AUTHORIZED	FY 85 REQUEST <u>36074.4</u>	STATUTORY LOAN RATE	5%
ESTIMATED TOTAL SUBSIDY	25685.9	30716.7	35977.9	STATUTORY MAXIMUM LOAN MATURITY	10 yrs
ESTIMATED RATE OF SUBSIDY	44.9	44.9	44.8	APPROPRIATE U.S. TREASURY INTEREST RATE	12%
AVERAGE LOAN SIZE	4.2	4.6	4.9	ESTIMATED COST OF FUNDS FOR BOND ISSUE	-0-
NUMBER OF LOANS MADE	13.1	14.8	16.4		
VALUE OF LOANS MADE ANNUALLY	55004.2	68441.9	80379.6	ARE PRINCIPAL DEFERMENTS ALLOWED?	YEARS YES NO
VALUE OF OUTSTANDING LOANS AT FY END	132455.6	194508.9	265691.4	IF YES, NUMBER OF YEARS:	<u>1</u> ☒ ☐
AVERAGE DELINQUENCY RATE	9.3%			ARE INTEREST DEFERMENTS ALLOWED?	<u>1</u> ☒ ☐
OTHER PROGRAM INDICATORS				IF YES, NUMBER OF YEARS:	<u>1</u> ☒ ☐
				IS LOAN FORGIVENESS ALLOWED?	☒ ☐

PROGRAM JUSTIFICATION:

The objective of the loan program is to permit qualified Alaskans an opportunity and choice in the pursuit of their individual educational goals that may otherwise not be available to them because of economic or proximal factors. The intangible and immeasurable benefits that accrue to the State because of its broadly and diversely educated citizens is evident through a cosmopolitanism that ameliorates the parochial view, and through the appreciation for Alaska that develops only when Alaskans can compare what they have to what exists elsewhere. The benefits of education cannot be adequately measured; however, the conditions that accompany ignorance are commonly witnessed.

**L-2 LOAN
PROGRAM
JUSTIFICATION**

AGENCY ACPE
CATEGORY EDUCATION
PROGRAM ADULT & POSTSECONDARY
TITLE STUDENT LOAN REVOLVING FUND

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AGRICULTURAL REVOLVING LOAN FUND

Ms Dean Brown

<u>FY '84</u>		<u>FY '85 request</u>	<u>Governor</u>	<u>Loans Committee</u>
10,000,000.	Capital funds	12,000,000.	13,000,000.	(5,000,000.)
469,000.	Operating funds	492,200.		

11,000,000. Estimated carry forward

\$14,000,000 available for loans

1,680,049. Capital expenditures to December 31, 1983

169,698. Operating expenditures to December 31, 1983

NOTE: Capitalization of the fund was \$63.5 million on December 31st, and the current year demand may be \$33. million, as estimated by the agency.

AGENCY PRIORITY	PROGRAM TITLE	LOCATION	FUNDING	AGENCY REQUEST	GOVERNOR
	Agricultural Revolving Loan Fund	Statewide	FEDERAL FUNDS GENERAL FUNDS OTHER: TOTAL	\$12,000.0	\$13,000.0
	Grain Reserve Program	Statewide	FEDERAL FUNDS GENERAL FUNDS OTHER: TOTAL	\$3,068.0	\$1,000.0
			FEDERAL FUNDS GENERAL FUNDS OTHER: TOTAL		
			FEDERAL FUNDS GENERAL FUNDS OTHER: TOTAL		
			FEDERAL FUNDS GENERAL FUNDS OTHER: TOTAL		
			FEDERAL FUNDS GENERAL FUNDS OTHER: TOTAL		
			FEDERAL FUNDS GENERAL FUNDS OTHER: TOTAL		

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TITLE Agricultural Revolving Loan Fund		LOCATION Statewide		AGENCY PRIORITY	NAME AND PHONE OF AGENCY CONTACT Dean Brown, Deputy Director 376-3276	
PROGRAM FUNDING	FY 83	FY 84	FY 85	GOVERNOR	OTHER FINANCIAL INFORMATION (INCLUDING FY 84)	TOTAL
TOTAL ANNUAL LOAN DEMAND		\$33,000.0	\$35,000.0		TOTAL APPROPRIATIONS	\$63,000.0
TOTAL APPROPRIATIONS AND REQUESTS	\$10,000.0	\$10,000.0	\$12,000.0		TOTAL INTEREST RETAINED	
1002 FEDERAL RECEIPTS					TOTAL BONDS ISSUED	0
1004 GENERAL FUNDS	\$10,000.0	\$10,000.0	\$12,000.0		BONDS AUTHORIZED BUT NOT ISSUED	0
1028 PROGRAM RECEIPTS					TOTAL PROGRAM FUNDING	
GENERAL OBLIGATION BONDS					WHAT ARE THE TOTAL ADMINISTRATIVE COSTS FOR OPERATING THE LOAN PROGRAM FOR FY 85? 469.4	
OTHER 606 Revolving	\$ 3,000.0					
TOTAL OTHER PROGRAM FUNDING	\$13,000.0	\$10,000.0	\$12,000.0		WHAT AMOUNT OF TOTAL ADMINISTRATIVE COSTS ARE OBTAINED FROM LOAN INTEREST, PRINCIPAL OR FEES? 100%	
ESTIMATED CARRY FORWARD BALANCE		\$11,000.0	0			
INTEREST RETAINED						
PRINCIPAL REPAYED						

DESCRIBE THE PROGRAM AND EXPLAIN IMPACTS ON THE PROGRAM OF RECEIVING IN FY 85 75% OF FY 84 AUTHORIZED GENERAL FUNDS AND 50% OF FY 84 AUTHORIZED GENERAL FUNDS:

The program provides long-term, low-interest loans to qualified applicants throughout agricultural areas in Alaska for development capital and operating funds for farms and agricultural processing plants. Sources of credit generally available to farmers and related industries are limited in Alaska. Until such time as Alaska establishes sufficient acreage and production to become a viable low-risk industry, the Ag Revolving Loan Fund will continue to be the prime source of credit available, supplying an estimated 90-95% of all ag funding in the state.

FY 85/75% funding would create failures in the critical stage of dairy development on the Pt. MacKenzie agricultural project at a time when ag land contracts with the state require clearing and production of these parcels which will cost \$1-\$1.5 million each to develop into operating dairies within an 18-24 month period. The first of these loans have occurred during FY 83 and the remainder will be requesting loan funds in the spring and summer of 1984 (FY 84-85). Decreased funding will create a situation where either these and other new development loans must be funded or the spring planting loans must be funded. A reserve of \$5 million is being designated by the ARLF Board to meet operating loan demands, which would almost eliminate making any other types of loans than operating for that year.

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PROGRAM Agricultural Management
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FY 85/50% funding would create a no-growth situation in the ag industry since operating loan demands of \$5 million would be the total appropriation. Ag right contract owners with development requirements would lose their parcels due to lack of financing.

An anticipated demand of \$33,000.0 is conservatively anticipated to meet the loan requests projected upon acreage sold with required clearing and planting development contractual requirements schedules. These clearing and planting requirements must be met or farmers will have their properties foreclosed by the state and borough. Lack of necessary financing for clearing and development could have widespread consequences. Approximately 155,000 acres of state disposed agricultural lands are in various stages of development at the present time, excluding those from FY 84 sales.

Growth of the red meat processing industry is already generating demand for loans to expand existing livestock bases and with increased grain production (a 6,000 acre increase in barley production occurred in the summer of 1983) this will escalate considerably into hog and beef production as well as handling the culls from the Pt. MacKenzie dairy herds. Loan funds must be available for these areas or supporting industries (such as the grain farms and dairy farms) will suffer economic losses that could well create bankruptcies.

Agricultural development is at a critical stage where continued financing to meet the essential demands from existing agricultural production and from the newly developing parcels must be met. Failure to do so at this point will cripple the existing industry as well as seriously curtail the present agricultural expansion.

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CATEGORY Agricultural Management

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Until such time as Alaska has established sufficient acreage in production to become a low-risk industry, financing participation from the private sector will occur only for the blue-chip farmers, who when they are forced to pay the higher interest rates may well become non-competitive with neighboring farmers. Sources of such credit are quite limited to even well established farmers, although ARLF encourages joint participation in funding with private financing institutions.

Present capitalization of \$63.5 million into the revolving fund and a projected demand for \$33.0 during FY 84 indicates continued need to increase the funding available. Detailed justification based on types of production, known production costs, geographic differences, and known loan demands from development schedules will be supplied during the budget process.

AGENCY Department of Natural Resources

CATEGORY Agricultural Management

PROGRAM Agricultural Management

TITLE Agricultural Revolving Loan Fund

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GRAIN RESERVE PROGRAM

<u>FY '84</u>	<u>FY '85 request</u>	<u>Governor</u>	<u>Loans Committee</u>
1,582,400. Loans appropriation	3,000,000.	1,000,000	500,000.
67,600. Operation funding			

NOTE: This is a new program created by HB 309 in the 1983 Legislative Session.
There was no loan activity as of December 31, 1983, however the agency projects increased demand based on increased acreage and enthusiasm among farmers.

TITLE Grain Reserve Program		LOCATION Statewide		AGENCY PRIORITY	NAME AND PHONE OF AGENCY CONTACT Dean Brown, Deputy Director 376-3276	
PROGRAM FUNDING	FY 83	FY 84	FY 85	GOVERNOR	OTHER FINANCIAL INFORMATION (INCLUDING FY 84)	TOTAL
TOTAL ANNUAL LOAN DEMAND		1,600,0	3,000,0		TOTAL APPROPRIATIONS	1,600.0
TOTAL APPROPRIATIONS AND REQUESTS		1,600,0	3,000,0		TOTAL INTEREST RETAINED	
1002 FEDERAL RECEIPTS					TOTAL BONDS ISSUED	
1004 GENERAL FUNDS		1,600,0	3,000,0		BONDS AUTHORIZED BUT NOT ISSUED	
1028 PROGRAM RECEIPTS					TOTAL PROGRAM FUNDING	
GENERAL OBLIGATION BONDS					WHAT ARE THE TOTAL ADMINISTRATIVE COSTS FOR OPERATING THE LOAN PROGRAM FOR FY 85? \$68.0	
OTHER						
TOTAL OTHER PROGRAM FUNDING					WHAT AMOUNT OF TOTAL ADMINISTRATIVE COSTS ARE OBTAINED FROM LOAN INTEREST, PRINCIPAL OR FEES?	
ESTIMATED CARRY FORWARD BALANCE			0		None	
INTEREST RETAINED						
PRINCIPAL REPAYED						

DESCRIBE THE PROGRAM AND EXPLAIN IMPACTS ON THE PROGRAM OF RECEIVING IN FY 85 75% OF FY 84 AUTHORIZED GENERAL FUNDS AND 50% OF FY 84 AUTHORIZED GENERAL FUNDS:

IIB 309, sec 71, DNR, Grain Reserve Operating and Sec. 70, DNR Grain Reserve Fund was appropriated for FY 84. Since this is a new program, demand on the funding can only be assumed based on the fact that an increase of 6,000 acres was planted during the summer of 1983 bringing total barley production acreage to 13,500 acres in Delta alone (some barley is grown in the Mat Valley and more is being planted on Pt. MacKenzie). The support of this grain reserve loan program has generated enthusiasm among farmers to increase their planting of grains in the summer of 1984 (affecting loans for FY 85). The existence of this reserve creates the stability of at least having a minimum market target price and storage available.

FY 85/75% funding of the FY 84 authorized level would quite probably decrease the number of acres which might otherwise be planted, since confidence in market availability is otherwise low after state reversals of the Seward Grain Terminal Construction. Effect of a 75% funding is difficult to predict until at least December, 1983 when the utilization of the loan program can be judged based on harvest.

FY 85/50% funding of the FY 84 authorized level would quite probably be insufficient based on the anticipated participation this fall--funding would not be available to meet basic program requirements even without any increase in number of acres planted for FY 85 which we do anticipate to be as high as 30,000 acres.

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PROGRAM Agricultural Management

TITLE Grain Reserve Loan Program

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OTHER FINANCIAL AND PROGRAM INFORMATION				INFORMATION FOR SUBSIDY CALCULATION		
ESTIMATED TOTAL SUBSIDY ESTIMATED RATE OF SUBSIDY AVERAGE LOAN SIZE NUMBER OF LOANS MADE VALUE OF LOANS MADE ANNUALLY VALUE OF OUTSTANDING LOANS AT FY END AVERAGE DELINQUENCY RATE OTHER PROGRAM INDICATORS	FY 83 ACTUAL	FY 84 AUTHORIZED	FY 85 REQUEST	STATUTORY LOAN RATE		
				STATUTORY MAXIMUM LOAN MATURITY	3 years	
				APPROPRIATE U.S. TREASURY INTEREST RATE	12%	
				ESTIMATED COST OF FUNDS FOR BOND ISSUE		
				ARE PRINCIPAL DEFERMENTS ALLOWED?	YEARS	YES NO
				IF YES, NUMBER OF YEARS:	_____	☐ ☒
			ARE INTEREST DEFERMENTS ALLOWED?			
			IF YES, NUMBER OF YEARS:	_____	☐ ☒	
			IS LOAN FORGIVENESS ALLOWED?		☐ ☒	

PROGRAM JUSTIFICATION:

This is a new loan program created by HB 309 in the 1983 legislature. The first participation in this program will occur beginning in September, 1983 and can continue throughout the winter. The amount appropriated is \$1,582.4 for the loan program and \$67.6 for operation funding which we anticipate will be sufficient for the harvest participation from this summer (impacting FY 84). Based on the number of acres planted in barley, which was about 13,500, additional funding for FY 85 is needed to meet continued demand.

Since the loan program requirements can allow up to three years for storage before repayment, operation funding to continue moisture testing, and fulfilling U.S.D.A. grain grading requirements must be funded for three successive years, as must be administration of the loans themselves which will occur through the Agricultural Revolving Loan Fund staff and the governor appointed Ag Revolving Loan Fund Board.

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PROGRAM
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PROGRAM Agricultural Management
TITLE Grain Reserve Program

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AGENCY PRIORITY	PROGRAM TITLE	LOCATION	FUNDING	AGENCY REQUEST	GOVERNOR
85-1	Alaska Housing Finance Revolving Fund - Special Mortgage Loan Purchase Program Account	STATEWIDE	FEDERAL FUNDS		
			GENERAL FUNDS	71,000.0	71,000.0
			OTHER:		
			TOTAL	71,000.0	71,000.0
85-1	Alaska Housing Finance Revolving Fund - Mobile Home Loan Purchase Program Account	STATEWIDE	FEDERAL FUNDS		
			GENERAL FUNDS	34,000.0	34,000.0
			OTHER:		
			TOTAL	34,000.0	34,000.0
			FEDERAL FUNDS		
			GENERAL FUNDS		
			OTHER:		
			TOTAL		
			FEDERAL FUNDS		
			GENERAL FUNDS		
			OTHER:		
			TOTAL		
			FEDERAL FUNDS		
			GENERAL FUNDS		
			OTHER:		
			TOTAL		
			FEDERAL FUNDS		
			GENERAL FUNDS		
			OTHER:		
			TOTAL		

AGENCY ALASKA HOUSING FINANCE CORPORATION

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BUDGET REVIEW

TITLE ALASKA HOUSING FINANCE REVOLVING FUND - Special Mortgage Loan Purchase Program Account		LOCATION		AGENCY PRIORITY	NAME AND PHONE OF AGENCY CONTACT	
		STATEWIDE		85-1	Mark K. Cameron 276-5529	
PROGRAM FUNDING	FY 83	FY 84	FY 85	GOVERNOR	OTHER FINANCIAL INFORMATION (INCLUDING FY 84)	TOTAL
TOTAL ANNUAL LOAN DEMAND	1,074,939.4	1,153,000.0	1,480,000.0		TOTAL APPROPRIATIONS	807,801.0
TOTAL APPROPRIATIONS AND REQUESTS	865,000.0	986,801.0	1,446,000.0		TOTAL INTEREST RETAINED	132,181.0
1002 FEDERAL RECEIPTS					TOTAL BONDS ISSUED	3,870,125.0
1004 GENERAL FUNDS	105,000.0	6,801.0	71,000.0	71,000.0	BONDS AUTHORIZED BUT NOT ISSUED	(3)
1028 PROGRAM RECEIPTS					TOTAL PROGRAM FUNDING	4,813,107.0
GENERAL OBLIGATION BONDS	175,000.0	425,000.0	700,000.0		WHAT ARE THE TOTAL ADMINISTRATIVE COSTS FOR OPERATING THE LOAN PROGRAM FOR FY 85?	
OTHER	585,000.0	555,000.0	675,000.0		1,800 (est.)	
TOTAL OTHER PROGRAM FUNDING	691,147.9	130,000.0	160,000.0		WHAT AMOUNT OF TOTAL ADMINISTRATIVE COSTS ARE OBTAINED FROM LOAN INTEREST, PRINCIPAL OR FEES?	
ESTIMATED CARRY FORWARD BALANCE	571,289.9	92,000.0	55,000.0		100%	
INTEREST RETAINED	35,555.0	13,000.0	5,000.0			
PRINCIPAL REPAYED	(1) 84,303.0	(2) 25,000.0	100,000.0			

DESCRIBE THE PROGRAM AND EXPLAIN IMPACTS ON THE PROGRAM OF RECEIVING IN FY 85 75% OF FY 84 AUTHORIZED GENERAL FUNDS AND 50% OF FY 84 AUTHORIZED GENERAL FUNDS:

Footnotes

- (1) Insured and Housing Mortgage Bond Program Prepayments.
- (2) Portion of prepaids per (1) used for new originations, balance used to purchase existing loans in the SAM Fund.
- (3) FY '83 Authorization exceeded actual by \$220 million and lapsed on July 1, 1983.
- (4) Retained Earnings through June 30, 1983 plus estimated interest to be received during FY'84.

See following AE3's for description.

**L-1 LOAN
PROGRAM
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AGENCY DEPARTMENT OF REVENUE
 CATEGORY ECONOMIC DEVELOPMENT
 PROGRAM ALASKA HOUSING FINANCE CORPORATION
 TITLE AHFC REVOLVING FUND - SHLPP ACCOUNT

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SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Program Description

The largest and most comprehensive program is the Special Mortgage Loan Purchase Program. This program provides the basis for the majority of Alaska Housing Finance Corporation loans. Program loans are funded through the sale of taxable or tax-exempt bonds combined with State appropriations. These loans are available statewide through approved Seller/Serviceirs. The individual loans must be for owner-occupied single-family homes, duplexes, triplexes or four-plexes or a home improvement. Interest rates are established by the Corporation based upon Alaska Statutes. Graduated Payment Mortgages are available as well as a one (1) percent reduction in interest rate applicable to the first \$90,000 of a loan for eligible veterans on any of AHFC's programs. The following describes the existing mortgage financing programs available under the Special Mortgage Loan Purchase Program.

TAXABLE FIRST MORTGAGE PROGRAM

Program Description

The program allows individuals to purchase owner-occupied single-family and duplex residences. By Statute the loan amount and the loan-to-value ratio may not exceed the maximum limit established for Alaska by the Federal National Mortgage Association (FNMA) with the exception of loans for single-family residences which may not exceed FNMA's limit by more than 10 percent. The current limits are \$178,650 for a single-family residence, and \$207,750 for a duplex residence with loan-to-value ratios not in excess of 95 percent.

The Taxable First Mortgage Program also allows for a graduated payment mortgage called the Pledged Account Mortgage (PAM). Under this program, an individual is able to structure the repayment of the mortgage in such a manner that the initial required payments are less than that of a conventional mortgage. All mortgages allow for 5 percent annual increases to the monthly payments from the beginning of the fourth through ninth year. The entire increase is applied directly to outstanding principal thereby paying off the loan in the 16th to 18th year depending upon the mortgage rate.

Owner-Occupied triplex and four-plex financing is also available under this program as described below.

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TRIPLEX AND FOUR-PLEX MORTGAGE

Program Description

The program allows for individuals to purchase owner-occupied triplex and four-plex residences. The loan amount may not exceed the maximum limits established for Alaska by the Federal National Mortgage Association (FNMA). The current AHFC limits are \$250,800 for a triplex residence and \$311,850 for a four-plex residence with loan-to-value ratios not to exceed 90 percent.

Legislation enabling the Corporation to implement a loan purchase program for triplexes and four-plexes was enacted in June of 1982; therefore, information concerning past lending activity does not cover an extensive period.

All mortgages allow for 5 percent annual increases to the monthly payments from the beginning of the fourth through ninth year. The entire increase is applied directly to outstanding principal thereby paying off the loan in the 16th to 18th year depending upon mortgage rate.

This program is available within both the Taxable First Mortgage Program and Veterans Mortgage Program.

TAX-EXEMPT FIRST MORTGAGE LOAN PROGRAM

Program Description

Mortgage loans offered under this program are subject to regulations that have been established by the U.S. Department of Treasury. Due to restrictions of the Mortgage Bond Subsidy Tax Act of 1980, the Corporation is limited to selling \$200 million in tax-exempt bonds per year. This authorization sunsets on December 31, 1983. Restrictions are also set forth by the Treasury Department on individuals applying under this program; i.e., the residence must be the borrower's principal residence and 90 percent of the bond proceeds must go to borrowers who have not owned a home or had an interest in a home for three years prior to application. The program also limits the purchase price of the dwelling based on a percentage of the average area purchase price.

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VETERANS MORTGAGE PROGRAM

Program Description

This program was implemented in February, 1983, subsequent to Legislative and voter approval of a constitutional amendment and bonding authorization. The bonds sold to finance the program are tax-exempt pursuant to the provisions of the Mortgage Subsidy Bond Tax Act and there currently is no federal annual limit on their issuance. The proceeds may be used to finance the residence of a qualified veteran as federally defined. With the exception of certain federally imposed restrictions, this Program is identical to the Taxable First Mortgage Program.

All mortgages allow for 5 percent annual increases in the monthly payments from the beginning of the fourth through ninth year. The entire increase is applied directly to outstanding principal thereby paying off the loan in the 16th to 18th year depending upon mortgage rate.

The interest rate on the first \$90,000 of a loan is established at the rate available to veterans under the Taxable First Mortgage Program, thereby passing on the full benefit of the lower cost tax-exempt financing to the State. The result is a program with attractive mortgage rates and minimal required subsidization.

Owner-occupied triplex and four-plex financing is also available under this program as described above.

The Corporation conducts studies on a periodic basis to determine the average area purchase prices for the program. Effective October 3, 1983, an existing single-family residence may not exceed \$112,695; a proposed or newly constructed single-family residence may not exceed \$118,260; and an existing duplex may not exceed \$137,281. The loan-to-value ratio may not exceed 95 percent.

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TAXABLE SECOND MORTGAGE

Program Description

The Taxable Second Mortgage Program allows individuals to receive a second mortgage on an owner-occupied single-family or duplex residence. The proceeds from the second mortgage must be used for the purpose of making improvements that enhance the basic livability or energy efficiency of the dwelling; or for the purchase of an owner-occupied single-family dwelling where the dwelling is subject to an existing first mortgage.

The total-financing-to-value ratio may not exceed 90 percent. If the proceeds of the second mortgage is for the purpose of home improvement, the value of the residence after completion of the improvement is utilized. The balance of the outstanding first mortgage, when combined with the sum of the second mortgage, may not exceed the Corporation's current loan maximums. The current loan maximums are \$178,650 for a single-family residence and \$207,750 for a duplex residence.

SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Program Description - Subsidy Computation

The estimated total subsidy is based upon discounting the annual cash flows of the mortgage loan portfolios for the period the bonds or other obligations remain outstanding. A detail of the subsidy estimate as well as anticipated mortgage demand is presented in Table 1. Since under most methods of financing the bonds will be retired prior to their maturity (depending upon actual mortgage prepayment levels), substantial cash flows in the later years will be available to reduce future subsidy requests.

AGENCY DEPARTMENT OF REVENUE

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The following fees and expenses have not been included in the FY '85 Detail Budget submitted for approval. These items are directly related to the amount of bonds issued/mortgages purchased and/or outstanding during the year. These items with estimated amounts for FY '85 are as follows:

Mortgage servicing fees	\$13,125,000
Mortgage insurance fees	5,000,000
Bank facility fees	6,000,000

The above fees are paid from the cash flow of the mortgage payments and do not require annual general fund appropriations.

Additionally, bond sale costs are not included in the FY '85 Detail Budget. These costs are totally dependent upon the amount and type of bonds sold. They are paid out of the capital appropriation to the Special Mortgage Loan Purchase Program, or, in some cases out of bond proceeds, and are estimated at the levels indicated in Table 1.

As a result of substantial carryforward subsidy funds the appropriation to the Program was \$6,801.0 for FY '84. The total subsidy had been estimated at \$264 million with carryforward funds and earnings on such amounts representing the difference. Were the Corporation to operate the FY '85 Program at either 75 percent or 50 percent of the FY '84 General Fund appropriation amount, the Special Mortgage Loan Purchase Program would be able to accommodate approximately 71 percent of the mortgage applications. Since the Corporation mortgage rates would be below market a significant number of buyers may be unwilling to accept the higher conventional rates thereby creating a waiting list of loan applicants. As a result, individuals selling their homes would have to wait longer for their proceeds, thereby increasing the risk that the deal will fall through, and complicating the chain effect of residential real estate transactions should they be upgrading to another home or relocating within the State with the sale of their current residence a condition for their new purchase.

AGENCY DEPARTMENT OF REVENUE

CATEGORY ECONOMIC DEVELOPMENT

PROGRAM ALASKA HOUSING FINANCE CORPORATION

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Because of the factors previously mentioned, were the Corporation requested to accommodate a reduced level of funding, the preference would be for revisions to the various levels of subsidy presently incurred in the bonded programs. A reduction in the Taxable Mortgage Purchase Program level of subsidy from the current 3 percent to 2 1/2 percent, combined with the Tax-Exempt Mortgage Program rates established at the lower of the applicable cost of funds or the rate available under the Taxable Program (as opposed to the flat 10 percent rate currently established by Statute) would result in a reduction in subsidy costs of approximately \$77 million for FY '85 representing a savings of approximately 34 percent of the current subsidy computation and resulting in a \$6 million surplus of funds in FY '85 available to be carried over to FY '86 as opposed to a \$71 million appropriation requirement.

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ALASKA HOUSING FINANCE CORPORATION
SPECIAL MORTGAGE LOAN PURCHASE PROGRAM
SUMMARY OF MORTGAGE DEMAND AND PROPOSED BOND FINANCINGS
Fiscal Year 1985
(In Millions)

	Estimated Carry-Over From FY '84	Program Repayments And Earnings	Bond Proceeds	Sales Costs	Subsidy	Subsidy Allocation	Utilization of Mortgages For Subsidy	Estimated Carry-Over To FY '86	Estimated FY '85 Mortgage Demand
Taxable First Mortgage Program									
State Assisted Mortgage Bonds -									
Single-Family and Duplex	\$ 20	\$ 75	\$ 550	\$ (5)	\$ 149	\$ 15		\$ 100	\$ 704
Triplex and Four-plex	5	25						5	25
First Mortgage Veterans' Program -									
State Guaranteed Veterans' Bonds	10		700	(15)	49		\$(34)	75	635
Tax-Exempt First Mortgage Program -									
Home Mortgage Bonds	20		125	(3)	14		(10)	30	116
Reserve to Complete Open Series	—	—	—	—	15	(15)	—	—	—
TOTAL	<u>\$ 55</u>	<u>\$ 100</u>	<u>\$1,375</u>	<u>\$(25)</u>	<u>\$ 227</u>	<u>\$ —</u>	<u>\$(44)</u>	<u>\$ 210</u>	<u>\$1,480</u>

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ALASKA HOUSING FINANCE CORPORATION
Summary of Mortgage Demand and Proposed Financings
Fiscal Year 1985

CASE A

(In Millions)

	<u>Mortgages</u>	<u>Investments</u>	<u>Total</u>
Beginning Balances July 1, 1984	\$ 50.000	\$ 90.000	\$ 140.000
SAM Series G Subsidy Reversion (6/1/85)		25.000	25.000
Estimated Earnings of SAM Fund		5.000	5.000
Utilization of mortgages for subsidy	<44.000>		<44.000>
Mortgage Prepayment Transfers	<u><6.000></u>	<u>6.000</u>	<u>---</u>
Available for Subsidy	<u>\$ -0-</u>	<u>\$ 126.000</u>	<u>\$ 126.000</u>
 FY 84 Estimated Subsidy		 \$ 227.000	
Less Mortgages used for subsidy (\$44 million mortgages for \$30 million subsidy due to rate differentials)		<u>30.000</u>	
Not Required Subsidy		<u>\$ 197.000</u>	
Estimated Required Subsidy		\$ 197.000	
Estimated Subsidy Available		\$ <u>126.000</u>	
FY 85 Request		<u>\$ 71.000</u>	

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ALASKA HOUSING FINANCE CORPORATION
SPECIAL MORTGAGE LOAN PURCHASE PROGRAM
SUMMARY OF MORTGAGE DEMAND AND PROPOSED BOND FINANCINGS
Fiscal Year 1985

CASE A

Assumptions

<Attachment>

- Continued availability of credit facilities enabling the Corporation to issue intermediate term securities
- Level of subsidy for taxable first mortgage program at 3.00 percent. No modification to the ratchet and mortgage rates totally dependent upon the Corporation's cost of funds.
- Tax exempt interest rates not in excess of current levels.
- Federal tax exempt mortgage bond authorization extended past December 1983 with additional restrictions added to the program diminishing activity below current levels.
- Mortgage demand maintained at current levels with seasonal adjustments. Allocation between Taxable First Mortgage Program and State Guaranteed Veterans' Program based upon recent activity.
- Voter approval on November 8, 1983 authorizing an additional \$500 million State Guaranteed Bonds for the Veterans Mortgage Program.
- Legislation in 1984 authorizing a special general election approving additional State Guaranteed Bonds for the Veterans Mortgage Program and voter approval at the November, 1984 election.
- State Assisted Mortgage Bonds Series G called on June 1, 1985 releasing approximately \$25 million back to the Special Mortgage Loan Purchase Program.
- Mortgage loans held in the SAM Fund originated by the State of Alaska, Division of Veterans Administration available for utilization as subsidy in current bond issue.

NOTE: Activity in the Mobile Home Loan Purchase Program is not reflected in the schedule as funding is from separate appropriations.

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SPECIAL MORTGAGE LOAN PURCHASE PROGRAM
SUMMARY OF EXHIBITS

LOAN SUMMARY-MORTGAGES PURCHASED

ALL FIRST MORTGAGES EXHIBIT A
TAXABLE FIRST MORTGAGE PROGRAM EXHIBIT B
TAX-EXEMPT FIRST MORTGAGE PROGRAM EXHIBIT C
VETERANS MORTGAGE PROGRAM EXHIBIT D
GRADUATED PAYMENT MORTGAGES EXHIBIT E
AHFC ADMINISTERED FAIRBANKS MORTGAGE PROGRAM EXHIBIT F

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ALASKA HOUSING FINANCE CORPORATION
LOAN SUMMARY - MORTGAGES PURCHASED
(ALL FIRST MORTGAGES)

SHLPP EXHIBIT "A"

	FY '82	\$	FY '83	\$
Sales Price	104,521		105,750	
Appraised Value	106,736		108,414	
Note Amount	90,300		92,012	
Monthly Income	4,041		4,059	
Age of Borrower	34.6		33.7	
Size of Household	2.7		2.5	
Loan to Sale Price Ratio	86.39		87.95	
Weighted Average Int. Rate	11.43		10.73	
Dwelling Type				
SFR	6,312	74.53	5,993	69.76
Condo	1,543	18.22	2,036	23.70
DPLX	450	5.31	208	3.35
PUD	164	1.94	264	3.07
Triplex	-	-	4	.05
Four-Plex	-	-	6	.07
	<u>8,469</u>	<u>100.00</u>	<u>8,591</u>	<u>100.00</u>
Now/Existing				
Now	3,459	40.84	5,382	62.65
Existing	5,010	59.16	3,209	37.35
	<u>8,469</u>	<u>100.00</u>	<u>8,591</u>	<u>100.00</u>
First Time Homeowner				
Yes	3,297	38.93	4,461	51.93
No	5,172	61.07	4,130	48.07
	<u>8,469</u>	<u>100.00</u>	<u>8,591</u>	<u>100.00</u>
Insurance Type				
FIA	-	-	-	-
VA	820	9.68	814	9.48
CONV	7,649	90.32	7,777	90.52
	<u>8,469</u>	<u>100.00</u>	<u>8,591</u>	<u>100.00</u>
Eligible State Veteran	1,658	19.58	1,913	22.27
Non-Eligible State Veteran	6,811	80.42	6,678	77.73
	<u>8,469</u>	<u>100.00</u>	<u>8,591</u>	<u>100.00</u>
Original Balance	764,752,800.00		799,068,150.00	

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ALASKA HOUSING FINANCE CORPORATION
 LOAN SUMMARY - MORTGAGES PURCHASED
 TAXABLE FIRST MORTGAGES

SALPP EXHIBIT "D"

	FY '82	\$	FY '83	\$
Sales Price	105,999		116,984	
Appraised Value	108,246		120,505	
Note Amount	91,233		99,824	
Monthly Income	4,097		4,620	
Age of Borrower	34.9		35.5	
Size of Household	2.7		2.7	
Loan to Sales Price Ratio	86.07		85.33	
Weighted Average Int. Rate	11.53		11.54	
Monthly P & I Payment	921.24		1,001.05	
Dwelling Type				
SIR	6,078	76.37	3,433	74.73
Condo	1,289	16.20	754	16.41
DPLX	437	5.48	211	4.59
PUD	155	1.95	186	4.05
Triplex	-	-	4	.09
Four-Plex	-	-	6	.13
	<u>7,959</u>	<u>100.00</u>	<u>4,594</u>	<u>100.00</u>
Now/Existing				
Now	3,173	39.87	2,655	57.79
Existing	4,786	60.13	1,939	42.21
	<u>7,959</u>	<u>100.00</u>	<u>4,594</u>	<u>100.00</u>
First Time Homeowner				
Yes	2,837	35.65	1,300	30.04
No	5,122	64.35	3,214	69.96
	<u>7,959</u>	<u>100.00</u>	<u>4,594</u>	<u>100.00</u>
Insurance Type				
FHA	-	-	-	-
VA	820	10.30	316	6.88
CONV	7,139	89.70	4,278	93.12
	<u>7,959</u>	<u>100.00</u>	<u>4,594</u>	<u>100.00</u>
Eligible State Veteran	1,623	20.39	1,278	27.82
Non-Eligible State Veteran	6,336	79.61	3,316	72.18
	<u>7,959</u>	<u>100.00</u>	<u>4,594</u>	<u>100.00</u>
Original Balance	726,122,250.00		458,593,050.00	

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