

SCOMM

#34:33

HB
685

FISCAL NOTE

Revision Date _____

REQUEST
 Bill/Resolution No: HB 685
 Title: An act relating to the Alaska Resources Corporation.
 Sponsor: Governor
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL
 Agency Affected: Revenue
 Program Category Affected: _____
 BRU, Program of Subprogram(s) Affected:
Alaska Resources Corporation

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES	-	206.28	-	-	-	-
200 TRAVEL	-	50.00	-	-	-	-
300 CONTRACTUAL	-	234.00	-	-	-	-
400 SUPPLIES	-	10.00	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	500.28	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	500.28	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	500.28	-	-	-	-

POSITIONS:

FULL-TIME	-	4	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

- * At this time it is difficult to determine what the costs will be to monitor and wind down ARC's current investments beyond FY 85.

ANALYSIS: Attach a separate page for analysis.

Prepared By: Cathy Poe Phone: 465-2350
 Division: Treasury Division Date: 2/10/84
 Approved by Commissioner: Robert C. Leach Date: 2/10/84
 Agency: DOE

Distribution (by Agency preparing fiscal note):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

REQUEST PAGE 1 of 2 FISCAL NOTE
 Bill/Resolution No.: HB 685 Agency Affected: Commerce and Economic Dev.
 Title: Repealing statutes on the Alaska Resources Corporation Program Category Affected: Development
 Sponsor: Rules by request of Governor BRU, Program or Subprogram(s) Affected:
 Requestor: _____
 Date of Request: _____

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						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Catherine Wallen Phone: 465-2504
 Division: Administrative Services Date: 12/22/83

Approved by Commissioner: Richard A. Lyon Date: 12/28/83
 Agency: Commerce and Economic Development

Distribution (by Agency preparing fiscal note):

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

12/1/83

PAGE 2 of 2

Analysis for Alaska Resources Corporation

Personal Services

1 Senior Investment Officer - Range 27 \$76,935
 1 Investment Officer - Range 23 \$62,550
 1 Accounting Technician II - Range 14 A \$30,645
 1 Secretary - Range 14 C \$36,150
 Total \$206,280

Salaries and benefits for four full-time positions. This is a reduction of 5 positions in the FY 84 operating budget.

People will monitor and wind down ARC's current investments.

Travel

Travel is for investment site inspection and Board meetings of companies where ARC holds equity interest.

Contractual

Rent \$67,891
 Telephone \$17,500
 Audit and Accounting Reports \$15,000
 Legal Fees \$133,609
 Total \$234,000

Supplies

Rental of office machines and purchase of office supplies \$10,000

HB 680

title) (page 2871 of the journal) and reports it back as follows: Ringstad (Co-Chairman), Shultz, Larson, Goll, Bussell and Liska recommend do pass.

HB 680 was referred to the Finance Committee.

HB 685

The Resources Committee has had HOUSE BILL NO. 685 (Alaska Resources Corporation and repealing the Alaska renewable resources development fund and the Alaska renewable resources investment fund; effective date) under consideration and reports it back as follows: Ringstad (Co-Chairman), Larson, Goll and Uehling recommend do pass; Shultz and Liska have no recommendation; Bussell signed "need changes in board sec."

HB 685 was referred to the House Special Committee on State Loans.

INTRODUCTION, FIRST READING AND REFERENCEOF HOUSE BILLSSSHB 657

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 657 by McBride, entitled:

"An Act relating to video machine lotteries conducted by municipalities."

was read the first time and referred to the State Affairs and Finance Committees.

HB 701

HOUSE BILL NO. 701 by the Resources Committee, entitled:

"An Act renaming Klutina Road as Brenwick/Craig Road."

was read the first time and referred to the Transportation Committee.

HB 588

The fiscal notes appear in House Journal Supplement No. 108.

HB 619

The State Affairs Committee has had HOUSE BILL NO. 619 (Office of Litigation Counsel in each house of the legislature; effective date) under consideration and reports it back as follows: Abood (Chairman), Ward and Cowdery recommend do pass; Lacher, Larson and Shultz have no recommendation; M. M. Miller recommends do pass if amended. A fiscal note was attached.

HB 619 was referred to the Judiciary Committee.

The fiscal note appears in House Journal Supplement No. 108.

HB 627

The Resources Committee has had HOUSE BILL NO. 627 (relating to a forest products business loan guarantee program; effective date) under consideration, recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 627 (Resources) (same title) and reports it back as follows: Ringstad (Co-Chairman) and Uehling recommend do pass; Shultz, Larson, Vaska, Goll, Bussell and Cowdery have no recommendation; Liska signed "No rec. this bill requires more work."

HB 627 was referred to the Finance Committee.

HB 653

The Judiciary Committee has had HOUSE BILL NO. 653 (relating to court facilities; effective date) under consideration and reports it back as follows: Bussell (Chairman), Liska, Barnes and Hayes recommend do pass; Clocksin recommends do not pass without proper fiscal note; Malone recommends do pass with proper fiscal note. A zero fiscal note was attached.

HB 653 was referred to the Finance Committee.

HB 680

The Resources Committee has had HOUSE BILL NO. 680 (recovery and production of oil and natural gas; effective date) under consideration, recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 680 (Labor & Commerce) (same

BILL SHEFFIELD
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 13, 1984

The Honorable Joe Hayes
Alaska House of Representatives
Pouch V
Juneau, AK 99811

Dear Representative Hayes:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that provides for the wind-up of operations and eventual dissolution of the Alaska Resources Corporation (ARC).

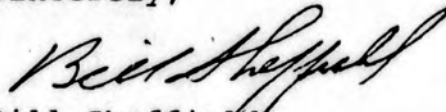
The bill retains the corporate structure of ARC for five years but amends the relevant statute to provide that the only corporate purpose is the orderly wind-up of the affairs of the corporation. This five-year period is considered necessary because ARC has substantial equity investments including capital stock investments in a number of businesses and has taken an active management role in some of the businesses. ARC also owns property as a result of foreclosure on loans against businesses in which it also has equity interests. The five-year period will give ARC sufficient time to remove itself from active management roles and then divest itself of these interests.

The corporation is transferred from the Department of Commerce and Economic Development to the Department of Revenue. The board membership is changed to provide that the commissioner of revenue and the commissioners of two other principal departments make up the board. The board is directed to contract with the Department of Revenue to manage the corporation's assets during the wind-up period. Concurrent with ARC's transfer to the Department of Revenue, all but \$500,000 of the unexpended and unobligated money in ARC's development capital fund is transferred to the general fund. The \$500,000 are to be used to cover possible costs that might arise in the course of winding up ARC's affairs.

- 2 -

The bill also repeals the statutes creating the Alaska Resources Corporation (ARC), AS 37.12; and the Alaska renewable resources development fund and Alaska renewable resources investment fund, AS 37.11. The Alaska renewable resources development fund and the Alaska renewable resources investment fund were closed out and the money returned to the general fund several years ago, after they were determined to be unconstitutional dedicated funds, but the statutes have not yet been repealed. Under this bill, the repeal of the corporation statutes will take effect July 1, 1989, and the repeal of the fund statutes will take effect immediately.

Sincerely,

A handwritten signature in cursive script that reads "Bill Sheffield".

Bill Sheffield
Governor

Analysis for Alaska Resources Corporation

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ANALYSIS: Attach a separate page for analysis.

Prepared By: Cathy Poe
 Division: Treasury Division

Phone: 465-2350
 Date: 2/10/84

Approved by Commissioner: Paul C. Heath
 Agency: DOR

Date: 2/10/84

Distribution (by Agency preparing fiscal note):

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Division: Administrative Services Date: 12/22/83
Approved by Commissioner: Richard A. Lyon Date: 12/28/83
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12/1/83

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Juneau, Alaska

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ALASKA RESOURCES CORPORATION

BALANCE SHEET

January 31, 1984

ASSETS

Cash	\$ (8,270)
Interest bearing deposits	4,664,700
U.S. Government Obligations	7,922,234
Purchased Interest, U.S. Government Obligations	206,366
	<u>12,785,030</u>
Loans Receivable	
Fisheries	3,716,003
Agriculture	257,644
Forest Products	1,325,174
Commercial Fish	8,213,712
Forest Assistance	5,265,066
Manufacturing	370,000
Total loans receivable	<u>19,147,599</u>
Less reserves for uncollectible loans	(3,984,717)
Loans receivable, net	<u>15,162,882</u>
Accrued interest receivable, loans	1,953,496
Less allowances for uncollected interest, loans	(1,538,349)
Accrued interest receivable loans, net	<u>415,147</u>
Assets acquired through foreclosure (Note A)	12,100,326
Less allowances for assets acquired through foreclosures	(4,973,401)
Net assets acquired through foreclosure	<u>7,126,925</u>
Miscellaneous receivables	4,780
Prepaid rent	7,752
Investment in Capital Stock	4,322,854
Less reserves for uncollectible equity	(1,041,601)
Less committed undisbursed funds equity	(17,378)
Investments in capital, net	<u>3,263,875</u>
Other Assets (Licensing Agreement)	53,250
	<u>\$ 38,819,641</u>

LIABILITIES & FUND BALANCE

Accrued Payroll	\$ 64,639
Original Contributed Surplus	42,307,047
Retained Earnings	(4,694,930)
Net Income	1,142,885
	<u>\$ 38,819,641</u>

*Book overdraft at all times covered under funds on deposit in repo account.

ALASKA RESOURCES CORPORATION

BALANCE SHEET

NOTE A

January 31, 1984

Assets acquired through foreclosure breakdown:Alaska Food Co.

Principal of ARC loans @ 4/30/83	\$ 8,350,850.52
Accrued interest of ARC loans @ 4/30/83	1,127,097.60
Other income from assets acquired by ARC @ 6/30/83	(9,038.16)
Other expenses paid out by ARC @ 6/30/83	63,373.09
Capital expenses paid out by ARC @ 1/31/84	7,170.82
Sale of Assets acquired by ARC @ 1/31/84	(518,200.00)
Totals:	<u>\$ 9,021,253.87</u>

Alaska Bait

Principal of ARC loans @ 5/19/83	\$ 577,349.54
Accrued interest of ARC loans @ 5/19/83	96,691.43
Professional Services (legal fees) paid by ARC @ 5/19/83	4,822.15
Other expenses paid out by ARC @ 6/30/83	4,833.44
Totals:	<u>\$ 683,696.56</u>

Martins Seafoods

Principal of ARC loans @ 5/16/83	\$ 899,544.98
Accrued interest of ARC loans @ 5/16/83	127,957.81
Professional Services (legal fees) paid by ARC @ 5/16/83	30,611.23
Other income from assets acquired by ARC @ 6/30/83	(12,522.40)
Other expenses paid out by ARC @ 6/30/83	74,660.74
Capital expenses paid out by ARC @ 12/31/83	36,602.20
Totals:	<u>\$ 1,156,854.56</u>

Seafoods of Alaska

Principal of ARC loans @ 4/29/83	\$ 802,458.37
Principal of ARC loans @ 6/29/83	364,657.90
Accrued interest of ARC loans @ 4/29/83	21,701.07
Accrued interest of ARC loans @ 6/29/83	49,210.43
Professional Services (legal fees) paid by ARC @ 4/29/83	13,024.05
Other income from assets acquired by ARC @ 6/30/83	(12,531.05)
Totals:	<u>\$ 1,238,520.77</u>

Allowance for assets acquired through foreclosure breakdown:

Reserves to loans: Alaska Food Co.	\$ 3,380,000.00
Alaska Bait	154,930.00
Seafoods of Alaska	105,245.00
Reserves to accrued interest: Alaska Food Co.	1,127,097.60
Alaska Bait	85,216.40
Seafoods of Alaska	70,912.13
Provision for decline in assets acquired through foreclosure	50,000.00
Totals:	<u>\$ 4,973,401.13</u>

Recap:

Assets acquired through foreclosure	\$12,100,325.76
Less allowance for assets acquired through foreclosure	(4,973,401.13)
Total:	<u>\$ 7,126,924.63</u>

ALASKA RESOURCES CORPORATION

STATEMENT OF INCOME & EXPENSES

July 1, 1983 - January 31, 1984

INCOME

Interest Income Investments	\$ 200,094
Interest Income Loans	979,595
Interest Income U.S. Government Obligations	470,573
Miscellaneous Income	5,710
Gain or Loss on Sale of Investments	10,000
Rental Income From Assets Acquired Through Foreclosure	67,670
Other Income From Assets Acquired Through Foreclosure	126,429
Total Income	<u>\$1,860,071</u>

EXPENSES

Personal Services - Salaries & Benefits	\$ 162,672
Travel & Moving - In-State Trans	4,744
Travel & Moving - In-State Per Diem	3,961
Travel & Moving - Out-State Trans	5,269
Travel & Moving - Out-State Per Diem	2,779
Board Member Expenses	9,131
Moving & Relocation	2,875
Telephone	6,910
Postage & Mailing	343
Printing & Binding	176
Advertising	2,739
Subscriptions	394
Rents & Leases	52,496
Storage Fees	130
Professional Services	22,309
Conference Registration	140
Freight Express/Cart	810
Stationary & Supplies	1,937
Miscellaneous Expenses	409
Operating Expenses Pertaining to Assets Acquired Through Foreclosure	266,462
Total Operating Expenses	<u>546,686</u>
Provision For Uncollectible Loans	170,500
Total Expenses	<u>\$ 717,186</u>
NET INCOME	<u>\$ 1,142,885</u>

R - Restructure
 E - Expansion
 S - Start up
 B - Investment Banking
 C - Venture Capital

ALASKA RESOURCES CORPORATION
 INVESTMENT RECAP

January 31, 1984

COMPANY NAME	FISHERIES	SPECIAL FISH	AGRICULTURE	FOREST PRODUCTS	SPECIAL FOREST	MANUFACTURING	COMMITTED UNDISBURSED FUNDS	MISCELLANEOUS	TOTAL DEBT	EQUITY AMOUNT	EQUITY %	TOTAL DEBT & EQUITY
T I (AK. F.I.S.H.)	125,000				1,500,000				125,000	125,000	13%	250,000
ASKA TIMBER									1,500,000			1,500,000
YESKA CANDY KITCHEN			23,654						23,654			23,654
ERICAN EAGLE	129,758	49,861							179,619			179,619
CHOR RENEWABLE FARMS			119,468						119,468			119,468
CHORAGE TANK						370,000			370,000			370,000
LL BROTHERS, INC.	807,772	2,564,950						180,000	3,552,722	500,000	40%	4,052,722
LL, ALBERT	25,000								25,000			25,000
LL, GERALD	25,000								25,000			25,000
LL, NEWTON	25,000								25,000			25,000
ICLE SEAFOODS		2,181,458					17,378		2,198,836	2,222,622	39%	4,421,458
CHEMAK	213,502								213,502			213,502
KECHIK	278,588								278,588	490	49%	279,078
ARK, INC.		395,000							395,000	25,000	1%	420,000
STERCRAFT KITCHENS				265,063					265,063			265,063
YES SAWMILL				5,111					5,111			5,111
DE FUR FARM			114,522						114,522			114,522
LAMATOF		3,022,442							3,022,442	976,264	35%	3,998,706
YLES MARINE, INC.	95,126								95,126			95,126
INABEL LUMBER CO.				1,000,000	3,765,066				4,765,066			4,765,066
WARD SHIPYARD	516,274								516,274	150,000	22%	666,274
WRAGD PARTNERS	456,340								456,340			456,340
EIK ENTERPRISES				55,000					55,000			55,000
ERLING SEAFOODS	125,000								125,000	100,000	49%	225,000
UNITY RESOURCES										206,100	32%	206,100
IAN	893,642								893,642			893,642
TOTALS:	3,716,002	8,213,711	257,644	1,325,174	5,265,066	370,000	17,378	180,000	19,344,975	4,305,476		23,650,451

ALASKA RESOURCES CORPORATION

INVESTMENT ANALYSIS

@ January 31, 1984

Date Made	Project	Bank	Type of Account	Balance @ 1-31-84	Interest Yield Rate	Date Interest Paid	Maturity Date
MONEY MARKET ACCOUNTS:							
1-10-83	Funds held for investment	ANB of North	Money Market - checking	100,654.29	8.50	1-31-84	End of ea. mont
1-12-83	Ball Brothers (pledged) 180,000	APB	Cash Investment - checking	181,357.44	8.875	1-31-84	End of ea. mont
1-13-83	Funds held for investment	ABC	Cash Investment - savings	100,888.27	9.50	1-31-84	End of ea. mont
1-13-83	" " " "	PBT	Investor Fund - checking	100,697.59	8.75	1-31-84	Weekly
1-13-83	" " " "	Ak. Mutual	Money Market - checking	100,790.70	9.00	1-31-84	End of ea. mont
1-13-83	" " " "	Ak. State	Money Market - checking	100,761.87	8.75	1-31-84	End of ea. mont
1-13-83	" " " "	Dean Witter	Liquid Asset Fund	281,553.10	9.00	Compounds daily	Paid every 4-6
2-11-83	" " " "	UBA	Money Market - checking	100,729.23	9.50	2-01-84	1st. of ea. mon
3-07-83	" " " "	SNB	Hi Fi Plus - checking	100,766.79	9.00	1-31-84	End of ea. mont
3-14-83	" " " "	1st. Bk. Ketch.	Money Market - savings	100,749.25	8.701	1-31-84	End of ea. mont
5-31-83	" " " "	B.M. Behrends	Money Market - checking	100,750.90	8.50	1-15-84	15th of ea. mon
Totals:				<u>1,369,699.43</u>			
CERTIFICATES OF DEPOSIT:							
9-13-83	Funds held for investment	NBA	Time Certificate Deposit	100,000.00	9.60		3-12-84
9-15-83	" " " "	UBA	" " "	250,000.00	10.00		3-13-84
10-5-83	" " " "	AK. MUTUAL	" " "	500,000.00	9.875		4-02-84
1-23-84	" " " "	AK. MUTUAL	" " "	300,000.00	9.00		4-23-84
1-20-84	" " " "	1st. NAT OF ANCH	" " "	100,000.00	9.25		4-30-84
12-6-83	" " " "	AK. MUTUAL	" " "	600,000.00	9.625		6-04-84
12-12-83	" " " "	AK. CONTINENTAL	" " "	100,000.00	10.00		6-08-84
1-04-84	Kodiak Elect. (pledged)	ANB of NORTH	" " "	40,000.00	9.45		7-05-84
12-15-83	Schnabel (pledged)	B.M. BEHREND	" " "	<u>1,000,000.00</u>	10.324		5-31-84
Totals:				<u>2,990,000.00</u>			
TREASURY NOTES & BONDS:							
12-8-82	Funds held for investment	DEAN WITTER	Fed. Home Loan Bond	2,000,000.00	9.44	April & Oct.	4-25-84
9-30-83	" " " "	" "	U.S. Treasury Note	1,250,000.00	10.41	March & Sept.	9-30-84
1-03-84	" " " "	" "	Fanny Maye	1,500,000.00	10.86	May & Nov.	11-12-85
12-1-83	" " " "	" "	U.S. Treasury Note	1,000,000.00	10.60	May & Nov.	11-30-85
7-08-83	" " " "	" "	Ryan Mtg. Accept. Bond	1,100,000.00	11.375	June & Dec.	6-28-2013
7-28-83	" " " "	" "	Ryan Mtg. Accept. Bond	<u>1,000,000.00</u>	12.375	Jan. & July	7-28-2013
Totals:				<u>7,850,000.00</u>			
REPURCHASE AGREEMENT:							
		UBA	Repurchase Agreement	305,000.00	9.00		

ALASKA RESOURCES CORPORATIC

CASH RECEIPTS

for January 1984

Loans Receivable:

<u>Date</u>	<u>Investee</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total Paid</u>
1-03-84	Mastercraft Kitchens	3,060.28	2,539.72	5,600.00
1-03-84	Icicle Seafoods	7,408.87	18,626.49	26,035.36
1-06-84	SeaWard Shipyard	6,589.76	3,270.74	9,860.50
1-09-84	Alaska Timber	-0-	15,489.81	15,489.81
1-10-84	Smaragd Partners	-0-	10,093.16	10,093.16
1-17-84	Anchorage Tank	-0-	2,906.25	2,906.25
	Totals	<u>17,058.91</u>	<u>52,926.17</u>	<u>69,985.08</u>

Income From Sale of Owned Assets:

<u>Date</u>	<u>Investee</u>	<u>Description</u>	<u>Amount</u>
1-18-84	Gibson Cove	Alaska Fresh purchase of equip.	<u>6,200.00</u>

Income From Owned Assets:

<u>Date</u>	<u>Investee</u>	<u>Description</u>	<u>Amount</u>
1-10-84	Sterling Plant	Schwanke lease payment	540.00
1-25-84	Gibson Cove	American Seafood pymt.	2,000.00
1-25-84	Sterling Plant	Schwanke lease payment	1,140.00
1-30-84	Martins	Tesoro Pipeline (84 right of way)	250.00
		Total	<u>3,930.00</u>

Other Revenue:

<u>Date</u>	<u>Description</u>	<u>Amount</u>
1-10-84	Photo copies	2.00
1-10-84	Reimbursed for Ak.Fish Ucc filings	27.00
1-17-84	Partial recovery (Woodyard debt)	33,000.00
1-31-84	Mike Kiech - Alternative Energy	650.59
	Total	<u>33,679.59</u>

Total Interest on Cash Investments:85,079.68Grand Total 198,874.35

ALASKA RESOURCES CORPORATION

EXPENSES

Re: OWNED ASSETS

for January 1984

<u>Date:</u>	<u>Who To:</u>	<u>What For:</u>	<u>Amount:</u>
<u>Alaska Bait #1</u>			
1-12-84	City of Hoonah	Harbor Electricity	322.80
	Hoonah Seafoods	Fuel	1,270.00
1-25-84	Payroll & Taxes	Jan. Payroll & Fed. + Fica Tax	2,128.00
		Total	<u>3,720.80</u>
<u>Gibson Cove</u>			
1-12-84	City of Kodiak	Water, sewer, garbage	49.00
	Glacier State Tele.	Plant phone chgs.	130.35
	Kodiak Elec. Assoc.	Electricity	1,204.25
	Union Tire	Tires for truck	200.00
1-25-84	Payroll & Taxes	Jan. Payroll Fed, Fica, Futa, Esc. Tax	5,715.76
		Total	<u>7,299.36</u>
<u>Martins Plant</u>			
1-04-84	The Woods Hotel	Room rent (Gil)	1,554.20
1-12-84	Anchorage Tank	Materials	168.00
	Central Storage	Storage of Equipment	70.00
	W.E. Stone	Materials	546.81
	Arctic Welding	Materials	8.25
	Gil Reel	Expenses & Per Diem	1,478.10
1-18-84	Stephans Tool	Pipe vise & cutter rental	93.00
1-19-84	Dept. of Labor	Boiler inspection	80.00
1-25-84	H.C. Industries	Materials	62.00
	Don Norton	Reimbursed (car rental for Gil Reel)	268.33
1-27-84	Casual Labor	Sam & George	4,896.00
		Total	<u>9,224.69</u>
<u>Sterling Plant</u>			
1-12-84	Enstar Nat. Gas	December chgs.	191.57*
1-25-84	Homer Electric	12/8/83 to 1/9/84 Service	1,646.35*
		Total	<u>1,837.92</u>

*Enstar 191.57 billed to Schwanke

*Homer Electric 1,646.35 less 569.52 = 1,076.83 billed to Schwanke

ALASKA RESOURCES CORPORATION

Report Date: February 21, 1984
 Period Ending: January 31, 1984
 Reported by: Donald L. Norton

LOANS RECEIVABLE MONITORING REPORT

Project & Resource Sector	Next Payment Due	Original Amount	Present Prin. Bal.	Date Loan Made	Maturity Date	Collateral Type & Value	Comments
BALL BROTHERS, INC. (Fish)		150,000.00 600,000.00 157,771.94	150,000.00 500,000.00 157,771.94	5/01/81 6/19/81 8/17/82	5/01/82 7/31/81 Demand	Real Estate and Equipment Value at \$425,000.00.	Ball Bros., Inc. prevailed at trial, against Mark Antonsen and Mark II Sea Products in amount of \$952,000.00 and with setting aside transfer of their interest in the Nefco Law suit. Offer for sale of remaining physical assets of BBI proposed for consideration and acceptance at January 24 AF Board meeting would net approx. \$320,000 for debt reduction.
(Emergency Fish)		1,000,000.00 2,000,000.00	564,950.00 2,000,000.00	5/29/80 5/29/80	10/31/81 10/31/86		
BALL, ALBERT (Fish)	11/01/84	25,000.00	25,000.00	10/28/83	11/01/88		
BALL, GERALD (Fish)	11/01/84	25,000.00	25,000.00	10/28/83	11/01/88		
BALL, NEWTON (Fish)	11/01/84	25,000.00	25,000.00	10/28/83	11/01/88		
ICICLE SEAFOODS (Emergency Fish)	6/01/85 2/01/84	400,000.00 1,900,000.00	400,000.00 1,781,458.08	6/12/81 9/29/82	6/12/91 9/01/87	Convertible Debenture. Preferred Marine Mortgage on Floating Processor & Equipment.	Participation with Rainier Bank. Continues to perform.
SMARAGD PARTNERS (Fish)	4/10/84	498,000.00	456,340.48	6/18/83	6/18/98	FV Smaragd \$500,000.00	Performing and current.
						Investment Officer: <u>D. J. [Signature]</u>	

62.

LOANS RECEIVABLE MONITORING REPORT

Project & Resource Sector	Next Payment Due	Original Amount	Present Prin. Bal.	Date Loan Made	Maturity Date	Collateral Type & Value	Comments
ACT I (AK. FISH)	9/30/82	125,000.00	125,000.00	6/30/80	9/30/82	A/R - \$151,305.67 Inv. 150,000.00 \$301,305.67 Max.	Alaska Fish, Inc. filed for Chapter XI relief on February 8, 1984. Cash flow continues to be impaired. Closing Sitka location.
ALASKA TIMBER (Emerg. Timber)	2/01/84	1,500,000.00	1,500,000.00	5/04/81	7/30/89	Loan participation w/bank of Calif. Power plant val. at \$4.0 million.	Performing & current.
MASTERCRAFT (Forest Products)	2/01/84	315,000.00	265,062.54	8/08/80	10/01/87	R/E, plant & equipment val. at \$1.0 million.	Performing & current.
PINES SAWMILL (Forest Products)	2/01/84	30,000.00	5,111.37	4/02/80	4/01/85	Logging & milling equip. valued @ cost of \$60k.	Performing & current.
SAYLES MARINE, INC. (Fish)	12/31/82 10/01/84	86,126.00 70,000.00	25,126.00 70,000.00	4/29/82 12/20/83	12/31/82 7/01/98	Aluminum estimated @ \$15,000 Vessel - PMM \$85,000.	Original note - bal. \$25,126. Secured by aluminum inventory. Will need to modify terms of repayment. Documentation of vessel complete with ARC as preferred mortgage holder. Note \$70,000 secured by vessel.
SCHNABEL LUMBER CO. (Forest Products)	12/31/86	100,000.00	100,000.00	12/13/83	12/31/86	Property, plant, equipment & certain inventories estimated at net book value of \$6.0 mil. Realistic current market value 3.5 mil.	Name of company changed to Pacific Forrest Products, Inc. Modification to the mill and planer underway. Considerable log inventory on site and sorted for mill processing. Logging commenced in December by contractor, Northern Timber, Co. 1st draw under City Bank line anticipated for late March against log inventory. Expect start up in early March.
	1/02/87	100,000.00	100,000.00	"	12/31/87		
	"	100,000.00	100,000.00	"	12/31/88		
	"	100,000.00	100,000.00	"	12/31/89		
	"	100,000.00	100,000.00	"	12/31/90		
	"	100,000.00	100,000.00	"	12/31/91		
	"	100,000.00	100,000.00	"	12/31/92		
	"	100,000.00	100,000.00	"	12/31/93		
"	100,000.00	100,000.00	"	12/31/94			
"	100,000.00	100,000.00	"	"	12/31/95		

63.

LOANS RECEIVABLE MONITORING REPORT

Project & Resource Sector	Next Payment Due	Original Amount	Present Prin. Bal.	Date Loan Made	Maturity Date	Collateral Type & Value	Comments
SCHNABEL (Cont'd) (Emergency Forest)	1/01/86	1,800,000.00	1,800,000.00	4/08/81	1/01/93		
	1/01/86	165,065.83	165,065.83	12/13/83	12/31/93		
	1/02/88	200,000.00	200,000.00	12/13/83	12/31/93		
	"	200,000.00	200,000.00	"	12/31/94		
	"	200,000.00	200,000.00	"	12/31/95		
	"	200,000.00	200,000.00	"	12/31/96		
	"	200,000.00	200,000.00	"	12/31/97		
	"	200,000.00	200,000.00	"	12/31/98		
	"	200,000.00	200,000.00	"	12/31/99		
SEAWARD SHIPYARD (Fish)	2/01/84	350,000.00	321,187.77	4/02/80	5/02/90	R/E, plant & equipment val. at \$1.1 mil. subject to first D/T \$140k.	Performing & current. See recommendation of staff.
	2/01/84	210,000.00	179,273.80	3/05/81	6/01/84		
	2/01/84	20,000.00	15,812.48	3/05/81	6/01/84		
STEIK ENTERPRISES (Forest)	11/01/83	55,000.00	55,000.00	1/20/81	1/01/86	R/E & milling equipment estimated at \$97k.	Awaiting year end statements for review and loan modification consideration.
TRINITY RESOURCES							Principal Delaney preparing breakdown and distribution of \$280,000 - net settlement. Potential ARC recapture of portion of equity \$60,000. See staff recommendation for authorization for write down of additional equity after final distribution of approx. \$60,000.
WOODYARD/GOWDY							ARC received \$33,000.00 settlement of judgement.
						Investment Officer: <u>D. L. Norton</u>	

LOANS RECEIVABLE MONITORING REPORT

Project & Resource Sector	Next Payment Due	Original Amount	Present Prin. Bal.	Date Loan Made	Maturity Date	Collateral Type & Value	Comments
ALYESKA CANDY KITCHEN (Agriculture)	1/01/84	37,600.00	23,653.99	3/18/80	1/01/86	Candy making equipment \$37,000.00.	Seeking additional equity investors. submitted legal documents to State Banking & Securities in January.
AMERICAN EAGLE (Fish & Emergency Fish)	9/01/81	150,000.00	129,758.23	3/26/80	9/01/81	2nd PMM Vessel "Aluetian Dragon" \$943,000.00. 1st Rainier - \$535,000.00.	Financial statements received. Board recommendation in preparation.
	9/01/81	50,000.00	49,861.43	5/29/80	9/01/81		
ANCHOR RENEWABLE FARMS (Agriculture)	10/01/82	120,000.00	119,468.15	8/04/80	7/01/87	R/E, controlled environment greenhouse, greenhouse & equipment - 3rd total value \$240,000.00. 1st \$78,000 Parkinson. 2nd \$95,000 - ARLF.	Financial statements past due; Discussions with Ag. Revolving Loan Fund re: subordination & loans reveals lack of compliance. Homer Electric discussing power disconnect.
ANCHORAGE TANK (Manufacturing)	2/15/84	270,000.00	270,000.00	6/06/83	7/31/93	Equipment - \$489,099.	No change. Requesting F/S.
	2/15/84	100,000.00	100,000.00	6/06/83	6/01/90		
KACHEMAK SEAFOODS (Fish)	7/01/82	250,000.00	212,410.20	8/28/81	10/01/82	2nd inventory, receivables 1981 - 1st 1982 \$1.0 mil. (1st in question) 1st '81 - VHW, Co. unknown amount.	Still attempting to collect pension funds due to Birdie of approximately \$16,000 and to locate other assets. Suit has been filed against VHW regarding inventory and their a er received. Negotiation meeting proposed.
	Demand	1,092.10	1,092.10	3/18/83	Demand		
KOKECHIK (Fish)	7/01/84	300,000.00	278,587.91	5/15/80	7/01/87	Boats & motors, original value \$300,000.	Debt modification proposed.
CLARK, INC. (Emergency Fish)	9/30/82	395,000.00	395,000.00	11/13/81	9/30/96	Plant, equipment, R/E \$3,900,000 (participation with CFAB)	Have been informed by AG's office that ARC has no legal remedies under participation agreement. Letter from CFAB attorney requested per agreement.

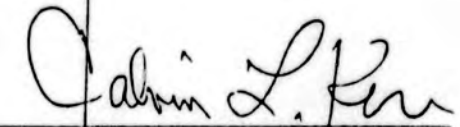
ALASKA RESOURCES CORPORATION

LOANS RECEIVABLE MONITORING REPORT

Report Date: February 17, 1984
 Period Ending: January 31, 1984
 Reported by: Calvin L. Kerr

Project & Resource Sector	Next Payment Due	Original Amount	Present Prin. Bal.	Date Loan Made	Maturity Date	Collateral Type & Value	Comments
RICE FUR FARM (Agriculture)	3/31/84	115,000.00	114,521.68	11/23/81	12/02/92	Foxes, cages, equipment and R/E \$184,000.00. Subordinate to \$25,000.00 CFAB.	Sales planned for Spring 84.
SALAMATOF SEAFOODS (Emergency Fish)	9/01/84	3,065,349.93	3,022,441.99	1/01/82	8/01/92	Plant & Equipment \$4.5 mil. 2nd, 1st APB - \$900,000.	Requested additional F/S. and support of material; normal activity noted.
STERLING SEAFOODS (Fish)	9/31/82	125,000.00	125,000.00	2/12/81	10/01/87	Equipment, supplies and inventory \$104,789 value.	Plans to custom process crab are being finalized. Other options for the remainder of the year are being explored. Lease checks put on weekly payment schedule. Proposal for long term lease discussed.
WYMAN (Fish)	10/26/83	1,000,000.00	893,641.93	1/26/81	7/26/93	1st PMM Vessel "Alaska Star" \$1,700,000.00.	Letter received from Ed Wyman proposing purchase of all ARC equity. Staff reviewing per terms of shareholders agreement.

Investment Officer:



ldo.

Alaska State Legislature

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



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

House Special Committee on State Loans

MEMORANDUM

Date: March 27, 1984
To: Members, House Special Committee on State Loans
From: Rep. Rick Uehling, Chair
Subject: CS HB 685

HB 685, relating to the Alaska Resources Corporation, would make significant changes in its structure, preparatory to winding down its operations. The bill would retain the corporate structure, for a period of 5 years, within the Department of Revenue.

The bill was originally introduced at the request of the Governor, and would have changed the composition of the Board of Directors to eliminate the public members. However, the Loans CS retains 3 of the public members and also names the Commissioner of Commerce and Economic Development to serve with the Commissioner of Revenue who is designated as the Chairman.

This version also adds amendments to existing statutes which will make technical changes to delete references to the Alaska Renewable Resources Development Fund and to repeal certain other sections.

WE BETTER HAVE THE
BACK UP TO SUPPORT
THIS

M E M O R A N D U M

DATE: 7 March 1984
TO: Representative Rick Uehling
FROM: John Geary
RE: HB 685 (ARC)

You requested that I research HB 685, a bill introduced by the Governor to wind-up the operations and and eventual dissolution of the Alaska Resources Corporation (ARC).

This bill would allow the corporation to exist for the next five years with the only purpose of business being to the orderly wind-up of affairs of the said corporation. Five years is claimed to be needed as ARC owns substantial equity investments including capital stock investments in a number of businesses and has taken an active role in management in others.

The bill would transfer the corporation from the Dept. of Commerce and Economic Development to the Dept of Revenue. And finally the Bill would repeal the statutes that created ARC in the first place, AS 37.11. & AS 37.12.

Alaska State Legislature

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



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

House Special Committee on State Loans

MEMORANDUM

To: Rep. Rick Uehling, Chairman
From: Alaire Stanton, Committee Aide *AS*
Subject: HB 685, The Alaska Resources Corp.
Date: March 19, 1984

HB 685, relating to the Alaska Resources Corporation, would make significant changes in its structure, preparatory to winding down its operation. The Bill would retain the corporate structure, for a period of 5 years, within the Department of Revenue. It would give the new Board and the Department of Revenue the authorization to sell assets, pay liabilities, and manage loans as necessary.

The Board of Directors would change from its present four members with business, lending, or investment experience; to three Commissioners of Executive departments with the Commissioner of Revenue designated as the Chairman. Two members (ie: 2 Commissioners) would constitute a quorum.

The development capital fund, consisting of money appropriated (in the past) will be used to pay for liabilities which may arise during the wind-up of its affairs. Repayments of principal, and interest payments, dividends received and money from the sale of assets must be deposited in the general fund.

The fiscal note for the Bill is intended to reflect the staff needed by the Dept. of Revenue.

Questions which may need to be addressed include the following:

What would be the dollar amount of the assets which would remain with the shell corporation on the effective date?

Which companies would be needing active management by the ARC Board, and is it in the best interest of the State to have two Commissioners managing them?

Is there a current timeline for disposing of the remaining assets?

/as

DRAFT

Memorandum

Date: April 2, 1984
To: Rep. Rick Uehling, Chairman
From: Alaire Stanton, Committee Aide
Subject: HB 689, Rural Electrification Loans

Mr. George Matts of the Dept. of Commerce & Economic Development has brought in a proposal for suggested changes in the legislation pertaining to the Rural Electrification Loan program. It differs from the Labor & Commerce Committee Substitute (with which you are already familiar) in several substantive ways, which are outlined below.

The Labor & Commerce version contains intent language which states that "the state will undertake the risk of loss if the expected development does not occur" (for loan repayment). The agency version does not have any intent language.

In Section 1 the agency proposal provides that the authority may make loans only for the purpose of extending new service into an area of the state that an electric utility may serve under certification from the APUC, and if the utility invests the money as outlined in the present law. The (L & C) CS changes the present AS 44.83.361(b) to read ... the authority may make "a loan" to "a public utility for construction of an electric distribution line in a rural area of the state that is not receiving central station electric service."

The agency proposal removes the Loan Advisory Committee² which has a role under both the present Statute and the (L & C) CS, and then gives the authority for approval of loans solely to the APA.

Present statutes provide for 2% annual interest rates on the unpaid balance. The (L & C) CS retains the 2% rate but changes the formula for repayment of principal. The agency proposal provides for the interest rate to be based on a fixed market-tied rate based on the US Treasury rate, with a floor of 2%. Both proposals authorize charging the consumers for the cost of the interest on the loan. (Technically, the agency proposal has a problem, in that it doesn't remove AS 44.83.361(c) which sets the 2% rate, though it has new language for AS 44.83.365 which changes the interest rate.)

The (L & C) CS changes the deadline for the report to the Legislature and adds definitions of "rural" and the "unit cost of the line" and an additional section on a complicated formula for figuring the maximum loan amount. The agency proposal sets a maximum of \$3 million, with the term not to exceed 20 years. The L & C version also sets the term at 20 years.

The new proposal would retain the language presently in Statute on the criteria used for approval of a loan. The (L & C) version changes that language to consider "use" of the premises along with the permanence; land "availability" along with land use patterns; availability of right away rather than "access"; and it deletes the criteria for economic feasibility of the project.

In summary, the agency proposal is shorter and less complicated than the Labor & Commerce CS, particularly in the formula for repayment. The (L & C) CS is based on the growth rate (new customers). Mr. Matts interpretation is that there would be no repayment of principal if there were no new customers after the distribution line was completed. The loan program thus becomes a grant program.

The agency proposal also bases the interest on the Treasury rate, rather than just a straight 2% rate, and proposes a conventional method of repayment of the principal, to amortize the loan over 20 years. The (L & C) CS has a definition of "rural" which says that the number of customers cannot exceed 5 per mile of line.

Asper
3/27/84

Original sponsor: Rules/Governor

Placed 3/28
1:15 pm

1 IN THE HOUSE

BY THE HOUSE SPECIAL COMMITTEE
ON STATE LOANS

2 CS FOR HOUSE BILL NO. 685 (Loans)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Resources Corporation
7 and repealing the Alaska renewable resources develop-
8 ment fund and the Alaska renewable resources invest-
9 ment fund; and providing for an effective date."

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

11 * Section 1. FINDINGS AND PURPOSE. (a) The legislature finds that

12 (1) it is in the best interests of the state to terminate the
13 operations of the Alaska Resources Corporation; and

14 (2) the Alaska Resources Corporation has made substantial loans
15 and equity investments in certain businesses as part of the performance of
16 its duties.

17 (b) It is the purpose of this Act to effect an orderly wind-up of
18 the affairs of the Alaska Resources Corporation.

19 * Sec. 2. AS 37.12.010 is amended to read:

20 Sec. 37.12.010. ALASKA RESOURCES CORPORATION CREATED. There is
21 created the Alaska Resources Corporation to carry out the purposes of
22 this chapter. The corporation is a public corporation of the state
23 and an instrumentality of the state within the Department of Revenue
24 [COMMERCE AND ECONOMIC DEVELOPMENT], but has a legal existence in-
25 dependent of and separate from the state. The exercise by the corpo-
26 ration of the powers conferred by this chapter is considered an essen-
27 tial function of the state.

28 * Sec. 3. AS 37.12.015 is repealed and reenacted to read:

29 Sec. 37.12.015. PURPOSE. The purpose of the corporation is to

1 effect an orderly wind-up of its affairs.

2 * Sec. 4. AS 37.12.022 is amended to read:

3 Sec. 37.12.022. DEVELOPMENT CAPITAL FUND. The development
4 capital fund is established in the corporation, consisting of money
5 [OR ASSETS] appropriated [OR TRANSFERRED] to the corporation [, AND
6 PAYMENTS OF PRINCIPAL AND INTEREST ON LOANS AND EQUITY INVESTMENTS
7 MADE BY THE CORPORATION]. The development capital fund shall be used
8 to pay for liabilities of the corporation that might arise during the
9 wind-up of its affairs [FINANCE PROJECTS THAT QUALIFY FOR ASSISTANCE
10 UNDER THIS CHAPTER, AND TO PAY THE OPERATING EXPENSES OF THE CORPO-
11 RATION. IF MONEY REMAINS IN THE DEVELOPMENT CAPITAL FUND AFTER FI-
12 NANCING PROJECTS THAT QUALIFY FOR ASSISTANCE UNDER THIS CHAPTER AND
13 AFTER PAYING THE OPERATING EXPENSES OF THE CORPORATION, THE MONEY
14 SHALL BE INVESTED BY THE CORPORATION UNDER AS 37.10.070(a)].

15 * Sec. 5. AS 37.12 is amended by adding a new section to read:

16 Sec. 37.12.023. DEPOSIT OF MONEY. Repayments of principal and
17 payments of interest and other income from loans of the corporation,
18 dividends received from capital stock investments, and money received
19 from the sale of equity investments or other assets of the corporation
20 must be deposited in the general fund.

21 * Sec. 6. AS 37.12.030 is amended to read:

22 *Returns to orig*
23 *AB*
24 Sec. 37.12.030. COMPOSITION OF THE BOARD OF DIRECTORS. The
25 board consists of three [FOUR] members with business, lending, or
26 investment experience appointed by the governor, [AND] the commis-
27 sioner of commerce and economic development, and the commissioner of
28 revenue, who shall serve as chairman [OR THE COMMISSIONER'S DESIGNEE.
29 THE BOARD SHALL ANNUALLY ELECT A CHAIRMAN FROM AMONG ITS MEMBERS].

* Sec. 7. AS 37.12.055 is amended to read:

Sec. 37.12.055. COMPENSATION OF BOARD MEMBERS. Members of the

1 board [RECEIVE \$200 FOR EACH DAY SPENT ON OFFICIAL BUSINESS OF THE
2 CORPORATION, AND] are entitled to per diem and travel expenses au-
3 thorized by law for state boards and commissions under AS 39.20.180.

4 * Sec. 8. AS 37.12 is amended by adding a new section to read:

5 Sec. 37.12.071. ADDITIONAL POWERS. Notwithstanding other pro-
6 visions of law governing disposal of state property, the board may, at
7 either public or private sale, dispose of the assets of the corpo-
8 ration as required in AS 37.12.075. In addition, the corporation may
9 spend money to protect the assets of the corporation.

10 * Sec. 9. AS 37.12.075 is repealed and reenacted to read:

11 Sec. 37.12.075. DUTIES. In carrying out the purposes of this
12 chapter the board shall

13 (1) contract with the Department of Revenue to manage the
14 assets of the corporation;

15 (2) divest the corporation of all equity investments by
16 July 1, 1989; and

17 (3) divest the corporation of all other remaining assets,
18 with the exception of the outstanding loan portfolio, by July 1, 1989.

19 * Sec. 10. AS 38.05.180(g) is amended to read:

20 (g) The share of the net profit derived from a lease reserved to
21 the state under (f) of this section is royalty sale proceeds for the
22 purposes of the Alaska permanent fund under AS 37.13.010 [AND THE
23 ALASKA RENEWABLE RESOURCES DEVELOPMENT FUND UNDER AS 37.11.020].

24 * Sec. 11. AS 38.05.180(i) is amended to read:

25 (i) The commissioner may provide for the establishment of an
26 exploration incentive credit system under that [WHICH] a lessee of
27 state land drilling an exploratory well on that land may earn credits
28 based upon the footage drilled and the region in which the well is
29 situated. The commissioner may also provide for credits to be earned

1 by persons performing geophysical work on state land, if that work is
2 performed during the two seasons immediately preceding an announced
3 lease sale and on land included within the sale area and the geo-
4 physical information is made public following the sale. Credits may
5 not exceed 50 percent of the cost of the drilling or geophysical work.
6 Credits may be used during a limited period established by the commis-
7 sioner and may be assigned during that period. Credits may be applied
8 against (1) oil and gas royalty and rental payments payable to the
9 state or (2) taxes payable under AS 43.55. A [NO] credit may not
10 exceed 50 percent of the payment toward which it is being applied.
11 Amounts due the Alaska permanent fund (AS 37.10.065) [AND THE ALASKA
12 RENEWABLE RESOURCES DEVELOPMENT FUND (AS 37.11.020)] shall be cal-
13 culated before the application of credits under this subsection.

14 * Sec. 12. AS 43.05.010 is amended by adding a new paragraph to read:

15 (17) contract to manage the assets of the Alaska Resources
16 Corporation as provided in AS 37.12.075, and administer the outstand-
17 ing loan portfolio upon dissolution of the corporation.

18 * Sec. 13. AS 44.83.181(c) is amended to read:

19 (c) The plan of finance shall include recommendations of the
20 most appropriate means to finance a project, including, but not
21 limited to,

22 (1) the issuance of revenue bonds of the authority;

23 (2) the issuance of

24 (A) general obligation bonds of the state; or

25 (B) revenue bonds of the authority that [WHICH] are
26 guaranteed or partially guaranteed by the state;

27 (3) an appropriation from the general fund

28 (A) to pay debt service on bonds or for other project
29 purposes; or

1 (B) to reduce the amount of debt financing for the
2 project;

3 (4) a loan from the general fund;

4 (5) financing arrangements with other entities using le-
5 veraged leases or other financing methods;

6 (6) assistance from any federal agency, including, but not
7 limited to, the Rural Electrification Administration;

8 (7) a loan from the power project fund (AS 44.83.170(a)) [,
9 OR FROM THE RENEWABLE RESOURCES INVESTMENT FUND (AS 37.11.050)]; or

10 (8) any combination of financing arrangements listed in
11 this subsection.

12 * Sec. 14. All but \$500,000 of the unexpended and unobligated money in
13 the development capital fund is transferred to the general fund.

14 * Sec. 15. AS 37.11.010 - 37.11.090, AS 37.12.035, 37.12.045, 37.12.-
15 060, 37.12.070(5), 37.12.070(6), 37.12.070(11), 37.12.080, 37.12.085,
16 37.12.125(1), 37.12.125(4), 37.12.125(5), 37.12.125(6), 37.12.125(7),
17 AS 44.66.010(a)(7), and AS 44.83.080(16)(E) are repealed.

18 * Sec. 16. The Alaska Resources Corporation is dissolved. As of the
19 date of dissolution, administration of the outstanding loan portfolio along
20 with all attendant rights and obligations of the corporation is transferred
21 to the Department of Revenue.

22 * Sec. 17. AS 37.12.010 - 37.12.125 are repealed.

23 * Sec. 18. Sections 1 - 15 of this Act take effect immediately in
24 accordance with AS 01.10.070(c).

25 * Sec. 19. Sections 16 and 17 of this Act take effect July 1, 1989.
26
27
28
29

HB 588

The fiscal notes appear in House Journal Supplement No. 108.

HB 619

The State Affairs Committee has had HOUSE BILL NO. 619 (Office of Litigation Counsel in each house of the legislature; effective date) under consideration and reports it back as follows: Abood (Chairman), Ward and Cowdery recommend do pass; Lacher, Larson and Shultz have no recommendation; M. M. Miller recommends do pass if amended. A fiscal note was attached.

HB 619 was referred to the Judiciary Committee.

The fiscal note appears in House Journal Supplement No. 108.

HB 627

The Resources Committee has had HOUSE BILL NO. 627 (relating to a forest products business loan guarantee program; effective date) under consideration, recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 627 (Resources) (same title) and reports it back as follows: Ringstad (Co-Chairman) and Uehling recommend do pass; Shultz, Larson, Vaska, Goll, Bussell and Cowdery have no recommendation; Liska signed "No rec. this bill requires more work."

HB 653

The Judiciary Committee has had HOUSE BILL NO. 653 (relating to court facilities; effective date) under consideration and reports it back as follows: Bussell (Chairman), Liska, Barnes and Hayes recommend do pass; Clocksin recommends do not pass without proper fiscal note; Malone recommends do pass with proper fiscal note. A zero fiscal note was attached.

HB 653 was referred to the Finance Committee.

HB 680

The Resources Committee has had HOUSE BILL NO. 680 (recovery and production of oil and natural gas; effective date) under consideration, recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 680 (Labor & Commerce) (same

HB 680

title) (page 2871 of the journal) and reports it back as follows: Ringstad (Co-Chairman), Shultz, Larson, Goll, Bussell and Liska recommend do pass.

HB 680 was referred to the Finance Committee.

The Resources Committee has had HOUSE BILL NO. 685 (Alaska Resources Corporation and repealing the Alaska renewable resources development fund and the Alaska renewable resources investment fund; effective date) under consideration and reports it back as follows: Ringstad (Co-Chairman), Larson, Goll and Uehling recommend do pass; Shultz and Liska have no recommendation; Bussell signed "need changes in board sec."

HB 685 was referred to the House Special Committee on State Loans.

INTRODUCTION, FIRST READING AND REFERENCEOF HOUSE BILLSSSHB 657

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 657 by McBride, entitled:

"An Act relating to video machine lotteries conducted by municipalities."

was read the first time and referred to the State Affairs and Finance Committees.

HB 701

HOUSE BILL NO. 701 by the Resources Committee, entitled:

"An Act renaming Klutina Road as Brenwick/Craig Road."

was read the first time and referred to the Transportation Committee.

The Bill would retain the Corp structure,
for a period of 5 years, within the Dept of
Revenue. This would give ~~them~~ ^{the new Board & the Dept of Rev.} the authorization
& function as Board members, ~~etc.~~ ^{, sell assets, pay liability, and manage the} ~~asset~~ ^{bars, etc.}
~~would not otherwise be permitted.~~

The Board of Directors would change from
its present 4 members with business,
lending or investment experience & 3
Commissioners of Executive Departments with
the Commissioner of Revenue designated as the
Chairman. Two members (ie: 2 Commissioners)
would constitute a quorum.

Div. capital fund
fixed rate.

Questions which ~~should~~^{may} be addressed
by the Committee include the following:

What would be the ^{dollar} amount of ^{the} assets
which would remain with the shell corp
~~at the time of~~ on the effective date.?

~~How many companies presently~~
Which companies would be needing active
management ~~from~~ by the ARC Board?

Is it in the best interest of the State
to have ~~2~~ 2 Dept. Commissioners managing
these assets? ~~and~~

HB 685.

The bill retains the corporate structure of A.R.C. for 5 years -

The development capital fund, consisting of money appropriated (in the past.) will be used to pay for liabilities which may arise during the wind-up of its affairs.

a 2.5%
yearly
oil & gas
royalty

Repayments of principal & interest payments, dividends received & money from sale of assets must be deposited in the general fund.

The Sec. 13 ^{37.11} repealed statutes are the old A.K. Renewable Resources Dev. Fund. authorizations -

And Sec. on Board terms, qualification Exec Dir; staff some of the powers Financial assistance - eligibility and some definitions

last repealed AS44. 66.010 (7) is for the Termination date for the Board.

HB 685

Commerce (phoned) → Norm Stator (Spec. Asst. & Comm) both suggested.
Revenue X Jerry Elden 2502
(yes)

ARC shell will maintain the assets.

Revenue doesn't have the ability to function as Board members etc. without the authority of the ARC Corp.

Fiscal note is intended to reflect the staff needed for D. of Revenue. There will be a

The Board would change from 4 members with business, lending or investment experience & the Comm of Commerce & E.D.

To 3 Commissioners - (chaired by Comm of Revenue).
2 members would constitute a quorum.

COMMITTEE REPORT

HOUSE

(6)

FURTHER: FINANCE

3/15/84

Date:

3/28/84

The Committee on HOUSE SPECIAL COMMITTEE ON STATE LOANS has had HR 685

"An Act relating to the Alaska Resources Corporation and repealing the Alaska renewable resources development fund and the Alaska renewable resources investment fund; and providing for an effective date."

under consideration and recommends:

do pass [] do not pass

[] do pass with attached amendments(s)

replace with CS for HB 685 (LOANS) [] same title
and recommends [] new title

[] AND attaches a "Letter of Intent" [] New Fiscal Note
[] reports it back without recommendation [] Zero Fiscal Note Attached

[] referred to the _____ Committee

MEMBERS SIGNING
DO PASS

Phil Veblen

Liam Pestinger

MEMBERS HAVING
OTHER RECOMMENDATIONS:

Tommy Manly
Walt Funnace NO rec
Steve Johnson NO rec

Phil Veblen
CHAIRMAN

Asper
3/28/84

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE HOUSE SPECIAL
COMMITTEE ON STATE LOANS

2 CS FOR HOUSE BILL NO. 685 (Loans)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Resources Corporation
7 and repealing the Alaska renewable resources develop-
8 ment fund and the Alaska renewable resources invest-
9 ment fund; and providing for an effective date."

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

11 * Section 1. FINDINGS AND PURPOSE. (a) The legislature finds that

12 (1) it is in the best interests of the state to terminate the
13 operations of the Alaska Resources Corporation; and

14 (2) the Alaska Resources Corporation has made substantial loans
15 and equity investments in certain businesses as part of the performance of
16 its duties.

17 (b) It is the purpose of this Act to effect an orderly wind-up of
18 the affairs of the Alaska Resources Corporation.

19 * Sec. 2. AS 37.12.010 is amended to read:

20 Sec. 37.12.010. ALASKA RESOURCES CORPORATION CREATED. There is
21 created the Alaska Resources Corporation to carry out the purposes of
22 this chapter. The corporation is a public corporation of the state
23 and an instrumentality of the state within the Department of Revenue
24 [COMMERCE AND ECONOMIC DEVELOPMENT], but has a legal existence in-
25 dependent of and separate from the state. The exercise by the corpo-
26 ration of the powers conferred by this chapter is considered an essen-
27 tial function of the state.

28 * Sec. 3. AS 37.12.015 is repealed and reenacted to read:

29 Sec. 37.12.015. PURPOSE. The purpose of the corporation is to

1 effect an orderly wind-up of its affairs.

2 * Sec. 4. AS 37.12.022 is amended to read:

3 Sec. 37.12.022. DEVELOPMENT CAPITAL FUND. The development
4 capital fund is established in the corporation, consisting of money
5 [OR ASSETS] appropriated [OR TRANSFERRED] to the corporation [AND
6 PAYMENTS OF PRINCIPAL AND INTEREST ON LOANS AND EQUITY INVESTMENTS
7 MADE BY THE CORPORATION]. The development capital fund shall be used
8 to pay for liabilities of the corporation that might arise during the
9 wind-up of its affairs [FINANCE PROJECTS THAT QUALIFY FOR ASSISTANCE
10 UNDER THIS CHAPTER, AND TO PAY THE OPERATING EXPENSES OF THE CORPO-
11 RATION. IF MONEY REMAINS IN THE DEVELOPMENT CAPITAL FUND AFTER FI-
12 NANCING PROJECTS THAT QUALIFY FOR ASSISTANCE UNDER THIS CHAPTER AND
13 AFTER PAYING THE OPERATING EXPENSES OF THE CORPORATION, THE MONEY
14 SHALL BE INVESTED BY THE CORPORATION UNDER AS 37.10.070(a)].

15 * Sec. 5. AS 37.12 is amended by adding a new section to read:

16 Sec. 37.12.023. DEPOSIT OF MONEY. Repayments of principal and
17 payments of interest and other income from loans of the corporation,
18 dividends received from capital stock investments, and money received
19 from the sale of equity investments or other assets of the corporation
20 must be deposited in the general fund.

21 * Sec. 6. AS 37.12.030 is repealed and reenacted to read:

22 Sec. 37.12.030. COMPOSITION AND TERM OF BOARD OF DIRECTORS. The
23 board consists of the commissioner of revenue, who shall serve as
24 chairman, and the commissioners of two other principal executive de-
25 partments designated by the governor. The term of office of these
26 board members continues until the corporation is dissolved.

27 * Sec. 7. AS 37.12.050(a) is amended to read:

28 (a) Two [THREE] members of the board constitute a quorum for the
29 transaction of business and the exercise of the powers and duties of

1 the board.

2 * Sec. 8. AS 37.12.055 is amended to read:

3 Sec. 37.12.055. COMPENSATION OF BOARD MEMBERS. Members of the
4 board [RECEIVE \$200 FOR EACH DAY SPENT ON OFFICIAL BUSINESS OF THE
5 CORPORATION, AND] are entitled to per diem and travel expenses au-
6 thorized by law for state boards and commissions under AS 39.20.180.

7 * Sec. 9. AS 37.12 is amended by adding a new section to read:

8 Sec. 37.12.071. ADDITIONAL POWERS. Notwithstanding other pro-
9 visions of law governing disposal of state property, the board may, at
10 either public or private sale, dispose of the assets of the corpo-
11 ration as required in AS 37.12.075. In addition, the corporation may
12 spend money to protect the assets of the corporation.

13 * Sec. 10. AS 37.12.075 is repealed and reenacted to read:

14 Sec. 37.12.075. DUTIES. In carrying out the purposes of this
15 chapter the board shall

16 (1) contract with the Department of Revenue to manage the
17 assets of the corporation;

18 (2) divest the corporation of all equity investments by
19 July 1, 1989; and

20 (3) divest the corporation of all other remaining assets,
21 with the exception of the outstanding loan portfolio, by July 1, 1989.

22 * Sec. 11. AS 38.05.180(g) is amended to read:

23 (g) The share of the net profit derived from a lease reserved to
24 the state under (f) of this section is royalty sale proceeds for the
25 purposes of the Alaska permanent fund under AS 37.13.010 [AND THE
26 ALASKA RENEWABLE RESOURCES DEVELOPMENT FUND UNDER AS 37.11.020].

27 * Sec. 12. AS 38.05.180(i) is amended to read:

28 (i) The commissioner may provide for the establishment of an
29 exploration incentive credit system under that [WHICH] a lessee of

1 state land drilling an exploratory well on that land may earn credits
2 based upon the footage drilled and the region in which the well is
3 situated. The commissioner may also provide for credits to be earned
4 by persons performing geophysical work on state land, if that work is
5 performed during the two seasons immediately preceding an announced
6 lease sale and on land included within the sale area and the geo-
7 physical information is made public following the sale. Credits may
8 not exceed 50 percent of the cost of the drilling or geophysical work.
9 Credits may be used during a limited period established by the commis-
10 sioner and may be assigned during that period. Credits may be applied
11 against (1) oil and gas royalty and rental payments payable to the
12 state or (2) taxes payable under AS 43.55. A [NO] credit may not
13 exceed 50 percent of the payment toward which it is being applied.
14 Amounts due the Alaska permanent fund (AS 37.10.065) (AND THE ALASKA
15 RENEWABLE RESOURCES DEVELOPMENT FUND (AS 37.11.020)) shall be cal-
16 culated before the application of credits under this subsection.

17 * Sec. 13. AS 43.05.010 is amended by adding a new paragraph to read:

18 *OK* (17) contract to manage the assets of the Alaska Resources
19 Corporation as provided in AS 37.12.075, and administer the outstand-
20 ing loan portfolio upon dissolution of the corporation.

21 * Sec. 14. AS 44.83.181(c) is amended to read:

22 (c) The plan of finance shall include recommendations of the
23 most appropriate means to finance a project, including, but not
24 limited to,

25 (1) the issuance of revenue bonds of the authority;

26 (2) the issuance of

27 (A) general obligation bonds of the state; or

28 (B) revenue bonds of the authority that [WHICH] are

29 guaranteed or partially guaranteed by the state;

- 1 (3) an appropriation from the general fund
2 (A) to pay debt service on bonds or for other project
3 purposes; or
4 (B) to reduce the amount of debt financing for the
5 project;
6 (4) a loan from the general fund;
7 (5) financing arrangements with other entities using le-
8 veraged leases or other financing methods;
9 (6) assistance from any federal agency, including, but not
10 limited to, the Rural Electrification Administration;
11 (7) a loan from the power project fund (AS 44.83.170(a)) [,
12 OR FROM THE RENEWABLE RESOURCES INVESTMENT FUND (AS 37.11.050)]; or
13 (8) any combination of financing arrangements listed in
14 this subsection.

15 * Sec. 15. All but \$500,000 of the unexpended and unobligated money in
16 the development capital fund is transferred to the general fund.

17 * Sec. 16. AS 37.11; AS 37.12.035, 37.12.045, 37.12.060, 37.12.070(5),
18 37.12.070(6), 37.12.070(11), 37.12.080, 37.12.085, 37.12.125(1), 37.12.-
19 125(4), 37.12.125(5), 37.12.125(6), 37.12.125(7); AS 44.66.010(a)(7), and
20 AS 44.83.080(16)(E) are repealed.

21 * Sec. 17. The Alaska Resources Corporation is dissolved. As of the
22 date of dissolution, administration of the outstanding loan portfolio along
23 with all attendant rights and obligations of the corporation is transferred
24 to the Department of Revenue.

25 * Sec. 18. AS 37.12.010 - 37.12.125 are repealed.

26 * Sec. 19. Sections 1 - 16 of this Act take effect immediately in
27 accordance with AS 01.10.070(c).

28 * Sec. 20. Sections 17 and 18 of this Act take effect July 1, 1989.
29

A M E N D M E N T

Offered in the HOUSE

TO: CSHB 685 (Loans)

Page 2, lines 21 - 26, delete all material and insert the following:

"* Sec. 6. AS 37.12.030 is amended to read:

Sec. 37.12.030. COMPOSITION OF THE BOARD OF DIRECTORS. The board consists of one member [FOUR MEMBERS] with business, lending, or investment experience appointed by the governor, a [AND THE] commissioner of a principal executive department designated by the governor, and the commissioner of revenue, who shall serve as chairman [COMMERCE AND ECONOMIC DEVELOPMENT OR THE COMMISSIONER'S DESIGNEE. THE BOARD SHALL ANNUALLY ELECT A CHAIRMAN FROM AMONG ITS MEMBERS]."

A M E N D M E N T

Offered in the HOUSE

TO: CSHB 685 (Loans)

Page 2, lines 21 - 26, delete all material and insert the following:

"* Sec. 6. AS 37.12.030 is amended to read:

Sec. 37.12.030. COMPOSITION OF THE BOARD OF DIRECTORS. The board consists of one member [FOUR MEMBERS] with business, lending, or investment experience appointed by the governor, a [AND THE] commissioner of a principal executive department designated by the governor, and the commissioner of revenue, who shall serve as chairman [COMMERCE AND ECONOMIC DEVELOPMENT OR THE COMMISSIONER'S DESIGNEE. THE BOARD SHALL ANNUALLY ELECT A CHAIRMAN FROM AMONG ITS MEMBERS]."

MAR 7 1984

STATE OF ALASKA
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 7, 1984

SUBJECT: Sectional Analysis of HB 689
(Rural Electrification Loan Fund)

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

FROM: *LH* Linn H. Asper
Legislative Counsel

You have asked for a sectional analysis of HB 689, relating to the rural electrification loan fund.

Section 1 states the legislative findings and intent for the amendments to the rural electrification loan fund. The emphasis in the legislation is on financing rural electrification in areas where rapid economic development can be expected when the electrical transmission lines are extended.

Section 2 deletes the minimum investment requirement for a public utility that seeks a loan to extend electric service to a rural area of the state.

Section 3 changes the repayment requirements for a rural electrification loan, based on the number of new consumers served each year by the utility and the "unit cost" of the transmission line.

Section 4 changes the timing for the annual report that must be submitted to the legislature by the Alaska Power Authority on the rural electrification loan fund.

Section 5 adds a definition of "unit cost of the line" to mean the cost of 350 feet of a transmission line, or 350 feet of an equivalent overhead transmission line if the actual transmission line is buried or under water.

Representative Rick Uehling
Page 2
March 7, 1984

Section 6 bases the maximum loan amount on the cost of an overhead transmission line, even if the actual line is buried or under water.

Section 7 makes technical changes in the statutory section dealing with the loan advisory committee.

LHA:ojb
J4/051



**ALASKA RURAL ELECTRIC COOPERATIVE
ASSOCIATION, INC.**

237 E. FIREWEED LANE • SUITE 301
ANCHORAGE, ALASKA 99503 • (907) 276-3235

March 16, 1984

Representative John Cowdery, Chairman
House Labor and Commerce Committee
Pouch V
Juneau, Alaska 99811

Dear Representative Cowdery:

House Bill 689 is essential to clean up the statutory language authorizing the rural electrification revolving loan fund so that program can finally be made to work as intended.

This loan fund was created as a section of SB 25 in 1981 by including in that historic legislation the contents of a bill sponsored by then Representative Pappy Moss. As a result, there is almost no separate legislative history which would have given the power authority some guidance in administering the program. For anyone not intimately involved with line extensions of an electric utility, the present statutory language is quite confusing. The result of all this is that the rural electrification revolving loan fund has never worked as intended.

The purpose of this loan fund is to extend the backbone electric distribution system through developing rural areas. The target areas at present do not have enough population to meet the definitions of feasibility set out by the lending institutions such as the Rural Electrification Administration. However, the target areas are expected to develop rather quickly once utility service becomes available.

This is a narrow purpose program, and I would not envision that it would ever become very large in terms of the total funding it requires. The concept for this program was originally developed to meet specific problems around Fairbanks like the Goldstream area and in the Mat-Su Borough like the Caswell Lakes area. After three years, not one dime has gone to meet the very serious needs of those areas and others like them across the state.

Enclosed is a sectional analysis which briefly describes the contents of HB 689. The key feature of this program necessary to make it work is that the payback period has to be for an indeterminate period rather than for a set term of years. This is

Representative John Cowdery
March 16, 1984
Page Two

an unusual feature of a loan program, but it is essential in this case. If the term of years is fixed, the utility is the one at risk that the anticipated development will in fact occur. REA will not permit its borrowers to accept loans for projects which do not meet the REA definition of feasibility. If these projects could meet the REA feasibility test, we would borrow from REA and would not need this program.

The concept of making the term of the loan indeterminate and having the payback schedule tied to the actual rate of development was contained in the original legislation. The power authority has never accepted that legislative policy, and they have in fact arbitrarily set a 20 year term by regulation. That is why this program has never worked.

We think HB 689 is a very good bill, and we ask you and your committee to support it. However, there is one amendment which is needed to prevent possible confusion in the future. As used in this program, the term "rural" simply means an area where the population density is low. I would propose that a new definition be included in section 5 of the bill to read:

"rural area" means an area in which the number of consumers to be served by an electric distribution line in the year in which it is constructed does not exceed five per mile of line.

Sincerely,



David Hutchens
Executive Director

House Bill No. 689

Sectional Analysis

Section 1 states the legislative intent that this program is to help finance pioneer electric distribution lines through developing rural areas.

Section 2 provides that loans may be made to public utilities to build distribution lines into rural areas not receiving electric service if (1) the loan is recommended by a loan advisory committee, (2) the line extension will serve at least three consumers in its first year and (3) the utility has a certificate from the APUC to serve that area.

Section 3 provides that the utility shall collect 2% interest on this loan from its consumers served by the line extension and shall pay that interest to the APA annually with its principal payment. The principal repayment formula is geared to the number of new consumers being served by this line extension rather than to a specific term of years. The cost of the line is divided into units consisting of its average cost per 350 feet (the approximate distance of a span of line). The utility repays one unit of the principal for each new consumer served by the line.

Section 4 vests the administrative authority with the APA and requires an annual report to the legislature.

Section 5 defines the terms used in this legislation.

Section 6 limits the amount of a loan to the amount necessary to build an overhead line, but a more expensive method of construction may be used if the additional cost is financed from some other source. The utility is required to invest from other sources one unit of cost (the average cost for 350 feet of line) for each consumer to be served in the first year.

Section 7 authorizes the executive director of the APA to appoint a loan advisory committee from residents of the assigned service area of the applicant utility. The committee has the responsibility to advise whether or not development of the area in question is likely to occur rapidly enough to provide full repayment of the loan within 20 years.

Introduced: 2/9/84
Referred: Resources and
Finance

BY MOSS, BENNETT
AND FERGUSON

1 IN THE SENATE

2 SENATE BILL NO. 443

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the rural electrification loan
7 fund."

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

9 * Section 1. LEGISLATIVE FINDINGS AND INTENT. The legislature finds
10 that

11 (1) it is in the public interest for the state to promote the
12 orderly and rational development of rural areas where economic development
13 is probable by assisting in the financing of electric distribution facili-
14 ties in those areas;

15 (2) the purpose of the rural electrification revolving loan fund
16 is to provide financial assistance to construct pioneer electric distribu-
17 tion lines in developing rural areas; this program is modeled in part on
18 utility line extension policies approved by the Alaska Public Utilities
19 Commission that provide for nonutility financing of the costs of construc-
20 tion of distribution lines that are in excess of the per customer invest-
21 ment that would normally be made by a utility;

22 (3) the rural electrification revolving loan fund is intended to
23 extend electric service to rural areas in which rapid development can be
24 expected after utility services are made available; it is expected that
25 loans made under this program will be repaid in full, but the state will
26 undertake the risk of loss if the expected development does not occur;

27 (4) the intent of the legislature is that the rural electrifi-
28 cation revolving loan fund not be used to finance utility facilities for
29 private subdivision developers.

1 * Sec. 2. AS 44.83.361(b) is repealed and reenacted to read:

2 (b) The authority may make a loan from the rural electrification
3 revolving loan fund to a public utility for construction of an elec-
4 tric distribution line in a rural area of the state that is not re-
5 ceiving central station electric service. A loan may be made from the
6 fund if

7 (1) the loan is recommended by the loan advisory committee
8 appointed under AS 44.83.363;

9 (2) the proposed electric distribution line will provide
10 service to at least three consumers in the calendar year in which
11 construction is completed; and

12 (3) the applicant has a certificate of convenience and
13 necessity issued by the Alaska Public Utilities Commission to serve
14 the area in which it proposes to construct the electric distribution
15 line.

16 * Sec. 3. AS 44.83.361(d) is repealed and reenacted to read:

17 (d) When a loan is made by the authority under this section, the
18 utility receiving the loan shall

19 (1) charge the consumers served by an electric distribution
20 line constructed with a loan made under this section an amount suffi-
21 cient to pay the annual interest cost of the loan, in addition to the
22 rates the consumers pay for electric service; and

23 (2) pay to the authority annually

24 (A) interest of two percent on the unpaid balance of
25 the loan; and

26 (B) an amount towards the unpaid balance of the prin-
27 cipal of the loan equal to the unit cost of the line multiplied
28 by the number of new consumers to whom service has been extended
29 by the distribution line in that year and who have not previously

1 been counted for determining either the maximum amount of the
2 loan or the amount of principal payments.

3 * Sec. 4. AS 44.83.361(e) is amended to read:

4 (e) The authority shall

5 (1) adopt regulations necessary to carry out the provisions
6 of this section;

7 (2) administer the rural electrification revolving loan
8 fund; and

9 (3) submit to the legislature within the first 30 [10] days
10 of each regular legislative session a report of actions taken by the
11 authority under this section and an accounting of the rural electri-
12 fication revolving loan fund.

13 * Sec. 5. AS 44.83.361(f) is amended to read:

14 (f) In this section,

15 (1) "consumer" means a person, as defined in AS 01.10.-
16 060(7), or a governmental agency, if the person or governmental agency
17 requests and offers to pay for electrical service to a facility or
18 part of a facility; the authority shall consider a person who, or a
19 governmental agency that, offers to pay for electrical service to
20 several facilities to be a separate consumer for each facility, if
21 each facility is physically separate from another facility, other than
22 through electric service lines, and if the person or governmental
23 agency requests and offers to pay for electrical service to each
24 facility;

25 (2) "facility" means a structure capable of receiving and
26 using electrical energy; [AND]

27 (3) "governmental agency" includes, with respect to the
28 state or federal government or a municipal government, a legislative
29 body, board of regents, administrative body, board, commission,

1 committee, subcommittee, authority, council, agency, public corpo-
2 ration, school board, department, division, bureau, or other subordi-
3 nate unit, whether advisory or otherwise, of the state, federal, or
4 municipal government; and

5 (4) "unit cost of the line" means the actual cost of con-
6 struction of an overhead electric distribution line or the cost of an
7 equivalent overhead line if the line is buried or under water, multi-
8 plied by 350 and divided by the length of the line in feet.

9 * Sec. 6. AS 44.83.361 is amended by adding a new subsection to read:

10 (g) The maximum loan amount under this section is the actual
11 cost of construction of an overhead electric distribution line, or the
12 cost of an equivalent overhead line if the line is buried or under
13 water, less the unit cost of the line multiplied by the number of
14 consumers served by the distribution line during the calendar year in
15 which construction of the line is completed.

16 * Sec. 7. AS 44.83.363 is amended to read:

17 Sec. 44.83.363. LOAN ADVISORY COMMITTEE. When an application
18 for a rural electrification loan is submitted to the authority under
19 AS 44.83.361, the executive director of the authority shall appoint a
20 local loan advisory committee from persons residing in the area for
21 which [THAT] the applicant has a certificate of convenience and neces-
22 sity [UTILITY IS CERTIFIED] to serve. The loan advisory committee
23 shall consider the loan application, and shall recommend whether the
24 loan application is to be approved or disapproved. A favorable recom-
25 mendation from the loan advisory committee shall be based on a deter-
26 mination that development in the area of the proposed extension of
27 electric service is likely to provide the [FOR] full repayment of the
28 loan under AS 44.83.361(d) within 20 [10] years. In making that
29 determination the committee shall consider

- 1 (1) permanence and use of the premises to be served by the
2 proposed electric distribution line [EXTENSION];
- 3 (2) land availability and land use patterns in the area;
- 4 (3) availability of right-of-way [ACCESS] for the line that
5 would be installed with loan proceeds; and
- 6 (4) availability of other utility service in the area [;
- 7 AND
- 8 (5) THE ECONOMIC FEASIBILITY OF THE EXTENSION OF ELECTRIC
9 SERVICE WITH THE PROCEEDS OF THE LOAN].

DRAFT ✓

To: Rep. John Cowdery, Chairman
House Labor & Commerce Committee *John RAE*

From: Rep. Rick Uehling, Chairman
House Special Committee on State Loans

Subject: HB 689

Date: March 5, 1984

HB 689, An Act relating to the rural electrification loan fund, is presently in your Committee.

During our Loans Committee hearings on HB 650, which contains an appropriation for the Alaska Power Authority - Rural Electrification Loan Fund, testimony was received about the Loan fund and the need to clarify the existing statutes.

As Chairman of the House Loans Committee I would like to request that you schedule action on this measure because it will eliminate those discrepancies and make it possible to use the funds in the Rural Electrification Loan Fund. It is important that this be done before additional appropriations are made for projects such as the Craig-Klawock Intertie.

Thank you very much for your attention to this matter.

RAU/as

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: CSHB 689 (I&C)
 Title: Rural Electrification Loan
 Fund: _____
 Sponsor: _____
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Alaska Power Authority
 Program Category Affected: _____
Development
 BRU, Program or Subprogram(s) Affected: _____
Alaska Power Authority

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						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

No expected fiscal impact from this bill.

ANALYSIS: Attach a separate page for analysis

Prepared By: Heinz Noonan Phone: (907) 276-0001
 Division: Alaska Power Authority Date: _____
 Approved by Commissioner: Richard A. Lyon Date: 3/27/84
 Agency: Commerce & Economic Development

Distribution (by Agency preparing fiscal note):

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

12/1/83

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§ 44.83.325

STATE GOVERNMENT

§ 44.83.361

(6) "person" includes a public agency in addition to the entities set out in AS 01.10.060(7);

(7) "reconnaissance study" means a study conducted for the purpose of assessing the present and future electrical and thermal energy needs of an area under AS 44.83.177;

(8) "feasibility study"

(A) means a study conducted for the purpose of establishing the economic and environmental practicality of completing a proposed power project under AS 44.83.181;

(B) includes engineering and design work to meet the requirements for submission of a license application for a proposed new project to the Federal Energy Regulatory Commission;

(9) "small-scale power production facility" means a facility which, by design, is to produce less than 25 megawatts of power. (§ 1 ch 278 SLA 1976; am §§ 21, 22 ch 156 SLA 1978; am §§ 26, 27 ch 83 SLA 1980; am §§ 10, 11 ch 133 SLA 1982)

Effect of amendments. — The 1982 amendment substituted the present definition for "power project" or "project" in paragraph (4) for the definition set out in the main pamphlet and substituted "electrical and thermal energy needs" for "power needs" in paragraph (7).

Article 7. Susitna River Hydroelectric Project.

Sec. 44.83.325. Restrictions on contracting.

Editor's note. — Section 21, ch. 133, SLA 1982, provides: "Notwithstanding the provisions of AS 44.83.325, the Alaska Power Authority may enter into contracts under AS 44.83.300 — 44.83.360 for preliminary work without the approval required by AS 44.83.325. In this section, 'preliminary work' means the preparation of plans and studies and the preparation and submission of license applications, as well as other types of work, that must be completed before actual construction of the Susitna River hydroelectric project, described in AS 44.83.300, may begin. This section does not authorize the Alaska Power authority to enter into contracts for the actual construction of the Susitna River hydroelectric project or for the preparation of the site of the Susitna River hydroelectric project without the approval required by AS 44.83.325."

Article 8. Rural Electrification Revolving Loan Fund.

Section

361. Rural electrification revolving loan fund

363. Loan advisory committee

Sec. 44.83.361. Rural electrification revolving loan fund. (a)

The rural electrification revolving loan fund is established in the Alaska Power Authority. The fund consists of

- (1) appropriations made to the fund; and
- (2) principal payments on loans made under this section.

(b) The authority may make loans from the rural electrification revolving loan fund to electric utilities certified by the Alaska Public Utilities Commission. A loan from the fund may be made only for the purpose of extending new electric service into an area of the state that an electric utility may serve under a certificate of public convenience and necessity issued by the Alaska Public Utilities Commission. A loan may be made from the fund to an electric utility if the utility invests the money necessary to provide one pole, one span of line, one transformer, and one service drop for each consumer for whom immediate service would be provided by the extension of electric service. However, a loan may not be made from the fund unless

(1) the loan is recommended by a loan advisory committee appointed under AS 44.83.363; and

(2) the extension of electric service would provide immediate service to at least three consumers.

(c) A loan from the rural electrification revolving loan fund shall bear an annual rate of interest of two percent of the unpaid balance of the loan. Interest received on a loan made under this section must be transferred monthly to the commissioner of revenue for deposit in the general fund.

(d) When a loan is made by the authority under this section, the electric utility receiving the loan

(1) shall, in addition to the rates that it is authorized to charge, charge the consumers served by the electric service extended with the loan proceeds an amount sufficient to pay the interest costs of the loan;

(2) shall pay to the authority annually an amount equal to

(A) interest of two percent on the unpaid balance of the loan; and

(B) payments on the unpaid balance of the principal of the loan for each new consumer served by the electric service extended with the loan proceeds; payments on the unpaid balance of the principal of the loan shall be made at a rate equal to the difference between the actual cost of making the service connection to the consumers and the minimum investment per consumer required of the utility before a loan is made under (b) of this section.

(e) The authority shall

(1) adopt regulations necessary to carry out the provisions of this section;

(2) administer the rural electrification revolving loan fund; and

(3) submit to the legislature within the first 10 days of each regular legislative session a report of actions taken by the authority under this section and an accounting of the rural electrification revolving loan fund.

(f) In this section,

(1) "consumer" means a person, as defined in AS 01.10.060(7), or a governmental agency, if the person or governmental agency requests and offers to pay for electrical service to a facility or part of a facility;

the authority shall consider a person who, or a governmental agency that, offers to pay for electrical service to several facilities to be a separate consumer for each facility, if each facility is physically separate from another facility, other than through electric service lines, and if the person or governmental agency requests and offers to pay for electrical service to each facility;

(2) "facility" means a structure capable of receiving and using electrical energy; and

(3) "governmental agency" includes, with respect to the state or federal government or a municipal government, a legislative body, board of regents, administrative body, board, commission, committee, subcommittee, authority, council, agency, public corporation, school board, department, division, bureau, or other subordinate unit, whether advisory or otherwise, of the state, federal, or municipal government. (§ 1 ch 118 SLA 1981; am §§ 10 — 13 ch 89 SLA 1983)

Effect of amendments. — The 1983 amendment, effective July 22, 1983, deleted "and interest" following "principal" in paragraph (a)(2), added the second sentence of subsection (c), substituted "extended with the loan proceeds" for "during the preceding year for which the loan was made" in paragraph (d)(2)(B), and added subsection (f).

Sec. 44.83.363. Loan advisory committee. When an application for a rural electrification loan is submitted to the authority under AS 44.83.361, the authority shall appoint a local advisory committee from persons residing in the area that the applicant utility is certified to serve. The loan advisory committee shall consider the loan application, and shall recommend whether the loan application is to be approved or disapproved. A favorable recommendation from the loan advisory committee shall be based on a determination that development in the area of the proposed extension of electric service is likely to provide for full repayment of the loan under AS 44.83.361(d) within 10 years. In making that determination the committee shall consider

- (1) permanence of the premises to be served by the extension;
- (2) land use patterns in the area;
- (3) access for the line that would be installed with loan proceeds;
- (4) availability of other utility service in the area; and
- (5) the economic feasibility of the extension of electric service with the proceeds of the loan. (§ 1 ch 118 SLA 1981)

Article 9. Energy Program for Alaska.

Section	Section
380. Program established	390. Reappropriation of fund balance
382. Power development fund established	392. Lapse of excess appropriations
384. Use of fund balance	394. [Repealed]
386. Investment of fund	396. Operation of power project
388. Allotment to projects	398. Sale of power from power project

JB 362.

Sara Hannan
from Senator
Kertullas Office
is here - to answer
questions if necessary.

Furnace - x
Wendte ✓
Ward x
Udberg ✓

CS 574 (LOANS.)
no changes Adopted. &
moved.

HB 689 (L + C.)

George Matts - Testimony on
Position paper -

HB 689 (L + C.)

Wendte would concur with witness
on terms of a loan -
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Hold it over -

Work w George & Dave Hutchen.

CSHB 689 An Act relating to the Rural Electrification Loan Fund.

The Rural Electrification Revolving Loan Fund (RERLF) was created in 1981 in order to provide State financing for the extension of electrical distribution lines to new service areas in Alaska. Although the emphasis is on rural service areas, the statutes do not prohibit the RERLF from being used to finance distribution lines to urban or suburban service areas. However, the RERLF cannot be used for upgrading existing distribution or transmission systems. To date, \$7,500,000 has been appropriated to the RERLF, of which \$3,844,688 has been approved as loans to five utilities. In one case (Yakutat) the loan is for an underground distribution system. All municipally owned, investor-owned or cooperative utilities that are certified by the Alaska Public Utilities Commission are eligible for RERLF loans. The RERLF is managed by the Alaska Power Authority (APA).

Since its inception, there has been disagreement regarding the operation of the RERLF. The disagreement centers around the method to be used for repayment of the principal.

The current repayment method, which is established by regulation, tends to be confusing, but in theory attempts to emulate the method that is often used by utilities to finance the construction of new distribution lines. Generally speaking, the principal repayment for the first 10 years of the loan is contingent on the number of new customers added to the distribution line. If less than 50% of the principal is unpaid after the first 10 years then a conventional amortization schedule is used for the remaining principal during the rest of the 20 year term. For the first 10 years of the loan, the State (via the APA) assumes the risk as to whether or not there will be sufficient growth in the number of new customers added to the distribution line to repay the principal. Normally, the new customer to be served by the distribution line extension provides the utility with a grant-in-aid-of-construction if the

costs exceed a specified amount and assumes the risk that some of this grant will be returned to them by other new customers connected to the distribution line. In either case, the cost of the new distribution line, above a specified amount, does not appear in the rate base for customers who are not being served by the distribution line.

Some utilities believe that the State should not limit its assumption of the risk of principal repayment to 10 years, but should assume the entire risk of repayment. This would be the case if the term for RERLF loans was unspecified. In other words, principal repayment would be based entirely on the growth rate of new customers. If there are no new customers after the distribution line is completed, there would be no repayment of the principal. The financial ability of the original new customers to make principal repayments is not factored into the loan terms. In essence, the loan principal becomes a grant. The main thrust of SB 443 and HB 689 is to provide, by statute, a formula in which principal repayment is contingent on the number of new customers that are added to the distribution line after its completion.

The Department of Commerce and Economic Development believes that there are four aspects of CSHB 689 which are not acceptable. These are: - (1) the question of risk, (2) interest rates, (3) method for repayment of principal and (4) definition of rural. Following are comments and suggestions or amendments for each.

1. Risk

- A. Comment CSHB 689 specifically states that "the state will undertake the risk of loss (for loan repayments) if the expected development does not occur." This statement in conjunction with the repeal of the existing requirement that the distribution line extension be economically feasible could preclude the APA from denying a loan which is clearly unfeasible,

particularly if the loan applicants contend that the addition of new customers, though speculative, will occur. The APA must have the authority to deny a loan when it soundly believes that repayment of principal is not likely to occur.

- B. Suggestion - It appears as if many of the needs for distribution lines stem from the State's land disposal program. In most cases, the land being disposed of does not have the infrastructure (electricity, roads, water, sewer, etc.) needed to serve the intended use of the land and land developers are not fully cognizant of the cost for such infrastructure. Consideration should be given to requiring that either the infrastructure be provided by the State before the disposal takes place or that a full disclosure of estimated infrastructure costs be made prior to the disposal. This should reduce the need for RERLF loans.

Also, consideration should be given to having the customer, rather than the utility, as the recipient of a loan. The customer would use the loan to provide the utility with a grant-in-aid-of construction. This would provide the upfront financing that is needed but remove the State from assuming the risk of loan repayments.

2. Interest Rates

- A. Comment - The existing RERLF statutes and the amendments proposed by CSHB 689 prescribe an interest rate of 2%. The rationale for this is that 2% interest rates were available from the Federal Government (REA) when many of the rural areas in the lower 48 first received electricity. However, it should be noted that at the time 2% interest rates were close

to U.S. Treasury rates. To use a cliché, it is apples and oranges to loan today's money at yesteryear's interest rates.

- B. Amendments - The Department of Commerce and Economic Development proposes an interest rate for the RERLF which is based on the U.S. Treasury rate plus 125 basis points for risk and 75 basis points for administrative costs less 600 basis points as a subsidy for the program. The minimum interest rate would be 2%.

3. Repayment of Principal

- A. Comment - If CSHB 689 is enacted, repayment of the principal for RERLF loans would be based on the unit cost of the line multiplied by the number of new customers added after completion of the distribution line. The 350 feet of distribution line needed for each unit is comparable to a square lot of 2.8 acres. If the lots in the service area exceed, on the average, 2.8 acres, full repayment of the principal would not occur. The amount of repayment that would not occur depends on the density of customers. A lower density would have a greater amount of principal not repaid.

Also, the added cost for buried or underwater line would not be eligible for an RERLF loan. For practical or ~~aesthetic~~ aesthetic reasons some utilities prefer buried or underwater line. This choice should not be penalized.

- B. Amendment - The Department of Commerce and Economic Development proposes a conventional approach to repayment of principal which is not contingent on the new customer growth rate. The principal would be amortized over the 20 year term of the loan.

4. Definition of Rural

- A. Comment - The CSHB 689 includes a definition of rural which states that the number of customers cannot exceed five per mile of line. This definition ^{combined with the definition of} "unit cost of the line" would preclude at least 2/3 of the principal from being ^{paid} repayed.
- B. Suggestion - The definition of rural is arbitrary and not consistent with previous RERLF loan applications. Also, "rural electrification" implies some purpose to the RERLF, such as diesel generators, which is not consistent with the purpose given in the statutes. It may be preferable to rename the program to be consistent with its stated purpose. If rural is not included in the title, there should be no need to define rural.

In summary CSHB 689 does not rectify some of the problems that have been experienced with RERLF statutes. In fact, CSHB 689 would require that at least 2/3 of the principal for a loan be treated as a grant and could restrict the APA's authority to deny loans which have little likelihood of repaying any principal. Consequently, the Department of Commerce and Economic Development does not support CSHB 689 and has proposed substitute amendments.

Richard A. Lyon, Commissioner

RAL/cw3DD

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